Formulating a Sustainable Economic Development Process for Rural America: Second Interim Report

By Yellow Wood Associates

A report for the Wealth Creation in Rural Communities project of the Ford Foundation.
Wealth Creation in Rural America

This report is part of the Wealth Creation in Rural America initiative, funded by the Ford Foundation. The aim of the initiative is to help low-wealth rural areas overcome their isolation and integrate into regional economies in ways that increase their ownership and influence over various kinds of wealth. The initiative has produced nine previous papers, which can be found at http://www.yellowwood.org/wealthcreation.aspx. The goal of this report is to advance the initiative’s broad aim of creating a comprehensive framework of community ownership and wealth control models that enhance the social, ecological, and economic well-being of rural areas.

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*Photo sources: Wayne Fawbush and Rural Strategies.*

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Introduction

The Ford Foundation envisions the wealth creation approach to improving the livelihoods of low-income individuals, households and communities as one that will have widespread application in many places. Toward that end, the evolution of the approach is being chronicled and shared on an annual basis. This report documents the second year of the Ford Foundation’s Wealth Creation in Rural Communities initiative for the purpose of capturing and sharing lessons learned so far.

The first Interim Report, available at http://www.yellowwood.org/wealthcreation.aspx, describes how practitioners, engaged in cluster-based development strategies, value chain development, entrepreneurship development, and community development financing, came together to form the Triple Bottom Line Working Group. Together, they began to frame the wealth creation approach and gather baseline data on the state of rural development practice with respect to the triple bottom line, wealth creation, and measurement. In the past year, the Wealth Creation in Rural Communities initiative and the Working Group:

• Commissioned a paper called Keeping Wealth Local that examines models of ownership and control that can make wealth stick in low-wealth rural areas.
• Identified sample goals, indicators and measures related to wealth creation in each of the six categories of wealth and conducted case studies of wealth creating initiatives to determine how well they measure system-wide impacts.
• Expanded to include work on specific pieces of the wealth creation puzzle including the role of community colleges, evaluation of pro-poor value chains, value chain certification standards and measurement approaches, energy and communities, community forests, the role of equity capital in rural areas, and development of the land assets of minority landowners through long leaf pine restoration.
• Continued to explore wealth creation language and identify what does and does not seem to resonate with practitioners of various stripes.
• Created a wealth matrix for planning and evaluating interventions.
• Commissioned research on rural-urban linkages and their role in wealth creation.
• Put work on the ground in four sectors in Central Appalachia, and introduced the wealth creation approach in the Alabama Black Belt.
• Began to explore the interplay of markets and policy and how policy can be impacted to create new market opportunities that benefit low wealth rural areas.
• Began a conversation with regional funders in Central Appalachia to explore opportunities for alignment to achieve structural change.

As the work continues, concepts are clarified and lessons are learned about process as well as content. It is our intention to share these lessons openly so others may learn from them.
Forms of Wealth

Wealth Creation in Rural Communities focuses on building seven forms of wealth concurrently and intentionally: intellectual, social, individual, built, natural, financial and political. Toward the end of year two, political wealth was added as the importance of having sufficient political power to be able to influence policy to shape opportunities for market-based development, particularly in historically low-wealth regions, became clear. The seven forms of wealth that form the basis of the wealth creation approach are:

**Intellectual capital** is the stock of knowledge, innovation, and creativity or imagination in a region. Imagination is what allows us to create new knowledge and discover new ways of relating. Investment in intellectual capital is through research and development and support for activities that engage the imagination, as well as diffusion of new knowledge and applications. Earnings from intellectual capital include inventions, new discoveries, new knowledge, and new ways of seeing.

**Social capital** is the stock of trust, relationships, and networks that support civil society. Investments in bridging social capital are those that lead to unprecedented conversations, shared experiences, and connections between otherwise unconnected individuals and groups. Investments in bonding social capital are those that strengthen relationships within groups. For example, sponsoring a town-wide festival could be seen as an investment in bonding social capital for town residents. Earnings from investment in social capital include improved health outcomes, educational outcomes, and reduced transaction costs, among others.

**Individual capital** is the stock of skills and physical and mental healthiness of people in a region. Investments in human capital include spending on skill development (e.g. literacy, numeracy, computer literacy, technical skills, etc.) and health maintenance and improvement. Earnings from investments in human capital include psychic and physical energy for productive engagement and capacity to use and apply existing knowledge and internalize new knowledge to increase productivity.

**Natural capital** is the stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna, etc.) in a region. Natural capital is defined as having three major components: 1) non-renewable resources such as oil and minerals that are extracted from ecosystems, 2) renewable resources such as fish, wood, and drinking water that are produced and maintained by the processes and functions of ecosystems, 3) environmental services such as maintenance of the quality of the atmosphere, climate, operation of the hydrological cycle including flood controls and drinking water supply, waste assimilation, recycling of nutrients, generation of soils, pollination of crops, and the maintenance of a vast genetic library. Investments in natural capital include restoration and maintenance. Earnings or income includes a sustainable supply of raw materials and environmental services. Natural capital and its systems are essential for life. People can destroy, degrade, impair and/or restore natural capital but cannot create it.
**Built capital** is the stock of fully functioning constructed infrastructure. Built capital includes buildings, sewer treatment plants, manufacturing and processing plants, energy, transportation, communications infrastructure, technology and other built assets. Investment in physical capital is in construction, renovation, and maintenance. Physical capital depreciates with use and requires ongoing investment to maintain its value. The income or earnings generated by physical capital exist only in relation to its use. For example, sewer and water treatment plants contribute to human capital (health). Schools contribute to human capital (skill development) and social capital (if they are used as community gathering places) and may contribute to natural capital (if they include natural areas that are maintained or protected by the school).

**Political capital** is the stock of power and goodwill held by individuals, groups, and/or organizations that can be held, spent or shared to achieve desired ends. Political capital is evidenced by the ability of an individual or a group to influence the distribution of resources within a social unit, including helping set the agenda of what resources are available. Investments in political capital are made through inclusive organizing that includes information gathering and dissemination, and increasing voice, access to and inclusion among decision-makers. Engaging players throughout a given value chain for mutual self-interest can build political capital. Earnings from investments in political capital include increased influence in decision making, increased access to and control over other forms of capital, and the ability to engage in reciprocal relationships, among others. Political capital can affect how rural areas are viewed in a regional context. Regions where political capital is equitably distributed or shared are typically characterized by leadership that is broad, deep and diverse; that uses research-based evidence to inform decisions; and that welcomes questions, open discussion, public involvement and help from the outside.

**Financial capital** is the stock of unencumbered monetary assets invested in other forms of capital or financial instruments. Financial capital, if well-managed, generates monetary returns that can be used for further investment or consumption. For example, financial capital can be invested in land protection through outright purchase or purchase of easements. Public financial capital can be accumulated in a variety of ways including building budget surpluses by collecting more in tax revenues than is spent on services, borrowing through bonding, and charging fees for public services over and above the real cost of services. “Rainy day funds” are an example of public stewardship of financial capital, designed to help society weather risks and uncertainties. In addition, through the growth of the nonprofit sector, private philanthropic capital is often tapped for investment in other forms of capital that yield public goods, for example, preventive health care programs to increase individual...
capital. Stewardship of financial capital implies responsible investment to generate added income as well as elimination of unnecessary cost or waste in providing public goods and services. In creating wealth, we strive to invest financial capital in ways to increase and improve the quality of the other six forms.

**Guiding Principles of a Wealth Creation Approach**

The wealth creation approach consists of developing seven forms of wealth by adhering to the following six principles:

1. **Wealth is created and “sticks” in low wealth rural areas**: Seven forms of wealth (individual, social, intellectual, natural, built, political, financial) are intentionally created. The process of creating any one form of wealth does not undermine any of the other six. Wealth sticks for individuals and communities through structures for local ownership and control of wealth. Systems thinking is employed to understand the impact of each form of wealth on the other forms of wealth and to identify interventions that result in positive impacts on multiple forms of wealth.

2. **Wealth is tied to place through value chains developed within sectors (e.g. housing, energy, forestry, etc.)**: Value chains connect rural and urban areas and connect low-wealth individuals, businesses, and communities with higher wealth individuals, businesses, and communities within and beyond regions. Opportunities for cross-sector integration within regions are pursued (e.g. housing and forestry; agriculture and energy). The wealth creation approach improves understanding of how to re-build rural-urban economies based on mutual benefit.

3. **Wealth-based development is demand driven**: The wealth creation approach embraces intentional market and policy interventions that stimulate demand in markets with potential for place-based wealth creation such as agriculture, energy, housing, health care, etc. Supply capacity is developed in response to effective demand.

4. **Measurement is integrated into the entire process**: Baseline measures for each of the seven forms of wealth are established and measured at the outset. Measures are linked to intentional interventions related to each form of wealth. Measurement provides accountability and an opportunity for the kind of learning that supports continuous improvement. Measurement is integral to the process of each intervention, not added on or performed by a third party. Measurement provides information that can be shared throughout a value chain.

5. **Investment fuels wealth creation**: Value propositions define the self-interests of value chain participants – for example, it is worth it for a large buyer to invest in the well-being of small growers of a product they stock if the result is a more secure supply. When self-interests become transparent, diverse parties are willing to invest in value chain development including adjusting markets and policies to support it. Well managed investment in all seven forms of wealth creates the basis for sustainable income streams.

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**SIX PRINCIPLES**

1. **Wealth is created and “sticks” in low wealth rural areas.**
2. **Wealth is tied to place through value chains developed within sectors.**
3. **Wealth-based development is demand driven.**
4. **Measurement is integrated into the entire process.**
5. **Investment fuels wealth creation.**
6. **Strategically flexible.**
6. **Strategically flexible:** Strategies for wealth creation are developed in context by committed regional partners. There are no “cookie cutter” interventions. Interventions integrate the above five components. Each intervention is crafted to create wealth in as many categories as possible while doing no harm to other forms of wealth.

**Linking Wealth Creation to Livelihoods**

Through the Wealth Creation in Rural America model, the Ford Foundation seeks to improve the livelihoods of low-income people. So, what is the connection between creating individual and community wealth that sticks and improving livelihoods? We expect to continue to grapple with this question over the life of this initiative, but, for now, a couple of things seem noteworthy. First, livelihoods for low-income rural people are about a lot more than jobs in the formal economy. The informal economy is alive and well in rural America and many low-income people use it either in place of or to supplement both income earned in the formal economy and income received through transfer payments. Also, many rural people are not job-takers but job-makers, even if only for themselves. Second, the ability to participate in the formal economy is influenced by the quantity and quality of intellectual, individual, and social capital a person has been able to acquire. In the absence of social capital that connects an individual with employed people and their employers, it is much more difficult to acquire employment. The ability to maintain employment or one’s own business is influenced by the quantity and quality of built, financial, and/or natural capital one owns or has control over. The amount of control over all forms of wealth that accrues to low income communities and affects individuals within them is a function of political capital or the lack thereof.

By intentionally building seven forms of wealth in place, we hypothesize a greater and more sustainable impact on livelihood and well-being than through a single focus on job creation. Further, by focusing on wealth creation based on the unique assets of a given place, and building structure for local ownership and control of assets, we hypothesize the livelihood opportunities that emerge (both entrepreneurial and employer-based) will be more tied to place – and more likely to remain – than those associated with traditional job creation incentives used to attract firms from away.

**Keeping Wealth Local**

The wealth creation model is premised on the idea that it is possible to stem the extraction of wealth from low wealth areas and create structures that keep wealth and control of wealth local for the benefit of low wealth individuals and communities. But how? What are the models that allow this to happen? To begin to answer that question, Yellow Wood worked with Marjorie Kelly of the Tellus Institute on a publication called Keeping Wealth Local (available at http://www.yellowwood.org/wealthcreation.aspx).

This report is in the form of a handbook introducing the concept of shared ownership, then describing and exploring various models with numerous examples and case studies. The shared ownership models that are explored include cooperatives, employee ownership, community land trusts, municipal ownership, tribal ownership,
community covenants and easements, and mission-controlled ownership. For community influence over wealth flows, the models that are explored include community fees and taxes, community endowments, and community benefits agreements. For each model, the report looks at strengths, weaknesses, the range of applications, expertise required, and sources of assistance.

Models of ownership and control of wealth that benefit low-wealth individuals, families and communities are one important piece of making wealth stick. More also needs to be learned about how to use the power of demand, supply and policy in various combinations to reshape markets to achieve inclusive wealth creation. Other aspects that will be the focus of future work have to do with how to create value propositions that engage investors throughout value chains and in rural and urban parts of economic regions. A value proposition is a statement to a non-low-wealth and/or non-rural person or a member of a value chain, supported by evidence, of the value to them of investing in low-wealth rural places and value chains of which they are a part. For example, large chain stores are investing in the welfare of low-wealth producers and inventing new ways to share risk because it helps them secure a reliable product supply.

Re-creating Rural-Urban Linkages

Rural areas provide many goods and services to urban areas that range from clean air and water to raw materials for manufacturing to educated workers to food to inventions to music and crafts and more. However, the terms of trade between rural and urban areas are such that rural areas, in general, are less able to accumulate wealth and use it to provide sustainable streams of income. In other words, wealth doesn’t stick in low-wealth rural areas and, when it does, it is concentrated in the hands of a relative few who typically invest elsewhere. Rural areas are left to rely disproportionately on public transfer payments that support consumption of goods produced elsewhere and provide little opportunity for wealth accumulation.

“Increasingly, the limitations of framing solutions to societal problems within the existing pattern of governmental jurisdictions or within the silos of sectors and disciplines are being recognized. Rural counties just do not have the technical or financial resources to tackle the challenges of poverty, migration, economic development or environmental degradation on their own. Nor can the major challenges associated with climate change, energy, and urbanization be tackled as discrete problems of agriculture, health, or transportation but have to be treated holistically across sectors. Viewing rural problems through a lens of regional innovation allows the exploration of rural-urban connections, and the potential for collaboration across public, private, philanthropic, and community sectors to take on seemingly intractable challenges such as long-term rural poverty.”

One of the keys to the wealth creation approach is to induce investment that sticks in response to compelling value propositions. For example, the Catskill Region has enjoyed significant investment from New York City to protect the City’s water source. It was a compelling value proposition when the city realized it could either spend very large sums of money upgrading its water filtration capacity or it could invest in

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1. Dabson, Brian (ed.), Wealth Creation and Regional Innovation, Essay for “Wealth Creation in Rural Communities” Initiative, March 2010, RUPRI.
capacity for improved land management to protect its water at the source in the rural Catskills. Simply continuing to take water from the Catskills without investing in source water protection was recognized as a very expensive and ultimately unsustainable option. Rural areas are home to many resources that produce clean water, clean air, food, fiber, minerals, energy, recreational opportunities, wilderness, habitat, etc. and are critical to the well-being and survival of urban populations. However, these goods and services have been historically undervalued if not unvalued (e.g. clean air, wind) and, when valued, often controlled by outside interests. “For many rural communities and regions of the United States, the path out of poverty to resiliency and prosperity is blocked by factors that drain or diminish the value of their assets and inhibit the creation of new community wealth.”

The potential for complementary rural-urban linkages exists at many scales both within and between counties.

Research

Wealth Creation in Rural America commissioned two complementary pieces of work that explore rural-urban linkages. The first is a series of papers based on research by Brian Dabson of RUPRI and colleagues. They define a truly wealthy community as one where most or all of its assets are being put to productive use and managed in ways that continue to enhance their value, and which is able to leverage its economic and other connections with its neighbors, both urban and rural, to expand and develop its assets, and strengthen its ability to manage them sustainably.

RUPRI used a Social Accounting Matrix (SAM) methodology to investigate trade flows between the urban and rural components of economic areas defined by the Bureau of Economic Analysis in Central Appalachia and Oregon, both natural resource-rich regions with a broadly similar range of population sizes in Economic Areas. Some of the key findings and lessons learned from RUPRI’s work are:

• We do not yet have the information we need to measure wealth at the regional or sub-regional level because: a) consistent data is lacking on many types of assets (e.g. intellectual, natural, built, social, individual, political); b) real and financial assets are related in ways that can lead to double-counting of assets because real assets are often purchased with loans that contribute to financial assets on a regional basis until they are paid off and accounts do not differentiate between real and financial assets; and c) information regarding ownership and control of assets is scarce.

• Information on trade flows cannot be assumed to correspond to investment (the basis of wealth creation). Just because a region has a positive trade balance meaning it earns more from exports than it spends on imports, it is not necessarily the case that those earnings are a) invested rather than used for consumption or b) if invested, invested in the region of concern in a manner that generates wealth that sticks. Conversely, a region with a negative balance of trade may be borrowing to

“For many rural communities and regions of the United States, the path out of poverty to resiliency and prosperity is blocked by factors that drain or diminish the value of their assets and inhibit the creation of new community wealth.”

- Brian Dabson
consume or borrowing to invest. Consumption or investment may or may not be localized.

- We need information that a) distinguishes changes in real assets from changes in financial assets; b) tells us how much a region is saving and how much it is investing in real assets across all forms of wealth; and c) tells us who owns and controls the assets and where they reside, including assets imported and exported by in and out-migrants to the region. It also would be extremely useful to know the rate of return on various assets over time to determine whether they are generating sufficient income to have a positive net impact on livelihood and whether they are being managed in ways that continue to enhance their value.

- Without better information about all forms of wealth, it is difficult to improve our understanding of how they are inter-related at the regional level.

Other findings specific to Central Appalachia include:

- The 87 county region of Central Appalachia as defined by the Appalachian Regional Commission is not an economic region. It is part of five Economic Areas as defined by the Bureau of Economic Analysis – Nashville, Lexington, Knoxville, Charleston and Johnson City – that together comprise 181 counties. Economic Areas are defined largely by commuting patterns around a metropolitan area. The metro area is considered the core of the region while adjacent non-metro counties are considered the periphery. Focusing development efforts on the periphery without engaging the core is like putting gas in a car without an engine.

- In every Economic Area, the core has a trade surplus with the periphery. This means the value of exports from the periphery to the core is less than the value of imports from the core to the periphery.

- In every Economic Area, there is a trade deficit with the outside economy (outside the region). This means the Economic Area, as a whole, imports more value from the outside economy than it exports. In other words, the trade deficits of the peripheries outweigh the trade surpluses of the cores.

- Federal funds in the form of transfer payments go disproportionately to periphery counties and come disproportionately from core counties. There is no clear distributional pattern for other federal flows such as direct payments (e.g. agricultural commodity programs), grants (e.g. Medicaid and Community Development Block Grants), procurement (e.g. federal purchasing) and salaries.

- Assets such as dividends, interest and rent payments go disproportionately to core economies on a per capita basis.

While these findings are suggestive and not surprising, better information and data are needed to make a strong connection between trade flows and wealth creation or depletion. We will continue to explore opportunities to reframe the terms of trade between rural and urban areas in economic regions. We expect our focus on Wealth Creation to result in new information and new patterns of information flow that will...
begin to address some of the data limitations cited above, albeit at a small scale initially.

For more information, contact Brian Dabson at brian@rupri.org.

Theory of Change Framework

The second aspect of this work is the beginning of a theory of change framework that identifies first and second level pre-conditions necessary to creating wealth that sticks in low-wealth rural areas. Janet Topolsky and John Molinaro of the Aspen Institute convened three small task groups of practitioners in regional food systems, energy systems, and ecosystem services to answer the question, “How can more of the wealth generated by economic activities or assets associated with the development and maintenance of Food Systems/Energy Systems/Ecosystem Services remain in and accrue to the benefit of low-wealth rural or urban communities and residents within a ‘working’ region?” Each group met for two days, articulated an ultimate outcome and identified building blocks they considered to be essential to producing the outcome (first level pre-conditions). For each essential building block, they identified building blocks essential to bring it about (second level pre-conditions). These frameworks are works in progress. However, practitioners who worked on them believe they can be used at the regional level to strengthen wealth creation capacity and by funders and national intermediaries at the field level to create coherence around cross-cutting and interconnected wealth creation strategies.

In comparing the frameworks developed for food systems, energy systems and ecosystem services, three important themes emerged:

THEME ONE: THE SECTORS HAVE A LOT IN COMMON

Analysis of the first-level preconditions in the three frameworks reveals striking similarities among the three systems. Eight parallel structural elements – or “meta-preconditions” – emerged from the analysis. These are:

- **Support of the Region’s Ecosystem.** All three action frameworks are strongly rooted in an understanding that efforts in the sector cannot be sustainable over time, or contribute to long term wealth creation in the region, unless the natural resource environment is respected, and unless wealth creation and retention strategies recognize, maintain and restore the carrying capacity of the regional ecosystem.

- **Knowledge Base and Dissemination.** Access to reliable, accurate and affordable information is a critical and too-often-absent requirement in all three system frameworks. In particular, information about supply chains, markets and strategic and business options and their relative costs and benefits can be difficult or impossible to find, hampering local and regional efforts. Access to good information also provides the critical baseline needed to measure progress and evaluate interventions. A particular challenge noted by all three groups is the
mismatch between commonly published data and the geography of the systems under consideration. For instance, political boundaries and watersheds seldom coincide, so available data is unlikely to geographically correspond to related issues or opportunities.

- **Partnerships, Relationships and Planning.** As noted earlier, one essential prerequisite for wealth creation and retention in low-wealth communities and families is “intentionality” – and that requires developing strong partnerships, relationships inside and outside the region, and inclusive planning processes that bring low-wealth people to the table and ensure that they are equipped to participate effectively. In addition, for wealth to stick, regions must find a way to institutionalize their efforts to develop and maintain healthy partnerships and relationships and to conduct inclusive planning – or else all the benefits they gain are likely to slip away over time.

- **Conducive Policy.** In each sector framework, participants identified supportive policy as a critical precondition, both for market-based initiatives that will sustain a healthy environment and for the resulting wealth to stick and accrue to the benefit of low income communities and people. In many cases, the current policy environment stacks the deck in favor of large-scale and unsustainable practices and wealthy absentee-owned interests. New policies at all levels – local, state and federal as well as international and corporate – are essential to level the playing field and allow low-wealth communities and regions to both participate and to benefit.

- **Business Capacity and Assistance.** All three sectors identified availability of local – and locally owned -- business capacity and related assistance as critical prerequisites for wealth to stick in low-wealth communities and regions. As the frameworks were developed, task group members repeatedly cited successful examples of wealth creation and retention strategies that required a healthy and diverse base of local enterprises, entrepreneurs and business assistance – something that is often absent from economically strip-mined low-wealth regions.

- **Participation and Access by Low-Wealth People.** In preparing the action frameworks, all three working groups noted that without intentional and effective inclusion of low-wealth people at every level of planning and in the resulting economic activity, little if any of the resulting wealth would accrue to the their long-term benefit. Many existing policies, practices and institutions systematically disenfranchise low-income people and strip them of wealth and the means to create and harness it. It will take intentional and systematic efforts to reverse this and create more just and equitable outcomes.

- **Valuation, Markets and Demand.** The markets associated with all three systems price products and services in ways that do not recognize their true long term costs or benefits – such as environmental degradation from mountaintop removal mining or improved CO2 sequestration from better forest management. Until these long-term costs and benefits are “internalized” – as reflected in the pricing of products or services – markets in each of these three sectors will continue to struggle, and sometimes fail. In some cases, new market mechanisms are required simply to permit the products and services to be effectively sold.
and distributed. The demand side of this equation is also driven by any number of factors, such as consumer preference, convenience, valuation and cost of products and especially underlying policy – all of which must be addressed for markets to support these sectors and return local benefit.

• **Local Ownership and Control** – The final major – and critical – element held in common in the three action frameworks is the local ownership and control over a region’s place-based assets and businesses, and the structures that generate wealth from these assets. Without a significant degree of local ownership or control, local communities, people and businesses have little ability to capture a portion of the resulting economic activity – or to ensure that these assets are managed sustainably and consistent with the long-term best interests of the community and its residents.

**THEME TWO: LOCAL ACTION IS NECESSARY, BUT NOT ENOUGH**

Throughout the development of the three action frameworks, task group participants repeatedly made reference to the regional nature of the issues, opportunities, markets and solutions. At the same time, “regional” is clearly a relative term that must be interpreted differently for different systems and solutions. For a particular ecosystem services opportunity, issue or solution, the “right” region might be a local watershed or a broad drainage basin, a particular environmental niche or an entire ecological region, a collection of small, privately owned woodlots or a national forest. Similar distinctions can be made for energy and food systems.

Moreover, when you consider what is regional in the context of a particular community or locality, you will almost certainly find that any given place is a part of many different regions for many different purposes. A rural community may share a regional relationship with one micropolitan area for this opportunity, a different one for that issue, and a distant metropolitan area for important markets.

The working groups also noted that the fluid nature of regions creates significant challenges when it comes to finding or collecting data needed to understand issues, opportunities and projects. Not only are regions unlikely to neatly fit into the political boundaries that underlie most datasets, but efforts addressing a single sector may have to aggregate data for different regions depending on the issue, opportunity or project under consideration.

**THEME THREE: INTENTIONAL ACTION PRODUCES BENEFITS FOR LOW-WEALTH PEOPLE AND PLACES**

Each of the three task groups encountered a parallel “aha moment” – a blinding flash of the obvious – about a day and a half into developing its framework. That moment came as they were examining if the preconditions constructed so far, taken as a whole, were collectively sufficient to meet the portion of the ultimate outcome relating to creating wealth that accrues to the benefit of low-wealth people and communities. Each group, at the point they asked that question in the process, concluded that you could do everything else right, end up with a thriving sector in your community
where the environment was sustained and improved and the regional economy was booming *and still not improve the lives and livelihoods of low-wealth people or places.*

In addition, participants discussed how, when working within a region, you could do everything else right and have the benefits totally bypass rural communities and accrue primarily or exclusively to the larger micropolitan and metropolitan centers. Each group cited instances on the ground where this had been or was occurring.

In examining what it would take for outcomes to be not just environmentally and economically sustainable, but to also be more just and accrue to the benefit of people and places most often left behind, each group concluded that it requires intentional-ity. Socially just outcomes require intentional efforts to include, to equip, to listen to, and to value the contributions of low-wealth people and communities. Ultimately, each action framework incorporated specific provisions to ensure that this happened.

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**Taking Shape: The Evolving Structure of a New Initiative**

The structure of Wealth Creation in Rural America as an initiative continues to evolve as new components emerge and original components are reshaped. Wealth Creation in Rural Communities began with a Working Group convened by the Ford Foundation that included experts in entrepreneurship development, triple bottom line financing, value chain development and cluster-based strategies. The Wealth Creation in Rural America Working Group was originally convened to provide input on the wealth creation approach proposed by the Ford Foundation and Yellow Wood Associates and to help establish baseline measures for how rural development practice nationally incorporated Triple Bottom Line and wealth creation approaches. In simple terms, the role of the Working Group in this early development phase was to test aspects of this approach in their own work and report results back to the group. The focus of Ford’s grant making during this initial phase was on supporting the efforts of the members of the Working Group, both individually and collectively. The result was that their collective learning helped to refine the wealth creation approach that underlies Ford’s grant making in Central Appalachia, and in future targeted regions in the South and Colonias.

Concurrently, Ford funded several initiatives related to wealth creation that were implemented by organizations outside the Working Group. These included: the National Wildlife Federation’s Black Belt Initiative focusing on engaging minority landowners in long leaf pine restoration for economic gain; The Conservation Fund’s efforts to build a fund to support community forest land acquisitions; Amy Glasmeier’s work on capturing the potential for community-based energy conservation and production; Pat Scruggs’ work on how to enhance the role of equity capital in rural development within a triple bottom line and wealth generation framework, and SI/ISEAL Alliance investigations into opportunities for setting standards related to value chains.
In June 2009, the Working Group was expanded to include the full range of Ford’s wealth creation-related grantees.

The relationship between each of these initiatives and the Working Group was never clearly spelled out. At the same time, the initiative was moving into work on the ground in Central Appalachia. It was originally anticipated that members of the Working Group would have the opportunity to compete for grants to work on the ground in Central Appalachia. However, over time it became clear that the primary movers for work in Central Appalachia were organizations already on the ground there. The Working Group was expected to either form relationships with these organizations (who were invited grantees) or find other groups in Central Appalachia through which they could be involved in regional work. This created several problems. First, it muddied the mission of the Working Group which had been, and remains, to help develop practice and policy in the United States that embraces and supports the wealth creation approach by incentivizing work on the ground in a particular region.

Second, it created stress for the invited place-based grantees that were approached by Working Group members with possible projects that often were not a good fit with the work grantees were already committed to doing. Finally, it undercut the principles of wealth creation itself, which is to create demand driven value chains. Instead it modeled a supply-driven approach.

After reflecting on the tensions created by unclear expectations and other factors, the Working Group and Ford decided it was time to clarify roles and responsibilities and the underlying structure of the initiative as a whole. As a result, the Working Group is being redefined as a Resource Team that will serve as a value-added resource to three key constituencies in moving a wealth creation approach to rural development forward over the next three years —1) the current on-the-ground grantees in Central Appalachia and those who emerge in the Black Belt/Delta and Colonias over the next two-three years; 2) the Ford Foundation as the principle funder of this work; and 3) Yellow Wood Associates as the managing grantee and evaluator of this work. There are four key value-added roles for the Resource Team to play in moving this work forward, including:

1. **Grow the wealth creation in rural America movement by supporting an effective education/information-sharing/communication strategy.** The members of the team will support an effective education/information-sharing/communication strategy by spreading the word about the wealth creation approach within their own circles of expertise and to broader policy and practice audiences.

2. **Provide technical assistance, capacity building, and coaching assistance to regional grantees and potential grantees.** The grantees implementing the wealth creation approach in different sectors in Central Appalachia expressed interest in having access to technical assistance resources that can be tapped on an “as needed” basis to address obstacles and opportunities that impact their ability to achieve the goals set out in the grant applications. Members of the Resource Team will serve as one potential source of this assistance. For example,
technical assistance might include sharing expertise on models of employee ownership or developing strategies for attracting social investors. In addition, the Resource Team brings capacity building expertise that may be needed for this approach to be successful and sustainable in the targeted regions. For example, existing grantees in Central Appalachia may need assistance in building relationships with community colleges or potential grantees in the South may need basic information about value chains in order to even consider how this approach makes sense on the ground for their constituencies. Finally, as the focus of the wealth creation approach expands to the South and Colonias, it is likely that some potential grantees may benefit from working with a coach – someone who can guide them through a discovery process of figuring out how to implement the wealth creation approach and who can help them connect with peers in other regions who might provide specific value to the newcomers. Members of the Resource Team may be ideally suited to serve in this coaching role. In all cases, however, it is important to emphasize that the assistance provided will be demand-driven – it will be in response to a request from a current grantee or the managing grantee (Yellow Wood Associates) and based on real needs on the ground.

3. Address and advance targeted issues necessary to further articulate the wealth creation framework. The Resource Team will serve as an informal “R&D” division for the wealth creation effort, exploring issues that present challenges to or opportunities for improved implementation and success of the wealth creation approach. For example, to achieve scale of impact, attention must be paid to policy development and education – what are the policy interventions that will best support wealth creation in rural communities? A policy working team within the broader Resource Team would be formed to address this issue in a comprehensive way. Members of the Resource Team may also participate in on-the-ground interviews and data gathering as part of the evaluation work. Once again, all of this “R&D” work will be demand-driven by Ford, Yellow Wood, the grantees, or members of the Resource Team and a process for vetting ideas and moving to proposal development will be established.

4. Participate as part of a learning community focused on the wealth creation approach. To add to the credibility and rigor of the approach, members of the Resource Team will participate as a learning community in support of advancing the wealth creation approach. Members of the Resource Team agree to share what they are learning from their own work and what they learn as they fulfill their other roles as a member of the Resource Team, e.g., as a coach or technical assistance provider, as a member of a research team. Members will participate in an annual learning convening/journey, designed and implemented by the Resource Team. As part of this convening, the Resource Team will have an opportunity to review evaluation results, share insights related to the implementation of the approach, and make recommendations for improvements to the approach that may lead to stronger wealth creation outcomes in rural America.

There will be approximately 15 members of the Resource Team representing a range of geographies and approaches to rural development. Membership will be by invitation only.
Getting to Scale: Goals, Activities, Structure, and Roles

Two critical aspects of Wealth Creation in Rural Communities that will ultimately define its success are: understanding what comprises a successful wealth creation strategy, and figuring out how we take this work to scale if it is successful. Scale means having a greater impact on improving livelihoods of the poor than the Ford Foundation could achieve with just the application of its own resources. The process is supported by four interactive components, each with its own goal and set of activities. The four components are the Wealth Creation Resource Team (formerly Working Group), Place-based Grantees, Regional Funders, and Evaluation. These are tied together through information sharing, periodic convenings, and overlapping participants.

1. Wealth Creation Resource Team

The Wealth Creation Resource Team, as an external group of advisors to this initiative, will help to advance the goal of moving rural development practice and policy in the United States to embrace and support the wealth creation approach. The team will add value to the overall initiative by supporting the communication strategy, providing technical assistance and capacity building support to grantees, and participating in research and learning activities that will advance the development of the wealth creation approach.

2. Tailored interventions of the wealth-based approach working with Place-based Grantees

Ford’s investment in place-based grantees – the organizations that are putting the approach into practice – will contribute to the testing and further development of a wealth creation approach that produces wealth that sticks in low-wealth rural regions. This investment focuses on three regions: Central Appalachia, the South (the Alabama Black Belt and the Mid-South Delta area of Mississippi, Arkansas and Louisiana), and the Colonias (in and around Brownsville, Texas). Four institutions in Central Appalachia have received funding to implement the wealth creation approach in four different sectors. Each institution is working collaboratively with a broad and diverse set of partners throughout their respective value chains.

A wide cross section of institutions in the two sub-regions of the South and in the Colonias has been, or will be, invited to participate in a seminar and networking event explaining the wealth creation approach. Those with interest in pursuing the approach will be offered a combination of technical assistance and small planning grants to form relationships with value chain participants in their sector of interest, deepen their understanding of the wealth creation approach and begin to craft wealth creation interventions. It is anticipated that implementation grants to a small number of institutions will be made in 2011 in the South and in 2012 in the Colonias.
3. Promoting Collaboration among Regional Funders

Ford is forming relationships with regional and national funders with the goal of introducing the wealth creation approach and encouraging collaboration among funders that results in the identification of opportunities for funding alignment that will help to concentrate resources and to deploy them more effectively. A regional funders’ gathering was held in March to explore collaborative grant making in Central Appalachia. The intent is to do that in each region. As background, funding scans have been completed for the South and Colonias regions, outlining funding source, recipient, purpose, and amount for sectors that may be included in the wealth-creation approach.

4. Evaluation: A foundational element of the approach

Yellow Wood Associates is the managing grantee for Wealth Creation in Rural Communities. It is responsible for working with Ford, the Wealth Creation Resource Team, and place-based grantees with the goal of understanding and incorporating wealth matrix indicators and measures of progress toward creation of wealth that sticks and contributes to enhanced livelihoods for low income and poor individuals, families and communities. It also tracks and records the process and key learning related to developing and testing a wealth creation approach in annual interim reports and conducts research related to wealth creation. It incorporates emerging information/knowledge and understanding into the introduction of this approach into assigned regions. Yellow Wood is also responsible for addressing Ford’s three central questions: 1) Does a systems approach using a wealth creation framework create wealth? 2) If wealth is created, is it (re)distributed to low-wealth people? 3) What’s the urban-rural link within a region and how can it contribute to wealth that sticks in low-wealth areas?

The most important lesson learned to date about creating a structure for this initiative is that, to be effective, the structure must reflect the principles of the initiative itself. It must be demand driven, inclusive, strategically flexible, and engage people on the basis of clearly defined value propositions.

Getting the Word Out

In addition to annual interim reports, Ford has developed several slide shows explaining the wealth creation approach. Presentations have been made within the Ford Foundation, at the April 2009 Exploring Innovation: A Conference on Community Development conference sponsored by the Federal Reserve Bank of St. Louis, and at the 2010 Northeast Rural Summit in Burlington, Vermont on April 12-13, 2010.

Working Group members have pooled contacts and used organizational mailing lists to send email blasts summarizing papers generated by Wealth Creation in Rural Communities grantees and providing links. So far, three emails have gone out. The first, which went out in January 2010, included summaries and links to papers introducing the concept of wealth creation. The second set, which went out in February,
included summaries and links to papers about clusters as a mechanism for wealth creation. The third set, which went out in March, included summaries and links to papers about forests, financing, value chains and equity capital in rural communities. The Resource Team is in the process of developing a more robust communication strategy that will include a stand-alone website for practitioners, policymakers, funders, and grantees. The website will serve as:

• a repository for collected papers, reports, presentations and tools related to wealth creation,

• a networking tool supplemented by webinars and other outreach activities, and

• a portal for technical assistance and sharing among practitioners.

The website and communications strategy will be further developed in year three.

Putting the Work on the Ground

The Ford Foundation is concentrating its place-based grant making for Wealth Creation in Rural Communities in three of the most historically impoverished places in the United States: Central Appalachia, the South, and the Colonias.

CENTRAL APPALACHIA

Four hybrid organizations, (non-profits that perform multiple functions including, but not necessarily limited to service delivery, policy development, financing, demonstration projects, and/or business development) in Central Appalachia were invited to apply for Wealth Creation grants in December 2009 using a specially developed application packet. (The application packet is available for review at www.yellowwood.org/wealthcreation.aspx ) Organizations were selected based on their capacity, history of relationship with Ford, sector focus, and willingness to engage in and test the wealth creation approach. Each of the four organizations is developing value propositions and value chains within a given sector. Their work is described below:

**Federation of Appalachian Housing Enterprises (FAHE)** is leading a collaborative effort to create a sustainable industry around green housing production that is locally owned and controlled so that it will continue to meet the green housing demand in the region, reduce energy expenditures, and improve financial security of low income households making possible reinvestment in other forms of wealth such as good nutrition and education. Value propositions include new market opportunities for developers, improved housing opportunities for low income and low wealth households, new business opportunities in supplying materials for green building, opportunities for service providers to become skilled and certified to serve as raters and installers based on the standards of nationally certified green building programs, opportunities for member organizations and other entities to obtain those services as required to have their housing designated as meeting a certified green standard, and others. The value chain will include green housing developers, suppliers, homeowners, utilities, social service agencies, community colleges, and others needed
to market, design, site, provide materials and services, train workers, build, finance, sell, monitor performance of and educate communities and homeowners in effective use and maintenance of green homes.

For more information, contact Rhonda Walters at rhonda@fahe.org.

**Rural Action** is anchoring a collaborative effort to engender investment in developing a green forest products value chain to meet the growing demand for lumber and materials that are sustainably produced. The value chain will include urban and rural consumers, Green Building Councils, wood processors, suppliers, truckers, foresters, landowners, financers, certification groups and others needed to market and produce green wood products to meet market specifications. Value propositions include the ability to meet regional needs using regional resources while simultaneously improving the quality of the natural resource base, creating jobs, developing a skilled labor pool and increasing returns on the land base for small landowners.

For more information, contact Michelle Decker at michelle@ruralaction.org.

The **Central Appalachian Network (CAN)** is expanding the work of members to meet a growing regional demand for healthy food. Value propositions include improved access to healthy food for consumers, improved food security for regional consumers and buyers, improved market opportunities and new skills for growers, business opportunities for processors and distributors, and protection of the environment through sustainable production practices. The value chain will include institutional buyers, consumers, growers, suppliers, processors, packagers, service providers, agricultural educators and others needed to increase the supply of sustainably grown agricultural products that match regional market demand.

For more information, contact Pam Curry at pcurry@economicoptions.org or Leslie Schaller at leslies@acenetworks.org.

**Mountain Association for Community Economic Development (MACED)** is increasing energy efficiency and developing an energy-based regional economy through energy efficient building retrofits and promotion of renewable businesses. MACED has defined several distinct value propositions: 1. Energy cost savings and increased value and comfort of structures for residents and enterprises; 2. Increased knowledge of energy efficiency as a form of service provision for distribution cooperatives; 3. Increased consideration of policy solutions by decision-makers to promote new energy results; 4. Income provided by new jobs as well as increased business skills for new energy contractors; 5. Reduced negative environmental impacts from coal-fired electricity, benefiting residents and enterprises, cooperatives, government agencies, and contractors alike. MACED will work collaboratively to create value chains needed to demonstrate new models and concrete examples of cost savings and positive economic impacts of energy efficiency and renewable energy on people and places in need.

For more information, contact Justin Maxson at JMaxson@MACED.org.
The four groups met together to share their wealth creation initiatives for the first time in November 2009 in Berea, Kentucky. Two of the groups, MACED and Rural Action, have long been members of CAN, so three of the four groups had a history of working together. FAHE has not been part of CAN and is less known to CAN members, though it has had some ongoing relationships with MACED and has offices in close proximity.

The Central Appalachian Initiatives (CAIs) had their first formal learning session in February 2010 in Atlanta, Georgia. Here they presented their implementation plans for the first six months of their grant period, shared their measures and measurement plans, and clarified the purpose of the learning sessions to which they have committed. The objective of these sessions is to identify opportunities for cross-sectoral learning and/or implementation that will accelerate progress toward goals within each sector. They also identified information they need to share to better understand opportunities to work together. Their first step will be to develop a map that shows who is working with whom and in what locations. The CAIs will be meeting at least twice a year to accelerate progress toward developing their value chain interventions and indicators of wealth creation through joint exploration. They seek to make the results of the four value chain interventions as valuable as possible, and will look for synergies where two or more sector strategies are mutually supportive.

THE SOUTH AND THE COLONIAS

Also in 2009, Ford began identifying potential grantees in the South. Initial outreach focused on a partnership between two institutions with their own community development processes. However, over time it became clear that a more inclusive approach would be more in keeping with the principles of the wealth creation approach. Ford identified two sub-regions of the South, the Alabama Black Belt and the Mid-South Delta including parts of Mississippi, Arkansas, and Louisiana, as the areas of interest. Starting with the Alabama Black Belt, Yellow Wood identified a broad cross-section of organizations in the public, private and non-profit sectors and invited them to a three-quarter day session to learn about the wealth creation approach. Participants were introduced to the six forms of wealth and the concepts of value chains and value propositions. Participants and other entities identified since have been offered technical assistance and/or small planning grants to begin to discover value propositions for value chains in sectors of their choosing. We intend to repeat this process in the Delta and the Colonias in 2010. Participants responded to this opportunity very positively.

Through this process, we learned that it was very challenging for participants to think beyond a community’s needs and problems, to what it has to offer to others. As a corollary, it has been difficult for many to identify the demand side of the value chains and relevant value propositions. Yellow Wood will continue to provide technical assistance to these regions over the next year using more of a capacity building approach.

Planning grants do not carry an expectation of further support; rather they are intended to produce tangible benefits of increased understanding, broader relation-
ships, and better strategies in their own right. However, if the process is successful, some planning grant recipients may develop strategies sufficiently robust to warrant further funding similar to Central Appalachia. If this happens, it will form the basis for cross-regional sharing.

For more information, contact Barbara Wyckoff at bwyckoffi@earthlink.net.

**Lessons in Measurement:**
**Indicators and Measures of Wealth in Action**

During the first year of Wealth Creation in Rural Communities, we learned about how practitioners in the field measure or fail to measure wealth creation outcomes. (For more information and examples, please see Interim Report Year One). During the second year, we undertook two research projects to refine our understanding of what indicators of the six (now seven) forms of wealth could be and how they could be measured. For our first project, we chose as a study area a 14 county expanse of eastern Kentucky that included both lower wealth and higher wealth areas so that we could examine potential regional benefits of wealth creation. For each area of wealth (individual, intellectual, social, built, financial, natural), we chose a related stock (healthy weight people; broadband access; patents in use; electric generation capacity; savings, net worth, debt and income; and agriculture and food, respectively) and then identified the data available to describe that stock, noting data limitations. There are many indicators of any given form of wealth; our selection is neither prescriptive nor comprehensive. Instead, it is intended to illustrate the possibility of measuring different types of wealth as stocks. By doing so, it opens up the imagination to a variety of ways of growing the stock over time by engaging unusual partners based on their self-interests. For each stock, we collected baseline data for the study area, attempted to establish patterns of wealth ownership, identified the means by which stocks increase and decrease, and identified sample wealth creation approaches to increasing each stock, either by reducing outflows, increasing inflows or through a combination of the two. Our intention in doing this research is to help ourselves and others understand:

- what the wealth creation approach looks like in concrete terms,
- the difference between generative investments that result in ongoing wealth creation across categories and dead end investments that undermine one form of wealth to create another,
- interconnections among different forms of wealth,
- existing investment patterns and related outcomes and to imagine alternative patterns of investment,
- data limitations and opportunities in establishing measureable targets for wealth creation.

For more information, contact Melissa Levy at Melissa@yellowwood.org or Doug Hoffer at drhoffer@comcast.net.
The second research project investigated three long-established wealth creating interventions to determine which impacts have been measured and how. The three interventions are the Farm-to-Hospital program at Fletcher Allen Health Care and the Champlain Housing Trust in Burlington, Vermont and municipal telecommunications in Glasgow, Kentucky. Each of these interventions was designed to create certain types of wealth with assumptions about spillover impacts on other forms of wealth. For example, the City of Glasgow built a fiber network to create competition, reduce bills, improve learning opportunities and promote economic development. Yet the only measures it tracks are money saved by ratepayers and increased local tax revenue. Without engagement by diverse partners including county government, public and private schools, employers, and economic development professionals in establishing baselines and measures of progress, the broad range of potential wealth creation is not captured or well understood. Conversely, had a broader range of stakeholders been engaged at the outset in defining measures for the full range of desired wealth creation impacts, it is entirely possible that greater impacts would have resulted from increased awareness and better information.

Similarly, Fletcher Allen’s Farm-to-Hospital program has potential for impacts across all six forms of wealth; however no baseline was ever established and there remains insufficient data to measure ongoing impacts. Generating data would require thoughtful participation by farmers, distributors, lenders, and the hospital itself. While the hospital has expressed some interest in initiating a measurement program and has signed on to a national initiative called Health Care Without Harm that requires documentation, hospital staff does not have expertise in measurement nor do staff members fully appreciate its power to drive positive change.

In the case of the Champlain Housing Trust, a great deal of data has been amassed regarding impacts on financial wealth including net increase in personal wealth, annualized return on investment for land trust homeowners at sale, amount of public subsidy and more, yet no data are being systematically collected on impacts on social, individual, intellectual, natural, or built capital.

If the wealth creation approach is to reach its full potential, it will be necessary to design interventions that engage a full range of stakeholders in measuring outcomes related to their interests in different forms of wealth and, ideally, develop shared information systems. Having timely, accurate, and reliable information on wealth creation impacts would help advocates to build alliances, policy-makers to rationalize resource allocation, and funders to identify best practices. Given the paucity of public data at the federal and state levels that would allow sub-state regions to establish wealth creation baselines and capture impacts, much of this work will have to start at the local level. We expect to learn more about this by working with Ford’s place-based grantees.

The report, Measuring Community Wealth, which includes research from both of these projects, will be available at www.yellowwood.org/wealthcreation.aspx.

For more information, contact Doug Hoffer at drhoffer@comcast.net.
Using the Wealth Matrix to Shape Interventions: Experiences of the Central Appalachian Applicants

A special application packet was developed for use by Central Appalachian applicants that explained the wealth creation approach. It included, among other things, a wealth matrix, a description of value chains and a requirement that applicants engage partners throughout the value chain in their work. The wealth matrix component of the application is included as an appendix to this report.

The four applicants, MACED, FAHE, CAN, and Rural Action, and their partners found that being required to think in terms of wealth creation and value chains required new ways of thinking. Some of their comments include:

“It was a mind-stretcher because it’s so all encompassing and you’re looking for partners. It’s something we’ve been interested in but haven’t done.”

“There’s more thoughtfulness to this than other proposals. Usually it’s about what the funder wants. We wrote two different position papers on our work and what about it makes wealth stick at the individual, community and regional level. It’s been a really hard process for us. We’ve invested a lot of time and it will serve us well.”

“Normally we think ‘we’ve got a model and it’s working.’ And yet we just hadn’t thought about building connections and bridges to disciplines that are different to us. This pushed us to think about interacting with universities and utility companies. We don’t usually think about this. We want to get ourselves out of the box we’ve gotten ourselves into. Housing isn’t everything.”

“It stretched my thinking about demand because we do focus on supply.”

“It made me think about what does training get you and what does technology get you and how do they connect up?”

Responding to the application also raised new questions. For example, the features of value chains like risk sharing are not well understood.

“Many of us don’t know how to begin to talk to large buyers.”

Applicants discovered the need for more information about baseline conditions before they could develop meaningful measures. For example, there is no baseline information about the quantity of logs and other wood products that flow back and forth across state lines in Central Appalachia as there is in, say, the Northeast. Ford has recognized the need to support foundational research where it is required to better define wealth creation opportunities.

Likewise, being asked to think concretely about indicators of each of the six forms of wealth (political capital was not included in the Central Appalachian application...
packet) helped applicants focus in on interventions that would make a measureable difference over time. Comments included:

“The indicators really did make us ask what interventions we think have the greatest benefit across the six forms of wealth.”

“The way Ford is breaking it out in six forms of wealth makes sense to us but it’s new.”

“The most use and perhaps most difficult piece was the indicators section. We tried to figure out in pretty concrete terms how to shape our interventions to have the broadest impact possible. It’s the level of intentionality we’re interested in and it caused us to think further and be more concrete than we had been.”

“It was very useful to think about different forms of wealth. Initially we rolled our eyes, but it was so useful.”

We provided support to the applicants in the form of a webinar to review the application and one-on-one technical assistance. We are still learning about how best to support applicants as they become familiar with a different way of thinking about rural development.

“The readings were really helpful, as was technical assistance.”

“The webinar and guidelines matched up with what we’d seen before.”

“Having a friendly voice at the other end of the phone really helps people be comfortable taking risks.”

Through one-on-one technical assistance, we learned how to explain the language of wealth creation so that it made sense to applicants. We needed to explain the difference between value propositions and value chains. The purpose of a value proposition is to ensure that people who can benefit from interventions are part of the design so they will invest in it now and in the future. For some, it was quite helpful to think of value propositions as explanations of the value of an intervention to investors. A value proposition shows how investment creates a virtuous cycles of positive returns. Value propositions make the case for changing existing patterns of investment flow.
A value chain describes the connections between suppliers, producers, aggregators, distributors, consumers and financiers, regulators, waste handlers, etc. that are part of the process of bringing a good or service to market.
A value chain describes the connections between suppliers, producers, aggregators, distributors, consumers and financers, regulators, waste handlers, etc. that are part of the process of bringing a good or service to market. We also found that a graphic depiction of value chains can help applicants begin to identify the points on the chain that will be touched by planned interventions.

In combining the concept of value chains with the concept of wealth creation, it has become apparent that one avenue toward wealth creation is waste reduction and/or converting waste into resource. For example, in an agricultural value chain, waste is created in production, through spoilage, and in food preparation. There are costs associated with managing and handling waste at every stage. When this waste can be reduced and/or converted into a resource by, for instance, feeding food scraps to livestock, value is added. When people are not educated well enough or are not healthy enough to be contributing members of society, there are many costs to society associated with this waste, including the costs of health care, housing, food, low worker productivity, crime, etc. The benefits of effective investments in individual capital accrue not only to the individual, but to society as a whole. Therefore, we have modified the value chain schematic illustrated below to include waste handlers. This is a graphical way to internalize waste as part of the system and identify those responsible for generating and/or managing and/or regulating waste as stakeholders in wealth creation interventions.

Applicants were also required to come up with measures of the status of wealth indicators. We learned that thinking through funnels is helpful in coming up with realistic measures. For example, FAHE represents 50 housing developers producing 4000 units a year. Of the 50 housing developers represented, 20 are interested in green housing. There are three possible funnels to reach the proposed target of 500 new green houses a year. 1) go from 50-100 developers on board (assuming that will double the number who want to build green); 2) see if more than 20 of the existing developers will do it; 3) get the existing 20 developers to build more green houses. Framing measures help make the case for the reader. A framing measure is a measure of what is possible based on a realistic set of assumptions and evidence from other places. For example, if FAHE assumes that 40% of all residential developers in Central Appalachia are interested in building green and, on average, they each build 50 homes a year, and there are 1,000 residential developers in FAHE’s territory, then the universe of possibility is about 20,000 houses a year (400 developers X 50 houses each). If FAHE’s target is 1,000 units over two years, then they are accomplishing 5% percent of what seems possible. To go beyond that will require additional partnerships.

A focus on wealth creation moves practitioners beyond measures of income. Income is not wealth. Income can be spent or saved. If it is saved, it becomes financial wealth. If it is invested, it can become any of the other six forms of wealth. Jobs are also not wealth. Ford’s Rural Livelihoods group (the umbrella group for Wealth Creation in Rural Communities) has recognized that sustainable livelihood is not about jobs but about skill development including entrepreneurship training and workforce development. Livelihood is also built on wealth represented by new businesses that have assets, new ideas that lead to new ways of thinking and behaving, new products and services, social capital, savings from income earned that are invested in other

“You reminded us we can represent other non-financial outcomes as measurables. We need to learn this. We need to worry less about what we already know how to track and think more about what we think would really matter.”
forms of wealth, etc. We are at a very early stage of understanding how to go beyond counting jobs and income to actually measure investment and wealth.

According to one CAI applicant, “You reminded us we can represent other non-financial outcomes as measurables. We need to learn this. We need to worry less about what we already know how to track and think more about what we think would really matter.”

A review of measures proposed by the four Central Appalachian applicants revealed certain commonalities, despite their focus in four distinct sectors with different interventions. For example, all applicants designed interventions that would impact individual wealth by improving the skills of various value chain participants. Similarly, all applicants’ interventions desire to increase the amount of investment in value chains resulting from an increase in the stock of financial capital available to participants. We have begun the process of developing templates for measurement of skill development, investment, local ownership structures, waste reduction, common language, and collaboration that are being tested in the field by the Central Appalachian initiatives.

Given the complexity of designing interventions using the wealth creation approach, we learned how important it is to allow ample time for applicants to engage in conversations with possible partners – especially when these are new relationships. As a result, we are offering planning grants to be used for exactly this purpose in the South and the Colonias. In addition, we are becoming aware of the need to educate people and organizations that provide support of various kinds to grantees in each of the three regions about the wealth creation approach.

**Aggregating Philanthropic Resources**

Engaging funders in and beyond low wealth regions in collaboration around the wealth creation approach has always been part of the vision for Wealth Creation in Rural Communities. Ford’s resources are limited and some of the interventions necessary for wealth creation and livelihood improvements are beyond the scope of Ford’s funding parameters. By identifying and convening many types of funders in the three regions of interest, Ford hopes to form relationships with local, state, regional and national funders to introduce the wealth creation approach and identify opportunities for funding alignment that will help concentrate resources and deploy them more effectively. Toward this end, in early 2010, the Ford Foundation contacted a core group of regional funders that work in Central Appalachia with the intent of beginning a conversation about each others’ work that could lead to opportunities for collaboration in the region. This resulted in a commitment by Ford, Benedum, Mary Reynolds Babcock, Blue Moon Fund, and the Appalachian Regional Commission to host an Appalachian Funders Convening in March 2010 in Abingdon, Virginia. Attendees included local, community and state foundations, regional foundations, state and federal economic development agencies and a representative from the Federal Home Loan Bank of Pittsburgh.

The convening included an evening talk by Ron Eller, regional historian, followed the next day by two panels, one on forces affecting Appalachia and the other on emerging opportunities in transition. Participants recognized the need for “structural” change
to affect poverty in the region; however, how to affect such change was an open question. After lunch, funders met to discuss their interest in forming an Appalachian Funders’ Network. A second convening is being planned.

In year three, Ford intends to pursue similar alliances with interested funders in the South and the Colonias. Eventually, a network of funder collaborations may emerge. In addition, Ford has been working with a group of national funders including the David and Lucille Packard Foundation, Bill and Melinda Gates Foundation, German Marshall Fund, McKnight Foundation, Robert Wood Johnson Foundation (invited), Rockefeller Foundation, Walton Family Foundation and W.K. Kellogg Foundation to identify opportunities to work collaboratively to change federal agricultural policy and improve rural economies.

Lessons from the Working Group

Members of the Working Group have been exploring a variety of topics related to wealth creation including: the role of community colleges, evaluation of pro-poor value chains, value chain certification standards and measurement approaches, energy and communities, community forests, the role of venture capital in rural areas, and development of the land assets of minority landowners through long leaf pine restoration. This section of the interim report briefly summarizes activities and lessons learned from these explorations.

ENTREPRENEURSHIP DEVELOPMENT AND THE TRIPLE BOTTOM LINE

Nancy Stark of CFED and Deb Markley of RUPRI Center for Rural Entrepreneurship conducted sets of interviews with leaders of rural communities, economic developers, rural development practitioners, and foundation staff to better understand how these groups currently view and respond to the need for triple bottom line wealth creation in rural America – the kind of information they need, the “persuasive arguments” that might resonate, the level of interest being expressed, and the examples of this interest and activity on the ground. In addition, two programs operating or planned on the ground in Central Appalachia – the Center for Economic Options Green Business Accelerator and MACED’s Forest Opportunities Initiative – were studied to learn what it means to be intentional about achieving wealth creation outcomes on the ground. Interviews were combined with web-based research into other examples of effective practice, and yielded the following important insights:

• **Language matters.** How we talk about wealth creation will make a difference in terms of the openness of development practitioners and policy makers to change the way they are currently approaching rural development. It is important to use language that invites people to participate and learn more, and acknowledges the good work they may already be doing (even if it may not be as far down the path toward wealth creation as this approach intends).

• **Value propositions are critical.** In order to help practitioners and policy makers see how the wealth creation approach will help them achieve their goals, it is critical to be able to articulate clearly the value propositions. For example, we identified a local council of governments (COG) where the staff was commit-
ted to changing their practice to consider environmental as well as economic impacts. However, the local elected officials who support the COG could not see the value of changing what they had been doing for 50 years. If we cannot figure out how to help articulate these value propositions, we will have limited success in moving traditional economic developers toward a wealth creation approach.

- **Learning from other communities is important.** At some point, it becomes important to show community leaders and others how this approach is being used effectively in other rural places that look like their communities. Sharing white papers and research is valuable but to change the practice of rural development requires sharing what rural communities are doing, how they are doing it, and what outcomes they are achieving.

- **Practitioners need tools to be successful.** We need to provide people on the ground with information and tools they can put into practice. This will require translating what we know and learn into actionable tools. It also means being intentional about opening up a “learning dialogue” between folks on the ground who are putting the wealth creation approach into practice (both those funded by Ford and not) and others who are thinking about, researching, and advocating for this approach.

- **Politics and power can impact implementation.** Each rural place has its own unique history and legacy of both politics and power relationships. These need to be recognized and understood as the wealth creation approach spreads from one region to the next. These relationships complicate the implementation of the model and may require flexibility and creativity in putting the wealth creation approach into practice. For example, the power and political strength of the coal industry in Central Appalachian creates a dynamic that underlies all the environmental policy work that takes place in the region. Even work outside the coal sector, such as forestry, requires recognition of the political/power context in articulating value propositions, forming collaboratives, and figuring out the best way to move new practice and policy forward in the region.

These insights led to thinking about creation of a web resource as a way to effectively communicate the wealth creation approach to community-based practitioners, in particular. In collaboration with Working Group member Pat Scruggs, a plan that used a set of guiding questions — those that practitioners might actually ask — was developed to organize the materials. In collaboration with Marjorie Kelly, a stand-alone Wealth Creation in Rural America web resource that would serve as a repository for the significant learning of the working group and make that learning accessible to a wider audience has been conceptualized, including a set of “Practice Pages.” The
The website is part of an overall communications and outreach plan to be implemented during year three.

For more information, contact Deb Markley at deb@e2mail.org or Nancy Stark at nstark@cfed.org.

VALUE CHAIN CERTIFICATION STANDARDS AND MEASUREMENT APPROACHES

Hal Hamilton of SFL offers a few observations from the work:
- There’s more agreement among value chain participants about environmental indicators than social or equity ones.
- Impact assessment methods differ by the type of user, by moments in the life of a project, and by the scale of what is being assessed (some outcomes take years to emerge, whereas quicker feedback is needed to motivate business partners to engage).
- It was perhaps not only too ambitious to expect a common set of impact indicators but also the wrong approach. These things need to be more bottom-up, tested in value chains, and designed to meet the needs of the farmers and other players managing the systems who desire continuous improvement. We’re still striving for a balance between rigor and comparability on one hand, and practicality on the other hand.

For more information, contact Hal Hamilton at hal.hamilton@gmail.com.

EVALUATING PRO-POOR VALUE CHAINS

CATIE, a development research institute based in Costa Rica, has been working with Ford’s Rural Livelihoods Learning Group (a group of program officers including Wayne Fawbush, sponsor of Wealth Creation in Rural Communities) to develop and test a methodology to measure the impact on poor households of international value chains in organic agriculture and certified forest products. In 2010-2011, the CATIE method will be adapted and tested with one or more agricultural value chains in the United States. Lessons learned will be captured in the third interim report.

For more information, contact Hal Hamilton at hal.hamilton@gmail.com.
THE ROLE OF COMMUNITY COLLEGES IN WEALTH CREATION

With funding from the Ford Foundation, Regional Technology Strategies (RTS) established the Alliance for Sustainability, a network of community colleges in Central Appalachia as well as institutions in Europe and elsewhere in the U.S. Goals of the project include expanding or improving programs that support employment in sustainable, wealth retaining companies, paying particular attention to local business clusters; developing and offering programs for local businesses on the economics of sustainability and social inclusion; attracting and retaining students in programs that lead to employment opportunities in businesses that support sustainability; and sharing experiences around issues relating to sustainable/triple-bottom line practices. Some of the major lessons learned over the past year include:

- Community colleges are very willing to work collaboratively.
- Relationships with non-profits are weak to non-existent.
- Community colleges are particularly strong on energy efficiency and every member college offers programs in weatherization and training to be an energy auditor. The group is developing a proposal to specify a joint curriculum for energy auditing, develop it into a program, and use that as an energy career ladder starting with weatherization, moving up to energy auditing, and other specialized energy needs.
- Nearly all members were moving toward greener facilities, (e.g., increased use of clean energy, recycling, weatherization, and rescheduling to reduce commuting patterns), using their campuses to exemplify what could be done in other public and private facilities.
- Access to stimulus and other federal dollars has been a strong incentive for colleges.
- Programs for sustainable food systems and natural resources at community colleges are scarce, even as demand grows. They could be strengthened through relationships with agricultural extension services and other agricultural organizations.
- The need for better education about sustainability spans the public schools, where many decisions are made, the introductory community college programs, and in non-credit programs for people in the work force, the unemployed, management, and career changers. This requires a multi-pronged approach.
- Entrepreneurship training was viewed as essential to both sustainable food systems, where it exists, and energy sustainability, where it is weaker. The possibility of using the Virtual Entrepreneurship Institute developed by TA3 member Kingsborough Community College in New York City for entrepreneurship education is being considered.

Community leaders have insufficient information to make good decisions about energy efficiency investments, including information about what, when and whether to make investments in a low carbon future.
• There was consensus around the idea that community colleges should develop and offer a course on environmental ethics for students and the community.

• Developing renewable energy programs in mining economies is difficult because of concerns about job loss but there are opportunities in conservation.

• Interest in sustainable food systems included not just direct energy issues but issues such as local marketing methods, organics, precision agriculture, and finding ways to brand products to add value and retain wealth.

For more information, contact Stuart Rosenfeld at rosenfeld@rtsinc.org.

ENERGY AND RURAL COMMUNITIES

Amy Glasmeier and a team of colleagues conducted research on energy opportunities scales for rural communities including challenges and prospects for renewable energy in Appalachia, employment potential, and regulatory barriers among other topics. Material on energy efficiency, wind, micro-grids, and energy finance are being prepared for broader distribution. In the area of energy, one of the greatest opportunities for wealth creation through savings is in energy efficiency. Amy has been working with Bellafonte, PA to develop an energy usage profile based on an analysis of utility bills. The analysis identified a series of activities that have demonstrated energy savings of over $300,000. Many are low cost activities that include behavioral change on the part of the municipal organization. In addition, four courses on energy efficiency for communities are available online. These include energy 101, strategic energy management planning, biomass-based local energy systems, and waste water treatment.

Key lessons learned in working with municipal officials include:

• Community leaders have insufficient information to make good decisions about energy efficiency investments, including information about what, when and whether to make investments in a low carbon future.

• Energy efficiency is a starting point in optimizing basic infrastructure in all its forms. Energy efficiency is needed to achieve any of a range of energy-related goals whether they have to do with increased reliance on renewables, green jobs, smart grids, or reductions in greenhouse gases.

• Few programs exist to inform and educate public officials and decision-makers about the role of energy efficiency in economic development. This is true for community groups, elected officials and economic development professionals.

• Energy-related decisions tend to be made by plant operators or secretaries who pay the bills. Information does not rise to the level of municipal decision-makers.

• The public sector is poorly served by energy efficiency programming. Although federal funds for energy efficiency are programmed through local and state government entities, they tend to focus on residential and private sector improvements.

For more information, contact Amy Glasmeier at amyglas@MIT.EDU.

Capacity-building and upfront planning and coalition-building are critical to the long-term success of community forests.
FORMULATING A SUSTAINABLE ECONOMIC DEVELOPMENT PROCESS FOR RURAL AMERICA

PROMOTING COMMUNITY FORESTS

Rapid divestment patterns in forestland ownership by timber investors and family forest owners indicate a ten-year window of opportunity to effect meaningful change. After that, fragmentation rates and land prices will be so high as to effectively: 1) bar communities from effectively acquiring large-scale community forests, and, 2) weaken the necessary economic infrastructure of processing facilities and logging contractors. Recognizing this opportunity, and building on its long history of investment in community forestry, the Ford Foundation supported the creation of the National Community Forestry Service Center (NCFSC) by The Conservation Fund. NCFSC aims to energize and dramatically accelerate the national movement toward local ownership and management of forestland in the US, building on this unique opportunity to restructure timber ownership in the United States. NCFSC promotes the local acquisition, ownership, management, and conservation of community-owned forests through the facilitation of sophisticated intermediary services and network support of US community forestry practitioners. Success means that communities increase their economic, conservation, and community-building options through sustainable community-owned forestry.

NCFSC, working in concert with the Conservation Fund’s Natural Capital Investment Fund and Resourceful Communities Program is:

- working with tribes in Michigan to help secure project funding and engage tribal members in learning, discussion and planning to support establishment of a tribal forest;

- working to include community forestry as a strategy for protecting working forests and providing community benefits in North Carolina’s State Forest Resource Assessment; and

- coordinating with county officials to initiate forest management activities at Hoke Community Forest which will generate $60,000 a year and support eco-tourism infrastructure development.

Lessons learned to date include:

- **Financing projects is more challenging than we thought it would be,** even though we are working to bring New Markets Tax Credits, Forest Legacy easement purchase funds, water quality protection funds, and other public dollars to the table. Per-acre costs of forestlands in the South and Appalachia are significantly higher than forests in New England and the Upper Midwest; and the poorest communities are not positioned to provide local sources of funding or low-cost financing. Even in the tribal forest on which we are working in the Upper Midwest, where the tribe is working to bring a significant amount of funding to finance the acquisition, the acquisition costs, the depressed market, and the lack of economic infrastructure for value-added wood production / biomass, etc. makes it challenging to have the payback viable. We are working to identify potential low-cost investors and PRI sources, but those are in short supply in the current economy.
• **Capacity-building and upfront planning and coalition-building are critical to the long-term success of community forests.** Our research and analysis of successful community forest projects indicate that a certain level of community capacity was in place prior to the projects’ initiation; and our working knowledge of distressed communities in the South and Appalachia helps us understand the need to build those capacities in order to bolster the effectiveness of community forest efforts. We believe our work in South Carolina, facilitating discussions of collaborative opportunities between conservation and community development organizations, has laid the groundwork for several potential community forests and is a model for the upfront capacity- and coalition-building that must happen in socially- and economically-distressed communities to ensure long-term success of community forests.

• **Time-frame for project implementation is often in conflict**, with the need for upfront information sharing and capacity-building typically proceeding much more slowly than the time frame in which forestlands are available for sale. It is vitally important to have an intermediary entity available to support the capacity-building while also negotiating the best deal on behalf of the community, and working collaboratively with the community to line up financing sources.

For more information, contact Mikki Sager at MikkiSager@aol.com or Calvin Allen at callen@conservationfund.org.

**THE ROLE OF EQUITY CAPITAL IN RURAL AREAS**

Patricia Scruggs of Scruggs and Associates, Wayne Embree of Reference Capital, and Dr. Rob Wiltbank of Willamette University Virginia Tech Office of Economic Development conducted research on the impact that venture capital has on rural economies, how patient capital funds can promote triple bottom line wealth creation in their rural investments, and how practices with positive impact can be scaled or replicated in other regions. The project used a case study method to compare impacts of investment on various forms of wealth and then used those results to expand the comparison of rural and urban angel and venture funds to a national scale. Takeaways regarding the comparative performance of equity investments in rural and urban areas, the role of advisory services, and triple bottom line investment practices are summarized below.

**Equity investments** have potential for broad community impact. A detailed examination of different investments indicated that in addition to the direct influx of capital, impacts from equity investments included increases in local purchasing and value chain development, infrastructure improvements, employee training and skills development, above average healthcare benefits, and support of local cultural and community spaces. We also noted that while the potential for such community impact existed, many investments did not fully realize their potential due to factors such as the lack of awareness about TBL based business practices or limited resources among funds for providing the level of technical or operating assistance to help their investments implement these business practices.
Performance & Impact Take-Aways

- Equity and near equity funds have a niche role in providing capital to businesses with high growth potential; these businesses can and do exist in rural regions.

- Investments in rural and underserved areas show the same level of performance as their metro counterparts.

- There is a need for small scale, entrepreneurial capital to augment larger scale venture capital.

- Equity-back companies are significant job creators, and appear to create jobs with the same efficiency as other economic development tools.

- The ripple effect of equity capital includes investments in local supply chains, workers’ benefits and training, and community assets and infrastructure, yet is under-realized in most cases.

Advisory Services: There was one finding in this project that had clear and significant benefit to rural communities: the need for advisory services alongside capital. Advisory services in rural regions fill critical knowledge gaps and help companies build the internal capacity to grow and effectively utilize capital. We found a number of successful models for, and quantifiable benefits of, advisory services provided to businesses within and outside of investment portfolios. We also discovered that advisory services were instrumental in developing more robust business service networks that linked local providers to each other and to national expertise. Advisory services are not cheap, and management fees do not cover the expense that most advisory services require. Consequently, managers devote significant amounts of time to raising additional resources to develop and deploy these services. Funds look towards government programs such as New Market Tax Credits or establishing a separate nonprofit organization as ways to expand their advisory services. Many advisory services have high unit costs due in part to each organization developing their own set of services rather than establishing a network of expertise or centers of excellence. The apparent lack of learning infrastructures, along with a sense of competitiveness among some funds, has limited the ability of best practices to be shared within the industry. Yet, we did discover ways that operational models and specialized expertise among advisory organizations could be more effectively linked and scaled to help rural regions access leading edge knowledge and practices. Building a cost-effective and scalable advisory service will require investment in a network approach and a more sustainable funding model that recognizes that services go hand-in-hand with capital.

Advisory Services Take-Aways

- Advisory services play a key role in turning capital into smart money, helping businesses to be more efficient with their capital and to optimize their operations.

- Advisory services are effectively applied to investments and alongside, but independent of, financing activities.
• The standard process for delivering these practices remains high-touch with a high unit cost that needs to be streamlined.

• While some funds have developed expertise and scalable operational models, the industry lacks intermediaries and infrastructure to share best practices.

**Triple Bottom Line (TBL) Practices:** Triple bottom line or impact investing seeks to pursue social and environmental benefits alongside financial and economic returns. While there is growing interest by businesses and funds to enhance social and environmental outcomes, there are still few funds with intentional and consistent triple bottom line (TBL) practices. Most funds we interviewed considered TBL investing as an “add-on” to their financial model, adopting specific TBL practices as needed or when requested by businesses. A few funds used a more integrated approach where they helped businesses prior to and throughout their investment period adopt progressive business practices. The add-on approach will continue to face market pressures since any TBL practices need to be translated to a finance model in order to be validated. Yet, with only a handful of funds using an integrated TBL model, achieving a tipping point for a new investment model will take time.

Regardless of which operating model is used, funds indicate similar market forces working against the ability to readily deploy TBL practices—namely investors that want to play it safe because they are unsure if funds can “do good and do well” at the same time, and the need to raise additional funds since management fees simply do not cover the expanded services required to facilitate the adoption of TBL practices inside business operations. Even when funds have interest in or resources to deploy triple bottom line investing, many noted limited channels by which they could learn about or share expertise and practices. Traditional industry intermediaries, such as associations, have played a limited role in developing or promoting TBL practices, and only a few funds have taken advantage of national and international business associations that are actively engaged in advancing TBL and sustainability. In addition, we found foundations and others interested in TBL historically have funded individual organizations rather than learning infrastructures or networks that promote and share best practices. Not surprisingly, there is little standardization or widespread use of TBL assessment tools or metrics. Due to efforts through organizations like the Community Development Venture Capital Association, a set of social impact measures have been developed, yet limited resources have prevented distribution beyond immediate members. Environmental or conservation measures are much less consistent and tend to be input measures (does the company have a recycling program?) rather than outputs or outcome metrics (the amount of waste diverted from landfills). Many funds seem to measure what investors have asked them to measure, rather than applying a consistent, industry-wide framework. There are examples of funds that have comprehensive assessment and measurement tools for impact investing; however, they report difficulty in finding ways to share the tool or bring it to scale.

**TBL Investment Practice Take-Aways**

• There is growing interest by funds, businesses and investors in providing capital that can ‘do well and do good,’ yet market and institutional forces inhibit widespread adaptation.

*Investments in intellectual, individual, built, social, political and financial capital are needed to establish new value chains and/or provide access for minority landowners to existing value chains.*
• There are two basic approaches used by funds: most funds “add” social and environment onto a financial model; and some funds consider economic, social and natural capital in a more integrated approach.

• There are a handful of leading-edge funds with successful models, yet there is a lack of intermediaries and infrastructure that can accelerate the deployment of these efforts.

• While there are a few excellent examples, most measurement tools for TBL are static snapshots rather than dynamic assessment and continuous improvement tools.

For more information, contact Patricia Scruggs at pat@patscruggs.com.

LONG LEAF PINE RESTORATION AND MINORITY LANDOWNERS

The National Wildlife Federation (NWF) received support from Ford to discover ways to produce ecological, social, and economic benefits with minority landowners in the South through the restoration of longleaf pine. Longleaf pine was once the predominant woodland species in the rural South covering 90 million acres, and now covers just 3 percent of its historic range. This is due to a combination of factors including large scale conversion to short-rotation loblolly and slash pines to provide pulp to the paper industry. As the paper manufacturers continue to move offshore, the demand for short-rotation pine decreases. There are a range of possible goods and services from longleaf pine that could benefit landowners including: pine straw, quail and endangered species habitat, high value timber, fee hunting, low intensity grazing in the understory, carbon credits, and production of longleaf seedlings. Research indicates that longleaf pine is more resilient than loblolly or slash pine to warmer temperatures, droughts and floods, fires and hurricanes that are likely to result from climate change. At the confluence of changing market patterns and increased concern for conservation is an opportunity to reshape value chains to benefit minority landowners.

Lessons learned so far:

• It is more effective to work with networks of landowners than with individuals. NWF has been able to identify and partner with five networks of minority landowners in Mississippi, Alabama and Georgia.

• Small landowners manage their land for multiple reasons – wildlife, ecology, and economy. You can’t talk with small landowners if you are only interested in conservation.
• Minority landowners lack trust in public agencies and often do not fully participate in forest stewardship and other programs available to them. This is not an accident. There is a history of racially discriminatory practices at the US Department of Agriculture that contributes to enduring patterns of exclusion. It is essential to build effective networks not only among minority landowners, but between them and other players in value chains, including government.

• Some high wealth conservation groups invested in longleaf pine restoration are interested in working with minority landowners and NWF is showing them how.

• Landowners (including minority landowners) often have misperceptions about longleaf pine. In efforts to convert more land to short-term pine rotations, industry has told landowners that longleaf doesn’t grow well and/or grows very slowly and have failed to point out that it is more resistant to pests, thrives in wet and dry conditions, is tolerant of fire, and better able to withstand storms.

• Historic market patterns influence available information, infrastructure, and networks. Investments in intellectual, individual, built, social, political and financial capital are needed to establish new value chains and/or provide access for minority landowners to existing value chains. For example:
  1. Harvesting technologies suited to large acre harvesting, not the more selective harvesting required for sustainable longleaf forest management, dominate the industry. Professionals are trained in large scale harvesting. Landowners lack technological and professional options for selective harvesting.
  2. Landowners do not have the right networks to see real income opportunities. They have very little information regarding markets and value chains related to longleaf pine and its byproducts including pine straw, recreation, wildlife habitat, and agroforestry. It will take time to identify and/or build appropriate value chains.
  3. Research and production data on the economics of longleaf pine that could assist landowners in understanding options and determining appropriate pricing for longleaf products is lacking.

For more information, contact Amadou Diop at DiopA@nwf.org or Eric Palola at PALOLA@nwf.org.

Getting a Handle on Policy Change
During year two, Wealth Creation in Rural Communities began discussing what we mean by “policy” and drafting a proposal to engage the Resource Team in policy-related research and policy-maker education. We recognize there is no such thing as a free market economy. All markets are shaped to a greater or lesser degree by public policy. Supporting demand for goods and service that create wealth that sticks in low-wealth regions requires adaptations in policy as well as markets. We define “policy” broadly as the set of laws, rules, regulations, and codified procedures that emanate from local, state, and federal governments and/or other institutions that impact our work, and contribute to determining what is and what is not possible. “Policy” can include legislative laws and rules; administrative procedures and implementation of laws and rules; and appropriations. We recognize that legislation may
not always be a barrier (or a solution). Sometimes the barrier is misguided resource allocation that continues because: 1) impacts are never evaluated so program inadequacies are not revealed; 2) inertia causes funding to continue well past a program’s useful life; 3) legislators fear offending special interests by advocating for change; 4) policy-makers haven’t been given viable alternatives. Following existing allocations and evaluating funded programs using a wealth creation evaluation matrix can, we hypothesize, identify opportunities for re-allocation. Using a wealth creation approach to interventions, we expect to find common ground and support for alternatives among diverse interests. This is often what legislators are looking for; they want to move policies forward that have broad support rather than mediate or decide on the best approach themselves. This approach is in keeping with our recognition of limits on federal spending and concerns for deficit reduction. We want to provide tools that make it easier to evaluate current policies and program impacts in a wealth creation framework. This will make it easier to argue for resource re-allocations and promote wealth creating interventions.

An important part of taking Wealth Creation in Rural Communities to scale will be affecting policies at the state and federal level as well as at the local level. We do not yet know, nor have we made an attempt to inventory, the full range of policies relevant to the Wealth Creation approach. These will be discovered, in part, through the place-based initiatives. For example, MACED has already identified elements of energy policy in Kentucky that need to change to enable desired wealth creation outcomes and is actively working with utility companies to adopt new policies to promote energy efficiency retrofits. Policy components relevant to agriculture, forestry and housing have yet to be specifically identified.

At the same time, we recognize there are federal level policies and programs that could be retooled to enable wealth creation that sticks in low wealth areas. In fact, there are federal initiatives such as the White House emphasis on place-based policies, the Strengthening Communities Fund, and interest at USDA in wealth-based development that provide promising opportunities to gain visibility for this approach. To obtain the necessary funding, however, government has to shift resources from existing programs to those with real potential for creating wealth. In the face of inertia, ideology, and entrenched interests, a paradigm shift is challenging, but not impossible. Perhaps the most effective leverage point would be to change the framework within which publicly funded programs are designed and evaluated to a wealth creation framework. We expect to take up this challenge more fully in year three.

Commonalities, Challenges, and Next Steps
The array of explorations taking place through Wealth Creation in Rural Communities covers a lot of ground, yet there seem to be some important commonalities to the lessons practitioners are learning.

- **Cross sector linkages between public, non-profit and private sector actors are necessary to achieve effective interventions and there is some receptivity to developing them.** This is true across value chains in housing, education, forestry, agriculture, and energy and among supporting institutions such as community colleges.
• **Thinking in terms of value propositions changes the game.** Particularly in persistently poor areas, thinking in terms of what you have to offer that is worthy of investment rather than what you need is a whole new experience.

• **Indicators and measures need to be developed in context, in connection to specific interventions and with the needs of stakeholders as a first priority.** Indicators and measures are most powerful as tools for continuous improvement rather than static snapshots. The purpose of indicators and measures is to improve outcomes, not to establish indisputable attribution, an unrealistic expectation in our complex world.

• **Using wealth creation indicators as a framework focuses and deepens the way interventions are structured.**

• **New relationships form, new insights emerge, and new approaches are tried when multiple stakeholders are engaged in understanding the systems of which they are a part and are part of designing wealth creating interventions.**

• **Entrepreneurship development is an essential component of wealth creation.** It requires advisory as well as financial services. It may be most powerful in the context of sector development with the support of institutions like community colleges.

• **Information systems are often broken or non-existent with respect to wealth creation impacts.** Information is essential to reduce waste and improve decision-making. Even when information is available, as for energy efficiency, it does not rise to the level of decision-makers in municipalities. Wealth creation depends, in part, on changing the flow of information and developing information to support decision-making about things that really matter.

• **There is an important role for social investors in supporting a wealth creation approach to rural development.** We are in the process of understanding how to best accomplish this.

• **The experience of discrimination has left low-wealth people and organizations isolated and excluded from the economic mainstream and often misinformed about the value of the resources they do control (e.g. longleaf pine).** Capacity building is critical to this work, especially in persistently poor regions. Capacity building includes relationship building which is no small matter in regions with people who have experienced historic discrimination by agencies as well as individuals. Wealth creation requires making new connections between lower-wealth and higher-wealth individuals and organizations and between suppliers and buyers that leads to non-exploitive structures of ownership and control. This is a new way of doing business. It takes courage and a belief in the possibility of change and requires support and guidance.

• **The ways in which persistently poor regions have been identified and the borders drawn around them simply reinforce exclusion from the**

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**A place-based approach will require not only working with grantees, but also engaging regional funders and providers of technical support to grantees including public, private, and non-profit agencies and organizations.**
larger economy. It is critical to rethink and redraw regions in accordance with the connections that exist between rural and urban areas, taking into consideration things like commuting patterns, trade flows, food sheds, and commonality of watersheds. Re-thinking regions as inclusive of rural and urban areas will help identify the value propositions critical to wealth creation that sticks for low wealth households, individuals and communities.

- **Equity investments in rural and underserved areas show the same level of performance as their metro counterparts.** In other words, there is nothing about geography in the modern world that inherently or systematically undermines business performance. Rural businesses can and do connect effectively to the larger economy.

- **Equity investment and business development, when accompanied by intentionally wealth creating advisory services, can and do impact individual, social, built, natural, and financial wealth in communities.**

- **A place-based approach will require not only working with grantees, but also engaging regional funders and providers of technical support to grantees including public, private and non-profit agencies and organizations.**

**Challenges**

We have identified several outstanding challenges for this work, particularly in historically low-wealth regions like Central Appalachia, the South, and the Colonias. The first is the need for structural change and this will not occur through isolated efforts at the community level. Structural change is another word for institutionalized change. As we said in the first interim report, “When we use the term ’institutionalize,’ we have in mind changes in the system that do not depend on the beneficence of a single individual or a small group of individuals but are codified, enforced, and enforceable on and by entire organizations, be they for-profit, non-profit or government.” The structural change needed for wealth creation includes changes in market incentives and policies to properly value and reward the multiple values provided to regions by their rural constituents. Experience with values-based value chains suggests markets can be influenced by intentionally identifying the self-interests of players on the demand side of the chain and engaging them in chain reform for the benefit of all participants. Markets do not operate outside policy constraints. Therefore, changes in policy generally impact market opportunities. For example, renewable portfolio standards have created new markets for energy from renewable sources. Similarly, policies that require purchase of local products or changing the definition of fresh produce to include sliced produce also create new market opportunities. More subtly, food safety regulation or regulation of predatory lending practices also impact markets. The Resource Team will be focusing on projects that increase our understanding of how to create structural change that positively impacts low-wealth rural individuals and communities.

The second major challenge has to do with figuring out how to marry capacity building on the ground with external resources in a way that engages and benefits people in low wealth regions. It is not enough to invest dollars in local capacity building without connecting capacity in one place with capacity in other places. One of the
challenges in building capacity in historically low wealth regions is finding, supporting and working with people who have not given in to despair and are willing to consider new ideas and try new things and then connecting these people with others like them within their region and beyond.

We are keeping in mind the following lessons learned from a study of rural community resilience regarding how to effectively employ outside resources:

- Keep communities in the driver’s seat.
- Work with community resources whenever possible.
- Mentor community members and building capacity through skills development.
- Offer outside perspectives and new information.
- Facilitate when local capacity is lacking.
- Name and surface underlying conflicts.
- Be flexible and nimble in responding as needs arise.
- Build and maintain long term relationships with communities.
- Foster peer exchanges.

Wealth Creation in Rural America has set aside funds to provide a wide range of technical assistance to place-based grantees on a demand-driven basis. At the same time, through connections with Ford, Yellow Wood, and the Resource Team, place-based grantees learn about approaches, tools, and opportunities present in other areas that may be relevant to their work.

**Next Steps**

We expect the next steps in this work to include, but not necessarily be limited to:

1. Work with place-based grantees in Central Appalachia to establish baseline measures and measurement processes and to provide technical assistance as requested to strengthen implementation of wealth creation interventions.
2. Work with place-based grantees in the Alabama Black Belt and the Delta on planning grants designed to refine definitions of specific value chains, deepen their understanding of the stakeholders and their value propositions, and foster collaboration between interested groups.
3. Outreach in the colonias and introduction of the wealth creation approach.
4. Establishment of the Resource Team and implementation of a communications plan including a Wealth Creation in Rural Communities website.
5. Continued work with regional funders and support agencies and organizations in Ford’s three target regions.
6. Work with Resource Team to formulate an approach to identifying and impacting relevant policies.
7. Continuing exploration of rural/urban linkages.

Appendix A: Community Wealth Matrix

Template

This template is designed to stretch your thinking in a systems context about the potential direct impacts your strategic interventions can have on multiple forms of wealth at the same time. When you fill it out, it will provide you and us with a snapshot of your project. You will have a chance to describe the details and provide context in the proposal narrative. The template is designed for brevity!

**INSTRUCTIONS:**

1. What is the name and location of your project?

2. What is the main problem or opportunity you hope to address?

3. What is the main goal or condition your project is intended to achieve? If there is more than one, say so succinctly.

4. What is the strategy your project is using? What will you actually do?

5. What are the key assumptions behind your strategy?

6-12. How will your strategy or strategies directly impact each of the seven forms of wealth?

13. How do the impacts on different forms of wealth reinforce each other and create positive change?

14. How do investments in each form of wealth generate “income” or “earnings” over time?

15. How will you measure the baseline conditions for each form of wealth you expect to impact? How will you measure progress?
## Community Wealth Matrix Template

<table>
<thead>
<tr>
<th><strong>Individual</strong></th>
<th>How will your strategy impact the stock of skills and physical and mental healthiness of people in a region?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social</strong></td>
<td>How will your strategy impact the stock of trust, relationships, and networks that support civil society?</td>
</tr>
<tr>
<td><strong>Intellectual</strong></td>
<td>How will your strategy impact the stock of knowledge, innovation and creativity?</td>
</tr>
<tr>
<td><strong>Natural</strong></td>
<td>How will your strategy impact the stock of unimpaired environmental assets in a region?</td>
</tr>
<tr>
<td><strong>Built</strong></td>
<td>How will your strategy impact the stock of fully functioning constructed infrastructure?</td>
</tr>
<tr>
<td><strong>Political</strong></td>
<td>How will your strategy impact the stock of power and goodwill held by individuals, groups, and/or organizations?</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>How will your strategy impact the stock of unencumbered monetary assets at the individual and community level?</td>
</tr>
</tbody>
</table>