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

By Yellow Wood Associates and the Wealth Creation Management Team

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

June 2011 – May 2012
Wealth Creation in Rural Communities – Building Sustainable Livelihoods

This report is part of the Wealth Creation in Rural Communities – Building Sustainable Livelihoods initiative, funded by the Ford Foundation. The aim of the initiative is to change the way rural development is practiced in the United States from attraction, extraction, and supply-based approaches to a demand-driven wealth-based approach. Wealth-based development helps 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 and lead to improved and sustainable livelihoods. This report is the fourth in a series chronicling the progress of this initiative and sharing lessons learned.

Acknowledgements

Yellow Wood’s role in this project has been as a thought leader and managing grantee. In this role we have worked closely with all the grantees and the Project Management Team that includes Deborah Markley, RUPRI Center for Rural Entrepreneurship; Barbara Wyckoff, Dynamica Consulting; Thomas Watson, Rural Support Partners; Janet Topolsky, Aspen Institute Community Strategies Group; Shanna Ratner, Principal and Melissa Levy, Yellow Wood Associate; and Wayne Fawbush, Ford Foundation Program Officer. Contributors to this report include: Shanna Ratner, Deborah Markley, Mary Snow, Katy Allen, Marten Jenkins, Barbara Wyckoff and Melissa Levy. Quotations throughout the report are from wealth creation grantees and their partners engaged with us in this work.

This report represents our collective learning from a complex initiative. While members of the Project Management Team have reviewed and generally endorse this report, any interpretations are the sole responsibility of Yellow Wood Associates and do not necessarily reflect unanimous agreement by members of the Project Management Team, or grantees, or the organizations they represent.

We are inspired every day by the willingness of wealth creation grantees and others to try on new ways of thinking and new ways of doing business and to take new types of calculated risks and then share what they and we are learning so we can all foster progress toward the goal of rural community well-being and improved livelihoods through wealth creation.

Much has been asked and much has been given! This report and the results and learning it describes would not have been possible without the dedication of everyone involved. Thank you all.

June 2012.
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What is the Wealth Creation Approach?

The wealth creation approach is neither community development – focused on inclusive voice and building on community assets – nor is it conventional economic development – focused on creating jobs, through business attraction and/or entrepreneurship. It is a bridge between the two that creates and maintains inclusive non-exploitative demand-driven economic opportunities through investment in the assets of rural places to meet the needs of larger markets. The wealth creation approach intends to improve the livelihoods of rural people by creating wealth that is owned, controlled, and reinvested in rural places so that rural America is no longer left behind, but is a valued partner in resilient regions that make up the American landscape.

The basic assumptions or hypotheses that underlie this work are:

- Wealth, broadly defined, is the foundation for prosperity.
- Poor places and people will stay poor unless they are connected to larger economies.
- Poor rural places have assets which, if properly developed, can contribute to larger regional economies.
- Those assets can be developed and linked to markets in ways that create multiple forms of wealth.
- Structures exist and can be created that will cause that wealth to stick in rural areas instead of being extracted.
- Wealth that sticks in place leads to improved sustainable livelihoods.

There are two key elements to the wealth creation approach: the wealth matrix and wealth creation value chains. The wealth matrix is discussed at greater length in the Third Interim Report. A basic wealth matrix is included in the Appendices to this report. Each element is built around seven forms of wealth described below. Wealth creation is not an end in itself, but rather the means to improved sustainable livelihoods.
Introduction to the Fourth Interim Report

The Ford Foundation envisions the wealth creation approach 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 fourth year of the Ford Foundation’s Wealth Creation in Rural Communities initiative for the purpose of capturing and sharing lessons learned so far.

SUMMARY OF WORK ACCOMPLISHED IN PREVIOUS YEARS (FIRST, SECOND, AND THIRD INTERIM REPORTS)

The First Interim Report 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. The Second Interim Report describes our work on rural-urban linkages, the evolving structure of the initiative, steps taken to put the work on the ground in Central Appalachia and the Alabama Black Belt, the use of the wealth matrix, beginning work on policy implications, lessons and challenges. The Third Interim Report describes the evolution of the framework, management structure and approach, including work on the ground and the role of value chain intermediaries in value chain exploration and construction, lessons in measurement, and early work with wealth creation value chain investors. All three reports highlight lessons learned and are available at www.yellowwood.org/wealthcreation.aspx.

ACCOMPLISHMENTS OF THE PAST YEAR

In the past year, the Wealth Creation in Rural Communities initiative has:

• Contributed to the development of a theory of change for the Expanding Livelihood Opportunities for Poor Households Initiative (ELOPHI) portfolio of the Ford Foundation of which Wealth Creation in Rural Communities – Building Sustainable Livelihoods (WCRC-BSL) is a part.

• Reorganized the structure of WCRC-BSL to strengthen the foundation for bringing this work to scale in alignment with the ELOPHI theory of change.

• Worked with 8 Value Chain Construction Grantees (4 in Central Appalachia and 4 in the South) to support value chain construction of nine value chains; assisted with the design and implementation of baseline measures of seven forms of wealth for 5 chains and re-measure for 4 chains; organized two regional convenings in Central Appalachia and the first regional convening for Southern grantees; provided ongoing coaching services.

• Worked directly with one Value Chain Exploration Grantee in the Lower Rio Grande Valley, including facilitating a stakeholder meeting at the conclusion of the grant, and supported work with 4 additional Exploration Grantees in the South, including serving as a liaison with the Wallace Center’s work in the South.

• Conducted numerous workshops and webinars for groups including the Appalachian Funders Network, Foundation for Appalachian Ohio, National Rural Assembly, American Agricultural Economics Association, Staff of Senator Patrick
Leahy’s Office, Minnesota Campus Compact, the Rapides Foundation, Black Belt Treasures, Center for Rural Strategies/Daily Yonder, HUD/EPA/USDA Sustainable Communities grantees (2), NADO Board of Directors, and the Economic Development Finance Service among others.

- Designed, planned, organized, and facilitated the first Cross Regional Convening of all Ford grantees including place-based and supporting grantees affiliated with WCRC-BSL at the Ford Foundation.
- Worked closely with 1 Value Chain Construction Grantee in the Lower Rio Grande Valley to transition from exploration to construction, establish measures, and address significant implementation issues.
- Continued implementation of the National Community of Practice.
- Expanded and continued the Wealth Creation Project Management Team, representing a distributed management approach.
- Created an advisory group and provided feedback to the Emergent Media Center of Champlain College on the wealth creation video game.
- Co-authored a chapter on “What is Wealth” with John Pender of the Economic Research Service and an abstract on measuring community wealth for a book prospectus on wealth creation in rural America being submitted to publishers.
- Initiated a call for submissions to the Community Development Society Journal for a special edition on wealth creation to be co-edited by Shanna Ratner of Yellow Wood Associates and Deb Markley of the Center for Rural Entrepreneurship.
- Continued to disseminate wealth creation reports, tools, and publications and responded to numerous inquiries for information about the wealth creation approach.
- Held wealth creation briefings with the White House Rural Council, staff at the Department of Energy, HUD and the Economic Development Administration.
- Continued to develop tools for the field and held two meetings of the Project Development Advisory Team (PDAT)
- Began development of a curriculum for wealth creation coaches.
- Facilitated a focus group of academics in the Boston area to explore how ideas go viral and how they might integrate the wealth creation approach into their disciplines and classrooms. Disciplines represented included: urban and regional planning, development economics, asset development, and public policy.
- Periodically updated www.creatingruralwealth.org.
- Designed and delivered a workshop on engaging corporate partners, delivered by Hal Hamilton, Jason Saul and Thomas Watson with design input from Yellow Wood Associates.
- Developed multiple projects that will contribute to our understanding of and develop a framework for investing in value chains, including working closely with Marjorie Kelly and Robert de Jongh on their proposals and work plans.
- Contributed to articulating the next phase of work in creating a sustainable wealth creation clinic at MIT.
- Provided the basis for a paper that won the 2012 Economic Development Division Graduate scholarship. Seema Adina, Kira Intrator, and Lindsay Reul of the
Massachusetts Institute of Technology won for their joint paper “Wealth Creation Through Sustainable Forestry: Generating Wealth Creation Models in the Appalachian Wood Products Industry.” The selection committee, consisting of David Bieri (Michigan), Shari Garmise (Association of Land Grant and Public Universities), Shana Johnson (Foursquare Integrated Transportation Planning), John Provo (Virginia Tech), and Greg Schrock (Portland State), appreciated their innovative approach. Among all the papers, it stood out as an original synthesis of ideas in an accessible form for practitioners.

- Engaged in planning for a workshop targeted to international development organizations that have expressed interest in the wealth creation framework.
- Prepared and delivered an introduction to the wealth creation approach in webinar format for the National Community of Practice conducted by Shanna Ratner and Ines Polonius with Melissa Levy and in consultation with Deb Markley.
- Worked with NADO members and the NADO Board of Directors to increase understanding and application of wealth creation principles and tools.
- Continued to explore ways to use the wealth matrix as a tool for policy planning and analysis with input from Senator Patrick Leahy’s staff and others.

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.
Building a Foundation for Going to Scale

Wealth Creation in Rural Communities – Building Sustainable Livelihoods (WCRC-BSL) is the portion of the Ford Foundation’s Expanding Livelihood Opportunities for Poor Households Initiative (ELOPHI) that focuses on rural America. The Foundation is primarily interested in bringing the impacts of all of its work to scale. In 2011, program officers and consultants with the ELOPHI initiative worked with the Monitor Group to develop a theory of change. At the most basic level, the theory identifies three necessary preconditions to achieve impact at scale:

A. Research & Develop Effective, Viable, & Scalable Livelihood Solutions – Conduct R&D about livelihood interventions with the goal of identifying and/or establishing “proof points” about effective, viable, and scalable livelihood models.

B. Strengthen Infrastructure – Strengthen the capacity of intermediary organizations, networks, and scaling partners to create the infrastructure necessary for scalable livelihood development.

C. Identify & Advocate with Scaling Partners – Identify and engage with public and private institutions to advocate for their involvement in developing and promoting proven livelihood models with the goal of obtaining their commitment to action.

The theory of change assumes it will take 3-5 years to establish these preconditions and another five years to bring livelihood solutions to scale; only after approximately 10 years will it be possible to achieve impact at scale. WCRC-BSL spent approximately two years researching and developing a wealth-based development framework and approach and has spent the past three years establishing “proof points” by working with non-profit organizations (place-based grantees) to implement the approach in three high poverty rural areas in the United States – Central Appalachia, the Deep South, and the Lower Rio Grande Valley. The initiative has provided support to strengthen the capacity of place-based grantees to implement the initiative, including forming relationships at the ground level with scaling partners and public and private institutions. At the same time as we have been fostering work on the ground, and bringing regional grantees together to learn from and support each other, we have been working to lay the foundation for scale at the national level.

WCRC-BSL recognizes four key indicators of scale: 1) the number of U.S. practitioners adopting and successfully implementing the wealth creation approach to rural development; 2) changes in public and private policies brought about through advocacy by supporters of this approach that result in strong wealth creation value chains that improve livelihoods; 3) the volume and value of transactions in wealth creation value chains; 4) measurable changes in seven forms of wealth that improve the livelihoods of a large number of low-income households enabling them to increase their income and assets over the long term, or display resilience in maintaining their income and assets during periods of economic downturn or natural crisis. The Ford Foundation intends to conduct a third party evaluation of all ELOPHI work including WCRC-BSL.
Structure of WCRC-BSL

OVERALL STRUCTURE

The diagram below represents the current structure of the WCRC-BSL initiative that has been built from the ground up with the intention of taking this work to scale and achieving the goal of changing the way rural development is practiced in the United States.

Figure 1: Overall Structure of the WCRC-BSL Initiative

- **Going to Scale**
  - Distributed Management
  - Outreach, Training & Dissemination
  - Cross-Cutting Research
  - Support for Practice & Proof of Concept
  - Place-Based Grantees
PLACE-BASED GRANTEES

Place-based grantees refers to the grantees in each of the initiative’s three target geographies that are currently receiving funding to explore and construct specific wealth creation value chains. Over the life of this initiative, a total of 10 value chain exploration grants and 10 value chain construction grants have been funded. The current place-based grantees are listed below. A brief description of each current grantee is appended to this report.

Figure 2: Place-Based Grantees of the WCRC-BSL Initiative


**SUPPORT FOR PRACTICE AND PROOF OF CONCEPT**

Support for practice and proof of concept has been provided primarily by the Ford Foundation, Yellow Wood Associates and the Center for Rural Entrepreneurship. Yellow Wood Associates continues to provide coaching services to all the place-based grantees. The initiative intentionally decided to work with several emerging organizations in the South. As a result, in addition to the level of coaching required with established organizations in Central Appalachia, we have provided targeted assistance with organizational and leadership development to enable grantees to move their work to another level. Having the flexibility to be able to provide this kind of assistance has been critical to introducing the approach in the South. We anticipate this investment in personal growth resulting in increased professionalism will stand these individuals, their organizations, and the region as a whole in good stead for years to come.

The Center for Rural Entrepreneurship has continued to manage a pool of grant funds to support the technical assistance, capacity building and research needs of the place-based grantees and to support research and outreach to advance the wealth creation framework. One learning from this initiative overall is that the work of place-based intermediaries is only as strong as the organizations’ capacity and the tools that are provided to help them do that work. Organizations’ capacity, in turn, often revolves around the capacity of their leaders. This is particularly true in emerging organizations without a history of working at scale. The value of the technical assistance, research and capacity building grant to the Center – and the pool of funds managed to meet the needs of the place-based grantees – was the ability to provide flexible and just-in-time support to grantees to address key hurdles that might have negatively impacted or slowed their work on the ground. Specific examples are included in the table below. This type of support is critically important to two elements of the theory of change articulated for the Expanding Livelihood Opportunities for Poor Households Initiative within the Foundation – (a) research & development related to effective and scalable livelihood solutions and (b) strengthening the infrastructure (i.e., organizational capacity) to support scalable livelihood development.
Table 1: Support Provided to Place-Based Grantees

<table>
<thead>
<tr>
<th>Organization</th>
<th>Support Provided</th>
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<tbody>
<tr>
<td><strong>alt. Consulting</strong></td>
<td>• Research on solar options and expert testimony with utility companies</td>
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<tr>
<td><strong>National Wildlife Federation (NWF)</strong></td>
<td>• Research on market demand for grass-fed beef in MS, AL, and GA</td>
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<tr>
<td></td>
<td>• Technical assistance/research to consider market opportunities to expand the</td>
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<td></td>
<td>FSC certified wood products value chain into solid wood products (in collabo-</td>
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<td>ration with Appalachian Sustainable Development/GRO)</td>
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<tr>
<td><strong>Mountain Association for Community Economic Development (MACED)</strong></td>
<td>• Research on potential impacts of Renewable and Energy Efficiency Portfolio</td>
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<td>standards in KY</td>
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<tr>
<td><strong>Appalachian Sustainable Development (ASD) (a member of the Central Appalachian Network)</strong></td>
<td>• Assistance with value chain think tank convening (in partnership with Mary</td>
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<td></td>
<td>Reynolds Babcock Foundation)</td>
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<tr>
<td></td>
<td>• Assistance with business model development for GRO – key gap in their value</td>
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<tr>
<td></td>
<td>chain</td>
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<tr>
<td><strong>Sustainable Rural Regenerative Enterprises for Families (SURREF)</strong></td>
<td>• Organizational development coaching</td>
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<td></td>
<td>• Leadership development coaching</td>
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<tr>
<td></td>
<td>• Learning journey related to community-based tourism</td>
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<tr>
<td></td>
<td>• Support for market demand research</td>
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<tr>
<td><strong>Emerging ChangeMakers Network (ECN)</strong></td>
<td>• Impact investment learning journey and technical assistance/coaching</td>
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<tr>
<td></td>
<td>• Leadership development coaching</td>
</tr>
<tr>
<td></td>
<td>• Support for market demand research</td>
</tr>
<tr>
<td></td>
<td>• Assistance with development of messaging and communication tools</td>
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<tr>
<td><strong>Rural Action</strong></td>
<td>• Technical assistance to identify institutional buyers for sustainably produced</td>
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<tr>
<td></td>
<td>regional wood products</td>
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<tr>
<td></td>
<td>• Research on demand for sustainable and regionally source wood products in</td>
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<td>affordable housing sector</td>
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<td></td>
<td>• Assistance applying wealth creation framework to strategic planning for the</td>
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<td></td>
<td>organization</td>
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</table>
In addition to support from the Center and Resource Team, these grants reflect a growing group of technical assistance providers, researchers, and others who are part of the support system for grantees. Another component of this support system has been the engagement of the Wake Forest Community Development Law Clinic (under the leadership of Steve Virgil) and the emergence of a group of students and faculty at MIT (under the leadership of Amy Glasmeier) who are considering the creation of a clinic to support wealth creation work. A number of grantees have engaged the Law Clinic to help them better understand legal and organizational issues they face in building their value chains. Support ranges from assistance with understanding anti-trust laws and contract law, to research on municipal ownership options for renewable energy and agricultural cooperative development. Students at MIT have been involved in doing research that has helped grantees better define and understand their value chains and opportunities for keeping wealth local. We are working to ensure that the resources of these two clinics will continue to be available to new adopters of this approach over time.

**Figure 3: Support for Practice & Proof of Concept**

<table>
<thead>
<tr>
<th>Yellow Wood Associates</th>
<th>Ford Foundation</th>
<th>Center for Rural Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing &amp; Chronicling</td>
<td>Grants</td>
<td>Learning Journeys</td>
</tr>
<tr>
<td>Concept Development</td>
<td>Program Related Investments</td>
<td>Outreach</td>
</tr>
<tr>
<td>Coaching</td>
<td>Regional Funder Engagement</td>
<td>Research</td>
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<tr>
<td>Measurement</td>
<td></td>
<td>Technical Assistance</td>
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<tr>
<td>Workshops &amp; Presentations</td>
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In addition to this support for grantees, resources have also been directed toward providing opportunities to bring people together, for shared learning and other exchanges. Travel support was provided to bring Resource Team members to the National Conference on Rural Wealth Creation and Livelihoods, the Cross-Regional Convening of all Ford’s grantees, and discussions about the emerging Community of Practice. Support for grantees to participate in workshops, including one on Cross-sector Collaboration, to build their individual capital has also been provided.
CROSS-CUTTING RESEARCH

As WCRC-BSL has evolved, we have recognized the need for research in four cross-cutting areas: rural-urban linkages, inclusive business, wealth creation networks, and value chain investment. Specifically, in the past year, the Center for Rural Entrepreneurship has supported the Rural Futures Lab in developing four case studies that demonstrate the potential of rural-urban linkages in the creation and retention of wealth in rural communities. The Center has also supported case study research on collaborative networks for wealth creation and creation of a toolkit for practitioners by Rural Support Partners and MACED. Each of these topics is discussed in greater detail elsewhere in this report.

Figure 4: Cross-Cutting Research
OUTREACH, TRAINING & DISSEMINATION

To bring this work to scale, we recognize the need to engage an increasing number of practitioners, policy-makers, funders, intermediaries, and researchers in developing and spreading this practice. Toward that end, WCRC-BSL is investing in a variety of outreach, training and dissemination vehicles including a National Community of Practice, tools for value chain intermediaries and wealth creation coaches, a wealth creation video game, a dedicated website, and multiple publications and presentations. The Wealth Creation Working Group that helped formulate this approach was reconfigured and became the Wealth Creation Resource Team (as described in the Third Interim Report) and has now merged into the National Community of Practice. Key features of this work are discussed elsewhere in this report.

Figure 5: Outreach, Training & Dissemination

<table>
<thead>
<tr>
<th>National Community of Practice</th>
<th>Center for Rural Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tools for Value Chain Intermediaries</td>
<td>Aspen Institute Community Strategies Group</td>
</tr>
<tr>
<td>Tools for Coaches</td>
<td>Yellow Wood Associates</td>
</tr>
<tr>
<td>Wealth Creation Video Game</td>
<td>Champlain College Emergent Media Center</td>
</tr>
<tr>
<td><a href="http://www.creatingruralwealth.org">www.creatingruralwealth.org</a></td>
<td>Center for Rural Entrepreneurship</td>
</tr>
</tbody>
</table>

Publications & Presentations
DISTRIBUTED MANAGEMENT

We refer to the last key element in the structure of the initiative as “distributed management.” The advantages of distributed management are many. This structure allows us to benefit from a broad range of ideas as we continue to shape this initiative and respond to demands from grantees and other interested parties. It also allows us to divide and share responsibilities for execution that, given the complexity of this initiative, would be overwhelming for any single group. Shared management helps us make the best use of available resources and avoids duplication of efforts. Monthly management team conference calls, combined with numerous ongoing conversations and emails, keep us in touch and moving forward. In 2012, we began incorporating verbal reports from place-based grantees and researchers into our monthly calls.

Figure 6: Distributed Management

![Distributed Management Diagram]

- Ford Foundation
- Yellow Wood Associates
- Rural Support Partners
- The Aspen Institute
- Center for Rural Entrepreneurship
Defining Seven Forms of Wealth

Wealth Creation in Rural Communities focuses on building seven forms of wealth intentionally without undermining any one form to build any other. The seven forms are: intellectual, social, individual, built, natural, financial and political. Toward the end of Year Two, political wealth was added as it became clearer how important it is to have sufficient political power and voice to be able to influence public and private policy to shape opportunities for market-based development, particularly in historically low-wealth regions. During Year Three, the role of culture was debated. As a result, we now include a discussion of culture as a component of social capital. We have also developed a definition of cultural capital for those who would like to include it in a wealth creation framework.1

Among other things, defining wealth broadly encourages inclusive participation. Many can contribute and many can benefit. People who never thought of themselves as wealthy can become players. As one Southern grantee said, “I never thought I had a role to play in creating wealth. I see there are things that I can do now.”

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. Culture is an aspect of social capital that bonds groups together. Culture influences the way resources are distributed, the collective sense of what is possible, and creates opportunities and obstacles related to wealth creation. We want to understand how to use social capital to value cultures and build bridges between cultures for the greater good. It is important to include an analysis of the impact of culture on wealth creation opportunities in the analysis of social capital.

1 Cultural capital is the stock of practices that reflect values and identity rooted in place, class, and/or ethnicity. Cultural capital influences the ways in which individuals and groups access other forms of capital. Cultural capital includes the dynamics of who we know and feel comfortable with, what heritages are valued, collaboration across races, ethnicities, and generations, etc. Investments in cultural capital create or sustain the values, traditions, beliefs, and/or language that become the currency to leverage other types of capital. Investments in cultural capital could include support for venues to showcase cultural achievements, programs to preserve and pass on cultural knowledge and skills, and support for cultural transformations, among other things. “Income” from investments in cultural capital may include increased “buy in” to institutional rules and shared norms of behavior, strengthened social capital and increased access to other capitals through increased visibility and appreciation of cultural attributes and through cultural transformation, e.g. acquisition of language skills (Bebbington 1999; Jeannotte 2003).
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 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 include 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 infrastructure that does not degrade other forms of capital including natural capital. 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. Financial capital can be private and public. 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 that increase and improve the quality of the other six forms of wealth.
STOCKS AND FLOWS

Wealth is a stock, not a flow. Income and jobs are both flows that result from the interaction of stocks of wealth. When those stocks depreciate or the interactions between them are exploitative, the flows diminish in quantity and quality over time. The majority of work and conversation about economic development in the United States focuses on flows and misses the significance of investing in and maintaining our underlying stocks of wealth. As a result, we have collectively underinvested in our stocks of wealth and many of those stocks are badly depreciated. Infrastructure is crumbling, the workforce is under skilled, many people struggle with poor health, many natural resources are polluted, etc. Since all stocks depreciate over time, a truly sustainable economy requires continuous reinvestment in stocks to offset ongoing depreciation. To be considered “wealth,” each type of capital must be robust and capable of producing a sustainable stream of “income” whether monetary or non-monetary. Depreciated capital is not wealth; it is a deficit or disadvantage that increases vulnerability. We assume depreciated assets can often (not always) be made whole through appropriate investment. Where non-renewable natural resources are concerned, we advocate accumulation of financial capital that is controlled in the public interest for intentional reinvestment in other forms of wealth. In a truly sustainable economy, we would be able to live off the flows of “income” not all of which is monetized, and still save enough to continuously reinvest the underlying stocks.

We have found the bathtub to be a powerful image to use in conveying the difference between a stock (the level of water in the tub) and a flow (into and out of the tub). The bathtub also helps convey the idea of a systems approach by pointing out that it is only by paying attention to both ends of the tub, the inflow and the outflow, in relation to the level of water in the tub, that the level of water can be made to rise. Too many of the development interventions practitioners currently pursue are focused single-mindedly on one end of the bathtub or the other, rather than looking at the entire system. For example, we are often creating more of something (like jobs) without paying attention to stemming losses or we are focused exclusively on stemming losses (e.g. by treating disease) without creating more healthy people (e.g. by preventing disease in the first place). In neither case do we pay sufficient attention to the stocks we are creating.

Figure 7: The Bathtub Graphic - Understanding the Difference Between Wealth and Income

INCOME

WEALTH

EXPENSE

Most economic development activity focuses on income (a flow) instead of on building wealth (a stock).
Putting Wealth Creation Value Chains on the Ground

WHAT IS A WEALTH CREATION VALUE CHAIN?

“A (wealth creation) value chain is a supply chain with intention.” – A Central Appalachian grantee

WCRC-BSL puts wealth on the ground through wealth creation value chains. A wealth creation value chain is a business model that delivers economic, social, and environmental values in response to market demand. For example, buyers of energy are not only interested in kilowatts, but in how those kilowatts were produced, by whom, and under what conditions. In a wealth creation value chain, buyers, processors, producers and other transactional partners work together for mutual benefit to create value in response to market demand. Supporting players who may not be direct transactional partners, such as educators, researchers, technical assistance providers, financers, policy-makers, etc., are directly engaged in wealth creation value chains. Wealth creation value chains benefit from value chain intermediaries who hold the big picture of the chain while forming relationships between and among its members based on self-interest. The role of value chain intermediary is critical.

A wealth creation value chain is NOT the same as the business school definition of a value chain which is simply a production process with value added at every stage. The values created by a wealth creation value chain include monetary and non-monetized values that matter to the market. Wealth creation value chains are market-driven, and must be profitable to be sustainable. Wealth creation value chains do not require all members to share all the same values or to “sing Kumbaya.” People participate in wealth creation value chains because it is in their self-interest to do so. Participation in wealth creation value chains creates win-win benefits all along the chain.
The most basic elements of the core value chain: need to be in place for sales to begin

Wholesale elements of the value chain: need to be in place to bring the value chain to scale

The enabling ecosystem: support the core value chain in various ways to allow it to thrive

Value chain intermediaries: keep the big picture in mind and facilitate connections within the value chain
LESSONS LEARNED FROM NON-PROFIT VALUE CHAIN INTERMEDIARIES

The non-profit value chain intermediaries that have engaged in this work have learned several important lessons about putting wealth creation value chains on the ground:

1. **The role of the value chain intermediary is critical.**

   Market failures do not simply self-correct. Value chain intermediaries provide analysis, help identify value chains and gaps, frame opportunities for investment, manage expectations, and build relationships around value propositions and self-interests. They are the “glue” that holds wealth creation value chains together. Emerging ChangeMakers reports, “We’re finding in our own value chain the importance of us holding the value chain together. I did not anticipate the need for that.” Value chain intermediaries have to dig below the surface to change the attitudes and capacities of multiple partners. “We wanted to engage on periphery. But we’re finding that we have to dig into the meat of the capacity (of value chain participants) and what they’re able to do. We need to tap into consultants and technical assistance to get them ready for investment. The challenge is this is not just an anchor business. We have an entire value chain to get ready. Then we need to move the value chain along through development.”

   One of the challenges inherent in bringing wealth creation value chains into existence is knowing how to engage stakeholders who may not share the intermediary’s (or other value chain partners’) values, but are critical to a successful value chain. Alt.Consulting has used an approach that allows and encourages stakeholders to join at different times, with different roles, depending on the needs of the value chain and the stakeholders’ interests. “[We] started at the grass roots, so it is bottom up; but we needed to move quickly to the grass tops to know who the technology, resources and entrepreneurs are. Then we focused on community of interest: stakeholders working together to promote bio energy in Arkansas.”

   Sometimes, when there is no one else to do it, value chain intermediaries take on a role as a transactional partner in the value chain. For example, Rural Action is acting as a broker of certified wood products in the Central Appalachian region. In the long run, the expectation is that this role will become a stand-alone for-profit enterprise. Intermediaries that choose to take on a transactional function have found that it’s critical to have staff devoted to that function while other staff continues to hold the big picture of the wealth creation value chain.

   We do not yet know all the possibilities for the evolution of the role of value chain intermediaries over time. Some intermediaries may become such a valued part of the chain that chain participants pay for their services over time. Others may create chains that do not require their continued services. Still others may find themselves with a transactional role in the chain going forward. This is an example of the strategic flexibility inherent in this approach. One Southern grantee sees it this way, “The non-profit (value chain intermediary) serves as a good transition and facilitation until you get the wheels on the wagon. To make sure the process continues, and because the market drives it, you have to transition it into something that is for-profit. There are vast disconnects. There has to be something that is connecting the dots.”

Rural Action acts as a broker of certified wood products in the Central Appalachian region through their “Wealth From Forests” initiative.
2. **A wealth creation value chain is not a project.**

Intermediaries do not own or control the value chain. The value chain is driven by market demand and self-interest. Value chain intermediaries manage the relationships among and between transactional members of the chain, supporting members of the chain, and the market to create win-win-win outcomes based on the self-interest of participants. One of the participants in the exploration of agricultural value chains in the South reports, “Often we try to force things on people. This time we asked people what they need. We went to the school systems and back to our farmers. There is a consumer that is in need of product and we have someone that can supply that. How do you go from research to implementation? People were ready. Child nutrition directors and hospital nutritionists, saying, “where’s the food?” they were ready.”

Effective value chain intermediaries learn how to identify and satisfy the self-interests of their partners without sacrificing wealth creation goals. MACED staff reports, “I have realized through this work that you have to be as clear as possible about where demand is, what people need and want (and often they don’t think in terms of 7 forms of wealth so have to translate their needs into 7 forms). Folks don’t always see how change is in their self-interest. We learned the same lesson with utilities – we had to learn their perspective, what works for them, and shape change to suit them and others.”

The National Wildlife Federation has found “The strength of the framework is it allows us to get conservation on the ground by looking at multiple benefits.”

3. **Creating and maintaining a wealth creation value chains is a DIWO (do it with others) proposition.**

No one creates and maintains a wealth creation value chain alone. It requires deep collaboration among participants who come to learn how to pursue their own self-interests in ways that benefit others as well. Doing it with others means being accountable to the other stakeholders. Accountability leads to stronger relationships which creates greater opportunities and bigger markets and often broadens the scope of the work and increases the scale. Our experience to date suggests that the process of engaging diverse stakeholders in constructing wealth creation value chains pushes intermediaries to move to scale faster than they would have on their own.

“The wealth creation changed our framework from local to regional and from what we can do to what we can get done working collaboratively within a value chain framework.” - A Central Appalachian Grantee

“Working in “community” with local investors helps to launch wealth creation with “unusual” suspects in Alabama. My practice has changed by way of increased partnerships!” - A Southern Grantee

“Value chains have to be about adding value to current stakeholders/producers – not just about creating new entities; it is about amplifying existing entities. So be gentle around the old entities, while being open to new stakeholders.” - A Technical Advisor

“We have to develop the ability to see value in each other. Typically, we rarely step out of the box / comfort zone of our immediate environment (family, work,
etc.) but in order to be successful as a unit, we must take note of each other’s value and merge all of those attributes to gain achievement.” - A Southern Grantee

“Building a value chain is a series of investments in relationships.” - A Lower Rio Grande Valley Grantee

“It helps us to frame our work in a broader lens. Our work is broader because we always think about who we can bring to the table to help move the work.” - A Technical Advisor

“As practitioners, we’ve worked in isolation but now we think about who else can be brought to the table – you can learn from a process that may already be in place. Helps to expedite the work when you don’t have the resources or capacity to build it or fund it on your own.” - A Central Appalachian Grantee

“This work has shown us the importance of developing partnerships – we can’t do everything, but we can find partners who do some of the other pieces.” -- A Central Appalachian Grantee

4. The process of identifying wealth creation value chains to explore and eventually construct is iterative.

The more you learn about the sector in which you are trying to operate, the better you are at identifying the key interventions that will really make a difference. It takes time to understand the real opportunities in a value chain and to learn to identify the value propositions of potential partners. The more you look, the more you find. Value chains provide the opportunity to have multiple “irons in the fire” so that when one strategy is stalled you can work on another. The key is that these strategies are linked systemically.

“Value chains go through a lot of re-dos – we keep finding new links that are missing - we have gaps in the middle.” - A Lower Rio Grande Valley Grantee

“If a particular link point is difficult, you can look for a different link the chain for moving something forward.” - A Central Appalachian Grantee

“This is way more complicated than we could have imagined. Building a value chain originally seemed easy, but it is not as linear as we thought.” - A Southern Grantee

Constructing a wealth creation value chain includes understanding local assets, conditions, and goals but actually starts with an understanding of actual and potential market demand that would engage those assets.

“To change the market we have to figure out what makes the market move in our area. Unless you can figure out the demand side of the market, how can you change the market? We have to find urban partners that help us identify demand.”

Unmet demand may already exist, as in demand for biofuels or local food, or it may need to be created, as in demand for energy efficiency in Kentucky. The most promising wealth creation value chains are those for which unmet demand can be identified. The sectors we have explored to date include: energy efficient affordable housing construction, community-based tourism, regional food sys-
tems, renewable energy, energy retrofits for housing, certified forest products, and health care. At this point in time, these sectors seem to offer real opportunities for wealth-based development. We believe this may also be true of the environmental restoration sector. However, the specifics of wealth creation and the specifics of value chains vary from place to place and region to region.

The unifying theme is to start on the demand side and think, from the beginning, about what and who will need to be involved in getting to scale.

“We always worked with groups interested in sectors, but our approach was always small scale. The introduction of the wealth creation value chain concept expanded our network and helped us connect to other groups. Now we’ve expanded our thinking, now we recognize we don’t have to do it all. We got buy-in from the chain. It has always been our practice to work together, but oftentimes this concept is simply theory. This process is causing us to challenge the “theory” and put it into practice: we all need each other in order to be successful and really scale successfully.” - A Central Appalachian Grantee

5. Adopting the wealth creation approach can fundamentally change the mindset and practice of non-profit value chain intermediaries.

Organizations that are proving successful as value chain intermediaries have been willing to change the way they do business and relinquish a degree of control by establishing new and genuinely collaborative relationships, learn how to move quickly in response to market demand, and accept a higher level of risk in proportion to the scale of reward they seek. They have, in some fundamental ways, changed their mental models of how the world works.

“Concept of value chains and wealth creation are part of our vocabulary now.”
- A Cross Regional Convening Participant

“This has changed our thinking across the entire staff – things materialize with partners” - A Cross Regional Convening Participant

6. The language of the wealth creation approach is not an insurmountable barrier for value chain intermediaries.

It takes time for value chain intermediaries to understand and own the principles and content of the wealth creation approach. Value chain intermediaries who understand the wealth creation approach have been able to effectively translate the language for partners and beneficiaries as necessary.

“Before we started this work, our community perhaps did not have the infrastructure they needed to have conversations with external interests. Now those conversations are easier to have. Stakeholders may not understand the intellectual wealth or individual wealth or social wealth. They didn’t understand it and they didn’t value it. Now we have relationships where people are understanding it better and valuing it better. And coming to table and investing in meaningful ways.” - A Southern Grantee

“The challenge is taking this approach [and making it] become a normal behavior. That’s what scale is. Whose mindset do you have to change first? There’s
not one tool you have; everyone has his or her own mindset.” - A Southern Grantee

“It’s more than translating; it’s being able to have conversations across race, class, all the divides.” - A Southern Grantee

7. The wealth creation value chain approach applies to many sectors.

These sectors include, but are not necessarily limited to, those in which grantees are working. Some sectors, like agriculture, are more heavily weighted toward products and others, like tourism, toward services. Most sectors provide a mix of products and services. The wealth creation value chain construct can be successfully applied to both types of chains.

Place-based grantees are beginning to explore mutually advantageous sector-based collaboration within regions and across regions. For example, there may be advantages to shared marketing of certified forest products between the South and Central Appalachia since Central Appalachia produces hardwood and the South produces softwood. All of the place-based grantees in the South see the potential for layering the value chains and creating the possibility of creating community wealth by focusing on “land-based” work in one region (i.e. The Alabama Black Belt). All of the groups are already working with one another on selected activities and sharing skills, as feasible. Other sectors that we have not had a chance to explore in depth, but which we think offer potential for market-driven wealth creation, include health care, waste reduction, waste management, and re-framing waste depositing in rural areas from urban areas as a resource, and ecosystem services and restoration.

“It’s more than translating; it’s being able to have conversations across race, class, all the divides.”
Figure 9: Value Chain Exploration and Construction by Region and Sector

*services include, community based tourism, value-chain financing, and healthcare
Guiding Principles in Action

In addition to the wealth framework and wealth creation value chains, WCRC-BSL is based on several key principles that have come to life as the approach has been tested on the ground. (Please see previous interim reports for more information about the underlying principles of this approach.)

INCLUSIVENESS

From the beginning, we have recognized that it is possible to construct wealth creation value chains and build seven forms of wealth without improving the livelihoods and well-being of poor people and regions. If this approach is to matter from a development perspective, practitioners must be intentional about including those who are typically excluded from markets. At the same time, we recognize that an exclusive focus on engagement by low-asset individuals and businesses places severe limits on the ability to achieve scale and create sufficient cash flow to support wealth creation value chains. Therefore, this work involves creating relationships for mutual benefit among and between firms of different sizes and capacities, while providing specific supports required for engagement by previously disengaged parties. For example, in constructing a forest products value chain to benefit minority landowners in the South, the National Wildlife Federation discovered unmet demand for FSC certified wood fiber from Boise Cascade, which currently has to ship fiber from abroad to keep paper machines running. When presented with the opportunity to increase the domestic supply of certified wood, Boise saw the advantage in working with and financing minority landowners to secure group FSC certification, thus bringing previously excluded players into an emerging market. Similarly, as MACED has constructed an energy efficiency value chain in Kentucky, it has intentionally structured demand so that low-income households can participate through on-bill financing. In each instance, Ford grantees are finding ways to balance market engagement of established and hitherto excluded parties for mutual benefit. This work requires a clear understanding of the self-interests of participating parties and vigilance with respect to contractual relationships to eliminate opportunities for exploitation. As the work progresses, we continue to learn how to balance power within value chains to achieve shared goals and enable wealth to stick in poor areas and households. While there is still a lot to learn, early results suggest it is possible.

SYSTEMS THINKING

The wealth creation approach relies on systems thinking in two important aspects. The first is by illustrating the entire system of economic relationships that comprise and support wealth creation value chains. This is in contrast to supply chains where interactions are typically limited to buying inputs and selling outputs and participants are generally unaware of the end uses to which their products or services contribute. The second is by considering impacts of interventions on seven forms of wealth simultaneously, paying attention to the interactions between investments in various forms of wealth, and intentionally doing no harm.

Systems Thinking about Economic Relations

As one grantee describes it, “When looking at the various pieces of the value chain, I have learned that there was so much disconnection. Maybe we have never looked at working together to create a greater bond and tighter chain. Nevertheless, there
FORMULATING A SUSTAINABLE ECONOMIC DEVELOPMENT PROCESS FOR RURAL AMERICA

has always been strength in numbers and that practice is further solidified through this value chain process. Ultimately, value chain and the process of it doesn’t work if the goal is simply “self investment;” value chain efforts require that we take stock of the value of the entire process and those persons that make up the effort. We have to and need to be conscious of the movement of the process and those that make it up as a complete and cohesive unit.”

Another grantee summarized it this way, “The value chain process forces you to work across from capital piece to community development piece to policy piece.”

Learning to think about the entire system and all its components, although it may seem overwhelming at first, is, in fact, possible. It seems to result in increased capacity to envision meaningful change at scale and to engage the partners needed to make changes that will improve the entire system.

**Systems Thinking - Doing No Harm**

“Wealth creation keeps our perspective broad to ensure that we either help but, at minimum, do not harm these forms of wealth.” - A Cross Regional Convening Participant

There are several key components of systems thinking that are intentionally incorporated into this approach. The first is the distinction between a stock and flow. The second is attention to understanding and mapping causality to determine key leverage points for interventions in a wealth creation value chain. The third is acknowledging and working explicitly to change and expand mental models as a foundation for the work. The fourth is recognizing patterns of change over time that can set up cycles that are either virtuously or viciously reinforcing or are balancing. The tools we continue to develop are designed to help practitioners and others grasp their intuitive sense of systems thinking and integrate it into their daily practice more intentionally. Results to date suggest this is both achievable and game changing. Grantees have consistently found themselves empowered and changed by looking at the entire system of a wealth creation value chain instead of focusing on one or more pieces of the chain without understanding the bigger picture.

**DEEP COLLABORATION**

Every value chain intermediary is forming trusting relationships with new partners with whom they had never worked before. These relationships go well beyond networking and cooperation to real coordination and collaboration involving sharing resources as well as responsibilities for mutual benefit. All relationships are not created equal. Some partners play more limited roles than others; some become deeply committed while others may decide this isn’t for them and move on to other things. Sometimes groups aspire to participate but lack the necessary capacity to do so effectively. Value chain intermediaries are learning to keep an open mind about who will be an effective and committed partner. This includes determining when they can help bring supporting partners to bear to increase the capacity of aspiring transactional partners.

**ROOTED IN PLACE (PLACE-BASED)**

Every place has unique underutilized or depreciated assets which have the potential to be engaged in meeting the needs of larger markets. For example, in working with
minority landowners in the South, one value chain participant noted, “I have learned that there is extreme value in our land and resources, but there has been so much overgrowth where landowners have not appreciated the natural resource and value of the land. We have to make sure that landowners appreciate what they already own.”

This is equally true when the asset is depreciated housing in which utility companies as well as homeowners can benefit from energy efficiency retrofits, or unique local cultural treasures that provide a basis for sharing unusual experiences with a larger market. However, the wealth based approach is not simply “asset-based development” in that it does not stop with identifying place-based assets and using them to create more livable places. Instead, it is a market-based, demand-driven approach that asks how local assets (including underutilized and depreciated assets) can be engaged in meeting market demands that originate both within and outside the local community at a scale that is transformative.

Thanks to Dr. Thomas G. Johnson, Professor at the University of Missouri, and member of the planning team for the National Conference on Rural Wealth and Livelihoods sponsored by USDA–ERS and the Ford Foundation, we have learned to think more clearly about the difference between place-based wealth and people-based wealth. Place-based wealth refers to all the wealth in a region, regardless of who owns it. In many poor regions, much of the wealth that is physically in the place is actually owned or controlled by outsiders who do not live in the region. People-based wealth refers to the wealth of people in a region. People may have wealth that is located or invested outside the region as well as wealth located or invested within it. Our current systems of accounting make it difficult to differentiate between place-based and people-based wealth. As a result, it’s hard to fully understand what we have to work with and where the opportunities exist to improve the flow of investments into place for the benefit of low-wealth people and communities. This is one of the issues we hope to address in the dialogue about improving measures of regional and national wealth.

**STRATEGICALLY FLEXIBLE**

Wealth-based development is neither a silver bullet nor a cookie cutter. We are well aware that there are elements of development that will not be addressed by market-driven wealth creation value chains. The experience of the past five years has confirmed that, while there is no single path to success, there are multiple opportunities worth pursuing and the wealth creation approach helps identify and qualify them. Putting wealth creation value chains in place is as much an art as it is a science. It requires a mix of opportunism, common sense, perseverance, flexibility, and vision and a capacity to respond to changing market conditions while remaining accountable to the overall objective of improving rural livelihoods. This work provides a framework and lessons; it does not provide a blueprint.
The Wealth Creation Framework Adds Value to Conversations about Sustainable Development

We have learned that the wealth creation framework, when coupled with wealth creation value chains, is a powerful economic development approach. However, there are instances in which wealth creation value chains are not necessarily the most appropriate mechanism for sustainable development. We have begun to notice that others find value in the wealth creation framework as a tool for sustainable development when it is used outside the context of wealth creation value chains. The framework gives definition to the often ill-defined concept of sustainability and provides a way to actually examine and evaluate the impacts of various activities designed to improve sustainability, even if they are not essentially market-based. The wealth creation framework helps people that are engaged in sustainable development, but not value chains, to identify who to engage and why, alternative investment sources and strategies, and how to shape their interventions to be truly sustainable – creating and maintaining multiple forms of wealth without undermining any one form to create another. In the coming year, we will be exploring a range of applications for the wealth creation framework as a planning and adaptive management tool that can be used in variety of contexts.

“Seven forms of wealth are useful to think about it. Are we hitting as many of them as we can? Preparing reports helps make this real. Wealth Creation is more than just jobs and income, but a broader sense of assets.” - A Central Appalachian Grantee

“Seven forms of wealth are useful to think about it. Are we hitting as many of them as we can? Preparing reports helps make this real. Wealth Creation is more than just jobs and income, but a broader sense of assets.”
Measuring Wealth Creation: What We Have Achieved to Date

The wealth creation approach includes a process for planning and adaptive management based on impact measures. The process incorporates elements of Yellow Wood’s trademarked “You Get What You Measure®” methodology for helping diverse groups use systems thinking to measure progress toward shared goals. Yellow Wood, as managing grantee for Wealth Creation in Rural Communities, has combined our process with the wealth matrix to assist grantees in developing context-based measures of their impacts on each of the seven forms of wealth. We use You Get What You Measure® to help grantees and value chain stakeholders articulate value chain goals and identify key leverage indicators for improving their value chains. Once key leverage indicators are identified, interventions are designed to move those indicators toward the goals. The interventions are designed to have a positive impact on as many forms of wealth as possible and no negative impacts. Once all interventions have been designed, grantees determine which will have the greatest impact on each specific form of wealth. Then, they develop a baseline measure of the status of that form of wealth. Re-measures occur at the end of two years (and annually thereafter) to determine the extent to which the intervention is moving the key leverage indicator in the desired direction. All measures are tied to strategic interventions. The purpose of measurement is not to determine causality, but to assess progress in light of the contributions of the value chain. The process of measuring informs grantees about the world they are seeking to impact and has led interventions to become more targeted, intentional and effective through adaptive management (learning as they go). Measures also provide accountability to stakeholders and a way of demonstrating impacts to attract investment. The Third Interim Report discusses lessons learned in how to measure different forms of wealth. This report shares results of early measurement efforts.
PLACE-BASED MEASURES OF THE SEVEN FORMS OF WEALTH

All nine construction grantees completed baseline measures of the status of each form of wealth in their first year. The four grantees in Central Appalachia have completed a re-measure at the end of their second year of work on the ground. Their results are reported here. Measures are intended to capture outcomes, not activities. Each measure is tied to one or more specific strategic interventions. It is worth noting that the results reported below were achieved from 2009-2011 in a period of significant economic recession in the United States by value chain intermediaries implementing an approach to development for the first time that was different from business as usual in significant ways. Results are reported by type of wealth and sector.

The four Central Appalachian grantees and the wealth creation value chains they are constructing are:

- Federation for Housing Enterprises (FAHE) – energy efficient affordable housing construction
- Mountain Association for Community Economic Development (MACED) – clean energy economy including energy efficiency housing retrofit and renewable energy
- Central Appalachian Network (CAN) – regional and sub-regional agriculture and food systems
- Rural Action – certified wood products
Measurements of Intellectual Capital

“We discovered that we couldn’t make progress because we weren’t using a common language.” - A Central Appalachian Grantee

Measurements of intellectual capital focus on the behavioral changes and outcomes that result from new knowledge and understanding of new possibilities. Particularly in poor rural areas, new thinking and exposure to new practices and lessons learned can be hard to come by. In each wealth creation value chain, targeted interventions that increased knowledge and understanding and changed ways of thinking have led to changes in behavior that have strengthened wealth creation value chains. The chart below shows sectors, baselines and re-measures related to intellectual capital.

Table 2: Measurements of Intellectual Capital

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<thead>
<tr>
<th>SECTOR</th>
<th>BASELINE</th>
<th>RE-MEASURE</th>
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<tbody>
<tr>
<td>Energy Efficient Affordable Housing Construction</td>
<td>No program run by utilities that makes energy efficiency retrofits affordable for low-income households.</td>
<td>Educating rural electric utilities about the on-bill financing model resulted in 4 utilities agreeing to pilot the model and support retrofits for 200-300 residential units over two years. This is the first step in engaging more utilities and going to scale.</td>
</tr>
<tr>
<td>Energy Efficient Housing Retrofits and Renewables</td>
<td>In the summer of 2010, twenty-two of FAHE’s fifty member organizations indicated a basic understanding of green construction practices.</td>
<td>FAHE learned in the measuring that there is not enough specific language about what it meant to be “green”. Independently, two members arrived at a central idea for the highest energy performance for the least amount of cost with the optimal HERS rating of 50. Six (6) of 46 current members (13%) have adopted the HERS rating of 50 as a production goal; 16 members (35%) have accepted and understand this optimal HERS rating with FAHE connecting members through quarterly G-EEPC calls, Annual Meeting Innovators Showcase reporting and networking within the membership and Caucus meetings.</td>
</tr>
<tr>
<td>Agriculture and food systems</td>
<td>Limited engagement of buyers in buying local and organic products.</td>
<td>Increasing the understanding of buyers of the value of buying local and organic products has resulted in an increase of 37% in the number of buyers engaged in the value chains (from 51 to 70), and an increase of over 160% in the value of their annual purchases (from $1,794,000.00 to $4,667,321.24). The average value of annual purchases per buyer has increased from $35,175.00 in 2009 to $66,676.02 in 2011. Regional and national chains account for an increasing percentage of overall sales, laying the groundwork for continuing growth and scale of impact.</td>
</tr>
<tr>
<td>Certified Wood Products</td>
<td>No concept of value chain opportunities among producers</td>
<td>Targeted education of wood products suppliers resulted in 8 producers engaged in value chain transactions with another 8 identified as potential value chain partners.</td>
</tr>
</tbody>
</table>
Measurements of Individual Capital

Measurement of individual wealth focuses on the behavioral changes and outcomes that can only occur when new skills have been mastered or human health has improved. Targeted interventions to intentionally build the skills of producers, whether they are energy contractors, farmers, wood products companies, building contractors, or other small businesses to meet demand in a wealth creation value chain framework, has resulted in increased engagement in value chain transactions and opened up new opportunities for future growth.

Table 3: Measurements of Individual Capital

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>BASELINE</th>
<th>RE-MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient Affordable Housing Construction</td>
<td>0 BPI certified contractors with HERS rating training available in rural areas of Central Appalachia</td>
<td>FAHE has assisted a total of 16 individuals in at least five member businesses to receive BPI certification and training in HERS rating. Three of those businesses have an opportunity to expand their own business offerings as a result. The infusion of 16 trained individuals into the rural areas of Central Appalachia is a significant step toward providing access to energy efficiency assessment services for rural areas that is on a par with what is available in urban areas in the region.</td>
</tr>
<tr>
<td>Energy Efficient Housing Retrofits and Renewables</td>
<td>0 BPI certified contractors serving rural areas in Kentucky</td>
<td>The number of BPI (energy efficiency) certified contractors has grown from 0 to 10 and 11 contractors have been employed by utilities in the on-bill pilot retrofits, an opportunity that did not exist prior to the energy efficiency value chain initiative.</td>
</tr>
<tr>
<td>Agriculture and food systems</td>
<td>96 producers with value chain derived sales of $3,568,452.61</td>
<td>Targeted, research-driven technical assistance to small producers has resulted in an increase in participation of 55% to 149 producers and an increase in value chain derived sales of 69% over two years to $6,931,527.60.</td>
</tr>
<tr>
<td>Certified Wood Products</td>
<td>No targeted outreach to producers to improve skills to meet identified demand</td>
<td>Through targeted outreach, within one year, two producers acquired substantial new skills to meet demand (changed production, operations, logistics, etc.).</td>
</tr>
</tbody>
</table>
Measurements of Social Capital

Measuring social capital has caused value chain intermediaries to be intentional and deliberate about fostering relationships and networks needed to grow their value chains. Social capital provides a measure of the strength and diversity of relationships developed to further the success of the value chain and its wealth creation impacts. Value chain intermediaries have discovered that social capital is a pre-requisite for effective political capital.

Table 4: Measurements of Social Capital

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>BASELINE</th>
<th>RE-MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient Affordable Housing Construction</td>
<td>14 of 50 FAHE members signed a green performance contract</td>
<td>24 FAHE members are developing and refining the roles and responsibilities associated with participation in “Energy Efficiency Performance Compact”. A performance contract is an important way to build social capital.</td>
</tr>
<tr>
<td>Energy Efficient Housing Retrofits</td>
<td>Weaker, smaller, and less diverse network of relationships with organizations with shared and/or complementary goals.</td>
<td>Social capital interventions have focused on building a strong alliance composed of diverse groups working for policy change to support job creation, poverty reduction and environmental improvement through new energy. The number, diversity, power, and intensity of collaboration between and among members have all increased over a two year period and provide the foundation for increasing political capital to influence policy at the state level.</td>
</tr>
<tr>
<td>Agriculture and food systems</td>
<td>Gaps in value chain networks leading to sub-optimal results. No way to communicate among CAN members about core competencies in building relationships with different types of partners.</td>
<td>Network mapping has been used by sub-regional agricultural value chains to identify strengths and gaps in relationships among transactional members of the value chain and supporting members (see example below). Sub-regional intermediaries are deliberately addressing gaps to strengthen value chains. Sub-regional groups are learning from each other how to build strong relationships with different types of value chain stakeholders.</td>
</tr>
<tr>
<td>Certified Wood Products</td>
<td>No certification center and fewer market partners.</td>
<td>Where a new regional certification center was needed to serve the green regional wood products value chain, allies needed to be brought into right relationship to make it happen. Within two years, the certification center was created, two businesses above $5 million have received TA for certification through the Center and a group certificate with three businesses is being submitted. Forty-one loggers are being certified, and three ACP landowners (Appalachian Carbon Partnership) are becoming FSC certified. In addition, social capital interventions have been used to increase the number of retail and builder allies and strengthen relationships with buyers. As a result, two market partners have joined the value chain in its first year of operation, one with repeat purchases, and sales and networking events have increased from 3 and zero to 10 and 2 respectively.</td>
</tr>
</tbody>
</table>
The WesMonTy Local Food Value Chain represents a sub-regional effort within the Central Appalachian Network (CAN). This value chain network map captures the status of social capital between and among all partners in the value chain at a point in time. The colors represent the degree of partners’ engagement in the value chain and helps identify areas where interventions are needed to strengthen the chain. A minimum level of redundancy is needed to turn a box green. Green is strong, yellow is moderate, red is absent and white is yet to be explored. Lines show who is connected to who and the thickness and solidity of the line shows the strength of the relationships.
Measurements of Natural Capital

Each wealth creation value chain impacts natural capital differently. While none of these measures of impact on natural capital reflect all activities of each intermediary or all the activities in each value chain, they do represent a first step in integrating intentions with respect to natural capital impacts into value chain development.

Table 5: Measurements of Natural Capital

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>BASELINE</th>
<th>RE-MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient Affordable Housing Construction</td>
<td>No data available</td>
<td>The value chain intermediary was stymied by the lack of a consistent standard by which to measure savings and by the lack of data. In response they have invested in a Utility Savings analysis with floor plans and side-by-side comparisons of construction components to show a clear delineation of expected savings from affordable energy efficient construction. This will provide a platform to come back to this measure in the future. In addition, the value chain intermediary is encouraging a total site design approach that has been adopted by 7 of its 50 members and is tracking member efforts to reduce construction waste.</td>
</tr>
<tr>
<td>Energy Efficient Housing Retrofits (and Renewables)</td>
<td>Zero</td>
<td>Reduced carbon emissions by increasing the energy efficiency of commercial and residential structures. In two years, commercial structures have achieved an annual approximately 1.3 million KWH reduction in energy use that is the equivalent of an annual reduction in GHG emissions of approximately 940 tons. Residential retrofits, which only began in 2011, achieved a reduction of approximately 40,000 KWH and reduced GHG emissions by about 30 tons. These reductions will continue on an annual basis for all structures that have been retrofitted. As the number of retrofitted structures grows, so will the positive impact on natural capital. The value chain also contributed to renewable solar energy installations that increased from 5,000 to 39,940 kWh over two years with additional renewable installations in the works.</td>
</tr>
<tr>
<td>Agriculture and food systems</td>
<td>The sub-regional agricultural value chains are encouraging producers to use sustainable growing practices. In 2009, 2,178.3 acres of farmland contributed to CAN-supported value chains. 130.8 acres were certified organic, 689.5 acres were chemical-free but uncertified, and 1358 acres were unspecified or conventional.</td>
<td>In 2011, 2,939.55 acres of farmland contributed to CAN-supported value chains. 255.25 acres were certified organic, 789.3 acres were chemical-free but uncertified, and 1775 acres were unspecified, conventional, or certified in a different sustainability practice. The increase in organic and chemical-free but uncertified acres shows some movement in the desired direction.</td>
</tr>
<tr>
<td>Certified Wood Products</td>
<td>In 2009, Rural Action determined the number of certified acres in the five Central Appalachian states by type of certification. There was 1 FSC certified landowner in Kentucky, 1 in Ohio, 4 in Tennessee, 13 in West Virginia, and 20 in Virginia. No certification center existed at that time.</td>
<td>The number of acres of FSC certified forest land and the number of certified wood processors is growing, and being tracked and leveraged by the green regional wood value chain. Although they are not responsible for all the certification activity, access to certified wood products is a key to the success of the value chain and measuring changes keeps the value chain intermediary in touch with opportunities to partner to grow supply and increase returns to certification for landowners and processors.</td>
</tr>
</tbody>
</table>
Measurements of Built Capital

Creation and improvement of built capital is one of the end products of several wealth creation value chains, while it is a means to an end for others. Functioning value chains result in sufficient revenue to justify and support investments in built capital that are necessary for improving production quality and increasing sales.

Table 6: Measurements of Built Capital

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>BASELINE</th>
<th>RE-MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient Affordable Housing</td>
<td>420 units in 2010</td>
<td>The value chain for affordable, energy efficient housing has improved contractors understanding of “green” and “energy efficiency” that increases the accuracy of reporting. Members reported 420 units during calendar year 2010 and 434 units during the first six month of 2011, showing a considerable increase in the rate of construction and rehabilitation that incorporated a green standard of construction or green features during a down real estate market.</td>
</tr>
<tr>
<td>Housing Retrofits</td>
<td>Zero</td>
<td>Over a two year period, beginning with a baseline of zero, MACED performed energy retrofits worth a total of approximately $9 million on 53 commercial structures, many of which were grocery stores in rural communities. Over a one year period, again, with a baseline of zero, 8 residential structures were retrofitted at a cost of $62,451.92 or an average cost of $7,806. Many more residential structures are in the pipeline for 2012.</td>
</tr>
<tr>
<td>Agriculture and food systems</td>
<td>A focus on built capital has led the sub-regional agricultural value chains to identify gaps that must be filled to bring their value chains to scale. These include: cooling and storage facilities, irrigation equipment, season extension equipment, greenhouses to supply transplants, access to slaughterhouses, and organic compost or other soil. These findings have resulted in a focus on interventions related to slaughterhouse access and relationship building with input suppliers that provide products needed for organic and sustainable farming.</td>
<td>Many of the producers interviewed reporting adding or making improvements to infrastructure in the areas listed as high priorities in 2010. In 2010, for example, four producers mentioned needing improved access to season extension equipment, such as high tunnels and greenhouses. In 2011, six of the interviewed producers reported having constructed new high tunnels, and four reported having built or make improvements to greenhouses. In 2010, four producers reported needing improved irrigation equipment, and in 2011, five producers stated that they had improved their irrigation or water collection systems.</td>
</tr>
<tr>
<td>Certified Wood Products</td>
<td>Zero related directly to the value chain</td>
<td>The regional wood products value chain is exploring avenues to provide financing for improving built capital and has had one value chain producer invest in new machinery to meet market demand.</td>
</tr>
</tbody>
</table>
Measurements of Political Capital

Each wealth creation value chain intermediary has identified the key resource allocation decision-makers that, if influenced, could make decisions that would significantly strengthen their value chains. Once identified, they have intentionally built social capital among and between potential allies to create optimal leverage to influence decision-makers. At the same time, they have identified the steps to achieving the desired change in resource allocation so they can monitor progress toward their political goals. While the details are highly contextual, the process of measuring progress toward achieving political capital – the capacity to influence resource allocation decisions that are favorable to wealth creation value chains – is shared. Regulatory inconsistency at the local, state, and federal levels is proving to be a key barrier to scale in many wealth creation value chains.

Table 7: Measurements of Political Capital

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>BASELINE</th>
<th>RE-MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient Affordable Housing Construction</td>
<td>No activity by grantee</td>
<td>FAHE identified the lack of a consistent definition of what qualifies a unit to be labeled as “green” across their membership, with each state, possibly each funding program, specifying different requirements, as a substantial obstacle to the scaling of an energy efficient affordable housing value chain. FAHE is working with four state Housing Finance Agencies to encourage them to adopt uniform “green” or “energy efficient” standards/practices and definitions that can be used to obtain financing.</td>
</tr>
<tr>
<td>Energy Efficient Housing Retrofits and Renewable Energy</td>
<td>Less intentional-ity around coalition building and assessment of progress toward impacting resource allocation decisions. No relationship with regulators.</td>
<td>MACED has determined that new energy policy at the state level is critical to the long term success of the energy efficiency and renewable energy value chains, intentionally contributed to building a diverse coalition of supporters, outlined the steps a bill must go through to become a law in Kentucky, measured the strength of each state bill related to energy efficiency and renewable energy presented to the General Assembly and the progress of each of those bills through committee in the House or Senate, whether the bill reaches the Floor for a vote, and whether the bill is enacted. Although progress in the statehouse has been limited by a variety of factors, the coalition and growing experience in the energy policy arena is allowing MACED to come to the table with utilities, administrators and regulators whose decisions can also have a profound impact on the value chain.</td>
</tr>
<tr>
<td>Agriculture and food systems</td>
<td>No activity by grantee</td>
<td>CAN is developing policy targets at the sub-regional level as well as shared targets across regions. Identifying targets is leading to increased support through sharing models and information across state lines. Specific policy targets identified by CAN members to date include: State-level policymakers make increased amounts of resources available for local foods production and support; Farm to School value chains are strengthened across the state: Producers have increased access to local school markets, and food purchasing officials at schools have an increased understanding of how to incorporate local foods into nutrition programs; Flexible purchasing policies of local institutions, including hospitals and schools, support the use of locally-produced foods and food products.</td>
</tr>
<tr>
<td>Certified Wood Products</td>
<td>No activity by grantee</td>
<td>The green regional wood products chain is in the early stages of building a coalition to increase investments by the Appalachian Regional Commission in the wood products sector.</td>
</tr>
</tbody>
</table>
Measurements of Financial Capital

When wealth creation value chains are fully functional, they should, by definition, be profitable for their participants. In other words, they should generate a financial return over and above the costs of production, thereby generating unencumbered financial capital. Financial capital can be measured as the value of savings and as the value of investments made in other forms of capital that strengthen the value chain and/or provide meaningful returns to low-income households and communities. Financial capital can be “internal” representing savings and investments by members participating in value chain transactions, or it can be “external” representing investments in the form of grants, loans or other types of financing made by those who are not directly participating in value chain transactions. Wealth creation value chains are designed to be market driven with growth fueled by increasing internal investment and market-based external investment over time. Focusing on financial capital versus income allows value chain intermediaries to design interventions that actually build and sustain wealth and assets for improved livelihoods over time.
Table 8: Measurements of Financial Capital

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>BASELINE</th>
<th>RE-MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient</td>
<td>Over the course of five years (2005-2009), the creation of 30 units of</td>
<td>$8,320 average per unit for increased revenue through local taxes and fees</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>affordable housing generated a total of over $202,500 in increased</td>
<td>based on actual number of units produced by one member (2010-2011)</td>
</tr>
<tr>
<td>Construction</td>
<td>revenue in the form of total taxes and fees to local governments; average</td>
<td></td>
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<tr>
<td></td>
<td>of $6,750 per unit (the calculation includes taxes and fees generated</td>
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<tr>
<td></td>
<td>through construction spending plus government transfer taxes and fees</td>
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<tr>
<td></td>
<td>resulting from home sales). NOTE: This total does not include the</td>
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<td></td>
<td>additional local revenue generated each year as a result of increased</td>
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<tr>
<td></td>
<td>property taxes collected from each of the new homeowners of these 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>lots which are now valued at a higher rate due to the new houses.</td>
<td></td>
</tr>
<tr>
<td>Energy Efficient</td>
<td>Zero</td>
<td>Annual energy savings for low income households due to energy retrofits</td>
</tr>
<tr>
<td>Housing Retrofits</td>
<td></td>
<td>for 8 houses in 2011 was $4,553.93. This number will fluctuate with</td>
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<tr>
<td></td>
<td></td>
<td>energy prices that are projected to increase over time. More homes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>are scheduled for retrofits in 2012.</td>
</tr>
<tr>
<td>Agriculture</td>
<td>In the sub-regional agricultural value chains, in 2009, 37 organizations,</td>
<td>In 2011, 93% of producers, or 14 out of 15 surveyed for this measure,</td>
</tr>
<tr>
<td>and food systems</td>
<td>agencies, and philanthropies, as well as an unspecified number of</td>
<td>reported investing time in the growth of their farm enterprises through</td>
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<td>community members and farmers, invested in the development of the value</td>
<td>attendance at trainings and educational events. 80% of producers, or 12</td>
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<td>chains. The approximate value of these investments totaled $1,475,601.00,</td>
<td>out of 15, reported investing financially in the growth of their farm</td>
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<td></td>
<td>which came in the form of grants, equipment, space, volunteer time, and</td>
<td>enterprises. Six purchased new high tunnels, three purchased new</td>
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<td>training. The majority of this investment, approximately $1,371,098.00,</td>
<td>greenhouses, three purchased new tractors, and three expanded their acre</td>
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<td></td>
<td>came from external sources, including philanthropy, federal agencies,</td>
<td>age by renting or purchasing new land. Other financial investments</td>
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<td></td>
<td>and state Departments of Agriculture. $104,503.00, or 7% of the total</td>
<td>included the purchase or construction of new water tanks, irrigation</td>
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<td>investment, came from internal sources, including value chain buyers,</td>
<td>kits, coolers, barns, raised beds, plastic layers, and fruit trees. In</td>
</tr>
<tr>
<td></td>
<td>producers, local extension services, and community members.</td>
<td>2011, 49 organizations, agencies, philanthropies, and individuals</td>
</tr>
<tr>
<td>Certified Wood</td>
<td>Zero</td>
<td>invested in the development of CAN-supported value chains. The</td>
</tr>
<tr>
<td>Products</td>
<td></td>
<td>approximate value of these investments totaled $1,360,532.33. While this</td>
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<td>total represents a slight decrease from previous years, we believe that</td>
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<td>this is an indication of the increased financial independence of the</td>
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<td>value chains. In 2011, the majority of investment, or $1,114,582.33,</td>
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<td></td>
<td></td>
<td>still came from external sources, including philanthropy, federal</td>
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<tr>
<td></td>
<td></td>
<td>agencies, and state Departments of Agriculture. However, $265,950.00 of</td>
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<tr>
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<td></td>
<td>investment came from internal sources in 2011, including value chain</td>
</tr>
<tr>
<td></td>
<td></td>
<td>buyers, producers, local extension services, and community members. This</td>
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<td>investment represents almost 24% of the total investment in the value</td>
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<td>chains this year. The value of the average investment from an external</td>
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<td>source was over $50,000.00 in 2011, while the value of the average</td>
</tr>
<tr>
<td></td>
<td></td>
<td>investment from an internal source was less than $9,000.00.</td>
</tr>
</tbody>
</table>

The regional wood products value chain has identified 10 manufacturers willing to invest in certification to enable them to participate in the value chain.
IMPACT PATHWAYS

Measures can be used to illustrate five impact pathways that the wealth creation approach provides to improve the livelihoods of poor people, households, and communities. The first is through engagement as producers. See, for example, measures related to agricultural wealth creation value chains. The second is through engagement as laborers, for example as firms providing renewable energy services expand. The third is through avoided cost as in lower energy costs through improved efficiency for homeowners or shared certification costs for minority forest land owners. The fourth is through opportunities for shared ownership, through for example, owning shares in a community-based destination tourism company. Finally, although this has not been the focus of our work, there are opportunities to create value chains that provide wealth enhancing affordable products and services to poor consumers.

THE POWER OF FRAMING MEASURES

Every value chain intermediary has begun with a limited scope of influence that expands through application of the wealth creation approach. Achieving meaningful change at scale means understanding the true dimensions of the opportunity represented by the wealth creation value chain, not only the portions of the opportunity created or touched directly by the value chain intermediary. For example, FSC certified wood products must be available to build a certified wood value chain in Central Appalachia. Those wood products come from FSC certified forest lands. Understanding how many landowners have become FSC certified and the number of acres they control is critical to building an effective value chain. This information, which Rural Action collected during their first year, provides a “frame” for what is possible under existing circumstances and a basis for setting realistic targets for increasing certified acreage through interventions. In another example, FAHE researched the number of BPI certified inspectors in Central Appalachia and discovered their absence in rural areas. From there, they set a target based on the number of inspectors per capita to create parity with urban areas in the region. The process of collecting framing measures and setting targets introduces the value chain intermediary to potential partners and informs their understanding of the processes already at work in the market. This knowledge allows them to refine and target strategic interventions more effectively.

Framing to Establish Achievable Targets

Sometimes framing measures come from outside the region. If, for example, there is no utility involvement in programs to engage low-income households in energy conservation, once that has been ascertained, the performance of a model from outside the region may provide a “frame” that shows both what is possible and what realistic targets might look like. For example, how many low-income houses have utilities in other states retrofitted and what proportion of the overall low-income housing stock does that represent? Or, what proportion of the energy in adjacent states comes from renewable energy? In the absence of framing measures, there is no way to assess the overall impact of accomplishments. What does it mean to say how much value in local sales is moving through agricultural value chains without knowing the proportion of overall sales in the region of relevant food products this represents? If the frame were known, meaningful targets could be established. As practitioners continue to
experience the power of measurement in their work, we anticipate more will learn to seek and use framing measures as an important part of their practice.

**Exploring the Role of Regional Indicators of Wealth**

As we know, framing measures are often not readily available and require research to construct. One of the opportunities we are beginning to explore is how to create regional measures of seven forms of wealth related to specific sectors that could have value to practitioners on the ground. For example, understanding the proportion of energy supplied from renewable sources (natural and built capital) or the proportion of households with broadband access in their homes at the county, multi-county, state, and multi-state levels (built capital) or the per capita level of investment in preventive health care in proportion to overall spending on health care (individual capital), could each have relevance to value chain intermediaries, especially if filtered by location into rural and urban and by income level. Regional indicators and measures would not be a substitute (in most cases) for measures of progress in specific wealth creation value chains, but they could provide meaningful information to help define the scale of effort needed to move the needle. Discussions are currently underway between researchers at ERS, RUPRI, Yellow Wood, Center for Rural Entrepreneurship and Demos Institute to explore how useful indicators and measures of seven forms of wealth might be developed at the regional level.

**USING THE WEALTH MATRIX LEADS TO NEW INSIGHTS**

“This process has shown us that all along the way, this is showing success that is measureable.” - A Technical Advisor

The wealth matrix requires value chain intermediaries to think through the impact of every intervention on each form of wealth. By doing so, they begin to see the system and identify new and interesting ways to strengthen multiple forms of wealth at the same time. For example, instead of bringing a contractor in from outside the region to provide needed intellectual capital and leave a report behind, value chain intermediaries have set up opportunities to enrich the intellectual capital of their place by having outside contractors provide training and/or mentorships as part of their engagement. Instead of acting as outside experts, they are engaged as expert/facilitators.

The wealth matrix also helps value chain intermediaries track the condition of different stocks of capital over time, identify gaps, and find ways to invest the “income” from healthy stocks into weaker stocks for a larger benefit. “Which forms of capital have the most impact / opportunity to change what you need to change?” For example, ACENET, a member of CAN, identified a gap in the area of political capital and realized they could build it using (and expanding upon) existing social and intellectual capital but they would have to change the focus of their relationship building activities and reframe their impacts to appeal across political parties.

Another CAN member found, “We started with strong social capital, but when we focused on built capital, the social capital went away. So we have had to refocus on social capital. So we have learned you have to maintain focus on all the capitals.”

“Wealth creation work has helped us think about the full spectrum of outcomes we are working toward. We are stepping back and thinking about all the work through this lens.” - A Central Appalachian Grantee

"Wealth creation work has helped us think about the full spectrum of outcomes we are working toward. We are stepping back and thinking about all the work through this lens.”
### Table 9: A Wealth Matrix for Planning and Evaluation

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

Donella Meadows pointed out that one of the high leverage ways to change a system is by changing the information that flows within that system. Because wealth creation value chains are, by definition, committed to measuring impacts on seven forms of wealth, and because it takes many partners to achieve those impacts, one of the things value chain intermediaries have the opportunity to work on is creating shared information systems. Sometimes these systems serve multiple functions. For example, in many markets, consumers are increasingly concerned about transparency and knowing where the product they are purchasing comes from. This may require creating and maintaining information on the chain of custody for wood products, crafts, food products, etc. Information shared through chain of custody can also help identify where the chain itself is strong and where it is weak. It can help identify bottlenecks and gaps. It can also provide information that contributes to being able to demonstrate benefits to participants in the chain, and information on the volume and value of transactions. Sharing information along the chain can also improve performance. For example, if a wholesaler is able to provide growers with information on trends in demand in advance of the planting season, growers are better equipped to provide products that will sell. Likewise, if growers can provide real-time information to wholesalers about the condition of their crops, wholesalers are better equipped to manage risk and maintain the capacity of the entire chain to respond to market conditions. As information and measurement become viewed as part of a way of doing business and a powerful set of tools to improve systems instead of an evaluative requirement imposed by a funder, value chain intermediaries and their partners begin to own the measurement system and find value in their increased ability to make data-based decisions.

A grantee noted: “We need a training program to teach real estate and housing authorities how to think about value embedded in new types of homes...We learned that without the appraiser on board, they have been devaluing the value of energy efficient affordable housing.” This is an example of an intervention that is key to strengthening the value chain by improving measurement systems that will result in increased financial assets (real estate values) for low income households.
Using Wealth Creation Data

CAPTURING AND SHARING DATA ON IMPACTS IS KEY TO ATTRACTING INVESTMENT

As grantees learn how to develop and implement measures of impact, new opportunities open up to communicate the full range of impacts to potential investors. While we know that some investors are primarily concerned about the financial return on investment, we know that others would like to support a broader set of returns, particularly if they had some assurance that those returns were, in fact, being generated. We are in the early stages of exploring with grantees how the measures they have and those they may develop in the future can help them explain and “sell” the impact of their work to public, private, and philanthropic investors. While the measures in use today by individual grantees are still under development and may well be refined in the future as the interventions themselves become more focused and impactful, we already know that it IS possible to measure impacts (not outputs or activities) across seven forms of wealth and doing it HELPS value chain intermediaries focus and improve the quality of the work. One next step is to learn how to package impacts in terms that matter to investors and then use measures of impacts to tell stories and attract ongoing investment. We would like to learn how to do this not only at the level of individual value chains, but across value chains within regions and within sectors across regions. We hypothesize that the diversity of measures demanded by the wealth matrix will provide something of interest to many different types of investors and make it easier to aggregate diverse resources to support this work on an ongoing basis. In fact, we hope that the wealth matrix will be a tool to help investors understand the synergies between their investments so that they can intentionally make strategic contributions that contribute to multiple forms of wealth, including, but not limited to the forms that matter the most to them.

LIMITED DATA EXISTS TO BEGIN TO CONTRAST CONVENTIONAL ECONOMIC DEVELOPMENT IMPACTS AND WEALTH CREATION IMPACTS

Over the past year, we have worked with consultant Doug Hoffer to explore the extent to which it is possible to use existing data to compare return on investment using conventional economic development tools to returns on investment in multiple forms of wealth. Data on the limited impacts of conventional economic development interventions that focus on business attraction and creating jobs and income has been available for a number of years. For example, the field tends to assume that interstate business relocation is common and is responsible for a significant amount of job creation. Yet the facts show forty states had a net change in businesses of less than plus or minus 1% and a net job change from business attraction and loss of +3% to -1.4% between 1999-2008. Of the establishments that move domestically, 40% are sole proprietors and another 45% have less than 9 employees. This type of data raises serious questions about the cost/benefit ratio of expensive business “attraction” incentives.

Yet, the existence of similar data from study after study has done little to change practice. We think this is because, when you are trying to get behavior to change, it is never enough to say what you don’t want; you have to be able to say what you do

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2 National Establishment Time-Series Database (NETS).
want and why. Wealth Creation in Rural Communities is piloting the practice of measuring returns on investment in particular wealth creation value chains within sectors and places as described above. We undertook this work with Doug to see what existing data could tell us about impacts of investing in wealth creation at a larger scale. We found very little data at a national or regional level; instead we found studies of specific interventions. Doug’s work is intended to be suggestive, not definitive; data systems are not yet established to illustrate returns on investment in multiple forms of wealth in consistent place-based, sector-based, or initiative-based frames.

**WHAT THE DATA CAN TELL US ABOUT INVESTMENTS IN VARIOUS FORMS OF WEALTH**

Here are a few examples of what the data can tell us about investments in various forms of wealth.

**Investing in Built Capital**

Studies of the life-cycle benefits of green building have found benefits to individuals through improved health and productivity.\(^3\)

- A Herman-Miller study found a 7% increase in productivity following a move to a green, day-lit facility.
- A Lawrence Berkeley Lab study found business savings up to $58 billion in lost sick time and an additional $200 billion in worker performance if indoor air quality was improved.
- The Heschong-Mahone group looked at students in three cities and found that students in classrooms with the greatest amount of day-lighting performed up to 20% better than those in classrooms that had little daylight.

Green building intentionally benefits natural capital through reduced water and energy consumption and environmentally sensitive siting. In addition, as two of the Ford grantees are verifying, energy efficiency results in savings that can be reinvested in other forms of wealth.

**Investing in Individual Capital**

**Individual Capital - Human Health**\(^4\)

- At Johnson & Johnson, the wellness programs saved $250 million over the last decade (ROI of $2.71 per dollar invested).
- MD Anderson Cancer Center hired a physician and nurse case manager for its employee health and well-being department. Within six years, lost work days dropped by 80% and workers’ comp insurance premiums declined by 50%. At SAS, an on-site health care center generated $1.41 in savings for every dollar invested.

Although it is not yet common practices, it seems to be possible to document the financial returns from investments in human health.

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**Individual Capital - Skills**

It is also possible to monetize the return on investment in skills development and to track the ways in which those skills lead to ongoing investments and returns. For example, studies found that participants in sector based training earned 18% more than control group members and were more likely to work, work in jobs with higher wages and hold jobs that offer benefits. Participants in integrated basic education and skills training were 56% more likely than regular adult education students to earn college credit and 26% more likely to earn a certificate or degree. A survey of 200 firms by the Open Standards Benchmarking Collaborative found a significant relationship between the amount of training provided to employees and their contributions to revenue. The median revenue per employee was $137,931 with less than or equal to 5 days of training and $210,380 with five days or more of training.

**Investing in Intellectual Capital**

Investment in intellectual capital generates both monetary and non-monetary returns. The Small Business Innovation Research Program is a federal program that provides grants to small businesses to invest in inventing and testing new ideas. According to a study by the National Research Council in 2005, among firms that received Phase II (implementation) awards between 1992 and 2001,

- Of 1,701 respondents, 499 companies received at least one patent
- Those 499 firms received a total of 937 patents
- 772 firms published at least one peer-reviewed paper
- Those firms published a total of 2,882 peer-reviewed papers
- 790 firms reported sales
- 212 firms had sales of over $1 million (35 > $10 million).

As more people understand and implement a wealth creation approach to development, we expect to see more and better information on the relative costs, benefits, and synergies between and among investments in each of the seven forms of wealth. As this data becomes available, it will become easier to illustrate the relative costs and benefits of a wealth creation approach in contrast to business as usual.

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Keeping Wealth Local and Structures for Equitable Ownership and Control

We continue to learn about the importance of structures that keep ownership and control of wealth in local hands for the shared benefit of local people and their communities. We know that the lack of these structures has contributed to extraction and exploitation in the past. As one grantee told us, “In the Black Belt, the community has been able to generate 7 forms of wealth, but has been unable to keep/retain/control.” There are many stories of hopeful beginnings that ended up badly due to lack of attention to issues of ownership and control. For example, Georgia shrimpers, with support from USDA, worked to organize a Shrimp Association that they did not own or control. When the grant support went away, the Association told the shrimpers that they could not continue to use the logo and packaging that had been created for their benefit without paying a substantial fee to the Association. The Association stood between the shrimpers and the market. The shrimpers chose to re-organize with a new logo and packaging but this cost them time and money. This is one of many examples where a thorough understanding and appreciation for contract law and ownership structures might have avoided the need to start over again. Doing this work properly requires us to understand the failures of the past and get smarter about how to avoid repeating them.

As with all aspects of this work, there is no “one size fits all” solution. But there are solutions that can work in context. For example, the National Wildlife Federation was able to develop a group certification process for minority forest landowners in the South that made it possible for them to afford to increase the value of their forest land assets through certification and improved management without losing control of the land and the trees. Alt.Consulting has identified three potential models that will keep wealth created through the biodiesel wealth creation value chain local: 1) Municipality owns refinery and leases it to entrepreneur with right to purchase % of output. 2) Entrepreneurial Model: Individual / Local investors purchase refinery to serve local and regional markets; 3) Farm Coop Model: Coop owns refinery and converts farmers’ crop into fuel for on-farm use on a contract basis.

We have also been reminded of the continued importance of public ownership and the opportunities available to increase the public good that flows from public resources. We will be revising “Keeping Wealth Local” (http://www.yellowwood.org/Keeping%20Wealth%20Local.pdf) in the coming year to expand on our understanding of the current and potential role of public resources in this work.

NATIONAL COOPERATIVE BUSINESS ASSOCIATION AND WEALTH CREATION

One of the ways in which we are currently exploring the power of alternative forms of ownership is through a partnership with the National Cooperative Business Association (NCBA). The NCBA has teamed up with Yellow Wood Associates, the managing grantee of the Ford Foundation’s Wealth Creation in Rural Communities initiative, to conduct a pilot study on the unique contribution cooperatives make to the creation and retention of wealth in the communities and regions in which they operate. NCBA has observed that cooperatives are challenged to describe the full range of benefits they offer to their communities and investors, including financial and non-financial returns. The wealth creation framework developed by Yellow Wood with the
support of the Ford Foundation, provides a lens through which to value a wide range of contributions that cooperatives make to society that go beyond jobs and income to the building blocks essential to support sustainable well-being. NCBA believes that if a cooperative’s ability to describe the full range of benefits improves, the likelihood of attracting more resources and investment into the individual cooperative and the cooperative movement will also improve, and so will public relations. In 2012, International Year of the Cooperative, it seems especially fitting to explore new ways of understanding the value of cooperatives.

Objectives

The objectives of this pilot project are to:

• Engage a variety of cooperatives in different sectors and regions of the country in exploring, both individually and together, how they already contribute and could contribute to creating multiple forms of wealth in their communities and regions;
• Familiarize NCBA staff with the wealth creation framework and build internal capacity to share the framework with other cooperatives;
• Provide case study material for NCBA workshops on cooperatives and wealth creation;
• Provide tools and a methodology NCBA can use to engage increasing numbers of cooperatives in identifying impacts on seven forms of wealth.

Participants

Six cooperatives, representing four different sectors, have been invited to participate in this study which will began in March 2012 and will end in or around December 2012. They are listed in the table below.

Table 10: Cooperatives Participating in the NCBA Pilot Project

<table>
<thead>
<tr>
<th>NAME</th>
<th>LOCATION</th>
<th>TYPE OF COOPERATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UMassFive College Federal Credit Union</td>
<td>Amherst, MA</td>
<td>Credit Union</td>
</tr>
<tr>
<td>Alternatives Federal Credit Union</td>
<td>Ithaca, NY</td>
<td>Credit Union</td>
</tr>
<tr>
<td>Frontier Natural Products Co-op</td>
<td>Norway, IA</td>
<td>Farm Co-op</td>
</tr>
<tr>
<td>Cooperative Care</td>
<td>Wautoma, WI</td>
<td>Worker-Owned Co-op</td>
</tr>
<tr>
<td>Columbia Rural Electric Association</td>
<td>Dayton, WA</td>
<td>Rural Electric</td>
</tr>
<tr>
<td>Benton Rural Electric Association</td>
<td>Benton, WA</td>
<td>Rural Electric</td>
</tr>
</tbody>
</table>

The Federation for Southern Cooperatives and the Direct Care Alliance have also been invited to participate in this work, which we will be reporting on in the next interim report.
Networks and Wealth Creation

Many of the Wealth Creation in Rural Communities Initiative’s grantees and partners either are themselves, or are participants in, collaborative networks. Some of these networks are focused on a particular economic sector or value chain; others span multiple sectors or value chains, but focus on a particular geographic location or region. Through the Initiative’s work with these networks, we have learned several important lessons about the reasons networks matter, the impacts of networks on creating wealth and improving rural livelihoods, and the challenges and opportunities offered by working closely with networks. In this section, we present several of these lessons, as well as examples from our research and from our work with two specific networks of value chain intermediaries engaged in the Initiative.

“The wealth creation framework is really helpful as a tool for building networks, as stakeholders can see that they can’t (and don’t need to) do everything on their own and can access needed infrastructure and interests.” - A Technical Advisor

WHY NETWORKS MATTER

In this context, we define networks as webs of organizations that are collaborating strategically to move forward a coordinated body of work. All of the networks engaged in the Initiative are focused on creating wealth in rural areas; that is, the majority of their work takes place in towns of less than 50,000 or in unincorporated areas, and they are developing institutions and collective strategies that build local assets and create wealth that stays local. These networks go beyond “networking;” they are deeply engaged in collaboration to move a common agenda across a region or a sector.

In the Initiative’s 2011 publication, “Rural Networks for Wealth Creation,” (http://www.yellowwood.org/RuralNetworksforWealthCreation.pdf) researchers from Rural Support Partners found that the rural networks they studied provided five overall advantages over individual organizations. Two of the networks studied in this report are grantees of the Wealth Creation in Rural Communities Initiative; the other four are not, but are working in similar ways to create wealth and improve rural livelihoods across the country. All of the networks reported and displayed a capacity for creating the following impacts in ways their individual members could not.

1. **More trust and stronger relationships.**
   Because of the increased trust and relationships they develop from working together, networks are able to carry out efforts that are more visionary, more risky, broader in scope and scale, and hopefully more effective than members would be able to do separately.

2. **Stronger leaders and organizations.**
   Through networks, leaders and organizations learn from each other and improve their practices, leading to better outcomes in communities. The peer support offered through networks can be crucial, especially for leaders facing isolation and burnout, which are common in rural development organizations.

3. **Increased access to funding.**
   Because of their scale and reach, networks can often leverage funding that member organizations would not be able to access individually.
4. **Greater results.**
   Through networks, organizations that are working across a large geographic area, or across sectors within a region, can coordinate their efforts to ensure that their collective work fits together coherently – leading to mutually reinforcing activities rather than duplication of services or conflicting approaches.

5. **Greater influence.**
   Networks are far more effective than individual organizations at building the collective voice and power needed to influence institutions, systems, and policies. They can also speed up the dissemination of new ideas and concepts, leading to greater influence on practice.

**IMPACTS OF NETWORKS ON THE FORMS OF CAPITAL**

Within the context of the wealth creation framework, we can address the ways in which networks contribute to building each of the seven forms of capital. In the publication referenced above, the researchers found that some forms of capital tend to increase within networks themselves; that is, the stock of capital owned and controlled by the leaders and organizations that make up the network increase. With regards to other forms of capital, the networks led to significant increases in the stock of capital owned and controlled by the communities and regions in which the networks were based.

**Internal Results: Increased Capital for Leaders, Organizations, and Networks.**

Participation in networks tends to increase the less tangible forms of capital – social, individual, and intellectual capital – for the individuals and organizations involved. For example, as organizational leaders learn from and share their skills and experiences with each other through network meetings and events, their individual capital increases. Indirectly, this benefits the broader communities in which they work, as they increase their capacity and become more effective at their work.

**External Results: Increased Capital for Communities and Regions.**

When compared to individual organizations, networks have increased power and influence to create wealth within their communities and regions of focus. Because of their increased leverage and access to resources, networks can be more effective at increasing financial, built, political, and natural capital within their communities. For example, a network of multiple organizations with a shared focus on increasing broadband infrastructure in rural areas (a type of built capital) could create impacts that reach a much wider geographic region than one organization could accomplish alone.
EXAMPLES FROM THE FIELD

Below, we describe two examples of networks for wealth creation that are currently engaged in the Wealth Creation in Rural Communities initiative. The networks have some key similarities: both are currently focused on developing agricultural value chains that increase livelihood opportunities for rural farmers and entrepreneurs. There are also, however, significant differences. The networks work in very different cultural contexts, and are in different stages of development. We provide some background information about each network, and highlight some of the lessons each has learned that are applicable to other networks working to create wealth and improve livelihoods in rural areas.

The Central Appalachian Network.

The Central Appalachian Network (CAN) is a regional network spanning five states in Central Appalachia. CAN is led by a Steering Committee of six member organizations, and engages in formal and informal partnerships with dozens of other organizations throughout the region. CAN members have been working together since 1993 to advance sustainable economic development efforts in the region; their current collective work is focused on building and strengthening local and regional wholesale food value chains. Below, we list several lessons the CAN members and partners have shared about their work with the Initiative.

• **Providing a common language for learning about diverse local and regional value chains.**
  Although all of the CAN members are working to build and strengthen wholesale local food value chains within the same region, they quickly learned that these value chains differed greatly in regards to their level of sophistication, diversity of partnerships, and appropriate next steps. The wealth creation framework has given the CAN members and their partners a common language for comparing the strengths and needs of these value chains in useful ways.

• **Utilizing a common measurement system.**
  While each value chain in which CAN is involved across the region is unique, CAN has developed a common set of measures based on the seven forms of capital. This shared measurement system has allowed them to more effectively learn from each value chain’s successes and failures, while holding each member organization accountable to a common standard for data collection and reporting. The aggregated regional data not only helps CAN to understand the impacts of their collective work; it also helps to inform an annual process of reflection and planning that improves the understanding and focus of CAN member and partner organizations across the region.

• **Prioritizing forms of wealth that limit value chain growth.**
  Using the wealth creation framework to assess the strengths and needs of each of these value chains has allowed CAN to develop a clear understanding of which forms of capital act as “limiting factors” that need to be addressed in order to allow for the continued growth and expansion of the value chain. In one case, the priority might be social capital; in another, a need for additional infrastructure might lead to a focus on built capital. While CAN recognizes the importance of maintaining an awareness of the impacts of their work on all seven forms of capi-
tal, this process of assessment and prioritization has allowed them to make the most effective and timely use of limited resources.

- **Connecting local value chains across the region.** Although CAN’s primary focus has been on building wealth through local value chains, their structure as a regional network has allowed them to facilitate beneficial connections and partnerships between value chain actors across the five states of Central Appalachia, increasing the scale and reach of their work and disseminating lessons learned in each value chain among many partners across the region.
Value Chain Partners in Mississippi and Alabama.

In Mississippi and Alabama, the Wealth Creation in Rural Communities Initiative has engaged with a number of organizations working to build local and regional food value chains. While these organizations do not have a formal network structure at this point, through their work with the Initiative, they are building strong relationships and beginning to develop a true collaborative network. Below, we outline some of the advantages the project participants see in being a part of this emerging network.

• **Identifying shared resources, contacts, and partners.**
  Through the value chain mapping process, the project participants realized that there is significant overlap in the partnerships and resources they are using or engaged in developing. This understanding has allowed them to make more efficient use of their time and avoid duplication of efforts.

• **Thinking strategically about the work.**
  Project participants have shared their experiences and lessons learned about specific value chains and efforts. For example, one project participant who was considering working with the prison system as an institutional buyer was able to learn about the regulations and requirements involved from another participant who had done similar work. Participants have also shared strategies for community-wide education and participated in group conversations about the broader impacts of their work together and their individual contributions to these broader efforts.

• **Realizing the value in a having a framework for collaboration.**
  Project participants have recognized the many benefits of collaboration, including the potential to get more done, being able to access more funding resources, and the ability to match complementary skills sets. They are also aware, however, of the many challenges of collaboration. Using the wealth creation framework as a basis for this collaborative work has provided them with clear guidelines and a way to conceptualize the shared goals and impacts of their individual work plans. In other words, while each participant is working on one piece of the puzzle, the framework has helped them to see the overall picture they are working toward, and understand how their pieces fit together.

• **Overcoming a history of competition in the region.**
  This support for collaboration is especially important in the South, where a history of extremely limited resources and systemic racism has led to a culture of competition between organizations and individuals, even those working for common goals. While the process of building trust and relationships takes time, the work that project participants are doing with the Initiative is leading to significant progress in overcoming this challenging history.
Power and Wealth Creation

POWER AND POLITICAL CAPITAL
When we added political capital to the list of the foundational forms of wealth in Year Two, we were acknowledging the reality of power differentials and the desire to enable disempowered voices to gain traction in resource allocation decisions. Power differentials exist in various forms in every dimension of this work: between value chain intermediaries and value chain participants; between buyers and sellers; between the private sector and the public sector; between the “haves” and the “have nots,” between non-profits and the people they intend to serve. All of the value chain intermediaries working in the South stressed the need to acknowledge and address the change needed in the balance of power.

POWER AND TRUST
Power and trust are closely inter-related. One of the interesting discussions that emerged at the Cross Regional Convening was about transparency in decision-making. It is possible (and often desirable) to make the information on which decisions are based transparent, even though the decision-making responsibility itself is not equally shared. Another was about the ways in which poor people and communities have been exploited by organizations that purport to help them.

“People ‘pimp’ poverty. They say they work with the underserved, but when the grant’s gone, so are they.” - A Southern Grantee

In this initiative, Ford has intentionally invested in value chain intermediaries that have a long history of commitment to place. We are working to build the capacity of place-based intermediaries, inviting them to go on learning journeys to experience related work that others are doing outside their region, and offering other forms of support with the intention of creating permanent place-based capacity to support improved livelihoods.

ENGAGING POWER DIFFERENTIALS
The question isn’t how to eliminate power differentials but rather how to engage power to support a range of self-interests so that everyone wins. And how to protect against abuses of power that result in exploitation of people or place or one or more forms of wealth. The spirit of this work requires learning to dance with power and gain power through association and a sophisticated understanding of self-interest. It also requires open-mindedness about what motivates people with power. When thinking about power in value chains, it can be useful to ask, “What are the power imbalances in the wealth creation value chain? How do they restrict or support the ability of the value chain intermediary and its partners to move the value chain forward? What is it that the value chain offers that speaks to people with power and helps them address their pain points?” Measurement is critical to establishing the value of the impacts that the chain offers.

We are discovering that the wealth creation approach, with its emphasis on market-driven opportunities and collaboration based on self-interest, is helping overcome some historically damaging divides. Wealth creation value chains require a change in the balance of power.
Ford’s value chain intermediaries in the South have started with the community and potential value chain participants in the driver’s seat and controlling/leading the conversation. It is critical that intended beneficiaries in poor areas be clear about their goals before entering into a value chain. Intermediaries have then been able to identify champions with greater power and resources who hold common values and have then engaged with them to define and carry out a shared value proposition. As demand is understood and gaps in the chain are clearly identified, it has been possible to demonstrate concretely how cross-racial networks can work and be beneficial to all. This approach is based on pragmatic self-interest and shared opportunity, not an ideological stance with respect to the rights of one group or another.

**POWER AND INFLUENCE OVER RESOURCE ALLOCATION DECISIONS**

We are also learning some things about what works in engaging politicians and other decision-makers in considering changes in resource allocation to benefit wealth creation value chains. People need specifics, not big ideas only. Grounded practical examples really matter. Value chain intermediaries are finding that they cannot do effective policy work without having grounded examples and a deep knowledge of their topics. Grounded examples create powerful stories for decision-makers, particularly when you can demonstrate measured impacts. The stories will become even stronger as we learn together how to demonstrate to policy-makers the relative costs and benefits of a systems approach to wealth creation, and specifically how the wealth creation approach to rural livelihoods uses public and private dollars more effectively than existing investments. For example, when we can begin to convincingly demonstrate that dollars invested in energy efficient housing results in fewer children with asthma which results in reduced health care costs, we will be encouraging systems thinking in policy making.

Relationship building with policy-makers must be intentional. It means changing the internal focus of the value chain intermediary to include policy advocacy to make systemic change sustainable. One value chain intermediary found themselves out in the cold when the state administration changed from Democratic to Republican.

“We realized the politics of economic development changes dramatically. We’d built political capital with the Democrat and when he left we had none. Now we’re building it back at the local level by inviting representatives and legislators to see our work with clients that are their constituencies – on a bipartisan basis.” - A Central Appalachian Grantee

One way to establish those relationships is to tap individuals you may know in certain areas first, particularly retired legislators who know how to speak to elected officials. It is critical to use this social capital to build political capital. In addition, it is important to make it a point to get to legislators before they get to the capitol.
Inclusive Business and Wealth Creation

“Inclusive business” is defined by SNV, a non-profit development organization based in the Netherlands, and the World Business Council for Sustainable Development, a global coalition of 200 companies advocating for progress on sustainable development, as strictly business, but business that benefits the poor and simultaneously benefits companies. These organizations recognize the collective responsibility of business, civil society and government to ensure that markets work for all within the limits of the world’s carrying capacity so that globalization is truly inclusive and sustainable. The concept of inclusive business is working in an international development context, particularly in the agricultural sector, but is not well understood in the United States. We are working to actualize this vision of inclusive business within the wealth creation approach. To do so, we recognize that one of the core competencies value chain intermediaries need is the ability to interact effectively with the private sector and engage private sector buyers and producers in wealth creation value chains on their own terms for the greater good.

BRIDGING THE GAP BETWEEN NON-PROFITS AND THE PRIVATE SECTOR TO ACHIEVE WEALTH CREATION

Jason Saul and Mission Measurement

Over the past year, we have engaged with Jason Saul of Mission Measurement, author of Social Innovation and The End of Fundraising, to help us understand the perspective of the private sector and how non-profits can interact with them most effectively in building wealth creation value chains. A copy of Jason’s presentation to the Cross Regional Convening (March 2012) is available at http://www.yellowwood.org/WCRC_2012.03.20_Jason%20Saul.pdf.

Jason Saul reminds us that there are many more resources available by tapping into the core business of the private sector than by tapping into their charitable donations. We are working together to develop our capacity to go in the front door and show how any given wealth creation value chain offers opportunities to address the “pain points” of businesses.

Grantees Engage the Private Sector

Rural Action

When Rural Action began looking for suppliers of certified wood products, they discovered a large flooring supplier in the region that had invested in a certified line of flooring. When they met with the business, they discovered that the certified flooring inventory wasn’t moving. Why? Because moving a certified line of flooring requires a different approach to the market than moving commodity flooring which is the producer’s bread and butter. By offering the business a way to solve a “pain point” and improve their bottom line, Rural Action was able to bring them on board as a supplier in the certified wood products value chain. The volume they can supply can, in turn, support smaller producers with more specialized products.

MACED

When MACED approached the rural electric utilities to explore on-bill financing, they discovered that one of the utilities’ “pain points” was the number of unpaid bills they have to deal with and the cost of collections. Reducing bills through energy ef-
efficiency retrofits is a path to a solution that appealed to the utilities. If it works, it will be good for their bottom line and good for low-income households. A utility company representative explains, “We’re partners because we have a common goal and problem MACED can help us solve – rising costs and members who can’t pay their power bills.”

**Demonstrating Impact**

Jason Saul stresses the difference between demonstrating accountability and demonstrating impact. Non-profits have been conditioned to demonstrate accountability to their funders, by verifying what they have done and how much it cost. This leads them to value their services based on what they cost to deliver. But the funders aren’t the ones consuming the product! Demonstrating impact is entirely different. Demonstrating impact requires paying attention to (and measuring) real changes in behavior and conditions that affect beneficiaries as a result of interventions that many groups contribute to (remember, a wealth creation value chain is NOT a project). This means building strong relationships with the actual beneficiaries of the work.

When the actual beneficiaries of the work are also investors in the work, a virtuous cycle is created in which positive results drive further progress and negative results lead to learning and course corrections. There are many ways to invest, and they are not all monetary. Low-income producers as well as large corporate buyers can be investors in win-win value chains. The opportunities to solve business “pain points” are there once we know how to look for them. When services are valued on the basis of impact instead of cost, margins may be created that produce sufficient revenues to sustain and grow impacts over time.

**Workshop for Place-Based Grantees**

In January 2012, Jason Saul worked with Hal Hamilton of The Sustainable Food Lab, and Thomas Watson of Rural Support Partners to provide a workshop to place-based grantees on how business value can drive community economic development, and vice versa. This workshop helped grantees learn to look for “pain points” in potential corporate partners and begin to strategize around how to establish relationships based on self-interest that will be mutually beneficial. For example, one grantee recognized that a grocery chain in Central Appalachia is experiencing unmet demand for eggs from the region. As a value chain intermediary, they have ties to the producer base to begin to address this need and provide a new revenue source for producers. The work will be in forming a relationship with the grocery chain in which the chain sees their self-interest in investing in the capacity of producers to meet their needs. It will be the work of the value chain intermediary to help establish relationships between the company and producers that are fair and not exploitative. If successful, this sort of ongoing market-driven relationship has the potential to be far more powerful in transforming the economic landscape of the region than a one-time grant. This work emphasizes connecting with the demand side of the market early on and letting them be part of the solution.

“We bring in the end market early to scope the concept in the chain before we go through the investment process. We bring in tour operators to give the community perspective and market feedback. It gets them invested early and makes them ... part of the solution.”

“We bring in the end market early to scope the concept in the chain before we go through the investment process. We bring in tour operators to give the community perspective and market feedback. It gets them invested early and makes them ... part of the solution.” - A Technical Advisor
Outreach to the Private Sector - Collaboration with Red Mantra

We are now following up on Jason’s work and going deeper in understanding and implementing an inclusive business approach through collaboration with Robert de Jongh and his colleagues at the Red Mantra Group. Robert is bringing many years of experience with inclusive business in an international context, through SNV and the World Business Council for Sustainable Development, to help us identify place-based opportunities in the sectors in which Ford’s grantees are building wealth creation value chains. Specifically, Red Mantra Group will be contacting businesses in target sectors in each of Ford’s regions to assess the level of commitment and/or interest of the private sector in integrating the low-income segment within their value chains. The assessment will identify specific opportunities for low-income segment market inclusion and explore potential modalities for how this integration might occur. Moreover, the engagement process to be utilized in the study will be designed to raise awareness, including, but not limited to, more fully articulated and inclusive rural/urban linkages within region, increase capacity, and demonstrate proof of concept to large private sector actors active in these communities. We hope to, on the one hand, introduce the private sector to new ways of doing business that are in their self-interest and, on the other, build win-win bridges between value chain intermediaries and private sector participants.

Jason Saul explained, “My advice to you is what Napoleon said when he was being attacked. ‘General, what’s the battle plan?’ ‘Engage and the possibilities will emerge.’”
Repositioning Rural: The Rural/Urban Connection

The wealth creation approach assumes that a sustainable economy that benefits poor rural areas requires re-imagining the relationships between rural and urban areas in a regional context.

RURAL AND REGIONAL: THE CONTEXT OF THE WEALTH CREATION APPROACH

As we said when this project began;

“For too long, the resources and assets of rural communities – their natural resources, agricultural bounty, labor force, and young people – have flowed out of rural places, along with the economic and social returns to those resources. Rural regions, particularly low-wealth rural areas, have struggled to put in place the strategies and institutions that build local assets and create wealth that stays local. They have struggled to replenish rural resources and create communities that are resilient in the face of a rapidly changing global environment. In the face of these struggles, the ability of rural areas to contribute to overall economic growth in the U.S. has been limited. What is needed is a new way forward for rural America. What is needed is an approach to development that allows rural areas to build wealth and become stewards of resources in ways that serve the larger public good, and provide for expanded opportunities for low income and poor individuals and households.

Rural America stands at a historic crossroads. Rural communities are facing an enormous potential loss of wealth as current generations retire or pass on, often closing businesses and leaving their assets to kin who reside outside rural areas. The present economic crisis has produced massive upheaval. Yet this moment of crisis could give rise to innovation and an opportunity for renewal.

The potential contributions to be made by rural America are significant. Rural areas can responsibly provide the nation with renewable energy of many types, with energy-efficient housing, with food that is healthy and affordable, with open spaces, with ecosystem services, and with so much more that our nation needs. But, effectively making these contributions means avoiding the exploitative patterns of the past and adopting a new approach to wealth creation. In order to respond to today’s historic opportunities in a way that builds wealth and assets rooted in rural places, rural leaders need new ways of thinking about economic development.”

RURAL AND REGIONAL: FEEDBACK FROM THE PLACE-BASED GRANTEES

The place-based grantees discussed the rural/urban connection at the Cross Regional Convening and considered whether we should change the language to focus on regions and connections rather than perpetuate the idea of an urban/rural divide. Through constructing wealth creation value chains, place-based grantees are discovering that people in each area, rural and urban, have myths about the other that need to be addressed and assumptions that need to be tested. Understandings of rural and urban lives, values, and lifestyles can be enriched by migration between the
two in both directions. For example, often rural youth leave for experiences in urban areas and urban residents move to rural areas for retirement options. We are only beginning to explore how to tap these resources as part of bridging the rural/urban divide.

UNDERSTANDING REGIONS IN A WEALTH CREATION VALUE CHAIN CONTEXT

Similarly, we know there is demand in urban areas for many things that rural areas can provide and vice versa. However, we have not gone very far yet in discovering how to connect with urban markets and urban policy-makers within a wealth creation value chain context. We also know that low-income inner city residents and low-income rural residents have quite a bit in common. Again, we have a long way to go in exploring how to best build on these commonalities to strengthen competitiveness overall by adding value to each other. We know that political capital is built from social capital. We know that the voice of rural is often drowned out by urban voices simply because fewer people live in rural parts of larger regions. To generate effective voice that can influence resource allocation decisions at a regional scale, we need to learn more about how to find and make common cause with urban constituents based on mutual self-interest. One way to do this is to show how each part of the region benefits from investments in wealth creation value chains, and how products and services produced in rural areas can address the “pain points” of urban areas.

For example, biofuels that can be produced in rural areas can reduce pollution in urban areas, resulting in improved health and well-being and reduced health care costs. Likewise, safe and nutritious food produced in rural areas can improve urban diets and lead to improved worker productivity. Access to recreational options provided in rural areas enhances the livability and desirability of cities. Rural areas are the repository for waste created in cities. Cities depend on the clean air and water provided by rural areas. As a society, we are in the early stages of figuring out how to value ecosystem services and how to share the costs and benefits they provide and how to turn waste into resources. One of the ideas we would like to explore, but haven’t yet, is how we might use “footprints” that illustrate the connections between urban and rural areas in the context of regions to spark new urban/rural dialogues. If we can use graphics to show the actual and potential interconnections between urban and rural areas with respect to, for example, energy, food, labor, wood products, waste disposal and reuse, recreation, and ecosystem services, and compare this with where investments are currently going, we think this could provide the basis for forums that could reframe the role of rural in a regional context and change investment flows over time.

CASE STUDIES OF WEALTH CREATION AND RURAL-URBAN LINKAGES

In the last year we worked with Brian Dabson and Jennifer Jensen at Rural Futures Lab to identify and conduct case studies of wealth creation and rural-urban linkages. The cases are:

• Transitioning to a Restoration Economy: A Case Study of the Oregon’s Forestry Sector, which focuses on the forestry sector in Eastern Oregon and on the value chain intermediary, Sustainable Northwest, based in Portland, Oregon.
• Building a Regional Food System: A Case Study of Market Umbrella in the New Orleans Region, which looks at the value chain intermediary, Market Umbrella, in New Orleans and on the particular challenges of promoting rural food systems in that region.

• Plastics from Plants: A Case Study of NatureWorks, LLC, Blair, Nebraska, describes a subsidiary of Cargill that converts corn into a value-added plastic resin as a replacement for petroleum-based plastics.

• Wind Energy and Rural Development: A Case Study of West Texas, which explores the burgeoning wind energy sector across rural West Texas.

Each case highlights the ways in which current practice in rural/urban market-based connections is and is not creating wealth that sticks in rural areas, and, by doing so, opens up the opportunity for dialogue about how an intentional approach to creating seven forms of wealth without undermining any one to create another might lead to better outcomes. This work is available in its entirety at http://www.creatingrural-wealth.org/resources/reports-and-articles/.

WEALTH CREATION VALUE CHAINS AND REGIONS

We know that wealth creation value chains can connect producers with service providers and buyers across a regional geography. These wealth creation value chains require reaching out to groups that have not typically been a vital part of market-driven development. Although our emphasis has been on connecting low-income producers to market demand, wealth creation value chains can also connect producers to consumers at the so-called “bottom of the pyramid.” Wealth creation value chains provide a framework within which to foster rural/urban connections, explore commonalities, and find shared political voice. The wealth creation framework provides a structure within which to identify shared values. As this work continues, we anticipate learning more about how to use this approach to identify and act on opportunities to forge new, non-exploitative, rural-urban connections.
Investing in Wealth Creation Value Chains

INTERNAL AND EXTERNAL INVESTMENT

So far, every wealth creation value chain that grantees have explored has been broken in more than one place. Sometimes demand is ineffective; sometimes there is no infrastructure for aggregation of supply or processing or distribution, or there are inconsistent regulations that prevent economies of scale. In all cases, additional investment is going to be required to bring the value chains to scale. Some of this investment is internal, meaning it will come from value chain participants as their participation in the value chain leads to increased revenues and profitability. Some of the investment is in-kind in the form of shared social, political, intellectual and other forms of capital. However, financial capital is also required. We have undertaken a suite of initiatives in the past year designed to help us understand how best to attract financial capital from a variety of different sources and how to deploy that capital in support of entire value chains versus individual businesses. Typically, economic development dollars have gone to support individual enterprises without a thorough understanding of the supply chains they participate in. For example, in our work in Ohio with a business retention and expansion program, business owners are regularly asked who they sell to, but not who supplies them; who they compete with, but not who they cooperate with.

WHAT DOES IT MEAN TO INVEST IN A VALUE CHAIN?

Every value chain that place-based grantees are working in has gaps. In many cases, these gaps represent entrepreneurial opportunities. We believe that entrepreneurs are more likely to succeed in economically distressed areas if their enterprises are intentionally embedded in wealth creation value chains. One aspect of investing in value chains is about supporting entrepreneurs and existing businesses in ways that benefit the entire chain. For example, an investment in skills development of one partner in the chain that allows that partner to provide quality service to the chain as a whole. Or, if a chain lacks a strong distribution partner, individual businesses may be keeping trucks on the road at significant risk and expense just to get product from one place to another. An investment in a distribution partner could not only create a new entrepreneurial business, but simultaneously reduce the cost of doing business for existing partners, allowing them to invest in their core competencies and make the whole chain stronger. Value chains will be most effective when partners concentrate on their core competencies. Investing in individual businesses in a value chain context means taking into consideration the impact of the investment on the entire value chain.

Another aspect of investing in value chains goes beyond investments in individual businesses. Investing in a value chain versus an individual business means understanding the whole chain and being able to identify those investments that will strengthen the whole chain, because they are shared investments (e.g. in insurance coverage, information systems, or branding).
MONEY ISN’T ENOUGH

We recognize that, particularly in poor rural areas, investment dollars will only make a real difference if they come with relevant technical assistance. Models for providing equity financing with technical assistance were explored by Pat Scruggs in the second year of this initiative. See http://www.yellowwood.org/The%20Role%20of%20Equity%20Capital%20in%20Rural%20Communities.pdf.

POTENTIAL INVESTORS IN WEALTH CREATION VALUE CHAINS

There are many different types of potential wealth creation value chain investors including: social impact investors, traditional private investors, government, foundations (including community foundations), private sector businesses, and financial institutions. Each has different notions regarding what a return on investment should look like and each has different restrictions that apply to the ways in which their dollars can be used, who can use them, and the time frame in which they can be used. We are exploring how all these interests and streams of capital might be brought together in a manner that meets the needs of investors and value chain participants (including value chain intermediaries). Different kinds of money play different roles at different times. The key is finding the self-interest of investors in a shared outcome. Ultimately, the wealth creation framework assumes that value chains can and will become effectively market-driven; however during the period of exploration and construction it is likely that a range of investors will be required to bring chains to scale. We are also exploring the role of CDFIs in wealth creation value chain investing, since several of the place-based grantees are CDFIs.

WCRC-BSL EXPLORES WEALTH CREATION VALUE CHAIN INVESTING

The work the Ford Foundation has funded to explore wealth creation value chain investing includes:

- Social Impact Investing (Jessica Norwood, Emerging ChangeMakers Network)
- Engaging Southern Philanthropic Organizations (LaTosha Brown);
- Inclusive Business (Robert de Jongh and Red Mantra Group);
- Appalachia Funders Network (Thomas Watson and Rural Support Partners);
- The Role of Community Foundations in Wealth Creation (Deb Markley, Center for Rural Entrepreneurship);
- Direct Regional Investment in Value Chains (Program Related Investments to MACED and Natural Capital Investment Fund);
- Building a Framework for Value Chain Investing (Marjorie Kelly and Tellus Institute)

Each of these areas is described in more detail below (except inclusive business, which has its own section in the report beginning at page 57). We anticipate that this rich mix of explorations related to value chain investing will produce insights that accelerate the impact of wealth-based development efforts.
Social Impact Investing

In the two years that Emerging ChangeMakers Network (ECN) has worked in the South to develop an impact investing vehicle, we have learned a good deal about the unique challenges and opportunities of working in this region, particularly in terms of the agricultural and food sectors.

• The need for investment in the South’s high-poverty rural areas is clear.
  These areas currently receive too little financing, even from sources that might be expected to favor communities in need. Consider, for example, the federal CDFI Fund, which provides government grants to community development financial institutions, which by definition target the financial needs of underserved communities. In the period from 2000 through 2011, Alabama received just 18 of these grants, Mississippi received 33, and Arkansas received 39. Massachusetts in the same period received 102 – more than those other three states combined. For Wisconsin, the number was comparably high at 98.

• Key infrastructure is missing in the South.
  For example, Alabama has a number of CDFIs, but they are all credit unions. There is not a single community loan fund headquartered there. This can be compensated for by linking with loan funds or CDFIs that are beginning to come into the area, such as ACCION, a long-time micro-lender that is opening an office in Alabama.

• Demand by investors for impact investing opportunities is present – but may need to embrace multiple regions.
  For example, one of the founders of the Slow Money organization is from Alabama, and she has attended one of the ECN gatherings. She has expressed initial skepticism, however, about how many similar investors there are in the South, and has not yet sought to create a Slow Money group there. It may be that this challenge can be solved by doing a “sister state” initiative that draws in others from another region. ECN is planning to attempt this, for example, through a sister state initiative with Maine.

• New market opportunities are emerging.
  New markets are opening in the South, as elsewhere, thanks to the demand for organic products, farmers’ markets, and locally sourced food. U.S. organic food sales are expected to reach $25 billion nationwide in 2010, up from $3.6 billion in 1997. And this activity is no longer limited to high-priced stores and boutique-type buyers. WalMart, to mention one retailer, is now active in the South in trying to recruit new local, small-scale agricultural suppliers.

• Constraints on bank investment and the role of relationship-based lending.
  Bank officers involved in Community Reinvestment Act (CRA) lending are a key potential investor – but meeting their needs may take special design approaches. ECN has, for example, attracted a number of these banks to its gatherings. But their bank officers explain the special constraints they operate under, such as needing to make loans only within their bank’s particular regional footprint, and the need for traditional collateral. To reach low-wealth farmers and others who
do not have traditional assets, different approaches might be used to underwriting that are more relationship-based lending, rather than transactional, credit-scoring lending. For example, cutting-edge agriculture-lender CDFIs have found that when applicants have a low credit score, or no credit score, lenders can instead look to phone bills, rent payments, and other measures of reliability. Also, these CDFIs have found that farmers with active support networks operate within a framework that makes successful loan repayment more likely, and that this factor can be more valuable than traditional factors like collateral. (Source: “Financing Farming in the U.S.: Strengthening Metrics and Expanding Capital Access,” by Susan Cocciarelli et al, March 2012 draft report from Michigan State University Center for Regional Food Systems; this report offers an excellent description of successful experience with relationship-based agriculture lending.).

Examples of successful high-touch, network-based approaches to agriculture lending are found around the nation, and can be replicated in the South. Among CDFIs taking this approach is Natural Capital Investment Fund, which has a Grain Bin Project that provides financing to farmers to purchase bins that allow them to store grain and sell when market conditions are best. Cost-share grants for this were provided by the North Carolina Agricultural Development and Farmland Preservation Trust Fund. Rather than dealing with single loans to single farmers, this approach relies upon a network of both funders and borrowers. Another example is Fresno CDFI on the West Coast, which focuses on lending to small refugee and immigrant farmers. In addition to lending, this CDFI has established two farmers markets with USDA funding, and is working to establish a marketing cooperative and needed infrastructure (cold storage, transportation, and marketing support) for local small farmers. This project also aims to reach out to help farmers sell to larger volume institutional markets.

Preparation of businesses for impact investing is critical with a specific focus on business development. There are agriculture related extension programs but we are noticing that there are a small amount of farmers and food related businesses and those businesses need to be supported to get to a level of scale that can change their offering in the market place. Programs like those of Winrock International and the work of Thomas Watson at Rural Support Partners are helping the field in Alabama. There are signs that bringing more people into the food system conversation can happen but it will take an ongoing effort.

Emerging ChangeMakers Network - “The CDFI capacity in AL is really not as robust as it could be to deal with demand coming from enterprises out there. There are folks who have resources (USDA, microlenders) who have money to lend, and businesses who can’t get money. Misfire.”
Engaging Southern Philanthropic Organizations

LaTosha Brown of Truth Speaks Consulting has been exploring opportunities for engaging southern philanthropists in this work. Her work confirmed that several of the place-based grantees have had limited experience with major long-term funders and many have relied on a small number of philanthropic funding sources in the past. Constructing wealth creation value chains will require place-based grantees to expand their relationships as well as their own conception of where support for their work may come from. In her discussions with philanthropic funders in the region, she has found they are learning about a new set of tools yet reluctant to adopt new language unless it is clearly connected to the work they are already doing. They recognize that what they have been doing isn’t achieving results at scale. There is considerable interest among multiple funders in the agriculture sector in the South and representatives of this initiative will be meeting with WalMart, Sodexho, Whole Foods, Gourmet Foods, and DH Robinson to explore shared interests. In addition, LaTosha has identified interest in engaging social impact investors in further conversations in conjunction with the work of Emerging ChangeMakers.

The Appalachia Funders Network

The Appalachia Funders Network brings together a diverse group of grant-makers who are working to create wealth and improve rural livelihoods by supporting the economic transition of Central Appalachia. With support from the WCRL-BSL Initiative, they have spent the past two years exploring ways that public, private, and community-based grant-makers can work together to invest more effectively in this work.

- **It is important to create multiple forms of capital within the network itself, especially social, intellectual, and individual capital.**
  
  As the Funders Network has developed, we have recognized that it is important to build certain forms of wealth **within the network** in order to help members be more effective at creating wealth and improving rural livelihoods in their communities. Specifically, we recognize that social capital is the foundation of any true collaboration; network members have felt a strong need to build relationships and trust before embarking on any collective grant-making activities or joint measurement processes. In addition, the network is an excellent vehicle for building the knowledge and skills (intellectual and individual capital) of its membership.

- **Grant-makers can benefit from using the wealth creation framework to view their funding as investments in creating multiple forms of wealth.**
  
  By supporting the development of a strong network of grant-making organizations, we have created a vehicle for educating many of the most influential funders in the Central Appalachian region. Many of these funders recognize that traditional project-based grant-making, which frequently happens in isolation, is not achieving the results they are looking for. The wealth creation framework, with its systems approach to sustainable economic development, offers a concrete way for grant-makers to develop new, more collaborative, and more holistic ways of working.
Philanthropic support remains critical for the development of wealth creation value chains, especially in the form of support for intermediary organizations.

While much of the Initiative’s focus on investment has been geared toward identifying alternative sources of support for the development of wealth creation value chains, the reality is that most of the value chains involved in the Initiative are reliant on some form of grant funding. This is especially the case given the crucial role that intermediary organizations, many of them non-profits, play in the value chains. While private-sector investment, CDFIs, and increased access to bank lending offer exciting possibilities for supporting value chain enterprises, many of these opportunities are not available to non-profit intermediary organizations. Thus, working within the philanthropic community to help shift the prevailing mindset to working with demand-driven, place-based value chains that create wealth and improve rural livelihoods is as important at this point in time as is our work to help grantees look beyond the philanthropic community for investment and resources.

The Role of Community Foundations in Wealth Creation

As part of this initiative, the Center for Rural Entrepreneurship has a grant designed to help engage community foundations and regional development organizations in Ford’s wealth creation and rural livelihoods work in Central Appalachia and the South. During the first year of the grant, we held a workshop for a community foundation, with strong representation from regional development organizations, in Central Appalachia. Two of Ford’s place-based grantees were actively involved in that training. The result was further exploration of wealth creation work by the regional development organization and deeper understanding of the approach by the community foundation. Elements of this work are being explored by both groups, but neither has committed to training to become a value chain intermediary as originally designed in this grant. However, it is also clear that this is not necessarily the most valuable or effective role for either of these organizations to play, given the presence of effective Ford-supported value chain intermediaries in the region. As a result, we concluded that it did not make sense to explore the construction of new value chains in any of the regions but rather to consider how these potential partners might contribute to the wealth creation work already going on in each region.

The work during this first year moved more slowly than anticipated. However, we have learned a great deal about how to approach and engage both community foundations and regional development organizations and feel that we have the foundation to move forward more quickly in the second year of the grant. We have planned a convening of community foundations (from two of Ford’s targeted regions – Central Appalachia and the South – and from other parts of the country) along with three of Ford’s place-based grantees for early October to (1) explore potential roles for community foundations in supporting wealth creation value chain work, (2) identify the tools needed to help community foundations at scale understand and explore the wealth creation approach, and (3) begin to develop those tools.
Direct Regional Investment in Value Chains

MACED and the Natural Capital Investment Fund received Program Related Investments from Ford to loan to businesses in emerging value chains in Appalachia using the wealth creation framework. They have made or committed 11 loans as of May 31st, 2012. Of the eleven loans, 3 are for installation of photo voltaic systems; 4 are for energy efficiency (energy efficient lighting, equipment retrofits, HVAC, upfit of historic property), 2 are related to agriculture (purchase of a farm property and working capital for a start-up farm stand), 1 is for new equipment for a millwork company, and 1 is for a green building project.

Summary of Key Lessons Learned Around Debt and Value Chain Investing in Appalachia

- Debt is a relatively weak tool to influence value chain behavior. Debt needs to be tied to other interventions such as targeted technical assistance or other capacity building activities where possible. Debt is an effective tool for growing established value chains with momentum, strong anchor organizations and effective small business development resources / systems.
- Lending to value chains requires significant expertise by lenders to understand enough about the chain / sector to be useful. Finding local partners / anchor organizations who understand the chain better is one way to address this where possible.
- Conversation with borrowers about value chains is useful but difficult if short-term benefits are not clear to the borrower.
- The content entered into the Wealth Creation Matrix (WCM) has to be unique to the business (and size /stage of business) and value chain (e.g. sector). Developing a WCM for the intervention (debt with limited TA) outside of a particular business and its place in a value chain is not useful.
- The WCM is an effective tool for engaging local partners in a conversation around value chain development and for developing an intervention strategy for a particular value chain / community.
- Value Chain development requires a long-term commitment which doesn’t necessarily align with the time horizon of a debt investor.

Building a Framework for Value Chain Investing

Over the next year, Marjorie Kelly of the Tellus Institute will be working with us to develop a framework for wealth creation value chain investing.

Key Questions for a Value Chain Investing Framework

Some of the questions we are asking are:

- **Whether CDFIs are effectively meeting the financing needs of value chains.**
  There are a number of community development financial institutions (CDFIs) involved with the WCRC initiative, including MACED, Natural Capital Investment Fund, alt.Consulting, and Federation of Appalachian Housing Enterprises. It is not clear if these and other CDFIs are presently investing up and down value chains, or are financing individual businesses in a value chain. Do they have all the resources to do this work effectively? Do CDFIs have the skills to invest...
across value chains, or is their involvement most suited at particular points and particular times?

- **What mix of other players is needed.**
  There likely are types of capital that would be helpful to advance this work which do not currently exist or are not available in sufficient quantities. CDFIs and community foundations may be the players who could coordinate this work. There is a need for better understanding of the important capital providers who need to be engaged – such as traditional banks, government agencies like the Small Business Administration and Appalachian Regional Commission, and other players in traditional capital markets. It is critical to grasp the synergies between different kinds of dollars as they might mix to support value chains. It is equally critical to understand how to identify and tap underutilized resources in the public and private sectors.

- **How different kinds of financing can be combined to grow a value chain as a whole, as opposed to just single enterprises.**
  Even those lenders (like CDFIs) beginning to work in value chains tend to focus first on individual enterprises and move from there outward. There is a need to take the opposite approach. It starts from the perspective of the entire value chain, and narrows in on those gaps where intervention will benefit the whole chain. This is a vital approach, because individual enterprises, alone, are often not viable. What innovative approaches can be taken to blend various forms of financing to support formation and operation of wealth creation value chains?

- **How these questions apply to WCRC- BSL grantees.**
  While there is a need to explore these issues and map the emerging investment terrain, there is a more tangible need to understand how it all applies to the value chains now being built on the ground in high-poverty areas. Are the value chains ready for investment, and if so, what kinds? What do they need to do to get ready? What kinds of innovative approaches and investing vehicles can help funds to flow, in order to create measurable improvements to the entire value chain? How can risk be managed most effectively?
Building a National Community of Practice for Wealth Creation and Livelihoods

One of the important evolutions in the wealth creation work over the past year has been the emergence of a National Community of Practice for Wealth Creation. Going forward, this National Community of Practice will replace the Resource Team as a source of external input, resources, learning and scaling for wealth creation.

THE WEALTH CREATION AND RURAL LIVELIHOODS NATIONAL COMMUNITY OF PRACTICE (WCRL)

Launching the Community of Practice

The Wealth Creation and Rural Livelihoods (WCRL) National Community of Practice was launched at the October 2011 Rural Wealth Creation and Livelihoods national conference, co-convened by the Ford Foundation and USDA’s Economic Research Service (ERS). The conference was designed to solicit applications from researchers, practitioners, policy makers and funders who wanted to present, listen to, and discuss new approaches to wealth creation in support of rural livelihoods. Over 300 individuals applied; over 170 individuals attended the two-day event. The conference included an opportunity to meet with members of the staff supporting the White House Rural Council and share concrete policy interventions and ideas related to creating wealth in rural America. One of the commitments made at the end of the conference was the launch of the national community of practice, with some initial support from the Ford Foundation and commitment from USDA’s Economic Research Service to contribute content and to engage with the community.

The Community of Practice started with people who applied to attend the conference (about 300), but has grown to more than 700 members over about nine months. The WCRL website – [www.ruralwealth.org](http://www.ruralwealth.org) – is a place where practitioners, researchers, policymakers, funders and others can learn from and work with each other in order to advance what works in wealth creation to improve rural livelihoods. It is designed to “encourage real time exchanges about real time issues and opportunities.” As part of Ford’s support for the emerging community of practice, the Center for Rural Entrepreneurship has supported the transition of the community’s website from a conference site to a community of practice site. Engaging a small planning team, a monthly webinar series has been launched to share both Ford’s work on the ground as well as other wealth creation work taking place across the country. Another small team will be charged with helping to create stronger interaction on the website and to actively connect members of the community by interest areas.

Value of the WCRL for Grantees

For Ford’s place-based grantees, the emergence of this national community of practice offers an opportunity to access a broader set of resource providers than has been done in the past. Going forward, this community of practice will be tapped as technical assistance, capacity building and research needs are identified by the grantees. In addition, the community of practice provides a network of organizations engaged in research, practice and policy that can help to scale the wealth creation work.
**RESEARCH AND PUBLICATIONS**

Another set of activities related to the national community of practice and broader dissemination of the wealth creation framework is focused on research and publications. A team of researchers at USDA’s Economic Research Service, a co-convener with Ford of the national conference in October 2011, produced a research report, *Rural Wealth Creation: Concepts, Strategies, and Measures*. This report has been featured in a number of webinars, including one for the national community of practice. A special issue of *Choices* magazine featured five articles on rural wealth creation. Two of the authors contributed to a national webinar focused on the special issue. A special issue of *Community Development* on wealth creation as an economic development strategy is in process, with guest editors Deborah Markley and Shanna Ratner from the Ford Project Management Team. An article on Ford’s approach was featured on the Daily Yonder, generating significant national interest and demonstrating the importance of reporting on wealth creation efforts to the Daily Yonder.
Dissemination and Outreach

Our dissemination and outreach efforts have been strengthened in the past year as more members of the Project Management Team and other grantees have become confident in offering presentations, articles, and workshops on the wealth creation approach. There have been over 30 workshops and presentations made to non-grantees on the wealth creation approach in the past year. A partial list of topics, presenters, and audiences is in the appendix to this report. Audiences have included the Fund for Appalachian Ohio, rural recipients of Sustainable Communities grants from the federal government, the Minnesota Campus Compact, the Rural Assembly, the Community Indicators Consortium, a select group of academics from Boston colleges and universities, and many others. In addition, each place-based grantee had made numerous presentations to potential stakeholders in their respective regions.

OUTREACH TO ECONOMIC DEVELOPMENT PROFESSIONALS

One of the initiative's target audiences has been economic development professionals. The National Association of Development Organizations (NADO) is a partner in Ford’s wealth creation work. Matt Chase, NADO Executive Director, has been a member of the Resource Team. As part of a grant from Ford, NADO identified four member organizations in Ford’s targeted regions that were willing to accept a mini-grant to explore the wealth creation approach. Each regional organization has been paired with coaching support funded by the Center for Rural Entrepreneurship. In each case, the organizations are approaching the work differently. The organization in Alabama is actively exploring a sector-based value chain in art and culture, with the potential to connect more intentionally with Ford’s place-based grantee in the region working on community-based tourism. The organization in West Virginia is working through a partner organization to support value chain development related to artisans in a particular county. This work is focused on understanding the role and skills needed by an intermediary in order to move value chain development forward. In Texas, the regional organization is using the wealth creation framework as a tool to begin to understand how the multiple plans prepared by organizations across the region relate to and complement one another – or how they might do so. The organization in Ohio has developed a new business retention and expansion survey tool focused on identifying potential value chain actors and is testing the tool on a pilot basis. The four mini-grantees will present their learnings as part of a panel at the NADO annual conference in October 2012 and a workshop on the wealth creation approach will also be provided for NADO members.

EMAIL DISSEMINATION

Our dissemination list through Constant Contact continues to grow: about 369 people have signed up to receive emails about the Wealth Creation initiative; additional emails go to 13 media contacts and 40 people who have been engaged in various ways with the initiative, as well as to the Yellow Wood Associates mailing list of 411 contacts (with some overlap between lists). Eight news alerts were mailed during the June 2011-June 2012. (7 in June 2011 – May 2012). These news alerts shared information on 10 papers, the Wealth Creation and Rural Livelihoods National Community of Practice website, a Call for Papers for a special issue of the Community Development Society’s journal, and a webinar.
Papers Shared

7.21.11 - Jessica Norwood and Emerging ChangeMakers Network

• Learning Journey Debriefing: Emerging ChangeMakers Network visits Coastal Enterprises Inc.

8.29.11 - CFED

• Growing and Retaining Wealth in Rural America

11.4.11 - Yellow Wood Associates

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

1.27.12 - Rural Support Partners

• Rural Networks for Wealth Creation: Impacts and Lessons Learned from US Communities
• Building a Sustainable Network: A Toolkit.

5.4.12 - Rural Futures Lab

• Case Studies of Wealth Creation and Rural-Urban Linkage;
• Transitioning to a Restoration Economy: A Case Study of Oregon’s Forestry Sector;
• Building a Regional Food System: A Case Study of Market Umbrella in the New Orleans Region;
• Plastics from Plants: A Case Study of NatureWorks LLC, Blair, Nebraska;
• Wind Energy and Rural Development: A Case Study of West Texas.

Announcements Shared

10.3.11 - Rural Wealth Creation and Livelihoods National Community of Practice

5.18.12 - Call for Papers: Special Issue of Community Development - the Journal of the Community Development Society


WEBSITES – USAGE AND DISCUSSION

Creatingruralwealth.org

The Ford initiative website, www.creatingruralwealth.org, continues to be a key reference point for those wanting to learn more about Ford’s framework. Over the next year, there will be intentional discussion of how to integrate the multiple web presences associated with or connected to this work going forward.

As of the end of May 2012, 2,415 unique people have viewed the site a combined 3,339 times since launch. The site has been written up by blogs in the United States and Australia, and drawn interest to the mailing list from folks in states around the United States, and from foreign countries including the United Kingdom and Mozambique as documented below:


Ruralwealth.org

[www.ruralwealth.org](http://www.ruralwealth.org) is the website for the Wealth Creation and Rural Livelihoods National Community of Practice.

Wealth Creation and Rural Livelihoods (National Community of Practice) began weekly emails on March 16, 2012. The site has 710 enrolled members, who receive weekly emails about research, reports, conversations, webinars, and opportunities related to wealth creation in rural communities. They also ask questions, share information, and participate in other opportunities through the sites forums and boards.

Yellowwood.org/wealthcreation.aspx

[www.yellowwood.org/wealthcreation.aspx](http://www.yellowwood.org/wealthcreation.aspx) is the archival site for Wealth Creation in Rural Communities.

As of the end of May 2012, 2,363 unique people have viewed the page a combined 3,224 times since July 1, 2011.

**ONLINE DISCUSSION ABOUT THE INITIATIVE AND THE WEALTH CREATION APPROACH**

Many groups have referenced Wealth Creation in Rural Communities’ materials online. This includes groups as diverse as Historically Black Colleges and Universities, Non-Profit Quarterly, and the U S Mexico Border Philanthropy Partnership. A partial list of on-line references is included in the appendix to this report.

The inaugural meeting of the Wealth Creation and Rural Livelihoods National Community of Practice generated a variety of posts by groups including the Indiana Prairie Farmer, USDA, Rural Community Building Blog, Rural Development Initiatives and the Southern Rural Development Center. Details and links are available in the appendix to this report. The collaboration between Wealth Creation in Rural Communities and USDA-ERS has produced a number of publications including “Rural Wealth Creation: Concepts, Strategies, and Measures” by John Pender, Alexander Marré, and Richard Reeder in March 2012, and a Choices Magazine themed article section on Wealth Creation in Rural Communities, guest edited by John Pender, Bruce Weber, and Wayne Fawbush. ([http://www.choicesmagazine.org/choices-magazine/theme-articles/rural-wealth-creation](http://www.choicesmagazine.org/choices-magazine/theme-articles/rural-wealth-creation)). In addition, John Pender and Shanna Ratner collaborated on the first chapter of a book on rural wealth creation and Shanna Ratner and Melissa Levy collaborated on an abstract of a chapter on measuring rural wealth. The prospectus is being reviewed for publication. Deb Markley and Shanna Ratner are guest editors for a special upcoming edition of the Community Development Society Journal on wealth creation.
PUBLICITY FOR THE WORK OF GRANTEES

The work of grantees is beginning to generate publicity as well. FAHE was featured as a force for local good in the revised 2012 edition of Forces for Good: the Six Practices of High-Impact Nonprofits. Rural Action was honored by the Clinton Global Initiative for their work on the Appalachian Ohio Zero Waste Initiative. The Community Development Corporation of Brownsville, TX was written up in several publications for having the first LEED house in the Rio Grande Valley. The local paper in Brownsville wrote a story about the working group meeting of local contractors organized by CDCB and CRG as a step in constructing their green affordable housing wealth creation value chain that will provide jobs for rural subcontractors. Papers by Rural Support Partners on networks for wealth creation were picked up by the Rural Community Building Blog. Thanks to the work of SURREF, an Alabama regional tourism publication picked up wealth creation language. Finally, graduate students working at MIT’s pilot Clinic for Wealth Creation and Livelihoods won an APA scholarship on the strength of their paper on Wealth Creation through Sustainable Forestry. The judges were impressed with the innovative framework they used. Our work with the National Cooperative Business Association is also receiving media attention through NCBA and the cooperatives partnering with us in the pilot study.

The strength and diversity of interest in this work continues to grow and is likely to grow even more as we have more results on the ground over time.
Focus for Year Six: Getting to Scale

Over the next year we will continue, first and foremost, to support and learn with the place-based grantees as they work to construct and operate wealth creation value chains. In addition we will work to deepen our own understanding of wealth creation, bring new partners into the “wealth creation” family, expand the practice to new geographies and new sectors, provide a variety of training opportunities, and continue to document and share what we are learning.

WORK WITH PLACE-BASED GRANTEES

We will continue to support place-based grantees with coaching, technical assistance, and research as well as support for learning journeys. Specifically, we expect our efforts to understand inclusive business opportunities and to develop a framework for investment in value chains will redound to the benefit of place-based grantees. We will continue to work to refine and improve measures and the measurement process and help grantees embed the process in their work as a tool for adaptive management. We will provide facilitation for regional meetings and a second Cross Regional Convening. We will provide opportunities for dialogue between the place-based grantees and other participants in the National Community of Practice to learn from wealth creation work on the ground.

SPREADING THE PRACTICE

We expect to spread the practice by:

• Launching a wealth creation video game developed in collaboration with the Emergent Media Center at Champlain College. The game will be used in conjunction with wealth creation training and may be accessible to general audiences via the internet.

• Completing the development of training materials and delivering training to prospective value chain intermediaries and other interested parties using tools developed and tested by the Aspen Institute’s Community Strategies Group. Materials will be designed to catalyze interest in the approach and to provide guidance to value chain intermediaries on implementation.

• Completing the development of training materials and delivering training to prospective wealth creation coaches using tools developed and tested by Yellow Wood Associates.

• Supporting and growing the National Community of Practice.

We intend to continue to explore the applicability of the wealth creation approach to the health care sector by working with the Charleston Area Medical Center to explore their role in wealth creation value chains in their region.

We are responding to interest by Action Aid and other international development organizations in the wealth creation approach by designing and facilitating a workshop to be held in New York City in September 2012.

RESEARCH AND DISSEMINATION

Our research and dissemination efforts are continuing in partnership with USDA-ERS as we collaborate on a book on wealth creation, the Community Development Society as we edit an issue devoted to wealth creation, and the COADY Institute as
we contribute case study material to research on citizen-driven community economic development. We will be collaborating with the National Cooperative Business Association on a business planning competition that incorporates impacts of cooperatives on the seven forms of wealth. We will continue dissemination of reports through Yellow Wood Associates’ wealth creation mailing list and the National Community of Practice. We are also planning a second annual conference on rural wealth creation in 2013. We anticipate cooperating in an external evaluation of this work by the Ford Foundation in the coming year.

Over the past several months, we have begun and, in some cases, deepened our dialogue with federal agencies including HUD, USDA, EPA, DOE, and DOC. We have been offered the opportunity to train recipients of federal multi-agency Jobs Accelerator awards in the wealth creation approach and, through our partner, NADO, to continue to work with Sustainable Communities grantees in rural areas. We also maintain contact with the White House Rural Council.

At this writing, it is unclear whether or how the Ford Foundation will continue to support this promising initiative. At the Cross Regional Convening, we asked participants how and whether they would continue to use a wealth creation approach in the absence of continued Ford funding. We were gratified by the responses which suggest a strong commitment to continuing to work within a wealth creation framework regardless of the availability of funding from Ford. Participants in this initiative to date would like assistance with aggregating resources and investments to continue this work on the ground and through related research, targeted advocacy for policy changes, refining measures and the measurement process to clearly capture impacts, shifting the focus from the approach itself to the opportunities it creates and the results it produces, and staying connected with one another.

As we look to the future, one of the tools we may look to develop is branding. Many practitioners expressed the opinion that branding this work would help raise its visibility and attract a wider audience while keeping the essential practices in focus. We will be exploring this notion further in the coming year as we roll out training materials and other resources.

“Our ability to articulate this work in a brand promise will be critical to drive it out to a larger audience.” - A Cross Regional Convening Participant

We continue to believe, as one practitioner put it, “With enough of us practicing this and successfully modeling this there will be a shift and solutions underway.”
Appendices
Appendix A: Descriptions of Place-based grantees
Central Appalachian Network (CAN)

The Central Appalachian Network’s mission is to work with individuals, community leaders, businesses, policy makers, nonprofit organizations, and others to develop and deploy new economic strategies that create wealth and reduce poverty while restoring and conserving the environment.

VALUE CHAIN SECTOR & PHASE
Sustainable Agriculture / Construction Grant

REGION
Central Appalachia: Kentucky, Ohio, Tennessee, Virginia, West Virginia

KEY CONTACT INFORMATION
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CAN’S WEALTH CREATION WORK
For almost 20 years, the six non-profits that form the Steering Committee of the Central Appalachian Network have worked to create a more just and sustainable Appalachia. While CAN member organizations accomplish this work through a variety of sectors and strategies, CAN’s current collective focus is on developing and strengthening wholesale sustainable agriculture value chains. CAN has embraced the wealth creation approach as an assessment, planning, and measurement tool for this work. CAN’s research found that:

• The region has a history of exporting food commodities and not value-added products.
• There is a lack of locally owned processing and distribution infrastructure that could add value to raw products.
• There is a growing market demand for healthy, sustainably produced, local foods, including in the urban centers surrounding the Central Appalachian region.
• The region’s small farmers are isolated from markets and from information about sustainable farming practices.

As part of the value chain construction process, CAN is undertaking ongoing research to identify and address gaps in specific value chains in the region. For example, one gap in the value chain for regional grains is the lack of built capital in the form of locally-owned processing, aggregation, and distribution (PAD) infrastructure, which is necessary in order to bring together the supply of many small farmers to process and distribute in response to demand in an urban center. As a result, CAN provided support for the creation of Shagbark Seed & Mill Company, a PAD facility for locally grown grains, beans, and other staple foods.

On a regional level, CAN continues to identify and bring together the key players who have a self-interest in investing in sustainable agriculture value chains. As these value chains develop, they improve rural livelihoods by offering increased market opportunities to low-wealth rural farmers. They improve the health of low-wealth communities through increased access to and awareness of fresh and local foods. And they create multiple forms of capital which are owned and controlled by the value chain members and the communities in which they are based.
Federation of Appalachian Housing Enterprises (FAHE)

The Federation of Appalachian Housing Enterprises leads a network of Appalachian organizations to sustainable growth and measurable impact through collective voice and provides access to capital that creates housing and promotes community development.

VALUE CHAIN SECTOR & PHASE
Green and Energy Efficient Affordable Housing / Construction Grant

REGION
Central Appalachia: Kentucky, Tennessee, Virginia, and West Virginia

KEY CONTACT INFORMATION
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FAHE’S WEALTH CREATION WORK
Created in 1980, FAHE, based in Berea, KY, is a membership organization of dozens of low-income housing development organizations working in the Appalachian states of Kentucky, Tennessee, Virginia, and West Virginia. For its Wealth Creation in Rural Communities work, FAHE is building a green and energy efficient affordable housing value chain in the Central Appalachian region. The need for this value chain can be seen through FAHE’s research:

- Rates of substandard, often energy inefficient, housing in Central Appalachia are much higher than for the country overall. The region’s energy consumption is expected to increase at twice the national rate in the years ahead.
- Rising energy costs have left many low-income families in the region, particularly those who live in substandard or older homes, with housing that is no longer affordable.
- Existing systems that support energy efficiency and green building practices on the national level are not well suited to the high poverty, rural reality of Central Appalachia.
- FAHE members want to supply safe, affordable housing that improves the quality of life of low-income homeowners.

FAHE assessed the green and energy efficient affordable housing value chain – including the ability to build, inspect, and certify to a standard; obtain an appraisal that reflects the value of certification; and finance the unit through a mechanism that values energy efficiency – and determined that it was broken. To begin to construct this chain, one area of focus for FAHE was on building individual capital by training members to do energy audits, retrofits, and repairs that would, in turn, improve the energy efficiency (built and natural capital) and affordability of housing for low-income residents in the region (financial capital through savings). This is just one step in the value chain construction process that includes working with state housing finance agencies on uniform standards, working with appraisers so that energy efficiency improvements are reflected in the appraised value, working with lenders on green mortgages and energy-efficient loans, and continuing to facilitate shared learning on green and energy efficiency techniques with member organizations (intellectual capital). When built out, this value chain will enhance the livelihoods of low income households and providers of energy efficient affordable housing.
Mountain Association for Community Economic Development (MACED)

The Mountain Association for Community Economic Development works with people in Kentucky and Central Appalachia to create economic opportunity, strengthen democracy and support the sustainable use of natural resources.

VALUE CHAIN SECTOR & PHASE
Energy Efficiency and Renewable Energy/ Construction Grant

REGION
Central Appalachia: Kentucky - Appalachian counties

KEY CONTACT INFORMATION
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MACED’S WEALTH CREATION WORK
MACED, in Berea, KY, has worked for over three decades to create economic opportunity, strengthen democracy, and support sustainable natural resource use in Central Appalachia. For its Wealth Creation in Rural Communities work, MACED is working to build a new energy value chain, defined to include energy efficiency and renewable energy. MACED identified the importance of this value chain for low-income Kentuckians through analysis that highlighted the following:

- Energy policy in Kentucky is focused on subsidizing coal, leading to relatively low cost energy as compared to other states, and higher electricity use per capita compared to the national average.
- Aging infrastructure, combined with federal energy policies, is pushing these costs higher, and that is likely to continue.
- The state spends far less on energy efficiency per capita than other states.
- Kentucky’s poorest families had an energy burden in 2007 equal to 55 percent of monthly household income.

Through their research, MACED knew they had to intentionally create new energy demand – instilling values of efficiency and conservation into organizations involved in Kentucky’s electricity supply chain, as well as creating a robust and sound market where demand and supply for new energy can flourish. They also recognized the need to build shared interests, relationships, and new skills across actors in the chain – including contractors, builders, utilities, suppliers, and a range of government actors.

One of the strategies that MACED is using to build demand is How$martKY, a pilot project with regional distribution cooperatives that will allow families to do energy upgrades that save money and improve their homes, while paying for the work through savings on their energy bills. The policy approval and tools for implementing this program represent new forms of intellectual capital and political capital.

Rural communities will also benefit from the building of individual capital in the form of skills for energy installers; natural capital in the form of reduced carbon emissions; built capital in the form of homes receiving energy retrofits; and financial capital through cost savings, increased home values, and livelihood improvements through job creation in an emerging market. When built out, the value chain will improve livelihoods of low-income energy entrepreneurs and their workers and low-income households (through reduced expenditures on energy).
Rural Action

Rural Action’s mission is to foster social, economic, and environmental justice in Appalachian Ohio. Rural Action builds model sustainable development projects and encourages a broad civic conversation around Appalachian Ohio’s assets in order to create sustainable development paths for the region.

VALUE CHAIN SECTOR & PHASE
Sustainable Forestry and Wood Products / Construction Grant

REGION
Central Appalachia: Ohio

KEY CONTACT INFORMATION
Michelle Decker, michelle@ruralaction.org, http://ruralaction.org/

RURAL ACTION’S WEALTH CREATION WORK
As a 20-year-old sustainable development organization, Rural Action works to revitalize Appalachian Ohio, through demonstration projects in promising sectors, community engagement, and education. For its Wealth Creation in Rural Communities work, Rural Action is constructing a green, certified wood products value chain, by connecting regional/urban demand to supply from sustainably managed forests in the region. The project is being done through a collaborative structure managed by Rural Action with Appalachian Sustainable Development leading on project management and sales, and MACED leading on certification and enterprise development. Rural Action identified a number of critical characteristics of the forestry and wood products sector to illustrate the importance of constructing this value chain:

- Historically, Central Appalachia has exported its lumber products as commodities rather than creating value-added forest products.
- Forest lands in the region are most often held privately in small parcels with few management plans that improve ecosystem services or add value to timber.
- Loggers and mills are disappearing from the region in record numbers, making it difficult to turn timber into finished products like cabinets, flooring, and trim.
- Regional and urban markets are seeking green sustainable building products, but have difficulty finding adequate supply.
- Very few woodland parcels in the region are certified by the Forest Stewardship Council, making it hard for the region to meet the demand for sustainable forest products.

Rural Action’s analysis – based on interviews with large institutions, builders, architects, retailers, trade associations, and brokers – identified a clear opportunity to connect regional/urban demand to small, mid-size, and large producers by motivating architects and builders to specify Central Appalachian hardwood products, and by helping builders and installers purchase and use these hardwood building products (e.g. flooring, stair parts, trim, millwork). The construction of this value chain will enable consumers to purchase certified wood; landowners to engage in sustainable management and harvesting; and suppliers to reach new markets and grow their businesses.

As one example of how a strategy can grow multiple forms of capital, Rural Action is working with other partners in the region, through the Center for Forest and Wood Certification, to build the intellectual, individual and social capital needed to support group certification – a need clarified and understood through research conducted as part of this initiative. Certification protects natural capital.

This value chain will enhance the livelihoods of forest landowners, wood products entrepreneurs and their employees.
alt.Consulting

alt.Consulting serves as a catalyst in growing, sustaining and educating entrepreneurial ventures resulting in wealth and fair-wage job creation in minority and rural communities. alt.Consulting works with local business owners and entrepreneurs in rural Delta and minority communities to examine, diagnose, start and rebuild businesses.

VALUE CHAIN SECTOR & PHASE
Green Energy / Construction Grant

REGION
South: Arkansas

KEY CONTACT INFORMATION
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ALT.CONSULTING’S WEALTH CREATION WORK
alt.Consulting, Inc., a 501(c)(3) non-profit, economic development organization, has served the Arkansas Delta for the past 14 years. alt.Consulting was certified as a Community Development Financial Institution in March 2011. alt.Consulting is an intermediary for the Arkansas Green Energy Network (AGEN). AGEN seeks to transform low-wealth, Delta communities from energy consumers to independent energy producers. This transformation will provide new livelihood opportunities through the creation of new small businesses that will create new jobs. Local energy production will also reduce energy costs for municipalities, businesses and residents. Demand is driving this opportunity as municipalities, farmers, loggers and truckers look for a source of fuel at stable prices.

AGEN is developing a model for financing and establishing micro-bio-refineries utilizing used cooking oil and a non-food crop that can be grown during winter months to generate additional income for disadvantaged farmers.

The energy producing installations represent new built capital, while the production of biofuel from renewable sources protects our natural capital. Individual capital is gained through skill building, new jobs, and new entrepreneurial opportunities. The building of these economic development models greatly contributes to the intellectual capital in the region as more people become aware of renewable energy as a driver for development. Important social capital is built as stakeholders in the value chain work closely together to problem solve and learn from each other. alt.Consulting now leads the Bioenergy Workgroup of the Arkansas Advanced Energy Association to bring together all entities interested in bio-fuel options. This is also helping AGEN build the political capital in the region to encourage policies supportive of renewable energy. Financial capital is built through profits generated by the municipalities functioning as the independent power producers in addition to those made by the small businesses operating micro-biofuel refineries. This value chain will enhance the livelihoods of people in low income communities as well as energy entrepreneurs and their employees.
Creating Agricultural Livelihoods in the Deep South

The purpose of this project is to strengthen the capacity, connectivity, and ultimately the impact of groups working to develop agricultural value chains in Mississippi and Alabama.

VALUE CHAIN SECTOR & PHASE
Agriculture / Exploration Grant

REGION
South: Alabama, Mississippi

KEY CONTACT INFORMATION
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CREATING AGRICULTURAL LIVELIHOODS IN THE DEEP SOUTH’S WEALTH CREATION WORK

Rural Support Partners is a social enterprise working across the rural Southeastern U.S. to strengthen anchor organizations, foster strategic networks, and innovate asset-based economic development efforts.

 McIntosh SEED is committed to creating and sustaining a healthy and diverse community through community development, community organizing, and advocacy, and has a history of strong relationships with non-profit organizations across the Southeast, including the Black Belt region of Alabama and Mississippi.

Rural Support Partners and McIntosh SEED work with four organizations in the Deep South – NAACP/One Voice, Alabama Sustainable Agriculture Network (ASAN), the National Wildlife Federation (NWF), and the Children’s Defense Fund (CDF) and their partners.

These organizations are conducting a participatory action research project designed to look beyond small and local, and come to better understand the potential for collective work to support broader, more substantial regional market opportunities. Project teams are simultaneously exploring, building, and connecting value chains within their regions. They are also working on developing clear action plans for creating multiple forms of wealth through strengthening these value chains.

Project objectives include:
- Research/analyze the various components of the value chain on which each organization is working
- Engage, inform and connect value chain stakeholders throughout the process
- Discover connections, common visions and possible ways project groups can work together
- Develop individual and collective action plans to strengthen identified value chains
- Document tools and lessons to help other groups working to construct agricultural value chains
Emerging ChangeMakers Network (ECN)

The Emerging ChangeMakers Network is a connection of emerging leaders who believe in a core set of values and principles that lead them to create actions of compassion, equality and justice on behalf of communities that have been historically disenfranchised due to race, class, gender, orientation, nationality and/or immigration status.

**VALUE CHAIN SECTOR & PHASE**
Impact Investing / Construction Grant

**REGION**
South: Alabama

**KEY CONTACT INFORMATION**
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**ECN’S WEALTH CREATION WORK**
The Emerging ChangeMakers Network (ECN) was founded in 2007 with the purpose of connecting emerging leaders who want to make actions of compassion and justice on behalf of historically disenfranchised communities by using their capital, their relationships, their learnings and their politics.

ECN, with the support of The Georgia Strategic Alliance for New Directions and Unified Policies (Georgia STAND-UP), works to support the construction of sector-driven impact investing value chains in the Alabama Black Belt which will attract capital from sources previously not fully tapped, to be placed in value chains that build livelihoods and create multiple kinds of local wealth. ECN sees its role as the intermediary whose primary role is to convene, educate, develop and manage the entire impact investing wealth creation value chain system, connecting the supply and demand sides of the impact investing value chain.

The ECN impact investing value chain construction work will extend over two years, with three target interventions: 1) catalyze Agriculture and Cultural Heritage Sector grantees and experts in the Black Belt to identify impact investment opportunities within value chains which will build *intellectual, social, natural, built and financial capital*; 2) enhance programs and supports within those value chains that anchor and create a rural entrepreneurship pipeline from the Agriculture and Cultural Heritage Sector that builds *intellectual, individual, social and political capital*; and 3) connect impact investors to specifically created funds, meant to make investments in sector-based value chains in the Alabama Black Belt, as a way to build *intellectual, social and financial capital*. It is hoped that during these two years, lessons will be learned, the groundwork laid and relationships developed that will enable the Black Belt Impact Investing program to expand to a larger scale and potentially be replicated in other states. This value chain will improve the livelihoods of entrepreneurs in emerging value chains in the South and lead to new employment opportunities for low-income people.
The National Wildlife Federation’s mission is to inspire Americans to protect wildlife for our children’s future. In the Southeast, NWF’s work includes protecting wildlife by restoring key habitats including the native longleaf pine forest, connecting people with nature to foster a conservation ethic and respect for the environment, and engaging with socially disadvantaged landowners to advance sustainable natural resource opportunities to improve their livelihoods and communities.

**VALUE CHAIN SECTOR & PHASE**
Sustainable forestland management and longleaf pine restoration / Construction Grant

**REGION**
South: Alabama

**KEY CONTACT INFORMATION**
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**NWF’S WEALTH CREATION WORK**
National Wildlife Federation, Inc. (NWF) is a non-profit conservation and education organization with headquarters in Reston, Virginia. Founded in 1936, NWF’s 5 million members and supporters, and a national network of 48 affiliated state organizations, work to educate citizens about protecting wildlife for future generations. NWF’s wealth creation work is managed and coordinated from the Southeast Regional Center in Atlanta, GA.

The goal of NWF’s Wealth Creation work is to enhance the livelihoods of landowners through the construction of a new value chain that creates economic opportunities from sustainable forestland management and longleaf pine restoration within the state of Alabama.

Primary activities that support this goal include:

- Partnering with and supporting development of working relationships between Alabama-based forest landowner associations and minority landowner groups;
- Growing the base of landowners participating in a certified forestry cooperative producers group;
- Enhancing the role of forest certification and new market opportunities arising from consumer demand for certified wood products;
- Establishing new relationships with wood products businesses leading to tangible investment in the value chain;
- Exploring complementary income generating strategies that help keep minority landowners on the land and strengthen the proposed wood products value chain.

This work will help preserve natural capital by increasing the number of acres managed sustainably; preserve and develop the stock of built capital by creating conditions that allow existing mills to remain open, with potential for existing mills to expand or new mills to open; increase financial capital through the higher value to landowners of FSC wood; increase social capital by providing opportunities for landowners to come together in organizations where they can work together, share experiences, and build trust; and increase individual capital as landowners benefit from their increased knowledge of sustainable management practices. This value chain will improve the livelihoods of minority landowners.
Sustainable Rural Regenerative Enterprises for Families (SURREF)

Sustainable Rural Regenerative Enterprises for Families is a social enterprise organization whose primary goal is to help families start up their own businesses by leveraging existing networks to produce locally sourced, eco-friendly products and services.

**VALUE CHAIN SECTOR & PHASE**
Community Based Tourism / Construction Grant

**REGION**
South: Alabama

**KEY CONTACT INFORMATION**
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**SURREF’S WEALTH CREATION WORK**
SURREF, with the support of the Black Belt Community Foundation, is developing a wealth creation value chain focused on Community Based Tourism (CBT) products and experiences that tell the story and enhance the lives of low income and marginalized communities. The value chain will be anchored by a community-owned Destination Management Structure (DMS) that will develop, market, and maintain tourism products and services that embrace and demonstrate the positive spirit of the communities. CBT is a form of sustainable tourism that is a unique development tool because it creates long-term, market-driven resources and learning opportunities that endure long after the direct program intervention.

Positive outcomes of a sustainable, CBT value chain in the Black Belt include:
- Additional tourism revenue created by improving the Black Belt’s branding and positioning as a high quality, authentic destination (*financial capital*)
- Local residents have greater capacity to create, operate, and monitor a successful high-quality tourism business (*individual capital*)
- New networks and new supply chains for small business owners and entrepreneurs (*social capital*)
- New partnerships with regional, national, and international experts in tourism development and destination management (*social capital*)
- Cooperation and communication among local stakeholders fostered by a destination management platform for collaboration throughout the value chain that would ensure equitable generation and dissemination of wealth in target communities (*social capital, intellectual capital, individual capital*).

This value chain will improve the livelihoods of small businesses and tourism entrepreneurs in rural communities in the Black Belt.
Community Development Corporation of Brownsville (CDCB)

*Community Development Corporation of Brownsville’s mission is to assist low-income families in attaining homeownership through below market financing, quality construction, the use of efficient home designs, and targeted outreach.*

**VALUE CHAIN SECTOR & PHASE**

Green Housing / Construction Grant

*CDCB is building their green housing value chain in collaboration with the Community Resource Group (CRG).*

**REGION**

Lower Rio Grande Valley, Texas

**KEY CONTACT INFORMATION**

Nick Mitchell-Bennett, nmitchell@cdcb.org, http://www.cdcb.org/

**CDCB’S WEALTH CREATION WORK**

Community Development Corporation of Brownsville (CDCB) has been providing safe, sanitary affordable housing to the citizens of Brownsville since 1974. CDCB is the largest nonprofit producer of single family affordable housing for homeownership in the State of Texas.

The primary desired outcome for the wealth creation value chain is improved livelihood opportunities for low-income people through ownership of affordable, energy efficient, green homes, including participation in home design, development of neighborhoods, and construction of the homes.

CDCB and CRG’s experience and research has identified that:

- Across the Texas Lower Rio Grande Valley, rapid population growth and high poverty levels—both of which are projected to continue over the next decade and beyond—combine to create a demand for affordable sustainable homes in excess of what individual affordable housing producers have been able to satisfy.
- There is a need for homes suitable to Valley conditions that are more affordable long term for individuals and communities, reduce energy use and protect water resources of the region.

Interventions and strategies implemented by the value chain will increase the *built capital* in the region through the design and construction of green, energy and water efficient homes. Through the efforts of the value chain members, specifically those working at the design link, *intellectual* and *individual capital* will be built by expansion of knowledge and skills related to green, energy-efficient design and construction of affordable housing. *Natural capital* is expected to be maintained or protected through reduction in regional water use/treatment and energy use (i.e. saving fossil fuels) on a per home basis as compared to homes built without energy efficient features and through the reduction in construction waste which decreases landfill needs. Community *financial capital* will grow as improved housing stock expands property tax bases and incomes from new construction increases the flow of dollars into rural communities. Financial literacy training for home buyers will increase the percentage of household income saved and increase individual *financial capital*. *Financial, individual, and intellectual capital* will be further developed through training programs and in collaboration with regional partners.

When built out, the value chain will improve livelihoods of low-income home owners and construction workers in rural areas.
Community Resource Group (CRG)

Community Resource Group, Inc. helps people build secure and sustainable futures by assisting small, rural communities in their work to solve water and wastewater problems, and by helping hardworking families realize the American dream of having a safe, secure place to call home.

VALUE CHAIN SECTOR & PHASE
Green Housing/ Construction Grant

CRG is building their green housing value chain in collaboration with the Community Development Corporation of Brownsville (CDCB).

REGION
Lower Rio Grande Valley, Texas

KEY CONTACT INFORMATION
John Squires, JSquires@crg.org, http://www.crg.org/

CRG’S WEALTH CREATION WORK
CRG, based in Fayetteville, Arkansas, has worked with low-income communities and families since its’ incorporation in 1975. Since 1995, CRG has been involved with affordable home ownership and construction along the Texas-Mexico border.

CRG and the CDCB’s experience and research has identified that:

• Across the Texas Lower Rio Grande Valley, rapid population growth and high poverty levels–both of which are projected to continue over the next decade and beyond--combine to create a demand for affordable sustainable homes in excess of what individual affordable housing producers have been able to satisfy.
• There is a need for homes suitable to Valley conditions that are more affordable long term for individuals and communities.

Interventions and strategies implemented by the value chain will increase the built capital in the region through the design and construction of green, energy and water efficient homes. Through the efforts of the value chain members, specifically those working at the design link, intellectual and individual capital will be built by expansion of knowledge and skills related to green, energy-efficient design and construction of affordable housing. Natural capital is expected to be maintained or protected through reduction in regional water use/treatment and energy use (i.e. saving fossil fuels) on a per home basis as compared to homes built without energy efficient features and through the reduction in construction waste which decreases landfill needs. Community financial capital will grow as improved housing stock expands property tax bases and incomes from new construction increases the flow of dollars into rural communities. Financial literacy training for home buyers will increase the percentage of household income saved and increase individual financial capital. As part of their value chain construction, CRG is working to connect rural builders with urban construction opportunities in the Valley. Financial, individual, and intellectual capital will be further developed through training programs and in collaboration with regional partners. When built out, the value chain will improve livelihoods of low-income home owners and construction workers in rural areas.
South Texas Adult Resource and Training Center (START Center)

The South Texas Adult Resource and Training Center’s vision is to provide necessary programs to move families from the periphery into the mainstream of the Rio Grande Valley economy through the use of a proactive strategy.

**VALUE CHAIN SECTOR & PHASE**
Workforce Development in Health Care / Exploration Grant

**REGION**
Lower Rio Grande Valley, Texas: Cameron, Hidalgo, Willacy, and Starr Counties

**KEY CONTACT INFORMATION**
Joe Medrano, jmedrano@startcenter.org, http://www.startcenter.org/

**START CENTER’S WEALTH CREATION WORK**
The START Center has been providing GED programs in San Benito since 1992. They have almost 20 years of experience contributing to the workforce development value chain in San Benito, Texas and the Rio Grande Valley by providing a better educated and more prepared employment and educational pool for local employers and colleges and universities.

The START Center is in the value chain exploration phase of their work. Through their involvement in the Wealth Creation in Rural Communities initiative, the START Center plans to explore a workforce development value chain, beginning with demand for workforce training by employers in the health care sector. They are approaching employers regarding training needs related to certified nursing assistants, home health care aids, and geriatric assistants. The goal is to develop a market-driven workforce development capacity that is financed by employers and provides training and improved livelihood opportunities through advancement to low-income workers and their families.

The START Center sees opportunities for workforce development programs in the Lower Rio Grande Valley to contribute to *individual capital* as participants gain skills and knowledge through work with partnering agencies, businesses and institutions of higher learning; *social capital* as relations between employers and agencies, as well as local learners, multiply and deepen; *intellectual capital* as new models for workforce development are understood and adopted in the Valley, and *financial capital* as employees in training improve their financial literacy and begin to save on a regular basis.
Appendix B: Wealth Matrix
Community Wealth Matrix Template #2
Interventions, Indicators, Measures, Baseline & Methodology

**Objective:** 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 complete this template, 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 (Value Chain Construction Grant Application Packet). The template is designed for brevity!

**INSTRUCTIONS**

1. Copy and complete a separate template for each intervention.
2. Name your intervention in the left hand column (see example on the next page).
3. In the column labeled “indicator,” explain how you will know if your intervention is successful? What will change? In other words, what change in current conditions will indicate progress?
4. In the column labeled “measure,” explain how you will measure the changes in current conditions for each form of wealth?
5. In the column labeled “baseline,” explain how you will determine the baseline for each measure as of the time you begin your work?
6. In the column labeled “methodology,” explain what methodology you are considering for measuring your baseline and re-measuring progress? What is a realistic time frame for re-measuring?
<table>
<thead>
<tr>
<th>Intervention</th>
<th>Indicator</th>
<th>Measure</th>
<th>Baseline</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sustainable housing practices will include careful site selection, minimal site disruption, avoidance of environmentally significant sites, installation of native plant and tree species, and incorporation of features that ensure minimum energy and water usage to sustain homes.</td>
<td>Number of sites and collective area impacted by sustainable housing practices.</td>
<td>Seven of the fifty member organizations indicated use of a total site development approach for their projects according to a survey conducted during the summer of 2010.</td>
<td>Survey each member organization each summer to track change in number of members using total site development.</td>
</tr>
</tbody>
</table>

Form (continues on subsequent pages):
<table>
<thead>
<tr>
<th>Type</th>
<th>Intervention</th>
<th>Indicator</th>
<th>Measure</th>
<th>Baseline</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
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</tr>
<tr>
<td>Financial</td>
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<tr>
<td>Built</td>
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<tr>
<td>Natural</td>
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<td></td>
</tr>
<tr>
<td>Intellectual</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Social</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name of Organization:  
Name of Value Chain:
Appendix C: Dissemination Reports - Selected Material
FROM: WEALTH CREATION IN RURAL COMMUNITIES
DISSEMINATION REPORT, 8/25/11

The 13th dissemination email was sent out on 7/21/11

This email highlighted:

The email was sent to: 616 direct and media contacts
As of 8/25/11: 191 people opened the email
47 people clicked on email links

Report URL

Dissemination emails and Wealth Creation material picked up by other sources:
1) 5/18/11 Rural XChange: http://www.ruralxchange.net/2011/05/rural-urban-interdependence-two-questions/
2) 6/12/11 NADO – Matt Chase’s bio: http://www.nado.org/about/staff/
FROM: WEALTH CREATION IN RURAL COMMUNITIES
DISSEMINATION REPORT, 11/17/11

The 14th dissemination email was sent out on 8/29/11

This email highlighted: Growing and Retaining Wealth in Rural America, by CFED, and the new CreatingRuralWealth.org website

The email was sent to: 636 direct and media contacts
As of 11/17/11: 221 people opened the email
71 people clicked on email links

Report URL

The 15th dissemination email was sent out on 10/03/11

This email highlighted: The National Community of Practice

The email was sent to: 644 direct and media contacts
As of 11/17/11: 176 people opened the email
46 people clicked on email links

National Community of Practice URL
www.ruralwealth.org

Dissemination emails and Wealth Creation material picked up by other sources:


2) Rural LISC newsletter on new CreatingRuralWealth.org website: http://rurallisc.createsend1.com/t/ViewEmail/r/806D10C4BACCBF48/84C E1347B3C2E76C0F8C6F86323F7F9
   A new website, www.creatingruralwealth.org, has been launched which is devoted to sharing the Wealth Creation in Rural Communities framework. In addition, a new publication has also been released, Learning Journey Debriefing: Emerging Changemakers Network visits Coastal Enterprises, Inc. Its focus is sharing perspectives on connecting with motivated investors, picking good investments, balancing running businesses as well as funding them, and strategies for targeting loans and nurturing


11) US Mexico Border Philanthropy Partnership writes about the National Community of Practice in their newsletter: [http://campaign.r20.constantcontact.com/render?llr=lkcyml8cab&v=0016rCg-GFOumj-uEOwmEgrehK9q53G43doVxNfgInNcks_XPJywDuOH3y5BnpFsFRo_KknvbYvCxBMoP0FLxx-VraxISAIPAaNrB314q167MTq7Ttta7FIKA1kqa0NOPHxNnBP-evdd37xOLytnOUr5woHEm7ZNurwGVliHqVVxTUFiqnR4ZiDL55fVYbxvE-gZZHYndBbVq4adaKamhpYzLETLUg0q0coKYbJARpWh6IllCoOk6DnSN-FiGKVpMj5mpaxGS_GaluWZciEHBwXDzRsDpiLy06eb1GlfRRP55JBjg9J0n4CRCVX-kPq94ZFHplWiuEgXozgqzEy8KyFPWG1By0OFnAk6JuhUUi8OOG%3D](http://campaign.r20.constantcontact.com/render?llr=lkcyml8cab&v=0016rCg-GFOumj-uEOwmEgrehK9q53G43doVxNfgInNcks_XPJywDuOH3y5BnpFsFRo_KknvbYvCxBMoP0FLxx-VraxISAIPAaNrB314q167MTq7Ttta7FIKA1kqa0NOPHxNnBP-evdd37xOLytnOUr5woHEm7ZNurwGVliHqVVxTUFiqnR4ZiDL55fVYbxvE-gZZHYndBbVq4adaKamhpYzLETLUg0q0coKYbJARpWh6IllCoOk6DnSN-FiGKVpMj5mpaxGS_GaluWZciEHBwXDzRsDpiLy06eb1GlfRRP55JBjg9J0n4CRCVX-kPq94ZFHplWiuEgXozgqzEy8KyFPWG1By0OFnAk6JuhUUi8OOG%3D)

This email highlighted: The initiative’s third interim report

The email was sent to: 662 direct and media contacts
As of 11/28/11:
168 people opened the email
31 people clicked on email links

Report URL

Dissemination emails and Wealth Creation material picked up by other sources:

1) U.S.-Mexico Border Philanthropy Partnership wrote up the Wealth Creation work in their newsletter “The Border Buzz”

2) Mention of WCRC in The County Line, a WI newspaper/site: http://the-countyline.net/pages/?p=2620

3) Mention of work with Ford / Yellow Wood / Wealth creation by NCBA on www.powerofprinciples.coop

4) http://www.ccsustainabilityalliance.com/

5) SRDC write up after the Rural Wealth Creation and Livelihoods Conference in DC: http://srdc.msstate.edu/news/2011_10_ruralwealthcreation.html

6) We received a lot of website hits to www.creatingruralwealth.org from Marjorie’s October piece in the Daily Yonder (http://www.dailyyonnder.com/creating-rural-wealth/2011/10/23/3571)

FROM: WEALTH CREATION IN RURAL COMMUNITIES
DISSEMINATION REPORT, 1/30/12

The 17th dissemination email was sent out on 12/15/11

This email highlighted: Two papers from Rural Support Partners “Rural Networks for Wealth Creation” and “Building a Sustainable Network: A Toolkit.”

The email was sent to: 663 direct and media contacts
As of 1/30/2012: 171 people opened the email
42 people clicked on email links

Report URLs

Dissemination emails and Wealth Creation material picked up by other sources:
1) Justin Maxson and his work at MACED profiled on Grist.org, with mention of the Wealth Creation in Rural Communities connected HowSmart work: http://grist.org/energy-efficiency/2011-12-07-justin-maxson-an-appalachian-trailblazer-for-sustainability/

2) Blog posts in the Rural Futures Lab blog: http://ruralfutureslab.blogspot.com/

3) Rural Development Initiatives newsletter: writeup of the fall conference: http://www.rdiinc.org/nl_stories/59


5) Post about the RSP papers in the Rural Community Building blog: http://ruralcommunitybuilding.fb.org/2012/01/04/tools-to-make-wealth-stick-in-rural-places/

6) Wealth Creation language used in Alabama regional tourism publication: Gee’s Bend Book: http://issuu.com/alabama_engine/docs/geesbend (cover and relevant pages 21 and 47 attached)
CHLOE SCHULTZ

A visible space for the community to congregate, celebrate tradition, and educate visitors about cooking customs.

Gainsville, Florida has been greatly recognized for the permeable, quilt making traditions in the region. However, the need for visitor accommodations and Amenities is key in order to keep visitors wanting to return and learn about the history of the Okaloosa Region. The design proposal for Gainsville will focus on providing community wealth through improving social, economic, and cultural issues in the area. The Gainsville Civic Center for Cultural Education is named to make a visible space where the community and visitors can conjecture, think, and evaluate integrated cooking customs, sustainability, and organic gardening. The site for the proposal is located at the historic Gainsville School building. There are three wings to the school building that will contain kitchens, dining/education areas, and a market. In addition, there is a central courtyard containing organic gardens which produce vegetables, fruits, and plants that can be used both in the kitchen as well as sold in the market.

SAMANTHA O’LEARY

Designing a Common Capital to Create Positive Social Change.
FROM: WEALTH CREATION IN RURAL COMMUNITIES
DISSEMINATION REPORT, 5/31/12

The 18th dissemination email was sent out on 5/4/12

This email highlighted: the Rural Futures Lab case studies on Wealth Creation and Rural Urban Linkages

The email was sent to: 695 direct and media contacts
As of 5/30/2012: 180 people opened the email
42 people clicked on email links

Report URLs
http://www.yellowwood.org/TransitioningtoaRestorationEconomyCaseStudyFINAL.pdf
http://www.yellowwood.org/BuildingaRegionalFoodSystemCaseStudyFINAL.pdf
http://www.yellowwood.org/PlasticsfromPlantsCaseStudyFINAL.pdf
http://www.yellowwood.org/WindEnergyandRuralDevelopmentCaseStudyFINAL.pdf

The 19th dissemination email was sent out on 5/18/12

This email highlighted: the special issue of Community Development on Wealth Creation (call for papers)

The email was sent to: 685 direct and media contacts
As of 5/30/2012: 160 people opened the email
29 people clicked on email links

Call for Papers URL
http://www.yellowwood.org/Call_for_Papers_Wealth_Creation_Special_Issue_3_.pdf
Dissemination emails and Wealth Creation material picked up by other sources:


2) Melissa Levy and Wayne Fawbush presentation at NADO EDFS conference available on the NADO website - http://www.nado.org/2012-edfs-presentations/

3) Burghard Group (Strengthening Brand America) used wealth creation framework in e-book about handling community planning around shale natural gas: http://strengtheningbrandamerica.com/blog/2012/03/new-ebook-on-strategic-planning/

4) Chuck Fluharty talks about the Ford Foundation and the wealth creation work in his Senate Ag testimony, excerpted at the Daily Yonder, 2/14/12: http://www.dailyyonder.com/fluharty-speaks-senate-ag-committee/2012/02/14/3763

5) Fluharty’s remarks were picked up by Agri-Pulse and reposted by Farm Bureau News (though these reposts did not quote the Ford / Wealth Creation portions): http://www.agri-pulse.com/column-new-thinking-Rural-America-02222012.asp; http://ruralcommunitybuilding.fb.org/2012/02/23/fluharty-on-keeping-rural-america-strong/

6) Rural Support Partners Newsletter highlighted Network reports (3/7/12) http://us4.campaign-archive2.com/?u=3b9f7e08a0f76a48269aa546&id=3219e8bd40&e=ee3ee25a5e

7) Mission Measurement posted about the WCRC Cross Regional Convening when their CEO Jason Saul came to speak at the convening: http://www.missionmeasurement.com/content/thought-capital/speaking-events/2012/03/20/wealth-creation-rural-communities-convening

8) Wealth Creation and Rural Livelihoods (National Community of Practice) began weekly emails – March 16, 2012


12) A webinar (scheduled 6/14) Shanna Ratner, Melissa Levy, and Ines Polonius prepared for the WCRL National Community of Practice is posted to the Daily Yonder website - [http://www.dailyyonder.com/node/4020](http://www.dailyyonder.com/node/4020)

13) John Molinaro and Euneika Rogers-Sipp present at the Grassroots and Groundwork conference on June 7, 2012: [http://www.grassrootsandgroundwork.org/e/in/eid=1&req=info&s=49&all=1](http://www.grassrootsandgroundwork.org/e/in/eid=1&req=info&s=49&all=1)

14) The Call for Papers for the special issue of Community Development on Wealth Creation is posted at the Minnesota Campus Compact page - [http://www.mncampuscompact.org/index.asp?Type=B_EV&SEC=q4E3A2B4C-12F9-4DC2-B7B3-B95546B458B7&DE=q4889C9F0-DCB6-4F29-B0B4-E9B21CE86770](http://www.mncampuscompact.org/index.asp?Type=B_EV&SEC=q4E3A2B4C-12F9-4DC2-B7B3-B95546B458B7&DE=q4889C9F0-DCB6-4F29-B0B4-E9B21CE86770)


16) Integrating Measurement Into Wealth Creation Work – Melissa Levy’s 4/14/12 presentation to the Community Indicators Consortium - [http://www.communityindicators.net/post/events_member-webinar-archive,integrating-measurement-into-wealth-creation-work](http://www.communityindicators.net/post/events_member-webinar-archive,integrating-measurement-into-wealth-creation-work)


19) Brian Dabson delivered keynote to the Kansas City, MO, Healthy Communities Movement Summit on Wealth Creation in Rural Communities - http://www.kchealthykids.org/Events/Detail/Healthy-Communities-Movement-Summit


Appendix D: Workshops and Presentations - A Partial List of Topics, Presenters, and Audiences
## Workshops and Presentations - A Partial List of Topics, Presenters, and Audiences

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Presenter</th>
<th>Audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEB 2011</td>
<td>Delta Regional Commission Local Development Districts Regional Summit - Creating and Retaining Wealth in the Delta Region</td>
<td>Deb Markley</td>
<td>Delta Regional Commission</td>
</tr>
<tr>
<td>FEB 2011</td>
<td>An Approach for Creating Wealth in Rural Regions</td>
<td>Deb Markley, Wayne Fawbush</td>
<td>National Association of Development Organizations</td>
</tr>
<tr>
<td>APR 2011</td>
<td>Food Hub Wealth Creation Webinar</td>
<td>Shanna Ratner</td>
<td>Coops, Funders, Government agencies and Food related businesses from states including IL, MI, PA, and WA</td>
</tr>
<tr>
<td>MAY 2011</td>
<td>Appalachia Funders Network Webinar</td>
<td>Shanna Ratner</td>
<td>Appalachia Funders Network</td>
</tr>
<tr>
<td>JUNE 2011</td>
<td>“Wealth Creation in Rural Communities: Exploring the Approach”</td>
<td>Deb Markley</td>
<td>National Association of Development Organizations</td>
</tr>
<tr>
<td>JUNE 2011</td>
<td>Appalachia Funders Network Pre-Conference Workshop: Introduction to the Wealth Creation Approach</td>
<td>Shanna Ratner</td>
<td>Appalachia Funders Network</td>
</tr>
<tr>
<td>JUNE 2011</td>
<td>National Rural Assembly Breakout Session: Introduction to the Wealth Creation Approach</td>
<td>John Molinaro</td>
<td>National Rural Assembly</td>
</tr>
<tr>
<td>JUNE 2011</td>
<td>Wealth Creation in Rural Communities: Emerging Policy Issues and Opportunities</td>
<td>Mikki Sager</td>
<td>National Rural Assembly</td>
</tr>
<tr>
<td>AUG 2011</td>
<td>Wealth Creation (Broadly Defined) in Rural Communities: A Concept, Strategy and Practice Discussion</td>
<td>Shanna Ratner</td>
<td>The Rapides Foundation</td>
</tr>
<tr>
<td>SEPT 2011</td>
<td>Cooperatives and the Wealth Creation Approach</td>
<td>Shanna Ratner</td>
<td>Cooperatives in MN, NY, and VT</td>
</tr>
<tr>
<td>SEPT 2011</td>
<td>Cooperatives and the Wealth Creation Approach</td>
<td>Shanna Ratner</td>
<td>Cooperatives in MN, NC, PA, SD, WI</td>
</tr>
<tr>
<td>OCT 2011</td>
<td>Getting Oriented: A Wealth Creation Approach to Advancing Rural Livelihoods</td>
<td>Deb Markley, John Molinaro</td>
<td>Rural Wealth Creation and Livelihoods Conference Attendees</td>
</tr>
<tr>
<td>Date</td>
<td>Topic</td>
<td>Presenter</td>
<td>Audience</td>
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</tr>
<tr>
<td>OCT 2011</td>
<td>What is “wealth” in rural areas and populations?</td>
<td>Shanna Ratner, John Pender, Alex Marre</td>
<td>Rural Wealth Creation and Livelihoods Conference Attendees</td>
</tr>
<tr>
<td>OCT 2011</td>
<td>Measurement in Practice: Commonalities and Conundrums</td>
<td>Shanna Ratner</td>
<td>Rural Wealth Creation and Livelihoods Conference Attendees</td>
</tr>
<tr>
<td>OCT 2011</td>
<td>Integrating Measurement into Wealth Creation Work</td>
<td>Melissa Levy</td>
<td>Rural Wealth Creation and Livelihoods Conference Attendees</td>
</tr>
<tr>
<td>OCT 2011</td>
<td>Growing Local Food Value Chains: Lessons from the Central Appalachian Network</td>
<td>Katy Allen, Justin Maxson, and Jason Donovan</td>
<td>Rural Wealth Creation and Livelihoods Conference Attendees</td>
</tr>
<tr>
<td>OCT 2011</td>
<td>2011 NCBA Annual Meeting and Cooperative Conference</td>
<td>Shanna Ratner</td>
<td>National Cooperative Business Association; Cooperatives</td>
</tr>
<tr>
<td>OCT 2011</td>
<td>Wealth Creation in Rural Communities Presentation to the Minnesota Campus Compact</td>
<td>Melissa Levy</td>
<td>Minnesota Campus Compact</td>
</tr>
<tr>
<td>NOV 2011</td>
<td>Cooperative Community Impact Assessment for your Cooperative at the NCBA Annual Meeting</td>
<td>Shanna Ratner</td>
<td>Cooperatives from IL, MN, NC, NY, SD, WI; Cooperative Programs at USDA; NCBA and CDF.</td>
</tr>
<tr>
<td>NOV 2011</td>
<td>Wealth Creation through Value Chains</td>
<td>Deb Markley, Thomas Watson</td>
<td>Foundation for Appalachian Ohio and partners</td>
</tr>
<tr>
<td>NOV 2011</td>
<td>“Wealth Creation in Rural Communities: Building Sustainable Livelihoods”</td>
<td>Deb Markley, Thomas Watson, Michelle Decker, Leslie Schaller</td>
<td>Foundation for Appalachian Ohio</td>
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<tr>
<td>JAN 2012</td>
<td>Introduction to Cooperatives and Community Economic Development</td>
<td>Shanna Ratner</td>
<td>National Cooperative Business Association, CED</td>
</tr>
<tr>
<td>JAN 2012</td>
<td>MIT Wealth Creation Luncheon</td>
<td>Shanna Ratner</td>
<td>Faculty from Brandeis, MIT, Umass Boston, Umass Dartmouth</td>
</tr>
<tr>
<td>FEB 2012</td>
<td>Wealth Creation in Rural Communities</td>
<td>Melissa Levy</td>
<td>Black Belt Treasures</td>
</tr>
<tr>
<td>FEB 2012</td>
<td>Creating Cross Sector Partnerships Through Value Chains</td>
<td>Thomas Watson, Michelle Decker, Pam Curry, Kathlyn Terry, Leslie Schaller</td>
<td>Cross Sector Collaboration Workshop Attendees (mix of funders and practitioners)</td>
</tr>
<tr>
<td>MAR 2012</td>
<td>Wealth Creation in Rural Communities presentation to the HUD Sustainable Communities grantees from smaller places</td>
<td>Deb Markley</td>
<td>HUD Grantees</td>
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<tr>
<td>MAR 2012</td>
<td>USDA Rural Development: Vermont / New Hampshire</td>
<td>Wayne Fawbush</td>
<td>USDA Rural Development; University of Vermont</td>
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<td>Date</td>
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<td>APR 2012</td>
<td>Wealth Creation in Rural Communities - Economic Development Finance Service Presentation</td>
<td>Melissa Levy</td>
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<td>Wealth Creation in Rural Communities - HUD EPA Sustainable Communities Presentation</td>
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<td>MAY 2012</td>
<td>Rural wealth creation and its relationship to EDA’s programs</td>
<td>John Pender, Wayne Fawbush, Shanna Ratner, Matt Chase</td>
<td>Economic Development Administration, US Department of Commerce</td>
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