For too long, the resources and assets of rural communities – their natural resources, agricultural bounty, workers, and young people – have flowed out of rural areas. Low-wealth areas, in particular, have struggled to create wealth that stays local. Rural America needs a new way forward that builds sustainable livelihoods for rural people.

Wealth Creation in Rural Communities, supported by the Ford Foundation’s Expanding Livelihood Opportunities for Poor Households initiative, articulates a systems approach, linking together assets, producers, and consumers in ways that benefit everyone – and that build rural wealth. What distinguishes this wealth creation approach?

Moving from the parts to the whole. It’s about connecting rural producers, processors, distributors, marketers, and consumers. It’s about how small towns form a region and rural regions connect to or include urban areas. Understanding the whole, and how each part is connected, helps rural people make the most of their place in the system.

Emphasizing investment. Much of traditional development focuses on short-term consumption. But without continual reinvestment, the assets that produce income wear out. Buildings crumble. Once-productive forests become overgrown. Jobs are lost. This new approach is about investing for the long term.

Understanding the difference between wealth and income. Developers often focus on creating jobs – something over which rural communities often have little control. This new approach is about creating assets that rural places own and control – knowledge, political voice, entrepreneurial ability, and other kinds of wealth – to support a cycle of wealth creation. Locally owned assets are building blocks for growing new and stronger businesses, and for creating jobs that enable employees to develop skills and build assets.

Collaborating for mutual benefit. Making economic connections based on shared values often leads naturally to mutual benefit. This new approach is not about charity but about meeting market needs. The idea is to create value chains – a business model based on shared economic, social, and environmental values, in which producers, processors, buyers, and others work together to create value.
The Principles of Wealth Creation

- **Focus on place.** Place-based development means recognizing the assets inherent in a particular place—and respecting and building on the work people are already doing there. It means recognizing the cultural and political challenges of that place, and helping people build the capacity to overcome those challenges. In poor areas, it means connecting people to new ideas, markets, and partners in the mainstream economy for mutual benefit.

- **Incentivize collaboration.** Collaboration happens in two ways. First, people who are isolated, as in rural areas, can find it difficult to break out of old ways; by helping people work together, learning can happen faster. Second, if collaboration is to be sustainable, rural producers have to be connected to external demand. That means building value chains that tap into regional and national demand for resources, in order to bring flows of wealth into rural areas.

- **Create multiple forms of wealth.** The first step in building multiple forms of wealth is “do no harm.” If you cut down all the trees, you might create financial capital, but you could be doing it at the expense of natural capital. The larger principle is to seek to create multiple forms of wealth. Based on the real world experience of Ford’s grantees, this means creating **individual knowledge**, such as how to do energy retrofits; **intellectual capital** like that embodied in wood certification processes; **political capital** that allows a group to negotiate with the utility commission; the **natural capital** of sustainable forests and clean water; and more.

- **Emphasize local ownership.** When communities allow mountain-top removal of coal or give tax breaks to businesses in the hope of creating jobs, they are giving wealth away. Resources represent community wealth when communities own and control them. Local ownership is about forms of wealth besides financial, including the control of political capital—the ability to be heard in the political process. Achieving local control of many forms of wealth means making deep and permanent changes in the institutional frameworks of wealth and power, seeking balance in who makes decisions and who benefits from the wealth created.

**Creating Wealth from Certified Wood**

The Wealth From Forests project in Appalachia, led by Rural Action, a WCRC grantee, is building a value chain focused on wood that is sustainably harvested. In its region, predatory logging and poor forest management practices have left deep ecological scars and persistently poor towns. Yet there is new opportunity from builders whose demand for locally sourced, certified wood is greater than supply. Rural Action is building collaborative networks to increase the capacity for the certified wood sector to reach out and meet the demand from urban markets.

**Collaborating for New Energy**

As part of their work to build a new energy value chain, MACED, a WCRC grantee, helped to create **How$martKY**—a project that provides upfront funding for household energy efficiency upgrades, with payments made over time through the energy bill. This allows low-income households to save money on energy, without a big initial cash outlay. A key aspect of this work is collaboration, which is a key principle of the wealth creation approach. MACED cooperated closely with energy distribution cooperatives, the state utility commission, and contractors who will do the work. MACED serves as a hub connecting all the parties.
Wealth Creation in Action

The Wealth Creation in Rural Communities initiative is place based. Its starting point is not best practices but tangible places—the most persistently poor places. The initiative aims to put real resources into selected regions to get development going across a whole value chain: inputs, production, processing, distribution, consumers, and policies. In 2009, four major, multi-year grants were made to collaborative partners in Central Appalachia, each committed to building value chains in specific sectors—healthy food; forests and certified wood; green and energy efficient affordable housing; and energy conservation and renewable production.

- **Central Appalachian Network (CAN)** – This network of six nonprofits is working in the Central Appalachian portions of Kentucky, Ohio, Tennessee, Virginia, and West Virginia to build *wholesale sustainable agriculture value chains.* [www.cannetwork.org](http://www.cannetwork.org)

- **Federation of Appalachian Housing Enterprises (FAHE)** – This membership organization of dozens of low-income housing developers in the Appalachian regions of Kentucky, Tennessee, Virginia, and West Virginia, is building a *green and energy efficient affordable housing value chain.* [www.fahe.org](http://www.fahe.org)

- **Mountain Association for Community Economic Development (MACED)** – This 30-year-old community developer is building a *new energy value chain,* focused on energy efficiency and renewable energy. [www.maced.org](http://www.maced.org)

- **Rural Action** – This 18-year old sustainable development organization is constructing a *sustainable forestry wood products value chain.* [www.ruralaction.org](http://www.ruralaction.org)

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**CAN Puts the Wealth Creation Approach to Work**

*By Katy Allen and Thomas Watson, Rural Support Partners*

As he watched the revolution in Egypt unfolding on TV, one member of the Central Appalachian Network (CAN) found himself thinking in the language of multiple forms of wealth. He told himself, the youth in Egypt wouldn’t have been able to get tens of thousands into the street—which was a form of *political capital*—unless they had first developed *social capital,* in the form of countless relationships and community networks. When our colleague told us this story, we recognized it as one of those “aha moments,” those times when you realize the framework of the wealth creation approach is sinking in deeply, changing how people see the world.

CAN now uses the framework of the seven forms of wealth in its planning and assessment processes. CAN members and partners in each sub-region engaged in a planning process where they decided how best to use CAN resources to develop the value chains in their area. Each group discussed the seven forms of wealth and listed which forms their plan would create, and how. When impact was evaluated later, the projects organized data collection around measures of each type of wealth. They found that in one year, 62 producers saw average income rise to $74,000 per producer—up 31 percent from $56,600 the year before. Local food purchases by grocery stores, restaurants, and schools grew by 64 percent. The number of wholesale buyers rose from 38 to 60. And wholesale buyers began featuring local foods on menus and in advertising.

*This is just one example of the impact that the Wealth Creation in Rural Communities initiative is having on the real work of building sustainable livelihoods for rural people.*
Creating Multiple Forms of Wealth

The WCRC initiative is based on a framework of seven forms of community wealth believed to be critical to family and community well-being. Each can be targeted for development and measured as an outcome of success. All are being built in projects Ford is funding in low-wealth regions. A rural development process aimed at building many forms of wealth, tied to place, is more likely to create rural livelihoods that are sustainable over the long term, and it’s more likely to benefit the many rather than the few.

### Seven Forms of Community Wealth

1. **Financial capital** is the stock of unencumbered monetary assets that can be invested.
2. **Natural capital** is the stock of unimpaired environmental assets (air, water, land).
3. **Social capital** is the stock of trust, relationships, and networks that support civil society.
4. **Individual capital** is the stock of skills and physical or mental health of a community.
5. **Built capital** is the stock of fully functioning infrastructure or built assets.
6. **Intellectual capital** is the stock of knowledge, innovation, creativity, or imagination in a region.
7. **Political capital** is the stock of power and goodwill held by individuals and groups that can be used to achieve desired ends.

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**Creating Multiple Forms of Wealth in Housing**

The Federation of Appalachian Housing Enterprises (FAHE), a WCRC grantee, is building a green and energy efficient affordable housing value chain, showing how this creates multiple forms of wealth. It recognized that, in its low-income area, doing energy retrofits for existing houses was often more important than building new green housing. So FAHE partnered with a state-of-the-art training facility to help local participants become certified in conducting home energy audits. This built the individual capital of new skills, brought in new revenue for housing developers, and benefited homeowners – creating shared value all along the value chain. FAHE also developed ways for members to share information on green and energy efficient housing techniques, creating both intellectual and social capital.

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**The Organization of the Initiative**

This initiative reflects the shared leadership that is important for any collaborative effort. Yellow Wood Associates, the Managing Grantee, and a Resource Team of consultant-advisers are working together to continually improve the wealth creation framework and to assist the current place-based grantees with coaching, research, and technical assistance. Meanwhile, grantees are putting the framework to work, constructing value chains to create multiple forms of wealth, in three low-wealth regions (see map below). Multi-year grants were made in Central Appalachia in 2009. The initiative moved into a new region in 2010 with planning grants to grassroots organizations in the Alabama Black Belt and Mid South Delta, with follow on invitations to apply for value chain construction grants extended to some of these groups in 2011. At the same time, value chain exploration grants were made in the third and final target region – the Lower Rio Grande Valley in Texas. The learning from this demonstration effort is being captured and shared at [www.creatingruralwealth.org](http://www.creatingruralwealth.org).

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