



# Wealth Creation in Rural Communities

## A New Approach

*By Yellow Wood Associates*

A Short Introduction to  
Wealth Creation in Rural Communities



supported by the Ford Foundation

## Wealth Creation in Rural America

This paper is part of the Wealth Creation in Rural America initiative, funded by the Ford Foundation. The aim of the initiative is to help low-wealth rural areas overcome their isolation and integrate into regional economies in ways that increase their ownership and influence over various kinds of wealth. Reports, presentations and tools produced by the initiative can be found at <http://www.yellowwood.org/wealthcreation.aspx>. The initiative's broad aim is to create a comprehensive framework of community ownership and wealth control models that enhance the social, ecological, and economic well-being of rural areas.

## Author Organizations

Yellow Wood Associates, Inc. (Yellow Wood), a woman-owned consulting firm located in St. Albans, Vermont, has been providing services in natural resource-based rural community economic development since 1985. Yellow Wood has extensive experience in research, planning, and economic development; feasibility studies; market analysis; and economic and fiscal impact analysis.

### Contact:

228 North Main Street

St. Albans, VT 05478

Phone: (802) 524-6141

Fax: (802) 524-6643

E-mail: [yellowwood@yellowwood.org](mailto:yellowwood@yellowwood.org)

Web Site: [www.yellowwood.org](http://www.yellowwood.org)



## Wealth Creation In Rural Communities

## The Rural Context

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.

Since early 2008, the Ford Foundation has been exploring a wealth-creation approach to rural economic development. The Ford Initiative, *Expanding Livelihood Opportunities for the Poor*, provides a framework for creating wealth that is rooted in rural regions, including those of persistent poverty, by using a systems approach to intentionally connect people, resources, and markets; to make investments that create multiple forms of wealth; and to develop new models of local ownership.

## Taking a Systems Approach to Wealth Creation

In pursuing its mission of poverty reduction and social justice, the Ford Foundation is focused on a systems approach to rural development that can restore, create and maintain wealth in low-wealth rural areas by improving economies, the environment, and social conditions at the same time. This approach aims to leverage resources, achieve meaningful impact and better understand how to work most effectively on the ground. This systems approach differs from past development efforts in three fundamental ways:

- It recognizes the potential benefits that can accrue from working collaboratively to address development challenges and opportunities – moving beyond single institution, single solution approaches.
- It emphasizes strategies that build multiple forms of assets or wealth at the same time. This approach is in stark contrast to traditional development strategies that trade off one type of asset, e.g., environmental quality, for another, e.g., job creation.
- It focuses on building positive reciprocal relationships between rural and urban areas. Too often in the past, rural regions exported their resources and wealth to urban centers, with little control over or benefit from these development opportunities.

Central to testing Ford's systems approach on the ground are four components that, when integrated, provide a mechanism for improving livelihoods of low-income and poor individuals and families across rural America.

## Four Integrated Components

From the outset, Ford's intent has been to develop a wealth creation framework for rural communities that could be modeled, measured and scaled – in short, to have impact beyond the three low-wealth regions that are the targets of Ford's direct investments. Four components intended to work together and not as stand alone elements are key to achieving impact:

1. **Place-based focus on regions** – In the past, Ford has pursued solutions to rural poverty by identifying best practices to address **specific problems** and then considering how to scale those solutions to achieve wider impact. Alternatively, the Wealth Creation in Rural Communities initiative identified **specific regions** of pervasive rural poverty with the objective of applying sufficient resources in each place to achieve a measurable impact on regional wealth. The regions selected as laboratories for implementing and testing Ford's wealth creation framework have unique assets, challenges, and capacity for change. Ford's strategy was to begin by investing in the region with the longest history of working on economic development and a reasonably strong development infrastructure. The lessons learned in the first region would then be applied as investments were made in the other two regions sequentially. The regions are:
  - a. **Central Appalachia.** A region with a long history of resource extraction, external ownership, and accumulated cultural and environmental problems, and a similarly long history of attempting to address these issues. In December 2009, four well-established non-governmental organizations (NGOs), working collaboratively with regional partners, received grants from Ford to apply the wealth creation framework in the region.
  - b. **The Deep South.** A region with a long and continuing history of racial and economic isolation, particularly for African American residents. Ford has made initial value chain exploration grants to organizations to build their capacity to apply the wealth creation framework in the region, with the goal of making grants to collaboratives in the region in spring 2011.
  - c. **The Lower Rio Grande Valley (along the Texas/Mexico border).** A high poverty region with a growing, predominantly Hispanic population living in unincorporated communities vulnerable to land speculation. In November 2010, Ford will conduct an initial workshop to share the wealth creation approach with a strategically selected group of organizations working across the region.



2. **Support for Collaborating Institutions** – Building prosperous rural regions requires collaborative efforts – multiple institutions joining together to achieve common goals. Ford's investment strategy recognizes this fact and is focused on building the capacity of a set of institutions in each region committed to collaborative working relationships with a broad set of interested partners. These collaborative institutions, in turn, can support a dense set of activities that are more likely to have a measurable impact on livelihoods within that region.

3. **Value Chain Development** – Ford’s investments are focused on strengthening relationships within specific value chains that are identified as important in each region. A value chain is a business model in which independent producers, buyers and other players in the chain (e.g. aggregators, processors, inspectors, policy-makers, trainers, suppliers, consumers) work together to create value and share risk and reward. Value chain participants intentionally consider how to create economic, social and environmental benefits. Such a focus forms the basis for positive reciprocal relationships among participants. A value chain connects the demand and supply sides of a market in such a way that all parties in the chain benefit.
4. **Wealth Measurement System** – Ford’s wealth creation approach assumes that regional prosperity requires the creation of multiple forms of wealth, not simply improved economic conditions. Seven types of wealth are believed to be critical to both family and community well-being and success – intellectual, social, individual, natural, built, political and financial. In addition, Ford recognizes the importance of developing a measurement system – identifying outcomes, defining indicators, establishing baseline measures, and measuring progress in creating multiple forms of wealth. Embedded in Ford’s approach is the technical assistance needed to help grantees create a measurement system that can be a learning tool connected to their specific wealth creation interventions and can demonstrate the benefits of collaboration by showing interested parties where their work overlaps, where there are gaps, and how collaboration can create mutually beneficial outcomes for organizations and the regions they serve. This measurement system is illustrated with examples from the Central Appalachia region in the final section.

A set of guiding principles underlies Ford’s wealth creation approach and these principles are fundamental to putting these four integrated components into place, on the ground, in rural regions.

## Guiding Principles of Ford’s Wealth Creation Approach

As Ford worked to define and articulate the wealth creation approach, a group of individuals representing NGOs working in and on behalf of rural regions in the U.S. participated in a series of convenings, learning explorations, and targeted research to contribute to the development of a wealth matrix into a systems framework. One outcome of this work was the articulation of six guiding principles that collectively define the wealth creation approach:

1. **Wealth is created and “sticks” in low wealth rural areas.** Systems thinking is essential to identify regional interventions that result in positive impacts on multiple forms of wealth. In addition, these interventions are intentionally designed so that the creation of one form of wealth does not undermine the others. Wealth that is created “sticks” through institutional mechanisms that ensure local ownership and control.
2. **Wealth is tied to place through value chains developed within sectors (e.g. housing, energy, forestry) in a geographic region.** Value chains connect rural and urban areas and connect low-wealth individuals, businesses, and communities with their higher wealth counterparts both within and beyond regions. Opportunities for cross-sector integration within regions are pursued (e.g. housing and forestry; agriculture and energy). The wealth creation approach improves understanding of how to re-build rural-urban economies based on mutual benefit.
3. **Wealth-based development is demand driven.** The wealth creation approach embraces intentional market and policy interventions that stimulate demand in markets with potential for place-based wealth creation such as agriculture, energy, housing, and health care. Supply capacity is developed in response to effective demand.
4. **Measurement is integrated into the entire process.** Baseline measures for each of seven forms of wealth are established and measured at the outset. Measures are linked to intentional interventions related to each form of wealth. Measurement provides accountability and an opportunity for the kind of learning that supports continuous improvement. Measurement is integral to the process of each intervention and is not added on or performed by a

third party. Measurement provides information that can be shared throughout a value chain.

- 5. Investment fuels wealth creation.** Value propositions – “what’s in it for me” – define the self-interests of value chain participants. When self-interests become transparent, diverse parties are willing to invest in value chain development including adjusting markets and policies to support it. Well managed investment in all seven forms of wealth creates the basis for sustainable income streams.
- 6. Strategically flexible.** Strategies for wealth creation are developed in context by committed regional partners. There are no “cookie cutter” interventions.

Ford’s wealth creation approach, with its four integrated components grounded in the guiding principles, has been designed from the outset to achieve both impact and scale.

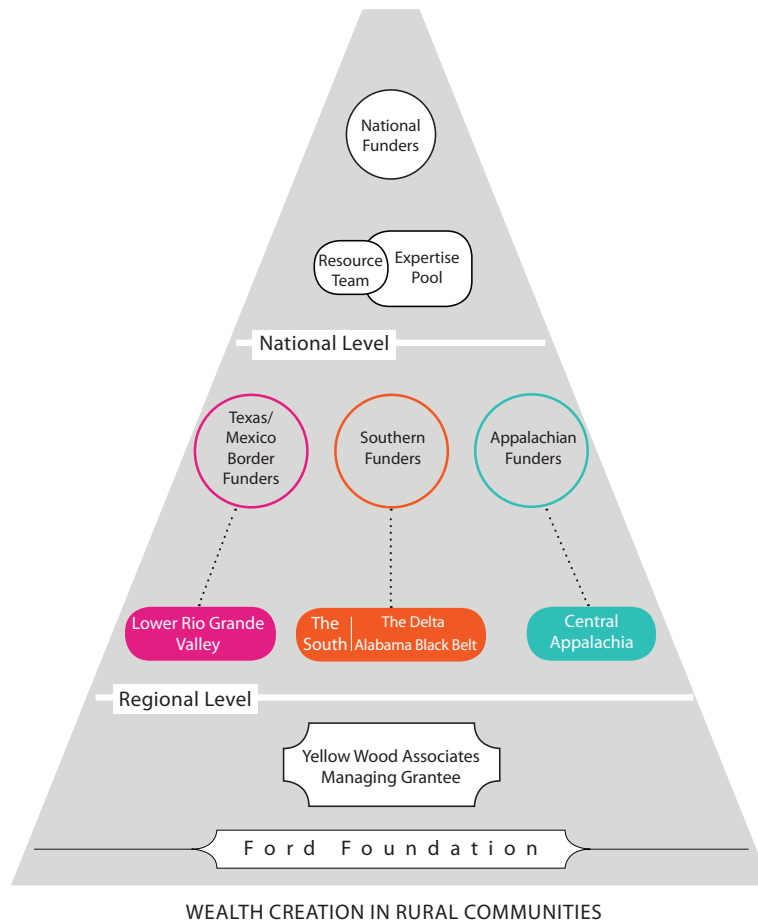
## Getting to Scale

Scale for the Ford Foundation means having a greater impact on improving livelihoods of the poor than could be achieved with just the application of Foundation resources. To get to scale, the wealth creation initiative includes work in three distinct but related areas in addition to grantee work on the ground in the targeted regions:

- 1. Resource and Policy Development Team.** Individuals from NGOs committed to rural development and the further articulation and implementation of the wealth creation approach have been brought together, under the coordination of the RUPRI Center for Rural Entrepreneurship, to serve as a resource to the project team and the grantees on the ground. Their individual and collective efforts will help to expand the impact of Ford’s work beyond the initiative grantees. This team will provide an external perspective on Ford’s wealth creation work, specifically contributing in four important ways – providing technical assistance, capacity building, and coaching support to the regional grantees and value chain exploration grantees; designing and undertaking research and policy development projects to further test and advance this approach; participating as a learning community focused on the wealth creation approach; using elements of the approach in their own work and working together to share the approach more broadly through their own networks.
- 2. Collaboration among Regional Funders.** Ford is forming relationships with regional and national funders in each targeted region and identifying opportunities for funding alignment using the wealth creation framework in ways that will help to concentrate resources and to deploy them more effectively. A regional funders gathering was held in March 2010 to explore collaborative grant making in Central Appalachia and similar work is underway in the Deep South. The intent is to hold similar meetings in the Lower Rio Grande Valley (along the Texas/Mexico border) in 2011.
- 3. Policy Development and Innovation.** If Ford’s wealth creation initiative is to have lasting impact, it must influence policy at the regional and national levels. Support for policy development and innovation is being approached in four ways. At the state and regional levels, Ford is supporting grantees as they advocate for relevant policy changes that are consistent with their work on the ground. On the national level, Ford has been participating with eight major foundations in a collaborative project to explore the possibility of influencing Federal agriculture policy as it relates to the long-term viability of rural economies both domestic and international. At both regional and national levels, the Resource and Policy Development Team has made policy development and innovation a priority and will be engaged in specific policy explorations and assessments over the next year. In addition, in 2011 Ford is engaging national membership organizations such as community foundations and the National Association of Development Organizations to explore the application of the wealth creation framework to improve their members’ abilities to work collaboratively.

In addition to these structured areas of activity, the Resource and Policy Development Team is working closely with the project team and the Foundation on innovative approaches to capturing and sharing the learning from the implementation of the wealth creation approach on the ground that can engage a broad range of audiences including traditional economic developers, community foundation leaders, and national policy makers.

## Structure of the Initiative



Ford’s wealth creation initiative is plowing new ground in terms of rural development. As with any new venture, the participants are learning and contributing to the continuous improvement of this approach – they are partners to the initiative. These participants define the structure of this initiative (see figure below):

- **Initiative Partners** – The Ford Foundation and Yellow Wood Associates, managing grantee, are the core organizers of the initiative. Ford is providing the funding and Yellow Wood Associates the oversight and management of the work on the ground.
- **Regional Partners** – Ford has engaged a group of regional partners with different roles in moving this initiative forward:
  - On the ground grantees and value chain exploration grantees – responsible for testing the approach in specific regions and sectors
  - Regional project team members - individuals and organizations with deep knowledge and trust in the regions, particularly in the Deep South
  - Regional funders - regional and national funders convened by Ford in each region



- **National Partners** – To achieve the scale of impact desired, Ford has engaged a range of national partners who are contributing to the development and application of the wealth creation approach including the Resource and Policy Development Team, national foundations, U.S. Department of Agriculture’s Economic Research Service, and other policy makers.

## Wealth Creation in Practice

A distinguishing feature of Ford’s Wealth Creation approach is its emphasis on building **community wealth** – assets that are owned and controlled by a community and used to the benefit of the community, businesses, individuals, and families. A wealth building strategy aims at increasing asset ownership and influence/control, and ensuring local economic stability, environmental and social well-being and the capacity for resilience.

Creating community wealth requires an intentional and concurrent focus on building multiple forms of wealth. At the heart of Ford’s approach is the use of a measurement tool – the wealth creation matrix – that helps grantees both define and measure seven forms of wealth (intellectual, social, individual, built, natural, financial and political) that are influenced through their work. In its application in the Central Appalachia region, this tool is sparking new discussions about partnerships and the allocation of resources to achieve wealth creation. The measurement activities are informing the work on the ground and leading to new insights into how to create robust and successful value chains that create locally owned and controlled wealth in the region. This measurement system is a living tool, being used by the grantees as their work moves forward to provide evidence of success and to suggest mid-course corrections that can improve their work and their outcomes.

To help illustrate the application of this tool, a wealth matrix adapted from one prepared by a Ford Central Appalachian grantee, working to create a value chain for sustainably harvested wood products, is shown in the table on the next page.

## Moving Forward

Over the next three years, Ford’s Wealth Creation initiative will be fully launched in the three targeted regions. The initiative is designed as a learning model – grantees, the project team, and the Resource and Policy Development team are actively capturing and sharing the lessons from implementation on the ground. In addition, there is an ongoing communication and outreach strategy for sharing research, practice, and tools related to Ford’s work with interested individuals and organizations across the country. As the work moves forward in 2011 and beyond, Ford will be working to institutionalize this work through a more formal learning and training process, and through continued work with funders that are committed to the sustainable development of rural regions.

## To Learn More

Find reports, presentations, and tools developed by Wealth Creation in Rural Communities online at:

<http://www.yellowwood.org/wealthcreation.aspx>.

Contact Wayne Fawbush, the Ford Foundation, [W.Fawbush@fordfoundation.org](mailto:W.Fawbush@fordfoundation.org).

Contact Shanna Ratner, Yellow Wood Associates, [shanna@yellowwood.org](mailto:shanna@yellowwood.org).

To join the Wealth Creation communication network and receive email updates about new research and learning reports and other tools, please email [Ginger@yellowwood.org](mailto:Ginger@yellowwood.org). If you are interested in learning how you can become engaged with this work, to discuss training opportunities with your constituents or partners on the ground, or to share what you are doing to create wealth in rural communities, please email [Ginger@yellowwood.org](mailto:Ginger@yellowwood.org) with a description of your request or interest.



## Wealth Matrix - Sustainably Harvested Wood Products

Type of Capital	Indicator	Measure
<p><b>Individual</b> How will your strategy impact the stock of skills and physical and mental health of people in the region?</p>	By the end of year two, value adding wood producers will become aware of and trained on the internet's role in building and shaping consumer awareness and green markets.	<p><b>Measure:</b> Number of businesses who become marketing partners on sustainablewoods.net</p> <p><b>Baseline:</b> Assess in Ohio, VA, KY the web use of small and medium wood products producers (via surveys or reviews of state/regional directories)</p>
<p><b>Social</b> How will your strategy impact the stock of trust, relationships, and networks that support civil society in the region?</p>	New partnerships will lead to new resources, better strategies, and improved regional infrastructure.	<p><b>Measure:</b> A regional certification support center exists</p> <p><b>Baseline:</b> No certification support center currently exists</p>
<p><b>Intellectual</b> How will your strategy impact the stock of knowledge, innovation and creativity in the region?</p>	Green business council consumers in regional/urban markets will better understand the value and benefits of purchasing regional woods products from sustainably managed forests for use in urban/regional building projects.	<p><b>Measure:</b> Percentage of wood from green and/or local sources estimated to be used in urban/regional building projects</p> <p><b>Baseline:</b> Assess market demand and knowledge about regional forest products in two markets: Columbus, Ohio, and within 300 miles of Bristol, VA including northern TN, and western NC</p>
<p><b>Natural</b> How will your strategy impact the stock of unimpaired environmental assets in the region?</p>	Forest ecosystem health will be improved.	<p><b>Measure:</b> Number of landowners actively managing their forested land and acreage being actively managed</p> <p><b>Baseline:</b> Number and acreage currently being assessed for Ohio, Kentucky, and SW Virginia</p>
<p><b>Built</b> How will your strategy impact the stock of fully functioning infrastructure?</p>	Producers will have the capacity to provide green and local wood products to regional and urban markets;	<p><b>Measure:</b> Investment in new equipment, machinery or buildings</p> <p><b>Baseline:</b> Assess new investment in equipment, machinery or buildings</p>
<p><b>Financial</b> How will your strategy impact the stock of unencumbered monetary assets at the individual and community level in the region?</p>	Producers will increase their earnings through new market relationships.	<p><b>Measure:</b> Number and value of new market opportunities captured through the initiative</p> <p><b>Baseline:</b> Assess level of business activity through sales volume with organizations and businesses that become market partners in this effort</p>
<p><b>Political</b> How will your strategy impact the stock of power and goodwill held by individuals, groups, and/or organizations that can be wielded to achieve desired ends in the region?</p>	Marketing partners in sustainablewoods.net and the regional certification center will provide advocacy for policy change to support the value chain.	<p><b>Measure:</b> Number of policy initiatives presented and supported by sustainablewoods.net and other partners</p> <p><b>Baseline:</b> No current policy initiatives</p>