



NATIONAL
RURAL FUNDERS
COLLABORATIVE

**ANNUAL REVIEW
STRATEGIC INVESTMENTS 2003**

A PUBLICATION SERIES AND INTERACTIVE LEARNING TOOL OF THE
NATIONAL RURAL FUNDERS COLLABORATIVE LEARNING NETWORK

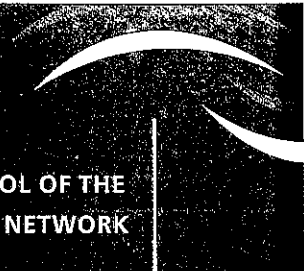


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SETTING THE STAGE FOR CHANGE

NATIONAL RURAL FUNDERS COLLABORATIVE YEAR ONE REVIEW OF STRATEGIC INVESTMENTS

Two and half years ago the National Rural Funders Collaborative set out to change history in rural America and reverse patterns of neglect and disinvestment. Its first grantee partners exemplify that commitment to change.

IN ALASKA, the Alaska Rural Community Health Economic Strategies initiative is attempting to expand and enhance health delivery systems and create career ladder living wage jobs and community change for native Alaskans in remote areas of the state.

IN APPALACHIAN OHIO, the Appalachian Ohio Rural Investment Coalition (AORIC) is attempting to break cycles of poverty and disinvestment in 29 southern Ohio counties through entrepreneurship and tourism.

IN NEW MEXICO, the Rural Livelihoods Initiative is trying to stimulate change in low income, rural communities through culturally based business and leadership development, and access to innovative capital instruments.

IN SOUTH CAROLINA, the South Carolina Association of Community Development Corporations is trying to break historical patterns of racism and economic apartheid by creating investment in community economic development in poor rural communities.

Though each of the partners started from a different place, each is struggling with common issues:

- Finding adequate measurement tools to capture and describe multi-dimensional change
- Creating and maintaining effective partnerships
- Solidifying collaborative structures
- Building and supporting local leadership
- Maximizing cultural and natural capital

NRFC recognizes that changing patterns – changing lives – changing communities are long term, but intentional propositions. The following grantee partner status reports describe first year efforts at setting the stage for change.

Bettie Hodges
Cornelia Flora
Jim Richardson

STRATEGIC READINESS

The Challenge of Assessing Rural Community Transformation

"Strategic readiness' ... is the capacity of rural regions, communities, leaders and families ... to achieve specific outcomes over time ... [and] to be more self-determined in their thinking and actions."

In its first year efforts at "assessing performance" of its strategic grantees (i.e., those to which NRFC made a multi-year commitment), NRFC staff, consultants and steering committee members have come to realize that this type of assessment can at this stage only be preliminary.

Public and private funders have yet to take up the question of rural community change or rural community transformation with the same level of intensity and commitment given to understanding urban change. There are no comparable research institutions or assessment tools for understanding rural poverty – its causes and effects and successful strategies for its mitigation – as have been created over the last several decades for understanding urban poverty. As an early step in its learning discipline, therefore, NRFC has devoted considerable time, attention and resources to building a framework for assessing rural community transformation and to beginning the process of identifying tools and resources needed for such an assessment to be successfully undertaken.

This process of developing the context, language and tools for assessing rural community change has fallen into three phases: two of which are now largely complete.

IDENTIFYING A COMMON FRAMEWORK

First comes the task of identifying a **common framework of assessment** in which to consider very diverse models of rural community transformation. The difficulty here is that rural community change is by its nature **"context dependent"** – i.e., inextricably connected to the geography, culture/cultures, socio-economic environment, political context and history of the rural region under study. This inextricable contextual or "place-based" character of rural transformation is addressed by Cornelia Flora's excellent framework of six distinctive "community capitals," which serve as both the foundation and building blocks for an asset-based approach to rural transformation.¹ However, the challenge of understanding rural community transformation does not lie only in its "contextuality" or "context dependency."

There is also the challenge of adequately accounting for the richness, diversity and innovation or entrepreneurial approach that rural community transformation inevitably seems to exemplify. In this sense, models or examples of rural community transformation are not only inextricably informed by their multi-capital or multi-asset context, they are also irreconcilably different in their approach, partnerships or collaborations, and theories of/strategies for change from urban-based models. The best examples of rural community transformation are **"distinctively creative"** and unique in their approach, use of resources, theories of change and array of collaborative partners. In part, this is the result of the scarcity of human, technical and financial resources with which to respond to rural challenges as compared to urban areas. But it is also the result of an apparently tireless and determined spirit within rural communities to do whatever is necessary (with whatever resources) to make things happen – simply because it is home and those working together are neighbors.

"STRATEGIC READINESS": TWO SIDES OF A COMMON COIN

Early in the first year of funding its strategic grantees, NRFC began involving grantees, funders and evaluation professionals in a process of developing an appropriate and meaningful framework for assessing "rural" performance. Without having anticipated it, NRFC discovered that when looking at performance, outcome achievement and measurable results, funders and practitioners tend to ask and answer very different questions.

From the **funder's perspective**, the issue is one of **results** or **return on investment**. In current parlance, funders seek to evaluate their grantmaking in terms of **"outcomes"** and **"measures."** However, practitioners, i.e., those receiving grant funds to carry out their mission, often respond to this insistence on measurable outcomes in one or both of two ways: (a) levels and terms of funding support for outcome achievement are grossly

“These are two sides of the same coin that the funder invests and the practitioner spends... building capacity and measuring performance.”

inadequate to see measurable results for outcomes that typically have a gestation period of a decade at minimum and perhaps more realistically over the span of a generation, and (b) some of the most important outcomes that practitioners set out to achieve, e.g., leadership transformation, wealth creation, family self-sufficiency, are complex and difficult to measure – unlike more straightforward outcomes of housing built or jobs created. Another common response is that the grant is so small that we cannot “waste” scarce funds and time on measurement.

From the **practitioner’s viewpoint**, outcome achievement and measurement are tied to the **capacity of community-based, not for profit entities and other partners** to achieve those results or outcomes. Practitioners ask, “Is there an adequate level of support, not just for project development, but also for building organizational and community capacity for sustaining its work and mission over time in order to achieve lasting outcomes and results?” Funders, while becoming increasingly sensitive to this issue of capacity-building, seem quick to respond, “But are the outcomes too ambitious, too ill-defined or both?” And, “If capacity is needed, capacity for what?” These are two sides of the same coin that the funder invests and the practitioner spends. NRFC has begun to work with its funders and practitioners to build an evaluation framework that focuses on **the relationship between building capacity and measuring performance**.

“**Strategic readiness**,” then, is the point of intersection between funders’ demand for clearly defined outcomes and performance measures and practitioners’ need for sufficient capacity to achieve those outcomes articulated. It is the capacity or readiness of rural regions, communities, leaders and families not simply to achieve certain specific outcomes over time, but also – and perhaps more importantly – the readiness to be more self-determined in their thinking and actions. It is to be more prepared and skilled in their response to opportunities that may arise, and also to be more proactive in creating new, perhaps heretofore-unanticipated, opportunities to actualize rather than simply waiting to respond to whatever opportunities present themselves.

ASSESSING DIVERSE STRATEGIES FOR REGIONAL RURAL CHANGE

Each of the strategic investments discussed in this document represents a very different approach to rural community transformation and a distinctive theory of change. In its earliest attempts to understand these strategies and underlying change theories, NRFC staff and site evaluators have resisted the temptation to make them all fit into a common box or to devise a common set of indicators that can adequately assess each and all. One of NRFC’s fundamental assumptions is that rural areas and communities are each very unique, whatever they may share in common challenges and similar approaches. However, there do seem to be some common threads or common themes that various rural strategies are designed to address: **creating wealth, increasing family self-sufficiency and transforming rural leadership structures – both individual and institutional**.

NRFC’s ten-year experiment to expand resources for rural communities and rural families facing persistent poverty is an attempt to understand what successful rural strategies for achieving lasting outcomes in these three areas can teach us about investing in rural communities in a way that builds their capacity for increasing success. The four strategies and initiatives described in the following pages represent the first four models which NRFC funders and strategic allies believe represent compelling examples of strategic collaboration for rural community change. These first-year performance reviews are by no means definitive, but rather represent an initial introduction to their visions, approaches and early challenges. NRFC’s challenge in years two and three will be to assist these on-the-ground collaborations to more specifically identify outcomes and measures, as well as the capitals and capacities needed to achieve them, and thereby begin to speak more assertively about the lasting value and impact of investing in rural communities and people struggling to overcome persistent poverty.

¹ See Cornelia Flora’s chapter on “community capitals” which follows.

“By building on the local assets and increasing the capacity of excluded people to access and control these assets the desired ends will be achieved.”

COMMUNITY CAPITALS, CAPACITY BUILDING AND OUTCOME ACHIEVEMENT

NRFC’s work to support strategic regional initiatives is based on a theory of change that says increasing the capacity of excluded people to access and control those assets, the desired ends will be achieved by building upon local assets. The Collaborative identifies the local capitals: natural, cultural, human, social, political and financial/built, and increases the strategic readiness of these rural communities by enhancing capacity in each capital to be strategically ready to identify and take advantage of opportunities.

The regional collaboratives are not formed by the NRFC, but are self-forming, based on a shared vision that comes from previous experiences and projects together. The Collaborative identifies its resources to move toward the vision, identifies alternatives to achieve the vision, implements the alternatives, assesses progress and adjusts alternatives.

Monitoring and evaluation is only useful when the long terms goals are clear. Goal-oriented monitoring, based on the capitals, looks at multiple outcomes, rather than focusing on activities or outputs. Increasing assets is a useful way to think about desired outcomes. The capitals are both means and ends. Assets are what most people need to make choices about their lives; what they need to succeed in choices that they make (Beeferman, 2002). Capital consists of assets invested to create new assets over a long time horizon. We have found that looking at assets – and therefore capital investments – in multiple dimensions is an effective way of determining impact and effectiveness (Flora et al. 2004) as well as for investing for change.

FOUNDATIONAL CAPITALS: NATURAL, CULTURAL, HUMAN

The basic capital that sets limits and opportunities for rural America is natural capital. **Natural** capital is the biophysical setting that impacts human endeavors and is impacted by those activities. Air, water, soil, biodiversity (the plants and animals) and the landscape not only provide the basis for livelihoods but also for identity.

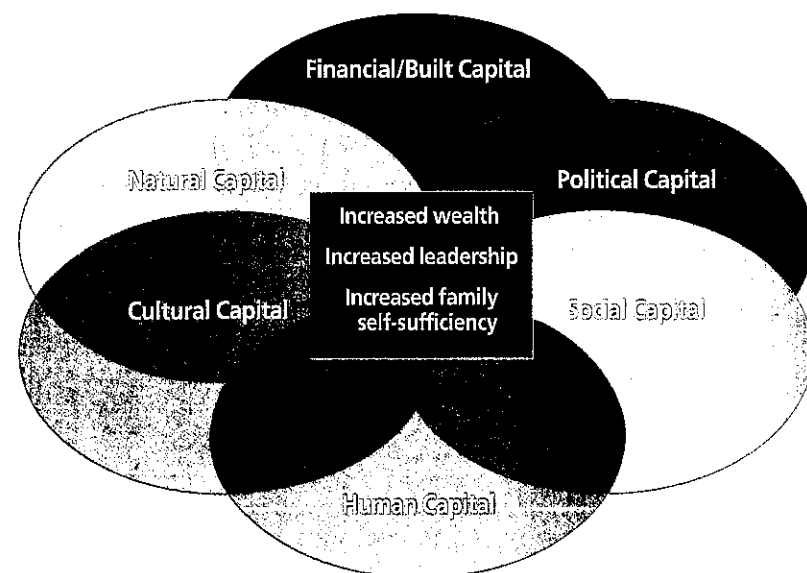
Natural capital is highly related to cultural capital. **Cultural** capital includes cosmopolitan and worldview, symbols, ways of knowing, language, appropriate ways of behaving in different settings, and definition of what is problematic. Cultural capital is enhanced when cultural differences are recognized and valued, mechanisms to maintain ancestral languages and customs are in place, and collaborations are willing to take the time to understand and build on different ways of knowing and doing.

Human capital is composed of the characteristics and potentials of individuals that are determined by the intersection of nature (determined by genetics) and nurture (determined by interactions with other people and the environment). It includes self-efficacy, education, skills, including leadership skills, health, and values.

These three capitals form the basis on which other capitals can be enhanced. But although they are the base, they must be identified and invested in to achieve positive social change.

EMERGENT CAPITALS: SOCIAL, POLITICAL, FINANCIAL/BUILT

The emergent capitals are social capital, political capital, and financial/built capital. **Social** capital includes mutual trust, reciprocity, groups, collective identity, a sense of a shared future, and working together. Bonding social capital consists of interactions within specific groups and bridging social capital is built on interactions among social groups. A balance of both is critical, particularly for excluded groups. Bonding social capital has tight, exclusive networks, strong distinctions between insiders and outsiders, and single answer focus in addressing issues. Bridging social capital has open and flexible networks, permeable and open boundaries, and considers alternative solutions when addressing issues. Investments in social capital increase participation,



“Assets are what most people need to make choices about their lives; what they need to succeed in choices that they make.”

communication, and diversity of relationships and lead to improved community initiative, responsibility and adaptability.

Political capital is the ability of a group to influence the distribution of resources, including participation in setting the agenda of what resources are available. It includes organization, connections, voice, power, and capacity to negotiate collectively. When excluded groups increase their political capital, they have increased voice and influence. Excluded women and men are organized and work together. Excluded men and women know and feel comfortable around powerful people, and the issues of excluded women and men are part of the political agenda.

Financial capital includes debt capital, investment capital, tax revenue, savings, tax abatements, tax credits, and grants. Financial capital is when money is used to increase capacity of those that access it. Financial capital is often privileged because it is easy to measure, and there is a tendency to put other capitals into financial capital terms. Money becomes capital when it is invested in productive resources, which are often built capital, as well as human capital (i.e. education and training), natural capital (i.e. land), cultural capital (i.e. recuperation of traditional designs), social capital (i.e. meetings and electronic connectivity access), and political capital (i.e. campaign contributions, travel to meetings with key officials). **Built** capital includes housing, sewers, water systems, business space, day care centers, and electronic communication hardware. Built capital is human-constructed infrastructure that is used as tools for production of other capitals.

The capitals are both means and ends. Instead of starting with a scorecard on each, we try to determine which aspects of each capital are most important in the context and within the theory of change of each collaboration. The capitals have implications for various levels of the outcomes: the individual and household, individual communities, the collaborative, and the NRFC. Further, by understanding the initial situation of each capital at each level, actors at each level can alter its behavior to more toward the desired future conditions of increased family self-sufficiency, increased wealth, and increased leadership. That knowledge of the current situation and the desired situation around specific aspects of each capital thus helps guide investments by each level of actors – individuals and families, community organizations, the regional collaborative, and the NRFC. By making these explicit, and by understanding that the measurement is not just to determine how well the grantees are doing or if the grant was a “good” one, each level of involvement can improve its actions and resource allocation.

Cited References:

Beeferman, Larry W. 2002. *The Asset Index: Assessing the Progress of States in Promoting Economic Security and Opportunity*. Waltham, MA: Center on Hunger and Poverty, Brandeis University. <http://www.centeronhunger.org/pdf/ASSETINDEX.pdf> (1/14/04)
 Flora, Cornelia Butler, Jan L. Flora with Susan Fey. 2004. *Rural Communities: Legacy and Change*. Boulder, CO: Westview Press.



Context

To call Alaska large or rural or geographically challenging understates its vastness, remoteness, and extreme terrain. Large? Accounting for 20 percent of the total landmass of the continental United States, Alaska encompasses an area larger than the states of Texas, Montana, and California combined - measuring 2,400 miles from east to west and 1,400 miles from north to south. Rural? Nearly one-quarter of the state's population lives in towns and villages that are reachable only by boat or aircraft and 25 percent of all Alaskans, and 46 percent of Alaska Natives (Eskimos, Aleuts, Indians), live in communities of fewer than 1,000 people. Extreme terrain? Home to North America's only rainforest in the south and the treeless tundra in the Arctic north, glaciers, ice fields, and mountains blanket much of Alaska's landscape, hindering road and infrastructure development and isolating 75 percent of Alaskan communities access to a community with a hospital by highway. These enormous geographic barriers and constraints combine not only to limit access to rural Alaska but work to limit the economic and physical health of rural Alaskan natives as well.

Partners

- Alaska Native Tribal Health Consortium
- Rasmuson Foundation
- Denali Commission
- Alaska Mental Health Trust Authority
- University of Alaska
- Alaska Native Health Board

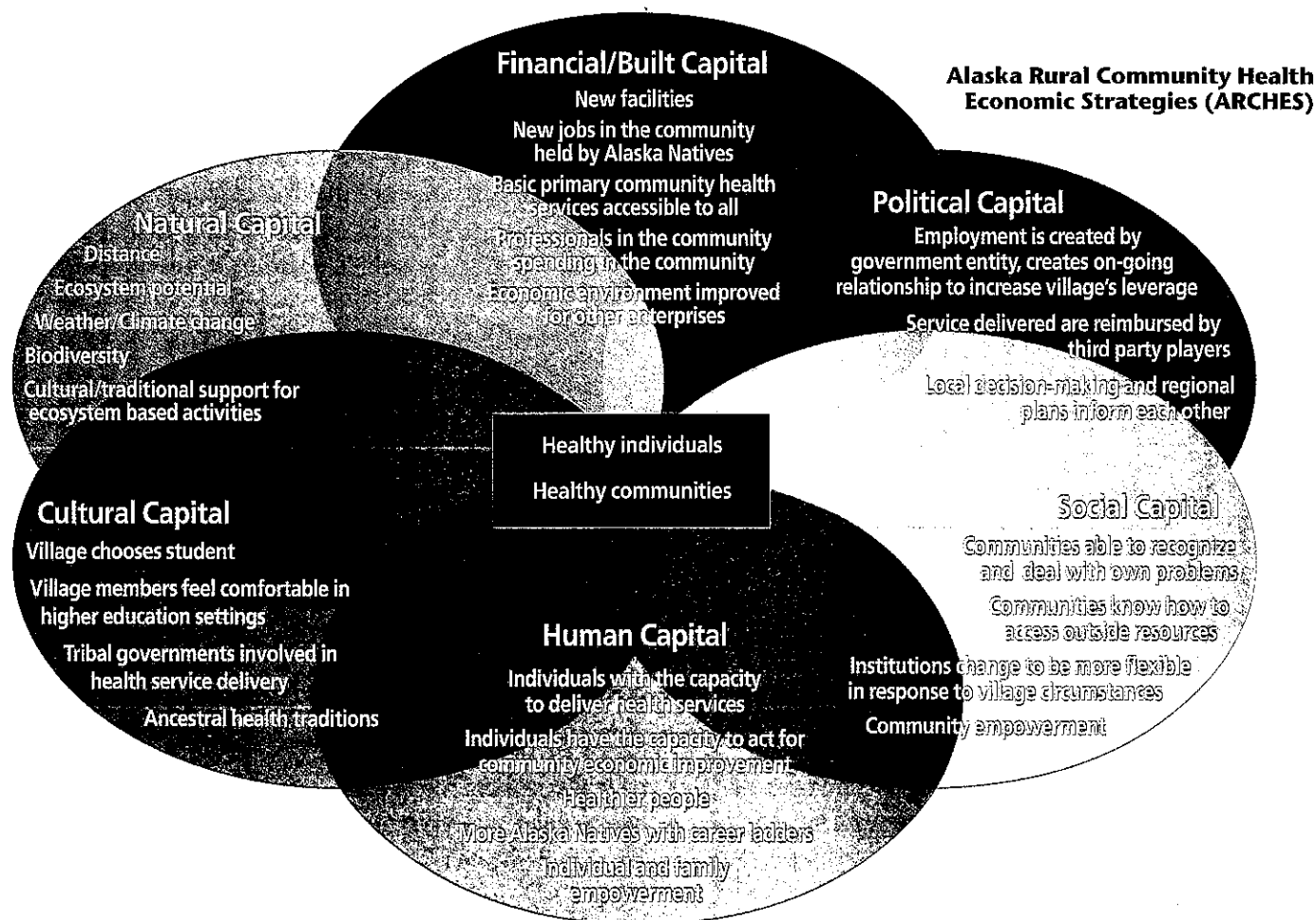
High transportation costs, exorbitant fuel and utility rates, limited job opportunities, and unemployment that averages 65 percent – together with the sheer isolation of most villages – leaves many Alaskan native families caught in a cycle of poverty.

Living in conditions that lack water, appropriate sewer and waste disposal systems, health care services, and few higher education options, Alaska Natives rank low in most health status measures. Caught between modern culture and traditional lifestyles, this balancing act has taken its toll on the population. The incidence of suicide and homicide among Native Alaskans males is three to four times the national average. HIV, substance abuse and resulting health problems (e.g. fetal alcohol syndrome, liver disease) are on the rise. Premature death due to chronic liver disease, cirrhosis, diabetes and cancer are now major problems for a people who, for thousands of years have relied on hunting, fishing, and gathering for their livelihood.

While the regional Native health organizations have for a long time employed Community Health Aides/Practitioners to provide basic primary care services in rural communities under standing orders from physicians at regional hospital facilities, and have in place a system that employs 500 Community Health aides in 180 villages, the Alaska Rural Community Health Economic Strategies (ARCHES) collaborative was created to expand and improve this existing system of care. ARCHES' Village Health Provider Training Education and Employment (ViP) Initiative project is designed not only to help augment health care access and quality, but is also intended to add much needed mental, behavioral, and dental care services and provide new jobs while helping indigenous people maintain their traditional spiritual and cultural way of life in rural areas of the state.

Strategic Opportunity

With major financial and political support from federal and state governmental agencies and officials, ARCHES offered NRFC the opportunity to evaluate the impact of career ladder employment opportunities on village-based economic development and cultural preservation; expand Alaska's paraprofessional healthcare network into new areas of specialization; and test the sustainability of this model through the use of Medicaid reimbursement.



Project Description

The Alaska Rural Community Health Economic Strategies collaborative was awarded \$100,000 (with contingent commitments at the same level in years two and three) to support the development and implementation of Alaska Native Village Based Health Provider training initiative (ANVHP), which will train up to 100 new health care related jobs throughout rural Alaska in the three critical areas of dental, behavioral and personal/elder health care.

Theory of Change

ARCHES seeks to create:

- Healthy Native Alaskans; and
- Healthy Native Alaskan communities.

To do bring this about, ARCHES is organized to:

- Increase the capacity of Native Alaskans to deliver new health services that build on the cultures of Native Alaskan communities;
- Create employment opportunities in Native Alaskan communities to deliver these services;
- Build networks among those who can support leadership training, curricula development and implementation, and service delivery in dispersed and isolated communities traditionally based on natural resources; and
- Mobilize political support for the provision of those new health services and the structures needed to make them sustainable.

"ARCHES' Village

Health Provider

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and Employment (ViP)

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Progress to Date/Year One Highlights

Over the course of the first year, ARCHES has made significant progress in putting the pieces of the initiative in place – solidifying its collaborative infrastructure, hiring necessary staffing, and introducing the project to state providers. Development of all three new village-based provider positions is under way. The initial class of Dental Health Aides will complete required training for this position in mid – to late-2004, while final curricula and initial training programs for Behavioral Health Aids and Rural Tribal Personal Care Assistants are expected to begin in 2004.

Of particular note has been ARCHES' ability to develop important strategic alliances exemplified in its partnership with the University of Alaska's College of Rural Alaska, which will facilitate ViP ("Village Provider") Initiative curriculum development, training, and distance learning options. Paul G. Allen Charitable Foundation and The Ford Foundation are providing funding support for training and employer involvement in the development, planning, and implementation as well as evaluation of the ViP Initiative, respectively. NRFC's support for these new positions has helped to leverage this important new leadership development component in which community empowerment is seen as an equal priority along with enhancing medical services.

Issues and Analysis

ARCHES faces enormous obstacles and intractable physical and sanitation challenges that hamper the health and economic vitality of native Alaskans and their communities. ARCHES grasps the magnitude of these problems and is working with the Denali Commission and other partners to address these issues. ARCHES' treatment orientation anticipates a facility-based infrastructure that will require the addition of millions of dollars to both modernize and expand existing structures and build systems that will enable technology and distance care services. Although this strategy offers an approach that can catalyze multi-level improvement in the lives of rural residents and their communities, it is the first step to developing a more comprehensive change. If the Village Based Health Provider training project is ultimately successful in transforming Native Alaskan rural communities, it may require a reconceptualization of the model from a purely medical modality to a community empowerment one – which these new positions, at least in part, are designed to do.

Recommendations and Next Steps

Over the next year, ARCHES will:

- Explore ways to share its program model in other areas; and
- Continue to develop behavioral and elder care training modules.

NRFC recommends that ARCHES:

- Consider expanding the preventive aspects of its program including reintroducing a drug education curriculum into public schools as a preventive component of its strategy; and
- Solidifying relationships with the University of Alaska's College of Rural Alaska to offer culturally based training and leadership development options.



Partners

The Appalachian Center for Economic Networks (ACENet)

The Corporation for Ohio Appalachian Development (COAD)

The Foundation for Appalachian Ohio

Ohio Arts Council's Appalachian Program

The Nature Conservancy Rural Action

Voinovich Center for Leadership and Public Affairs, Ohio University

Context

For pockets of the 200,000-square-mile 13 state expanse known as Appalachia, the poverty label that was once synonymous with the region is no longer applicable. Economic revitalization is underway. But for the 29 southeastern Appalachian Ohio counties, poverty is stubborn and economic renewal is a dream still in the making. Communities once devastated by the loss of good union jobs in mining and manufacturing are now facing even greater deprivation as they try to cope with plant closings, under funded schools, regressive tax systems and the lax enforcement of already flimsy environmental protections.

Covering nearly a third of the state's total geography, Appalachia Ohio is picturesque – a seemingly endless web of streams and creeks crisscross rolling farmland and mountain vistas. But the area's hilly terrain and lack of infrastructure make it a difficult location for new industries and, as a result, it remains one of the poorest regions of the state. With an average monthly income from all types of employment only \$465 per month and a jobless rate in some of its counties as high as 12.5 % or higher (in one Appalachian county alone, unemployment figures have climbed higher than 20%), a third of Appalachia Ohio's population lives in poverty. One third of Ohio's 100 lowest performing schools are in this region, and in Athens County, the child poverty rates is 42 %.

Residents of Appalachian Ohio are fiercely loyal to the region, its beauty, and its way of life. Self-reliant, family centered, religious, insular, residents take pride in their vibrant arts, crafts and music traditions, natural resources and strong community ties. No longer looking to new plants to reverse their economic future, the people of Appalachia are relying on the region's resources and their own human spirits to find local solutions to their economic and political problems and to nurture entrepreneurs who can keep the local economy and spirit alive.

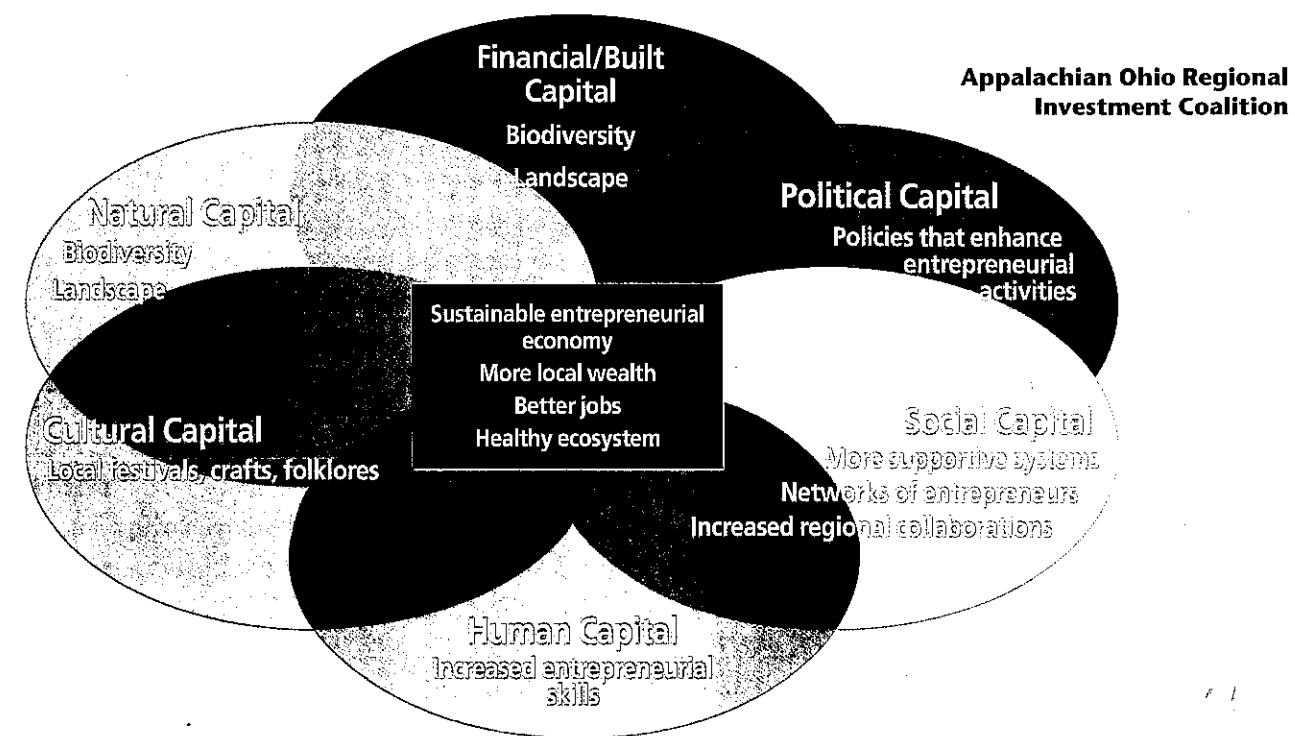
The Appalachian Ohio Regional Investment Coalition (AORIC) is a partnership among mature leaders and organizations in the region formed to capitalize on this strong commitment to place-based, more sustainable forms of community and economic development.

Strategic Opportunity

With a policy climate favorable to sectoral development and entrepreneurship that had begun to be fostered by the Governor's Office for Appalachian Ohio, the state leadership within the Appalachian Regional Commission, and new federal funding sources, investment in AORIC represented an opportunity for NRFC to test the ability of investment in local cultural and natural resource based business enterprises to stimulate a stagnant regional economy, grow a cohort of community-based entrepreneurs, and create greater income and employment in a historically depressed region.

Project Description

The Appalachian Ohio Regional Investment Coalition was awarded \$250,000 (with a contingent commitment at the same level for years two and three) to build a sustainable entrepreneurial economy in Appalachian Ohio, bring more resources to enterprise development, foster civic leadership, and develop a collaborative sectoral economic development model capable of creating wealth for depressed families and communities in the region.



Theory of Change

AORIC seeks to create:

- A sustainable entrepreneurial economy;
- More local wealth;
- Better jobs; and
- A healthy ecosystem in Appalachian Ohio.

To bring this about, AORIC is organized to:

- Build entrepreneurial and leadership skills among rural residents;
- Create new products and value chains based on the culture and natural resources of the region;
- Increase regional collaboration for a support system for businesses and community development;
- Link new and existing firms to sources of debt and investment capital; and
- Mobilize political support for increased resource flow to the region.

Progress to Date/Year One Highlights

AORIC's first year has been focused on:

- Defining and developing a regional collaborative;
- Better equipping partners to understand and implement a collaborative regional economic development strategy;
- Creating regional collaborative projects; and
- Establishing a Business Facilitator working to develop community volunteer networks that support local entrepreneurs through technical assistance and mentoring.

Working in partnership with the Nature Conservancy, the Audubon Society, the Chamber of Commerce, Ohio Arts Council and others, one of AORIC's major strategies

“The people of Appalachia are relying on the region’s resources and their own human spirits to find local solutions to their economic and political problems and to nurture entrepreneurs who can keep the local economy and spirit alive.”

for reinvestment in the region is centered on tourism. Two such strategies are promising. Combining local art and culture (quilt squares on barns) with natural resources (area bird sanctuaries) and local businesses (bed and breakfasts, artisans, etc.) as well as organizing a network of over 400 festivals that are regional culturally based festivals (e.g. Paw Paw Festival) to attract tourists, investments, and spawn grass roots enterprises, are initial steps in creating a new regional identity. Working primarily with the limited potential businesses, AORIC wants to continue this focus, but know that they must also begin to cultivate more high impact entrepreneurs who have the potential to create substantial numbers of jobs. AORIC also recognizes the need to build a stronger support infrastructure for all types of businesses, particularly high growth ones and will be exploring TA models, investment strategies, capital development and support systems to better under gird targeted entrepreneurs.

Issues and Analysis

Much of AORIC’s attention during its first year was focused on building a workable collaborative organizational structure capable of implementing both its project and strategic planning objectives. While the Coalition has been proactive in bringing ILGARD into the process to facilitate collaborative development and planning, its leadership readily admits that its members need a better system of communication and more collaboration skills training. Too, the Coalition is challenged by the need to collapse a very expansive project into measurable pieces and clear deliverables. To its credit, AORIC has drawn major governmental, financial and educational players to its table and has been able to attract an impressive list of “civic entrepreneurs.” Translating gains to direct impact on families and keeping all parties aligned and focused in similar directions may be an on-going issue for this ambitious collaboration. One of the challenges AORIC will have to address is the need to identify new sources of renewable debt and equity capital that can sustain the projects and initiatives created by this entrepreneurial approach. In part, sustainability will also be enhanced by business and policy networks to support and grow this entrepreneurial approach.

Recommendations and Next Steps

Over the next year, AORIC will:

- Explore ways to strengthen its business support infrastructure; and
- Develop mechanisms to identify and include high impact businesses as part of its entrepreneur portfolio.

NRFC recommends that AORIC consider the following questions:

- What are the objectives for the sustainable forestry efforts over the coming year?
- Is entrepreneurship a sufficient catalyst for comprehensive community revitalization? If not, what implications does this have for AORIC’s current theory of change?
- How do current strategies impact low-income people in the region? What tools can be used to measure impact at the community and family level?



Partners

The New Mexico Community Foundation (NMCF)

New Mexico Community Development Loan Fund (NMCDLF)

Community Partners

Picuris Pueblo Bison Project

Gathering Place

Tapetes de Lana Women’s Weaving Coop

Southwest Creations

Tierra Madre

Court Youth Center

Context

New Mexico is a land of stunning diverse beauty, big skies, red-capped mesas, snow-covered mountains, vast stretches of desert and forests. New Mexico is also a minority majority state, home to 22 Native American tribes, long-time Hispanic residents, (many of whom trace their ancestry directly to Spain), newly arrived Spanish-speaking immigrants from Mexico, and a small percentage of African and Asian-Americans collectively make up the majority of the state’s population. All this remarkable diversity camouflages the striking poverty and inequality within the state. Nearly half the Native American and over one quarter of the Hispanic populations are living at or below the poverty level and eight of the ten New Mexico counties with the highest poverty rates (individual and family) are rural counties with minority-majority populations. With New Mexico’s poor residing in remote rural locations, far from jobs, medical care, and state agency offices where food stamps, Medicaid or cash assistance are available, the impact of poverty is compounded and the cycle of poverty perpetuated by limited access to employment, healthcare, education, and social service programs. Worse, New Mexico’s high single parent birth rate makes its children particularly vulnerable – with the state rivaling Mississippi for the highest incidence of child poverty.

The Rural Livelihoods Initiative was created in 1998 to build culturally based economic development enterprises that could begin to build wealth and bring improvement to New Mexican rural communities.

Strategic Opportunity

For NRFC, the pledge by the newly-elected administration of Governor Bill Richardson to make investment in New Mexico’s rural communities a legislative priority in a state that had no prior governmental leadership in rural development was an encouraging sign. The potential for new state leadership, coupled with the diverse mix of communities and non-traditional businesses that had already demonstrated capacity to survive their start up phase, would give NRFC the opportunity to assess the ability of debt capital to grow grassroots businesses to a sustainable scale, the ability of these businesses to act as a stimulus for community and family transformation, and in collaboration, serve to articulate a rural policy agenda for the state while beginning to reverse the poverty of some low-income rural towns.

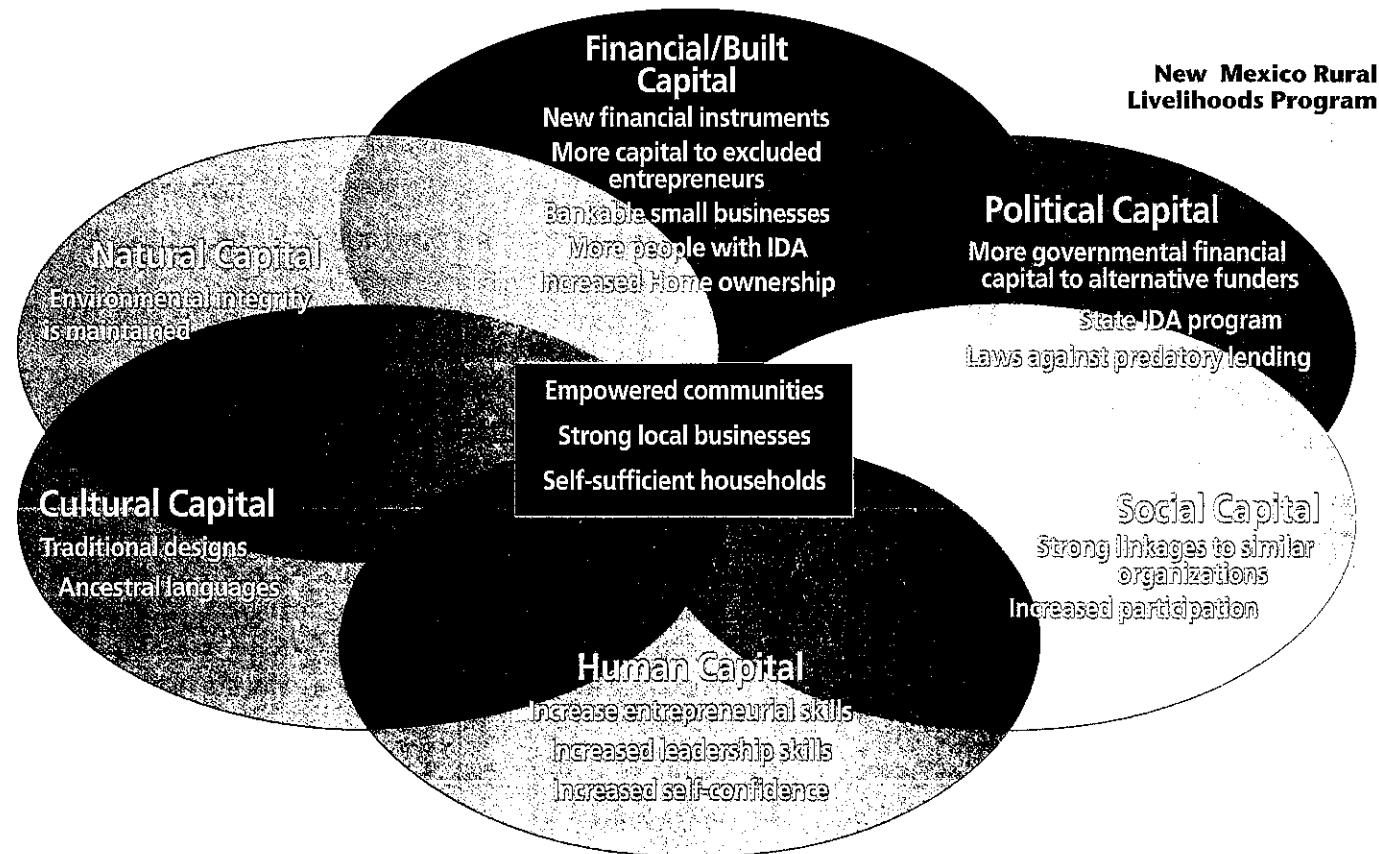
Project Description

New Mexico Rural Livelihoods Initiative was awarded \$100,000 (with contingent commitments at that level for years two and three) to create a culturally based rural enterprise development infrastructure that could begin to reverse the poverty of some low income rural towns. Building on the assets of rural communities throughout the state by identifying and supporting a variety of rural “rural livelihoods” - native weaving, bison ranching, Navajo crafts, self-help housing development, the Initiative tests the viability of a user-friendly debt based strategy to build sustainable, scale-level businesses from existing local economic ventures.

Theory of Change

New Mexico Rural Livelihoods seeks to:

- Reduce rural poverty; and
- Increase the economic and social vitality of low-income rural communities.



To bring this about, New Mexico Rural Livelihoods seeks to:

- Build the leadership, financial and technical skills of low income people;
- Support grassroots organizations that seek to generate income and achieve social justice;
- Build a network of grassroots organizations for mutual learning and advancement;
- Increase the capacity of the organization and individuals to successfully access capital;
- Increase the available tools for both individuals and organizations to access capital; and
- To create the political will to support new resources directed to low income rural communities and their residents.

Progress to Date/Year One Highlights

The Rural Livelihoods Initiative is both a bottom up and a top down strategy. It attempts to use grassroots businesses as the driver for individual, family, community and rural policy change – all of which are long-term, complex propositions. Because Rural Livelihoods attempts to produce multi-dimensional and multi-level change by positively impacting economic, quality of life and human development indicators for individuals, organizations (business ventures), and communities – much of the Initiative's aggregate gains are obscured or are hard to identify because of the reticence to define horizontal and vertical progress indicators. Areas of clear progress have been:

Organizational Capacity-Building and Network Formation: Livelihood groups have the dual responsibility of growing their businesses revenues, while maintaining efficacious internal systems. During the first year of the NRFC partnership, each Initiative member had specific capacity-building goals for their business ventures that they pursued including shoring up management and financial systems, increasing web based and catalogue sales, putting in place user-friendly operational protocols, developing and maintaining client databases, increasing funding opportunities, ensuring that adequate trained staff were hired, and installing software

“Building on the assets of rural communities throughout the state by identifying and supporting a variety of “rural livelihoods” – native weaving, bison ranching, Navajo crafts, self help housing development, the Initiative tests the viability of a user-friendly debt based strategy to build sustainable, scale-level businesses from existing local economic ventures.”

capable of tracking business performance.

The Initiative has formalized a collaborative that meets quarterly as a peer learning community where technical assistance is provided. The strength of the collaborative is captured in the geographic and business diversity of its members. Still in its early stages, the role of the network in other rural economic development efforts and state rural policy formation is not yet formulated.

Building Leadership: The learning community culture that the Initiative exemplifies carries over in the human development aspects of the project and has contributed to leadership transition activities in both Tierra Madre and The Gathering Place. The presence of cooperative work environments and the attention placed on giving voice, a sense of self-worth and value to workers and artisans on the job and in the community. Told through individual stories, the development of skills, talents, confidence, and leadership, is most impressive.

Issues and Analysis

While the objectives of the Rural Livelihoods Initiative are laudable and compelling, the implementation of these objectives raises fundamental conceptual issues around the understanding and use of debt. While strengthening the skills and ability of New Mexico's alternative financial institutions to design and deliver financial instrument for wealth creation is a central Initiative strategy, the willingness of Livelihoods enterprises to embrace these debt instruments has not fully materialized. Steeped in cultural traditions that decry debt accumulation, some Livelihoods partners are reticent to take on large loans to expand their businesses or secure capital assets. Not yet apparent among all initiative partners is a comfort level with the use of debt to fuel further business expansion. Though funder partners realize that collaborative members will need technical assistance and training to be better assess when the use of debt is an appropriate business strategy for them to pursue, this training has not yet occurred.

Recommendations and Next Steps

In addition, the Initiative indicates that within the next two years it intends to:

- Create sufficient credit that can be structured as equity-like financing to better
 - Meet borrowers needs,
 - Allow for positive growth/development, and eventually
 - Move borrowers into a banking relationship;
- Provide technical assistance, which is more specialized and intensive, to help community-based economic development projects solve specific problems and build enduring organizational capacities; and
- Offer peer-learning opportunities that produce empowering, and self-sustaining networks of collaborative support.

In addition, NRFC recommends that Rural Livelihoods:

- Devise an evaluation framework that will allow it to better understand how change is occurring at the various project levels over time;
- Explore ways that the collaborative can begin to play a leadership role in the development of a rural strategy agenda;
- Begin discussions with initiative partners about the meaning and implications of scale in relationship to their existing business plans; and
- Explore larger issues of business sustainability, short-term project mission (e.g. Tierra Madre - housing development versus community development), and the viability of debt-based strategies to create community change.



Context

South Carolina, like many of its southern counterparts, is still influenced by its 19th century legacy of slavery and inequity. Still functioning under a 1895 state constitution that stripped Blacks of voting rights and denied power to local governments, South Carolina has operated in a policy context that supports and sustains a two-tiered social order – one that is wealthy and one that is poor – one that has power and one without – one that is white and the other that is Black. Worse, the weight of racism and economic apartheid has stymied the ability of the state to make the type of inroads that could ensure a high quality of life for all of its residents.

The CDC movement in South Carolina, headed by the South Carolina Association of Community Development Corporations (SCACDC), which began to take shape in the state in the mid-nineties, was created to challenge the status quo and to build a network of CDCs capable of improving the physical and economic vitality of low-wealth communities and bringing the voice and concerns of grassroots South Carolinian Black and minority families and communities into the public arena. In its first seven years, the state CDC movement had impressive results – producing and rehabbing more than 1,000 housing units and creating more than 3,086 jobs, and enacting legislation that authorized (but did not appropriate) state funds for CED operations. In 1995, SCACDC created the South Carolina CED Public Policy Collaborative (Public Policy Collaborative) to advocate for programs that support rural South Carolina communities and their residents.

Strategic Opportunity

Though SCACDC’s membership had experienced tremendous success, support of community development efforts were still below the radar of most policymakers as well as state and federal funders whose interest and investments would be essential to advance the State Association’s wealth creation and capacity building agenda. Given the past effectiveness of the Public Policy Collaborative as a voice for the development of technical and financial resources to support the community development industry in the state, NRFC saw an opportunity to capture statewide multi-sector interest and support to ignite and sustain SCACDC’s capacity building and wealth creation agenda.

Project Description

SCACDC was awarded \$150,000 (with contingent commitments at that level for years two and three) to support the work of the State Association-led SC Community Economic Development Public Policy Collaborative and the SC Statewide Individual Development Account Collaborative to test the ability of the state’s CDC industry to both create a political and funding climate to sustain the work of the community economic development industry over time while engineering an increase in economic opportunity and asset creation among the rural poor.

Theory of Change

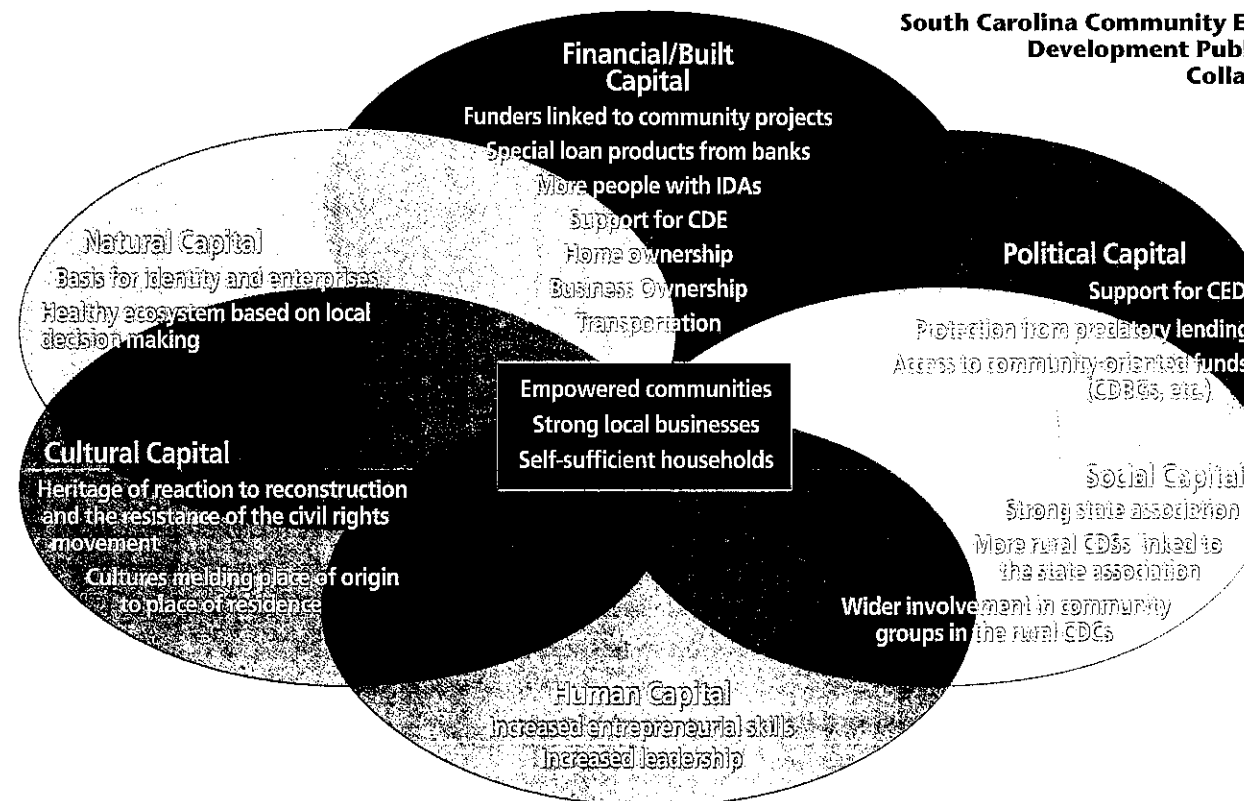
SCCEDPPC’s overarching goal is to:

- Build wealth for low-income residents in rural communities; and
- Improve the quality of life in poor rural communities in the state.

In order to accomplish those goals, SCCEDPPC works to:

- Build the organizational and leadership capacity of CDCs and the communities they serve;

South Carolina Community Economic Development Public Policy Collaborative



- Acknowledge and mobilize the cultural and environmental strengths of low-income rural communities and their residents;
- Create a statewide network supportive of a community development/wealth creation agenda; and
- Mobilize the political and private sector support to direct new resources toward non-profit organizations that serve low-income rural residents.

Progress to Date/Year One Highlights

SCACDC’s first year objectives centered on building broad based support for the expansion of statewide capacity-building efforts and support of the CDC industry generally.

CREATING A STATEWIDE NETWORK AMONG VARIOUS SECTORS SUPPORTIVE OF A COMMUNITY DEVELOPMENT/WEALTH CREATION AGENDA.

During NRFC’s first anniversary site visit in May of 2003, team members found an emerging comprehensive capacity-building program that now extends well beyond SCACDC’s efforts and has taken the form of an ad hoc South Carolina capacity building collaborative which includes representatives from SC Association of Nonprofit Organizations (SCANPO), Clemson University, the SC Association of Community Development Corporations and SC Fair Share. The collaborative is currently learning more about each others’ work, developing a coordinated approach to addressing capacity building concerns of rural development organizations and communities, and developing a joint funding proposal to be marketed to state, regional and national funders

Early indications suggest funder interest in a coordinated capacity building proposal from the newly formed group. The Association, through the efforts of the Public Policy Collaborative, was also able to push through reauthorization of CED legislation state budget deficits precluded any real chance of appropriations being attached or full discussion of a rural policy agenda.

“The CDC movement in South Carolina ... was created to challenge the status quo and to build a network of CDC’s capable of improving the physical and economic vitality of low-wealth communities and bring the voice and concerns of grassroots ... Black and minority families and communities into the public arena.”

Issues and Analysis

SCACDC clearly understands the benefit of strategic alliances and has been particularly successful in forging effective partnerships with business and other sectors and interests that advance the agenda of the Association.

BUILDING ORGANIZATIONAL AND LEADERSHIP CAPACITY

Capacity -building remains a major focus for the Association at a number of levels. Grassroots leaders need to be trained. Organizations need efficient management and board structures. CDCs need sophisticated development and financial assistance. Rural groups need to know how to broker relationships and partnerships – how to form and sustain collaborations to change policy, deepen leadership, communicate effectively, and work more intentionally. Communities themselves need capacity building – and the assistance and help needs to be culturally grounded. For the Association, addressing these multi-dimensional requirements and balancing the needs of emerging CDCs against those of more mature organizations will challenge its ability both to marshal additional resources to support this effort and also to appropriately allocate time and resources between mature “producers” and emerging CDCs who do not yet have measurable results to show for their efforts.

Recommendations and Next Steps

During the next year, the Association will:

- Develop an approach and policy on its level of support for emerging CDCs;
- Explore alternative capacity-building models and is particularly interested in discovering ways to transfer knowledge from “ best practice” projects to other CDCs;
- Refine heritage based community-building and leadership development prototypes;
- Begin discussions about use of “venture” funding for specific projects; and
- Begin to investigate the creation of new sources of development capital e.g. community based credit unions, CDFIs, etc.

In addition, NRFC recommends that the Association:

- Explore the creation of tools to measure and document wealth creation and progressive change at the community and family levels;
- Begin to address issues of scale and specialization as they relate to the growth and development of the CED industry in the state; and
- Explore cultural promotion and preservation as wealth creation strategies throughout South Carolina’s rural Black communities.

EPILOGUE: THE VALUE OF COLLABORATION FOR RURAL COMMUNITY TRANSFORMATION

“The significance and excitement of NRFC’s work lies [in]... channeling collaboration and collegiality into a more strategic agenda for rural community change.”

When NRFC announced its first “request for qualifications” in July, 2001, it did so with a sense that there might be some emergent themes that could better place rural development and rural attempts to overcome poverty in a more discernible, more measurable context – thereby helping to take away the sense of alienation, lack of understanding and fear of failing to make a difference that funders often have in approaching rural communities and regions. Hopefully, these common themes and interests already coming to light will begin to provide areas for evaluating rural community change – *building wealth, building leadership, building self-sufficient families*. However, any attempt to construe these as either definitive or exhaustive should be avoided: rural communities and rural community development are first and foremost defined by their specific, rich and diverse geographies and culture(s). These principles and themes can be used as guideposts, at best, whose understanding will change and deepen as NRFC’s collaborative work evolves.

What NRFC funders did not so clearly foresee was the rich, yet fragile dynamic of collaboration that is providing diverse and successful strategies and results throughout rural areas. Although collaboration is clearly a means to an end, its richness as found in rural America is remarkable for galvanizing heretofore untapped energy and resources and for effecting new and, hopefully, lasting results. The significance and excitement of NRFC’s work ahead lies not only in more effectively leveraging human, technical and financial resources to expand the reach and success of regional collaborations in rural areas. It also lies in harnessing the most creative energies of regional and national, private and public funders through dynamic interaction; inspiring practitioners and funders to move beyond their traditional grantee/donor roles to a more honest and equitable dialog about the challenges and lessons learned about lasting rural success; and channeling this authentic spirit of collaboration and collegiality into a more compelling and strategic agenda for rural community change.

ABOUT RURAL CONNECTIONS AND THE NATIONAL RURAL FUNDERS COLLABORATIVE

RURAL CONNECTIONS is a publication series and interactive learning tool developed by the National Rural Funders Collaborative (NRFC). Our purpose in creating RURAL CONNECTIONS is to stimulate an interactive learning network where ideas, experiences, lessons learned, and strategies can be exchanged. We welcome the participation of rural funders, practitioners, leaders, policymakers, grassroots organizations and concerned individuals. We encourage you to use RURAL CONNECTIONS to help transform rural America from a neglected symbol of our romantic past to a vibrant, fertile seedbed of innovation, industry and sustainable futures.

The NATIONAL RURAL FUNDERS COLLABORATIVE is ten-year learning and funding initiative to strengthen and sustain rural American communities and families who face persistent poverty. Member funders of NRFC include Mary Reynolds Babcock Foundation (Winston-Salem, NC); Otto Bremer Foundation (St. Paul, MN); The California Endowment (Woodland Hills, CA); Calvert Social Investment Foundation (Bethesda, MD); Annie E. Casey Foundation (Baltimore, MD); Fannie Mae Foundation (Washington, DC); Ford Foundation (New York, NY); William Randolph Hearst Foundation (New York, NY, and San Francisco, CA); F. B. Heron Foundation (New York, NY); William and Flora Hewlett Foundation (Palo Alto, CA); W. K. Kellogg Foundation (Battle Creek, MI) and Lumina Foundation for Education (Indianapolis, IN). In addition, NRFC includes membership of its strategic regional collaborative partners in its governance structure: Alaska Rural Community Health Economic Strategies, Appalachian Ohio Regional Investment Coalition, Central Valley Partnership, New Mexico Rural Livelihoods Collaborative and South Carolina Association of Community Development Corporations. Strategic partners from the public sector working with NRFC include: Appalachian Regional Commission; United States Department of Agriculture and United States Department of Health and Human services.

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