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Communities in the Lead

The Northwest Rural Development Sourcebook

by Harold L. Fossum

Northwest Policy Center ▫ University of Washington

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Preface

Throughout the many months of preparation of this sourcebook, the overriding goal has been to improve access to ideas and assistance now available to community leaders as a way of empowering community-based revitalization efforts in rural areas of the Northwest. From the start, we fixed this imperative on two areas.

First is **capacity building**. Development leaders and experts in the field have come to agree that the most successful rural revitalization efforts are steered by local activism. While state and federal actions can provide thrust, communities themselves can and must lead the way. Otherwise, rural revitalization risks being little more than, as one analyst put it, "a collection of programs, expenditures, and regulations launched almost indiscriminately at an undefined target called development." Managing the revitalization process requires skill and perseverance. Capacity building strives to improve the ability of community groups (often volunteers) to shape practical goals from the dreams and opportunities of local people; to effectively marshal resources from within and outside the community in pursuit of these goals; and, in time, to evaluate and redirect their efforts. The first four chapters of this work provide the best ideas, analysis, technical assistance resources, and printed tools we could find on this topic.

Second is **value added enterprise development**. While natural resource industries will remain an important part of rural life, employment in the production of commodity goods will almost certainly continue to decline. Economic development leaders at every level have turned to the task of building a new base of value added enterprises as one way to squeeze jobs back into the natural resource sectors. Value added enterprise development strategies attempt to maximize the local benefits captured through design, processing, and marketing of goods. Interest in this is not new, but few workable options have been developed for communities that need them most. The final chapters introduce relatively new thinking about strategies that are guided at the community level and by the enterprises themselves.

Scores of agencies, private companies, university programs, and individuals offer direct support for community economic development groups today. We wrestled over how best to present them, and concluded that the most pressing need is for a more selective review highlighting the main "hub" assistance providers, how they work, and what resources they bring to the task. Less detailed, more extensive listings are available from a variety of sources. Some of the best of these available in the Northwest are described at the end of Chapter 3. Chapter 4 provides a similar review of published guides to community economic self assessment. There are good resources that could have been reviewed in greater depth. We found no evenhanded way to select from the great many services offered by companies in the private sector. The difficulty of

finding and ordering these resources, even when the task is pursued full-time, speaks volumes about the challenge facing community groups undertaking the same task.

This sourcebook was researched and written primarily by Harold L. Fossum, a policy analyst at the Northwest Policy Center. Along the way, many others have provided invaluable help. Among them are Michael Jakubcin, who ably researched and wrote the great bulk of Chapter 4. Kirk Johnson researched and drafted the telecommunications section of Chapter 3. Pam Gross's guidance throughout the entire book was inspired. Lisa Arbuthnot worked tirelessly to format and publish it.

The work was completed with the generous support of the Ford Foundation and the Aspen Institute's State Rural Policy Program.

To these and many others who have patiently supported this effort go my heartfelt thanks.

Hal Fossum
December 1992

Northwest Policy Center

The Northwest Policy Center is an initiative of the Institute for Public Policy and Management in the University of Washington's Graduate School of Public Affairs. The Center carries out policy research, designs and evaluates policy alternatives, and fosters a continuous exchange among those seeking to meet the economic challenges facing people in the states of Alaska, Idaho, Montana, Oregon, and Washington.

The Rural Policy program of the Center works with policy makers and practitioners at the state and local levels to enhance the prospects for vital rural communities today and in the future. The program pursues its mission by researching and writing about promising practices in rural revitalization, advising policy makers and program administrators, and convening state and community leaders. Other programs of the Center concentrate on the related fields of workforce training, value added enterprise development, and environmental sustainability.

The Northwest Policy Center was formed in the fall of 1987 through a grant from the Northwest Area Foundation, which recognized that the states and communities of the Northwest have entered a new world of uncertainty. In order to maintain economic vitality, the states of the region must evaluate and reshape every tool at their disposal to more sharply focus on the future.

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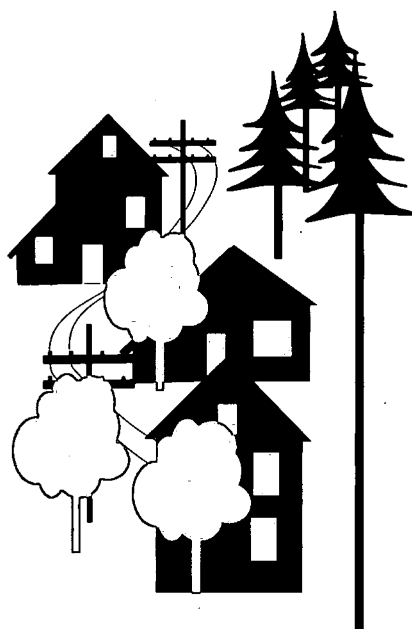

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1

The Development Challenge in the Rural Northwest

The rural Northwest faces the same daunting economic challenge confronting much of rural America. Most rural places in the region and the nation find before them in the 1990s a test—to participate in the changing economy or to watch opportunity pass them by. Northwest communities must find additional economic value from sectors on which they have long depended, including agriculture, fisheries, mining, and wood products. They must foster new enterprise as well if the prize of economic vitality is to be gained.

Many of the forces buffeting rural communities are external to those communities and impossible to control. Rather than fight the tide, leaders in the rural Northwest must become experts on its ebbs and flows. Rural leaders must always be ready to seize upon opportunity when opportunity presents itself, and must always be able to find it when it seems hidden.

The stakes are no less than the future economic vitality of many small towns. With this much in the balance, there can be no alternative but "best practice"—the selection and implementation of strategies that can work by effective leaders who are bent on making them work. *Communities in the Lead* aims at no less than the sharpening of those strategies and the strengthening of that leadership.

There is astonishingly little common agreement on exactly what *rural* means. We know the term excludes cities, but the we're not sure exactly how to differentiate rural areas from suburbs. We know that farm towns are generally rural, but not all rural towns depend on farming. Some assert that rural people behave differently from urban people, resulting in the impossible task of distinguishing rural urbanites from urban ruralites.

One bedfellow of this ambiguity is slow pace of progress in addressing issues about rural places and their economic vitality. We know much about new techniques in farming and forestry, but little about what makes one small community vital when its peers are struggling. It is generally agreed that economic vitality is desirable, and it is accepted that *development* intends to improve economic vitality. But how actually to develop rural communities—whether by promoting growth in employment or incomes, through stability or sustainability—is debated.

Economic and other social sciences are just beginning to offer practical help to small town leaders who are trying to find a footing in the face of economic hardship.[1] Until relatively recently, most economists focused their attention chiefly on three propositions: (1) that growth is a reliable engine for general prosperity; (2) that the chief source of rural vitality is development of natural resources; and (3) that most other industry will tend to locate within easy reach of cities, where scale economies offer natural advantages. These propositions may describe the problems well enough but they are almost useless in helping us understand the solutions.

Resource dependent communities increasingly find the traditional engines of development experiencing diminishing resources, less labor intensive production, and restrictions upon harvest. These factors strain many other segments of the economy. Facing the loss of livelihood and

Figure 1.1
Census Bureau Definitions

Urban: *the population living in central cities and surrounding densely settled territory with a combined population of at least 50,000 or in places of 2,500 outside urbanized areas.*

Rural: *population or areas not designated as urban.*

Metropolitan Statistical Area: *a county or group of counties that contains either a city with a population of 50,000, or a Census-Bureau defined urbanized area with a population of at least 50,000 and a total population of at least 100,000.*

Nonmetropolitan: *a county that is not a Census-designated metropolitan statistical area.*

A Community Researcher's Guide to Rural Data by Priscilla Salant, 1990.

substantial outmigration, resource dependent communities need to generate viable alternatives (or supplements) to resource extraction and primary processing as an economic base.

This guide has been written to help communities make good use of knowledge and resources available to them. It assists policy makers, inside and outside the community, in answering questions such as:

1. What is meant by "economic development in rural communities?" What options are available to small communities interested in economic development?
2. How can local leaders use their limited resources to heighten their communities' strengths and minimize their weaknesses? What approaches appear most promising, and what problems and innovations should leaders know about?
3. What assistance is available to help local people who are interested in enhancing community economic vitality? What services are available for businesses, especially new and natural resource-based firms?
4. How can communities find and evaluate printed manuals and directories to help them enhance local efforts?
5. What approaches to developing value added enterprises show particular promise? What do communities seem to be doing right? What cautions would they offer about mistakes to avoid?

Defining Rural: Implications For Economic Viability

In common usage, "rural" is a relative term that refers to small towns and sparsely populated areas. But rural can mean drastically different things to an economist, a logger, a farmer, a commuter, a tourist. These differences gain significance when individuals from a variety of backgrounds come together to discuss economic options. In such instances, formal definitions of the term are essential because, in many cases, the definitions themselves provide clues about what paths to revitalization are needed most.

Population Density as a Measure

The simplest, most reliable, measures of "rural" are those based on population density. Even this straightforward measure, however, includes multiple definitions devised for program administration and research purposes. Some define only communities of less that 2,500 as rural. Others take the nonmetropolitan designation as a guidepost, and include designated counties without cities of 50,000. Figure 1.1 contains current Census Bureau definitions of rural, urban, metropolitan, and nonmetropolitan areas.

A frustrating by-product of these definitions is that they make rural everything that is not urban. As one researcher laments, "If the most precise thing we can say about the moon is that it is not the Earth, we are saying very little indeed."[2] If the "all but urban" method is frustrating, it underscores the diversity of population and economic conditions the term rural includes. It has been the work of many researchers to generate descriptions of rural communities that say more than merely, "They aren't cities."

More Complex Measures of Rurality

Many of the most significant distinctions between rural and urban development problems are not easily measured. In a broader context, rural refers not only to relatively small towns, but must also include a town's economic, social, and geographic profile. Leadership, diversity, isolation, capital availability, and economic opportunity are only a few of the issues reviewed with a rural focus. Such issues reflect interests and problems that are not fully captured by head-count distinctions between large and small communities.

An analysis of ways in which urban and rural communities experiencing economic distress differ, prepared by the Washington Department of Community Development, confirms that important distinctions can be drawn beyond population differences. (Figure 1.2 was designed by the department to help it anticipate how needs for services vary as the focus shifts from city to county.)[3]

Even these distinctions do not resolve entirely the question of how to target government resources. Some exclusively rural programs would channel assistance to rural areas that do not need it, while excluding urban areas that do. For instance, should programs to encourage food or wood products manufacturing enterprises be emphasized in West Yellowstone but not Missoula; should food products firms be aided in Omak but not Yakima? In order to address such issues of equity, many rural policies have focused on regions that share conditions such as persistent poverty, growth management, or natural resource concentrations (e.g., forest products).[4]

Accounting for urban proximity. To better understand prospects for smaller areas, measures have been developed that describe a continuum based both on population density and nearness to metropolitan counties (Figure 1.3). One scheme, known alternately as the Beale Code and the Rural-Urban Continuum Code, helps identify various gradations of rurality.[5] It is especially useful in considering the economic implications of a community's proximity to metropolitan areas.

Factors of isolation and low population density are mapped in the Rural-Urban Continuum Code. Beth Honadle has constructed a list of problems characteristic of rural development.[6] This list is particularly useful in directing policy makers' attention toward critical management problems central to rural communities' underlying character:

- *Isolation* makes it harder to provide and to use services needed to revitalize communities and enterprises alike.
- *Low population density* makes markets for goods and services (both public and private) more difficult to form; supply and demand for services may require catalysts not needed in areas with higher population density.
- *Mobility disadvantages* and fewer transportation alternatives magnify the effect of distance.
- *Scarcity of fiscal resources* limits the capacity of business and community efforts to respond effectively to opportunities and threats.
- *Lack of expertise and human resources* limits communities' ability to provide leadership with a depth and breadth of skills needed to take on many problems.
- *Personal familiarity* can limit services that require rigorous objectivity, discourage regional arrangements, and reduce availability of services where confidentiality is necessary.

Rural	*Urban*
No local control of finance capital base.	*Have finance capital base.*
Structural distress due to decline in basic industries; cyclical distress due to market fluctuation	*Structural or systematic distress due to individual disenfranchisement.*
Narrow business base, often dependent on single industry.	*Access to diverse business base but generally not located in the core area of distress.*
Significant out-migration due to lack of jobs, more/better services available elsewhere; in-migration of population dependent on public assistance.	*Significant immigration from out of state, and from declining rural areas.*
Limited leadership capacity, not due to lack of capabilities but lack of people to perform functions. High dependence on volunteers, leading to burnout. *— Good cooperation between community and government.* *— Dependent on state for resources.*	*Divergent/competing leadership. Difficult to coordinate from state level. Subgroups compete for available resources.*
Outmigration of educated youth.	*High dropout rates; lack of mobility.*
Lack of local public financial/professional resources due to narrow tax base.	*Intense competition for available local resources, distribution of which is based on political choices.*
Not competitive in attracting business due to lack of transportation, access to markets, and inadequate infrastructure.	*Must compete with "healthy" areas in the immediate vicinity for business.*
Reliance on industry-related transfer payments, as well as growing reliance on individual transfer payments.	*Heavy reliance on individual transfer payments.*
Physical isolation increases cost and ability to provide services.	*Greater availability of broader range of services.*
Urban values impact rural areas via state policy.	*Complex interrelated issues create politically intense environment. Difficult for state to take risks.*
Must compete annually for resources (CDBG).	*Have direct available funding (CDBG).*
Because of remoteness of rural areas and small percentage of total population, debate continues on whether it is good policy to direct a large amount of state resources to deal with rural distress.	*Proximity to more wealthy areas highlights the stark contrast to the disadvantaged within urban distressed areas.*
Other Observations:	***Other Observations:***
Sense of community.	*Difficult to define geographically.*
Issues are generally more focused.	
Lack investment capital.	*Greater pattern of social problems.*
Lack of corporate presence affects public/private efforts.	

Figure 1.2
Distinctions Between Distressed Areas in Rural Versus Urban Washington

Washington State Department of Community Development, 1988.

- *Resistance to innovation* slows consideration of new approaches, good or bad, to local economic vitality.
- *Lack of support services* hinders communities' ability to take advantage of assistance from many sources, just as it deters the formation and growth of specialized businesses that require technical support and services.

Combining information from the Rural-Urban Continuum Code with the factors listed above allows us to predict a community's likely economic prospects. Counties near metropolitan areas may have options for new economic linkages to population centers, as well as access to urban economic advantages such as manufacturing and information management. Rural counties not adjacent to metropolitan areas, especially the more populous ones, may see their best prospects in development of high value niches within already dominant sectors, aiming for national and global markets. Smaller counties, those more subject to the obstacles to development cited by Honadle, may need to concentrate initial efforts on support for smaller enterprises, community redevelopment, and efforts for regional cooperation.

Accounting for characteristics of the economic base. Population density and distance from population centers may account for many of the similarities among rural communities, but what about important differences? Certainly, the prospects for economic development are different among diverse rural places. Density and distance from population centers are major considerations in economic development strategy, but communities must also be viewed from the standpoint of dominant economic characteristics. These characteristics are important indicators of future development potential.

One excellent scheme for classifying nonmetropolitan counties based upon major income sources and land use patterns is the Economic Classification of Rural Communities (Figures 1.4 and 1.5). The scheme classifies counties according to seven major variables influencing source of income, including farming, manufacturing, mining, government, poverty, retirement, and federal lands. Northwest counties are included in all but one of these categories—persistent poverty. According to this approach, timber dependent counties are classified as federal lands counties, a category that also includes federal holdings for Native American lands, military bases, wilderness, and rangeland.

Researchers have used this classification system to learn how economic characteristics shape economic performance. For instance, Calvin Beale and Glenn Fuguitt found that they indicate how population growth and decline differ among rural places with different economic classifications.[7] Their results suggest a population shift during the 1980s that was not simply rural-to-urban, but rather, triangular. Many residents of declining counties (manufacturing, mining, farming) moved into prospering urban regions; those leaving urban areas for the countryside went mainly to high amenity places seen as attractive locations for retirement. In the Northwest, nonmetropolitan counties that are popular destinations for retired people maintained a high population growth rate, over two percent yearly from early in the decade through 1988. This same period was a time of crisis in counties dependent on agriculture, manufacturing, and mining, which collectively experienced declining populations between 1974 and 1985 and began to rebound (in terms of population) in 1886.

Figure 1.3
Rural-Urban Continuum Code

0 *Central counties of metro areas of one million people or more*

1 *Fringe counties of metro areas of one million or more*

2 *Counties in metro areas of 250,000 to one million*

3 *Counties in metro areas of fewer than 250,000 population*

4 *Urban population of 20,000 or more, metro adjacent*

5 *Urban population of 20,000 or more, not metro adjacent*

6 *Urban population of 2,500 to 19,999, adjacent to a metro areas*

7 *Urban population of 2,500 to 19,999 not adjacent*

8 *Completely rural or fewer than 2,500 urban population, metro adjacent*

9 *Completely rural or fewer than 2,500 urban population, not urban adjacent.*

Rural-Urban Continuum Codes for Metro and Nonmetro Counties by Margaret Butler, April 1990.

Figure 1.4
An Economic Typology of Rural Counties

An Update: The Diverse Social and Economic Structure of Nonmetropolitan America by Thomas F. Hady and Peggy J. Ross, Agriculture and Rural Economy Division, Economic Research Service, USDA, Washington DC, 1990.

Different social and economic characteristics are helpful in understanding a place's unique problems and opportunities.

Farming dependent: *Counties in which farming contributed a weighted annual average of 20 percent or more of total labor and proprietor income for 1981 through 1986. Forty-two of Northwest counties fell into this classification.*

Manufacturing dependent: *Counties in which manufacturing contributed 30 percent or more of total labor and proprietor income in 1986. Nineteen Northwest counties met this definition.*

Mining dependent: *Counties in which mining contributed 20 percent or more to total labor and proprietor income in 1986. Four Northwest counties met this definition.*

Specialized government: *Counties in which local, state, and federal payrolls contributed 25 percent or more to total labor and proprietor income in 1986. Twenty-eight Northwest counties met this definition.*

Persistent poverty: *Per capita personal income in the county was in the lowest quintile in each of the years 1950, 1959, 1969, and 1979. No Northwest counties met this definition.*

Federal lands: *Counties with federal land holdings of 33 percent or more of the county's land area in 1977. This category is often associated with forestry, although it may also reflect federal holdings for reservations, military reserves, and grazing land. Seventy-five Northwest counties met this definition.*

Destination retirement: *Counties classified here had a net immigration of people aged 60 or over from 1970 to 1980. Twenty-eight Northwest counties met this definition.*

Unclassified counties: *Refers to nonmetropolitan counties that fell into none of the other categories in 1986. Twenty-three Northwest counties met this definition.*

	Idaho	Montana	Oregon	Washington	Total
Metropolitan Counties	1	2	8	11	22
Rural Counties					
Farming	15	15	5	7	42
Manufacturing	9	0	5	5	19
Mining	2	2	0	0	4
Government	7	11	3	7	28
Poverty	0	0	0	0	0
Federal lands	31	21	15	8	75
Retirement	9	3	8	8	28
Unclassified	3	12	3	5	23
Total Counties					174

Notes: *Thirty-five rural counties are classified in more than one of the categories, the most common intersections involved the federal lands and the government employment designations. Federal lands, retirement, and poverty county designations are as of 1979, the most current data available; metropolitan designations are based on official OMB definition in the 1980 Census; all other measures were updated using 1986 data. Alaska's boroughs were excluded from this analysis by ERS.*

Figure 1.5
Northwest Counties Classified by Social and Economic Structure

Economic Research Service data set.
Contact: Peggy Ross, Washington, DC, 202-219-0547

Other researchers have identified problems and formulated strategies specifically tailored to match the prominent economic characteristics of identical counties. Priscilla Salant suggests that counties heavily dependent on retirement are often more concerned with the availability of health care and other services.[8] Manufacturing dependent counties (including those reliant on timber) face problems related to their particular industrial sectors, including changes in international markets. Many counties experiencing or threatened by persistent poverty may wish to focus on the importance of education, basic skills, and other ingredients of labor force participation. Farm counties may concentrate on developing off-farm job opportunities, as well as improving current agricultural practices. Mining dependent counties that face cyclic downturns find providing stable economic opportunities an important issue. And rural counties with a heavy concentration of government property find themselves greatly affected by policy decisions surrounding land use, as with timber harvest or range grazing practices.

Accounting for trade among nearby places. No matter where wages are earned, many of their benefits accrue to the local economy where they are spent. The ability of a place to offer goods and services for local purchase is, therefore, an important third useful way to distinguish among different types of rural and urban places. Researchers have used this method to gain insights into changes in rural shoppers' preferred place of trade.

The trade structure of regions can be described as a watershed, with smaller communities acting as tributaries of larger trading areas. While daily needs of consumers tend to be met nearby, where shopping is convenient, rural residents look directly to more populated trade centers for other goods. This general relationship of smaller communities yield-

ing to progressively larger ones as suppliers of more specialized items is remarkably consistent over time; communities rarely displace their larger neighbors as trade centers. The willingness of people to shop locally can and does vary, however, as individual wants and the ease of getting to larger trade centers change.

Researchers have created a classification system to examine these changes. The Rural Urban Trade Center Hierarchy defines rural and urban communities according to the type and number of wholesale, retail, and service establishments they contain (Figure 1.6). This system was developed in 1960 by John R. Borchert and Russell Adams, and updated by Thomas Anding and others at the University of Minnesota in 1990.[9]

Anding's team at the University of Minnesota used this system to examine the rise and fall of shopping establishments among different levels of the hierarchy in the states of the upper Midwest between 1960 and 1989. Researchers Larry Swanson, at the University of Montana, and Jack Stabler, at the University of Saskatchewan, have done similar work in their respective state and province, with similar results.[10] Their findings point to a type of revitalization challenge for smaller communities that has only an indirect relation to the health of primary industries, such as manufacturing, farming, and forestry.

Anding found a divergence of fortunes among different tiers of communities, with higher and lower order places shifting away from each other. Rural people became more willing to bypass the more convenient small and midsized shopping locations, preferring the wider selection and volume discount stores found in larger, more distant trade centers. In effect, more dollars are being drained from smaller communities. Among the other findings:

- The numbers of businesses involved in many types of services and in construction and manufacturing grew in large and small places alike. However, even in regions that have enjoyed substantial growth in employment and wages in these sectors, much of the benefit is accumulated in larger trade centers where shopping options are more numerous and varied.
- The numbers of transportation companies, banks, and communications firms grew, but the lion's share of this growth was concentrated in the larger trade centers.
- The number of retail business establishments declined. Larger discount stores displaced many of the traditional anchors of small towns' main street shopping districts. The decline in numbers of general merchandise retailers was offset, to some degree, by growth in the number of more specialized retail establishments, such as boutiques, antique stores and similar operations.
- While the region's population remained fairly stable overall, there was a shift within the region from rural to urban areas, continuing the historic trend of movement away from smaller places.
- A town's success in attracting shopping dollars depended to a large degree on uncontrollable factors, including global economic conditions and the success of local entrepreneurs. Not all the factors are uncontrollable, however. Also significant to regional trading patterns are local planning efforts, support for retail enterprise development, and other activities to build a shopping base that matches the needs of local consumers.

Figure 1.6
A Rural Urban Trade Center Hierarchy

Trade Centers of the Upper Midwest: Changes from 1960 to 1989 by Thomas L. Anding et al., 1990.

Hamlets *are the lowest size level of the trade center hierarchy. Included are communities that have only a few businesses, typically including a gas station, a cafe, and a grocery store.*

Minimum convenience centers *are somewhat larger clusters of businesses, including a restaurant, a bank, a hardware store, a drug store, a grocery store, and a gas station.*

Full convenience centers *have a greater number of businesses and include establishments selling household appliances, jewelry, furniture stores, and a department store or a men's or women's store . In addition to these they have at least three speciality stores, such as a shoe store, a lumber yard, a funeral parlor, a hotel, and a form or garden supplier. Some wholesale activity is also found in full convenience centers.*

Partial shopping centers *have a greater number of speciality shops than full convenience centers, including four to eight of the specialty stores listed in full convenience centers. Here, the list of specialty shops is expanded to include photographic studios, sporting goods, stationary, and antique shops.*

Complete shopping centers *have at least nine of the specialized retail businesses listed for partial shopping centers.*

Secondary wholesale-retail *centers are defined by the presence of all these retail functions in addition to over fifty wholesale businesses in at least twelve of these categories of goods: auto supplies, bulk oil, chemicals and paint, dry goods and apparel, electrical supplies, groceries, hardware, industrial farm machinery, plumbing-heating-air conditioning, professional service equipment, paper, liquor, drugs, and other construction materials.*

Primary wholesale-retail *centers have over a hundred wholesale businesses, including all fourteen of the wholesale functions listed for secondary wholesale-retail centers.*

Overcoming the Myths

As they devise strategies to increase rural economic vitality, local leaders have had to overcome numerous misconceptions about the nature of rural areas. Applied often enough, and over a long enough period of time, these misconceptions have become a part of our mythology about what it means to live in rural America. Some of the myths seem harmless; some appeal to our most nostalgic notions of our rural past. Others hint at a potentially damaging bias. Taken together, they distort important truths crucial to policy debate.

Rural is farming, forestry, or mining.... Many state and federal policies identify "rural" with dominant natural resource sectors—mainly farming, forestry, and mining. Consequently, not only do they ignore other important sectors, they also exclude human and community problems from the equation. Sector-focused efforts are essential, but not the

Figure 1.7
Fighting the Rural Myths

Myths of bucolic solidarity, community, and isolation could be tolerated if their consequences were benign, but in fact, none are desirable. Poverty is often most pronounced in our nation's rural areas, housing stock is most inadequate, elderly are often neglected, and the "fresh air" of the countryside does not magically cure the sick or infirm. Rural areas, as is the case with urban areas, need governmental services and public administrative support.

Nonetheless, these myths foster an atmosphere of neglect and discrimination by public authorities and metropolitan electorates toward rural inhabitants of the American commonwealth. Without the intervention of government, provision will not be made for the rural sick, adequate care will not be available for the elderly, shelters for the homeless will not be established, and the poor will not be protected.

Inter-Rural Administrative Cooperation: Issues and Opportunities by Jim Seroka, 1990.

Figure 1.8
About that rope swing....

I once spent an hour listening to a discussion on how to create recreational parks and "playgrounds" for the children of rural families. "Parks" are, of course, an urban invention. In this discussion, it was finally concluded that the real problem was transportation (that is, how to transport rural children to a central recreational area). Spatial diffusion was considered to be a burden to be overcome by urban technologies. To have suggested that parks are not needed in the countryside, that it was dysfunctional to bus children twenty miles to play in a park in the countryside, and that the real problem for ruralites was to convince urban policy imperialists to give them their fair cut of tax revenues and let them decide how best to entertain their children with it was heresy.

"Defining Rural: Returning to our Roots," by Frank Bryan, in *Rural Public Administration; Problems and Prospects*, Jim Seroka, ed., 1986.

only ingredient of rural vitality. There are many indications that rural economies are changing, becoming more diverse and less directly dependent on incomes from natural resources than in the past.[11] Even among farm families, income from agricultural production represents a smaller proportion of overall income than it once did.[12] Further, small enterprises that provide new services and stake out new economic niches are taking root in the rural countryside, where they are surprisingly resilient compared to new business starts in metropolitan areas.[13]

Rural is community spirit.... The capacity to rise to challenges, to help neighbors in need, is immortalized in the American mind as part of the rural spirit. But while qualities such as accessibility and responsiveness aptly describe many rural communities, small towns can't claim a monopoly on community action. Increasingly, urban communities are mobilizing to solve local problems: cities have tapped volunteers to build affordable housing, improve education, establish drug free zones, protect greenbelts, and keep a vigil against crime. Local community action is not unique to the countryside.

A more pertinent issue concerns the power of the rural can-do spirit to pull the community through hard times. The folk wisdom about the rural community is that community members can rise above harsh conditions by working together informally. Yet, while community cohesiveness is a critical ingredient within any rebuilding effort, there are limits to the sufficiency of bootstraps and gumption in achieving fundamental economic restructuring (Figure 1.7).[14]

Rural is a special character or attitude.... Much thinking about rural people seems to focus more on character than geography. Rural residents are described in terms that evoke images of Daniel Boone or Jed Clampet. They may be envisioned as rugged, resourceful individualists; or they may be viewed as backward hicks. Visions of close-knit families, like television's popular Waltons, come to mind. In fact, studies do find character traits that include high community satisfaction and strong families. Research has also noted that rural residents tend to be socially conservative, traditional, provincial, and slow to change. But even as these rural-urban differences are demonstrated, they are shown to be a moving target, changing over time, and sometimes quickly.[15]

Rural enterprise is economically handicapped.... Most studies of small business survival assume that if urban business survival rates are bad, rural rates must surely be worse. Recent studies of rural enterprise survival rates, however, have found rates of business starts and survival as high and higher than in urban areas.[16] This research suggests that some rural economies may actually have an advantage in their ability to foster entrepreneurs. At worst, the jury is out on the comparative disadvantage of rural start-up enterprises.

Rural is urban, just less so.... The notion that rural and urban needs are essentially the same yields a one-step recipe for rural policy: simplify existing urban programs. Yet the differences are real and require real differences in strategies adopted (Figure 1.8). As researcher David Harrison points out, "Rural places are not just urban places where the houses are farther apart; they are fundamentally different."[17] Harrison's work delineates two issues: (1) smaller places require strategies that recognize and respond to their particular problems, and (2) rural areas need access to assistance in a way that differs from the way services are offered and received in urban areas.

Government services often assume a frictionless situation, in which rural and urban communities are at least equal in their ability to understand and evaluate the full range of services available, and in their ability to take advantage of those services that match their needs. In fact, communities of differing sizes demonstrate vastly different capacities to sift through program offerings, meet personally with service providers, match programs to clearly defined objectives, and prepare competitive applications to gain assistance. Failure to acknowledge such differences may discriminate against small communities from the outset (Figure 1.9).

The problem goes well beyond an inability to use services. Some small towns have highly independent visions of what they want to become and what services they need. They may be unwilling to pursue the path laid for them by development enthusiasts who assume that rural communities are simply cities that have not yet "made it."[18] A 1988 report by the Western Governors' Association agrees, noting, "Rural areas do not want to become mini-metropolises. What they want is a stable, healthy local economy. Rural areas may need to adapt to changes but that does not mean they need to change their lifestyles."[19]

For many a rural community, the primary goal is not economic development—which may presuppose substantial growth—but economic vitality or opportunity. Under this alternate emphasis, intensive efforts are undertaken to preserve options including maximizing incentives for high school and college graduates to stay in, or return to, the community. Leaders want their communities to avoid both decline and substantial growth. The most effective rural development strategies respect, and even take advantage of, these community preferences.

Figure 1.9
Are Small Towns Obsolete?

State economic development policy ... seems to assume that communities experiencing economic distress will be able to respond on their own and to take advantage of the capital and technical assistance made available by the state. A perspective held by some ... policy analysts and decision makers is that communities that cannot respond on their own should not benefit from these resources. A community's inability to make use of the available capital and technical assistance is taken as an indication that its decline is irreversible. In this view, the communities ... are obsolete. The test of their obsolescence is their inability to access state economic development programs. And they should be allowed to simply fade away.

Small Towns and Communities in the Other Oregon by Michael Hibbard, Oregon Policy Choices Legislative Discussion Paper Series, University of Oregon, 1989.

The Goals of Rural Community Economic Development

Should local leaders promote industry, support new businesses, and encourage economic expansion? Or should they work to preserve the qualities that set a place apart from others? Such questions may raise conflicts between old and new ways of life, and among people with dramatically different views about the meaning of stewardship. Often, the choice between opportunity and lifestyle is played out as a battle for the heart and soul of the community. The combatants claim that there are two essential paths to vitality, and we must decide between them.

According to Glen Pulver (Figure 1.10), there are many basic objectives of local economic development, and they suggest different types of activities. Communities most concerned about jobs may concentrate their efforts on locating and expanding businesses within the community. But there are many other rational objectives local people could choose, and they reflect the hopes and fears of community members. Those concerned about vitality may concentrate on local businesses' ability to generate new products and services, for local consumption and for export. Sustainability as an objective may suggest concentrating on adding more value to local resources as a way to squeeze more good jobs out of fewer natural resources. Quality of life objectives may suggest activities designed to enhance schools and social services, as well as the general look and feel of the community. Importantly, Pulver points out that these are not mutually exclusive goals.

Figure 1.10
Objectives of Rural Development

Glen Pulver, Remarks to Oregon Rural Policy Debate, Rural Policy Research Group, Salem, Oregon, September, 1990.

The starting point for rural development policy should be a clear delineation of objectives. Unfortunately, most rural development policy today is best characterized as a collection of programs, expenditures, and regulations launched almost indiscriminately at an undefined target called development with little articulation of specific objectives. A wide spectrum of objectives may be pertinent, including:

- ***Employment:*** *The generation of jobs*
- ***Income:*** *Whether from employment, proprietorship, or passive sources*
- ***Total wealth:*** *Including liquid and non-liquid capital assets*
- ***Sustainability:*** *Over time with proper consideration for the environment*
- ***Stability:*** *Avoidance of harsh cyclical variations in employment and income*
- ***Vitality:*** *The capacity to generate new products and services over time*
- ***Quality of life:*** *Which may bear on education, environment, aesthetics, life style, culture, health, and security*
- ***Distribution:*** *Of all these among people in a region*
- ***Attitudes toward change:*** *Some prefer the status quo*

Seldom are these objectives perceived independently. Jobs are important, but at a reasonable wage. People may be interested in growth, but not at the price of serious destruction of the environment. Community objectives may not be well served by narrowly focused public programs. If increased income were an identified objective, strategies aimed at attracting the silver-haired industrial base might receive greater attention. Economic vitality as an objective could lead to greater attention to the importance of entrepreneurship and small business development.

Why do we think we must choose between economic opportunities and community quality? A good part of the answer lies in the rural myths, and their attendant fears:

- Fears that new business activities will shove local people — and their values—to the side.
- Fears that the unique qualities of the community will be lost.
- Fears that local businesses will not be able to compete with new ones, or in the national economy.
- Fears that, once growth begins, the best efforts of local people will be powerless to shape the course or pace of change.

These are reasonable fears, but neither vision, of growth or of lifestyle solutions, presents clear paths around them. Quality of life comes more easily to dynamic and flexible local economies; desirable opportunities are drawn to a good quality of life. Communities need not choose one vision over the other. Indeed, they must not choose. In a world where

change is constant, opportunity and lifestyle can be complementary goals. This is illustrated best in communities which appear to pursue multiple objectives, embracing qualities that are dear to the community while helping new opportunities to unfold. (The particular characteristics of successful community efforts are reviewed in greater detail in Chapter 2.)

How can destructive wars be avoided? Understanding a community's conception of how it wants to advance is the first indispensible element in crafting initiatives that the community can carry forward. Edward J. Blakely recommends that communities desiring to better manage their economic development efforts begin by understanding how the community is already approaching problems concerning its own development (Figure 1.11). Is the community responding to conditions primarily by offering inducements to growth? Or is it concentrating more on accommodating or deflecting forces of change? Whatever local development approaches prevail at the outset, once they are understood, their strengths can be used to advantage, and the weaknesses improved upon.[20]

Figure 1.11
Two Perspectives of Economic Development

Planning Local Economic Development by Edward J. Blakely, 1989.

The orientation or expectation of the community shapes the view of the community toward the economic development process. Localities need to be aware of their orientations toward economic development in order to improve or alter their development strategy. Blakely identifies two economic development perspectives: (1) Responsiveness to external needs, and (2) Responsiveness to local community needs.

1. *Responding to external needs:*

   Recruitment planning *includes a wide array of industrial inducements and efforts to enhance the image of the area's business climate, usually with the understanding that generalized industrial growth will be good for the whole community.*

   Impact planning *is focused on efforts to mitigate or reduce the worst effects of industrial losses in a local economy, particularly the effects of plant shutdowns; such efforts are reactive, and depend heavily on availability of federal funds.*

2. *Responding to internal needs:*

   Contingency planning *entails a proactive response to local needs which focuses planning resources on those areas most prone to distress or benefit. Contingency planning can help mobilize an area's resources and inherent capabilities to deflect or accommodate impacts brought on by external forces.*

   Strategic planning *entails a long-range effort to identify and implement policies that affect all segments of the community.*

Rural Development as Growth and Expansion

Many economic analysts see the fundamental challenge of economic development in terms of growth. By this way of thinking, the fundamental goal of development efforts is to increase economic investment; the resulting employment, income, and taxes will buoy prosperity generally. Development activities likely to result from this outlook concentrate on encouraging expansion in good times and slowing decline in bad times.[21]

Economic base theory is a useful product of this model (Figure 1.12). According to economic base theory, the local economy is envisioned as a rain barrel into which dollars flow from outside areas, swirl around as local trade, and leak out in the form of goods and services purchased elsewhere. The theory can help local leaders understand the basic sources of economic activity, and formulate some options for enhancing vitality. More "water" can be added to the barrel in the form of exporting businesses; recruitment of manufacturing firms and specialty service providers can be targeted, or existing export firms can be expanded, or assisted in retaining jobs. Or, "leaks" can be plugged: opportunities for more vigorous trade among local people can be found in the form of local markets and other retail avenues, basic service needs can be met, and conservation efforts can replace locally provided labor and equipment for utilities.

Communities that use the rain barrel model to craft their approaches to local development often begin by asking themselves about the structure of the local economy. What have been the community's sources of outside income? The answers to this question often point to basic production industries, including manufacturing and service sector employers, that sell their products outside the local area. To these industries are added other, less obvious, primary sources, such as health care, military bases, and other offices of state and federal governments. These, too, are considered "basic" employers to the extent that they bring outside dollars to the community that could easily go elsewhere.

Next, community leaders may ask themselves what leaks exist that could be plugged? This question often points to wholesale and retail purchases that local residents make in other communities. If such outside purchases can be recaptured, the effect is similar in many respects to an increase in the basic sector employment. Common examples include health care, and speciality goods, but economic leaks can also be found in unexpected forms. Money spent for utilities, for instance, may be replaced by spending on local goods and services needed to upgrade the energy efficiency of local homes and offices, or by increased participation in state and federal programs that are paid for by all, but sometimes go unutilized by rural residents.[22]

Two limitations of economic base analysis are worth mentioning here. First, while this simple model can help describe the immediate influence of an economic shock, it is inappropriate for understanding longer-term changes in the economy.[23] Initiatives designed to plug leaks and add to the local economic base should be based not only on information about current and historic economic structure (including both the primary and secondary sectors), but also on an examination of pertinent global and regional trends, as well as the talents, interests and resources of local citizens.

The second limitation of economic base analysis is that it tempts local leaders to consider too small an area as the local economy. By defining the economy to include only the local community, the problem of encourag-

Figure 1.12
Economic Base Theory

Economic base theory envisions the local economy as a barrel which is filled by the inflow, from outside the area, of wages, profits, and other income, and reduced by the outflow of payments outside the area for goods, services, wages, and other income. Basic industry (which refers in this context to any activity that brings new money from outside the community) represents the chief tool for generating more economic activity. Non-basic industry (which refers to any money that changes hands within the area for goods, services, and other incomes produced locally) creates multipliers which amplify the effect of basic industry on other local jobs and income. The more linkages within the community, and the less money that leaks out for purchase of goods and services produced elsewhere, the higher the impact of basic industry in the form of incomes for goods and services providers that serve the community.[1]

Local economies are in constant flux because of changes in the amount of basic industry, non-basic industry, and the extent of the linkages within the area. What can communities do to affect the level to which the barrel is filled? There are two basic approaches:

1. ***Plug leaks and improve linkages.*** *Reduce the amount of money that flows outside the community by providing local equivalents that people will prefer. The creation or enhancement of local markets or marketplaces are typical approaches. One town's campaign to plug energy leaks has helped to increase the amount available to spend locally, while replacing spending on energy with local goods and services used to improve energy efficiency.*

2. ***Increase basic industry.*** *Increase the flow of outside dollars into the community by helping basic industry businesses to expand and by attracting new basic industry to your community. New basic employers are one example of basic industry that can have a big impact. Another example is the "silver-haired industry,": retirees who are interested in moving to places with high amenity value. The income this industry generates, in the form of investment income and transfer payments, is highly mobile and represents the fastest growing segment of income in the national economy.*

ing "export" businesses may become one of luring spending and investment from one nearby town to another. The result is a "walled community" quality to development efforts. Strategies that consider only the small community may foster competition and divisiveness between places that may in fact be highly interdependent. Thus, a new plant may be wooed from one community to another. School districts, hospitals, and public agencies may avoid productive cooperation with the blessing of local leadership. Farmers, ranchers, and others living outside the "walls" may be excluded from efforts to build local prosperity. Rich opportunities for strengthening regional vitality and local well-being may be lost.

Many development efforts that consider only a small community have solid reasons for doing so. (This chapter concludes with a discussion of the types of efforts that favor local over broader community efforts.) But, in general, leaders who choose a narrow vision of the local economy could sacrifice three things already in short supply in small places—leadership, capital, and population. And in the process, they make it difficult to pursue some promising strategies for economic growth.

Graham Toft has coined the term *rurban* to highlight the notion that rural places most often reorganize in regional groups, if they want to undertake growth strategies that simulate the size advantages of cities.[24] According to Toft, the same economic forces and strategies that have shaped urban growth have the potential to boost rural economies, but to make such growth possible, rural communities must work *as areas*. Groups of smaller communities, working collectively, have the numbers of manufacturing enterprises needed to support contracting relationships between firms that can yield the economies of scale that benefit many urban firms. By organizing on a regional basis, communities can invest in and promote information technologies that enable firms to locate anywhere in the area. Working together, communities can support employment growth in specialized services addressed toward populations both nearby and at a distance. Implementing these ideas involves new modes of cooperation for public and private sectors alike. Consider some examples:

- Oregon's Regional Strategies Program encourages formation of multi-county regions of the state for the purpose of pursuing an economic development plan targeted to particular sectors and opportunities identified by the regions' leaders. Strategies being pursued by the resulting regions include tourism, value added enterprise development for wood and food products, and other sector-specific initiatives.
- Southwest Montana's Headwaters Resource Conservation and Development Area, a soil conservation entity that has become a facilitator for regional development committees, is able to provide support services that none of its member entities could sustain alone. Its successes include a comprehensive grants library and grantwriting assistance, sponsorship of an agri-products "incubator without walls," and recruitment of a canola seed processing facility.
- The I-82 Corridor Alliance establishes cooperative relationships between several counties in South Central Washington and the Seattle King County Economic Development Council. It has helped leaders in the more rural areas to identify and promote recruitment leads from the city.
- Spokane's kitchen incubator provides industrial kitchen space for lease to specialty foods product manufacturers from around the area. By locating the kitchen facilities near the farmers' market, the facility enables individuals to produce and test-market their goods without leaving the site. Drawing on this example, kitchen incubators have been established in Sandpoint, Idaho and Milton-Freewater, Oregon.
- An interregional effort to develop trade relationships is forming between Montana and its neighbors to the north. A similar coalition of government and private leaders, in Washington's Okanogan County, is targeting development linkages across its border to British Columbia. The efforts are modeled on a successful effort involving Minnesota, North Dakota, and Saskatchewan, known as the Red River Trade Corridor Project.
- A Palouse-area development group is helping manufacturers from around southeastern Washington develop new international markets for agricultural equipment. The manufacturers found their local markets maturing and identified common needs to help build new market opportunities. Their efforts resulted in the estab-

lishment of a firm, AgriTechnics, that uses telecommunication-intensive methods to help the manufacturers gather and qualify trade leads from sources around the world.

Rural communities face the realization that growth strategies cannot be limited to attraction of major employers. Communities seeking heavy industries have found that, unless buildings and infrastructure are already in place, they are unable to compete with other communities possessing such features.[25] The telecommunications revolution which opens up rural areas to the world has also proved to be a mixed blessing: the telecommunications capacity that promises new service sector jobs to the community can also act to remove jobs.[26] Communications jobs have, in many cases, been lost to more efficient, centralized service providers located in rural and urban areas alike. Few small towns working alone have had the capacity to make the contacts, produce the industrial space, and package the financing needed to attract footloose firms. Instead, a new approach to the "community as product" is beginning to take root. Increasingly, local groups are pooling resources to encourage existing specialty manufacturing firms to concentrate on developing new products and markets.

Rural Development as Maturation

In contrast to growth-oriented development strategies are those that concentrate on shaping local economic development activities to respond to community aspirations. Blakely calls these "internally, or locally responsive" strategies. By this thinking, the community is buffeted by change. Local activities concentrate on exerting what influence is possible upon strong external forces. Here, growth is a not principal goal, although creating jobs and income may be among the goals. The main objective is to help the community mature in a manner that is consistent with local wishes.

Proponents of this view focus their efforts on anticipating new forces, encouraging desirable elements of change, and deflecting or managing undesirable influences. In many cases, strategic planning is an important part of the equation. Strategic planning is most simply defined as the application of intelligent foresight to the coordination of otherwise unintegrated activities.[27] In internally responsive communities, the planning process often includes a substantial component of public participation, as is seen in community "visioning" exercises.

Economic development activities that are locally responsive are likely to concentrate their energies on identified needs. Coalitions may be organized to support developments that are seen as favorable, or to oppose those with notably adverse effects. Disadvantaged groups, such as women, minorities, or disabled people may receive targeted assistance. Local or employee ownership efforts may attempt to make a transition to local control of plants that are shutting down. Revolving loan funds may help fill capital gaps that keep new businesses from forming. Value added or diversification efforts may direct assistance to industrial sectors that the community views as desirable.

There are two clear limitations of this approach. First, development activities that depend on local processes to power them with ideas put a large stake on the quality of those ideas. Identifying enough ideas, building consensus for needed action, and doing so at the right time can

be substantial hurdles. Internally responsive development efforts are challenged to create in community members a common and well-informed notion of what is both possible and desirable.

To do this, programs and processes may attempt to build a local cadre of well-informed leaders. Efforts may be undertaken to involve decision makers in public forums on key issues; present economic, social, or environmental briefings; track the wishes of community members; and assess local opportunities and threats. Economic analysis may attempt to pinpoint local competitive advantages in relation to the state or nation, using such analytic tools as shift share analysis (see Figure 1.13).

A second limitation of the locally responsive approach is that strategic planning activities often have difficulty moving from planning to action. Visioning efforts may generate wish lists that are not feasible, or that greatly exceed local capacity to implement them. At best, local groups, effective on shorter-term projects, and able to develop a well-considered long-term direction, also engage in pursuing ambitious development goals. Many others, however, fail to establish the organization needed to coordinate diverse local activities. Or they fail to generate the power to implement their visions.

Figure 1.13
Shift Share Analysis

Connecting Rural Economies, Strategies for Coping with Western Rural Economic Development Issues, a Strategic Assistance Guide , SRI International, Western Governors' Association , November 1988.

Shift-share analysis is an employment accounting technique that allows identification of which industries are growing or shrinking in the local economy compared to the national economy. Its purpose is to diagnose the relative competitiveness of local industries. It begins by measuring the change in employment over a specific time period across the nation for all industries together, calling this the national share. The change in the industry's regional employment that is due simply to the local economy's participating in the growth or decline of total national employment is calculated. Two adjustments are made to determine how the local economy was different from the national.

The first adjustment, called ***the industrial mix,*** *adds and subtracts employment to reflect the difference between the industry's growth rate and the growth rate of all industries combined. The industrial mix will add employment if the industry has grown more rapidly than the national average, and subtract employment if it has grown more slowly.*

The second adjustment, called ***the regional shift,*** *adds to and subtracts from industries' national growth rates to reflect the difference between local and national performance within the particular industries. This shows whether a region received more or less than its share of national employment growth or decline in a given industry, which often indicates industries for which there is a local competitive advantage.*

Development Strategies for Resource Dependent Areas

Problems Facing Resource Dependent Communities

For many natural resource-based communities, the question is not one of growth versus preservation, but of the community's continuing vitality, even its very existence, in the face of conditions over which it exerts little or no control. Nationally, and in the Northwest, the most

successful rural development efforts combine growth/expansion and maturation strategies sensibly and apply them to a variety of hurdles both within and outside the community.

Before external resources can be effectively utilized, leaders must arrive at a sharper understanding of their community goals. One recent Washington State survey asked development leaders in timber dependent communities to list actions that could help to soften the impact of declining timber supply.[28] Their responses reflect the depth of the challenges facing many resource dependent communities:

- Enhance ties to vital urban economies
- Conduct small community assessments and facilitate planning
- Support the forest products industry
- Develop roads and improvements to industrial sites
- Develop the tourism industry
- Develop small business
- Recruit new industries
- Retrain workers

Wherever they place revitalization emphasis, leaders in farming, forestry, mining, and fishing communities face a number of common obstacles.

Insufficient leadership base. Several researchers point out that rural communities do not want for talented people willing to engage in local development efforts. Communities may find, however, that the leadership pool is simply not large enough; further, it may lack the needed range of specialized expertise. Inexperience with the demands of development may handicap efforts still further: rural leaders often encounter difficulty identifying alternatives and selecting opportunities that are a good match with local goals. As Glen Pulver notes, "Much local energy is fruitlessly expended in the name of development, simply because rural officials do not know which strategies will likely have the greatest payoff in their specific situation."[29]

Weak development capacity. Resource dependent communities tend to have difficulty organizing and carrying out economic development activities—more so than their more economically diverse peers. There are many factors that contribute to such difficulties. Many state and federal programs in support of development have established funding criteria that send the bulk of funds to communities of large size or with better established programs. Martin Strange and his associates at the Center for Rural Affairs, in Nebraska, conclude that, even where rural populations participate fully in development programs, economically diverse communities account for much more of the program participation than those dependent on resource sectors.[30] In many cases, communities inexperienced with economic development efforts find, when they do seek help, that the assistance provided is designed with larger places in mind, and thus, tends to be more practical and helpful for the larger community. Other programs are offered on a competitive basis, penalizing communities unschooled in such competition.

Many citizens of resource dependent communities, accustomed to economic cycles, tend to "hunker down" and wait for the next boom. Individuals in the community may be unwilling or unable to recognize that current structural economic changes are likely to have permanent effects. As David Harrison at the Northwest Policy Center has noted, workers are waiting for the mill to return to full employment without realizing that it already has.[31]

Development capacity is further weakened when close-knit communities nurture internal rivalries, or competition with neighboring communities (e.g., rivalry between schools or competition to attract industries). Such frictions can discourage cooperative efforts. The result is that communities forgo opportunities they may have to increase their capacity by acting together, even when cooperation would most certainly enable them to undertake efforts more successfully.

Limited infrastructure and human resources. One way to build capacity is to entice industries from areas outside the small community to relocate. This strategy sounds attractive, but may be difficult to pursue for a number of reasons. Often, small resource dependent communities experience shortage of manufacturing space suitable for industries. The unavailability of ready location alternatives can discourage firms of an appropriate size and type from trying out the move to a rural site. Many smaller communities cannot risk the expense of site development on the chance that a high-paying employer will fill it. In addition, the local workforce may be limited in numbers, and trained so narrowly as to discourage formation or location of firms that require specialized skills. In some cases, workers are educationally deficient, making them non-competitive for advanced processing technology and unable to compete in a global labor market.

Local leaders may attempt to compensate for these shortcomings by "selling the community" as a low cost location, or one which will accept industries with harsh environmental consequences. Osha Gray Davidson, author of the book *Broken Heartland*, suggests that communities that succeed at this strategy win a mixed victory, since such companies often take a long-term toll on the community: downward pressure on wages, environmental degradation, and economic assistance the community can ill afford to provide.[32] Efforts to attract big new industry and establish industrial infrastructure from scratch come with risks that are often greater than small communities can bear.

Limited economic diversity. Resource dependent communities may fail to seize upon modest opportunities that may make a small but tangible difference immediately, as well as growth over time. A historic lack of diversity in the Northwest's small communities raises obstacles to capitalizing on other opportunities. Many resource dependent towns have been sustained by one or two major employers; so long as those employers remain strong, there is no obvious reason to diversify. Thus, two particular types of opportunities are often left undeveloped: these include such options as capturing retail spending and fostering the growth of new and small companies.

Further, development leaders in many resource communities are inclined to view the basic industry in light of problems, not opportunities.[31] Subsequently, much effort is expended on strategies that would influence resource supply, regulation, or commodity prices. Too little attention is paid to the competitive capability of the existing resource sector. Leaders fail to consider the possibilities for additional employment that may be available through greater specialization, expanded markets, and secondary processing using local natural resources.

Resource Dependent Communities Respond

Steps by communities to craft and carry out their own development efforts are hallmarks of a new tide of rural development practices. The best of these use community involvement as a primary tool to expand the leadership base and balance development objectives with local wishes. A new emphasis is placed on client and service provider networks, designed to complement specialized assistance services offered by federal, state and university offices. These practices respond directly to isolation by helping communities to improve both supply and demand for specialized assistance.

Finding a development focus. The alternative paths of development fall roughly into three categories: community, human, and enterprise development. *Community development* efforts deal with local leadership, social services, public infrastructure, and the utility and appearance of the local area. *Human resource development* efforts consider education, training, and workforce issues. *Enterprise development* includes efforts to track the strategic conditions in selected economic sectors, support developing enterprises, assist critical industrial sectors, and expedite local placement and expansion of firms.

Many of the projects communities find attractive require resources of size and specialization beyond local capabilities. Overly ambitious goals can leave communities depleted and discouraged, wondering whether local leaders can influence revitalization. A major challenge communities face is to match dreams to capacities, as they initiate development efforts.

Local versus linkage approaches to development. How do communities match development dreams to capacity? Part of the process involves deciding whether development goals can be achieved by purely local efforts, or whether they will require accessing outside sources: that is, the basic approach to capacity building may stress strategies which are either *local* or *linkage* in their emphasis.

Local approaches include all the steps that a community can take to enhance its vitality without significant resources or assistance from outside the community. The techniques mobilize local resources to address development problems, concentrating on issues that are within the businesses, people, and the community itself. These efforts often lay a groundwork for more ambitious projects as communities build a capacity to respond to changing conditions. *Linkage approaches,* on the other hand, are especially helpful in cases where progress depends upon information about conditions outside a given firm, and often far from the community. Such problems are global by nature and can benefit especially from external assistance. Examples include efforts to improve marketing, product design, or process technology.

Before they decide which emphasis—whether local or linkage—the community will take, leaders need to consider how each approach impacts specific development activities. For instance, what are the differences likely to result from choosing local versus linkage approaches to an activity such as "beautification?" How is a project's overall scope likely to be limited or expanded; How do individual strategies differ when the approach is local versus linkage in orientation? Figure 1.14 provides an interaction grid detailing the differences a choice of local or linkage approach brings to efforts in the areas of community, human resource, and enterprise development.

Development Need	*Local Approaches*	*Linkage Approaches*
	Employ local resources to achieve goals and solve problems that are predominately of a local nature.	*Employ regional alliances, state, federal, university, and private sector specialists to inform and assist, mainly on specialized topics.*
Community Development *Leadership* *Local beautification* *Infrastructure* *Social services*	*Small communities can undertake many steps for community development by themselves. Local beautification can be achieved entirely locally. In other community issues, clear goals and an assessment of local resources that can help to achieve them are good early steps in community development.*	*Needed technical expertise may not exist locally in all community issues. Outside assistance can provide help vital to organizing, training, and guiding leaders. Redesigning "Main Street" can benefit from outside programs and expertise. Funding and support for infrastructure and social service improvements can be advanced much more quickly with non-local support.*
Human Resource Development *Education* *Workforce training*	*Local educational resources are often well developed and have a history of being locally driven. Training, retraining efforts, too, can be led by business, labor, and governmental groups. Residents, private firms, and local educational facilities can play important roles in the success of local initiatives.*	*Outside assistance may help support educational, apprenticeship, and retraining programs; track regional and national programs; compare local achievements to leading competitors; and support retraining and placement efforts.*
Enterprise Development *Business counseling* *Market development* *Product and process expansion* *Small business development* *Business retention and attraction*	*Small community leaders can create a positive "business climate"by establishing networks of local professionals committed to supporting local business needs; they can identify common needs of sector or stage-of-business groups; and they can facilitate delivery of assistance from other sources. Some communities create local capital pools, or invest directly in enterprises that are critical to other enterprise goals or may fund local development efforts.*	*Specialized outside assistance addresses many types of business assistance problems. Services may help to assess competitiveness of local industrial base and review opportunities and threats to the local base. Other sources directly provide aid to businesses in areas such as export and market development; small business counseling; engineering, technology, and product development; targeted assistance for specific sectors may be available; and many services can help target and enhance prospective businesses.*

Figure 1.14
A Typology of Rural Development Strategies

Some dominant strategy types. A review of some rural development initiatives in common practice today illustrates how efforts can be placed in the context of particular segments of a strategy matrix.

Local efforts often serve basic needs of the community and its people by laying the groundwork required to enable larger initiatives to succeed. Examples of local initiatives include:

- Beautification efforts.
- Import substitution ("plug the leaks") programs.
- Conservation and efficiency measures.
- Retail and main street revitalization programs.
- Business retention programs.
- Efforts to increase participation by the community, individuals, and small businesses in government programs, such as CBDG, SBA, and a whole range of other federal assistance programs.
- Basic literacy or worker redevelopment efforts.
- Economic and community self assessment.
- Efforts to promote the community as business or a retirement location.

Regional associations bring together communities, individuals, or firms that have common needs in efforts that reduce the importance of local boundaries. Such affiliations increase the range of options that can be undertaken locally by helping small communities gain the specialization of leadership and administrative scale demonstrated in larger cities through initiatives such as:

- Development of multi-community scenic loops for tourists.
- Cooperative administration of educational and health care services.
- Formation of grants libraries and fund raising support services for community, enterprise, and human resource development groups.
- Support for planning and technical support for local governments.

Urban-oriented strategies concentrate on achieving development goals by capturing city markets. Some examples of enterprise development strategies identified with targeted urban niches include:

- Marketing to nearby cities promoting tourism, retirement, and recreation development.
- Establishment of regional import substitution (marketplace) programs focused on identifying and capturing manufacturing opportunities.
- Development of telecommunications-intensive back office and other service jobs.
- Marketing of specialty goods in markets for crafts and farm goods.
- Recruitment of secondary manufacturing plants.

Enterprise assistance efforts can be supported locally, but most communities find it beneficial to leverage local assistance with specialized services offered through private, university, state, and federal sources. Typically programs aimed at enterprise assistance work to:

- Promote micro-business formation with counseling, classes, and finance.
- Increase exports and develop new products through individual firm consulting.

- Help organize and fund training programs and placement services for targeted firms in high-wage industries.
- Provide specialized industrial management consulting in marketing or process technology.
- Create business parks and industrial infrastructure needed to lure new basic industries.
- Implement new process technologies.

Value added enterprise strategies often seem most successful where there is effective coordination between local and external resources, as well as integration of services supporting human, enterprise, and community needs. Some exemplary approaches in this category include:

- Developing cooperatives for production or marketing of goods.
- Working with community colleges and industry groups to develop training courses in targeted skills.
- Promoting new or employee ownership of closing processing facilities.
- Developing incubator facilities specifically for value added enterprises for targeted sectors at a particular stage of business development.
- Helping firms make use of industrial extension and other technology and information transfer services.
- Hiring shared management experts.
- Arranging specialized financial and technical assistance using federal, state, university, and private programs.

Conclusion

Rural leaders seldom need to be convinced about the need to develop value added industry, especially in places which are historically dependent on natural resources. Nurturing such enterprise, however, requires partnerships that stretch the capacity of communities in ways that other possibilities do not. Value added processing requires investment in the skills of workers. The cooperation of education and training programs to establish new systems is essential. Infrastructure and transportation needs may be dramatically different. All these efforts require support from local government. Because the local business community may be unaccustomed to financing and supporting services, a climate of change and responsiveness in the private sector is of increased importance. And there must be reasonable access to outside information services which provide input the community cannot expect to, helping community leadership to track and take advantage of technology, market tracking, and product niches.

Moving forward in each of these areas requires that communities invest time and energy over a long period. The next chapter outlines approaches and pitfalls communities often face as they reorganize for community economic development. The guide's final chapter presents several successful of cases of value added enterprise development that are emerging and some characteristics they hold in common.

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2

Small Town Strategies for Building Development Capacity

The community is the bootstrap level of government: that level at which people are willing to act upon a sense of common interest to preserve a place's vitality and quality of life. Strengthening this sense of community identity can be key to the success of local revitalization strategies. Local leaders may chose to deepen already existing community commitment by reassuring the same people who pitch in to raise a barn, establish a neighborhood watch, or operate a volunteer fire department that their needs and values are taken seriously; that they will benefit from a cooperative effort in the face of economic challenge and change. Or leaders may seek to enlarge the community of involvement, reaching outside present community boundaries to recruit new people, interests, and abilities.

For several reasons, the local community has become an increasingly critical point of revitalization initiative. Technological changes have buffeted local economies. International economic forces have increased competition between local natural resource industries and their global counterparts, even for domestic markets. The competitiveness challenge has been brought to bear directly upon resource reliant communities.

Increasingly, much of the burden of leadership in revitalization efforts has fallen from the national government to states and smaller communities. State programs have had to find new ways to stretch already limited resources as they attempt to strengthen local economies. Often, they have established programs in which help is given to those who know how to ask for it most effectively. Naturally, smaller communities, unfamiliar with the options open to them, suffer a disadvantage.

In a time when federal and state-level governments show a limited ability to provide assistance, rural communities must position themselves to strengthen their own economic vitality. They must learn to act as gatekeepers to their own economic futures. Many communities have responded to the challenge with vigor and creativity. Innovations at the community level, including several new tools for rural economic revitalization, have emerged. Policymakers are discovering which approaches are appropriate, given a set of conditions, and which are not. An increasingly sophisticated network is being generated to help communities assess their existing practices and develop new ones.

Managing from Below: Two Organizational Frameworks

Capacity building refers broadly to improving the ability of communities to design and carry out community initiatives. The process may involve any combination of a number of strategies, including:

- Adding more people to the local leadership base, thus working to overcome the rural disadvantage of a thin leadership pool.
- Building the technical, management, or leadership skills needed to enable the best decision making.

- Establishing new processes and practices that better facilitate local decision making.
- Better using outside resources to support development and implementation of community initiatives.
- Providing technical support and information to assist local decision making.

In an increasingly complex environment, how does the small community develop a vision of its members' common interests, and act capably on that vision? In general, communities that succeed in implementing strategies such as those just listed, appear to do so because they have been able to organize a team from within the community; gather pertinent information from within, as well as outside, community boundaries; interpret that information; develop strategic options; and gain broad community support for the options selected.

Two prominent models reveal both the variety and similarity of approaches for assisting communities to direct their own revitalization endeavors. The models are exemplary in the ways in which they make use of tools available to expedite the community revitalization process. In the first model, "tools" come in the form of extension service expertise and technical assistance offered by local, state, and university-based agents. In the second, "tools" are seen as published guides and workbooks crafted to facilitate a process managed by the community itself by following a series of necessary and attainable steps.

The Extension Model for Community Economic Development

Glen Pulver, a leading voice in rural community economic development policy in the United States, has been instrumental in initiating one of the most widely known and applied frameworks for rural development assistance. Working with Ron Shaffer and others at the University of Wisconsin Extension Service, Pulver has created a program that coordinates the efforts of county extension agents. The model's aim is to assist, at the ground level, in locating and implementing technical resources available through university, state, and federal sources. The extension model allows communities to make use of a wide variety of economic and technical resources available beyond their borders.

Pulver's model stresses the importance of developing a comprehensive, community-based economic development policy that considers local values, goals, resources, and opportunities. His widely utilized scheme emphasizes five basic development strategies:[1]

1. Improve the efficiency of existing firms
2. Improve the ability to capture dollars in the local economy
3. Attract new basic employers
4. Encourage business formation
5. Increase aid received from broader government sources

The extension model's major strength is in the access it provides to staffing support and technical assistance resources that are otherwise unavailable to many small communities. The importance of accessing external resources should not be underestimated—the ability to use technical assistance is a common denominator among many successful community efforts. Success also depends upon a community's ability to tailor existing resources and strategies to their own unique circumstances.

The Economic Renewal Model of Community Revitalization

The Rocky Mountain Institute's Economic Renewal Program is a promising example of a comprehensive development tool constructed to be "simple in concept, sophisticated in effect, and designed for use by ordinary citizens."[2] Program development has involved years of research and field testing. The Rocky Mountain Institute has demonstrated a long-standing commitment to the design of sustainable development processes, focused on both community and natural resource management. Accordingly, the institute has generated a set of manuals and workbooks created to help communities assess and develop options for local revitalization independent of outside technical support.

The institute's guides focus on a variety of topics, including business opportunities, financing, and energy. They encourage the involvement of community members in a series of workshops, designed to identify factors underlying economic problems, apply program principles to these problems, generate project ideas, and evaluate those ideas. The model proposes four economic renewal principles for developing business in the community:[3]

1. *Plug the leaks*: Focus attention on preventing unnecessary leakage of dollars from the community in the form of goods and services that could be or are produced locally.
2. *Support existing businesses:* Concentrate on this largest potential area of growth by helping local businesses to stay in the community or even expand.
3. *Encourage new enterprises:* Promote establishment of new businesses and help them survive through the early high failure period new firms experience.
4. *Recruit compatible new businesses*: Emphasize selective recruitment of compatible new businesses from outside the area, especially those that would fill an identified need or that would encourage export of goods from the area.

Both extension and economic renewal models have succeeded in challenging participants to think broadly about the options available to them before the real work of community economic development begins. While business development and recruitment are viewed frequently by rural leaders as ends in themselves, these models emphasize that such strategies are only a part of the larger picture (Figure 2.1). By expanding the base upon which even very small communities can build, the University of Wisconsin Extension and Rocky Mountain Institute models have made the outlook for revitalization of rural areas much more promising than it once seemed.

Despite the obvious similarities between the principles of these two programs, their approaches to why, where and how capacity is built are quite distinct. To what end is local revitalization pursued? In the extension model, much attention is focused on economic expansion and growth. Ideas are evaluated in terms of their capacity to capture more income and jobs from the outside economy. The economic renewal model concentrates explicitly on what it calls "sustainable development." Here, improving prosperity and quality of life for local people is the more fundamental goal.

In response to the second question— Where does additional capacity come from?—the extension model emphasizes outside resources, including training and facilitation offered by the Extension Service itself and

Figure 2.1
Community Leadership Innovations: Generating Basic Employment Through Non-Enterprise Activities

Economic base theory portrays the local economy as a leaky bucket into which dollars enter as basic industry, trickle through the community through local trade and economic linkages, and exit through trade leakage (see Chapter 1, Figure 1.11). This theory is especially attractive because it suggests three straight-forward approaches to development: developing new industries, enhancing retail trade, and replacing imported with locally produced goods.

Both the Rocky Mountain Institute and the University of Wisconsin Extension programs encourage leaders to think beyond direct business problems. They maintain that the principles of economic base theory can be applied to stop leakage and increase outside income in a variety of novel ways: for instance, replacing energy expenses with local labor and equipment can generate additional employment and spending in the local community. In another example, assisting local residents to take full advantage of federal programs such as Social Security and Medicaid can substantially increase local incomes and spending.

For more information, see *Energy Casebook* by William D. Browning and L. Hunter Lovins, Rocky Mountain Institute, Snowmass, Colorado, 1989; and *Community Economic Development Strategies* by Glen Pulver, University of Wisconsin Extension, 1989.

others. The idea is to expand the local team by reaching outward; to use outside help effectively. In contrast, the economic renewal model emphasizes using local people in new ways. Here, capacity is built by reaching more deeply into the community.

The third question is closely related to the second: how is capacity built? The principles of the extension model serve as guideposts that local leaders can use as needed to inform their decisions. The emphasis here is on choices that communities face and tools for evaluating them. Presumably, communities make their way to these choices with help from trainers and advisors. The economic renewal model provides a more integrated and self-guiding approach that is in keeping with its lack of dependence on substantial outside training and support. A series of community workshops progresses in steps through a program that considers the various principles methodically. (Chapter 4 presents several tools for community self assessment and strategic planning, and illustrates the differences between them in greater detail.)

State-Level Strategies for Rural Revitalization

How do state-supported economic efforts help a community to help itself? A recent review of economic development strategies in states throughout the Midwest identifies four program types which seem to dominate state-directed efforts aimed at small communities:[4]

1. Recruitment policies designed to encourage investment in the state, usually through direct incentives and subsidies, dominate many states' approaches to economic development.
2. Efforts to increase the growth of small businesses often include services that supply basic management assistance, improve capital availability, or assist in development of new markets.
3. Programs that help communities and groups of people to improve their ability to develop and implement new strategies, enhance leadership, and organize community processes are especially useful for smaller towns.
4. Assistance directed at targeted industries and subsectors, especially those in distressed, traditional industrial sectors, often help in updating product and process.

Examining programs in Iowa, Kansas, Minnesota, Nebraska, North, and South Dakota, the review concluded that, however well-intended, such state-level programs ran up against a variety of barriers that impeded flow of assistance from state government to small communities. Further examination suggests that often these barriers were built into the programs.

Barriers to Assistance

Among Midwestern states, at least, it is apparent that the lion's share of economic development programs benefit larger communities, bypassing smaller places.[5] In cases where smaller towns do participate, program benefits reach communities with a relatively diverse economic base more often than farming communities. Towns dependent upon natural resources, which need assistance most, tend to have less success harnessing program benefits than economically diverse places. Communities must identify their own needs, select intervention programs, and obtain funding through complicated application procedures; and they must work against the flow of state programs oriented to favor greater scale and experience.

Some programs are designed to work best with urban scale. Initiatives most likely to achieve rapid success are most successful in urban places. Cities' larger economies, financial and infrastructure resources, and broad service sectors give them an edge in recruiting companies, as well as modernizing those already present. In addition, state and federal programs often set out criteria that give preference to larger-scale endeavors (more jobs generated, more dollars invested, bigger businesses saved, larger groups served) in a way that puts rural communities at a disadvantage. When small communities do not successfully compete for programs, they are deemed inviable.[6]

Some exclude smaller players outright. State and federal policies may exclude smaller communities or set them at a disadvantage by design. Some finance programs provide a good example. Smaller communities must compete annually for federal Community Development Block Grants (administered by the states), while larger communities get them as a matter of course. Assistance earmarked for a certain project size or purpose often targets activities larger in scale than smaller communities require, or are able to generate by themselves. Some analysts call for triage policies— selectively closing the programs to smaller communities..[7]

Some programs involve competitive processes that favor more diverse settings. Many programs require competitive applications that tend to favor communities with a winning combination of superior ideas, ambitious leaders, and organizational experience. Though many state demonstration programs make efforts to help weaker communities compete, in the final analysis, those that are not well organized are dealt out of the process just as surely as if they were excluded by design.

Many programs require local communities to select the assistance they need. Increasingly, states are making communities responsible for seeking out the programs they wish to utilize. Unless communities are experienced fund seekers, they are likely to miss many opportunities. Exclusion of this sort may be a reaction to the increasing burden passed down from the federal level to the states during the 1980s (Figure 2.2).

Figure 2.2
The Obsolescence Test

State economic development policy in Oregon seems to assume that communities experiencing economic distress will be able to respond on their own and take advantage of the capital and technical assistance made available by the state, . . . that communities that cannot respond on their own should not benefit from these resources. A community's inability to make use of the available capital and technical assistance is taken as an indication that its decline is irreversible. In this view, some of the communities of the other Oregon are obsolete. The test of their obsolescence is their inability to access state economic development programs. And (in this view) they should be allowed to simply fade away.

Small Towns and Communities in the Other Oregon by Michael Hibbard, 1989.

Overcoming the Barriers

How can local leaders shape effective initiatives? Experienced development practitioners have tried to define both best and worst practice in small community capacity building efforts. Opportunities and pitfalls can be identified by all rural community leaders who seek to brighten their communities' economic future. Some of the following suggestions may be helpful.

Consider all the players. If "development" means merely an effort by one entrenched interest group to educate another interest group concerning the rectitude of its wishes, the battle is likely lost from the start. While it is only natural that feelings regarding a particular set of interests may run high, a narrow agenda that excludes major parts of the community is likely to do more damage than good. It is generally far easier to block than to facilitate development activities, as countless frustrated leaders of small towns can testify. In examining the determinates of successful economic development projects, one recent study found local support among the single most important factors. The study concludes, "The more controversy during preliminary stages of the project, the less likely the project will enjoy success regardless of how success is defined."[8]

To survive, smaller communities must learn to look beyond narrow interests; they must show willingness to reconcile a broad range of interests, putting the consolidated efforts of the entire community behind identified development goals.

Rural leaders need to work to gain a clear understanding of which development efforts are likely to find support from the broadest cross section of the community. As one commentator notes, rural "communities that appear best able to act on matters of local concern are graced with a leadership that is skilled in involving a diverse set of actors in local decision making activities, who operate on the basis of democratic principles, and who place the welfare of the total community above the needs of any given special interest." [9] Another policymaker states this more plainly: "Get all the players under the tent." [10]

Arguments between influential citizens can and do kill otherwise viable projects. Missoula Mayor Dan Kemmis illustrates this point eloquently in his book, *Community and the Politics of Place.*[11] Kemmis recounts the experiences of one leader who worked over the course of many months to devise and implement a local development strategy that residents supported. Finally, when it came time for the community to purchase a parcel of land as one step in the plan, progress stopped dead. The mayor of the community, it seems, refused to deal with the owner of the property because of a long-running personal dispute. As Kemmis notes, the inability to persevere in finding a common good often results in solutions that none in the community would choose. For this reason, a growing number of rural policy practitioners are beginning to promote various approaches to mediation as a necessary tool for community development leaders.

Balance implementing specific initiatives with building organizational capacity. Many community development leaders assume incorrectly that the best course of action is clearly evident from the start. They may fear wasting time on systematic efforts to gather information from inside and outside the community. Leaders who fall into this trap often select ambitious goals which have an all-or-nothing quality about them: for instance, to build a railroad, create a resort, or recruit a major plant. Development projects that fix on particular enterprise opportunities often founder, not because their leadership isn't bright or capable, but because they haven't considered a sufficient range of options, or because they fail to act at the right time.[12] The most successful community efforts appear to be those that match ambitious vision with a consistently active organization— a marriage of brains and bootstraps.

Community leaders need, first, to devise a strategy open to ongoing assessment and revision. The priorities of local development efforts should be the product of a deliberative strategy formulation process that identifies strengths and weaknesses affecting development, in light of changing opportunities and threats.[13] This process can take a variety of forms, and is likely to include a series of structured community meetings, as well as research and analysis of economic conditions and the comparative advantages of available strategies.

Second, leaders must sustain development efforts over the long term. Analyst DeWitt John has found that thriving rural communities had economic development efforts that were in every case at least ten years old, and in some cases, many years older than that. The types of businesses accounting for growth in these communities were not exotic new sectors such as biotechnology or electronics, but "plain vanilla" industries such as metals or consumer goods manufacturers. John further notes the

presence of unifying leaders who involve and energize a broad interest group. These individuals seemed to exercise strong influence over the success of local actions (Figure 2.3).[14] His observations are supported by the work of Shorebank Advisory Services, an organization that focuses on sources of community distress (Figure 2.4). The economic revitalization process, Shorebank maintains, "integrates slow, small scale, organic activities with well-planned large-scale projects."[15]

Examining characteristics of high-growth communities in distressed rural areas of the Midwest, ***A Brighter Future for Rural America?*** *looked for clues to rural vitality in (1) the kinds of firms involved (evaluated by size, whether they were recruited or home-grown, the extent of start-ups or expansions, and the type of industrial sector involved); and (2) any contribution of government (the assistance provided to growing firms, the role local leadership played, and whether leaders came from the private or the public sector or both). It should be noted that the study's target variable, economic growth, is only one appropriate goal of local activities. The eight "keys to success" noted here illustrate the characteristics of successful rural enterprise development efforts.*

(1) ***Sustained local development activities.***
In most cases, sustained efforts by local business and political leaders provided concrete assistance to many of the growing firms. Three out of four high-growth communities had an active effort in economic development for well over 10 years, and had invested several years worth of effort before seeing results in jobs and investments.

(2) ***Finance, sites, buildings, and infrastructure.***
No single type of assistance was found to be dominant or singularly effective. Rather, the communities used a full range of tools to help with financing, siting and other efforts to assist in the establishment and growth of business. Public and private service providers alike were praised as effective and eager to help.

(3) ***Recruitment and entrepreneurship.***
Communities balanced both recruitment and business development strategies successfully. Long-established local businesses were a prominent source of growth for most successful counties. Another important job source was what appeared to be a blend of recruitment and enterprise development strategies: the community recruited entrepreneurs or encouraged branch plants to be taken over by entrepreneurs. Most development leaders saw danger and diminishing returns in looking to large recruited firms as cure-all solutions to local economic problems.

(4) ***Manufacturing and services.***
High growth communities relied mainly on basic manufacturing, such as food processing or producing for that region's motor vehicle sector. A few saw significant growth from telecommunications and other services industries, but this was the experience of the minority of communities.

(5) ***Forward-looking firms.***
Though firms that make high-tech products were rare, firms were present that were very advanced in their use of state-of-the-art production techniques, development of new products, and pursuit of new markets.

(6) ***Pro-growth attitude.***
Key people were willing to commit the time, effort, and resources needed to help solve problems for firms. The high growth counties were characteristically capable of mobilizing a wide array of expertise, including public and private sector community leaders in its recruitment efforts. Troubleshooting for existing businesses and helping them overcome difficult hurdles was characteristically seen as an important part of the development effort.

(7) ***Leadership: partnerships and unifying leaders.***
High-growth communities had well-organized networks of leaders that integrated the efforts of economic development professionals, bankers, business owners, real estate professionals, utility company executives, and other local leaders. Unifying leaders often helped keep a common sense of direction, lent energy, and provided consistent commitment to the economic health of the community.

(8) ***Support from outside.***
Leaders in high-growth communities recognized the important role of outside assistance to their success. Among the major sources of help were state agencies providing financial and technical assistance, university and private sector specialists, and Cooperative Extension Service. Assistance came in the form of financial help, training programs, technical assistance to local businesses and leaders, information, and data about local and national conditions.

Figure 2.3
Characteristics of High Growth Areas

A Brighter Future for Rural America? Strategies for Communities and States by DeWitt John, Sandra S. Batie and Kim Norris, 1988.

Figure 2.4
Principles of Effective Community Revitalization

The following were included in Shorebank Advisory Services' 1990 briefing materials as principles "applicable to the reestablishment of healthy neighborhood economies." The firm is the consulting arm of the Shorebank Corporation, which has been instrumental in establishment of bank community development corporations and their application to community development financing in rural and urban areas alike. (The firm has an office in Seattle which serves the Northwest.)

- *Local residents will invest time and money to improve their neighborhood when they are confident about the future.*
- *Carefully underwritten loans to neighborhood residents usually are repaid as scheduled.*
- *Neighborhood development banking is challenging but not inconsistent with profitability.*
- *A permanent community renewal process integrates slow, small scale, organic activities with well planned large scale projects.*
- *Locally based organizations with the capacity to initiate development projects are as critical to a permanent development process as similarly motivated financial intermediaries.*

Shorebank Advisory Services, Shorebank Corporation Briefing Materials.

Figure 2.5
Leadership and Revitalization of Resource Dependent Communities

We found that community-based economic development organizations do not usually focus on natural resource-based strategies. It is often assumed that the 'old' natural resource primary industries — agriculture, forestry, mining, fishing — are part of the rural problem. And, in one sense, they are — rural areas have paid a price for an overdependency on any one aspect of the resource base when changes in global demand or technological change, or resource depletion has radically altered the industry and thereby the rural economy.

Recouple; Natural Resource Strategies for Rural Economic Development by Margaret Thomas et al, 1990.

Avoid the "grab bag" approach. Many business assistance efforts, attempting to serve all firms in their community, shoulder responsibility for a barrage of varied requests. Most can offer only a limited selection of services to client firms, and yet must find ways to assist enterprises vastly different in sector, size, and stage of growth. To extend the reach and specialization of their programs, development organizations are making use of a growing menu of innovations. These include splitting assignments with other local service providers; "retailing" technical services from outside the community; working through "flexible networks" with groups of businesses demonstrating similar needs (especially where there is clear potential for these businesses to help each other); imposing fees for valuable services, so that increased revenue can permit more companies to be served; and targeting specialized services to particular groups.[16]

Address key challenges and opportunities. While development leaders know that growth stimulates revitalization, they must keep in mind that the reverse is also true. A fixation on jobs, especially new jobs, consumes more than its share of attention from many leaders as a single development objective. By defining goals so narrowly, efforts often fail to address other economic issues critical to prosperity, and to quality of life: Such issues include:

- *Leadership and community member cooperation.* In one recent Oregon study, the majority of working families in timber communities expected they would be forced to move from their homes, even though they preferred to stay. Community members in these towns did not believe the efforts of local leaders would help them.[17] Indeed, in some smaller communities, there is no history of interaction between natural resource dependent firms and local development efforts. Consequently, these firms tend to look elsewhere for help. Further, some local leaders may see traditional employers as part of the problem (Figure 2.5).[18]
- *Health care and social services.* An aging population and/or shrinking of the population base is stressing social services in a number of communities. Many rural hospitals have been forced to close or to dramatically reduce their services. Yet technical assistance for hospitals is available in most states of the Northwest, and the assistance has been shown effective in helping small hospitals stop leakage of health care dollars and thus remain financially viable.[19]
- *Poverty.* Even in the states of the Northwest, rates of rural poverty equal and exceed those in urban areas.[20] Observers of this trend nationally have pointed out some disturbing characteristics of rural poverty in the 1980s. First, rural poverty grew by 4 percent and remained high, even as urban fortunes improved. Second, in rural areas, a higher percentage of poor people work, reflecting, in part, a lower-skill, lower-wage occupational structure within many rural economies.[21] Third, state and federal programs have been shown to be less effective at reducing poverty in rural areas.[22] Some of the most prominent rural economic development activities target low-wage industries that may help entrench, not surmount, conditions of poverty.[23]
- *Transfer payment participation.* One reason rural poverty is less responsive to state and federal intervention is that fewer eligible citizens take advantage of existing programs; and many who do participate do not get their full benefits because they don't fully un-

derstand the terms of eligibility. Transfer payments and non-wage income are among the fastest growing income categories. In some communities, these may be a significant source of income growth potential.

- *Education and community development.* The survival of rural communities may depend upon an ability to retain their young people. Yet students often see little opportunity for themselves locally, and subsequently leave upon graduation. Community vitalization efforts can merge the interests of the community and the school, increasing options for young people while enhancing the community's vitality (Figure 2.6).

Use caution in treating the community as a product to be sold. Many development leaders see the community as a "product" in a marketplace in which developers compete for customers in the form of investors and businesses. Communities differentiate themselves from other locations by highlighting unique advantages, such as improved facilities, a skilled work force, or even life style amenities and community spirit.[24] This approach may be useful for communities in a good position to recruit desirable firms. Many distressed resource-based communities, however, are disadvantaged in two ways: (1) their product is less salable, and (2) the sales staff cannot match the resources of larger counterparts.

While urban communities frequently practice "community as product" development strategies, rural leaders face the frustrating realization that they cannot match the competitive capability of larger communities packaging themselves as a location for investments and company relocation.[25] Smaller communities have difficulty matching the incentives available in larger places, such as specialized workforce training, improved industrial space, financing, and professional services.

One category of new industry options open to distressed communities includes difficult-to-locate facilities and relatively low-paying employers. In his book, *Broken Heartland, The Rise of America's Rural Ghetto,* Osha Gray Davidson cautions against the "low cost" attraction pitch as "ensuring the downward mobility of workers and their children."[26] Other analysts, Glen Pulver among them, have suggested that industries offering lower paying jobs, or jobs linked to environmental degradation, may present acceptable opportunities for communities willing to live with these conditions.[27]

On the whole, recruitment as a revitalization strategy must be considered with careful attention to its disadvantages, as well as advantages (Figure 2.7). Rural communities successful in utilizing industrial recruitment have been so because they integrate recruitment as one part of a long-term program for development. Communities using recruitment strategies with most success offered local firms and entrepreneurs the same support available to outside business "prospects," blurring the distinction between recruitment and entrepreneurship strategies.[28]

Evolving State Technical Assistance Programs

Over the last decade, state and federal-level programs have shifted their focus away from recruitment of new businesses toward financial and technical assistance programs aimed at existing enterprises and communities. There are two main reasons. First, small firms make up the great majority of all businesses, and have been responsible for the great

Figure 2.6
Innovations in Capacity Building: Engaging Students in Community Development

Some communities have successfully blended local development efforts with education to involve youth in community leadership in many ways, including:

- ***Investing in the local community.** Public service components may be incorporated into classes. Teachers may be encouraged to consider a score of ideas applicable across the curriculum, from organizing debates in local elections, to gathering oral histories of aged citizens, or organizing and coordinating a recycling center.*
- ***Understanding the local economy.** In one example, students in Belle Fourche, South Dakota, conducted research that proved that having garbage collected by a local firm, though slightly more expensive, saved the government money after local economic multipliers were taken into account. Students may implement surveys, or utilize outside experts to answer questions of real value to the community.*
- ***Fostering entrepreneurship.** Rural school-based enterprise programs are credited with many types of successes. One North Carolina school's entrepreneurship program is intended to be an effective small business incubator. It pairs course work with actual development of businesses that are not expected to be short-term educational exercises. Rather, they are intended to be businesses that will become an on-going part of the community's economic and employment base.*

What's Noteworthy on Rural Schools and Community Development, Mid-Continent Regional Educational Laboratory, Aurora, Colorado.

Schools as Entrepreneurs: Helping Small Towns Survive, Heartland Center for Leadership Development, Lincoln, Nebraska, 1988;

Rural Entrepreneurship through Action Learning (REAL), Pegie Davis or Paul DeLargy, Athens, Georgia.

Figure 2.7
Recruitment's Limited Promise for Smaller Communities

Helping local areas recruit businesses was the cornerstone of state development strategies for years. Enthusiasm for this approach has declined as leaders have recognized the many limitations of recruitment as a sole strategy:

1. *Impact diminishes as states and localities bid one another up, using costly incentives in an effort to "sweeten the pot."*
2. *Success comes hardest for the smaller and more distressed communities that most need new firms.*
3. *Recruitment of major employers (and some smaller ones) carries risks surrounding investment that are difficult to assess.*
4. *Incentives offered by communities are not very powerful economic factors in the siting decision.*
5. *Relatively few firms move or build remote branch plants.*
6. *Larger firms, the target of much of the attention, are not creating but, rather, shedding jobs.*
7. *By concentrating on moving jobs from one place to another, recruitment ignores many alternatives that can create new jobs and improve economic prosperity in other ways.*

bulk of new jobs in recent years. Second, governmental and university programs can track and disseminate some types of information that small enterprises and communities need, but have difficulty getting.

Even as states and universities have to become better partners with rural communities, there continues to be a general lack of information about the nature and availability of assistance services they offer.[29] The information gap persists in spite of the publication of scores of technical assistance directories, the establishment of on-line computer information hubs and business incubators, and the placement in key locations of advisers and business counselors trained to help rural people in the Northwest. Attempts to provide "one stop shopping" for community and enterprise services, despite commendable motivation, have proved uneven and their impact marginal.

An examination of state development policies, presented in the 1990 Northwest Policy Center report, *Forging Sectoral Linkages*, considered the limitations of existing business assistance programs in detail and identified several major areas for improvement. Addressing these is critical if assistance is to operate optimally.[30]

Accessibility. The ability of technical assistance providers to track information means little if they are unable to deliver it effectively. All too frequently delivery efforts are hampered by limited funding. Further, technical assistance has most frequently been offered on a "you call me" basis. Unfortunately, the firms, leaders, and communities that can most benefit from technical assistance are the same ones scrambling to survive; suffering from inadequate information and expertise, they are the least likely candidates to seek assistance on their own behalf.

One alternative approach combines the efforts of specialists and generalists in a joint attack on the problem. The Washington Department of Trade and Economic Development's Forest Products Program is now employing experienced industry specialists as traveling consultants to wood products companies. These consultants identify firms which would benefit from assistance. Oregon has adopted a plan whereby state or local agencies could provide cash vouchers usable for technical assistance services from a wide range of agencies, as well as university and private sector service providers. Some envision a sort of "wholesale-retail" system in which local development leaders and agency generalists concentrate their efforts on linking technical specialists to the people who can best use them.

Outreach. Given limited budgets, most technical assistance providers assume that they will serve relatively few clients. For this same reason, services are much more readily available to those enterprises located close to the home base of the assistance provider. The result is that relatively few firms take advantage of assistance, even in largely rural industries facing substantial distress. In a recent survey of Washington wood products manufacturers, for instance, fewer than five percent had used any of the business or financial assistance services offered by local, state, university, or federal programs.[31]

Some technical assistance providers are able to cover more ground by forming alliances designed specifically to enhance the reach of service providers. The Missoula-based Women's Economic Development Group (WEDGo) is able to bring its enterprise development services to people across a broad area of Montana by allying with local groups in various towns. Local partners vary according to local resources: in one town, the union hall offers space and support, while other communities have

colleges that serve as local hosts. WEDGo provides classes, individual enterprise consulting, and loan guarantees in exchange for periodic office space and program referrals.

Integration. Compounding the effects of low accessibility of services, and lack of awareness on the part of local people of the options available to them, is the complexity of offering services that are useful and feasible for smaller communities. Blending services that have different application standards, funding cycles, reporting or local representation requirements and award sizes may be too much for smaller communities to manage. One community leader lamented, "We could have really used their help, but we couldn't take it on." Many programs may operate on the fair assumption that users should bear some of the burden of their own assistance. But often such requirements selectively weed out those groups that need the assistance most. The end result is that, rather than providing access to information, programs erect obstacles that make cost appear to outweigh benefit.

In an attempt to remedy this problem, Washington's experimental Self Employment Enterprise Development (SEED) Program has linked financial support for would-be entrepreneurs to small business counseling and incubation in a way that has eased program use by local economic entities. Under SEED's supervision, for the first time, unemployment benefits have been used to spur enterprise development; rather than getting jobs, the participants actually create jobs for themselves and others (Figure 2.8).

Some states have established offices to help rural communities coordinate services provided by their various agencies, and to reduce the burden attached to service use. The Kansas Rural Assistance Center, the New York Office of Rural Affairs, and the Washington Community Revitalization Teams are examples: these intermediary offices help ensure that the contribution required of communities who use services makes sense to small communities both in terms of effort and dollars.[32]

Responsiveness. Commitment to innovative local practices by state, university, and federal service providers sometimes falls victim to agencies' predilection for close program control. State agency flexibility is often reduced by reporting requirements and program restrictions imposed by law.

Where possible, states must duplicate the sensitivity to client needs displayed by some local practitioners. For instance, rather than conducting yet another class in export trade development destined for small attendance, the Palouse Economic Development Corporation approached agricultural equipment manufacturers to determine their needs. The outcome was that this Southeast Washington-based EDC helped establish a company—AgriTechnics Inc.—to provide international trade development services to participating companies. Since the nonprofit enterprise is member driven, the organization has a built-in client base committed to using its services.

Accountability. To be truly accountable, a program must be able (1) to target its constituents, (2) to set appropriate goals, and (3) to evaluate program implementation. The experimental nature of many states' economic development efforts has resulted in programs falling short in regard to one or all of these goals. Programs often have no clearly delineated operating mission; or, because each of their major supporters focuses on a different aim, targeting potential recipients is avoided to

Figure 2.8
Innovations in Capacity Building: The Self-Employment Enterprise Development Program Experiment

Judy Johnson, Research Director, Washington State Employment Security Department, Olympia, Washington

A promising experiment-in-progress in welfare delivery is gaining supporters in the rural economic development community. The Self-Employment Enterprise Development Program enables unemployment insurance recipients to do three things impossible under current federal law: 1) get training and education while drawing benefits; 2) after training, receive all remaining benefits in one lump sum; and 3) use those benefits to start a small business. The program is innovative beyond simply giving recipients unusual latitude in using unemployment benefits. For the first time, jobs have actually been created through unemployment benefits, not only for the program participants, but for their employees. Also, the program links financial assistance to training in developing a business plan for a viable enterprise through Small Business Development Centers. Finally, the program employs careful controls so that strengths and weaknesses will ultimately be clearly assessable.

Under the Washington State-administered test program, welfare recipients who have a particular enterprise idea are required to complete a course of training in enterprise planning development and develop a thorough business and financial plan. They may then use the remaining balance of unemployment benefits as seed financing to start the planned venture.

Though final conclusions won't be reached until 1993, the trial program has generated better early results than expected, surprising some erstwhile sceptics in local economic development programs. Says Curt Carlson, of Kennewick, Washington, whose city is host to a demonstration of the program, "I thought when this started, 'There's no win here, no upside.' I was one hundred percent wrong. The program has been a major success."

The production-line norms on which federal unemployment programs were founded over 50 years ago don't match the changing realities of the workplace. Now, more are self-employed, work part-time or in small and decentralized firms. The Department of Labor is testing SEED and several other alternatives in an effort to identify improvements to the program.

maintain the broadest support base. Few state programs are systematically evaluated. An attempt to obtain a precise picture of actual jobs created and dollars invested often produces only speculation: what firms *estimated* they would generate in money and jobs.

Does an equitable share of the benefit of development spending go to communities that need the assistance? Are state strategies designed with the needs of rural areas in mind? Is there a balance between regions served? Are individual programs serving the purpose for which they were created? Methods of monitoring programs-in-progress must be established at their inception to make certain these questions are answered (Figure 2.9).

Figure 2.9
Monitoring State Development Programs

Monitoring the Quality and Outcomes of Economic Development Programs by Blaine Liner, et al., The Urban Institute, Washington, DC, September 1989.

Twelve characteristics and criteria for monitoring state economic development programs, developed by the Urban Institute from an analysis of states' practices, supplemented by focus group discussions:

1. *The performance monitoring system should focus on service outcomes and quality.*
2. *The performance monitoring system should focus on helping program managers improve their operations.*
3. *The procedures should provide frequent and timely performance information.*
4. *The performance monitoring procedures for individual programs should focus on the outcomes accruing to clients of program services (businesses and communities).*
5. *Multiple performance indicators are needed to assess service quality and outcomes.*
6. *Non-traditional data sources, such as client surveys and unemployment insurance data, are needed and should be used to help assess service quality and outcomes.*
7. *Performance indicators should include both "intermediate" and "end" outcomes.*
8. *The procedures should include indicators that attempt to show the extent of the contribution of state assistance to the outcome(s) reported by clients.*
9. *The system should provide breakouts that array service quality and outcome indicators by client characteristics.*
10. *The system should provide comparisons of performance for previous years, for target levels, and across categories or clients.*
11. *The system should include explanatory factors as well as performance data; in order to enhance understanding and reduce misinterpretation and misuse of performance data, clarifying and explanatory statements should included.*
12. *The data collection and management procedures should be designed to be as inexpensive as possible and to keep demands on time and personnel for operating the system at minimum levels.*

The Next Step: "Third Wave" Strategies for Economic Development

Many states (and to some extent, universities and the federal government) are reshaping their technical assistance programs to address limitations in accessibility, reach, integration, responsiveness, and accountability. These new efforts have been dubbed the "third wave" of economic development by the Corporation for Enterprise Development.[33] Third wave approaches are best characterized by their attention to several issues: (1) strategic targeting of resources, (2) better linking of economic development efforts to basic human and community needs, (3) improvement of public-private partnerships, and (4) provision of services to groups of businesses with similar interests.[34]

These principles have powerful implications for local development leadership. Accountability standards involving specific goals and outcomes, as well as objective evaluation methods, are emerging. Rather than offering essentially the same assistance to people with vastly different needs, specialized services can be directed at groups and communities with similar, specialized needs. Appropriate costs, be they fees or "homework" requirements, can help to replace other implicit costs of using assistance. Such costs introduce "gatekeeper" mechanisms, ensuring that services are utilized not simply because they are free, but because they represent an appropriate match between the service and the user.

To help assistance providers address related problems in a coordinated way, third wave strategies emphasize both horizontal and vertical approaches to service integration. *Horizontal arrangements* attempt to create a regular progression of services, increasing the impact of the individual programs as they better link objectives of individual, community, and enterprise development efforts. For instance, new business formation efforts may pair financial assistance with services that offer incubation and counseling. For established firms, management consulting in areas such as accounting, personnel, or inventory management may be linked to programs that advance their competitive position by building new markets or developing products. Technically advanced services, such as assistance with process engineering, can be integrated with worker training assistance to ensure that worker capacities progress in step with technology.

Further strategies aimed at coordination and consideration of efforts stress *vertically integrated arrangements*. These attempt to increase the power of services by emphasizing ties between levels of related services—civic, non-profit, private, university, state, and federal—that have tended to address similar problems independently. Development leaders can expand the reach and impact of services by forming partnerships, and attempting to serve groups or networks of businesses, rather than focusing on individual companies. Examples at the local level include creation of service networks to coordinate public and private sector service professionals, user clusters that enable focus on the specialized needs of industrial sector or stage-of-business groups, and regional affiliations that leverage the capacity of local development groups to pursue highly specialized strategies. To facilitate the match between firms and technical specialists, local leaders may ally with state and university programs, providing improved channels of delivery modeled after private sector arrangements, such as retail, branch office, or affiliate arrangements. Requiring users to pay for services extends already existing financial resources, which further expands service outreach.

As states formulate efforts to improve the effectiveness of their assistance programs, some of the responses will create new opportunities for local development leaders and their communities. Unfortunately, at present there is little hint of an attempt to provide new, well-funded programs at either the state or federal level. Rather, states are concentrating on finding ways to achieve greater productivity on the part of programs already in effect. Rural communities may find, therefore, that some of their best opportunities for enhancing local vitality lie in increasing utilization of specialized programs already in place. To make the best use of these programs, many local development efforts integrate public and private efforts to weave a complex fabric of basic services fundamental to a successful service network. Increasingly, small community development involves groups of people sharing similar economic problems to craft the services they will use. These groups may organize regionally to enable greater specialization of their efforts. And, once a solid base is established, these communities may begin to concentrate on targeted, strategically critical opportunities.

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3

Resources for Community Leaders in the Northwest

The decades-running decline of economic vitality in rural, mainly agriculture dependent areas of the United States has led some to observe that direct services have created a dependency in rural places discouraging to revitalization. Osha Gray Davidson's book, *Broken Heartland: The Rise of America's Rural Ghetto*, argues this case; concluding that governmental financial and technical assistance programs may have perverse local effects on rural places, particularly in the way they help communities respond to a dramatic economic shock, such as the loss of a major employer or long-term decline of the traditional economic base.[1]

It is hardly necessary to agree that direct services create a damaging dependency, however, in order to conclude that governments can and must do their work more effectively. In *Reinventing Government*, David Osborne argues that a transformation is underway in how governments solve problems.[2] At their best, governments are learning to steer instead of row; catalyzing solutions that reach beyond the narrow world of the agencies. One way they are working this transformation is by seeking community ownership of services to replace the rigid control of services by government agencies. Not only may community-devised services be cheaper than their centralized alternatives, communities tend to understand their own problems better, bring a problem solving orientation to their tasks, demonstrate greater flexibility and creativity, and focus on local capacities rather than local deficiencies. What we need, says Osborne, is to encourage a transition from governments providing services to governments providing empowerment. Innovative practices identified for making entrepreneurial government work include public-private, quasi-public or private corporations, and rewards, or "bounties," delivered when measurable progress is made on public goals. This view of community empowerment and participatory democracy is not new. In fact, it is not far from Jefferson's original vision for America.

The problems of improving government services are especially apparent in rural places. The previous chapter demonstrated in some detail that many types of development assistance either don't reach rural communities in the first place, or don't work as well there as in more urbanized areas. There is a growing perception that, when localities are made partners in shaping programs, the services and service channels they create can be both more accessible and more effective. This chapter concentrates on capacity building programs that serve community-driven local and sub-state regional development groups.

Capacity Building in Small Communities: A Brief Review

Capacity building programs aim not to do for communities, but to equip them with skills, ideas, and experience, and improve their ability to find and manage the resources they need in order to do for themselves. Beth Walter Honadle defines the general term "management capacity" in terms of a cycle of strategic decision making.[3] The organization (community or regional development groups, in this case) must engage in a

sequence of related activities to: (1) anticipate change, (2) make informed decisions about policy, (3) develop programs to implement these policies, (4) attract and absorb resources, (5) manage these resources, and (6) evaluate policy and program performance to guide future decisions.

Honadle points out that, "knowing what capacity is and knowing how to build it are separate, but related, issues."[4] Capacity building requires not only that organizations be able to execute specific management tasks, but also that they integrate these tasks into a working whole. The most successful capacity building programs share many of the following characteristics:

- *Trust.* The recipients develop confidence in, and good rapport with, the provider.
- *Funding from a variety of sources.* By distributing the costs widely among various community groups and state programs, a variety of parties gain a stake in making capacity building efforts work. There are practical reasons for this as well. Many smaller communities do not have the resources to afford to undertake tasks alone.
- *Rewards.* As changes are implemented, measurable progress is rewarded. These rewards may come in the form of staffing support, direct financing needed to undertake or continue promising activities, free grant evaluation "points," and enhanced information about and access to new opportunities.
- *Involvement of local officials.* "One lesson learned from a variety of programs," writes Honadle," is that a capacity building program cannot succeed without the commitment of top-level local officials. It is also not likely to serve local purposes without it."
- *Appropriate assistance.* The assistance is not a standardized "management plan," but customized according to the size of place and group, existing capacities and structures, and the types of threats and opportunities that are faced.
- *Risk alleviation.* The idea that new, unproven steps should be taken may meet local resistance because previous efforts have failed to meet expectations. One common technique of risk alleviation is to undertake demonstrations of limited scale or time duration. This can establish a track record that helps determine whether or not a given initiative is worthy of a fuller commitment of time and resources.
- *Use of established resources.* Rather than discard existing structures within the community in order to build new ones, most successful capacity building efforts examine and work with what is in place, helping create new structures only when they are truly necessary.[5]

How the Chapter Works

This chapter selectively reviews several prominent programs available to local leaders in small towns of the Northwest states. The resources have been organized in terms of five major activities:

- Federally chartered regional development entities
- State organized capacity building services

- Telecommunications resources (Networks and other electronic links between community leaders and providers of information and technical support)
- Information resources (Sources that aid in gathering, interpreting, and presenting information to advance local decision making)
- Directories and catalogs (Printed catalogs, listings, and compilations of business and economic development assistance providers)

The first and second sections concentrate on federal and state approaches directly related to community management capacity. While there are exceptions in both cases, state and federal programs have taken different approaches to building local development capacity. Federal programs have concentrated more on establishing and staffing field organizations that help local leaders find and use established programs. Most state capacity building programs concentrate on particular management processes, serving community-based organizations with a customized mix of technical and financial services. There are great variations from program to program and place to place, however.

Two topics, telecommunications and data and information, are highlighted in the third and fourth sections. The tools and technologies involved in both these areas have gotten substantially better recently. In addition, relatively few communities (large or small) can use them without some help. Still, they are only two from many types of technical resources that can be better used by local leaders.

This review concentrates on capacity building rather than on programs that provide funds or services directly to businesses or individuals. Also excluded are all financing programs whose funding is not specifically intended to foster strategic decision making by community groups. Many thorough catalogs and guidebooks exist describing direct state, federal development services to businesses. An annotated review of some of these guides is presented in the last section of the chapter.

Each of the sections begins with a description of the main objectives and activities of the efforts that follow. The program reviews themselves are descriptive and evaluative. While the programs are not rated or judged here, the reviews do include information intended to help readers draw useful comparisons across state and agency lines.

Federal Regional Development Organizations

Three trends—changing business location criteria, the pursuit of a high quality of life, and the revolution in telecommunications—have area-wide consequences that suggest a new approach to rural development. This approach hinges on the tenet that the economic forces that have brought cities into being and kept them vital are the same forces that must now be channelled to transform rural areas. Any effective effort at rural economic change in the nineties must be multi-county, even regional in approach.

Graham Toft, in "Rurban Development: Radical Perspectives on a Perennial Problem," *The Entrepreneurial Economy Review.*, January/February 1990.

One way communities can increase their ability to engage in diverse and specialized development efforts is by working together as regions. Numerous rural revitalization strategists—including Graham Toft, of the Indiana Economic Development Council; John Niles, President of Global Telematics in Seattle; Tom Stinson, a Minnesota economist and development analyst; and Jim Seroka, an analyst of community development practice—have described a vision of people in small towns cooperating, where it is to their common advantage, on economic revitalization efforts.[6] Cooperative Extension Services and other programs of the USDA have channeled more resources to fostering collaboration among rural communities and developing rural-urban economic linkages.[7]

Regional entities for economic revitalization are not new. Many state and federal services have long been delivered regionally. Examples of such federally organized services include: Economic Development Districts, Resource Conservation and Development Areas, and the Cooperative Extension Service. Specially focused state programs exist as well. Alaska's Regional Development Organizations, Oregon's Regional Strategies Program, and Washington's Associate Development Organizations are regional efforts principally managed by the states.

Regional entities have been established and sustained because they deliver expertise more efficiently to less populated areas, and help create local leadership networks that can share ideas, and obtain peer support. Regions can also enhance representation; by banding together to utilize programs more effectively, individual communities gain the power of numbers needed to influence distant program and funding decisions.

What is new—at least enough for Graham Toft to label it "radical"—is the use of the regional or multi-community entity as a revitalization strategy in its own right. Regional and multi-community efforts can enable activities that are not otherwise practical. Where it is to their advantage, community members can achieve some kinds of scale and specialization usually associated with cities. They can, for example, create tourism "corridors," or establish new telecommunications and computing networks. They can take advantage of new financial tools, or generate demand needed for sector-specific production and marketing services. In these and other examples, regional organizations go well beyond matters of efficiency and representation, they increase the range of what is possible.

The following pages review three types of federally sponsored regional programs: planning districts sponsored by the Economic Development Administration; the Cooperative Extension Service; and Resource Conservation and Development Areas of the Soil Conservation Service. While all of these are regional in the nature of the service they provide, in none of them are current federal program guidelines geared specifically to fostering regional revitalization initiatives. For each, however, there are instances in the Northwest states where the entities have played a powerful role in building development capacity on a regional as well as local scale.

Figure 3.1
How Federal Programs Build Capacity

Economic Development Administration Districts

- *Financial and business development assistance for economically distressed areas*
- *Economic development planning grants*
- *Access to financing programs for business development*
- *Access to financing programs for community infrastructure*
- *Support for community human services (ie: worker training, aging)*
- *Small business counseling and technical assistance*

The Cooperative Extension Service

- *Programs in agriculture, family, youth, and community development*
- *Specialized workshops, classes, publications*
- *Demonstrations of innovative practices*
- *Intensive project assistance on selected issues*
- *Facilitation and organizational development services*
- *Access to national libraries for applied topics and federal assistance*
- *Access to university research and technology transfer services*

Resource Conservation and Development Areas

- *Management, and administrative support for interjurisdictional projects*
- *Organization of regional initiatives*
- *Conservation of natural, human, community resources*
- *Community and natural resources development projects*
- *Technical assistance in natural resource management*
- *Tracking and coordination of financial and technical assistance providers*

The Economic Development Administration's Economic Development Districts

Targeting. *Economic Development Districts are upward looking; they enable local leaders to call on federal resources more effectively. In more sparsely populated areas, where few economic development organizations are well established, the districts can greatly enhance the effect of additional resources committed by state or local governments.*

Achieving Scale. *EDDs commonly host other government economic development programs, such as SBA Certified Development Corporations, the Job Training Partnership program, Small Business Development Corporations, and federally supported revolving loan funds. Some also administer other regional efforts such as Councils of Government or Resource Conservation and Development Areas.*

Costs and Requirements. *EDDs receive federal planning grants averaging $50,000 to $60,000 per year. In turn, the districts are required to maintain an executive board that represents local governments along with minority, and unemployed or underemployed groups. They must file and maintain an Overall Economic Development Plan for the region, and are expected to provide assistance to citizens in using Economic Development Administration programs.*

Programs of the Economic Development Administration encourage job creation and economic diversification in distressed areas. EDA makes available funds for public infrastructure and facilities, grants for planning economic development efforts, and business development loans. Unlike federal programs that distribute funds to all on the basis of a formula, EDA programs are competitive. To be successful, applicants must demonstrate both economic distress as well as good ideas and the capacity to implement them.

EDA programs are directly accessible to businesses and communities through agency representatives located in each state. Often, however, the EDA works through local service delivery agents in the form of multi-county regional offices. Economic Development Districts (EDDs), usually get their start with EDA planning grants. The districts created through such grants often become important players in local economic development.

Districts are chartered under the EDA 302(b) planning grant program. Grantees of this program are required to identify and assess their needs regularly, and to prioritize them in a basic strategy document: the Overall Economic Development Plan. In carrying out this plan, EDDs often become key channels through which community leaders and individual businesses identify and use many types of federal services available to support economic development. In this sense, the regional offices frequently act as service delivery hubs for federal programs.

Economic Development Districts are directed by a board of local leaders made up of representatives from local units of government, the private sector, minority, and groups representing the unemployed or underemployed. Since the districts respond to needs identified by their boards, their activities vary considerably from place to place, and the programs have developed different niches in the Northwest states. Common efforts include management of revolving loan funds, formation of business incubators, and helping to find and administer grants for infrastructure improvements. Some EDDs host worker-training councils, facilitate the volunteer community services provided by retired executives, or provide technical assistance in management of Community Development Block Grant, and other programs.

In Idaho, EDDs are the oldest and best-established economic development entities in the state and have taken on a comprehensive, coordinating role, making many types of economic development services accessible to businesses and community leaders throughout the state. The districts are also widely used in Oregon. In both states, the EDDs have carved out a position as providers of basic business development services, and as local administrators of many federal programs supporting business finance, planning assistance, job training, and services to the aging.

Seven EDA Districts in Washington serve a third of the state's counties. Another regional program—the Associate Development Organizations sponsored by the state Department of Trade and Economic Development—leaves for most EDDs a less prominent, more specialized role in financing, public planning, or business recruitment. Four of the districts, located in more rural areas of the state, were designated as

Associate Development Organizations. This formal designation as service delivery agents for both state and federal economic development programs is surprisingly rare.

EDDs are less widespread in Montana and Alaska. In Alaska, the EDA has worked with the state to create a hybrid of the EDD district structure in the form of the Alaska Regional Development Organizations (ARDORs). Montana has one EDD and several other smaller planning areas, including Native American reservations. While these planning areas cover only a small portion of the state's total territory, they seem to play a vital role where they exist.

Total EDA spending is not demonstrably more or less substantial in the states that make greater use of the District system, but it may be more widely distributed (Figure 3.2).

Figure 3.2
Economic Development Administration

	Obligated in 1990 (in thousands)				
	Alaska	*Idaho*	*Montana*	*Oregon*	*Washington*
Public Works	*$2,800*	*$700*	*$430*	*$1,993*	*$2,432*
Planning Grants	*603*	*484*	*310*	*696*	*885*
Economic Adjustment	*300*	*0*	*840*	*1,752*	*0*
Technical Assistance	*0*	*50*	*115*	*127*	*66*
Total 1990	*$3,703*	*$1,234*	*$1,695*	*$4,568*	*$3,383*
Cumulative					
1966 - 1989	*$146,024*	*$124,849*	*$111,744*	*$184,491*	*$238,580*

Economic Development Administration, 1990 Annual Report, U.S. Department of Commerce.

Services and Facilities

Economic Development Representatives headquartered in each state are excellent sources of information about EDA sponsored public works, planning, and economic adjustment grants, which are the three major programs of the agency. Representatives can help local development leaders access technical assistance and other sources of help offered by the federal government. Regional development groups must demonstrate economic distress to qualify for grants. Designation as an Economic Development District is seldom removed once given, however, and the organizations remain free to pursue priorities they identify for themselves and their service region. Grant recipients commonly support local economic development in rural areas through the following types of activities:

- *Economic analysis and community strategic planning assistance.* The district organizations track economic information and provide assistance in interpreting it. They often work with communities to develop strategies and action plans to improve their economies.

- *Small business lending and development assistance.* Districts tap the range of public and private resources to facilitate loan packaging, drawing upon federal programs administered by the Economic Development Administration and SBA 504 and 507(a) funds. Between 1975 and 1990, the EDA capitalized 465 revolving loan funds, many of them through regional groups participating in the EDD program.
- *Public finance assistance.* Districts assist local governments in identifying, seeking, and securing grants and loans for needed public works, from such sources as the Community Development Block Grant program.
- *Job training and small business counseling services.* District offices often coordinate federal, state and sub-regional services. Services to the aging, programs under the Job Training Partnership Act, and the Small Business Development Centers are common examples.
- *Special projects.* The best districts provide the organizational thrust needed to enable small communities to take on larger projects than individual communities can manage alone. In this way, they advance key economic development goals of communities in their districts.

The View from the Northwest States

Alaska

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Currently, Alaska has one Economic Development District, which serves the Kenai Peninsula. The EDA has helped the state create a variation on the district system in the form of the Alaska Regional Development Organization (ARDOR). In essence, the program tailors the district system so that it can be implemented by the relatively large number of regional groups already established in the state, such as borough governments, and Native Corporations.

EDA also provides technical assistance directly to civic leaders, to help them identify and apply for federal programs that can advance their goals.

Idaho

Idaho is the only Northwest state that has Economic Development Districts in every corner of the state. The emphasis of these entities on small business assistance appears stronger than in most states. Many district offices are home to Small Business Development Centers and small business incubators, provide small business financing through Community Development Corporations, and host Private Industry Councils (the local administrative arm of the Joint Training Partnership Act program for worker training).

As the first and best-established economic development entities in the state, the Districts commonly work with state programs, colleges, and local development groups to plan and implement new ideas. This makes them a primary regional support entity for community leaders who would launch ambitious business revitalization efforts of their own. The recently established Sandpoint Business Incubator provides a good case in point. The incubator facility itself is owned by the city's Economic Development Corporation and managed by a local business development group. Staff of the Panhandle Area Council provide counseling to businesses in the incubator and manage its professional services.

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Montana

Montana has one certified EDD, the Bearpaw Development Corporation. Bearpaw does not share territory with other regional service providers, and the communities within it rarely have standing programs of their own for economic development. Hence, it provides much of the organizational base for economic and community development of the small municipalities within its region of North-Central Montana.

Bearpaw offers technical assistance on housing and community development matters; aides in seeking and applying for federal funding and for public works, housing, and business finance; helps in packaging enterprise financing; and acts as a link between federal and local programs. The organization helps small communities and Native American groups to undertake economic development projects they could not alone complete. Among its successes, the corporation lists the transition to employee ownership of a major manufacturing concern; community economic and strategic assessment assistance; aid in the establishment, at Northern Montana College, of specialized equipment testing services; and assistance in pursuing federal development grants for economic and housing development.

Resource Conservation and Development Areas are the state's most widely used regional institution for local development. At least one of these areas, the Headwaters RC&D located in Butte, has applied for, and is expected to receive, certification as under the EDA District program.

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Oregon's Economic Development Districts serve two-thirds of the state's counties. Many of the eight districts support economic assessment and strategic planning capacities of local government, and offer economic analysis and business development activities. In addition, the several district offices host Private Industry Councils under the Job Training Partnership Act, programs for the aging, and SBA 504 Certified Development Companies.

Of the several types of regional organizations in place in the state, the EDA districts cooperate most closely with those focused onthe business side of the economic development equation (ie: recruitment, finance, counseling, and retention). Councils of Government, formed to stimulate cooperation among units of government, are remarkably strong in the state, and preceded the widespread formation of the District system. (Except for two EDA Districts working across state lines, all the districts are also Councils of Government; not all COGs are Districts.) The Districts also are well connected with the state's Small Business Development Center Network, whose offices are in community colleges throughout the state. The involvement of the EDDs with the State's Regional Strategies Program, the Extension Service, and other groups offering leadership development and services to targeted sectors is less evident.

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Washington's six Economic Development Districts serve twelve of the state's thirty-nine counties. Here, the state's own regional structure, embodied in Team Washington and the Associate Development Organizations (ADOs), has much to do with the particular role played by the Districts. ADOs, which cover the entire state, have become the state's most prominent organizations for regional service delivery. Four of the EDA districts, including the more sparsely populated areas of the state, merge the roles of ADO and EDD. These play a relatively comprehensive role in making community and economic development assistance accessible to business and community leaders. Other EDDs that are not ADOs appear to have more specialized functions, such as public works planning, small business counseling, or industrial recruitment, that they provide in close coordination with the ADOs. One of the Districts, the KiYak EDD, plays a different sort of dual role—as Resource Conservation and Development Area—that gives its services additional focus on natural resource development and conservation measures.

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Figure 3.3
EDA Districts in the Northwest States

Community Resource Development Programs of the Cooperative Extension Service

Targeting. *Federal, state and county Extension offices make program decisions independently. The result is that Extension's programs in an area can be either intensively focused or very diverse, depending on the match between federal, state, and county decisions. Increasingly, the programs target issues of key importance and have tougher, outcome-based standards for their successes*

Achieving Scale. *Extension programs traditionally deliver workshops and demonstrations, printed information, and consultations to a large number of people. Where issues are targeted the Extension team devoted to a targeted project may include Extension specialists with detailed subject knowledge, sub-state area specialists, county staff, local representatives, non-Extension public service institutions, and staff of related agencies.*

Costs and requirements. *Extension services are primarily educational and free to users on a "voluntary" basis. User criteria and prequalification steps are rare. As a result the burden of action is wholly on the user. The Extension Service informs and facilitates activities, but rarely instigates them or carries them forward.*

The Cooperative Extension Service is the educational arm of the U.S. Department of Agriculture, the primary public service unit of the land-grant universities, and a part of county government. Extension offices operate relatively independently at the federal. state and county levels, relying on cooperation between units to assist people who are not enrolled in the universities. The assistance provided is most often educational. Its most visible efforts have traditionally been reflected in three programs: agricultural production, home economics, and 4-H and youth activities.

Over the 78-year life of the program, leaders at the federal, state, and county levels have balanced sometimes conflicting dual goals. One is to be client-focused—to bring the benefits of university research and education to farms and farm families. The other is to be issue-flexible—to respond to the educational needs of users, wherever or whomever they may be.

As agrarian economies have changed over time, this flexible focus has spawned a fourth program area—community resource development. Services have been established that reach well beyond the farm household to serve the community and business base as well. New services have emphasized production and marketing of non-agricultural goods, small business development, community decision making, dispute resolution, enterprise development, historic preservation, and economic and social analysis.

Community resource development (CRD) programs include all Cooperative Extension efforts that require group or community decisions or actions, or that deal with business matters not directly related to the production of food and fiber. Unlike agriculture, family, and youth services programs, no predominant model for staffing or operation exists among CRD programs. Given the diversity of services that fall under this category, it comes as no surprise that the systems operate differently. Such states as Wisconsin, Iowa, and Missouri, have extensive and well integrated community development programs.

Wisconsin's CRD effort began in 1961 with a charge to maintain Extension's strong work in agriculture while bringing about a more comprehensive program for the state's rural people. By 1988, 57 county offices (80 percent of the total) had community resource development agents on staff, backed by eight regional business specialists and thirty-eight full-time, university-based specialists. University Extension staff specialties include recreation and tourism, economic development, small business, rural leadership, local government, water resources, waste management, and environmental education. A community economic analysis program has been established in the last decade, and has been taken as the model for similar efforts in several other states.[8]

Among the Northwest states, only Washington's CRD program approaches the size and diversity of Wisconsin's program, and even in Washington this represents mainly a commitment to community services at the state program level. In none of the Northwest states are county-level staff dedicated to CRD programming found as commonly as they are in Wisconsin. While some counties are very active in community development, more typically, county agents with other core specialties devote a portion of their time to CRD programming, or several counties will operate a CRD program collectively.

New Trends

Within Extension CRD programs today, three trends are apparent. First, issues programming, is displacing the more traditional disciplinary programming in many state programs. *Disciplinary programming* makes staffing and facility investments conform to traditional program areas, resources, and client bases (e.g., farms, farm families, and rural youth). *Issues programming* emphasizes matters of wide public concern based on their fit with Extension's broader mission, its capacity to help, and its potential to complement the efforts of other organizations. Once key problems are identified, issues programming shapes available tools, delivery methods, and resources to provide the needed aid.[9]

One important implication of issues programming is that traditional measures of effectiveness are replaced with measures that are outcome sensitive. Rather than counting workshops, publications, and training services provided, new efforts track such indicators as the number of communities implementing a strategic plan (e.g., community leadership), or the number of youth-at-risk (e.g., teenage pregnancies). Today, Extension leaders are being encouraged by cooperating agencies at the federal level to think in terms of base and issues programs, and to allocate staff between them.

But, it is well to remember, the relationship is cooperative: Extension System offices make many of their own program decisions independently at the state and county levels. Since these offices are not required to implement federal policies, the federal offices must rely largely on persuasion and the quality of their own supporting materials to shape the look of the national system. A shift to issues programming remains to be seen in many state and local offices.

Among the Northwest states, Alaska, Oregon, and Washington Extension Systems are pursuing issues programming most aggressively. In the process, program managers are assembling multidisciplinary teams that integrate the skills of community development specialists into the fabric of well-established programs concerning farm, family, and youth. For instance, on-farm business diversification and value added projects, meeting facilitation and conflict resolution services, and planning assistance for public facilities may all be seen as community services within the Extension's other program areas. Also, partnerships with colleges and state agencies outside of the Extension system are becoming a more common ingredient of CRD programs.

A second trend is the rise of regionalism as a development technique. Regional specialists, or area agents, shared by several counties are adding specialized capacity to county programs in every state. Their use responds to another reality: many local problems have regional solutions. Program topics that accentuate connections and commonalities between communities are receiving new attention. Programs are recognizing and building upon rural-urban links, to enhance the local benefits rural communities get from their economic ties to nearby metropolitan areas.[10] Multi-community strategic alliances are also seen as promising. A recent edition of the North Central Rural Development Center's *Rural Development News* was devoted entirely to reporting on multi-community collaboration as

a way to expand capacity, attract public and private investment, and undertake activities that community groups cannot achieve individually.[11]

Third, funding sources are shifting. In recent years, general support from the federal government has gradually declined. Where it has expanded, new federal funds are predominantly earmarked for project-specific purposes. As a consequence, states have become an increasingly significant source of general support for Extension programming (Figure 3.4).

Figure 3.4
Northwest States' Extension Budget Sources and Community Resource Development Staff, 1991

As reported by Extension administrative staff in each of the states.

	*Alaska**	*Idaho*	*Montana*	*Oregon*	*Washington*
Federal	27%	26%	32%	16%	19%
State	73%	57%	31%	48%	47%
County	0%	16%	30%	17%	25%
Other	0%	1%	7%	19%	9%
Total Budget	$3,900,000	$11,156,492	$9,780,000	$29,042,000	$23,038,478
State CRD Specialists	4.2	1	1	6	26

**It is difficult to compare Alaska's funding sources and staffing figures to other states, since its borough system is not comparable to the county level of government. Here, the state assumes responsibility for funding and program administration of the thirteen regional offices. The staffing figures given reflect Extension staff dedicated to CRD in both the state and regional offices.*

Services and Facilities

Cooperative Extension Services are primarily educational and facilitative in nature. Extension often plays four roles in advancing particular community development issues:[12]

- Providing perspective on the issues
- Increasing the knowledge base for decisions
- Developing the skills necessary to achieve selected goals
- Helping to shape the formal and informal decision making institutions

Specialized services often reach individuals and community groups in the form of workshops or seminars, individual counseling and consultations, newsletters, and printed materials. State specialists also serve communities indirectly, through training given to county agents. Some CRD specialists use demonstrations to teach innovations in practice and technology; but, though the method of learning-by-doing is time honored in more traditional Extension activities, remarkably few seem to apply this tool in the newer area of community resource development. Programs offered by Extension CRD vary considerably from state to state and county to county. They include:[13]

- *Economic and social analysis.* Studies of the local area may chart changing business, income, poverty, and other economic and demographic characteristics.
- *Business management.* Small business training and counseling may be provided directly to enterprises that are forming or expanding. Specialists may concentrate on a particular area, such as food or wood processing, home-based business formation, tourism, or land-use conflict resolution.
- *Business retention and expansion.* Assistance may concentrate on helping communities set up and run programs that improve the local business climate. This often entails development of support networks involving local businesses, government, and non-profit leaders.
- *Community surveys, strategic, and public facilities planning.* Local agents and specialists may provide examples and support needed to devise local surveys, analyze them, and present them to the community. Some survey specialists concentrate on community strategic planning, assessing local needs and facilitating development of local economic development activities. Others give special attention to helping businesses assess their options and develop business plans.
- *Market studies.* Specialists may provide contacts and expertise needed to assess regional or national markets for a particular good or service. Many offer help in analyzing local trade areas or assessing distant markets.
- *Downtown appearance and historic preservation.* Agents and specialists may conduct workshops and make available materials to help improve Main Street through clean-up and restoration. They may also help identify programs and processes for the preservation of buildings and other features of historical value.
- *Worker training and employment.* Workshops and individual counseling may be available to assist both individuals and employers in training and job placement.

Western Rural Development Center

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The Western Rural Development Center advances public policy education and leadership on community resource development topics in 13 Western states and three Pacific island territories. Work of the Center is loosely structured around three issues: (1) community economics, (2) local government and organizational development, and (3) natural resources. The total 1992 budget of $280,000 comes mainly from two federal sources: the Extension Service, and the USDA Cooperative Research Program. The contribution of participating states is in the form of professional staff time donated to directing the Center, conducting research, and developing products for region-wide use. In turn, state and county Extension offices are the primary users of the Center's programs and materials. Examples of products include such publications as: *Getting Down to Business, Hard Times - Communities in Transition,* and *Coping With Growth.* The Center is one of four such regional CRD programs around the country established by USDA in 1971. Others are located in the South, Midwest, and Northeast.

Alaska

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Because Alaska's borough system is not comparable to the county level of government (which normally controls about two-thirds of Extension funding resources), the cooperative relationship between state and local Extension efforts is unlike that found in most other states. The state's thirteen regional offices are governed by state regulators. One result is that relatively more staff time is formally designated to community assistance activities than in many states. There are five full-time community development professionals from the state's total complement of thirty professional staff.

Alaska is one of two Northwest states (with Washington) whose current workplan reflects a distinct shift to issues programming. The program is encouraging partnerships with non-Extension groups needed to provide intensive focus on targeted activities, and programming that highlights the intersection of community and natural resource development with other agriculture, family, and youth activities. One recent instance is a youth-oriented fisheries enhancement initiative, which is being conducted in partnership with the state Fish and Game Department, village leaders, and a native chiefs in the state. Issue areas designated in the 1992-1996 plan include strategic planning, energy conservation, and tourism development.

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Idaho's state Community Resource Development program supports two half-time Extension professionals with expertise in rural sociology and agricultural economics. The small staff routinely works in concert with other Extension, state, and local efforts on a wide variety of activities. For instance, CRD staff have assisted community-level economic analyses for communities involved in the state's Gem Communities program. A series of home-based business workshops has been offered that has helped rural people establish micro-enterprises, achieving notable success among rural-based child and geriatric day care services, and food products firms. Telecommunications satellite downlinks in 16 of the 42 county offices provide a resource that is being used increasingly to offer Extension workshops originating in locations around the state and nation to many rural locations.

Montana

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Though it has only one state CRD professional, Montana's CRD program has been touted as among the most active small programs in the country.[14] There are several clues to the program's apparent success in delivering a wide variety of basic community development programs. For one thing, the amount of time devoted by county agents to community development is relatively high. This staffing commitment enables presentation of several workshop series, including one for new and forming small businesses; and another for community economic development leaders. Through the Western Rural Development Center, Montana has collaborated with other state programs in devising new community development tools, and in actively applying them in communities around the state. Initiatives include programs for business expansion and retention, attracting retirees to rural communities, and enhancing cross-cultural communication program in tribal groups.

The Montana CRD effort also finds partners within the state. Among the many collaborative activities is the creation of the Montana Economic Development Coalition, formed by several state, federal, and private sector partners. Finally, CRD applies to community development a time-honored technique used by Extension farm, family, and 4-H programs—learning-by-doing and demonstration. Demonstration, or "model programs," include a tourism development project in one community, and a Main Street revitalization and design effort in another.

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Oregon's Community Resource Development efforts involve six specialists concentrating on community economic analysis, community economic development, family problems in distressed rural communities, land use planning, and leadership development. In this state, the integration of CRD activities into the work of program staff in agriculture, family, and youth programs is particularly apparent. For instance, home economists are delving into leadership development, establishing networks of home-based businesses, and helping create community-based geriatric services. Range management specialists are finding conflict resolution skills critical to addressing land use conflicts. Youth program leaders are addressing education, teen pregnancy, and youth-at-risk; all problems that suggest community solutions.

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Twenty-six Extension faculty work in Washington's CRD programs. The large commitment of staff dedicated to community development far exceeds other Northwest states, and makes Extension one of this state's premier regional resources for community economic development. Washington is one of three Northwest states (with Alaska and Oregon) that are taking a distinctively issues driven approach to programming and staffing decisions. (Issues programming deemphasizes the traditional program categories in favor of pursuing measurable outcomes in targeted problem areas.) Issues currently identified for intensive efforts include: community social and economic analysis, community leadership development, waste management, and environmental mediation.

Several community support programs are administered through the state Extension as partnerships with other, non-Extension groups. A Rural Information Center maintains a staffed community and economic development library and provides electronic access to peer federal information sources. The Partnership for Rural Improvement supports a team of community specialists at colleges and universities around the state, and makes them available to advise and support local initiatives. The Program for Local Government Education (PLGE) is conducted in concert with Washington's local government officials' associations. PLGE works intensively in selected rural communities to develop skills in issues such as conflict resolution, interlocal cooperation, goal setting, and growth planning. In these and other program areas, teams are assembled that merge topical and regional orientations to deliver services more powerfully than can specialists working independently.

Resource Conservation and Development Areas

Resource Conservation and Development Areas (RC&Ds) are sponsored by the Soil Conservation Service of the U.S. Department of Agriculture to coordinate multi-county activities. These entities are supported organizationally by county governments, water conservation districts, city officials, tribal governments, councils of government, port authorities, businesses, and other local leadership groups. Member organizations make a relatively small dollar contribution annually, and in turn designate a person to represent them in RC&D committees. RC&Ds undertake a wide variety of multijursidictional projects.

To understand how Resource Conservation and Development Areas work, it is useful to keep in mind why they were chartered in the first place. Streams, floods, wind, and weeds do not respect political boundaries. This regional approach was initiated to help local leaders coordinate their response to natural forces such as these. RC&Ds have historically worked most closely with federal Soil Conservation District managers and state departments of natural resources. In theory and practice, however, RC&Ds use whatever resources are available, to develop consensus on what should be done, and to shepherd tasks to completion.

In their classic form, RC&Ds have multi-county authority to pursue projects relating to conservation of soil and water. Common examples are noxious weed control, stream flow or erosion management, and forestry management services for non-industrial forest land holders—problems that require engineering and scientific expertise. Many RC&Ds are finding their coordinating role and their bottom-up approach to project management applicable to a broader range of problems: economic distress, waste management, and small business formation cross political bounds, too. Rather than focus solely on natural resource management, many measures now emphasize community, business, and human resource development. This shift is most apparent in Montana and Idaho, among the Northwest states, where community and small business development, tourism, recycling and solid waste programs, and development of senior citizen centers are noted among the action priorities.

Resource Conservation and Development Areas also differ from one place to another in the way they organize their working groups; some RC&Ds organize by counties, others by multi-county issues. Most areas in Washington, Oregon, and Idaho form county groups that recommend priority projects to region-wide governing committees. Here, the RC&Ds serve as a regional administrative entities for projects too large or complex to undertake locally. In Montana and Alaska, RC&Ds have organized regionally in committees addressing such issues as forestry, tourism, recycling and solid waste management, and small business development. These issues committees work relatively independently to pursue measures under the regional banner. The approach has helped make Montana's RC&Ds that state's most prominent regional force in rural development.

Targeting. *RC&D areas bring a project orientation to conservation and development issues, focusing on regional "measures" that their members are unable to complete working alone.The slogan "getting things done" reflects its bottom-up mission.*

Achieving Scale. *The areas work through councils of existing leadership groups. Some RC&Ds organize themselves into county-wide committees and concentrate on project management, using the RC&D Area to coordinate resources of federal, state, and private agencies on locally identified measures. Others organize in issues groups that cross county lines, a form that enables a greater diversity of activities.*

Costs and Requirements. *Annual contributions by member organizations range from $50 to $500, with most paying about $300. Member organizations nominate delegates to participate in planning, governing, and implementation of measures. They also commonly volunteer time from their local jurisdictions needed to undertake measures on a regional scale.*

Services and Facilities

What do RC&D Coordinators coordinate? Sometimes they act as local administrative resources for major projects that involve many state and federal programs. One recent example of RC&D efforts in action is found in the extensive improvements made to the East End Mooring Basin moorage facilities by the Northwest Oregon RC&D. Here, Coordi-

nator David Dickens helped develop local consensus about where to focus more than $6 million of federal funds allocated to improving moorage facilities in the region. The RC&D then played the role of local project administrator, seeing that different state and federal offices involved remained coordinated and on task.

Interviews with Northwest RC&D coordinators identified a broad range of activities. In the Northwest states, RC&Ds are active in agriculture, community development , economic development, forestry, land use planning, leadership development, local strategic assessment, marketing and product development for small, local manufacturers, noxious weeds, recreation, solid waste and recycling, tourism and recreation, water and fisheries, wildlife and big game.

Coordinators manage the joint efforts of local governments, tribes, ports, and other council members that "volunteer" local time from their own jurisdictions. Annual reports of such volunteer time are a reasonable measure of where the RC&Ds in the states are directing their energies. For instance, local engineering and project management expertise is helping create a bike path in one Idaho RC&D, and to create an integrated rural recycling program in one Montana RC&D. Figure 3.5 shows the hours spent by members toward regional measures.

Specific roles played by RC&D staff include:

- *Assessment, planning, and work plan development.* Assistance is provided to help develop ideas generated by members into work plans and launch them as measures.
- *Technical assistance for conservation and development.* Many RC&Ds have a small technical staff, specialized in key areas, such as agribusiness, or forestry. Consulting services are provided to support measures, and often draw additional technical expertise from other public and private agencies. Close ties with district, state, and federal soil conservationists are typical.
- *Coordination of multiple agencies and funding sources.* Staff support may be provided to help garner and direct the activities of multiple agencies in large, multi-jurisdictional projects.
- *Grant writing and funding assistance.* Many RC&Ds are skilled at identifying funding sources for a variety of grant and government assistance programs that fall within the purview of the strategic priorities. Some have access to significant grants libraries.

	Idaho	Montana	Oregon	Washington
Forestry	350	121	20	145
Economic development	0	252	300	73
Community improvement	20	538	0	50
Natural resource improvement	90	345	135	5
Water & water quality	390	225	311	1
Information & education	48	275	0	15
Recreation & tourism	60	100	45	45
Fish & wildlife	0	40	0	0
Other	0	70	0	0
Total hours volunteered	958	1966	811	334
Total funds for measures (000)	$622	$1,225	$13,804	$336

Figure 3.5
Northwest RC&D Councils' Distribution of Work Hours in Issue Catagories and Funding for Measures Completed in 1991

U.S. Department of Agriculture, Resource Conservation and Development Annual Report, Fiscal Year 1991, February 1992.

The View from the Northwest States

Alaska

Alaska's single Resource Conservation and Development Area was formed in 1991, and has organized as a nonprofit corporation. This is unusual, in that it bypasses the typical council structure. Although the organization is young, it has been chartered by the state as an Alaska Regional Development Organization, and the group is focusing on economic revitalization activities. Committees are active in native community development, forestry, mining, water, and agriculture.

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Idaho's goal is to establish RC&Ds that would match the state-wide coverage of Economic Development Districts by 1994. A state-wide RC&D Association has been proposed. In Idaho, more than any other state in the Northwest, Economic Development Districts and RC&Ds share jurisdictions. While RC&D coordinators are inclined to steer clear of business assistance and finance efforts—seen as the province of the state's EDDs—the RC&Ds have been significant players in natural resource conservation and development projects. Typical activities include streambed control, erosion and soil conservation, and forest management assistance for private woodland owners. Increasingly, the areas are undertaking specific community improvement efforts, and for these, the project orientation is characteristic of the focus on "measures" instead of "issues." Recent community development measures include creation of a senior citizens' center in one community and presentation of workshops promoting home based business development in several locations.

Montana

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More than any of the other Northwest states, Montana's Resource Conservation and Development Areas concentrate on community and economic development projects that are beyond the traditional bounds of soil and water conservation. Its broader role is most obviously attributable to the absence of any other prominent regional development entity in the state; the program is attempting to close a substantial gap. RC&Ds in Montana are organized differently from most of their peers. Instead of working primarily in county-by-county groups, Montana RC&Ds work in regional councils that deal, issue-by-issue, with things like tourism, marketing for high value products, rural recycling, environmental quality, and small business development. Moreover, these multi-county issues committees work independently from one another, raising their own funds and reporting directly to boards of directors for the non-profit RC&D entities. The result is an organizational form that helps RC&Ds act like incubators for regional initiatives.

Also unusual among states is the presence of a full-time state-wide coordinator. Typically, the state programs are operated as one function of the federal or state soil conservation offices. Montana's statewide coordinator is supported through a partnership between state and federal agencies. The role enables assistance to be provided in the formation of new Areas. The office encourages state-wide initiatives, where they are more sensible than sub-state regions. As one instance, the state coordinator manages one of the most complete grants libraries in the area.

Oregon

Oregon's three Resource Conservation and Development Areas have concentrated on providing local administration of major state and federal projects. Members include county governments, soil and water conservation districts, and port commissions. Each RC&D organizes its members in county groups that consider program priorities in five basic areas: water, economic development, soil, forestry, and land use. Program recommendations are made by these county groups to the regional executive committee. Completion of a major moorage improvement in Northwest Oregon is representative of the success of these programs. The project involved the coordination of a major Corps of Engineers project with other federal funds, also involving substantial cooperation from state and local groups.

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Washington

Washington is host to two RC&Ds, and a third area reaches into the state from its base in Idaho. All three involve a wide range of stakeholders and integrate their efforts with other development entities. Kittitas-Yakima couples EDA district certification with RC&D designation, something only one other Northwest RC&D—Montana's Headwaters RC&D—has done. Committees pursue economic development issues that include production of laminated wood products, marketing of value added wood products, and recreation and tourism. The Columbia-Pacific RC&D is undertaking a measure to develop floral, medicinal, craft, food, and other non-wood products from the area's standing forest land.

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Figure 3.6
RC&D Districts in the Northwest States

State Services for Community Capacity Building

In the program, communities had the latitude to design their loan and business technical assistance program using existing resources. Two lessons became clear. First, business technical assistance is what guarantees the success of the program. It is the most expensive piece of the program and it does not pay for itself through its users. Second, business technical assistance will follow targeted lending. When capital is available the providers begin to modify their programming.

—Capital Opportunities, Program Information, 1991.

Some state capacity building programs, such as Associate Development Organizations of the Washington Department of Trade and Economic Development, follow the federal model: they set up field offices, which then obtain and administer resources for their service areas. The state capacity building programs highlighted in this section, however, are more process-oriented. They concentrate not on creating field operations, but on helping local groups to develop a long-term, strategic management capacity. In addition to receiving training and technical support, clients that demonstrate their ability get greater latitude in tailoring existing state programs to their needs.

The Cycle of State Strategic Assistance

Virtually all of the programs included here can be described in terms of a cycle of related strategic management tasks. Clients first form an action group. The group then assesses the situation, identifies possible action options, and prepares an action plan. Outside resources, in the form of technical and financial services, are identified and absorbed, enabling the plan to be implemented. At some point, the results of these initiatives are assessed, and the identification of options (e.g., considering whether to continue with existing efforts, begin new initiatives, or both) begins anew. Along the way, help is provided in the form of training and technical assistance, counseling, and facilitation. Groups receive rewards, in the form of financing, highly specialized assistance, or help in getting financing and/or assistance, as they reach various levels of accomplishment.

Organizing and training. A broad-based group is identified within the community, whose members commit to working together over several months. The group receives training and consultations regarding the local situation and prospects, problems, and action options.

Research and action planning. The working group prepares a local profile and drafts strategic plans. Typically, a situation assessment is prepared, and a survey or public forum is conducted to determine local preferences about the path of local economic development. Strategic (long term) and short term action plans are then drafted. These plans are presented (to the agency and/or the wider community) for discussion and refinement. Communities get technical expertise and general facilitation assistance at this stage in the form of private consultants, agency, or university technical services.

Implementation. As particular economic strategies are identified, assistance concentrates on specialized briefings and help in identifying and assessing opportunities that match the strategy. Existing technical and financial resources are identified, and program staff help coordinate their delivery. In some cases, direct funding is provided to enable forceful implementation steps to be taken. In others, financial aid concentrates on

identifying sources of funds as they become available and assisting in the process of planning and preparing requests for funds. This intensive phase of implementation assistance is temporary.

Program liaison. As implementation proceeds, program staff often continue to serve as a pipeline, linking the community to a wide variety of funding sources and technical assistance programs. As locally-driven efforts establish a track record of success, special assistance becomes less and less necessary.

Few state services run the entire course of this strategic management cycle. Many concentrate only on the early phases of situation assessment and plan development. Others help fund and facilitate the implementation stages.

How do State Programs Differ?

Although this general description may make the states' capacity building programs seem very similar, they are not. It should be no surprise that staff and budget size greatly influence how far, and wide, a program can reach. Well-funded programs can serve more places, provide more services, and be more liberal with their rewards.

But the differences run deeper. For some states, building capacity principally means providing technical assistance in a series of distinct phases. Other programs emphasize assistance, in the form of dollars, to support implementation of strategically sound activities; here, less attention is paid to coaching and counseling.

Programs highlighting technical assistance:	Programs highlighting financial assistance:
• Alaska Regional Development Organizations	• Alaska Rural Economic Development Initiative
• Idaho Gem Cities	• Idaho Gem Communities
• Montana Certified Communities	• Montana Capital Opportunities
• Oregon Rural Development Initiatives, Inc.	• Oregon Regional Strategies
• Washington Revitalization Strategies Unit	• Washington Development Grants Unit

No matter how financially well-endowed programs are, there are natural limits to the total help they can provide. State programs balance at least three worthy objectives: (1) to reach as many communities as possible, (2) to offer help intensive enough to make a difference for those places that are served, and (3) to recognize and reward progress in ways appropriate to each place.

Comparing State Programs: Trends and Practices

How state services balance these objectives, and how this balance is shifting, provide useful clues to comparing and evaluating the programs. Several subjects are particularly worthy of notice for practitioners comparing different state programs or tracking changes over time.

Rewards for progress. Community groups which have little to manage in the first place can only benefit so much by managing it better. While improved management capacity should surely generate its own benefits in communities, other rewards remain important incentives for

smaller places. In many cases, states are seeking new ways to back up their words with deeds, granting more money and program latitude to rural groups showing they can use it (Figure 3.7).

All states define progress and reward it differently, and the rewards may be the single best indication of the fundamental aims of their sponsors. In Montana, for instance, "certified" communities gain first access to business relocation leads, as well as early notice when new technical and financial services become available. In Washington, distressed timber communities get extra assistance in shaping and packaging various state programs to fit their strategy.

More intensive and long-running assistance. Many programs have expanded the scope of their services to help their clients through a greater portion of the management cycle. Idaho's Gem Communities began as a series of briefings and training in preparation for strategic planning, with implementation grants provided to those who could complete an acceptable strategic plan. Now, more facilitation and technical support services help communities as they make the transition from planning into action. In Oregon, the Community Revitalization Initiatives program extends its technical assistance services well into the implementation stages. The state's Regional Strategies program, historically more concerned with funding implementation, has added staff to provide more assistance in the earlier planning stages, as well as later, when it is time to evaluate and reassess the efforts.

Greater selectiveness. Choosing to do more for clients often means serving fewer of them. Many state capacity building programs are refining their notions of who they should reach. Oregon's Rural Development Initiatives initiated its cycle of assistance first in distressed timber towns, then farming communities, then fishing villages. Idaho's Gem Communities program begins a new "class" every Fall, and aims to involve one community from each of six regions of the state. To obtain the services of Washington's Community Revitalization Team, local groups must often compete directly. Here, application processes seek an able and eager core of leadership that has demonstrated a commitment to sustained revitalization efforts.

More integration of state and local strategies. States that do have a formally defined economic development strategy are encouraging local groups to make their work consistent with state-wide goals. In Oregon, for instance, groups working under the Regional Strategies program must target their efforts within one of a dozen industrial sectors that have demonstrated competitive advantages in the state, consistent with *Oregon Shines*, a statewide strategy document. Multi-county regions are working to foster competitiveness in value added food and wood products, interstate tourism, environmental and advanced technologies sectors.

Figure 3.7
Evaluating State Capacity Building Programs

State Capacity building programs balance three objectives differently: (1) to serve many communities, (2) to provide intensive and tailored service, and (3) to reward continuing progress. Key questions in evaluating these objectives include:

Targeting: *What constitutes a community, in terms of size, economic distress, or industrial dependence? How do communities become eligible to participate? How are they selected to participate; must they first demonstrate some characteristic?*

Scale: *How intensive is the assistance; how many staff hours and what professional specialties are provided? How many communities are served? What is the duration of close involvement with clients? How does the program phase down and exit the community? What services are available on a continuing basis to successful communities?*

Costs and requirements: *What are results are sought and what follow-up service is provided? What rewards are available to successful groups? What must local leaders must do to get these rewards?*

Alaska Community Enterprise Development Corporation

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Targeting. *CEDC targets its activities to Native Alaskans throughout the state. Services concentrate on developing viable small enterprises and capturing the benefits of commerce in the rural Alaskan villages.*

Achieving scale. *CEDC is unusual among community development groups in the enormous success of its commercial enterprises. The profitability of its grocery stores, merchandise distribution, and commercial real estate enterprises has helped generate the capacity to undertake ambitious community development measures. Moreover, its ability to deliver community, finance, and business advising services to remote sections of the state have led to contracts from state and federal agnecies in additiopn to some private sector services.*

Costs and requirements. *Client responsibilities vary from program to program.*

Alaska's Community Enterprise Development Corporation offers technical assistance, loans, and investments that strengthen Native Alaskan communities. CEDC is a major player in the state, both as non-profit provider of economic development services for native Alaskan villages, councils, and enterprises, and as a profit-making company. In its non-profit capacity, it provides financial and technical assistance, and is noted among the nation's most successful Community Development Corporations. Its for-profit arm is the ninth largest Alaskan-owned company in the state, operating general stores in many smaller communities and a merchandise distribution company. CEDC lists assets of over $37 million and revenues of more than $71 million in 1990.

Minority Enterprise Development Center. CEDC works state-wide to provide basic technical assistance to small, minority-owned businesses. The center works operates like a Small Business Development Center, providing training and management counsel to newly forming businesses. Unlike many SBDCs, this program travels extensively to provide services on location to many of its clients. Its counselors serve all types of firms, but have specialized expertise in such sectors such as tourism, construction, and retail trade.

CEDC Loan Program. The corporation maintains its funds and makes loans in rural areas where conventional banks are often reluctant to lend. The program links loans to technical business assistance as one way of improving the chances of business survival. The program operates a branch of the National Cooperative Bank, a San Francisco-based bank whose charter allows it to make loans only to cooperatives. CEDC's program has helped make over $30 million in loans through the NCB, ten percent of the bank's lending nation-wide.

Bush Development Fund. CEDC makes small cash grants to non-profit members of the CEDC. The program seeks innovative proposals from local, regional, and tribal groups to enhance community economic vitality. Proposals are selected for funding by an independent panel. The fund also makes college scholarships to Native Alaskan high school students.

Alaska Village Tours. CEDC offers planning and technical assistance to help rural communities participate in the state's rapidly growing tourism sector. The group assists communities and businesses in planning and implementing travel-related business development strategies, with particular emphasis on product development and marketing.

Alaska Rural Investments. CEDC's for-profit arm invests in commercial real estate and operates two subsidiaries, the Alaska Commercial Company (a grocery store chain) and Frontier Expeditors (a wholesale merchandise distribution firm).

Idaho Gem Communities Program

The Gem Communities program supports community-based, strategic economic development initiatives. Under the program, a lead organization must be selected, and a working group with members from throughout the community formed. A series of intensive training sessions sponsored by the Department of Commerce develops themes of community organization, assessment, infrastructure improvement, business retention and expansion, and diversification. Program training is given, in large part, by staff of universities and colleges around the state.

Following training, facilitation assistance is provided during the strategic planning process. Communities are required to produce several items, and typically take about nine months to do so:

- An organizational plan
- A long-term strategic plan that includes sections on infrastructure improvement, business retention and expansion, and economic diversification
- A short-term plan that identifies priorities for action in these areas
- A profile of the community, its people, and its economy

The Idaho Department of Commerce's strategic plan recognizes that the challenges facing smaller communities are distinct from those of larger communities. Now, for the first time, economic development programs are being implemented with distinct tracks for rural communities and more populous areas. Plans call for rural development efforts focusing on (1) higher value added industry in the natural resource sectors, (2) rural tourism and recreation sectors, and (3) new businesses. The Gem Communities program is a chief vehicle for leadership, education, and information to rural places. Among the other program directions that pertain particularly to rural areas are:

- The addition of regional staff specialists and interdivisional teams to work with communities and businesses in each area of the state.
- An Idaho Business Network Program, which enhances the flow of information about markets for products and services between businesses in the state.
- A leading role for the department in identifying and utilizing resources and technological advances developed by the Idaho National Engineering Laboratory, the universities, agencies, and businesses.

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Targeting. *Communities may be any area within a county that includes an incorporated town. In recent practice, only six communities have the chance to complete the process each year, and efforts are made to distribute slots to communities that demonstrate substantial local commitment to community economic development in each of the state's planning districts. By limiting the number of communities served, the program hopes to make training and facilitation more intensive throughout the process. To date, 46 communities have been certified.*

Achieving scale. *Interagency relationships between the department and the university system enable services to achieve a tailored quality. Much of the training and coaching communities receive is contracted to colleges and universities around the state.*

Costs and requirements. *Most rewards and incentives require communities to complete an acceptable strategic plan and a short-term action plan. Following completion and approval of the required steps, communities receive a $10,000 implementation grant, and "free" scoring points in their application for state grants for infrastructure and economic development.*

Montana's Certified Communities Program

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Targeting. *Towns, counties, reservations, and clusters of communities are eligible to participate; multi-county areas are excluded. The program is best suited to those communities that have significant business development potential, but that need basic help in putting together a response team.*

Achieving scale. *To date, 46 communities have been "certified" under the program. The program is run by one staff professional, with support from other programs within the department.*

Costs and requirements. *Although there are no specific requirements controlling eligibility, communities must be reasonably able to complete the program and benefit from its outcomes. Completing the requirements requires a commitment of about 300 to 500 hours by local citizens; most communities take less than one year. The benefits of certification include priority referral of business inquiries, and early notice of new grants and other opportunities that come to the attention of the Department of Commerce.*

Montana's community certification program concentrates on creating in communities an understanding of their prospects, and helping them establish an effective community-based economic development response team. The overall goal of this program is to establish an active network of capable local development organizations in the state. Recently, funding uncertainties have sharply restricted certification of additional communities. The program's one staffer continues to provide a bridge between past program participants and the Department of Commerce.

Program staff identify and work with a single development entity within the community, which is designated the "lead" in implementing the program. During the certification process, communities receive twenty hours of intensive instruction in the fundamentals of business retention, business expansion and market development, business development, and recruitment. Final certification is granted only after an evaluation that involves a simulated site visit by a prospective business investor. Along the way, candidate communities must:

- Develop a local economic information center.
- Prepare a statistical profile of the community.
- Inventory and catalog vacant buildings and commercial property.
- Identify all existing businesses.
- Construct and administer to residents an attitude survey on business development.
- Develop promotional materials for business location inquiries.
- Develop a one year strategic plan, and a five year plan, each with specified objectives, deadlines, and responsible parties.

The steps are designed to give participants working experience with Department of Commerce programs for marketing, finance, recruitment, small business development, federal contracting, and social and economic information tracking.

Also of interest to smaller communities is the department's microbusiness financing program. This program works through lending pools operated by local and regional development groups around the state, such as the Women's Economic Development Group and Capital Opportunities. Through financing and technical assistance, organizations like these make a substantial contribution to rural economic development in the state.

Montana's Capital Opportunities

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Capital Opportunities is a state-wide program supporting microbusiness formation and capitalization. The program was established in 1988 to strengthen local community enterprise development services, enhance lending services for microbusiness, and to improve the integrated delivery of human and business assistance. It operates under the aegis of the regional Community Action Agencies (known in the state as Human Resource Development Councils). The group has created five offices throughout the state, which work together to administer three microbusiness loan funds totalling over $1,700,000.

Unlike many micro-business financing programs, Capital Opportunities does not provide counseling to client firms itself, but does require them to get such counseling. The effect of this strategy has been to generate substantial demand for basic business technical assistance services in their service areas. The organization provides matching loans for small businesses, but also supports development of community-based groups to review and make local loans. Three of the several services stand out.

Direct loans. Capital Opportunities makes loans directly to small businesses. Each of the three loan funds has different income restrictions and interest rates, with maximum loan sizes ranging from $10,000 to $20,000. Unlike many revolving loan funds, the group works with participating commercial lenders and Small Business Administration guarantee programs to package and refinance the loans. The effect of this is to replenish the funds available for lending.

Individual development accounts. Under a new program, Capital Opportunities will match investments by low income people in an interest earning instrument dedicated to a business being planned or already planned. The funds may be used by to finance a business venture; help pay for health insurance not covered by other programs; or for business technical assistance, such as accounting or legal services.

Support for local organizations. The group has a decentralized organization that funds and facilitates expansion and replication of its efforts in communities around the state. While client businesses are required to seek and utilize business technical assistance, Capital Opportunities does not provide this assistance. The organization believes, and its experience demonstrates, that when communities assemble the resources and demonstrate the capacity to manage them, state and federal technical assistance providers will respond, in turn, by increasing their local presence. It works with local development groups, Small Business Development Centers, and other for-profit and nonprofit specialty assistance providers to coordinate the provision of lending, technical business assistance, and low income social services. Offices are located in Billings, Kalispell, Hamilton, Bozeman, and Lewistown; in addition, two Native American loan funds have been established.

Targeting. *Services are designed to help very small, homegrown businesses, with particular attention to low income groups. The program aims to demonstrate that self-employment is a sound economic development option for low income people.*

Achieving scale. *The group has established several notable links with other programs. First, Capital Opportunities works with local groups, seeking to supplement existing development organizations instead of supplanting them. Second, the program works with commercial banks and SBA programs to recapitalize the loans and replenish its loan funds. Third, business counseling is handled by existing local and state programs. Finally, the program works through a well-established network of Community Action Agencies to coordinate business services with the delivery of other types of low income assistance, such as transportation, food stamps, Head Start, rent assistance, and other public assistance where they are needed.*

Costs and requirements. *There are income restrictions for most loan programs. Clients must participate in monthly business monitoring and pursue technical counseling as recommended.*

Oregon Rural Development Initiatives, Inc.

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Targeting. *The program works principally in resource dependent towns with populations over 500. Some towns go through the process together, either working as separate groups, or as a single, regional entity.*

Achieving scale. *During its three years of operation, the group has initiated its process in 63 communities. Where appropriate, nearby communities go through the process together, acting as a single entity for the sake of strategic planning and project development. RDI's shift from the state agency into the nonprofit world was intended to increase its client responsiveness, add program flexibility, and diversify its funding sources.*

Costs and requirements. *Services are free to the community in the early stages of strategy formulations. As client communities reach the implementation stage, they are expected to match the RDI contribution to staff and other expenses of the program. Assistance is given in fund raising, direct costs of implementation are borne by the communities themselves.*

Of all capacity building programs offered in the Northwest states, Rural Development Initiatives, Inc. (RDI) provides the most intensive and long-term strategic support to the communities it serves. Established in 1989 as a program of the Oregon Economic Development Department, RDI was spun off in 1992 as a non-profit corporation. The organization provides strategic assistance to non-metropolitan communities of over 500 which demonstrate substantial interest and leadership. The program concentrates particularly on rural communities undergoing structural economic change.

Assistance to client communities runs the full strategic management cycle, from organizing through implementation and reassessment. No direct funding is provided to communities, but the technical assistance benefits are substantial at every stage of the process.

SWOT assessment. A consulting team conducts an intensive assessment of the community's Strengths, Weaknesses, Opportunities, and Threats with the assistance of community members. (This technique of community situation analysis, the community "SWOT analysis," was first developed for the program by Youngbar and Jeff Luke of the University of Oregon. It has since been used in several other states.) This analysis results in a report identifying the main forces of change inside and outside the community and sketching action options. The decision to proceed is made by mutual agreement of RDI and community leaders.

Community Response Team. A group is formed that is broadly representative of community interests, including people who live outside of town limits and others not normally associated with economic development. The team may build upon the core of an already existing local development group. Members of this group commit to participating in training and meetings to develop a strategic plan. They may also figure heavily in its implementation.

Strategic planning. In a six to nine month process, a professional facilitator takes the CRT through a strategic economic development planning process. Once a draft of the plan is complete, it is presented to the greater community. The final plan should have the approval and support of the community.

Project implementation. Once the plan is complete, RDI provides technical assistance to the organizations with primary responsibility for implementing projects in the plan. Referrals to agencies and other sources that can provide more detail assistance are also common.

Grant writing, consensus building, feasibility studies. Community teams often need continuing technical assistance in getting resources, reaching agreement, or in examining the viability of a possible project or strategy. RDI works directly with community teams to see that these needs are met, either directly or through another organization.

Plan update. As new issues arise, strategic plans are updated and assistance provided in dealing with them. As with all capacity building programs, building working relationships between local people, state agencies, and private sector sources of help is an important element of the program. Throughout, the emphasis is on building the capacity of client communities to respond to substantial challenges on their own behalf, not simply to deliver services for them.

Leadership training. In a new program function, further intensive training is provided to selected leaders who have emerged from communities during strategic planning and implementation.

Oregon Regional Strategies Program

The Regional Strategies Program was established in 1987 as an ambitious and popular initiative to entrust local people with the resources they needed to act powerfully in the development of industries key to their economic future. The program finances industrially targeted initiatives by multi-county development groups. Currently funded projects target interstate tourism, forest products, agricultural products, high technology, environmental services, and fisheries (Figure 3.8).

The program is driven by principals that are unusual among capacity building programs. First the program reaches communities in every corner of the state. While most capacity building efforts serve selected communities, this program works directly with county and multi-county entities, which in turn can support many types of projects by businesses and local development organizations. Second, the regions must concentrate their efforts on a single targeted industry, selecting from among sectors that have been identified as competitive advantages in the state as a whole. Third, demonstrated results are expected within three to five years. Aggressive timelines are imposed that require a structured, action orientation by state and local agencies alike.

Because it is so unusual, the program's evolution seems noteworthy. In its first four years of operation (up to 1991), county-wide development groups and elected officials were encouraged to form multi-county regions that seemed workable to them. The regional groups were required to agree on a single targeted industry. Small grants were made and some technical support offered to enable development of project ideas into fundable proposals. Before the proposals were funded by the state, the regional groups presented their strategies and projects ideas to a departmental review team, which included industry technical specialists and representatives of all programs of the department. Division of funds among proposals from the regions considered population, per capita income, unemployment, and merit. All regions were funded. Grants to the regions ranged from $251,000 to $1,664,000; support for individual projects embodied in these grants ranged from $6000 to $1,190,000.

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Targeting. *County and multi-county organizations must propose strategies targeted to one of several industrial sectors identified as competitive advantages for the state of Oregon. Included in the list of targeted industry sectors are forest products, agricultural products, high technology, primary and fabricated metals, fisheries, interstate tourism, film and video production, biotechnology, software, aerospace, plastics, and environmental services.*

Achieving scale. *The great bulk of funds — over $57 million, between 1987 and 1993 — reach local communities, businesses, and development organizations directly, making this program by far the largest capacity building program in the Northwest.*

Costs and requirements. *Regional organizations must develop and implement projects on a rigorous time schedule. Regions that fail to meet early timelines can be disqualified. State program staff provide limited technical support help to regions as they develop, refine and implement their proposals.*

	1987 - 1991		*1991 - 1993*	
	Regions	*Counties*	*Regions*	*Counties*
Interstate tourism	5	21	4	15
Agricultural products	4	6	3	8
Forest products	2	4	4	6
Environmental services	0	0	1	3
Technology transfer	3	4	0	0
High technology	0	0	3	3
Maritime trade	1	1	0	0
Fisheries	0	0	1	1
Totals	15	36	16	36

Figure 3.8
Industry Targets Selected by Local Groups Under Regional Strategies

In the current (1991-1993) biennium, the program has evolved substantially. Regions are encouraged to reevaluate their regional configurations and targeted strategies. This review was supported by economic analyses on the performance of various industry groups in the areas. In an effort to bring regional strategies in line with the state strategy, *Oregon Shines*, regions are required to select a single industry focus from among ten sectors which have demonstrated potential in the state. (Some have suggested that future adjustments to the program should relax the requirement that regions concentrate on a single industry. The reasoning is that some emerging sectors, such as aerospace, biotechnology, and plastics manufacturing, have potential for longer-term development, but lack scale needed to justify them as sole concentrations of the regional groups.) Rather than being driven by elected and appointed leaders in the regions, planning and decision making are shaped by committees that reflect the human, geographic, and economic diversity of the region. Before reaching decisions on targeted sectors and forming action plans, the regional boards are required to consult with firms in the targeted industry. Most significantly, more stringent timelines have been written into the law, requiring regions to meet a tough schedule in order even to be eligible to participate.

Washington Revitalization Strategies Unit

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The Revitalization Strategies Unit consists of seven programs that work with local groups in planning and implementation of a variety of revitalization strategies. All these are capacity building programs that provide direct technical assistance support to community groups to facilitate development and implementation of locally conceived projects. Three elements make the unit distinctive among state agency programs: (1) Washington has organized many of its community technical assistance services into one "unit" of the Department of Community Development, (2) the services are designed to work in smaller places, and (3) the services are targeted to distinctive types of problems — such as restructuring of the timber industry, or facing declining defense spending.

Community Revitalization Team. This is the unit's front line service for providing direct assistance in community strategic planning. Staff also help coordinate state services for local areas. A staff of technical assistants travel around the state to work with communities at their request to plan and carry out successful community economic development strategies. Services include technical assistance with project planning and implementation, training, and customized aid in identifying and accessing financial and other technical resources within state government.

Downtown Revitalization Program. Local revitalization initiatives often involve efforts to enhance and preserve both the attractiveness of the community and its ability to capture retail dollars. This service uses a four-point approach emphasizing promotions, good design, effective organization, and economic restructuring. It is based on the *Main Street* model developed by the National Trust for Historic Preservation. Unlike the federal model, however, the program is designed to be used by quite small towns, between 500 and 5000 in population. (*Main Street* is for towns of over 5000.) The program also has begun an urban component for neighborhood business districts. In another innovation on this design, three "tiers" of services (reflecting different levels of prior progress within

the Main Street model) enable aid under the program to be both better targeted and more specialized. The group also helps communities swap news and information about their efforts with their peers around the state and nation.

Employee Ownership Technical Assistance Program. Through this program, Washington has assisted some of the largest employee-ownership transactions in the country in the last four years. This unit emphasizes employee ownership as a viable way firms can enhance stability, improve productivity, and increase income captured by the community in the form of business income. Its services include technical assistance in the rationale and process of starting, buying, converting to, or managing an employee-owned firm; promoting use of the strategy; coordinating with public and private agencies; and working intensively with firms, especially in cases of retirement, divestiture or emergency closure, and where barriers to productivity and expansion exist.

Business Succession Project. Five thousand business owners will reach retirement age in Washington in the next five years. Estimates are that half or more of these have no plans for the firms' existence beyond owner retirement, and that the firms are at risk of shutting down. This project provides technical assistance in situations where employee ownership may be a good option. The group educates local development and private sector leaders about process and benefits, and makes contacts between the firms and public and private sector service providers who have special expertise in business succession.

Timber Communities Assistance Program. Intensive assistance is provided to distressed timber-dependent communities, with priority given to those places most vulnerable to substantial near-term job losses. The program follows the course of organization, planning, and implementation that is common to the work of the Community Revitalization Team, but works more intensively in communities by: (1) making greater use of independent consultants than do most CRT services, (2) arranging interagency coordination that responds to local needs, and (3) brokering funds to communities as needed to examine the feasibility of potential projects, or to implement them. The program is an integral part of an interagency "Timber Team" which concentrates assistance from a number of state agencies and programs on timber-dependent communities at greatest risk of economic dislocation in that industry.

Community Development Finance Program. This program makes experts in loan packaging available to rural, distressed, and timber dependent communities, primarily as a support service for local business expansion efforts. Program specialists do not originate loans, but work with port districts and small cities, helping them to utilize effectively programs offered by the Small Business Administration, the Community Development Block Grant Program, and commercial lenders. In addition, staff encourage bank participation in local development and business support efforts, serving as a resource to development organizations on access to capital and small business financing issues.

Community Diversification Program. Established in 1990, this program helps prepare military-dependent communities, businesses, and workers for projected long-term reductions in federal defense spending. The program aims to facilitate early conversion and diversification by: coordinating local, state, and federal assistance already available; enhancing awareness of the significance of diversification; facilitating

Targeting. *All the programs of the Revitalization Strategies Unit target specific problems facing community leaders around the state, such as restructuring timber and defense industries, business succession, finding and packaging financial resources, and improving local strategic management.*

Achieving scale. *Most programs respond differently in the client communities depending on local factors such as the degree of economic distress, progress, and prospects for success. Programs reach relatively more communities than do the comparable programs in most other states — 90 to 100 communities in the current biennium alone. Of course, having a large staff helps. The unit's staff of 23 are headquartered in Olympia, Spokane, the Tri-City area, and the Olympic Peninsula.*

Costs and requirements. *While none of the programs involve fees, neither are they large enough to serve all places. Local efforts that invest in their own behalf, that have demonstrated broad-based support, and that have good chances of continuing possess an undeniable advantage in working with the department.*

community-level strategic planning; and directing assistance to small and medium-sized firms most likely to be affected by military budget cuts. The program helped develop, and is implementing the plan, *Diversification — Strategies for Military-Dependent Communities, Businesses, and Workers*, which provides state and local leaders with a needs analysis, models, resources, and recommendations for economic diversification.

Development Grant Unit. Another DCD program that works outside the Revitalization Strategies Unit manages grants and other financial assistance programs of the department. In addition to administering several longer-standing community financial assistance programs, the Development Grant Unit has some "demonstration" grant programs that fund implementation of new approaches to community development. One example is the *Rural-Urban Linkages Program*, which encourages proposals that concentrate on developing new partnerships and economic linkages between places, creating new capacity to facilitate new economic opportunities, and enhance the export of goods and services from rural areas. Since its establishment in 1990, the group has made three rounds of grant awards, providing a total of over $900,000 to community groups and inter-regional alliances. Most grants are in the range of $25,000 to $75,000.

University-Based Support for Development Leaders

Universities and colleges commonly take on public service as part of their mission. Included here is a sampler of the services that assist community economic development leaders with basic problems. It is only a sampler. Virtually all colleges and universities include public service in their mission, and many programs have been established to support local governments and leadership groups. These include the Cooperative Extension Services covered separately earlier in this chapter.

Readers interested in learning more about university based models for integrating university and economic development resources should see the *Directory of Economic Development Programs at State Colleges and Universities*, which is described in the final section of this chapter.

There are three main models of university economic development services that cut across the topical specialties they may address:

Matching services. Many programs provide access points to expertise resident in the universities. These are often made up of networks that match clients to resources within the university system. Business and industry parks raise this to a more specialized level by combining a free-standing business development facility with access to technical advances found on the nearby campus.

Specialty programs. In this model direct assistance is the program objective, with faculty, staff, and facilities formally dedicated to its provision. Service to communities and area businesses often takes the form of technical consultations and tailored research. State and local agencies may collaborate with the program on contracts and initiatives, but the relationships are characteristically partnerships.

Branch programs. Branch programs provide a local point-of-delivery for programs developed and administered by state and federal agencies. The college homes of many Small Business Development Centers are a common example. Others include federal laboratory consortia and technology databanks, Marketplace services (which match area manufacturers with area industrial consumers), and Census data distribution hubs. Here, university staff work under contracts that define their clients, products, and service commitments.

Idaho—The Regional Economic Assistance Programs of the Idaho State University

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Targeting. *Taken as a whole, the programs are targeted regionally, rather than topically; that is, they are shaped to be a relatively comprehensive economic development resource for communities in eastern Idaho.*

Achieving scale. *The programs routinely interact with both local groups and state government.*

Costs and requirements. *There are few costs and requirements beyond normal fees for land lease (industrial park tenants), and for computer time needed for some data problems.*

Idaho State University's College of Business offers a range of services to communities and businesses under its regional assistance programs. This program is well representative of how Idaho's university system programs reach community and economic development leaders with services that include technology transfer, business incubators, local area economic analysis, and community strategic planning. Comparable efforts are in place at Boise State University, and, in smaller scale, at both Lewis and Clark State College in Lewiston, and the College of Southern Idaho in Twin Falls.

Center for Rural Economic Development. The program provides intensive capacity building assistance in both town- and county-level long-term strategic planning and implementation. The group also conducts Gem Community training and facilitation for communities in three of the state's six regions.

Office of Economic Development. The office acts as a bridge linking people to appropriate resources throughout the institution. It is particularly active in coordinating research and other university efforts so they may be more directly useful outside the campus.

Business and Research Park. Established in 1986, the research park attempts to attract and develop firms which can take advantage of the specific research strengths of Idaho State University and the nearby Idaho National Engineering Laboratory. In early years, the park's activities concentrated generally on local business development. A recent reassessment of advantages offered by advanced research activities has generated a new concentration on enterprise development relating to health sciences, nuclear medicine, and other commercial applications of nuclear engineering.

Center for Business Research and Services. A key link in Idaho's State Data Center program, this program is a repository of data from federal, state, and local sources. The Center offers data analysis and mapping services to local leaders. It leads training sessions on conducting local economic analysis and provides technical support to university, state, and local groups. Among its special facilities are Idaho Data Hotline and the Simplot Decision Support Center.

Small Business Development Center. The center manages two regional offices of the SBDC program, in Pocatello and Idaho Falls. The organization also runs Eastern Idaho Development Corporation, a development corporation with a regional service area. The centers provide business training and consultation to small and infant business enterprises.