TEN ESSENTIAL INGREDIENTS: DESIGNING STATE PROGRAMS THAT WORK IN RURAL COMMUNITIES

A Rural Resource and Implementation Project of

The Public Sector Development Foundation

With Participation by
The National Association of State Development Agencies
and
National Conference of State Legislators

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Table of Contents

Executive Summary 1

Chapter 1: Suppose States Had A Magic Wand.. . 1

Chapter 2. Frustration Breeds Innovation 6

Chapter 3. Designing State Programs for Success 10

Case Study: South Dakota Revolving Economic Development and Initiative Fund 23

Chapter 4. Assuring State Program Funding and Sustainability 25

Case Study: California Rural Economic Development Infrastructure Program 31

Chapter 5. Promoting Effective Program Delivery and Client Access 33

Case Study:New York Rural Public Transportation Coordination Assistance Program 40

Chapter 6. Determining Eligibility Criteria 42

Case Study: Washington Rural-Urban Linkages Program 49

Chapter 7. Program Marketing 51

Case Study: Montana Resource Conservation and Development Program 55

Chapter 8. Enhancing States' Capability to Educate and Train Client Users 57

Case Study: West Virginia Community Futures Program 71

Chapter 9. Helping Users Leverage and Use Program Resources 73

Case Study: Idaho GEM Communities Program 78

Chapter 10. Helping Client Users Meet Their Marketing Needs 80

Case Study: Giles County (Tennessee) Business Retention and Expansion Program 85

Chapter 11. Enhancing States' Communication with Client Users 87

Case Study: Wisconsin Physician Loan Assistance Program 89

Chapter 12. Promoting Cooperation, Partnerships and Linkages Between Service Providers 91

Case Study: Wisconsin Community Preparedness Program 95

Chapter 13. Conclusion 97

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Miles Friedman
Executive Director

Executive Summary

Ten Essential Ingredients

A great deal of data and research concerning the barriers, obstacles and constraints encountered when "doing development" in rural areas has been amassed. This guidebook is designed to highlight innovative and successful actions, policies and programs which states can use to help individual communities. It explains how states can enhance the local capacity for community and economic development, while responding to state government's politics, structure and policy-making process and capitalizing on program characteristics that will promote local community participation.

The Rural Resource and Implementation Project, a Public Sector Development Foundation initiative to help states make better use of existing economic development programs and resources, conducted its own research and facilitated focus group sessions with state and local leaders in 1991. The project found one theme emerging repeatedly: **There is no quick fix for overcoming obstacles to rural development in America**.

If states could wave a magic wand to fix what's wrong with rural development, they would find that prescriptions for success are tied to the individual character, resources, challenges and opportunities of each state. States are demonstrating that they can design results-oriented and feasible programs by paying attention to the following ten essential ingredients.

1. Designing State Programs for Success

Practitioners and users of state rural development programs agree on three critical design requirements to assure that programs fit users' needs and that they maximize the allocated resources. First, **there must be demand**; users must really want and need the program. Second, **program's goals must coincide with the end results**. This requires giving considerable thought to what the program is trying to achieve. Third, the state, the local community, and the client users must agree to **clearly defined the roles and functional responsibilities** for program implementation.

2. Assuring State Program Funding and Sustainability

Ensuring that sufficient funds are budgeted, appropriated and received to sustain programs from one budget year to the next is critical to successful implementation in rural areas. Program managers and policy-makers must ensure that enough dollars are **available**, that funding is **sustainable** and that **accountability** for program dollars is maintained.

3. Promoting Effective Program Delivery and Client Access

Successful state programs for rural development involve and promote strong client participation. The **program delivery system must be structured** to meet the state's particular geographic, economic and social

needs. The delivery system's **basic decision-making philosophies** must be defined carefully. And finally, **client access to program resources** must be enhanced and promoted.

4. Determining Appropriate Eligibility Criteria

Eligibility criteria and program guidelines are like the reins that guide the horse--when used appropriately, they ensure that participants achieve the maximum benefits and value from the offered incentives. Program eligibility **criteria must be definitive and succinct** about participation requirements, definitions and time frames, as well as organizational and structural procedures and routines for distributing resources.

5. Program Marketing

Effective use of marketing strategies, advertising campaigns and promotional literature is integral to successful program participation. Marketing programs must be designed to:

- Reflect the needs and interests of client users,
- Communicate effectively the benefits and advantages to be gained from the program,
- Address training and technical requirements of marketing representatives so that they may recognize unique client needs and match the appropriate incentive programs or policies to meet them.

6. Enhancing States' Capability to Educate and Train Client Users

The usefulness of state programs to client users can be directly related to how well the users are educated about these programs. To mount effective education and training efforts, states tend to provide help through one or more of **six information sharing strategies**: (1) community needs assessments, (2) strategic planning assistance, (3) leadership development, (4) community esteem development, (5) local citizen empowerment and (6) training about program benefits and eligibility criteria. Furthermore, states must prepare client users and communities for local program management, offering specific training for fund-raising, portfolio management, project management and effective communication.

7. Helping Users Leverage and Use Program Resources

Program users must understand how to capitalize upon in-kind and other non-cash resources. This requires improving lines of communication among community organizations, local governments and end-users so that they may share information and resources. Active local participation in policy making improves the awareness and utilization of these resources. Consensus and tolerance for differing ideas must also be promoted among all citizen constituencies.

8. Helping Client Users Meet Their Marketing Needs

States must appreciate communities' and users' marketing needs. These needs entail:

- thorough market research
- the ability to capture the community's unique identity
- recognition of the fiscal and operational constraints that many communities face when developing marketing strategies.

9. Enhancing States' Communication with Client Users

A state's capacity to communicate effectively with communities and client users is critically important to the sustainability and effective application of state incentive programs. By **talking directly to local community officials and staff**, state program managers establish program credibility, foster committed user involvement in the program and encourage feedback, follow-through and constructive criticism.

10. Promoting Cooperation, Partnerships and Linkages Between Service Providers

Cooperation among service providers **develops and enhances local capacity building**. This cooperation helps in building constructive partnership

relationships and linkages among many similar organizations and agencies. It also empowers and equips organizations to resolve territorial disputes and mend disagreements about similar roles and competing responsibilities.

Conclusion

The research behind this guidebook set out to determine how states are using their resources, programs and policies to achieve successful rural development. In addition to discovering the value of the ten essential ingredients for successful program design, delivery and development, the research found that **rural communities do not necessarily require programs that are separate and distinct from those that serve urban communities.** At the same time, no one program can address all of the issues and concerns of rural communities. Many states already are demonstrating that they can design results-oriented and feasible programs by paying attention to the ten essential ingredients explored in these pages.

Chapter 1: Suppose States Had A Magic Wand...

Paradox is a rural community. Its budget supports education, safety, recreation, roads and water filtration for almost 6,000 residents who live within a 6.5 mile radius of the newly renovated downtown square. The community just obtained new roads, water lines and storm sewers for its 600-acre industrial park, which has been vacant 20 years, and is attempting to attract a major company. Paradox boasts a state liberal arts university attended by 6,000 commuter undergraduates from nearby villages and towns. As a result of a recent federal demonstration project, Paradox is directly connected by a four-lane highway to the state's major interstate highway network. The harrowing four-hour trip to the "big city" over narrow winding mountain roads can now be made in just under forty-five minutes. Paradox has a dedicated veteran state legislator who is sensitive to its community needs, as he is a resident and former mayor.

Paradox is located in a state which offers one of the most diverse and well-funded economic development programs and policies available for business development, industrial retention and expansion and local community development. But Paradox is not growing; no industries or service companies have moved to the community. Its population is aging, its tax base is eroding, its housing stock is in disrepair, its educational system is

substandard, its retailers are struggling and its leaders are disillusioned.

Paradox is representative of a vast number of today's rural communities. Funding programs, leadership training, technical and marketing assistance, business development programs and innovative partnerships among businesses, industry and the public sector exist in practically every state, yet rural communities very often *do not* take advantage of them. It is not always the community's fault. States often target specific programs, policies and resources directly to rural communities, but the assistance never quite gets there due to mismatched program goals and community objectives, lack of marketing or personnel to promote the programs or restrictive eligibility criteria.

"But the assistance never quite gets there"

Suppose states could wave a magic wand and fix what's wrong with getting assistance to deserving communities. Would states create more assistance? Would they continue to supply the same levels of technical and financial support for "targeted" programs? What would happen if states determined that no new *rural* programs would be created, but rather state programs would serve *all* communities, rural and urban, on the same basis for eligibility? Are different programs really necessary to serve the needs of rural communities? Or should states be doing a better job of designing and promoting results-oriented programs,

providing better training about how to use programs and offering more streamlined delivery systems?

Life Goes On In Paradox

Life in Paradox is changing. Three young armed service families have returned from overseas duty to their elderly parents' homes as a result of the peace initiative and defense budget cutbacks. Two machinists, a steel worker and two assembly-line workers have been laid off--evidence of the downsizing of American manufacturing. Two families, one from Romania and one from Serbia (Yugoslavia) arrived to visit their second-generation American cousins who still speak their parents' language.

A Laotian family opened a restaurant, and Paradox citizens, having flocked to try the new cuisine, discovered they like it. The Chamber of Commerce may host an international night to welcome all the newcomers and have them share their different cultures and foods with Paradox citizens.

The franchisee of the community's only hardware store is apprehensive; an international conglomerate which owns a large discount hardware operation tendered a buy-out offer to the parent hardware company. This could dramatically change how he will do business in the future. The local savings and loan company was acquired by a large regional financial holding company, and the hardware franchisee is concerned that a similar fate awaits his lifelong business investment. The three community-based banks have also been purchased. Residents now bank

using money machines or by dealing with impersonal strangers who commute from the city to work in Paradox.

Recent university graduates are frustrated because available jobs in their areas of specialization are located three states away. Technology-based, light manufacturers have not been attracted to the industrial park. Instead, small service companies--doing computer repair, free-lance architecture and small business support services such as printing, insurance sales, mobile telephone marketing and free-lance writing or temporary secretarial services--are the only types of firms making inquiries. And they are looking for incubator or office space, neither of which exist.

Paradox community leaders have turned to the state for help. They're finding business attraction programs have been curtailed due to general fund budget constraints. Money which has always been available to local communities for marketing, business revitalization, planning and storefront renovation has been slashed. In addition, new eligibility and performance criteria now target these funds on a competitive basis to those communities that can demonstrate the greatest degree of distress.

These kinds of challenges are duplicated across the nation as rural communities cope with structural and economic transitions. World events, global trade considerations, changes in the domestic economy and new ways of doing business have had profound impacts on the way that rural areas are responding to the challenges of the 1990s. The policy debate about long-

term, private sector job creation offers new opportunities for rural economic development. Through careful and methodical analysis of rural communities' experience in job creation, states can use existing programs and resources to capitalize on emerging development opportunities and formulate new approaches for effective rural economic development.

"World events, global trade considerations, changes in the domestic economy and new ways of doing business have had profound impacts on the ways rural areas are responding to the 1990s."

There is a great deal of data and research concerning the barriers, obstacles and constraints encountered in "doing development" in rural areas. This guidebook is designed to highlight the innovative and successful actions, policies and programs which overcome or remedy these constraints. If rural development is to work, states must help communities utilize development programs to enhance the local capacity for community and economic development. In addition, they must learn how to respond to state government's politics and policy-making process and capitalize on program characteristics that will promote community participation.

Chapter 2. Frustration Breeds Innovation

In the early 1980s, a number of states implemented rural development programs or modified state economic development programs to meet rural constituent needs. Many communities launched their own development efforts, sometimes independently of state assistance.

Ten years later, however, state policy-makers became concerned about the effectiveness of their incoherent development efforts. The 1991-92 economic recession, combined with increased fiscal restraint by state governments, resulted in significant funding cuts and program eliminations for rural development.

Eight Barriers To Knock Down

The Rural Resource and Implementation Project, an initiative of the Public Sector Development Foundation to **help states make better use of existing economic development programs and resources**, examined data and research, conducted focus group discussions through the United States in 1991 and found eight barriers which prohibit the effective adoption of rural development programs and policies. These barriers represent

"These barriers represent why rural areas often fail to use state programs."

the eight most cited reasons why rural areas often fail to use state programs:

1. Lack of awareness about program benefits.

2. Lack of technical capability and resources to apply for and use programs.

3. Restrictive eligibility criteria.

4. Exclusionary definitions of allowable activities.

5. Inadequate delivery systems.

6. Lack of capacity (local expertise, personnel, funds, etc.) to utilize provided resources.

7. Ineffective marketing to target markets.

8. Competing service agencies and providers dilute service delivery responses.

Targeting Resources to Rural Communities: Ten Essential Ingredients

One theme emerged repeatedly and most often from the work of the Rural Resource and Implementation Project: **There is no quick fix to overcome obstacles to rural development in America**. If states could wave that magic wand, they would find that prescriptions for success are tied to the individual character, resources, challenges and opportunities of their state. While specifically targeted

rural programs are not absolutely necessary to serve the needs of rural communities, one size will not fit all. States are demonstrating that they can design better results-oriented and feasible programs by paying attention to ten essential ingredients.

"Prescriptions for success are tied uniquely to the individual character, resources, challenges and opportunities of their state"

Five of the ingredients are integral to program design and effective delivery:

1. Designing state programs for success.

2. Assuring state program funding and sustainability.

3. Promoting effective program delivery and client access.

4. Determining appropriate eligibility criteria.

5. Program marketing.

The other five ingredients are necessary to states' actions to enhance local capacity to use programs for **rural** development:

6. Enhancing states' capability to educate and train client users.

7. Helping users leverage and use program resources.

8. Helping client users meet their marketing needs.

9. Enhancing states' communication with client users.

10. Promoting cooperation, partnerships and linkages between service providers.

Chapter 3. Designing State Programs for Success

The development and design of sustainable programs and policies should be guided by a sensitivity to the existing business community, its timeliness, its needs and operating climate and its demand for confidence over the long term.

Roland Dolly, Commissioner
South Dakota
Governor's Office of Economic Development

The saying, **"If you don't know where you're going, you'll end up somewhere else,"** is especially true when designing programs to meet specific rural development needs. Practitioners and users of state rural development programs agree on three critical design requirements to assure that programs fit or match users' needs.

"Three critical design requirements to assure that programs fit or match users' needs"

Demand: Users must really want and need the program. For example, before a state establishes a financing program offering seed money for regionally

based venture capital funds, the state must determine whether local businesses have expressed a need for such funds or have reflected a demand for venture capital.

Stated goals must coincide with desired results:. It is necessary to maximize the usage of available resources and avoid irrelevant operations. This requires giving considerable thought as to what the program is trying to achieve. What realistic outcomes are expected? What tangible products or benefits will participants have after participating in the program? What will the state achieve as a result of offering this program?

Delineate roles and responsibilities: Determining who does what reflects an understanding of the capabilities of all of the parties involved. For instance, do local communities have the capability to organize, capitalize and administer a regional venture capital fund? To what extent will the state be involved? What roles and responsibilities will local citizens and community-based financial institutions assume in such an effort? Are expectations about each partner's roles and responsibilities consistent with their capabilities, levels of commitment and support and abilities for action and accomplishment? All of these questions require answers before proceeding to the next program design element.

Management of Assets and Resources

Deciding how the physical, financial and human resources will be organized, managed and

sustained is an important design component for rural programs. Consideration must be given to how the resources and assets that the state brings to the table match the contributions of the local communities. It is very important to match a rural community's assets with specific program elements. When this is done, three good things happen: awareness of the program and its benefits increases; an understanding of the opportunities grows; and community participation increases.

"It is very important to match a rural community's assets with specific program elements"

Managing physical assets: These include not only the structural components (offices, space utilization layout, ambient working environment, machinery and equipment, communication and information management systems, etc.), but also the community's physical building structures, infrastructure systems, social services, cultural amenities and business support services. Division of responsibilities between state and local agencies has an impact on the success of the program.

How physical assets are used has a major impact on a particular program's success. It can provide non-verbal signals to state and local officials about how the program is viewed. For instance, staff members in one state's finance division were relocated from individual suites into one large room,

formerly used as the department's file room. Ostensibly, this move was made to enhance communication and achieve more efficient space utilization; however, the staff and program participants read into the move that the three financing programs were no longer important to the state's overall development plan. Consequently, staff morale declined, individuals became worried about their job future, and the programs' private sector board members began complaining to legislators and administrative officials about the agency's lack of recognition of the importance of the programs. The program participants became concerned about the future of the program and the state's commitment to program goals and outcomes. All of this resulted from a change in how office space was allocated. These signals result, whether intentionally or not, based simply on how physical assets are allocated to state programs.

Managing financial resources: These include the state's budget appropriation or general fund commitment, the contributions of private and public sector organizations and groups, fee or product income generated and potential sources of alternative financing. How these funds are blended or distributed within individual programs depends on budgeting requirements

"The program design should assure that sufficient funds exist for direct allocations, operational and administrative expenses and follow-up monitoring and accountability actions"

and individual program needs and goals. The program design should assure that sufficient funds exist for direct allocations, operational and administrative expenses and follow-up monitoring and accountability actions.

Managing human capital resources: This is the most important design decision. Design elements include:

(1) Determining how to best utilize program staff for the diverse project implementation actions (e.g., marketing, technical assistance, analysis, decision-making, project monitoring, and follow-up);

(2) Assessing training requirements, staff commitment to performance, quality and teamwork; and

(3) Planning for growth

Improving local involvement: By building a stake in the end result, communities and client users increase program commitment and support. Rural localities can be encouraged to help establish clear understandings about the types of jobs each community desires. Being included in the

"By being included in the development of definitions, rural communities become committed to the process, because they helped to design the program--it belongs to them!"

development of the programs, rural communities become committed to the process. Because they helped to design the program, it belongs to them!

Program Management

Program management is fundamental to the design of successful programs. Key management components entail organizational structure; risk management policies; operational guidelines/policies/procedures; and performance measurement to assure accountability for results.

Basic organizational structure: States often must decide between varying legal structures. When bonds are to be issued or loans made, states often establish quasi-public organizations or authorities with statewide jurisdiction. During the early 1980s, Louisiana determined that it was essential to establish a quasi-public authority to finance public facilities. State-wide jurisdiction enabled the Louisiana Public Facilities Authority to finance several essential projects in localities that would have been unable to fund such projects on their own. Many small, rural communities in Louisiana now have access to hospitals, magnetic resonance imaging centers, water filtration and collection systems and community buildings because of this agency.

Often it is desirable for a program to have a separate decision-making board comprised of both public officials and private-sector business people. However, retaining the direct administrative and

operational control within the development agency streamlines the process. The Pennsylvania Industrial Development Authority (PIDA) maintains a public-private board which renders decisions on project loans, program investments and funds management. The Pennsylvania Commerce Department maintains direct responsibility for the administrative and operational needs of the authority, including program budgeting, personnel management and program marketing.

Some states have designed arms-length organizational structures to overcome long-term stereotypes and enhance market perceptions about programs. Kansas established a three-tier structure for accomplishing technology development program initiatives. Kansas Inc., organized as a non-profit public-private partnership, carries out the state's long-term strategic planning and program performance monitoring functions. Kansas Technology Enterprise Corporation (KTEC), conceived as a quasi-public agency, is responsible for delivering technology development program services. KTEC's mission is to coordinate technology development incentives with other development resources administered through the Kansas Department of Commerce. The Kansas Department

"Some states have designed arms-length organizational structures to overcome long-term stereotypes and enhance market perceptions about programs"

of Commerce works closely with KTEC in the marketing, budgeting and leveraging of other financial and technical assistance services.

Risk Management: State program managers' primary concern is to protect the public's investment in individual projects. At the same time, there is a desire to attract additional program dollars from private investments. Participants' primary concern is to protect the collateral or guarantees contributed as security for program participation.

- **Interest rate risk** becomes another participant concern in programs that are tied to floating rate instruments or are subject to policy changes concerning the rate of interest being subsidized by the state.

- **Construction risk** is a risk in programs which fund land or construct buildings, roads, bridges, water and sewer infrastructure or transportation systems. State program managers seek to reduce this risk by requiring performance bonds and construction insurance.

- **Environmental risks** can be assumed, depending on the type of project undertaken. Federal environmental regulations have increased the potential liabilities which may be levied against the project owner or mortgage holder, in the event of project bankruptcy or default.

- **Technology risk:** Program managers and participants must recognize that innovation, discoveries and enhancements can change, overnight, the way firms do business.

- **Political risk** always exists when providing or participating in state programs. A new governor or legislature may decide to discontinue programs, change the policy priorities for state-funded resources or dismantle the program.

Programs must be designed with these risks in mind. Policies and guidelines must be developed proactively to respond to each type of risk and offer alternatives that fit the needs of the client users, private investors and state officials. The best solution draws on the resources of all groups, employing focus group methodology to brainstorm about realistic policies and guidelines.

"Policies and guidelines must be developed proactively to respond to each type of risk and offer alternatives"

Operational guidelines/policies/procedures: They should provide a flexible, manageable, framework for daily management. Often states will design a program with minimum regulatory language, relying on departmental policy to guide development of operational criteria, procedures and implementation policies. Doing this allows programs

to evolve and change to meet emerging or unanticipated needs. At the same time, states should be cautious about making policy changes or modifications too quickly. Confidence grows in programs that have criteria and guidelines that participants can depend on from one year to the next. Reliability, repeatability and responsiveness are the watchwords of good program policy design.

Performance measures: It is very important to construct performance standards that are measurable, realistic and achievable. Most importantly, measures must be constructed around actions and outcomes for which the program or staff person has control. Holding rural development programs accountable for job creation, for example, is measurable and realistic, but where is the control? State programs don't create jobs-- businesses do. While companies project a certain number of jobs to be created, changes in market conditions, risk elements and unforeseen circumstances may affect the results. Better measures of program success would be the number of rural users served, the results of individual firm participants and the level of users' satisfaction with the program.

"Better measures of program success would be the number of rural users served, the results of individual firm participants and the level of users' satisfaction with the program"

When program benefits are offered on the basis of jobs to be created, contractual agreements, pay-back clauses, or non-performance penalties should be developed to hold participants accountable for their promises. That way, the community or program has some degree of recourse should the firm decide to move, curtail production or shut down after accepting the incentive.

Program Awareness

Through careful design at the outset, programs used in rural development can promote participants' awareness of a program's existence and increased understanding. Programs that have strong client appeal had been crafted to meet specific needs and long-term interests of rural clients. The program design should include ways that will encourage the client to quickly buy into the process and become involved and committed. When rural users are given a direct stake in the process, involvement is enhanced. When program users become committed and involved in a program, they express their enthusiasm to other business owners. "I became involved in the Kansas Technology Enterprise Corporation's program because a competitor of mine was so impressed by the benefits he had achieved by participating in the program," noted one rural Kansas technology executive.

Staff commitment and involvement also promotes awareness. A small, rural Wisconsin community was encouraged and empowered to "hang in" on a difficult strategic planning process because

of the commitment, enthusiasm and belief expressed by the state program staff. "We didn't want to let her down, she'd worked so hard. We had to see it through. Now, we're glad we did!" said a representative of the citizen group that accomplished the work.

Program Benefits

Successful rural development programs are designed with easily identifiable client expectations. Client feedback and recommendations are built in and mid-course corrections can be easily absorbed into the operational and administrative life of the program.

Programs need structures that enable participants to readily identify and understand program benefits, short- and long-term objectives and outcomes. This can be accomplished most easily by clearly identifying the needs of the client user and matching them to program structure, eligibility criteria and operational policies. This is often difficult for first-time programs to achieve because these programs are often breaking new ground and encountering new implementation obstacles and policy challenges.

Incorporating direct client feedback into all stages of program participation is one way to ensure that first-time programs stay targeted on the needs and desired results. One program invites user feedback as early as the preliminary application stage, by providing a section for

comments and recommendations for program improvement. Other programs periodically send one-page surveys to randomly selected client users to check the quality of staff commitment and customer service, perceptions of the client user, and recommendations for improvement. Follow-up feedback is also a useful tool for gaining insight into client users' experiences and perceptions about programs. This can be accomplished through telephone interviews, on-site visits and mail questionnaires. Whatever the method, the goal is to obtain clear, constructive criticism about the extent to which the program benefitted the user and enhanced business development.

"Follow-up feedback is also a useful tool for gaining insight into client users' experiences and perceptions about programs"

Programs which remain flexible and responsive to client feedback, staff recommendations and functional improvements have the greatest capability to facilitate smooth mid-course corrections and redirection. By establishing a mid-year review, program managers can incorporate feedback, recommendations and experience into new or adjusted program policies, criteria and procedures. These changes, in turn, can be correlated into the next year program justifications and budget requests.

Case Study:
South Dakota Revolving Economic Development and Initiative Fund

South Dakota, a rural state, has only two cities, Sioux Falls and Rapid City, with more than 25,000 people. Agriculture is the state's leading industry, and food processing is the largest manufacturing industry. Lumber, wood products, and farm machinery manufacturing are also important industries. The state is also an important mining center, producing gold, beryllium, bentonite, granite, silver, petroleum and uranium. As part of his strategy to diversify the state's economic base from extractive industries, Governor George S. Mickelson established the Rural Economic Development Initiative (REDI) Fund. Created in 1987, the REDI Fund provide loans as an incentive to companies investing and creating jobs in the state. The Fund is targeted to businesses that export their goods and services from the state, provide substitutes for imported goods or services, or fill a previously unmet need in a local area.

The REDI Fund has helped South Dakota diversify its economy. The Fund has assisted a wide variety of companies including a precision component manufacturer find civilian aviation markets, a telemarketing firm, small meat packing operations, food processors including specialty grain manufacturer, pet food meat processor, and an ethanol plant. The Fund also helped smaller communities. In its first three years, the Fund made 26 percent of its loan approvals to firms located in communities with a population less than 2,000. More than 50 percent of the REDI Fund dollars were distributed to companies located in communities with populations less than 15,000.

The Fund was capitalized with $40 million using a special 1 percent sales tax imposed in 1987. The fund has loaned more than $33 million to nearly 100 companies with

more than 75 percent of the funds going to new and expanding South Dakota firms. These loans helped companies to create 4,406 full-time equivalent jobs, leveraging a new job created for every $5,000 in capital loaned.

The REDI Fund was designed to overcome three primary barriers which were deterring South Dakota's economic growth: businesses lacked the necessary financing tools to enable start-up and expansion, citizens perceived the state's programs to be inaccessible and unresponsive to business needs, and earlier approaches were deemed ineffective. One of the ways that the REDI Fund was designed to be more customer friendly is that it eliminated red tape. The Fund has remained flexible to the financing needs of firms. In particular, the program offers financing designed to lower debt service costs during the first five years of the loan. The REDI Fund has maintained strong support from its citizens and legislature because a public relations and a program evaluation component were both designed into the program. South Dakota has realized an increase of 5.3 percent in the number of the state's manufacturing jobs. This success has led to strong citizen and legislative support for the program.

Chapter 4. Assuring State Program Funding and Sustainability

To remain competitive, states should periodically survey and re-evaluate the methods they use to finance and sustain programs and services.

C. G. Huffaker, City Manager
Portersville, California

Ensuring that sufficient funds are budgeted, appropriated and received to sustain programs from one budget year to the next is critical to successful implementation in rural areas, especially as pressures persist on programs due to federal and state budget deficits. Program managers and policy-makers must ensure that enough dollars are **available**. Funding must be **sustainable**, to give rural client users confidence that their needs can be met from year to year. Maintaining **accountability** for program dollars is the third key element of effective fiscal planning and program budgeting.

Securing Adequate Funding

States employ a variety of tools to make sure sufficient funds for rural development efforts are requested, budgeted, appropriated to implement state programs effectively. Among these are market research, budget forecasting, setting achievable

production and service goals and maintaining good funds management systems.

Market research: This is used to ensure that funding levels are appropriate to specific program needs. By looking at historical use patterns, understanding local and regional development trends and forecasting future program demands, successful programs view statistical data and projected forecasts as vital market research.

"Successful programs view market research, statistical data and projected forecasts as vital market research actions"

Realistic budget forecasting: Accurate forecasting is essential, particularly when states begin the budgeting process two years before funds are disbursed. Successful program budgets rely on analysis of previously projected and actual budgets, tracking trends and patterns in program disbursements and monitoring.

Setting achievable goals: This can ensure future funding adequacy. When states over-estimate their abilities to provide services or realize results and fail to use all the allocated resources, legislators tend to reduce program appropriations. Similarly, when program managers underestimate needs and the ability to deliver services from one year to the next because of too limited resources to serve the user population appropriately, confidence in the program is affected. Users worry that future budget

allocations will be insufficient for the diverse needs reflected, and legislators are concerned that programs are not being used to effectively and to their full benefit.

Effective funds management systems: This emphasizes to legislators, users and citizens that program funds are being monitored carefully for accountability. Being able to measure how well the program used its funds, managed investments and reallocated unused or paid back funds is especially important when program managers seek program funding increases. A measurable record of how funds are managed assures the confidence of legislators, governors and taxpayers in funding adequacy.

Sustainability

New Options: Successful state programs no longer rely on a single source for sustained funding. Some are seeking new ways of using lottery funds, gasoline taxes, fines, fees and buy-ins from other public sector agencies and departments having similar missions and long-term objectives. Private businesses, utility companies, financial institutions and entrepreneurs are being asked for donations or matching fund contributions. Innovative partnerships

"Some states have established state-owned small business investment corporations (SBICs) and venture capital funds to capitalize on third party investments"

between public agencies, non-profit organizations and groups, quasi-public entities and social service agencies are becoming the norm. Some states have established state-owned small business investment corporations (SBICs) and venture capital funds to capitalize on third party investments.

The various state responses are illustrated by Louisiana, Iowa, and Montana. The Louisiana Department of Economic Development receives contributions and support from the Louisiana Public Facilities Authority (LPFA) for specifically defined and developed project or training initiatives. For instance, the LPFA took the lead in publishing a resource guide for minority- and women-owned businesses, working in close association with the Division of Business Development Services.

The Iowa Venture Capital Company solicits investment support from the financial community, including commercial banks, savings and loan associations, and investment companies. This fund invests in local development projects which will create jobs and expand businesses. The Montana Small Business Investment Company is a relatively new financing approach for the state. The state and the private sector have made direct contributions in the SBIC to provide seed money for technology and growth industries.

Cost-benefit analysis methods: This is necessary to make sure that the costs generated to sustain the program do not exceed the resulting benefits returned to the state and its financing

partners. This cost-benefit analysis may be informal or highly structured, depending on the state's resources, fund outlays and a particular program's business philosophy.

Constituent Communication: Having determined the costs, benefits and partnership shares, agencies that successfully assure funding for rural development communicate their efforts to various constituencies, including the governor, state cabinet officials, agency heads, legislators, citizens, local public officials and business leaders. This communication may be done through a number of outlets--newsletters, news releases, annual reports, direct mail campaigns and public service announcements.

Accountability

Maintaining accountability for rural development programs has become a central issue for legislatures and state development agencies working with diminishing resources and competing state priorities. States taking a lead in this area structure their programs to measure accountability by demonstrating tangible and positive results which lead to setting and accomplishing incremental goals. Such measures are designed around elements over which state program managers and local participants have control. Successful programs must have clear definitions of what success represents and measure shorter term, intermediary goals.

Maintaining and managing program portfolios: This is a basic element for accountability. Some states have separate divisions to engage in auditing, portfolio management and monitoring. Other states customize sophisticated computer systems to track each transaction.

State agencies with successful accountability continually assess participants' progress within a program. This ongoing monitoring process is often accompanied by rolling application deadlines, rather than limiting participation to annual submission dates.

"State agencies with successful accountability continually assess participants' progress within a program"

Legislative oversight: A certain degree of oversight may also be desirable. The level of monitoring achieved through legislative participation will vary from state to state, depending on the extent of monitoring being accomplished by the state development agency, how often the legislature is convened and the legislature's priorities and understanding of development needs.

Oregon and Massachusetts are pioneering a new trail which many states that seek to account for development actions are adopting. Benchmarking and results-oriented budgeting seek to build in accountability by tying certain performance outcomes and tangible results to program budgets. Thus, when

an Oregon program achieves 20 percent greater returns than anticipated, additional funds automatically are released to that program to support these initiatives. Results-oriented budgeting seeks to build incremental change into the fiscal life of programs and agency budgets.

Case Study:
California Rural Economic Development Infrastructure Program

The California Rural Economic Development Infrastructure Program (REDIP) provides financial assistance to rural communities for public infrastructure improvements that are necessary to attract or expand businesses. The program provides revolving loans of up to $1 million--up to $2 million in certain instances. Where communities are unable to service a reasonable level of debt, grants up to $250,000 are available.

The state designed REDIP to provide an adequate and sustainable source of financing. A unitary tax provided the first capitalization for the revolving loan fund. The current funding level is $1.4 million. To ensure that the revolving fund remains adequate and sustainable for the needs of California's rural communities, local projects funded through REDIP rely on multiple funding sources, including federal matches, other state programs and local participation.

Although the state has more than 30 million people, California has a number of rural areas. REDIP was crafted to be sensitive to the limited resources within California's rural communities. The program was established to help

smaller rural areas overcome five major economic development obstacles to attracting businesses: a lack of physical capital facilities and infrastructure (adequate streets, water and sewer infrastructure); a lack of business and financial infrastructure (financing and business support services); rural attitudes of provincialism, isolation and apathy; lack of coordination and cooperation among local stakeholders and certain program design constraints.

Good communication between constituent groups, citizen consensus and support for the project and maintenance for fiscal accountability and successful project outcomes are incorporated into REDIP through participation criteria. Eligible projects must be publicly owned and maintained. The infrastructure development must be used by the public and assist in attracting new business. Normally, various constituencies and organizations--including economic development practitioners, city managers, local community public works officials or local government officials--are involved in project origination.

Since September 1986, 41 communities have received a total of $20 million in financial assistance, $15 million in low-cost loans and $5 million in grants. Over 6,200 jobs have been created or retained at an average job cost of $3,226 of state funds. An estimated $7.4 million in state income tax has been generated from these jobs, with annual payrolls exceeding $200 million. The infrastructure improvements have spurred approximately $250 million in private development and capital expenditures, including the costs of land, buildings and equipment.

Chapter 5. Promoting Effective Program Delivery and Client Access

Existing capability to deliver programs and services can be enhanced and expanded through the creation of intra-state mechanisms for networking, liaison and coalition-building for program delivery.

William Graper, Director
Regional Economic Development
New York State Dept. of Economic Development

Successful state programs for rural development assure strong client participation. Clients have good access to program information, applications and support personnel and are given ample opportunities to participate in programs, tapping into delivery systems and provider networks. **Client access is encouraged** through a variety of methods, including flexible time frames for application submissions and targeting specific types of clients or uses. The delivery system for program assets is **structured appropriately** to meet the state's particular geographic, economic and social needs. Care is taken to define the delivery system's **basic philosophies for doing business**, which establishes the framework for interaction with client users.

Appropriate Structure

Each state is unique, having its own challenges, opportunities, strengths, resources and needs. The structure of delivery systems must be based on what works best for the individual state--not on a national model. States are looking closely at their local and regional economic, geographic and social requirements, and retooling delivery networks to meet their specific needs appropriately.

Centralized System: Some states have determined that a centralized system for service delivery to rural areas best meets their needs. All development services are housed at a central location, usually the state capital. Teams of development personnel, while based in this central location, have responsibility for various geographic regions, business sectors or areas of expertise. A decentralized structure, on the other hand, encourages service centers or agency offices in different locations in the state. Technical assistance is available in regional or hub centers. North Carolina and Pennsylvania employ differing models of the decentralized or regional approach.

Partnerships: Structural considerations also include how partners and allied organizations or service providers are incorporated into delivery networks. Some states, such as Kansas, have worked hard to identify all the organizations, partners and service providers and create formal systems for interaction, spelling out responsibilities and partnership opportunities. Other states have yet to

recognize that such networks exist. As a result, these states are more likely to find a duplication of effort and competition among providers to serve client users.

Centers of Specialization: State agencies are also discovering that some program areas, like applied and high technology development, best lend themselves to centers of specialization. Pennsylvania, Kansas, Oregon and Michigan have established special centers where certain industrial sectors can go to receive highly specialized technical assistance, consulting services and help with contract procurement.

"Some states have established special centers where certain industrial sectors can go to receive highly specialized technical assistance, consulting services and help with contract procurement"

One-stop shop: Other types of services such as international trade and enterprise development flourish in one-stop shop environments. Maryland moved all of its business services and providers to the Baltimore World Trade Center to offer one-stop shopping. There, a business person can meet with federal and state program managers involved in international trade.

Self-help approach: Some services require a basic level of competence before they can add any value to the client user. For instance, the Montana

Department of Commerce's International Trade Office employs an individualized approach to reaching the potential client base of firms interested in export assistance. Its *Export Handbook* is mailed to firms which express an interest in entering international markets and contains a detailed explanation and information on how to undertake an exporting effort, accompanied at every step by a screening methodology. It is designed to enable clients to assess their own export readiness and level of preparedness to enter the export arena. The *Handbook* has three sections, each containing chapters about specific exporting issues. At the end of each chapter, the Chapter Worksheet serves as a survey and guide to the client's readiness to progress to the next stage of the export process. Clients which complete the *Handbook* are considered ready to engage the targeted assistance offered by the International Trade Office.

Program staff noted that the *Handbook* has been extremely useful in helping them to deliver needed training and technical assistance to export ready firms in Montana's rural communities. It has also enabled the International Trade Office to reach greater numbers of Montana's rurally based companies and focus its limited resources on those firms which are truly ready to enter international markets.

Philosophies for Doing Business

Another key element for successful program implementation in rural areas is the state's philosophy

about how services are best delivered. A historical complaint levied against state development programs by the private sector was that they were not user-friendly. Many states have taken dramatic steps to change this perception by changing their way of doing business. Successful state programs have a strong orientation to provide the best quality service possible to companies and citizens. "We seek to cut through the red tape, bureaucracy and run-around often experienced within state government and effectively and efficiently solve our clients' needs," remarked one program manager. "While the customer is not necessarily always right, we try to treat him that way whenever possible," noted another state official.

"Successful state programs have a basic orientation toward the client, to provide the best quality service possible to companies and citizens"

The new philosophies have sometimes been difficult for long-term staff people to embrace. States rewarded personnel for maintaining the status quo, conserving program resources, containing travel costs and protecting taxpayer dollars. Now the process is different. Personnel are encouraged to empower firms and citizens, commit to total quality management precepts and begin thinking as teams rather than individuals. Successful programs reflect personnel who now operate more as private sector entrepreneurs than state employees. "We've always

done it this way," is not often heard in programs that are generating positive outcomes and clear results.

Clients' Access to Programs

The change in how delivery systems are targeted toward rural clients doing business has had a direct impact on how those clients perceive access to state programs. **Providers now choose between direct and indirect interactions**. The choice depends on the program, the development area, the unique needs of the users and the state. Direct interaction allows the user to make contact directly with the program manager or service delivery provider. For the Connecticut Product Development Corporation program, clients submit applications directly to the quasi-public agency and deal directly with staff in the financial decision-making process.

Indirect interaction: This finds the user contacting an intermediary party. Applicants to the Pennsylvania Capital Loan Fund (PCLF), an equipment and working capital fund, work through regional loan offices which undertake the loan packaging, undertake due diligence reviews and background checks, then forward the application to the state program manager for final approval.

Time frames for participation also affect clients' perceptions of their access to specific programs. Again, the nature of the program and its goals and design features affect whether application deadlines are one-time only, quarterly or open windows. Interviews show that clients believe they have the

greatest degree of access when time frames are fluid, with no submission windows or deadlines.

"Clients believe they have the greatest degree of access when time frames are fluid, with no submission windows or deadlines"

Service providers often seek to promote client access among disadvantaged or targeted ethnic groups or industries that have been determined, through market research, to have strong growth potential. Enhancing access among these types of clients normally is accomplished by targeting specific business sectors, growth firms and businesses in specific standard industrial classification (SIC) code categories. States have used set-asides for certain industry types, such as employee stock owned plan (ESOP) firms, apparel manufacturers, minority businesses and social and economically restricted businesses. Some set-asides have come under attack as being unconstitutional, causing states to begin exploring other methods to promote client access among these ethnic and industry groups.

Case Study:
New York Rural Public Transportation Coordination Assistance Program

The New York Rural Public Transportation Coordination Assistance Program was established in 1986 to improve and enhance the mobility of the state's rural residents, particularly those who are poor, elderly or disabled. By design, the program seeks to create the most efficient and effective use of all federal, state and local funds allocated to provide passenger transportation by coordinating all programs and services.

The state established the program to assist New York's rural communities to address five primary obstacles to effective development by: overcoming rural attitudes of provincialism, isolation and apathy; promoting coordination and cooperation among all players; changing the grassroots' view of inaccessibility of state programs; making program design more effective and enhancing communities' physical capital and infrastructure.

The program is meant to develop local organizations to coordinate transportation activities, network partners and allies and improve citizens' access to transportation services. This program focuses on helping local transportation systems meet client needs and changing operational and structural elements which are necessary for improved service, reliability and accessibility and to capitalize on efficiencies of scale.

Client access to services has been improved dramatically through new partnerships among state agencies, social service agencies, taxi companies and other transportation providers. Relationships created through the program have had a multiplier effect enabling new partnerships and linkages within the community.

Chemung County Transit, for example, forged partnerships and linkages among an elderly care center, the County Social Services Agency, the Cystic Fibrosis Association, Head Start and the YMCA. A taxi company and an inner-city carrier have established special sub-agreements with the transit company to supply portions of the Rural Public Transportation Coordination Assistance Program service.

The state currently funds this program at $853,000. Participants receive $55,000 annually for three years to plan and implement a coordinated transportation system. A local match of 10 percent for the first year, 20 percent for the second year, and 30 percent in the final year is required. An additional $35,000 is available annually following the planning and implementation effort to provide operating assistance. In its first six years, nine counties participated in the program.

Chapter 6. Determining Eligibility Criteria

Eligibility criteria and program regulations can be better defined to reflect the goals and objectives of individual programs.

Janis Burbank, Assistant Secretary
of Business Development Services
Louisiana Department of Economic Development

States can ensure successful programs that meet clients' needs by carefully crafting eligibility criteria to match desired program and policy goals and expected outcomes. Like the reins that guide the horse, eligibility criteria and program guidelines ensure that participants achieve the maximum benefits and value from the offered incentives. It is important to draft **eligibility criteria that are definitive and succinct** about participation requirements; definitions and time frames; organizational and structural procedures; and routines for distributing resources.

Eligibility Criteria

The important elements of selecting eligibility criteria include whether programs have **a rural or urban focus**, and whether or not they are **targeted** toward specific problems, client users, performance outcomes or results. A variety of successful methods

can be used to develop readily understandable, easily accessible, well-stated guidelines and eligibility criteria. These may include focus group sessions with potential users, direct interviews with policy-makers and practitioners and follow-up questionnaires with client users.

Eligibility criteria define who the program's users are and identify intended program needs or purposes. Some states target particular programs to urban centers and develop separate programs for rural users. But the most successful state programs are those which serve urban and rural users without differentiating between them. While difficult, structuring eligibility criteria which establishes a level playing field for rural and urban participants is key to successful implementation. Eligibility requirements designed to meet urban needs can seldom be superimposed on rural communities. Innate differences in population, business scale and potential markets leave rural competitors often, if unintentionally, under-funded. Rural- and urban-user needs, program goals and anticipated results are not necessarily the same.

"The most successful state programs are those which serve urban and rural users without differentiating between them"

Criteria can be used to **address a wide range of user needs** or can **target specific types of need.** The most widely used distinction is distress. How this

term is defined influences how useful a program is to meeting the needs of rural communities.

For example, one state sought to establish an enterprise zone program that would include rural communities where the levels of distress were similar to those of larger, urban centers. It was decided that participation in the enterprise zone program would be determined by rankings in a special distressed communities eligibility program. The program manager developed a highly sophisticated, objective questionnaire and statistical ranking system to categorize the more than 400 applicant communities. The cumulative score of the questionnaire determined a community's distress. After an exhaustive review of applications for the program, the program officer noted a critical flaw in the definition design of the criteria: The largest weighing of information was geared to the *absolute number* of a community's citizens living with incomes at or below the poverty level, the number of residents unemployed or facing job layoffs, and the number of firms closed or relocated out of the community in the past year. Because the majority of communities applying to the program were smaller, rural communities, the definition focus on absolute numbers prevented most of them from qualifying for the distress designation. Smaller communities became eligible by modifying the distress definition to one based on *percentage of population*, rather than the absolute number.

It is important to understand that when a program fails to reach set targets, it may just as easily

be the result of inappropriate target selection as choice of poor criteria. For example, increased out-migration is a particularly strong indicator of community distress. Many programs seek to address a problem such as this. If the level of out-migration is used as the sole criteria to measure need, it may prove an incomplete reading of the situation. Distress may be caused by factors of which out-migration may be only a symptom: lack of confidence in community leaders, dissatisfaction with educational systems and providers, concerns about poor environmental quality of the area, etc.

For example, heavy out-migration occurred in Lafayette, Louisiana, in 1986. Because U.S. trade policy changes, national oil companies decided to cease offshore oil drilling and made major market shifts in the oil and gas industry to other areas of the country. Whole companies packed up and left. Out-migration occurred so quickly and severely that a bumper sticker declared, "Last one out, turn out the lights." Had out-migration been used as program eligibility criteria, Lafayette certainly would have qualified. However, the deeper problem, unemployment resulting from business out-migrations, in this instance, was not resolved.

One approach to ensure that programs meet the needs of targets is to establish a cost (or "price") for using it. Pricing of goods and services must reflect, within budget constraints, the same goals as the eligibility requirements. Many argue that charging a fee for a service discourages its use, but fees can have an opposite effect since it establishes a value in

the eyes of the client and limits waste by inhibiting the use of resources for those that do not value the program.

There are other approaches to leveraging client participation other than charging a fee. An agency may also create barriers to using the program designed to ensure that the client is capable of utilizing assistance to succeed financially. For instance, requirements that a project be creditworthy involves a thorough assessment of the financial characteristics of a firm interested in obtaining assistance. For financing programs, agencies often require participants to secure appropriate credit enhancements (letters of credit, guarantees, bridge loans, etc.) and provide the necessary levels of collateral in order to participate in the program. This creates an environment in which the client users and financial institutions become active (rather than passive) partners in the program.

Actively engaging the client user as a partner is often key to the success of state programs, but the program should always express this desire as part of the criteria for using the program. Participants need clearly worded eligibility criteria involving the role of the client user and other service providers so that each understands its responsibilities and commitments. These criteria can be expressed in terms of a minimum or maximum project size, equity match, dollar limit for participation, up-front application fee, and valuation of collateral and credit enhancements. It is also important to expressly state how participants are to use their own resources,

those of other private and public sector agencies and those of the state. Criteria guiding **how resources are leveraged** should encompass each participant's financial, organizational, physical and human capital resources.

"How participants are expected to use their own resources, those of other private and public sector agencies and those of the state require clear definition"

An example illustrates this process. A team of innovative educators, parents, businesses and social service agencies in Allentown, Pennsylvania, conceived Schoolworks, a locally supported program designed to bring work-based learning to primary and secondary classrooms. The program involved participation by local employers, school teachers, social service providers, local government officials and chamber of commerce members. The program development team carefully articulated its expectations for participation by each group. In addition to classroom visits to explain the process or nature of the business, each participating firm took responsibility for teaching one or two students about its industry. This involved tours of the facility, interviews with key employees and direct involvement by students working as volunteers at the business for four to eight hours each week.

At its inception, the team determined the financial considerations, such as the amount of cash dollars to be provided by each sponsoring

organization, the program's annual budget, the projected expenses required to maintain the program and potential funding providers. Program designers also calculated direct and indirect participation costs to the schools and the participating firms.

Furthermore, the group agreed on the physical requirements, including office space for program administration, transportation of students to and from work sites and amount of school time to be spent by teachers in the training and facilitation of the program. Together, the development team and the participating businesses decided the human capital factors, such as the number of volunteers needed to support marketing, fund-raising and program implementation; the level of staff support needed from the participating firms and the training program required to make sure all participating firms understood and complied with the participation requirements and operating procedures and policies.

Marketing materials and applications concisely presented all eligibility criteria and decisions about the financial, organizational, physical and human capital requirements. From the outset, the program designers sought to educate and advise parents, business CEOs, public officials and teachers about participation requirements, eligibility requirements and anticipated benefits. By its second year, Schoolworks had made 50 matches.

Case Study:
Washington Rural-Urban Linkages Program

Washington's ten largest cities house 24 percent of the state's 5 million people. Economically, however, many of its rural areas have not done so well. Between 1979 and 1987, the largely rural state experienced significant job losses. The state designated 22 of its 39 counties as economically distressed, qualifying those areas for participation in many of its targeted economic development programs. The 1990 Washington Growth Bill established the Rural-Urban Linkages Program to assist rural areas in overcoming four barriers to economic growth: misconceptions about rural areas; lack of coordination and cooperation of all players; rural attitudes of provincialism, isolation and apathy; and concerns about program design.

The Washington Rural-Urban Linkages program was established to create mutually beneficial, formal relationships between rural and urban areas. Program eligibility criteria targets urban- and rural-based firms. The criteria define "target projects" as those which develop linkages and partnerships between rural and urban economies; those which enhance local capability to facilitate new economic opportunities in rural areas and those which improve export opportunities of products and services from rural areas to locations outside the United States.

Eligible project activities include: 1) facilitating and transferring information, expertise or economic opportunities from urban areas to rural communities; 2) assisting urban businesses and organizations seeking to expand operations within rural areas; 3) developing and strengthening the network of rural suppliers and subcontractors of urban enterprises and 4) assisting rural businesses to venture into the international market.

The Rural-Urban Linkages program also has specific definitions for participation, including economic distress, allowable activities and what is intended as a rural-urban linkage. The state hosts application workshops to familiarize participants about eligibility criteria, acceptable project designs and objectives, complementary and linking state and federal incentives, resources and technical assistance which can be leveraged to enhance project implementation. The state markets the program through news releases, annual workshops and mailings targeted at more than 1,200 companies and communities.

Chapter 7. Program Marketing

It is important that states take an active role in redefining rural economic development marketing efforts to distinguish between agricultural and non-agricultural activities.
Robert Heffner, Director of Business Development
Montana Department of Commerce

Effective use of marketing strategies, advertising campaigns and promotional literature is integral to successful program participation. Marketing programs must be designed to:

(1) reflect the needs and interests of client users;

(2) communicate the benefits and advantages to be gained from the program; and

(3) address training and technical requirements of marketing representatives so that they may recognize unique client needs and match the appropriate incentive programs or policies to meet them.

Orientation to Client

Successful programs use marketing strategies to direct clients to program features in which they will have the greatest interest. These features might include beneficial pricing, terms,

collateral expectations and sponsors and matches. Pricing elements include the clients' participation cost in terms of time, information sharing, financial matching, application fees, out-of-pocket expense and interest rates. Pricing must be marketed in ways that which build value for the clients. While it is necessary to inform clients of specific costs, value can be built by emphasizing such benefits as the rate of return on their actual investments and future value to be gained from participation. The financial language used needs to be understandable--not so complicated or technical that clients think they need a consultant or certified public accountant to translate the jargon.

Successful programs express the terms of participation clearly and succinctly. Clients want to know what to expect at every point in the program up front: including but not limited to applications and due-diligence inquiries, as well as decision-making, funds disbursement and pay-back policies. The fewer questions that remain unresolved in clients' minds before applying, the more comfort and confidence users will have toward the program. Clear terms also help clients get the needed support from bankers, guarantors, investors and partners.

"Clients want to know what to expect at every point in the program up front"

Collateral requirements, matching fund ratios and guarantor arrangements are normal requirements

for state incentive programs. A key to program success is the state's ability to market these positively-- describing the benefits and value of these requirements from the client's perspective. Avoid putting a client on the defensive about issues such as pay-back, recourse, and failure to achieve performance levels by presenting such issues in a positive, proactive manner.

"Avoid putting a client on the defensive about issues such as pay-back, recourse, and failure to achieve performance levels"

Often state programs require sponsors or joint participation from a bank, letter of credit provider, university, social service agency or other partner organization or agency. These requirements should be clearly noted in the marketing materials, along with a detailed description about how to approach those partners and acquire their support and participation. Additional marketing materials should be provided to these partners, written in simple language, to promote and encourage their participation in the program.

Communication of Benefits and Outcomes

Successful programs are adept at communicating and marketing the benefits accruing to participants and the successes already achieved. This marketing communication has four critical audiences:

- Information must be communicated from state program managers and personnel to local service providers or direct users.

- Local service providers or users must communicate with state program managers.

- Local service providers or users also need to communicate program successes and project benefits to legislators.

- Legislators must communicate their actions in support of a particular program to local service providers and program users.

In addition, informing local and regional media and government publications of a particular program's successes through news releases and feature or human interest stories enhances communication about results.

Training Needs

Starting with the design phase and continuing throughout their life cycles, successful programs consider training needs for marketing all aspects of a program appropriately. Program managers note that success is enhanced when users' individual training needs are understood and met. Because the best

promoters are former participants, they need to know when significant changes are made to a program so that they can advise other potential users about the program using accurate information.

Case Study: Montana Resource Conservation and Development Program

Because Montana's communities, especially in the eastern part of the state, are so small and distant from one another, accomplishing effective development projects is a difficult task. The majority of Montana's rural communities cannot afford a professional economic development coordinator or business developer and community marketer. However, local soil conservation districts are well established local entities. The Montana Department of Natural Resources and Conservation initiated the Montana Resource Conservation and Development program in response to citizens' requests for a program to promote community-led rural development. The program was designed to overcome several barriers to rural economic development, including a lack of awareness about available resources; a lack of coordination among all players; a perception that state programs are inaccessible; and an inadequate program design.

The program organizes and involves local conservation districts, the U.S. Soil Conservation Service and the Montana Association of Conservation Districts into regional units which promote multi-county participation and focus on development initiatives that affect citizens within a particular geographic region of Montana. Since the program's inception in 1988, six multi-county regional Resource Conservation and Development Areas (RCDAs)

have been established. Twenty-two counties joined together to form a new RCDA in eastern Montana.

The program's success is due largely to the marketing strategy aimed at addressing the client's needs. The program clearly communicates the benefits and results that users will receive by participation in the program. It recognizes the training that local citizens and businesses need in addressing their own concerns. It also provides a full-time coordinator to undertake marketing activities on behalf of the RCDA. The marketing strategy is firmly couched within five design elements which have proven highly successful for Montana.

The effort to develop a multi-county RCDA must be led by local people who recognize the economic problems in their area and are committed to accomplishing results. The regional effort must involve counties that suffer from similar problems and are near one another so that they can work toward common goals. An intensive training program, involving three weekends, fosters participant understanding, interaction and commitment to develop working projects, long-term plans, and an organizational framework for growth. Once the framework is developed,

Chapter 8. Enhancing States' Capability to Educate and Train Client Users

From its over-arching position, a state economic development agency can bring together and unite available federal, state and local training resources and providers.

Ann Johnson, Former Director
West Virginia Governor's Office of Community and Economic Development

One of the more important attributes in establishing strong local capacity to use state programs is the amount and quality of education and training states offer to client users and communities. To mount effective educational and training programs, many states take the lead in providing assistance using one or more of several different strategies. **Community needs assessments** and **strategic planning assistance** are two strategies that play a major role in establishing a baseline for understanding client users' educational and technical training needs. **Leadership development**, building community esteem and enhancing local citizen empowerment are three other basic and indispensable ingredients. **Teaching client users about program benefits** and eligibility criteria are other important aspects of a training program.

Furthermore, states must prepare client users and communities about **how to address local program management needs**, offering specific training for fund-raising, portfolio management, project management and effective communication. Learning **how to link and partner numerous constituencies** having similar and dissimilar objectives and implementation agendas is also a key training element.

Needs Assessment/Strategic Planning

Communities and citizens need to **understand the needs of the community**, and be conscious of their unique identities, strengths, weaknesses, resources, challenges, opportunities and perceived barriers. This awareness can only be fostered when community leaders, including local officials, business people and private citizens, participate together to develop a common vision for their locale, understand their unique development potential, identify their specific needs and plan through a systematic process how they will achieve their goals.

Local planning efforts establish long- and short-term goals which seek to show tangible and positive results. In rural communities, goals are structured to accomplish incremental results. Short-term projects show immediate successes and build on the can-do attitude. Results are

"In rural communities, goals are structured to accomplish incremental results"

visible, and project completion can be measured and recognized. Successful projects generate interest and support for new projects. A good strategic plan assists in community fund-raising because the intended results are clearly projected and thoughtfully described.

States assist these actions in a variety of ways. Some states, such as Pennsylvania, Idaho and Alaska, offer **planning grants** directly to local or regional organizations and government units to enable communities to establish comprehensive development plans. Pennsylvania's program encourages regional or multi-community planning by offering larger grants to efforts involving more than one locale.

Other states, like Montana, **capitalize on state and federal resources and local organizations** to undertake planning efforts. Soil and water conservation districts act as the basic unit to incorporate community training for economic revitalization and strategic planning. The Montana Resource Conservation and Development program uses federal and state funds to organize, operate and implement community planning, first among local soil conservation districts and then incorporating these plans into a regional strategy for each of the larger Resource Conservation and Development Areas.

Some states, such as Oregon and Nebraska, have sought to act as **facilitators for the private sector,** offering organizational and administrative support for planning efforts, with no direct financial

involvement. In the facilitator role, the state acts to bring public utility companies, major employers, educators, chambers of commerce, development practitioners and labor together to undertake training, staffing, financing and planning with local communities and users.

Besides offering direct financial aid, states can play a major role in the training of local communities and users. Some states establish community training divisions to offer a variety of free seminars, workshops and courses to local community leaders and citizens. Training covers the gambit of development issues including leadership development, local empowerment of volunteers, financial management, financial incentives, advice on using programs, and regulatory issues. These training seminars are targeted to client users, but in some cases may be offered to the local service providers.

Leadership Development

Active and ongoing leadership development in accordance with strategic planning allow communities to identify and mobilize additional resources. Successful rural development hinges on aggressive local leadership to implement and direct development goals and anticipated results.

"Successful rural development hinges on aggressive local leadership"

Local project implementation relies on the **use of qualified and persevering local leaders**. Successful local programs recruit new town residents to actively support and participate in projects. Often, these new volunteers contribute ideas and suggestions based on experience gained from other areas of the country. In addition, rural communities that successfully establish strong leadership development programs need to promote development and maintenance of the extensive networking systems used to augment existing local worker resources.

Attributes of positive, flexible local leadership include the **willingness to change and the ability to remain open to new ideas and concepts**. Developing active local leadership capacity means establishing an environment among business leaders, public officials and citizens that is receptive to growth and willing to achieve long-term development goals.

Developing such leadership capacity is a critical challenge, especially in rural areas. State development agencies are aiding local training efforts in a variety of ways. Practitioners note that hands-on training within the community offers the best source of leadership development and training. Individuals can experience on-the-job-training by working on a specific project or

"Hands-on training within the community offers the best source of leadership development and training"

local citizen committee. State agencies often support these training efforts directly by providing trainers, consultants and materials. More indirect support results when the state acts as the organizer or facilitator, providing facilities, lists of qualified trainers and networking private sector resources, such as public utility companies, chambers of commerce and universities, that provide leadership training and educational opportunities as part of their own missions.

The special ingredient for successfully completing local projects hinges on having a strong cadre of non-governmental leaders who can work together to implement programs and projects effectively. State program managers can offer training resources and development incentives, and local public officials and development practitioners can make preliminary contacts and develop strong relationships with state officials. However, action, commitment and consensus occur only when citizen leaders emerge.

"Action, commitment and consensus occur only when citizen leaders emerge"

One state developed a peer-to-peer program that took citizens and local public officials from one community to another that was addressing the same or similar problem. The program allowed participants to exchange information and see success. Another state uses local business people with direct planning, management and project implementation experience

as consultants. These consultants are sent out to help a community address its specific development needs. However peer-to-peer programs are designed, the ultimate goals are to broaden the perspectives of local leaders, provide new ideas and promote on-site training.

Some states tap local or regional organizations to provide leadership training seminars. State and local chambers of commerce, non-profit development organizations and university cooperative extension programs have been so used. The Farmers Home Administration's Cooperative Extension Program has also taken on the mission of offering local leadership training courses to its constituent communities that complement and coordinate with other state and regional training efforts. Pennsylvania, Montana, West Virginia and Wisconsin are but a few of the states that have developed strong working relationships with this agency to create positive economic developments.

Local communities and users can profit from local service and leadership development organizations. Service clubs--such as Rotary International, Kiwanis, Junior League, Lions Clubs, Exchange Clubs, the Jaycees, Key Clubs and Junior Achievement--and youth leadership development organizations--such as Boy Scouts, Girl Scouts and Campfire--provide training at various stages of peoples' lives and can act as a source of new community leaders.

Empowerment and Community Esteem Building

Rural communities, themselves, must initiate the process of economic development through citizen empowerment and building community esteem. Private sector leadership and non-governmental dominance is essential to garner support and establish citizen ownership for the objectives. True community empowerment results when many community people shape development projects and programs. It is important that local communities establish development strategies that are appropriate to their individual needs and abilities. The empowerment process includes identifying what resources exist within the community, networking among local citizens, establishing new partnerships and thinking about value-added manufacturing opportunities.

"True community empowerment results when many community people shape development projects and programs"

Glendive, California, hosts Action Plan Workshops, which are convened as town meetings and held every three years to identify citizen priorities, including infrastructure, housing and schools. Citizens are urged to articulate realistic goals and expectations which can be achieved given available community resources.

Empowerment creates a cycle of self dependence. Empowering local citizens to undertake

development actions encourages **networking among all players**. These networks often extend past the life of the federal and state project funding and inspire new projects. The creation and implementation of successful rural development projects and programs enhances a community's sense of self-reliance and esteem. Further empowerment of the local community grows from this feeling of self-reliance that the community can control its own economic destiny.

The community's capacity to organize itself, obtain necessary expertise and undertake implementation strategies is reflected in the degree to which community residents share in the dream and are motivated to call the plan or project their own. Building consensus and buy-in among all participants develops this capacity for self-empowerment.

Empowerment occurs through **direct citizen participation**; it is not something that can be learned at a training session. States use various methods to help communities build self-esteem and experience empowerment. Montana sought to empower its citizens to "dream about how they'd like the state to be in 2012." The empowerment and visioning process was facilitated through citizen-led town meetings, held throughout the state over three weeks. The state development agency provided training for town meeting facilitators, materials (paper, pencils, art boards, etc.) and staff support for scheduling and marketing the meetings. The town meetings were organized and run, however, by citizens who believed in the empowerment process.

Some states provide funds to **hire private sector expertise** or provide in-house staff consultants. The consultants work in a community to help build esteem and foster a sense of empowerment among local citizens. The enthusiasm of objective individuals who enter these communities and see them with new eyes often helps to change the perceptions of local citizens. "Our consultant was so excited about what we were doing and how things were changing, well, we just had to go along with her," remarked a citizen from a small Wisconsin community. "Then, we all got involved, and before we realized it, we had achieved successes that we'd never thought were possible before!"

Another vehicle for promoting local empowerment is to enable **local citizens to become aware of published surveys, reports and statistics** on how well the community is doing in comparison with other communities that have similar constraints and opportunities. A recent survey on the number of homes sold in the Pittsburgh area had a direct impact on one nearby community's decision to position itself as a prospective community for residents 50 or older.

Program Benefits and Results of Participation

Explaining the **individual benefits** of program participation is an important component of training sessions for local users, be they communities or individual businesses. Users must understand how the program can meet their needs and be comfortable with the application process, eligibility criteria and ongoing participation requirements. This training is

best offered by state program managers or development practitioners who are familiar with the specific program policies and procedures.

Association meetings provide great opportunities to conduct training seminars for a particular program. These meetings are particularly useful when the association serves the same client users as those targeted by the state program. Regional seminars or special interest forums are another good opportunity for training client users. In response to direct requests from local communities, Pennsylvania held four regional conferences to allow client users to discuss their concerns and needs and educate them about state resources. The day-long conferences focused on the issue of greatest concern to that particular geographic region. For example, a "Managing Growth: Planning for the Future" conference was held in northeastern Pennsylvania, an area that is struggling with an influx of individuals who live in Pennsylvania and commute to New York City and New Jersey to work.

"Regional seminars or special interest forums are another good opportunity for training client users"

Education and training can be very effective when state program managers visit a community. On-site visits allow managers to see the local community, become more familiar with its specific needs and resources and build personal relationships with client users.

Some states have developed formal training programs culminating in a **certification process** to ensure that client users are educated about a specific program properly. This is especially useful in certain financial incentive programs, such as local revolving loan funds, pooled loan programs using industrial development revenue bonds and technology development programs. Generally, training and certification is offered to non-profit development organizations or directly to individual practitioners, users and communities. Certification programs seek to ensure that all client users have access to the same information and understand the benefits, participation requirements and operating and administrative expectations.

Local Management Needs

Developing the capacity of local communities to use state programs involves a considerable amount of local management training. Communities and citizen-led groups need to understand the important elements of **financial management** to fully understand and participate in most programs. One element of financial management involves teaching client users about how to calculate and assess the return on investment that they will enjoy from participation in the program. Users also need to understand how their communities (or businesses) receive revenues, how these revenue streams are used and how they can be optimized.

Before citizens or local community development officials can manage and complete a

project effectively, they need training about the essential elements of **project management**. Project management issues include management of project resources, finances, staff and physical assets; the ability to direct and oversee multiple events or initiatives which may occur in tandem; how to adjust to unforeseen challenges and obstacles and how to deal with difficult people and unrealistic time frames.

Client users need a foundation in **how to manage business or community project portfolios**. While similar to stock portfolio management, project portfolio management entails the ongoing management of financial, investment, audit and accountability functions. In 1985, the Wyoming legislature decided it would offer a seed money program to assist start-up firms. Program managers spent a year fulfilling their legislative mandate to "quickly get the funds out to needy firms." However, in their haste, they failed to train client users about the value of managing their businesses properly to ensure timely and profitable cash outs of state funds.

Because the firms lacked training in management of their own business portfolios, the entire state venture fund portfolio suffered. When the participating firms' default rate approached what legislators perceived to be an alarmingly high level, the state development agency determined that portfolio management training was a priority. The agency hired several consultants to conduct seminars in managing project financing, understanding the legal ramifications of declaring bankruptcy and

managing a venture fund portfolio. Having fulfilled its appetite for risky deals, the legislature changed the purpose of the program from one of seed-venture capital to a more traditional revolving loan program.

To achieve positive project results, local users need to learn how to **work with different constituent groups and build consensus for mutual outcomes**. This type of training focuses on communication, working well with all types of people, being open to new ideas, remaining flexible and developing win-win situations. State agencies can take the lead in offering training about how to identify and network with constituencies and service providers, as well as linking resources and energy toward accomplishing mutual objectives and outcomes.

"State agencies can take the lead in offering training about how to identify and network with constituencies and service providers"

Fund-raising

Fund-raising is probably one of the most important training needs of local communities, users and citizen-led initiatives, but the need is often overlooked. A majority of state programs require some percentage of a private sector match to tap federal or state funds, so knowing how to raise money effectively is a useful skill for client users. Again, the state can provide training on how to

identify funding sources, including national foundations, local investors and charitable contributions. Once identified, client users need to understand how to approach the potential donors, the proper ways to draft funding proposals and how to close the deal. Communities and client users that have learned to raise funds effectively have attained the ability to realize their dreams.

Case Study:
West Virginia Community Futures Program

The West Virginia Community Futures Program resulted from a needs assessment and joint planning effort between Women & Employment, Inc., and the West Virginia Development Office. The program involved training and motivating leaders in rural areas. The partners obtained a grant from the Claude Worthington Benedum Foundation to finance part of a training effort. Some of the costs were offset through a $50 participant fee. The Cooperative Extension Service helped market the program to a targeted group of individuals with known leadership and motivation skills, and potential participants were informed of the outcomes of the training and the leadership commitments expected from program graduates. Program designers modeled the curriculum and training techniques after similar programs in other states. State government program staff and development practitioners acted as trainers; participants received technical assistance and hands-on experience by helping design local long-term strategies and development projects.

The educational design of the program included training in needs assessment, identification of key participants, the establishment and prioritization of goals and strategies for training local citizen volunteers, the

creation of training modules, the evaluation of existing techniques and how to complete a formal evaluation and obtain participant feedback. To increase training session effectiveness, the program was limited to forty participants.

Participants were required to sign a contract agreeing to participate as team resource leaders in future leadership training activities to assist local communities. In addition to multiplying training efforts to other organizations and local governments, graduates have taken steps to form a state association of community leadership. The association targets its resources to leadership development at the community level.

This program addressed five barriers to effective rural development efforts: lack of local capacity to conduct education and workforce training, lack of quality leadership; need for coordination and cooperation of all players; better defined eligibility criteria and maintaining accountability for results.

Chapter 9. Helping Users Leverage and Use Program Resources

The state's development role can be shifted from a direct implementor of programs to a catalyst or meeting facilitator, organizing and bringing together local citizens and leaders throughout a region to develop solutions to their own problems.

James V. Hawkins, Director
Idaho Department of Commerce

Program users must understand how to capitalize upon in-kind and other non-cash resources. This requires improving lines of communication among community organizations, local governments and end-users so that they may share information and resources. Active local participation in policy making improves the awareness and utilization of these resources. Consensus and tolerance for differing ideas must also be promoted among all citizen constituencies. Building such local capacity also requires that citizens and users understand the need to quantify and hold the project participants accountable for positive results and clearly recognizable outcomes. These results are often incremental and built on past successes.

Lines of Communication

Establishing **strong linkages and networks among all organizations and groups** that may benefit or be affected by a program is vital to effective leveraging of local resources. States can be instrumental in helping client users identify these organizations, make preliminary contacts and develop linkage relationships. Kansas sponsored a formal planning meeting for many of the service providers who had complementary missions. The result of this meeting was a clearly understood and well-articulated structure of how this network could function. Having defined how resources were to be linked, the providers distributed information to local communities about how they would leverage resources and work together.

"States can be instrumental in helping client users make preliminary contacts and develop linkage relationships"

The Pennsylvania State System of Higher Education offered information about how business and industrial resources could be identified and linked by publishing a *Directory of Business and Industrial Resources*. Each state system university participated in the project, identifying tangible resources that client users and communities could use to further their development efforts. In addition to distributing hard copies of the directory, the universities developed a customized resource database, enabling client users to call in for

information. The database retrieved information using key words and provided users with resources from throughout the state.

Involvement of Constituencies

Effective use of resources requires the **involvement of all community constituencies**. This involvement can be achieved only when each group has been given a stake in the project.

States help local communities promote community involvement in many ways. One state used training seminars to heighten awareness about the use of project resources and train users on more effective ways to allocate and leverage them. Several small communities have discovered the value of focus groups. These small group meetings bring local people together to discuss pertinent issues involved in distributing community resources.

Some local communities and users have discovered that by asking directly for what they need and want, they often obtain **direct participation and involvement** from private sector businesses. The key to asking for help is to be explicit in the request: "We would like you to volunteer two of your staff members for three days over the next four months." This request is much more likely to be fulfilled than if we'd said, "we need help," because the donor knows what is needed, understands

"An open-ended request for help gives prospective donors an easy out to say no"

that the request is finite and allows the employer to calculate his direct and indirect costs of participation. An open-ended request for help, on the other hand, gives prospective donors an easy out--to say no because the request does not identify or quantify the user's needs.

Effective Communication

In addition to making explicit requests, **maintaining open lines of communication** assures the effective use and leveraging of resources. All players in the process or project must be kept abreast of project actions, developments and resource allocation, but that is sometimes difficult without a well-planned communication system. Some states have developed on-line bulletin board systems on which local users enter their requests or needs and are linked to other users who might be able to help. Other states publish newsletters which offer help wanted or resources needed columns. However, the time lag between the requests, publishing and distribution often diminishes the effectiveness of this medium, especially where fulfillment is time sensitive.

Effective communication is enhanced when goals have been well defined and written down; timeliness for action is clearly stated; and used and each participant's roles are written in job

"Telephone calls, follow-up notes and personal visits can be especially valuable in promoting and maintaining communication"

descriptions or participant expectations. Telephone calls, follow-up notes and personal visits can be especially valuable in promoting and maintaining communication regarding how project resources are used and participants' actions are leveraged.

Accountability for Results

When a number of organizations and donors are tapped for participation, maintaining **accountability over resource usage** is very important. Because these groups must report to their respective management about how resources were used, being able to discuss project returns in quantifiable terms is more than very important; it sets the stage for future participation. Maintaining accountability involves tracking and reporting on financial, organizational, physical and human capital resources. It also requires some measurement of project costs and benefits. It is important to define specific project growth measurements and develop projections and strategies for insuring that growth will be sustained or increased incrementally from one year to the next.

Texas provided its local communities with computer modeling software that forecast project costs, direct and indirect, and benefits. The model has built in specific local incentives, taxes, and business costs and other relevant statistical data to enable communities to determine which development projects make sense from a cost-benefit position.

South Carolina and Louisiana use a customized event tracking system to identify project and program contacts and events, individual project performance, measure outcomes and provide accountability reports. In Louisiana, the intent is to network local communities into the system to enable them to track their own project performance and measure results.

Case Study: Idaho GEM Communities Program

The Idaho Department of Commerce designed the GEM Community Program to help local communities develop effective local development groups. The program also provides training in strategic planning and implementation of local economic development activities. It was designed to overcomes four barriers to rural development by: providing access to business and financial infrastructure; enhancing awareness of available resources; promoting community organizational capacity, technical capacity and strategies; and enabling coordination and cooperation of all players.

The GEM Communities Program relies on linkages and networks with utility companies. Funding, staffing materials and technical assistance are leveraged among the state and the utilities. The GEM Communities Program is designed to involve all constituencies within a locality. Training promotes effective communication and offers hands-on experience in strategy implementation, which fosters local leadership development and attention toward results.

The program has designed strong accountability measures for performance. Each certified community must

undergo recertification every two years. Regional representatives and technical assistance providers are available to communities during each phase of the process. Communities are asked to maintain a checklist and record its development-related accomplishments. Follow-up and reinforcement for goal attainment are provided on a continuous basis between the state and its utility partners.

Chapter 10. Helping Client Users Meet Their Marketing Needs

To familiarize state program staff with the needs of the communities and rural participants they serve, the training program for state program administrators and staff should require on-site visits to communities in every region of a state.

Ann Osborne, Senior Project Manager
National Association of State Development Agencies

States must understand participants' marketing needs if local capacity is to be built. To appreciate communities' and users' fundamental approach to marketing entails (1) thorough market research, (2) the ability to capture the community's unique identity and (3) recognition of the fiscal and operational constraints that many communities face when developing marketing strategies.

Market Research

States that are successful in helping local communities and client users understand their needs for effective marketing strategies rely on market research techniques. These techniques focus on the local community or user, the region in which the community or user exists and the larger development and economic impacts occurring statewide. States

often help communities and users conduct detailed needs assessment projects. Such efforts promote local understanding and mutual awareness among the state program manager, the user and local citizens of the user's economic, demographic and development requirements. The needs assessment and competitive market analysis seek to make local users aware of how they are positioned to conduct business, recruit new industries and market their strengths to relocating individuals and companies.

Market research establishes a baseline for future development activities. It often provides a starting point from which future growth can be measured. Market research allows the state and client users, whether they are communities or businesses, to establish a demographic and cultural context from which to base other marketing actions. Such knowledge gives all project participants access to statistical data and information about key opportunities and challenges.

"Market research establishes a baseline for future development activities"

Monongahela, Pennsylvania, a community of 4,182, wanted to improve its downtown retail district and promote citizen support of the local retail community. Its original marketing strategy involved a focus on its retail district and its affordable housing stock, primarily as a retail destination comprised of unique specialty shops and antique dealers and a

residential area of quality, affordable housing in a safe, small, old-fashioned neighborhood. To support the marketing efforts, however, a citizen group decided an objective evaluation of the central business district was needed. This evaluation involved economic and market research to determine if the original goals for marketing could be supported.

The preliminary market research indicated that the community had lost 1,052 people between 1980 and 1990. Further, the median age of citizens in 1990 was between 18 and 65, with only 25.9 percent of the population being over 65; the median income was $18,200, hardly sufficient to support a thriving business community of expensive specialty shops. In this way, market research helped the community develop a realistic view of the ways in which it should market itself and helped identify primary target markets.

Community Identity

Once market research has been accomplished, communities and client users can better understand their particular market niche, so **the next step involves a structured clarification of their intended community identity**. This process involves a realistic understanding and categorization of the local user's strengths, resources, challenges, obstacles and opportunities. Once these elements have been identified and agreed on by local citizens, the development of a comprehensive marketing plan involves defining goals that include all aspects of the

community and which can be marketed to citizens and prospective residents and businesses.

Successful local marketing plans recognize the **diverse reasons people move to rural communities**. Effective marketing plans are structured around these elements: the desire for quality wage jobs; quality education; availability of public services, including fire and police protection, water and sanitary sewer systems, affordable solid waste disposal and responsible and effective local government; quality of life and cultural opportunities.

The value of a **citizen-led effort** to develop a marketing plan is that citizens will keep the community's attributes in mind. Their participation will help assure that a realistic presentation is made of these attributes, shaped around the reasons people and firms relocate. An effective local marketing plan will promote citizens' awareness about the community's identity, and it will stress the community's technical capabilities and resources.

"An effective local marketing plan will promote citizens' awareness about the community's identity, and it will stress the community's technical capabilities and resources"

Sometimes the **self-definition of a rural community may need to be expanded** beyond that of agriculture to enable non-agricultural communities to recognize themselves as rural communities and

tap available resources. Likewise, a community may need to revise its definition of rural economic development to recognize community-betterment issues, such as quality of life, education, recreation, tourism and retirement. By broadening its definition of economic development from one of industrial recruitment or agricultural product expansion, a community can diversify job creation efforts and benefit from retention and expansion actions.

Fiscal and Operational Constraints

State program managers and local users must also recognize each community's **financial and organizational constraints or limits**. Smaller communities have smaller budgets, fewer staff members and limited training opportunities devoted toward implementing a marketing plan. Therefore, an effective local marketing strategy builds on the existing community strengths, using community institutions (health care, religion, education) which are already in place as springboards for future growth. Successful marketing strategies seek to integrate community policies and programs to achieve the desired results.

"Smaller communities have smaller budgets, fewer staff members and limited training opportunities devoted toward implementing a marketing plan"

Case Study:
Giles County (Tennessee) Business Retention and Expansion Program

The Giles County Business Retention and Expansion Program in Tennessee offers a concrete example of a successful effort which relies directly on the ability of local communities to recognize and market themselves as positive places to do business. The program is structured around a comprehensive market research effort which uses and trains local community volunteers. Results of the market research phase allow participant communities to complete a local needs assessment, identify business and economic features which promote the community's economic position and provide a demographic and cultural context for the opinions and perceptions of community business leaders.

The program allows a local community to receive feedback from its resident businesses about their perceptions of the local business climate. It promotes recognition of the basic community identity by enabling business owners, development practitioners and local officials to talk about the strengths, resources, challenges, obstacles and opportunities available to the locality. Recommendations and strategies for improving business climate result from the program's efforts.

The Business Retention and Expansion Program allows a local community, its citizens, businesses and state officials to recognize the fiscal and operational constraints facing the community. It also provides an outlet for the business community and government to work together to effect positive changes which will improve resident firms' competitive position.

The program assists in overcoming barriers to rural development by promoting awareness of available resources; enhancing community organizational capacity, technical expertise and strategies; and fostering coordination and cooperation among all players.

Chapter 11. Enhancing States' Communication with Client Users

Disenfranchised communities and rural localities can be brought together through the use of sub-state regional approaches which promote regional unity and communication.

John Leslie, Rural Development Consultant

The state's capacity to communicate effectively with communities and client users is critically important to the sustainability and effective application of state incentive programs. By talking directly to local community officials and staff, state program managers establish program credibility. Effective communication fosters committed involvement of client users. Feedback, follow-through and constructive criticism are also accomplished in the presence of strong communication between the state program manager, the local community and the client users. An essential part of the communication process is the need to maintain confidentiality in certain circumstances. Confidentiality and trust are built through positive and productive interactions between the state and the local community.

Credibility

Building strong communication enhances local empowerment and trust in state programs. Successful state program managers recognize that **motivating users** is key to ensuring credibility about a program's current and future successes. This can only be accomplished by developing strong relationships among all the players involved in a program, including client users, financial institutions, sponsors, and public officials. Good communication habits promote strong working relationships. State program managers note a high degree of success when they stay in touch with client users. The communication formats can vary. A telephone call one week, a follow-up note the next and face-to-face meetings can all be part of the process. Effective communication involves the willingness by all those involved to give as well as to take.

"State program managers note a high degree of success when they stay in touch with users"

Commitment

This **give and take attitude** not only builds credibility for program results among users, it enhances the willingness of clients to remain committed to the program. Users feel comfortable about offering constructive criticism and feedback about specific issues or challenges that they experienced while participating in the program.

When a positive personal relationship exists, trust develops. This trust enables individuals to remain confident that the other players in the project will maintain confidentiality when necessary. The story about the mayor who shared a secret with his neighbor about a confidential plant relocation, only to read about it in the newspaper the next day, is a situation that client users often fear will occur when more than two people become involved in a project. Establishing strong communication networks and confidence among the individuals involved reduces the chances that such events will occur. State program managers note that strong communication promotes a can-do attitude, emphasizes past and current successes, and enables confidentiality to be maintained among all the players involved in the deal-making or project implementation process.

"When a positive personal relationship exists, trust develops"

Case Study:
Wisconsin Physician Loan Assistance Program

The Wisconsin Physician Loan Assistance Program is available to communities which have a shortage of primary care and obstetric specialists or are defined as an area of "extremely high need." A community with a ratio of one physician per 2,500 people would be a prime candidate. The program offers repayment of medical school loans of up to $50,000 for five years to doctors living in those communities. Loan repayment is based on the amount of loan acquired by the physician during medical

school. Payments are increased on an incremental basis over the five-year period. While the program was initially designed to assist physicians already working in eligible communities, the eligibility criteria has been expanded to include newly recruited physicians. The program is currently being funded at $600,000 per year, and an average of 12 physicians have participated each year since 1989. Of the first 36 participating physicians, 18 were newly recruited.

The success of this program is extremely dependent on communication between the state, the user physicians and the communities experiencing the shortage of primary care providers. The program is marketed through mailings to hospitals, university financial aid offices and medical schools. The program continually seeks feedback and recommendations for improvement. Support for the program has been very positive from participating physicians, community citizens and patients, and legislators. Physicians consider the program easy to access and easy to use. They like not having to suffer penalties or repayment requirements should they decide to leave the community before a five-year work period ends.

The Wisconsin Department of Development has noted a need to enhance and expand its communication with local communities, citizens and public officials. In particular, local communities must become more cognizant of the community attributes required to retain these physicians locally. The program is designed to include greater local involvement as a way to assist in recruitment efforts now being undertaken by hospitals and state program staff.

The Wisconsin Physician Loan Assistance Program overcomes six barriers to rural development by providing needed business and financial infrastructure; promoting awareness of available resources; fostering coordination and cooperation of all players; changing the grassroots' view of the inaccessibility of state programs; enhancing program design and offering well-defined eligibility criteria.

Chapter 12. Promoting Cooperation, Partnerships and Linkages Between Service Providers

State agencies can offer considerable incentives to local communities and service providers through partnerships, linkages and networks to develop needed physical infrastructure, such as roads, bridges, water and filtration systems, sewer systems, community health and safety facilities.

Miles Friedman, Executive Director
National Association of State Development Agencies

Cooperation among service providers develops and enhances local capacity building. Coordination and collaboration are key to building constructive partnership relationships and linkages among many similar organizations and agencies. A chief goal is to empower and equip organizations to understand their interrelatedness and interdependence, resolving territorial disputes and mending disagreements about similar roles and competing responsibilities.

Local Control Versus State Control

State program managers note a high degree of success in building users' capacity to cooperate with numerous service providers and partners when **local input, recommendations and advice are encouraged.** Local ownership in a program or

project occurs when users recognize their abilities to control or direct project implementation. The type of state incentive program being offered often governs the extent by which local communities have control of the program. Local revolving loan programs and state guarantee programs can be structured to permit a great deal of local control. Some federal programs, for example, limit the amount of input a local user can have, placing the burden of implementation on state program staff.

States can encourage communities to exercise local ownership by **searching for resources** where they have traditionally been inadequate. Local resources can be identified readily; when resources are found lacking, communities can begin growing them from within. A community's willingness to identify resources demonstrates its support for the project or program. Another way to promote local ownership and control is to urge that the development process start at home, originating from citizen-led groups, and let the responsibility for implementation rest somewhere other than with government.

"Another way to promote local ownership and control is to urge that the development process start at home"

Local governmental officials can act as the vehicle to obtain certain sources of funding that by law can only be directed to governmental units. Government can call on professional development organizations to help local citizens in the project development and implementation process. State agencies play a major role in encouraging

collaborative partnerships between public agencies and private businesses.

Linkage Opportunities

The establishment of private sector partnerships results in **stronger linkages and more efficient use of resources**. These linkages can be created among growth centers extending to surrounding rural areas. Networking among private sector businesses, non-profit agencies, social service organizations, public sector agencies and development professionals is an important step in consensus building. The recruitment of new people who can bring new insights, energy and enthusiasm is also important.

Partnerships foster cooperation among client users and the county and multi-county levels. Users' abilities to build cooperation, promote partnerships and explore new linkages can be strengthened by calling on a broader regional cooperation. This can be done by building a consensus for the project, sharing of common goals between communities, designing programs to complement nearby communities, coordinating the actions of service providers and sharing resources such as personnel, facilities, or equipment.

By promoting **regional ownership** for economic development, the provincialism and sense of isolation often experienced by remote rural communities can be diminished. The goal for communities is to undertake a global thinking process. This process encourages leaders and citizens to recognize the larger world beyond their

community and understand the benefits which can accrue by networking with the larger region, state, nation and world. Often when rural citizens are educated about the nature of the global economy and its implications for their economic well-being and community, they exhibit a readiness to commit local resources to helping themselves. This strategy of self-reliance empowers rural communities to design and implement economic development initiatives which seek to overcome provincial thinking, isolation and apathy.

"The goal for communities is to undertake a global thinking process"

Roles and Contributions of Partners

One of the main contributions effective partnerships can have is to teach all players how to **cooperate and coordinate effectively with one another**. A strong commitment from state and local leadership to promote ongoing cooperation between communities, private sector players and state officials will enhance successful linkages. Linkages actively promote comprehensive problem-solving, resource brokering between participating public and private agencies and a sensitivity toward the other person's situation. State agencies are very effective when they endorse and support strategies to

"State agencies are very effective when they endorse and support strategies to reduce red tape and bridge inherent coordination gaps"

reduce red tape and bridge inherent coordination gaps among local, regional, state and federal programs.

States often decide to act as an address file for local communities and leaders to obtain information, research options and network with other organizations rather than delivering services directly. In many circumstances, state agencies act as a clearinghouse, offering access to database information and technical assistance for rural development. One state published a "how to" guide for local communities to use with firms seeking to enter new international markets. Strong partnership-oriented state programs aggressively encourage local leadership and citizen participation, providing strong incentives to ensure cooperation. Under such programs, client users and local communities are encouraged to make direct contacts with state players and develop strong relationships with state and regional program managers.

Case Study:
Wisconsin Community Preparedness Program

The Wisconsin Community Preparedness Program provides localities with the technical assistance they need to organize, plan and complete essential development actions. The thrust of the program is to develop local control for a development project; it moves the state agency to act as a facilitator and resource for local community action. The program is a joint effort between communities and the Wisconsin Department of Development, the Division of Community Development, the Bureau of Community Services and the University of Wisconsin's Extension Program.

The development of active linkages and partnerships among local and state service providers is an explicit program goal, and applicants are encouraged to involve more than one community organization, group or agency as participants. By design, the program teaches local organizations and citizens to work together to achieve common goals, defining the roles and contributions of each partner so that each knows what is expected. The technical expertise shared among the cooperative linkages and partnerships enables communities to attain self-sufficiency, confidence and continued enthusiasm for accomplishing local development projects.

Chapter 13. Conclusion

The research behind this guidebook set out to determine what states are doing to use existing resources, programs and policies to achieve successful rural development. In addition to discovering the value of the ten essential ingredients for successful program design, delivery and development, the research uncovered **five attributes necessary to all state programs directed toward rural development.** Those attributes include:

(1) Consensus among program users, service providers and state program managers about the expected results;

(2) Flexibility in development, delivery and follow-up;

(3) Local "ownership" of and commitment to the program or project;

(4) Long- and short-term planning as part of project development and implementation;

(5) Cooperation among a network of organizations and individuals with similar goals.

A program with these attributes can create enthusiasm and empowerment among rural communities to achieve positive results.

If states could wave a magic wand and fix what's wrong with getting assistance to deserving

communities, they would find that prescriptions for success are tied uniquely to the individual character, resources, challenges and opportunities for their individual state. While different programs are not absolutely necessary to serve the needs of rural communities, one size will not fit all. States are demonstrating that they can do better in designing results-oriented and feasible programs by paying attention to the ten essential ingredients explored in these pages.

"Prescriptions for success are tied uniquely to the individual character, resources, challenges and opportunities for their individual state"