

# Wealth Creation in Rural Communities



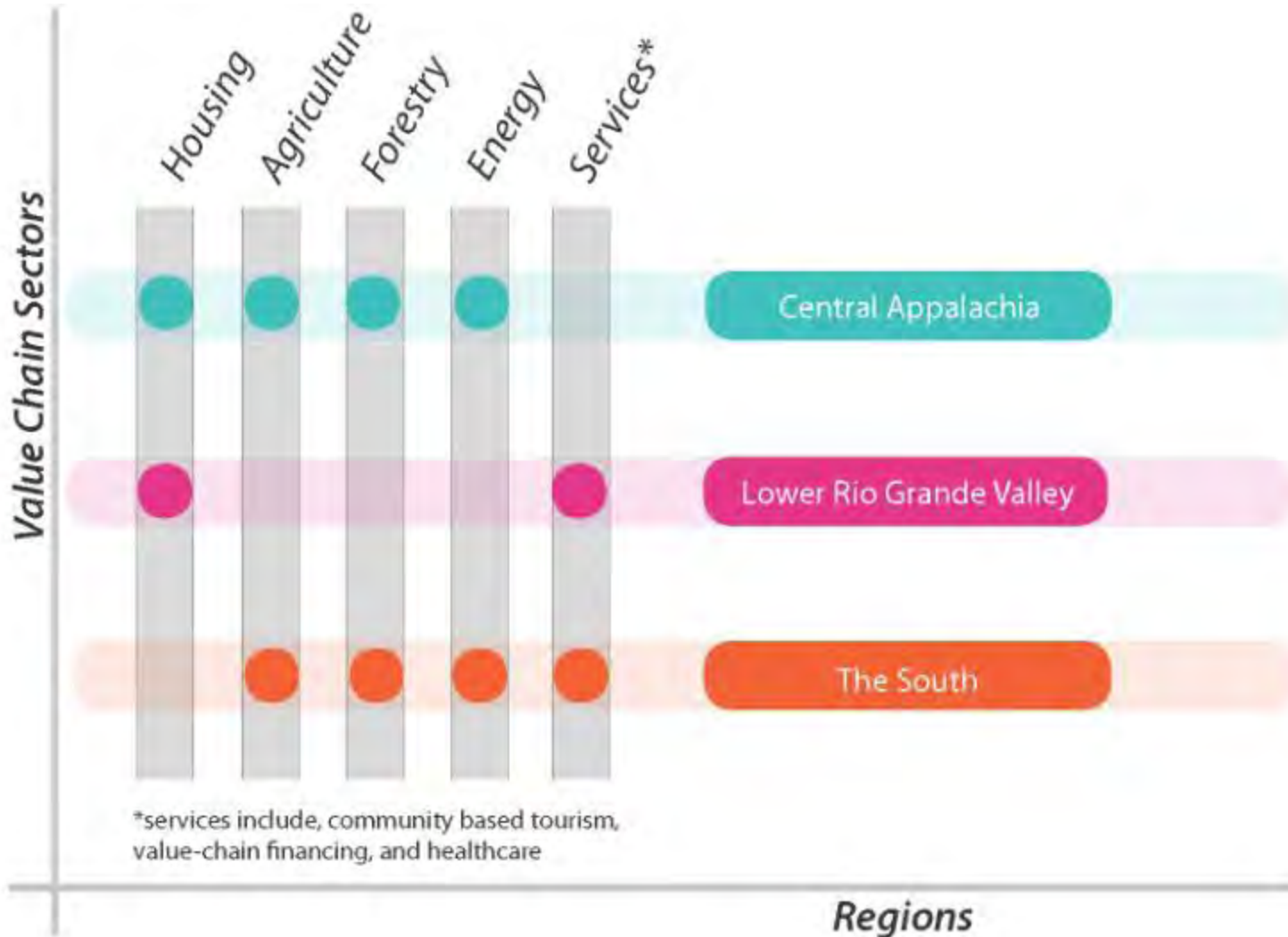
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# Value Chain Exploration and Construction by Region and Sector



# Ford Foundation Intent

The wealth creation approach intends to improve the livelihoods of rural people by creating wealth that is owned, controlled, and reinvested in rural places so that rural America is no longer left behind, but is a valued partner in resilient regions that make up the American landscape.



# Why a Systems Approach?

A systems approach connects community assets with market demand in a regional context.



# Guiding Principles of a Wealth Creation Approach

- Wealth is created and “sticks” in low wealth rural areas.
- Wealth is tied to place by value chains developed within sectors.
- Wealth-based development is demand driven.
- Measurement is integrated into the entire process.
- Investment fuels wealth creation.
- Strategically flexible while *doing no harm*.



# Basic Assumptions

- Wealth is the foundation for prosperity.
- Poor places and people will stay poor unless they are connected to larger economies.
- Poor rural places have assets which, if properly developed, can contribute to larger regional economies.
- Those assets can be developed and linked to markets in ways that create multiple forms of wealth.
- Structures exist and can be created that will cause that wealth to stick in rural areas instead of being extracted.
- Wealth that sticks in place leads to improved sustainable livelihoods.

## A Value Chain is...

- A business model based on shared economic, social, and environmental values,
- Buyers, processors, producers and others work together for mutual benefit to create value in response to market demand.

# Value Chains vs. Supply Chains

## Traditional Supply Chain

- Chain starts with producer supply
- Measured by net income produced
- Everyone is in it for him/herself
- Power determines who gets paid how much for their role
- Participants try to pass on costs to others within or outside of chain
- Tries to influence policy to create advantage and maximize short-term income

## Wealth Creation Value Chain

- ➡ ● Chain starts with consumer demand
- ➡ ● Measured by wealth created/retained
- ➡ ● Everyone is in it together
- ➡ ● Intentionally balances mutual benefit of all in chain
- ➡ ● All known costs are considered and addressed
- ➡ ● Tries to influence policy to level the playing field and maximize long-term and widely shared wealth



## Why use a Wealth Creation framework?

*The wealth creation approach is an antidote to the extraction of wealth and the exploitation of resources to which poor rural areas have long been subjected.*

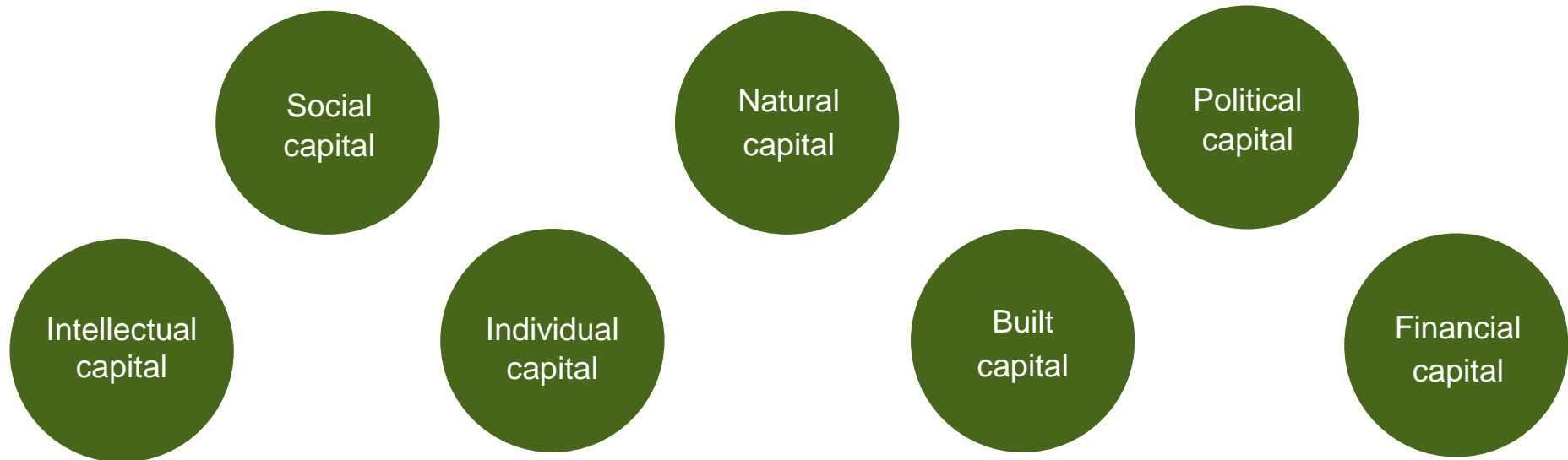


# Wealth Creation as a Bridge

- Neither community development nor conventional economic development.
- A bridge between the two that creates and maintains inclusive non-exploitative demand-driven economic opportunities through investment in the assets of rural places to meet the needs of larger markets.

# What do we mean by “Wealth?”

## Seven Forms of Wealth



Creating wealth that sticks is rarely an intentional goal, even when we define wealth broadly.

# Understand the difference between wealth and income

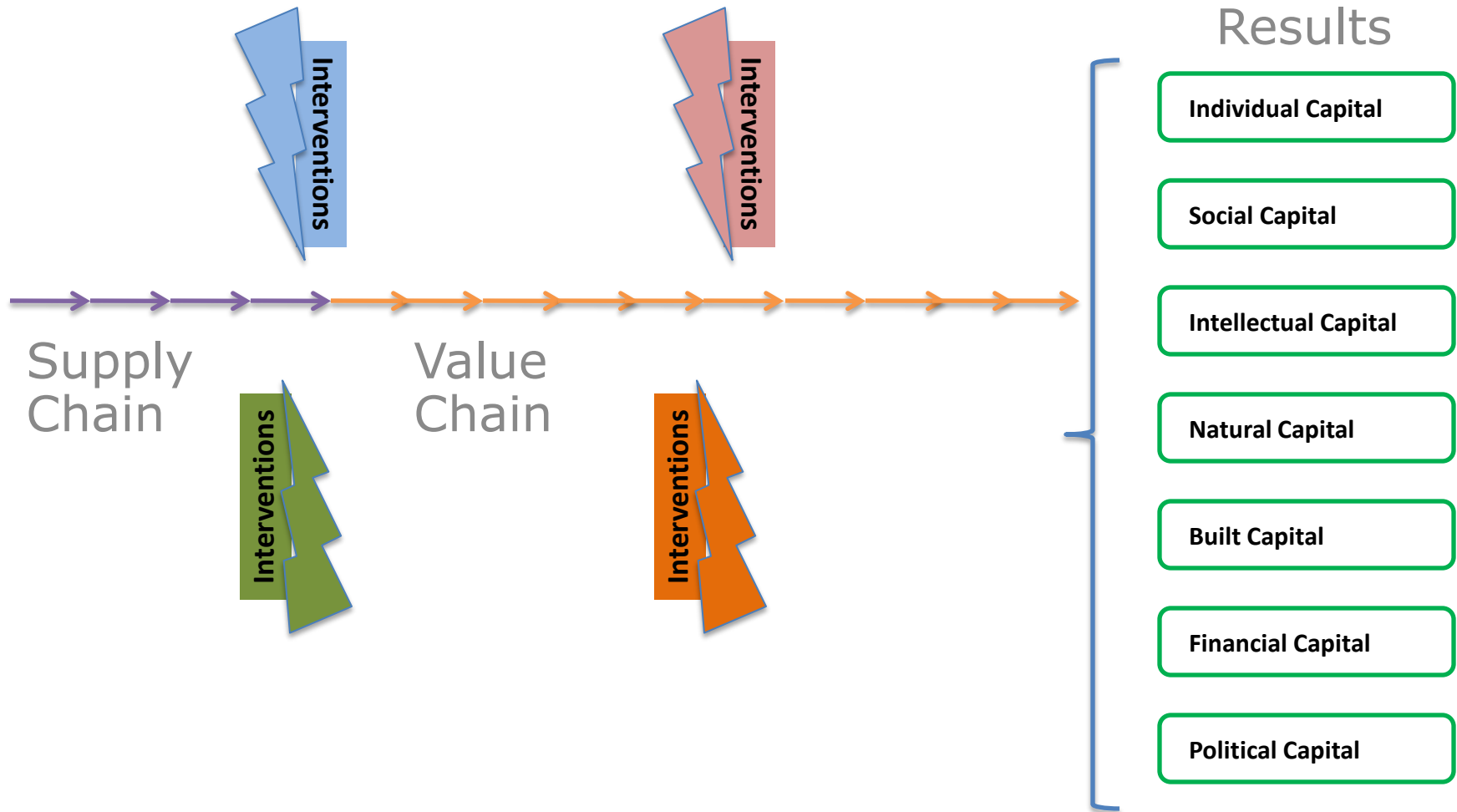
Most projects focus on income (a flow)  
instead of on building wealth (a stock).



# A wealth matrix for planning and evaluation

Type of Wealth	Interventions in Value Chains
Individual	How will your intervention impact the stock of skills and physical and mental healthiness of people in a region?
Social	How will your intervention impact the stock of trust, relationships, and networks that support civil society?
Intellectual	How will your intervention impact the stock of knowledge, innovation and creativity?
Natural	How will your intervention impact the stock of unimpaired environmental assets in a region?
Built	How will your intervention impact the stock of fully functioning constructed infrastructure?
Political	How will your intervention impact the stock of power and goodwill held by individuals, groups, and/or organizations?
Financial	How will your intervention impact the stock of unencumbered monetary assets at the individual and community level?

# The Wealth Creation Approach



Based on a diagram created by Justin Maxson of MACED

# Wealth Matrix

Type	Intervention	Indicator	Measure	Baseline	Method
Individual					
Social					
Intellectual					
Natural					
Built					
Financial					
Political					

# Individual Capital

## Federation of Appalachian Housing Enterprises (FAHE)

**Baseline:** BPI certified contractors with HERS rating training available in rural areas of Central Appalachia.

**Re-measure:** FAHE has assisted a total of 10 individuals in at least five member businesses to receive BPI certification and training in HERS rating



# Social Capital

## CAN

***Baseline:*** Gaps in value chain networks led to sub-optimal results.

***Re-measure:*** Network mapping was used by sub-regional agricultural value chains to identify strengths and gaps in relationships among transactional and supporting members of the value chain.

# Intellectual Capital

## Central Appalachian Network (CAN)

***Baseline:*** Limited engagement of buyers in buying local and organic products.

***Re-measure:*** Increasing the understanding of buyers of the value of buying local and organic products has led to an increase of 37% in the number of buyers engaged in the value chains (from 51 to 70).

# Built Capital

## MACED

*Baseline:* Zero

*Re-measure:* MACED performed energy retrofits worth a total of approximately \$9 million on 53 commercial structures, many of which were grocery stores in rural communities. Over a one year period, again, with a baseline of zero, 8 residential structures were retrofitted at a cost of \$62,451.92 or an average cost of \$7,806.

# Natural Capital

## MACED

*Baseline:* reduction in carbon emissions - 0

*Re-Measure:*

Reduced carbon emission by increasing the energy efficiency of residential and commercial structures.

Commercial – annual 1.3 million KWH reduction or 940 tons.

# Financial Capital

## Rural Action

*Baseline:* zero

*Re-Measure:*

The regional wood products value chain has identified 10 manufacturers willing to invest in certification to enable them to participate in the value chain.

# Political Capital

## FAHE

*Baseline:* No activity.

*Re-Measure:* FAHE identified the lack of a consistent definition of what qualifies a unit to be labeled as “green” across their membership, specifying different requirements, as a substantial obstacle to the scaling of an EE affordable housing value chain.

# A Few Lessons about Measurement

This way of measuring actually helps groups do their work more effectively. It's the opposite of extractive measurement.

Measurement does not just happen; it needs to be intentional and well considered.

# Individual Capital

What is your impact on the stock of skills, physical and mental health of people?

- 3** A significant and lasting negative impact on individual capital (exploitation)
- 2** Creates significant new barriers to positive and equitable impacts on individual capital
- 1** A slightly negative impact on individual capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of individual health and skills in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities for individual wealth creation on a systemic institutionalized basis



# Social Capital

How do you impact the stock of trust, relationships, and networks that support civil society?

- 3** A significant and lasting negative impact on social capital (sowing distrust)
- 2** Creates significant new barriers to positive and equitable impacts on social capital
- 1** A slightly negative impact on social capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of social capital in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities to build social capital on a systemic institutionalized basis

# Intellectual Capital

How do you impact the stock of knowledge, innovation and creativity?

- 3** A significant and lasting negative impact on intellectual capital (restricting development of new ideas)
- 2** Creates significant new barriers to positive and equitable impacts on intellectual capital (restricting the flow of new ideas)
- 1** A slightly negative impact on intellectual capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of intellectual capital in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities to build intellectual capital on a systemic institutionalized basis

# Natural Capital

## How do you impact the stock of unimpaired environmental assets?

- 3** A significant and lasting negative impact on natural capital (degradation)
- 2** Creates significant new barriers to positive and equitable impacts on natural capital
- 1** A slightly negative impact on natural capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of natural capital in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities to build natural capital on a systemic institutionalized basis

# Built Capital

## How do you impact the stock of fully functioning constructed infrastructure?

- 3** A significant and lasting negative impact on built capital (deterioration)
- 2** Creates significant new barriers to positive and equitable impacts on built capital
- 1** A slightly negative impact on built capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of built capital in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities for improved built capital on a systemic institutionalized basis

# Political Capital

How do you impact the stock of power and goodwill held by individuals, groups, and/or organizations?

- 3** A significant and lasting negative impact on political capital (silencing diverse voices)
- 2** Creates significant new barriers to positive and equitable impacts on political capital
- 1** A slightly negative impact on political capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of political capital in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities to build political capital on a systemic institutionalized basis

# Financial Capital

## How do you impact the stock of unencumbered monetary assets?

- 3** A significant and lasting negative impact on financial capital (creating disincentives to save)
- 2** Creates significant new barriers to positive and equitable impacts on financial capital
- 1** A slightly negative impact on financial capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of financial capital in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities to build financial capital and improve its distribution on a systemic institutionalized basis

## Exercise A

- Individually, use the assessment tool to think about how your program impacts the seven forms of wealth.
- Record your scores for the assessment tool in the table provided on your exercise sheet.
- Share with your table mates.

## Exercise B

- As a table, choose one program from the table to continue with and think through how that program could be structured differently to have a greater impact on one or two forms of wealth.



# Acknowledgements

Thank you to **CAN, Rural Action, MACED and FAHE** for their contributions to this presentation.

Learn more about their work on their websites:

**MACED:** <http://www.maced.org/>

**FAHE:** <http://www.fahe.org/>

**CAN:** <http://www.cannetwork.org>

**Rural Action:** <http://www.ruralaction.org>



# For More Information

*Please visit:*

[www.creatingruralwealth.org](http://www.creatingruralwealth.org)

*and*

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

*To Join the National Community of Practice, visit*  
[www.ruralwealth.org](http://www.ruralwealth.org)

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