Looking Through the Lens of Wealth Creation

As part of the Economic Development District Community of Practice (EDD CoP), EDDs across the country are exploring ways to incorporate wealth creation strategies into their planning and implementation efforts. This series of briefs provides EDDs with guidance and examples showing how wealth creation can be used to focus on community capitals in the CEDS, to develop sector-specific strategies of collaboration and coopetition, and to bring partners together to build value chains in sectors. This work builds on NADO's previous work around wealth creation by focusing on how EDDs can best integrate it into their work, using new case studies and examples from EDDs. This framework may introduce unique terminology and concepts to learn along the way.

The Wealth Creation Series, while often focused on rural challenges and opportunities, does not preclude urban and suburban communities or EDDs from learning from and using this framework. The approach has wide applicability to all communities, regions and EDDs.

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"Rural places are part of a larger interdependent system of central urban cores and relatively rural peripheries."[1] Brian Dabson (2007) framed rural and urban interactions as contributions that rural and metropolitan economies and regions make to each other's and the nation's prosperity.[2] The production of food, provision of nature-based recreation and tourism, and the production/extraction of energy, whether non-renewable or renewable, are the most obvious economic contributions that rural regions make, but there are many others. At the same time, rural communities benefit from services and markets more prevalent in urban areas.

The Organisation for Economic Co-operation and Development (OECD) explains "urban and rural areas enjoy different and often complementary assets, and better integration between these areas is important for socio-economic performance. Rural-urban partnerships are an effective way .. to foster economic development and well-being. Effective rural-urban partnerships can help attain economic development objectives for both. Rural-urban partnerships help regions to: enhance the production of public goods; achieve economies of scale in public service provision and can help develop new economic opportunities."[3]

While the wealth creation framework may have been created with a focus on rural regions, urban and suburban communities are partners in economic development with rural communities.

Regional Opportunities and Challenges

There are reasons many live in rural areas. People love their rural regions for their natural beauty, quiet, friendly people and more. When introducing the wealth creation framework, facilitators often ask the question, "What would land your community on a Top Ten Places to Live list?" This simple question gets people thinking about why they live where they live, opening the conversation about what assets make their communities special.

Despite these assets, there are undoubtedly challenges to living and working in rural areas, which makes taking a wealth creation approach even more essential. Investing in Rural Prosperity by the Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve Bank enumerates some of these challenges:

Lack of economies of scale. *"lack of economies of agglomeration in rural regions"* [4]

Challenges in local and county governmental capacity. *"Local governments are an important but frequently overlooked component of rural development… Governmental capacity – the administrative, fiscal and other resources needed to get things done – varies a great deal between rural and urban counties."* [5]

Declining Rural entrepreneurship. "Rural entrepreneurship is declining, arguably just when it is needed most." [6]

Underinvestment in the stocks of capitals, especially human capital. *"Numerous forces compound to hold back rural economic well-being: they include the living legacies of past injustices facing minority groups. Yet, they also include underinvestment in the stocks of capital – human and digital in particular - that power the modern economy and would allow more economic opportunity to open in rural parts of the country. Indeed, the deteriorating state of rural entrepreneurship over the past decade signals that the United States has done too little to secure the preconditions for a healthy, dynamic economy to thrive in many rural parts of the country."* [7]

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Many challenges require a focus on capacity building at different levels. Capacity building, especially in rural local governments, is an ongoing problem. It's understood that communities, especially smaller, more rural ones, need capacity – the staffing, resources, and expertise – to apply for various funding opportunities, deal with reporting requirements, and manage these investments over the long term. Those rural areas that most need these investments are also the ones that lack the capacity to apply for and manage them.

Wealth creation is a way of overcoming these barriers and creating better outcomes.

"Whether it is at its peak, its rock bottom or somewhere in between, every rural community has something that makes it special." [8]

Yet, often rural areas look beyond their boundaries for solutions to their problems. The wealth creation framework acknowledges the assets that make rural communities special.

"The future of the rural economy will come from within rural America itself." [9]

Successful communities build on their assets, while considering the contributions and needs of all segments of the population. Many other frameworks have been put forth in the past few years, some that also have an asset focus. Wealth creation, however, has become the lens through which many organizations in rural communities view their work. For some, wealth creation is embedded in all of their work.

Wealth creation is a community-centered, systems approach to community and economic development that applies a distinctive lens to asset-based development.

Wealth creation uses a value chain approach to connect the community's existing assets with new market opportunities to build wealth and create livelihoods that are rooted locally. The focus is on supporting local ownership and building on existing assets to strengthen and grow the local economy.

Wealth creation allows communities to focus on what they have—instead of what they lack—to generate new and sustainable economic opportunities that are rooted in local people, places and businesses.

This framework supports and builds upon existing economic development programs like the Comprehensive Economic Development Strategies (CEDS), while allowing a more refined and local approach to economic development planning that ensures that the capacity and resources generated by the plan stay in the community.

"…. Tailoring economic and community development efforts to the local context by understanding a community's assets – its 'starting point' – and learning how best to connect and leverage those assets to meet and create progressively greater opportunity over time." [10]

The strength of the wealth creation approach is in its inherent flexibility.

The Keys to Wealth Creation:

1. Recognize and build multiple forms of wealth. The wealth creation approach enumerates eight forms of wealth, *"which only count as wealth to the extent that they are fully productive and can contribute to meeting current needs while remaining capable of meeting future needs as well."* [11] These include individual (skills and health), intellectual (knowledge and creativity), social (trust, relationships and networks), cultural (traditions and customs), natural (natural resources), built (physical and information infrastructure), political (voice and power), and financial (monetary resources).

2. Promote local ownership and control. Rooting ownership and control of assets in the region is critical to maintaining the stocks of those assets. Shanna Ratner (2020) talks about place-based wealth and people-based wealth. Place-based wealth refers to the combination of private, public and communal assets of a region regardless of their ownership. People-based wealth refers to the cumulative value of individuals' multiple capitals (see the 8 forms of wealth), less liabilities. Regardless of the type, resources do not represent community wealth unless communities own and/or control them.

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As communities and regions inventory assets relevant to a particular sector, accounting for which assets are locally owned and controlled is a way of better understanding the status of those assets.

3. Improve livelihoods for those currently living on the economic and social margins. Equity is key to the wealth creation approach. To be intentional about equity, it's important to engage those community members on the social and economic margins in the analysis of barriers and opportunities at the front end of any strategy development and choose strategies that will improve their well-being.

8 FORMS OF WEALTH
THE CAPITALS & DEFINITIONS

INDIVIDUAL
Skills, understanding, physical health and mental wellness in a region's people

INTELLECTUAL
Knowledge, resourcefulness, creativity and innovation in a region's people, institutions, organizations and sectors

SOCIAL
Trust, relationships and networks in a region's population

CULTURAL
Traditions, customs, ways of doing, and world views in a region's population

NATURAL
Natural resources—for example, water, land, air, plants and animals—in a region's places

BUILT
Constructed infrastructure—for example, buildings, sewer systems, broadband, roads—in a region's places

POLITICAL
Goodwill, influence and power that people, organizations and institutions in the region can exercise in decision-making

FINANCIAL
Monetary resources available in the region for investment in the region

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The Who: Rural Development Hubs

Key to strengthening the rural development ecosystems that underlie wealth creation efforts are rural development hubs, as defined by the Aspen Institute Community Strategies Group. As Janet Topolsky explains, "Who holds that whole for rural regions?" is the question.[12] *"Rural development hubs are place-rooted organizations working hand in glove with people and organizations within and across a region to build inclusive wealth, increase local capacity and create opportunities for better livelihoods, wealth and well-being. Hubs are regional organizations whose mission, whether stated or not, has essentially become 'doing economic development differently.'"*[13]

"It demands rooted, sustained, rural-based organizations and intermediaries, along with resources that they can use flexibly, which have been hard to come by from government, the philanthropic sector, or private investment."

Rural development hubs are the main players advancing an asset-based, wealth-building approach to rural community and economic development in this country. Hubs are designing and implementing efforts that increase and improve the assets that are fundamental to current and future prosperity, increase the local ownership and control of these assets, and always include low-income people, places and firms in the design and benefitsof their efforts.

These hubs exist in different regions; many are WealthWorks hubs, a group of organizations across the US who have come together to form a network of regional hubs committed to broadly sharing their on- the-ground experience with the wealth creation approach. These hubs provide a way for interested practitioners to learn more about and connect with organizations implementing wealth creation on the ground. Other rural development hubs the Community Strategies Group found include:

- Community Development Financial Institutions (CDFIs)
- Community Development Credit Unions (CDCUs)
- Community Development Corporations (CDCs)
- Community Action Agencies (CAAs)
- Community Foundations
- Health Legacy Foundations
- Family Foundations
- Statewide and Multi-State Foundations
- Colleges and Community Colleges
- Statewide Rural Organizations
- Social Enterprises/ Cooperatives
- "Unicorn" Regional Organizations

Rural development hubs work with a variety of regional partners. EDDs were not identified by the Aspen Institute as rural development hubs; however, EDDs could be rural development hubs or they may be partnering with existing rural development hubs. Region Five Development Commission, an EDD in Minnesota, for example, was one of the 43 rural development hubs engaged by the Community Strategies Group.

What sets rural development hubs apart, according to the Community Strategies Group:

- Hubs think and work "region"
- Hubs bridge issues and silos
- Hubs analyze at the systems level, and intentionally address gaps in the system
- Hubs collaborate as an essential way of being and doing.
- Hubs create structures, products and tools that foster collaborative doing.
- Hubs translate, span and integrate action between local and national actors.
- Hubs flex, innovate and become what they need to become to get the job done.
- Hubs take and tolerate risk.
- Hubs hold themselves accountable to the whole community.

Economic Development Districts are already well positioned to help create these outcomes because they are regional, place-based and collaborative.

Economic Development Districts (EDDs) are multi-jurisdictional, quasi-governmental entities, commonly composed of multiple counties and in certain cases even cross state borders. They help lead the locally-based, regionally driven economic development planning process that leverages the involvement of the public, private and non-profit sectors to establish a strategic blueprint (CEDS, an economic development roadmap) for regional collaboration.

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EDDs provide regional planning and local community and economic development services, helping cities and counties with community development, economic development, workforce training, transportation planning, public infrastructure, affordable housing, disaster prevention, rural capacity-building, public health, regional planning and the provision of other community services.

Whether known as COGS, PDDs, RPCs, ADDs, or LDDs, these Economic Development Districts can serve as key partners to rural development hubs, helping "to identify assets, gaps, partners and resources, and bring them together to solve problems and capitalize on an opportunity" 14 or to embark on a wealth creation approach.

However EDDs decide to integrate the wealth creation approach, a key element is engaging with a diversity of partners, even if this may make the process more complex. A greater diversity and variety of partners will bring different lenses to doing economic development differently.

Wealth creation need not follow a prescribed pathway. It can be a lens through which to look at new opportunities.

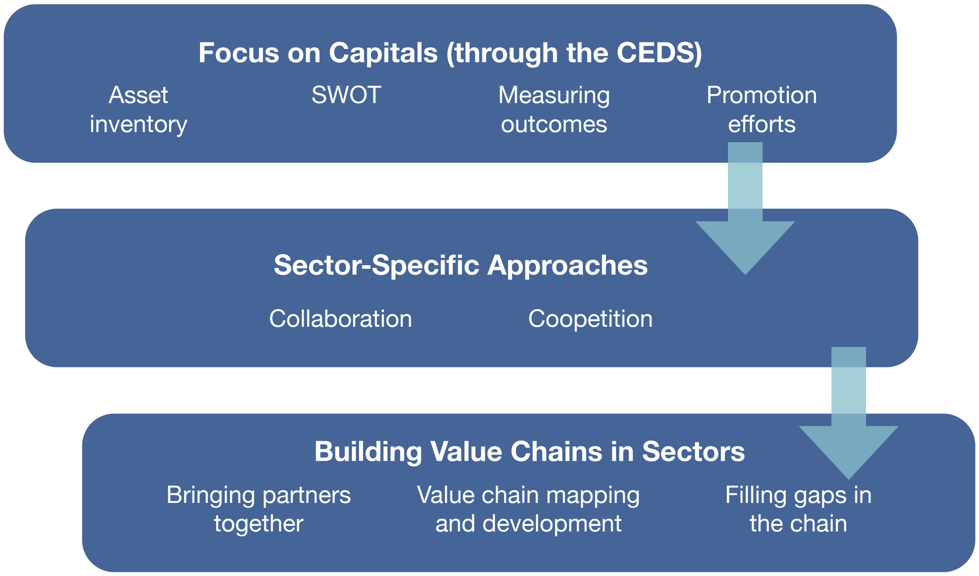
The strength of the approach is its inherent flexibility. Wealth creation looks different in different places, as it is a place-based approach. Most regions use wealth creation in one of three ways:

1. Focus on Capitals. The entry point for wealth creation is using the eight capitals to understand the variety of assets a community or region has. There are many ways to gather this information; some communities use an asset inventory. The SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis, a key component of the Comprehensive Economic Development Strategy (CEDS), is another way to do this, by using the variety of community assets to identify the strengths, weaknesses, opportunities and threats of the region, while also considering local ownership and control of those assets. The forms of capital also provide a framework for thinking about how to measure progress and outcomes in the CEDS. A region's capitals can also provide a backdrop for regional promotion efforts.

2. Sector specific approaches. In some places, EDDs have had rewarding experiences bringing players in an industry sector together to figure out pathways to "coopetition," a way of cooperating that rise above competition to benefit the sector and the region as a whole. This builds social and political capital along the way and keeps wealth local, by retaining successful industries and businesses. These pathways can include collaborating on workforce development, purchasing, etc.

3. Building value chains in sectors. A wealth creation value chain is a network of people, businesses, organizations and agencies addressing a market opportunity to meet demand for specific products or services—advancing self-interest while building rooted local and regional wealth. Building a value chain takes coopetition to a higher level, in terms of bringing partners together, mapping out the value chain system, determining where the gaps lie and strategizing collaboratively about how to fill them.

Unpacking each of these and showing how Economic Development Districts (EDDs) are engaging in wealth creation will be the focus of a series of articles, presentations and learning opportunities within the EDD Community of Practice. If you want to tell us how your EDD is using the wealth creation framework, please contact Melissa Levy at ***mlevy@nado.org***.



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