

The New Architecture of Rural Prosperity
2005 Report on the Future of the South
The Southern Growth Policies Board

Prosperity in the rural South is crucial to the prosperity of the South as a whole. Only 20% of Americans live in rural areas, but 34% of Southerners do. The research done at Southern Growth led to an examination of the economic development enterprise and these two recommendations:

- Manage economic development as a set of interrelated activities that – directly and indirectly – create, expand, and recruit business.
- Design and manage economic development along the lines of economic regions, without regard to traditional political boundaries.

Among the important potential action items for states are:

- Help communities and citizens understand the whole economic development process.
- Encourage higher education institutions to be fully engaged in economic development.
- Provide seed funding for regional initiatives.
- Use incentives to encourage regional collaboration.
- Consider how economic initiatives should be funded in the future.

The New Architecture of Rural Prosperity

The processes that lead to the release of this report began with a regional retreat in NC where Southern leaders brainstormed for two days. Then community forums and focus groups were held all over the region and in the spring an online survey was sent out to those who could not attend. From the 2200 people who provided input, 5 major themes emerged, including the need for:

1. Strong, forward-thinking leadership
2. Strategies to make rural areas attractive to young people
3. Quality education
4. Maintaining a distinctly rural character
5. Strategic investments in infrastructure

Per capita income in the South is 75% of the metropolitan per capita income. Poverty rates in the South's rural areas are almost 50% higher than in metro areas. Infant mortality rates are higher in rural areas and access to physicians lower. Educational attainment at the high school and college level are markedly lower in the South's rural areas. Closing the gaps between the rural South and the nation as a whole is the goal of *The New Architecture of Rural Prosperity*. There has been some progress made, but the South's share of the nation's economy has declined since 1980.

Recommendation One: Manage economic development as a set of interrelated activities that – directly and indirectly – create, expand, and recruit business.

The economic development architecture of the South must be perceived as a whole and understood in all its diversity. Economic development should be understood as a set of interrelated activities that supports the creation of new businesses, the profitability and expansion of existing businesses, and the recruitment of other businesses from outside the community, region, or state. Government, private, and institutional and individual funders

should insist that investments made to build capacity are aligned with investments that are made to recruit industry. Funders should provide incentive for collaboration among the disparate elements in the economic development community. Funders should also take responsibility for allocating resources in harmony with likely outcomes. The quality and quantity of citizen engagement in economic development should be an ongoing concern for professional economic developers. In rural communities, the distinction between “economic developer” and “citizen” is blurred along with the distinction between public and private activities. This makes it important to get clear about what economic development means and how its parts work together.

Recommendation Two: Design and manage economic development along the lines of economic regions, without regard to traditional political boundaries.

Communities are better served by aggregating their resources at the regional level, and states are better served by encouraging the delivery of services at the regional level. This may often mean that states find themselves in a position of encouraging collaboration across state lines since economic development districts are rarely inhibited by political boundaries. Nationally there is a significant trend towards creation, expansion, or reorganization of economic development entities along regional lines. Rural communities must band together to achieve the critical mass that will allow them to be competitive. Each writes of the need for new templates for rural governance. Governance means more than government because many non-governmental players must be involved. Southern Growth Policies Board strongly urges rural communities to organize regionally for the pursuit of economic opportunity.

A Sample Design for Rural Prosperity

One way to approach implementation of the recommendations of this report is the creation of what might be called a Regional Prosperity Alliance (RPA). The term “alliance” is used here to emphasize four aspects of the organization:

- **Multi-disciplined** – partners should represent a broad cross-section of individuals and organizations in the region
- **Collaborative** – build on and include the activities of existing organizations
- **Flexible** – always prepared to change their roles as circumstances dictate
- **Inter-jurisdictional** – community of communities, overcome rivalries and disputes, build a regional identity composed of community identities and therefore cannot replace them

Regional Prosperity Alliances would:

- **Convene** – continually bring players together
- **Plan** – create a strategic plan to fulfill the regional vision
- **Fund** – identify and coordinate multiple funding streams
- **Coordinate** – coordinate commitments of partners
- **Measure** – set benchmarks for regional success

Range of Activities for an RPA: These areas could be tackled by creating visionary yet feasible initiatives.

- **Innovation**
- **Community**
- **Globalization**
- **Workforce**

Had any region created a RPA?

Southern Growth's research did not identify any regions that have created exactly such an entity, at least not by that name. There are a growing number of regional economic development initiatives in the U.S. and in the South. Many of the regional planning districts play roles that are similar to what is envisioned here. Many do not enjoy the level of funding, regional buy-in, and community participation that would allow them to realize their full potential.

This Whole House:

Recommendation One: Manage economic development as a set of interrelated activities that – directly and indirectly – create, expand, and recruit business.

Barriers to Managing Economic Development Whole - based on examination of 200 initiatives affecting rural change that were nominated for Southern Growth's 2005 Innovator Awards. Key barriers include:

- Turf protection
- Not seeing the whole picture
- Lack of personal relationships
- High turnover in leadership positions
- Limited philanthropic infrastructure
- Vulnerable funding
- Clash of styles

Potential Actions

- **Get the private sector involved**
- **Look to higher education as a facilitator**
- **Call on philanthropic organizations to promote collaboration**
- **Encourage agencies to collaborate**
- **Build and maintain trust among partners**
- **Provide seed funding for collaboration**
- **Reinvent economic development funding**

Form Follows Function

Recommendation Two: Design and manage economic development along the lines of economic regions, without regard to traditional political boundaries.

In Mobile, AL, the Chamber of Commerce played a key role in creating the Gulf Coast Regional Chamber Coalition in 1999, a forum for member chambers located in LA, MS, AL, and FL to discuss and develop solutions to common challenges. They identified six focus areas: transportation, international trade, military affairs, technology transfer, and higher education. The Mobile Chamber has fostered a partnership with the Alabama Development Office, the Northwest Florida Trade Council, and the U.S. Department of Commerce among others to coordinate events and education programs related to international trade. They also serve as a global intermediary to 3500 businesses in AL, FL, and MS through its quarterly newsletter, *The Globe*.

In Southwest GA, the Regional Partners network identifies opportunities for resource sharing and collaboration in a 14-county area. They want to become a statewide leader in regional networking. RPN is an umbrella for committees focused on literacy, workforce development, regional transportation, housing, arts, culture, and tourism.

In Eastern AR, the Crossroads Coalition is a new umbrella organization to enhance broad-based development in a 9-county area. The Coalition's organizers see it as a new model for economic development in AR. It is designed around 3 core entities:

- Foundation to provide financial support
- Develop groups, organized by function area, to organize development projects
- The Technology Center for the Delta, to provide infrastructure to the Coalition

The Origins of Regional Action

Congress created 3 Federal-State Regional Commissions to assist some economically distressed regions in the nation. Two are in the South – Appalachia and the Delta.

The Appalachian Regional Commission (ARC) has been around for 40 years. ARC has reduced poverty rates by two-thirds and raised per capita income by 34% during that time. 132 ARC counties have risen above the economic distress level.

The Delta Regional Authority (DRA) is in its fourth year of operations. DRA has awarded more than \$37 million in grants to leverage \$263 million in additional investments. DRA foresees more than 19,000 new jobs as a result of their investments.

Federal legislation requires ARC and DRA to coordinate regional economic growth initiatives through local governments and boost the capacity of sub-state regional planning districts. The federal Public Works and Economic Development Act first established the planning and development district concept in 1965. RPDs still implement several federal programs, provide technical assistance, and act as advisory boards on regional planning projects.

Barriers to Regional Collaboration

- **Long-standing rivalries** – football barriers were frequently cited, also the fact that it is difficult to view communities as collaborator when they have historically been viewed as competitors in areas like industrial recruitment
- **Fear of losing identity** - small communities fear they will lose out when consolidating with larger communities
- **Lack of a mechanism to share costs and revenues** – there is little incentive for other communities to participate in projects when all the revenue goes to the county in which the project is located
- **Differing regional definitions** – different boundaries for different purposes can increase confusion

Potential Actions

- **Seed regional efforts**
- **Identify regionalism as a key to success**
- **Deliver economic development services regionally**
- **Provide grant funding on a regional basis**
- **Provide incentives for regional collaboration**
- **Encourage regional planning**
- **Examine regulatory impacts on regionalism**
- **Address financial issues**
- **Use the private sector to champion regionalism**

What the Experts Say

Communities must act to create function-specific that creates a competitive niche in the global marketplace. From recent reports on economic development, 6 dominant trends in rural economic work have been revealed:

- Regional strategies and management structures
- Innovation-based strategy
- Entrepreneurial focus
- Inclusive, grass-roots involvement
- Infrastructure of technology
- Maximizing the impact of industry clusters

Regional Strategies – Regions are becoming an essential unit in the rebuilding of rural areas. A critical mass of ideas, capital, technology, and skills now are essential for new growth. Regions are where the impacts of globalization are felt. Rural regions should be self-defined regions built for pragmatic objectives. Economic regions can define themselves on the basis of their common economies. Function and utility should define regional structures, not political boundaries.

Innovation – Nations, communities, and firms that prosper invest in creating new competitive advantage rather than protecting old advantages. Innovative practices and policies hold great promise for the future.

Entrepreneurship – Regional economies with thriving entrepreneur communities are doing better than those with less entrepreneurial energy. Entrepreneurship can be promoted by: providing seed capital, training, and online networks to connect. Research shows a strong correlation between entrepreneurship and long-term employment growth. These programs are relatively inexpensive when compared to other strategies.

Grassroots Strategies – Community planning is advocated by governmental officials at the USDA and the Economic Development Administration (EDA). Communities should act as change agents and foster “new economic engines.” Some approaches to community development are designed to improve capacity of local people to effectively address the challenges and opportunities that their communities face. Some are not on the community strategy bandwagon, and believe that unless the overall economic environment is conducive to rural growth and the federal and state government provide resources, it will be difficult for even the most astute communities to do well.

Technology Infrastructure - Many experts believe that isolation and lack of scale, problems for rural areas, may be overcome with telecommunications and information systems. Rural areas lag in 10% behind urban areas in percentage of households with Internet access, and lag 15% behind in broadband usage. People who lack access to these tools are at a great disadvantage. A 10% increase in broadband usage in a community results in an average of \$7,000 economic difference per household.

Clusters – Networks will continue to be a force for rural development to the extent they raise the levels of competitiveness of rural employers and regions. Economically successful regions have clusters of interconnected businesses that collaborate. States can support clusters by encouraging the development of industry networks that provide a channel for businesses to work together. It has been found that workers in rural industry clusters can earn about 13% more, on average, than other rural workers with the same education and experience.

Listening to the South

More than 2200 people shared opinions and ideas that helped to shape this report. 1065 people participated in forums in 51 communities, 283 participated in focus groups in 7 states, and 876 who responded to the online survey. There was a range from students to seniors, and a mix of genders and ethnicities. Approximately three-quarters of the forum participants hailed from rural areas and 40% of the survey respondents. These forums are key in transforming a community of thinkers into doers. There was also feeling that issue-oriented forums could provide a setting to begin to improve race relations in communities.

Key Findings

1. Strong, Forward-Thinking Leadership – Respondents identified “training leaders” as one of the top strategies most likely to meet with success. One of the most important things that leaders can do is show people how they can benefit from change. The problem is that many leaders themselves do not support or see a need for change. Participants saw a need for leaders with the skills to form new partnerships within and outside their community.

Potential solutions include:

- Establishing training requirements for elected leaders
- Providing officials with concrete examples of successful rural development strategies
- Engaging more community residents in planning and decision making activities
- Creating a state Office of Rural Issues with help desk and staff for training rural leaders.

2. Retaining and Attracting Youth – A lack of job opportunities for educated young people is one of the biggest barriers to economic prosperity in rural areas of the South. Concerns about children leaving for education and never returning was a concern raised in nearly every forum. Participants in Clarke County, GA suggested advising students about ways they might return to rural communities. It was suggested that quality of life issues should be addressed in rural communities struggling with retaining its youth. Also, there was talk about involving young people more in community decision-making and leadership.

3. Importance of Education – Online survey participants were most likely to select improving education as their number one strategy for creating more rural prosperity. Parents were seen as a critical link in convincing citizens and youth of the importance of education.

The value of life-long learning should be instilled at a young age. Technology was seen as a tool for improving education in rural areas and as a necessary skill for today's workers. There was emphasis on strengthening both technical and bachelor degrees. Some participants also emphasized the need for better cooperation and coordination between various components of post-secondary education.

4. Maintaining Rural Character – Strong support was shown for regional collaboration as a means for rural progress. Over 90% said that rural communities should band with their neighbors to develop a regional identity and should consolidate services in order to achieve economies of scale. Yet, they want to retain their unique, small community nature. Southerners feared that regionalism might cause them to lose their community schools. High school athletic rivalries were seen as major barriers to collaboration. Southerners talked about the need to identify and build on their community's assets. Strategies that would boost smaller businesses were favored over large industries. Communities should pursue strategies aimed at rural areas' historical strengths in agriculture while others felt that too much time and money were being spent in that area.

5. Strategic Infrastructure Investments – The development of regional transportation systems could help increase economic development as well as aid residents in accessing jobs outside their immediate community. The subsidizing of broadband Internet access in rural areas is a major priority. 84% of participants agreed that rural communities should make major investments in modern infrastructure even if it means raising taxes. There was feeling that investments should be strategic rather than universal. A survey respondent suggested that we properly define regional economic development areas and provide support based on factors related to their potential for success, including:

- University presence
- Private sector engagement
- Intercommunity involvement
- Local matching funds
- Entrepreneurship support
- Inclusive leadership