



# **Wealth Creation in Rural Communities**

## **Project Summary & Wealth Matrix**

Wealth Creation Working Group

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## Wealth Creation in Rural America

This paper is part of the Wealth Creation in Rural America initiative, funded by the Ford Foundation. The aim of the initiative is to help low-wealth rural areas overcome their isolation and integrate into regional economies in ways that increase their ownership and influence over various kinds of wealth. Previous papers produced by the initiative can be found at <http://www.yellowwood.org/wealthcreation.aspx>. The goal of this paper is to advance the initiative's broad aim of creating a comprehensive framework of community ownership and wealth control models that enhance the social, ecological, and economic well-being of rural areas.



## Wealth Creation In Rural Communities

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**A New Way Forward for Rural America:  
*A Wealth Creation Approach to Economic Development*  
Supported by the Ford Foundation**

For too long, the resources and assets of rural communities – their natural resources, agricultural bounty, labor force, and young people – have flowed out of rural places, along with the economic and social returns to those resources. Rural regions, particularly low-wealth rural areas, have struggled to put in place the strategies and institutions that build local assets and create wealth that stays local. They have struggled to replenish rural resources and create communities that are resilient in the face of a rapidly changing global environment. In the face of these struggles, the ability of rural areas to contribute to overall economic growth in the U.S. has been limited. What is needed is a new way forward for rural America. What is needed is an approach to development that allows rural areas to build wealth and become stewards of resources in ways that serve the larger public good.

Rural America stands at a historic crossroads. Rural communities are facing an enormous potential loss of wealth as current generations retire or pass on, often closing businesses and leaving their assets to kin who reside outside rural areas. The present economic crisis has produced massive upheaval. Yet from this moment of crisis can come innovation and an opportunity for renewal.

The potential contributions to be made by rural America are significant. Rural areas can responsibly provide the nation with renewable energy of many types, with energy-efficient housing, with food that is healthy and affordable, with open spaces, with ecosystem services, and with so much more that our nation needs. But, effectively making these contributions means avoiding the exploitative patterns of the past and adopting a new approach to wealth creation. In order to respond to today's historic opportunities in a way that builds wealth and assets rooted in rural places, rural leaders need new ways of thinking about economic development.

Since early 2008, the Ford Foundation has supported the work of a group of individuals and organizations committed to exploring a wealth-creation approach to rural economic development. Known as the Wealth Creation Working Group, this group has sought to create a framework for development that builds on successful practices that deliver economic, social, and environmental benefits. The Ford Initiative "*Enhancing the Livelihoods of the Poor*" aims to: make rural communities and regions more economically competitive; preserve the ecological heritage, which is the foundation of each region's rural flavor; and draw more people into the social and civic life of the community. This is the underpinning of a multi-faceted approach to development, focusing on more than economic returns, that we refer to as a wealth creation approach.

This paper presents the rationale behind this comprehensive approach and the Wealth Creation grant application requirements for invited applicants. The two components illustrate how this initiative is attempting to combine the theory of wealth creation with direct work on the ground.

## A systems approach on the Ground—Three Questions:

The Ford Foundation, in pursuing its mission of poverty reduction and social justice, is interested in discovering effective approaches that restore, create and maintain wealth in low-wealth rural areas by improving economies, the environment, and social conditions at the same time. For this reason the work of the Foundation in rural America will emphasize developing a systems approach in specific regions of persistent high poverty. This approach aims to leverage resources, achieve meaningful impact, and better understand how to work on the ground. Our hope is that this development approach will significantly improve the livelihoods of the rural poor in these regions.<sup>1</sup> They are:

- 1. Does a systems approach<sup>2</sup> focused on wealth creation improve a community's ability to use its resources and create new wealth in the aggregate that helps all rural residents gain assets and improve their lives in a given region?* Many worthwhile efforts to address poverty tend to be narrowly focused on single institutions and single solutions without considering either the consequences of a given activity or the potential collaborative opportunities that would magnify the impact of that activity. Using a wealth creation evaluation tool (as defined in the attached **Indicators of Community Wealth: Making Connections**) will hopefully help interested parties develop: a common vision based on shared outcomes; a common language through the definition/identification of the seven basic forms of wealth; and a real time feed back process to judge progress and adapt best practices.
- 2. Can a systems approach to economic development provide simultaneous benefits across multiple categories of wealth to enhance individual and community well-being?* Often development trades off one type of asset to create another, whether it's creating polluting by-products to generate jobs or not providing employee benefits to obtain immediate profit margins rather than considering the turnover and productivity cost of not having benefits. In this work, we seek strategies that improve all three outcomes simultaneously. At minimum, there must be safeguards in place to assure that no harm is done in any of the three areas as a result of development interventions.
- 3. What is the evolving nature of the urban-rural relationship and how can low-wealth rural producers of public and private goods and services offer value propositions to urban areas in a manner that causes the wealth to stick in rural areas?* Without regional market connections, improving rural economies will be very difficult if not impossible. The current relationship between urban and rural economies is too often one where resources and wealth are extracted from rural areas,

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<sup>1</sup> Please see definitions of wealth in the attached glossary.

<sup>2</sup> Please see the explanation of systems approach in the attached glossary.

which, in return, receive prisons, garbage and fouled air and water. Rural areas involved in these relationships have little local control over future opportunities and realize few benefits that stick in the community. For regions to be truly sustainable, a positive synergy between rural and urban, low-wealth and higher-wealth areas must be established and maintained.

## **Working on the Ground: Four Integrated Components**

The Ford Foundation's initiative in rural America is focused on improving livelihoods of low income and poor individuals and families through place-based wealth creation. Livelihood in our context means enabling a household or individual to accrue assets—individual and collective/community—enabling them to overcome vulnerability, maintain dignity, control their lives, take risks to seize opportunities, and rebound from setbacks.

### **Integrated Components:**

In order to improve our chances of having an impact that can be modeled, measured, and scaled, we have designed the initiative with four features distinguishing it from our previous work. The four components are intended to work together not as standalone activities. They are:

1. **Place-based focus on regions:** The Foundation has pursued solutions to rural poverty in the past by identifying individual best practices addressing specific problems and then anticipating that they could be scaled for wider impact. Instead, Wealth Creation in Rural Communities focuses on three distinct regions of pervasive rural poverty in succession to apply enough resources to have a measurable impact. Each is a seat of long term poverty, and each is also unique in its resources and degree of capacity for change. We are starting in the region where we have the longest history of working on economic development and where a reasonably strong infrastructure exists. We are out to improve livelihoods by helping people access and use resources in ways that create wealth that sticks reversing the extractive nature of the traditional economies. We intend to apply the lessons learned along the way to each new region. The regions are:
  - a. Central Appalachia, a predominately Caucasian population with a long history of resource extraction and accumulated cultural and environmental problems. Our work is just getting underway with grants approved in December 2009 to four well-established NGOs working collaboratively in the region.
  - b. The deep South, where African Americans continue to face racial and economic isolation. We are currently conducting due diligence to select a sub-region. We are meeting with groups in central-south Alabama, and the Delta, as possible locations for more in-depth investment.
  - c. The Colonias, along the Texas/Mexico border, with a predominately Hispanic population, are unincorporated communities with little or no infrastructure as a result of land speculators preying on a vulnerable

population. This region has the distinction of being the only region of high poverty that is actually growing in population.

2. **Support clusters of collaborating institutions in the regions:** To enable people to prosper in a regional economy, we are building the capacity of a set of institutions committed to collaborative working relationships with a broad set of interested partners. We plan to support a dense set of activities within a region to make a measurable impact on livelihoods.
3. **Value Chain development:** We are focusing on economic relationships embedded within value chains. A value chain is a framework of relationships within an economic sector where sustainable development values (environmental, social, equity) are integrated into decision making. Such focus forms the basis of positive reciprocal relationships among value chain participants such as producers, aggregators, and retailers. A value chain connects producers directly to end markets in such a way that all parties in the chain benefit.
4. **Wealth Index Evaluation format:** The fourth innovative component is that we ask grantees to develop outcomes and indicators for each of the seven components of wealth. We are providing technical assistance in developing indicators that are strongly connected to wealth creating interventions. Results of measurement will be compiled in each region to help interested parties see the potential for collaboration by identifying where their work overlaps, and where there are gaps in services. We think there are seven types of wealth that are critical to both household and community wellbeing and success. These types of wealth are: intellectual, social, individual, natural, built, political and financial.

### **Getting to Scale:**

The two critical aspects of this initiative are: understanding what comprises a successful livelihood enhancement strategy, and understanding how we would take this work to scale if it is successful. Wealth creation in rural communities is the method we are exploring to improve livelihoods, and the process is supported by four interactive structures outlined above. Scale for the Foundation means having a greater impact on improving livelihoods of the poor than we could achieve with just the application of our own resources. We are working on three distinct activities to achieve scale. They are:

1. **Wealth Creation Working Group—Involving National Practitioners:** A Working Group of NGOs participated in the development of a wealth matrix into a systems framework. They continue to serve as a learning community to contribute to developing, testing, and disseminating the wealth creation approach. Their contribution is to better understand and co-create the wealth creation approach at the national level by changing practice in the field and impacting policy. They do this in four ways: 1) Trying out aspects of the wealth creation

- approach in their own work and reporting results back to the Working Group; 2) Participating in group projects with other members of the Working Group designed to further collective understanding and dissemination of the work; 3); Learning from and with place-based practitioners funded by Ford; 4) Providing demand-driven technical assistance, including research and capacity building assistance, to grantees on the ground in three specific low wealth regions (Central Appalachia, the South, and the Colonias).
2. **Regional Funders Collaboration:** Ford is forming relationships with regional and national funders in each of the places it is working to introduce the wealth creation approach and identify opportunities for funding alignment that will help to concentrate resources and to deploy them more effectively. A regional funders gathering was held in March 2010, to explore collaborative grant making in Central Appalachia. The intent is to hold similar meetings in each region.
  3. **Influence Policy:** Ultimately, for this initiative to have lasting impact it needs to influence policy at the regional and national level. This objective is being approached in two ways. At the state and regional level, we are supporting grantees as they advocate for relevant policy changes, consistent with their work on the ground. On the national level, we have been participating with eight large foundations in a collaborative project to explore the possibility of influencing Federal agriculture policy as it relates to the long-term viability of rural economies both domestic and international.

### **Guiding Principles of a Wealth Creation Approach:**

Ford envisions the wealth creation approach to improving the livelihoods of low-income individuals, households and communities as one that will have widespread application in many places. Six parameters, taken together, define the wealth creation approach.

1. **Wealth is created and “sticks” in low wealth rural areas:** Seven forms of wealth (individual, social, intellectual, natural, built, political, financial) are intentionally created. The process of creating any one form of wealth cannot undermine any of the other six. Wealth sticks for individuals and communities through structures for local ownership and control of wealth. Systems thinking is essential to understand the impact of each form of wealth on the other forms of wealth and to identify interventions that result in positive impacts on multiple forms of wealth.
2. **Wealth is tied to place through value chains developed within sectors (e.g. housing, energy, forestry, etc.) in a geographic region:** Value chains connect rural and urban areas and connect low-wealth individuals, businesses, and communities with higher wealth individuals, businesses, and communities within and beyond regions. Opportunities for cross-sector integration within regions are pursued (e.g. housing and forestry; agriculture and energy). The wealth creation approach improves understanding of how to re-build rural-urban economies based on mutual benefit.

3. **Wealth-based development is demand driven:** The wealth creation approach embraces intentional market and policy interventions that stimulate demand in markets with potential for place-based wealth creation such as agriculture, energy, housing, health care, etc. Supply capacity is developed in response to effective demand.
4. **Measurement is integrated into the entire process:** Baseline measures for each of seven forms of wealth are established and measured at the outset. Measures are linked to intentional interventions related to each form of wealth. Measurement provides accountability and an opportunity for the kind of learning that supports continuous improvement. Measurement is integral to the process of each intervention; not added on or performed by a third party. Measurement provides information that can be shared throughout a value chain.
5. **Investment fuels wealth creation:** Value propositions define the self-interests of value chain participants. When self-interests become transparent, diverse parties are willing to invest in value chain development including adjusting markets and policies to support it. Well managed investment in all seven forms of wealth creates the basis for sustainable income streams.
6. **Strategically flexible:** Strategies for wealth creation are developed in context by committed regional partners. There are no “cookie cutter” interventions. Interventions integrate the above five components. Each intervention must be crafted to create wealth in as many categories as possible while doing no harm to other forms of wealth.

## Appendix I

### **Grant requirements for potential grantees interested in working with partners in Central Appalachia**

Engaging in a learning process is best approached in an open-ended manner that offers interested parties the opportunity to contribute to and to benefit from a collective learning process. While the final decisions on funding will be the sole responsibility of the Foundation, interested participants are encouraged to develop innovative approaches and partnerships with the intent of improving their service delivery on the ground and their ability to increase their impact in the future. A portion of grant funds may be necessary for coordination and organizing joint efforts. However, the primary purpose of the proposed activity needs to be focused on achieving measurable wealth creation impacts for rural communities and households that positively impact the livelihoods of the rural poor. A portion of grant funds may also be used for research required to understand and measure baseline conditions in relevant forms of wealth as related to your proposed intervention and to develop measures of progress and a measurement plan.

The grant making requirements listed below are primarily process oriented. The process may be applied to any content area or sector in which potential for a wealth creation approach can be demonstrated. These requirements are designed to ensure that wealth creation outcomes consistent with social inclusion and poverty reduction impacts are identified and framed, and measures of progress are used to improve performance and achieve outcomes. We expect a wide range of participants in the system on the ground (included those affected by it) to be active collaborators in planning and executing the work. This should include partners with interests in the environment, the economy, and social inclusion as it relates to the content of your work. In order to take advantage of locally and nationally identified best practices and to expand the learning and impact from this project, grantees will be expected to participate in a learning process with all of the grantees to be funded in Central Appalachia as well as with the Wealth Creation Working Group that has been involved in the project for two years.

This approach is intended to allow the maximum degree of flexibility for potential grantees to work with interested partners to create economic development proposals they deem to be important and to have their work contribute to the Foundation's learning goals.

The following lists are intended to help applicants explore and develop a comprehensive approach to their work.

*(Use the Community Wealth Matrix Template in Appendix III as a planning tool when addressing the required components of a wealth creation approach to improving livelihoods.)*

**Proposals must at a minimum identify:**

1. ***The most important environmental conditions*** (positive and negative) and how effects of those conditions on your place will be addressed.
2. ***The most important social conditions*** (skills, health, and relationships) that need to be addressed to make progress toward social inclusion of low wealth and otherwise marginalized and isolated people.
3. ***The economic base of the region***, including: what markets are served, how effectively it serves regional markets, and what new or emerging markets it could serve. (The more complete your understanding of markets and market forces, the more opportunities you will be able to identify.)

**Proposals must include:**

1. ***An intervention/proposal built around a clear value proposition or opportunity.*** Value propositions are clear statements that articulate the benefits of your intervention to multiple stake-holders or actors in the system. In particular, the Foundation is interested in understanding how market opportunities or gaps can be harnessed or filled to build multiple forms of wealth that benefit low-income people. The proposal must also specify how changes in wealth are expected to contribute to improved livelihoods for low-income rural residents. The value proposition must address some aspects of these economic, environmental, and social conditions simultaneously.
2. ***A comprehensive framework for rural wealth creation that considers the seven indicators of wealth in low-wealth rural regions.*** A proposal must list/establish clearly defined outcomes, and baseline measures of progress toward each of the seven wealth indicators and an approach to measurement. Within the wealth creation framework, it is assumed that some forms of wealth may be positively impacted more than others, but none should be negatively impacted. Please use the **Indicators of Community Wealth: Making Connections** worksheet attached to guide your thinking about the range of impacts your proposed work may have. Once you have identified impacts, you will need to identify desired outcomes and baseline measures.
3. ***Identification of activities and partners/participants necessary to achieve the outcomes.*** One reason for employing a wealth index is to better understand the impact and connections of other interests/resources around a given project. Identify potential partners with resources and complementary interests in the proposed outcomes, describe how you would interact with them, and identify their contribution to the proposed work.
4. ***A lead institution or set of institutions located within the region.*** We define the Central Appalachian region using ARC guidelines. Collaboration and/or

consultation with institutions, consultants, and others based outside the region must be supported by and anchored within place-based institutions.

5. ***A commitment to contribute to the learning of the Wealth Creation learning group.*** There are two reasons for this:
- a. The Foundation intends to learn from this place based project how to more effectively promote collaboration and sharing of resources in rural communities in ways that create wealth that advantages poor residents; and
  - b. This will be an opportunity for participants working in the region to better understand what is happening that may affect them or in which they will want to participate. Your proposal should include a plan and commitment to learn with and from other wealth creation work in the region supported by adequate resources in your budget. At a minimum this means a willingness to candidly share lessons learned with Ford and other grantees. It could also mean: maintaining an awareness of what everyone else is doing, where, and with whom; sharing resources; avoiding duplication of effort; augmenting each others' work in a coordinated manner – e.g. building a package of services together; coordinating research efforts and sharing results; working with the same advisors; and working together to aggregate resources toward particular outcomes – e.g. food systems, energy, etc. We are interested in sensible and practical approaches, not massive collaborations for their own sake.

**Proposal Format (Incorporate the above required components in this specific format.)**

1. Describe the need/challenge and opportunities for creating wealth in your region, the key issues, and the actors.
2. Include a brief history of efforts to address the need/challenge and opportunity.
3. List the interested parties/key partners in your proposed intervention, their relationships, and history of working together, if any.
4. Describe your wealth creation approach and how this proposal is the same or different from past approaches.
5. State the desired outcomes and baseline measures of the seven wealth indicators.
6. Describe your plan of work including partners' roles and responsibilities.
7. Outline your plan to share learning within the region and/or coordinate with other wealth creation initiatives

8. Qualifications and contact information for partners
9. Budget
10. Time Line

Proposals should not exceed 15 pages double spaced (12 Point font), not including qualifications, budget, and time line.

**Criteria for Selection:**

1. Demonstrated regional value proposition that illustrates the need and opportunity for creating wealth.
2. Potential to create meaningful livelihood opportunities for low-income residents
3. Track record of exploring new approaches and learning in Central Appalachia
4. Willingness to contribute to a learning community
5. Composition of partners willing to collaborate within a wealth creation framework
6. Demonstrated capacity to incorporate measures and a learning approach to evaluation
7. Balance of capacity building, research, and performance
8. The degree to which multiple categories of wealth can be impacted
9. Reasonableness of the budget for the project
10. Explanation of the time frame for achievement of the stated outcomes

The Foundation will entertain both single year and multi-year grants. Multi-year grants will be conditional on annual results. Year one grants may include feasibility work as well as implementation.

**Background reading:** For more information on Ford's Wealth Creation in Rural Communities initiative, we invite you to read the reports from our first year of work that can be found at <http://www.yellowwood.org/wealthcreation.aspx>. These reports provide insights into four approaches, cluster analysis, value chain development, entrepreneurship development, and triple bottom line financing which, when combined and augmented with other tools, we believe can contribute to wealth-based development.

## Appendix II

### Indicators of Community Wealth: Wealth Matrix

Community wealth encompasses assets owned or controlled by or in the interests of a community of place or of interest, including financial, built infrastructure, education and health infrastructure and programs, land and natural resources, connections to others that serve the community, businesses, and infrastructure supporting creativity. A wealth strategy aims at increasing asset ownership and influence/control, and ensuring local economic stability, environmental and social well-being and capacity for resilience. Community wealth building strategies are, by definition, socially inclusive. The seven forms of wealth discussed in this document include:

**Intellectual capital** is the stock of knowledge, innovation, and creativity or imagination in a region. Imagination is what allows us to create new knowledge and discover new ways of relating. Investment in intellectual capital is through research and development and support for activities that engage the imagination, as well as diffusion of new knowledge and applications. Earnings from intellectual capital include inventions, new discoveries, new knowledge, and new ways of seeing.

**Social capital** is the stock of trust, relationships, and networks that support civil society. Investments in bridging social capital are those that lead to unprecedented conversations, shared experiences, and connections between otherwise unconnected individuals and groups. Investments in bonding social capital are those that strengthen relationships within groups. For example, sponsoring a town-wide festival could be seen as an investment in bonding social capital for town residents. Earnings from investment in social capital include improved health outcomes, educational outcomes, and reduced transaction costs, among others.

**Individual capital** is the stock of skills and physical and mental healthiness of people in a region. Investments in human capital include spending on skill development (e.g. literacy, numeracy, computer literacy, technical skills, etc.) and health maintenance and improvement. Earnings from investments in human capital include psychic and physical energy for productive engagement and capacity to use and apply existing knowledge and internalize new knowledge to increase productivity.

**Natural capital** is the stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna, etc.) in a region. Natural capital is defined by Fikret Berkes and Carl Folke as having three major components: 1) non-renewable resources such as oil and minerals that are extracted from ecosystems, 2) renewable resources such as fish, wood, and drinking water that are produced and maintained by the processes and functions of ecosystems, 3) environmental services such as maintenance of the quality of the atmosphere, climate, operation of the hydrological cycle including flood controls and drinking water supply, waste assimilation, recycling of nutrients, generation of soils,

pollination of crops, and the maintenance of a vast genetic library. Investments in natural capital include restoration and maintenance. Earnings or income includes a sustainable supply of raw materials and environmental services. (Fikret Berkes and Carl Folke, *A systems perspective on the interrelations between natural, human-made and cultural capital*, <http://dieoff.org/page117.htm>) Natural capital and its systems are essential for life. People can destroy, degrade, impair and/or restore natural capital but it cannot be created.

**Built capital** is the stock of fully functioning constructed infrastructure. Built capital includes buildings, sewer treatment plants, manufacturing and processing plants, energy, transportation, communications infrastructure, technology and other built assets. Investment in physical capital is in construction, renovation, and maintenance. Physical capital depreciates with use and requires ongoing investment to maintain its value. The income or earnings generated by physical capital exist only in relation to its use. For example, sewer and water treatment plants contribute to human capital (health). Schools contribute to human capital (skill development) and social capital (if they are used as community gathering places) and may contribute to natural capital (if they include natural areas that are maintained or protected by the school).

**Political capital** is the stock of power and goodwill held by individuals, groups, and/or organizations that can be held, spent or shared to achieve desired ends. Political capital is evidenced by the ability of an individual or a group to influence the distribution of resources within a social unit, including helping set the agenda of what resources are available. Investments in political capital are made through inclusive organizing that includes information gathering and dissemination, and increasing voice, access to and inclusion among decision-makers. Engaging players throughout a given value chain for mutual self-interest can build political capital. Earnings from investments in political capital include increased influence in decision making, increased access to and control over other forms of capital, and the ability to engage in reciprocal relationships, among others. Political capital can affect how rural areas are viewed in a regional context. Regions where political capital is equitably distributed or shared are typically characterized by leadership that is broad, deep and diverse; that uses research-based evidence to inform decisions; and that welcomes questions, open discussion, public involvement and help from the outside.

**Financial capital** is the stock of unencumbered monetary assets invested in other forms of capital or financial instruments. Financial capital, if well-managed, generates monetary returns that can be used for further investment or consumption. For example, financial capital can be invested in land protection through outright purchase or purchase of easements. Public financial capital can be accumulated in a variety of ways including building budget surpluses by collecting more in tax revenues than is spent on services, borrowing through bonding, and charging fees for public services over and above the real cost of services. “Rainy day funds” are an example of public stewardship of financial capital, designed to help society weather risks and uncertainties. In addition, through the growth of the non profit sector, private philanthropic capital is often tapped for investment in other forms of capital that yield public goods, for example, preventive

health care programs to increase individual capital. Stewardship of financial capital implies responsible investment to generate added income as well as elimination of unnecessary cost or waste in providing public goods and services. In creating wealth, we strive to invest financial capital in ways that increase and improve the quality of the other five forms of capital.

### **How this Relates to Your Project**

Garrett Hardin’s First Law of Ecology – “we can never do merely one thing” – was meant to be a warning. But it can also help us think about the connections between wealth categories. Indeed, that is the intent of the wealth creation framework. Every intervention – however narrowly focused, will have measurable impacts on other types of wealth. Desirable impacts can be achieved by thinking in advance not only about *what* you are doing, but *how*, and *with whom*, you are doing it. Your projects should seek to maximize the wealth creation benefits in as many categories as possible no matter what topic you choose to address.

**For example**, suppose your topic is food systems and your strategy has to do with expanding regional production of food for local consumption. Here are some broadly defined direct impacts such a strategy might have on wealth:

<b>Strategy</b> <b>Type of Wealth</b>	<b>Expand production of food for local consumption</b>
<b>Individual</b>	<ul style="list-style-type: none"> <li>• Increased skills</li> <li>• Improved diets, better health, and reduced incidence of obesity</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Increased structures for local ownership and/or control of wealth</li> <li>• Re-establish connections between farmers &amp; residents (<i>community!</i>)</li> <li>• Increased appreciation for the land and sustainable farming practices could lead to better local planning &amp; regulations</li> </ul>
<b>Intellectual</b>	<ul style="list-style-type: none"> <li>• Shared common language across the value proposition</li> <li>• New understanding of food systems, production and distribution options, creative new approaches to meeting local needs</li> </ul>
<b>Natural</b>	<ul style="list-style-type: none"> <li>• Reduced waste</li> <li>• Soil fertility restored and erosion stopped</li> <li>• Pesticide use reduced</li> </ul>
<b>Built</b>	<ul style="list-style-type: none"> <li>• Expand food processing capacity and co-locate with biomass plants for thermal energy Increase the number of food co-ops</li> <li>• Establish commercial compost facilities to substitute for</li> </ul>

	<ul style="list-style-type: none"> <li>imported fertilizer</li> <li>• Use manure to produce farm energy</li> </ul>
<b>Political</b>	<ul style="list-style-type: none"> <li>• Alliances form between farmers, consumers, health care and business interests</li> <li>• Policies to support regional food production and consumption are developed and promoted by increasingly diverse groups</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>• Increased investment</li> <li>• Reduce the outflow of \$ for imported food and farm inputs</li> <li>• Enhanced multiplier effects from re-invigorated vendor network</li> <li>• Jobs from farming, processing &amp; composting</li> <li>• Increased local multipliers from co-ops vs. supermarkets</li> <li>• Likelihood of better paying jobs &amp; career options at co-ops vs. supermarkets</li> <li>• Savings from improved health</li> </ul>

The specific strategies you choose to pursue and the ways in which you pursue them will determine relevant specific direct impacts on each of the seven categories of wealth. We are looking for projects that are intentionally crafted to have direct positive impacts across all seven categories of wealth and, at minimum, negative impacts on none of them. It is not necessary to contrast your approach with the status quo or to conventional strategies related to your topic area, but doing so may help you to identify the connections and may better enable Ford to evaluate the merits of your proposal.

## **Appendix III**

### **Community Wealth Matrix Template (Use this as a planning guide.)**

This template is intended to assist you in thinking through your approach to using a wealth matrix evaluation. This template is designed to stretch your thinking in a systems context about the potential direct impacts your strategic interventions can have on multiple forms of wealth at the same time. When you fill it out, it will provide you and us with a snapshot of your project. You will have a chance to describe the details and provide context in the proposal narrative. The template is designed for brevity!

#### **INSTRUCTIONS:**

1. What is the name and location of your project?
  
2. What is the main problem or opportunity you hope to address?
  
3. What is the main goal or condition your project is intended to achieve? If there is more than one, say so succinctly.
  
4. What is the strategy your project is using? What will you actually do?
  
5. What are the key assumptions behind your strategy?
  
- 6-11. How will your strategy or strategies directly impact each of the seven forms of wealth?

<p><b>Individual</b> How will your strategy impact the stock of skills and physical and mental healthiness of people in a region?</p>	6.
<p><b>Social</b> How will your strategy impact the stock of trust, relationships, and networks that support civil society?</p>	7.
<p><b>Intellectual</b> How will your strategy impact the stock of knowledge, innovation and creativity?</p>	8.
<p><b>Natural</b> How will your strategy impact the stock of unimpaired environmental assets in a region?</p>	9.
<p><b>Built</b> How will your strategy impact the stock of fully functioning constructed infrastructure?</p>	10.
<p><b>Political</b> How will your strategy impact the stock of power and goodwill held by individuals, groups, and/or organizations?</p>	11.
<p><b>Financial</b> How will your strategy impact the stock of unencumbered monetary assets at the individual and community level?</p>	12.

13. How do the impacts on different forms of wealth reinforce each other and create positive change?

14. How do investments in each form of wealth generate “income” or “earnings” over time?

15. How will you measure the baseline conditions for each form of wealth you expect to impact? How will you measure progress?

## Appendix IV

### Glossary

#### *Wealth Creation in Central Appalachia Grant making*

This glossary reflects the efforts of the Wealth Creation Working Group to define a common language related to this work. It is a work in progress.

- **Built capital** – the stock of fully functioning constructed infrastructure. Built capital includes buildings, sewer treatment plants, manufacturing and processing plants, energy, transportation, communications infrastructure, technology and other built assets. Investment in physical capital is in construction, renovation, and maintenance. Physical capital depreciates with use and requires ongoing investment to maintain its value. The income or earnings generated by physical capital exist only in relation to its use. For example, sewer and water treatment plants contribute to human capital (health). Schools contribute to human capital (skill development) and social capital (if they are used as community gathering places) and may contribute to natural capital (if they include natural areas that are maintained or protected by the school).
- **Capacity building** – transferring skills and understandings to individuals and organization to enhance their ability to work together to create and retain wealth in low wealth rural areas.
- **Cluster strategies** support and strengthen existing relationships among similar and complementary businesses with their service providers and look for opportunities to achieve economies of scale and opportunities to intervene to generate economic, environmental, and equitable outcomes. (In contrast to support for individual businesses irrespective of their relationships with one another.)
- **Community Development Financing** as practiced by the Triple Bottom Line Collaborative (TBLC) provides financial services to promote or advance triple bottom line outcomes. (In contrast to the rest of the financial services sector that is assumed to focus exclusively on financial profitability.)
- **Community wealth** – assets owned or controlled by or in the interests of a community of place or of interest including financial, built infrastructure, education and health infrastructure and programs, land and natural resources, connections to others that serve the community, businesses, infrastructure supporting creativity
- **Entrepreneurship development** is about supporting and growing existing local talent in the private and public sectors to create and grow enterprises that generate economic (as well as environmental and social) outcomes. (In contrast to a business attraction framework.)
- **Financial capital** – the stock of unencumbered monetary assets invested in other forms of capital or financial instruments. Financial capital, if well-managed, generates monetary returns that can be used for further investment or consumption. For example, financial capital can be invested in land protection through outright purchase or purchase of easements. Public financial capital can be accumulated in a variety of ways including building budget surpluses by collecting more in tax revenues than is spent on services, borrowing through bonding, and charging fees for public services over and above the real cost of services. “Rainy day funds” are an example of public stewardship of financial capital, designed to help society weather risks and uncertainties. In addition, through the growth of the non-profit sector, private philanthropic capital is often tapped for investment in other forms of capital that yield public goods, for example, preventive health care programs to increase individual capital. Stewardship of financial capital implies responsible investment to generate added income as well as elimination of unnecessary cost or waste in providing public goods and services.

- **Flow** – a quantity measured over a unit of time, e.g. income per year
- **Goal or outcome** – a condition you wish to achieve, not an action.<sup>3</sup>
- **Indicator** – something that must be changed or a condition that must be achieved, to claim that progress is being made toward a goal or outcome. Indicators are stated in terms of “less of,” “more of,” or “presence” or “absence.”<sup>4</sup> Indicators should be developed through a participatory process by people that are part of the system of interest.
- **Individual capital** – the stock of skills and physical and mental healthiness of people in a region. Investments in human capital include spending on skill development (e.g. literacy, numeracy, computer literacy, technical skills, etc.) and health maintenance and improvement. Earnings from investments in human capital include psychic and physical energy for productive engagement and capacity to use and apply existing knowledge and internalize new knowledge to increase productivity.
- **Individual wealth** – assets owned or controlled by individuals including financial, education and training, personal health, creativity, housing and other buildings or built infrastructure, land and natural resources, businesses, and connections to others.
- **Institution building** – strengthening and/or changing existing institutions to enable them to provide services that store, save, pool, protect, insure, reduce risk, diversify, exchange and mobilize resources to create and retain individual and community wealth in low-wealth rural areas.
- **Institutionalized Change** – changes in the system that do not depend on the beneficence of a single individual or a small group of individuals but are codified, enforced, and enforceable on and by entire organizations, be they for-profit, non-profit or government.
- **Intellectual capital** – the stock of knowledge, innovation, and creativity or imagination in a region. Imagination is what allows us to create new knowledge and discover new ways of relating. Investment in intellectual capital is through research and development and support for activities that engage the imagination, as well as diffusion of new knowledge and applications. Earnings from intellectual capital include inventions, new discoveries, new knowledge, and new ways of seeing, being, and doing.
- **Livelihood** – in our context means enabling a household or individual to accrue assets—individual and collective/community—enabling them to overcome vulnerability, maintain dignity, control one’s life, take risks to seize opportunities, and rebound from setbacks in everyday.
- **Measure** – a way to actually count or value the status of an indicator.<sup>5</sup>
- **Natural capital** – the stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna, etc.) in a region. Natural capital is defined by Fikret Berkes and Carl Folke as having three major components: 1) non-renewable resources such as oil and minerals that are extracted from ecosystems, 2) renewable resources such as fish, wood, and drinking water that are produced and maintained by the processes and functions of ecosystems, 3) environmental services such as maintenance of the quality of the atmosphere, climate, operation of the hydrological cycle including flood controls and drinking water supply, waste assimilation, recycling of nutrients, generation of soils, pollination of crops, and the maintenance of a vast genetic library. Investments in natural capital include restoration and maintenance. Earnings or income includes a sustainable supply of raw materials and environmental services. Natural capital and its systems are essential for life. People can destroy, degrade, impair and/or restore natural capital but cannot create it.
- **Policy** – laws and rules directing the allocation of public resources at local, state, regional, national and international levels. Our interest is in understanding the impact of existing policies at all levels on the potential for wealth creation and retention in low-wealth rural areas. We seek to build an enabling

<sup>3</sup> Definition from You Get What You Measure®

<sup>4</sup> Definition from You Get What You Measure®

<sup>5</sup> Definition from You Get What You Measure®

environment that supports individual and community wealth creation and retention through strategic changes in existing policy and/or crafting of new policy that creates effective alignment between all scales toward the end of wealth creation and retention. Our approach is to understand how existing policies impact specific place-based work and then find ways to introduce changes as needed.

- **Policy research** – data that illustrates to policy-makers the full range of consequences of their choices within a wealth creation framework and the consequences of alternative choices.
- **Political capital** – is the stock of power and goodwill held by individuals, groups, and/or organizations that can be held, spent or shared to achieve desired ends. Political capital is evidenced by the ability of an individual or a group to influence the distribution of resources within a social unit, including helping set the agenda of what resources are available. Investments in political capital are made through inclusive organizing that includes information gathering and dissemination, and increasing voice, access to and inclusion among decision-makers. Engaging players throughout a given value chain for mutual self-interest can build political capital. Earnings from investments in political capital include increased influence in decision making, increased access to and control over other forms of capital, and the ability to engage in reciprocal relationships, among others. Political capital can affect how rural areas are viewed in a regional context. Regions where political capital is equitably distributed or shared are typically characterized by leadership that is broad, deep and diverse; that uses research-based evidence to inform decisions; and that welcomes questions, open discussion, public involvement and help from the outside.
- **Practitioner** – includes economic developers, elected officials, consultants, nonprofits, lenders, government staff and others working as professionals in rural community and economic development
- **Shared ownership** – Ownership designs that combine individual ownership with community ownership or management, as with cooperatives, employee-owned firms, and community land trusts. The term also includes enterprises where there is sharing of certain ownership duties – like marketing dairy goods or managing wind rights – while other aspects of property ownership remain in individual hands.
- **Social capital** – the stock of trust, relationships, and networks that support civil society and economies. Investments in bridging social capital are those that lead to unprecedented conversations, shared experiences, and connections between otherwise unconnected individuals and groups. Investments in bonding social capital are those that strengthen relationships within groups. For example, sponsoring a town-wide festival could be seen as an investment in bonding social capital for town residents. Taking residents on a study tour or sending youth away to school creates bridging social capital. Earnings from investment in social capital include improved health outcomes, access to employment opportunities, educational outcomes, expanded markets, and new ideas among others.
- **Stock** – a quantity that has accumulated over some time, e.g. savings.
- **Systems approach** – includes the following: 1. *Defining* a system (e.g. food system, forest products system, energy production and distribution system, etc.) in relation to a shared desired outcome (e.g. healthy, fresh and affordable food for people of all income levels). 2. *Engaging people* who are active in and affected by different aspects of the system in analyzing the system. The analysis should engage a diverse enough group to be able to see the system more completely than any individual on their own and a powerful enough group to have the clout to change it. 3. *Identifying leverage points* or points where a targeted change will result in the greatest positive change throughout the system, and strategies to affect the leverage points. 4. *Measuring* the status of the leverage indicators as a baseline and re-measuring and providing feedback to the system as strategies are implemented so that changes can be made as needed to get to the desired outcomes.
- **Triple Bottom Line** – environment, economy, social inclusion
- **Value Chains** build relationships among all players in the value chain from production through distribution, wholesale, retail to consumption regardless of their physical location in relation to one

another to generate economic (as well as environmental and social) outcomes. (In contrast to value-added approaches which focus on a portion of the value chain and are supply, not demand, driven.)

- **Value proposition** – a statement, supported by evidence, of the value to a non-low-wealth, and/or non-rural place of investment in low-wealth rural places. For example, by investing in watershed protection in the Catskills, New York City avoided the cost of a new water treatment plant.
- **Wealth creation** – investing in restoring or maintaining existing assets or generating new assets through structures that establish ownership and control that benefits low-wealth individuals, households and communities in a manner that does not damage one type of asset to create another.



**Wealth Creation in  
Rural Communities**

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