

ADVANCING KNOWLEDGE AND CAPACITY FOR COMMUNITY-LED DEVELOPMENT

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The U.S. has not had a rural policy since the Rural Life Commission in 1908. Instead, we have assumed that sectoral programs subsidizing agriculture, timber harvesting, mining, or manufacturing would solve the problems of rural development and rural poverty. And when those areas with the highest levels of subsidies were also areas of highest poverty, individual programs in terms of income transfer programs were implemented to indirectly address problems of underdevelopment. Place was dealt with only in terms of infrastructure, with roads or housing or water systems or digital connectivity viewed as the magic bullet to offset the disadvantages of distance and dispersion. Only recently has the U.S. moved to place based programs. These programs, like those in Europe, present a different model of development, with drivers from within the community. Participatory community-led development has proved effective in creating jobs, income, and hope (Flora et al. 1997).

Community-led development, particularly in rural areas, is not simply a matter of money. It is a matter of hope and of participatory processes toward collective goals and toward increased community leadership capacity over time. There is a great deal of evidence that investing in community capacity contributes greatly to community-led development (Kissler et al. 1998; Gilat and Blair 1997). Participation is more than having meetings and presenting decisions. It means “rethinking the underlying roles of, and relationships between, administrators and citizens”(King et al. 1998: 317). At its best, community-led development means moving away from paternalism or hopelessness to active collective engagement. A case in point is the Empowerment Zone and Enterprise Community (EZ/EC) process, which over time has learned of the critical role of community capacity building as a necessary and sufficient contributor for sustainable community-led development, particularly in areas of high poverty. Community-led development moves beyond citizens stating their needs and government agencies responding. Citizens from diverse situations analyze their situations and discuss alternatives, gathering resources to move toward priority goals from inside and outside the community.

About the EZ/EC Program

One of the most important policy developments in the field of community development in recent years is the enactment in 1993 of the EZ/EC program.¹ This program, implemented in three “rounds” in 1994, 1998 and 2001, resulted in the designation of 58 rural communities as Empowerment Zones (EZ) or Enterprise Communities (EC). For the most part, only areas with high poverty rates were eligible to apply.² Applications for the program consisted of community-developed strategic plans. The program’s

benefits include special flexible grants, tax credits, special priority for other grant and loan programs, and technical assistance.

From the beginning, the rural component of the EZ/EC Initiative was conceived not merely as the pot of highly flexible funding that it was, but as a tool by which communities mired in long-term poverty could build the capacity to raise themselves permanently to a better existence. The objective, as seen within USDA, was not only to create jobs and improve public services but also to enhance the quality of local decision making processes and build the local leadership and organizational capacity needed to sustain these re-energized communities beyond the ten-year designation period.

The principal distinguishing feature of the EZ/EC program is that it provides a structured opportunity to change a variety of local conditions, leading to the development—over time—of a community with the capacity to sustain a process of growth and development. Some of the key elements of the process that characterize and differentiate it from most other federal programs are the following:

- It is **long-term** in nature, extending over approximately a decade, rather than a single point in time.
- It emphasizes a **holistic** perspective on community development by insisting that communities address their issues comprehensively, not as a series of isolated issues.
- It requires active **citizen involvement** throughout the life of the development process, in planning, implementing, and evaluating the community's efforts. In particular, low-income and minority citizens and others who are often shut out of community leadership opportunities are expected to be welcomed to take active roles.
- It recognizes that most rural communities are too small and isolated to thrive or be economically competitive in the modern world, and that their limited resources must be extended through the active use of **partnerships** among internal and external organizations.
- The program does not involve goal setting by Washington, but instead, they are set by **local** citizens, based on their often-unique **visions** for the communities they wish to have in the future.
- The development process is meant to be **strategic** and goal-driven, and not a series of independent projects whose linkage and mutually supportive connections is unclear or nonexistent.
- The development process is **planned**, not random or driven by the availability of dollars.
- Strategic plan implementation is **monitored** by establishing performance benchmarks and monitoring progress in achieving them.
- The federal government and the community are in a **collaborative partnership**, not a “master-servant” relationship.
- The program is **flexible** so that each community can pursue its own goals, using its own configuration of resources, and will be aided by flexibility on the part of the federal government.

A key to understanding the EZ/EC program is that it is not a one-time event but a process that continues over time. While the federal-local partnership established by the program extends for a decade, it is the express goal of the program that the processes created during the first decade be sustained over time after the federal government's participation ceases.

There is no assumption that results will flow automatically from the grants, loans, or tax credits offered to the communities; rather, it is understood that real and lasting benefits require significant local buy-in and investments of time and effort. Also, there is no assumption that economic enhancements—though obviously critical—are sufficient in themselves. In essence, the program acknowledges that what is most

important in community development is the community, and that the community is much more than a designated territory where development can proceed in a meaningful way simply by taking actions within that territory. Community is, rather, the people who make it up, the structure of their relationships among themselves and with external partners, their skills, attitudes, beliefs and contributions. The EZ/EC program is, then, a community-led process for local community development. It is, as well, a program that differs greatly from most others in purpose and methods. It places great emphasis on building the knowledge and capacity of citizens and leaders to implement a highly democratic and intelligent process to enhance community well being. It is, in short, a process that requires continual advances in knowledge about how to establish and sustain such community-led development.

Indeed, we found that when communities invested in building community capacity through board training, capacity building among residents, and leadership development—benchmarks most often funded by the EZ/EC funds rather than leveraged funds—progress toward the community’s other self-defined goals and their benchmark measures was more often obtained and they were more effective in leveraging the EZ/EC program dollars (Aigner et al. 2001b).

The Record to Date

The EZ/EC Program has been in operation since late 1995, when the first round of EZ/ECs got their implementation processes underway; over that time, considerable evidence has been accumulated about the rural EZ/EC program. This evidence comes from two principal sources, the Benchmark Management System (BMS)³ created by USDA Rural Development to manage and monitor the program and a series of field studies carried out by the North Central Regional Center for Rural Development (NCRCRD) at Iowa State University.

Program Accomplishments from the BMS

Overall, rural EZ/ECs have compiled an outstanding record of activity and accomplishment. In terms of revenues raised, the 57 Round I and II EZ/ECs—each averaging about 15,000 residents—had received just under \$3.2 billion by January 2002 (Table 1), an astonishing amount given that many of these communities had had little or no experience with fund raising prior to being designated an EZ or EC.

Table 1. Revenues of rural EZ/ECs by source, January 2002

	\$3,194,359,760
Grant from Designation	\$180,598,052
State Government	\$615,547,767
Non-profit	\$45,075,620
Local or Regional Government	\$255,137,627
Federal Government	\$1,350,939,397
Private Sector	\$502,803,290
Tribal Government	\$21,061,193
Other	\$223,196,814
Per Community Average	\$56,041,399
Leveraging Ratio	17.69

The NCRCRD examined the BMS data by benchmark categories for Round I and II EZ/ECs (Table 2).

Table 2. Measures of community activity in addressing goals, July 2000

Benchmark category	Ave. percent of goal accomplished	Average number of funders	Average leveraging ratio	Average percent of funds from EZ/EC grants
Transportation	66.7	3.5	27.0	18.9
Business development	88.3	3.0	18.0	33.6
Education	89.9	2.9	17.1	41.1
Children, youth, families	87.6	3.2	45.8	37.9
Health	82.0	2.7	5.0	42.4
Public safety and justice	83.4	3.0	5.0	38.6
Housing	96.5	3.2	15.6	28.5
Arts, culture, tourism	62.3	4.1	6.9	27.2
Community capacity	68.2	2.6	9.5	59.9
Environment	39.7	2.5	103.3	18.2
Total	80.9	3.1	20.2	34.0

These benchmarks were achieved primarily by leveraging funds from non-EZ/EC sources. The ECs, which received far less funding than the EZs, were far more effective in both achieving their benchmarks and in leveraging funds to do so, reflecting the fact that the EZs received enough funding to finance many projects without partners. Importantly, the benchmark category receiving the least leveraged funding was community capacity; support for institutional capacity is seldom supported by federal programs and—especially in rural areas—both highly important difficult to finance.

There was a tremendous difference by benchmark category in the ability to leverage funds, as shown in Table 3.

Table 3. Measures of community activity in addressing goals, October 2001

Category	Received from EZ/EC	Total Received	EZ/EC fund as % of total
Infrastructure	\$19,935,900.	\$626,186,195.	3.18%
Business Development	\$61,198,191.	\$946,961,531.	6.46%
Education	\$10,598,214.	\$165,945,670.	6.39%
Children, Youth & Families	\$12,890,973.	\$70,480,171.	18.29%
Healthcare	\$7,003,865	\$68,093,635.	10.29%
Public Safety	\$5,147,930.	\$26,192,133.	19.65%
Housing	\$10,273,774.	\$182,177,923.	5.64%
Arts, Culture & Tourism	\$2,126,292.	\$34,297,660.	6.20%
Capacity Building	\$19,228,835.	\$26,827,449.	71.68%
Environment & Nat. Res.	\$1,359,185.	\$28,150,235.	4.83%
Total	\$149,762,358.	\$2,175,312,602.	6.88%

Only 6.88 percent of the funds invested in the benchmarks were EZ/EC program funds. The Round I and Round II communities leveraged a total of \$2,190,074,960 from as many as six sources per benchmark to work toward their strategic plans.

Evidence About Community-Building

The NCRCRD has conducted extensive research in the Round I rural EZ/ECs to assess the evolution and impact of the community empowerment process in these communities. A key finding of this research is that the higher the community's investment in capacity, and the higher the level of community resident participation, the more partners were involved and the more outside funding was leveraged (Aigner et al. 2001a). Investment in community capacity pays off.

When EZ/EC governing boards allocate time, energy, and funds to increase the community's capacity, these efforts appear to pay off with respect to other kinds of benchmarks as well. The number of benchmarks a community designates as "capacity building" in itself is significant. The more the community elaborates individual capacity building benchmarks, the more benchmarks it is likely to have for children, youth and family issues. Among Round I EZ/ECs, the correlation with the number of capacity building benchmarks correlates significantly and highly with benchmarks for children, youth and family (.45, $p > .07$), with benchmarks for education (.59, $p > .013$), with benchmarks for public safety and justice (.52, $p > .031$), with benchmarks for housing (.50, $p > .043$), and indirectly with transportation (.35, $p > .05$). Of the \$29.7 million EZ/ECs used to build their capacity, the communities put up 56 percent of their EZ/EC grant funds. In other words, \$.56 of every \$1.00 spent on capacity building was funded from the EZ/EC grants and \$.44 was leveraged from other sources. Yet this investment increased the effectiveness of leveraging for the other non-business development benchmarks.

Investment in community capacity clearly has payoffs. The EZ/EC communities most likely to invest in community capacity building started from high levels of participation in the formulation of the plan and with elected board members from within the EZ/EC census tracts (the areas of highest poverty). This type of grassroots participation in governance, rather than continued elite dominance, characterized the most successful of the Round I EZ/ECs. These communities, in turn, were most successful when they could depend on a strong base of on-the-ground support by community development specialists who are able to provide technical assistance in community processes, leadership and project management skills, and the transfer of best practices from other communities to meet individual, local needs.

Accountability—but to the local community, not just through quality control of procurement procedures for the state and federal funders—was critical for success. Transparency in the process, including updated web pages, newsletters, and general knowledge of the names, addresses and phone numbers of board members and the judicious use of committees for implementation and oversight allowed community members to understand where the funds for different projects came from and how the allocation was made. This increased bonding social capital within and outside of the EZ/ECs, as it increased the confidence of the governing board in interacting with outside partners and funders.

Some Lessons Learned

USDA's experience in implementing the EZ/EC Program has resulted in many lessons. Clearly, one set of lessons relates to the value of approaching rural development by using a holistic, long-term and inclusive process. Where this process has been most clearly adhered to, the best outcomes appear to have occurred. Another, as discussed earlier, is that building community capacity is important in affecting community-level outcomes and rates of success.

Another very important set of lessons concern what is required in order to implement the community empowerment approach. Because of the high level of community engagement needed to succeed with

this approach, traditional program implementation techniques are ineffective; new behaviors are required at both the federal and local levels. In this section, we discuss some of those requirements and the obstacles to meeting them.

Although the empowerment approach offers major enhancements in communities' control over their futures and opportunities to build sustainable capacity, it is by no means inevitable that local communities are ready or willing to take advantage of them. At the local level, the most critical single factor affecting the success of the empowerment approach is that the community's leadership and citizens understand and accept the empowerment approach, its underlying principles, and the methods that best support it.

USDA's experience with the program suggests that despite the overall outstanding progress of EZs and ECs in creating jobs, leveraging new resources, and achieving other community enhancements, communities vary in the extent to which they "get" the empowerment concept. Some communities immediately recognized the importance of the empowerment approach, began to implement it during their strategic planning process and have continued to benefit from it during the implementation phase. Others appeared to understand the principles only enough to convince those who reviewed the applications and then only to neglect or abandon the empowerment principles altogether once an EZ or EC designation was received.

In our observations, the communities that "get it" have experienced greater benefits from the program than those that do not. This appears to be true not only in the acquisition and use of resources but also in the more intangible aspects of community participation, vitalization, innovation, commitment, and satisfaction.

Among communities that "don't get it," two factors appear most frequently. One is clearly related to how local leaders perceive the program. A number of communities, especially in Round I, tended to regard the program as "a grant" rather than as a community-building process. The resulting attitude could be characterized as "just give us the money and go away." Communities that took this position tended to display lack of recognition of empowerment's benefits or willingness to seek to achieve those benefits. The second is the propensity of leaders in some communities to approach the role of leadership through control—of objectives, resources, decisions, and participation. This style of leadership often appeared to be more clearly focused on the leader as an individual and his or her recognitions and accomplishments, rather than on creating and fostering an open process of active civic engagement that more properly characterizes an empowered community. The first leadership style might be termed "ego-driven" leadership; leadership that focuses principally on the success of citizens and other participants by enabling and supporting them might be termed "servant leadership."

Examples of both occur among the rural EZ/ECs, and they are instructive regarding the importance of leadership style in building the very community capacity that is so critical to overall community development and enhancement. The first example is of an Empowerment Zone that declared that its "strategy" was to dispense its EZ/EC grant funds through a series of funding competitions that were open to all comers. This community, which was among the most poverty-stricken, did not effectively engage citizen participation in a process leading to clear priorities, strategic unfolding of plan implementation, or active community and organizational participation to address local issues. Instead, priorities were set *de facto* by the range of applications that were ultimately funded. In effect, the "strategy" was to use the EZ/EC grant funds as a \$40 million infusion of pot of capital into which many hands could dip. No special effort was made to build community-level capacity to operate a community-wide process that could maintain a process of development beyond the period of the EZ's designation.

Federal program officials conducted an extensive series of trainings and negotiations with the Zone to develop specific strategic benchmarks (i.e., objectives and performance measures) that reflected the community's development goals. While this effort was initially promising, it ultimately had little effect. This community was unable to see the Benchmark Management System as a means of managing its strategic planning process and USDA had to force it to maintain some degree of timeliness in its records and reports. Not surprisingly, the projects that were funded seldom included partnerships, and were often intended by their sponsors as ways to bolster the resources of specific institutions. As a result the community's leveraging ratio was well below the average for all EZ/ECs.

Another example is of a community whose leadership is very heavily ego-driven. A community that reflects the democratic principles of empowerment is a community where priorities are set and the work of implementation is undertaken through open community participation in decision-making processes. While most rural EZ/ECs have striven to follow this methodology, some have not, falling back on traditional politics to conduct their business. The most extreme instance of this involves a community that has been under the direction of a single individual for a number of years. Exemplifying what we call ego-driven leadership, the community's entire application process was organized by this person, who sought the EC designation both as "a grant" and—high-visibility national recognition—as a feather in his cap. Immediately following designation as an EC, this official sought to eliminate that part of the designated area that lay outside his personal political base. He attempted to dominate the local EZ/EC board with handpicked representatives and was stopped only by action from USDA officials. Not surprisingly, the community has been one of the most resistant to employing the BMS for plan management, choosing instead to view it as a bureaucratic obstacle. To date, this community's performance is among the poorest, with little money expended, few jobs created and an extremely low leveraging ration.

Happily, we can report a larger number of counter illustrations. One is a community whose application was initially written by a local organization on behalf of a larger community; following designation, the organization planned to keep the EZ/EC funds for itself and to control the selection of projects and their implementation. Following a period of citizen complaints, however, citizens of the community organized to take control of the EZ/EC designation by electing a new governing board and engaging a different local organization to carry out executive functions. Though its first few years were rocky, this community ultimately put together a solid, community-oriented program that drew on underutilized local assets and addressed some of the area's unique needs. This community has created or saved many jobs and compiled a high leveraging ratio. This example is by no means unique; similar citizen-led efforts to assure broad-based citizen control have taken place in several other rural EZ/ECs.

Conclusions

Investment in community leadership capacity pays off. Ensuring widespread participation makes a difference. USDA/RD/OSC invested in its own capacity to work with rural community partnerships and grassroots governing structures. As a result, they were able to apply the lessons learned from the Round I communities in structuring the Round II competitive process and selection procedures. They increased the amount of community capacity building and board training collectively available.

The program's specific instructions that required not only participation, but explained mechanisms that needed to be utilized to ensure it was broad based and strategic, was critical in program success. Our analysis shows that those EZs and ECs that paid minimum attention to wide based strategic participation in the formulation of the proposal and in naming the project leadership achieved the least. Further, these

specific instructions for and facilitation of participation on the part of USDA/RD/OCS increased community capacity for strategic collective action. Wang and Van Loo (1998), in comparing the level of public participation in the EZ/ECs with the Community Development Block Grant (CDBG) program, found much higher levels of participation in the planning and implementation of public programs, especially in low-income and rural areas.

Money is not the main ingredient for sustainable community led development, although the opportunity to access it spurred participatory community strategic visioning and planning. NCRCRD analysis found that the amount of automatic EZ/EC grants provided to the communities exerts a powerful negative influence on the community's efforts to raise funds from other sources. In both Round I and Round II, the leveraging ratio was greater for the ECs than the EZs (Table 4).

Table 4. Funds Received and Leveraging Ratios, Rural EZ/ECs, July 2000 (\$ in millions)

Designation Type	Round I		Round II		Total
	EZ (n=3)	EC (n=30)	EZ (5)	EC (20)	
EZ/EC grants	71.6	59.2	1.9	0.9	130.8
Total funds	257.4	793.2	44.3	154.7	1,050.6
Ave. per community	85.8	26.4	8.9	7.7	31.8
Leveraging ratio	3.6	13.4	23.4	163.2	12.1

When the program was viewed as a grant, rather than a process, the result was limited impact. To the extent communities treated the EZ/EC opportunity as a strategic process to create partnerships to reach goals determined through participatory processes, EZ/EC communities conformed to the key principle of community-based partnerships, developed sustainable organizational forms through broad participation, and created economic opportunities. Blair (forthcoming) found in Nebraska that when mechanisms for planning were clearly described and facilitated, plans were more likely to be implemented.

A wide range of research supports the importance in investing in community capacity (Gasteyer et al. 2002; Flora and Luther 2000; Luther and Flora 2000; Flora et al. 1996). And when that investment is tied to other resources and continuing support, measurable impacts on community well being occur.

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¹ The EZ/EC program was established to operate in both rural and urban areas. The Office of Community Development within USDA Rural Development implemented the rural program; the urban program was implemented by the Department of Housing and Urban Development. Although the same statute governs both rural and urban EZ/ECs, differences in community development aspects emerged during implementation. This paper focuses exclusively on the rural program.

² Beginning with Round II in 1998, areas whose distress was based on population outmigration became eligible for a limited number of designations.

³ The Benchmark Management System (BMS) is a Web-based strategic plan management system developed by USDA. The BMS, winner of the 2000 eGov Pioneer Award, is used at the community level to manage strategic plan goals, activities, resources, workplans, and accomplishments; at the USDA Rural Development State Office level to monitor strategic plan amendments and progress; and by the USDA National Office to manage overall program performance and monitor program achievements.