
Supporting Rural Entrepreneurship

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Rather than attempting an overview of every public program that may have an impact, directly or indirectly, on entrepreneurship, this paper focuses on three main themes. The first is that entrepreneurship needs to be given greater recognition as a means to revitalize rural America. The second theme is that the policy approach most likely to yield results is investment in high-quality intermediaries. The premise is that policies to promote rural entrepreneurship have to address two economic realities: limited opportunities to achieve economies of scale, and the need to identify and exploit comparative advantage. The third theme is that there is already much innovation in the field, which needs to be harnessed and brought to scale. Throughout the paper, there is an emphasis on entrepreneurship as an approach to tackle deep-rooted economic problems in low-income communities and distressed regions within rural America.

A SPECTRUM OF ENTREPRENEURSHIP

From the outset, it is important to be clear about what is meant by entrepreneurship. *The Global Entrepreneurship Monitor* uses one of the more straightforward definitions: “Any attempt to create

a new business enterprise or to expand an existing business by an individual, a team of individuals, or an established business” (Zacharis et al.). There are, however, different emphases both in the literature and practice that tend to muddy the waters, and often lead to futile debates as to who are *real* entrepreneurs. In fact, there is a spectrum of entrepreneurial activities each of which have their place in fostering economic well-being.

At one end of the spectrum, the National Commission on Entrepreneurship focuses on what they call entrepreneurial growth companies—small businesses that have the potential to grow rapidly, developing new technologies, products and services, creating jobs, and stimulating economic growth and investment (National Commission on Entrepreneurship 2001). A similar definition of an entrepreneur comes from Jay Kane at the Kauffman Center for Entrepreneurial Leadership, “individuals who blend innovation with sound business practices to commercialize new products and services that result in high-growth firms” (Kane).

At the other end of the spectrum are microenterprises—sole proprietors, partnerships, or family businesses that employ fewer than five people. As described by the Charles Stewart Mott Foundation’s Jack Litzenberg, microenterprise programs “have the ability to reach low-income and disadvantaged populations effectively, and to raise incomes and asset levels among the poor” (Litzenberg). In between, is the wide array of small businesses started every year by those who are looking for a steady

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stream of income and employment, either as part of a search for freedom and a change in life style, or out of economic necessity because they have lost their jobs through downsizing.

As a recent evaluation of the Appalachian Regional Commission's Entrepreneurship Initiative points out, "In rural, distressed areas [these] distinction[s] may not be quite as critical...small businesses of all types are needed—those with high growth potential and also those formed for life-style purposes or self-sufficiency that primarily serve local needs" (Regional Technology Strategies, Inc.). In this paper, this notion of a multiplicity of entrepreneurial motivations is regarded as being both inevitable and desirable in a rural context.

Obstacles and opportunities

Starting and growing a business anywhere is fraught with well-documented perils. These are compounded in rural America by low population density and remoteness, with their implications for access to markets, capital, labor, peers, and infrastructure, as well as the way they shape cultural attitudes towards entrepreneurship. There seems to be general agreement about the obstacles to rural entrepreneurship, although the following descriptions owe much to the characteristics of rural communities identified by Liechtenstein and Lyons (Liechtenstein and Lyons). They categorized the obstacles into three broad groups: those associated with the small size and low densities of rural communities, the social and economic composition of rural communities, and the nature of internal and external linkages.

Low population size and density, and as a consequence, limited local demand, make it difficult for rural businesses to achieve economies of scale or critical mass. Without such economies, their products and services must be sold at higher prices, often beyond the reach of local consumers, thus limiting their market still further. Small firms have no choice

but to sell outside their regions, often in niche markets; although the arrival of e-commerce has made this a more realistic strategy for many rural entrepreneurs. Conversely, small stores in the retail or local services sectors, who are unable to offer competitive prices, are vulnerable to the arrival of large regional and national discounters on the edge of town—as many downtowns across the country dramatically demonstrate.

The difficulties in achieving economies of scale are also apparent for those who provide services to small businesses. Entrepreneurs in rural communities are less likely to find the resources and services that are taken for granted in more urban locations, such as regular parcel services, high-speed internet access, or specialist technical advice. Suitable buildings with the right access, configuration, or utilities may be hard to find. In many rural communities, there are few lending institutions, the effect of which is to limit access to capital, limit competition and options, and encourage risk averse and sometimes discriminatory behaviors. Moreover, entrepreneurs are less likely to encounter peers with whom they can share ideas and problems—the absence of support networks may limit levels of new firm creation.

The social and economic composition of rural communities can also have a dampening effect on entrepreneurship. Agriculture, natural resource extraction, or a single manufacturing plant often dominates a rural economy, with most local institutions geared to serving that industry and its employees. This lack of economic diversity may not be a problem in good times and dependency and complacency—the antithesis of entrepreneurship—become embedded in the culture. But when farm prices collapse, natural resources are exhausted, or the branch plant leaves town, there is little capacity to withstand the consequences of the change in fortunes.

Many rural workforces suffer from low skill levels, a lack of skill diversity, a dearth of professionals, and a structural mismatch between available jobs and people. The young and well-educated tend to leave. Rural people, by force of circumstance, may be more self-sufficient than their urban counterparts, but the culture of entrepreneurship tends to be weak. The strong sense of independence, borne of necessity and experience, lessens the likelihood of seeking assistance and reduces interaction. Moreover, there is limited capacity to solve economic development problems—the pool of people and organizations on which to draw is small, and public and civic assistance is less plentiful.

Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information, and ideas. The intensity of family and personal relationships in rural communities can sometimes be helpful, but they may also present obstacles to effective business relationships—business deals may receive less than rigorous objectivity, and inter-community rivalries may reduce the scope for regional cooperation. Existing businesses may resist new business development for fear of allowing further competition in a limited market. Local politics may blur lines of authority and decision making processes.

But it is the limited connections to the outside world that most clearly characterize rural communities. Remoteness from an airport or an interstate highway will limit the type of businesses that can operate in rural locations. Rural businesses have to make extraordinary efforts to access urban markets, and relationships between urban and rural economies are often unequal. Natural resources are shipped out to urban centers without opportunities for local value to be added through processing or manufacturing. Many rural assets are controlled by absentee owners, whether government or corporation, severely limiting opportunities for local entrepreneurial activity.

The seriousness of these challenges to entrepreneurship obviously varies from region to region. Perhaps the most serious are to be found in many of the remote Indian Country communities, where all the above obstacles are to be found, but further complicated by issues of sovereignty, land tenure, and legal/cultural constraints. Senator Tim Johnson (D-SD) when addressing tribal leaders recently, observed when calling for more efforts to promote entrepreneurship, “You can go into an area that has a significant population, but the business enterprises and job presence is a tenth of what you might expect they might be in a community of that size. You walk away wondering where are the coffee shops, barber shops, shoe repair shops, gas stations, and the hardware stores you would ordinarily expect to find” (Johnson).

So we now have a picture of a complex web of barriers to rural entrepreneurship. But it is also the case that there are many opportunities to promote entrepreneurship, some of which are the converse of the previously mentioned challenges. Three examples illustrate these opportunities. The first is products that project traditions of quality, craftsmanship, connectedness with nature, and a sense of place and culture. The second is the quality of life and natural beauty offered by many rural communities, which are attracting entrepreneurs to relocate from congested and pressured cities. The third is the spread of faster telecommunications access, which offers, with some caveats, the possibility for businesses to operate almost independently of location.

In the Pacific Northwest, Ecotrust is a nonprofit organization that helps local communities in the coastal temperate forest region create practical examples of conservation-based development. Ecotrust’s founder, Spencer Beebe, vigorously promotes the concept of a conservation economy, where natural resource-based communities can harvest economic wealth while conserving and restoring natural and social capital. He sees the driving force behind a conservation economy being what he

calls conservation entrepreneurs—small and medium-sized business owners who not only embrace a conservation ethic, but also have a rational self-interest in the maintenance and restoration of healthy ecosystems.

Ecotrust has created a new organization, Shorebank Enterprise Pacific (SEP), in partnership with the Shorebank Corporation, a well-known Chicago-based community banking institution. SEP, whose portfolio comprises 60 borrowers and \$7 million of loan originations, provides market, financial, management, and development resources to local enterprises. Its strategy is to connect local businesses to green markets and to support them with financing and technical assistance, while working to strengthen whole sectors important to rural economies, such as seafood and secondary timber products.

Across the country and facing a different ocean, similar efforts are putting conservation-based enterprise development into practice. Coastal Enterprises, Inc. (CEI), a long-established community economic development organization, sees the potential to develop new markets in hard-pressed natural resource communities, which can deliver job growth and further environmental goals (Dickstein et al.). For instance, CEI has invested in a company that manufactures organic compost from fish wastes in Maine's poorest county. Not only did this solve a waste problem for other fishing and aquaculture business, but it also created a high value-added export product and jobs in the local community. Neither SEP nor CEI would suggest that this is an easy approach, but they both see harnessing entrepreneurs to achieve economic, community, and environmental goals as being the best hope for the future of rural America.

The natural attractions of many rural areas, whether mountains, forests, lakes, or deserts, have become the drivers for many rural economies. As Howe, McMahon, and Propst note, "Even isolated communities with relatively high costs of living can

attract firms, as long as their quality of life is good enough to attract an educated workforce" (Howe, McMahon, and Propst). Although migration into these communities can create significant problems associated with growth, it can unlock or introduce what Thomas Power calls entrepreneurial energy that "may lead to creative exploration of ways to exploit markets previously ignored or left to out-of-town business" (Power).

The jury is out on the extent to which improved telecommunications access will provide an entrepreneurial boost to rural America. Fox and Porca suggest that its impact is likely to be greater in rural regions that are already economically more integrated with urban and global markets. Conversely, for remote areas, advanced telecommunications may be less advantageous to business although they may help considerably in delivering higher quality education and health services, which may serve both to upgrade human capacity in these areas, and to open up some niche entrepreneurship opportunities in these fields. MDC's "State of the South" report reinforces this point, "Within the South, the digital divide hits rural communities especially hard. Distance and low population density make digital infrastructure more expensive to build in rural areas. . . . But. . . it is critical that rural businesses have access to affordable, broadband connectivity. Rural communities need the connections to do business in the new economy" (MDC, Inc.).

Current state of public policy and practice

Although there have been significant shifts in public policy in recent years, the major focus remains on farming and on physical infrastructure investment. In 1995, the Rural Policy Research Institute commented on the Farm Bill as a vehicle for federal rural policy:

The balance of federal rural development policies and programs consist of a fragmented constellation

of programs dispersed among several agencies, with the USDA having a Congressional mandate for coordination. However, this rural development policy has been minimalist, and much less effective than possible, in assisting rural people and places as they confront the fundamental changes occurring in the national and world economies (RUPRI).

One of the mechanisms for focusing government attention on rural America and encouraging partnerships across federal and state government departments and agencies is the National Rural Development Partnership (NRDP). NRDP comprises three elements: some 40 state rural development councils, each with its own mission, structure, plan, and leadership; the National Rural Development Council (NRDC) that brings together program managers from over 40 federal agencies; and the National Partnership Office, which is housed within the USDA and is the administrative center for the Partnership. There is no particular focus on entrepreneurship either at the federal or state level, although the Kauffman Center for Entrepreneurial Leadership has given a grant to Partners for Rural America and the Nebraska Community Foundation to work with state rural development councils in Maine, Minnesota, Missouri, and West Virginia to design strategies to promote entrepreneurship.

There have been some concerted moves to address rural business needs, but there is a sense of moving two paces forward and one pace back. For instance, the Small Business Administration (SBA), towards the end of the Clinton Administration, launched a Rural Initiative as part of efforts to better respond to the needs of rural businesses and rural development finance climate. Roundtables across the country revealed problems that were leading to a decline in SBA-guaranteed rural lending, the lack of venture capital in rural areas, and a lack of coordination with Small Business Development Centers and with other federal agencies. The Rural Initiative included a pilot program to speed up the loan approval process and improve coordination with USDA. But Presi-

dent Bush's budget called for a 43 percent reduction in SBA funding levels and fees to be charged for SBDC counseling services, both of which could have disproportionate impacts on rural areas.

To quote the budget rationale, "economically distressed communities and individuals have access to a wide range of private for-profit and nonprofit microenterprise organizations, including federally supported CDFIs (community development financial institutions), which calls into question the necessity for separate SBA programs." Thus one of the big advances in support for microenterprise, the Program for Investment in Microentrepreneurs (PRIME), which provides funding to build the capacity of microenterprise development organizations that provide microcredit and technical assistance, was zeroed out for 2002. It remains to be seen whether Congress will look on the SBA more favorably.

The U.S. Treasury's Community Development Financial Institutions (CDFI) Fund provides capital to community development banks, credit unions, venture capital funds, and microenterprise loan funds in distressed areas. Since 1994, the fund has awarded \$300 million to community development organizations and financial institutions, and as such, should be a valuable source of funding for organizations promoting and supporting rural entrepreneurship. However, only 11 percent of these awards went to rural America, reflecting the relative lack of eligible CDFIs, according to the National Association of Development Organizations (NADO). NADO, which represents some 260 rural and small metropolitan regional development organizations across the country, makes the point that although their members are often the primary, and sometimes the only, development agencies in rural areas, they, as local government-controlled entities, are ineligible for CDFI certification and support (*EDFS Reporter*).

One of the more focused public sector efforts to stimulate and support rural entrepreneurship has been made by the Appalachian Regional Commis-

sion (ARC). The goal of ARC's Entrepreneurship Initiative is to promote the creation and development of locally owned, value-adding firms that increase local wealth and provide employment opportunities for local residents. It focuses on five areas: entrepreneurial education and training, entrepreneurial networks and clusters, technology transfer, access to capital and financial assistance, and technical and managerial assistance. Through November 2000, ARC invested over \$17.6 million, funding 169 educational, business assistance, and capacity building projects that in turn leveraged a further \$13.9 million from other sources. Projects included one-on-one assistance for new and existing firms, adult education and training, and business networks and seminars.

The initiative encountered two major obstacles: the lack of institutional capacity to support entrepreneurs, and the need to counter criticisms from economic developers. ARC has sought to address the capacity issue through conferences and workshops, training scholarships, publications, and online resources. These have enabled community leaders to build partnerships with associations, consultants, and mentors to assist in developing local entrepreneurship efforts. But as important as these linkages are, they require sustained effort over many years to achieve real impact on entrepreneurial activity in the region.

The second obstacle has been the belief in some states that business recruitment is the only cost-effective approach to revitalizing rural economies. This translates into resources for marketing and incentives, and also to continued expenditure on basic physical infrastructure. As one state official commented, "We cannot effectively develop and retain entrepreneurs if homes straight pipe their waste into streams, if business cannot grow when they cannot obtain clean water, and if transportation barriers increase the cost of commerce making our firms uncompetitive." ARC's challenge has been

to argue convincingly that entrepreneurship strategies add to, and not replace, traditional approaches.

The recent evaluation of the initiative by Regional Technology Strategies (RTS) made a number of recommendations, of which three are germane to this paper. The first was that for the programs to have a substantial impact on the region's economy, they have to be expanded to a more significant scale, and with a multiyear time horizon, and thus enhanced resources. It is unfortunate, therefore, that the funding for the initiative has in fact been scaled back.

RTS's other two recommendations focused on capacity. Building capacity among grantees is critical, they argue, as small organizations in rural areas have few places to turn to for advice and counsel, and they suggested that ARC consider creating a technical assistance budget, form learning networks, and provide staff training. At a larger scale, the evaluators recommended that ARC should build regional technical assistance capabilities—either new or within established organizations—funded to develop expertise, provide technical assistance, store knowledge and information, provide contacts and broker relationships, and conduct training sessions.

Entrepreneurship infrastructure

What this points to is the growing interest among those engaged in rural policy in the creation or strengthening of intermediation structures. These are seen to be capable of building capacity in ways that address the challenge of diseconomies of scale, and provide the means to identify comparative advantages and market access. PRIME seeks to build the capacity of microenterprise organizations, particularly important in rural communities; the CDFI Fund invests in intermediary financial structures in places where mainstream financial institutions cannot or will not serve poor communities; and ARC is experimenting with grants to a wide

array of business development, financing, and educational organizations to help them better serve the needs of local entrepreneurs.

Of course, this is not new. The Economic Development Administration (EDA) and ARC have for years operated through a network of intermediaries primarily across rural America. Their Economic Development Districts and Local Development Districts, respectively, are essentially formal collaborators of county governments, and as already noted, for many rural communities represent the only available professional development capacity. As might be expected in large networks, the quality and scope of services varies enormously, but in spite of strong recommendations from evaluators, EDA's resources have not been sufficient to invest in building their capacity and raising standards.

Nevertheless, through the activities of NADO and its research foundation, efforts are being made through research, education, and training to enable these regional development organizations to play a greater and more effective role in rural development, including entrepreneurship and business development. A new initiative takes this a step forward. With support from the Kauffman Center for Entrepreneurial Leadership, NADO has launched the Pioneer Award for Leadership in Entrepreneurial Promotion in Rural America. Three awards were made this summer to regional development organizations that have successfully overcome challenges to promoting entrepreneurship.

Another example of intermediation is provided by Rural LISC, established six years ago to build the capacity of resident-led rural community development corporations (CDCs). Rural LISC works primarily with 77 CDCs offering training, technical assistance, and funding, primarily in connection with affordable housing, and commercial, industrial, and community facilities. Some of the CDCs provide direct support to rural businesses and entrepreneurs.

RUPRI's Don Macke, the project leader for the Rural Entrepreneurship Initiative, is currently writing a book on entrepreneurship in rural America. His work is encouraging him to take a close look at what he calls entrepreneurial infrastructure, and in particular, networks, intermediaries, and clusters. He argues that these have the potential to address the issues of economies of scale and comparative advantage mentioned earlier. Intermediaries, whether organized as nonprofit enterprises or trade associations, are "always on the look out for opportunities, new markets, better production processes, management support, enabling technology, and ensuring a supportive environment for its member entrepreneurs" (Macke).

This notion of entrepreneurial infrastructure is also a theme taken up by the Corporation for Enterprise Development (CFED). A recent study for the Mary Reynolds Babcock Foundation found an enormous disparity across ten Southern states in the depth and breadth of infrastructure in place to support entrepreneurship (Corporation for Enterprise Development). North Carolina scores high with long-term and consistent public sector support for the full range of entrepreneurial services, and the presence of several of the nation's leading CDFIs providing statewide coverage and targeting both rural and urban communities. In addition, there are strong trade associations for community development corporations, microenterprise practitioners, IDA practitioners, and community development credit unions, and philanthropic support for institutions and initiatives promoting entrepreneurship.

In contrast, policy in states such as South Carolina is grounded in a philosophy that business attraction and incentives are the most effective routes to economic development. Little has been invested in the promotion of local entrepreneurship. The services that do exist are usually localized to the service area of a single institution that patches together funding sources to provide capital and technical assistance to entrepreneurs. These institutions are typically

ENTREPRENEURIAL INFRASTRUCTURE IN NORTH CAROLINA

(Corporation for Enterprise Development, pp. 36-37)

North Carolina serves as the model for entrepreneurial infrastructure—not simply in terms of the ten-state region, but in relation to the entire country. Abundant services for low-income entrepreneurs include microenterprise training and technical assistance, lending, individual development accounts, targeted assistance for minorities and women starting or expanding businesses, and numerous economic development initiatives designed to improve the delivery of these services to populations that have difficulty accessing these services, such as minority and rural communities.

The key institutions that comprise this infrastructure include:

North Carolina Community College Small Business Development Centers: Each community college in North Carolina has a Small Business Development Center (SBDC) that provides microenterprise training and technical assistance to low-income and minority entrepreneurs.

North Carolina Rural Economic Development Center (The Rural Center): The Rural Center is a community-based economic development organization. The Rural Center, in conjunction with over 25 participating banks, operates the Capital Access Program to provide loans to small and medium-sized businesses (average loan size is just over \$50,000). A special reserve fund protects the banks against losses from loans enrolled in the program. Funds for the capital access reserve total \$1.65 million and were provided by the North Carolina General

Assembly and the Small Business Administration. These funds are expected to leverage up to \$32 million in business loans. The Rural Center Microenterprise Loan Program provides loans for start-up or expansion of small businesses by individuals who do not qualify for conventional loans. The program places specific emphasis on providing services to rural, low-income, female, and minority participants.

Self-Help: Self-Help is a community development lender serving homebuyers, small businesses, and nonprofit organizations. Self-Help provides financing to people underserved by conventional lenders, particularly minorities, women, rural residents, and low-income families. It ranks as one of the leading CDFIs in the nation, with a reputation for innovation and effectiveness in its operations.

Asset-building and IDA Collaborative of North Carolina (The Collaborative): Self-Help and other economic development organizations, philanthropic institutions, social service providers, corporations, and state agencies organized a statewide IDA collaborative in 1996 to develop the Individual Development Account Demonstration Program managed by the North Carolina Department of Labor. Individual Development Accounts (IDAs) are used by low-income individuals to capitalize small businesses. Currently, North Carolina has over 300 IDA accounts for low-income people and funding for an estimated 450 more.

Good Work: Good Work is a community-based program providing microenterprise training, technical assistance, and loan program for Latinos in partnership with the Latino Credit Community Union.

Community Reinvestment Association of North Carolina (CRA-NC): CRA-NC builds wealth by improving private and public investment in minority and low-income communities. CRA-NC accomplishes this goal through the support of a statewide network of community leaders. These community leaders work with banks to implement effective community reinvestment strategies that produce tangible benefits for traditionally underserved individuals and communities. Support services to the CRA-NC network include institutional advocacy, research, public education, and community capacity building.

North Carolina Minority Support Center (NCMSC): NCMSC is a statewide intermediary that provides support to community development credit unions (CDCUs) through technical assistance, training, and financial assistance. Access to intermediary services has allowed the CDCUs to build their capacity to provide fair and affordable small business, mortgage, rehab, and personal loans to stimulate economic development in underserved communities.

North Carolina Community Development Initiative: The North Carolina Community

Development Initiative is a public-private community development intermediary dedicated to increasing assets and creating wealth for low-income people. The initiative provides annual core operating grants to 22 established, high-performing community development corporations (CDCs) in rural areas, small towns, and major cities. The initiative also provides project lending, strategic issue management and project development assistance to CDCs statewide. Major foundation support for the initiative has come from Z. Smith Reynolds Foundation and the Ford Foundation.

North Carolina Rural Prosperity Task Force: The North Carolina Rural Prosperity Task Force is an effort to build the capacity of North Carolina's rural areas to attract investments that will improve local and regional economies. Capacity building activities include the creation of a statewide "center" for community capacity building that will launch regional planning and development initiatives, leadership training for rural community residents that has economic development components, economic development training for public leaders, and creating networks of economic development stakeholders.

isolated from one another, given the absence of practitioner networks and associations, and lack a policy voice on behalf of their interests.

The CFED study identified a number of aspects of infrastructure essential for creating an effective entrepreneurial development system. First, there has to be a supportive policy environment. State policy is the means by which entrepreneurial development strategies reach scale. State appropriations

and tax incentives provide the seed and operating capital necessary to build the institutions that deliver products and services to low-wealth communities. Legislative rules create opportunities to redeploy existing state and federal resources in new ways to support entrepreneurial development.

A second aspect is capacity and leadership development for practitioners. Many states lack the fora for practitioners to share best practices, build new

skills and competencies, or pursue an agenda of policy advocacy. Practitioner networks and trade associations at the state level are an important tool for building the field, which can be still more effective if linked to national institutions and state and local intermediaries that can provide them with access to even greater resources and opportunities.

The National Commission on Entrepreneurship has as its mission “to provide local, state, and national leaders with a roadmap for sustaining and expanding a flourishing economy.” NCOE sees “Entrepreneurship as the critical force behind innovation and new wealth creation, the key drivers of our country’s economic growth.” In a recent publication, NCOE set out a five-point policy agenda for entrepreneurial growth companies (National Commission on Entrepreneurship 2001, pp. 20-23). One common theme across this agenda is the need for an education system that produces employees with the right basic and technical skills, echoing a widely held view that all economies, and rural economies in particular, are held back by an inadequately educated and skilled workforce.

This ties in well with investments made by ARC’s Entrepreneurship Initiative in REAL Enterprises and heralded in RTS’s evaluation as a good example of building capacity at the local level by linking into available expertise and resources at a national level. REAL introduces individuals, communities, schools, and rural America to hands-on entrepreneurship education. REAL is a nonprofit intermediary for a national network of organizations, individuals, and corporations committed to making entrepreneurship education available to all. It provides tools to elementary, middle and high schools, community and four-year colleges, and others, to increase awareness of the value of entrepreneurship as a career option and a way of thinking. There are currently 12 state REAL organizations and the experiential curriculum is taught in schools in a further 20 states nationwide.

FUTURE DIRECTIONS

Placing rural entrepreneurship on the federal policy agenda

From a policy standpoint, rural development is still the stepchild of agricultural policy, and rural entrepreneurship comes low down on the list of priorities for rural development policymakers and practitioners. A priority task has to be to identify opportunities to bring about changes in attitudes and policies at the federal level. For instance, the Congressional Rural Caucus, with the support of the National Association of Development Organizations, the National Association of Towns and Townships, and the National Association of Counties, is calling for a White House Conference on Rural America to create a common framework for improving the nation’s approach to rural policy development. Entrepreneurship is not yet on the Rural Caucus’ agenda, but it clearly needs to be, particularly as the Farm Bill will be coming up before Congress next year, and may even appear in some form as early as this summer.

Giving greater funding priority to programs that support rural entrepreneurship

A greater focus on entrepreneurship is needed to move funding priorities within federal programs—such as additional resources to expand upon the promising work of ARC’s Entrepreneurship Initiative and to ensure similar funds are allocated to the new Delta Regional Commission; funding to advance microenterprise activities within the SBA and particularly for PRIME, which supports capacity building for microenterprise development organizations; resources through EDA to build capacity among staff and boards of regional development organizations; and implementation of the SBA’s currently stalled Rural Initiative.

Encouraging investment in research, ideas, and action

There is considerable energy going into promoting different aspects of entrepreneurship. The Kauffman Center for Entrepreneurial Leadership has invested in a range of projects to stimulate ideas and action in addressing the challenges of rural entrepreneurship. These include the Rural Entrepreneurship Initiative referred to earlier and a partnership with the National Governors' Association to form the Governors' Academy on Entrepreneurship in ten states to focus on the factors needed to create entrepreneurial economies. These are important seeding initiatives to raise awareness and understanding at local and state levels.

Investing in intermediary institutions

According to the National Commission on Entrepreneurship, "the keys to a region's entrepreneurial success are private networks and a regional commitment to entrepreneurial growth. Perhaps government's most effective tool is to stimulate and support private sector institutions that work directly with entrepreneurs to build networks and spur regional entrepreneurial development" (National Commission on Entrepreneurship 2000).

The way forward to achieve a real shift in entrepreneurial activity in rural America is to invest in a network of high-quality intermediaries—whether public, private, nonprofit, or some combination—that can achieve economies of scale and uncover comparative advantage for the benefit of high-growth entrepreneurs or individuals seeking economic self-sufficiency.

Building on current innovatory practice

There is already considerable innovation and activity that give hope for rural America, but it is

still scattered and below the scale needed to achieve deep and lasting impact. Some examples, from which to learn and upon which to expand, include:

- The state infrastructure that North Carolina has created to support entrepreneurship is worthy of more detailed examination to gauge its effectiveness and its replicability.
- There are a number of sophisticated nonprofit development organizations in rural America that are in the forefront of innovation and best practice that combine entrepreneurship support and enterprise development with a range of other important rural development functions. Ecotrust/Shorebank Enterprise Pacific and Coastal Enterprise were mentioned earlier; others include Mountain Association for Community and Economic Development (MACED) in Kentucky, Alternatives Federal Credit Union in upstate New York, ACENet Ventures in Appalachian Ohio, West Virginia, and Kentucky, and The Nature Conservancy's Compatible Ventures Unit.
- The CDFI Fund has certified 452 organizations—community development banks, loan funds, and venture capital funds, and microenterprise development agencies—as meeting certain standards to operate as financial services entities with a community development mission. Of over one-third that have received core funding from the fund, two-thirds serve both rural and urban areas, and at the last count just 17 served rural areas exclusively. Providing the fund continues to attract support from Congress; there is considerable potential for expansion into rural America, including tribal communities.
- There are at least 283 microenterprise practitioner programs all across the United States. These have provided financing and technical assistance to over 250,000 microbusinesses. There

is now considerable interest in creating state networks and associations to promote state policy initiatives, generate funding streams, and build capacity among practitioner programs. With funding from the Charles Stewart Mott Foundation and the Ford Foundation, CFED has provided financial support for 16 out of a total of an estimated 27 emerging or existing state networks. Although there are no data on how many serve rural communities, anecdotal evidence shows that they have a significant presence serving primarily low-income individuals.

- Earlier this year, CFED launched a major new initiative, the National Fund for Enterprise Development (NFED). Based on the model provided by the Nebraska Enterprise Opportunity Network, this will provide financial products and development services to community development financial institutions operating either at a state or regional level whose purpose is to expand, leverage, or consolidate financial and technical resources for underserved micro and small business entrepreneurs. NFED's goal is to be a catalyst and national intermediary for a new generation of state-level microenterprise intermediaries that will, in turn, focus on state-level fundraising, best practices adoption, delivery coordination, enhanced impact, and accountability. There is some evidence to suggest a latent demand for such intermediaries in 25 states. There are already examples operating in North Carolina, Montana, Nebraska, and Virginia. Although NFED does not have a specific focus on rural America, it seems likely that its primary investments will be in rural intermediaries.
- Through the Consortium for Entrepreneurship Education, steps have been taken to raise awareness among policymakers, particularly at

the state level, of the importance and value of entrepreneurship education in schools and communities. With membership that includes energetic national youth enterprise organizations such as REAL Enterprises and the National Foundation for the Teaching of Entrepreneurship (NFTE), as well as school and college educators and administrators, they have drafted performance criteria for advancing the quality of entrepreneurship education. The power of this growing movement was evidenced by enthusiastic participation at conferences and workshops across rural Appalachia last year, organized as part of ARC's Entrepreneurship Initiative.

Putting entrepreneurship on the map in rural America

This list could be much longer. But the key point is that there is great potential to put entrepreneurship on the map in rural America.

What it will take is continued efforts by organizations such as the Center for the Study of Rural America, the Kauffman Foundation, the National Commission on Entrepreneurship, the Rural Policy Research Unit, the Appalachian Regional Commission, National Association of Development Organizations, Corporation for Enterprise Development, and many others to keep pushing to raise awareness and understanding, identify innovations and good practices, and provide opportunities for learning and sharing among public, private, and nonprofit organizations.

What it will also take is a shift in legislative priorities at federal and state levels to ensure that efforts to create entrepreneurial economies take their proper place alongside physical infrastructure and farm support in rural America.

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Fostering entrepreneurship in rural areas. David Smallbone, UK. Introduction. Aims in context. Rural support networks sponsored by local institutions represent one possible response to linking rural entrepreneurs to new sources of capital, employees, partnerships and business services (Dabson, 2001). Such networks can take different forms, including angel investor networks; non-traditional venture capital funds; and incubator networks, reflecting local needs and conditions.