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Funding Our Rural Future

Creating vibrant communities through homegrown philanthropy

From its first days, the N.C. Rural Economic Development Center has been committed to helping rural communities access the resources they need to realize their locally driven visions for the future. Generally, this has meant providing grants and loans through the center's own programs and helping communities obtain other funds, primarily from federal or state sources.

But there's another potent source of funding that often goes unrecognized: *local communities themselves*. Rural people are notably generous. Gifts of time and money to church, neighbor and community are essential to the character of most rural places. Generosity is the cement of rural culture.

In recent years, there has been increasing interest in building on this legacy of rural generosity to improve prospects for long-term economic renewal. A study by the Rural Center assessed the potential for homegrown philanthropy, particularly community foundations, to become a stronger partner for economic development in North Carolina's rural areas. This report summarizes the major findings.

COMMUNITY FOUNDATIONS GROWING NATIONWIDE

The word *philanthropy* has typically been associated with the wealthy, and through the years, many people of means have indeed donated generously to build hospitals, support museums and help those less fortunate. Some have invested huge sums to establish foundations to manage charitable contributions during and after their lifetimes.

But philanthropy runs broader and deeper than this image would imply. It is rooted in every social class, every ethnic and religious group, every state and every region of the

Across the nation, in the midst of struggling economies, rural people are harnessing the power of their own giving to create hope and transform communities.

A study by the N.C. Rural Economic Development Center examined the status of this "homegrown philanthropy" and assessed its potential for creating more vibrant, sustainable communities throughout North Carolina.

nation. Simply put, Americans tend to help one another, and from colonial times to the present, they have formed clubs and associations to help carry out their good intentions.

Over the past century, *community foundations* have developed into an important and influential demonstration of this collective generosity. Unlike private foundations established by single families or corporations, community foundations collect and manage resources from large numbers of individuals, families and institutions.

Today, there are more than 700 community foundations nationwide managing more than \$31 billion in charitable funds. Although some hold assets of \$1 billion or more, most are relatively small.

Until recently, most of the growth in community foundations was concentrated in urban areas. That is changing quickly as existing community foundations expand their territories and new rural community foundations are created.

Stimulating the expansion into rural communities have been several rural

visionaries and national foundations. In the 1980s, the CREATE Foundation in Northern Mississippi (1982) and the McKnight Initiative Foundations in Minnesota (1986) pioneered the idea of linking community philanthropy and rural development. Twenty years ago, the North Carolina Community Foundation was established to spread community philanthropy to the state's rural counties. Also in this period, large foundations such as Lilly, Ford, Kellogg, Walton, Winthrop Rockefeller and C.S. Mott stimulated the creation and growth of rural community foundations through matching grant programs.

Innovative state measures further encouraged the growth of foundations. Since 2005, for example, the Endow Iowa tax credit program has leveraged more than \$50 million in private endowment gifts to community foundations. In 2008 alone, \$3.1 million in tax credits leveraged endowment donations of \$14 million.

PHILANTHROPY VIEWED AS POWERFUL ECONOMIC AND COMMUNITY DEVELOPMENT TOOL

Today, rural philanthropy is moving from isolated experimentation to widespread impact. In northern California, community philanthropy is helping to build a sustainable forest products industry. In Maine, a special community philanthropy initiative is underwriting growth in community-supported agriculture. Here in North Carolina, community foundations are blunting some of the harsher effects of the recession through increased support of social services and workforce retraining.

These are not isolated examples. While community philanthropy often supports a variety of causes, its use as a strategic tool in community and economic development is becoming so widespread that there is now a national effort to define the purposes and practices of "rural development philanthropy." Hallmarks include 1) highly participatory and inclusive practices; 2) encouragement of community convening, visioning and planning; and 3) grant making focused on long-term development outcomes.

Because it responds to local conditions, the character of rural development philanthropy will vary from place to place. For example:

Nebraska. The statewide Nebraska Community Foundation was founded in 1993 to stimulate development in the state's rural counties, which were facing economic decline and depopulation. It has catalyzed community endowments in 70 counties and spread new models

of community leadership, entrepreneurship and youth engagement through its Hometown Competitiveness program. This merger of philanthropy, economic development and leadership is creating impact in places such as Ord (population 2,200). The people of Ord are using their \$1.4 million endowment to stimulate development of small businesses, including 17 new firms in one year.

Alabama. A desire to move forward the hard-won gains of the civil rights movement inspired the creation of the Black Belt Community Foundation. Founded five years ago, the foundation focused first on building nonprofit organizational capacity through a network of 400 community organizations across its 12-county region. A cadre of volunteer associates helps ground the foundation's grant making and technical assistance locally. The associates also assist the foundation's diverse board in promoting renewed regional identity and confidence. Current programs feature a small grants program to meet community needs and a special focus on community arts. The foundation is now working to build its endowment and meet a \$4 million challenge grant from the Ford Foundation.

Minnesota. Over the past 20 years, the McKnight Foundation invested more than \$200 million to create and support six rural philanthropic centers that are hybrids of community foundations and regional economic development centers. The West Central Initiative, one of these six foundations, has made more than \$28 million in business loans and more than \$20.8 million in grants throughout its nine-county region. Along the way, West Central's model workforce development program has retrained more than a third of the region's workers.

Montana. In many places, the focus on community development has galvanized public support for foundations. The Montana Community Foundation was launched in 1983 with \$300,000 and a small collection of donors and community leaders. Today, the foundation has 40 affiliated local foundations and more than \$50 million in assets. In 2007, the foundation created a \$1 million endowment to fight poverty in the state through early childhood education and public policy aimed at the economic advancement of women.

These are major accomplishments for a state with a small, scattered population and one that has seen most of its wealth, gained by the extraction of natural resources, exported out of state. "Endowment building was never intended to be the centerpiece of our local initiatives," explained Sid Armstrong, former CEO of the Montana Community Foundation, "but it became the focus as people

NORTH CAROLINA'S COMMUNITY FOUNDATIONS

Foundation	Net Assets (\$)	Expenditures in Grants & Programs (\$)
<i>Blowing Rock Community Foundation</i>	1,235,000	53,000
<i>Capital Community Foundation</i>	11,136,000	787,000
<i>Community Foundation of Burke County</i>	7,975,000	435,000
<i>Community Foundation of Gaston County</i>	47,683,000	4,686,000
<i>Community Foundation of Greater Greensboro</i>	83,262,000	11,170,000
<i>Community Foundation of Henderson County</i>	62,306,000	2,864,000
<i>Community Foundation of Southeastern North Carolina</i>	4,857,000	1,618,000
<i>Community Foundation of Western North Carolina</i>	121,923,000	12,252,000
<i>Cumberland Community Foundation</i>	29,855,000	2,909,000
<i>Davie Community Foundation</i>	4,881,000	350,000
<i>Edenton-Chowan Community Foundation</i>	304,000	38,000
<i>Foundation for the Carolinas</i>	532,233,000	113,636,000
<i>Greater Greenville Community Foundation</i>	7,044,000	1,001,000
<i>High Point Community Foundation</i>	54,782,000	4,403,000
<i>Mount Gilead Community Foundation</i>	156,000	5,800
<i>North Carolina Community Foundation</i>	116,557,000	8,824,000
<i>Outer Banks Community Foundation</i>	9,154,000	367,000
<i>Pinehurst Community Foundation</i>	161,000	14,000
<i>Polk County Community Foundation</i>	20,857,000	934,000
<i>Thomasville Community Foundation</i>	498,000	47,000
<i>Triangle Community Foundation</i>	116,177,000	14,813,000
<i>Winston-Salem Foundation</i>	242,033,000	31,522,000
TOTAL	1,475,069,000	212,728,800

Source: 2007 IRS 990 forms

began to see it as an opportunity to build community self-determination—stewardship of one’s own future.”

NORTH CAROLINA HAS EXTENSIVE COMMUNITY FOUNDATION NETWORK

Community foundations have developed rapidly in North Carolina over recent decades. In 2007, the 22 community foundations serving North Carolina spent \$213 million in grants and programs, raised \$357 million in contributions and held total assets of \$1.5 billion.

The reach of these foundations is wider than their numbers might indicate, touching almost every county. The North Carolina Community Foundation has the widest reach. It was founded 20 years ago with an explicit goal of serving rural North Carolina and now has a network of 65 county affiliates. In essence, these affiliates are geographic funds within the larger foundation. While ultimate accountability rests with the parent foundation, the affiliates have separate boards of local people who set priorities, assist in fund raising and make grant recommendations.

Several other foundations take regional approaches. The Community Foundation of Western North Carolina, now 30 years old, covers 18 western counties through county or town-level affiliates. The Foundation of the Carolinas has a similar structure for the Charlotte metropolitan region. The community foundations in the Research Triangle and Winston-Salem all serve donors and grantees in multi-county regions but do not have formal affiliate structures. The Community Foundation of Greater Greensboro has a single county affiliate, the Alamance Foundation, and reaches several other counties through donor services and grant making.

There are also 15 other independent community foundations of small to moderate size. Most serve single towns or counties, often rural.

NORTH CAROLINA RURAL FOUNDATIONS PUTTING DOWN ROOTS

All together, community foundations directly serve all but five of the state’s 85 rural counties. Twenty rural counties are served by two community foundations.

Although the geographic base is broad and the impact of rural foundations positive, most rural funds are small and in the early stages of development, limiting their total impact. There is growing success, however. The assets of some range as high as \$7 million with annual awards of more than \$135,000. For example:

- The people of Montgomery County have built endowed funds of more than \$4.3 million through their affiliation with the North Carolina Community Foundation.
- Since the year 2000, the independent Community Foundation of Burke County has made more than \$1.5 million in grants. Its assets approach \$8 million.
- The Rutherford County Foundation, an affiliate of the Community Foundation of Western North Carolina established in 1996, has assets of \$1.5 million and made grants last year totaling \$137,290.

Bart Landess, senior vice president for planned giving and development at the Foundation for the Carolinas, anticipates growth for rural foundations, but not overnight success. “We expect a similar growth pattern for our rural affiliates that we experienced in Charlotte—a long lead time followed by rapid growth,” he said.

NORTH CAROLINA FOUNDATIONS TAKING LEADERSHIP IN COMMUNITY DEVELOPMENT

In North Carolina, both urban and rural foundations are accepting the challenge of taking a leadership role in their communities.

For the Community Foundation of Greater Greensboro, a \$9 million gift in 1996 proved to be a major stimulus. The donor allowed wide latitude in how the money could be applied. “This made the foundation look around,” said Tara Sandercock, vice president of grants and initiatives. “It raised new possibilities and prompted a shift to being more proactive and to take on community leadership.”

From Richmond County comes an example of how a small local foundation can make a significant, strategic impact on a community. The Cole Foundation, a family foundation administered by the Foundation for the Carolinas, identified the county’s low child immunization rates as a major threat to public health. Through an investment of \$50,000 and a considerable amount of advocacy and community leadership, the foundation succeeded in reversing the problem.

To manage new leadership initiatives, the Foundation for the Carolinas created the Center for Civic Leadership. A task force of local leaders guides the center by identifying the most critical issues and opportunities for progress. So far, the center’s initiatives focus on schools, environmental conservation, race relations, cultural facilities, healthy children, workforce development and housing.

N.C. foundations also stepped up to the current

recession. The Community Foundation of Burke County, an independent community foundation, seeded its Recession Response Grant Fund with \$50,000 and asked the community to donate directly to the fund. The much larger community foundations in Charlotte and Asheville raised \$2.7 million and \$870,000 respectively for similar recession response funds.

NORTH CAROLINA LEADING THE WAY IN INCLUSIVE PHILANTHROPY

Women, people of color and youth are known givers of time, talent and treasure. New models are increasing their participation in formal community philanthropy.

North Carolina has become a center of innovation in models of collective giving—a high-engagement form of philanthropy in which individuals pool their charitable resources and set joint goals and guidelines for their charitable impact. A major reason is the work of NCGives, a Kellogg Foundation funded initiative to create and spread a more inclusive definition of philanthropy and broaden participation. In a similar vein, Raleigh-based Hindsight Consulting and the associated Community Investment Network have developed and spread new collective giving models among African Americans.

Among the outcomes of these and other initiatives:

- Fourteen women’s giving funds have been established through NCGives and collaborating organizations. In these giving funds, women pledge annual contributions and participate in setting priorities and allocating grants. The groups range from independent small groups to large initiatives with hundreds of donors and annual grant making in the hundreds of thousands.

“The support for women’s engagement in philanthropy will be transformational for philanthropy generally,” said Beth Briggs, a consultant who coordinates NCGives’ work on women’s philanthropy. She also believes that organizing women’s philanthropy will be the key to fostering rural philanthropy. “(Rural women) will come together in multi-racial groups,” she said. “They will come together and do philanthropy if the issues addressed affect them or their children.”

- Six African-American giving circles are associated with the Community Investment Network. One is Heritage Quilters in Warren County. Heritage Quilters started as a quilting group of about 40 members who made and sold quilts to support local people in need. Several years ago, the quilters discovered the idea of giving circles and

decided they could add the giving of cash. Now while they quilt, they set grant-making priorities.

Hindsight's Darryl Lester believes that much African-American philanthropy is unrecognized by the field because it comes through organizations and associations not defined as formal philanthropy. Because of this, African Americans are often seen only on the demand side of philanthropy when, in actuality, they also are very active on the supply side.

- The Patronato Mezquital fund is a collective giving effort by people from Mezquital, Mexico, who now live in Piedmont North Carolina. The group selected the Community Foundation of Greater Greensboro to administer the funds. By pooling charitable gifts, the group provided funds to build a nursing and retirement facility in Mezquital.

- The N.C. Native American Youth Organization created the Youth Giving Indians Volunteer Experience. The organization is a peer network dedicated to furthering the ongoing practice of philanthropy within the traditions of American Indians. The group is part of the North Carolina Youth Giving Network, a statewide collection of 16 different youth philanthropy projects.

FOCUS GROUPS RECOGNIZE PROMISE OF RURAL DEVELOPMENT PHILANTHROPY

To gauge response to the idea of homegrown philanthropy as an asset for rural development, the center convened two focus groups representing participants in the N.C. Small Towns Economic Prosperity Demonstration Program. NC STEP is a multi-year project testing a combination of community coaching, strategic planning, leadership training and grants to help small, rural towns revitalize their economies.

Among both groups, the discussion elicited similar reactions. On reflection they better understood their own high levels of informal philanthropy. They also saw untapped philanthropic assets within their towns and ways they could do more to link philanthropy to community development.

Al Leonard of Tabor City was a case in point. At the beginning of his

focus group discussion, he reflected on the current level of charitable appeals and donor fatigue. "We've got a lot of philanthropy going on—a heck of a lot—people are asked to give to many annual causes.... Some individuals and businesses feel battered."

As the discussion moved to the need for charitable gifts that are aggregated and invested over time, he said, "We can sell that. It's 'How can we invest in our community? How can we keep the children here?' People understand that sort of thing."

RURAL COMMUNITIES HAVE UNTAPPED PHILANTHROPIC POTENTIAL

Measuring charitable giving is an imprecise task, and potential giving is even more difficult to measure. In rural places, the capacity to give may be hidden, tied to the land or held by people whose simple lifestyles belie their wealth.

Moreover, philanthropic potential is not fully defined by high wealth. People of modest means often make significant contributions. Kitty Croom of Pender County proved that point. A long-time secretary and cafeteria cashier at the local high school, she left a \$200,000 bequest, to be managed by the North Carolina Community Foundation, to endow college scholarships.

Although any measurement will be imperfect, the Rural Center is gleaning some useful information on rural giving. These data indicate the potential for philanthropy to become a significant resource for rural community development. Among the themes emerging:

Wealth exists even in the poorest places. Incomes in rural counties generally run lower than in urban areas. Nonetheless, nearly 30,000 rural taxpayers in 2006 reported incomes of more than \$200,000. In Tier 1 rural counties, 6,203 taxpayers reported more than \$200,000

in income. Tier 1 is the N.C. Department of Commerce designation for the most economically distressed counties.

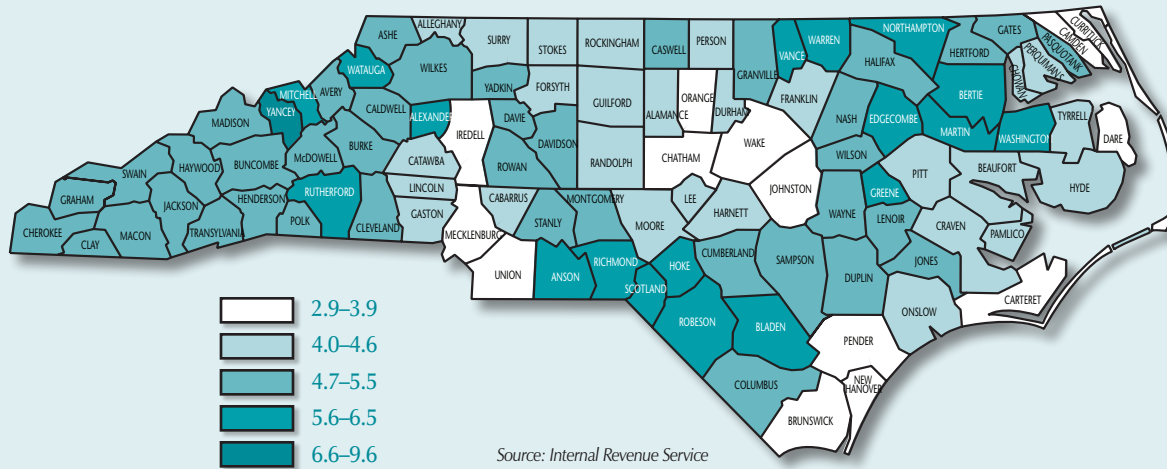
Rural people are generous and give at levels disproportionate to their means. Further data from the Internal Revenue Service reveal that rural taxpayers who

ITEMIZED CONTRIBUTIONS, 2006

Rural Counties	Dollars (\$)
Tier 1	648,258,000
Tier 2	774,853,000
Tier 3	689,828,000
TOTAL	\$2,112,939,000

*Source: Internal Revenue Service
Tier designations by the N.C. Department of Commerce measure economic distress among counties, with Tier 1 being the most distressed and Tier 3 the least.*

DONATIONS AS PERCENTAGE OF INCOME itemized tax returns, 2006



itemized contributions in 2006 donated \$2.1 billion to charitable causes, an average gift size of \$4,076. These rural people gave a higher percentage of their incomes than did their urban counterparts. Furthermore, people making \$50,000 or less accounted for more than \$446 million in contributions.

Giving is significant even in the most economically distressed rural counties. Taxpayers in Tier 1 rural counties who itemized their returns in 2006 accounted for \$648 million in charitable gifts. These rural Tier 1 taxpayers also gave proportionately more of their incomes than did those from wealthier counties, urban or rural.

Most of these gifts can be presumed to be “checkbook” philanthropy. That is, the gifts probably answer immediate needs. But what if these donors directed some of that money toward community fund endowments? In effect,

GIVING RATES IN 2006 Donations as percentage of income

Area	Percent
State	4.2%
Urban.....	4.0%
Rural.....	4.5%
Tier 1	5.2%
Tier 2	4.6%
Tier 3	4.0%

Source: Internal Revenue Service.

these donors would be building long-term “savings accounts” for their communities’ benefit.

If only 1 percent of 2006 itemized contributions had been directed toward such an endowment, the asset growth would have been \$21 million for that year alone. And this does not include the significant charitable contributions made by people who do not itemize their taxes.

Beyond the annual giving indicated by tax returns, there is another potential source of contributions to benefit long-term community development. As baby boomers pass on and leave assets to their children

and grandchildren, the nation will witness its greatest ever intergenerational “transfer of wealth.” In one measure of this wealth, preliminary estimates place current household net worth in rural North Carolina at \$322 billion, and it is projected to reach \$486 billion by 2020.

HOUSEHOLD NET WORTH for North Carolina’s 85 Rural Counties

Rural Counties	2010 Value \$ in Billions	2020 Value \$ in Billions	Percent Change
Tier 1	85.3	119.1	40%
Tier 2	122.8	183.7	50%
Tier 3	113.6	183.1	61%
TOTAL.....	\$321.8	\$485.8	51%

Source: Rural Policy Research Institute.
Estimates are based on preliminary data.

Just as there is the potential to capture some annual giving for the community's longer term benefit, so too might civic-minded residents wish to bequeath some portion of their assets to the community savings account. "Community foundations provide a vehicle for local philanthropy that no other charity is doing," said James W. Narron, a Smithfield estate attorney and chair of the board of the North Carolina Community Foundation. "As it gets better known across the state, (increased giving) will be dramatic. I predict exponential growth. I have tons and tons of bequests."

Rural North Carolina is inherently generous and philanthropic. The challenge now is to channel this philanthropic energy in ways that are lasting and transformative.

CHALLENGES TO RURAL DEVELOPMENT PHILANTHROPY IN NORTH CAROLINA

Rural North Carolina already has widespread coverage by community foundations. These foundations have the opportunity to help lead the transformation of rural places to economic sustainability and cultural vibrancy. But if this is to happen, they will need to more aggressively build their assets and form partnerships with community development leaders. For their part, rural development practitioners need to fully understand and use the tools of community philanthropy in their efforts to build sustainable rural economies.

Elsewhere, marrying community philanthropy and community development has improved local support. That is, increasing the emphasis on community development has led to greater community support for building unrestricted endowments with the flexibility and patience to respond to long-term community needs. Rural people respond to the promise of fundamental and tangible change and of sustaining rural life and livelihood.

In states such as Arkansas, Iowa, Nebraska, Michigan, Minnesota and Indiana, matching grant programs and state tax credits have dramatically accelerated rural endowment growth. The support of North Carolina's state policy makers, large donors and foundations will be essential in determining whether rural areas can capture more annual charitable dollars in permanent philanthropic assets.

Another key to capturing rural assets lies in increasing knowledge about complex issues surrounding donations and bequests of real property, particularly

land and timber resources. This will involve expanding the current professional education for financial and legal advisers to include rural specific issues and increasing the number of qualified advisers available to rural donors.

Furthermore, as they take a stronger partnership role in economic development, North Carolina community foundations need to become increasingly inclusive and broad-based through their governance, outreach to donors, community engagement processes and programs.

RURAL CENTER RESPONSE

These findings highlight two overarching challenges that must be addressed if community philanthropy and rural development leaders are to forge a stronger partnership in North Carolina:

- Accelerate the growth of rural foundations' assets by aggressively marketing the benefits of community philanthropy to a broad and diverse base of rural donors.
- Increase the impact of those assets on sustaining and improving the vibrancy of the rural economy, culture, equity and social capital.

The Rural Center is committed to working with North Carolina's philanthropic and economic development communities to achieve these ends. It will:

1) Convene a rural development philanthropy roundtable to guide its work in this arena. The roundtable will include rural community philanthropy practitioners from across the state and others who strive to advance rural philanthropy and strengthen its partnership with rural economic development.

2) Initiate a rural philanthropy demonstration project as part of its N.C. Small Towns Economic Prosperity Demonstration Program. The center proposes to engage four to six NC STEP towns in creating local, place-based endowments to provide long-term support for community development. The endowments will be held and managed by local community foundations. The center will seek resources for a challenge grant to stimulate local fund development. The center also will partner with community foundations to provide training and coordination for the individual town programs.

3) Strengthen and extend the support system for North Carolina's growing rural philanthropy network. A rural transfer of wealth analysis, already under way, will provide a powerful tool to highlight rural philanthropic potential and the importance of rural endowment building. The center will collaborate with interested community

foundations to hold local and regional briefings about the study's implications. Furthermore, the center will partner with the state's philanthropic community and key national partners around such issues as training for local foundation leadership, increasing equity and inclusion in rural philanthropy, and increasing community foundations' capacity for community development initiatives.

4) Explore state policy alternatives to support rural development philanthropy. Over the next 18 months, the Rural Center will engage with the state's community philanthropy stakeholders, rural leaders and state policy makers on policy options to encourage endowment building for community development funds. Possibilities employed elsewhere include state tax credits.

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THE RURAL CENTER

The N.C. Rural Economic Development Center is a private, nonprofit organization whose mission is to develop sound economic strategies that improve the quality of life in rural North Carolina, with a special focus on individuals with low to moderate incomes and communities with limited resources.

The center operates a multifaceted program that includes conducting research into rural issues; testing promising rural development strategies; advocating for policy and program innovations; and building the productive capacity of rural leaders, entrepreneurs and community organizations.