

EZ/EC

Initiative Stimulates Economic Progress In Rural Communities

Executive Summary

Bank assets, loans to families, and commercial and industrial loans have increased in rural communities as a result of their participation in the Empowerment Zone/Enterprise Community Initiative. The 10-year EZ/EC Initiative is an attempt to deal with severe poverty by focusing efforts on the locale instead of on the individual, in contrast to poverty programs of recent decades.

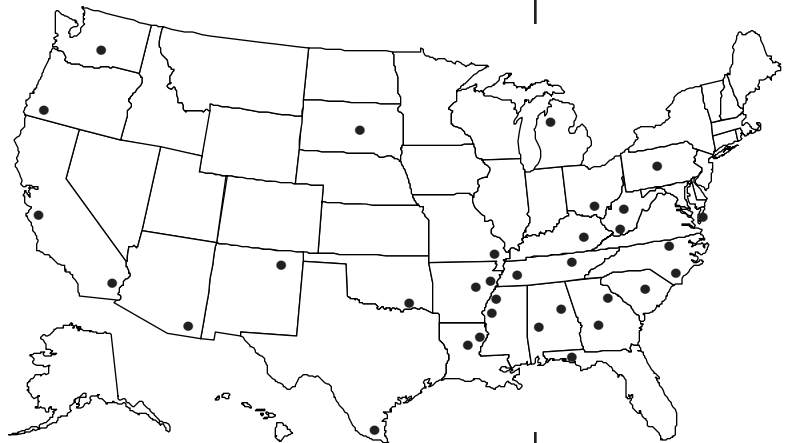
The locality-based approach of the EZ/EC Initiative begins with the notion that citizen participation and new community-based partnerships are the foundation of revitalized communities seeking to develop economic opportunity for all residents and sustain the community's potential through time. Initial efforts to monitor the 33 rural sites participating in the Empowerment Zone/Enterprise Community Initiative show the sites as a whole have made economic progress since 1994.

The early impact of the initiative on reducing poverty was less pronounced. Overall, the declines in school drop out rates and in participation in the free school lunch program were disappointing, although enrollment in community colleges in the area increased in almost half the EZ/ECs where information was available.

These are among the early findings of an on-going, independent monitoring study of the rural EZ/ECs conducted by the North Central Regional Center for Rural Development, housed at Iowa State University. Overall, the study showed the new, comprehensive approach embodied in the EZ/EC Initiative shows promise as a way to help overcome persistent poverty in rural areas and to empower local residents.

December 1998

by
Stephen M. Aigner
Cornelia Butler Flora
Syed Noor Tirmizi
Carrie Wilcox
Julie N. Zimmerman



EZ/EC is an attempt to deal with severe poverty by focusing efforts on the locale instead of on the individual.

The EZ/EC Initiative

The Empowerment Zone/Enterprise Community Initiative is part of the Clinton-Gore Administration's emphasis on "reinventing government" passed by Congress in 1993 in Title XIII of the Omnibus Budget Reconciliation Act of 1993. Communities applied for EZ/EC designation status in the first half of 1994.



The eligibility criterion was a rural area with a maximum of 30,000 people in no more than 1,000 square miles with pervasive poverty, unemployment and general

distress. Despite an application process that required the communities to prepare a participatory strategic vision or plan and a short time frame for applying, 226 rural communities applied to USDA Rural Development for designation.

EZ/EC sites were designated based on the strategic vision or plan's coherence, on the degree of participation by low-income citizens, and on the breadth of community-based partnerships during the planning process. Three sites were selected as Empowerment Zones and 30 sites as Enterprise Communities. The sites extend from the Eastern Shore of Virginia to the Deep South, from states that border Mexico to the Great Plains and the Northwest.

To implement the legislation over the 10-year period, Empowerment Zones each received the equivalent of \$40 million in tax incentives and community development block grants, facili-

tated agency procedures and technical assistance. Enterprise Communities each received the equivalent of \$3 million in community development block grants, facilitated agency procedures and technical assistance.

The legislation announced four key principles. The first two principles stress primary outcome goals, while the third and fourth principles emphasize process.

- Economic opportunity for all residents.
- Sustainable community development.
- Citizen participation in developing a locally defined strategic vision.
- Formation of community-based partnerships to implement benchmark activities.

The benchmark activities referred to in the fourth principle were introduced after announcing designated sites late in 1994, when federal officials required a new monitoring, performance-oriented tool termed "benchmarking" to assure that the money was spent legally and effectively. The benchmark requirement graphically illustrates one of the major differences between rural and urban poverty and the administrative apparatuses available to overcome poverty. Cities are large, complex bureaucracies that totally surround urban poverty. As such, cities employ planners and statisticians able to respond to data requests with existing data files or to demand that other bureaucracies, dependent on city funding, provide the necessary data. In rural areas, however, poverty exists in the open country or small towns, places with little professional staff or expertise to develop or access data for benchmarks, and with fewer resources for acquiring such data.

The benchmark requirement graphically illustrates one of the major differences between rural and urban poverty and the administrative apparatuses available to overcome poverty.

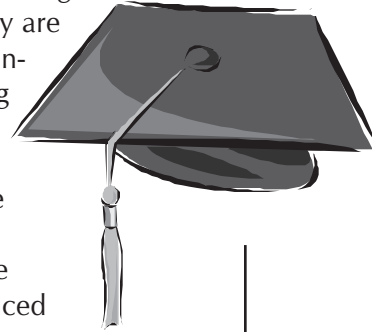
How is Progress Measured?

Given these limitations, how is progress measured in the 33 rural Empowerment Zones and Enterprise Communities? Through a cooperative agreement with the Office of Policy Planning at USDA Rural Development, the North Central Regional Center for Rural Development undertook an effort to measure the impact of the EZ/EC Initiative and to analyze the process of program implementation at the community level.

A key part of the NCRCRD study was to develop a monitoring methodology that can be used by citizens in the EZ/EC sites. This methodology uses quantitative data that are readily obtainable at the local level, as well as qualitative measures that require continual examination of the strategic plan for the site, looking at the various groups involved in the effort, the governance structure and other qualitative observations. Indicators with corresponding measures were developed for each of the four key principles of the initiative. The NCRCRD also developed measures that are relatively inexpensive for local people or outsiders to collect and that permit national comparisons and annual updates in EZ/EC progress toward outcome goals. Real time data rather than historic data are critical for this.

Measuring Outcome Principles

Out of an initial pool of 80 potential indicators, the NCRCRD chose four to measure the two outcome principles. The two indicators pertaining to economic opportunity are changes in local independent bank assets lending which track changes in local private financial capital for other income groups; and changes in participation rates in the National Free and Reduced School Lunch Program, which track changes in local poverty.



Sustainable community development indicators tap community capacity and local skills and knowledge. These indicators are: changes in graduation or dropout rates from junior high school and senior high school; and changes in total enrollment of those from the EZ/EC site at the nearest community college.

Measuring Process Principles

To monitor and evaluate their progress on the process principles, the NCRCRD examined the manner in which persons are selected for the governance structure, the balance of men and women, and the balance of census tract representatives and those representing organizational entities.

A key part of the NCRCRD study was to develop a monitoring methodology that can be used by citizens in the EZ/EC sites.

Findings and Discussion

With indicators and corresponding measures in place for each of the four key principles of the initiative, the NCRCRD study found that to a large degree EZ/ECs made progress toward their strategic visions or plans in their first three years and built on the four principles.

Economic

Opportunity Findings:

- Bank assets increased between 1994 and 1997 in 30 of the 32 EZ/ECs for which banking data were available on the community level (Arizona's banking system does not provide community-specific data). In



17 sites, bank assets grew at a rate greater than the state average. Benchmark activities to increase social infrastructure pay off in the form of increased bank assets. The interaction of individual

residents and organizational partners from the site on the governing board also leads to an increase in bank assets.

- Family loans increased in 29 of 32 EZ/ECs between 1994 and 1997. Family loans increased at a rate greater than the state average in 18 sites. When the governing board includes persons from places throughout the site, the rate of family loans increases.
- Commercial and industrial loans increased in 29 of 32 EZ/ECs between 1994 and 1997. These loans increased at a rate greater than the state average in 12 sites. Benchmark activities that link efforts to protect and promote the environment to efforts to increase manufacturing

resources lead to increases in industrial loans.

- Participation in free and reduced school lunch programs declined in six of the 33 EZ/ECs between 1994 and 1997. Participation declined at a rate greater than the state average in three sites.

Sustainable Community Development Findings:

- High school drop out rates decreased in nine of the 33 EZ/ECs between 1994 and 1997. Rates decreased at a rate greater than the state average in four sites.
- Community college enrollment for residents of the EZ/ECs increased in 10 of the 21 sites for which data was available between 1994 and 1997. Enrollment in community colleges did not exceed the state average in any EZ/EC.

Citizen Participation in Strategic Vision Findings:

- There was considerable variation in how the governance boards for the sites were chosen. When elections were held, local EZ/EC citizens were more likely to be elected to the board. When board members were appointed, they generally represented an organizational entity or group internal or external to the site. In 1997, local EZ/EC citizens comprised more than half of the directors of the governance board in 17 sites. Citizens from all zip codes within the census tract are represented on the governance board in 23 sites.
- Sites that had more active outreach strategies during the strategic visioning phase tended to have a higher percentage of citizens democratically elected to the governance board in 1997.

The NCRCRD study found that to a large degree EZ/ECs made progress toward their strategic visions or plans.

- Women comprised at least 41 percent of the directors on the governing board in 12 sites.

Community-based Partnerships Findings:

- Two-thirds of the EZ/EC communities maintained or increased the number and diversity of participating entities actively involved between 1994 and 1997. Partners may include community groups and neighborhood associations, health and service groups, clubs, environmental groups, religious organizations, private and nonprofit sectors, centers of learning, citizens, and local and state government.

Conclusion

Strategic policies to overcome pervasive, persistent poverty in rural areas through the empowerment of communities will take time. Yet after only three years, the Empowerment Zone/Enterprise Community Initiative shows demonstrative promise. The strategic visioning process has led to individual citizens and community-based partners working together to implement benchmark activities that produce clear, initial

effects on economic and social conditions.

The impact of citizen participation and community-based partnerships to develop and sustain communities, however, needs clarification. Early findings indicate that these two dynamic processes are frequently unrelated or appear to have worked at cross-purposes. In developing additional monitoring efforts, it will be important for the NCRCD to understand how lead entities, community-based partners and individual citizens work together over time to forge cooperative and collaborative efforts on behalf of all residents.

In addition, the importance of the historical, social and economic conditions of each EZ/EC cannot be overstated. Each site has an extremely important impact on the process principles of citizen participation and community-based partnerships, which impact the implementation of the strategic plan. During the middle years of the EZ/EC Initiative, it will be important to track the effects of the benchmark activities and investment strategies on the economic and social conditions that reduce persistent, pervasive poverty.

The strategic visioning process has led to individual citizens and community-based partners working together to implement benchmark activities that produce clear, initial effects on economic and social conditions.



North Central Regional Center for Rural Development

Iowa State University
108 Curtiss Hall
Ames, IA 50011-1050
(515) 294-8321, (515) 294-3180 fax
<http://www.ncrcrd.iastate.edu>