



California Association for
Micro Enterprise Opportunity

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CAMEO

Rural Initiative Action Plan

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Introduction

Throughout our history Americans have held a strong interest in the prosperity and sustainability of small towns and rural areas. Rural regions symbolize for most Americans values of family, community, self-reliance, self-sufficiency and independence. These rural values stand in contrast to trends that dismay many Americans: materialism, homogenized culture and social isolation.

CAMEO sees rural California as an important part of our culture, heritage, economy, values and natural environment. Rural California is home to our farms, mountains, forests, deserts, prairies, lakes and rivers. Rural areas have a leading role to play in the greening of our life styles and business practices; they are central to a local-first strategy; and they reflect an aspect of America that we want to preserve into the future.

Our President-Elect, Barack Obama, understands the importance of rural America and has developed a rural policy paper to identify and address the issues. He states: "Rural communities in America are at a critical point in history. For the past decade, rural America has not been well-served by federal policies, and if [we] continue these misguided policies, rural families will see their economic fortunes fall further behind those of other Americans."

Obama understands that rural is not synonymous with agribusiness, and that in fact, rural areas are economically diverse with less than 10% of rural employment arising from farming. He is committed to supporting entrepreneurship and spurring job growth by establishing a small business and MicroEnterprise initiative for rural America.¹

CAMEO concurs that rural California in general and rural MicroEnterprise in particular, needs specific focus. Here we lay out our commitment to rural MicroEnterprise development in California.

¹ The program will provide training and technical assistance for rural small business, and provide a 20 percent tax credit on up to \$50,000 of investment in small owner-operated businesses. This initiative will put the full support of the nation's economic policies behind rural entrepreneurship.

I. What is CAMEO?

CAMEO is a state-wide association committed to promoting economic opportunity and community well-being through California's MicroEnterprise² organizations. It acts as a force for economic growth and community well-being. It provides leadership to:

- Build awareness of the economic impacts of MicroEnterprise and community-based development
- Leverage resources, information and ideas
- Link members, stakeholders and funders in an inclusive and diverse network
- Measure results and accomplishments of the MicroEnterprise sector
- Advocate for MicroEnterprise-friendly policies

CAMEO is part of a nation-wide MicroEnterprise movement that seeks to expand business ownership to those left out of enterprise development efforts and whose fortunes are not furthered by traditional economic development strategies: women, people of color, low-income populations, single parents, people with disabilities and rural residents.

II. What is CAMEO's Rural Initiative?

Recognizing that its rural³ members face circumstances significantly different than those in urban areas, CAMEO began its Rural Initiative in 2008 to provide advocacy, resources and programs specifically geared to support and expand rural MicroEnterprise development.

The goal of the Rural Initiative is to place ME front and center in rural economic development – to make investment in local development the focus, rather than the afterthought in rural economic policies. CAMEO will identify rural ME issues; improve the linkages among rural members; provide programs and increase resources for rural programs; and to advocate for rural-friendly enterprise policies.

² A microenterprise is a business with five or fewer employees.

³ Rural refers to geographical areas outside metropolitan cities of over 50,000 people. Rural California makes up 92% of the landmass and 8% of the population

III. What is our vision for rural economic development and microenterprise?

Our vision is based on our fundamental conception of economic development: Enhancing the capacity of a community to undertake entrepreneurial activity in the face of an ever-changing economic environment.

Thus, economic development is about human capacity building and access to resources. We emphasize home-grown development, with entrepreneurship as a cornerstone.

What outcomes do we at CAMEO embrace? We seek to support a rural economy that:

- Fosters inclusive entrepreneurship
- Increases wealth opportunities for all
- Promotes economic justice
- Embraces diversity
- Emphasizes local ownership and local-first initiatives
- Facilitates place-based investment, and
- Encourages regional collaboration

In addition to our general economic development principles, four tenets⁴ of rural development guide CAMEO's rural initiative. These concepts form the foundation of our approach and help us make strategic and effective program choices that build to a coherent whole.

1. Innovation is the key to driving growth and prosperity in today's global economy. To compete regionally or nationally, both existing businesses and new entrepreneurs need to adopt practices in step with the 3.0 world.
2. Significant capital investment is needed to put innovation to use. Rural areas need capital to support innovators and invest in infrastructure, including education and telecommunications.
3. Development efforts must protect natural assets. Conserving an area's natural capital is significant for rural areas where "ecology of place" is the basis of the economy.
4. Development is a 'contact sport,' best pursued through dense networks of personal contacts. Networks create tangible economic benefits such as access to ideas, capital, markets, business practices, suppliers and workers. Networks link people businesses and institutions to regional and national opportunities.

⁴ Taken from "Four Tenets of Rural Economic Development," by Anita Brown-Graham and William Lambe.

IV. What are the obstacles and opportunities faced by CAMEO's rural members and their clients?

Rural California, while diverse, faces shared obstacles to achieving economic vitality:

1. Economies of scale. Rural MicroEnterprise organizations struggle to grow their client businesses large enough to produce jobs, family-supporting profit levels and sustainable economic growth.
2. Demographics and Geography. Low population size and density, low-income levels, long distances to markets: all this leads to weak markets and increased costs of doing business. It's hard to grow a business in rural California.
3. Diversity. Rural economies and their needs are extremely diverse, requiring nuanced and multi-faceted strategies and policies. Rural areas are challenged to speak in a unified voice and still get their regional needs met.
4. Limited funding opportunities. Rural areas are often invisible to many managers of community and economic development funding.
 - Local, state and federal agencies. Local and state rural public funding is scarce to nonexistent. When it comes to federal support, rural areas have few public program choices, yet because there are no alternatives, rural programs become dependent on a handful of federal sources.
 - Banks and corporations. Most banks and corporations only make charitable contributions in regions where they have operations, which is rarely in rural areas. Corporations do not see a market in rural business and are not motivated to expand their giving programs.
 - Private foundations. Few statewide foundations have rural programs and many expressly eliminate rural giving from their eligible activities.
5. Capacity Building. MicroEnterprise organizations have limited access to resources for organizational capacity building. The cost of accessing training is much higher for rural programs.
6. Isolation. MicroEntrepreneurs often lack of awareness of regional and global possibilities, due to isolation from markets and market trends. This can leave rural economies "behind the times" and unable to compete in more sophisticated, quickly-evolving market trends.
7. Third World Economies. Large tracts of federally-owned land can limit development opportunities and can keep rural economies trapped into non-added-value resource extraction. This "third-world" economic approach has led to a number of unfortunate outcomes: boom and bust cycles; ownership and development of local resources by large multi-national corporations; extraction of profits; "company town mentality;" underdevelopment of community entrepreneurial capacity; and so on.
8. Equity financing. Equity financing is difficult to obtain. Large capital providers are not present in rural America. Small amounts of equity must be developed through savings; keeping one's 'day job'; selling assets; and other hard-scrabble means.

9. A Small Voice in a Large State. California's rural areas, while vast (92% of California's land mass is rural), have a small voice in a large state with major, globally-significant metropolitan areas. Getting the rural voice heard in Sacramento, San Francisco or Los Angeles is challenging.

10. Establishing the legitimacy of MicroEnterprise. Even though the rural private sector consists largely of MicroEnterprises, many rural communities still invest most of their economic development resources in business attraction strategies or incentive packages to corporations. Investment in local business development is in short supply. We need programs, advocacy, data and branding efforts to establish MicroEnterprise as a foundational rural economic development strategy and get the field the resources it deserves.

At the same time, rural California has opportunities to capitalize on.

1. Natural Resource Assets. Rural areas are rich with natural resource endowments that offer many opportunities for enterprise and sector development. In addition, rural areas can undertake asset-mapping projects that identify hidden opportunities and strengths.
2. Regional Flavors. Rural economic development is particularly well-poised to implement a regional flavors strategy which is tied together across industry sectors and geographic boundaries. Flavor refers to the variety of home-grown attributes all contributing to a unique, authentic and coordinated economic development mosaic. It is an approach that emphasizes and promotes an area's organic identity.
3. Changing Demographics. There are various demographic trends in rural California. In some areas there are increasing minority inflows, in others increasing retiree populations. All the trends offer business opportunities.
4. Increased Broadband access. The internet offers a new world of connection, markets and ideas to rural entrepreneurs. Expanding broadband access in rural areas, as well as assisting entrepreneurs in taking full advantage of this opportunity could change rural economies considerably.
5. Place-based investment. Much of the structure of local and national finance does not serve rural areas. There are mechanisms – both debt and equity – that could be developed to generate the capital needed for rural enterprise development.

V. What are some solutions to these issues?

Over the past year CAMEO has made it a priority to reach out to its rural membership through regional meetings, state-wide conferences and surveys. It has created its Rural Initiative and hired a rural MicroEnterprise consultant. In addition, CAMEO has participated in national rural microenterprise meetings, "local first" initiatives and industry sector strategies to broaden its reach and stay abreast of new rural developments.

Through research and member input, CAMEO has identified the following solutions – all in keeping with our foundational economic development philosophy - to some of the barriers faced by rural MicroEnterprise efforts.

1. *Increased funding.* Rural MicroEnterprise programs need additional resources from public and private sources. They could also use assistance in developing “meta-businesses:” projects that generate revenue to support member organizations.
2. *Organizational Capacity Building.* Rural members need easy access to state-of-the-art training and management capacity building resources. The time and cost involved in traveling to metropolitan areas for training can be prohibitive.
3. *New Program Strategies.* It is time for MicroEnterprise to move into new arenas of economic development strategies. Local First projects such as BALLE, sector development, Energizing Entrepreneurs, meta-businesses: all these are broader economic development projects in which expand the power and reach of MicroEnterprise programs.
4. *Linking Members through technology.* Members could receive great support through strong, pertinent and practical business networks. Resources, best practices and innovations could be quickly shared through the proper IT solution.
5. *Creating regional networks for ME organizations and clients.* Many of the leading MicroEnterprise strategists⁵ call for regional approaches to rural development. Only through regional cooperation across multiple jurisdictions can there be sufficient scale, resources and expertise for successful rural entrepreneurship.
6. *Establishing our Brand and Increased Advocacy.* Members identified the need for a lead ME association to create a unified voice/brand for ME in general and rural ME in particular; to create economies of scale for members; to reduce cost to compete for funding; to work with foundations and government agencies on the front end to increase funds for rural programs.
7. *Data collection to make our case.* The MicroEnterprise movement continues to need to make the case for its efficacy vis-à-vis other economic development strategies. Strong data collection, with common indicators of success used across all programs, is required give MicroEnterprise the position it deserves in the vast arena of economic development.
8. *Resolving CDBG regulatory constraints.* A vital resource for rural MicroEnterprise programs is CDBG funding. Rural members, largely located in untitled areas, cannot access these federal funds directly; they must go through the CA State Department of Housing and Community Development. HCD-developed protocols have become onerous, making these critical funds challenging to use. CDBG guidelines need to support MicroEnterprise with relative ease and reason.

⁵ For examples, see AEO's “Microenterprise in Rural America,” CFED's “Mapping Rural Entrepreneurship,” AEO's “Regional Flavor,” and Michael Shuman's work.

VI. What is CAMEO's rural plan for the next two years?

Technology Deliverables

Task	Funding Source	Timing	Lead
Develop Rural Technology Plan outlining options on <ul style="list-style-type: none"> ◆ Social networking ◆ Database development ◆ Remote training ◆ Remote tech support ◆ Meta-businesses for members and CAMEO 	CAL Emerging Technology CAL Consumer Protection Fund USDA: RBAG	2009	Claudia on fundraising. Susan on implementation.
Deliver Micro Mentor Training	AT&T Grant	Feb - March 2009	Susan
Webinare on Social Networking	AT&T Grant	Feb – March 2009	Susan
Develop Social Media Strategies	Emerging Tech	2009	
CAMEO MicroEnterprise Database & Data collection project	Emerging Tech	Winter 2009	Claudia
Design Pilot Access to Markets Project	?	2010	Susan

CDBG Deliverables

Task	Funding Source	Timing	Lead
Survey members on HCD issues & recommendations		Winter 2009	Claudia & Susan
Write report on recommendations		Spring 2009	Susan
Meet with HCD Head and with key legislators ⁶		Spring 2009	Claudia
Incorporate into policy agenda recommendations for HCD change		Spring 2009	Susan
Write press release based on report		Summer 2009	Susan

⁶ Lynn Jacobs, Westlake, Karen Bask, Juan Arambulas

Increased Funding for MicroEnterprise Deliverables

Task	Funding Source	Timing	Lead
Get fair share of Farm Bill Funds advocacy	CAMEO	Spring 2009	Claudia
Hold forum for foundations on importance of rural ⁷	California Endowment	Fall 2009	Susan
Build a bank initiative ⁸	Bank of America	Start Planning Spring 2009	Claudia
Develop new partnerships: Center for Rural Affairs, CDFI Coalition, AEO, etc.	CAMEO	2009	Claudia
Help turn client regional networking into a revenue-generating project	CAMEO	2010	Susan

New Program Strategies

Task	Funding Source	Timing	Lead
Hold meeting with BALLE to develop collaboration plan		Spring 2009	Claudia
Develop plan with Kathy Moxon on building sector program for rural CA		Spring 2009	Susan
Build an access to markets division of CAMEO ⁹		All of 2009 Into 2010	Susan
Continue to identify new strategic program partners		2009	Claudia

⁷ .California Endowment Foundation could help convene the forum. Build a foundation initiative to support rural MicroEnterprise Development similar to what the Irvine Foundation did under their Women's Economic Development Initiative--multi year, core support and peer exchanges.

⁸ This initiative would seek to develop new core support for rural microenterprise organizations. Make sure that banks value low income as much as they might an ethnic group or a gender. General structure would be \$50,000 for three years that goes towards improving members' ability to reach people who may be above the CDBG limit (80% of area median income) and are growing businesses. Project would develop new intermediate growth services and new ways of service delivery. BoA funding. Job creation.

⁹ Build an access to markets division of CAMEO that is developing new markets for rural microentrepreneurs either through new sourcing opportunities or new markets entirely or new technologies. Mentorship would be helpful here too in certain industries (beyond micro mentor). Bank initiative and foundation

Data Collection

Task	Funding Source	Timing	Lead
Work with/fundraise with Michael Shuman on data collection for MicroEnterprise in CA		2009	Susan
Work with members on uniform data collection process and reporting		2009	Susan

MicroEnterprise Branding

Task	Funding Source	Timing	Lead
Conduct a "3.0 World" training session		Summer 2009	Susan
Create message, language and look for ME brand		Spring 2009	Claudia
Continue work on raising the profile of micro at all levels: national, regional, local		All 2009 – 2010	Claudia & Members

Appendix A: Top Priorities Identified at CAMEO's October 2008 Conference

Priority #1: Increase the pie, i.e. the amount of funding available for microenterprise in rural California.

Priority #2: Create economies of scale and reduce members' cost to compete by acting as a front door or funnel for our work. (This is about increasing the visibility and importance of ME generally and rural ME in particular. It also is about CAMEO acting as a leader in creating state and foundation programs at the front end.)

Priority #2: Create an online network for CAMEO members to dialog with each other easily online for support, ideas, problem solving, etc.

Priority #3: Advocate for ME loan funds that are low-cost (1-2%), affordable and at a fixed rate.

Priority #4: Create CA State e² program. Hire Karen Dabson to train people in our state to institute and sustain local implementation of the program.

Priority #4: Unify our ME language, messaging and spelling into one voice.

Priority #5: Establish a "Train the Trainer" program on helping entrepreneurs move into "innovative", "transformational" and "3.0 world" business development strategies. (This is based on Dan Beam's presentation on world trends and on Karen Dabson's presentation on getting rural business owners to move into transformational business strategies. The implication is that this is a different type of training than most of the ME programs are now providing, and members wanted capacity building help for their staffs provide this training. A common comment after these two presentations was: "How do I train a business owner to be transformational and attune to the trends in a 3.0 world?")

Networks (The entire category was rated a **Priority #5)**

Create regional networks for rural communities to expand and meet market needs. This could be business to business networks, a supplier database, create new markets, etc. Could we use AEO clusters or RUPRI to help with this?

Research "Flexible Network Successes." Rural members need help developing skills in this area.

Collect lists of existing databases and link them together to help link rural businesses.

Act as a broker to create links between member clients.

Link ME organizations' clients to create sufficient scale for on-line catalog sales.

- Priority #6:** Determine what should be the leading indicators for measuring ME success. Help all CA ME programs collect data in the same way. Have CAMEO act as the leader on collecting and broadcasting results in ME trends.
- Priority #6:** Have CAMEO be a thought-leader for ME in rural areas, throughout the state and nationally.
- Priority #7:** Build CAMEO's capacity & funding to serve the ME network as its unified voice. (The goal would be to increase the scale and clout of ME to compete better for funding and attention from funders and policy makers.)
- Priority #7:** Have CAMEO act as an agent for more micro-loan funds.
- Priority #7:** Have CAMEO take a role to help redistribute grant funds to rural areas. (In other words, work with both public and private funders to make the case for greater emphasis on rural ME support. The group felt there is a bias in giving toward urban areas.)
- Priority #7:** Help members reach remote clients via technology, webinars, etc.