

Lessons in Rural Revitalization: Learning from Scotland and Southern Kentucky

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One of the major purposes of the 'Reversing the Tide conference' (Prince George, October 6-8, 2008) was to explore issues of economic revitalization and social and environmental sustainability in rural areas. This is particularly timely for some communities in the BC Interior who face economic challenges in the wake of the pine beetle outbreak.

Over 170 people from across BC came together to listen to and learn from speakers from Scotland, Australia, the United States and Canada. These resource people represented regions and communities that have faced similar economic, social, and environmental challenges, and have achieved some level of success in achieving major regional and rural economic revitalization. Two of the most exciting examples involved organizations in Scotland and southern Kentucky. The work and accomplishments of these two organizations provide important lessons for those of us interested in furthering rural development in Canada.

In Scotland, Highlands and Islands Enterprise (HIE) is one of the oldest regional development agencies in Europe. HIE was created in 1965 by the government of Scotland as a regional development agency to lead economic renewal in an area that had seen several decades of significant economic and population decline. Although the Highlands and Islands region of Scotland covers 51 per cent of Scotland's land mass, with a population of only 441,000 (2006) it is one of the most sparsely populated parts of the European Union.

Using significant human and financial resources – HIE currently has approximately 350 staff and an annual budget of \$175 million (Canadian \$) – the agency has achieved impressive success. Much of this success can be attributed to the holistic rural development approach used by HIE. Key elements of the HIE strategy include simultaneous support for initiatives at both the regional and the community scale as well as a focus on strategic theme areas of:

- * community capacity building;
- * improving regional and community infrastructure;
- * business development and;
- * investment of significant levels of public funds in economic development initiatives.

Following more than a century of decline, the region's population and economy are now growing. Indeed, in 2007 the unemployment rate for the Highlands and Islands region was lower than the national rate for Scotland.

At about the same time that HIE was formed in Scotland, the basis of what would later become the Kentucky Highlands Investment Corporation (KHIC) was created in southern Kentucky. In the late 1960s, southern Kentucky's economy was in dire straights. All major sectors, including mining, agriculture, textiles and wood products industries were in severe decline. The poverty rate in southern Kentucky at the time was one of the highest in the USA. As a result, in 1968 six Kentucky community action agencies collaborated to apply to the US Federal Government to become a Title VII Community Development Corporation. Their submission was approved and under the name Job Start Corporation the foundation of KHIC was built.

With core funding from the US Federal Government, Job Start engaged in anti-poverty and housing programs, community development, educational training for community organizations, and the development of industrial parks. In 1980, as a result of changes to the organization's base funding, KHIC revamped its mandate and began to focus its efforts on its current strategy: working closely with individual entrepreneurs to develop and expand their businesses. KHIC does this by providing technical assistance and higher risk venture capital funding to

entrepreneurs in the region. Twenty-eight years later KHIC is now recognized as one of the leading community development venture capital corporations in the USA. Through its various venture capital funds and other programs KHIC has invested over \$165 million in 500 businesses. These businesses have created over 10,000 jobs in the region, with a combined payroll and tax benefit to the region approaching \$2 billion dollars.

What can we in BC's Interior learn from the experiences of HIE and KHIC? Although HIE and KHIC operate in different countries, the challenges facing their respective areas are very similar to the challenges facing some communities in the Interior of BC. The Scottish and Kentucky presenters drew on their organizations' forty years of experience and success to highlight several important conclusions:

1. In some rural areas it needs to be acknowledged that there is a "failure of the market system" in terms of leading economic growth and diversification. Many rural areas have experienced decades of depopulation and economic decline. Without strategic, non-market intervention to correct this trend, the trajectory of economic decline would have likely continued.
2. The existence of regional rural development corporations like HIE and KHIC were critical to leading economic revitalization and business development in their respective regions. Both of these organizations continue to play a crucial role in encouraging and leveraging private sector investment into their rural areas.
3. It is important to act at all scales of economic development from very small to very large projects, in order to truly transform struggling rural economies.
4. Low levels of economic activity and business development in chronically poor and economically under-performing areas are not due to a lack of economic or business opportunities in these regions per se – but rather a lack of entrepreneurs, business development support and financing that allow these opportunities to be identified and acted upon.
5. A holistic approach that integrates community, social, cultural, business, workforce, and economic sectoral development at both the regional and community scale is important. Such an approach recognizes and builds on the strengths of both place-based development and regional competitive and comparative advantage.

The Real Estate Foundation of BC, through the Communities in Transition program, was one of the funding agencies for the conference. More information about HIE, KHIC, and other organizations profiled at the Reversing the Tide conference, as well as conference proceedings, is available below.

About the author:

Gordon Borgstrom has over 25 years of experience working in community economic and rural development and was one of the key organizers of the Reversing the Tide conference.