The state of community development foundations in South Carolina and its implications for rural development

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The issue of inadequate funding opportunities for community development foundations and non-profits that serve the needs of rural and poor communities in the US is a concern that is very well documented. In rural South Carolina, poverty, the lack of opportunity, and limited income or financial resources to work with have been identified as major causes for population losses from the rural areas to urban and metropolitan areas. This paper reviews information on the situation to show that development agencies and non-profits especially in rural South Carolina do not have access to enough community development foundations and financial resource (relative to the neighboring states of Georgia and North Carolina) for infrastructure and human capital development. As far as South Carolina is concerned, the foundations available are seen to be predominantly urban focused. To this end, state governments and regional level development agencies and practitioners all have a role to play. They can embark on comprehensive development planning where the interests of rural communities are given due consideration as a way to address the challenges that community development foundations face with accessing financial resources.

Key words: Community development foundations, faith-based organizations, rural development.

INTRODUCTION

Studies and the literature on rural policy and development strategies suggest that there are not enough funding opportunities for community development foundations and non-profits that serve the needs of rural and poor communities in the US (Richardson and London, 2007). Where they exist too, the foundations tend to serve the interests of the urban and metropolitan residents to the detriment of rural and non-metro residents where most help is needed to develop infrastructure, human and material capital to open up the economies for economic growth and development (Newstead and Wu, 2009). The Rural Policy Research Institute (RUPRI) and also the center for Economic Development (cFED) have contended that rural communities or nonmetro areas continue to lag behind their urban or metropolitan communities in population growth, employment rates and per capita income in the United States (RUPRI, 2008; cFED, 2008).

Reasons for the prevalence of the afore-described trends in rural and poor communities include: high dependence on traditional manufacturing, low educational levels when economic development now require highly skilled workforce (NCCED, 1998), limited access to information technology (Gulati, 2008) and the lack of financial opportunities to help rural communities develop infrastructure, human and material resources needed to open up these places for investment and development (Center for the Study of Rural America, 2000; Christenson and Flora, 1991; Liou and Stroh, 1998; Southern Rural Development Center, 2003).

In rural South Carolina, poverty, the lack of opportunity, and the limited income or financial resources to work with have been identified as major causes for population losses from the rural areas to urban and metropolitan areas (cFED, 2008; RUPRI, 2008). Counties in the state that face severe development pressures include Dillon, Lee, Marion, Marlboro and Williamsburg Counties.
of programs needed to make rural communities competitive. These reports specifically emphasize as a major policy and development concern, the fact that there are no community development-classified credit unions in rural South Carolina (cFED, 2008; RUPRI, 2008). In line with this, this paper rely on empirical evidence to show that development agencies and non-profits, especially in rural South Carolina, do not have access to enough community development foundations and financial resource (relative to the neighboring states of Georgia and North Carolina) for infrastructure and human capital development. Also, a discussion of the consequences that such a situation presents for statewide economic development efforts is provided.

The paper is organized as follows: first, it provides a background to the evolution of community development in the United States, and community development as a concept. Consideration is given to what the literature says about the role of community development foundations (CDFs), non-profits and faith-based agencies that are engaged in efforts to improve and revitalize neighborhood and communities.

The role that the federal government, corporate and other grantmaking organizations play in community development is also considered. The paper rely on literature and field research by community development practitioners to put the purpose, scope and extent of community development activities in the U.S., especially in rural communities, in perspective. The data analyses and discussions share information on how South Carolina especially compares with her neighboring States of North Carolina and Georgia in terms of access to private and corporate financial resources for community development. Also, the federal government’s support for faith-based organizations in the three states and how that impacts rural communities in South Carolina are discussed. The concluding part identifies and discusses how the lack of adequate funding opportunities for community development foundations in rural South Carolina affects the overall economic development efforts of both rural and urban communities.

Community development

Community development as a concept is the process of undertaking deliberate and decisive programs and activities with the aim to bring about improvements in the ways of life of individuals living in a particular location (Tandoh-Offin, 2006). The aforementioned description of the concept is a variant of how different writers have defined and applied the term to suit their research interests (Bhattacharyya, 2004; Korten, 1980; Luloff and Swanson, 1990; Rotary International, 2000). Community Development activities according to Sullivan (1993)

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roles and the situations in which they meet each other within their localities. He argued that by engaging representation of diverse residents in the processes of decision-making in all the activities that are intended to result in some positive improvements of the community, residents not only feel counted, but also become responsible and accountable to such activities. To this end, community development also means an improvement of the community that is based on the differing purposes, methods, values, beliefs and goals of those who are involved. It also depends on the perspective from which a program of community development is undertaken (Denise and Harris, 1989).

Flowing directly from this debate, it is an important observation that the state or level of economic, sociocultural and political situation or development of a geographically defined area will, to an extent, contribute to determining the methods and purposes for designing and undertaking community development programs. For instance, communities experiencing massive outflow of their populations, especially those in the 18 to 45 years age bracket such as most rural communities in the U.S., will require different purposes and approaches to community development. Much the same way, where a community’s local economy is experiencing huge economic downturns or outflow of small and medium businesses, different techniques will be required to tackle different aspects of identified community issues (Bhattacharyya, 2004). Even the level of development of a particular community within a geographic region such as South Carolina relative to North Carolina and Georgia may be a determining factor for the types and approaches to community development programming.

The importance of place in community development manifests in the part it plays in highlighting the linkages between solidarity and agency (Luloff and Swanson, 1995). Solidarity as an important element for the existence of groups and communities tends to generate interdependencies among individuals and group members in their pursuit of common interests. Moreover, no matter the basis for including groups or their members, the importance of locality or place is still relevant in discussions of community social interaction and hence enhances participation in community development activities (Tandoh-Offin, 2006). After all, the essence of development is in many ways to promote group or communal action to make improvements to the people’s present ways of life. The developments associated with a community’s ability to invoke groups and communal support for action all takes place in space (Wilkinson, 1972). As a result, the contribution of place to the occurrence of community agency is not a small contribution to community development. It is therefore imperative that whenever we think of community development, the purpose ought to include the promotion of solidarity and agency (Luloff and Swanson, 1995).

A key objective for undertaking any form of community development program from any background or discipline is to bring about changes or improvement in the quality of life for residents of particular jurisdictions. The simple reason according to Wilkinson (1972), for example, is that the desire to achieve some improvements in people’s present state of being, contributes to increasing and deepening the relationships and bonding that develop among various actors and beneficiaries within a locality; and these are building blocks for common action by community groups and individuals based on Bhattacharyya’s (2004) interpretation of how felt needs give rise to self-help, and which, to the author, generates communal action from both leaders and residents. Korten (1980) advanced this argument further, that the success of community development activities depends on how such activities are expected to be utilized by and beneficial to the people for whom they are intended. This can only be possible, in its true sense, when the people whose lives, any of such socio-economic transformations are intended to change, become key players in major aspects of the decision-making processes (Bhattacharyya, 2004).

Community development corporations or foundations (CDCs or CDFs)

The term community development foundations (CDFs) according to Pugh, are generally created by citizens and citizen groups who offer themselves and work to improve the physical, economic and social constraints that confront their neighborhoods (Pugh, 2003; Tandoh-Offin, 2006). CDFs therefore are non-profit, community-based institutions because they are managed by boards composed of local citizens of the serving communities. Additionally, public and private (charitable) donations constitute the main support and funding sources for the activities of CDFs. So, CDFs serve as an intermediary institution that links charitable institutions and governments to communities through the delivery of social services and economic development programs (Gruber and Hungerman, 2005).

The idea of using CDFs to address social and economic issues in our neighborhoods and rural communities became part of public policy in the United States in the 1960s. Prior to the 1960s, faith-based groups dominated and provided direct social services to neighborhoods and rural communities. It has been argued that the Christian church through their “social gospel” movements addressed many social problems directly with churchgoer contributions since the late nineteenth century (Cnaan et al., 1999). Gruber and Hungerman (2005) have...
contended that the church contributed to job training and employment creation, social advocacy and also partnered with public institutions to deliver various social services in the United States. Over time, socioeconomic evolutions have generated new social demands that require comprehensive public policymaking, thereby leading to increased government involvement in direct social services provision. That is not to say that the role of faith-based groups in social service provision has totally been taken over or absorbed by the growth of governments. Since the 1960s, various support programs have been created by governments (federal, state and local) as well as private and corporate institutions to make social service programs available to different communities. Federal government’s support has been through direct funding for social programs, faith-based organizations, and also through various legislations such as the Empowerment Zones and Enterprise Communities (EZEC Legislation) in 1993 (USDA, Rural development, 2006). The United States Department of Agriculture (USDA) through its ‘rural development’ programs has undertaken numerous community revitalizations projects either through, or in, partnership with several community development agencies operating in different neighborhoods and rural communities. Thus, communities initiating various programs to revive their neighborhoods over the years have utilized both public and private funding sources to finance their recovery programs (Andreoni, 1989; Gruber and Hungerman, 2005). Private funding sources for such redevelopment programs include corporate, charitable and faith-based institutions. In the case of the corporate financial institutions, there are federal regulations that entreat them to make resources and their technical services available for the CDFs in the areas where they operate to be utilized for the betterment of those areas and their peoples (Community Reinvestment Act of 1977).

Funding sources for CDFs

Community development foundations (CDFs) utilize both public and private funding sources to finance their revitalization programs (Andreoni, 1989; Gruber and Hungerman, 2005). The private funding sources for CDFs include corporate, charitable and faith-based institutions. In the case of the corporate financial institutions, there are federal regulations that entreat them to make resources and their services available for the CDFs in the areas where they operate to be utilized for the betterment of those areas (Community Reinvestment Act of 1977). Apart from the mandatory requirements, corporate institutions, such as agencies and independent administrative departments have utilized CDFs as linkages to carryout some of their social responsibilities through foundations and grant awards. For instance, various private and public institutions such as the Institute for Community Economics (ICE), the Enterprise Foundation, the Community Assistance Fund (CAF) and the National Congress for Community Economic Development (NCCED, 1998) have provided the resources for creating and sustaining CDCs in different communities. These institutions support CDFs to implement programs that address community-specific issues. According to Liou and Stroh, the ICE in 1997 set up a revolving loan fund to provide seed capital for CDFs interested in developing land trusts in their communities, for instance, to tap into and advance their projects (Liou and Stroh, 1998).

Governments (federal, state and local), agencies and departments have directly and indirectly served as the public sources of funding for CDFs. The positive externalities that are associated with government support for CDFs cannot be underestimated. Governments’ support for non-profit CDFs may be derived from the unique characteristics of CDFs that make them suitable as channels for various social programs. One of such unique characteristics of non-profits is their credibility (Vidal and Gittell, 1997). As locally owned and operated institutions, CDFs’ effort according to (NCCED, 1998) tends to focus on their immediate communities. They are able to efficiently apply resources to achieve results in a much faster rate than even government agencies because of the absence of bureaucratic bottlenecks in the way non-profits operate (NCCED, 1998). Similarly, since CDFs are area-specific, each neighborhood CDF addresses issues that apply only to the members of their communities (Liou and Stroh, 1998). That is not to argue that similarities do not exist among different CDFs. What this position implies is that different CDFs are more likely to have commonalities in their objectives than in the problems they help to address in the different communities and neighborhoods.

Additionally, by their make up, CDFs enhance issue identification and hence are able to afford general understanding of common neighborhood problems among group members. The aforementioned characteristics of CDFs makes it easy for members to collectively work together to provide solutions to their problems. An outside institution such as the federal or state government may not provide appropriate solutions that best address community-specific issues because such outside institutions are only able to provide general solutions. Liou and Stroh (1998) have stated that the approach adopted by the federal government to deal with social and economic imbalances in communities take one of two policy options, ignoring the problem through non-decision and aggressive government support programs. Even where governments have taken some form of action, the authors argue that such decisions are best
carried out through intermediaries, and in this case, the non-profit community organizations, CDFs, is what comes to mind (Liou and Stroh, 1998).

In the end, it would be essentially vital to put the discussions about the state of community development foundations situation in rural communities especially that in South Carolina in perspective. That is, the used data and information depicts the situation more clearly and how contrasting the urban or metro communities are from their rural counterparts when it comes to access to financial resources for revitalization and improvement programs.

### DATA ANALYSES AND DISCUSSION

Information and data on the number of foundations available in South Carolina (compared to North Carolina and Georgia) that provide support to agencies and communities for the development of communities were used. These foundations are looked at in terms of the funding size, their numbers and variety and how South Carolina compares with her neighboring States of Georgia and North Carolina in those variables.

A scan through information on the State government website and relevant literature and data sources showed that federal and state governments constitute the major sources of funding for infrastructure and human capital development in communities in South Carolina (South Carolina Rural Development Council, 2008). It needs to be mentioned that South Carolina is not alone as far as dependence on state or federal government funding sources for major redevelopment programs are concerned. However, unlike other states like New York and Massachusetts in the Northeast or Colorado and Wisconsin in the Mid-West, where private foundations play major roles in rural development, rural communities in South Carolina especially tend to depend mostly on their state and federally-run rural development programs such as the Community Development Block Grant (CDBG) for the development of infrastructure redevelopment.

Much as these funds are inadequate, they are also spread among a number of projects and programs in several struggling communities in these states. For instance, the state government of South Carolina reported in August 2007 that about $11.6 million from the CDBG had so far been spent on various development programs in 13 communities across the state and was intended to benefit about 9000 residents in the state. A report by the Center for Economic development (cFED) on South Carolina’s ratings on assets and opportunities for 2007 to 2008 showed that there are huge inequities in the educational attainment and school funding mostly in the rural communities of the state. Additionally, there is uneven distribution of opportunities across the state, and as such, the rural and local communities tend to be the hardest hit areas (cFED, 2008).

Putting the poverty situation in South Carolina in perspective, continued dependence on federal or state government sources alone may not be enough to bring the relief families and communities need to lift them from poverty, create opportunities for economic growth and development of these communities. That is not to say that the state does not have its fair share of private corporate foundations. The issue is that most of the foundations available in South Carolina are located in the urban areas like Charleston, Greenville and Columbia,

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<tr>
<th>Corporation name</th>
<th>City of headquarters</th>
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<tr>
<td>Denny’s Corporation</td>
<td>Spartanburg</td>
<td>Urban</td>
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<td>Leigh Fibers, Inc.</td>
<td>Spartanburg</td>
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<tr>
<td>Milliken and Company Inc.</td>
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<tr>
<td>Blackbald, Inc.</td>
<td>Charleston</td>
<td>Urban</td>
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<tr>
<td>The Post and Courier</td>
<td>Charleston</td>
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<tr>
<td>Colonial Life and Accident Insurance Co.</td>
<td>Columbia</td>
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<td>SCANA Corporation</td>
<td>Columbia</td>
<td>Urban</td>
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<td>BI-LO, LLC.</td>
<td>Greenville</td>
<td>Urban</td>
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<td>The South Financial Group, Inc.</td>
<td>Greenville</td>
<td>Urban</td>
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<td>Hamrick Mills</td>
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<td>Muzak Holdings, LLC</td>
<td>Fort Mill</td>
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<td>Sonoco Products Company</td>
<td>Hartsville</td>
<td>Rural</td>
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<td>South Carolina Public Service Authority</td>
<td>Moncks Corner</td>
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The Grantsmanship Center, 2008.
and tend to serve the needs of these urban communities while neglecting the rural areas where much help is desired. Part of the reasons for this situation is the fact that the rural communities tend to lack the leadership to competitively bid for and present their case or the tools and resources to raise the matching funds that are required by funding agencies in most cases. Table 1 shows how the 13 top corporate giving programs in South Carolina are distributed within the state. The three upstate cities of Spartanburg, Greenville and Gaffney alone have access to about 50% of the top corporate foundations in South Carolina. Additionally, the urban places and their decision-makers are able to take advantage of these foundations because they are able to put forth compelling grant proposals. Also, most of the grant-making organizations are located in these urban places and are able to tailor their fundraising message to their urban audiences who are the beneficiaries of the programs that are supported by the foundations.

Considerations of the range of programs that are usually supported by majority of the available foundations show that the entertainment and arts sector dominate in most urban communities. It is not surprising when one looks at where most of these foundations are located. However, there are quite a sizable number that focus on general rural development that could be tapped by decision-makers in rural communities to support the ever-dwindling public sources of funding for community and economic development in rural and local communities in South Carolina.

Information on the numbers, variety and the size of funding provided by the foundations available in South Carolina, and how South Carolina compares with her neighboring states of Georgia and North Carolina were also provided. The purpose of the analyses is to show where and how South Carolina is doing in the region. The analyses showed that South Carolina, as well as her neighboring states, lags behind in the number of foundations, corporate giving institutions and the quantum of funding provided (Figure 1).

It could be seen from the numbers for both the community foundations and corporate giving in Figure 1 that South Carolina had the lowest numbers. In the case of community foundations, North Carolina had 110% more foundations than South Carolina. Similarly, Georgia also had 20% more community foundations than South Carolina.

In terms of “corporate giving” which is the number of corporate institutions that provide funds for various places and their decision-makers are able to take advantage of these foundations because they are able to put forth compelling grant proposals. Also, most of the grant-making organizations are located in these urban places and are able to tailor their fundraising message to their urban audiences who are the beneficiaries of the programs that are supported by the foundations.

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Figure 1. Comparison of SC with GA and NC in the number of ‘corporate foundations’ and ‘corporate giving’. The Grantsmanship Center, 2008.

Table 2. Comparing the volume of CDFs for the three states in 2007.

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<th>Lowest ($)</th>
<th>Highest ($)</th>
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<tr>
<td>South Carolina</td>
<td>850.00</td>
<td>7.001 million</td>
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<tr>
<td>Georgia</td>
<td>2.375 million</td>
<td>100 million</td>
</tr>
<tr>
<td>North Carolina</td>
<td>1.33 million</td>
<td>144.8 million</td>
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The Grantsmanship Center, 2008.
economic development programs to states, North Carolina had almost three times (138%) the number for South Carolina, while Georgia had almost four times (292%) the number for South Carolina. It is not surprising therefore to find that the total annual giving by the top giving foundations and corporate givers in South Carolina ranging between $850.00 and $7.0 million in 2007 was far lower than those of North Carolina which was between $1.33 and $145 million (The Grantsmanship Center, 2008). Table 2 shows how the three states are compared in terms of their lowest and highest amount of corporate giving to foundations for community development and revitalization programs.

Meanwhile, the Roundtable on Religion and Social Welfare Policy at the Rockefeller Institute of Government of the State University of New York (SUNY) also collects and organizes information on federal funding and federal awards to faith-based organizations (FBOs). The FBOs function as intermediaries and community development corporations in different States. The data from the Rockefeller Institute at SUNY showed that in 2004, South Carolina was the only state (among the three southern states considered in this paper) that received federal funding and federal awards that were lower than the national averages. Figure 2 provides graphical representation of how the states are compared to the US national average for 2004 on both federal awards and funding to FBOs in SC, NC and GA. In terms of federal awards to State FBOs, it is important to note that though all three states recorded awards that were lower than the national average in 2004, South Carolina lagged behind the national average by about fifty percent (49% to be precise). Meanwhile, in terms of federal funding in states that went to FBOs, only South Carolina had funding that was lower (137% lower) than the national average for 2004 (Rockefeller Institute, SUNY). The disparities in the ability of the state as a whole to attract funding from both public and private foundations make it all the more difficult for rural communities within the state to compete with their urban counterparts for the available resources for development. It therefore becomes pertinent for some effort to be directed at creating foundations in the state by harnessing the resources available in the state through corporate institutions and also as part of the overall public management strategies.

The already precarious situation in which rural communities in South Carolina and similar other communities in other states find themselves is made worse by the need to show ability to provide “matching funds” required by foundations and funding agencies. The idea of requesting communities seeking funding for development investment to show that they have something to offer to make the program succeed is not a bad one per se. This is because it could be a way to assess the commitment level toward any such proposed programs from the asking community. However, the matching funds requirement has turned out to be a major barrier that most communities find difficult to overcome.

**DISCUSSION AND CONCLUSIONS**

The problem of lack of foundations in rural communities in the U.S. (including rural South Carolina) may seem at first to be a problem that affects only rural community residents. For instance, in the period between 1994 and 2001, the yearly federal government spending on urban

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**Figure 2.** A comparison of SC, GA and NC to the national averages on federal funding and federal awards to state FBOs. The Grantsmanship Center.
communities was two to five times more, per capita than for rural community development, and one third as much on community resources in rural areas\(^1\). Similarly, the federal government's per capita spending on community resources in 2001 was $286 per person and was less in nonmetro or rural areas than in urban America, where a total of $14.1 billion community capacity disadvantage was seen to work against rural areas\(^2\). These rural community capacity challenges in federal funding are especially compounded by an equally uneven commitment from corporate and foundation grantmakers to rural community and economic development by CDFs. The National Committee for Responsive Philanthropy in a May 2004 report on philanthropic giving stated that out of the $30 billion distributed annually by foundations in the U.S., only $100.5 million was allocated to rural development efforts; and of the over 65,000 active grantmaking foundations in the nation, only 184 engaged in rural development grantmaking\(^3\). These dynamics further exacerbates the already pervasive conditions of rural communities and their CDFs and organizations that are brought into competition with more resources than their urban and metro counterparts in an environment that play to the advantage of the latter group (RUPRI, 2007).

Nevertheless, when one considers the impacts that the afore-described situation generates for urban residents as well, it becomes clearer that it is a statewide problem that must be dealt with by both urban and rural residents alike (Newstead and Wu, 2009). Urban residents will benefit from the development of rural communities as it could prevent the influx of populations from rural areas into the urban areas to put pressure on the resources and amenities available in the cities (Richardson and London, 2007). What is more, it is difficult now to delineate rural territories from urban or metro areas. The fact is that, according to the U.S. census bureau, as of December 2005, over half of all rural people reside in metro counties. Moreover, over 40 million metropolitan residents reside outside large urbanized areas. As a result, it is pointless for urban or metro communities to seem to be in competition with rural communities for foundation or community development finance since in the end, what may be considered a rural problem today, could as well become an urban challenge in the near future.

Other reasons that have been advanced for the lack of foundations or their limited use in rural communities especially in South Carolina as funding sources for community and economic development programs include limited information about these foundations and where they are located. As far as South Carolina is concerned, the foundations available are seen to be predominantly urban focused as seen from Table 1. Additionally, political leaders in rural communities where various impediments make it difficult to either have access to foundations or not meet foundation requirements to look at other ways of funding development programs by creating development cooperative alliances with other similar communities. One way to do this would involve the adoption of asset-based community development principles, where communities that are looking for ways to develop can first identify the resources available and harness those resources in beneficial ways to the entire community. Through these means, rural communities and their development decision-makers could be encouraged to take their destinies into their own hands to create development opportunities that suit their situation.

However, state governments and regional level development agencies and practitioners all have a role to play in embarking on comprehensive development planning approaches where the interests of rural communities within their jurisdictions are given due consideration. Areas of focus in this regard could include fostering urban-rural interaction around policy decision points where there seem to be a convergence in the interests of the two constituencies. Additionally, regional development agents can take it upon themselves to engage in the development of rural community institutional capacity to put them in a position to be able to source outside grants, develop redevelopment programs and understand the workings of regional collaboration.

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