The Opportunity: Inclusive Rural Development

Background
Rural America has become increasingly racially and ethnically diverse in recent years, driven primarily by large increases in the Hispanic population. In many rural communities, increases in the Hispanic population either prevented or lessened an overall population decline. These Hispanic population gains have helped support local economies and represent a path forward to continuing rural prosperity. The story of racial and ethnic diversity in rural America did not start with the recent gains in Hispanic populations, however, but includes the long-running experiences of Native Americans, African Americans, Asians and others. Indeed, many rural areas have been racially or ethnically diverse since the nation’s founding or before. Unfortunately, it is also true that racially and ethnically diverse rural communities in the United States have not always been supported in achieving their full potential and, in fact, have often faced policies that actively undermined their access to economic opportunity. And yet, many efforts are underway across the country to support economic prosperity for people of color in rural America. Their successes point to important insights into how the increasing diversity of rural America can be a competitive advantage for our nation.

Examples of Local Efforts
In California, the Center at Sierra Health Foundation is building inclusive, healthy and sustainable rural economies through the San Joaquin Valley Impact Investment Fund (SJVIIF). The SJVIIF is doing this by helping scale mission-driven organizations—like Self-Help Federal Credit Union and Self-Help Enterprises—that are addressing both long-term, systemic barriers and emergency needs.

In South Dakota, Lakota Funds and Mazaska Owecaso Otipi Financial have tailored their services to the unique needs and opportunities of the Native communities they serve. Examples of their tailored approach include using nontraditional but more accurate loan underwriting criteria to assess risk and accepting a leasehold interest in land, rather than the land itself, as collateral.

In Mississippi, Hope Enterprise Corporation (HOPE) works with small towns that lack local staff or capacity for community and economic development. By providing training and lending its technical expertise, HOPE helps rural communities tackle high-priority projects, such as affordable housing, commercial development and redevelopment of cornerstone community facilities like health centers.

In Alaska, NeighborWorks Alaska’s Youth Homelessness Demonstration Project leadership development program trains formerly homeless youth from Alaska communities to connect with currently homeless youth, advocate for their needs, and influence programming and resource allocation decisions.

Keys to Success
- Design products and services for the specific needs and opportunities of the target community. Often, this is best achieved by community-based organizations led by people from those groups.
- Build the capacity of community-based organizations by helping develop systems and procedures for program delivery, by providing unrestricted net assets or long-term subordinated investments and by investing in human capital.
- Ensure traditionally marginalized groups have a seat at the decision-making table, not only to have their voices heard but to exercise decision-making power.
- Increase philanthropic support, including nonfederal funds, to leverage public dollars.

Sources: U.S. Census 1990 and 2019 population estimates.
For More Information


3 Hang, Kaying; Alvarado, Gil; Braff-Guajardo, Ellen; Richter, Lisa; and Cooksy, Leslie. “Investing in California’s San Joaquin Valley Communities.” Investing in Rural Prosperity, Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System, 2021, pp. 369-82.


6 Ibid., p. 467.


8 Ibid.


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