



Setting a Regional Agenda

ARC Strategic Plan: 2003-2004

Preface

ARC exists for the people of Appalachia. Its programs are broad and flexible to meet their diverse needs and to help bring them into the mainstream of American life. ARC's partnership structure positions the Commission to uniquely understand the Region and to combine resources to support economic and social development.

Appalachian people and the region they call home contribute to the greatness of this country. Appalachian coal, gas, and timber help make America strong. Appalachian culture, art, and song enrich the texture of our nation and help make it whole.

The engines of progress are pushing some parts of the Region ahead, while continuing elements of isolation and neglect are keeping other parts from meeting the basic needs of their residents. Here hopes and dreams become limited, and the strong Appalachian will for independence is threatened.

There will be no single solution to the enduring problems of Appalachia, largely because of its diversity. Appalachia is diverse in its economic activities, ethnic populations, religious persuasions, and community backgrounds. No single, universal image is appropriate, and no single, one-size-fits-all solution will work for the whole Region.

A diverse region calls for multiple, highly flexible, grassroots programs that are guided by a bold, integrating vision for an improved future—a vision created through involvement and collaboration with the people of Appalachia.

In creating its strategic plan, the Appalachian Regional Commission engaged in a process to build a new vision for the Region and the agency's programs. Through town meetings, focus groups, consultations with local officials and experts, and extensive work by the federal and state partners, a unifying vision has been built for ARC along with a set of goals, objectives, and supporting strategies.

The full Commission reaffirms the strategic plan annually.

This document reviews the history and purpose of the Appalachian Regional Commission, describes its strategic planning process, and summarizes the resulting goals and how they will be achieved. It envisions ARC as a high-performance organization with rigorous accountability to the public.

This strategic plan builds on the strategies established in the first multi-year design of 1996–97, and incorporates additional policy directions set by the Commission in 2000 and 2002. Those policies addressed the need for more specific attention to the problems of the Region’s most severely distressed areas, and the challenge of bringing telecommunications and technology to bear on achieving strategic goals.

This document also satisfies the strategic planning requirements of the Government Performance and Results Act. It anticipates that the Commission will reassess conditions in the Region and prepare a new plan to take effect in 2005. The timeline for this effort is based on the appointment of a new federal co-chair in fiscal year 2003, presenting an opportunity for the Commission partners to look afresh at regional strategies.

Careful planning that involves others—who in today’s jargon might be called “customers,” “stakeholders,” or “strategic partners”—is nothing new for ARC. Because of its unique and innovative governance structure, collaborative planning has been a basic element of ARC operations from the start.

This document and supporting information can be found on ARC’s Web site at www.arc.gov.

Strategic Highlights

Our Mission

ARC's mission is to be an advocate for and partner with the people of Appalachia to create opportunities for self-sustaining economic development and improved quality of life.

What the Future Will Look Like: Our Goals

- 1 Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the twenty-first century.
- 2 Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.
- 3 The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities.
- 4 Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.
- 5 Appalachian residents will have access to affordable, quality health care.

How We Will Get There: The Partnership

The federal co-chair and the governors share equally in making policy decisions, approving state development plans, and allocating funds.

Federal Co-Chair. The federal co-chair represents the federal government's interest in setting Commission policy, leads cooperative activities with other agencies, and develops legislative and budget proposals for the administration and presents these proposals to Congress. The federal co-chair has the leadership role in the areas of intergovernmental relations and advocacy.

Governors. The governors develop strategies and recommend funding for local and regional projects and programs designed to achieve the goals of the strategic plan. They work with the private sector and cooperate with each other to achieve the goals and share state-of-the-art practices.

Commission staff serves all members of the partnership. Staff works with state and federal agencies and private and nonprofit organizations with the resources to help achieve the goals. Staff identifies state-of-the-art practices and serves as a catalyst for economic opportunity and an information broker within the Region. Commission staff also provides technical assistance to aid development and promotes initiatives to take advantage of emerging opportunities and technological innovations.

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I Proud Past

In the mid 1960s, at the urging of two U.S. presidents, Congress created legislation to address the persistent poverty and growing economic despair of the Appalachian Region.

The Region's long downslide, aggravated by the decline of its economic mainstays, coal mining, basic manufacturing, and agriculture, had reached crisis proportions by the mid 1960s. One in three Appalachians lived in poverty. Per capita income was 23 percent lower than the U.S. average. High unemployment had forced many Appalachians to seek work in other regions: during the 1950s, net outmigration exceeded 2 million, nearly 13 percent of the Region's 1950 population.

These conditions were dramatically documented in two widely read books of the early 1960s, Harry Caudill's *Night Comes to the Cumberland: A Biography of a Depressed Area* and Michael Harrington's *The Other America*. The nation's response was shock and heartfelt concern, reinforcing the growing determination of Appalachians to seek remedies for their region's distress. In 1960, the Region's governors formed the Conference of Appalachian Governors to develop a regional approach to the problem.

This was the backdrop for John F. Kennedy's pivotal campaign trips into West Virginia in 1960. Deeply moved by the poverty he saw, Kennedy promised special help for Appalachia if he were elected.

In April 1963, the Conference of Appalachian Governors met with top federal officials in Washington to announce the formation of a special panel, the President's Appalachian Regional Commission (PARC), which was charged with drawing up "a comprehensive program for the economic development of the Appalachian Region."

PARC's findings and recommendations were transmitted to President Lyndon B. Johnson, who used the report as the basis for legislation developed with the bipartisan support of Congress. Submitted to Congress in 1964, the Appalachian Regional Development Act (ARDA) was passed early in 1965 by a broad bipartisan coalition and signed into law (PL 89-4) on March 9, 1965.

The Role of ARC

The law that brought ARC to life has proved farsighted in two important ways.

First, it created a unique structure designed to marshal the forces of public and private entities to solve stubborn and multifaceted problems inhibiting an entire region's development.

Second, it was a forecaster of the New Federalism, leaving the responsibility for action neither to the states nor to the federal government exclusively, but creating a balance of power that made the two entities equal partners in the enormous task set forth for the Commission: to devise and implement long-term solutions to Appalachia's economic and social deprivation.

The ARDA also broke new ground by recognizing that increasing the number of private-sector jobs is the most effective long-range cure for poverty and that public investment can provide the foundation that private enterprise needs to create jobs. The act directs the Commission to:

- Promote federal-state cooperation in devising a regional approach to development;
- Provide the major portion of funding for a regional highway system to alleviate the Region's isolation;
- Work with existing federal and state agencies to build the broad array of community and human development programs needed to correct the enormous shortfalls in education, health care, and other services that were the legacy of decades of neglect;
- Help develop the local leadership that is essential to the success of the federal-state partnership at the community level; and
- Serve as an advocate and broker for the Region with public and private organizations to ensure coordination of all available resources to support Appalachia's development.

ARC's Structure

ARC's structure embodies the twin concepts of joined public and private resources and an equal balance of power between state and federal governments. The Commission has 14 members: the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the president and subject to Senate confirmation. Each year, one of the governors is elected by his or her fellow governors to serve as the Commission's states' co-chair.

The Commission appoints a non-federal chief executive officer to manage ARC planning, grant programs, and technical assistance. The expenses of a non-federal 47-person staff are shared equally by the federal government and the states.

ARC receives an annual appropriation from Congress for its program. These funds are allocated by formula to the 13 states. The governor of each state develops a strategic plan and steps to implement it. Each state's annual strategy statement identifies specific investment priorities for grant requests. State plans and strategy statements must be approved by the full Commission.

The Record to Date

Dramatic improvement in the Region since ARC's establishment is reflected in a substantial reduction in poverty, a rise in per capita income, and a reduction in outmigration.

- The regional poverty rate has been cut by more than half, from 31.1 percent in 1960 to 13.6 percent in 2000, and the spread between Appalachia and the nation has narrowed to 1.2 percentage points.
- The per capita income gap between Appalachia and the nation has been reduced by 4 percentage points; in 1965 the Region's per capita income was 78 percent of the national average, compared with 82 percent in 2000.
- The number of economically distressed counties has been cut by 46 percent, from 223 distressed counties in 1965 to 121 counties in 2003.
- Outmigration has been reversed to growth in all but a few counties.

ARC's contributions to the Region's gains include the following:

- The base for ARC's economic development achievements, the 3,025-mile Appalachian Development Highway System, is now 85 percent complete or under construction. Hundreds of thousands of new jobs have been created in counties with access to the new highways.
- ARC has completed more than 3,600 industrial and commercial water, sewer, waste disposal, and other types of community development projects. ARC funding also provided the first clean drinking water and sanitary sewer lines for some 700,000 residents of the Region's poorest counties.
- ARC has helped construct or equip more than 700 vocational and technical facilities serving more than 500,000 students a year. Some 100,000 workers have received ARC-funded job training to upgrade their skills.
- ARC has helped construct or rehabilitate more than 15,000 housing units, helping to reduce dramatically the number of Appalachian families living in substandard housing.
- ARC-supported revolving loan funds for small businesses—the source of many new jobs—had by March 2003 created or retained 61,000 jobs.
- A network of more than 300 ARC-funded health-care clinics and hospitals serves 4 million patients a year. Through a regionwide ARC initiative, primary health care is now within 30 minutes of most Appalachians.
- More than 285,300 children have been served in ARC-funded comprehensive child development programs in areas that lacked preschool programs and where affordable child care was essential to helping low-income working parents stay above the poverty line.
- According to a study funded by the National Science Foundation and conducted by the Regional Research Institute of West Virginia, Appalachian counties have grown 48 percentage points faster in personal income and earnings, 17 percentage points faster in per capita income, and 5 percentage points faster in population than a group of "twin" counties. The ARC program was the major factor in producing these dramatic differences.

Change

Change is reshaping the Appalachian Region and bringing with it new opportunities and new challenges. At the same time, stubborn problems remain. While a majority of the Region's counties have achieved at least modest economic progress, about one quarter have severe socioeconomic weaknesses.

The result is a region of contrasts. Much of Central Appalachia remains severely distressed, with a poverty rate of 22.1 percent, per capita income only two-thirds of the national average, and unemployment 129 percent of the national average. Although the Region's metropolitan areas enjoy vibrant and diverse economies, the rural areas of all ARC states still lag behind the nation in indicators of economic stability. Thirty-nine percent of Appalachia's rural counties are considered distressed, compared with only 18 percent of the rural counties in the rest of the nation.

Overall, the Region is growing stronger and more diverse, yet in several key areas additional help is required:

Developing a Knowledgeable and Skilled Population. The most powerful engine for long-term growth is an educated, resourceful, and skilled population. While Appalachia is home to some of the nation's best schools and colleges, the benefits of a relevant, high-quality education are not sufficiently widespread. The prosperity of the Region and its ability to contribute significantly to the American economy depend on improving access to the type of education that can change people's lives.

- There is a significant and growing gap between Appalachia and the nation in the percentage of youths going to college. Only 41 percent of Appalachians have at least some college, while the nationwide rate is 52 percent. This gap has economic importance because future jobs will require a higher level of educational achievement.
- Job training facilities are still not available in many parts of Appalachia; where they are available, they often do not provide comprehensive services, such as child care, job counseling and referral, and transportation. The Region has made great strides here, but there is still a long way to go.

Strengthening the Region's Physical Infrastructure. Some of the Region's most persistent and significant economic development problems are related to its geography and topography.

- Unfinished portions of the Appalachian Development Highway System traverse some of the nation's most challenging mountainous terrain.
- Topography and low population density often prohibit standard infrastructure development or make it prohibitively expensive. As a result, many areas of the Region suffer from poor water quality and a shortage of wastewater treatment facilities.
- Appalachian communities have relied heavily on federal grants for infrastructure projects. As resources for such projects shrink, these communities are unable to structure funding for badly needed infrastructure.

Enhanced telecommunications are inadequate in many rural areas of Appalachia. Many businesses and organizations in these rural areas also lack the capacity and training to be able to use advanced telecommunications applications.

Building Local and Regional Capacity. Leadership and civic capacity are prerequisites to progress and development. Many Appalachian communities need help with training in leadership, strategic and regional planning, and project management.

- Local and subregional community planning and development processes have proven to be effective, but are not sufficiently widespread.
- Some local governments have not yet learned the value of collaborative efforts and regional problem solving.
- Fragmentation in some communities makes it difficult for citizens to identify problems and determine priorities.

Creating a Dynamic Economic Base. Increased global competition and technological change have resulted in job losses and restructuring in many key Appalachian industries. Employment losses in nondurable goods manufacturing and resource-based industries have been severe and have dis-

proportionately affected much of the Region because of its dependence on manufacturing. While some of these declines have been offset by employment growth in the service, retail, and government sectors, average wages in such service jobs have been lower than those they replaced in goods-producing sectors. Demographic shifts between 1990 and 2000 have led to a decline in the Region's share of the "prime-age" workforce, those between the ages 25 and 55, who are entering or reaching their peak earnings potential. Erosion of the high-earnings potential of the workforce has reversed the Region's gains in per capita income, and at the local level has led to declines in the tax base. Meanwhile, the Region still confronts significant concentrations of high poverty, unemployment, low income, and outmigration.

- Job losses in nondurable goods manufacturing have mounted over the last decade, with over 108,000 jobs lost. Most hard hit have been the apparel, textiles, and chemicals industries.
- Primary metals sectors, such as steel, have lost over 23,000 jobs in the last decade. A considerable share of these losses has been due to import penetration and plant relocations overseas.
- The Appalachian apparel industry has lost 100,000 jobs since 1991, and the textiles industry has lost 23,000. Over the last decade, one out of five jobs lost in textiles nationally occurred in Appalachia, and one out of three jobs lost in apparels occurred in Appalachia. An estimated one-third of the apparel losses and one-half of the textile losses are due to imports or plant relocations overseas.
- Appalachian coal-mining employment has fallen from 101,500 workers in 1987 to 58,600 in 1997. The Energy Information Administration has projected that over the next decade, mining jobs in Appalachia could fall to between 49,000 and 22,000, or even lower, depending on the economic and environmental assumptions that are made.
- Closing the job gap in high-value-added industries such as telecommunications, computing, and information services requires the creation of an additional 200,000 information technology workers in Appalachia over the next seven years.

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- The gap in post-secondary education attainment between Appalachia and the nation widened over the last decade. In 1990, the Region's share of adults with higher-education degrees was 6.0 percentage points lower than the national average; in 2000 the gap widened to 6.7 percentage points. (In 2000, the number of Appalachian adults with at least a four-year college degree was 17.7 percent, compared with 24.4 percent for the nation as a whole. In 1990, those numbers were 14.3 percent for the Region and 20.3 percent for the nation.)
 - The increasing importance of education and human capital development in the knowledge-based economy means that distressed areas cannot compete without additional resources being devoted to improving educational achievement at all levels.
 - Net domestic outmigration has accelerated in the New York portion of Appalachia, and continues to be a concern in parts of Pennsylvania, West Virginia, Kentucky, and Mississippi.
 - The shrinkage of the "prime-age" workforce (ages 25–55) that began in the 1990s is projected to accelerate over the next decade, as the Region will age faster than the rest of the nation. In order to offset these declines, the Region must improve educational attainment rates at all levels to ensure a high-quality labor supply to retain and attract business investment.
 - While the regional unemployment rate has dropped over the last decade, the clear majority of counties had unemployment rates well above the national average over the last three years. Moreover, the majority of formerly distressed counties still have three-year unemployment rates above the ARC distress levels.
 - Appalachia's growth in real personal disposable income has lagged behind the nation's. Real personal disposable income in the Region grew by nearly 28 percent over the 1991–2001 period, while in the nation it grew 32 percent. While Appalachia has made considerable progress in closing the poverty gap with the nation in the number of families with below-poverty incomes, the Region has done relatively less well in closing the gap in the middle and higher income brackets.

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- Analysis of business formation and survival rates in Appalachia compared with those of the rest of the nation indicates that while Appalachia has made some strides, its business base remains caught in a cycle of low levels of entrepreneurship, low growth among existing firms, and continued over-reliance on branch plants as economic engines.

Fostering Healthy People. In many ways, the health of its people is a region's most important measure. Without healthy people, economic activity is restricted. Appalachia continues to lag behind the nation in access to affordable, quality health care.

- Doctors are hesitant to move to many parts of the Region. In 1999, the number of doctors in Appalachia's distressed counties per 100,000 people was 82, compared with 131 in the nation as a whole.
- The urban-rural differential in Medicare and Medicaid reimbursement rates has caused the closing of many rural hospitals and has forced many others to reduce their services.
- Only 35 percent of distressed counties have a hospital that offers obstetric services.
- Appalachia's distressed counties have few hospital-affiliated providers of mental health and substance abuse treatment. Nationwide, 25 percent of counties had hospital-affiliated outpatient drug and/or alcohol treatment facilities in 2000, compared with only 8 percent of ARC's distressed counties. Only 20 percent of distressed counties had hospital-affiliated mental health services.
- Access to dental care is compromised by a limited supply of dentists in most Appalachian counties. Data from 1998 shows 20 dentists per 100,000 people in Appalachia's distressed counties, compared with 28 nationwide.

Appalachia's future will depend on how well the Region's most crucial issues are addressed. Even with the vast changes that have taken place during the past 38 years, persistent challenges remain in the areas of education and training, physical infrastructure, local leadership, economic diversity, and health care.

To address these challenges, the federal co-chair and the governors developed a new agenda for the next decade.

II New Vision: Design for the Future

In the fall of 1994, ARC began a broad-based strategic planning process to assess the Commission's progress to date and to develop a regional agenda for its future. The process drew on the views of citizen participants as well as experts; it defined the remaining problems and set a new course to help Appalachia meet the challenges of a rapidly changing economy.

Phase I: Analysis. This phase included internal and external evaluations of Commission operations and a socioeconomic review of the Region. Research by consultants and staff provided a basis for framing policy and program issues for deliberation by the ARC partners. Studies produced during this phase included the following:

1. *Comparative Analysis of ARC Impact on Counties in the Region* using a control group methodology. Conducted by the Regional Research Institute of West Virginia University.
2. *Program and Policy Study* of Commission operations, processes, use of technology, and resource allocation over a five-year period. Conducted by the Appalachian Regional Commission.
3. *Assessment of the Intergovernmental Model of the Appalachian Regional Commission.* Conducted by the National Academy of Public Administration.

The Commission also conducted consultations with outside experts in such fields as rural health, education and training, and leadership; held focus group discussions throughout the 13 Appalachian states, which drew a total of 300 participants; and convened a series of town meetings with local citizens and representatives of the economic development community. Meetings were held in Ironton, Ohio; Corinth, Mississippi; Jamestown, New York; and Mercer County, West Virginia. A regionwide town meeting was held through an interactive satellite broadcast from the University of Tennessee's Knoxville studios, with downlinks to 50 sites in all 13 Appalachian states. More than 2,000 citizens of the Region provided input for this phase.

This strategic plan is also the result of meetings with other federal entities. ARC solicited and received comments from the Office of Management and Budget and its relevant House Authorization Committee staff, and incorporated that information into this document. ARC staff have consulted with all major agencies that administer ARC funds, including the Departments of Education, Housing and Urban Development, Transportation, Agriculture, and Commerce. The interactions included reviewing drafts or final versions of these agencies' strategic plans, and exchanging ideas. This process was helpful in defining ARC's goals and objectives.

Phase II: Consensus and Goals. This phase involved synthesizing and reaching regional consensus on the findings of Phase I. Information gained during Phase I was summarized for analysis by the federal co-chair and state alternates. From this material, certain goals began to emerge.

Phase III: Vision, Strategies, and Timetables. At three different working sessions, ARC staff met with the federal co-chair and state alternates to develop a vision and mission for ARC, to craft goals and objectives, and to begin developing strategies for goal achievement. At these sessions a timetable was created for implementing the plan and beginning the process of identifying management issues related to achieving the mission.

Phase IV: Management Policies and Principles. The final phase of the process involved crafting management policies, guidelines, and principles to be incorporated into the ARC Code. This process was led by Commission staff and was subject to review and approval by the governors and the federal co-chair.

Phase V: Evaluation. ARC's strategic plan is a work in progress, and establishing a systematic process for measuring its effectiveness will be a primary focus of the Commission's continuous improvement effort. ARC has evaluated each of the five goal areas on a regular, five-year rotational basis, documenting the need for or the effectiveness of Commission programs, and will continue to do so.

The process used in creating this plan and the resulting product are unprecedented: It is the first performance-oriented plan of this scope and magnitude developed collaboratively by an agency and 13 states, and endorsed by a federal co-chair and 13 governors. It illustrates the strength

and value of the ARC model for intergovernmental relations. What has emerged from this process is a vision of the Region's future and a strategic plan for achieving it.

ARC's Vision for the Region's Future

Appalachia will become a region with an educated and trained workforce, healthy people, a sound physical infrastructure, a dynamic economic base, and the local and regional capacity to be economically self-sustaining.

The key to developing an effective plan for ARC was to have the people of the Region actively participate in creating the plan. The broad process of consultations and field forums in Phase I helped to shape ARC's vision.

This vision is consistent with that of the Commission's creators—promoting economic development and reducing poverty. It is informed by more than 35 years of experience, the knowledge of what will be needed to achieve the vision, and an understanding of today's climate of profound economic change. It provides a frame of reference for setting goals and objectives, measuring performance, and creating a climate of continuous improvement. Before setting goals, however, the Commission wanted to clarify its mission.

ARC's Mission

ARC's mission is to be an advocate for and partner with the people of Appalachia to create opportunities for self-sustaining economic development and improved quality of life.

A mission statement tells why an organization exists and what it plans to accomplish. ARC's mission statement clarifies the Commission's role in achieving its vision for the Appalachian Region.

ARC's role is to work collaboratively in effectively targeting resources to achieve the vision. The Commission's intention is to equip the people and communities of Appalachia with the entrepreneurial skills and enterprise

development resources they need to create self-sustaining local economies. Targeting resources can take the form of building on other federal and state programs, creating or supporting regional tools or mechanisms, and bolstering state program efforts; all to support a common vision.

ARC's mandate is to address economic underdevelopment that is deeply rooted in regionwide, historic patterns of isolation, exploitation, and out-migration. ARC is specifically charged with creating regional solutions to pervasive economic problems that reach broadly across state lines.

Guiding Principles

To guide the development of goals and strategies to achieve the vision of a viable and self-sustaining economy for the Region, ARC adopted the following principles.

- The most valuable investment that can be made in the Region is in its people.
- Entrepreneurial economies that focus on high-value-added goods and services offer the best future for many parts of the Region.
- Strategies and objectives should take into consideration participation in the global economy.
- Economic development should be community-based and should emphasize local decision making.
- ARC investments should take advantage of technology and telecommunications applications.
- ARC should promote an atmosphere of open and productive communication among all stakeholders in the Region.
- ARC should focus special attention on the areas of greatest need.

These principles describe how the Commission is committed to operating on a day-to-day basis. They are reflected in the goals and objectives of ARC's strategic plan and are evident in the strategies developed to implement it.

III Program Initiatives: Building a Firm Foundation

*T*he goals generated by the strategic planning process define social and economic conditions that must be created to realize ARC's vision. Those goals will guide the Commission's strategies and program investments.

Goals

- 1 Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the twenty-first century.
- 2 Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.
- 3 The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities.
- 4 Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.
- 5 Appalachian residents will have access to affordable, quality health care.

Through the strategic planning process, ARC also identified specific objectives for achieving these goals. Together the goals and objectives take into account the need to encourage input from ARC's customers, the potential contribution of other federal and state programs, the prevailing tight fiscal environment, and the ongoing quest for continuous improvement through improving customer service, cutting red tape, and encouraging employee involvement. It should be noted that making progress on the goals and objectives identified in the strategic planning process will depend not only on the resources of ARC but also on the availability and commitment of resources from a wide range of other sources.

There are several factors that will affect progress on the goals and objectives in ARC's strategic plan. Continued funding for ARC's highway and nonhighway programs and continued support from the federal agencies that ARC collaborates with are required. Most ARC funds are administered by other federal agencies, often with a match from their appropriated funds. Progress also assumes a continued strong U.S. and regional economy. As in the past, we would expect Appalachia to suffer a disproportionately large impact of any downturn in the national economy. This may require a reorientation of programs to address different needs. Another major factor influencing goal and objective achievement are state actions. Under ARC's federal-state partnership, projects are proposed by the states through their governors and ultimately approved by the federal co-chair. Progress on the goals and objectives therefore requires that each governor submit effective projects.

Programs will be tailored to Appalachian communities' widely varying needs, which range from the need for help in creating self-sustaining economies to the need for aid in obtaining basic services such as water and sewer systems.

Performance Goals

The Government Performance and Results Act requires each agency's strategic plan to describe the relationship between the general goals and objectives in the strategic plan and the performance goals in the annual performance plan. ARC's performance goals are very closely linked to the strategic plan's goals and objectives and are based on the requested resources.

Strengths and Opportunities

The strategies ARC will employ to achieve its goals are built on the Commission's strengths:

- A firm foundation of local capacity and expertise is in place in most of the Region, the result of small, flexible grants that enabled communities to improve management and leadership, and of the leadership capacity developed through the work of the LDDs.

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- Working with local officials and community leaders over the years has helped to develop a shared vision for the Region and a productive working relationship between governments at the federal, state, and local levels.
 - ARC's strategies can be tailored to the specific needs of local areas. Commission investments are designed to build on state initiatives and to encourage diversity.
 - ARC has invested heavily in building a firm foundation for future job growth. ARC has a history of providing assistance for small business development through projects such as the revolving loan fund program.
 - Local development districts, established throughout the Region with the help of ARC, have helped to expand local capacity for economic progress.

ARC's vision for Appalachia cannot be realized solely through the limited funds channeled through the Commission. During the strategic planning process, the Commission identified the following opportunities for encouraging structural reform and access to services in the Region:

- Use the offices of the federal co-chair and the governors to bring together and enlist the support of state and federal agencies with the resources to help achieve ARC's vision for the Region.
- Identify state-of-the-art practices, serve as a catalyst for economic opportunity and as an information broker within the Region, and provide technical resources to aid development.
- Promote regional and subregional initiatives, such as telecommunications and tourism, to take advantage of emerging opportunities and technological innovations.
- Help states create a climate for business development and expansion in the export market through the development of information systems, financing, and marketing.
- Support the work of the LDDs in equipping local governments to serve their constituents more efficiently.

Strategies and Initiatives

To accomplish the strategic plan's objectives, ARC will develop strategies and activities geared toward providing communities with the resources they need to reach the goals.

- **Regional Strategies.** Regional strategies will be employed by the federal co-chair and the governors cooperatively. They include efforts to improve productivity through integrating and consolidating services, developing strategic initiatives and programs to stimulate development, diffusing technology across geographic and political boundaries, and breaking down regulatory and cultural barriers that impede the Region's development. An example of this is the Commission's initiative on telecommunications, which is further discussed on pages 34–37.
- **State Strategies.** Each governor will develop a state strategy tailored to the unique conditions of his or her state. Some state strategies will be carried out jointly with other states, and some will be limited to a particular state. This approach enables ARC to combine the overall goals and direction of the strategic plan with a locally based approach to problem solving. Specific state strategies will be spelled out in each state's annual Plan and Investment Program.
- **Headquarters Initiatives.** Commission staff will be advocates for the Region, establish alliances with other organizations, develop demonstration projects, and continue research and strategic planning efforts. Staff will also provide technical assistance, convene public forums and workshops, conduct program evaluations, and disseminate information.

Goal 1

Appalachian residents will have the skills and knowledge necessary to compete in the world economy in the twenty-first century.

Objectives

- The percentage of workers receiving basic education and skills training, skills upgrading, and customized training will increase, leading to development of a workforce that is competitive in the twenty-first-century world economy.
- The percentage of students participating in school readiness, dropout prevention, school-to-work transition, and GED programs will increase, thereby raising the college-going rate and preparing students for the world of work in the twenty-first century.

Discussion

Education is the driving force behind economic growth. Statistics show that one-third of the growth in the gross national product during the past decade was the result of the higher levels of education and training of the workforce, and about half was the result of technological innovations and technical skills, which are derived from education. The role of education in economic growth is evident in the strategies and programs the Appalachian states have funded in the past year. The states' strategies include upgrading the education climate of the Region as a whole to improve educational capabilities, and providing re-entry programs, school-to-work transition programs, and skills training for specific employers located in or moving into the Region. Because no one organization can achieve these goals alone, the strategies have required close coordination with businesses and local school districts, and, in some cases, with the nonprofit sector as well as with federal and state education departments.

In high school graduation rates, the Appalachian Region is catching up to the rest of the nation. The regionwide average is now on a par with the national average. More and more, however, the jobs that are being created are requiring higher levels of education. At least one year of postsecondary education is now considered the minimum workforce-entry requirement.

The Region's technical schools, community colleges, and four-year institutions are working to address this need. But the challenge is considerable. Only 41 percent of Appalachian adults have at least some postsecondary education, compared with 52 percent nationwide. Data suggests that the gap is growing. Nationally, 65 percent of high school students continue their education. Sample data from the Region indicates levels at least 10 percentage points below that.

ARC is positioned to address this gap in college-going rates. For example, the ARC-supported Appalachian Higher Education Network, now working with over 40 high schools in six states, most in distressed counties, is having considerable success in encouraging students to continue their education.

Key Activities to Achieve Goals and Objectives

- Support the use of enhanced telecommunications and technology to improve school curricula and provide access to advanced programs.
- Work with the states to start or expand programs that prepare workers for new jobs or upgrade skills and abilities of workers in current jobs.
- Continue the long-standing alliance with the U.S. Department of Energy to provide summer workshops in math, science, and technology at the Oak Ridge National Laboratory in Oak Ridge, Tennessee, for Appalachian students and teachers.
- Work with the Community Colleges of Appalachia to determine types of training needed in rural communities and ways to improve access to training.
- Identify needs for adult literacy and school dropout programs, and target resources to these areas.
- Support the development of comprehensive, community-based early education programs for children and families.
- Work toward building the capacity of training institutions, such as community colleges, to upgrade workforce skills and increase productivity.

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- Participate in public-private national and regional collaborations to improve education and training practices.
 - Identify exemplary models of education improvement and devise strategies to duplicate them throughout the Region.

Performance Goal

Provide access to education and training services to 45,000 students/trainees as a step to ensuring an educated, resourceful, and skilled population.

Goal 2

Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.

Objectives

- Substantial progress will be made toward completion of the Appalachian Development Highway System.
- All Appalachian communities will have access to safe drinking water and sanitary sewer and waste-disposal systems.
- All Appalachian counties will have at least one active industrial/commercial park, business incubator, and/or community revitalization effort to facilitate economic growth and investment.
- All Appalachian counties will have access to enhanced telecommunications services to ensure their ability to compete in the global economy.

Discussion

In many Appalachian communities, progress in job opportunities and a better quality of life can be linked directly to ARC-funded infrastructure improvements, such as modern highways, infrastructure to industrial and commercial sites, clean drinking water, and sanitary sewer and waste disposal systems. Not only are these improvements vital to health and safety, they also attract the private investment that stimulates long-term economic development.

In nearly every public forum undertaken as part of the strategic planning process, participants stated that infrastructure (water and sewer facilities) remains a critical issue—particularly for smaller, poorer communities. A 1993 ARC report found that an estimated \$5.6 billion would be needed by the year 2008 to upgrade or construct conventional waste treatment facilities in Appalachia.

According to an external evaluation of ARC's infrastructure program, ARC infrastructure grants have leveraged approximately \$58 in private investment for every ARC dollar, and these projects are generating state and local tax revenues annually that exceed the amount of the ARC funding.

Key Activities to Achieve Goals and Objectives

- Provide incentives to states to plan appropriate job-creation activities around corridors and corridor interchanges.
- Identify for completion critical highway interchanges and priority miles. Work with Congress and states to secure full funding for completing the Appalachian Development Highway System.
- Support partnership efforts with institutions of higher education, corporations, and telecommunications providers to demonstrate telecommunications applications in the workplace.
- Support water-resources management and cooperative solutions among providers.
- Promote multicounty approaches and partnerships with the private sector to manage solid waste disposal, water, and wastewater treatment. Support waste recycling and new disposal technologies.
- Help promote state-level programs to develop and rehabilitate industrial sites, business parks, and incubators.
- Work with other federal agencies and private organizations to ensure that the needs of remote rural areas are taken into account in infrastructure policy formulation and funding. Cooperate in interagency funding to obtain data on unmet needs.
- With the states and other agencies and organizations, disseminate information on alternative financing mechanisms, cost-effective technologies, and innovative systems of management for infrastructure projects.

Performance Goal

Provide for increased basic services and infrastructure leading to the improved livability of 10,000 households and the production of 20,000 jobs.

Construct nine miles of the Appalachian Development Highway System (ADHS) for each \$100 million allocated to the ADHS.

Goal 3

The people and organizations of Appalachia will have the vision and capacity to mobilize and work together for sustained economic progress and improvement of their communities.

Objectives

- The percentage of Appalachian residents participating in leadership development programs aimed at community improvement will substantially increase.
- All communities and community organizations will have access to capacity-building activities to enhance their ability to marshal resources, plan, and develop solutions to local problems.
- An enhanced technical assistance focus on the Region's distressed counties will increase the capacity of local and regional institutions for improved service quality and for community-based problem solving.
- The skills, leadership abilities, and collaborative potential of individuals, institutions, and communities in the Region's distressed counties will be substantially strengthened.

Discussion

Long-term development takes place when businesses, governments, non-profit organizations, community groups, and citizens all mobilize resources and direct them to a common goal. Over the past three decades, Appalachians have increasingly become convinced that they themselves hold the key to their communities'—and the Region's—future; many Appalachian communities now have community development institutions, and many Appalachian counties are supporting local leadership development programs. The link between economic development and civic and cultural organizations is becoming stronger.

Building civic capacity becomes even more important as devolution takes place, government becomes more decentralized, and communities assume more responsibility for addressing economic problems and do much more with less. A vision for the future, citizen participation, community-based organizations, and leadership skills—all are prerequisites to getting things accomplished, from building a new sewer system or industrial park to improving schools.

The Commission has supported efforts to build the Region’s civic capacity through training programs for new and emerging leaders, technical assistance for communities, training programs for meeting facilitators, and organizational development and management training programs for community-based organizations. These activities have been undertaken with the cooperation of universities, community foundations and other nonprofit organizations, and community colleges. While many Appalachian communities have the civic capacity to address local needs, some communities in the Region are unable to organize and mobilize for change. Meeting the objectives of Goal 3 is a prerequisite to achieving all of the Commission’s goals.

Communities with the fewest financial resources struggle the most to plan and launch initiatives that produce long-term and sustainable results. This is the case whether the initiatives are related to education, water and sewer, entrepreneurship, or health. This situation is often exacerbated by relatively poor communication within communities and between communities and outside organizations. The Commission believes that local leadership, information for decision making, and requisite program and project management skills are often critical factors in determining the success or failure of all economic development initiatives.

Key Activities to Achieve Goals and Objectives

- Support the continuing efforts of the local development districts to serve as conveners of community efforts and catalysts for economic development.
- Through demonstration programs, technical assistance, and research, help communities reinvent key institutions, form new partnerships, and initiate new services.

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- Support local-level planning to develop shared vision for communities and encourage the incorporation of local planning efforts into state and regional plans.
 - Work with the Development District Association of Appalachia to be a convener, a broker, and an advocate for economic development opportunities.
 - Convene forums and organize other activities in the Region to promote discussion of common issues among communities, civic organizations, and new and emerging leaders.
 - Assess leadership programs, community needs, civic participation, and community decision-making processes to determine the extent of civic resources.
 - Conduct meetings and develop compacts across nontraditional boundaries where political, business, and community leaders can address emerging issues and mutual concerns.
 - Support training programs for local development districts, nonprofit organizations, state offices, and colleges and universities to strengthen the capacity of individuals and organizations to mobilize resources and work together for common purposes.
 - Collaborate with the Community Colleges of Appalachia to link community colleges with community-based organizations, economic development offices, and businesses to develop strategies to meet all of the Commission's goals.
 - Target technical assistance to distressed counties to demonstrate approaches that enhance capacity building and prepare them for community change.
 - Support distressed-counties strategies, including small grant investments in short-term projects to help distressed communities “jump start” the process of economic development; an online resource center that offers access to technical assistance, research reports, economic data, and information on best practices and innovative approaches to sustainable devel-

opment; a special opportunity fund that fosters collaboration with foundations, regional and national organizations, and federal agencies by responding to specific opportunities for joint alliances that address the development needs of distressed counties; and headquarters technical assistance that provides value-added activities such as cataloging best practices, convening regional best-practices conferences, evaluating technical assistance efforts, facilitating community-to-community mentoring, and identifying technical assistance providers.

Performance Goal

Support 4,000 participants in leadership development and/or civic capacity programs.

Provide support to develop leadership and civic capacity programs for ten additional counties per year.

Goal 4

Appalachian residents will have access to financial and technical resources to help build dynamic and self-sustaining local economies.

Objectives

- Access to programs that provide entrepreneurial education, technical assistance, and business services to entrepreneurs and business owners will increase.
- Access to programs that help Appalachian businesses participate in the global marketplace will increase, creating jobs and stabilizing employment opportunities.
- Appalachian counties will increase their efforts to restructure their local economies in order to provide more opportunities for high-value, high-wage employment.

Discussion

Building dynamic, self-sustaining local economies is a strategy that reflects the evolution of ARC's original economic development mission. The emphasis on dynamic economic adjustment underscores today's need for localities, regions, and nations to adjust to the rapidly changing demands of an increasingly internationalized economy; the fast pace of technological innovation, product development, and market formation; and the increase in educational and skills requirements in competitive labor markets. Today's challenge is to develop approaches that capitalize on a region's strength so that it can compete with the best in the field, nationally and internationally.

While business recruitment still plays an important role in most state and regional economic development strategies, states have increasingly focused on expanding the capacities of local and regional economic development institutions, investing in human resources, leveraging assets, and promoting entrepreneurship and exporting.

Key Activities to Achieve Goals and Objectives

- Continue to promote entrepreneurship in the Region to help communities develop and implement strategies to help entrepreneurs start and expand local businesses, thus creating jobs, increasing local wealth, and strengthening local economies.
- Help communities develop and implement strategies to build sustainable local economies that provide employment and entrepreneurial opportunities to all citizens and support a high quality of life.
- Promote efforts to enhance export development by increasing the numbers of firms engaged in exporting and the volume of exported goods and services.
- Encourage the transfer of new processes and product technologies that increase productivity and create new entrepreneurial opportunities.
- Support the development of industry networks and trade organizations that promote interfirm collaboration, resources sharing, and the coordination of business-assistance services.
- Support leadership, marketing, and planning efforts to enhance local strategies for tourism development.
- Establish collaborative relationships with national and international organizations to strengthen the institutional capacity of the Region's conventional and emerging economic development approaches.
- Cosponsor and provide organizational support for training programs that provide information about best practices, industry standards, and impact issues for such innovative economic development approaches as promoting microenterprises and community development financial institutions.
- Engage in research that enhances the understanding of the Region's economy by providing information about business start-ups and expansions, capital financing gaps, and business participation in the global economy.

Performance Goal

Provide access to enterprise and business development services to 10,000 participants to assist the creation of vibrant and self-sustaining local economies.

Goal 5

Appalachian residents will have access to affordable, quality health care.

Objectives

- The number of health professionals providing primary health care will substantially increase.
- An increasing number of Appalachian counties will have integrated health-care delivery systems to improve the health status of their residents and provide them with universal access and comprehensive health-care services.

Discussion

Although Appalachia has made dramatic gains in health since ARC was established, there is still a need for the Commission's involvement in health care. In the 1960s, ARC responded to Appalachia's universally bleak health indicators by directing massive resources to the construction of critical health-care facilities. The Commission has helped put basic health-care services within a 30-minute drive of every Appalachian, expanded health care and training opportunities in health occupations, and pioneered such concepts as the use of physician's assistants and area-wide health planning. Although Appalachian communities have effected improvements in the health of their citizens through expanded access to quality health-care services, affordability remains a problem. In addition, there are significant challenges related to health-professionals shortages and persistent health-care problems in isolated and distressed communities.

The health goal cannot be achieved by the Commission alone. It will take the combined efforts of federal, state, and local governments and the private sector, each contributing money, human resources, and ideas. Networks and coalitions will have to be forged, resources shared, and the best practices exchanged if health care in the Region is to be improved. In this regard, a considerable amount of staff resources will be devoted to the Commission's advocacy mission of developing alliances and partnerships.

Key Activities to Achieve Goals and Objectives

- Increase the supply of health professionals in underserved communities through the J-1 Visa Waiver Program and by collaborating with the Region's medical schools and other health professions institutions.
- Continue the involvement of the Appalachian Health Policy Advisory Council established in 1999 as an advisory body on health policy issues for the Commission.
- Support telemedicine as a means of universal access to comprehensive health care.
- Continue the partnership with the Centers for Disease Control and Prevention, Division of Cancer Prevention and Control, and the Markey Cancer Center at the University of Kentucky to screen women in distressed counties for cervical cancer.
- Work with the Centers for Disease Control and Prevention, Division of Diabetes Translation, and the Marshall University Center for Rural Health to establish community-based diabetes prevention and control programs in distressed counties.
- Identify gaps in the delivery of health services, particularly in the areas of oral health, mental health, and substance abuse, and work to eliminate those gaps. Continue to work with the Coalition on Appalachian Substance Abuse Policy and the Substance Abuse and Mental Health Services Administration to increase services in the Region.
- Establish an alliance with the National Center on Minority Health and Health Disparities to reduce health disparities within the Region.

Performance Goal

Increase the capacity of the Region's health-care delivery system to serve an additional 500,000 patients.

Enhanced Distressed Counties Program

In February 2000, the federal co-chair and the Appalachian governors voted to undertake an extensive assessment of conditions in the Appalachian Region's economically distressed counties in order to develop an enhanced distressed counties program. From May through August 2000, the Commission held eight community meetings in seven Appalachian states with distressed counties. At the meetings, a cross section of community members identified the greatest needs in distressed counties and effective ways to meet these needs. During this time, the Commission also sought the advice of economic development experts on the issues facing distressed counties, and ARC's research division developed a detailed analysis of the socioeconomic gaps in the Region's distressed counties.

The result of this process was the identification of two areas to help Appalachia's distressed counties become more competitive. The first was an enhanced distressed counties program designed to build local capacity and provide technical assistance in ARC's five goal areas. Strategies would include a minigrant program to provide strategic planning and technical assistance; workshops, knowledge sharing, and other activities to encourage community learning and leadership development; outreach efforts that give local communities access to other resources, including nonprofits, foundations, and government agencies; and an online resource center for accessing information on funding, grant writing, and best practices. The second was a telecommunications and information technology initiative that would ensure that Appalachians have affordable access to modern telecommunications and information technology, and the skills to use that technology.

Telecommunications and Information Technology Initiative

As local leaders assess the economic future of Appalachia, one clear chord sounds: Appalachia must have universal, affordable access to modern telecommunications and information technology, and the people and businesses of the Region must make this technology an integral component of their daily lives. With technological innovation driving the most remarkable revolution in business, industry, and communication in a century—and diminishing the relevance of geography—there has never been a better moment for Appalachia to participate fully in the nation's economic mainstream.

It is also clear that this is a double-edged sword. This new infrastructure will separate, more keenly than any other of the past, those citizens with the access, skills, and motivation to use it from those without. Telecommunications infrastructure cannot be allowed to bypass the mountains as did the interstate highway system in the 1950s and 1960s.

ARC challenges the nation—government, private business, the nonprofit sector—to share in a bold vision that places Appalachia squarely in the center of the new digital economy. Sparked by a five-year federal initiative, a commitment to creating a “Digital Appalachia” could transform Appalachia from a “region apart” into a region fully connected to international commerce, with a culture that embraces technology.

A Vision of Digital Appalachia

In the new Digital Appalachia—

- Every school has access to broadband technology
- Every community has Internet access through the equivalent of a local phone call
- Every entrepreneur has access to e-commerce opportunities
- Every county has an economic development strategy that embraces information technology

Key Elements of the Strategy

Creating the Digital Appalachia will require a comprehensive, integrated strategy that links improvements in infrastructure with significant investments in human resources and business development. It calls as well for special attention and technical assistance targeted specifically to the particular challenges of the Region’s distressed counties.

- **Infrastructure.** The first priority must be a concentrated effort to connect Appalachia to the Information Highway through a variety of telecommunications services, ranging from basic Internet access to higher-speed, switched broadband access. This will require deployment of a variety of technologies—fiber-optic networks, digital subscriber lines, and cable and wireless access. Access to the infrastructure must be both universal and affordable. These technologies must bring voice,

video, and data transmission within practical reach of Appalachia's communities. Building this infrastructure will require public-private partnerships that encourage private investment and aggregate local demand. It will also require strategic planning to identify gaps, assess demand, and establish priorities. As a practical matter, this means addressing several key issues: expanding the telecommunications backbone to the smaller cities and towns and more remote communities; making the "last-mile" connections to residential users; and providing two-way advanced capabilities that can support widespread business-to-business commerce.

- **Education and Training.** The investment in infrastructure will be wasted unless the people of Appalachia have the appropriate skills to use the technology, and the Region's leaders foster a climate that makes the use of technology second-nature to people. This will require upgrading the skills of teachers so that students receive state-of-the-art training in the use of technology; creating regional technology academies for local leaders so they can craft technology-based economic development strategies; and conducting broad public outreach so that all Appalachians will feel at home in the new digital world.
- **E-Commerce.** As a leading technology firm has noted, one day any business that is not on the Internet will simply not be in business. Moving Appalachia's businesses into the new Digital Appalachia will require a broad array of technical assistance and advocacy activities. Both existing businesses and aspiring entrepreneurs need guidance in how to migrate traditional face-to-face activities to an Internet environment, craft strategies for marketing products over the Web, and design plans for meeting production and shipping requirements in an Internet economy.
- **Information-Technology-Sector Jobs.** Closing the digital divide does not mean simply providing access to broadband technology. It means, as well, cultivating new business opportunities for the Region (and the jobs associated with those businesses) that arise from the information technology (IT) sector. These include supplying the Region's hardware needs, fostering indigenous software and network design companies, capitalizing on the maintenance activities of the IT sector, and developing the content to be delivered by broadband. In addition, it means new entrepreneurial possibilities in the business services area, in designing and executing e-commerce applications for business-to-business opera-

tions and business-to-consumer transactions. Seizing these opportunities will require additional emphasis on skills development and training, improved access to equity capital, and sector-based regional economic development planning.

A Vital Network of Partners

Achieving this ambitious vision demands a powerful partnership that links the private sector, government at all levels, nonprofit organizations, the media, and local institutions across Appalachia. Government can help set the tone by providing incentives for private investment and establishing regulatory frameworks, often through state public utility commissions, that foster connectivity. The educational institutions can lead the way in training students, teachers, and local leaders in using technology. Nonprofit foundations and the media can help foster a climate that integrates technology into all aspects of life.

The Federal Role

The Digital Appalachia initiative will encourage private investment in new infrastructure and leverage other government and nonprofit resources. This special initiative will also further ARC's tradition of supplementing the work of other federal programs—such as those at the U.S. Department of Commerce's National Telecommunications and Information Administration, the U.S. Department of Agriculture's Rural Utilities Service, the U.S. Department of Transportation, and others—by addressing barriers that are unique to Appalachia; ensuring that Appalachia's communities can participate fully in those other programs; and serving as a clearinghouse for federal telecommunications activities in Appalachia.

IV Management Strategies: Achieving the Strategic Goals

ARC's management and decision-making process has always been ahead of its time. The Appalachian Regional Development Act (ARDA), signed more than 35 years ago, established a process that pushes problem solving down to the local level. The ARDA also called for many elements that are integral to the strategic planning process: the use of regional forums to seek input from citizens, analysis of regional and local conditions, and review of problems and conditions with other stakeholders (federal, state, and local governments).

The following principles will guide ARC's management philosophy:

- **Be customer driven.** Improve the Commission's capacity to receive continuous customer feedback to improve economic strategies, processes, and programs.
- **Encourage entrepreneurial thinking.** Think "out of the box" and come up with creative solutions.
- **Align ARC with the strategic plan.** Make decisions with foresight and determine where the programs, not the processes, are going.
- **Act regionally.** Develop initiatives that achieve economies of scale and cut across geographical and philosophical barriers.
- **Encourage the flexible use of resources and technology.** Maximize the use of telecommunications to deliver services and rely on cross-functional teams to improve efficiency.
- **Be a learning organization.** Continuously work to improve systems and performance.

Linking Management and Programs

Program goals must have the support of a sound management system. ARC has adopted the following management objectives, which will leverage efforts to improve program performance.

The Commission will:

- **Be a high-performance organization.** ARC will promote staff innovation and creativity, improve core competencies, cultivate leadership skills, improve internal communications through the use of teams, ensure from-the-bottom-up decision making, provide a flexible grant-management cycle, and implement evaluation and monitoring processes to track progress and maximize accountability.
- **Be more responsive to customers.** ARC will ensure that it serves the general public, states, local governments, and other institutions of the Region with courtesy, consideration, compassion, and efficiency.
- **Be an advocate and a broker.** To maximize ARC's effectiveness and customer benefits, the Commission will provide the states with technical assistance and information on the availability of other development resources and will advocate and broker services and resources for the Region.
- **Ensure continuous improvement.** ARC will annually review its goals and objectives, seeking broad customer input and using that input to revise goals and objectives as needed and to develop new strategies for their implementation.

ARC's Strengths

Phase I of ARC's strategic planning process (see page 11) included an analysis of the Commission's internal and external operations. ARC's identification of key issues facing Appalachia found much to build on:

- **A federal co-chair representing the president.** The federal co-chair serves as an advocate for the Region with other federal agencies, negotiates partnerships with the private and nonprofit sectors, and represents the agency before Congress.
- **Decentralization and participatory management.** The involvement of state and local officials in the ARC process ensures that state and local needs and priorities will be reflected in decision making.

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- **A strong network of 72 local development districts covering the 13-state Region.** The local development districts are an integral part of the Commission's customer service process; they provide a link to local decision makers and to all the people of the Region.
 - **Intergovernmental cooperation.** Coordinated efforts with other federal agencies and programs increase the Commission's effectiveness and allow comprehensive planning.
 - **A well-educated and experienced staff dedicated to the people of Appalachia and to the mission of the agency.** The staff's core competencies cover all areas of the principles of reinventing government.

Challenges

The Region's needs are changing, and the inadequacy of services in some distressed areas remains substantial. At the same time, state and local governments are going through economic and political transformations; by the next decade the people of the Region could be living in an environment that is radically different from today's.

These events, together with the small size of ARC's staff, will challenge the Commission's ability to serve the people of Appalachia. Continuing a broad-based planning process will be vital. Without strategic, regional planning, ARC will not have the tools or the public input to guide program decisions.

Internal management challenges must also be addressed. Periodic and strategic organizational analysis and management review are necessary if ARC is to be able to adapt and respond to change.

ARC and all government agencies are entering a new era of accountability to the public that will require a careful marshaling of our limited resources so that we can sustain program impacts at the same time that we incorporate robust measurement systems. Along with that comes a challenge to continually assess the accuracy with which the Commission targets resources and the effectiveness of its support systems, in particular its financial systems.

V Organization: Architecture for the Future

As ARC has moved ahead with the strategic planning process, staff has been reorganized not only to implement the plan's current initiatives, but also to anticipate future needs. Mindful of public expectations for efficient use of public resources, the Commission strives to be a high-performance organization. A description of the ARC organization follows.

Federal Co-Chair. Represents the federal government's interest in setting Commission policy, leads cooperative activities with other agencies, and develops legislative and budget proposals for the administration and presents these proposals to Congress.

Governors. Identify state-level needs, develop plans to deal with them, and create programs and projects for submission to ARC. Share equally with the federal co-chair in making policy, approving state development plans, and allocating funds. Serve as advocates for the states' Appalachian counties. Maintain a Washington representative to provide liaison and represent states' interests in Commission activities.

Office of the Executive Director. The executive director is the Commission's chief administrative officer. Directs activities of Commission staff, helps federal co-chair and governors implement programs and policies, and reviews state plans and project applications. Chief staff advisor to federal and states' offices on Commission programs.

Local Development District Program. Provides support and services to the 72 local development districts, including information and technical assistance for planning and grant making, professional development, information systems support, and administration. The program is part of the Office of the Executive Director.

Office of Finance and Administration. Performs all financial, accounting, and auditing review functions. Operates the regional management information system, maintains central data files, and handles procurement and supply.

Office of the General Counsel. Provides legal review of projects and proposals, and prepares all contracts. Counsels federal co-chair and states on

ARC-related legal matters, helps implement new management initiatives, and helps develop simplified planning and grant-making processes.

Regional Program Operations Division. Implements program activities at federal, state, and local levels. Supports implementation of new initiatives and existing programs, including infrastructure and human resource development, capacity and institution building for distressed counties, and the area development program.

Regional Planning and Research Division. Responsible for reviewing state plans, providing states with technical assistance, collecting baseline data, and establishing a performance measurement system. Evaluates projects, manages the Commission's research and highway programs, and collects data needed for integration of evaluation, research, and planning activities into a comprehensive management information system.

APPALACHIAN REGIONAL COMMISSION

