

Appalachian Regional Commission

Request for Proposals

Strategies for Economic Diversification in Appalachian Counties

Proposals due on or before September 4, 2012

Appalachian Regional Commission
1666 Connecticut Ave., NW, Suite 700
Washington, D.C. 20009-1068

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Strategies for Economic Diversification in Appalachian Counties

I. Overview

The Appalachian Regional Commission (ARC) invites proposals from qualified researchers and consultants to evaluate economic diversification in Appalachia, analyze and compare strategies for successful economic diversification in rural areas, and customize a set of detailed strategies and best practices that can be implemented in the Appalachian Region. This research project should build on a strong existing literature and set of existing programs within and beyond Appalachia that are focused on economic diversification strategies.

The economy of distressed counties and subregions in Appalachia has historically been dependent on a few dominant industries such as mining and timber. Economic specialization often diverts resources from other sectors, and as these industries face increasing competition and declining productivity, economic distress can deepen. To enhance the Appalachian Region's future prospects, it is vital to consider and plan ways to diversify the Region's economy today and help the Region position itself for prosperous, wealth-creating industry development for the twenty-first century.

The primary goals of this research project are to: 1) develop a data-driven analysis of economic diversification in Appalachian counties, including metrics and identification of counties that are dominated by a few industries; and 2) determine and describe a set of detailed diversification strategies that have proven successful in rural areas and that can be implemented in the Appalachian Region. The ultimate goal is to provide valuable insights, lessons learned, and strategies for local, regional, and state economic development practitioners that can be used to enhance economic performance in Appalachia through a more diversified portfolio of industry opportunities.

There are three key components of this research project:

1. Develop and complete a quantitative analysis to measure economic diversification in all 420 Appalachian counties focused on industry sector metrics (employment, wages, establishments). This analysis should leverage existing data resources maintained by ARC, including county-specific industry data at the two- and three-digit NAICS code level for all Appalachian counties. It should also apply leading methodologies for industry cluster analysis, such as those used in the U.S. Economic Development Administration (EDA) industry cluster mapping project (<http://clustermapping.us/index.html>). The quantitative analysis should help identify counties with a lack of diversification and a method to index and rate ARC counties based on economic diversification.
2. Develop a series of strategies and best practices for economic diversification for rural, distressed counties. The strategies should be fairly detailed in terms of examples of where and how the strategy has been successfully implemented, key factors and conditions necessary to implement the strategy, resources (financial and in-kind) necessary for the strategy, and the partners and stakeholders in charge of implementing the strategy. The best-practice strategies should draw upon existing programs and initiatives within and outside the Appalachian Region that are focused on rural development.
3. Combine the findings on economic diversification from the first component with the best-practice strategies to explicitly link and connect best-practice strategies to the Appalachian Region. This last component should focus on identifying how and when best-practice strategies can be implemented in Appalachia, with a focus on counties designated as economically distressed. The product of this task is envisioned as a tool for economic development

practitioners within Appalachia to help them strategically select and modify economic diversification initiatives to create stronger, more prosperous and sustainable local economies.

Proposals should present a systematic, comprehensive methodology for analyzing economic diversification and strong knowledge of existing research findings, initiatives, and programs related specifically to the challenges and opportunities for rural areas of Appalachia. Of particular interest are methods for analyzing diversification and its relationships to future economic growth opportunities and wealth creation; linkages between rural and adjacent urban areas; industry cluster strategies; industry strategies that emphasize triple bottom line impacts (economy, environment, social); inter-industry or supply chain linkages; entrepreneurship and small-business development; regional (multi-county) strategies; and catalyst projects. The best-practice strategies should outline and identify key social, educational, political, and institutional factors that have a bearing on successful economic diversification. Proposals should emphasize how to apply rigorous, data-driven analysis and best-practice strategies to the growth prospects of distressed rural Appalachian counties or regions.

Significant resources are available to inform and guide this research project, and ARC fully expects that the selected consultant will benefit from and synthesize the most useful and relevant existing information available. A brief (not comprehensive) sample of existing research relevant to this topic includes:

- Past ARC research related to this topic, such as industry-specific evaluations and research on the sources of economic growth in Appalachia. Research reports are available at <http://www.arc.gov/research>; relevant topics include distressed counties and business, among others. Work is currently under way on a research study on household wealth and financial security in Appalachia.
- A series of research papers and initiatives funded by the Ford Foundation on wealth creation in rural communities: <http://www.creatingruralwealth.org/>
- Existing initiatives in Appalachia related to economic diversification, and industry-specific programs to help the Region enhance sustainable economic opportunities in food production and sustainable agriculture, renewable energy, housing and green buildings, forestry, etc. Examples include Appalachian Transition, the JOBS Project, the Mountain Association for Community Economic Development, the Central Appalachian Network, the Alliance for Appalachia, and the Federation of Appalachian Housing Enterprises.
- Research, data tools, and lessons learned on regional industry clusters such as EDA's industry cluster mapping project and research by the Brookings Institution on regional innovation clusters.
- Innovation-focused indices and metrics on regional innovation clusters, such as EDA's Innovation in American Regions (<http://www.statsamerica.org/innovation/index.html>) and the Information Technology and Innovation Foundation's 2010 State New Economy Index (<http://www.itif.org/publications/2010-state-new-economy-index>), which shows many of Appalachia's states in the bottom half of the index.

II. Scope of Work

Proposals should present an outline of the research and strategy development to be conducted, a work plan, and a schedule for reports and deliverables. The scope of work requires a team of researchers and economic development consultants from a research institution and/or consulting firm to execute the project. The following issues should be incorporated into or addressed in the design of proposals for

this research project. ARC does encourage creative approaches to address economic diversification in distressed counties in Appalachia.

The scope of work should specifically address the following tasks:

1. A quantitative, data-driven approach to measure economic diversification in all of Appalachia's counties, including identification or ranking/grouping of counties based on diversification metrics. As noted above, this analysis should incorporate the latest methods to assess industry diversification and regional industry clusters, and leverage ARC's existing industry databases with two- and three-digit NAICS industry employment, wages, and value-added data for all Appalachian counties.
2. A compilation of detailed strategies and best practices for economic diversification in rural areas, with approximately an equal number of best-practice examples from Appalachia and beyond. Specific topics and issues to be addressed and considered include:
 - Existing industry clusters and concentrations and how stronger supply chain connections and buyer/vendor relationships can be developed.
 - Programs to support and encourage entrepreneurship, small business development, and organic growth of industry opportunities (e.g., "economic gardening").
 - Strategies focused on wealth creation, retention, and transfer, such as donations by local residents to foundations focused on local economic development initiatives (see <http://www.arc.gov/philanthropy> for more information).
 - Linkages, issues, benefits, and challenges for rural areas with adjacent urban and metropolitan areas.
 - Roles for the private sector, the public sector, and nonprofits in encouraging economic diversification.
 - Strategies that explicitly emphasize the triple bottom line of economic, social, and environmental factors in economic development.
 - Catalyst projects that emphasize specific sites, infrastructure, target industries, and regional collaboration.
 - Regional planning initiatives such as the Sustainable Communities planning initiative led by the U.S. Department of Housing and Urban Development.
 - Research and development opportunities connected with university research at the many colleges and universities in Appalachia.
 - The economic ecosystem and conditions that can best promote economic diversification (education, workforce, infrastructure, access to capital, amenities, etc.).
3. Linkages of identified strategies to opportunities for implementation in Appalachia, with appropriate focus on strategies that can be implemented in rural, distressed counties. This task should focus on the linkage of the data findings from Task 1 above to the detailed strategies and best-practice examples highlighted in Task 2. It is critical that this research project is focused on a practical, detailed set of implementable strategies that Appalachian communities and regions can apply. Thus, it is more important to focus on a priority set of strategies with a strong chance of success than on an exhaustive list of all possible programs.
4. For each of the three key research tasks, the contractor will produce draft and final reports to be compiled into a single final report document, including an executive summary highlighting the key findings and recommended strategies for economic diversification in Appalachia.

The scope of work may also benefit from interviews or focus groups held with a select number of rural development experts within and outside Appalachia.

Applicants are encouraged to describe their proposed methods for addressing the tasks outlined above.

III. Deliverables

The contract will require a draft and a final report with an executive summary that integrates and interprets key findings of the study. The report should be written for a non-technical audience and relate the narrative discussion to descriptive statistics, analyses, graphs, maps, and tables where appropriate. Technical details, data tables, and details regarding methodology should be presented in appendices. A printed copy of the final report suitable for reproduction and electronic copies of the report must be submitted upon completion of the project (in Microsoft Word and Adobe Acrobat PDF file formats). These should be accompanied by an Excel workbook or Access database of all relevant data compiled during the study. The contractor will provide metadata (field name description, definition, source, source date, and equation if computed) for all raw and computed data fields. GIS databases, map images, and map documents developed for the project should also be provided to ARC.

IV. Methodology

The successful applicant will develop a complete methodology to conduct the analysis specified in the scope of work. It should include:

- Specification of data sets and methods to be used for each of the proposed analyses, including consideration of appropriate time-series and geographical or spatial relationships to be considered.
- Discussion of the scope, limitations, and coverage of data sources.
- Description of the research method(s) and techniques for conducting the proposed analyses and strategy development, given the budget constraint.
- Thoughts on expected interaction with ARC staff, local development districts in Appalachia, and other experts/stakeholders.

In keeping with the overall budget constraint for this project, proposals may present trade-offs among tasks as long as the research design can ensure the accomplishment of the main research objectives of the project.

V. Proposal Submission, Evaluation, Cost, and Timing

ARC anticipates that the level of effort required for this project will be large scale (\$200k to \$249k). The contract will be a FIRM FIXED-PRICE CONTRACT. ARC anticipates that it will take 12 months to complete all phases of the project.

An original and three copies of the proposal must be submitted to the Regional Planning and Research Division, Appalachian Regional Commission, 1666 Connecticut Avenue, NW, Suite 700, Washington, D.C., 20009-1068, on or before **September 4, 2012**. Questions about this proposal should be directed to Keith Witt, geographic information specialist, at kwitt@arc.gov or 202-884-7780.

All proposals will be evaluated based on the following criteria:

- Complete, clearly articulated, logical study design and technically competent methodology.
- Demonstrated knowledge of rural economic development, industry clusters, and diversification strategies.
- Qualifications, relevant prior experience, command of existing research on regional development issues, and ability to present findings in a useful manner.

- A credible management proposal for staffing and completing the project in a timely fashion.
- Cost effectiveness of the proposed project design.

VI. Outline of Technical Proposal Contents

A. Technical Proposal

The narrative should not exceed 10 pages, not including the accompanying resumes and organizational background materials.

Project Work Plan and Milestones: Please provide a brief abstract of the proposal by summarizing the background, objectives, proposed methodology, and expected outputs and results of the research. The technical proposal should focus on an understanding of the project and a detailed approach to address the scope of work. It should describe the phases into which the proposed work can be logically divided and performed. A schedule of milestones and deadlines should be specified for the completion of various work elements, including information collection, interviews, surveys, analyses, quarterly progress reports, preliminary drafts for review, and final draft reports.

The proposal should identify the points and tasks in this research project that will require participation by ARC staff. Further, it should identify specific information needs according to sources, procedures, and individual tasks of the research that may need to be supplied by ARC. Finally, the proposal should identify any difficulties that may be encountered in this project and propose practical and sound solutions to these problems.

B. Management Proposal

The resource capability and program management for planning and performing the work will be considered in the proposal selection process. Personnel performing the work must be described in this section in terms of numbers of people and their professional classification (e.g., project manager, economic analyst, strategic planning, etc.). Brief resumes detailing the education and relevant experience of the key personnel proposed for this project are required. The selected contractor will be required to furnish the services of those identified in the proposal as key personnel. Any change in key personnel is subject to approval by ARC. Specific requirements for this section include:

- *Business Management Organization and Personnel:* The applicant must furnish a brief narrative description of the organization that will perform the proposed work effort, and the authority responsible for controlling resources and personnel. This should also include an organization overview for any proposed subcontractors.
- *Staffing Plan:* A staffing plan that describes the contractor's proposed staff distribution for this work is required. The staffing plan should present a chart that partitions the time commitment of each professional staff member to the project's tasks and schedule. In addition, the proposal should include a detailed description of activities for key project-related personnel and anticipated deliverables. Finally, the proposal should identify the relationship of key project personnel to the contracting organization, including consultants.
- *Relevant Prior Experience:* The proposal must describe the qualifications and experience of the organization and the personnel to be assigned to the project. Information should include direct experience with the specific subject-matter area and references including organizations, addresses, contact persons, and telephone numbers.
- *Contract Agreement Requirements:* This section of the proposal should contain any special requirements that the contractor wants to have included in the contract.

C. Cost Proposal

Each proposal submitted must contain all cost information, including direct labor costs consistent with the staffing plan, labor overhead costs, travel, estimated cost of any subcontracts, other direct costs (such as those for creating or maintaining databases), university overhead, total costs, overhead, and contract fees or profit. ARC policy on allowable indirect overhead costs for university-based research is to permit universities to charge the same rates charged to their own state agencies. The contractor should include estimated expenses for at least two in-person meetings at ARC offices in Washington, D.C. This should include a kick-off meeting to clarify and refine the schedule, scope, roles of the contractor and ARC staff, and any issues/key challenges. Another in-person meeting is needed for the presentation of study findings at a one-day meeting at ARC offices in Washington, D.C. This activity will be over and above routine conference calls, email communications, and/or meetings with ARC staff during the course of the project.

The contract awarded for this research project will be a **FIRM FIXED-PRICE CONTRACT**, with payments on a quarterly schedule. The contract terms shall remain firm during the project and shall include all charges that may be incurred in fulfilling the terms of the contract.