



Strategic Plan

Virginia Tobacco Region Revitalization Commission

2025-2027

September 2025

2025-2027 Strategic Plan

Virginia Tobacco Region Revitalization Commission

Prepared by

The Virginia Tech Center for Economic and Community Engagement

Strategic Planning Team

Scott Tate, PhD, Project Director

John Accordino, PhD, Virginia Commonwealth University

Sheryl Bailey, PhD

Elli Travis, PhD

Carrie Chenery

Will Heltzel

Sadhana Manthapuri, PhD

July 2025

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Acronyms

CEDS	Comprehensive Economic Development Strategy
DHCD	Virginia Department of Housing and Community Development
GO Virginia	Growth and Opportunity for Virginia
IALR	Institute for Advanced Learning and Research
IT	Information Technology
MSA	Master Settlement Agreement
RFP	Request for Proposals
SCHEV	State Council of Higher Education for Virginia
TROF	Tobacco Region Opportunity Fund
TRRC	Tobacco Region Revitalization Commission
VBRSP	Virginia Business Ready Sites Program
VCCS	Virginia Community College System
VDOE	Virginia Department of Energy
VEDP	Virginia Economic Development Partnership
VIPC	Virginia Innovation Partnership Corporation
VOEE	Virginia Office of Education and Employment
VTC	Virginia Tourism Corporation

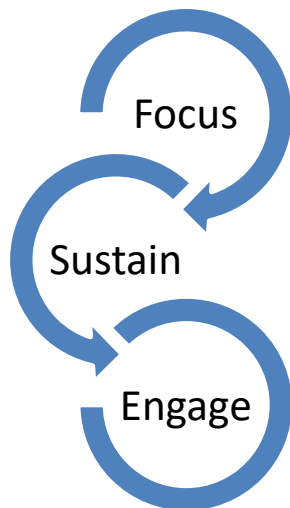
The 2025-2027 Strategic Plan at a Glance:

Focus, Sustain, Engage

Vision

The Tobacco Region Revitalization Commission (the Commission) seeks to accelerate regional transformation, giving citizens expansive opportunities for education and employment, and providing communities the benefits of economic stability, diversification, and enhanced prosperity. In particular, the Commission seeks to meet the region's specific challenges related to a historic dependence on tobacco production, textile and furniture manufacturing, and coal production.

Strategic Priorities for 2025-2027:



1. **FOCUS: Transformational Investments** to address the region's most significant barriers and take advantage of the most promising economic opportunities to establish:
 - An economically competitive region – through focused investments in growing economic sectors (including agribusiness, advanced manufacturing, and knowledge work) and supportive infrastructure (sites and buildings);
 - An entrepreneurial region – by supporting entities that help startups in selected industries;
 - A talent-rich region – by helping more people enter the workforce and earn industry-related credentials or post-secondary degrees in target industry sectors;
 - A vibrant, people-attracting region where people want to live, achieved through place-making investments and support of initiatives that attract and retain people.
 - A capacity-growing region – by supporting the nonprofit Foundation for the Advancement of Southern and Southwest Virginia and other entities that help localities develop and implement projects and generate resources.
2. **SUSTAIN: Financial Stewardship** that puts the Commission on sound footing until 2050 by adopting long-term financial planning best practices that:
 - Sustain and preserve: Maintain financial sustainability with annual budgets linked to long-term financial planning.

- Steer strategically: Adopt financial policies to manage limited assets and focus on priority areas.
- Focus and integrate to maximize impact: Link strategic goals, financial policies, long-term financial plans, annual budgets, operations, and program results closely together.
- Grow capacity with new financial resources: Attract and retain new financial resources with track record of proven results to augment capacity.

3. **ENGAGE:** *Enhanced Organizational Effectiveness* through:

- Increased staff capacity to develop impactful projects;
- Frequent collaboration with partners at the national, state, regional, and local level, including local chambers of commerce and other organizations involved in economic development in the footprint;
- Support for the Foundation for the Advancement of Southern and Southwest Virginia to increase capacity for developing projects and leveraging new resources.

About the Commission

In 1998, the Attorneys General of 46 states signed the Master Settlement Agreement (MSA) with the four largest tobacco companies in the United States to settle state suits and recover billions of dollars in costs associated with treating smoking-related illnesses. A portion of the MSA proceeds funded the creation of the Tobacco Region Revitalization Commission. The purpose of the Commission is to use proceeds from the tobacco settlement to provide grant and loan funds to advance economic revitalization and development in communities in Southwest and Southern Virginia that were formerly dependent on the tobacco industry.

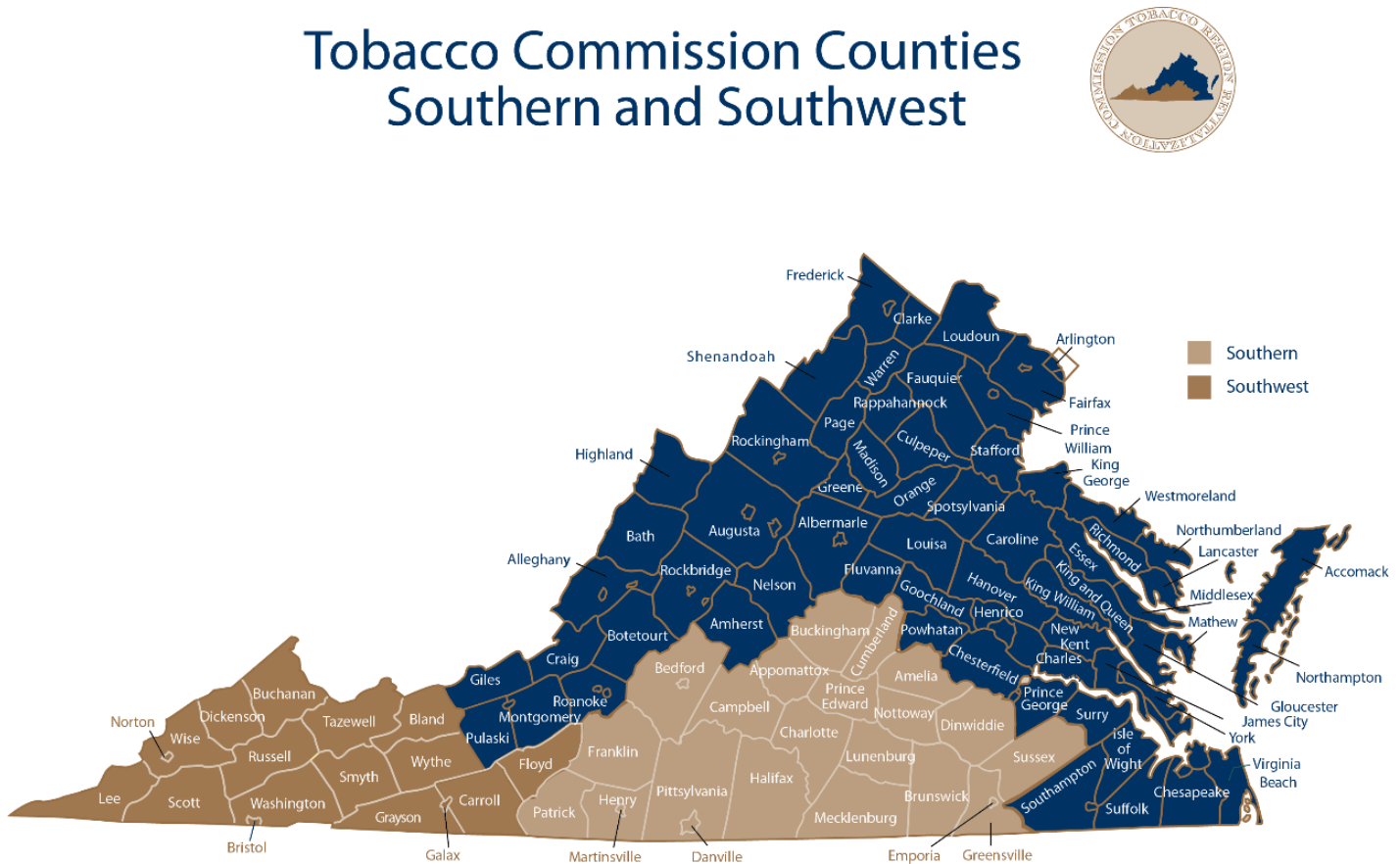
MISSION: THE TOBACCO REGION REVITALIZATION COMMISSION IS CREATED AS A BODY CORPORATE AND A POLITICAL SUBDIVISION OF THE COMMONWEALTH AND AS SUCH SHALL HAVE, AND IS VESTED WITH, ALL OF THE POLITIC AND CORPORATE POWERS AS ARE SET FORTH IN THIS CHAPTER. THE COMMISSION IS ESTABLISHED FOR THE PURPOSES OF DETERMINING THE APPROPRIATE RECIPIENTS OF MONEYS IN THE TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION FUND AND CAUSING DISTRIBUTION OF SUCH MONEYS FOR THE PURPOSES PROVIDED IN THIS CHAPTER, INCLUDING USING MONEYS IN THE FUND TO ... REVITALIZE TOBACCO-DEPENDENT COMMUNITIES. —

SECTION 3.2-3101, CODE OF VIRGINIA

Chapters [31](#) and [31.1](#) of [Title 3.2](#) of the [Code of Virginia](#) contain statutes governing the Commission. It is composed of 28 members, ten of whom are elected officials who represent communities in the Commission “footprint” in the General Assembly, three of whom are from the Governor’s Cabinet, and 15 of whom are citizens of the footprint appointed by the Governor of Virginia. The Commission appoints a chairperson and vice-chairperson. Members are appointed to one or more committees. Each committee is assigned a chairperson by the Commission chair.

The Governor of Virginia appoints an Executive Director who hires and oversees the work of the staff and reports to the Governor through the Secretary of Commerce and Trade. The staff includes a Deputy Director and Director of Finance who report directly to the Commission, as well as the following: Southwest Regional Director, Southern Regional Director, Compliance Director, Director of Regional Energy Development and Innovation, Public Relations Director/TROF Manager, Grants System Administrator, Financial Services Specialist, Senior Administrative Specialist, Project Development Specialist, and two Grants Specialists, all of whom ultimately report to the Executive Director. (See Organization Chart in Appendix D.)

Figure 1: Tobacco Region Footprint



The Commission currently has seven standing committees. Five committees (Southern Virginia, Southwest Virginia, Education, Incentives and Loans, and Energy Ingenuity) evaluate grant and loan proposals from eligible applicants and make recommendations to the Commission as to which projects should be funded, in what amounts, and whether funding should be in the form of a loan or a grant. Commission funding areas have evolved over time. Since 2001, grant and loan funds have been expended in the following categories: Sites and Infrastructure 30%; Workforce Development 18%; Broadband 14%; Scholarships 13%; Research and Development 8%; Business and Economic Development Initiatives 5%; Tourism 5%; Agribusiness 4%; Healthcare 3%.

The Commission's non-grantmaking committees are the Executive Committee and Strategic Planning Committee. The Executive Committee is the Commission's rulemaking and administrative committee. The Commission has the option to create new committees on an ad-hoc basis for special purposes.

The Commission is required to complete a strategic plan to guide its work every two years. This plan fulfills that requirement. Although it maintains the Commission's traditional goals and tools, it also adds new priorities that focus the Commission's funding targets and financial management more strategically, to enhance the Commission's effectiveness as a partner in regional transformation.

The Commission is at a pivotal moment as an organization where limited resources require stronger financial models, increased collaboration, enhanced organizational systems, narrowed project focus, and targeted external outreach to maximize the longevity of impact, grow the region's population, and support community aspirations for the future.

Strategic Plan Process

The Commission engaged a consulting team led by the Virginia Tech Center for Economic and Community Engagement to work with staff and the Strategic Planning Committee to develop this plan.

The team collected and analyzed data that included:

- Economic, labor market, and demographic data on regional conditions and trends;
- Existing regional plans and strategies including GO Virginia Growth and Diversification Plans, Comprehensive Economic Development Strategy (CEDS) plans; strategic workforce plans; Virginia Economic Development Partnership (VEDP) strategies;
- Input sessions (in-person and virtual) with stakeholders in the Tobacco region footprint (four sessions with over 120 people);
- Interviews with other state entity leaders in workforce and economic development, Commissioners, staff, former staff, and regional leaders (29 interviews) soliciting views on the Commission's strengths and areas for improvement;

- An electronic survey instrument with 196 total responses;
- Program area focus group conversations in economic development; agribusiness; placemaking and tourism; workforce and education (four sessions with 8 - 12 participants in each session);
- Portfolio review, including an analysis of the past five years of Commission funding data and information on funded projects;
- Financial information and fiscal planning scenarios from the present until 2050.

From this data, the team created a technical report, which serves as a companion report to this strategic plan. The *Technical Report Companion* includes a situation analysis of economic conditions in the Tobacco Commission's region, as well as an extensive analysis of the Commission's work, including its strengths and achievements to date and areas for improvement. The team discussed these findings with staff and the Strategic Planning Committee on multiple occasions. These discussions resulted in the three strategic priorities and actions detailed in this document. The plan builds upon the Commission's considerable strengths and achievements, and it articulates actions to enhance its performance, regional impact, and viability for many years to come.

Regional Situation Analysis – Key Points

Regional Challenges

The Virginia Tobacco Region, comprising approximately 11.5% of the Commonwealth's population, faces continuing demographic and economic challenges. With just over one million residents, the region has experienced persistent population decline; all five of Virginia's fastest-shrinking counties are located in the Commission footprint. The region is also aging, with higher proportions of residents aged 55+ and fewer millennials than comparable regions. Its labor-force participation rate (57%) is significantly below the Virginia average (65.8%), and its educational attainment also lags behind state metrics. The region has still not completely recovered from the massive losses it suffered decades ago in manufacturing (especially textiles and furniture), agriculture (especially tobacco cultivation and processing), and coal mining. These challenges are not unique to Virginia or even to the United States. Every industrialized country has experienced the decline of employment in its manufacturing, agriculture, and mining sectors, and movement of population from rural to urbanized areas is a worldwide phenomenon.

Regional Achievements Since 2000 and Opportunities for the Future

The region can boast many stories of economic success, including post-pandemic job growth in key sectors, such as manufacturing and IT (especially in Mecklenburg/ Greensville); resurgent downtowns; tourism and outdoor economy sector growth; and more. In interviews and focus groups conducted for

this plan, regional stakeholders and state leaders stated Commission investments have had a substantial positive impact on the people and communities of Southwest and Southern Virginia. Over 93% of survey respondents in Southwest Virginia and over 80% of respondents in Southern Virginia described Commission funding as having a significant to very significant positive impact on their region's economy. These investments include Broadband infrastructure, industrial sites (including mega sites) and infrastructure, workforce development (including the Institute for Advanced Learning and Research), the cultural economy (including the Southwest Virginia Cultural Heritage Center), and many other investments. Most recently, the Commission has focused on the energy sector as a means of driving growth in the regions it serves with a focus on establishing a "best-in-class" energy economy. This strategy is designed to capitalize on the region's skilled workforce, abundant natural resources, and other strengths to promote an energy-focused economy for the Tobacco Region. However, today the Commission has only a small portion of the funds remaining from its securitization of its MSA payments in 2005 and 2007.

Regional stakeholders, state leaders, and experts expressed very strong support for the Commission to continue its work well into the future. They cited a continued need for the Commission to invest in areas such as industrial sites and infrastructure, agriculture and agritourism, entrepreneurship, recreation, placemaking, and workforce development. At the same time, they called for a sharper programmatic focus on transformational investment, local capacity development, strategic management of the Commission's finances, and a more collaborative Commission that expands resources and impact via partnerships with other entities. This plan is the Commission's response.

The 2025-2027 Strategic Plan

Vision

The Virginia Tobacco Region Revitalization Commission seeks to accelerate regional transformation, giving citizens expansive opportunities for education and employment, and providing communities the benefits of economic stability, diversification, and enhanced prosperity. In particular, the Commission seeks to meet the region's specific challenges related to a historic dependence on tobacco production, textile and furniture manufacturing, and coal production.

Priority 1: Focus

Make Transformational Investments to address the region's most significant barriers and take advantage of the most promising economic opportunities.

The Commission will:

- Focus on a narrow set of transformational goals that address the region's most significant economic barriers and explore the most promising economic opportunities;
- Pursue a clearer, narrower, and more refined set of strategies and associated programs that align with regionally defined priorities;
- Refine and more fully utilize an augmented set of short- and long-term success metrics.

The Commission will invest for strategic impact, rather than focusing solely on need or activity area. The Commission will assess all programs and projects on their potential to advance "future state" goals.

To date, the Commission's program RFPs and applications have included "deliverables" (short-term outputs) and "outcomes" (long term). The Commission will expand and augment these requirements to align with updated strategic goals.

The Commission will continue to focus funding on addressing the most significant barriers to regional economic vitality through investments in: industrial sites and assistance to firms in key industry sectors (including advanced manufacturing, agribusiness, and knowledge work), regional workforce improvements, enhancements to downtown vitality, and other strategies to attract and retain talent, entrepreneurial vibrancy, and local capacity to lead and grow new initiatives.

Applications that do not align with a RFP's funding priorities, cannot show how the applicant will achieve its targeted success metrics, or are otherwise incomplete, will be deemed by staff to be unresponsive and hence not presented for a funding decision.

The following five Transformational Goals will advance **economic revitalization** by focusing investments and activities towards these desired future states:

- **An Economically Competitive Region**
- **An Entrepreneurial Region**
- **A Talent-rich Region**
- **A Vibrant, People-attracting Region**
- **A Capacity-growing Region**

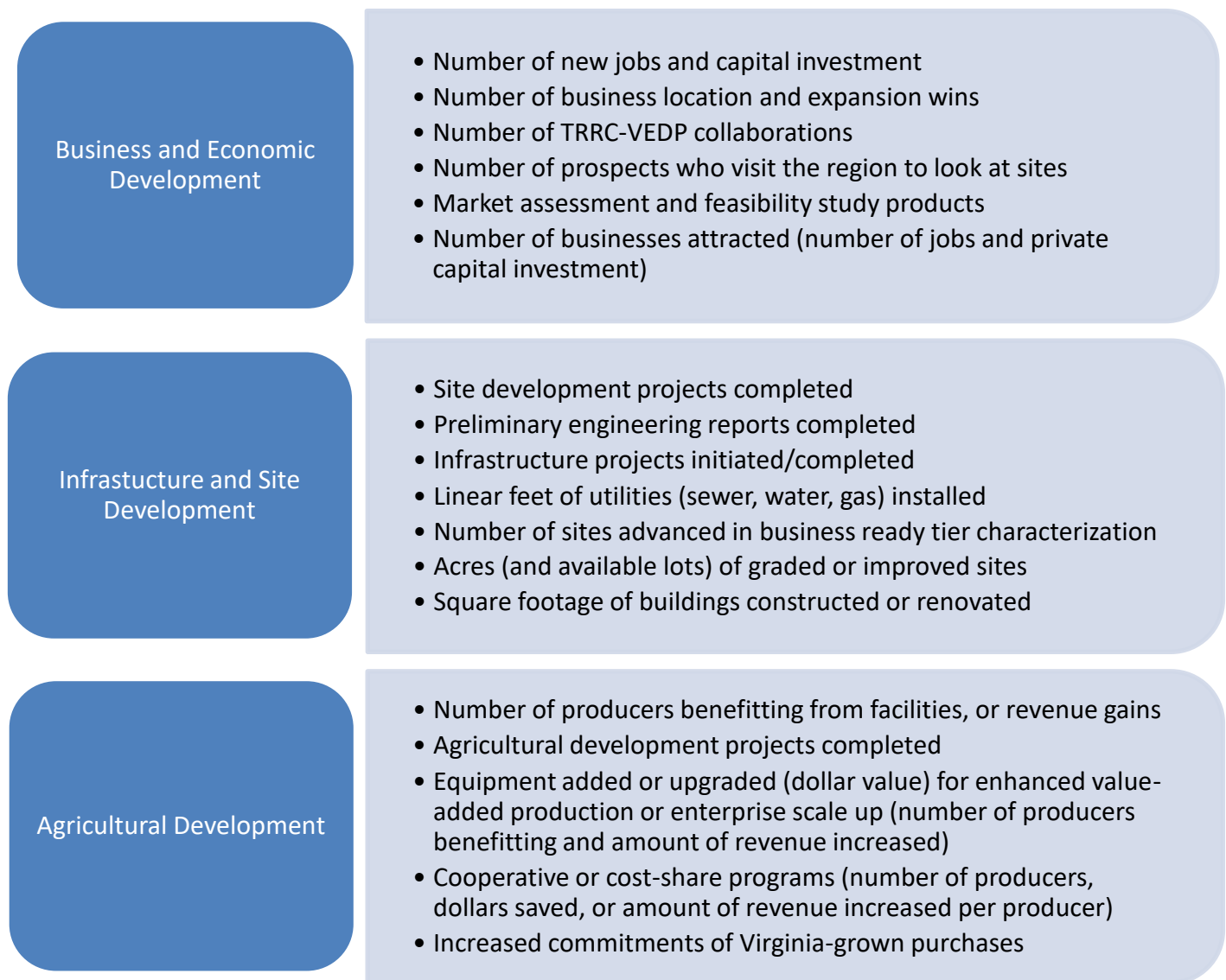
Figure 2: The Commission's Theory of Impact: How activities lead to transformational goals

Activity Types	Desired Short-term Outcomes	Desired Medium-term Outcomes	Desired Long-term Outcomes
• Economic competitiveness projects: Business recruitment and expansion • Infrastructure and site development • Industry attraction • Agricultural facility development • Talent development projects: Workforce training programs • Industry credentials and degrees • Educational facilities • Skills-aligned programming • People attraction projects: Tourism destinations • Cultural preservation • Downtown revitalization • Visitor experiences • Regional branding • Entrepreneurial growth projects: Startup support services • Business incubation • Entrepreneurial resources • New business creation • Capacity building: Resource generation • Partnership development • Organizational strengthening • Collaborative initiatives	• Business and Innovation Interest: Investment inquiries • Agricultural advancement adoption • Entrepreneurial motivation • Destination appeal recognition • Enhanced Skills and Knowledge: Industry qualifications • Best practice awareness • Technical competencies • Infrastructure Awareness: Site readiness understanding • Technology adoption readiness • Regional collaboration engagement	• Economic Behaviors: Business expansion decisions • Agricultural prosperity practices • Infrastructure utilization • Investment attraction • Entrepreneurial Ecosystem: New business launches • Capital access success • Support capacity expansion • Talent Development: Educational participation increases • Skill certifications • Job placement in target sectors • Talent retention and attraction • Community Development: Local employment creation • Economic diversification • Community vitality improvements • Regional competitiveness enhancement	• Regional Excellence: Comprehensive post-secondary education system • Well-trained workforce meeting employer needs • Increased regional prosperity indicators • Community Development: Vibrant places • Reduced disparities • Community resilience • Preserved heritage • Sustainable development practices • Economic Transformation: Sustainable economic base • Increased local employment • Decreased unemployment • Strong tax base • Living wage employment

Goal 1. An Economically Competitive Region

- WHY: Invest in the region's growing economic sectors and help the region better compete for firm locations and expansions.
- FOCUS: Industry development, economic development, and agribusiness development; aligned infrastructure investments (sites and buildings) for growth-oriented industry sectors. (See Appendix E for a summary of key industry sectors in the region.)
- CORE ACTIVITIES AND PROJECT OUTPUTS:

Figure 3: Economic competitiveness activities and project outputs

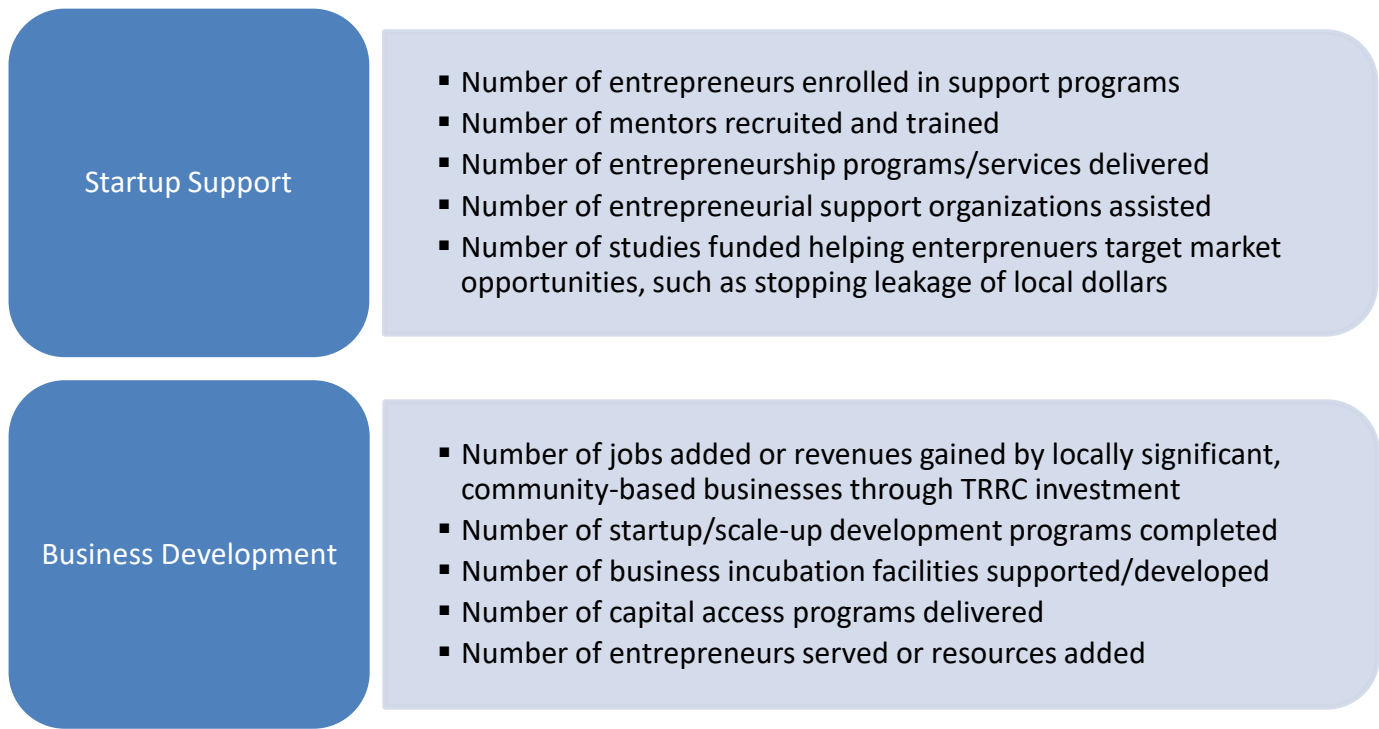


- SHORT-TERM OUTCOMES:
 - Companies in key sectors adding jobs or gaining revenues
 - Enhanced site competitiveness (number of sites advanced to higher VBRSP tier)
 - Increased prospect visits and information requests (year-over-year)
 - Agricultural businesses experiencing direct annual sales revenue growth
 - Private capital investment amounts leveraged by TRRC activities
 - VEDP announcements in footprint with Commission support
 - Number of businesses recruited to or expanding in the region
 - Number of new jobs created, number of new jobs with above median salaries or wages
- MEDIUM- TO LONG-TERM OUTCOMES:
 - Growing tax base
 - Number of prospects attracted to the region
 - Number of business expansions in target sectors
 - Growth measures for key industry sectors (employment, revenue, establishments)
 - Farmer income and agricultural market expansion
 - Improved regional competitiveness
 - Increases in year-to-year private capital investment in region
- The Commission will review and refine its role in providing economic development incentives for attracting prospects and retaining companies in the region. This includes a review of the Tobacco Region Opportunity Fund (TROF). The strategic planning process identified a need to more precisely target the Commission's role in industry incentives. If incentives are continued, smaller localities (more rural and under-resourced) in the Commission footprint may need to be prioritized for Commission funding. Many localities strongly prefer grants to loans and report TROF to be prohibitive as currently structured. Any incentive programs will be designed and implemented in closer coordination with economic development allies to be clear, compelling, accessible, non-duplicative, and deal-closing in nature.

Goal 2. An Entrepreneurial Region

- WHY: Be a place that better helps businesses start and grow.
- FOCUS: Support entities that help startups and locally owned small businesses in selected industry sectors, and support entrepreneur development and existing business growth in smaller and under-resourced communities.
- CORE ACTIVITIES AND PROJECT OUTPUTS:

Figure 4: Entrepreneurial Region Activities and Outputs



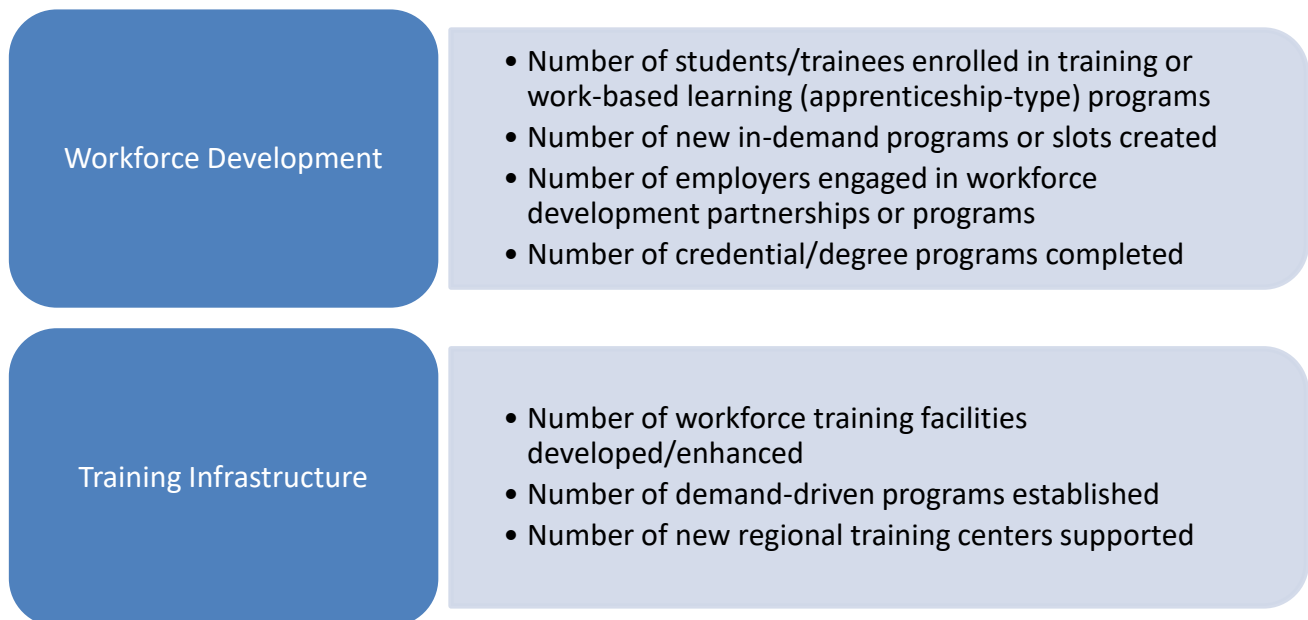
- SHORT-TERM OUTCOMES:
 - Entrepreneurs and locally significant small businesses supporting key sectors served and actively engaged in programs
 - New mentors/resources added to support entities
 - New businesses created or expanded through supported programs
 - Startups accessing capital and experiencing initial growth
 - Enhanced entrepreneurial support infrastructure

- MEDIUM- TO LONG-TERM OUTCOMES:
 - Number of startups experiencing sustained growth in revenues or jobs
 - Number of existing small businesses helped to expand (especially through hiring assistance, economic gardening, etc.)
 - Amount of total capital accessed by regional startups
 - Regional entrepreneurship ecosystem maturity and sustainability
 - Business survival and growth rates
 - Reduced leakage of local dollars in key industry sectors
 - Growing local tax base

Goal 3. A Talent-Rich Region

- WHY: Better help in growing skills and talents of region's workforce and expanding the supply of available and qualified workers in the region.
- FOCUS: More people with industry-related credentials, post-secondary degrees, or work-based experiences, especially in key industry sectors (see Appendix D).
- CORE ACTIVITIES AND PROJECT OUTPUTS:

Figure 5: Talent-Rich Region Outputs

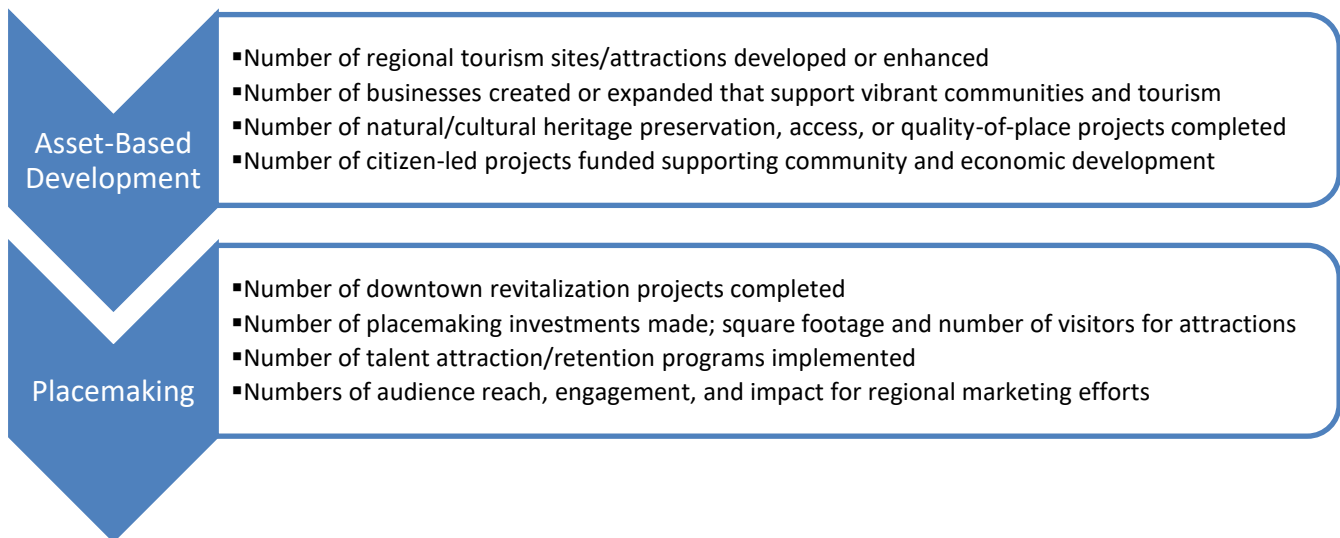


- SHORT-TERM OUTCOMES
 - People earning industry-related credentials or post-secondary degrees in target sectors
 - Increased enrollment in target sector programs
 - Enhanced skills alignment with regional employer needs
 - Improved training facility capacity and utilization
- MEDIUM- TO LONG-TERM OUTCOMES:
 - Number of jobs filled in key sectors by program graduates
 - Number of new jobs added in key sectors (also a reduction in vacancies)
 - Increased regional labor force participation rate
 - Reduced skills gaps in target industries
 - Growth in post-secondary educational attainment levels

Goal 4. A Vibrant, People-Attracting Region

- WHY: Be a place of vibrant communities, where people want to visit, live, and locate.
- FOCUS: Make select place-making and asset-aligned investments to encourage vibrant communities that attract and retain people, businesses, and investment.
- CORE ACTIVITIES AND PROJECT OUTPUTS:

Figure 6: A Talent-Attracting Region Activities and Outputs



- SHORT-TERM OUTCOMES:
 - Increased local income from meals tax, sales tax, bed tax in historic downtowns through increased visitor spending
 - Increased commerce activities
 - New direct jobs created at tourism destinations
 - Private capital investment in regional tourism businesses
 - Increased downtown visitation/business activity
 - Increase in unduplicated number of visitors to site(s) in the region
 - Increase in annual revenue from ticket sales or tourism business sales revenue
 - Estimated increase in annual visitor spending in the region
 - Private capital investment at tourism business(es) (only include taxable assets – real and personal property)
 - Number of direct jobs created at tourism destinations
 - Number of visitors engaged, impact from regional marketing efforts
- MEDIUM- TO LONG-TERM OUTCOMES:
 - Reduced leakage of local dollars
 - Number of people locating in the region
 - Enhanced regional attractiveness and livability
 - Number of people returning to or staying in the region
 - Regional population growth or stabilization
 - Talent retention rates among graduates and young professionals
 - Improvement in regional quality-of-life indicators

Goal 5. A Capacity-Growing Region

- WHY: Grow capacity of communities and their support organizations to help themselves through Commission grants and expert assistance from Commission and Foundation staff.
- FOCUS: Support the Foundation for the Advancement of Southern and Southwest Virginia and invest in staff of partner organizations to assist in developing and implementing projects or generating resources.
- CORE ACTIVITIES AND PROJECT OUTPUTS:

Figure 7: Capacity-Growing Region Activities and Outputs

Resource Generation	• Organizations reporting increased success in securing matching funds • Number of funding proposals submitted by foundation/partners • Number of partnership agreements established • Number of collaborative projects initiated
Organizational Capacity	• Number of organizations receiving capacity-building support • Increases in staff, programs, or budgets/revenues by supported organizations • Number of staff hired/trained in partner organizations • Number of collaborative initiatives launched
Partnership Development	• Organizations demonstrating enhanced levels of collaboration • Number of regular partner meetings convened (with VEDP, VDOE, DHCD, VCCS, EDA, etc.) • Number of regional funders roundtables held • Number of strategic alignment activities completed

- SHORT-TERM OUTCOMES:
 - Number of partner organizations with new staff serving region
 - Organizations reporting increased success in securing matching funds
- MEDIUM- TO LONG-TERM OUTCOMES:
 - Growth in size or capacity of regional support organizations or “hub” entities (staff, resources generated, etc.)
 - Number of presentations by footprint organizations at community and economic development conferences

Priority 2: Sustain

Follow Financial Stewardship Policies that put the Commission on a sound financial footing well into the future.

Goal 1. Sustain and Preserve

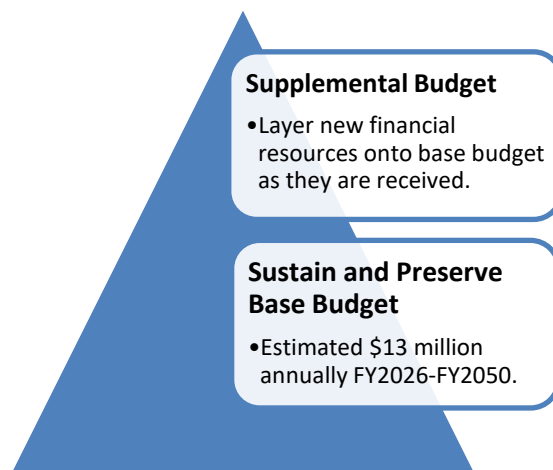
Maintain financial sustainability with annual budgets linked to long-term financial planning.

- The research team conducted a comprehensive analysis of the Commission's financial position, taking all Commission funds and operations into account. As noted in the Regional Situation Analysis (and discussed in the *Technical Report Companion*), the Commission's work is still needed in the region, and regional and local stakeholders expressed strong support for the Commission to continue its work. However, as of February 28, 2025, the Commission's endowment stands at only \$103.8 million, having declined steadily from its initial amount of approximately \$1 billion in 2007. In order to continue its work for many years to come, the Commission will follow financial policies, in conjunction with the goals articulated in Priorities 1 and 3 that allow it to reduce spending while maximizing impact.
- To support this goal, the research team created six long-term financial policy scenarios for the 2025-2050 period. These are detailed in the *Technical Report Companion* that accompanies this strategic plan, with the preferred scenario included in the Appendix to this document. Each scenario represents a different philosophical approach to asset management, from preservation of the corpus of \$103.8 million and judicious use of the unobligated carryforward balances in the Tobacco Indemnification and Community Revitalization (TICR) Fund that would allow the Commission to spend an estimated average of \$13 million per year through 2050, to accelerated investment and large expenditures over the short- to medium-term that would largely exhaust the Commission's financial resources within the next decade.
- Of the six scenarios, the preferred course of action is for the Commission to sustain its grant-based contributions to the Tobacco Region through an average annual base budget of an estimated \$13 million through 2050 using interest earnings only for the annual base budgets. This scenario entails no spending of the \$103.8 million corpus and judiciously stretching out the use of the unobligated carryforward balances in the TICR Fund. This preferred scenario also preserves the Commission's ability to function beyond the 25-year planning period with estimated annual budgets of \$7 million in FY2051 and beyond. Four other grant-funding scenarios entail modest to substantial spending of the corpus in annual budgets, which, as noted above, would exhaust the Commission's resources over the next decade. In addition to these scenarios, the research team also considered a scenario in which the Commission would

expend \$5 million per year in loans, while also spending funds from the \$103.8 million corpus. This scenario choice would allow for an estimated median annual budget of \$14.5 million through 2050 but essentially exhausts the endowment by the end of that period.

- To sustain and preserve its long-term viability, the Commission will establish a two-tier annual budget process incorporating the Sustain and Preserve Base Budget and the Supplemental Budget. The Sustain and Preserve Base Budget will entail an estimated \$13 million through FY2050 based on interest earnings only, judicious use of the TICR Fund’s unobligated carryforward balances, and no spending of the endowment, thereby establishing a sustainable platform for growth. The Supplemental Budget will allow the Commission to grow annual budgets by layering new financial resources onto the base budget as they are received.

Figure 8: Two-Tier Annual Budget Framework



Goal 2. Steer Strategically

Adopt financial policies to advance the Commission’s financial health, financial sustainability, and strategic goal alignment.

- The Commission will make annual spending decisions with one eye on the long-term future. Thus, the Commission will adopt a suite of financial policies that will form the steering system for long-term financial sustainability and strategic goal alignment. Seven financial policies are recommended to frame out an effective and strategic steering system. Working together holistically and reinforcing each other, these policies will enhance the financial health and financial sustainability of the Commission and reinforce its credibility with the communities it serves, the public-at-large, and potential new funding sources. See Appendix C for details on the seven recommended financial policies.

Figure 9: Seven Financial Policies for Financial Sustainability and Strategic Goal Alignment

1. Long-term Financial Planning
2. Endowment
3. Structurally Balanced Budget in Alignment with Long-Term Sustainability of the Commission
4. Report on How the Budget is Balanced
5. TICR Fund Reserves
 - Operating Reserve
 - Strategic Opportunity Reserve
6. Use of One-Time Revenues
7. Grants and Other Funding Sources

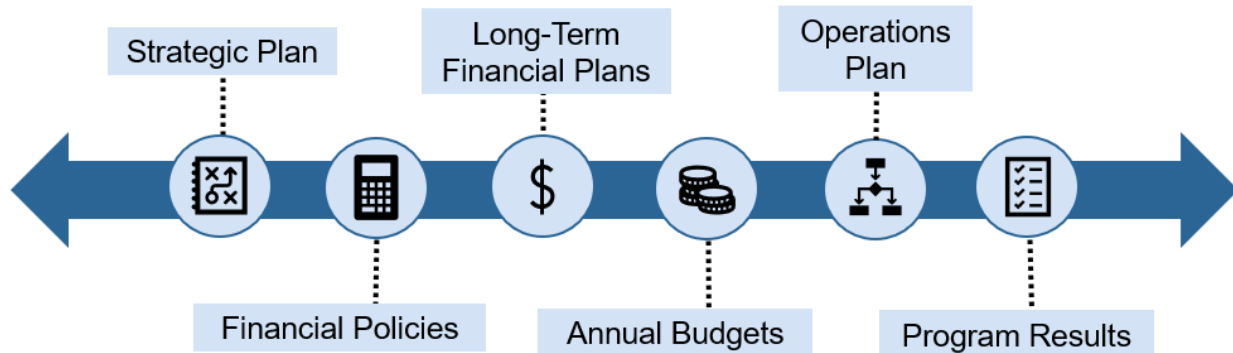
- Administrative procedures will be consistent with the adopted financial policies. Further, the Director of Finance will report the potential non-alignment of any proposed Commission action and will report annually on the overall degree of alignment with all financial policies.
- As an integral part of the annual long-term financial plan update and annual budget process, the Commission will maintain continuity and respond to emerging circumstances by annually reviewing its financial policies, updating them as needed. Policy changes may be needed as the Commission advances its mission and goals, as the region it serves evolves, and as the organization progresses and adapts to provide pertinent services. Any recommended changes will be presented to the full Commission and approved during the annual budget process.
- If an expanded revolving loan fund (RLF) is established, it will be developed as part of the Supplemental Budget with a distinct RLF Financial Plan to avoid eroding the capacity to maintain the Sustain and Preserve Base Budget at the estimated average \$13 million through FY2050.
- While the recommended Financial Policies work holistically together and reinforcing each other, they also provide a framework for responding to opportunities as they arise and for charting a plan to maintain the financial health and long-term financial sustainability of the Commission. Adopting a policy of limiting average annual base spending to \$13 million in grant funds does not mean that the Commission will never exceed that amount through the Supplemental Budget mechanism. In some years, as opportunities arise, the Commission may choose to spend more than \$13 million by supplementing the Base Budget with releases from the Strategic Opportunity Reserve into the Supplemental Budget or by temporarily augmenting the annual base budget above the sustaining \$13 million amount. However, if the Commission chooses to release funds from the Strategic Opportunity Reserve or temporarily increase the annual budget above the sustaining \$13 million, it will be with the acknowledgment that such spending will be offset by lower spending levels in subsequent years with an adopted plan to replenish funds used in alignment with the Long-Term Financial Plan and long-term sustainability of the Commission.

Goal 3. Focus and Integrate to Maximize Impact

Synchronize management and planning systems for strategic strength and flexibility.

- Purposefully and strategically link strategic goals, financial policies, long-term financial plans, annual budgets, operations, and program results closely together. Synchronize management and planning systems to promote heightened focus, impactful choices among priorities, and augmented results.

Figure 10: Integrate Systems for Strategic Strength and Flexibility



- Most importantly, harmonize annual planning systems to spotlight opportunities and pressures and to frame a platform for strategic and proactive action. Further, integrating the annual planning systems closes gaps that can arise in opportunities, avoids disconnects that can naturally occur between separately pursued systems, and decreases risks.
- As set forth in *Priority 1: Focus*, the Commission will pursue a clearer, narrower set of goals to address the region's most significant economic barriers and explore the most promising economic opportunities, using an expanded set of short- and long-term performance metrics.

Goal 4. Grow Capacity with New Financial Resources

Attract and retain new financial resources to augment capacity.

- The Commission will build on the \$13 million annual base budget through the Supplemental Budget mechanism by layering on new financial resources as they are received.
- The Commission will increase the total amount of resources devoted to specific projects by:
 - Expanding development capabilities, performance metric systems, and results verification (See Priority 1: Focus);
 - Increasing collaboration with other funding entities at the regional, state, national levels;
 - Supporting the nonprofit Foundation for the Advancement of Southern and Southwest Virginia, so that it can attract funds for projects the Commission is also supporting (See Priority 3: Engage).

Priority 3: Engage

Enhance Organizational Effectiveness and Collaboration

As detailed in the *2025-2027 Strategic Plan Technical Report Companion*, regional stakeholders praised the Commission for its contributions to regional development, its nimbleness in responding to funding opportunities, and its knowledgeable, accessible, and responsive staff. At the same time, stakeholders called on the Commission to become more outward-facing and collaborative with state, regional, and local organizations, and to align its funding strategies with those of national and state-level agencies. Ensuring Commission investments are better shared across the region was also identified as a priority, which will be accomplished through intentional engagement with lower-capacity communities.

The *Engage* priority area focuses on specific actions the Commission will undertake to enhance its own effectiveness and strengthen its impact by collaborating with other organizations.

Goal 1. Maintain and build on organizational strengths

- The Commission will maintain flexibility and responsiveness, but within a clearer strategic framework, with a narrower set of funding priorities and a tighter set of criteria to assess new projects while retaining the ability to fund pilot-scale, or smaller, projects.
- The Commission will continue to support, value, and develop its staff, while adding capacity and expertise to support functions that include enhanced monitoring and reporting, project development, and partner engagement.
- The Commission will continue to fulfill its role as a champion for the economic vitality of its region and will enhance its ability to do so through collaboration with others.

Goal 2. Enhance collaboration between the Commission and other organizations that provide funding within the Commission's region, seeking alignment between their efforts and the Commission's efforts

- For each of the goals articulated in *Priority 1: Focus*, the Commission will identify relevant national, state, and regional partners and will determine the roles they play, their funding programs, and the relationship of these programs to the Commission's goals and programs.
- The Commission will conduct an analysis of key relationships and communication channels of relevant partners to establish communication channels for program alignment.
- The Commission will convene a regular meeting of core funding partners, including Virginia Economic Development Partnership, Virginia Department of Housing and Community Development, Virginia Community College System, and U.S. Economic Development Administration.
- The Commission will convene regional organizations in the Tobacco Commission footprint on a regular basis. These include planning district commissions, regional economic development organizations, workforce development boards, community colleges, and others.

Goal 3. Support the Nonprofit Foundation for the Advancement of Southern and Southwest Virginia

In its 2020 and 2023 Strategic Plans, the Commission supported the idea of developing the Foundation as a separate legal entity, aligned with the Commission’s mission but functioning independently, to build local capacity, generate new resources, and advocate for the region. The Foundation will seek both private and public sector grants that will leverage and thereby enhance funding for the Commission’s programs. These funds will help to increase the Commission’s impact in the region despite its reduced annual expenditures. (See Priority 2.)¹

- The Commission will engage in a three-year “proof of concept” process for launching the Foundation. During this time, the Commission will:
 - Engage a consultant to assist the Foundation in developing an organizational mission, scope of work, and staffing plan.
 - Enhance engagement with the governing board for the Foundation.
 - Support the Foundation in funding a director. The ideal director will be:
 - Entrepreneurial – The Foundation is a startup venture.
 - Results oriented – The focus is on resource generation and capacity building of local and regional organizations in the Commission footprint.
 - Professional – The Foundation needs to become a “best in class” organization for resource generation and a model of professionalism and respectability as a trusted steward of funds.
 - Service minded – The Foundation must align with the Commission mission and work for the good of the region, especially of the more under-resourced or rural parts of the Tobacco Region footprint.
- The Commission will invite the Foundation to prepare and submit a three-year funding request to include the following deliverables and elements in its scope of work:
 - A detailed operational and staffing plan, including a three-year budget with funding levels for Foundation staff and operations;
 - A grants and fundraising plan with analysis of fundraising opportunities and goals; and
 - A financial management plan that includes fund disbursement policies, controls, and related details.

¹For example, where the Commission might currently invest \$500,000 in an infrastructure project, an active Foundation might be able to secure \$250,000 from other sources for that project, so that the Commission would need to invest only \$250,000.

Conclusion

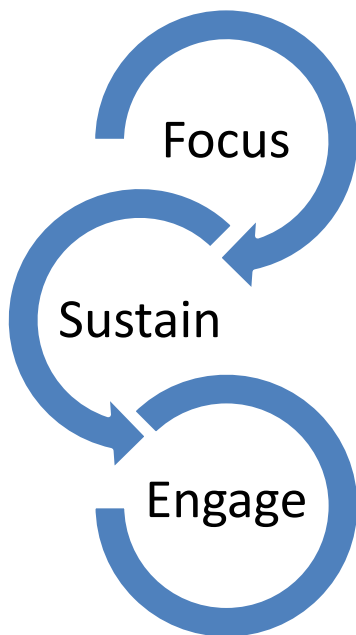
This plan outlines three strategic priorities: Focus, Sustain, Engage. All three are CRITICAL to the Commission's continued success and impact.

Focus means the deliberate identification of transformational investments to address the region's most significant barriers and to take advantage of the most promising economic opportunities.

Sustain means the Commission will prioritize recommended investment thresholds and exercise clear financial policies and practices to ensure the continued ability to carry out its mission well into the future.

Engage means the Commission continues to strive to be an excellent collaborator and to strengthen its own effectiveness and reach through all the tools at its disposal including the Foundation for the Advancement of Southern and Southwest Virginia.

The Commission is proud of its progress during the past 25 years in revitalizing communities formerly dependent on tobacco cultivation and processing, furniture and textile production, and coal mining. Much work remains to be done, yet the Commission's base of funds has declined significantly from when it began its work decades ago. To continue its efforts and to achieve meaningful impact, the Commission must adopt new approaches.



The Commission embraces this challenge. By sharpening its focus on transformational investments with carefully monitored outputs and outcomes, following best practices in evaluating project applications, forging stronger, complementary relationships with public, private, and nonprofit partners, supporting the Foundation for the Advancement of Southern and Southwest Virginia, and carefully stewarding its remaining funds, the Commission will continue its mission of bringing lasting economic prosperity to the region.

Appendix A

Table 1: 5x5 Transformational Goals Matrix

5 Goals “future state”	5 Challenges or Barriers	5 Solutions and Focus Areas	5 + Intended Impacts and Outcomes	Key Partners
Economically competitive region	Insufficient industrial sites Growth challenges for firms in key sectors such as agribusiness	Invest in this region’s growing economic sectors: agribusiness, advanced manufacturing, tourism	• New jobs and investments in target sectors from Commission-funded activities • Enhanced regional business competitiveness and ability to compete for firm locations and expansions • Increased private capital investment leveraged through Commission activities • Growth in key economic sectors (agribusiness, advanced manufacturing, tourism) • Improved regional competitiveness rankings and market position • Sustainable agricultural sector growth and market diversification	VEDP VDOE GO Virginia DHCD Virginia Cooperative Extension IALR
Talent-rich region	Workforce supply and skills gaps	Invest in workforce development to increase supply and quality for target industries	• Notable growth in regional population with enhanced skills aligned to target industries • Reduced workforce supply and skills gaps in key economic sectors • Increased regional labor force participation rate above the current 57% • Growth in post-secondary educational attainment levels • Enhanced pipeline of skilled workers for target industry sectors • Stronger workforce development infrastructure and capacity	VCCS SCHEV VOEE
Vibrant, people - attracting region	Declining downtowns Lack of targeted strategies to attract and retain talent	Invest in placemaking and targeted talent attraction and retention projects that support tourism, workforce, and entrepreneurship	• Population growth or stabilization, reversing current decline trends • Enhanced regional attractiveness and quality of life for residents and visitors • Increased talent retention rates among graduates and young professionals • Revitalized downtowns and enhanced placemaking that supports economic growth • Growth in tourism sector and outdoor economy • Strategic talent attraction initiatives that bring new residents to the region	VEDP VCCS Higher education institutions DHCD VTC

Entrepreneurial region	Lower levels of entrepreneurial vibrancy	Invest in building a vibrant entrepreneurial community focused on key industry sectors of agribusiness, tourism, and small manufacturing	• Vibrant startup ecosystem generating new businesses and sustainable job growth • Enhanced regional innovation capacity and entrepreneurial culture • Increased access to capital and business support resources for startups • Improved business survival and growth rates in target sectors • Regional entrepreneurship ecosystem maturity and self-sustainability • Strategic support for startups in agribusiness, tourism, and small manufacturing	VIPC The Launch Place SBDC
Capacity-growing region	Lower levels of local capacity and resources to lead and grow new initiatives	Invest in the Foundation, Commission staff, and partner organizations to implement these strategies and help connect and grow resources	• Self-sustaining regional development ecosystem with enhanced local capacity • Increased ability of communities to develop and implement projects independently • Enhanced resource generation and leveraging capacity beyond Commission investments • Strengthened regional advocacy and representation capabilities • Sustainable Foundation for the Advancement of Southern and Southwest Virginia • Enhanced collaboration and coordination among regional development partners	Virginia Cooperative Extension DHCD



Appendix B: Financial Analysis

This analysis examines the fiscal realities facing TRRC as it manages the remaining 10% of its original endowment. This section presents guiding considerations that shape TRRC's financial outlook, including statutory limitations, historical investment returns, and bond repayment obligations. It identifies two seemingly contradictory challenges: reducing spending while maximizing impact. The heart of the analysis explores six distinct financial planning scenarios through 2050, each representing a different philosophical approach to asset management—from corpus preservation to accelerated investment. These models illustrate various trajectories for TRRC's endowment and annual budgets and provide a framework to evaluate trade-offs between immediate regional investment and long-term institutional sustainability.

Guiding Considerations

The Tobacco Indemnification and Community Revitalization Endowment was funded with proceeds from bonds sold by the Tobacco Settlement Financing Corporation (TSFC) in 2005 and 2007. The Endowment has steadily declined from approximately \$1 billion to \$103.8 million corpus (roughly 10%) as of February 28, 2025. The Commission's annual 50% share of the MSA payments are pledged to repay the bonds through FY2047. Statutory constraints limit the amount of annual corpus invasion to a maximum of 15% with a three-fourths vote of the Commission.

Limited assets are available for regional investments (grant awards) as of FY2025, which will constrain the available funds and strategic alternatives going forward. Major constraints include:

- The Commission's share of MSA payments is pledged to the bonds through FY2047.
- Interest earnings overall have averaged 1.7% for the last 10 years.
- Restricted endowment funds are yield-restricted due to tax-exempt bond federal law.

Annual budgets and funding sustainability will require careful, strategic management going forward. Judicious use of unobligated fund balance and accumulated interest earnings (\$136M estimate as of February 28, 2025) can also support annual budgets during the financial planning period.

Two Critical Challenges

The Commission has two critical challenges, which on their face are in conflict, but may be handled in conjunction with each other through tighter strategic focus and follow through. These challenges are to:

1. Reduce total annual funding levels and more intentionally manage the remaining funds.
2. Maximize the impact of its expenditures and build greater organizational and regional capacity to drive economic transformation.

Recommended Scenario

This report identified six financial management scenarios, each of which is detailed in the *Technical Report Companion* that accompanies this strategic plan. The financial scenarios illustrate the fundamental tension TRRC faces between preserving its corpus for long-term sustainability and making impactful investments in the near term. This appendix describes Scenario A, which is the preferred scenario, based on Commission feedback. This strategy preserves the corpus indefinitely but reduces annual base budgets below the recent annual average to approximately \$13 million.

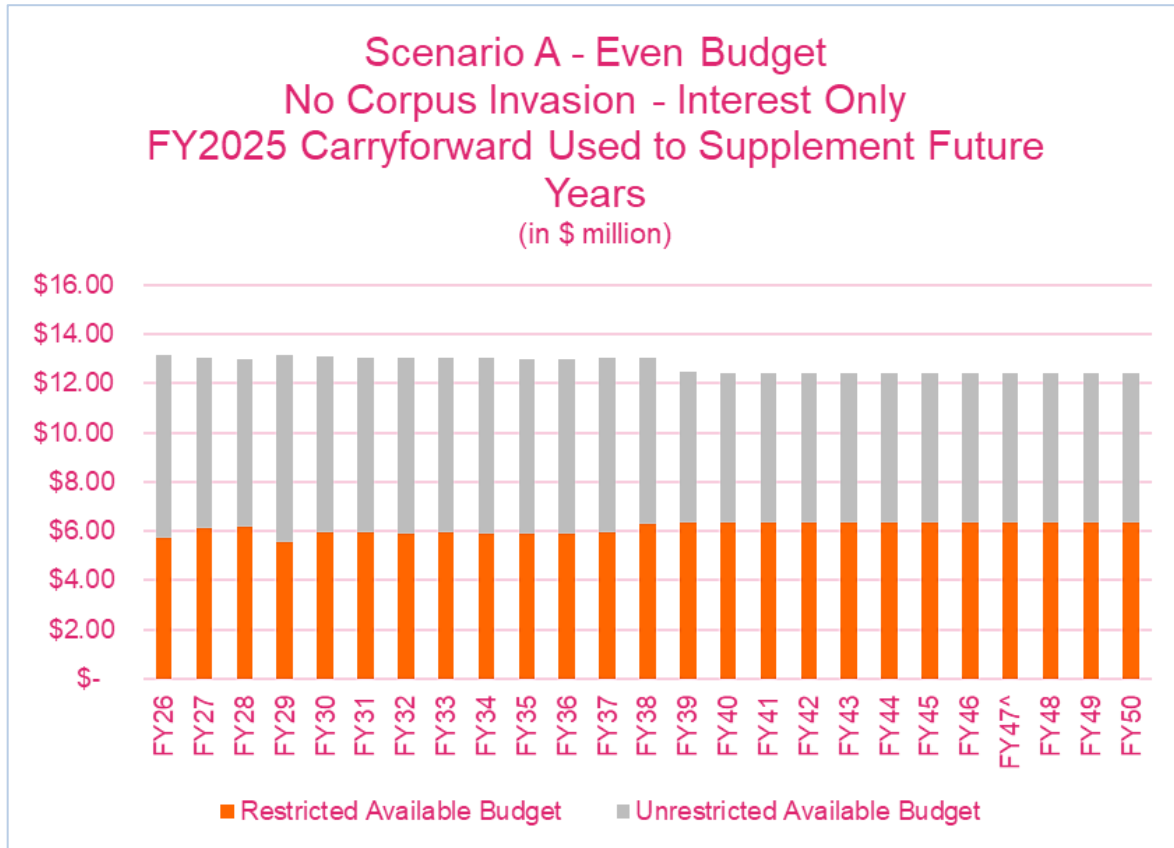
Assumptions incorporated into this scenario planning include:

- 25-year financial planning period: FY2026-FY2050
- No new assets or funding sources through FY2050
- Use of unobligated funds and accumulated interest earnings (\$136M estimate) for annual budgets in FY2026-FY2050
- Build back the fund balance reserve as some current obligated funds become de-obligated through adoption of financial policies and continued multi-year financial plans
- Existing loan repayments continue as currently scheduled
- 10-year historical average return on investments

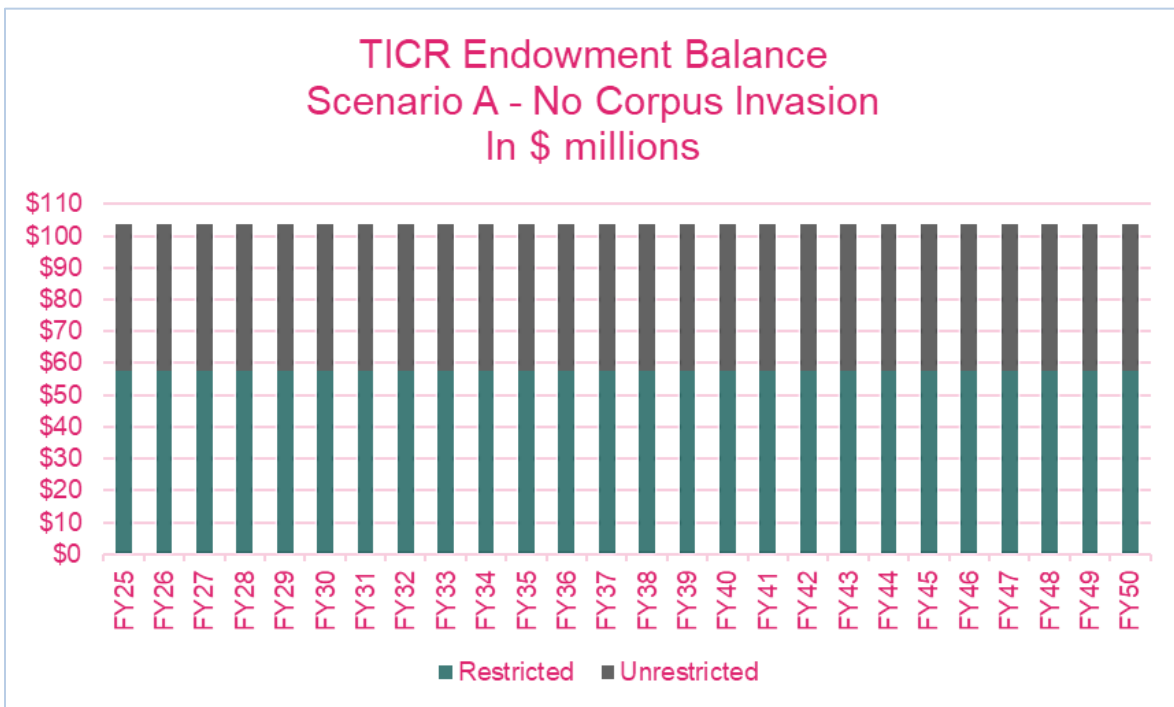
Scenario A: Interest Only, No Corpus Invasion, Even Budget

- **Annual Budget Estimate:**
 - FY2026-FY2033: \$12.4M-\$13.1M
 - FY2026-FY2033: Median \$13.0M
 - FY2051 and beyond: \$7.0M (annual potential)
- **Unobligated Fund Balances Used FY2026-FY2050**
- **Endowment Estimate:**
 - FY2025: \$103.8M
 - FY2050: \$103.8M

Available Budget (Scenario A)



TICR Endowment Balance (Scenario A)



Appendix C: Recommended Financial Policies

Financial Policies = Steering System for the Strategic Path Forward

- The Commission will adopt a suite of financial policies that will form the steering system for long-term financial sustainability and strategic goal alignment. Seven financial policies are recommended to frame out an effective and strategic steering system. Working together holistically and reinforcing each other, these policies will enhance the financial health and financial sustainability of the Commission and its credibility with the communities it serves, the public-at-large, and potential new funding sources.
- Administrative procedures will be aligned to be consistent with the adopted financial policies. Further, the Director of Finance will report potential non-alignment on any proposed Commission action, as well as annually on the overall alignment and non-alignment with all financial policies.
- To maintain continuity and respond to emerging circumstances, the Commission will annually reaffirm and update the financial policies as an integral part of the annual long-term financial plan update and annual budget process. Policy changes may be needed as the Commission continues to advance its mission and goals, as the region it serves continues to evolve, and as the organization continues to progress and adapt to provide pertinent services. Any recommended changes will be presented to the full Commission and approved during the annual budget process.

1. Long-Term Financial Planning

- **Annually update the Long-Term Financial Plan** with a forecast of sources and uses of funds for 10 to 20 years and a projection of the long-term sustainability of the Commission before the annual budget process.
- Long-Term Financial Plan will be **updated before the annual budget process**.
- As part of the budget message, the **Director of Finance advises the Commission of potential long-term positive and adverse trends** along with their analysis of the trends.

2. Endowment

- **To protect the long-term viability of the Commission, the endowment corpus is maintained at total book value of \$103.8 million as of February 28, 2025.**
- **Thus, the endowment will generate annual interest earnings into perpetuity as the primary source of support of the Commission's mission and strategic goals.**
- **Annual interest earnings can be used for annual budgeting for programs and operations** within the framework of a Long-Term Financial Plan and the long-term sustainability of the Commission.

3. Structurally Balanced Budget in Alignment with the Long-Term Sustainability of the Commission

- **Annual Budget = Sustain and Preserve Base Budget + Supplemental Budget**
- Annual budgets will be **structurally balanced and aligned with the Long-Term Financial Plan**.
- **Recurring revenue will equal or exceed recurring expenditures in all budgets** to maintain long-term financial sustainability.
- **Sustain and Preserve Base Budget Recurring Revenues** = (a) Interest earnings on Tobacco Indemnification and Community Revitalization (TICR) Endowment and TICR Fund, (b) unobligated carryforward balances as of February 28, 2025, or (c) loan repayments from existing loans as of February 28, 2025.
- **Supplemental Budget Recurring Revenues** = Renewing and sustainable revenues from new funding sources beyond existing assets as of February 28, 2025.
- **Distinct and Expanded Revolving Loan Fund (RLF) will reside in Supplemental Budget, if established.**
- **A distinct RLF Financial Plan** will be developed if an expanded RLF is established. The plan:
 - Outlines schedule of annual contributions from the Annual Base Budget, Strategic Opportunity Reserve, or other new funding sources, to build up the RLF to self-replenishment status.

- Specifies how loan repayments are invested back into the fund to make new loans.
- Outlines policy for any drawdowns of interest earnings from the RLF to the Base Budget that also protects the self-replenishment of the RLF.
- **If a structural imbalance occurs** in the Annual Budget, the Sustain and Preserve Base Budget, or the Supplemental Budget:
 - **A plan will be developed as part of the annual budget process and implemented to bring the budget back into the structural balance** in alignment with the Long-Term Financial Plan and financial sustainability of the Commission.

4. Report on How the Budget is Balanced

- **During the annual budget process**, the Director of Finance will provide a **report on how the Proposed Budget is balanced and in alignment with the Long-Term Financial Plan** and long-term sustainability of the Commission.
- **If structural balance changes between the Proposed and Adopted Budgets**, the Director of Finance will **clearly delineate the changes and the resulting structural balance in the Adopted Budget**.

5. TICR Fund Reserves

- **Operating Reserve (OR):**
 - Maintained to **protect the Commission from short-term risks and to promote its long-term sustainability**.
 - Shall be equivalent to **two times the average annual budget over the last five years**.
 - **If these reserves are used, a plan will be developed and implemented to replenish the funds used** in alignment with the Long-Term Financial Plan and long-term sustainability of the Commission.
- **Strategic Opportunity Reserve (SOR):**
 - Maintained to **build capacity for strategic projects or initiatives**, the establishment of a **new program or approach**, and/or the **expansion of a revolving loan program** at the discretion of the Commission.
 - **Establish with \$10 million from unobligated carryforward balances** (as of February 28, 2025).
 - **Annual budget process can deposit additional amounts in SOR** in alignment with Long-Term Financial Plan and long-term sustainability of the Commission.

- **If these reserves are used, a plan will be developed and implemented to replenish the funds used** in alignment with the Long-Term Financial Plan and long-term sustainability of the Commission.

6. Use of One-Time Revenues

- Once the annual budget is brought into structural balance, **one-time resources shall not be used for current or new ongoing expenses.**
- **One-time revenue examples:** One-time grants, investment earning spikes, budget savings, and similar non-recurring revenue.
- **Appropriate uses of one-time resources:** Establishing and rebuilding the Operating Reserve, the Strategic Opportunity Reserve, and other nonrecurring expenditures.

7. Grants and Other New Funding Sources

- **Commission staff will seek out, apply for, and effectively administer federal, state, and other grants** that address the Commission's priorities and policy objectives and provide a positive benefit to the Commission and the region it serves.
- **Before any grant is pursued, staff will provide a detailed pro-forma that addresses the immediate and long-term costs and benefits to the Commission.**

Appendix D: Organizational Chart

Tobacco Region Revitalization Commission

Organizational Chart

August 2025



Appendix E: Key Industry Sectors

The *Technical Report Companion* provides a situation analysis of economic conditions and key industries in the Tobacco Commission region. In general, regional economic activity can be divided into two broad categories: industries and sectors that mostly serve the local population and those more reliant more on export or trade outside the local area. It is important to recognize that the dynamics within sectors are complex and include a mix of local and non-local (traded) aspects. To identify the key industry sectors in the TRRC, an examination was made of industry characteristics in the region, target industry sectors from sub-regions (such as those identified in GO Virginia regions or Comprehensive Economic Development Strategy documents), combined with feedback from area stakeholders.

The most commonly appearing sectors cited as economic drivers include a core three primary economic drivers and another five secondary economic drivers. The three core areas of importance across the region, in which TRRC should encourage projects, are:

- Manufacturing and materials
- Information Technology and technology-based enterprises, including communication
- Agriculture and food and beverage processing

Secondary economic drivers are important but vary in size and relevance across the region. They represent areas in which the TRRC should invest, with discretion. Secondary economic drivers are:

- Tourism (creative and cultural, outdoor, recreation, and experience economy-based enterprises)
- Life sciences and biomedical (including health care, to the extent it plays an outsized economic role despite not being a primarily traded sector)
- Energy and natural resources
- Business and professional services
- Transportation, logistics, and warehousing

If a project does not include a focus on one or more of these industry sectors, the project is likely to be less of a fit for Commission funding. Moreover, Commission funding may be more appropriate for high-impact opportunities that seek to spur new enterprises or to help companies scale in one or more of these areas.

A project may be in these sectors but still be less of a fit if it does not represent a substantive possibility to grow or add jobs or businesses in that sector or hold promise to grow the overall sector in the region.