By Us For Us

Growing a Community Investment Ecosystem in Central Appalachia

Invest APPALACHIA

Center for Community Investment

LINCOLN INSTITUTE OF LAND POLICY

THE APPALACHIAN ECOSYSTEM JOURNEY

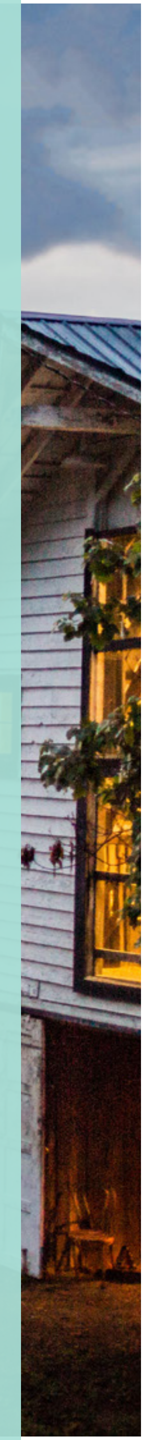
Courtesy of Foundation for Appalachian Kentucky

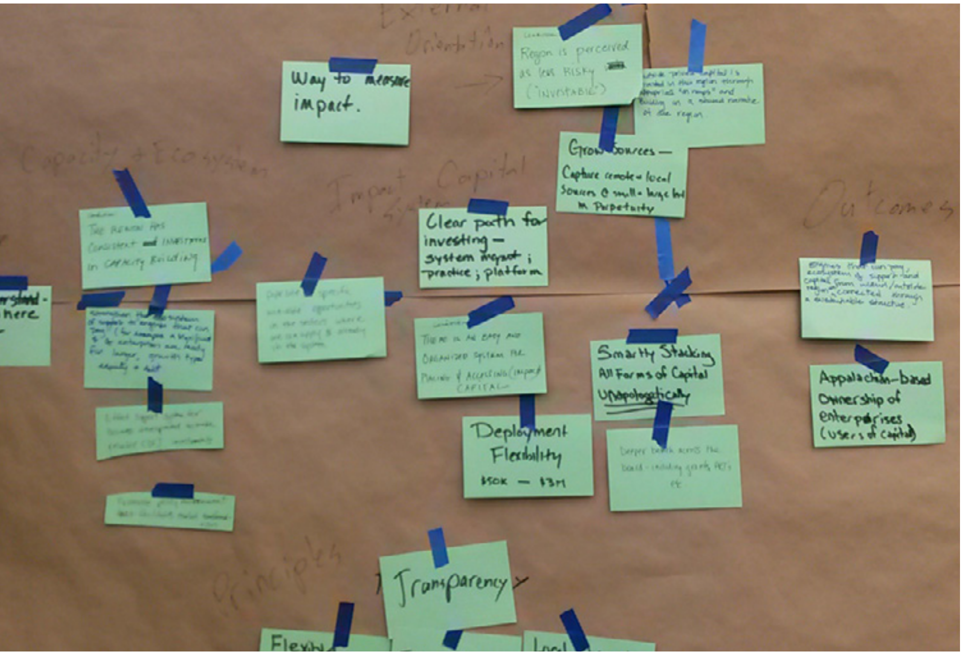
OUR REGION'S JOURNEY

An Introduction

This is the story of how the people of Central Appalachia capitalized on the region's assets and worked together to create an ecosystem to invest in transformative change.

On a crisp fall day in September 2016, dozens of people made the circuitous journey from all corners of the Central Appalachian region to Charleston, West Virginia, to tackle a big question: What will it take to accelerate the flow of impact capital into Central Appalachia to achieve transformative economic, social, and health outcomes for the region? The Appalachia Funders Network had convened community development practitioners, financial institutions, public and private sector funders, and national impact investing experts to address this increasingly urgent topic. The region was facing deep and long-standing socioeconomic challenges made worse by the collapse of the coal industry.





Courtesy of Invest Appalachia

Regional actors had been "investing in ourselves" for over a decade, building cross-sector collaborations that could grow key economic sectors and advance a shared vision for a just, resilient, diversified, and inclusive economic transition in Central Appalachia. But we knew that transformative change in our chronically low-wealth and underinvested region would require new resources and external investment.

Everyone at the meeting understood that the solution to regional economic transition was not a silver bullet but rather "lots of silver BBs," but they also recognized that to invest in Appalachia, national funders and investors would need an accessible, effective ecosystem to organize and develop investable opportunities at scale. Over the course of three days, we developed a collective vision for a thriving regional community investment system, began to map the existing system and identify missing components and capacities, and agreed on a set of values to guide a community-led process to achieve our vision.

A community investment ecosystem refers to the key actors, resources, and supporting conditions that enable the flow of investment capital to community priorities. It includes the people and organizations that help to shape projects and get them ready for investment, the financial intermediaries (e.g., banks, community development financial institutions, foundations) that provide various forms of capital, as well as contextual factors (cultural, regulatory, economic, political) that constrain or encourage community-focused investment.

Five years later, Central Appalachia is seeing that vision become reality. We have mature networks and high-capacity organizations working collaboratively to dramatically increase the pipeline of investable deals in key sectors. Capacity-building work has broadened and deepened the skills of community-led organizations to create a more inclusive investment ecosystem. And a new social investment fund, Invest Appalachia, is being launched to aggregate opportunities, coordinate strategies, and provide large-scale integrated capital to drive economic transition.

This piece asks: How did a persistently poor, economically marginalized, chronically underinvested region build a community investment ecosystem with the capacity to absorb and deploy catalytic capital for transformative change? And what have we learned along the way?

At the core of this story lies a commitment to **self-determination** and a **central focus on equity**, in both process and outcomes. A shared analysis united partners around key sectors and a framework for economic transition. This common vision and trusting relationships supported the growth of **collective impact networks** within the community economic development and philanthropic sectors as well as **cross-sector partnerships** that collaboratively developed priority industry sectors and aligned strategies. Finally, a long-term commitment to building **technical and community capacity and infrastructure** ensured that the ecosystem is not only effective but also accountable and responsive to the people and places of Central Appalachia.

Central Appalachia's story is specific to the region and the partners that created it, yet it offers lessons for other under-resourced places faced with persistent poverty and structural inequities. By tracing the work that preceded the catalytic 2016 meeting and the subsequent progress over the last five years, this story illuminates key factors that accelerated the region's ecosystem development. By showing that it is not only possible but imperative to develop comprehensive approaches to community investment in low-resource regions, we hope it can inform the broader community investment field.

Courtesy of Foundation for Appalachian Kentucky

The Journey Unfolds in Three Phases

1

COALESCING (PRE-2010)

Decades of work by visionary, committed, place-based organizations created the foundation for today's community investment ecosystem. Over those decades, leaders and organizations operating at the intersection of community economic development, community development finance, and community organizing built trusting relationships.

2

INVESTING IN OURSELVES (2010-2015)

The deep and lingering effects of the Great Recession (described by one regional leader as a disaster sitting on top of a catastrophe) added urgency to the region's economic challenges and opened opportunities for bottom-up solutions to go mainstream. A new narrative around Appalachian Transition spread throughout the region, buoyed by collective impact networks organized around a shared analysis and complementary strategies.

3

COLLABORATING FOR SCALE & IMPACT (2016- PRESENT)

Increased grant capital from philanthropy and the federal POWER initiative supported community capacity building and collaboration to accelerate the development of priority sectors. However, regional partners recognized that the influx of grant dollars was not a sufficient or sustainable solution and collaborated to develop an ecosystem to absorb large-scale investment capital.

Background

Appalachia is often characterized as the "other" America on the basis of "hillbilly" narratives, its status as the poster child for the War on Poverty, and its century-long role as an internal resource colony for the country. While the region's specific history as an extractive mono-economy has exacerbated inequities and limited investment in human capital, its persistent poverty is emblematic of structural inequities built into our nation's social and economic systems. Racial and class disparities have intertwined with other structural barriers to limit employment opportunities, produce health inequities, and foster social injustice.

Yet, like other persistent poverty regions, Appalachia has significant assets: resilient people, unparalleled natural beauty, a heritage of craft and industry, the legacy of organized labor, vibrant culture, and a love of place. Perhaps its most important asset is a strong sense of self-determination that is fueling a community-led economic transition. This is the story of how the people of Central Appalachia capitalized on the region's assets and worked together to create an ecosystem to invest in transformative change.

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External factors that shaped that ecosystem include the rapid decline of the coal industry, the global financial crisis, and trends in philanthropy such as the growth of impact investing and particularly the DivestInvest movement. Internal factors include the grassroots movement to create a new narrative and framework for Appalachian Transition; the growth of nonprofit, philanthropic, and cross-sector networks; and the intentional development of a community investment ecosystem.

Story themes

Every community investment ecosystem story is unique, but the principles and strategies that contributed to success in Appalachia can serve other communities as they develop their own ecosystems:

SELF-DETERMINATION: The ecosystem was built from the ground up by and for people and organizations in Central Appalachia, reflecting the collectively held vision, values, and priorities of the region.

EQUITY AT THE CENTER: Centering equity, inclusivity, and justice in our vision, as well as the ecosystem's process, structure, and goals, maintained accountability to grassroots constituents and influenced institutional partners to embrace a commitment to equity.

SHARED ANALYSIS: We developed a common analysis and framework around shared priorities, allowing each partner organization to see itself as part of the whole and to understand its role in advancing the collective vision.

COLLECTIVE IMPACT NETWORKS: Informal relationships developed around shared analyses and goals were strategically transformed into formal networks with clear roles and the ability to take collective action to advance regional investment pipelines in specific sectors.

CROSS-SECTOR PARTNERSHIPS: Cross-sector networks were critical to building a coordinated enabling ecosystem that could align resources, capital, and capacity.

TECHNICAL CAPACITY: Providing training and tools for community development finance, impact investing, and sector development at the local level helped build the infrastructure for community investment.

COMMUNITY CAPACITY: Recognizing that effective infrastructure must be rooted in community involvement, we engaged local leaders to help design and iterate solutions based on their lived experience and knowledge.

Phase 1: Coalescing (Pre-2010)

Decades of work by visionary, committed, place-based organizations created the foundation for today's community investment ecosystem. Over those decades, leaders and organizations operating at the intersection of community economic development, community development finance, and community organizing built trusting relationships. In the early 2000s, they began to coalesce around shared strategies for promoting equitable economic opportunity. As social and economic challenges deepened, grassroots leaders and community economic development organizations developed bottom-up solutions for their local economies.

Foundational Assets to Build On

Central Appalachia has a strong foundation of community organizing and community economic development (CED) that has been more than 40 years in the making, including two of the country's most respected and longstanding rural community development financial institutions (CDFIs). Based in Appalachian Kentucky, Fahe and Mountain Association have provided innovative, values-based approaches to housing and community economic development since the War on Poverty. They have long worked alongside other CED organizations at the local and state levels to provide entrepreneurial support, small business lending, and other services. As coal employment declined in the 1980s and 1990s, these organizations pursued asset-based development strategies informed by grassroots leaders and a shared commitment to economic, environmental, and social justice. Over this period, CDFIs and CED organizations built expertise and track records around industry sectors such as local foods, clean energy, entrepreneurship, and sustainable agriculture.

Despite these assets, support for the CED infrastructure was unreliable and inconsistent. The Appalachian Regional Commission (ARC) provided important resources, particularly when the political winds favored community economic development priorities. It was occasionally possible to secure capital from banks and other private sources. The strongest organizations, especially those with a regional footprint or specialized expertise, attracted grants from national philanthropy, but funding was often short term and restricted to specific programs. Philanthropy within the region was mostly local and often tied to traditional coal interests. The region's notorious "philanthropy gap" (grantmaking in Appalachia was 10 percent of the national average per capita as recently as 2014)[1] was exacerbated by sparse relationships and little coordination among regional foundations or with national philanthropy.

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[1] According to Grantmakers for Southern Progress and the National Committee for Responsive Philanthropy, coal country receives an average of $43 per capita in annual grantmaking compared with the $400 national average, $1000 in California, and $4,000 in the Bay Area.

Courtesy of Rural Action

Story

The Power of Networks in Rural Communities

Fahe is a regional nonprofit financial intermediary based in Berea, Kentucky, that works to build the American Dream for every family and community across Appalachia. Since 1980, Fahe has connected investment capital and other resources to "boots on the ground" leadership through its network of more than 50 member organizations across six states. A case study describes Fahe as "the strongest example of network approaches to increasing impact and strengthening financial performance in the domestic community development field." The rationale for a network approach – economies of scale, shared resources, and functional specialization – is especially important in rural Appalachia, an underbanked region that has endured generations of industrial extraction and economic disinvestment. By collectively pooling community venture assets, best practices, and shared expertise, local community developers and advocates can amplify their impact. Fahe's network model brings together diverse local stakeholders from CDFIs, community development corporations (CDCs), community action agencies, housing authorities, and religious coalitions to make transformational community investments in neighborhood infrastructure, workforce development, public health, economic revitalization, and quality affordable housing. In the early 2000s, Fahe's annual production was 2,000 units of housing and $5 million in financing. While impressive, it was woefully inadequate for the region's challenges. Members created a performance compact to share core competencies and free themselves from administrative functions. By 2009, they had doubled housing production and increased financing four-fold. A decade later, during 2020, Fahe made direct investments totaling $145.6 million and oversaw $268 million in capital under management for its members and aligned organizations. Since 1980, the powerful Fahe network has changed the lives of 687,183 people.

Courtesy of Fahe

THEMES

COLLECTIVE IMPACT NETWORKS

TECHNICAL CAPACITY

Courtesy of Rural Action

Coalescing Around Common Interests

In low-resource rural communities where organizations play multiple roles, collaboration is a necessity rather than a luxury. Fahe's network approach illustrates how no single organization or strategy is sufficient to match the scale of geography and challenges facing the region. Yet even in the absence of formal partnerships, the region had a natural ecosystem and a "we" orientation to CED that only deepened as economic dislocation challenges grew. Community economic development leaders reminded funders – and each other – that the challenges they faced were generations in the making and would not be easily fixed. Economic transition would be slow, hard, and expensive, requiring collaborative infrastructure to go the distance.

Yet even in the absence of formal partnerships, the region had a natural ecosystem and a "we" orientation to Community Economic Development (CED) that only deepened as economic dislocation challenges grew.

Over time, networks in Ohio and Kentucky continued to coalesce around place-based strategies. Faced with the loss of 1,000 manufacturing jobs in the early 2000s, the Appalachian Center for Economic Networks (ACENet) and Rural Action collaborated with university, arts, and philanthropic organizations to design Regional Flavor, a placemaking economic strategy based on Southeast Ohio's unique tourism and local food assets. In Kentucky, a shared commitment to economic and social justice led Mountain Association and Kentuckians for the Commonwealth (KFTC) to develop complementary strategies to support entrepreneurs and advocate for policies to support a clean energy economy. In both cases, trust and a common analysis increased alignment between grassroots organizing, community economic development, and philanthropy and laid the groundwork for shared goals and strategies.

Courtesy of Rural Action

While most collaborative relationships developed within individual states, a network of community development groups recognized the need for regional-scale strategies. The Central Appalachian Network (CAN) began in 1992 as an informal peer network of six nonprofit chief executive officers based in Kentucky, Ohio, Virginia, West Virginia, and Tennessee. As their relationships grew – and with encouragement and financial support from national funders – CAN members began to learn together, develop a common analysis of the region's challenges, and share promising solutions. At its 2009 convening, which included regional funders, CAN launched a collaborative initiative to **support small and mid-size farmers**, connecting them to buyers to take advantage of the growing demand for local foods. Over time, CAN honed its role as a collective impact network to pilot efforts, deploy strategies, and measure the impact of promising sectors to support economic transition.

Bottom-up Solutions Emerge

Despite the rapid drop in coal employment and a global financial crisis, traditional economic development entities provided few solutions for the region's economic transition in the first decade of the 21st century. Instead, community-based anchor organizations, such as those described above, offered much-needed alternatives to an extractive economy that had failed to build local wealth and no longer provided employment opportunities. Using an asset-based development approach, these organizations developed strategies that were broad enough to apply regionally but flexible enough to adapt to each community's unique assets. Local and regional innovation around such sectors as sustainable food and forest products, energy efficiency and renewable energy, and outdoor recreation and tourism attracted the interest of public, private, and philanthropic partners. Community development financial institutions and other CED organizations provided technical skills, while relationships with grassroots leaders grounded these "bottom-up" solutions in the culture and values of the region. Increased trust and alignment during this phase set the stage for a new narrative and regional economic strategy.

Courtesy of Foundation for Appalachian Kentucky

Story

An Early Entrepreneurial Ecosystem in Appalachian Ohio

Athens, Ohio, is a rural college town with a robust history of collaboration and a strong foundation of asset-based development, located in one of Ohio's poorest counties in the economically distressed region of Southeast Ohio. Rural Action and the Appalachian Center for Economic Networks (ACEnet) have led efforts to create an entrepreneurial approach to economic development in the region for three decades. Rural Action focuses on developing assets in diverse economic sectors in Appalachian Ohio, putting equal emphasis on people, planet, and profit. ACEnet supports worker ownership, builds networks, and connects entrepreneurs to each other and new markets through sector value chains. The entrepreneurial ecosystem evolved around ACEnet's Food Ventures Center, which opened in Athens in 1996 to support local food entrepreneurs. In the mid-2000s, the Regional Flavor movement

Courtesy of ACENet

helped local businesses expand to serve rural and urban markets across Southeast Ohio through branded tourism strategies such as Brewed on the Bikeway, the 30 Mile Meal, and Ohio's Winding Road. Rural Action helped agri-entrepreneurs tap new markets through its social enterprise, the Chesterhill Produce Auction. With new partners in the public and private sectors, the ecosystem has evolved into a multidimensional system serving a wide range of entrepreneurs and communities across a multicounty area. The partnership between Rural Action and ACEnet has grown to include food access work, through the Appalachian Accessible Food Network, and support of tourism and outdoor recreation entrepreneurs. At the region's core is a strong culture of peer networks and a deep commitment to community-driven, asset-based development.

THEMES

COLLECTIVE IMPACT NETWORKS

SHARED ANALYSIS

COMMUNITY CAPACITY

Phase 2: Investing in Ourselves (2010-2015)

The deep and lingering effects of the Great Recession (described by one regional leader as a disaster sitting on top of a catastrophe) added urgency to the region's economic challenges and opened opportunities for bottom-up solutions to go mainstream. A new narrative around Appalachian Transition spread throughout the region, buoyed by collective impact networks organized around a shared analysis and complementary strategies. Existing networks were formalized, and new networks emerged, including a regional philanthropic network. Community economic development groups identified priority industry sectors and worked together to develop and grow markets. The regional vision and early successes attracted attention from regional and national funders, federal agencies, and impact investors. Increased capital and the urgency of the economic threats fed demand for scalable solutions and investment opportunities.

Appalachian Transition: A New Narrative Gains Traction

The Appalachian Transition Initiative (ATI), launched in 2011, was a grassroots effort to promote a participatory conversation about economic transition and rewrite the region's narrative. It was rooted in years of work and relationships between two of the most effective community economic development and community organizing groups in Central Appalachia. Kentuckians for the Commonwealth (KFTC) has thousands of members who work statewide to address multiple issues, including economic justice and a transition to a new energy economy. Mountain Association is a CDFI that, since 1976, has provided innovative financing, business support, and deep expertise around clean energy and other key sectors to support the transition to a more diverse, resilient, sustainable, and equitable economy. When the two organizations teamed up in 2011 to launch ATI, they combined the vision and values of grassroots leaders with the technical skills for economic development.

The invitation to collectively rewrite the narrative for Central Appalachia quickly caught on and went on to influence mainstream economic development partners, including state and federal officials. Appalachian Transition provided an informal framework for a broadly inclusive vision and shared set of values for the region's economy. Partners in the community investment ecosystem committed to a common cause of advancing a diverse, sustainable, equitable, and resilient economy.

Appalachian Transition captured the power of bottom-up solutions, provided a unifying narrative, and offered a compelling vision for a regional economy that addressed environmental, labor, and social concerns. This envisioned economy promised to build local wealth and promote widely shared prosperity, create good jobs and local ownership opportunities, and steward natural resources.

The invitation to collectively rewrite the narrative for Central Appalachia quickly caught on and went on to influence mainstream economic development partners, including state and federal officials.

Top courtesy of Appalachian Sustainable Development | Bottom courtesy of Foundation for Appalachian Kentucky

Story

Appalachia's Bright Future

In the first decade of the 21st century, the War on Coal narrative dominated political discourse in Appalachia and made it nearly impossible to imagine a future beyond the coal economy. Kentuckians for the Commonwealth (KFTC) had worked for years with grassroots leaders in Eastern Kentucky whose communities were devastated by mountaintop removal coal mining and who sought solutions for a just transition for workers and communities. In 2011, as part of the Appalachian Transition Initiative, KFTC called on then-Governor Steve Beshear to engage in a public conversation about the state of the coal industry and what was needed to ensure a just transition. After 14 KFTC members occupied his office for three days, the Governor agreed to tour two Eastern Kentucky counties and listen to community leaders. Organizing by grassroots leaders over the next two years culminated in Appalachia's Bright Future, a conference in Harlan County, Kentucky, in 2013 that became a watershed moment for the regional Appalachian Transition movement. The invitation to collectively rewrite the narrative for Central Appalachia caught on quickly and went on to influence mainstream economic development partners, including state and federal officials. When Governor Beshear and Congressman Hal Rogers convened Save Our Appalachian Region (SOAR) six months later, grassroots leaders turned out to advocate for a just transition. These early principles of a just, equitable, and sustainable transition remain central to the community investment ecosystem a decade later, reflecting the region's strong sense of self-determination and providing a reliable counterweight to inconsistent public sector leadership and policy.

Courtesy of Kentuckians for the Commonwealth

THEMES

SELF-DETERMINATION

EQUITY IN THE CENTER

COMMUNITY CAPACITY

Courtesy of Kentuckians for the Commonwealth

Developed by grassroots leaders and their CED allies, the new narrative provided a coherent and cohesive frame for diverse groups working on community organizing, policy advocacy, asset-based development, sustainable development, and other strategies. The concept of economic transition resonated with the Appalachian Regional Commission (ARC) and other federal agencies under new political leadership from the Obama administration. It also offered a vision that united diverse funders in the region in the formative years of the new Appalachia Funders Network (AFN). While ATI was a short-term initiative, it was the genesis of a regional narrative and frame that galvanized diverse partners toward shared goals across the regional community investment ecosystem.

Anchor Networks for a Collaborative Regional Infrastructure Emerge

Courtesy of Rural Action

As the Appalachian Transition framework gained momentum, existing collaborative networks expanded, and new ones emerged to move the vision to action. The Central Appalachian Network (CAN) became a "network of networks" that included mature anchor organizations as well as dozens of grassroots partners. Working across six states, CAN focused first on building the local food sector, where there was emerging demand, a growing movement of local farm and food businesses, and existing expertise among support organizations. Based on this experience, in the mid-2010s CAN began identifying and supporting other priority sectors, including clean energy and creative placemaking, to advance economic transition. Its food system work became a model for collaboration, guiding the path to collective impact in other sectors and strategies: identify critical leverage points, share tools and strategies, build the capacity of intermediaries in the system, and collect data to track market growth and community impact. The Central Appalachian Network developed collaborative strategies in sectors like clean energy, creative placemaking, and other cross-cutting approaches to support entrepreneurship, improve community health, and build inclusive community wealth.

Story

The Power of Collective Impact: Growing a Regional Food System

The Central Appalachian Network (CAN) is a peer network that develops and deploys strategies to support a more just and sustainable Appalachia. The network has worked for over a decade to develop and strengthen local food value chains – short supply chains infused with the triple bottom line values of promoting financial, social, and environmental goals. In five sub-regions throughout Central Appalachia, more than 40 CAN members and local partners connect producers to markets, share marketing and training tools, coordinate policy work, and facilitate collaboration among producers, processors, aggregators, distributors, farmers markets, wholesale buyers, and consumers. The Central Appalachian Network also partners with the Appalachia Funders Network to co-host a regional Food and Agriculture Systems Working Group, in which funders and practitioners coordinate and align to build the sector as an economic driver and ensure access to fresh food for low-income communities. Over its first ten years of food system work, CAN documented an 800 percent increase in wholesale purchases, a nearly 500 percent increase in producer revenue to over $21 million annually, and the doubling of production employment to nearly 1,500 full-time equivalent jobs in 2018. The Central Appalachian Network has since expanded to focus this network approach on other sectors and strategies.

Courtesy of Rural Action

THEMES

COLLECTIVE IMPACT NETWORKS

SHARED ANALYSIS

TECHNICAL CAPACITY

The Value of Backbone Support Organizations for Network Success

In 2011, Rural Support Partners (RSP), a social enterprise with deep experience in Appalachia, documented lessons from networks working to create local wealth in rural communities. The study identified "enough structure, but not too much" as a key element of successful networks. As the backbone support organization for both the Central Appalachian Network and the Appalachia Funders Network, RSP has learned from and contributed to the region's effectiveness by providing critical structure and coordination capacity. Rural Support Partners understands that collaborative groups should focus on getting work done and let the processes, structures, and governance emerge from the group's collective efforts. They provide organizational development, facilitation, and key management functions while staying independent of the network. This independence has minimized competition and encouraged collaboration. When AFN began to convene investment ecosystem actors for the 2016 event described in the introduction, RSP was the obvious choice to facilitate a process that needed to be grounded in trust, shared values, and cultural competency.

Inspired by relationships formed at CAN's 2009 gathering, a small group of grant makers convened their colleagues to explore the creation of a new regional funder network. The Appalachia Funders Network has become an important anchor for philanthropy and public sector funders who want to support a just and sustainable economic transition. The network adopted a big tent approach to build relationships across community, private, and public funders with disparate cultures and priorities. From the beginning, AFN's goal was to increase collective impact through learning, analysis, and collaboration. A set of working groups enabled AFN members to learn with and from community-based practitioners and forge a common analysis and shared strategies. Learning exchanges with CAN partners and other practitioners influenced AFN's road map and helped develop cross-sector networks. For instance, relationships on the Food and Agriculture Working Group led to a series of large federal grants from the U.S. Department of Agriculture), ARC, and regional funders to build capacity, develop regional strategies, and support collaborative pilot projects.

These demonstration projects led to the Central Appalachian Food Enterprise Corridor, a coordinated local foods distribution network which connects over 200 food producers across five states to wholesale distribution markets. Such large-scale, cross-sector collaboration showed that attention to ecosystem coordination pays dividends within sectors and across the investment system.

Partners Focus on Capital and Scale

In 2015, the Obama administration launched the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) initiative to ease the economic impact of energy transition in coal-dependent communities. National foundations were also paying attention to coal transition, and AFN helped create the Just Transition Fund (JTF) as a vehicle to focus national grants on local efforts consistent with Appalachian Transition. In its first two years, JTF raised and deployed $1.3 million in capacity-building grants to help community-based organizations develop competitive POWER proposals, leveraging $12.4 million in federal grants. The influx of federal and national resources raised expectations for large-scale projects and brought a reality check for the region's capital absorption capacity, particularly for community-driven efforts. While aligned networks were more competitive for grants, CDFIs understood that more of the same capital would not fix the problem until we had sufficient capacity and infrastructure to use that capital well. Adding to the demand for scale was the growth of impact investing, particularly the DivestInvest movement. If Appalachia wanted its share of the investment side of DivestInvest, the region needed a more robust pipeline of investable opportunities. The Appalachian Regional Commission helped create Appalachian Community Capital as a regional aggregator for small business lending by community loan funds and CDFIs, and regional actors like AFN began to consider other systemic solutions to the challenge of capital absorption in a low-resource region.

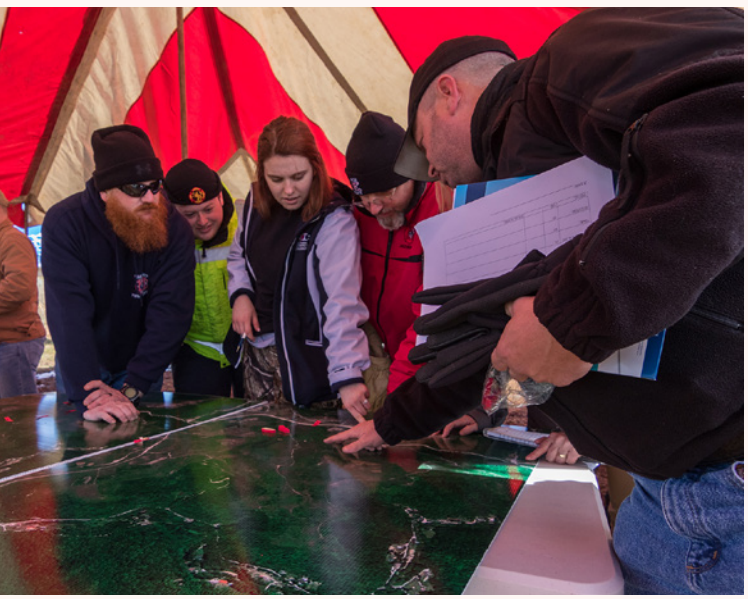
Adding to the demand for scale was the growth of impact investing, particularly the DivestInvest movement.

Top and bottom courtesy of ACENet

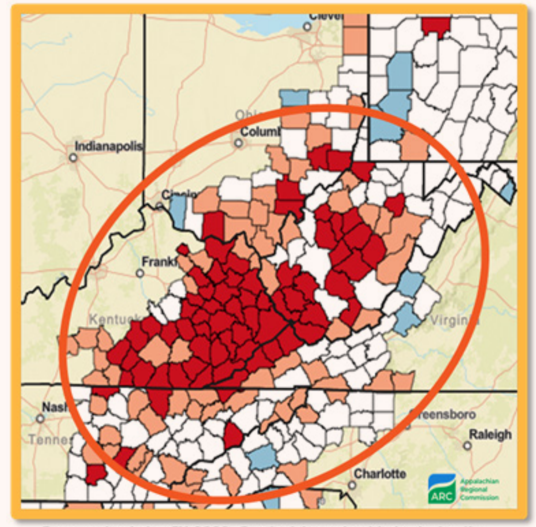
Story

Bridging Differences to Build a Shared Analysis

The room was deliberately diverse at the exploratory meeting for the Appalachia Funders Network (AFN) in 2010, as a mix of foundations, government agencies and analysts, progressive organizers, community economic development innovators, and elected officials came together for the first time. With the War on Coal waning but still alive in the region's political culture, we weren't sure how the Appalachian Transition narrative would land. As Kentuckians for the Commonwealth's Burt Lauderdale wrapped up his presentation about the extractive nature of the coal economy (usually considered "fighting words"), a federal economic development official from West Virginia stood up. You could have heard a pin drop as he asked Burt to show the slide of poverty levels in West Virginia and Kentucky over the past 50 years. "Now, I'm pro-coal," he said, and we all held our breath. "But I see how coal has created jobs but didn't leave wealth in the region. We've got to do something different." We exhaled and realized that we were witnessing a shift from old divisions to alignment around a different economic future for the region. That slide, which became known as the "big red dot," (see image below) has kept AFN and others focused on addressing economic opportunity in persistently poor counties – the "hills and hollers" of Appalachia – for more than a decade.



Courtesy of Invest Appalachia



Economic status FY 2021. Central Appalachia includes the Appalachian counties of OH, WV, KY, VA, TN, & NC

THEMES

SHARED ANALYSIS

CROSS-SECTOR PARTNERSHIPS

Phase 3: Collaborating for Scale and Impact (2016-present)

Increased grant capital from philanthropy and the federal POWER initiative supported community capacity building and collaboration to accelerate the development of priority sectors. However, regional partners recognized that the influx of grant dollars was not a sufficient or sustainable solution and anticipated the need to develop the ecosystem to absorb large-scale investment capital. The Appalachia Funders Network convened partners in 2016 to reimagine a regional system to meet the capital needs of communities and accelerate the transition to a more just, resilient, diversified, and inclusive economy. A broad swath of community investment partners agreed to engage in a collaborative process to strengthen and add value to existing assets in the ecosystem.

Increased Capital Adds Capacity for Aligned Priorities

Federal and philanthropic dollars helped fuel innovative projects and new collaborations, allowing CDFIs and other CED groups to add staff and technical capacity. Guided by an ethos of peer learning and support, experienced organizations shared expertise with others to grow the pipeline for priority sectors. For example, Appalachian Sustainable Development and ACEnet anchored the region's food system with expertise on food hubs and value-added processing, while Mountain Association developed an on-bill financing mechanism, which they shared with other CDFIs, to boost the clean energy sector by increasing energy efficiency upgrades for homeowners and businesses. Within AFN, the Mary Reynolds Babcock Foundation shared expertise around impact investing and network development, while the Foundation for Appalachian Kentucky provided leadership for a new approach to rural development philanthropy.

Courtesy of Invest Appalachia

An influx of national capital always comes with the risk of pushing top-down solutions, but Central Appalachia's robust CED and philanthropic networks ensured that community partners stayed in the driver's seat. As the federal POWER initiative came online, AFN members, including the national Just Transition Fund and large regional funders like the Benedum Foundation, provided capacity-building grants to help innovative community-based transition projects submit competitive proposals. Small but promising initiatives used start-up support from regional foundations to build track records and win larger grants. For instance, CAN member Coalfield Development piloted and then expanded an innovative social enterprise approach to workforce development, becoming a nationally renowned organization. Rooted and aligned philanthropic partners made the region approachable and attractive for national investment while also tempering the sometimes-fickle nature of national philanthropy. Several national foundations joined AFN and benefited from connecting with its established analysis, strong relationships, and ongoing efforts. Still, national philanthropy has had an inconsistent grantmaking presence in the region, underscoring the importance of self-determined strategies in low-resource regions that need long-term, committed support.

Story

Building Community Capacity Through Philanthropy

Foundation for Appalachian Kentucky is a community foundation that does philanthropy differently. With a stated intention to "shift control back into the hands of local leaders," the Foundation serves as a rural development hub that meets communities where they are, develops local leaders, and works with them to develop ideas and resources. Their innovative approach includes hosting the Appalachian Impact Fund (AIF), which has made $1.6 million in grants and $1.3 million in impact investments to support energy-efficient and affordable housing, commercial real estate development, growth of promising sectors, low-interest consumer loans, and small business lending. Downtown revitalization efforts in Hazard, Kentucky, illustrate the Foundation's multidimensional approach. As abandoned buildings deteriorated and a fire destroyed a historic building on Main Street, the Foundation hosted a series of town hall meetings that culminated in the creation of InVision Hazard, a citizen-led coalition focused on downtown revitalization and creative placemaking. With backbone support and funding from the Foundation, along with technical support from Fahe and Mountain Association, InVision Hazard inventoried downtown buildings, helped reinstitute code enforcement to address abandoned buildings, held candidate forums that helped usher in new elected officials, and created cultural events to attract visitors to downtown. In 2019, AIF provided $200,000 in below-market loan capital and $50,000 in grant support to complete the ArtStation, a gallery, performance, and arts education space that has been catalytic, leading to new businesses moving to Main Street. The Foundation and its partners are making it possible for the people of Appalachian Kentucky to envision and create the future they deserve, turning good ideas into investable opportunities.

Courtesy of Foundation for Appalachian Kentucky

THEMES

SELF-DETERMINATION

CROSS-SECTOR PARTNERSHIPS

TECHNICAL CAPACITY

COMMUNITY CAPACITY

Ecosystem Development

When AFN convened community investment partners in Charleston, West Virginia, at the September 2016 meeting described at the opening of this story, the first step was to identify strengths and gaps in the regional investment ecosystem. An external consultant report documented significant pent-up demand for impact capital, and partners representing capital supply, capital demand, and intermediary roles contributed their analyses. Collectively, the process identified the existing system's assets as well as critical gaps in both capital and capacity. Participants in the meeting also outlined a set of values (transparency, democracy, equity, self-determination, collaboration) to guide the development of new system functions. Just as the Appalachian Transition framework emerged from grassroots engagement, development of the community investment ecosystem was led by practitioners and in-region experts steeped in the context and culture of Central Appalachia. Several of these leaders participated in national learning cohorts, such as the Center for Community Investment's Connect Capital, the BALLE (now Common Future) Local Economy Fellowship, and RSF Social Finance's Just Economy Institute, which helped them build and share knowledge about capital absorption and developing community investment ecosystems.

Priorities for ecosystem development included strengthening the pipeline of investable deals in priority sectors, building capacity and coordination among ecosystem actors, and creating new capital tools to accelerate the flow of investment.

Priorities for ecosystem development included strengthening the pipeline of investable deals in priority sectors, building capacity and coordination among ecosystem actors, and creating new capital tools to accelerate the flow of investment. These three priorities were interconnected, and relied upon a variety of actors (CDFIs, foundations, CED organizations, agencies) to provide key functions in the system.

Top and bottom left courtesy of West Virginia Community Development Hub

Story

Investing in Community Capacity to Grow the Ecosystem

The West Virginia Community Development Hub has played a central role in building statewide community development capacity, first by increasing the competitiveness of community-led projects for Federal Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) initiative grants and, more recently, as a key partner in developing the community investment ecosystem. The Hub was formed in 2009 to coach community leaders and connect them with resources to spark positive change in their hometowns. Engagement in the regional ecosystem and national networks sharpened The Hub's focus on deepening connections between investment ecosystem actors in West Virginia. They led a process to define best practices and long-term outcomes for the state's community development field, with short-term and long-term indicators for success. Working with local teams, they now leverage technical expertise and blended investment to accelerate community projects, from abandoned school reuse to recreational development to downtown redevelopment. Since 2019, The Hub has facilitated the development of a Community Collaborative Network that includes more than 50 community organizations, CDFIs, universities, government agencies, foundations, banks, and other partners working together to strengthen an inclusive community development system for West Virginia.

Courtesy of WV Community Development Hub

THEMES

CROSS-SECTOR PARTNERSHIPS

TECHNICAL CAPACITY

COMMUNITY CAPACITY

Capital Absorption Capacity Framework

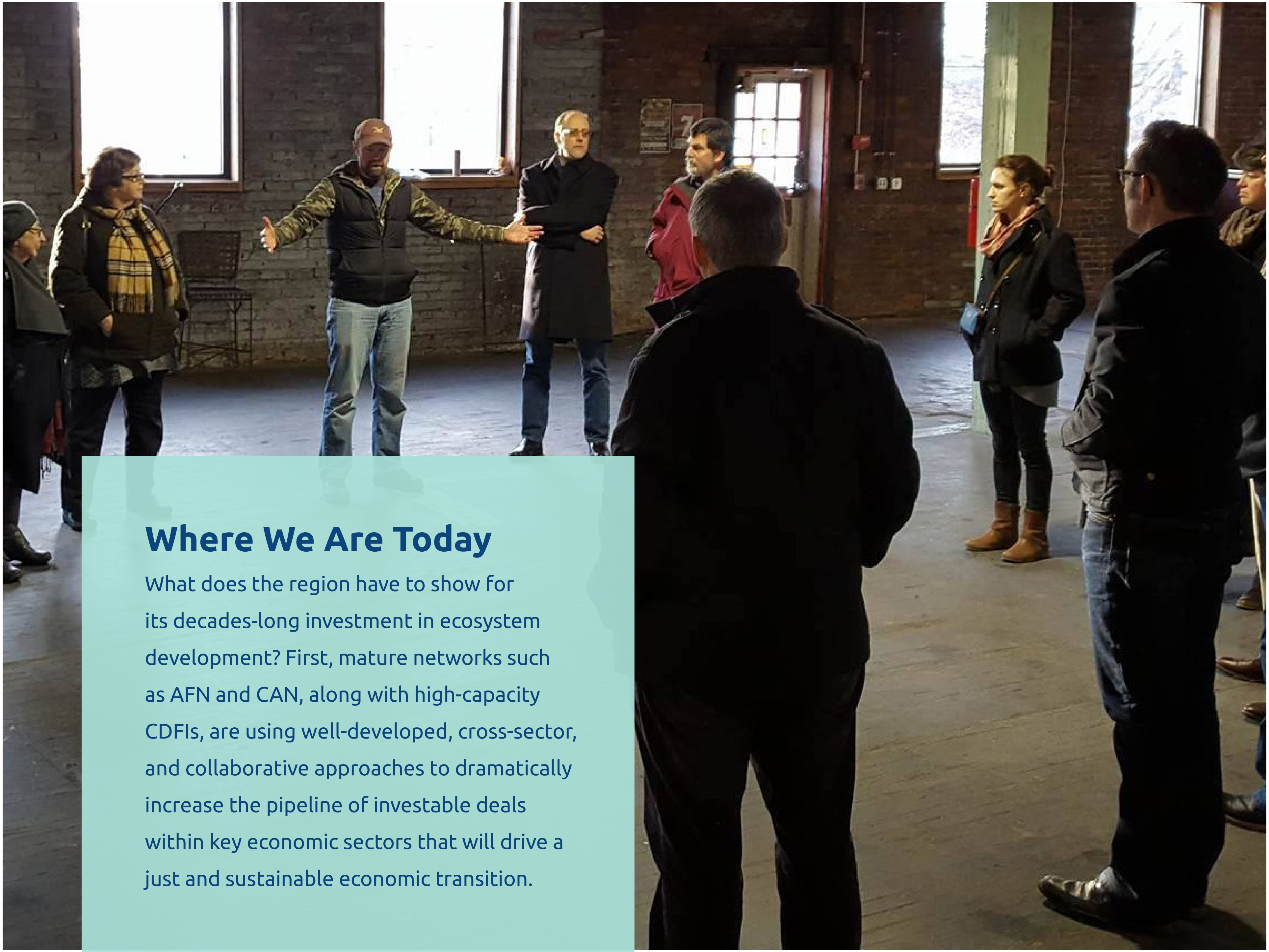
The Center for Community Investment (CCI) developed the capital absorption framework as a way to approach community investment at a systems level. The framework helps guide collaborative efforts and new capital interventions in a given region or community and provides language and tools that empower non-traditional actors in the system. The Center for Community Investment has since provided training, convened stakeholders, and published papers on building capital absorption capacity in communities. An Appalachian team that evolved into Invest Appalachia participated in Connect Capital, their national cohort of six cities and regions working to increase equitable community investment. Several ecosystem partners in Central Appalachia have participated in CCI's Field Catalyst and Fulcrum Fellowship cohorts. As we have developed our community investment ecosystem, we have focused on the key functions of the capital absorption framework:

- **Shared Priorities:** Partners are guided by a common vision, economic transition framework, and key industry sector analysis based on broad consensus from CAN, AFN, ARC, and CDFIs in the region.
- **Investable Pipeline:** CCI pushed us to look beyond individual deals or lender portfolios to build a strong collective pipeline of investments that is visible and can be tracked to understand gaps and opportunities in given sectors and industries across the region.
- **Enabling Ecosystem:** Many factors can promote or impede a community's success, and CCI helped us identify which aspects were working well for us and where we had gaps. The gap analysis led to the creation of Invest Appalachia and other capacity building efforts, including an inaugural training cohort for community development actors who want to build skills for identifying and framing local investment opportunities.

Ecosystem partners also identified a new role or function that was needed in the system: a regional community investment fund that could integrate social, philanthropic, and investment capital in alignment with ongoing efforts and assets. The new organization that emerged from this years-long collaborative design process, Invest Appalachia, was tailored to fill investment gaps with a partnership-first approach.

Invest APPALACHIA

Invest Appalachia is designed to provide blended catalytic capital to plug common gaps between community development grantmaking by regional funders and community lending by CDFIs and loan funds. It complements existing capital offerings with a combination of flexible investment products and credit enhancements while also supporting critical ecosystem-level work to build capacity and grow the pipeline of inclusive opportunities. As Invest Appalachia formed to focus on capital gaps in the system, a group of AFN members attracted funding from a national foundation to launch an effort focused on capacity gaps in the system, the Appalachian Investment Ecosystem Initiative (AIEI).



Where We Are Today

What does the region have to show for its decades-long investment in ecosystem development? First, mature networks such as AFN and CAN, along with high-capacity CDFIs, are using well-developed, cross-sector, and collaborative approaches to dramatically increase the pipeline of investable deals within key economic sectors that will drive a just and sustainable economic transition.

Second, Invest Appalachia is capitalizing an inaugural fund to implement an integrated capital approach to investment – a $57 million blend of investment capital and catalytic capital* – and developing a regional "ecosystem quarterback" role to aggregate opportunities, coordinate strategies, and invest at scale in the drivers of community and economic development. Third, Appalachian Investment Ecosystem Initiative has provided resources for deeper capacity building work within the ecosystem through programs such as a new training cohort for community actors to build investment "framer" skills and create a more inclusive investment ecosystem.

Invest Appalachia's blended capital model leverages the region's existing capital and capacity to accelerate community investment.

The Appalachian community investment ecosystem is dedicated to impact-first investments that promote equity, economic inclusion, sustainability, climate resilience, local self-reliance, and community health. The past five years have seen a ramping-up of investment in the region, including hundreds of millions of dollars in grants from regional funders, (e.g., over $287 million in POWER initiative grants from the Appalachian Regional Commission since 2015), increased community lending for priority sectors by CDFIs and loans funds ($1 billion in assets held by 25 major CDFIs serving the region), and aligned investments from outside the region. Several high-capacity nonprofits have gained a national profile and receive direct support from national foundations, while AFN has provided an entry point for national funders, such as the Gates Foundation, Robert Wood Johnson Foundation, and Chan-Zuckerberg Initiative, who want to better understand the region and how to be effective philanthropic partners. While the various efforts described above are creating meaningful change on the ground, the need and opportunity remains massive and calls for large-scale resourcing of these community development and community investment efforts.

** Invest Appalachia and its partners describe catalytic capital as flexible, creative, and high-risk capital, usually grant-like, that plugs common gaps between grant-funded projects and investment-ready projects. It includes project-specific credit enhancements like loan guarantees that enable repayable investment into shovel-worthy projects, as well as targeted technical assistance and industry cluster development that builds an inclusive pipeline and increases investment-readiness overall.*

Courtesy of Invest Appalachia

What's Next

The community investment ecosystem in Central Appalachia rests on a strong foundation of resilient people and communities, unparalleled natural beauty, and cultural assets, as well as decades of work by dedicated community development actors. Anchor organizations and peer networks have created a framework for economic transition committed to grassroots leadership, equity, and self-determination. And over the past decade, CED partners developed a community investment ecosystem with collective impact networks, shared priorities, community and technical capacity, and a strong pipeline of investable projects.

Central Appalachia still lags far behind the rest of the U.S. in philanthropic and investment dollars per capita, and the current socio-economic context underscores the need for greater philanthropic attention to persistent poverty regions. The global pandemic has had an outsized impact on women, people of color, small businesses, and rural communities, illuminating and exacerbating structural inequalities and barriers to opportunity. Underserved regions like ours require an order of magnitude more in federal, philanthropic, and social investment. The window of possibility for a new economic future – one that is just, sustainable, and inclusive – is urgent and powerful.

Ongoing ecosystem-building work by AFN and others has helped make the region legible to national investors. Invest Appalachia is the latest innovation in the system, creating an entry point for large-scale national investors and offering the ability to rapidly aggregate investment opportunities and deploy blended capital in coordination with place-based partners across the region.

Our decade-plus of self-organizing and in-region investment has set the stage for the next phase of community investment in Appalachia: Channeling unprecedented volumes of impact capital to the ground for transformative investment.

With an influx of philanthropic and investment capital, deployed in coordination with aligned partners, the community-controlled ecosystem is well-positioned to translate a robust pipeline of projects into transformative economic, health, and social outcomes, including:

- Local economies anchored by small business and community ownership
- Patient capital invested in infrastructure, community facilities, real estate, housing, and other critical quality-of-life amenities
- Revitalized small towns and rural communities attracting and retaining residents and businesses
- New industries, career opportunities, and workforce development supports available to displaced, marginalized, and underserved workers
- A new energy economy focused on renewable generation, efficiency, and remediation of coal's legacy impacts
- A resilient and inclusive regional food and agriculture system contributing to food security, economic opportunity, and stewardship of working landscapes
- Positive changes in equity, community health, social cohesion, civic engagement, and place-based identity for all residents and communities in Central Appalachia

Invest Appalachia's targeted sectors are guided by shared regional analysis and drive equitable market development.

Strengthening a Community Investment Ecosystem: Recommendations for the Field

In its most powerful form, community investment should transform and empower marginalized and under-resourced regions by getting impact capital to the communities where it is needed most. Yet, these regions are often seen as too difficult or daunting to work in, and investment efforts often flow toward what appear to be smoother paths to success.

Central Appalachia's journey toward a strong, responsive community investment ecosystem was shaped by the people, organizations, history, and economic circumstances unique to the region. By sharing our story, we hope that other communities can learn from our experience and shorten their own learning curves in assessing and strengthening their ecosystems. In particular, we hope the factors that contributed to Central Appalachia's success can guide other under-resourced communities seeking to address structural inequities and advance widely shared economic opportunity. **We have included specific recommendations** for funders to consider in their strategies for supporting and empowering community-rooted organizations and networks to forge their own community investment paths.

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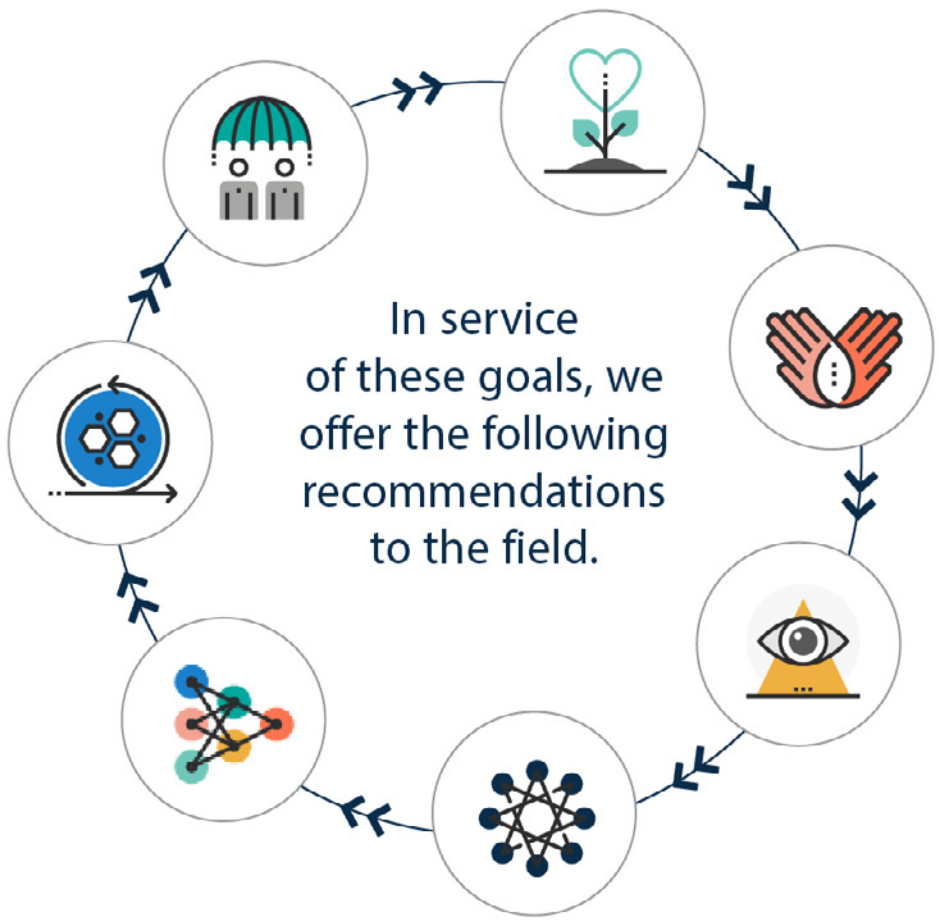
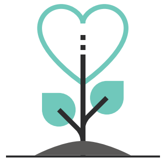




1. Prioritize self-determination

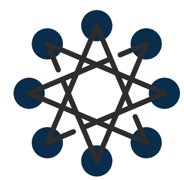
What differentiates a community investment ecosystem from any other investment ecosystem is the central role of community residents, particularly those most affected by the inequities perpetuated by the current system. Whenever possible, use a bottom-up process to engage grassroots participants and locally rooted organizations to develop the vision, articulate values, identify goals and strategies, and ensure accountability in both process and impacts. Funders should consider providing as much flexibility as possible to allow for locally determined priorities and adaptation along the way.

2. Keep equity at the center

Community investment is a response to inequitable systems and unjust impacts. To avoid perpetuating the same outcomes, it is critical to explicitly and repeatedly affirm a commitment to equity, justice, and inclusivity in both process and outcomes. Formalizing inclusivity in governance structures and decision-making processes helps ensure accountability to community voice. And while signaling a focus on equity is a first step, new initiatives and entities need concrete impact goals and assessment tools to ensure that they're contributing to leveling the systems that community investment is meant to shift. Funders can help maintain this focus by helping to pay for this slow, complex work.

3. Cultivate shared analysis

An ecosystem consists of diverse partners, each with a specific constituency and role. Yet it is critical for partners to share a common analysis around the root causes of the problem they are tackling and the key sectors and strategies that can drive progress. Mapping the ecosystem and developing shared analysis must be early priorities so that each partner sees itself as part of the whole and knows its role in advancing collective goals. Funders often bring their own strategies to local work, but they can best add value by learning from and with ecosystem partners to develop and support a shared analysis.

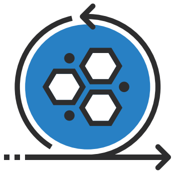


4. Build collective impact networks

Developing a shared analysis helps build deeper, more trusting relationships among partners. With time, trust, coordination, and funding, peer groups can develop platforms that allow them to share expertise, test strategies, measure impact, and ultimately collaborate at a scale that is beyond the capacity of any individual organization. Funders should consider supporting networks, including coordination functions and the capacity of individual organizations to participate in collective impact strategies.

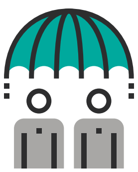
5. Encourage cross-sector partnerships

As the ecosystem matures, actors in peer groups can identify other categories of actors (community economic development, philanthropy, finance, etc.) with shared interests and build relationships across sectors. This allows each category of actors to apply their unique resources and capacities to the relevant part of the investment ecosystem (capital supply, capital demand, intermediaries, coordination). Funders can be critical allies and amplify their financial resources by collaborating with other ecosystem actors.



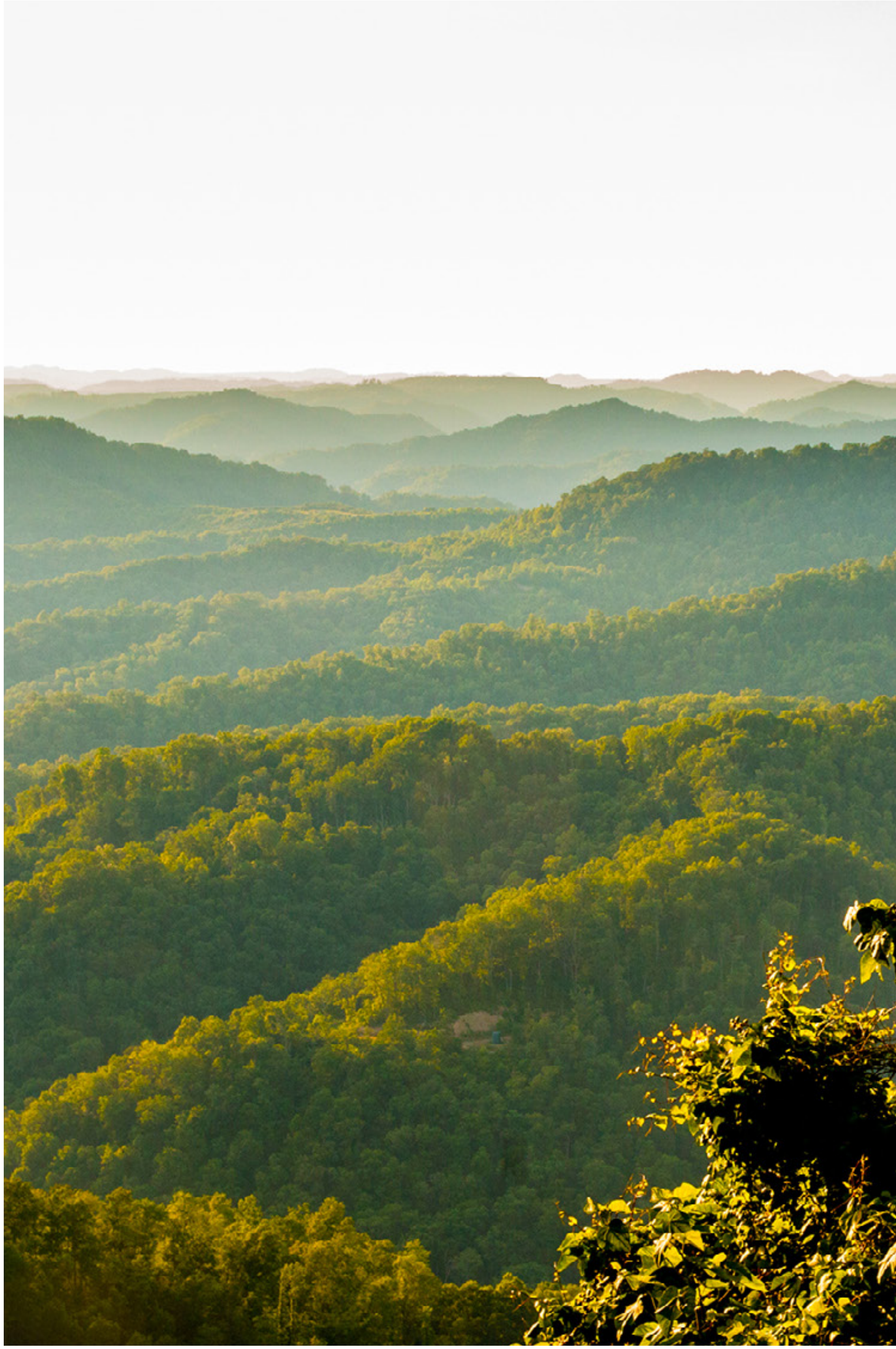
6. Expand technical capacity

An effective community investment ecosystem requires technical infrastructure to move capital, including at the individual, organizational, and financial product levels. In low-wealth regions, it is critical to build upon existing resources and high-capacity organizations (do not reinvent the wheel), while also spreading knowledge and skills related to finance, impact investing, business development, and specific industries. Tactics include providing inclusive trainings, supporting skill sharing, resourcing anchor intermediaries, piloting new financial tools and products, and creating new capacities or functions when necessary.



7. Support community capacity

Grassroots leaders and the residents they represent bring local knowledge and lived experience that are invaluable to understanding and addressing economic challenges and opportunities. In order to truly engage and benefit from this wisdom, ecosystem partners must invest in the soft skills of community leadership and capacity, then elevate those voices through participatory processes. This requires intentionality and resources from the outset and should be permanently embedded in the ecosystem. Funders often focus on technical capacity but must also invest in community capacity to ensure that local leadership is engaged at every stage.



About the Appalachian Investment Ecosystem Initiative

The development of this project was made possible through a grant from the Appalachian Investment Ecosystem Initiative (AIEI). AIEI is a multiyear effort (2019–2022) to build on years of locally-led work to strengthen and fill gaps in the community investment ecosystem in Central Appalachia. A more effective ecosystem should be able to attract and absorb capital in ways that strengthen regional capacity and advance social and economic opportunity that in turn leads to better health and well-being in the long term. AIEI grew out of over a year of planning by a group of local, regional, and national stakeholders who continue to serve as an advisory group to the Initiative. This Theory of Change guides our work.

About the Authors

Sandra Mikush is an independent consultant who spent 25 years with the Mary Reynolds Babcock Foundation, where she managed the Foundation's impact investing program and led grantmaking strategy and support for economic transition in Appalachia. She was a cofounder of the Appalachia Funders Network and the Just Transition Fund. After retiring from the Foundation in 2017, Sandra stayed active in the development of Invest Appalachia.

Andrew Crosson is the founding CEO of Invest Appalachia. He previously worked at Rural Support Partners, where he spent the past decade supporting collaborative community development efforts across Appalachia. Andrew is a Center for Community Investment Field Catalyst and was a BALLE/Common Future Local Economy Fellow. He was born and raised on a family farm in the mountains of Western North Carolina, where he lives.

About the Center for Community Investment

The Center for Community Investment at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive.

Visit us at centerforcommunityinvestment.org or follow us on twitter.

About the Lincoln Institute of Land Policy

The Lincoln Institute of Land Policy seeks to improve quality of life through the effective use, taxation, and stewardship of land. A nonprofit private operating foundation, the Lincoln Institute researches and recommends creative approaches to land as a solution to economic, social and environmental challenges.

Visit us at lincolninst.edu or follow us on twitter.

AIEI has also made grants to: produce a Downtown Revitalization Playbook for practitioners; design, recruit, and launch the Appalachian Investment Framers Action Cohort; build more investment "framing" capacity throughout the region; support development of a solar credit enhancement toolkit; and build collaborative tools to guide the deployment of investment capital by Invest Appalachia.

Locus Impact Investing is AIEI's project lead. LOCUS is a national nonprofit consultancy and mission-driven investment advisory firm that partners with philanthropy and mission-driven investors to redefine their role as capital providers, activate investments and endowments for community impact, and use their capital as a tool to drive equitable prosperity. AIEI is supported by funding from Cassiopeia Foundation, Danville Regional Foundation, Greater Clark Foundation, Robert Wood Johnson Foundation, Thompson Charitable Foundation, UnitedHealthcare, and Wells Fargo.

Acknowledgments

This story is for a national audience, but we hope it will also honor the past work and current efforts happening within the region. We are indebted to the hundreds of leaders, organizations, funders, and partners that are helping to build Central Appalachia's community investing ecosystem. We could not include every organization that participated in the development of the ecosystem, and we know that many more partners will join us as the ecosystem continues to grow. Special thanks to those organizations that allowed us to use their stories and photos to bring our collective work to light.

We could not have completed this project without the dedicated support of the Center for Community Investment's communications team, specifically Rebecca Steinitz, Janelle Julien, and MAD Creative, whose editing and design expertise were invaluable. Thank you for your commitment to the mission of community investment in Appalachia!