

Appalachian Investment Ecosystem Initiative (AIEI): Theory of Change

The Appalachian Investment Ecosystem initiative (AIEI)¹ builds on locally led efforts to strengthen the community investment ecosystem across Central Appalachia by creating stronger alignment and collaboration among philanthropic, community development, and community-development finance leaders in the region. AIEI was funded to enhance the investment ecosystem, not to support or advance a program of the intermediary (LOCUS Impact Investing). Therefore, AIEI leaders could focus on systems-level change rather than program-level outputs and outcomes. The COVID-19 pandemic later demonstrated that the resilience of the investment ecosystem helped the region survive through the pandemic. AIEI partnered with Equal Measure to reflect and learn from its burgeoning strategies since its inception in 2019. Equal Measure co-developed a theory of change, incorporating perspectives from AIEI leaders, grantees, and community partners. This document shows achievements and outcome measures over the course of AIEI's development and aims to support future investment ecosystem development throughout Central Appalachia.

Key Assumptions

- 1. An effective ecosystem attracts and absorbs capital in ways that strengthen regional capacity and advance social and economic opportunity that in turn leads to better health and well-being.** AIEI aligned itself with the [Center for Community Investment's Capital Absorption Framework](#) to prepare communities for increased public and philanthropic funding in response to opportunities in the region.
- 2. Addressing capacity gaps and moving projects from "investment worthiness" to "investment readiness" builds a more robust pipeline.** Instead of "picking winners," AIEI leaders sought "proof of concept" responses to issues that lacked funding, such as financing, capacity and relationships, and infrastructure.
- 3. Diverse local talent, whose growth is hindered by limited local resources, could benefit from training to increase knowledge, skills, and connections to access capital in the investment ecosystem.** AIEI can identify and train emerging leaders and connect them to regional investment opportunities that can yield new business ventures, support economic growth, and strengthen the regional investment ecosystem.

Context

- The history of an extractive economy has sown a scarcity mindset among people, organizations, and governments in Central Appalachia.** The coal industry, though it provided employment for people of the region for a long time and generated some economic benefits such as a tax base, did not build a sustainable economy and wealth within the region. The decline of the linchpin industry has prompted a need for shared economic prosperity rooted in and owned by the people of Central Appalachia.
- Conventional measures used to identify investment opportunities often overlook the significant and unique assets of Central Appalachia.** Undervaluing of the resilience of people, unparalleled natural beauty, a heritage of craft and industry, the legacy of organized labor, vibrant culture, and a love of place lead to structural underinvestment in Central Appalachian communities.
- Historical funding practices—including philanthropies funding one-off, "new" ideas, and big loans to investors who do not keep wealth in the community—have contributed to **underinvestment in the region.**

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Vision: Central Appalachia’s investment ecosystem supports the sustainable and equitable flow of blended capital to communities in ways that build local wealth.

Strategies	Short-Term Outcomes	Long-Term Outcomes
<p>1. Create grassroots, place-based capacity to participate fully in the investment ecosystem</p> <p>Increase opportunities and capabilities for grassroots practitioners to advance their work using blended capital investments.</p> <p><i>Audience: Grassroots practitioners</i></p>	<ul style="list-style-type: none"> a. Grassroots practitioners and community organizations have increased understanding, skills, and tools needed for investment readiness and blended finance. b. Increasing capital deployment builds local and regional wealth to advance social and economic opportunities. 	<ul style="list-style-type: none"> 1. Central Appalachia’s grassroots practitioners and community organizations have enhanced capacity to obtain and deploy capital to positively impact communities.
<p>2. Develop an inclusive, equitable pipeline and investment ecosystem</p> <p>Broaden participation in and inclusivity of the region’s investment ecosystem through employing an equity focus that includes accessible learning/training, community engagement and values-based accountability.</p> <p><i>Audience: Communities</i></p>	<ul style="list-style-type: none"> a. A diverse, inclusive set of regional grassroots practitioners understand the community investment process. b. Actors outside the traditional investment system are introduced to new and preexisting avenues to participate. c. People, businesses, organizations, and grassroots practitioners work together to move projects from “investment worthiness” to “investment readiness.” 	<ul style="list-style-type: none"> 2. People, businesses, organizations, and grassroots practitioners in historically underinvested rural settings actively participate together to shape their own local investment ecosystems.
<p>3. Address financing obstacles</p> <p>Strengthen the existing ecosystem of financial intermediaries through increased connectivity, coordination, and tools.</p> <p><i>Audience: Capital Intermediaries</i></p>	<ul style="list-style-type: none"> a. Community development organizations, including Community Housing Development Organizations, have the capacity to spot and frame investment opportunities and the network connections to move those investments forward through the investment pipeline. b. Business technical assistance providers and coaches are better coordinated and attuned to community’s needs. c. Community capital providers, like Community Development Financial Institutions (CDFIs) and banks, that partner with community development organizations can better spot small business and investment opportunities outside major population centers (e.g., the “hills and hollers”). d. Philanthropic organizations understand and value the roles necessary to advance social and economic opportunities and to invest in building and sustaining local capacity. 	<ul style="list-style-type: none"> 3. Central Appalachia’s capital intermediary networks have the capacities and connections at the ground level to successfully spot and frame investment deals, address financing obstacles, and blend capital sources for deals to advance regional social and economic opportunities.

<p>4. Diversify and increase flow of blended capital</p> <p>Demonstrate the value and potential of blended capital investment through a set of deals that highlight the region's potential for creative investment.</p> <p><i>Audience: Investors</i></p>	<ul style="list-style-type: none"> a. Through the work of regional grassroots and place-based partners, investors identify and consider viable regional investment opportunities. b. New regional investments have a defined capital stack that is not exclusively reliant on grant resources. c. New regional investment opportunities have made documented progress toward becoming investment ready. 	<p>4. Regional economic projects are funded or financed from diverse, blended capital sources.</p>
<p>5. Capture and share learning</p> <p>Organized regional networks and national allies engage in learning opportunities to capture and share knowledge on how to build an effective investment ecosystem.</p> <p><i>Audience: Community Capital Field</i></p>	<ul style="list-style-type: none"> a. Community investment language and ecosystem discussions are captured in real time and shared with regional partners to improve practice. b. Learnings from this work are shared with the Appalachia Funders Network, Central Appalachia Network, CDFIs, and other practitioner networks both in the region and beyond. 	<p>5. Place-based philanthropies and investors actively participate in community investment ecosystems in the region and beyond.</p>