The Appalachian Investment Ecosystem initiative (AIEI) builds on locally led efforts to strengthen the community investment ecosystem across Central Appalachia by improving 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), which allows AIEI leaders to focus on systems-level change rather than program-level outputs and outcomes.

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. **Capital matters.** Having the right forms of capital available at the right times is critical to moving projects forward. A strong and effective ecosystem requires access to capital across the financial return spectrum.

3. **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 address unmet ecosystem needs that had broad benefit for the region in the areas of narrative change, training/capacity, infrastructure, sector analysis, and new financial tools.

4. **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 leveraged regional resources to identify and train emerging leaders and connect them to existing social capital—networks and organizations—with the goal of building embedded capacity that will continue to advance regional investment opportunities, support economic growth, and strengthen the regional investment ecosystem.

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1 Funded by the Cassiopeia Foundation, Danville Regional Foundation, Greater Clark Foundation, Robert Wood Johnson Foundation, Thompson Charitable Foundation, and Wells Fargo. For this initiative, we use the Center for Community Investment’s (CCI’s) definition of “investment ecosystem”: the funding intermediaries, resources, relationships, policies, institutional practices, and understanding of history and culture that support a place’s ability to identify a shared priority and move projects that advance that priority forward.
1. The history of an extractive economy—coupled with a pattern of disinvestment, underinvestment, and inadequate resourcing relative to merit and need—has sown a scarcity mindset among people, organizations, and governments in Central Appalachia. The coal industry, though it provided employment 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 this linchpin industry has prompted a need for shared economic prosperity rooted in and owned by the people of Central Appalachia.

2. Conventional measures used to identify investment opportunities often overlook the significant and unique assets of Central Appalachia. The real and perceived risks related to a lack of established markets and investment track record lead to an undervaluing of regional opportunities. Furthermore, 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 do not factor into conventional decision making and result in systemic underinvestment in Central Appalachian communities.

3. Historical investment practices have contributed to underinvestment in the region, including philanthropies funding “new” ideas without an understanding of place-based context, investors prioritizing scale of impact rather than quality and depth of impact, and institutional biases about investments in rural regions and rural businesses.
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| **1. Create grassroots, place-based capacity to participate fully in the investment ecosystem.** Increase opportunities and capabilities for grassroots practitioners to advance their work using blended capital investments.  
*Audience: Grassroots practitioners* | a. Grassroots practitioners and community organizations have increased understanding, skills, and tools needed for investment readiness and blended finance.  
| **2. Develop an inclusive, equitable pipeline and investment ecosystem.** Broaden participation in and inclusivity of the region’s investment ecosystem through employing an equity focus that includes accessible learning/training, community engagement, values-based accountability, access to potential funding and investment sources, and outlets for bringing forward business/project opportunities.  
*Audience: Communities* | a. A diverse, inclusive set of regional grassroots practitioners and actors outside the traditional investment system understand the community investment process and see new and existing avenues to participate.  
| **3. Address financing obstacles.** Strengthen the existing ecosystem of financial intermediaries through increased connectivity, coordination, and tools.  
*Audience: Capital intermediaries* | a. Community development organizations, including grassroots and public sector entities, have the capacity to spot and frame investment opportunities and the network connections to move those investments forward through the investment pipeline.  

**1. Central Appalachia’s grassroots practitioners and community organizations have sufficient and necessary capacity to obtain and deploy capital into projects that build local and regional wealth.**

**2. People, businesses, organizations, and grassroots practitioners in historically underinvested rural settings actively participate together to shape their own local investment ecosystems and continuously move an inclusive and equitable set of deals toward investment.**

**3. Central Appalachia’s financial intermediary networks have the capacities and connections at the ground level to help community-led projects move toward investment readiness and ultimately advance regional social and economic opportunities.**
4. **Diversify and increase flow of blended capital.**
Demonstrate the value and potential of blended capital investment through a set of deals that highlight the region’s potential for creative investment.

*Audience: Investors*

- Through the work of regional grassroots and place-based partners, investors identify and consider viable regional investment opportunities.
- New regional investments have a defined capital stack that is not exclusively reliant on grant resources.
- The region has new and expanded sources of capital.
- New regional investment opportunities have made documented progress toward becoming investment ready.

4. Regional economic projects are consistently funded or financed from diverse, blended capital sources.

5. **Capture and share learning.**
Organized regional networks and national allies engage in learning opportunities to capture and share knowledge on how to build an effective investment ecosystem.

*Audience: Community capital field*

- Community investment language and ecosystem discussions are captured in real time and shared with regional partners to improve practice.
- 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.
- Learnings from this work are shared with the broader community investment field.

5. Place-based philanthropies and investors actively participate in community investment ecosystems in the region and beyond.