

Reserve Bank Collaboration in Rural Areas through the Collective Impact Model

The Federal Reserve System's community development function, which consists of individual community development departments at each of the 12 Federal Reserve Banks and at the Board of Governors, seeks to promote financial stability and economic growth for lower-income communities.¹ While the Federal Reserve districts were created to help carry out the day-to-day operations of the Federal Reserve System and to represent the economies within their district geographic boundaries, issues affecting the economic growth and financial stability of a region often span borders and affect multiple districts. In order to comprehensively address these issues, Reserve Banks may collaborate and partner under the framework of multi-Bank initiatives.

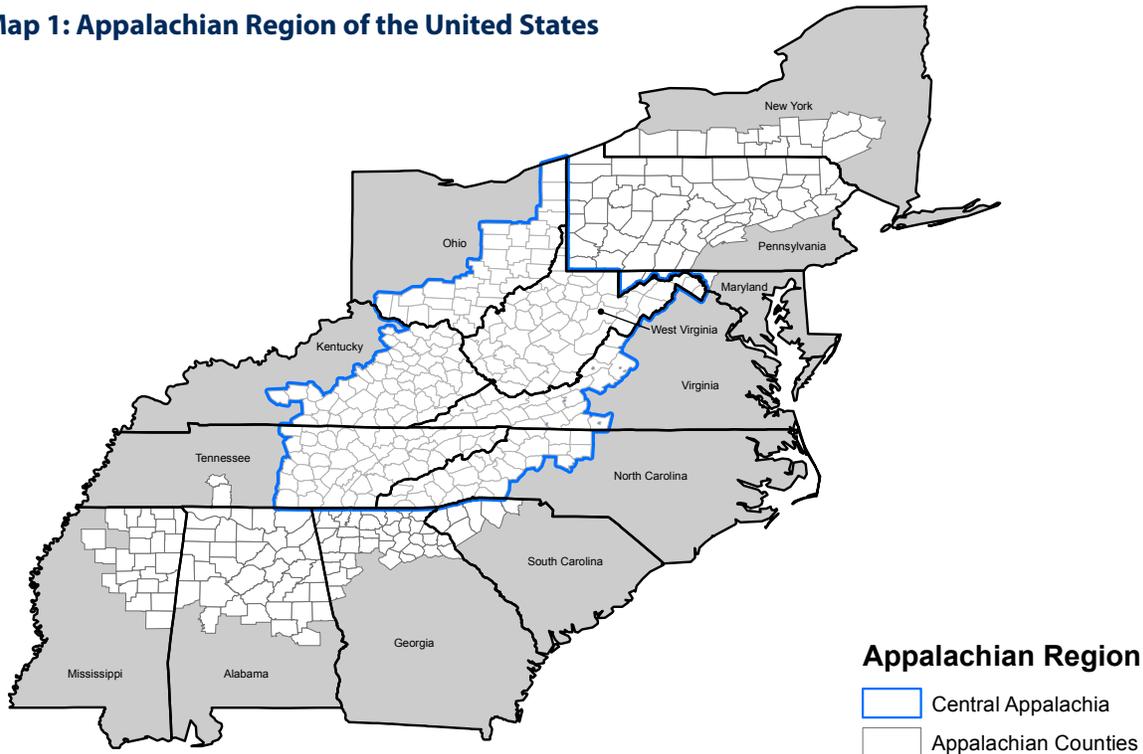
Recognizing the community and economic development challenges across the low- and moderate-income spectrum in rural communities, three Reserve Banks — Atlanta, Cleveland and Richmond — established a partnership to work together on programs to benefit Central Appalachia, a subregion of the thirteen states of Appalachia as designated by the Appalachian Regional Commission (ARC) (see Map 1).

Formally initiated in 2009 and termed the "Tri-Bank Initiative", the three Reserve Banks developed a place-based framework that promotes collaboration in their overlapping districts within Central Appalachia.² The role of the Tri-Bank Initiative was envisioned as two-fold: to introduce best practices and add value to local practitioners by sharing practical research and contacts, and to deepen the Reserve Banks' understanding of community and economic development issues in the region. Since 2009, the three Reserve Banks have collaborated on a multiyear commitment of programmatic work in Central Appalachia.

This issue of *MarketWise Community* explores the Tri-Bank Initiative's work with regional partners through the lens of a model of collective impact, which is defined as various individual organizations coming together around a shared agenda designed to address specific social or environmental issues.³ It presents a case study of how multiple Reserve Banks collaborate to address community and economic development challenges in a specific region.



Map 1: Appalachian Region of the United States



Source: Appalachian Regional Commission

Why Appalachia?

The collaboration of multiple Reserve Banks on a community development issue is generally the result of having identified a multidistrict need that requires partnership among the Reserve Banks to comprehensively address the issue. By forming the Tri-Bank Initiative, the Reserve Banks of Atlanta, Cleveland and Richmond were responding collaboratively to address economic issues and concerns specific to the Central Appalachian region.

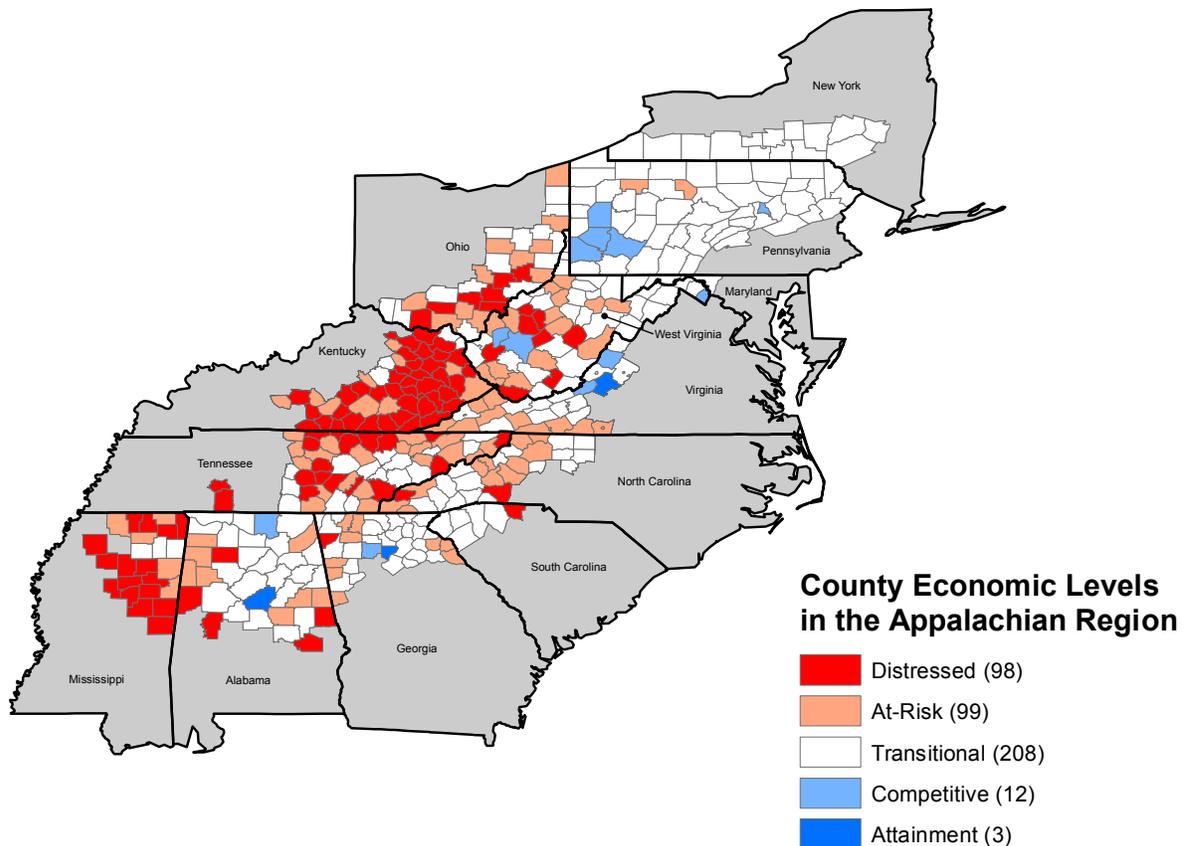
Central Appalachia includes some of the most chronically impoverished communities in America (see Map 2). As indexed by ARC using county-level data, counties are classified as 1) distressed, 2) at risk, 3) transitional, 4) competitive, or 5) attainment. There is a noticeable concentration of distressed counties in Central Appalachia, particularly in eastern Ohio, western Kentucky, southern West Virginia, eastern Tennessee

and western North Carolina.⁴ According to ARC's *Economic Overview of Appalachia – 2011*, population outmigration in Appalachia is among the highest in the nation, which is perpetuating concern over the changing age of the available or prime workforce as the region continues to try to cope with concentrated areas of high poverty, unemployment, poor health and severe educational disparities.⁵ Starting in the late 1990s, a network of community development practitioners began forming in Central Appalachia to address these issues, which made the collaborative model of the Reserve Banks a good fit.

Central Appalachia's rural landscape constitutes a fundamental economic challenge. As low population density communities, some rural areas experience fewer economic opportunities and reduced access to community services. According to the United States Department of Agriculture (USDA)'s Economic Research Service, more than 35 percent of the people living in counties described



Map 2: County Economic Status in the Appalachian Region for Fiscal Year 2015



Note: Effective October 1, 2014, through September 30, 2015.
Source: Appalachian Regional Commission

as *completely rural* live in high-poverty counties while more than 26 percent live in persistent-poverty counties.⁶ The percentage of people living in rural poverty contrasts sharply with those in urban areas, where six percent of people living in the most urban nonmetro areas live in high-poverty counties and four percent live in persistent-poverty counties.⁷

The general isolation and rugged terrain of Appalachia, in addition to its history of economic dependence on extractive and manufacturing industries, have made economic diversification a challenge. Anchor institutions such as universities and major hospitals that are often associated with development and

investment are few and far between. As a result, those working to bring broader development to Appalachia have to be more creative with fewer available resources.⁸

Recent efforts to increase investment in rural areas include a July 2014 announcement that \$10 billion in private funding, provided by CoBank and managed by Capitol Peak Asset Management Co., will be invested across the U.S. in rural infrastructure projects.⁹ This news comes on the heels of several years of declining public funding. For example, the USDA, which invests public funding in rural areas, has seen its operational budget cut by 12 percent from 2010 to 2012.¹⁰



A Selection of Actors Involved with the Tri-Bank Initiative*

Federal Reserve Bank and the Board of Governors of the Federal Reserve System

Each regional Federal Reserve Bank and the Board of Governors of the Federal Reserve System has a Community Development department dedicated to promoting fair and informed access to financial markets for communities and individuals, particularly for low- and moderate-income communities. They work to address community and economic development initiatives by convening stakeholders, conducting and disseminating research, and identifying emerging issues.¹²

Appalachian Regional Commission (ARC)

As a regional economic development agency that represents a partnership of federal, state and local government, ARC funds projects throughout the Appalachian Region in various economic areas, including education and job training, housing and infrastructure.¹³

Appalachia Funders Network (AFN)

AFN formed in 2010 as a group of over 70 public and private grantmakers focused on the Appalachian economy. To date, the work of AFN includes over 200 individual grantmakers — this includes 16 funders in Tennessee, 22 in Kentucky, 25 in Ohio, 27 in West Virginia, 27 in Virginia, 32 in North Carolina and 51 outside of Appalachia.¹⁴

Rural Support Partners (RSP)

RSP is a social enterprise that focuses on the rural Southeast with the goals of strengthening community organizations, developing collective impact networks and helping move sustainable economic development efforts to scale.¹⁵

*Additional important actors involved with the Tri-Bank Initiative include many foundations, businesses and organizations that contribute significantly to the effectiveness of the Tri-Bank Initiative.

Small businesses also encounter challenges in rural Appalachia. The September 2014 National Community Reinvestment Coalition's *Small Business Lending Deserts and Oases* divided the nation's counties into quintiles to assess small business lending patterns. Every county in West Virginia was in the bottom quintile for small business loan access.¹¹ This analysis suggests the challenges that persist in Appalachia to diversify the broader economy.

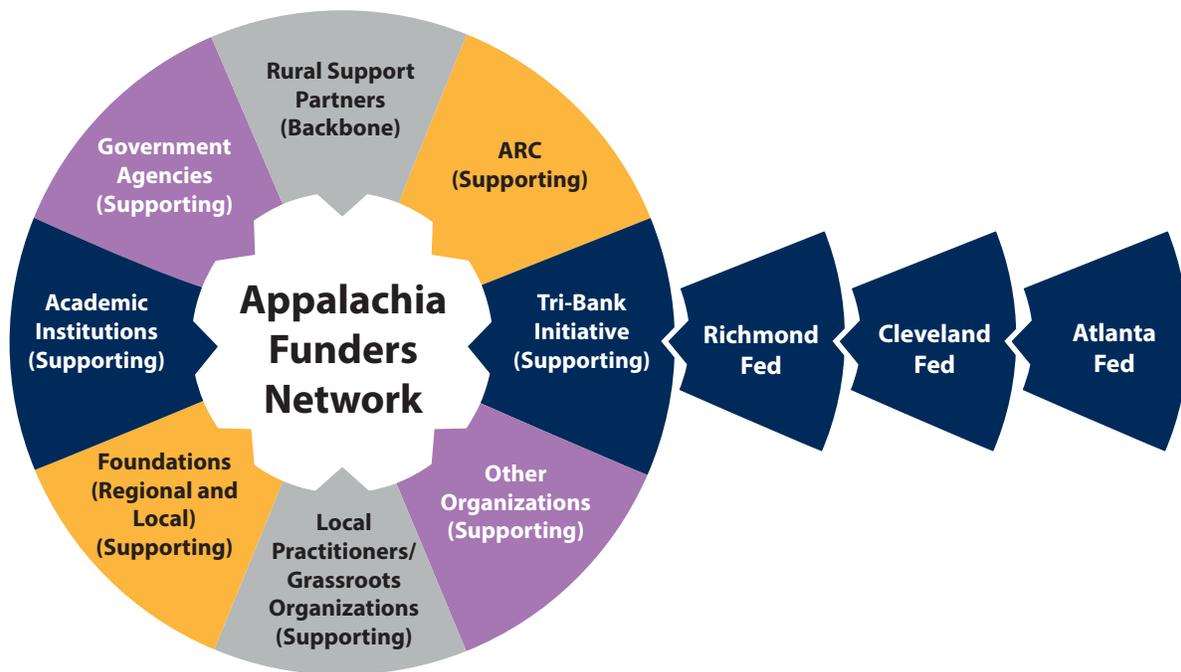
Collective Impact Model

Influencing large-scale economic change has become the mission of an invested group of Appalachian funders, agencies and practitioners. Despite its challenges, Central Appalachia has a strong and dedicated partnership network that has been working through a model of collective impact, which can be defined as "the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem."¹⁶ In order for the actors to function effectively in a collective impact model, they must have a common agenda, consistently communicate, and have backbone support organizations that "plan, manage, and support the initiative through ongoing facilitation, technology and communications support, data collection and reporting, and handling the myriad logistical and administrative details needed for the initiative to function smoothly."¹⁷ Other elements that have been noted to be important to a working collective impact model are trusting relationships between the partners and diversity in geography and funding.¹⁸

Central Appalachia's collective impact model was developed by a group called the Appalachia Funders Network (AFN).¹⁹ AFN grew with the support and leadership of ARC and several highly-engaged regional foundations. By working with a variety of respected stakeholders that were long-term investors in the region, AFN fostered a strategy to strengthen the Appalachian economy, an agenda that was aligned with the missions of the three Reserve Banks. Figure 1 depicts the AFN collective impact model, including the role of the Tri-Bank Initiative.



Figure 1: AFN Collective Impact Model in Central Appalachia



AFN's partners in Central Appalachia fit into three main categories:

1. Local practitioners/grassroots organizations,
2. Foundations – both regional and locally focused – that are investing in Central Appalachia, and
3. Institutions, i.e., state and federal agencies, as well as academic institutions based in the region.

Backbone Organization

In the collective impact model, the role of the backbone organization is critical. It serves to support, plan and manage the larger group. Through its thought leadership, partner support and development efforts, and its role in overall regional collaboration, RSP has served as a key backbone organization for AFN as it seeks to achieve an Appalachian economy that provides opportunity for all.

Support Organizations

Support organizations, typically more numerous in the collective impact model than backbone organizations, provide specialized assistance and resources specific to their ability. As a support organization, the Tri-Bank Initiative primarily does this by fostering thought leadership, participating in planning, hosting programs and networking, and backing regional collaboration (see Figure 2).

Becky Ceperley, president and CEO of The Greater Kanawha Valley Foundation in Charleston, West Virginia, and an AFN steering committee member, sees the value of the Tri-Bank Initiative as a partnership that brings data and research to the table. The Reserve Banks also bring an understanding about the nation's financial and payment systems to which local foundations may not typically be exposed.²⁰



Common Vision

AFN and RSP led a process to gain broad agreement among stakeholders on common strategies. They coalesced around the strategies of:

- Increasing access to capital for small business,
- Supporting entrepreneurs,
- Advancing just systems²¹, and
- Strengthening community capacity.

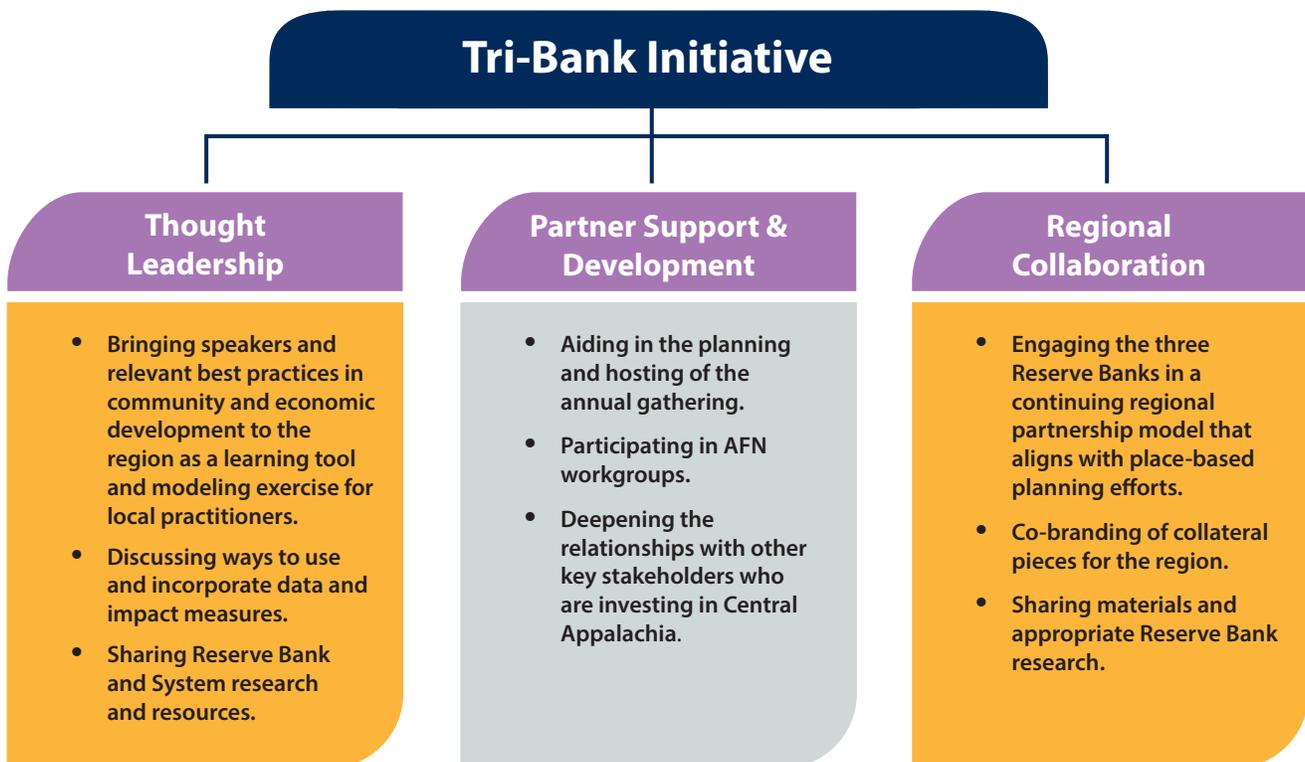
The commitment to align efforts around a common vision has allowed participants in the network to think about ways to better fulfill their mission of achieving an Appalachian economy that provides opportunity for all

while sustaining the environmental and cultural assets of the region.

Focus for the Tri-Bank Initiative

Within the complexity of socioeconomic issues facing Central Appalachia, the expertise and knowledge of Tri-Bank Initiative Federal Reserve community development staff was used to design programs around community finance. The programs shared common goals of empowering rural Appalachian communities by equipping them with community and economic development financing tools, increasing stakeholders’ collective knowledge of best practices, and serving as connecting points between communities and stakeholders to increase communication and dialogue.

Figure 2: Role of the Tri-Bank Initiative in the Collective Impact Model



The Central Appalachia Community Investment Forum Series

A Tri-Bank Initiative program on Central Appalachian community and economic development finance was first presented in October 2009 as a focused conversation with practitioners about emerging investment, credit and capital issues and possible programming activities in the region. This program, the “Central Appalachia Community Investment Forum Series”, was held in Kingsport, Tennessee and was sponsored jointly by the Federal Reserve Banks of Atlanta, Cleveland, and Richmond. It brought information about previously untapped community investment opportunity to community and regional banks in the Central Appalachian region states of Kentucky, Tennessee, Virginia and West Virginia. Presenters highlighted a variety of options for banks to invest and relayed the experiences of other actors, such as developers or community development financial institutions (CDFIs), in the community investment process.

One of the cornerstone presentations during the forum was “Stimulating Investment in Central Appalachia: Tools and Partnerships” by Lawrence P. Malone, the Director of Economic Development Financing Strategies at Kaufman & Canoles Consulting. Malone’s presentation described the basic operation of four development incentives: New Market Tax Credits, USDA Business Loan Guarantees, Historic Tax Credits, and Low Income Housing Tax Credits. His presentation and the forum overall fostered bank partnerships with community development corporations and other community organizations and created awareness about how to use development incentives targeted to low-income communities in service of the goal of achieving an Appalachian economy that provides opportunity for all.

A Series of Webinars: Appalachian Forums

In fall 2010, information on financing opportunities for rural communities was presented in a webinar series. Titled “Appalachian Forums”, the webinars focused on three different subjects, each pertaining to rural economic opportunity. The first, held in September 2010, provided more information on targeted development incentives and included a case study. Webinar participants had an opportunity to learn first-hand how a small Central Appalachian bank worked with a variety of investors, partners and credit enhancement tools to finance the development of a rural health center in Duffield, Virginia. This allowed the Tri-Bank Initiative to provide a concrete, real-world example of how these tools could enhance the ability of rural communities to develop their economies.

The second in the webinar series focused on improving energy infrastructure and discussed financing programs designed to bolster energy efficiency and renewable energy investment projects. In an effort to share best practices, community partners also spoke of the opportunities for and challenges to collaboration between banks and other organizations to improve the energy infrastructure in Central Appalachia.

The third and final webinar in the series discussed preserving housing and historic buildings. Representatives from two institutions in Central Appalachia, AU Associates and Kentucky Bank, spoke of their experiences having successfully worked with public and private sector partners to use tax credit programs to redevelop a former school building, create affordable housing, and revitalize an old, vacant downtown theater. Each of these webinars was engineered to share useful tools, discuss innovative projects, and showcase how to leverage grants and specialized programs to finance community work.



The Annual Gatherings of the Appalachia Funders Network

As AFN continued to grow from 2010 to 2013, the Reserve Banks engaged in the larger annual meetings of the practitioners. During this period of time, attendees from the philanthropic and governmental funders in Appalachia more than quadrupled — from 56 funders, practitioners and organizations in 2010 to 242 in 2013.²² These gatherings were sources of innovative thinking regarding community and economic development finance in rural Appalachia. One presentation in 2012, for example, proposed a framework for accelerating economic development through collaboration among funders. The framework offered a streamlined process whereby initiatives are identified, selected, and then pursued through collaborative efforts to garner new jobs and retain wealth for the communities.²³

The 2013 program focused on access to capital, including the innovative work of financial institutions, CDFIs, and equity funds in Central Appalachia. Entrepreneurship and small business development was and continues to be an important strategy in the region for job creation and economic growth. As such, access to capital and credit for small businesses in rural, underserved areas was a relevant concern. Similarly, the role of mission-driven, non-traditional community lenders, such as CDFIs, in providing capital to underserved regions in Central Appalachia was of interest as another promising tool for deploying capital.

The Tri-Bank Initiative in 2014

In 2014, the Tri-Bank Initiative hosted a half-day program in tandem with the leadership of AFN at its annual partner gathering. The program, titled “Creating Investing Partnerships in the Appalachian Region”, served as an optional pre-event for the larger conference. Held in Athens, Ohio, the conference focused on topics relevant to the southeastern Ohio and other Appalachia regions. Shale development, prominent in both southeastern Ohio and Central Appalachia, was the example used to discuss how rural communities retain wealth in their region during the boom-bust cycles of energy extraction (see Map 3). In much of the local economies of Central Appalachia, natural gas exploration and extraction is expanding rapidly, but historically other extractive industries such as coal, oil and timber have left their mark on these communities with mixed results.

Given the AFN’s focus on entrepreneurship and strengthening the Appalachian economy, the 2014 Tri-Bank Initiative program brought together leaders and academics who spoke about boom-bust cycles and ideas regarding how to achieve greater sustainability in Appalachia, including by creating a philanthropic infrastructure designed to capture wealth for the future.²⁴ A second focus area was business development and fostering entrepreneurial activity. Ohio’s Third Frontier initiative, which launched in 2002 as a \$1.6 billion, 10-year investment in a technology-based economic development platform was explained by a panel of experts. Details on the Third Frontier were presented as a case study. The overarching theme of both discussions was the regional impact of these two economic activities and the policy implications surrounding them.



Promising Progress

According to Ceperley, the exchange of intellectual capital that results from AFN's partnership is of great benefit to those involved. She says the partners have been served well by the sharing of information and ideas through programming that stresses best practices and networking. For example, The Greater Kanawha Valley Foundation had been trying to develop a value chain, a way to grow sustainable local wealth, with the Charleston Area Medical Center (CAMC) in West Virginia. They partnered with the Ford Foundation, which was then was linked to the head of CAMC, who had been invited to be a speaker at an AFN meeting.

Through its work with CAMC and with the aid of other local groups involved in the partnership, the Ford Foundation was able to better understand the demand side of the local community health value chain. They identified the need for abundant and high-quality food being served at the Medical Center as an opportunity to tie in local farmers and food vendors. Today, much of the produce served at the Medical Center is locally grown, including grain for the bread served, which is provided by a local baker. Additionally, the Medical Center now uses a local distributor to transport the food. Ceperley's own foundation has a partnership with a nonprofit that has started a farm that employs formerly incarcerated men and women and serves as one of the suppliers for the Medical Center.²⁵

The tangible instances of collaboration and changing practices are in part the fruit of the collective impact model. As success builds for AFN, other organizations with opportunities for cross-sector collaboration seeking to bring about local change may want to take note.

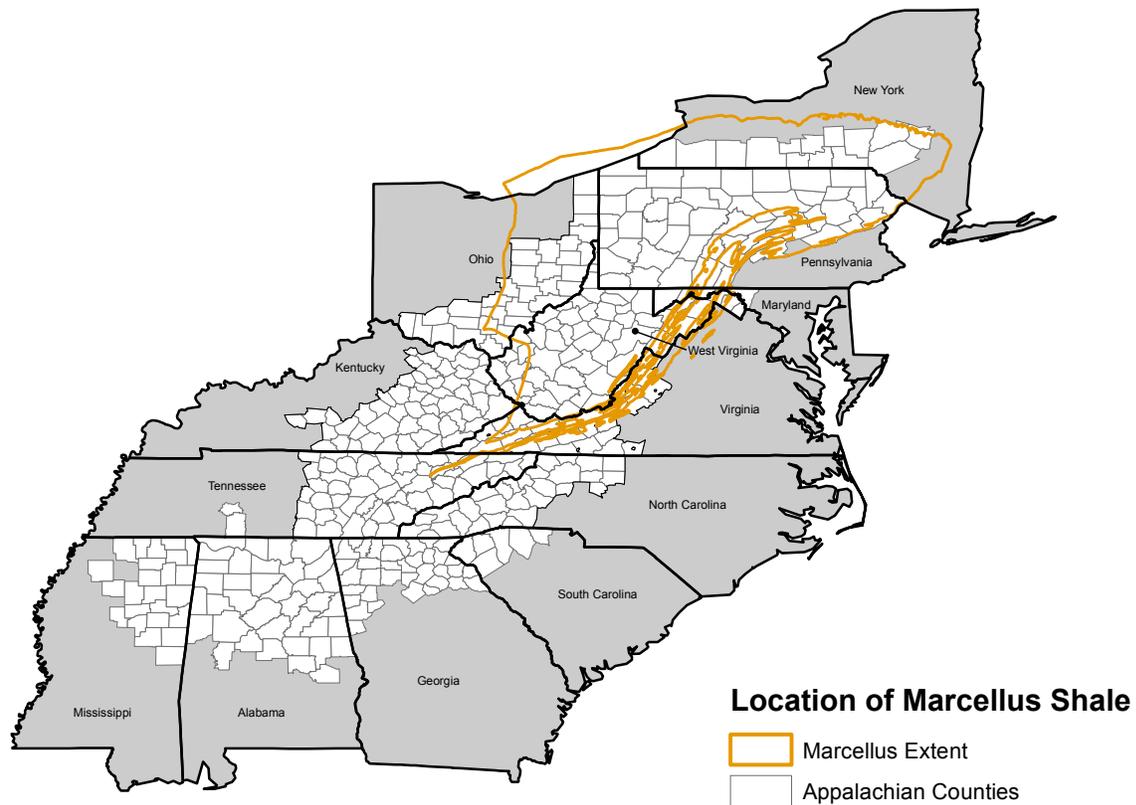
Photos from the 2014 Appalachia Funders Network Gathering in Athens, Ohio



Photo Credit: Appalachia Funders Network



Map 3: Marcellus Shale in Southeast Ohio and Central Appalachia



Source: Appalachian Regional Commission (ARC); U.S. Geology Survey (USGS), as of 2011.

Next Steps for the Tri-Bank Initiative

The Tri-Bank Initiative's future, like its past and present, will be marked by providing collaborative support for its partners. In many cases, the Tri-Bank Initiative has the ability to connect AFN to subject matter experts, to share best practices and the potential to connect AFN with larger funders through the Federal Reserve and Philanthropy Initiative (FPI). The Tri-Bank Initiative also serves to center the focus of federal agencies on economic challenges and needs in Appalachia.

Currently, AFN's strategic focus areas are food systems, health, entrepreneurship, and economic transitioning. The Tri-Bank Initiative may also assist in sharing some of its expertise in the areas of human capital and healthy communities. Additionally, partners are interested in developing plans to convey best practices to small communities that are focusing their thinking about future needs. These plans could be replicable throughout Appalachia to have broad impact.²⁶



CONCLUSION

Economic problems ignore state or regional borders. Addressing them requires broad collaboration, cooperation and partnerships. A willingness to collaborate in multifaceted partnerships where various perspectives and contributions are brought to the table can serve to help improve regional economies.

ACKNOWLEDGEMENTS

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Resources

For additional information on the organizations and resources mentioned in this article, please visit their websites.

Federal Reserve Banks and the Board of Governors of the Federal Reserve System
www.fedcommunities.org

Federal Reserve Bank of Atlanta
https://www.frbatlanta.org/commdev/publications/partnersupdate/14no3/14no3_collective_impact.aspx

Federal Reserve Bank of Cleveland
<https://www.clevelandfed.org/Newsroom%20and%20Events/Publications/Notes%20from%20the%20Field/July%2014%202014>

Appalachian Regional Commission
<http://www.arc.gov/>

Appalachia Funders Network
<http://www.appalachiafunders.org/>

Rural Support Partners
<http://ruralsupportpartners.com/>

Appalachian Forums Webinar Series, Fall 2010
http://www.richmondfed.org/conferences_and_events/community_development/featured/financing_opps_rural_communities_webinar_bldg_community_facilities_20100914.cfm
(Webinar #1)

http://www.richmondfed.org/conferences_and_events/community_development/featured/fin_opps_rural_comm_webinar_improving_energy_infrastructure_20101021.cfm (Webinar #2)

http://www.richmondfed.org/conferences_and_events/community_development/featured/fin_opps_rural_comm_webinar_preserving_housing_historic_bldg_20101116.cfm
(Webinar #3)

Ohio Third Frontier Initiative
http://development.ohio.gov/bs_thirdfrontier/otfnews.htm



Endnotes:

- ¹ Federal Reserve System, "Federal Reserve Community Development Perspectives," accessed January 15, 2015. http://read.stlouisfed.org/i/332204?utm_source=FedCom&utm_medium=Referral&utm_campaign=FedCom.
- ² Within Central Appalachia, the Federal Reserve Bank of Atlanta's district contains Tennessee, the Federal Reserve Bank of Cleveland's district contains Kentucky, Ohio and part of West Virginia, and the Federal Reserve Bank of Richmond's district contains North Carolina, Virginia, and most of West Virginia.
- ³ Turner, Shiloh, et al. "Understanding the Value of Backbone Organizations in Collective Impact," *Stanford Social Innovation Review*, Accessed February 19, 2015., <http://www.nj.gov/state/programs/pdf/faith-based-collective-understanding-organizations.pdf>.
- ⁴ Appalachian Regional Commission, "Subregions in Appalachia," accessed November 1, 2014, http://www.arc.gov/research/Map-ofAppalachia.asp?MAP_ID=31.
- ⁵ "Prime workforce" refers to workers between the ages of 25 and 55.; Regional Planning Division, Appalachian Regional Commission, "Economic Overview of Appalachia – 2011," accessed November 26, 2014, <http://www.arc.gov/images/appregion/Sept2011/EconomicOverviewSept2011.pdf>.
- ⁶ The Economic Research Service defines counties as being in persistent poverty "if 20 percent or more of their populations were living in poverty over the last 30 years." Accessed February 12, 2015, <http://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/geography-of-poverty.aspx>.
- ⁷ United States Department of Agriculture, Economic Research Service, "Geography of Poverty," July 7, 2014, accessed November 1, 2014, <http://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/geography-of-poverty.aspx>. For additional information on rural-urban differences, see Federal Reserve Bank of Richmond, "Changes in the Rural-Urban Composition of the Fifth District," *5th District Footprint*, December 2014, accessed February 20, 2015, http://www.richmondfed.org/publications/community_development/5th_district_footprint/2014/footprint_201412.cfm.
- ⁸ Duncan, Cynthia M. "Community Development in Rural America: Collaborative, Regional, and Comprehensive," Investing in What Works for America's Communities, accessed October 15, 2014, <http://www.whatworksforamerica.org/ideas/community-development-in-rural-america-collaborative-regional-and-comprehensive/>.
- ⁹ Bessler, Abigail "White House announces \$10b fund for rural infrastructure," CBS News, July 24, 2014, accessed October 20, 2014, <http://www.cbsnews.com/news/white-house-announces-10b-fund-for-rural-infrastructure/>.
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- ¹¹ National Community Reinvestment Coalition, "Small Business Lending Deserts and Oases," September 2014, accessed October 20, 2014. <http://www.ncrc.org/resources/reports-and-research/item/973-ncrc-analysis-small-business-lending-deserts-and-oases>.
- ¹² Board of Governors of the Federal Reserve System, "Community Development," accessed October 30, 2014, <http://www.federalreserve.gov/communitydev/default.htm>.
- ¹³ Appalachian Regional Commission, "About ARC," accessed October 20, 2014, <http://www.arc.gov/about/index.asp>.
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- ¹⁶ Kania, John and Mark Kramer, "Collective Impact," *Stanford Social Innovation Review*, Winter 2011, accessed November 20, 2014, http://www.ssireview.org/articles/entry/collective_impact.
- ¹⁷ *Ibid.*
- ¹⁸ Mitchell, Emily, "The Power of Collective Impact," Federal Reserve Bank of Atlanta, accessed February 19, 2015, https://www.frbatlanta.org/commdev/publications/partnersupdate/14no3/14no3_collective_impact.aspx.
- ¹⁹ Appalachia Funders Network, "2010 Gathering," accessed October 20, 2014, <http://www.appalachiafunders.org/2010-gathering/>, Appalachia Funders Network, "Who We Are," accessed October 20, 2014, <http://www.appalachiafunders.org/about-us/>.
- ²⁰ Ceperley, Becky, President and CEO, The Greater Kanawha Valley Foundation, phone interview, December 11, 2014.
- ²¹ According to AFN's Framework for Appalachian Economic Transition, "just systems" are those considered to be proper and reasonable; agreeing with what seems morally right.
- ²² Appalachia Funders Network, "Who We Are," accessed October 20, 2014, <http://www.appalachiafunders.org/about-us/>.
- ²³ Appalachia Funders Network, "Start-Up Appalachia," Accessed November 20, 2014, <http://www.appalachiafunders.org/2012-gathering-materials/>.
- ²⁴ Brook, Cara Dingus "Creating Sustainable Prosperity," Foundation for Appalachian Ohio, April 1, 2014.
- ²⁵ Ceperley, Becky, President and CEO, The Greater Kanawha Valley Foundation, phone interview, December 11, 2014.
- ²⁶ *Ibid.*

