Place-based impact investing (PBII) is no longer a solo endeavor for many foundations across the United States. Although PBII investments are often organized by a single institution, individual, or community development financial institution (CDFI), foundations are increasingly joining and leading cross-sector efforts to invest in the communities at the heart of their mission. These efforts are creating rich and more coordinated opportunities for making social impact investments in place and are sometimes referred to as “ecosystems for impact.”

In this brief, we provide examples of the breadth of actors that might participate in an ecosystem, describe approaches and examples of building an ecosystem, and share practitioner lessons for igniting collaboration throughout an ecosystem.

At their best, ecosystems for impact investing are community centered and defined by the communities in which the investments will take place. Strategies provided in this practitioner brief may be helpful as initial guidance for getting started, but the real solutions for building ecosystems for collaboration and investment lie within each unique community.

This brief is one of several resources developed through collaboration between the Urban Institute, the John D. and Catherine T. MacArthur Foundation, and Mission Investors Exchange to advance the development and exchange of knowledge on the practice of place-based impact investing (PBII). PBII refers to the local deployment of impact capital, or investments made with the intent to yield a financial return as well as a social or environmental return. This effort focuses on understanding the roles of foundations and collaborative models in nurturing the development and expansion of PBII efforts. A practitioner convening discussed key issues and two Urban Institute research papers—a scan of PBII approaches and a review of capital gaps and flows methodology—helped expand the evidence base on these topics.

This brief and two accompanying briefs (“Collaborative Place-Based Impact Investing Models: Deploying Capital on the Ground Together” and “Mapping and Assessing Local Capacities and Opportunities”) are designed to focus on elements of PBII that research and conversations with practitioners have identified as opportunities for knowledge exchange. We draw insights for these briefs from the research we have already published and from conversations with PBII field leaders. These briefs elevate practices and understandings from the field while highlighting lessons from existing efforts.

Benefits of Coordination among Key Stakeholders in an Ecosystem

1. **Community knowledge and understanding**: Together, ecosystem actors can create a better understanding of community needs, capital flows, and capital gaps. Coordinated mapping provides new perspectives and opportunities to better coordinate investments, services, and other needs. More community leaders and investors understand best practices and the principles of investing.

2. **Strength and efficiency**: Ecosystems identify stronger investment opportunities through additional information and resources. Investments can cost less and be measured, structured, and reported.

3. **Relationship building**: Healthy ecosystems can increase trust, facilitate cross-sector conversations, and support coordination. Developed ecosystem efforts attract a wider variety of investor types (e.g., individual, corporate, government, and foundation). More investments are developed and more capital flows for social good. Additional opportunities may be developed to attract outside capital into an ecosystem.

4. **Investee readiness and community connection**: Ecosystem building offers better support to social entrepreneurs, organizations, investors, and communities. Investees are more prepared and supported in making an investment. Collaboration offers more opportunities for connecting with and gaining wisdom from end users of investment products and services.

5. **More resources and infrastructure**: Ecosystem actors can share sample documents, such as requests for proposals, legal documents, and term sheets. Ecosystems also allow more informed and wider dissemination of research. They document more examples for learning; follow-on investing; and creating new, similar investment opportunities. They also increase the likelihood of an increase in deal platforms, participation of donor advised funds, and additional tools to serve the ecosystem.

What Types of Entities Make Up an Ecosystem?

Ecosystems are varied and can be made up of any combination of people and entities—from community leaders to foundations, service providers and government leaders. This list below is not exhaustive but provides some examples of ecosystem actors:

- **Impact investors**
  - Private foundations making investments at various degrees of risk and return using a variety of types of investing tools
  - Community foundations and donor-advised funds
  - Corporations providing services and making investments of their own philanthropic or investment capital
  - Anchor institutions (such as universities and hospitals with endowments)
  - Faith-based organizations

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1 Leung and Theodos, “Mapping and Assessing Local Capacities and Opportunities for Place-Based Impact Investing.”
• Intermediaries, investors, and investees
  • CDFIs deep in place raising capital and reinvesting it
  • Crowdfunding and peer-funding efforts and platforms
  • Fund managers
  • Nonprofit organizations providing services, creating investments, and sometimes making investments themselves
  • Social enterprises (both for profit and nonprofit)

• System supports
  • Community economic development organizations and authorities
  • Chambers of commerce, faith-based organizations, and other community-based entities
  • Education providers and accelerators
  • Field builders (such as executives-in-residence in philanthropy-serving organizations in Michigan, Minnesota, San Diego)
  • Governments (such as city, state, regional, and local government entities)
  • Financial institutions (such as CDFIs, commercial banks and the Federal Reserve Banks)
  • Grantmakers (such as foundations and governments providing grants for capacity building and technical assistance)
  • Local, state, and regional networks (such as chambers of commerce and neighborhood associations)
  • Professional investment advisory firms
  • Professional service providers (such as attorneys and accountants)

Healthy ecosystems can have multiple impact investing networks working separately and concurrently. Especially in larger cities, in discrete regions (e.g., the Intermountain West, the Appalachian Mountain Region, and the Pacific Northwest) and over time, multiple efforts will spring up in areas with similar or overlapping geography or needs. Some community members may therefore end up participating in more than one ecosystem effort. These individuals have the benefit of collecting and sharing information across several efforts to ultimately drive more collaboration and impact.

Approaches to Building an Ecosystem

Ecosystems are often seeded through one or two individuals who are devoted to bringing together disparate actors and creating a broader effort for the common good. These individuals may emerge from a network of social entrepreneurs; from a philanthropy-serving organization; or through the efforts of foundations, wealthy individuals, or any combination of ecosystem actors.

Ecosystems are often formalized and funded appropriately as leaders recognize the need for dedicated staffing to coordinate education, mapping exercises, and efforts to link more directly to grassroots community representatives, as well as to carry out collaborative investing.
Examples of Facilitating Collaboration in an Ecosystem

Michigan Collaborative

Michigan’s journey to become a robust ecosystem began in 2013, when leaders at the philanthropy-serving organization Council of Michigan Foundations (CMF) wished to bring attention to PBII opportunities. They began by providing education to members and then completed a landscape needs assessment and a survey to understand the resources available and receive suggestions from current impact investors, community members, and national partners.

CMF’s work was inspired and enriched by ecosystem actors working together under the leadership of the W. K. Kellogg Foundation to create the Michigan Good Food Fund, a $30 million public-private partnership loan fund begun in 2015 that provides financing to “good food” enterprises that benefit underserved communities across Michigan.

Also in 2015, CMF created a working group to explore and support impact investing on-ramps. The group was made up primarily of investors but also included people from academia, government, intermediaries, social entrepreneur networks, and professional advisors.

CMF’s first on-ramp to impact investing was a fund that successfully raised $44 million for investments in Michigan. CMF learned several critical lessons as the coordinated investment opportunity developed. Newcomers to investing needed a briefing on securities laws and, given the complex regulations governing a range of different investing activities, the catalyzing organization needed an attorney to review publications and internal memoranda. Collaboration gave the fund managers leverage to lower the minimum investment into the fund, which provided accessibility for investors unable to make larger investments. The fund sponsor also agreed to evaluate social impact and to create a learning community.

In 2016, CMF hired an expert in residence using funding committed from its endowment, and a private foundation committed additional capital to fund a fellow. CMF’s approach is to meet investors where they are by supporting their work (such as by educating them, producing video production of impact investing examples, and providing professional legal advice) rather than prescribing activities.
Baltimore Collaborative

Private foundations in Baltimore such as the Annie E. Casey Foundation (AECF) and the Abell Foundation have engaged in impact investing for many years, sometimes coordinating their work with cross-sector partners. Recent efforts, however, have intentionally built a collaborative ecosystem driven in part by coordinated funding, mapping, communicating, and convening efforts.

The social investments and Baltimore civic site teams at AECF expected that their mission could be met by investing in high-capacity CDFIs working with entrepreneurs of color in communities served by their Baltimore program. But when foundation consultants conducted a survey of CDFI leaders, government officials working with small businesses, foundations, and others, AECF found that CDFIs and communities had limited capacity to prepare the entrepreneurs for investment. They began searching for ways to build the missing infrastructure. As a result, AECF designed and subsequently worked with the Baltimore Community Foundation, Surdna Foundation, Abell Foundation, JP Morgan Chase, and PNC Bank to build the infrastructure needed by creating the Baltimore Small Business Support Fund and an advisory committee to support CDFIs and small-business technical assistance providers serving people of color in Baltimore.

Concurrently, AECF, the Abell Foundation, and others worked with the Association of Baltimore Area Grantmakers to launch an impact investing education series that created awareness and shared examples and strategies. The Abell Foundation and AECF also began to assist other national investors, including Goldman Sachs, JP Morgan Chase, and asset managers, in understanding Baltimore residents’ needs. These partnerships provided the deep knowledge, connections, and trust the national partners needed to begin developing and implementing capital deployment strategies.

The Baltimore collaborative has made progress by listening to the community; taking the time to survey local needs; supporting a learning community; being inclusive in conversations and actions; and engaging diverse ecosystem actors such as community leaders, government, and academia. This has led to fund creation, stronger technical assistance, and more capital available to meet community needs. The ecosystem actors plan to continue education efforts to expand and deepen their network and to build new pipelines for effective investments.

“Never underestimate the power of positive peer pressure.”

—PBII convening participant
Practitioner Lessons: Igniting Collaboration throughout an Ecosystem

Practitioners who have built ecosystems for collaborative investing have surfaced several insights.

**Build and nourish key relationships**

Creating and fostering relationships between interested stakeholders at the beginning of the ecosystem’s development can jump-start the creation of a collaborative PBII practice. Identifying stakeholders with influence early and gaining buy-in can help an initiative flourish. Some practitioners noted that effective ecosystem builders often lead from behind the scenes by convening, empowering, and inspiring others. Other efforts encourage leaders to quickly and directly address tensions and competitive dynamics in the ecosystem; create a safe yet bold space and welcome debate; and set strategies for problem solving and norms for communicating consistently before problems occur.

**Foster equity and inclusion**

Consider proactive outreach to more diverse networks; implicit bias training; and open, honest equity conversations to ensure diversity across every type of actor in the ecosystem (investors, investees, investment professionals, and others) and that the development and growth of the ecosystem itself is diverse. This means including people of different races, ethnicities, religions, genders, physical abilities, and other forms of diversity to provide a wide variety of perspectives, skills, and leadership for the impact investing ecosystem. Assess and provide what is needed to bring more diverse voices into the leadership of and overall participation in the ecosystem.

“We need to move from transaction focused to transformation focused.”

—PBII convening participant

**Amplify the community’s voice**

To maintain long-term sustainability and effect real change in communities, engage members of the community with different perspectives in actively building and participating in the ecosystem. Not only will the community benefit from community members’ input and feedback, but the proposed solutions will ultimately enhance the financial and social performance of the ecosystem of impact investments.
Speak to the heart while demonstrating impact

When beginning to cultivate investor actors to participate in the impact investing ecosystem, collect stories of the impact investments made in your community or others and the impact they yield on communities, families, and individuals. Focus on the end goal by asking questions such as “How have things changed in our community because of this investment? What would the community look like without these investments? How can working together utilizing additional capital sourced by using additional financial tools make change in the community?” Focus initially on the end result of the work rather than diving into the mechanism for how the work is conducted. Focusing on the mission and values in conversations helps emphasize the end goals.

“There’s almost an inherent bias towards the implied power of the investors. But in a functional ecosystem everyone needs to be considered.”

—PBII convening participant

Find champions

To ensure that the ecosystem will have reputational, financial, and organizational capacity, identify one or more champions within each organization with decisionmaking power. This means seeking out and engaging those at the highest levels of influence (such as the executive, board, or committee chairs) in the organization. Consider influential external champions (e.g., government leaders and community spokespersons) as well as advocates who have the time, passion, and support to be a resource and to catalyze ecosystem capacity. Consider impact investing ecosystems already in existence. Your community may benefit by learning from another ecosystem’s work already under way. You may wish to interact with other ecosystem leaders in order to leverage resources such as case examples of investments that may work in your community.

“We have to understand that different institutions have different roles, different missions, and different limitations.”

—PBII convening participant
Pave the way with an anchor investor
Leadership from impact investors with a strong network and a trusted reputation can encourage participation in the impact investing ecosystem. An anchor investor can show commitment to the value of the ecosystem by funding capacity building (e.g., education, staffing, and technical assistance) and by illustrating on-ramps through their own impact investing examples.

Unify around a common goal
Take time early and often in the evolution of the ecosystem for participants to identify one or more common goals and to understand each actor’s limitations. Creating a common, simple language around PBII helps ensure that all stakeholders are on the same page and makes it easier for all partners to build trust and engage in the practice. Document these in ways that are comfortable and easily accessible to all of the ecosystem actors.

Invest in capacity and knowledge building
Recognize the need for investment in the ecosystem itself, including funding for investee capacity building (such as through a technical assistance fund to ensure inclusive entrepreneur supports). Consider a collective effort to map community needs, capital gaps, and capital flows, including applying an equity lens to identify systemic inequities that lead to persistent wealth disparities.

Additional Resources
- Investing Together: Emerging Approaches in Collaborative Place-Based Impact Investing (Urban Institute)
- Strengthening the Enabling Environment: The Capital Absorption Framework, Part 3 (Center for Community Investment)
- Building A Place-based Impact Investing Ecosystem in Minnesota (Mission Investors Exchange)
- How to Grow an Impact Investing Ecosystem (Cogent Consulting Inc.)
- Place-Based Impact Investing Library (Mission Investors Exchange)
Acknowledgments
This brief and the Place-Based Impact Investing project was funded by the John D. and Catherine T. MacArthur Foundation. The authors are grateful to Margaret Berger Bradley of Ben Franklin Technology Partners, Robin Hacke of the Center for Community Investment, Susan Hammel of Cogent Consulting and the Minnesota Council on Foundations, Joohee Rand of the Santa Fe Community Foundation, and James Wahls of the Annie E. Casey Foundation for commenting on early drafts of the briefs.

About Mission Investors Exchange
Mission Investors Exchange is the leading impact investing network for foundations dedicated to deploying capital for social and environmental change. With over 250 members, we provide resources, inspiration, and connections to help our members increase the scale and impact of their impact investing practice. Members come to Mission Investors Exchange and each other for best practices, new investment opportunities, deal partnerships, and innovations in impact investing around the world.

About the Urban institute
The nonprofit Urban Institute is a leading research organization dedicated to developing evidence-based insights that improve people’s lives and strengthen communities. For 50 years, Urban has been the trusted source for rigorous analysis of complex social and economic issues; strategic advice to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.