

BLACK PAPER 2


Inclusive Capital for Manufacturers

Advancing Racial Equity and Community Wealth Building through a Sector-Based Approach to Capital Access

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The Inclusive Capital Collective is a growing network of community fund managers and entrepreneur support organizations who have been designing and developing shared technical and financial infrastructure for aggregating and deploying financial capital and other resources to entrepreneurs and communities of color in the US.

Its purpose is to **overcome systemic racism through equitable access to capital.**

The ICC achieves this purpose by aiding and amplifying capital innovators and service providers who are building wealth in their communities using debt, equity, and real estate instruments, and by connecting them in a jointly owned and governed network. With the ICC, capital innovators and service providers centering communities of color have created a novel kind of intermediary infrastructure to help each other accelerate the learning curve required to design and redesign for a more equitable future; mobilize capital; and grow their businesses.

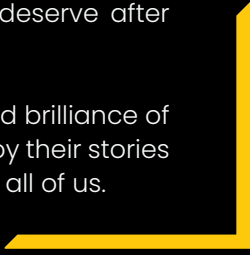
ICC capital innovators are exploring alternative types of capital, developing more equitable ownership models, and structuring blended finance offerings that mobilize a range of philanthropic and private capital.

This work was important before the pandemic, and it has only become more urgent as we contemplate how to rebuild an economy and society that creates health and wealth for all.

The **Black Papers** are a series of briefings written by and for practitioners. They illuminate the systemic barriers in financial markets, focusing on specific areas and segments that are ripe for interventions by investors interested in deploying their resources for social justice. Each Black Paper spotlights scalable solutions developed by members of the ICC, and invites the reader to take action.

In our second Black Paper, we introduce you to the innovations that capital providers and policymakers can and should implement within the manufacturing industry in order to spark wealth-building among entrepreneurs and communities of color. We highlight along the way the inventive Black, Indigenous, and other POC (BIPOC) manufacturers whose work both showcases the very real challenges they face and the unique possibilities if they are given adequate support. This work is contextualized within the current and historical challenge that manufacturers of color have experienced. As the manufacturing businesses highlighted in this Black Paper will show, the sector can provide living-income jobs, offer ownership opportunities, and drive economic activity with other local industries that fuels inclusive place-based development. But this will only happen if these BIPOC manufacturers, and others like them, receive the support they so richly deserve after centuries of marginalization.

What you are about to read showcases the years of hard work, tenacity, and brilliance of Black and other manufacturers of color across the nation. We hope you enjoy their stories and will join us as we work to bring racial equity to an industry that touches all of us.



Urban Manufacturing Alliance

Executive Summary

Manufacturing has long been seen as something that only happens in factories, but today manufacturing comes in a number of different forms. Cities are increasingly home to the kinds of small- and mid-sized companies that represent today's manufacturing. These aren't the sooty, unventilated halls where workers toiled away at the turn of the 20th century. The sector has evolved with the integration of new technology, shifting demographics of business ownership, and consumer interests in promoting ethical and environmentally sustainable businesses.

Catering companies that produce batches of their own recipes are manufacturers. Clothing designers – the artists who turn fabrics into fashion – are manufacturers. Metalworkers in machine plants and students in medical device startups: all of them are performing the central act of manufacturing, which is creating a physical good that will be sold.

Sometimes, small-scale producers are more likely to self-identify with the terms “artists,” “artisans,” and “makers” when starting out. Many start to call themselves “businesses” and “manufacturers”



as they grow and understand their fit in the marketplace, according to research by the Urban Manufacturing Alliance.¹

Manufacturing, while providing a pathway to the middle class for millions of people, including people of color, also has a dark history. Systemic racism has been deeply embedded in our economic and social system since the transatlantic trade and slavery enabled the industrial revolution and helped build our cities.²

In order to dismantle systemic racism and build a more equitable future, our next steps must be intentional, placing racial justice and equity at the forefront of policy and financial infrastructure.

This Black Paper invites you into the stories of makers and manufacturers of color from across the country who have innovated and succeeded despite systemic barriers and long odds. They highlight for us the possibilities that are present if they and entrepreneurs like them receive transformational support. And this paper goes into deep detail on what that support looks like:

A call to action for policymakers

- **REFORM PUBLIC POLICIES AND REGULATIONS** to ensure Community Development Financial Institutions (CDFIs) and other lenders have the resources they need to help manufacturers of color who are scaling up or leading ownership transitions. These businesses often have unmet capital needs but need patient capital on equitable terms to activate their visions for their businesses and communities.
- Policymakers should **INCLUDE EQUITY METRICS** in funding programs to elevate manufacturing as an impact sector for living-income jobs, BIPOC business ownership, and community development.

A call to action for capital providers and financial intermediaries

- CDFIs and other lenders along the capital continuum should **EMBED SECTORAL KNOWLEDGE** in equitable underwriting paradigms.
- Partnerships are a key way for CDFIs and manufacturing organizations to **GROW AN ECOSYSTEM OF SUPPORT** for manufacturers of color.
- CDFIs and other lenders need to **DEPLOY PATIENT CAPITAL** to manufacturers of color on equitable and workable terms.

We have an opportunity to use this combination of systems-level and on-the-ground change to reactivate manufacturing as a strategy to advance equitable economic development and wealth-building with communities of color. We hope you will join us.


¹ Urban Manufacturing Alliance, "The State of Urban Manufacturing, 2016." <https://www.urbanmfg.org/wp-content/uploads/2017/11/SUM-National-Report-Final.pdf>

² PBS, "Growth and Entrenchment of Slavery." <https://www.pbs.org/wgbh/aia/part3/3narr6.html>



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