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How Kamala Harris helped prepare grassroots lenders for the new wave of green financing

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Vice president Kamala Harris at the Freedman's Bank Forum in 2022.

The Greenhouse Gas Reduction Fund is a first-of-a-kind effort to stand up a distributed green finance ecosystem that can reach deep into the country's forgotten communities to facilitate a broad-based green transition.

But even \$27 billion can't stand up such a distributed, efficient and, most of all, equitable, ecosystem from scratch. The EPA, which is distributing the GGRF, doesn't need to. The groundwork laid in recent years to create a financial marketplace of community-based lenders for startups and small businesses is now paying off in a new level of capacity and preparedness – just in time for the historic infusion of catalytic federal funds to jumpstart financing for the just, green transition.

The driver and the champion of that network of lenders, intermediaries and capital providers that has contributed to the record number of new business starts in recent years: Vice President Kamala Harris.

Harris dedicated just one line to small businesses in her speech at the Democratic National Convention last week. “We will provide access to capital for small-business owners and entrepreneurs and founders,” she said as she listed a series of policy priorities toward the end of the speech.

But as vice president, she has dug into the nitty-gritty of getting capital out to small businesses and entrepreneurs in communities that have been underserved, and often intentionally excluded, from traditional banking services. That has meant building the capacities of the lenders and minority-led banks committed to serving such communities, including community development financial institutions, or CDFIs, and minority-depository institutions, or MDIs.

“There are so many people in our country that have incredible dreams,” Harris said in 2022 at the Freedman's Bank Forum. Harris [began her remarks](#) with the history of the Freedman's Savings and Trust Company, created after emancipation to support newly freed Black Americans, and shut down nine years later as part of the attack on the multi-racial prosperity and democracy spurred by Reconstruction. As many as 60,000 depositors lost their life's savings.

“Far too many still lack the resources and support to make those dreams a reality,” she continued. Harris was launching the Initiative for Inclusive Entrepreneurship, a public-private partnership to ensure that the Treasury's \$10 billion State Small Business Credit Initiative, created to support small businesses after the Covid crisis, would be equitably distributed.

“These disparities must be spoken of, acknowledged and addressed,” she said.

The initiative – just call it SSBCI – provides funds to states and Tribal governments to create tailored financing programs for small businesses, from loan guarantees and collateral support to venture capital investment. Early iterations of the program, authorized under The American Rescue Plan, struggled to reach the administration's goal of directing 40% of the support to businesses owned by socially and economically disadvantaged individuals (or ‘SEDI,’ in bureaucrat-speak).

“There wasn't a lot of representation of diverse businesses,” said Kim Folsom of Founders First, a revenue-based lender to diverse businesses and suppliers and a partner in the IIE.

The Initiative for Inclusive Entrepreneurship was created by the Treasury Department and Vice President's office to address the obstacles preventing the funds from getting to where they are most needed.

Under the program, impact fund manager Mission Driven Finance developed partnerships and programs with Tribal nations and Native financial intermediaries. JumpStart, a Cleveland-based venture development organization, spearheaded outreach to diverse venture fund managers. And San Diego-based Founders First provided technical assistance to diverse small businesses and suppliers.

Other IIE partners include Next Street, Aspen Institute's Business Ownership Initiative, Nowak Metro Finance Lab, and Scale Link. Hyphen, a nonprofit that develops public-private partnership to enhance federal policy, incubated the program and recruited partners.

The announcement was part of a [broader series of actions](#) Harris and her office have taken to help level the playing field for diverse entrepreneurs. The Economic Opportunity Coalition – including Ariel Investments, Bank of America, Citi, KeyBank, KeyBank, Kresge Foundation, PayPal, and Wells Fargo, among others – has pledged to collectively park \$3 billion in cash with community banks and lenders working in communities of color.

The Emergency Capital Investment Program, or ECIP, [pushed more than \\$9 billion](#) – an historic sum until it was eclipsed by the GGRF – to CDFIs and MDIs.

“What we have been doing and must do more is combine the expertise and experience of the private sector with the reach and the scale that only the government can provide,” Harris said.

Harris's office worked closely with the Institute of Inclusive Entrepreneurship's private partners to develop the program, convene stakeholders and voice public support. That imprimatur helped bring in some of the initiative's first outside funding partners.

“It was Vice President Harris's team who was like, ‘Yes, we want to get behind this,’” said Stephen Nunes of Mission Driven Capital.

Green transition

The lending capacity and expertise for small business is now being marshaled in the service of financial products and services for green, community-based infrastructure. That means technical assistance and training – as well as new capital-market structures such as secondary loan markets and credit-enhancement mechanisms.

The Institute for Inclusive Entrepreneurship is moving to a [new home](#) at the Milken Institute, the bipartisan think tank founded by financier Michael Milken, which has long worked on implementing SSBCI.

Since the passage of the Inflation Reduction Act, the institute has created programs to bring communities, project developers, funders and suppliers together to leverage the law's historic funding for green infrastructure. Milken's 10,000 Communities program has aggregated more than 1,000 green projects from communities across the country on its [portal](#).

Milken also runs an [“inclusive capitalism”](#) initiative led by the institute's Troy Duffie, which has nurtured financial talent from Historically Black Colleges and Universities, or HBCUs.

The common thread is “access to capital for economies and rethinking the systems of deployment and connectivity,” said Rachel Halfacre of Milken. “And we're well positioned to do that.”

After being incubated at Hyphen, she said, the IIE has found its “forever home.”

“The Initiative for Inclusive Entrepreneurship was born out of a vision to break down barriers to capital for entrepreneurs of color and create a more inclusive economy,” said Hyphen's Archana Sahgal. Milken's “expertise and convening power will be crucial in supercharging the future of IIE.”

At the Milken Institute, the initiative will merge with broader efforts to create an inclusive financial ecosystem catalyzed by the Greenhouse Gas Reduction Fund, or GGRF, a \$27 billion chunk of the IRA law that was officially awarded to coalitions of green banks, CDFIs and nonprofits earlier this month.

The merging has already begun. Many of the IIE partners are also looking to blend in other forms of federal funds, including the IRA's investment tax credits, “direct pay” option for non-taxed entities, and GGRF loans.

The SSBCI program and the IIE ecosystem that has formed around it can help bridge funding gaps in the GGRF, such as for pre-development financing and working capital, which GGRF does not cover, or to tide over project developers as they wait for the government to reimburse their tax credits.

The Treasury program is also able to support contractors and suppliers not covered by GGRF.

“SSBCI can be used as the precursor to build the capacity of these financial intermediaries and to get deals off the ground, so that they can get to a point where they can receive funding from GGRF,” says Nunes.

Paving the way

The transition of the institute to its “forever home” at the Milken Institute follows an 18-month pilot program that wrapped up in June.

According to Hyphen and others involved in the initiative, the IIE created more inclusive delivery channels for the SSBCI by boosting the capacity of community lenders and emerging fund managers. In 18 months, it reached more than 3,000 small businesses and 650 emerging fund managers with technical assistance or funding, and deployed \$10 million in direct funding and another \$177 million in private capital.

IIE has also spawned innovative new financial vehicles, including funds to crowd in private capital for Indigenous CDFIs, diverse suppliers and contractors, and emerging fund managers.

That sounds a lot like what the Greenhouse Gas Reduction Fund GRF is attempting to achieve.

“The idea behind the Initiative for Inclusive Entrepreneurship was, there's a great opportunity for us to seize the moment,” said Nunes.

“We started with SSBCI because it was here and now and allocations were being made. But the thought was always that there's more federal funding coming, so let's get private funders” lined up, he said.

Mission Driven Finance has focused on helping Tribal entities and CDFIs access the SSBCI funds. It has set up the [Indigenous Futures Fund](#) to mobilize private and philanthropic capital to unlock access to SSBCI and other federal funds for Native groups that might otherwise struggle to meet those programs' capital-matching requirements.

“We pull private capital into a single vehicle, and that vehicle will go and match deals,” explained Nunes. When the Tribal entities are repaid, the returns become equity on their balance sheets. Mission Driven Finance is looking to raise \$25 million in credit and \$2 million in grant funding.

The San Diego-based firm is working with Tribal groups to finance solar power, EV charging networks and a biochar facility with SSBCI funds and, eventually, GGRF funds.

“When we've gotten them to the point where they're up and running and they're ready for more stabilized financing, construction financing, or in some cases mortgages,” the GGRF funds could kick in, he said.

Native CDFIs are gearing up for the opportunity. The Native CDFI Network, a nonprofit that serves more than 60 Native CDFIs, was awarded \$400 million from the GGRF's Clean Communities Investment Accelerator program, which is focused on building technical capacity.

Supplier diversity

The melding of the IIE and GGRF can benefit another group: suppliers.

The GGRF will help project developers defray the costs of green energy retrofits, community solar, EV charging networks and other projects. But it does little to help the solar panel installers, electricians, roofers and other suppliers that the developers contract with.

“It's the suppliers making those innovations happen,” said Folsom of Founders First. The firm, an IIE co-lead, provides technical assistance to small and mid-sized suppliers to position them to obtain capital and, when it cannot fund them itself, connects them with community and mission-based lenders.

Mission Driven Finance is creating a loan guarantee fund to help diverse suppliers attract outside capital, starting in California. The fund, which has lined up a philanthropic funder, aims to catalyze up to 9 times the amount of outside capital from national banks and CDFIs.

“There's going to be a whole contractor financing economy created around GGRF,” said Nunes. “We are thinking about how you can pull in SSBCI and other programs to create more inclusive contracting alongside GGRF.”

Venture capital

JumpStart has led the IIE's work on equity finance for small businesses and entrepreneurs — the area that the SSBCI program had the least success with in reaching socially and economically disadvantaged individuals.

Through an IIE-affiliated group, [IIE.VC](#), it helps emerging fund managers access SSBCI funds and raise outside capital and matching funds.

IIE.VC has experimented with providing \$50,000 grants to cover operating costs and expenses such as legal advice to emerging managers including The Artemis Fund, Red Bike Capital, Union Heritage and Wocstar via a pilot program.

It has attracted partners including the National Venture Capital Assoc., the Nasdaq Entrepreneurial Center, Plexo Capital, Venture Forward and other organizations. Folsom of Founders First called the work “transformational” in its ability to create generational advancement for so many Americans left behind.

At the Freedman's Bank Forum in 2022, Harris exulted over the then-\$8 billion that had been disbursed through CDFIs like Hope Credit Union in Jackson, Miss., for a women-owned coffee shop, Native American Bank in North Dakota for an opiate addiction recovery center and Carver Bank in Georgia to help Black founders start up their businesses.

The funds and projects and partnerships fostered by IIE will pave the way for an even bigger boost to the community development infrastructure under the GGRF. Lenders will have more than three times that amount for projects that lower energy and transportation costs, create healthier communities and reduce greenhouse gas emissions. And they'll have the financial products and expertise to underwrite such projects because of programs like the Initiative for Inclusive Entrepreneurship.

“All of our work thus far, I believe, comes down to this,” the vice president said at the launch event. “America is a nation driven by the ambition and aspiration of her people. And so let us continue to fight to make sure all people have a chance to realize their dreams and to determine their own future.”

When we do, she added, “We not only advance economic justice. We strengthen our economy as a whole, creating prosperity and opportunity for all – together.”