



Ethnic Minority Business Finance Review

Terms of Reference

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About this Terms of Reference

This paper sets out a framework for the Terms of Reference for an Ethnic Minority Business Finance Review strategy and the formation of a Review Panel to lead it.

This first draft of the Terms of Reference (ToFR) aims to provide a framework for some of the key parameters of the Review's strategy. It also aims to provide a guide to enable stakeholders to collaborate in the development of a more detailed ToFR.

The ToFR will be required to set out the agreed objectives of the Ethnic Minority Business Finance Review, and the membership of its Review Panel. It will also set out operational arrangements for delivering the agreed aims and objectives.

The ToFR will also provide a clear scope for the issues to be considered by the review, key responsibilities, schedules, and budgets. In addition, a critical part of the ToFR will be to define success indicators and milestones to ensure that the project maintains focus and delivers in line with agreed objectives.

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Ethnic Minority Business Finance Review

Terms of Reference

The Ethnic Minority Business Finance Review aims to provide a strategic framework for the creation of an innovative and ambitious action plan to open up opportunities for finance and investment for Businesses led by Black and Minority Ethnic business owners.

A central aim will be to address systemic and structural barriers that hamper Ethnic Minority led Businesses' (EMBs) ability to access the finance and investment that they need to enable them to scale up their contribution to the growth and prosperity of the UK's economy.

A key strategy of this Review will be to explore traditional, emerging and novel solutions that, if adopted, would open up opportunities and improve access to financial services and investment. Consequently, a critical role for the Review will be to identify and flag up viable options for an inclusive financial services and investment strategy that will unleash the economic growth potential of EMBs for the benefit of the UK's economy.

Review Panel

The Ethnic Minority Business Finance Review will be led by an Review Panel who will aim to create an action focussed forum for collaboration and cooperation amongst a multi-disciplinary group of finance and industry experts. Critically the Panel will also include representatives from diverse Ethnic Minority Business communities who will work together to lead the Ethnic Minority Business Finance Review.

Enlist Stakeholder 'Buy In' - as well as delivering the Review strategy, an overarching role of the Review Panel will be to encourage its members to advocate and enlist stakeholder 'buy in' across the wider financial services industry, policy makers and Ethnic Business Community representatives, for the creation of an agreed strategy for investment and financial services that will underpin ambitious plans for inclusive economic growth.

Raise Awareness and Build Confidence - the Review Panel will aim to raise awareness and build confidence amongst Ethnic Minority Business communities whilst at the same time building and maintaining credibility with policy makers at industry and Government levels.

The aim will be to build confidence and awareness by bringing together a collaborative multi-disciplinary mix of key stakeholders with relevant expertise, knowledge and lived experience to maintain an effective balance. These will include: expert 'know how,' from the financial services industry, key policy makers as well as leaders and representatives from diverse ethnic minority communities.

Catalyst for Change - the Ethnic Minority Business Finance Review aims to be a catalyst for change in the provision of finance and investment for EMBs.

The APPG for Ethnic Minority Business Owners aims to play a pivotal role as a convener for this project. However, the intention is for the project to be adopted and led by a multi-disciplinary panel of industry experts, policy makers and critically representatives from diverse Ethnic Business groups.

Review Chair Person & Sponsor - the Review will be chaired by a successful entrepreneur and business community leader- Wilfred Emmanuel Jones – otherwise known as the 'Black farmer.' Agreed co-chairs will also be invited. Sir Peter Bottomley will be the Parliamentary sponsor.

Resources and Sponsorship - the operational logistics and resourcing required will be identified developed as a part of the setup of this Review.

Sponsorship of key elements of the project will be sought to enable key activities including consultations, research, meetings, marketing and reporting

Review Panel Membership - the Review Panel will be made up of a multi-disciplinary team of industry experts and community representatives.

As well as experts from across the banking industry and financial services sector, representatives from emerging fintech will also be invited. Representatives from Black, Asian and Minority Ethnic business networks, trade associations, leading academics, industry captains from the corporate sector will be invited as well as policy makers. Representatives from critical market forums such as Net Zero, procurement and international trade will also be consulted.

A Stakeholder Mapping - a stakeholder mapping exercise will be undertaken to ensure that the Review Panel is as representative as possible and a nomination process will be agreed for stakeholders to be recommended to the Review panel

Review Purpose

Address Systemic and Structural Barriers - the main purpose of the Ethnic Minority Business Finance Review is to address disproportionate and long standing systemic and structural barriers to accessing the finance and investment that EMBs need in order to fulfil their potential to access opportunities and scale up their contribution to the growth and prosperity of the UK's economy.

Levelling Up Strategy - this review is in line with the Government's 'Levelling Up' strategy and plans for targeted support for inclusive growth. As a result, this Review aims to align itself with ambitious targets for sustainable economic development at a regional, national and international level. It also aims to align with plans for increasing greener business models to enable the delivery of Net Zero targets and the scaling up of innovation and international trade.

Intersectionality – the review aims to recognise and address the diverse needs of different ethnic groups and how the intersection with characteristics such as gender, disability, class, religion and sexuality can have an impact on barriers and opportunities. The aim of the Review will be to explore possible solutions through both tailored and targeted measures aimed at specific ethnic groups, as well as a wider framework of measures that are adaptable and robust enough to provide a more inclusive service to meet the needs of diverse ethnic groups

Background to Review - the background to this Review is that it has been a stakeholder led response to numerous reports about the barriers that EMBs have faced in accessing finance. These barriers have been exacerbated by the pandemic and economic downturn in recent years.

Following on from the Government commissioned 'Rose Review' which focussed on the needs of female founders, the Ethnic Minority Business Finance Review aims to take grassroots led initiative to create a Review to look into the needs of ethnically diverse founders.

The Ethnic Minority Business Finance Review aims to adopt a similar approach to the Rose Review by providing a solutions-focussed forum that will enable a similar collaborative approach to addressing the needs of EMBs. Its main aim will be to develop a plan which will provide grassroots business owners and their enterprises with tangible improvements in the availability of accessible finance and investment.

Review Context

EMBs are an important part of the UK's economic prosperity and are estimated to contribute approximately £25bn GVA per year.

Ethnic Minority Business owners have long experienced systemic and structural barriers to accessing finance and investment. These barriers have been well documented over many decades and this has been addressed by successive consultations and research projects leading to numerous reports which have issued a large number of recommendations. These barriers create restrictions on growth potential leading to a reliance on funding from friends and family. As a result, a larger number of EMBs are less likely to be able to access the growth capital that they need and more likely to remain as solopreneurs, micro and small businessesⁱ

A notable report was written by the British Business Bank – ‘Alone Together’ (2020) which found barriers that disproportionately negatively impacts productivity and potential for growth amongst diverse Ethnic Minority Business communities. ***Critically it found that Black founders were the most underserved and faced some of the highest barriers to access***ⁱⁱ

A lack of trust and discouragement has led to a disconnect between EMBs communities and the financial services sector which was exacerbated by the COVID 19 pandemic when a consultation by the APPG for Ethnic Minority Business Owners in 2020 found that EMBs were less likely to come forward to accept the Government emergency support measures.ⁱⁱⁱ

i, ii, iii

- Inclusive Britain: summary of recommendations and actions - Published 17 March 2022
- **BAME Business Owners COVID-19 Response - Voice from the Grassroots – APPG for Ethnic Minority Business Owners -2020**
- Alone Together – Entrepreneurship and diversity in the UK- British Business Bank – 2020
- Unlocking Opportunity -The value of ethnic minority firms to UK economic activity & enterprise – FSB – 2020
- Black British in Business and Proud – Lloyds Bank 2021
- Ethnic Minority Businesses- BVA BDRC - March 2021



Ethnic Minority Business Finance Review

Draft Aims and Objectives

The main objective of the Review Panel is to develop a coherent action plan to improve access to finance for enterprises led by Black and Minority Ethnic business owners.

An overarching objective will be to encourage the industry to work collaboratively to address ethnic disparities, reduce barriers and open up accessible opportunities for finance and investment for EMBs.

A central aim will be to create a multi-disciplinary forum that will conduct a review of the accessibility of the Financial services industry for EMBs. A key focus will be to review the availability and accessibility of financial services, products and funding options. This will also involve identifying key barriers and exploring options for viable solutions in order to devise a viable action plan for the short, medium and longer term

Critically this review will be an action led task force that aims to provide an important forum for improving access to finance and investment through innovative and collaborative strategies including:

- Develop an “Ethnicity Code” to provide an inclusive framework of good practice to reduce barriers and improve service standards for diverse ethnic business communities
- Encourage the development of accessible and targeted financial service products and funding options to enable the scale up of entrepreneurial activities for EMBs from start up through to scale up
- Identify tangible investment funds and encourage innovation and collaboration to diversify and increase these opportunities. Explore mobilisation of funding and investment options to enable ethnic minority led businesses to unlock innovation and create greener and more sustainable business models
- Address the criteria risk model and wealth/asset gap barriers to build capacity and open up pathways to enable barriers to be overcome and qualification criteria as well as asset resources to be developed
- Improve information and signposting as well as opening up inclusive access pathways
- Set minimum standards for initiatives such as mentoring to ensure that they are linked to tangible pathways to capacity building or funding
- Scope out innovations in Fintech and other emerging technologies for levelling the playing field on a national and international basis
- Review diversity and inclusion in the financial services industry and opportunities for improving diversity

- Review range of provision and access to specialist/tailored lenders
- Scope out international funding and investment opportunities as well as models of good practice
- Provide support to strengthen the capacity of trusted providers and tailored business support provider/networks to provide information, capacity building and sign posting for diverse ethnic communities