Microenterprise Development

Objectives

- ♦ To perform a market assessment to judge the viability of a business idea.
- ♦ To understand the components of a comprehensive business plan.
- ♦ To identify funding and technical assistance resources.

Key Points

- ♦ Definition of microenterprise—how it translates into personal funding opportunities.
- ♦ Enhancing the potential for success with microenterprises.
- ♦ Performing a market assessment and analyzing business ideas suitable for your talents, interests, and resources—demonstration.
- ♦ Review of microenterprise business plan sections and tips for creating a comprehensive business plan.
- ♦ Resources for locating microloan programs in your local area/region.
- ♦ Licensure, certification, market saturation, zoning, competitive pricing, and other key preliminary issues.
- ♦ Importance of leveraging local educational and technical assistance resources.

Program Development Materials

Microenterprise Development

What Is Microenterprise?

What Is a Microenterprise?

Sole Proprietorship/ Partnership/ Family Business

Small

- Sole proprietorship, partnership, or family business with five or fewer employees

What Is a Microenterprise?

Sole Proprietorship/ Partnership/ Family Business

Small

- Small enough to benefit from loans of less than $25,000
- Too small to access commercial banking services

The microenterprise development industry has defined a microenterprise as a business with five or fewer employees, which requires $25,000 or less in startup capital, and which does not have access to the traditional commercial banking sector.

Although the businesses are small, microenterprises are important first steps for entrepreneurs that can often lead to larger businesses.

Microenterprise in the United States

Small business is the backbone of the U.S. economy, accounting for 53 percent of all jobs (Office of Advocacy, Small Business Administration). Although often overlooked, the smallest of these firms—self-employed individuals and microenterprises employing fewer than 10 workers—play an increasingly vital role. The U.S. Small Business Administration reports that while firms of 5 to 500 employees in all industries experienced a net loss of 2,065,000 jobs from 1995–99, firms with fewer than 5 employees experienced a net increase of 2,624,000 jobs.

Diversity is the hallmark of microenterprise development in the United States. Although the individuals and communities that need and benefit from microenterprise assistance are quite varied, most microenterprise development programs target their services to low-income people. Programs are tailored to meet the needs of specific target groups such as welfare recipients, minorities, women, the working poor, and individuals or business sectors that lack access to credit. Some programs also target young people, refugees, homeless individuals, and rural areas.

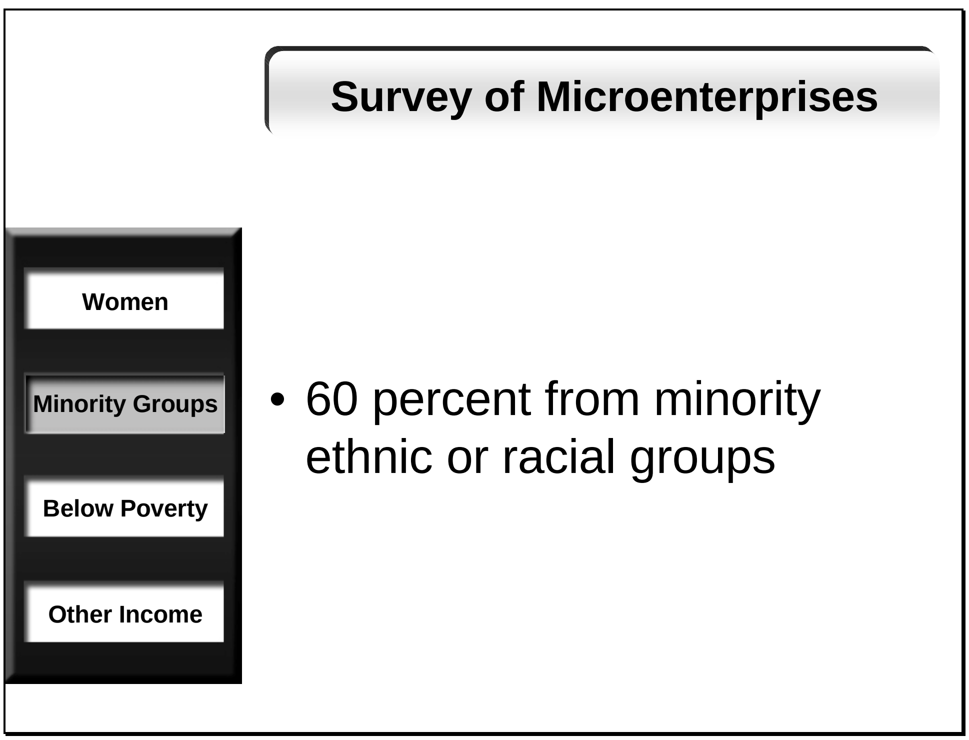
Microenterprise as a Holistic Strategy

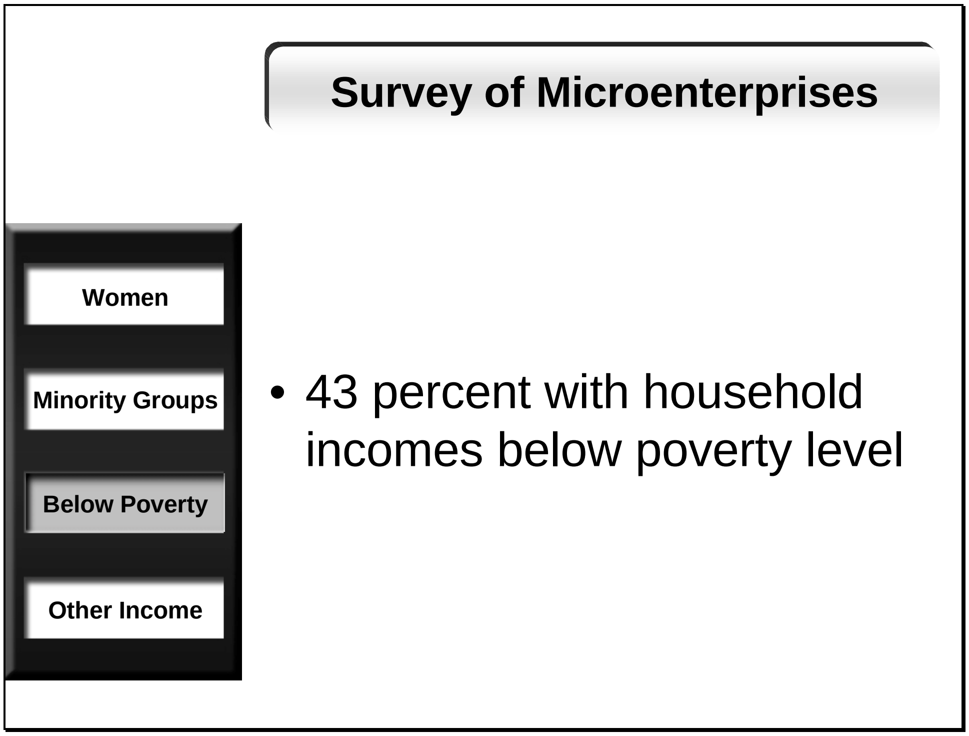
Microenterprise development is seen as a holistic approach, embracing poverty alleviation, human development, and economic development strategies. For this reason, a wide range of institutions—stand-alone microenterprise-development organizations; community development corporations; loan funds; community action agencies; women's organizations; community development banks and credit unions; housing and social service programs; and government agencies at the local, state, and national levels—are involved in microenterprise development.

After a decade of operation, microenterprise programs in the United States are creating jobs, generating income, building assets, and enhancing skills. These results are particularly impressive considering the fact that a significant proportion of assisted microentrepreneurs face barriers presented by race, gender, ethnicity, income, job market fluctuations, or location. Whether the business is the sole source of family income or a crucial supplement to family earnings, microenterprise development has put many low-income families on the road to self-sufficiency.

By generating new economic activity, microenterprise also increases public tax revenues and private incomes, thereby reducing dependence on public assistance and easing the burden on public budgets. These significant social and economic benefits far outweigh the cost of public and private investment in microenterprise development.

Microenterprise and Neighborhood Networks Centers





Microenterprise is a very viable source of income for the residents of HUD insured and assisted housing as well as for Neighborhood Networks centers. Entrepreneurial activities have been taking place in our housing communities for generations. Residents pay one another to take care of each other's children, they cook and sell great meals or desserts, repair cars, or braid hair. Much of this activity has been informal, part-time and home-based. Many of these entrepreneurs do not even consider themselves to be in business. With support and a formalized structure, Neighborhood Networks centers can help these entrepreneurs identify new market opportunities and increase their income.

HUD understands the importance of microenterprise to Neighborhood Networks centers as a way to help residents secure meaningful employment with significant wages while helping centers to address issues concerning sustainability.

Approaches to Microenterprise Development

There are two basic approaches to microenterprise development in Neighborhood Networks centers:

- Teaching Neighborhood Networks participants the skills needed to become successful entrepreneurs by helping them identify and formalize their talents and by providing them with the resources needed to succeed.

- Assisting the Neighborhood Networks centers with development of meaningful businesses in which revenues can be generated for the center's operation and residents can learn new skills.

An example of the first approach would be the development of entrepreneurial assessment and training curricula for Neighborhood Networks centers' residents, in which they could learn how to identify their current skills and how to transform those skills into a viable business. The program would also need to identify and provide to residents the right resources and support to maximize their chances for success.

The second approach directly addresses the concerns of many Neighborhood Networks centers about sustainability and securing funding to help run the center. A center that develops a revenue-generating business in-house can feed the profits into its operating budget. As an added benefit, the center will be able to train residents in the skills needed to run the center's business. A Neighborhood Networks center that has developed a print shop business, for example, will be able to train residents in operating various print machines, typesetting, graphics, and the many other skills required for that business. Thus the center gains not only a business with skilled workers but also a training program giving residents skills to help obtain meaningful employment outside of the center.

A Success Story

Successful Microenterprise Programs

- Accion: New York, NY
- Appalachian Center for Economic Networks: Athens, OH
- Appalachian by Design: Lewisburg, WV
- Working Capital: Cambridge, MA
- Women's Self-Employment Project: Chicago, IL
- Women's Opportunity Resource Center: Philadelphia, PA

There are Neighborhood Networks centers across the country that have successfully incorporated a microbusiness in their center. An example is Villa D'Ames, a Neighborhood Networks Computer Center located in Marrero, Louisiana. The center has a successful business, the Foundation for Freedom Print Shop, which creates and produces personalized greeting cards, t-shirts, fliers, church programs and business cards for the community. Once in operation, the center received a $10,000 grant from the National Council for Jewish Women, which enabled the center to purchase a new color printer, scanner, and a digital camera.

Sources of Public Funding

The evolution of microenterprise programs has witnessed a significant increase in the number and diversity of funding sources, which include foundations, corporations, and state and federal governments. Although private foundations, principally the Ford and Charles Stewart Mott foundations, played key roles in supporting the initial growth of the field, today governments are shouldering more of the funding responsibility. Since 2000 a wide array of federal programs has invested more than $500 million to advance microentrepreneurship (Else, 2000). These sources are outlined in the matrix on the following pages. Although state-level funding is too diverse to capture in such a format, it is increasingly important to many programs.

Private Foundations Funding Microenterprise Development (annual estimates)

- Ford—$2.6 million
- Charles Stewart Mott—$206,750

Introduction

The U.S. Department of Health and Human Services, through several of its agencies, was one of the first federal funders of microenterprise programs. As early as 1987, its Demonstration Partnership Program (DPP) provided 2-year grants largely to community action agencies to "...stimulate eligible entities to develop new approaches to provide for greater self-sufficiency for the poor..." (DPP, 1991). Other programs, such as the Job Opportunities for Low-Income Individuals (JOLI) project were designed to create new employment and business opportunities for low-income individuals, and although it did not explicitly target microenterprise, many JOLI grantees focused on microenterprise development.

Introduced and passed in 1991, the Small Business Administration Microloan Demonstration Program was the first legislation that specifically targeted funding to microenterprise programs. The program makes a combination of grants and loans to nonprofit agencies for technical assistance and loans to entrepreneurs. Since its inception, the SBA has made 254 such awards totaling more than $100 million. In 1997 the program received permanent status as the SBA Microloan Program and is one of the largest federal sources of financial support for the field.

Federal Government Funding of Microenterprise Development

- U.S. Department of Health and Human Services—$6 million
- Small Business Administration—$38 million
- U.S. Department of the Treasury (CDFI)—$6.5 million

More recently, the U.S. Department of the Treasury introduced the Community Development Financial Institutions (CDFI) Fund that awards grants, loans, equity investments, deposits, and share capital to nonprofit credit unions, development banks, venture capital funds, and loan funds.

Federal Government Funding of Microenterprise Development (continued)

- U.S. Department of Labor—$3.8 million
- U.S. Department of Housing and Urban Development—$8.1 million
- U.S. Department of Agriculture—$6.2 million

As the chart on the following pages indicates, federal funding opportunities exist among numerous U.S. government departments including Agriculture (for rural enterprise development), Labor (offering self-employment as an option for the unemployed), and Housing and Urban Development (focusing on low- and moderate-income people). The latter is the source of the substantial Community Development Block Grant (CDBG) monies that are given to state and municipal governments for local distribution. Program funding from most of these sources is divided into support for technical assistance and loan funds. Technical assistance includes a wide variety of training and business planning assistance. Loan funds provide small loans (generally

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Requirements for CDFI Certification

To be eligible for CDFI funding, an organization must demonstrate that:

- Its primary purpose is to promote community development.
- It is a financing entity that also provides development services in conjunction with financing.
- It serves an eligible target market and is accountable to that market.
- It is not controlled by any government entity.

(Doyle, 2000)

Patching Grants From Multiple Sources

The microenterprise field often describes many of its entrepreneurs as income “patchers”—those who depend both on self-employment income and full- or part-time jobs to earn a living. In the United States, the microenterprise programs themselves can be similarly characterized because they rely on a wide array of funding sources to maintain operations and to expand services to meet their customers’ needs.

A typical program will seek core funding from relatively reliable, multiyear federal and/or state funds, which it supplements with one-time funding from government agencies, foundations, banks, churches, and businesses. The Association for Enterprise Opportunity (AEO) estimates that microenterprise programs patch together funding from six to eight different sources. According to the *1999 Directory of U.S. Microenterprise Programs,* “73 percent of programs rate diversifying and broadening their funding base as a very high priority” (Source: Aspen Institute, 1999). Patching will continue to be the predominant method of program funding for the foreseeable future.

Increasingly, to leverage additional dollars and staff, programs are partnering with more traditional economic development organizations as well as agencies not usually involved in community development. For example, Volunteers in Service to America (VISTA) volunteers have become a popular way to provide staff for program operations. Working partnerships with commercial banks take a variety of forms. In some cases multiple banks create a pool for microenterprise lending; in others, banks extend lines of credit to microenterprise programs to lend to their clients. If banks actually make loans directly to microentrepreneurs, the program may assume part of the risk by providing loan guarantees.

State and Local Funding for Microenterprise Development

Public support at the state and local levels for microenterprise development generally comes from two sources: block grants from the federal government and general fund revenues appropriated by state legislatures. An important source of the former are Community Development Block Grant funds from HUD, which local organizations traditionally use for neighborhood revitalization. However, regulations were revised in the mid-1990s, making microenterprise development an eligible activity for CDBG funds. CDBG funds are generally available through two channels: city and county governments that award grants to local entities and state governments that oversee distribution of CDBG monies in rural areas. Pass-through funds can also originate with regional organizations, such as the Appalachian Regional Commission (ARC), which makes grants in 13 states. These are generally administered through state departments of community development.

The *1999 Directory of U.S. Microenterprise Programs* lists eight state agencies that support microenterprise programs (there may be more as this list is not exhaustive). Kansas and Maryland report federal CDBG funds as their source of funding; Montana uses “earned income,” and the remaining five—Minnesota, Nebraska, New York, Oregon, and Virginia—draw on state general funds.

Some states now allow Temporary Assistance for Needy Families (TANF) monies to be used in support of microenterprise development for welfare recipients. States have new flexibility to eliminate asset and income rules that had been one of the most significant challenges to self-employment for these clients. However, welfare reform replaced these old barriers with new ones such as the time limits of TANF benefits and a strong emphasis on job placement, both of which mitigate against the slow process of learning about and starting a business.

Although numerous states have allocated monies from their general treasury for revolving loan funds, funding for technical assistance is less common. In 1978 Vermont allocated the original $400,000 capitalization for the Job Start lending program and has subsequently provided several grants to a statewide Community Action Agency network for technical assistance.

Sources of Federal Microenterprise Funding					
Funding Program	Contact	Goal	Eligible Entities	Funding Available	Type*
Discretionary Grants Program, Office of Community Service	Health & Human Services Admin. for Children & Families (HHS/ACF) 370 L'Enfant Prom. SW Washington, DC 20447 (202–401–5295) *www.acf.dhhs.gov*	To provide employment and business development opportunity for low income people	Community Development Corporations (CDCs) (broadly defined)	FY '00, 43 grant awards Max: $500,000	TA
Economic Adjustment Program	Economic Development Administration Room H7315 Herbert Hoover Building Washington, DC 20230 (202–482–2659) *www.doc.gov/eda*	To develop and implement strategies to improve economically distressed areas, including HUD-designated EC/EZ	States, cities, counties, political subdivisions, nonprofits, Representing Econ. Dev. Districts, Indian tribes	FY '00, $35 million Planning Funds $30,000–100,000 Implementation Funds $1–2 million	L & TA
Intermediary Relending Program	USDA/Rural Development 14th Street & Independence Ave SW, Room 2245 Washington, DC 20250–1521 (202–720–1400/ 202–690–4100) *www.rurdev.usda.gov*	To support business facilities and community development projects in rural areas (population <25,000) that do not have access to commercial credit	Nonprofit corporations, public agencies, and Indian tribes	FY '99, $33 million Max: $4 million in low interest loans to intermediaries Av: $600,000 Range: $300,000–$750,000	L

*L = Loan Program Funding, TA = Technical Assistance Funding

The above chart summarizes the sources of funding currently available to intermediary agencies. Because funding levels are always changing, it is suggested that sources be confirmed with the granting agency. This chart originally appeared in the *Journal of Developmental Entrepreneurship,* vol. 2, no. 2, Fall/Winter 1997.

Sources of Federal Microenterprise Funding (Continued)

Funding Program	Contact	Goal	Eligible Entities	Funding Available	Type*
Office of Refugee Resettlement	See HHS/ACF ORR/Division of Community Resettlement (202–205–3589) *www.acf.dhhs.gov*	To establish microloan programs to assist refugees to become self-sufficient	Public and private nonprofits	FY '00, $2.2 million Max: $160,000 Range: $100,000–160,000	L & TA
Program for Investment in Microentrepreneurs (PRIME)	SBA Office of Program Development 409 Third St. SW Washington, DC 20316 (202–205–6485) *www.sba.gov*	To strengthen the capacity of microenterprise programs to offer training and technical assistance to low-income people, enabling them to start or expand businesses. Half of the funding must benefit individuals below 150% of poverty guideline	Local, nonprofit development organizations	NEW PROGRAM FY '01, $15 million (amount requested from Congress) 50% match required	TA
Rural Business Enterprise Grants (RBEG)	See USDA/Rural Development	To develop small businesses in rural areas (population <50,000)	Public bodies, nonprofit organizations, Indian tribes	FY '00, $38 million Range: $15,000–$500,000 Average: $130,000	L & TA
Rural Business Opportunity Grants	See USDA/Rural Development	To improve economic conditions in rural areas (population <10,000)	Nonprofit corporations, public bodies	Max: $1.5 million	TA
Rural Community Development Initiative (RCDI)	USDA/Rural Housing Services, Stop 0787, 1400 Independence Ave., SW, Washington, DC 20250 (202–720–1498) *www.rurdev.usda.gov/rhs/rcdi/index.html*	To develop capacity of nonprofits to improve housing, community facilities, community economic development projects in rural areas	Private, nonprofit community-based housing and community development organizations, low-income rural communities	FY '01, $6 million Max: $1 million Range: $50,000–$1 million 100% matching funds required	TA
SBA MicroLoan Program	See SBA, Office of Program Development	To support low-income, women, minority entrepreneurs, and small businesses in areas of economic downturn	Private, nonprofit intermediaries with at least 1 year of experience assisting microenterprises	FY '00, $30 million for loans to intermediaries, $23 million in TA grants 15–25% match required	L & TA
SBA Office of Women's Business Ownership	SBA, Office of Women's Business Ownership 409 Third St. SW, 5th Floor Washington, DC 20416 (202–205–6673) *www.onlinewbc.org*	To provide funding for "Women's Business Centers"	Nonprofit agencies with experience training women entrepreneurs	FY '99, $8 million Rigorous match requirements Max: $150,000	TA

Chart References

Association for Enterprise Opportunity AEO Exchange; *Federal Register;* Vermont Community Loan Fund Notes; *Planning* of the American Planning Association; *CDFI News and CDFI Fund Quarterly* from the CDFI Coalition; Catalog of Federal Domestic Assistance; discussions with Mike Stammler, SBA, 4/24/97; Carmel Clay-Thompson, DHHS/ORR, 4/23/97; Jon Messenger, DOL, 7/96; *www.hud.gov; Economic Development Digest,* National Association of Dev. Orgs. Research Foundation; *www.cfed.org,* Office of Community Services FY 1999 Comprehensive Program Plan, 1/99; *Community Development Digest,* “Building Communities Together,” HUD, 1/1/00; Tyrone Beech, EDA Philadelphia, 6/27/00, Darcy Carter, SBA Vermont, 6/26/00.

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For Further Information

The Association for Enterprise Opportunity (AEO) is the national professional association of organizations committed to microenterprise development. It holds an annual forum for members, serves as a nexus of communication about the field, and advocates at the federal level on behalf of its members. Its Web site contains additional information about microenterprise and links to many other resource organizations.

Program Design for Microenterprise Development

Microenterprise development programs tend to have common core components that include training, access to capital, and technical assistance, although they vary greatly in how each of these components is emphasized and delivered. Although the program design and the combination and sequencing of services will be largely driven by the founder's mission, many additional factors will influence the program and generate multiple decisions from those charged with shaping it. For those new to microenterprise development, this fact sheet introduces some of the key issues they will face in designing a program—from organizational settings to matching target groups with appropriate strategies. Although it does not present any of these issues in depth, it does raise the questions that anyone exploring the options for a new program should consider.

Mission and Target Group

The **mission**, clearly articulating the organization's purpose and goals, is the foundation and starting point for the design of a program. The mission is inspirational, communicating the organization's commitment to a targeted clientele as well as the principles guiding its relationship with that population. **Target groups**, in turn, usually link a program to distinct goals, objectives, and activities. These two pillars—mission and target groups—will influence those charged with designing a new microenterprise program very differently, depending on whether that program is completely autonomous or part of an existing institution. In the former case, the mission of the organization and the microenterprise program are the same; the founder and the designer are likely to be the same person or working very closely together from a shared vision. In the latter, the new microenterprise program must support the existing mission and serve a target group already defined. Its implementation will likely require reconciling new practices with the older, more established ones of the parent organization. The advantages and disadvantages of these two scenarios are explored later under the discussion of institutional arrangements.

A program's strategy flows from its mission and target populations. A program dedicated to helping welfare recipients work their way off welfare will follow a different strategy from one committed to the economic development of specific neighborhoods. The microenterprise training curriculum for recent immigrants might include language classes as well as information on American banking practices, the legal system, and the tax code.

Most microenterprise programs are based on one of the following three broadly defined strategies. Their common link to promoting self-employment as an option for economic survival explains the overlap in target groups and outcomes.

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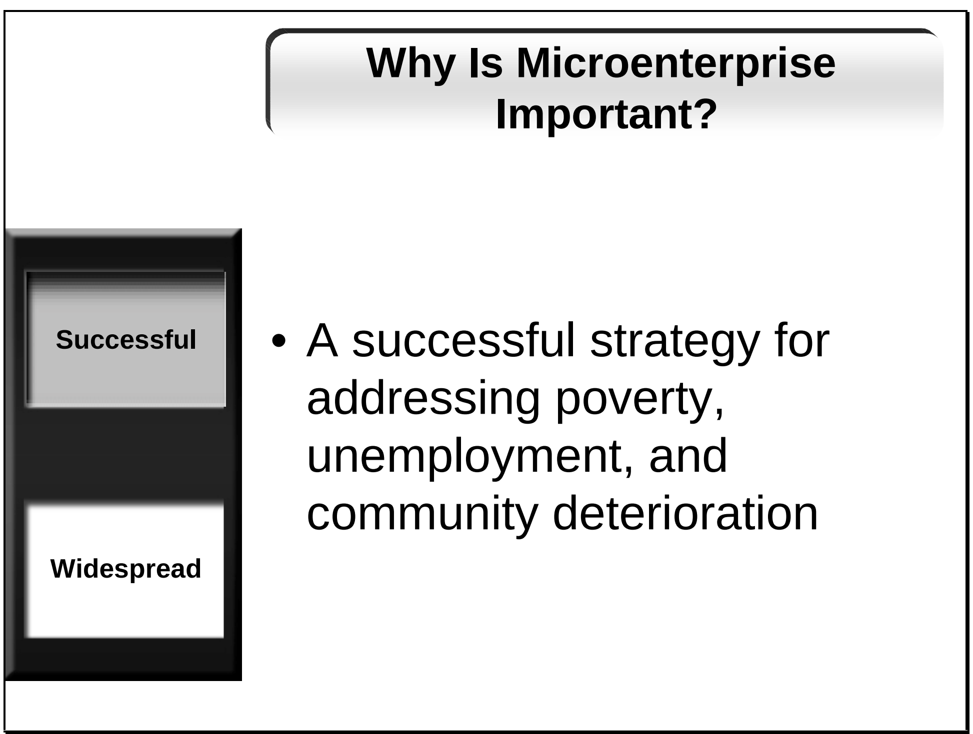
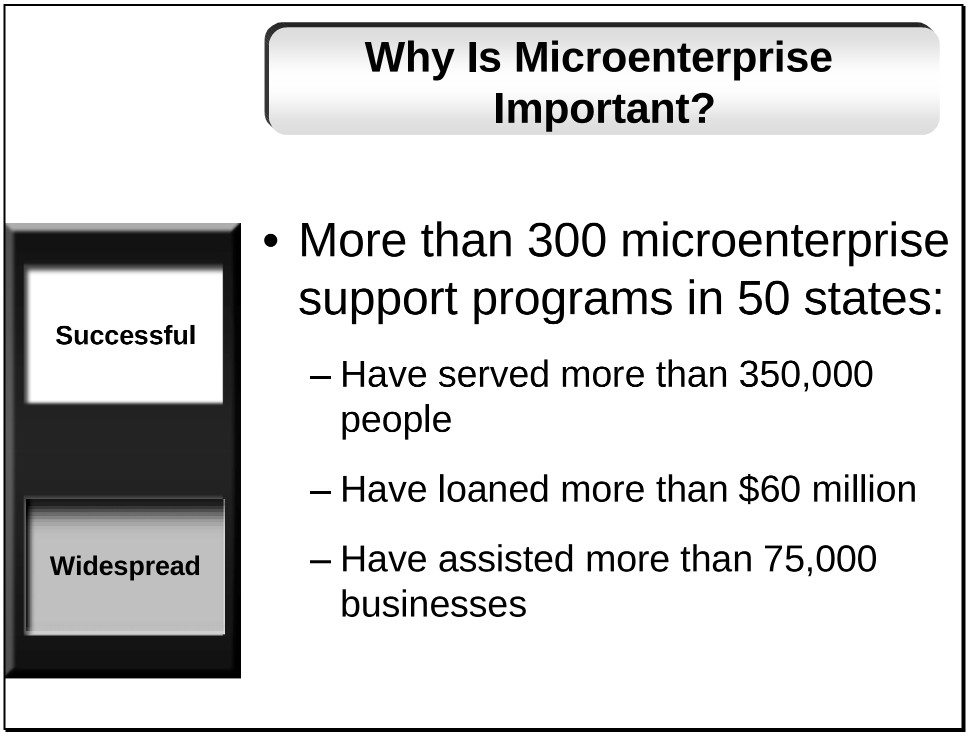
1. Business development. Aiming to improve the economic self-sufficiency of poor families, a business development strategy focuses on increasing both the numbers of businesses owned by the poor and their performance. Although this strategy can incorporate new and/or existing businesses, the goals and outcomes for each may be different. Helping new businesses to get over the hurdles of starting up usually requires intensive training and technical assistance. Assisting established businesses to grow and increase profits generally calls for more specialized technical assistance targeted to the specific problems in marketing, production, or management encountered by each business. Access to loans from the program or other lenders is often part of the program design in both cases. Measurable outcomes could include numbers of businesses started, numbers of loans, number of businesses that have accessed bank financing, improved business performance over time, and the creation of new jobs.

2. Community economic development. Associated with community development corporations (CDCs), this strategy is implemented in specific neighborhoods in an effort to revitalize them. Target groups are often residents of those neighborhoods, and business development activities may range from financial and technical assistance to individual entrepreneurs to the rehabilitation of commercial properties. Outcomes could include new businesses on the street, new sources of income for residents, new jobs for targeted residents (public housing tenants, teens, etc.), or increased community assets and economic vitality.

Box 1: Reassessing the Market

In the late 1980s, the Institute for Social and Economic Development of Iowa (ISED) participated in a demonstration project to help welfare clients become self-employed. Based on the program's success, ISED expanded services statewide and incorporated low-income clients, the unemployed, and underemployed. Today, however, ISED is taking a closer look at its markets. Because Iowa's welfare rolls have been cut in half and the state enjoys a very low unemployment rate, ISED is searching for new opportunities to expand. It believes that achieving a significant scale of operation is critical to its long-term survival. ISED's market research has revealed a number of untapped market niches such as youth, prison inmates, recent immigrants, refugees, daycare providers, artists, and farm families.





3. Poverty alleviation. With the goal of helping the poor to gain access to new opportunities that will enable them to move out of poverty, this strategy builds the foundations of entrepreneurship for the disenfranchised. It seeks to empower these clients by increasing their economic literacy, business skills, self-esteem, and personal behavior appropriate to the workplace. With a better grasp of their financial options as well as their own capacities and inclinations, clients make informed decisions about wage or self-employment. Financial assistance for those ready to start a new business includes small loans, small seed capital grants, or incentives to save. Case management to resolve barriers related to housing, childcare, or transportation may need to be part of the program design.

Assessing the Market

Program designers need to consider these fundamental issues of mission, target group, and strategy in a market context. A basic question to be answered is, “Is there a market or demand for this type of program?” The answer to this question lies not only in the huge numbers of low-income and self-employed people but in those willing and able to use the services offered. Assessing this actual demand will vary by mission and corresponding strategy. For example, an organization driven to serve a high volume of clients will need to assess where potential clients are concentrated and what it will take to reach them. A program committed to the economic empowerment of poor women will need to find out more about the barriers women face, the realistic opportunities they can access with guidance from the program, and what will motivate them to accept the challenge. The importance of relevant market research should not be underestimated in the program design process. A decade of experience indicates that making uninformed assumptions about demand can be a costly mistake.

Challenges Faced by Microenterprises

- Audience
- Financing
- Management
- Support

• Knowing the customer

Marketing

- Demand
- Pricing
- Audience
- Contracts
- Publicity

• Measuring demand for a new or existing product

The following questions are illustrative of the information that is needed during the design process:

- Will the identified target group use this program? What is the strength of their demand for these services?
- What are the sources of potential clients who help the program reach its goals?
- Are there opportunities to partner with other institutions to either provide complementary services or gain access to their similar target groups?
- In light of relevant market information, how will the organization fund the program?

Services

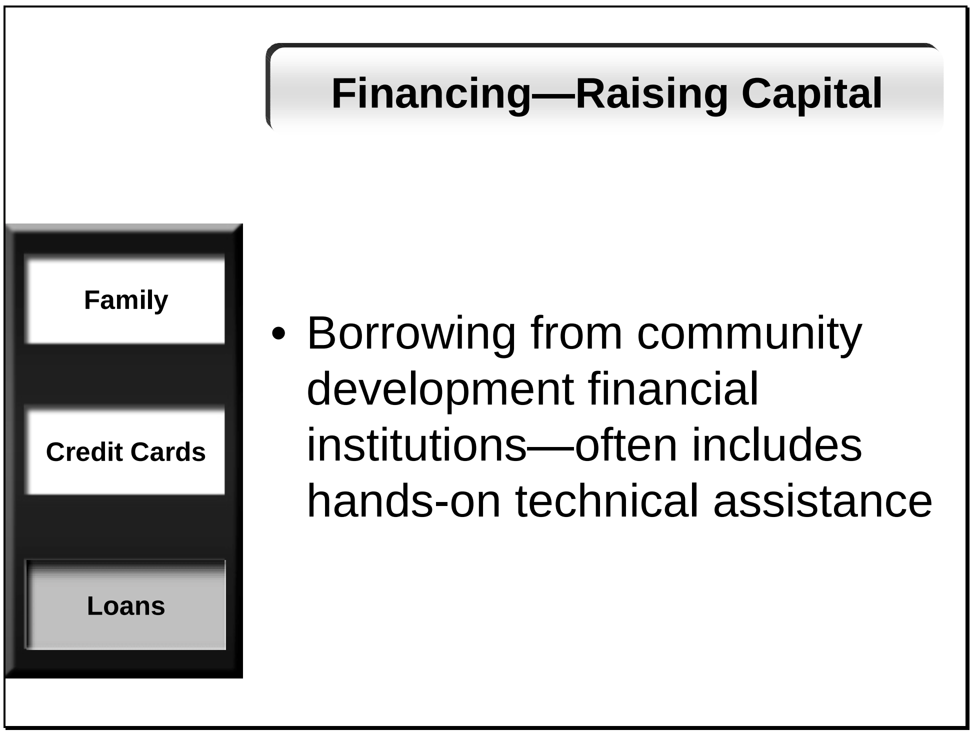
Microenterprise development is defined by three basic services: training, technical assistance to entrepreneurs, and access to capital. Each of these broad categories represents a rich mine of service types (types of training, types of assistance, etc.) and methods for delivering them. In keeping with its guiding mission, each microenterprise program design combines these three services in different ways. Some emphasize lending; others, training. Many juggle all three because entrepreneurs, particularly new ones, typically need all of them to survive. So, the decision to specialize in only one of the three services should be made with the knowledge of how and where clients will access the other two. Together, training, technical assistance, and capital constitute distinct parts of the whole package of inputs needed to ensure successful business outcomes among low-income entrepreneurs. Table 1 presents a summary of options under each service. (See Microenterprise Fact Sheet Issue 3 on lending and Issue 4 on training and technical assistance for a more detailed discussion of these services.)

Table 1: Summary of Program Services

TRAINING	TECHNICAL ASSISTANCE	CAPITAL
Recruitment and screening Potential clients need to judge whether they want to join the program and programs need to screen out those who are inappropriate.	**Business plan review** Clients often need individual help to work out specific aspects of their business plans.	**Individual loans** Can support R&D, startup costs, or business expansion. Loan amounts, terms, and process for loan analysis vary with purpose.
Personal effectiveness training The need for a holistic approach to the entrepreneur that addresses personal barriers to successful self-employment varies by target group.	**Loan applications** Program staff often help clients prepare loan applications. **Mentoring** Programs match new entrepreneurs with experienced ones for advice and support.	**Peer group loans** Individuals gain access to loans through membership in a peer group that guarantees members' loans and provides support and opportunities for networking.
Economic literacy Prior to starting a business, many people need a better understanding of basic money matters such as banking, saving, taxes, and budgeting.	**Specialized help** Offered after training and through the life of the client's loan (if there is one); specific problem solving is needed in many areas including:	**Seed capital grants** For very low-income clients, capital may be provided in the form of grants instead of loans to encourage specific business activity that might otherwise represent too much risk for the client.
Business training Starts by exploring a business idea and culminates in a business plan, closely reviewing the many steps in between, including market analysis, financing, legal issues, and management.	▪ legal issues ▪ accounting ▪ accessing markets	**Individual Development Accounts** Matched savings instruments that encourage capital accumulation for approved purposes, including business investment.

Although few programs offer all of these services, most include some combination that draws from the three categories. This selection of services involves important decisions about which ones have the most priority, how distinct services will be sequenced and linked, and defining the eligibility criteria for accessing them as illustrated by following questions:

- ❑ Will both training and loans be offered?
- ❑ Will completion of training be a requirement to get a loan?
- ❑ How long will the training be?
- ❑ Will the training focus on loan management or will it target broader issues of business operations?
- ❑ Will clients have access to technical assistance before or after receiving a loan, or both?
- ❑ What form will the technical assistance take? Will it emphasize onsite, individual business counseling, or will it include a range of services available at a business center?



Although the chosen target groups will determine the answers to some of these questions, others will be influenced by the emphasis or priority that program designers assign to the three types of services. A program that places a priority on lending will be more likely to offer minimal training that focuses on helping borrowers to take and manage their loans. Because it is in the business of lending, such a program will likely concentrate on the volume of loans and the performance of its portfolio, leaving less time and fewer resources to offer intensive technical assistance. In contrast, a program that chooses to respond first and foremost to clients' training needs may look to other institutions to provide loans. Different target groups—immigrants, welfare recipients, the unemployed—may require tailored curriculums and intensive technical assistance to help them surmount personal and financial barriers.

Box 2: Three Distinct Approaches

Focusing on Credit
The ACCION U.S. Network is composed of six nonprofit organizations operating in 21 cities. Its target population is defined as "any business owner without access to credit," and loans are its principal product. Since 1991 it has provided over $23 million to 3,774 borrowers. Currently, the network serves 1,700 active borrowers and is actively seeking to expand this portfolio by engaging in more aggressive outreach and increasing the efficiency of the lending process. Its training is incorporated into the loan application process and focuses on what a borrower needs to know to manage her loan. For more substantive business skills training, ACCION affiliates partner with other institutions in their communities.

Business Development via Training and TA
In Iowa, the Institute for Social and Economic Development (ISED) helps low-income residents, the unemployed, welfare recipients, and immigrants to start small businesses and gain economic self-sufficiency. It serves more than 1,000 clients across the state each year with training and technical assistance that covers a wide range of issues from self-esteem and other personal issues to the technical aspects of business planning, applying for loans, and gaining access to markets. ISED does not make any loans itself but rather helps clients secure financing for their businesses from cooperating banks.

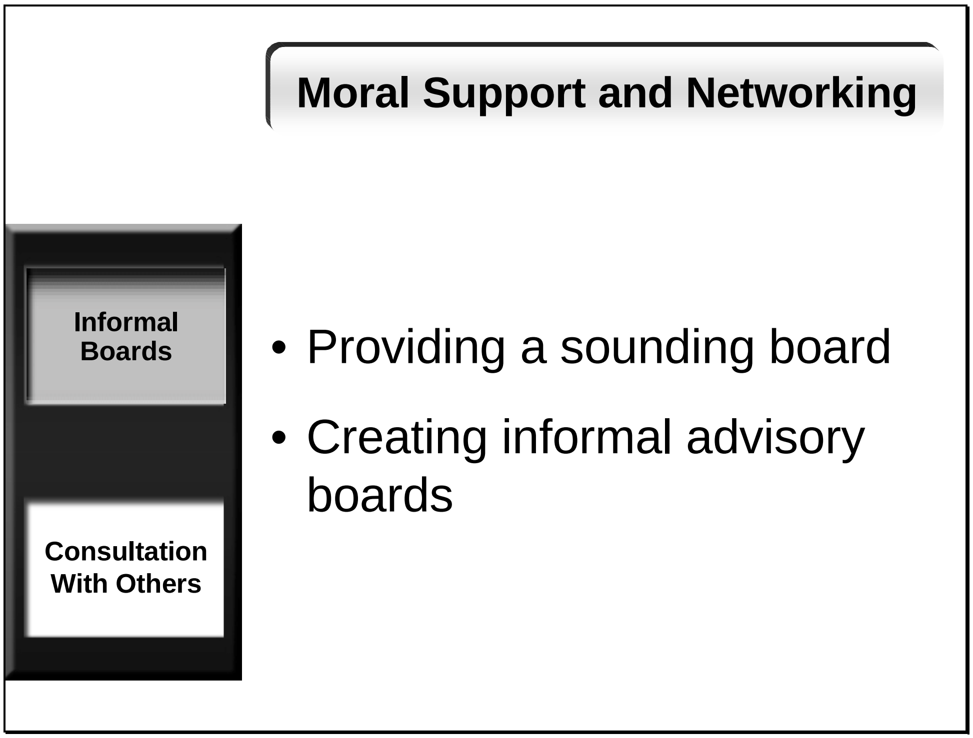
Combining Training and Credit
Part of People, Inc., a community action agency located in the Appalachian region of Virginia, BusinesStart is a training and lending program. It uses a 12-hour Business Basics class to introduce participants to small business ownership. Striving to reach clients in their own communities, this course is offered throughout the service area at different times of the day and week. In its 7 years of operation, BusinesStart has lent $1.7 million, composed of loans ranging from $100 to $25,000. Individual technical assistance is available to borrowers for the life of their loan. Most recently, BusinesStart has added an "incubator without walls" through which clients can get marketing assistance and other pro bono or low-cost professional services.

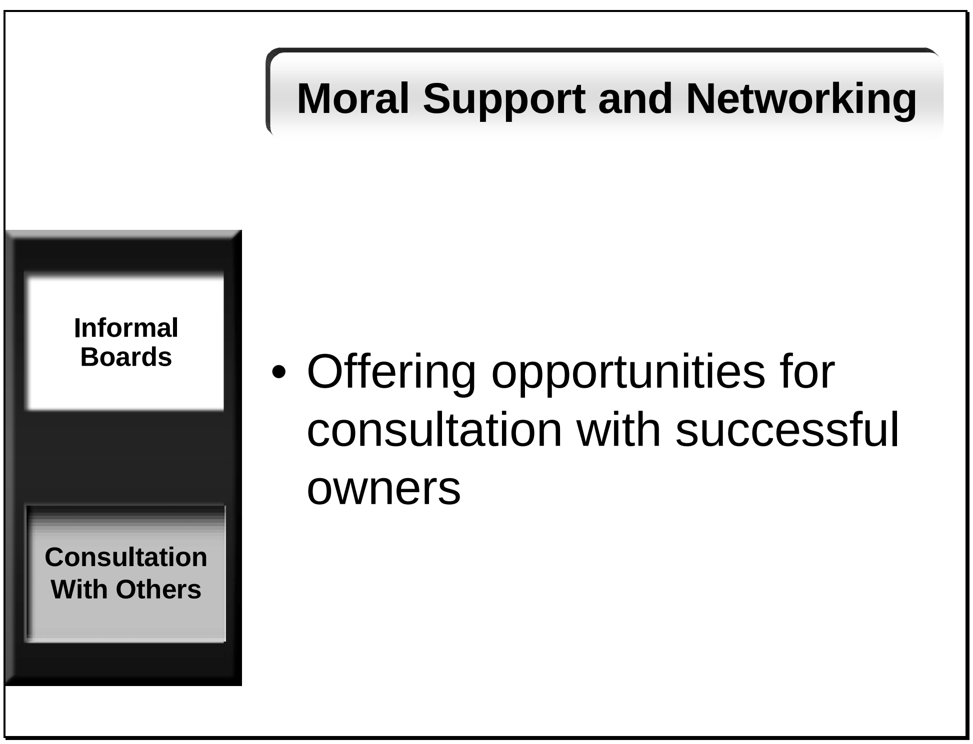
Finally, choices about the training, technical assistance, and capital to be offered will determine the staff and budget that need to be secured. The reverse is, of course, also true: Available resources may influence the program design. Loan capital, currently, is easier to find than funds for training and technical assistance. (Microenterprise Fact Sheet Issue 5 provides a guide to sources of public funds for microenterprise development.) Yet, because all three are critical, the challenge for microenterprise practitioners is to achieve a balance of services that is sustainable for the program and its higher risk target groups.

A number of microenterprise organizations decide to focus on one sector in the business economy. Staff have, or develop, expertise in this sector and use their indepth knowledge of the industry (licensing, input supply, product, markets, etc.) to provide very focused training and advice to entrepreneurs. Commonly targeted sectors for these programs are family-based daycare, construction, and food products. Sector-based programs can result in significant value added to clients' businesses via new products, increased productivity, or access to new markets. The disadvantage is that few organizations can develop and maintain expertise in multiple sectors, potentially limiting the number of businesses that can be served.

Partnerships

Partnerships with other organizations—community development agencies, banks, Small Business Development Centers, and social service agencies—are a critical part of the program design. Collaborating with other institutions enables a program to expand the number of services it can offer clients, reduce its costs, and align itself more closely with the communities it serves. These partners can be a source of funding, training, clients, mentors, and volunteers. For lending, several different models shape partnerships between microenterprise programs and commercial banks. In some cases, a bank makes loans to program clients that are guaranteed by the program's capital. Working Capital, a microlender in New England, seeks referrals from banks of those loan applicants who have been denied. Programs often seek partnerships with external training resources, such as consultants, firms, and community colleges, to expand the training content they can offer clients.





Box 3: A Sector-Based Program Design

The Virginia Community Development Loan Fund (VCDLF) is a microenterprise program located in Richmond, Virginia, which has its roots in a low-income church-affiliated housing corporation. Through its Minority Contractors Assistance Program, VCDLF links minority contractors to this housing corporation and other public housing authorities. With loans, brokering services, advocacy, and technical assistance, VCDLF is trying to build an effective model to match purchasers with minority suppliers—landscapers, general contractors, painters, and excavation companies—and help the latter to expand their businesses to create more jobs. Through its close working relationship with the housing corporation, VCDLF gains valuable knowledge of the industry—its contracting process, management requirements, and costs—that enhances its ability to help clients obtain and carry out their contracts. It also gains insights to client capacity that help it to assess loan applicants. By investing in this sector-based approach with general contractors, VCDLF Executive Director Tim Hayes believes that the loan fund is thought of more like a venture capitalist than a traditional lender.

Organizational Settings

Some microenterprise programs are stand-alone—that is, nonprofit organizations established with the sole purpose of promoting microenterprise development. Although this type of organization dominated the field in its early days, it is now more common to find microenterprise programs incorporated into larger, multipurpose institutions, including:

- Community development corporations, which have added microenterprise development to their activities in housing and commercial development.
- Community action agencies (CAAs), which traditionally have been home to a variety of social service programs for low-income clients, the elderly, and needy children, see enterprise development as another way to address the many needs of low-income individuals and families.
- Community development financial institutions, such as nonprofit loan funds and community development credit unions.
- Chambers of commerce, community colleges, university extension services, and municipal and country governments, although less frequent, have sponsored microenterprise programs.

Box 4: A Partnership With CDCs

The Neighborhood Development Center (NDC) in St. Paul, Minnesota, offers training and loans to small and microentrepreneurs in an effort to get businesses on the street in inner-city neighborhoods. NDC has built a dynamic partnership with 12 local community development corporations (CDCs) that recruit participants for NDC's 16-week business training program, interview applicants, select the trainer, and host the course. For its part, NDC provides marketing materials for the course, pays the training program costs, and administers a loan fund for eligible training graduates. The relationship gives CDCs another tool for economic development while providing NDC with effective access to more local neighborhoods than it could reach on its own.

The sponsorship of microenterprise programs by multipurpose organizations is explained more by the strength and attraction of the strategy than by a conviction that such an incorporation is a superior model. There are numerous successful examples of each organizational option (stand-alone or housed within a larger institution) and no consensus as to the best one. The principal considerations of incorporating a program within a larger institution are summarized in table 2.

Table 2: Advantages and Disadvantages of Incorporating Microenterprise Programs in Larger Institutions

ADVANTAGES	DISADVANTAGES
The microenterprise program can build on existing relationships with the potential clients.	The parent organization may not have a long-term commitment to microenterprise development; if the program is not seen as central to the mission, it may be among the first to go when resources get tight.
The program may be able to tap into the parent organization's relationships in the community for resources and expertise.	The existing staff may not have the technical skills that microenterprise programs require.
Administrative costs can be spread over a wider range of activities, thus taking advantage of economies of scale.	The microenterprise program may have to compete with the parent organization's other programs for resources and management attention.
The parent organization may be able to offer clients complimentary services (childcare, health care, counseling) improving their opportunities to achieve self-sufficiency.	The accounting systems may not be set up for lending and other business ventures.
The parent organization may be able to provide startup funds for the microenterprise program.	Clients may associate the larger organization with charity rather than business, creating challenges to building a commercial culture in the program.

Whether a microenterprise program stands alone or is housed within a larger institution, it will need strong leadership. Like any nonprofit organization, the leadership is called on to leverage credibility and resources, opening doors for the program. To assume this role, the board of directors must fully understand the program and the challenges of this industry. Boards of multipurpose organizations taking on a new microenterprise program may need specific training that distinguishes this economic development strategy from the traditional social services often associated with low-income populations.

Conclusion

In a relatively new field that is experimenting with a host of innovative strategies as well as confronting significant challenges, there is no one proven program design. Key factors such as the target group, orientation and skills of the host organization and accessible resources should point designers in one direction or another. And with hundreds of microenterprise programs now in operation throughout the country, there are diverse experiences and models that can guide the program design process. No one has to proceed in a vacuum or re-invent the wheel. The Association for Enterprise Opportunity can identify those members whose location and specific program design would merit a visit or other contact for more information. It also organizes an annual meeting and a training institute where questions of program design can be raised.

Resources

The Aspen Institute, Economic Opportunitites Program. FIELD forum Issue 1 and Issue 6, Newsletter of FIELD. Washington, D.C.: The Aspen Institute, November 1999 and August 2000.

Association for Enterprise Opportunity, 1601 N. Kent St., #1101, Arlington, Va 22209. Phone: (703) 841–7760. Email: aeo@assoceo.org.

Doyle, Karen. *Performance Measures: What is a "Good" Self-employment Program.* Geneva: ILO, 2000.

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Microenterprise Development in the United States: An Overview

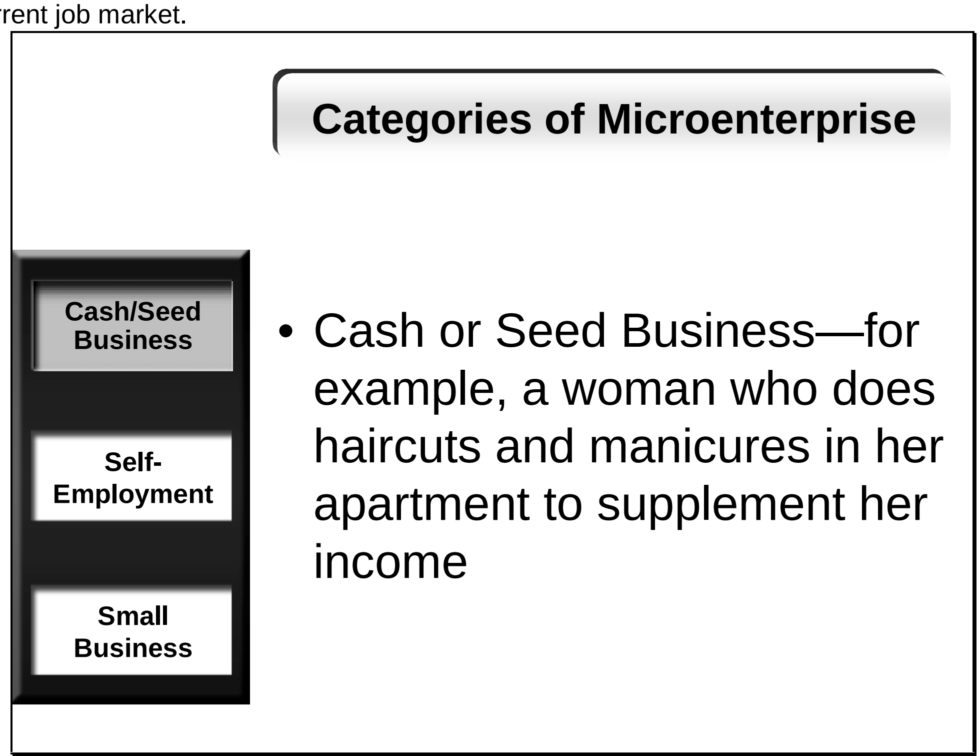
In a world dominated by "micro" everything from waves to chips, microbusiness and micro-banking are now very much a part of the community economic development landscape. Microentrepreneurs who own microenterprises take microloans from microfinance institutions or other agencies operating microenterprise programs for the self-employed. What does it all mean? What are microenterprises? How should they be supported? What do they contribute to community economic development and poverty alleviation?

The Definitions

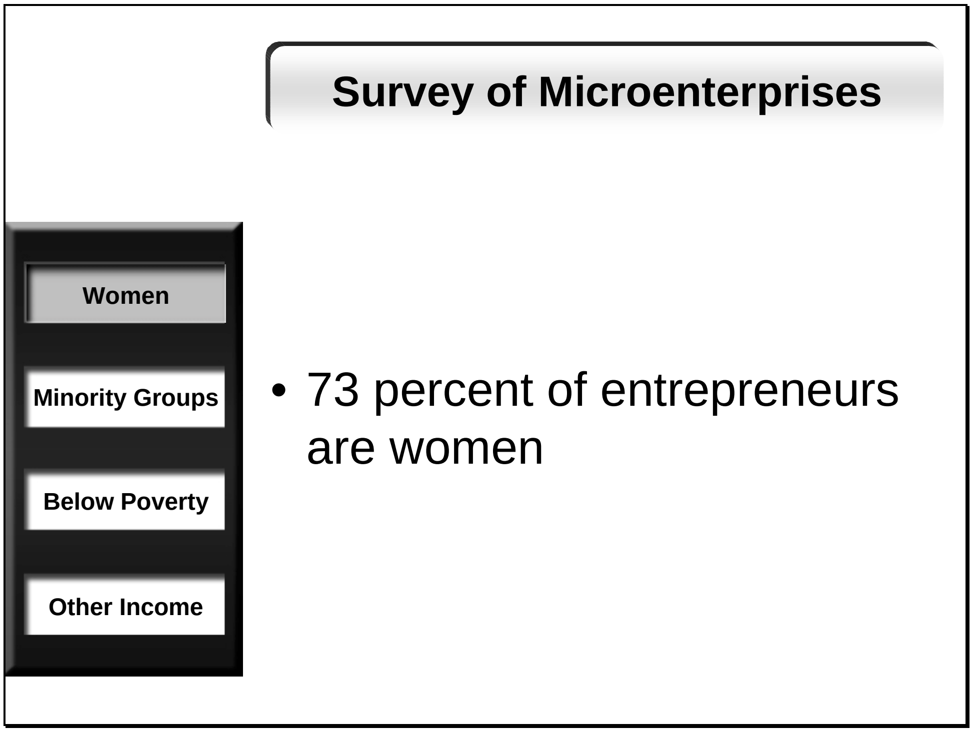
A microenterprise is a sole proprietorship, partnership, or family business that has fewer than five employees. It is small enough to benefit from loans of under $25,000 and generally too small to access commercial banking services. Microenterprises are a subset of small businesses (which can have up to 500 employees and still be considered "small"). But in the majority of microenterprises, the owner is the sole operator and worker, leading many to refer to this phenomenon as self-employment. Although these two terms are often used interchangeably, *self-employment* refers to the status of the business owner, whereas *microenterprise* refers to a very small business.

There are an estimated two million *microentrepreneurs* in the United States today. They offer services ranging from catering to tax returns, operate daycare programs, produce specialty foods, design clothing, and make all kinds of unique products. But, one might wonder, why would anyone be motivated to take on the risks of starting a business in a highly competitive economy, especially when wage-paying jobs are so plentiful? A huge variation in life circumstances, including job loss, divorce, birth, and death, explain the many different answers to this question:

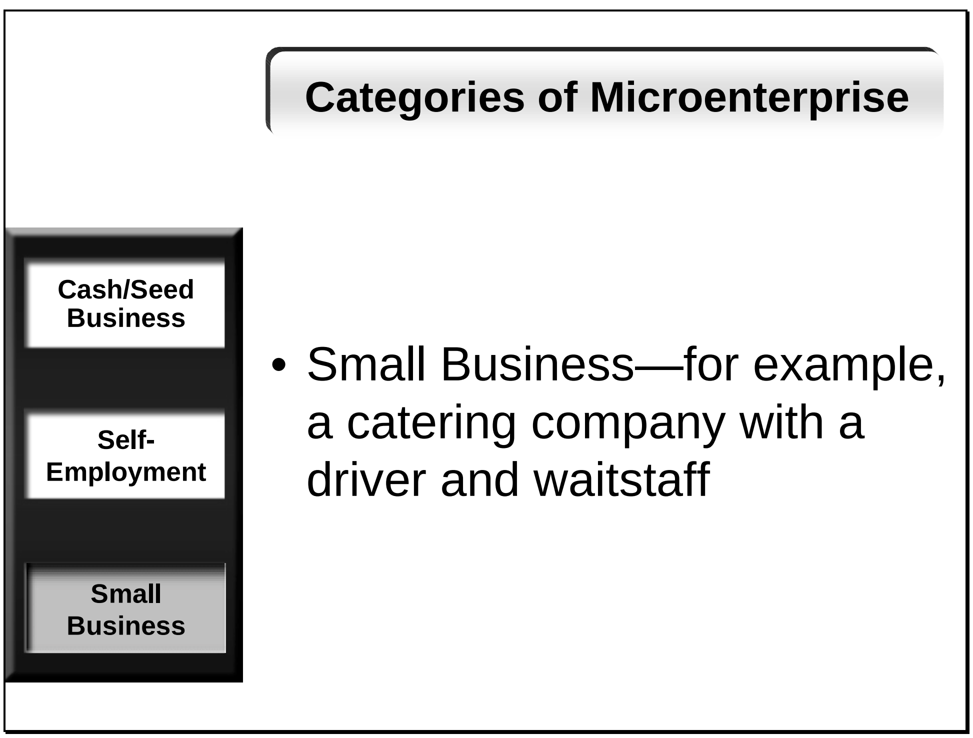
- ❑ Self-employment is one way to earn extra income to supplement the low wages typical in the current job market.



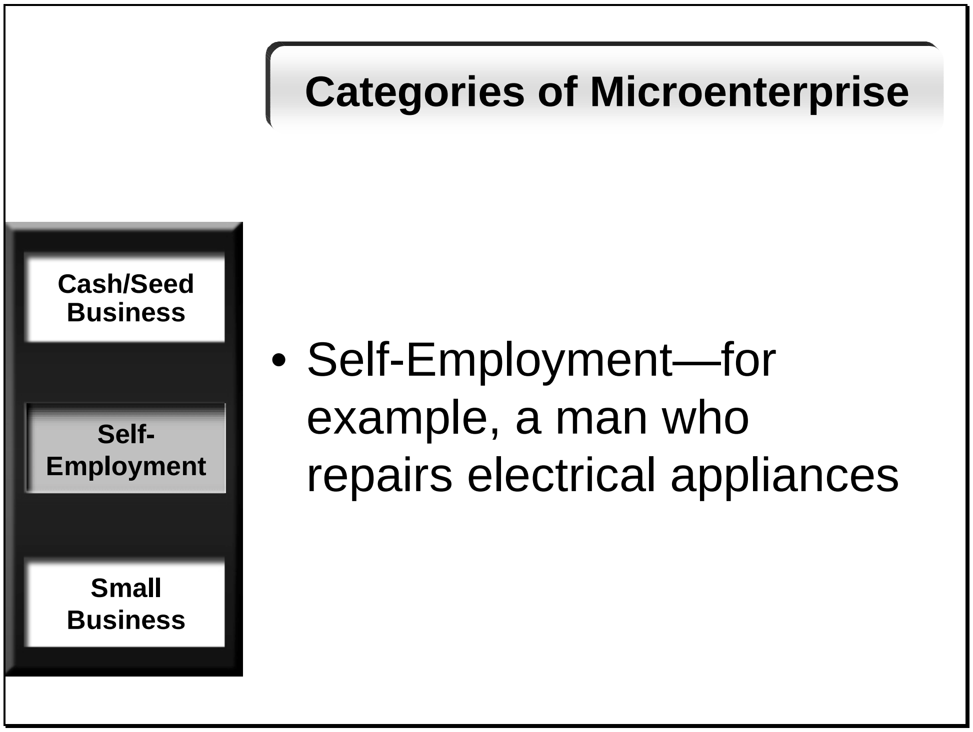
- Women choose self-employment for the flexibility they need to balance home and work responsibilities.



- Immigrants and refugees often lack the certifications, licenses, or language skills required to find professional jobs for which they may be qualified. Starting a business is preferable to minimum-wage labor.



- ❑ For many low-income people, self-employment offers the chance to use talents, realize suppressed dreams, and find fulfillment that is rarely possible with their options for low-wage labor.



To support this employment option for the economically disadvantaged, a host of new programs have emerged since 1985 that together constitute the field of *microenterprise development*. In 2000 there were an estimated 700 microenterprise development programs across the United States, up from approximately 100 a decade earlier. The *1999 Directory of U.S. Microenterprise*

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FIELD
Web site: *www.fieldus.org*

Programs lists 420 programs in 50 states, which together served 75,000 clients and loaned almost $50 million in 1997. Programs tend to be small; half of them serve fewer than 100 clients per year.

Although linked by their support for microenterprises, these programs embrace different missions which translate into diverse program methods and design. Some emphasize **increasing family income** through business creation; their focus on poverty alleviation and economic self-sufficiency leads to helping unemployed workers, welfare recipients, and very low-income people start their own businesses. Others give priority to businesses that show potential for growth, thus **generating jobs and contributing to a community's economic development**. These programs tend to work with microentrepreneurs who have been in business for at least 1 or 2 years (Else, 2000). In addition, programs may target specific segments of the population defined by income, ethnicity, gender, or geographic location. Although a range of strategies and services are required to respond to these diverse client groups, the following set of core program elements, combined in many different ways, have emerged during the past decade of practice:

> **Box 1: The Draw of Self-Employment**
>
> When, in 1997, Levi Strauss and company offered $6,000 "reemployment bonuses" to 6,400 laid-off sewing machine operators, 75 percent of them started their own micro-businesses.

- **Outreach services** recruit and orient existing or potential microentrepreneurs, enabling them to decide for themselves whether or not to join a program.
- **Training and technical assistance** help microentrepreneurs develop the skills they need to plan, market, and manage their own business. Curriculum spans a range from economic literacy to foster control of personal finances via budgeting skills and knowledge of basic financial instruments to writing a business plan. Building self-confidence and teaching appropriate business behavior are often included in the curriculum.
- **Capital** in the form of individual or "peer" group loans from in-house loan funds or from collaborating banks provides disadvantaged entrepreneurs with financing for their businesses in affordable amounts and terms. Loans range from $500 to $25,000.
- **Ongoing assistance** is often available to program clients after they have completed the core training or taken a loan. This "aftercare" helps fledgling microentrepreneurs successfully negotiate the many challenges they face in marketing, quality control, legal issues, and business expansion.

In addition to these common core elements, practitioners are testing new services that are critical to microentrepreneurs. Facilitating **asset development**, including savings, and **access to markets** is increasingly recognized as a priority program component and, in some cases, is ushering in a new role for programs that become actors in the production and marketing chain.

Who benefits from these services? The *1999 Directory of U.S. Microenterprise Programs* counts 281 direct service agencies that have worked with a cumulative total of almost 238,000 people. A longitudinal study tracking a sample of 405 of these clients indicates that a majority are female, minority, and relatively well educated (see box 2). Most are also sole proprietorships operating in retail trade or services. Fifty-seven percent of these businesses are less than 4 years old; 47 percent have gross monthly sales of under $1,000. Although not the most disadvantaged, participants in microenterprise programs include a significant percentage of low-income clients, welfare recipients, and the working poor. All suffer a "poverty of access" to credit and business services.

The Evolution of Microenterprise Development in the United States

Microenterprise development programs in the United States emerged as the logical extension of existing efforts to foster community economic development and alleviate poverty. Confronting a financial sector largely uninterested in serving the poor, a few human service and economic development organizations piloted microenterprise programs modeled after innovative and successful experiences with informal sector entrepreneurs in developing countries (e.g., the famous Grameen Bank in Bangladesh) and unemployed workers in Europe. They included the following:

Box 2: Microenterprise Program Client Profile

Ethnicity	
African-American	2%
Hispanic	18%
Asian	2%
Gender	
Women	78%
Education	
High school grads	83%
Post H.S.	58%
4-year college	19%
Graduate degree	8%

Source: SELP Longitudinal Survey of Microentrepreneurs. Major Findings Change Over Time (April 1998)

- **Women's economic development organizations** grappling with the feminization of poverty in the 1980s, realized that financial independence was essential to ending women's dependence on welfare. When initial investments in job training did not yield significant results, organizations such as the Women's Economic Development Corporation in St. Paul, Minnesota, looked for ways to help women create their own jobs.

- **Antipoverty agencies**—both community action agencies (CAAs) and community development corporations (CDCs)—with roots in the 1960s war on poverty, saw microenterprise development as a new strategy they could use to promote economic self-sufficiency. CAAs such as the Central Vermont Community Action Council added microenterprise development to their range of social services. CDCs, revitalizing poor urban neighborhoods through housing, strip malls, and small business development, piloted microenterprise programs as another tool to generate employment.

- **The U.S. Department of Labor** and a nonprofit policy center, the Corporation for Enterprise Development, together with practitioners launched pilot projects in the late 1980s to test self-employment as a job strategy for those receiving unemployment benefits and as a self-sufficiency option for welfare recipients.

- **Replicators** of group lending models originally piloted in Latin America and Asia include the Good Faith Fund in Arkansas, Working Capital in Boston, and ACCION International (with six offices in the United States).

Demonstrating the promise of a new strategy, these pioneers inspired dramatic growth in the field through the 1990s, attracting rural policy centers, refugee resettlement agencies, community colleges, credit unions, employment, housing, and social service programs to the field.

Initially, microenterprise programs focused on credit. In developing countries, thousands of poor microentrepreneurs were taking, and repaying, small short-term loans under an innovative system called peer or solidarity group lending. This method, now well-known, has many variations, but the basic idea is that a group of borrowers come together to co-guarantee the small loans made to each member, thus replacing collateral with peer pressure. In addition to taking responsibility for many of the loan processing functions, the borrower group is a nexus for support, networking and training for its members. For those in the community economic development movement in the United States who were somewhat suspicious of individual entrepreneurship, peer lending offered a way to deliver financial resources directly to disadvantaged individuals in consonance with an agenda of empowerment.

However, the initial focus on providing credit to poor microentrepreneurs changed relatively quickly. Many programs have abandoned peer lending for more traditional individual loans. But more significant is the fact that microentrepreneurs are not seeking loans in large numbers. Of the 75,000 clients served by the practitioner programs listed in the *1999 Directory of U.S. Microenterprise Programs*, 11 percent are borrowers.

As practitioners recognized the diverse challenges their clients faced in starting and operating a business, they shifted attention to training and technical assistance. Offered by more than 90 percent of all microenterprise programs, these skill-building activities are the most important components of the field in the United States today. Training for business development focuses on business skills and often culminates in individual business plans. Training for low-income and welfare clients takes a longer step-by-step approach in recognition of lower educational levels and entrepreneurial exposure and often includes a focus on building confidence and personal skills. Technical assistance ranges from setting up incubators for new businesses to helping with product design and marketing.

Box 3: Who Funds Microenterprise Development?[1]

Financial support for microenterprise is a complex mix of dollars from federal, state, and local government programs plus private funding from foundations, corporations, and churches. The chart below summarizes the major funding sources.

FOUNDATIONS	**Total $**	**Period**	**Yearly Avg.**
Ford	$28.9 million	1983–99	$1.7 million
Charles Stewart Mott	$12.1 million	1983–99	$807,600
FEDERAL GOVERNMENT	**Total $**	**Period**	**Yearly Avg.**
U.S. Department of Health and Human Services:			
▪ Job Opportunities for Low-Income Individuals	$23.8 million	1990–98	$4.0 million
▪ Demonstration Partnership Program	$3.3 million	1987–92	$812,500
▪ Office of Refugee Resettlement	$5.9 million	1991–96	$1.2 million
U.S. Small Business Administration	$209.2 million	1992–99	$26.1 million
U.S. Treasury: CDFI	$25.8 million	1996–99	$6.5 million
U.S. Department of Labor	$5.2 million	1994, 1997	$2.6 million
U.S. Department of Housing and Urban Development	$20.1 million	1996–98	$8.1 million
U.S. Department of Agriculture	$15.8 million	1997–99	$5.3 million
TOTAL FUNDING	$350.1 million		$57.1 million

Source: Else, John. 1999, *Overview of the Microenterprise Development Field in the United States.* Geneva: ILO, *2000.*

Although the shift from credit-led to training-led programs was perhaps the first important development in the evolution of the field in the United States, other milestones mark its progress:

- On the funding front, several legislative victories have either created new federal funding programs or made microenterprise activities eligible for existing ones (see box 3). The most recent legislation, passed in 1999, is the Program for Investment in Microentrepreneurs

(PRIME) Act which provides much-needed funds for delivering training and technical assistance to low-income entrepreneurs.[2]

- Microenterprise programs now face new opportunities and challenges created by federal welfare reform that replaced Aid to Families With Dependent Children with the Temporary Assistance for Needy Families (TANF) program. On the one hand, asset and income limits for eligible participants, significant barriers to self-employment, have been reduced in most states. On the other hand, the legislation's strong emphasis on placing welfare recipients in wage jobs as quickly as possible serves as a disincentive to the intensive business and personal effectiveness training that this population needs to become successful microentrepreneurs. Efforts to overcome these challenges are spawning new adaptations to microenterprise products and services for welfare clients.

- Microenterprise development's investment orientation to poverty alleviation has led to a broader vision of asset building and a new model for economic emancipation of the poor. Practitioners' efforts to improve the incomes of the poor have led them to understand the vital importance of also building their assets (e.g., personal savings and business equity) for longer term security, risk management, and quality of life. Although not the exclusive domain of microenterprise development, individual development accounts (IDAs), restricted savings accounts for low-income people modeled on individual retirement accounts, are a new product emblematic of this evolution. This approach clearly ushers in new challenges encompassing institutional capacity to facilitate asset building and advocacy for policy or tax code changes that help the poor to save.

Box 4: Demand for Loans

The weak demand for loans can be explained by:

- Aversion to risk among those in precarious financial situations.
- Lack of equity to cushion the entrepreneur when the business does not generate enough revenue to cover loan payments.
- Access to other, less complicated sources of credit such as credit cards.

Track Record

Does microenterprise development make any difference? How stable and profitable can these microenterprises really be? These are inevitable questions for the microenterprise field as it faces skepticism rooted in the risks associated with small business; questionable effectiveness of such tiny amounts of capital; and stereotypes about the skills, determination, and ingenuity of low-income people. Answers are complicated by the multiple goals of most microenterprise programs that require measuring not only economic but personal and social outcomes as well. Defining and measuring these outcomes is further complicated by the fact that many microentrepreneurs move between their business and a wage job in a myriad of ways.

The Aspen Institute and its Self-Employment Learning Project (SELP) carried out a longitudinal study of seven microenterprise programs from 1991–97 which tracked a sample of 405 clients over 5 years and included case studies of each agency. Many of the results of this study are confirmed by less comprehensive evaluations and include:

- Increases in income, assets, and net worth were more significant for the low-income cohort (n=133) of the sample than for the nonpoor. The average household income for the poor increased by $10,507 over 5 years compared with a $6,000 decrease for the nonpoor. Business assets increased by an average of $18,706 among the poor and $13,120 for the nonpoor.

- By the end of the study, 53 percent had moved out of poverty.

- Over time microbusinesses show high survival rates—57 percent at the end of the 5-year survey period (which compares favorably to the SBA's estimated small business survival rate of 40 percent after 4 years).

- Reliance on public assistance declined both in dollars and in numbers of respondents receiving public assistance. The percentage of respondents receiving means-tested benefits dropped from 24 percent to 17 percent over the 5-year study period.

- A large number of microentrepreneurs patch together earnings from more than one source to make ends meet; 50 percent have two or more sources of income, including part-time wage income and public assistance.

Box 5: Explaining a Patchwork Quilt Approach to Economic Survival

- Workers use self-employment to supplement their low wages.
- Microentrepreneurs often keep their wage or salaried jobs to get health insurance, pension, and other benefits.

Despite these documented positive outcomes, the small income gains of microenterprises raise persistent questions about their actual potential as a path to economic self-sufficiency. In its poverty cohort, the SELP study found an average increase in household income of $8,484, approximately one-third of which is attributed to the microenterprise. However, small gains can be very significant to the poor, especially given the prevalence of patching together several sources of income.

Costs

High diversity of program size, location, target group, and services makes costs difficult to determine and compare. SELP's cost measures, based on 1994 data from seven programs, indicated that cost per client, cost per assisted business, cost per loan, and cost per job all compared favorably to those of other employment and training, job creation, and business assistance strategies. Nevertheless, the small size of most microenterprise programs translates into high costs. Training and technical assistance costs, ranging from $630–$12,000 per client, are rising as programs emphasize and expand these services. The median cost per loan (including the costs of training and technical assistance) is $7,300. Increasing volume is a key to bringing down these costs, a challenge in a field that is fragmented among small providers who are not yet close to reaching potential economies of scale as defined by the estimated number of self-employed microentrepreneurs.

Future Challenges

The practice of microenterprise development in the United States has made substantial progress in serving hard-to-reach groups such as women of color, welfare recipients, refugees, and home-bound workers and in demonstrating that they can, in fact, be bankable entrepreneurs. The challenge going forward is to translate this success into a widely available, mainstream employment option. Getting to scale is critical for increasing efficiency, decreasing costs, and establishing legitimacy. Although there are no easy answers for how to achieve this goal, exciting ideas are shaping the future agenda of the field. They include trying to integrate microenterprise into mainstream employment and training systems; better market research and more aggressive marketing; new product development (e.g., new credit, equity, and savings products that respond to client needs); and improving the quality of training and technical assistance to help microentrepreneurs achieve more robust business outcomes.

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Endnotes

1. For further information about federal funding sources, see the fifth Fact Sheet in this series titled "Sources of Public Funding," or visit the AEO Web site (*www.microenterpriseworks.org*), section II.

2. Although PRIME was passed in 1999, no funds were appropriated. AEO, the MAP Consortium and others are actively lobbying for an annual appropriation of funds to implement PRIME.

For Further Information

The Association for Enterprise Opportunity (AEO) is the national professional association of organizations committed to microenterprise development. It holds an annual forum for members, serves as a nexus of communication about the field and advocates at the federal level on behalf of its members. Its Web site contains additional information about microenterprise and links to many other resource organizations.

Business Capital for Microentrepreneurs: Providing Microloans

In the United States, the term *microcredit* refers to loans under $25,000 made to entrepreneurs who typically cannot access traditional forms of commercial financing for their businesses. Loan features, including collateral requirements, size, and term, are tailored to the needs of low-income, higher risk entrepreneurs and are different from standard bank loans. Credit is one tool in the toolbox of services that microenterprise development programs use to support and foster this client group. Credit is most often paired with related business training and technical assistance, and together these three components represent a comprehensive set of services that constitute microenterprise development. This fact sheet, however, focuses on microcredit, summarizing for those new to the field its evolution, the principal methodologies, current product innovations, and the institutions that offer these types of loans.

Evolution of Microcredit in the United States

Fostering self-employment among the poor in this country has various roots: the antipoverty movement, the dramatic increase in numbers of women business owners, corporate downsizing, and a restructuring of the banking industry that has almost eliminated local lending by small community banks. (See Fact Sheet Issue 1 for a more detailed discussion of this history.) In the 1980s, the gap between the terms of commercial loans and the needs of low-income entrepreneurs (or aspiring entrepreneurs) motivated pioneering nonprofit organizations to experiment with innovative lending characterized by small loan sizes and flexible collateral requirements for low-income clients. Many agencies enthusiastically adapted a group lending model brought to the United States from developing countries widely known as “solidarity” or “peer” group lending in which group members’ guarantees and peer pressure replace collateral. These efforts quickly attracted community economic development activists eager to try a new strategy that targeted both personal and financial empowerment for the poor.

Fairly quickly, however, practitioners’ enthusiasm for credit was matched by two important realizations:

- **Microentrepreneurs need more than credit if they are to use their businesses to move out of poverty.** Both to protect their loan portfolios and to respond to clients’ needs for assistance, many programs strengthened the business training components of their methodology, often linking loan eligibility to successful completion of training programs.

- **Making loans to the self-employed poor is more difficult in the United States than it is in developing countries.** Contrary to initial expectations that programs would operate like an automatic teller machine dispensing credit, microenterprise programs have long been perplexed by the apparent contradiction between clients’ need for working capital and their

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hesitation to take advantage of available loans. Although programs listed in the *1999 Directory of U.S. Microenterprise Programs* loaned almost $33 million in 1997, only 11 percent of their 57,000 clients nationwide are borrowers. The majority choose to participate in training and receive technical assistance only. Nevertheless, in surveys and focus groups across the country, clients continue to report their need for capital.

Against this backdrop, microenterprise development programs invested more in their training and technical assistance services, shifting the focus to education, skill building, and finding solutions to the unique issues that low-income entrepreneurs confront. Those programs focusing more on training have been distinguished as *training-led,* whereas those choosing to maintain a singular focus on making loans and the business of lending became known as *credit-led.* The latter have specialized their operations in pursuit of the right credit products and delivery mechanisms that will lead to a scale of operations that generates enough income from interest and fees to pay for itself (i.e., become sustainable). However, it is important to note that, today, this distinction between training-led and credit-led is less relevant as most programs offer some combination of credit, training, and technical assistance.

Box 1: Average Loan Size

Peer Group Loans
$1,081

Individual Loans
$10,631

Lending Methodologies

Two principal methods, incorporating both the type of loan and the process to deliver it, have been used to make loans to microentrepreneurs—lending to individuals and peer group lending. Over time, some programs have developed credit services that constitute a hybrid of the two.

Individual lending involves the provision of loans directly to individual entrepreneurs or their business entity. Applications are made to the microcredit program and loan decisions are made by staff, the board, or a loan committee made up of organizational and community members. Loans are often “stepped,” enabling borrowers to take successively larger loans based on their repayment record. Loans are made for different business purposes, including testing a product or business idea, starting a new business, or expanding an existing one. Although individual loans have traditionally required collateral requirements and/or cosigners, microlenders have proved very agile and responsive, finding flexible collateral requirements that facilitate lending to low-income entrepreneurs. And, as the field has matured, programs are making larger loans as well, ushering in more technical loan review processes and staff with more specialized skills.

Organizations using the peer **group lending methodology** make loans to individuals who are members of an established group of entrepreneurs. Group members coguarantee each other’s loans; with on-time repayment, they are eligible for subsequent loans that typically increase in size. But one member’s failure to repay will prevent the others from accessing new loans. In some programs, loan eligibility is linked to mandatory regular saving by group members, which creates a fund to partially cover defaults. Under the assumption that members know and trust each other enough to make loan decisions based on character, groups assume responsibility for loan screening and processing, thus reducing transaction costs for the lenders.

Box 2: Neighborhood Development Center, St. Paul, Minnesota

When NDC Director Mihailo Temali wanted to start a loan program to bring home-based businesses out of the woodwork and onto the street to help revitalize inner-city neighborhoods, he looked closely at the peer lending model. He felt that it might work if marketed through booster clubs, churches, city recreation centers, or other community groups with established constituencies. But when such groups showed little interest, Temali opted for individual loans combined with neighborhood-based training.

Box 3: Working Capital in New England

Founded in 1990, Working Capital has been one the most enthusiastic advocates for peer lending in the industry. It makes stepped loans starting at $500, increasing to $10,000 (the average loan is just under $1,200). Its current portfolio of $500,000 lent out to 170 active borrowers places it among the largest microcredit programs in the country. Its peer group lending has been particularly relevant in Lawrence, Massachusetts, where 143 borrowers, mostly Dominican immigrants, are drawn to peer groups because they have few other sources of credit and minimal assets. Peer group members confirm that their group participation has led to increased self-confidence, community involvement, and business activity through networking with other members.

Yet, more than 50 percent of Working Capital's dues-paying members join groups but do not borrow. To expand its base of borrowers, Working Capital is adapting and diversifying its loan products. Group loans can now start as high as $2,000 (up from the original $500). And the organization has introduced individual loans for small businesses that have been in operation for at least 1 year. Starting at $2,000, these loans can increase to a maximum of $20,000.

Peer groups can also serve as an effective mechanism for peer support and networking. As such, they engender a host of important social benefits for members, including increased confidence, less isolation, and enhanced status within their households and communities. Yet, today only 16 percent of practitioner agencies provide credit using a group lending methodology, compared with 65 percent that make loans to individuals, and 10 percent that use both methods.

The peer group methodology has been much more difficult to implement than expected based on experience in developing countries. Borrower groups are labor intensive, both to organize and to maintain. The low concentration of microentrepreneurs in a robust formal economy has forced programs to bypass the principle of self-selection and organize groups, often with strangers who naturally resist exposing their private financial affairs to each other. Borrowers find group participation too time consuming, especially when personal conflicts or high turnover consume energy and erode cohesiveness. Practitioners have found that groups require a significant investment in building group commitment, trust, and problem-solving skills.

Drawing the best elements of these two methods, some lenders are combining individual loans with group mechanisms for training, support, and networking. Whether using group or individual methods, lending to microentrepreneurs differs from traditional commercial lending in loan size, eligibility requirements, and the borrowers' risk profile. Microcredit can be characterized by the Five Cs of Credit in box 4.

Box 4: The Five Cs of Credit

Capital	Adjust for size
Capacity	Can be nurtured
Collateral	Is psychological
Character	Needs to be understood
Conditions	Are critical

Source: Phil Black, Presentation at the National Community Capital Association

Innovation in Financing for Microenterprises

With the exception of a handful of programs, loan volume—both numbers of loans and the dollar value of portfolios—is small regardless of the lending method used. The 281 programs listed in The Aspen Institute's *1999 Directory of U.S. Microenterprise Programs* disbursed an average of 24 loans in 1997.

Low lending volume can be attributed to several factors including:

- Aversion to the risk of borrowing by those in a precarious financial situation.
- Access to more rapid and flexible sources of credit such as credit cards, family, and friends.
- Inadequate loan products.

A leading practitioner in the field uses the metaphor of a combination lock to describe the challenge practitioners face in finding the right loan products: "It takes three numbers in the right sequence to open that lock, and we just haven't found the right numbers in the right sequence yet."

In response to this challenge, programs are beginning to experiment with different products and lending procedures to better meet borrowers' financial needs and increase their loan volume, with support from the Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD). Product innovations include:

- **Equity building products** such as the West CAP's "Business Investment Trust" accounts where 40 percent of loan repayments are placed in escrow to be accessed by the borrower after 12 months of on-time repayment and used for inventory, equipment purchases, property improvements, or working capital.
- **Specialized loan products for market niches,** such as daycare providers and the disabled, enable programs to better address the specific needs within each industry or target group.
- **Consumer loans** for business loan customers who incur personal expenses that could have a negative impact on the business.
- **Larger peer group loans** with enhanced underwriting.

These products have been designed in response to challenges that microentrepreneurs face in different situations. A unique category of borrowers are Temporary Assistance to Needy Families (TANF) participants who want to pursue self-employment in their transition from welfare to work. For this group, more complex strategies are emerging, including financing components that incorporate very small initial loans, flexible underwriting criteria that accommodate lower asset levels, and small grants.

Programs are also looking for better procedures that enhance their efficiency and outreach to more borrowers including:

- **More aggressive marketing** of programs and their credit services using traditional marketing tools, including market research.
- **A credit scoring system** that incorporates important criteria in microlending, such as the borrowers' character, and increases the efficiency of the underwriting process, thus giving credit officers more time to spend on assisting current borrowers and marketing to potential new ones.
- **Centralized "back office" loan processing collections and administration** by programs with multiple branches or storefronts that will streamline loan officers' jobs, enabling them to focus more on outreach and loan generation.
- **New modes of outreach** with lines of credit to partners, such as trade associations and economic development agencies of local government, that have established constituencies.

Box 5:
Coastal Enterprises, Inc.

To increase the level of lending to low-income people, CEI is offering two products. The first is a conditional grant for microbusinesses with modest prospects for growth. Provided in partnership with Trickle Up, another microenterprise development organization, these grants can be paired with CEI term loans or accessed as a separate product. The grants offer an opportunity for risk-averse entrepreneurs to fund a business activity and to build a relationship with a financial organization.

The second is a microequity product that will furnish equity in amounts of up to $25,000 to microbusinesses that have some potential to grow. CEI will be testing models of microequity that can be applied to microbusinesses, regardless of organization structure.

Performance in Microlending

Although making loans to the entrepreneurial poor is a powerful concept, one must ask whether it can be done in a cost-effective manner. From the simple question "do these high-risk clients repay?" to more complex ones about the cost of lending, programs are held accountable for their performance. Because microenterprise development, and credit in particular, is patterned after business operations more than other nonprofit services, its advocates have a high stake in tracking performance as they seek to attract bank partners and establish legitimacy among policymakers as an economic development strategy (Doyle, 2000).

Because microlending is their primary focus, credit-led programs offer the best window into its performance. These programs are driven to achieve the scale and efficiency that will lead to self-sufficiency. Clearly, some of these credit-led programs are making progress toward covering a substantial portion of their costs. With limited training expenses and a focus on expanding loan portfolios to maximize income, the average cost per loan across the five programs is $3,598. However, these positive trends in cost recovery are tempered by the more uneven performance in loan repayment. The portfolio at-risk rate ranges from 6 percent to 40 percent across these five programs.

Lending activity among training-led programs is less robust and more expensive, reflecting the fact that making loans is not their primary business. Among a sample of 14 core programs participating in MICROTEST, a national working group of 55 practitioners that develops and tests performance measures for the industry, only 48 percent of clients in training-led programs have a business, while in credit-led programs, the figure is almost 100 percent. However, training-led programs make more loans to clients that qualify as low-income, and more of their loans support new businesses known as startups. This fundamental difference influences both volume and costs because these clients require more intensive assistance.

The Lenders

Microlending was introduced in the United States largely by nonprofit organizations established with a singular programmatic focus on microenterprise development. But increasing interest in the strategy has led to its adoption by a diverse range of institutions that lend to microentre-preneurs—in some instances through small departments or lending windows of larger financial institutions; in others, through programs that are housed within community development agencies. The Coalition of Community Development Financial Institutions (CDFIs) has identified five types of CDFIs, three of which, summarized in the table below, lend to microentrepreneurs.

Comparison of CDFIs That Lend to Microenterprises

CDFI Type	Community Development Credit Unions	Community Development Loan Funds	Microenterprise Development Loan Funds
Purpose	To promote ownership of assets and provide affordable retail financial services to low- and moderate-income people	To relend capital from social investors to support housing, businesses, and social services in lower income communities	To foster social and business development among low-income individuals
Borrowers	Individual credit union members	Nonprofits, social service providers, small businesses	Low-income individuals
Capital Sources	Members' deposits, limited deposits from social investors, government	Foundations, banks, religious organizations, individuals, companies, government	Foundations, state and federal government, corporations
Financial Products	Savings/checking accounts, personal loans, home rehab loans	Loans for construction, facilities development, business startups, and expansion	Peer group and individual loans to microbusinesses
NOTES	The amount of microenterprise lending that credit unions do is difficult to determine given that their popular consumer loans are often invested in businesses	Loans to individual microentrepreneurs are only part of a larger portfolio invested in a wide range of community development projects	Often housed in larger institutions such as community development corporations and community action agencies

Source: Coalition of Community Development Financial Institutions, 620 Chestnut Street, Suite 572, Philadelphia, Pennsylvania. *www.cdfi.org*

Conclusion

The rich diversity of lenders, borrowers, and products show that microcredit is no longer an isolated, experimental strategy. Rather, it is an important tool for many types of institutions and programs committed to economic development. More than a decade of experience also highlights key questions about microcredit that challenge its proponents. How can the usefulness and impact of these small loans on fledgling businesses be credibly and affordably measured? How can programs use equity financing as a complement to loans? What changes to current financing products will better meet entrepreneurs' needs and stimulate demand? With microcredit, practitioners have demonstrated that the poor are bankable; they need to continue paying close attention to how low-income entrepreneurs use financial services to respond to this next set of challenges.

Resources

The Aspen Institute, Economic Opportunities Program. FIELD forum Issue 2 and Issue 3, Newsletter of FIELD. (Washington, DC: The Aspen Institute, 1999).

Coalition of Community Development Financial Institutions, 620 Chestnut Street, Suite 572, Philadelphia, PA. *www.cdfi.org*

Doyle, Karen. *Performance Measures: What Is a "Good" Self-Employment Program*. Geneva: ILO, 2000.

Langer, Jennifer, Jackie Orwick, and Amy Kays. *1999 Directory of U.S. Microenterprise Programs.* Washington, DC: The Aspen Institute, 1999.

Endnotes

1. Source of data: MICROTEST, a project of the Economic Opportunities Program of the Aspen Institute, Washington, DC.

2. Total income from loan fund/credit program operational expenses.

Activity 1: Being Your Own Entrepreneur

Activity

By now you probably realize that there are as many definitions of an entrepreneur as there are entrepreneurs. So, we suggest you form your own personal definition of entrepreneur. Use the chart below to construct your own three-word definition by choosing a word from each of the three columns. Once you have made two or three definitions (for instance, "creative, self-confident, problem-solver") you will have as good a personal definition of entrepreneur as any.

adventurous	enthusiastic	business-builder
aggressive	extroverted	delegator
creative	innovative	organizer
flexible	resourceful	problem-solver
goal-oriented	responsive	risk-taker
realistic	self-confident	visionary

Now that you have come up with a few short definitions, ask yourself the hard question: Do these characteristics describe me?

Activity 2: (Pros and Cons of Developing My Own Business)

Fill in this checklist to indicate your feelings concerning the advantages of starting your own business: Is each statement important or not important to you?

The advantages of developing my own business are:

	Important	Not Important
I can use my talents and strengths.	______	______
I can address new markets.	______	______
I can choose my own location.	______	______
I can develop my own business style.	______	______
I can develop my own policies.	______	______
I can spend days doing what I enjoy.	______	______
I have the freedom to fail.	______	______

Fill in this checklist to indicate your feelings concerning the risks of starting you own business: would the tasks below be difficult or easy?

Starting my own business might be overwhelming because I would need to:

	Difficult	Easy
Develop a customer base.	______	______
Develop a management system.	______	______
Develop a marketing plan.	______	______
Develop an organizational system.	______	______
Manage a record keeping system.	______	______
Meet legal requirements.	______	______

Online Resources

Resources Available Through the Association for Enterprise Opportunity *www.microenterpriseworks.org*

Microenterprise Works: Success Stories Across the Nation
This booklet features six stories of entrepreneurs who faced personal struggles and challenges, yet, with the help and assistance of local microenterprise development programs, succeeded in stepping out of poverty and developing successful businesses. Stories cover the states of Illinois, Maine, Maryland, Michigan, North Carolina, and Utah/Colorado, and feature AEO members Coastal Enterprises, Mountain Microenterprise Fund, Utah Microenterprise Loan Fund, ACCION Chicago, FINCA USA, and Grand Rapids Opportunities for Women.

Copies can be ordered from AEO. The booklet is also available online at *http://www.microenterpriseworks.org/meworks/AEOSuccess-FINAL.pdf*. (36 pp. 2000)

Resources Available Through the Aspen Institute *www.aspeninst.org*

To order, please contact The Aspen Institute Publications Office at (410) 820–5338; fax: (410) 827–9174; e-mail: publications@aspeninst.org. Or write The Aspen Institute at One Dupont Circle, NW, Suite 700, Washington, DC 20036.

New From the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD)

Making the Connection: Appalachian Center for Economic Networks
This is the first in a series of case studies focusing on ways microenterprise programs can help low-income entrepreneurs connect to more lucrative, high-value markets. This 58-page study takes an indepth look at how the Appalachian Center for Economic Networks (ACEnet) has helped microentrepreneurs break into the popular and growing specialty and natural foods industry in Ohio. Readers will find a detailed description of ACEnet's services and approach as well as lessons from ACEnet's experiences that are relevant to any institution operating, starting, or investing in a microenterprise development program. Also included is a thorough examination of the specialty and natural foods sectors, plus an exploration of the opportunities and challenges they present to small businesses. *Making the Connection: Appalachian Center for Economic Networks* is loaded with examples of actual products ACEnet has helped promote in the marketplace and with comments from entrepreneurs who have worked with ACEnet's staff.

Copies can be ordered by visiting the Publications page on the FIELD Web site at *www.fieldus.org*, or by calling or writing the Aspen Institute's Publications Office (see above). (Cost: $10)

Other Aspen Institute Publications

Microenterprise and the Poor: Findings from the Self-Employment Learning Project Five Year Survey of Microentrepreneurs
This report documents the experiences of 133 individuals who attempted to escape poverty through entrepreneurship. Results from the Self-Employment Learning Project are presented

describing the outcomes of poor entrepreneurs and their businesses relative to the nonpoor over a 5-year period. (Cost: $15.00)

1999 Directory of U.S. Microenterprise Programs
This directory, a collaboration with the Association for Enterprise Opportunity (AEO), describes more than 340 organizations providing assistance to microenterprises and documents the scope and characteristics of the microenterprise field in the United States today. (Cost: $15.00)

SELP Longitudinal Survey of Microentrepreneurs: Major Findings Change Over Time
This packet provides information in bullet format on key findings from the SELP 5-year longitudinal survey of entrepreneurs. (April 1998) (Cost: $5.00)

Enabling Entrepreneurship
This baseline report from SELP provides indepth information on the first year of the SELP study. Information is provided on demographics of microentrepreneurs, types, size, and performance of microbusinesses and data on program performance over time. (Cost: $15.00)

Microenterprise Assistance: What Are We Learning About Results?
This packet provides information in bullet-format on key findings in microenterprise including statistics from SELP on clients, businesses, and change over time. (Updated May 1997) (Cost: $5.00)

Assisting the Smallest Businesses: Assessing Microenterprise Development as a Strategy for Boosting Poor Communities
This SELP interim report analyzes information generated from interviews with 302 microentrepreneurs about their microbusinesses. Characteristics of the microentrepreneurs and their businesses are presented together with information on the programs that serve them. The microenterprise assistance approach is assessed in relation to its ability to create businesses, create and stabilize jobs, and boost poor communities. (Cost: $5.00)

Self-Employment Learning Project Assessment Framework
This report describes the design of the SELP Assessment, which is a participatory learning evaluation. This report is useful for programs that are designing evaluations. (Cost: $5.00)

Going Forward
This Calmeadow Foundation report highlights issues discussed at the November 1993 Peer Lending Exchange Conference held in Arkansas. The publication includes papers presented at the conference and discusses the peer lending model and most recent adaptations, credit-only and “credit-plus” approaches, peer group lending versus individual lending, program sustainability issues, and community impact assessment. (Cost: $13.00)

Labor Market Profiling: Case Studies of Innovative Information-Gathering Techniques for Employment Projects
This publication focuses on one important aspect of employment program practice: information gathering, or labor market profiling and participant assessment, that is useful to community-based practice. Labor market profiling, the process of gathering information on industries, employers, occupations, and participants, enables an employment practitioner to more strategically serve as a bridge connecting the labor market to the target labor force. (Cost: $7.00)

Resources Available through the Institute for Social and Economic Development
www.ised.org

To order, please contact ISED; phone: (319) 338–2331, fax: (319) 338–5824. For more information and resources from ISED, visit *www.ised.org.*

Home-Based Child Care: Assessing the Self-Sufficiency Potential
Else, John F., Reva Allen, and Maria Hein. ISED, (June 1999)

Refugee Microenterprise Development: Achievements and Lessons Learned
Else, John F., and Carmel Clay-Thompson. ISED, (April 1998)

Microenterprise in the Heartland: Self-Employment as a Self-Sufficiency Strategy for TANF Recipients—1993–1998
Raheim, Salome, PhD., and Jason Friedman. *Journal of Microfinance* (Winter 1999)

A Bibliography: Microenterprise in the U.S.
An extensive bibliography of microenterprise resources prepared by the Institute for Social and Economic Development (ISED).

Other Resources

Bootstrap Capital: Microenterprises and the American Poor
Through extensive interviews and case studies of five diverse microenterprise programs in different U.S. regions, this book examines the potentials and limits of these programs. Author Lisa J. Servon finds that microenterprise programs combat the problem of persistent poverty. This book provides the basis for reframing policy support of these programs. Available in hardcover ($39.95) and paperback ($16.95) from the Brookings Institution Press, *www.brookings.edu*, (800) 275–1447, or by e-mail at BIBOOKS@brookings.edu. For more detail on *Bootstrap Capital* or to order, see *www.brookings.edu/dybdocroot/press/books/bootstrap_capital.htm.*

The Challenge of Microenterprise: The CWED Story
This publication discusses the promise and challenge of microenterprise by telling the story of one of its pioneers, the Coalition for Women's Economic Development (CWED). (1998, 43 pp.). It is available through the National Economic Development Law Center (*www.nedlc.org*).

The Entrepreneur's Sourcebook
This book of resources is an extensive compilation of information sources for entrepreneurs, opportunity seekers, and small-business owners. More than 7,000 names and addresses of organizations, publications, companies and consultants geared to entrepreneurs, plus more than 500 books, videos, audiocassettes, and CDs. (1999, 265 pp.) Published by WesComm Services

Inc.; phone: (888) 503–0814 (toll free), fax: (858) 350–1499. (Cost: $16 plus shipping/handling)

The Journal of Microfinance
The *Journal* is a forum for practitioners in microfinance and microenterprise development to exchange knowledge, experience, ideas, and other information. The *Journal* seeks to advance and shape the fields of microfinance and microenterprise development by publishing articles and essays that represent the broad spectrum of perspectives and experience in the United States and abroad. The *Journal* is published twice a year in the spring and fall at a yearly subscription cost of $30 for individuals and institutions and $60 for libraries. Manuscript and book review submissions are welcomed. For more information, visit the *Journal's* Web site at *www.microjournal.com* or contact the *Journal's* editorial offices at (801) 378–1770 or gwoller@byu.edu.

Tools for Survival: An Analysis of Financial Literacy Programs for Lower Income Families
This new report from the Woodstock Institute shows how low-income people are exploited by segments of the financial service sector and how many families lack the tools to avoid exploitative products and marketing. The report details what financial training poorer Americans receive and makes recommendations for providing more adequate training. The report is available online at *www.woodstockinst.org/survival.html*. For more information, to order, or to receive a publications list, call the Woodstock Institute at (312) 427–8070, or e-mail: woodstock@wwa.com.

U.S. Executive Summaries for the International Labor Organization (ILO) Action Program "Enterprise Creation by the Unemployed—The Role of Microfinance" are available online at *www.microenterpriseworks.org/services/research/execsum* on the Association for Enterprise Opportunity Web site.

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www.rencenter.org/home.htm

Riverside County Department of Community Action
Lois Carson
2038 Iowa Avenue, Suite B102
Riverside, CA 92507

Sierra Economic Development District (SEDD)
560 Wall Street, Suite F
Auburn, CA 95603
Tel: (530) 823–4703
Fax: (530) 823–4142
www.sedd.org

State Assistance Fund for Enterprise, Business and Industrial Development Corporation (SAFE-BIDCO)
1211 North Dutton Avenue, Suite D
Santa Rosa, CA 95401–4638
Tel: (707) 577–8621
Fax: (707) 577–7348
www.safe-bidco.com

Superior California Economic Development District (SCEDD)
737 Auditorium Drive
Redding, CA 96001
Tel: (530) 225–2760
Fax: (530) 225–2769
E-mail: info@scedd.org
www.scedd.org

TELACU Community Capital
Mari Riddle
5400 East Olympic Boulevard, Suite 300
Los Angeles, CA 90022
Tel: (323) 721–1655, ext. 469
Fax: (323) 721–0186
E-mail: maririddle@onebox.com

The New America Foundation
2974 Adeline Street
Berkeley, CA 94703
E-mail: info@anewamerica.org

Tulare County Redevelopment Agency
John Stevens
5961 South Mooney Boulevard
Visalia, CA 93277–9394
Tel: (559) 733–6291
Fax: (559) 730–2591
E-mail: jstevens@co.tulare.ca.us
www.co.tulare.ca.us

Valley Economic Development Center
5121 Van Nuys Boulevard, Third Floor
Van Nuys, CA 91403
Tel: (818) 907–9977
Fax: (818) 907–9720
E-mail: info@vedc.org
www.vedc.org

Vermont Slauson Economic Development Corporation
Marva Battle-Bey
5918 South Vermont Avenue
Los Angeles, CA 90044
Tel: (323) 753–2335
Fax: (323) 753–6710
E-mail: msbb@vsedc.org

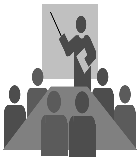
West Company
Sheilah Rogers
367 North State Street, Suite 201
Ukiah, CA 95482
Tel: (707) 468–3553
Fax: (707) 468–3555
E-mail: sheilah@westcompany.org
www.westcompany.org

Women's Economic Ventures (WEV)
Marsha Bailey
1136 East Montecito Street
Santa Barbara, CA 93103
Tel: (805) 965–6073
Fax: (805) 962–9622
E-mail: mbailey@wevonline.org
www.wevonline.org

Women's Enterprise Development Corp.
235 East Broadway, Suite 506
Long Beach, CA 90802
Tel: (562) 983–3747
Fax: (562) 983–3750
E-mail: wedc1@wedc.org
www.wedc.org

Women's Initiative for Self Employment (WISE)
Julie Abrams
1390 Market Street, #113
San Francisco, CA 94102
Tel: (415) 247–9473
Fax: (415) 247–9471
E-mail: jabrams@womensinitiative.org
www.womensinitiative.org

Yolo County Housing Authority
David Serena
P.O. Box 1867
Woodland, CA 95776
Tel: (530) 669–2219
Fax: (530) 669–2241
E-mail: serenaha@pacbell.com



Presenters Biographies

Jerry Garcia is the owner and principal consultant of a small consulting firm, Urban Solution, an economic and community-development consulting agency. Garcia has worked in a number of areas dealing primarily with the business community. He started his professional career as a management consultant for the European division of the management firm Alexander Proudfoot. There he concentrated on productivity management and seminar development, focusing on group dynamics. He left Alexander Proudfoot to become the executive director of the St. Croix Chamber of Commerce in the U.S. Virgin Islands, where he served as the liaison between St. Croix’s business community and the local government. Garcia left the Chamber of Commerce after several successful years to start his own public relations firm, Results Marketing, which dealt with a varied clientele located in Europe, the Caribbean, and the United States. Always in search of a professional challenge, Garcia later joined President Clinton’s Advisory Committee on Human Radiation Experiments, which brought him to Washington, D.C. He served as special assistant for Committee and Staff Affairs. In addition, he has served on the advisory board for the Small Business Development Center in the U.S. Virgin Islands, has been an instructor in entrepreneurial skills for the Corporation for Employment and Training, and has worked for several consulting firms in the Washington, D.C., area. Garcia received his bachelor of arts in psychology and rhetorical communications from the University of Virginia and later obtained a master of arts in organizational development from the University of Düsseldorf, Germany.

Marlene Maria Leon (Washington, D.C.) is the assistant director to FINCA USA, a microlending NGO based in Wheaton, MD. FINCA USA, the fourth-largest microcredit program in the United States, lends to low-income families in metropolitan Washington, D.C. FINCA USA’s program serves over 220 clients from the District of Columbia, Northern Virginia, Baltimore, and suburban Maryland. In 1996, Leon was a client of FINCA USA, which helped her start her own business. She moved within the first year with FINCA USA from being a facilitator to being a trainer and became the assistant director 2 years ago. To assist the level of clients FINCA USA is serving, Leon developed training courses to encourage business development. These courses are known as BET 1 and 2. BET standing for “Basic Entrepreneurship Training.” She has met with several noted individuals, from former First Lady Hilary Rodham Clinton to the Secretary of the Treasury, and most recently, in the summer of 2001, Queen Rania of Jordan. She also won the “Young Entrepreneur of the Year” Award in July 1997 from the Ibero-American Chamber of Commerce based in Washington, D.C.