

FIELD's goal is to identify strategies with the potential to dramatically increase outreach and significantly expand the number of clients served over time.

New grant cluster focuses on: ACHIEVING SCALE

Eight organizations recently were awarded two-year, \$100,000 grants by FIELD to test promising approaches for achieving scale in the microenterprise services they offer. The organizations, located in a mix of urban and rural settings, were chosen from among 36 programs that responded to a competitive Request for Applications process that spanned from September to April.

FIELD issued the call for proposals to engage in research with practitioner organizations that identifies strategies with the potential to dramatically increase outreach and significantly expand the number of clients served over time. Ultimately, FIELD hopes to learn more about the proper dimensions of scale in the United States, and to identify and share practical methods that move the industry closer to reaching its potential to provide services to those most in need.

This grant cluster is one of three made in 2000 by FIELD, and one of five made by FIELD since it began grantmaking in 1999. With this round of grants, FIELD has distributed \$3 million to 33 organizations engaged in various demonstration projects across the nation.

This issue of *FIELD forum* is designed to detail the issues underlying this grant cluster, explain the rationale for conducting research on

this topic and describe the organizations receiving grants.

The Issue

Within the microenterprise field there is a belief that there are many low-income Americans who are interested in starting businesses, but they are hampered by a lack of capital, technical training, networks and other resources commonly available to other businesses. Indeed, estimates made by Aspen Institute staff, drawing on U.S. Department of Commerce survey data and other sources, indicate there may be as many as 2.3 million low-income microentrepreneurs in the United States.¹


Comparing this potential demand to the field's outreach to date suggests a significant unmet demand for services. The *1999 Directory of U.S. Microenterprise Programs*² reports that the 281 practitioner programs listed

¹Peggy Clark and Amy Kays, *Microenterprise and the Poor*. (Washington D.C.: The Aspen Institute, 1999), p. 78.

²The Aspen Institute, (Washington D.C., 1999), p. xv-xvi.

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have served 237,884 participants over time. In 1997, the year for which they reported data, they served 55,756 individuals. Although this represents an increase over the numbers reported in the 1996 Directory, the growth rate was only 5 percent. Moreover, that was the first time the Directory did not report dramatic growth in the number of clients, and suggests that the field may be leveling off.

Further, it should be noted that the number of businesses served is even smaller — some 24,050 in 1997 — or 43 percent of the total client pool. Although programs always serve a number of individuals who do not end up starting businesses, these figures help illustrate the potential that exists for practitioner organizations to cultivate many more clients who are interested in and motivated to become entrepreneurs.

Reaching scale in the United States has been challenging because of a number of factors. For example:

- While there may be hundreds of thousands of potential low-income microentrepreneurs, how they are dispersed within discrete urban and rural areas, and what their actual demand is for credit and technical assistance is unclear. Little market research has been conducted to shed light on those issues.
- Most U.S. programs are small and there are indications that they are not growing, or growing only at a very slow rate. For example, programs included in the 1999 Directory had an average of 221 clients, and many programs had significantly fewer — some as few as 25. Yet, 41 percent of these agencies have been in operation between seven and 14 years, and fully 63 percent have been in operation more than five years.
- A lack of information on markets makes it difficult to determine why programs are small. It could be that programs have reached certain limits of natural demand in their areas. It is also true

that most clients are non-borrowers, providing little income to programs. Indeed, training-led programs face fund raising burdens as scale increases. It also is unclear whether current outreach strategies are effective, or whether the products and services offered meet client needs.

- The distribution of microenterprise programs is uneven. In some states, many local programs have emerged, operating in competition with each other and without achieving any economies of scale. It also is unclear the extent to which there is duplication of services in some areas and lack of coverage in others.
- Many practitioner organizations do not see scale-up as part of their operational mandate. How institutional vision, organizational structure, leadership and fund-raising capacity support scale-up needs to be better understood.

Nevertheless, there have been some efforts to tackle the issue of scale head on. A few programs have made notable strides in reaching higher volumes of clients and loans. Among the approaches that have been tried:

- Focusing on efficient credit delivery in dense urban markets with a high potential number of clients,
- Establishing a statewide program, or network, that uses varying outreach and delivery mechanisms adapted to the needs of entrepreneurs in rural and urban settings,
- Offering a range of financing products that cover the often diverse needs of low- to moderate-income entrepreneurs, thereby amplifying both client base and portfolio size,
- Organizing an affiliate model where a group of independent programs formally affiliate and share costs for such centralized services as: product development, marketing and outreach,



GRANTEES AT A GLANCE

AGENCY	STRATEGY	FY 98 CLIENTS	TARGET CLIENTS 2002
RURAL			
Center for Rural Affairs/Rural Enterprise Assistance Project Walthill, Neb.	Credit and training model using peer groups as service vehicle and offering peer/direct loans; expansion through new model for membership	405	520
URBAN			
Florida Atlantic University/ Center for Urban Redevelopment and Empowerment Ft. Lauderdale, Fla.	Training-led model with credit access via Working Capital focused on urban Broward and Palm Beach counties; using partnerships to expand training sites, with contract trainers and quality control methods	343	748
ACCION NY Brooklyn, N.Y.	Credit-led; expand by stationing loan officers in target communities, focused on marketing and applications; backed up by central loan processing unit at headquarters. Strengthened MIS and marketing support outreach	191	1,372
STATEWIDE			
Institute for Social and Economic Development Iowa City, Iowa	Training-led model seeking to increase business outcomes by early diagnosis, personalized client service plans, training options, and strengthened linkages to community resources	799	1,077
ACCION Texas San Antonio, Texas	Credit-led model expanding through satellite offices served by central loan processing office and through comprehensive marketing strategy	571	1,194
ACCION New Mexico Albuquerque, N.M.	Credit-led model using local banks for referrals and loan closings, and community-based promoters to generate loan demand	140	360
Nebraska Microenterprise Partnership Fund Walthill, Neb.	Credit and training; statewide intermediary providing financing to implementers for credit and training seeking to increase scale by focusing on high performers, and adding community development loan funds	2,656	2,750
NATION WIDE			
National Federation of Community Development Credit Unions New York, N.Y.	Credit-led; association serving community development credit unions across the country via the development of a complete package to increase microloans, including manual, tracking software, and marketing materials	990	1,937

capacity building of staff, client monitoring, loan processing and reporting, credit decision making and loan fund management.

The Challenge

Still, the challenge with regard to scale remains to move the industry from an increasingly inefficient structure of individual, small programs to one that includes breakthrough models at the local, state or regional levels that combine growth in client numbers, financial strength and demonstrated effectiveness in business development. To get there, the field needs a better understanding of:

- The methods that can be used to better assess demand for microenterprise services.
- Where there are gaps in services.
- The methods — in new loan or training products, outreach, service delivery or institutional models — that are effective in achieving scale and increasing efficiency.
- How the pursuit of scale affects services for low-income clients. And specifically: Does it require programs to use broad rather than narrow targeting of the client population? Does it mean programs “blend” lower- and moderate-income clients? And what are the relative proportions of each within programs focused on scale?

Against that backdrop, FIELD challenged practitioners to propose strategies that will advance the industry’s understanding about how to achieve scale. Specifically, FIELD sought individual organizations, microenterprise intermediaries or institutional partnerships that proposed strategies with high potential to serve significant numbers of microentrepreneurs over time, and that represent breakthroughs in outreach, delivery methods, financing and/or institutional

alliances. The goal was to support a mix of programs — some that emphasize providing entrepreneurs with credit, and others that emphasize providing them with training — to assess the impact of scale on both strategies.

In addition, FIELD sought organizations proposing: innovative methods for analyzing and accessing their client markets, promising approaches to achieving high efficiency in service delivery, and a considered plan for funding growth.

Importantly, organizations applying for grant support also were required to demonstrate a strong focus on low-income clients. (FIELD’s definition of low-income is, at or below 150 percent of U.S. Health and Human Services poverty guidelines.)

The Grantees

The eight programs selected to receive FIELD grants operate in a variety of settings: rural, urban, statewide and nationwide. In addition, a healthy mix of credit-led and training-led programs were chosen to offer some insights into how scale impacts those two kinds of microenterprise organizations.

One of the grantees — the Institute for Social and Economic Development (ISED) in Iowa — is one of only a handful of organizations to previously receive a FIELD grant. (In 1999 ISED received a two-year, \$100,000 grant to pursue research into on how training and technical assistance can impact entrepreneurs and their businesses.)

On the following pages, a brief description of each grantee and its research plans are provided (alphabetically by state).

Florida Atlantic University’s Center for Urban Redevelopment and Empowerment (FAU-CURE)
Ft. Lauderdale, Florida

FAU-CURE was established in 1992 to conduct applied research, community



outreach, program design and evaluation, policy analysis and non-credit educational activities in low- and moderate-income neighborhoods in the university's service area. FAU-CURE has been involved in microenterprise training for low-income populations since 1994. The program collaborates with more than 25 community partners to offer seamless services to microentrepreneurs including: training, micro credit, technical assistance, business planning and post-training mentoring.

In the past, FAU-CURE has been successful in establishing partnerships with community development and faith-based organizations, and will expand into additional neighborhoods by developing similar relationships under the FIELD grant. In addition, FAU-CURE expects to provide instruction, outreach, equipment/supplies and curriculum assistance to nine new partnering organizations in the community and to double its annual client load to 748 participants in a highly cost-effective way.

Institute for Social and Economic Development (ISED)
Iowa City, Iowa

ISED has a long history of providing microenterprise services to low-income individuals. The goal of ISED's entrepreneurial training is to help participants develop the skills and business knowledge necessary to become and remain successfully self-employed.

Although ISED is headquartered in Iowa City, it has regional offices throughout the state. ISED will use the FIELD grant to lower attrition in the Des Moines, Iowa program, with an ultimate goal of significantly increasing the number of businesses established by clients graduating from its training programs. If successful, the new approach will be replicated in other branch offices. ISED will: use new training interventions; develop a diagnostic tool to assess participants' barriers to self-employment; and assign a case manager to work closely with clients. In addition, the program will focus on marketing and outreach to attract more low-income individu-

COMMON THEMES AND ISSUES					
	MARKET RESEARCH	MARKETING	DELIVERY MODELS	INTERMEDIARY ROLES	PARTNERSHIPS
ACCION, NM	✓		✓		✓
ACCION, NY	✓	✓	✓		
ACCION, TX	✓	✓	✓		
FAU-CURE			✓		✓
ISED			✓		✓
NFCDCU			✓	✓	
NMPF	✓			✓	
REAP			✓		

als and welfare recipients. ISED served 799 clients in 1999.

Center for Rural Affairs Rural
Enterprise Assistance Project (REAP)
Walthill, Nebraska

Founded in 1973, the Center works to bring social justice, economic opportunity and environmental justice to Nebraska and the Midwest. Its microenterprise development project, REAP, works with businesses that are home-based, storefronts, farm-based, town-based, full time or part time. REAP is the largest microenterprise development program in Nebraska (rural or urban) and the only program that strives to serve all of the state's rural areas.

Under the FIELD grant, REAP will more broadly market its services to reach additional start-up businesses; develop a new model for delivering services to program clients that will allow more clients to be served without substantially increasing staff costs; and leverage new funding sources. The goal is a 28 percent increase in clients in two years.

Nebraska Microenterprise
Partnership Fund
Walthill, Nebraska

The Fund serves as a statewide financial intermediary and support organization for microenterprise practitioner organizations across Nebraska. Organized as a project of the Nebraska Community Foundation, it also performs R&D-like functions as opportunities and resources allow.

With the FIELD grant, the Fund will focus its resources on high-performing practitioner organizations that are "scaling up," using its grantmaking capacity to challenge such programs to increase the number of low-income clients served and loans made. It also will introduce new loan-delivery techniques and help expand the pool of state and local investors interested in microenterprise.

The Fund plans to support a minimum of 2,750 clients annually.

ACCION New Mexico
Albuquerque, New Mexico

Established in 1994, ACCION New Mexico provides access to business credit and training to emerging, low- and moderate-income entrepreneurs in the Albuquerque area. In addition, ACCION offers its clients leadership development opportunities, a variety of marketing services and referrals to other technical assistance providers.

ACCION plans to expand its customer base by delivering business credit to low-income microentrepreneurs in remote areas of New Mexico. To that end, ACCION will partner with commercial bank branches that will promote and process loans, and train local "promoters" — individuals living within the targeted community — to encourage peers, neighbors and acquaintances to use ACCION's services. ACCION New Mexico's target is a 150 percent increase in clients in two years.

ACCION New York
Brooklyn, New York

ACCION New York was launched in 1991 by ACCION International as its first U.S. affiliate to bring micro credit to economically disenfranchised small businesses. The New York program serves neighborhoods throughout Brooklyn, Queens, Manhattan and the Bronx. Both credit and technical assistance are provided to clients.

In order to increase the number of clients served with both loans and technical assistance, ACCION New York will place loan officers directly in targeted communities with high concentrations of minority and women microentrepreneurs to focus specifically on loan generation and post-loan technical assistance, and provide support with centralized loan processing, collections and administra-



tion. The FIELD grant will be used to fund a variety of marketing activities and to support a new management information system. ACCION New York's goal is to increase the number of clients served from 191 in 1999 to 1,372 at the end of 2002.

National Federation of Community Development Credit Unions New York, New York

The Federation is an intermediary trade association of 185 community development credit unions located in 38 states. The Federation is known as an expert on credit union development in low-income markets. In addition to operating a capitalization program that has channeled more than \$25 million in investments to such credit unions, the Federation also provides intensive one-on-one technical assistance to its members.

To the Federation, achieving scale means making sure the untapped capital in community development credit unions is available to micro business owners and aspiring entrepreneurs. With that in mind, the Federation will use its FIELD grant to develop a model for credit unions seeking to increase micro loans that includes manuals, training, tracking software and marketing materials. This model will allow credit unions to more systematically increase microenterprise lending in a way that meets both client needs and regulatory demands. The initial goal is to have 10 to 15 credit unions serving some 2,000 clients at the end of two years.

ACCION Texas San Antonio, Texas

Launched in 1994 in San Antonio, ACCION Texas provides low-income microentrepreneurs with loans and business support services not available from commercial banks. The organization lends in seven Texas communities: San Antonio,

Dallas, Ft. Worth, Houston, Austin, El Paso and the Rio Grande Valley. In addition to offering loans up to \$25,000, clients also can receive ongoing technical assistance in both business practices and product marketing.

ACCION will use the FIELD grant to work with a professional, media consulting firm to develop and implement a comprehensive marketing strategy that promotes ACCION Texas services in target markets. The goal is to double the number of clients (from 571 to 1,194) and increase the number of loans five-fold by the end of the grant period.

The Learning Assessment

As part of FIELD's goal to inform the microenterprise industry about promising new ideas and practices, learning assessments are designed for all grant clusters. These assessments, which involve practitioner meetings, data collection and dissemination of research, are designed to ensure that findings from grant activities benefit other practitioners.

More specifically, the learning assessment will include:

- Meetings at which grantees can exchange information on their experiences in program expansion.
- Documentation of strategies, tools and techniques to support scale-up.
- Production and dissemination of documents that capture lessons learned across programs on key areas of inquiry that are broadly relevant to the field.
- Data collection on key indicators, under MICROTTEST, a FIELD initiative aimed at developing and testing performance measures for the U.S. microenterprise industry.

Reports will be disseminated broadly to policy makers, practitioners and other interested parties during and after the two-year grant period.



About FIELD

The Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination is a research and development organization dedicated to the expansion and sustainability of microenterprise development efforts, particularly those aimed at poor Americans. Its mission is to identify, develop and disseminate best practices, and to broadly educate policy makers, funders and others about microenterprise as an antipoverty intervention.

Established to make a significant, strategic contribution to building the capacity of the microenterprise industry, FIELD has made 33 grants to practitioner organizations pioneering promising approaches to key challenges facing the field today. Those grants are part of five ongoing demonstration projects, centered on the following research topics: Achieving Scale (described here), Institutional Models

for Microenterprise Development Programs, Follow-up Services, Business Financing Products for the Poor and Assessing the Effectiveness of Training and Technical Assistance.

FIELD also is managing and evaluating two additional demonstration projects, both of which are funded by the Charles Stewart Mott Foundation. Those demonstrations focus on: how microenterprise programs can serve women moving from welfare to self-employment, and techniques that can help low-income entrepreneurs better market their goods and services.

Additional information about all of these demonstration projects is available by visiting FIELD's Web site: www.fieldus.org. In addition, past editions of the *FIELD forum* have been devoted to most of these topics. They can be downloaded from the Web site or obtained by contacting FIELD using phone, fax or email.