

FIELDforum

INSTITUTIONAL MODELS

A CLOSE-UP LOOK AT MICROENTERPRISE PROGRAMS IN CDC NETWORKS

Introduction

In 2000, FIELD awarded grants to 10 organizations with the intention of evaluating the advantages and disadvantages of various institutional settings for microenterprise programs. The 10 grantees in this Institutional Models cluster include human service organizations, community development corporations, and Community Development Financial Institutions. This *forum* reports the conclusions drawn from an evaluation of the two Community Development Corporation (CDC) networks awarded grants as part of the cluster.

CDCs are non-profit organizations that typically concentrate on promoting affordable housing and local business development in specifically defined geographic areas. Depending on the needs of their target community, some CDCs also provide human services. They commonly are characterized by community-based leadership, and most have governing boards with at least 50 percent representation from the community served. The two CDC organizations awarded grants by FIELD serve networks of several individual CDCs. Both are located in Massachusetts where state law requires CDCs to be non-profit organizations with

membership open to all residents of a targeted geographic area and governing boards with at least a majority elected by the full membership.

The research for this *forum* relied primarily on discussions with program management from the two organizations, conducted during a 1½ day meeting. This *forum* also draws on data from MicroTest, FIELD's microenterprise performance measurement program, which in 1999 collected data from 49 microenterprise programs. Only seven organizations participating in MicroTest, including the grantees, could be categorized as CDC networks or individual CDCs. While recognizing the limited reach of MicroTest data in this area, they are presented as preliminary in this *forum*.

This *forum* highlights the advantages and disadvantages associated with the CDC structure, and presents the network strategy as an effective means of addressing many of the challenges associated with individual CDCs. In addition, the publication identifies challenges related to running a network and concludes with recommendations for building an effective collaboration.

This *FIELD forum* is the second of three that offers an in-depth look at the advantages and disadvantages associated with operating microenterprise programs in various institutional settings.

FIELD — Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination

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COMMUNITY DEVELOPMENT CORPORATION GRANTEES

Community Business Network

The Community Business Network (CBN) is a collaboration of 10 CDCs in Boston, Mass., and the Massachusetts Association of Community Development Corporations (MACDC). MACDC and several Boston CDCs founded the network to extend the reach of microenterprise services offered by CDCs within the city of Boston without duplicating administrative costs in each neighborhood. The member CDCs are organized into three groups of affiliate and lead CDCs. All member CDCs are responsible for the microenterprise program marketing, outreach, intake and referral services in their neighborhoods. In addition to these responsibilities, the three lead CDCs provide technical assistance and loan packaging services for all of CBN. MACDC provides staff support to the network and is responsible for fundraising, coordination, performance monitoring, public relations and advocacy.

Western Massachusetts Enterprise Fund

The Western Massachusetts Enterprise Fund (WMEF) was originally structured as a network of member CDCs throughout the mostly rural region. In 1997, however, WMEF became a stand-alone Community Development Financial Institution (CDFI) providing services directly to entrepreneurs, as well as to the 13 member CDCs and one chamber of commerce. WMEF provides loans (both microloans and larger enterprise growth loans) and pre- and post-loan technical assistance to microentrepreneurs. In addition to providing direct services to microentrepreneurs, WMEF offers professional development, technical assistance funding, marketing services and information management to member CDCs. Each member CDC is involved with marketing and outreach to microentrepreneurs in its community. While some member CDCs simply refer microentrepreneurs to WMEF for services, other have developed in-house capacity to provide microenterprise technical assistance and training.

TABLE 1: CHARACTERISTICS OF GRANTEES (1999-2000 AVERAGES)

	CBN	WMEF
Date established	1997	1987
Number of microenterprise staff	4 FTE	6.5 FTE
Number of microenterprise participants (receiving any service from clients)	273	245
Number of microenterprise clients (receiving at least 10 hours of service or a loan)	253	86
Percent clients with start-up businesses	14%	38%
Percent clients with on-going businesses	61%	48%

Advantages of the CDC Structure

The two grantees identified several advantages of providing microenterprise support services through CDCs:

Grassroots marketing

The CDCs in both grantee networks have established themselves — many of them for more than 30 years — as trusted organizations in their respective neighborhoods and communities. CDC staff has worked with area merchant and tenant associations, congregations, youth groups and multiple other neighborhood-based organiza-

tions. Because these organizations are so well integrated into their particular neighborhoods or communities, they are exceptionally well positioned to market the networks' microenterprise services at the grassroots level. One front-line staff member at CBN member, Jamaica Plain NDC, joked that she had been to merchants association meetings so often that association members could practically recite her presentation. Staff at WMEF member, Greater Holyoke CDC, participate regularly in talk shows at the local Spanish radio station. In essence, the CDC staff can provide the kind of consistent marketing necessary to ensure that microentrepreneurs, and



would-be microentrepreneurs, know where to go for assistance. The grantees in this group also noted that some clients hear about microenterprise support services through other CDC programs. For example, a small convenience store owner learned about business development services when he attended a home-ownership seminar at a CDC.

Offering culturally appropriate services

Just as CDCs' integration into their communities can make them effective marketers, their local knowledge also helps them offer appropriate services. Jamaica Plain NDC, Greater Holyoke CDC and Nueva Esperanza CDC staff, for example, all offer Spanish language services and translation in their respective communities, which host significant Latino populations. Likewise, Asian CDC staff speaks several Chinese dialects and Viet Aid staff speaks Vietnamese. In some cases, microenterprise staff at the CDCs will help bridge cultural differences, as when an Asian CDC staff member helped clarify a misunderstanding between a Chinese business owner and his Italian-American landlord.

Understanding local markets and dynamics also helps CDC staff provide appropriate services. For example, at the Jamaica Plain NDC, staff recognizes that the area's recent revitalization, which already has increased home values, will begin to put upward pressure on commercial rents. To avoid displacement of the area's microentrepreneurs, Jamaica Plain NDC staff is working with local merchants to buy commercial space before land values and commercial rents become unaffordable.

Serving as local advocates

CDCs tend to have a long history of community organizing and activism that can make them particularly effective local advocates. In fact, many of the CDCs in the CBN network were founded in the early 1970s by community residents who successfully organized to stop the building of federal highways through their neighborhoods.

CDCs can tap into this local organizing capacity to advocate for individual microentrepreneurs, as well as the local microenterprise sector.

Jamaica Plain NDC, for example, was approached by the local merchants association to mobilize a protest against Kmart moving into the neighborhood. They and many community residents felt that the superstore would undercut the local small merchants and the unique neighborhood small business district. The two groups launched a community-wide effort that successfully stopped Kmart from locating in the area. Within the WMEF network, Greater Holyoke CDC is working with Latino business owners to create a downtown business association that will coordinate marketing, public safety, sanitation, parking, building code enforcement and other pressing issues in the retail district.

On an individual level, staff at WMEF members, Greater Holyoke and Mason Square CDCs, often accompany their minority and immigrant clients to bank meetings to ensure their clients are treated fairly. Jamaica Plain NDC staff successfully helped lobby CVS when the drug store chain was reluctant to lease vacant commercial space to a florist who was one of the CDC's clients. A year after signing the lease, the space was cleaned up, adorned by a local muralist's artwork, and the florist's business was thriving.

Providing coordinated economic development in specific communities

As place-based organizations, CDCs typically have a keen understanding of the various problems that must be addressed to revitalize specific neighborhoods or communities. If homes or storefronts are dilapidated, affordable financing is needed to refurbish them. If absentee landlords are a problem, tenants must be organized to demand better maintenance or the opportunity to buy their homes. If local jobs are scarce, employers offering training and quality jobs must be enticed to the area. If a CDC is trying to address these challenges, the microenterprise services



offered are likely to fit into the organization's overall community revitalization strategy. Subsequently, when CBN member, Dorchester Bay EDC, participated in a financing deal to build commercial space on a formerly abandoned field, it worked both to bring in a firm interested in training local residents and to reserve affordable space for local microentrepreneurs. When CBN member, Asian CDC, discovered that a major challenge to licensing local child-care providers was finding code-compliant space, the CDC negotiated a lease and helped the providers find financing to renovate the community child-care facility.

Challenges of the CDC structure

The grantees in this group also identified several challenges associated with the CDC structure:

Reaching significant scale

By concentrating on development in specific urban neighborhoods or rural communities, CDCs limit their potential to develop microenterprise programs of significant scale. This structural limit to program scale is mandated by law in Massachusetts, where the population served by any one CDC cannot exceed 115,000 people. Subsequently, each CDC in CBN's network typically serves fewer than 30 microenterprises a year within its geographic target area. This limit on scale affects not only the scope of the program's impact, but also the cost efficiency of microenterprise programs within CDCs. A CBN member CDC, for example, is likely to have a microenterprise program cost per client exceeding \$7,000, compared to an industry average of about \$2,000. Of course, in other states the geographic scope of CDCs is not limited, and statewide or regional CDCs can develop microenterprise programs with extensive reach. Coastal Enterprises, Inc. in Maine, for example, is a statewide CDC that in 1999 served nearly 700 microenterprise clients. CDCs with such

extensive scope, however, tend to be exceptions to the rule.

Accessing financial and human resources

CDCs with limited geographic scope confront significant challenges to raising core organizational funding. If their target areas are limited to a specific urban neighborhood or rural community, they are not likely to tap into major federal or state-level funding sources or national private foundations. The leadership of both grantee organizations noted that certain member CDCs were so constrained financially at times that they struggled just to stay in business.

Partially because of constrained financial resources, both WMEF and CBN experienced very high staff turnover among member CDCs. CDCs often require staff with multiple skills, ranging from local knowledge and language skills, to business development and financial knowledge. Even with funding available, several CDCs in these networks found hiring people with the right combination of skills extremely difficult. Many of the network CDCs simply could not offer competitive salaries, especially in geographic areas with significant competition for educated employees.

Managing the demands of competing local needs

As geographically rather than programatically oriented organizations, CDCs often try to address multiple, complex needs in low-income communities. For a well-funded organization, this comprehensive approach can lead to an integrated strategy to combat economic and social deterioration in the community. For organizations with limited resources, however, competing priorities can limit capacity to dedicate sustained resources to a specific program such as microenterprise development. Both grantees in this group reported that CDCs in their network have varying degrees of commitment to microenterprise development, because of competing

demands in their communities and organizations.

Serving a very low-income population

CDCs may have difficulty reaching a particularly low-income population with their microenterprise services. Table 2 shows the median percentage of clients with incomes at or below various low-income measurements for the five CDC programs reporting this data to MicroTest. While the sample size of organizations in this group is too small to draw definitive conclusions, these preliminary data suggest that CDC microenterprise programs are serving fewer individuals with extremely low incomes, as measured by the U.S. Department of Health & Human Services (HHS) poverty guidelines, than the microenterprise industry as a whole. The typical CDC strategic emphasis on investment in the physical environment of communities may lead CDC microenterprise programs to focus primarily on storefront businesses that are likely to be owned by more moderate-income clients than, for example, home-based businesses. While CDCs may find it difficult to reach very low-income individuals, the data also indicate that they still reach low-income clients as measured by the less extreme levels of 150 percent HHS poverty guidelines and 80 percent

median area income, in proportions comparable to the field as a whole.

The experience of the two grantee organizations suggests that the difficulty reaching a very low-income population may be related to market conditions more than the CDC strategy itself. Unemployment in both Boston and the more rural Western Massachusetts region is currently very low and staff feels that low-skilled workers are choosing low-paying service positions over self-employment. In addition, staff feels that increased competition from large-scale, low-cost stores like Wal-Mart and Kmart have made small retail operations untenable in some areas.

In addition to these market conditions, both organizations have made marketing and/or programmatic decisions that affect the proportion of very low-income clients they serve. In the case of WMEF, the organization’s leadership made a strategic decision to improve the organization’s financial sustainability by marketing services to larger-scale microenterprises with greater financing needs. This decision is driven both by a market study indicating significant unmet needs, and by the organization’s increasing specialization in financial services. WMEF finds these slightly larger-scale businesses equally as isolated from mainstream business services as

TABLE 2: 1999 MICROTEST DATA ON LOW-INCOME CLIENTS

MEDIAN LOW-INCOME MEASURE	CDCs AND CDC NETWORKS	ALL PROGRAMS
Percent of clients at or below 100% HHS poverty guidelines	19% n=5	29% n=41
Percent of clients at or below 150% HHS poverty guidelines	32% n=5	39% n=40
Percent of clients at or below 80% area median income	63% n=5	64% n=41



their smaller-scale counterparts. At CBN, the CDCs market niche is providing technical assistance to microentrepreneurs rather than basic training, which is offered by several partner organizations in Boston. The clients referred by CBN staff to training programs may be the more low-income microentrepreneurs in their communities.

More data from CDCs will be necessary to determine which plays a more important role in targeting services to especially low-income individuals: local market conditions and marketing decisions, or structural or strategic characteristics of CDCs. In addition, microenterprise programs reaching a smaller proportion of very low-income clients should evaluate how the needs of lower-income microentrepreneurs in their community are being met.

Capturing the impact of CDC strategies

The grantees also discussed the challenges involved in capturing the impact of their programs. In particular, the CDC network staff mentioned the difficulty of measuring the effect of stronger microenterprises on the community as a whole. While staff members believe their strategy helps increase incomes of individuals and families, they also emphasize the importance of stable and growing microenterprises in improving neighborhood business districts and increasing community pride and involvement. If accurately measuring personal and business incomes is a challenge, measuring the impact of filling a long-vacant commercial space or providing locally owned services is even more difficult.

WMEF management also described the sense of ownership microentrepreneurs feel for their work. This “work ownership,” they suggest, empowers individuals to make and act on decisions they believe will improve the quality of life for their family and community. Documenting a sense of “work ownership” and its impact on families and communities would be a time-consuming qualitative endeavor. To capture the impact of these strategies, funders need to provide

significant resources for qualitative impact studies of microenterprise development on specific communities.

Advantages of a CDC network

Both grantees are structured as networks of several local CDCs. Both networks made compelling arguments for their collaborative approach as a way to overcome many of the challenges associated with running microenterprise programs within local CDCs. The networks’ leadership delineated the following advantages of establishing a microenterprise network of CDCs.

Having a regional and national presence

The grantees felt their network structure gives them a regional and national presence that helps them tap into national or state funding sources. WMEF’s significant presence in two of 10 congressional districts in Massachusetts, for example, helps the organization garner state funds. The Massachusetts Association of CDC’s participation in the CBN network also gives the Boston network state-level presence, because of the Association’s intensive focus on public policy and advocacy for CDCs in Massachusetts. In fact, CDCs and CDC networks reporting data to MicroTest count on state-level funding more than the average microenterprise program. In 1999 an average of 24 percent of CDC and CDC network funding came from state-level sources, compared to 12 percent for the MicroTest group as a whole. Large-scale private-sector funders also are more interested in funding networks than individual, local organizations. One private CBN funder, for example, felt that working with the network was the most efficient way to deploy its funds citywide.

The network structure also allows the microenterprise program to have a more significant presence in city, state or national policies relevant to microenterprise. In collaboration with the statewide microenterprise network, WMEF played an important role in helping Sen. Edward Kennedy’s office define

what became the federal Program for Investment in Microentrepreneurs (PRIME) Act. Through MACDC, CBN has advocated for increased funding and improved implementation of a state program that funds technical assistance and training for minority entrepreneurs. CBN staff pointed out that the network's increased citywide presence is a simple matter of being able to count on staff from various levels of the network to represent the microenterprise program on various boards and councils. The director of an organization that partners with CBN to provide training to network clients also suggested that other groups are eager to form alliances with CBN because of its extensive reach throughout the city.

Reaching a larger market

Networks potentially reach more clients at less total cost than individual CDCs. The network structure allows the lead CDCs in CBN and the central administrative office at WMEF to serve microentrepreneurs throughout the network's region, and offers those CDCs without microenterprise programs the opportunity to provide services to microentrepreneurs in their target markets. Grantees also point out that concentrating the cost of providing microenterprise services in either

lead CDCs (CBN) or a central body (WMEF) allows the network to serve a larger market more cost-efficiently, rather than duplicating services across the region.

MicroTest data on the scale of CDC networks are somewhat inconclusive. As shown in Table 3, in 1999 the median CDC network of the three reporting data to MicroTest actually served fewer clients than the median stand-alone CDC. This data is skewed, however, by two stand-alone CDCs that happen to be exceptionally large because of the high density (Women's Housing and Economic Development Corporation of New York City) or scope (Coastal Enterprises, Inc. in Maine) of their markets. As one grantee pointed out, large scale CDCs do not need to join CDC networks to be effective. The CDC networks are reaching slightly more clients than the industry median, making double the number of microloans as the three stand-alone CDCs, and linking more clients to commercial sources of credit.

Very little cost data were available to MicroTest on CDC networks, however, individually reported cost data from the grantees show the networks compare favorably in cost-efficiency to both stand-alone CDCs and the overall industry. These data suggest that the cost structure of the networks may, in fact,

TABLE 3: 1999 MICROTEST DATA ON SCALE

MEDIAN MEASURES	CDC NETWORKS	STAND-ALONE CDCS	ALL PROGRAMS
Number of clients	240 n=3	277 n=4	214 n=49
Number of clients receiving training and technical assistance	240 n=3	269 n=4	185 n=48
Number of microloans disbursed	32 n=2	16 n=3	20 n=44
Number of clients linked to commercial sources of credit	7 n=3	5 n=2	5 n=31

allow for increased scale with greater cost efficiency than other institutional structures afford.

While the two grantees believed they were reaching more clients than they would as stand-alone organizations, they also felt they had significant room for growth. Each felt there was a large market for their services and estimated that they were reaching less than one percent of the potential demand. Both organizations expected to extend their network's reach in the future.

Providing institutional stability, continuity and accountability

CDC networks can provide microenterprise services with stability and continuity, particularly when individual CDCs experience staff turnover or other resource constraints. In the case of WMEF, the central institution can provide direct services to clients referred by a CDC that has lost the ability to provide the services themselves. In the CBN network, staff from one CDC has filled gaps in other CDCs when necessary. Front-line staff members at CBN, many of whom are the only ones in their individual CDCs dedicated solely to microenterprise, also felt that the network made their jobs easier and more rewarding by making it possible for them to exchange experiences and ideas with peers. Both WMEF and the lead CDCs in CBN work to build the capacity of all CDC staff to make effective referrals for

microenterprise clients and, when warranted, to provide limited technical assistance themselves.

Performance monitoring within these networks also adds to the institutional development of the grantees' microenterprise programs. Both networks have developed systems for monitoring the services delivered by the member CDCs. The central administrative office of each network rewards client referrals and effective service delivery by member organizations through performance-based distribution of funds. WMEF reimburses CDCs for both pre- and post-loan technical assistance provided to clients, and pays the CDCs for each client referral that goes to the loan committee, with a bonus for approved loans. CBN uses an annual member-driven performance assessment to distribute funds to member CDCs.

Offering customers comprehensive services

Since various services and areas of expertise are provided at different CDCs and CDC partner organizations, the network provides microentrepreneurs with access to more comprehensive support services than those offered by a single CDC. Within the WMEF network, there are two CDCs with specialized Access to Market programs, one CDC with an Individual Development Account program, and five CDCs that manage business incubator services. By staying apprised of the

TABLE 4: GRANTEES COMPARED TO 1999 MICROTEST DATA

	GRANTEES	STAND-ALONE CDCs	ALL PROGRAMS
Avg. cost per client	\$877 (CBN)	\$2,515 n=5	\$2,308 n=38
Avg. operational cost rate*	.77 (WMEF '00)	.83 n=3	3.5 n=28

*The operational cost rate measures the cost of making and managing \$1 of a program's loan portfolio.



services offered to microentrepreneurs at different members organizations, each CDC can refer clients to appropriate services within the region. Within CBN, some CDCs have developed sectoral expertise, such as the Jamaica Plain NDC's specialization in child-care services. Subsequently, when member CDC, Viet Aid, identified the need for technical assistance among Vietnamese child-care providers, they turned to Jamaica Plain for advice. In another case, CBN helped a Vietnamese-owned sewing company secure a contract to sew upholstery covers for an African American-owned furniture company. Both were member CDC clients, who otherwise would never have met. Indeed, CBN staff members see themselves largely as brokers of appropriate services, both within and beyond the network, for their microenterprise clients.

Challenges of a CDC Network

While a network structure helps address several challenges associated with providing microenterprise services through local CDCs, networks also pose new challenges. Among those identified by grantees:

Balancing central and local responsibilities

Both grantees described a tension within each network between centralizing services for greater efficiency and ensuring that enough program control remains in local hands to capitalize on the advantages of grassroots knowledge and activism. When WMEF was founded in 1987, the CDCs in the network provided all direct services to microentrepreneurs. Today, however, WMEF is a highly centralized model with its relationship to network members defined primarily through client referrals and, in some cases, contractual agreements to provide microenterprise services locally. WMEF has found the more centralized structure, with CDCs focusing primarily on marketing WMEF services, to be more cost efficient and effective in ensuring a quality microenterprise program. A

centralized model like WMEF's may be the best strategy when network members are dispersed across a relatively large rural area.

CBN, on the other hand, remains a highly decentralized model with direct services provided entirely by member CDCs and member CDCs deploying the vast majority of the network's resources. Provision of direct services is, however, concentrated in the three lead CDCs that already had developed microenterprise support programs before the network was formed. These three lead CDCs also can cover Boston's relatively concentrated geographic area without staff or customers encountering transportation problems. Some CBN members, most notably the leadership of the lead CDCs, feel it is crucial to maintain a decentralized structure to ensure that resources are directed to the communities they are meant to benefit. Nonetheless, the majority of the fund-raising, monitoring and coordination responsibilities for network members has fallen on the limited staff dedicated to CBN through the central office housed within MACDC. The network is likely to dedicate more staff time to managing these central services as CBN continues to develop into a more stable network with a greater reach throughout the city.

Managing varying degrees of commitment to the network

Both WMEF and CBN reported varying degrees of commitment to the network by member CDCs. They noted that those CDCs that cannot dedicate at least one full-time equivalent employee to microenterprise do not typically integrate the services offered through their networks into their overall program strategy. In cases where these CDCs also experience staff turnover, the organization may even stop marketing the network services in their neighborhood. The management staff of the two grantee networks finds this potential gap in service delivery a particularly grave problem, since the network has the capacity to serve microenterprises from neighborhoods that may not even be hearing

about the services. At CBN, managing this challenge is even more complex because the lead CDCs depend on a pipeline of referrals from affiliate CDCs to meet their network performance goals.

Managing competition within the network

Member CDCs may find themselves competing for limited financial and human resources. This competition can be the demise of networks that have not built sufficient trust among their members. Both grantees felt they had spent significant time building trust among their members through roundtables, joint trainings and a participatory governance structure. In addition, both networks emphasize the need for clearly delineating the roles and responsibilities of all member organizations to avoid misunderstandings about expected commitments. To ensure the cohesion of the network, each member also must feel that it is gaining access to more resources by collaborating than it would if it acted individually.

Capturing network information

Capturing consistently defined, collected and reported data about services provided by the network can be particularly challenging. Data collection in networks requires significant staff training, because at least one staff person per member organization will be involved in collecting and reporting data to a central office. The problem is compounded because the inevitable staff turnover at each institution makes ensuring consistency very difficult. Each member organization's specific information management needs also compounds difficulties in establishing a common system that all members can use. With program costs divided among various organizations, it is particularly difficult to track all the expenses associated with the microenterprise program. These challenges managing information affect the network's capacity both to make informed management decisions and to report to funders.

Recommendations for Overcoming Network Challenges

Staff at various levels of the two CDC networks emphasized the following recommendations for enhancing the strengths and confronting the challenges of managing a network. Because the grantees felt that most of the challenges associated with the limited resources of some individual CDCs are addressed by building a strong network, the following recommendations focus on building an effective network.

Clearly define the roles of all network members

The roles of the various institutions involved in the network should be clearly delineated to ensure that each member organization has a clear understanding of responsibilities, and to build trust among network members. The CBN network defines the mutual commitments of CBN and member organizations in "memoranda of understanding" signed by the chair of the network, a senior manager of the central office coordinating the network (MACDC), and the executive director of the member organization. Both lead and affiliate CDCs are required by the memos to develop: annual work plans that outline staff commitments, a budget and measurable performance targets. As WMEF has provided increasingly more direct services to microentrepreneurs, it has chosen to delineate roles and responsibilities only when a member organization plans to provide significant services to a microentrepreneur. These roles are defined in a contractual agreement whereby WMEF reimburses a member organization that provides technical assistance to a microentrepreneur.

Maintain flexibility in defining a member organization's relationship to the network

The relationships between member organizations should be flexible enough to accommodate varying degrees of organizational capacity to run microenterprise programs. CBN does that by defining roles for lead



CDCs, affiliate CDCs and supporting members. Affiliate members dedicate less staff time to the network than do lead CDCs, but also receive fewer supporting resources from the network. Lead CDCs agree to provide direct services to a minimum of 50 clients in exchange for additional support from the network. Supporting members can market CBN and refer clients to the network, but are not required to dedicate staff time to these activities. Supporting members do not receive financial resources from the network. WMEF maintains flexibility with its member organizations by tying the disbursement of financial rewards directly to services rendered, or referrals made, by the member CDCs.

Develop performance incentive systems within the network

The network should develop systems, preferably backed by financial rewards, that promote quality performance and accountability among member organizations. WMEF has an incentive system for encouraging client referrals to the central loan fund, and for post-loan monitoring of clients. Member organizations receive \$250 for every referred client whose loan application is presented to the loan committee, and receive a percentage of the points charged for every loan approved. Member organizations receive \$150 for every post-loan monitoring report they fill out on clients in their service area. CBN passes on centrally raised funds to lead and affiliate members based on the member organizations' compliance with established work plans. Each year the CBN board, comprised of representatives of the network members' senior management, carry out a peer assessment of the year's activities to distribute the network's funds to member organizations.

Build enough central capacity in the network to ensure institutional stability

The network must build enough centralized capacity to coordinate and support the microenterprise work of member CDCs. At a minimum, the central office is likely to have

to take on the majority of the fundraising, non-local advocacy and public relations, and information management for the network. In addition, the central office will coordinate member relationships and performance evaluations. In the case of WMEF, the central office also has assumed management of a loan fund and the provision of post- and pre-loan technical assistance, and must build enough capacity to support these direct services. Because of high staff turnover at the local level, both WMEF and CBN also have found it necessary to dedicate central resources to regularly train local staff about the network program. Even without staff turnover, both organizations feel the central office should be involved in ensuring that all levels of CDC staff and leaders — from front-line staff to executive directors and boards — are educated about the responsibilities and opportunities that come with their involvement in the network. While directing resources to the local organizations is crucial, enough resources must be dedicated to the central coordinating office to support these activities effectively.

Seek network support from all member organizations

While building central capacity, the network also should leverage support from various levels — CDC boards, executive directors, economic development staff and microenterprise front-line staff — to raise funds and otherwise advocate for the network as a whole. One of the advantages of the network strategy is the reach of the various staff and stakeholders of the organizations involved. This advantage is lost if board members, executive directors and other staff are not committed enough to the microenterprise network to advocate for it. Additionally, no matter how competent the central staff, only those staff dealing directly with microentrepreneurs at the community level will have the direct experience necessary to make a compelling case about the program's work to funders and policy makers.

Develop a stream-lined reporting system for the network

The network should define a streamlined reporting system, rather than attempt to build a Management Information System (MIS) that can meet all the needs of each member organization. If the network decides to develop a microenterprise-specific MIS for member organizations, the system should not attempt to meet all of the organizational demands of each member. Using a simplified network MIS may require double entry of some performance indicators at member organizations that already track organizational data. However, if the data reporting requirements of the network are streamlined, this double entry should not be as complicated as wading through a cumbersome system attempting to meet all member organizations' needs. The network may choose to track

very specific impact indicators through regular reporting (e.g. jobs created/retained), however, extensive impact measurement should generally be left to separately funded and managed systems and studies.

More About This Learning Cluster

For a look at several microenterprise programs operating from within Human Services Organizations see *FIELD forum* Issue 8, August 2001. See also *FIELD forum* Issue 6, August 2000 for a full description of the grant cluster and each of the 10 grantees. A *forum* on microenterprise programs nested within larger Community Development Financial Institutions is forthcoming. *Forums* can be ordered or downloaded from our Web site, where additional information about this cluster is available: www.fieldus.org.

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