

**Good practice guide: Microfinance for self-employment  
in industrialized countries**

**International Labour Office. Geneva**

**Social Finance Programme**

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## **Acknowledgements**

The Good Practice Guide is a product of an ILO action program that examined in 1999-2000 the costs and benefits of microfinance programmes for self employment. This review covered seven industrialized countries with widely differing policies and schemes: Canada, France, Germany, Ireland, the Netherlands, the United Kingdom and the United States. The review found that often schemes failed to reach a large enough number of clients to be cost-effective. In other cases costly advisory services threatened and jeopardized the financial stability of a scheme. Perhaps the greatest challenge for managers of self-employment schemes is the ad hoc nature of government allocations. Self-employment promotion is still largely seen as a temporary, anti-cyclical labour market measure. Public authorities tend to restrict allocations to self-employment promotion to one, or at best two, years.

Under these circumstances practitioners suggested to sum up and bring to the point the experiences on how to run self-employment programmes - and how not to run them. These could be brought together in a tool, a Good Practice Guide, which would help resolve day-to-day information needs and facilitate choices.

At a retreat in March 2000 Erwan Bothorel (France), Ellen Golden (United States) and Peter Reger (Germany), assisted by staff of the ILO's Social Finance Programme, identified key issues to be covered in a "Good Practice Guide". Funding of start-ups out of unemployment through microfinance was given special attention, obviously taking into account the links to complementary non-financial support. The Guide reflects the diversity of experiences as well as opposing views on – for example – financial sustainability targets.

On the basis of the outline Peter Reger prepared a first draft that was endorsed at the May 2000 international conference on self-employment promotion in Bonn. The text was subsequently developed and shaped by Bonnie Dallinger (United States), in consultation with several other practitioners. Her commitment and professionalism need to be commended.

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### **Bernd Balkenhol**

Social Finance Programme, Employment Sector

International Labour Office.

## **Origin**

In 1998, the Social Finance Programme of the International Labour Office initiated “From unemployment to self-employment – The role of microfinance,” a research programme intended to examine the effectiveness of self-employment programmes using microfinance and targeted at the unemployed, displaced workers, welfare recipients, refugees and immigrants, people with disabilities, and school-leavers. The initiative brought together researchers from Canada, France, Germany, Ireland, the Netherlands, the United Kingdom and the United States. Policy-makers recognize that low-income start-up entrepreneurs face a credit gap. Microfinance programmes are meant as a response to bring the socially disadvantaged into sustainable self-employment and ultimately the economic mainstream.

The outcome of the ILO study should enable policy-makers to make informed decisions about the nature, level and quality of support appropriate for self-employment programmes, particularly with regard to the provision of small-scale financial services. In addition, policy-makers and programme operators will be able to identify the activities that create lasting and stable enterprises with the potential to build assets for business-owners and create new jobs.

This Guide is designed to provide managers in charge of self-employment promotion schemes with the tools to enhance the performance of their programmes. It focuses on common, recurring problems that are typically encountered in the setting of industrialized countries.

Operating funds are often relatively short term and are derived from numerous sources, each with different reporting, accounting, targeting and service provision requirements, funding with unrealistic sunset provisions, limited scope for scaling up to large numbers of clients, costly non-financial services, etc.

In view of these management challenges, practitioners from the seven countries meeting in Bonn, Germany, suggested compiling good-and not-so-good-practices in a “Good Practice Guide”.

## Definitions and concepts

The **self-employed** are defined as “own account workers, working proprietors and all dependent workers associated with them” (resolution adopted AT the 77th International Labour Conference on 27 June 1990).

A “**micro-enterprise**” or “**micro-business**” is defined as a business that employs five or fewer people and requires less than US \$25,000 in start-up capital.<sup>1</sup> In most micro-enterprises, the owner is the sole operator and worker. The capital needs of micro-businesses are too small to be of interest to formal financial markets, yet too large to be covered by the personal means of business starters particularly if they come out of precarious financial situations. As a result, micro-enterprise promotion for disadvantaged or marginalized groups logically focuses on this capital constraint. **Micro-finance programmes** support the transition to self-employment for economically disadvantaged individuals by providing services to assist business start-up and growth. Some focus on unemployed workers, disadvantaged youth or welfare recipients, some on businesses with strong growth and job creation potential and others on population segments defined by income, ethnicity, gender or geographic location. Microfinance programmes for self-employment vary also in the range of services provided in addition to providing start-up loans:

- assistance in acquiring the skills needed to plan, market and manage the operations and finances of a business, access to markets, asset development/economic literacy, business mentoring, language and business environment training, personal empowerment, closure counselling, support services;
- income support – unemployed individuals who indicate sincere interest in starting an enterprise are often eligible for government-provided income support for periods of 26 weeks to three years.

Across countries and with operations going back to well over 15 years, a set of good practices is starting to emerge, i.e. the practices that make a “good” support programme. Obviously, not everything depends on programme management. But without sound and professional management, not even the best-intentioned policy can deliver the goods.

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<sup>1</sup> The largest microloan funder in the United States, the Small Business Administration (SBA), has recently raised the microloan ceiling to US\$35,000.

The Good Practice Guide is structured to lead the reader through the following sequence:

## **1. Planning**

- ✓ Identifying and serving our market: *Who are our clients and what do they want?*
- ✓ Setting priorities: *Given their diversity, how can we provide everything our clients need? Should we?*
- ✓ Funding operations: *How can we raise enough money to support our plan?*
- ✓ Staffing: *Can we select and retain quality staff in a competitive job market?*
- ✓ Organization and management: *Is our organization designed for quality?*
- ✓ Financial management: *How can we be accountable to funders?*

## **2. Performance**

- ✓ Cost control and efficiency: *How can we achieve the best outputs at the least cost?*
- ✓ Becoming more sustainable: *How can we become more sustainable when we serve disadvantaged groups?*
- ✓ Keeping track of performance: *What do we really need to know?*
- ✓ Transparency and accountability: *How can we demonstrate our good governance?*
- ✓ Strategic alliances: *How can we work together to improve our programmes?*

## **Good practice principles: Planning and performance**

### **Issue 1. Identifying and serving our market: Who are our clients and what do they want?**

Key to the success of any microfinance or micro-enterprise development programme, new or existing, is proper identification of its market and appropriate programme design to serve that market. While many programmes seem to do both very well, others have been frustrated by lower than expected enrolments, lack of demand for their loan products, or inability to raise sufficient programme-generated income to demonstrate the value of their products and services.

The funding sources of most programmes (i.e. government agencies, foundations) specify a customer group, broadly or narrowly. However, it is the job of the programme to determine its absorption capacity for financial and other services. The resulting information helps to estimate the potential demand for programme services. In the process, once the market is identified, outreach to that market is clearer.

The following steps are vital to identifying the market for a self-employment promotion programme.

#### **(a) *Research the labour market and economic activity in your catchment area***

- The area's unemployment rate and trends. Is unemployment geographically concentrated?
- What is the demographic profile of the unemployed?
- Changes among industries in the region. Are there recent or pending lay-offs? Of what magnitude? Among industries that are downsizing, are they outsourcing certain functions? **Example:** In the United States many publicly traded corporations have satisfied shareholders by downsizing or reducing the number of permanent employees and thereby improving profits, or the "bottom line". They outsource the functions that have been eliminated in-house to independent

contractors, often creating opportunities for very small enterprises to perform those services. Not uncommonly, the new contractor is a former employee.

- What skills and occupations are no longer in demand?
- The demographics of the area's general population. Are those demographics changing? For example due to immigration?
- What is the number of micro-enterprises setting up to trade? How long ago were they established?

Potential information sources are local and national employment service offices, employer groups (chambers of commerce, etc.), trade councils and associations, trade unions, business licensing offices and tax authorities.

**(b) Conduct surveys**

Once contacts have been established with employment offices, chambers of commerce, employer and employee associations, community development groups, philanthropic societies, etc., it is possible to enlist their help in surveying their "constituents" regarding interest in self-employment. The design of a very short questionnaire, which can be anonymous and/or compulsory, yields the best results. The questionnaire should be designed as a checklist and not take more than a minute or two to complete. Such a survey can be tailored to the group being surveyed and might include a small gift for its completion.

A typical survey for individuals would question the following:

- indication of interest in self-employment (ideally the survey is only being filled out by people who show an interest before being surveyed);
- gender;
- age;
- ethnicity;
- employment status;

- if unemployed, length of unemployment;
- income support (unemployment benefits or welfare);
- primary language;
- disability;
- family status;
- assistance needed to start, if any: advising, consultation (survey could include specific topics);
- credit needs.

As most people will not answer questions regarding their income, the questions regarding current employment status are the best proxy for determining a potential client's ability to contribute to the cost of services.

**(c) *Know your competition***

It is important to know if other programmes already provide services similar to yours within your catchment area. If so, ask the following questions:

- Who are they?
- Whom do they serve?
- How are they funded?
- Are they perceived as providing quality services?
- What do they charge?
- Are they busy, or are their services underutilized?
- Are there any programmes similar to yours that have failed? Find out why.

**(d) *Get a feel of the credit/finance gap***

- Do banks lend start-up loans to clients coming out of precarious social conditions?
- What is their minimum required transaction size?
- What are their collateral requirements?
- Ask one-person shops in the area how they financed their start-up.

**(e) *Identify new or under-served markets***

While staying true to the mission of your programme, the market survey may open the door to new opportunities and possibly new income sources. A survey may reveal unmet needs or a market niche that allows your organization to offer new, specialized services or work with people not currently being fully served. For example, offering specialized workshops within the community provides an excellent opportunity to market the organization's products while covering costs with a small fee.

**(f) *Forge new partnerships, increase quality referrals, and expand funding opportunities***

Not only will survey information help to estimate demand and plan and prioritize services, but in the process of gathering data and implementing surveys, you make valuable contacts. Competitors can become partners, expanding both organizations, referral opportunities and increasing revenue potential. Public funders look favourably on cooperative agreements and are often likely to expand the flow of funds into certain regions as a result.

**(g) Define service products**

An effective market assessment points to the kinds of general micro-enterprise services needed by the community and guides the planning process. At the point of application to the programme by individual clients, additional surveying will identify more specific client needs and other important information. However, the market assessment, conducted at intervals of two to five years, provides an organization with the big picture. In the following sections, we discuss ways to put into practice the lessons learned from the market assessment.

**Issue 2. Setting priorities: Given their diversity, how can we provide everything our clients need? Should we?**

Like other promotion programmes, self-employment schemes may be tempted to do too much for too many clients at the same time. To contain this risk, it is useful to draw up a clear and practical business plan which will not only help to establish priorities, but will answer the questions: What do we want to achieve in the upcoming year? How will we know if we have achieved our goals? Who is our clientele?

The fundamental questions are: What is our philosophy? What do we want to achieve? Organizations should ask themselves:

- are we operating a social services model, reaching deep into pockets of unemployment, poverty and disadvantage to bring self-employment as an alternative to people who have not been served in the past?
- are we a business advancement model, financing primarily the inception of growth oriented micro-enterprises? *Example:* “The [programme] seeks to create economic opportunity through entrepreneurship. Its customers are primarily people who are economically disadvantaged by virtue of gender, race, income or place. The [programme] encourages economic self-sufficiency by assisting people to start or

expand businesses that provide sustaining wage jobs and benefits for the owner and his or her employees, independent of government support.”

A programme might decide to define its market on location or residence.

“The [programme] will assist individuals who are residents of [location] who are unemployed or underemployed, and who lack access to traditional business development services, including training, advising and financing.”

If the plan is truly going to serve as a road map, it must be detailed and complete, articulate philosophy, vision and values, set numerical, quantitative targets, and specify a target date for reaching each objective. Plans should be checked against performance at least quarterly and subjected to annual review. While the “big” plan may only need to be revisited every three to five years, an annual exercise would focus on effectiveness of implementation. To stay on track, some organizations set aside time once or twice a year for retreats during which staff evaluate progress toward organizational goals and, if needed, plan corrective measures and revise plans for the next time period.

The choice of the model has important implications for the level of financial sustainability (i.e. the subsidy dependence) that can be expected:

- lending-focused self-employment promotion generates significantly more earned income (interest and fees) than programmes that emphasize non-financial services;
- owners of existing businesses are less costly and risky to serve than those starting up;
- low-income, unemployed and underemployed individuals often need costly non\_financial services;
- scale affects per person costs: larger programmes can spread fixed costs over more clients and reduce the programme transaction cost per client.

The business plan needs to spell out at least the following:

- What is our plan for marketing and outreach?

- What scale do we need to reach to contain unit-transaction costs below a given level.
- What services and products will be delivered to accomplish the scale of operations we envision?
- Which services will we offer in-house, which will be contracted out and which will be accomplished by referral?
- What are our service locations and satellites, including non-location, Internet-based services?
- What are our targets for service enrolment or loan applications by given deadlines?
- What is the size of desired loan portfolio and average loan amount and number of loans to be made in given period?

**Experience:** To project potential outreach of your programme, consider these percentages: in Germany in 1995, 3 per cent of people searching for new employment were looking for self-employment. In the United States, a demonstration project for recipients of unemployment benefits showed that 3.9 per cent of jobseekers were interested in self-employment. **Example:** In 2001, the [programme] will make 23 micro loans to business starters, totalling \$175,000 for an average loan size of \$7,600. It will make 12 larger loans to existing businesses and experienced entrepreneurs, totalling \$625,000 for an average loan size of \$52,000.

- How will we fund your operations in the short and long term?
- What **staffing** do we need to cover planned services and administration, including full-time and part-time staff, consultants and mentors and various “free” professional experts? Specify caseload numbers for client advisers and loan officers, job descriptions, incentive plans and include a professional development plan.
- What level of sustainability do we want to attain?

In the United States, self-employment promotion schemes cover on average 16 per cent of their operating costs with operating revenues; in other countries the level of financial

sustainability is even lower, hence the subsidy dependence more serious. Astonishingly, many microfinance programmes in industrialized countries are not even able to determine the current level of financial sustainability.

- Lastly, what specific, numerical **outcomes and impacts** do we project? How and when will we collect the information to measure those impacts? **Example:** Percentage of enrolments to complete training, percentage of applicants to receive loans, maximum delinquency and default (charge-off) rates, financial ratios including operating self-sufficiency, return on performing assets, cost per loan and cost per employment outcome.

### **Issue 3. Funding our operations: How can we raise enough money to support our plan?**

In industrialized countries, funding for self-employment programmes (both loan capital and institutional overloads) comes overwhelmingly from public sources, multiple departments and agencies, in widely varying amounts, on different time lines and through different allocation methods. Invariably, programme managers spend much time working to sustain public funding and seeking supplementary funds from other sources and trying to satisfy multiple reporting requirements.

Public policies and funding levels fluctuate with changing political leadership and the priorities of budget-setting bodies. Moreover, the inevitable economic shifts that impact public revenues invariably affect the funding that public entities can or will devote to any budget item. Knowing this, *astute managers diversify their funding*. Diversification can take many forms. Experienced practitioners suggest these as some of the alternate avenues they have pursued:

#### **(a) *Sub-national units***

Units such as States, counties, local authorities and councils often have revenue sources that are independent of the national treasury. **Example:** (from the United Kingdom): The Prince's Trust, the United Kingdom's leading charity for youth, helps disadvantaged young people achieve economic independence through self-employment. Started in 1976 by HRH The Prince of Wales, the Trust raises funds from a range of government sources each

year and matches them with the investment income of the Trust. Its programme partners, and their respective contribution levels, in 1999-2000 were:

EU	57.8 per cent
Training and enterprise councils	7.9 per cent
Local government finance	12.5 per cent
Single regeneration budget	11.4 per cent
Lottery funds	5.9 per cent
New deal	0.6 per cent
Other public sector	3.9 per cent

**(b) Charitable foundations**

Foundations provide more dependable, longer-term funding, even if this can never be a full substitute for public support. **Example:** (from the United States) Between 1983 and 1999, the Ford Foundation and the Charles Stewart Mott Foundation provided \$7.7 million to self-employment programmes to support development, operations, loan funds, research and professional networks.

**(c) Corporate sector**

Many companies appreciate the opportunities to demonstrate good corporate citizenship that the visible support to a self-employment programme offers. Corporations are often especially willing to underwrite event costs or provide in-kind services such as publication and printing through their in-house capacity. **Examples:** (from Agnes Noonan, United States) The Public Service Corporation of New Mexico, the state's largest public utility, donates office space, assists with printing costs and provides long distance phone lines to the Women's Economic Self-Sufficiency Team (WESST). Recently they have underwritten cash awards and event costs of the new statewide micro-enterprise awards programme.

(Also from Agnes Noonan, United States) WESST has developed an access to markets programme. American Express has been a valuable partner by contributing to the cost of the

programme's new e-commerce web site and by sharing their mailing lists for the programme's marketing materials.

**(d) Commercial, promotional or development banks**

Banks can directly or indirectly support lending activity. Some banks are attracted to the idea of making loan capital available in cooperation with other banks (pooled sources). Some will provide back-office functions such as loan processing. Many will support conference and meeting costs. **Example:** In the United States, the federal Community Reinvestment Act (CRA) requires banks to demonstrate the extent to which they make credit available to people with low and moderate income. CRA makes specific reference to making financial investments in pools of money that serve the credit needs of targeted populations. Banks often welcome the opportunity to partner with micro-enterprise programmes, particularly when a number of banks can invest in a loan pool. They rely on the programme to assume responsibility for preparing the client for business start-up or expansion and for monitoring the loans. Some banks assist with back-office operations such as credit checks, preparing payment books, or loan processing as well as making referrals to the programme. Enlightened banks realize micro-enterprise support simply makes good sense from both a community development and future business viewpoint.

Fund-raising can be enhanced if you:

- work with officials and legislators to convince them that micro-enterprise is a worthwhile investment. Explain the importance of *long-term* funding commitments that make provisions for the business start-up time line;
- promote and publicize programme achievements: tell your success stories, involve your clients;
- include elected officials in your events and ceremonies, e.g. graduations, awards, etc.;
- work within trade associations that support micro-enterprises and self-employment.

Be sure your programme is known and involved in the local economic infrastructure, e.g. by chambers of commerce and industry, employment offices and inter-agency committees.

#### **Issue 4. Staffing: Can we select and retain quality staff in a competitive job market?**

Traditionally, wages in the non-profit sector do not compare favourably with those in private, for-profit business. Moreover, many self-employment promotion schemes originated in a social services context characterized by the belief that employees are compensated by the non-monetary “rewards” of doing good work and helping others. In reality this perception has changed considerably: the managers running microfinance programmes are expert business advisers and financing agents, responsible for people with top-level experience and social and technical skills. To attract and retain good staff, the following set of good practice seems to emerge, at the level of selection, motivation and rewards:

##### ***(a) Staff selection***

What are the best characteristics or types of experience to look for in a job applicant?

**Examples:** (from Ellen Golden, United States) When hiring business counsellors we look for business experience, common sense, capacity to listen, good communications skills and an understanding of issues facing specific targeted populations, e.g., low income. We also look for areas of expertise to establish a balance of skills among staff. With micro-lenders we look for similar skills, with more attention to finance experience, but not necessarily a banking background (although many of our lenders are experienced commercial bankers). Also, we look for the ability to network and form partnerships, an understanding of the economic development landscape and a commitment to the organization’s mission.

(From Peter Reger, Germany) For a microfinance institution, a participatory and cooperative style appears most suitable. Teamwork and fostering team cohesion should be a distinctive feature. It is helpful to have staff who have been business owners.

(From Mary Mathews, United States) An organization needs different skill levels at different stages of its growth and evolution. As our organization matures, we need stronger

technical skills in some positions, often at a greater cost. Regular review of job descriptions, including responsibilities, experience, and skills, is critical. A board may want to set organization policy about salary levels, whether compensation packages will be at or below market value. This could help determine whether an organization is a training ground for entry-level staff or can recruit and retain experienced staff.

Aspiring entrepreneurs are impatient with theory and hungry for practical experience. Programme managers usually agree that trainers and advisers who use less of a classroom, curriculum-bound style and more real-life experience and discussion formats are preferred. Contracting training to colleges and universities often does not work out too well.

***(b) Motivation and training***

To retain good staff and help them improve their skills, offer opportunities for professional growth and development, include staff in decision-making, be aware of unease about organizational changes and growth, provide timely information and support and give customer-based performance feedback. **Example:** (from Ellen Golden, United States) Training varies, depending on individual experience and role, but we actively look for training opportunities for staff and encourage staff members to create an annual development plan. Obviously the Association for Enterprise Opportunity (AEO) conference is one source we turn to. We try to budget at least \$750 per staff member per year for training, but are also trying to increase that amount. Sharing opportunities for workshops and presentations at conferences in and out of state is another strategy for supporting staff development.

***(c) Rewards – How can we reward good performance?***

Many organizations that use a standard salary scale make salary increases commensurate with performance, based on workplans and performance reviews. Other organizations use a bonus system to reward progress toward specific organizational goals. **Examples:** (from Peter Reger, Germany) A credit officer may receive a basic salary and earn a bonus by increasing the number of loans in his/her portfolio. Or a bonus could be given based on other portfolio factors, such as the amount of outstanding loans with payments past due, the number of active loans and the total amount outstanding.

(From Ellen Golden, United States): CEI has had very good luck with staff retention. It may be because we are in a rural state with fewer opportunities, but a desirable place to live. The fact that we are an entrepreneurial organization offering staff the chance to innovate and create makes a difference. Most staff operate fairly independently and are given the opportunity to develop within their own areas. We have also tried to offer decent compensation and benefits.

### **Issue 5. Organization and management: Is our organization designed for quality?**

This section discusses a few of the attributes to good governance and accountability that are common to well run programmes, namely, enlisting a good board of directors and advisers, assuring quality programming and client satisfaction and skillfully balancing risk for both clients and programme operations.

#### **(a) *Organs***

Utilize the expertise and guidance of people in your community to maintain a healthy programme.

*Roles* – Organizations generally have by-laws that determine the role of its board of directors, especially as regards the supervision of programme management. There is much to be gained by taking full advantage of the perspective and talent of outside advisers. Self-employment promotion programmes with an important microfinance operation should also contract an auditor or certified accountant.

*Selection* – Think about the types of individuals to be included. Rather than selecting people you know, consider the areas of expertise the organization needs, such as law, accounting, banking, employment policy, community development, community leadership and client culture.

*Benefits* – A well-chosen board will:

- increase organization visibility;
- add credibility;

- professionalize the organization by adding expertise;
- decrease isolation;
- support fund-raising by bringing new connections;
- approve or validate market-driven revisions in mission and goals;

**Example:** (from Carmel Duggan, Ireland) Many boards are being constituted with just this function in mind. A good board of directors helps to ensure accountability of programmes using taxpayers' money.

- build strategic alliances;
- improve quality client referrals;
- help recruit staff;
- widen the fund-raising net through member contacts.

Because board members are familiar with both your organization and with their own operating environment, they can be very helpful in guiding and approving the programme's fee and salary structures. Particularly in regard to salaries, the board's support of competitive wage structures to attract and retain experienced staff can add much needed organizational stability.

**(b) Giving a voice to the clients**

*Stay flexible* – Watch for changes in customer characteristics and needs as well as changes in the market and policies:

**Examples:** Programmes serving low-income women or aiming to increase the ratio of women served may need to incorporate or make arrangements for childcare and transportation.

(From Bonnie Dallinger, United States) In the early 1990s, managers of a programme for redundant/dislocated workers created a state-of-the art computer centre to help clients learn computer skills – primarily word processing and spreadsheet software. By the end of the decade, the facility was rarely used for training. Instead, it functioned as an “Internet café”.

(From Ellen Golden, United States) In terms of changing trends, we added Internet training to our women's business programme roughly five years ago. When we started, many participants needed help with basic issues, e.g., setting up an email account. Now, many are

much more sophisticated and are coming forward with issues about their web page. Similarly, we started doing training on using Quick Books Pro accounting software because so many clients had purchased it but were afraid to use it. As we have started working with more existing businesses, we find we also need to develop other services.

*Seek continuous feedback* – Managers and staff need regular feedback from clients about the quality of services and interactions with programme staff. Some programmes ask customers to fill out short, easy questionnaires. The results are most helpful when provided to supervisors and trainers who can promptly make needed modifications.

***Examples:***

Were staff helpful?

Was the material too easy/too difficult?

Was the location OK?

Did the process fit your needs?

Was your application reviewed promptly?

What was most helpful?

What was least helpful?

What other services would you like to see offered?

Evaluations should always leave space for spontaneous comments.

*Tailor products and services for client satisfaction* – Based on feedback, training programmes might be modified to include sector-specific client groups, offer learning “modules” on different topics that customers can attend at the point in the development of their business when the information is most timely, or make other changes. Loan programmes might simplify applications, while making sure they are readily available, particularly for applicants seeking small step loans or a guarantee by co-sponsors or a peer group.

**(c) Balance risk**

*Should we provide training and advising to business starters and borrowers?* – One widely debated issue of risk reduction, which has obvious cost implications, is whether enterprise training improves loan repayment rates.

*Reinforce financial management and marketing – Examples:* (From Peg Ryan, United States): The biggest cause of business failure is cash management. Programmes need to hire staff with some financial background. Staff must be able to teach how to price, how to maintain prices and avoid underpricing and how to avoid underestimating expenses, particularly marketing costs.

*Develop lending products that reduce risk for both clients and loan funds* – Loans for first-time borrowers should be small and short term. The average term for loans to first-time borrowers in US programmes is seven months. While some lenders use peer group loans and others provide individual loans, most utilize some method of incremental or graduation lending, where initial loans are quite small, yet fairly easily increased as confidence and trust grow. ACCION Chicago partners with banks to allow clients the opportunity to gain experience, making payments to commercial lending institutions. As a strategy to share the initial investment in a new enterprise, programmes in the United Kingdom and Germany require evidence of investment, however small, from clients' personal funds.

**Issue 6. Financial management: How can we be accountable to funders?**

Government funders generally require audited financial statements (at least on the federal level) and dictate the formats and schedules for financial reporting. Moreover, programmes that are certified as non-profits must comply with given accounting practices and principles. When there are multiple sources of revenue, fund accounting methods will prevail.

This section will provide some ideas regarding tracking and allocating costs, maintaining flexibility, balancing costly with less costly loans and spreading lending risk. Next we will review some basic financial ratios that assist managers to monitor their position, and discuss tracking methods being used with the United States MicroTest project.

**(a) *Tracking and allocating costs***

Depending on the size of an organization, its budget and its activities, the salary of a particular staff member may be charged to a single source or may be spread across numerous sources. For example, there may be categorical funding for service to specific target groups or markets, or to support specific activities, or to work in specific geographic regions. With a good understanding of the distinctions inherent in different funding streams, staff are usually responsible for allocating their salary expenses by way of time sheets, wherein each funding source has an account number. When there are changes in funding sources, the percentage of time that staff devote to each category can be changed relatively easily.

The method for allocation of overhead expenses can be developed in accordance with accepted accounting principles. Costs such as rent, utilities, phone, supplies, etc., are spread in even percentages across accounts, or in proportion to the percentage that the funds represent of the overall budget.

**(b) *Tracking financial performance; watching our ratios***

Both private and public funders are interested in cost data. Financial ratios help to determine efficiency and sustainability. When compared with other organizations, they help set industry standards and norms and alert underperforming programmes of the need to restructure.

When comparing ratios, it is critical to also bear in mind the poverty focus and institutional type that self-employment promotion programmes are shaped on.

Commonly used efficiency measures are:

*Cost per client* – dividing the total cost of the programme (including both training and technical assistance/advising and credit programme costs) by the number of clients served during the year. In FY99, the median cost per client among the 36 US programmes in the MicroTest study was \$1,933;

*Cost per loan* – dividing the operating costs of the credit programme by the number of loans distributed during the year plus the number of clients linked to other credit institutions. This method enables the cost of the credit programme to be spread over all loans that are generated whether or not they come from a programme's own lending facility;

*Operational self-sufficiency* – the financial income derived from the loan fund divided by the credit programme’s operating costs. Financial income is interest and fees paid by borrowers and/or interest income generated by investment of unused loan funds. The operational self-sufficiency ratio among MicroTest credit-led programmes was 25 per cent in FY99.

### **Issue 7. Cost control and efficiency: How can we deliver the best outputs at the least cost?**

In self-employment promotion differences in mission and targeting make it difficult to apply universal efficiency norms. Obviously, programmes that reach deep into populations that have the greatest disadvantage and most intensive training needs will have higher client service costs. In contrast, programmes that focus on lending, particularly in larger amounts, are likely to have lower service costs. Whatever the target group orientation, the small size of most micro-enterprise programmes in industrialized countries translates into high costs. Increasing volume is a key to bringing down these costs. **Example:** The 1999 Directory of US Micro-enterprise Programs from the Aspen Institute lists 281 self-reporting practitioner programmes. Among them, the average number of clients was 221.

#### **(a) *Achieving greater scale***

*Pick promising clients by increasing good referrals.* Effective outreach is much improved by educating your partner organizations. **Example:** (from Isabelle Guerin, France). Most referrals are informal. Organizations that play a key role in this field in France are chambers of commerce and, in rural areas, chambers of agriculture and public social services. It is crucial that these organizations understand microfinance and are convinced. For example in the rural zones of the Rhône-Alpes region, the chambers of agriculture, first, did not understand microfinance, but after some sensitization launched “Plate-forme d’initiative locale”, or local loan funds, in rural zones.

*Enlarge catchment area and become more mobile–* **Example:** (from FIELD Forum Newsletter, Issue 5, United States) “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 administration. 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."

*Improve demand through advertising and outreach –Example:* Radio broadcasts TV stories on business start-ups, print media for advertisements and stories, billboards, sponsor-supported advertising campaigns, attractive notices in employment offices, welfare benefit offices, banks and other public institutions, participation in trade fairs, exhibits or public gatherings, newsletters, web sites.

**(b) Cutting down on expenses**

*Minimize the expense of loan losses – Examples:* (From Peter Reger, Germany): Follow-up on delinquent loans early and clearly. It is important that clients are aware that any delay in payments is noted immediately. Immediately after an installment is overdue, call the client to find out what is happening, remind them of the repayment obligation. On day four, send a letter to the lender and the group or guarantors, if applicable. On day seven send an angry letter. On day ten send a legal letter. On day 30, take legal action. On day 33, call the loan and deny future applications from borrower and co-signers. Decisions to reschedule should be made on a case-by-case basis, based on proper and well-defined policies and should be the rare exception. Only if you really press your clients to repay can you stay in business.

(From Mary Mathews, United States) The best tool we have identified for keeping our delinquency rate low is the Automated Clearing House (ACH), which makes an automatic withdrawal from a client's bank account each month, based on our instructions. If a borrower knows there is not enough money to cover the withdrawal, they call us three days in advance of their withdrawal date or face insufficient funds charges from the bank. This contact from the client allows us to identify problems earlier and respond with technical assistance support, even before the loan payment is due.

*Contract for specialized services and focus on what your organization does best –* Some self-employment programmes contract out such services as accounting and payroll, credit scoring, credit checks, loan processing, delinquency management, specialized training and advising but this requires a fairly sizeable volume of activity. Analyse whether it is less expensive to perform this function in-house or through contracts.

*Share administrative costs with other organizations* – Some programmes are part of a larger job training, economic or community development organization. They realize savings in the costs of support staff (accounting, human resources, etc.), facilities (rent and utilities) and communications (phones, office machines, computer networking). Others share facilities with other businesses in an incubator, an office park, or other business-like environment. However, some clients may be uncomfortable in a higher education setting, a faith-based facility or a social services building.

*Add less costly Internet-based services* – Some processes which can be handled through an Internet web site are programme applications, loan pre-applications, financial reporting. Individual advising can be handled through email and training discussions through chat rooms.

**Example:** (from the FIELD Forum Newsletter, Issue 4, United States) “West Company will introduce The Commerce Cafe, a micro-business association, facilitated online and via telephone to graduates of the core training who have opened or will soon open a business. The Cafe will offer a menu of professional development opportunities that includes: web-based training and technical assistance to individual business owners; packets of business information disseminated monthly via mail, email, Internet and fax; and monthly technical assistance appointments by telephone or web site.

## **Issue 8. Becoming more sustainable: How can we become more sustainable when we serve disadvantaged groups?**

Most practitioners and policy-makers acknowledge that programmes that provide services and products for the unemployed to become self-employed are not likely ever to become self-sufficient and will always require some amount of public, private or foundation subsidies. Nevertheless, the challenge is to maximize programme income, at least in part by selling services and products at cost-covering prices. The challenge is also to provide some transparency on the level of financial self-sufficiency that is effectively reached. Subsidizing institutions will appreciate it.

**(a) *Grow your loan fund***

Because of the income potential of the lending operation, coupling loan fund growth with careful fund management may be the most feasible method for generating more operating revenue. ***Experience:*** MicroTest data show the median operating self-sufficiency level of credit-led programmes to be 25 per cent while that of training-led programmes is 14 per cent.

Increasing loan fund activity can be achieved in many ways. Some methods are:

- increase the amount of loan capital in the fund;
- increase the number of loans (and the time loan officers spend in the field);
- increase the average loan amount;
- raise loan limits;
- turn the capital over often;
- make loan decisions quickly and efficiently (generally within one week of application);
- create innovative loan products, such as lines of credit, equity building products, graduation loans;
- make loans to existing businesses;
- re-examine the mix of low-income and middle-income borrowers.

**(b) Mobilize grants**

Because the cost of advising borrowers before and during the loan period is high, practitioners like to find loan fund sources that include money for that purpose. Often, private banks will make loan capital available but resist giving training and advising grants to programmes. An exception is the popular Micro-Loan Programme of the United States Small Business Administration (SBA). **Example:** The Micro-loan Programme grants technical assistance money to its intermediary lenders (micro-enterprise programmes) at a rate of up to 25 per cent of the total outstanding balance of the loans that the intermediary has borrowed from the SBA. The technical assistance money is available for the term of the loan. This policy makes the SBA programme a good funding source for microfinance schemes in the United States.

**(c) Manage interest rates**

First, Micro-lenders finance businesses that cannot obtain bank financing and the rates should, to some degree, reflect the level of risk associated with these loans. Second, micro-enterprise organization transaction costs are high and programmes strive to generate programme income through interest rate spread (the difference between the cost of funds and the income from interest and fees). Third, the few points that might exist between discounted rates and market rates will not make the difference between success and failure for the borrowers, particularly on short-term, step loans. **Experience:** Micro-lenders generally charge between 2.5 and 4 percentage points above prime commercial rates. Those levels are comparable to those of conventional lenders.

**(d) *Add fee-for-service options***

Many practitioners feel that training and advising services for which the client pays at least a portion of the costs are more appreciated by clients. **Examples:** The Northeast Entrepreneur Fund in Minnesota uses a scale for client fees: customers are charged a fee for consulting services, depending on the customer's current income and ability to pay. A client with more than \$10,000 annual income, but less than \$20,000, would pay \$10 an hour for consultation. Adjustment is made for special circumstances such as family size. Fees are paid at the end of each session unless special arrangements are made.

**(e) *Look for cost recovery from third parties***

Established micro-enterprise organizations are finding opportunities to charge or be reimbursed for their services by other public or private entities. **Examples:** (From *FIELD Forum Newsletter*, Issue 10, United States): "In order to help lower-income customers pay for training, the Northeast Entrepreneur Fund encourages them to seek tuition reimbursement from workforce centers, temporary assistance for needy families and a local foundation".

**(f) *Create a for-profit arm***

Most practitioner organizations operate as non-profit entities. In order to generate additional income with fewer restrictions, some have set up profit-making subsidiaries whose primary purpose is to subsidize the operating costs of the non-profit-organization software companies, graphic designers, or specialty food producers. Central to the success of the relationship between the non-profit and the for-profit is a clear contractual understanding regarding the percentage of the for-profit organization's "surplus" that goes to the non-profit and the reporting relationship between the administrators of each unit.

## Issue 9. Keeping track of performance: What do we really need to know?

Common “good practice” benchmarks are:

### (a) *Client outreach*

*Target groups* – Percentage of clients served in relation to:

- age;
- gender;
- ethnicity;
- disability;
- previous employment status;
- income;
- education

### *Financial performance*

- number of clients served (usually counting only the number who receive substantial services);  
**Caution:** (From Carmel Duggan, Ireland): Be careful not to double count. The Irish experience is that most disadvantaged business-starters obtain support from a range of agencies, and end up being counted by each of them. Consequently, the impact of any one agency may be overstated while the real cost of starting a business is understated.
- number of loan applicants;
- number of clients receiving loans;
- total value of loans disbursed over a given period (usually one year);
- average loan amount.

**Experience:** United States average loan amount among dislocated workers and SBA microloans US\$9,800; among low-income clients US\$5,350.

- average loan term;
- median percentage of training clients who complete training;
- median percentage of clients who complete a business plan;
- percentage of training clients who start or expand a business.

**Caution:** (from Hilary Metcalf, United Kingdom) In the United Kingdom there has been concern that the funding regimes for programmes ... encourage deadweight. Basically, the problem stems from ... over-emphasis on the number of “successful outcomes” from programmes ... especially where this is combined with outcome-related funding. Monitoring deadweight would help identify how provision can be better targeted.

- loan-loss ratio (amount written off – 180 days past due date).

**Benchmarks:** (Peter Reger, Germany) Loan-loss ratio goal is 5 per cent; (Ellen Golden, United States) Loan-loss ratio not to exceed 5 to 8 per cent.

**Benchmark:** Three year business survival rates in Germany, the United States, the Netherlands and France all average 65 to 70 per cent.

- loan delinquency rates.

**Benchmarks:** (Peter Reger, Germany): Delinquency rates not to exceed 5 per cent.

#### *Efficiency and stability*

- median total cost per client receiving a loan;
- median cost of training per client.

#### *Programme outcomes*

- business survival at three years.

**Experience:** 70 per cent of ADIE’s borrowers are still at work after three years; that does not mean failure for the 30 per cent – part of them decide to do something else.

- job creation at three years after business inception.

**Benchmark:** Job creation after three years averages 1.5 to 1.75 jobs.

- increases in household income and assets.

### **Issue 10. Transparency and accountability: How can we demonstrate our good governance?**

Programmes that use tax payers' money need to demonstrate that they operate properly and accomplish the intended goals. This requires deciding on the performance measures, a data collection and reporting system, and a management information system (MIS). Used judiciously, they improve the overall functioning of the organization and provide transparency and accountability to funders. The following table compiled by the Aspen Institute in the United States shows the type of data generated for reporting purposes.

<b>Data category</b>	<b>Definition</b>	<b>Example</b>	<b>Data collection/MIS-related issues</b>
Inputs	Resources needed to conduct programme activities	Number of full-time equivalent loan officers	Can be directly observed and easily tracked in a programme's accounting system.
Outputs	Direct products of programme activity	Number of loans disbursed	Normally tracked in an appropriate MIS "module", e.g. a loan portfolio-monitoring module.
Outcomes	Changes experienced by programme clients during or after connection to programme outputs	An increase in a borrower's annual gross business receipts	Not easily collected. Often requires a separate survey effort on the part of programme staff to follow up with clients to get this data, which is costly. Very few software options are available to capture outcomes data due to lack of standard outcome indicators, so

			most solutions are particular, “home grown” ones.
Impacts	Changes experienced by programme clients as a result of their connection to that programme	An increase in a client household’s annual income	A real challenge to ascertain and attribute to programme activities, normally requiring the work of an outside evaluator to assess differences between treatment and control groups. Expensive proposition for programmes and donors to consider.

Programmes tend to report extensively on inputs and outputs, but are at pains to demonstrate outcomes and impacts.

There are few standard client-tracking systems available off the shelf. The result is that most programmes tried to design their own, with many left dissatisfied with the depth or quality of the data that these systems provide, or the difficulty involved in their use. Almost no client-tracking system links easily to loan portfolio management products, and very few adequately capture historical data, limiting their use for understanding client-level outcomes.

**Example:** (from William Finseth, Canada) A group of ten Community Futures Development Corporations decided to build their own system to capture detailed information about each borrower, type of disability, employment benefits or another benefits, etc. It tracks non-loan activities such as business training and special business counselling. It calculates nominal and effective interest rates, tabulates interest surcharges to cover levels of higher risk, loan fees and other charges such as penalty charges for late payments, etc.

MIS software is designed to mirror the operational procedures and informational needs of the institution, and there are no two institutions with exactly the same operational procedures and information needs. The “fit” between software and institution is imperfect at best:

- (1) Variety in the *breadth* of services provided. In microfinance and self-employment promotion packages include credit, other financial and non-financial services such as training, technical assistance and mentoring.

- (2) Variety in the *depth* of information needs. Different institutions have different needs and preferences for the amount and complexity of the information tracked.
- (3) The *scale* of the institution. As an institution grows in staff and clients, its information needs will change in substantial ways, primarily with regard to capacity and security issues.

	Institution "A"			
Category	Basic	Intermediate	Advanced	Score
Breadth	x			1
Depth	x			1
Scale	x			1
<b>Total score</b>				3

Institution A, which has only one service to track (training), has minimal information needs (it primarily tracks course attendance information, needs very little demographic data and does not monitor outcomes), and operates at relatively small scale (about 100 clients served by three staff). It scores a total of three points, the minimum score, indicating that it should be able to find a reasonable solution to its information needs. It should be able to either use a basic commercial package or even be able to develop its own homemade solution by using a product such as Microsoft Excel.

	Institution "B"			
Category	Basic	Intermediate	Advanced	Score
Breadth	x			1
Depth		x		2
Scale		x		2
<b>Total score</b>				5

Institution B, a credit union, provides only loans (scoring one for "breadth"). The institution must track information for businesses with multiple owners as well as owners with multiple businesses, and they are required to track detailed household income levels to satisfy donor requirements, thus scoring a two for "depth" of information. Finally, They are of medium scale and need to have a networked system with reasonably good security measures built in to the software, such as user logons and protected data files, thus scoring a two for

scale/sophistication. Their total score is thus five, indicating that their task is considerably harder than that for Institution A.

	<b>Institution “C”</b>			
<b>Category</b>	<b>Basic</b>	<b>Intermediate</b>	<b>Advanced</b>	<b>Score</b>
Breadth			x	3
Depth			x	3
Scale			x	3
<b>Total score</b>				<b>9</b>

Finally, Institution C offers multiple services (credit, IDAs, training courses, individual technical assistance, and referrals to other social agencies), its information needs are complex (it tracks a large number of demographic indicators for its multiple donors and is committed to monitoring outcomes), and is of significant scale (e.g. 1,000 clients served by 20 staff) and is concerned about issues of client confidentiality. The resulting score is the maximum possible of nine, indicating that this institution has a very significant task and will need a much more advanced approach to information management. It will likely need to expend a great amount of time, effort, and money to finding and implementing a solution to its information needs.

**(a) Troubleshooting**

*Are internal procedures in place to spot performance problems?* Hand in hand with tracking performance is the need to spot problems and intervene. While these examples are client specific, they illustrate that there are systems in place to improve outcomes.

- Conduct “exit” interviews.

**Examples:** The ILO’s United Kingdom report recommends interviewing programme-leavers and people who dissolve their businesses to determine whether other programme interventions might have made a difference. Properly used, the results can improve outcomes.

- Re-examine selection methods.

Some programmes try to avoid “failure” by emphasizing client self-screening. Most rely on the client’s good judgement, enhanced by rigorous pre-enrolment or pre-application orientation sessions presenting a realistic picture of the many challenges of self-employment.

The United Kingdom report notes, however, that care should be taken to avoid screening-out the less confident customers and thereby increasing deadweight.

- Spot client problems early – emphasizing rapid assistance and, when appropriate, programme departure.

Although it is a relatively expensive strategy, maintenance of regular contact with clients by a case manager or loan officer allows programme staff to identify and assist with problems. Similarly, when a client is no longer making progress in their business planning, some organizations require evidence of activity, “homework”, before further training and advising takes place.

*Use good judgement in applying standards and interpreting data wisely.* As mentioned in our section on performance measurement, there are many subtleties to the definitions of performance. **Examples:** Some programmes do not count a client as an “input” until the client is involved in more intensive services than an introductory seminar or series of orientation workshops.

Some loan programmes do not consider a loan applicant a potential borrower until the application has been reviewed and is complete and timely.

When employment is the primary micro-enterprise programme goal, success is counted as any positive outcome for the client: including wage employment, return to education, electing to leave the labour force to undertake family responsibilities, etc.

Growth in household income, whether attributed to full- or part-time wage employment or from self-employment, should be considered a success.

Practitioners can and should set the definitions for evaluation of programme effectiveness. At the end of the day, the result of careful examination of our programmes’ effectiveness provides us with the critical information needed to continually improve. In so doing, we fulfil the promise of good governance and succeed in achieving public goals.

**Issue 11. Strategic alliances: How can we work together to improve our programme?**

As industrialized countries develop more experience with fostering self-employment for socially excluded or disadvantaged people, much is to be gained by practitioners learning from each other and forming strategic alliances. Within the countries that partnered for the enterprise creation study, various networks have developed to help inform and improve the quality of individual programmes.

Four key functions are emerging from within practitioner networks:

- learning from each other;
- considering certification or quality standards;
- defining and implementing common performance measurements;
- providing advocacy and policy advising to government and other funding sources.

**(a) *Developing networks***

*France*

France has seven private non-profit practitioner networks engaged in good practice policy. Based on their work, the *Ministère de l'Emploi* published a “*charte de qualité*,” a quality chart, which aids in evaluating the microbusiness development services of new organizations applying for funds. They partner with France’s two microcredit organizations to select, advise and prepare clients for loans and business start-up. The networks are working to establish good practice “rules” and performance measures.

*The Netherlands*

The National Platform for Local Starters (LPLS) includes almost all intermediaries in the Netherlands that provide special services for (primarily unemployed) start-up entrepreneurs. Recent policy developments are discussed in this platform.

No training programme for business advisers exists in the Netherlands. Programme accountability is largely based on confidence and cooperation. Each micro-enterprise programme establishes its own standards for reporting. The information available varies

significantly. If targets are set, they are usually in terms of outflows into self-employment or the completion of a business plan.

The authors of the Netherlands ILO report believe, as the Ministry of Social Affairs and Employment increases financing of micro-enterprise programmes, an instrument for tracking clients should be developed, in close conjunction with the LPLS, and the focus should be shifted to outreach of target groups rather than outflow into self-employment.

*The United States*

The micro-enterprise industry in the United States began to take shape in the mid-1980s, due to growing interest at both the federal government and local community development levels. By 1990, practitioner organizations, scattered throughout the country, formed a practitioner-led organization, the Association for Enterprise Opportunity (AEO).

AEO has now grown to represent more than 500 micro-enterprise-related organizations, including practitioner organizations (which, in the United States, are usually also lenders), community development corporations and financial institutions, foundations and government agencies. Its primary value is the quality of its peer-based training at regional and national conferences and, increasingly, the strength of its advocacy with Congress.

**(b) Financial ratios**

*To measure financial sustainability, operating efficiency and portfolio quality (from unpublished paper by Peter Reger)*

**Financial sustainability ratios**

<b>Measure</b>	<b>Formula</b>	<b>Purpose</b>
Return on performing assets	<i>Financial income:</i> Average performing assets	Indicates financial productivity of credit services and investment activities
Financial cost	<i>Financial costs:</i> Average performing assets	Shows cost of funds, affected by net worth, soft/hard loans
Loan loss provision	<i>Loan loss provision:</i>	Indicates provisioning

	Average performing assets	requirements on loan portfolio for current period
Operating cost	<i>Operating expenses:</i> Average performing assets	Key indicator of lending operation efficiency
Imputed cost of capita	[inflation x (net worth – net fixed assets)] + [inflation – interest rate per day] x concessional loans imputed <i>Cost of funds:</i> Average performing assets	Indicates cost of maintaining purchasing power of net worth and soft loans
Donations and grants	<i>Donations and grants:</i> Average performing assets	Shows institutional dependency on outside operations funding
Operating self-sufficiency	<i>Financial income:</i> Financial and operational costs + provision	Shows institutional ability to cover operation costs with internally generated income
Financial self-sufficiency	<i>Financial income:</i> Financial and operational costs + provision + imputed capital costs	Indicates institutional capacity for full projected sustainability by covering all operating costs and maintaining capital value

### Operating efficiency ratios

<b>Measure</b>	<b>Formula</b>	<b>Purpose</b>
Cost per money unit loaned	<i>Operating costs</i> : Total amount disbursed	Indicates efficiency in disbursing loans (in monetary terms). Costs decline in mature programmes
Cost per loan	<i>Operating costs</i> : Number of loans made	Indicates efficiency of disbursing loans (in terms of numbers of borrowers)
Number of active borrowers per loan officer	<i>Active borrowers</i> : Loan officers	Indicates loan officer performance and methodology efficiency
Portfolio per loan officer	<i>Outstanding loan value</i> : Loan officers	Indicates potential financial productivity per loan officer

**Portfolio quality ratios**

<b>Measure</b>	<b>Formula</b>	<b>Purpose</b>
Delinquency	Average single loan amount x average number of <i>delinquent clients</i> Outstanding loan value	Indicates the frequency of non-payment
Portfolio in arrears	<i>Payments in arrears</i> Outstanding loan value	Indicates amount of past-due loan payments
Portfolio at-risk	<i>Balance of loans in arrears</i> Outstanding loan value	Measures portfolio default risk
Loan loss	<i>Amount written off</i> : Average loans outstanding	Indicates extent of non-correctable loans during the most recent period
Reserve	<i>Loan loss reserve</i> Outstanding loan value	Indicates reserve adequacy in relation to portfolio

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## **Web links**

### ***Canada:***

Calmeadow: [www.calmeadow.com](http://www.calmeadow.com)

Canadian International Labour Network: [labour.ciln.mcmaster.ca/overview.htm](http://labour.ciln.mcmaster.ca/overview.htm)

Canadian Labour Congress: [www.clc-ctc.ca](http://www.clc-ctc.ca)

Concordia University: [www.concordia.ca](http://www.concordia.ca)

Confédération des syndicats nationaux (CSN): [www.csn.qc.ca](http://www.csn.qc.ca)

Crocus Investment Fund: [www.cvca.ca/full\\_members/crocus\\_investment\\_fund.html](http://www.cvca.ca/full_members/crocus_investment_fund.html)

Human Resources Development Canada: [www.ont-hrhc-drhc.gc.ca](http://www.ont-hrhc-drhc.gc.ca)

Le Fonds de Solidarité des Travailleurs de Québec (FTQ): [fondstftq.com](http://fondstftq.com)

Nova Scotia Economic Renewal Agency: [www.gov.ns.ca/ecor](http://www.gov.ns.ca/ecor)

Self-Employment Development Initiative: [www.the-wire.com/sedi](http://www.the-wire.com/sedi)

Vancouver City Savings Credit Union: [www.vancity.com](http://www.vancity.com)

### ***France:***

Association pour le Droit à l'Initiative Économique (ADIE): [www.adie.org](http://www.adie.org)

Agence Pour La Création d'Enterprises: [www.apce.com](http://www.apce.com)

Centre WALRAS: [web.mrash.fr/commun/MAJweb.htm](http://web.mrash.fr/commun/MAJweb.htm) or [web.mrash.fr/labo/walrasn/walras.html](http://web.mrash.fr/labo/walrasn/walras.html)

Ministère de l'emploi et de la solidarité: [www.travail.gouv.fr/sources/minist0/somtrav.htm](http://www.travail.gouv.fr/sources/minist0/somtrav.htm)

Finansol: [www.globenet.org/finansol](http://www.globenet.org/finansol)

### ***Germany:***

Bertelsmann Stiftung: [www.stiftung.bertelsmann.de/verlag/index/htm](http://www.stiftung.bertelsmann.de/verlag/index/htm)

Deutsche Ausgleichsbank: [www.dta.de](http://www.dta.de)

Institut für Arbeitsmarkt und Berufsforschung der Bundesanstalt für Arbeit (IAB): [www.iab.de](http://www.iab.de)

Institut für Finanzdienstleistungen: [www.hwp.uni-hamburg.de/iff](http://www.hwp.uni-hamburg.de/iff)

Research institute on microcredit and finance: [www.iff-hamburg.de](http://www.iff-hamburg.de)

Rhine-Westphalia Institute for Economic Research (RWI): [www.rwi-essen.de](http://www.rwi-essen.de)

Säule microlending: [www.mikrokapital.de](http://www.mikrokapital.de)

Zentrum für Europäische Wirtschaftsforschung: [www.zew.de](http://www.zew.de)

### ***Ireland:***

Bank of Ireland: [www.boi.ie/boi.index.html](http://www.boi.ie/boi.index.html)

Fingal Centre for the Unemployed: [www.iol.ie/ictu/welfare/htm](http://www.iol.ie/ictu/welfare/htm)

Irish Congress of Trade Unions: [www.iol.ie/ictu/congress/htm](http://www.iol.ie/ictu/congress/htm)

Social and Economic Consultants (WRC): [www.iol.ie/EMPLOYMENT](http://www.iol.ie/EMPLOYMENT)

### ***The Netherlands:***

FACET BV: [www.worldaccess.nl/~facet/Home.html](http://www.worldaccess.nl/~facet/Home.html)

Mama Cash: [www.mamacash.nl/mamacash](http://www.mamacash.nl/mamacash)

Nederlands Participatie Instituut: [www.snpi.nl](http://www.snpi.nl)

Rabobank: [www.rabobank.nl](http://www.rabobank.nl)

Shell (Small Business Unit): [www.srtca.shell.nl/sbu](http://www.srtca.shell.nl/sbu)

STASON: [www.see.shell.nl/sbu/12.html](http://www.see.shell.nl/sbu/12.html)

Triodos Bank: [www.Triodos.com](http://www.Triodos.com)

### ***United Kingdom:***

Aston Reinvestment Trust: [www.arq.co.uk/art/index.html](http://www.arq.co.uk/art/index.html)

Glasgow Regeneration Fund: [www.regenfund.co.uk](http://www.regenfund.co.uk)

ICOF: [www.icof.co.uk](http://www.icof.co.uk)

Malcolm Lynch Solicitors: [www.malcolmlynch.com](http://www.malcolmlynch.com)

New Economics Foundation: [sosig.esrc.bris.ac.uk/NewEconomics/newecon.html](http://sosig.esrc.bris.ac.uk/NewEconomics/newecon.html)

Prince's Youth Business Trust: [www.princes-trust.org.uk](http://www.princes-trust.org.uk)

UK Social Investment Fund: [www.arq.co.uk/ethicalbusiness/uksif](http://www.arq.co.uk/ethicalbusiness/uksif)

Unity Trust Bank: [www.unitygroup.co.uk](http://www.unitygroup.co.uk)

***United States:***

ACCION: [www.accionusa.org](http://www.accionusa.org)

Aspen Institute: [www.aspeninst.org](http://www.aspeninst.org)

Association for Enterprise Opportunity: [www.micro-enterpriseworks.org](http://www.micro-enterpriseworks.org)

Corporation for Enterprise Development: [www.cfed.org](http://www.cfed.org)

FIELD web site on MicroTest: [www.fieldus.org/li/MicroTest.html](http://www.fieldus.org/li/MicroTest.html)

FINCA: [www.villagebanking.org](http://www.villagebanking.org)

National Community Reinvestment Coalition (NCRC): [www.ncrc.org](http://www.ncrc.org)

National Federation of Community Development Credit Unions: [www.cdfi.org](http://www.cdfi.org)

Small Business Administration (MicroLoan programme): [www.sba.gov/financing](http://www.sba.gov/financing)

Urban Institute: [www.urban.org](http://www.urban.org)

US Department of Health and Human Services: [www.acf.hhs.gov](http://www.acf.hhs.gov)

US Department of Labor: [www.doleta.gov](http://www.doleta.gov)

***International organizations/general sites:***

Enterweb: [www.enterweb.org](http://www.enterweb.org) (an annotated meta-index and information clearinghouse)

European Union: [europa.eu.int/comm/development/publicat/microfinance/index\\_en.htm](http://europa.eu.int/comm/development/publicat/microfinance/index_en.htm)

Fundusz Mikro: [www.funduszmikro.home.pl](http://www.funduszmikro.home.pl)

International Association of Investors in the Social Economy: [www.inaise.org](http://www.inaise.org)

International Labour Organization: [www.ilo.org/public/english/employment/finance/otherpub.htm](http://www.ilo.org/public/english/employment/finance/otherpub.htm)

MICROCREDIT Summit: [www.microcreditsummit.org](http://www.microcreditsummit.org)

Microfinance Centre for Eastern and Central Europe: [www.mfc.org.pl](http://www.mfc.org.pl)

OECD: [www.oecd.org/tds/self.htm](http://www.oecd.org/tds/self.htm)

Planet Finance: [planetbank.org/en/index.htm](http://planetbank.org/en/index.htm)

United Nations Development Programme, Special Unit for Microcredit: [www.undp.org/sum](http://www.undp.org/sum)

USAID's Micro-enterprise Innovation Project: [www.mip.org](http://www.mip.org)

Virtual Library on Microcredit: [www.gdre.org/icm](http://www.gdre.org/icm)

## **Appendix 1: List of Contributors**

Bonnie DALLINGER, Dallinger Consulting, United States.

Carmel DUGGAN, WRC Social and Economic Consultants, Ireland.

William FINSETH, Consultant, Canada.

Ellen GOLDEN, Coastal Enterprises, United States

Isabelle GUERIN, Institut de recherche pour le développement (IRD), France.

Mary MATHEWS, Northeast Entrepreneur Fund, United States.

Agnes NOONAN, Women's Economic Self-Sufficiency Team, United States.

Peter REGER, Landesagentur für Struktur und Arbeit, Germany.

Peg RYAN, The Commonwealth Corporation, United States.