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Establishing an Indigenous
Microenterprise Development
and Loans Program in Australia

Report by Glen Brennan PSM
2007 Churchill Fellow

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Signed: Glen Brennan

Dated: 8 May 2008

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Introduction

The purpose of this paper is to provide an overview for the implementation of an Indigenous Microenterprise Development and Loans Program in Australia. It takes the learning's from the international microenterprise programs visited as part of my Churchill Fellowship and applies them to the unique Australian environment.

So what is a 'Microenterprise Development and Loans Program'? Well, this is the umbrella phrase used to describe the end-to-end process required to responsibly lend to financially excluded Indigenous entrepreneurs who wish to start up or expand an existing small business.

Special thanks must go to the organisations ACCION Texas (San Antonio), ACCION USA (Boston), Canadian Youth Business Foundation (Toronto), First Step – Ireland (Dublin), Prince's Trust – Great Britain (London) and Youth Business International (London) who so openly and candidly shared their knowledge, skills and expertise. It was a true delight to meet passionate people who believe whole heartedly in their work.

And of course, thanks must also go to the fantastic people involved in the Churchill Trust. Because of them I've had the opportunity to visit a broad range of Microenterprise Programs worldwide that would have otherwise remained a mystery to me.

NOTE: I should also declare that I am currently a fulltime employee of the National Australia Bank (NAB). In particular, I am Manager, Community Finance and Development and specifically look after NAB's \$18M Microenterprise Loans Program.

I'm also one of Australia's most senior Indigenous bankers being proudly born and bred amongst the Kamilaroi people of North West NSW.

Executive Summary

Glen Brennan (PSM)
Victoria
gbr15968@bigpond.net.au

The fellowship travel was undertaken between 15 March and 12 April 2008. The aim of the fellowship was to visit programs where microenterprise loans were being used as a tool to reduce financial exclusion and welfare dependency. I met extraordinary people who called themselves everything from *"caring capitalist"* to *"Robin Hood"*. Yet all shared a passion for their work and the people they help.

Highlights:

- Visiting the newly established ACCION Texas HQ in San Antonio.
- Meeting the incredibly talented Mahsa Taheri who has redefined what it means to be a business mentor in Toronto.
- Realising that I had played Rugby against First Step Ireland CEO John Cranfield's son some 16 years earlier.
- The determination of Andrew Davenport to empower young people around the world to start a business.

Recommendations:

1. A Indigenous Microenterprise Development and Loans Program must:
 - use the skills and expertise of community organisations to assist in finding Indigenous entrepreneurs;
 - access existing government services to provide business training and ongoing mentor support; and
 - engage the finance sector to provide business acumen associated with lending and loan management.
2. A Microenterprise Development and Loans Program cannot be delivered by a single entity. Rather, what is required is a coalition of partners with each being prepared to draw on their strengths and play their crucial role in the end-to-end process.
3. A Microenterprise Development and Loans Program cannot compete with Government grants that do not require repayment.

Implementation:

- Over the next 12 months the National Australia Bank and Indigenous Business Australia will trial an Indigenous Entrepreneurs Program which aims to test the approach put forward in this report.
- The findings from this partnership will be made public via a report that will be published on various websites.

Report

1. A couple of small points of clarification

1.1 What's in a phrase

The phrase Microenterprise Development and Loans Program essentially describes the interdependent elements which, when offered in totality, offer a structured pathway to find, train, lend to and provide ongoing support to an Indigenous entrepreneur.

Specifically, an Indigenous entrepreneur who has sound business ideas, yet because of a lack of opportunity, capital or business literacy has been denied the opportunity to participate in the Australian economy via a small business.

The four key elements of the program include:

1. Sourcing entrepreneurs;
2. Providing suitable business literacy training;
3. Loan capital and lending;
4. Ongoing mentor support.

It is these components, which differentiate Microenterprise programs in developed economies like Australia, from their more famous cousins in developing economies, for instance, the Grameen Bank in Bangladesh. The fact is, Australia's regulatory environment requires even the simplest small business to have appropriate licenses, pay taxes and comply with various standards and regulations. This adds to the complexity of microenterprise lending and ultimately, the overall costs, as additional investment is needed to train entrepreneurs so that they not only survive, but flourish in this regulatory world.

1.2 This is for real

It is crucial, that such a program empowers Indigenous entrepreneurs to create real businesses, real jobs and real value through a genuine proposition to consumers and/or industry. Anything less, will be rightly seen as a token effort that is more aimed at ticking the "*look what we've done for Indigenous Australia*" box than achieving real outcomes.

For many Indigenous Australians who are welfare dependent or struggling to make ends meet, such a program provides an opportunity for them to create a new beginning, not only for themselves, but for their families and the communities in which they live. It represents a future of financial independence, where hard work is recognised and rewarded.

1.3 Efficiency vs Sustainability

I state throughout this report that Microenterprise loans are offered on a not-for-profit basis. Indeed many people dream that one day such programs will be self sustaining. However, the reality is that such programs are worse than not-for-profit. They actually cost money to run. The additional costs required to adequately find, train and mentor an Indigenous entrepreneur, combined with low loan volumes and the odd default, conspire to tip such programs into the red.

The real question here is how efficient is the program and how to avoid "leakage". Federal opposition leader Brenda Nelson recently said that during the ATSI years *"the money intended for Aboriginal people was like a whale carcass dragged through a pool of sharks: "A bit was taken out at every step of the way before it got to the people for whom it was intended."*

To avoid this happening, a coalition of partners need to be prepared to play their part, drawing on their strengths which will ensure a successful end-to-end process.

1.4 Financially excluded

If anyone intends to read this paper and thinks that a Microenterprise Development and Loans Program, represents a cheap alternative to commercial bank finance for Indigenous Australians, than you will be very disappointed because it's not!

A Microenterprise Development and Loans Program does not represent competition to commercial bank finance. Such a program, if properly delivered, is not for Indigenous entrepreneurs who can get a normal business loan.

The key terms here is *"financially excluded"*. A Microenterprise Development and Loans Program should be seen as a safety-net to capture individuals who have lodged business loan applications which have been declined.

It sounds daunting and yes, it will be difficult, but as this paper will demonstrate - it can be done if we're prepared to roll-up our sleeves and have a crack!

The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year. John Foster Dulles

2. Do Indigenous entrepreneurs exist and do they need finance?

The best way to kickstart this paper is to articulate the need for an Indigenous specific Microenterprise Development and Loans Program. After all, if there are no Indigenous entrepreneurs why bother with the Microenterprise program?

Swinburne University's, Australian Graduate School of Entrepreneurship Lecturer, Dennis Foley identified that there is a discrepancy between the level of self-employment of Indigenous and non-Indigenous Australians. In particular, while 16 per cent of non-Indigenous Australians are self-employed, less than 5 per cent of Indigenous people are likewise occupied.

To eliminate the discrepancy, between Indigenous and non-Indigenous self-employment rates, would require more than a three-fold increase in Indigenous small business activity. This would increase the number of Indigenous self-employed from approximately 6,089 to approximately 20,297, an additional 14,208 people.¹

Foley's research revealed, that inhibitors to business growth and success within Australia for Indigenous urban entrepreneurs includes limited access to capital and business finance and the effects of racial and gender discrimination.

While the research doesn't give the break up between lack of capital and discrimination, it is probably safe to say that there is a significant growth opportunity for Indigenous entrepreneurs if they had access to the right finance.

3. Competing with Government grants?

No matter how good the microenterprise loan product, it will never be able to compete with a government grant that requires no repayment. Specifically, there are some Governments who provide tax payer funded grants to Indigenous entrepreneurs to start up or expand a small business.

Indigenous Australians who take up these grants, should be applauded for their business acumen and foresight. After all, it is sound business sense to take a grant you don't have to repay as opposed to a business loan (even a not-for-profit one) with all its conditions and expectations.

However, it's the absence of these conditions and expectations that is at the heart of Indigenous disadvantage today. If a Microenterprise Development and Loans Program is to be successful then these government funded grant programs must cease. Governments should take their grant money and spend it on finding, training and mentoring Indigenous entrepreneurs who received a Microenterprise Loan.

4. But what's the business case?

I had a University lecturer who once said "*a good idea without a business case is just another idea*"? It's just a '*flash way*' of saying what is the financial implication/justification for doing something new as opposed to maintaining the status quo? In this instance, what's the financial impact of offering a Microenterprise Development and Loans Program?

Owen Stanley from James Cook University and Mark Bromley from Opportunity International used conservative assumptions about the success rate of participating Microenterprise and the current level of welfare spending to estimate that government, by investing in such programs could generate a net saving of between \$16,000 and \$100,000 (an average of \$51,000) per participant in future reduced welfare payments and increased tax revenue. Even a relatively costly pilot project is estimated to generate a future stream of benefits of around double the initial investment.

Interestingly, Stanley and Bromley also identified that one of the problems facing such businesses is the difficulty they have accessing loans for investment purposes².

Informed decision-making comes from a long tradition of guessing and then blaming others for inadequate results. **Scott Adams**

¹ Foley D. *Indigenous Australian Entrepreneurs: Not all Community Organisations, Not all in the Outback* DISCUSSION PAPER No. 279/2006, Centre For Aboriginal Economic Policy Research - 2006

² Stanley O & Bromley M, *The Long-Term Benefits of MED in a Developed Country: Opportunity International's Program with Indigenous Australians*, James Cook University, Australia - 2005

5. Finding Indigenous Entrepreneurs

A key issue for all Microenterprise Programs examined, is how to reach the micro entrepreneurs i.e. how to find them or at least have them find you.

ACCION Texas has adopted a unique approach to finding entrepreneurs by employing a network of 11 offices with 23 local community officers who essentially act as a broker between their community and ACCION Texas. The primary objective of their staff, who are usually housed within a partner bank office, is to seek out entrepreneurs and refer them to ACCION Texas. Importantly, these officers understand the lending requirements, however, they are not involved in the loan approval process.

ACCION Texas offers incentives to its local community officers. In particular, officers are required to achieve lending targets to justify their ongoing employment. That is, they must achieve a set number of referrals and then successful loan approvals to remain employed. As a result, the loan assessment team is able to focus on high quality applications and maximize their time and efforts.

The Canadian Youth Business Foundation (CYBF) has opted for a different approach, albeit just as effective. They have recently launched a targeted advertising campaign under the banner of *"be the boss"*, to engage its target market of young entrepreneurs (18-30 years). In particular, CYBF positions itself as an organisation that can help put ideas into motion. However, CYBF also positions the attributes of the entrepreneurs in its promotions i.e. *"do you have knowledge about your market and incredible work ethic and a lot of passion and perseverance?"* It's a delicate balancing act which aims to both encourage and establish expectations at the same time.

First Step Ireland and the Prince's Trust Britain, work with a range of partners including banks who refer their declined applications for consideration. Such partnerships are based on a significant level of trust which is built over an extended period of time.

However, probably the most powerful recruitment tool is the success stories of their loans. All organisations, either via print or online, work tirelessly to showcase the human face of their program. It's the old adage, success breeds success. Seeing someone that has gone on to live the dream remains the most effective recruitment tool.

5.1 Implications for Australia

An Indigenous Microenterprise Program, must have the ability to reach deep within Indigenous communities, to find Indigenous entrepreneurs. This can be achieved through partnering with existing service providers and/or by employing specialist Indigenous Economic Development Liaison Officers (an expensive option).

There are already many peak Indigenous bodies, with extensive regional networks, that could become involved as referral partners. Similarly, the 'liaison officer' role is nothing new to Indigenous affairs in Australia. Liaison officers are widely used in health care, education, law enforcement, cultural heritage management, the resources sector and even economic development.

The challenge will be to engage these existing organisations and their community networks to help find financially excluded Indigenous entrepreneurs. However, if organisations and their community networks could be empowered with information regarding the assessment process and eligibility criteria, the quality of any referrals would be significantly improved.

Any attempt, by either the partners (including banks) to refer clearly ineligible applicants, as opposed to having the hard conversation themselves, would flood the microenterprise programs with time wasters. Similarly, the microenterprise program must be seen as a partner to the bank and not a competitor that grand stand on their safety net lending capacity.

However, ultimately the program will live or die by its success stories and the opportunities they represent. A skeptical Indigenous Australia will need to see black faces living the dream, otherwise it will remain exactly that – a dream!

You can't wait for inspiration. You have to go after it with a club.
Jack London

6. Providing suitable business literacy training

There are those that will argue that mandatory business literacy training simply tips a big bucket of water on the entrepreneurial flame. On the other hand, there are those who believe it is not only an important part of due diligence, but also an essential character check.

I must confess, I'm in the second camp and believe business training is essential.

The business training expectation varies from program to program. ACCION Texas and ACCION USA have no formal requirements for their clients to complete business literacy training. However, they have partnered with the US Government's Small Business Administration to offer programs should a client require some assistance.

Similarly, CYBF, First Step in Ireland and the Princes Trust don't have formal requirements for their clients to complete business literacy training. However, applicants are expected to be knowledgeable about their chosen business field. Again, government partners are available to offer training, if required.

Yet, while formal business literacy training is not mandatory, a robust and detailed business plan certainly is in all programs. Indeed the business plan and the process associated with its development is the foundation stone that all program's use to base their lending decisions on.

In most cases, minor assistance is offered to develop the business plan. While each program has various templates and guides to assist entrepreneurs through the process, the business plans actual development remains essentially the task of the entrepreneurs. The process aims to challenge the entrepreneurs to carefully think through their business model and their approach.

Ownership of the business plan is essential, as it is used as the yardstick to measure the entrepreneur's technical skills, industry knowledge and their commitment to business. In some cases, the business plan is presented to a panel by the entrepreneurs. It could be argued, that the process of developing and ultimately defending your own business plan is hands on business literacy in practice.

6.1 Implications for Australia

Given the potential diverse range of skills and knowledge that Indigenous clients are likely to have, a single generic business literacy training requirement is likely to be unworkable. Rather, it is more practical to adopt a case-by-case approach that aims to emulate the international programs. That is *"clients should be able to demonstrate the skills and knowledge required to run a small business"*. This could be achieved in a number of ways. Firstly, via experience in their chosen field or alternatively through some type of formal business literacy qualification.

However, the expectations associated with the business plan can be standardised, to address the key criteria required to assess the loan application. The process, also provides a mechanism that aims to fully extract the business idea from the entrepreneurs head and assemble it in a format that a loan assessor or assessment panel can be comfortable with.

While assistance should be available for Indigenous entrepreneurs, to guide the development of the business plan, it is crucial that the plan remains the primary responsibility of the entrepreneurs and not

the work of a third party. The process is not aimed at being a quasi funding submission. Rather, it's the process associated with developing the plan, which aims to build Indigenous entrepreneurs confidence and knowledge bank.

In preparing for battle I have always found that plans are useless, but planning is indispensable.
Dwight Eisenhower

7. Loan Capital

Each of the International Programs examined, are required to raise their own loan capital and also their own operational budgets. This has important ramifications, as each program is required to brand and market their programs to ensure they are considered "sexy enough" to warrant funding support in what is a crowded sector.

ACCION Texas and ACCION USA both have a range of partners who contribute both loan/operational capital and in-kind support. For ACCION Texas, with an annual administrative budget of approximately US \$4.5M+ loan capital, this represents a sizable fundraising task. Similarly, ACCION USA has operational expenses of approximately US \$3.9M + loan capital.

Both organisations excel at raising funds from the corporate and philanthropic sectors in what is an incredibly competitive market.

However, a unique US Federal Law also helps. In particular, the Community Reinvestment Act (or CRA). Basically, the CRA requires banks to help meet the credit needs of all segments of their communities, including low and moderate income neighborhoods. The CRA and its implementing regulations require federal financial institution regulators, assess the record of each bank in helping to fulfill their obligations to the community. This is also considered, when evaluating applications for charters or for approval of bank mergers, acquisitions and branch openings.

With this in mind, ACCION Texas and ACCION USA provide banks with a ready made solution to fulfilling this obligation.

The Canadian Youth Business Foundation (CYBF) on the other hand, raises its loan and operational budgets via a mixture of Government, corporate and philanthropic sources. In particular, the Canadian provincial Governments have proactively supported the program. For example, the Ontario Government provided \$1.7M in 2006. The business case for the Ontario Government's contribution is that CYBF is expected to generate 281 new start-up businesses. These businesses are expected to generate an estimated \$51M in sales revenue, \$15M in tax revenue, \$12M in export revenue and create more than 3500 new jobs by 2009.

First Step in Ireland recently sourced their loan and operational budgets, through the newly established Social Finance Foundation - incorporated in January 2007. The seed capital funding of €25m was provided by the banking sector through its representative body, the Irish Banking Federation (IBF).

The establishment of the Foundation was in response to proposals made in a number of reports over recent years, promoting the development of social finance in Ireland by enhancing the level of resources available for social finance lending. To date, First Step is the only organisation that has successfully negotiated the stringent accreditation process required to use funding from the Foundation.

First Step has also negotiated a deal with the European Investment Fund Loan Guarantee Scheme. The Fund has agreed to reimburse First Step for all losses incurred in its lending activities, essentially guaranteeing the First Step book.

With 39 independent youth enterprise programs throughout the world, it is little wonder Youth Business International raises its loan and operational budgets via a mixture of public sector, individual business (from multi-national corporation to local companies), public sector, multilateral development organisations, private, family and corporate foundations, individual corporate and philanthropic sources. Each program is required to source its own funds in addition to the support offered by YBI.

7.1 The Loan Terms

There is no set structure for Microenterprise loans. All organisations adopt an individual approach to setting the terms of their loan, which is consistent with their organisational aims and objectives and the expectations of their stakeholders.

A summary of the key loan terms is provided in the table below.

Program	Loan Size	Interest Rate	Payment Period	Fees & Charge
ACCION Texas	\$500 to \$50,000	Vary and reflect the market rate and loan risk	Terms from 6 to 72 months	Nil
Canadian Youth Business Foundation	Up to \$15,000	First year, CIBC prime rate plus 2% Second year, conditional on timely payments, CIBC prime rate plus 1% Third and subsequent years, conditional on timely payments, CIBC prime rate.	3- 5 year Amortized over 3 years if loan is \$7,500 or less or 5 years for loans over \$7,500 Interest-only payments in the first year Principal repayments are made over the remaining two to four years, depending on the amount borrowed.	\$50.00 CYBF loan admin fee \$10.00 CYBF monthly admin fee
ACCION USA	\$500 to \$25,000	Rate as low as 13%	Up to 5 years	Service fee between 4% and 6.5% of the loan amount. Additional fees such as notary fees, filing DMV/UCC liens, and postage may apply.
First Step Ireland	Up to 25,000	0%	Up to 3 years	Nil
Prince's Trust	Up to £4,000	N/A	Up to 3 years	Nil

7.2 Implications for Australia

Again, let me declare my interest here in case anyone is unaware of my current role. I am currently a full-time employee of the National Australia Bank. In particular, I am Manager, Community Finance and Development and specifically look after NAB's \$18M Microenterprise Loans Program which includes a specialised product that delivers, via a visa credit card, a Microenterprise loan on a not-for-profit basis.

Australia does not have a Community Reinvestment Act or equivalent. Nor is it likely, that the European Investment Fund will guarantee any losses associated with lending write-offs.

Essentially, for the most part, the loan capital and the administration costs are already taken care of in Australia via NAB's \$18M commitment to a Microenterprise Program. Similarly, a not-for-profit Microenterprise Loan Product is also now available.

Its features include:

- Loans from \$500 to \$20,000;
- Interest rate - 9.95% (fixed);
- No fees;
- Up to three years repayment period; and
- 90 day access period is interest free.

A quick comparison between NAB's Microenterprise Loan Product and those offered by international programs suggest it is ultra-competitive and even cheaper in most instances.

However, a Foundation that would allow a mixture of individual business (from multinational corporation to local companies), public sector, multilateral development organisations, private, family and corporate foundations, individual corporate and philanthropic sources to support Microenterprise and more broadly microfinance does not exist.

However, the concept of a tax deductible Foundation, which would underpin the operational expenses and lending costs of an Indigenous specific Microenterprise Program does have merit.

However, I'll leave this for my next Churchill Fellowship.

8. Ongoing Entrepreneur Support and the Role of Mentors

All the programs examined have different approaches to providing business support or mentoring for their entrepreneurs. In all instances, mentors are volunteers. Usually mentors are experienced individuals who are willing to share their professional knowledge and business expertise with entrepreneurs.

The yardstick for world-class mentoring appears to be Canada. CYBF individually matches, trains and assigns every entrepreneur with a qualified and dedicated mentor for a minimum of two years. CBYF uses a mentoring profiler to evaluate the personal character styles of both the mentors and the entrepreneurs across a variety of categories, ensuring that they are partnered based on their unique communication style, business needs and personal chemistry. Furthermore, CYBY has developed a new online tool Ment2B, to help both the mentor and entrepreneurs establish their new relationship and create a personal agreement on how they will together achieve success.

First Step Ireland will, if requested, refer a mentor to the entrepreneur. The role of the mentor is to help the entrepreneur identify areas for improvement, assist in drawing up action plans and offer support during the implementation of these plans.

If a mentor is assigned, the usual model of mentoring would suggest that the mentor and the project promoter meet approximately once a month, for the first six months and thereafter quarterly if desired. Mentors will usually be requested to submit quarterly progress reports to First Step. A mentor is the helping hand that can make all the difference to the success or failure of the project.

ACCION USA and Texas appear to not focus on mentoring, rather offering a range of referrals to partners or online resources.

However, if the experience of the Prince's Youth Business Trust in the UK is anything to go by - mentoring helps entrepreneurs succeed in business. Before implementing a mentor program, the success rate of young entrepreneurs' businesses supported by the organisation was only 40%. Three years after introducing a mentor program, the success rate of businesses climbed to 75%! That's powerful proof of the value of a mentor.

8.1 Implications for Australia

Clearly mentors would play a crucial role in the success of an Indigenous specific Microenterprise Development and Loans Program in Australia. However, to be truly successful, mentors must be experienced individuals who are willing to share their professional knowledge and business expertise with entrepreneurs on a regular basis.

Mentors must be prepared to walk the fine line, between providing advice and guidance, while still empowering the entrepreneur to take calculated risks and ultimately ownership of their business decisions.

Via a range of government programs, there are already a range of paid business mentors available (for a fee) in Australia that could provide this valuable mentoring role. On the other hand, volunteers could also be considered.

Whatever the approach, it appears crucial that there is an elusive chemistry based on mutual respect that must underpin the mentor/entrepreneurs relationship. With this in mind, adopting the CYBF's mentoring profiler may assist to find this connection.

If we could sell our experiences for what they cost us, we'd all be millionaires.
Abigail Van Buren

Conclusion

It is possible to establish an Indigenous Microenterprise Development and Loans Program in Australia. The research indicates that there is a supply of Indigenous entrepreneurs who are unable to start a business, because of a lack of safe, affordable capital. There is a significant cost benefit for Government to try to adopt such a program. There is also significant positive brand and reputational implications for big business.

Commercial lenders need not fear such a program – it would not compete with their normal business lending practices. For those with a social conscience, they could embrace the concept and proactively refer declined clients who they believe are eligible.

But it cannot be done in isolation by one entity. What is needed is a process that:

1. uses the skills and expertise of community organisations to assist in finding Indigenous entrepreneurs;
2. leverages government services to provide business training and ongoing mentor support; and
3. uses the finance sector to provide business acumen associated with lending and loan management.

A Microenterprise Program will cost money to run. If we accept this as a cost of doing business, we can shift our attention to efficiency improvements and tackling leakage.

Importantly, such a program really enshrines the Australian tradition of “*a fair go*” for those who have the aspiration and work ethic to want something better for themselves and their family.

Next Steps

The Federal funded Indigenous Business Australia (IBA) via it’s national network of 17 regional offices to address the issue of reach.

Importantly, IBA Enterprises aim to provide Indigenous people with skill development services and alternate funding products to achieve greater independence from Government and improve business management capabilities.

Combine this reach and business literacy training, with the NAB Microenterprise Loan and suddenly the interdependent elements required to offer a end-to-end process to responsibly lend to financially excluded Indigenous entrepreneurs, starts to take shape.

Over the next 12 months, NAB and IBA will trial an Indigenous Entrepreneurs Program which aims to test the approach put forward in this report.

Profile

ACCION Texas

Overview

ACCION Texas provide credit to small businesses that do not have access to loans from commercial sources. They began lending in San Antonio in 1994. Since then the ACCION Texas network has grown to include offices in Austin, Brownsville, Corpus Christi, Dallas/Fort Worth, El Paso, Houston, Laredo, and Edinburg.

Organisation Profile

Number of Offices:	11
Number of Employees:	39
Number of Active Clients:	1,721
Total Number of Clients Served:	5,749

Financial Profile

Total Number of Loans:	8,631
Total Dollars Disbursed:	\$63,460,763
Active Portfolio:	\$16,993,716
Average Loan Balance:	\$9,874
Loan Range:	\$500 - \$50,000

*Statistics as of December 31, 2007

Client Profile

- Occupations range from technological consultants to taxi drivers, construction contractors, day care providers, restaurant owners, medical assistants and many other storefront and home-based businesses that require working capital.
- 46% of clients have been in business for less than 1 year, 32% have been in business 3 years or longer. The median asset level of client businesses is approximately \$6,000.
- 67% percent of clients identify themselves as Hispanic, 16% are African-American and 14% are Anglo-American.
- Women comprise 46% of borrowers.
- Clients of ACCION Texas typically have lower than average incomes, with a median household income of \$29,616 as compared to the Texas median of \$41,994 in 2000.

For more information visit www.acciontexas.org

The Canadian Youth Business Foundation (CYBF)

Overview

National Canadian charity which provides start-up finance and resources to help entrepreneurs aged between 18-34 start a business. CYBF provides business start-up loans of up to \$15,000.

Eligibility Requirements

- Between 18-34 years old.
- Eligible to work in Canada.
- Produces a complete and viable business plan.
- Has been in business, fully operating, for less than 12 months.
- Lives or opens the business in the community which is offering the CYBF program.
- Has some training / experience related to their business idea.
- Work with mentor for a period of two years.
- Has a business that creates full-time sustainable employment for the applicant.
- Must hold at least 51% voting share in the business (if a partnership).
- Not a full-time student.
- Loan proceeds may NOT be used for the refinancing of existing debt.

Loan Terms

- Amortized over 3 years if loan is \$7,500 or less.
- Amortized over 5 years for loans over \$7,500.
- Interest-only payments in the first year.
- Principal repayments are made in equal monthly instalments together with interest, over the remaining two to four years, depending on the amount borrowed.

Interest Rates

- First year, CIBC prime rate plus 2% (currently 4.75%³ + 2% = 6.75%).
- Second year, conditional on timely payments, CIBC prime rate plus 1%.
- Third and subsequent years, conditional on timely payments, CIBC prime rate.

Fees

- \$50.00 CYBF loan administration fee.
- \$10.00 CYBF monthly administration fee.

For more information visit www.cybf.ca

³ Accessed - www.cibc.com/ca/rates/index.html 29 April 2008

First Step Ireland

Overview

Started in 1991, First Step is Ireland's only nationwide specialist in Microfinance. First Step provides loan capital to help business development with no collateral necessary. First Step has partnerships with leading Irish banks and has co-operation from the EU, National and Local Government and both the Corporate and Private Sectors.

To date, First Step has assisted 1,500 projects. It is estimated these projects created in excess of 3,000 employment opportunities.

First Step also supports projects where the promoters come from socioeconomic disadvantaged backgrounds. Project promoters must demonstrate that they have been unsuccessful in raising the necessary finance from commercial sources. First Step is not an alternative to commercial bank finance, but rather a lender to those who cannot access finance through the normal channels.

The loans benefit from a Guarantee provided by the European Investment Fund under the European Community's Multiannual Program for SME's i.e. losses incurred from lending will be reimbursed to the lender.

First Step Product Offering

- First Step Enterprise Fund - Co-financed through private sector and E.U. Seed & Venture Capital Funding. This fund provides loans repayable over three years of up to €25,000 for entrepreneurs unable to raise sufficient capital from any other source.
- First Step Back To Work - Co-Financed by Government. Aimed specifically at long term unemployed, approved for the Department of Social, Community & Family Affairs Back to Work Allowance. Loans available up to €10,000 repayable interest free over three years. Application forms are only available from Jobs Facilitators in your local Social Welfare Office and ADM Partnerships.

For more information visit www.first-step.ie

ACCION USA

Overview

The parent organization of ACCION Texas, ACCION USA is a private, nonprofit organisation that provides micro loans and other financial services to low and moderate income entrepreneurs who are unable to access bank credit for their small businesses.

ACCION USA's began its work in economic development in 1961. In 1973, ACCION International made its first micro loans in Recife, Brazil to men and women—street vendors, carpenters, seamstresses who started their own small businesses in order to survive. In the past decade alone, ACCION partners have disbursed \$12.3 billion in micro loans to 4.94 million borrowers around the world.

In 1991, due to ACCION International's success and the clear need for microfinance in the U.S., ACCION started a U.S. pilot program in Brooklyn, NY to serve small businesses, that lacked access to traditional sources of financing.

The U.S. ACCION Network is composed of ACCION USA and five licensees that carry the ACCION name, each of which is a separate nonprofit organisation. These include ACCION Chicago, ACCION New Mexico, ACCION New York, ACCION San Diego and ACCION Texas.

The members of the U.S. ACCION Network share the mission of providing loans and other financial services to low- and moderate-income entrepreneurs who are unable to access bank credit for their businesses. The largest micro lending network in the United States, the U.S. ACCION Network disbursed \$31,496,427 through 3,893 loans in 2006 and has disbursed more than \$178 million to over 18,000 clients to date.

The impact of ACCION USA and the U.S. ACCION Network is considerable. A three-year study of 849 borrowers reveals that after just two small business loans over 17 months, U.S. ACCION Network clients increased their:

- take-home income by 38 percent, or an average of \$455 per month.
- average monthly profits by 47 percent.
- business equity by 42 percent.

But these numbers tell just part of the story. ACCION USA borrowers also reported:

- increased self-confidence.
- a greater sense of belonging and participation in the community.
- the ability to better provide for their families.

For more information visit www.accionusa.org

The Prince's Trust

Overview

The Prince's Trust was founded in 1976 by The Prince of Wales. Having completed his duty in the Royal Navy, he became dedicated to improving the lives of disadvantaged young people in the UK and began The Trust to deliver on that commitment.

The Trust has become the UK's leading youth charity, offering a range of opportunities including training, personal development, business start up support, mentoring and advice.

Around one in five young people in the UK are not in work, education or training. Youth unemployment costs the UK economy £10 million a day in lost productivity, while youth crime costs £1 billion every year.

The Business Program

The Prince's Trust Business Program provides money and support to help people start up in business.

The Business Program is for people who are:

- aged 18-30.
- unemployed or working less than 16 hours a week.
- living in England or Northern Ireland.

What help is offered?

- A low interest loan of up to £4,000 (up to £5,000 for a partnership).
- Ongoing advice from a business mentor.
- Access to business support. This includes free legal helpline.
- A grant of up to £1,500 in special circumstances (subject to local availability).
- A test marketing grant of up to £250 (subject to local availability).

For more information visit www.princes-trust.org.uk

Youth Business International (YBI)

Overview

The parent organisation of the Canadian Youth Business Foundation, Youth Business International (YBI) is a Program of International Business Leaders Forum that helps disadvantaged young people realise their ambitions to become entrepreneurs.

YBI brings together people in the corporate sector, civil society and government, who make their skills, expertise and facilities available on young people's behalf, to provide access to finance, business mentoring and support to young entrepreneurs during the start-up and early development of their businesses.

YBI is the coordinating body of a global network of independent Youth Business Programs (YBPs) that deliver its program of support to young people and who share common principles and working practices.

The YBI program delivers a huge range of benefits, from building the employability of young people to generating a culture of entrepreneurship and dynamism in the local economy.

- Over 90,000 young people have been set up in business by 40 YBI programmes around the world including the Enterprise Network of Young Australians here in Australia see www.enya.org.au
- Over 70% of these young people are still successfully in business in their third year and each new entrepreneur creates an average of 1.71 new jobs.

For more information visit www.youth-business.org