



# Microfinance in the United States: A Case-Study Analysis of Mercy Corps Northwest

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General University Honors  
American University April 2010



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## **Executive Summary**

This report examines microfinance in the U.S by providing an in-depth case-study analysis of one microfinance organization, Mercy Corps Northwest (MCNW). The report begins with a contextual framework that discusses some broad themes pertaining to the differences between microfinance in the U.S and microfinance in the developing world. This framework highlights that microfinance institutions in the U.S place a greater emphasis on business and financial training, lend larger loan amounts to fewer people, do not utilize the group-lending model, and are less financially self-sustainable than microfinance institutions in the developing world. The contextual framework concludes with the idea that we must develop our own expectations of microfinance for its use in the U.S as opposed to assuming the same outcomes can be achieved in the developed and the developing world.

The report then transitions into the analytical component by focusing on Mercy Corps Northwest, a microfinance organization located in Portland, Oregon that serves clients in the Oregon and Washington area. The case-study analysis includes an environmental assessment, a culture analysis, an impact and accountability assessment, and a discussion of the governance structure of the organization, their communication strategy, and their scale and replication strategy.

The main points of the case – study are as follows:

- MCNW tackles poverty and the lack of resources and support for aspiring entrepreneurs by providing three core services; a matched savings program, a microloan program, and business and financial literacy training.
- The services offered by MCNW are needed because despite the fact the U.S has one of the most sophisticated financial sectors, there are still millions of Americans who do not have access to traditional financial services.
- The culture of the northwest provides for a supportive and innovative environment for aspiring entrepreneurs – there are currently approximately 300,000 entrepreneurs in Oregon, and Oregonians are known to be supportive of locally operated small businesses.
- MCNW actively monitors its social impact and 91% of its clients surveyed over the years have remained in business, and of those 75% reported income growth.
- MCNW has grown and expanded over the years in an attempt to reach out to more individuals. In particular, MCNW has added an agricultural program for refugees and immigrants, an online mentorship program, a business and social skills curriculum for incarcerated women, and a women's business center.
- MCNW has plans to grow by developing some web-based initiatives including online forums where individuals in similar small business fields can share their questions and advice related to their field.

The main challenges for MCNW identified in the case – study include:

- The search for stable funding as well as greater amounts of loan capital for their loan program.

- Achieving greater scale and impacting more people with their programs and services.
- Communicating their visions, their mission and their programs with potential clients, funders and the general community.

The key recommendations that result from this case – study include:

- A revamped and improved communication strategy with greater emphasis on the impact MCNW has on its clients and in its community, a focus on particular clients that have benefited from MCNW with client profiles on the website, and a greater online emphasis on private donations.
- A new funding approach that includes increasing private donations by exploring person-to-person donations, with individual donors sponsoring individual clients.
- Greater outreach to the Washington region.
- A focus on policy issues that create barriers of entry for aspiring entrepreneurs.

## **Contextual Framework**

### ***Microfinance in the U.S vs. the Developing World***

The microfinance movement has received a great deal of attention over the last two decades for its innovative approach to poverty alleviation in the developing world. Muhammad Yunus, often considered the Father of the movement, founded the Grameen Bank in Bangladesh in 1976 and revolutionized thinking on lending to poor individuals with little to no credit or collateral. After recognizing impressive results overseas, U.S officials and program organizers began to consider the possibility of utilizing microfinance to tackle the lack of access to credit and business training within the United States. The trend caught on and today there are approximately 500 microfinance and microenterprise institutions in the United States. Although the overall purpose and vision of these U.S organizations is almost identical to those of their counterparts in the developing world, the way in which microfinance is practiced in the United States differs from that of the developing world. In particular, U.S microfinance institutions are more training oriented, lend larger amounts to fewer people, do not practice group lending, and are less financially self-sustainable than microfinance institutions in the developing world.

Before discussing in detail the factors that set microfinance in the United States apart from microfinance in the developing world, it is important to understand why microfinance and microenterprise services are needed in the United States. Although the U.S has some of the most sophisticated financial services in the world, there are still

many people who lack access to these services. In fact, “it is estimated that as many as 12 to 15 million households still do not have access to even the most basic mainstream financial services”.<sup>1</sup> Lack of credit or collateral makes many individuals unattractive to traditional banks. In addition, often times the size of the loan being sought by individuals to start or expand a small business is too small to be considered by a mainstream bank.<sup>2</sup> These factors indicate a strong need for financial services that assist those populations untouched or underserved by the traditional services in place. By addressing this gap and reaching out to populations in need, microfinance has the potential to not only improve the economic well-being of an individual participant, but the economic well-being of that individual's family and community as well by creating jobs, increasing income, and building wealth.<sup>3</sup>

The first factor that sets microfinance institutions in the United States apart is the emphasis on business and financial training. Starting a business in the United States, no matter what the size, is a difficult feat. A more developed and structured economy means that self-employed entrepreneurs in the U.S face issues such as taxes, regulations, licenses, and zoning laws much more than their peers in the developing world.<sup>4</sup>

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<sup>1</sup> James H. Carr and Zhong Yi Tong, “Introduction: Replicating Microfinance in the United States – An Overview” in *Replicating Microfinance in the United States*, eds. James H. Carr and Zhong Yi Tong (Washington, DC: Woodrow Wilson Center Press, 2002), pg. 3

<sup>2</sup> Peter Korn. “Small Loans Can Fuel Big Dreams,” *The Portland Tribune*. (January 7<sup>th</sup>, 2010). Accessed At: [http://www.portlandtribune.com/news/story.php?story\\_id=12628141183141030](http://www.portlandtribune.com/news/story.php?story_id=12628141183141030)

<sup>3</sup> Lisa J. Servon. “Fulfilling the Potential of the U.S Microenterprise Strategy,” in *Replicating Microfinance in the United States*, eds. James H. Carr and Zhong Yi Tong (Washington, DC: Woodrow Wilson Center Press, 2002), pg. 169

<sup>4</sup> Ben Bernanke. “Microfinance in the United States,” Speech at *ACCIÓN Texas Summit on Microfinance in the United States*. November 6, 2007.

Accessed at: <http://www.federalreserve.gov/newsevents/speech/bernanke20071106a.htm>



Additionally, the competitive nature of the American economy dictates that entrepreneurs must be well versed in skills such as bookkeeping, communication and even marketing.<sup>5</sup>

For these reasons, microfinance institutions in the United States usually offer business and financial training in addition to offering microloans so as to “to improve the survival rate of the borrowers' start-up businesses and to mitigate credit risks for the lender”.<sup>6</sup>

Another distinction of microfinance institutions in the United States is the size of the loans offered and the number of clients served by each individual service provider. While it is not uncommon for microfinance organizations in the developing world to have thousands of clients, (the Grameen Bank has over 7 million members), most microfinance organizations in the United States serve an average of 200 clients a year.<sup>7</sup> On a more national scale, it is estimated that approximately 175,000 – 200,000 individuals are being reached by microenterprise services, although it is believed that nearly 10 million low-income entrepreneurs could benefit from these services.<sup>8</sup> Furthermore, the size of the loans offered by microfinance institutions in the United States can range from \$500 - \$50,000, while the loans given in the developing world are much smaller.<sup>9</sup> The larger

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<sup>5</sup> Mark Schreiner and Jonathan Morduch. “Opportunities and Challenges for Microfinance in the United States,” in *Replicating Microfinance in the United States*, eds. James H. Carr and Zhong Yi Tong (Washington, DC: Woodrow Wilson Center Press, 2002), pg. 31

<sup>6</sup> Ben Bernanke, Speech at ACCIÓN Texas Summit.

<sup>7</sup> Schreiner and Morduch, pg. 41.

<sup>8</sup> Elaine L. Edgcomb and Joyce A. Klein. “Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States,” FIED U.S – The Aspen Institute. (February, 2005). Pg. 81

<sup>9</sup> “Microfinance in the U.S,” *Opportunity Fund*. Accessed At: <http://www.opportunityfund.org/about/small-business-loans/microfinance> and “Your Small Business Loan Center – Loan Program,” *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/loan-program/>

loan amounts in the United States means that more loan capital is needed in the U.S than in the developing world to assist those seeking microloans.

In the developing world a system of “peer lending” is often utilized to compensate for the lack of credit or collateral of loan seeking individuals and to ensure the successful repayment of microloans. Under this model, groups of loan seeking individuals guarantee one another’s loans by borrowing together and encouraging each member to pay back their portion.<sup>10</sup> This model has not only led to high repayment rates in the developing world, but it has also helped microfinance institutions keep their costs low by decreasing the costs associated with underwriting and loan monitoring.<sup>11</sup> Although the peer-lending model has been extremely successful in the developing world, it has been less utilized and less successful in the United States. A culture of individualism and independence is often cited as the main reason why the peer-lending model is significantly less used in the U.S.<sup>12</sup> This difference means that the cost of delivering microloans in the U.S is greater than in the developing world.

The final main factor that differs microfinance institutions in the U.S to those in the developing world revolves around the idea of profitability and self-sustainability. In the developing world many microfinance institutions pride themselves on their single-minded pursuit of financial self-sustainability. This is achieved by keeping costs low and charging a high enough interest rate on loans so that a profit can be achieved. However,

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<sup>10</sup> “Microfinance in the U.S,” *Opportunity Fund*.

<sup>11</sup> Servon p. 171

<sup>12</sup> Schreiner and Morduch p. 27

achieving financial self-sustainability in the United States is much lower on the priority list for many microfinance organizations and some question how realistic of a goal it is.<sup>13</sup> The emphasis on business training and financial literacy services, the greater weight placed on one-on-one interactions as opposed to a peer-lending model, and the higher salaries for loan officers makes micro-loans more expensive to administer in the U.S than in the developing world. Furthermore, because of lending regulations in the U.S, micro-lenders cannot charge the very high interest rates that microfinance institutions charge abroad. For example, Mercy Corps Northwest in Portland, Oregon charges an interest rate of 12% on its microloans<sup>14</sup> whereas The Grameen Bank charges an interest rate of 20% for “income generating loans”.<sup>15</sup> The overall differences in cost and revenue makes financial self-sustainability for microfinance organizations in the United States much more difficult and this means that micro-lending as a poverty alleviation and microenterprise development tool will most likely need to continue to be funded by third parties. However, it is important to emphasize that this does not mean that microfinance is an ineffective poverty alleviation tool.

Comparing microfinance in the United States to microfinance in the developing world reminds us that different environmental and economic contexts lead to differences in the way in which microfinance is conducted. Different processes, cost structures and models lead to different outcomes and different kinds of results. These differences don’t necessarily mean that microfinance is less successful in the developed world, however it

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<sup>13</sup> Schreiner and Morduch p. 37

<sup>14</sup> “Basic Information on the MCNW Loan Program,” *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/quick-reference-sheet/>

<sup>15</sup> “Grameen Bank At a Glance,” *The Grameen Bank*, (March 2010). Accessed At: [http://www.grameen-info.org/index.php?option=com\\_content&task=view&id=26&Itemid=0](http://www.grameen-info.org/index.php?option=com_content&task=view&id=26&Itemid=0)

does mean that we need to develop our own expectations for microfinance in the United States instead of assuming we can expect the same processes and results that is achieved in the developing world. With new expectations and greater awareness we can continue to adapt this innovative poverty alleviation tool to best fit our unique needs and to have the best positive social impact it can.

### **Case – Study Introduction:**

Microfinance in the United States can be studied in broad terms by looking at the industry as a whole, or it can be studied at the micro level by analyzing individual microfinance organizations. This case-study aims to take a micro approach by closely examining one specific microfinance organization, Mercy Corps Northwest. This in-depth analysis highlights one particular organization in the field and conceptualizes some of the themes touched upon in the contextual framework by detailing how a real-life microfinance organization operates in the United States. The case-study analysis includes an environmental assessment, a culture analysis, an impact and accountability assessment, and a discussion of the governance structure of the organization, communication strategy, and scale and replication strategy.

### **Environmental Assessment**

An essential component of analyzing any organization is assessing the environment within which the organization operates. Being successful and generating long-term, effective impact means being aware of local economic, social and political factors that can influence your work as well as clearly recognizing your clients, suppliers, funders and competitors. Without this awareness one cannot hope to survive in any competitive market in the long-term. Therefore, the purpose of this section is to explore the environment in which Mercy Corps Northwest operates in order to garner a better understanding of the environmental factors that could potentially influence the work being done by this organization.

### Background Information – Setting the Stage

Mercy Corps Northwest (MCNW) is a sister organization to Mercy Corps International, the international relief and development agency that is headquartered in Portland, Oregon. Mercy Corps International's overarching mission is to "alleviate suffering, poverty and oppression by helping people build secure, productive and just communities"<sup>16</sup>, and the work carried out by MCNW is a reflection of this mission in a domestic and regionally specific context. The MCNW office is located in the same large, newly remodeled building that houses all of the Mercy Corps International offices in downtown Portland, Oregon. The services and programs offered by MCNW are catered specifically to residents in Oregon and Washington, providing a rather concentrated environment compared to some other organizations doing similar work around the world.

Many question the role of microenterprise organizations and microloans in a developed country like the United States, but the need and the demand for these services becomes clear when one looks at the number of people who cannot access traditional banking services. In fact, "it is estimated that as many as 12 to 15 million U.S households have no relationship with a mainstream financial service provider".<sup>17</sup> Some additional factors specifically make Oregon a prime location for microloan, self-employment and general entrepreneurial assistance services. For example, Oregon ranks 7<sup>th</sup> in the nation for small business ownership and 9<sup>th</sup> in women's business ownership.<sup>18</sup> Additionally, Oregon's smallest businesses (comprised of five or fewer employees) represent over 86% of all

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<sup>16</sup> "Who We Are," *Mercy Corps*. Accessed At: <http://www.mercycorps.org/whoweare>

<sup>17</sup> Carr and Yi Tong, pg. 3.

<sup>18</sup> "Application to City of Beaverton: CDGB Business Revolving Loan Fund Program," *Mercy Corps Northwest* (February 2010), pg. 14.

business in Oregon.<sup>19</sup> It is generally small businesses and self-employed individuals that need access to microloan services as they are most often turned away from traditional financial centers if they request a loan below \$50,000.<sup>20</sup> Furthermore, Oregon has an estimated 310,000 microenterprises and the region's high business start-up rate points to a general northwestern culture that promotes entrepreneurial activity.<sup>21</sup> Finally, Oregon's unemployment rate is 11.4%<sup>22</sup> and Oregon's poverty rate was estimated to be 13.6 %<sup>23</sup> in a 2009 report. Each of these factors indicates a strong opportunity need niche for poverty alleviation programs and microenterprise development services and support.

### Oster's Six Forces

Sharon Oster, a prominent scholar on management and entrepreneurship, developed a framework for analyzing non-profit and social entrepreneurial organizations using methods that are more traditionally used in the for-profit, private sector. Oster's Six Forces provide a framework for assessing the environment an organization is working in by looking at six issue areas. Those areas include:

1. Relations among existing organizations
2. Threat of new entrants
3. New substitutes

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<sup>19</sup> "Application to City of Beaverton", pg. 14.

<sup>20</sup> John Haines (Executive Director of MCNW). Interview with the Author (March 12, 2010).

<sup>21</sup> "MEBS State Spreadsheets," *Association for Enterprise Opportunity*. Accessed At: <http://www.microenterpriseworks.org/index.asp?bid=167>

<sup>22</sup> "Unemployment Rates For States," *Bureau of Labor Statistics*. Accessed At: <http://www.bls.gov/web/laus/laumstrk.htm>

<sup>23</sup> "Oregon's Poverty Rate Rises in First Year of Recession," *Oregon Center for Public Policy* (September 29, 2009). Accessed At: <http://www.ocpp.org/cgi-bin/display.cgi?page=nr20090929ACSPov>

4. Users, clients and customers
5. Suppliers and Resources
6. Potential Donors and Potential Partners

#### *Relations Among Existing Organizations –*

It is estimated that there are over 500 organizations in the United States providing some sort of assistance to aspiring entrepreneurs through microloans and/or training and technical assistance.<sup>24</sup> In a Microenterprise Program Directory compiled by The Aspen Institute, it is estimated that there are approximately 10 microenterprise institutions in Oregon and approximately 10 in the state of Washington.<sup>25</sup> These numbers indicate clearly that microenterprise development and micro-lending is a relatively recent trend in the United States, and that there is plenty of room for the industry to grow if it can continue to produce positive results.

The 500 organizations that are providing assistance to aspiring entrepreneurs are generally categorized in one of two ways; training-led or credit-led.<sup>26</sup> This means that microenterprise institutions either focus most of their efforts on providing training and technical assistance to individuals who seek to open a small business, or microenterprise institutions focus most of their efforts on providing microloans to low income populations and aspiring entrepreneurs. While an institution may provide both services, there is generally a heavy emphasis on one approach. However, Mercy Corps Northwest

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<sup>24</sup> "Fast Facts and Highlights," *FIELD U.S – The Aspen Institute*. Accessed At: <http://fieldus.org/Stories/FastFacts.html#programs>

<sup>25</sup> "Microenterprise Program Directory," *FIELD U.S – The Aspen Institute*. Accessed At: <http://fieldus.org/Publications/Directory.asp>

<sup>26</sup> Servon. P. 180



stands out because it is difficult to categorize it as either training-led or credit-led.

MCNW sets itself apart from the competition in the area because it commits equal time and effort to both training and technical assistance and lending and matched savings services.<sup>27</sup>

Because of competition for funding and clientele, John Haines, Executive Director of MCNW, explains that it can be difficult at times to collaborate with organizations in the area doing similar work.<sup>28</sup> However, collaboration and sharing of ideas and knowledge exists much more at the national level among high performing microfinance and microenterprise organizations.<sup>29</sup> MCNW does a lot of work through the Aspen Institute and their Microenterprise FIELD program. For example, MCNW participates in the Aspen Institute's MicroTest program, a program that assists microenterprise organizations in evaluating and testing their programs in order to gauge and improve upon their performance.<sup>30</sup> MCNW is also part of a group that was set up by the Aspen Institute called The Scale Academy for Microenterprise Development. This group consists of five leading organizations in the field that are committed to scaling up their operations.<sup>31</sup> The participating organizations include ACCION Chicago, Appalachian Community Enterprise, Mercy Corps Northwest, Mercy Corps/MicroMentor, and Renaissance Entrepreneurship Center.<sup>32</sup> On a more local level, MCNW has collaborated

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<sup>27</sup> Interview with John Haines

<sup>28</sup> *Ibid*

<sup>29</sup> *Ibid*

<sup>30</sup> *Ibid*

<sup>31</sup> "Scale Academy For Microenterprise Development," FIELD U.S – The Aspen Institute. Accessed At: <http://www.fieldus.org/Projects/ScaleAcademy.html>

<sup>32</sup> *Ibid*

with over 60 organizations on its ROAR (Reentry Organizations and Resources) program and the Reentry Transition Center in order to foster integrated collaboration among groups offering support to previously incarcerated individuals during their reentry process.<sup>33</sup>

*Threat of New Entrants/New Substitutes -*

The newness of the microfinance field in the United States, and the fact that there are only 20 organizations identified in Oregon and Washington as providing microfinance services, means that there is room for the field to grow. New microfinance institutions in the northwest region would mean that more individuals would be able to gain access to financial services, however it would also mean that there would be more competition for the already scarce funds. Additionally, as we move further away from the current financial crisis and as the economy improves, there is always the potential for traditional banks to begin to offer more services to “risky” clients.

Another factor to consider is the competition microfinance institutions in the United States face with traditional credit cards. Although it is not a “new substitute”, credit cards act as an alternative source of credit for individuals with little or no collateral to borrow from traditional banks. The fact that credit cards are so available in our economy and come with little to no strings attached makes them an attractive option for someone looking for a quick and easy loan.

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<sup>33</sup> “ROAR: Re-Entry Organizations And Resources,” *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/roar/>

*User's, Clients and Customers –*

MCNW concentrates its programs in Oregon and Washington, therefore the clients they serve live in these areas. In line with their mission to “alleviate suffering, poverty and oppression by helping people build secure, productive and just communities”<sup>34</sup>, the majority of MCNW’s clients live at or slightly above the federal poverty line and at or below 50% of Medium Family Income (MFI).<sup>35</sup> According to the most recent MicroTest client profile conducted for MCNW, 70% of MCNW’s clients are women, and over 40% are from racial or ethnic minorities.<sup>36</sup> Additionally, MCNW serves clients from less traditional minority groups including refugees and immigrants, persons living with disabilities, and incarcerated or previously incarcerated individuals.<sup>37</sup> Finally, the services provided by MCNW aim to assist low-income and underserved pre-start up, start-up and existing small business owners.<sup>38</sup> However, there is a significant emphasis on business start-ups, and they account for over 50% of the businesses assisted with education, asset building, and access to capital through micro loans.<sup>39</sup> This sets MCNW apart from other organizations doing similar work as many microenterprise institutions tend to concentrate their services toward existing small businesses.<sup>40</sup>

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<sup>34</sup> “About Us,” *Mercy Corps Northwest*. Accessed At:  
<http://www.mercycorpsnw.org/who-we-are/>

<sup>35</sup> *Ibid*

<sup>36</sup> Application for City of Beaverton , Pg. 9

<sup>37</sup> *Ibid*

<sup>38</sup> *Ibid*, Pg. 6

<sup>39</sup> *Ibid*, Pg. 9

<sup>40</sup> Peter Korn. “Small Loans Can Fuel Big Dreams”

### *Suppliers and Funders –*

Although Mercy Corps Northwest shares some functions with its parent organization Mercy Corps International, such as human resource support and financial management support, they do not receive any operational funding and are therefore entirely responsible for securing funding for their programs and operations.<sup>41</sup> MCNW's funding purposefully comes from several sources so as to ensure diversification. The rough breakdown of funding sources goes as follows:

- 25 % of funding comes from federal sources.
- 20% of funding comes locally, from the city of Portland.
- 20% of funding comes from various foundations.
- 15 % of funding comes from earned income on class fees and interest on loans.
- 10 % of funding comes from the state of Oregon.
- 10% of funding comes from donations.

Some examples of current and past funders include the Office of Refugee Resettlement, the Wal-Mart Foundation, United Way, the Portland Development Commission, the U.S Small Business Administration, M.J Murdock Charitable Trust and Wells Fargo. (A full list of current financial partners can be found in Appendix C).

In addition to funders, there are a number of volunteers who make up a Volunteer Corps and provide their expertise for clients in need. Through this Volunteer Corps,

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<sup>41</sup> Interview with John Haines

professionals, business specialists and business owners serve as mentors and consultants to clients on a one-on-one basis and teach specialty classes on a variety of business related topics. The volunteers and the services and expertise they offer has also been extended through a program titled MicroMentor which allows volunteer mentors to connect with inexperienced business owners via the internet and subsequently reach a greater geographical scope of clients.

*Potential Donors and Potential Partners –*

At the moment MCNW is most concerned with expanding its loan capital so that it can supply microloans to more individuals. As of March 2010 MCNW had approximately \$900,000 out in loans, but they want to increase that amount to 2.5 – 3 million in the next few years.<sup>42</sup> A grant application was recently sent to the City of Beaverton requesting \$100,000 in funding, \$85,000 of which would go directly to create loan capital.<sup>43</sup>

MCNW has received funding from the city of Portland through their Economic Opportunity Initiative for the last six years and believes that local funding is appropriate and effective since the social impact of their work is most readily seen locally. Beaverton is located just seven miles west of downtown Portland and therefore is directly impacted by MCNW and the work they do throughout Oregon.

Another potential partner could be found in some local commercial banks. With only a 6% default rate, MCNW has proven that it has a track record with high-risk individuals that traditional financial firms and banks will not serve. However, traditional banks and

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<sup>42</sup> Interview with John Haines

<sup>43</sup> Application to City of Beaverton, pg, 3

financial service centers could reach more clients if they were willing to provide some loan capital to MCNW who could then take on the responsibility of administering and monitoring such loans. Unfortunately, the current financial crisis has made banks very hesitant to lend out any money, but if the economic situation improves, this could be a viable option for a potential partnership in the future. <sup>44</sup>

### **Kellogg Theory of Change:**

The Kellogg Theory Of Change Diagram is a tool that can be used to clearly identify a problem or issue and the steps and strategies an organization can take to address that problem or issue. It is a visual tool that walks the observer through the thought process and strategic path an organization might take to carry out its vision, goals and ultimately its mission. In this section you will find both a visual Kellogg Theory of Change Diagram as well as a more detailed written section of each of the pieces that make up the theory of change diagram.

The Kellogg Theory of Change is separated into 6 specific areas;

1. Problem or Issue
2. Community Needs/Assets
3. Desired Results
4. Influential Factors

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<sup>44</sup> Interview with John Haines

## 5. Strategies

## 6. Assumptions

### *Problem or Issue –*

At it's most basic level, the problem or issue that Mercy Corps Northwest is trying to address through its work in Oregon and Washington is poverty. More specifically, MCNW targets low-income individuals who have the drive and the desire to increase their economic self-sufficiency but lack the support and the resources to do so.

### *Community Needs and Assets -*

There are a number of factors that make the Northwest an ideal place for MCNW to offer its services. Some factors address the issue of poverty and the need for poverty alleviation services. Other factors point to the entrepreneurial culture of the northwest and the need for support systems for those entrepreneurs attempting to launch their microenterprises. Finally, some factors highlight the general need for financial services that cater to those populations that do not fit into the traditional banking system.

- Oregon's unemployment rate is 11.4%. <sup>45</sup>
- Oregon's poverty rate is 13.6 %. <sup>46</sup>
- Roughly 26.2% of Oregonians live in a condition of asset poverty. <sup>47</sup>

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<sup>45</sup> "Unemployment Rates For States", Bureau of Labor Statistics. Accessed At: <http://www.bls.gov/web/laus/laumstrk.htm>

<sup>46</sup> "Oregon's Poverty Rate Rises in First Year of Recession," *Oregon Center for Public Policy* (September 29, 2009). Accessed At: <http://www.ocpp.org/cgi-bin/display.cgi?page=nr20090929ACSPov>

- Roughly 17% of Oregonians have zero to negative net worth.<sup>48</sup>
- Oregon ranks 9<sup>th</sup> in the nation for businesses owned by women.<sup>49</sup>
- Oregon's smallest businesses (comprised of five or fewer employees) represent over 86% of all business in Oregon.<sup>50</sup>
- Oregon has an estimated 300,000 microenterprises.<sup>51</sup>
- It is estimated that as many as 12 to 15 million U.S households have no relationship with a mainstream financial service provider.<sup>52</sup>

#### *Desired Results –*

The desired results of MCNW can be divided into three categories; outputs, outcomes, and impact. The **outputs** are what MCNW hopes to provide through its attempts to address the problem at hand.

- For example, MCNW aims to provide financial education through financial literacy training and special-topic and sector-specific seminars.
- MCNW also aims to support individuals in their asset creation by providing micro-loans and matched savings programs.

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<sup>47</sup> "2009-2010 Assets & Opportunity Scorecard," *The Corporation for Enterprise Development*. Accessed At: [http://scorecard.cfed.org/state\\_data/oregon.php](http://scorecard.cfed.org/state_data/oregon.php)

<sup>48</sup> *Ibid*

<sup>49</sup> *Ibid*

<sup>50</sup> Application to City of Beaverton, pg. 14

<sup>51</sup> "Microenterprise in Oregon," *Association for Enterprise Opportunity*. Accessed At: <http://www.microenterpriseworks.org/microenterpriseworks/files/ccStates/FACTSHEETFILENAME/000000000038/oregon.pdf>

<sup>52</sup> Carr and Yi Tong, p. 3.



- Finally, MCNW specifically works to address non-traditional minority populations such as immigrants, refugees, and incarcerated individuals by tailoring services specifically to their needs.

The **outcomes** are what MCNW and the general community can observe as being a result of the services, or outputs, MCNW offers to their clients.

- Job creation, job retention, self-employment and/or business development, as a result of the financial training and education services, could be one example of an outcome.
- Increased personal assets or economic self-sufficiency as a result of a micro-loan or participation in a matched savings program could be another example of an outcome.
- Finally, MCNW's *New American Agriculture Program* that builds small farm enterprises for immigrants and refugees, and MCNW's *Reentry and Coffee Creek Correctional Facility Programs* that offers services, training and support to women inmates preparing for release, are both great examples of outcomes that address the specific needs of some non-traditional minority groups.

Lastly the **impact** that MCNW hopes to create through its efforts and services is a more long-term result. Ultimately, MCNW would like to “move clients as quickly as possible to independence, business success and economic self-sufficiency” and create an overall improved social and economic infrastructure in Oregon and Washington.<sup>53</sup>

*Influential Factors –*

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<sup>53</sup> Interview with John Haines

Influential factors in the logic of change framework can refer to both facilitating factors, those factors that help an organization reach its desired results, or hindering factors, those factors that make it difficult for an organization to reach its desired results. In each situation and with each organization addressing a social problem, there is likely to be both facilitating and hindering factors.

For Mercy Corps Northwest one facilitating factor is that it shares the name of its parent organization, Mercy Corps International. This name and brand recognition helped MCNW establish support and trust in the community from the very early stages.<sup>54</sup>

Another facilitating factor, which was also mentioned in the community needs and assets section, is the culture of entrepreneurship and the support for locally run small businesses in the northwest region. This provides a positive setting for those looking to start their own businesses or micro-ventures in the region. A hindering factor is the constant search for funding and the shortage in loan capital available for micro-loans. At the moment MCNW is only capable of assisting a portion of the population that could benefit from its services. This could be remedied by more readily available loan capital and more consistent and stable financial support. Finally, the success and popularity of micro-finance in the developing world can act as both a facilitating and a hindering factor. It is facilitating in nature because the success of micro-finance in the developing world has improved general knowledge of micro-finance and made people aware of the positive impact it can have. This means that for the most part people are very receptive to the idea of micro-financing as a tool for poverty alleviation. However, it can act as a hindering

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<sup>54</sup> Interview with John Haines

factor when individuals, whether they be donors, funders, clients or the general public, assume that micro-financing can be replicated identically in the United States and generate the exact same results that it does in very different regional contexts.

*Strategies –*

MCNW has developed three core programs to address the issue of poverty and the lack of resources and support for low-income aspiring entrepreneurs. Those three programs can be categorized as Asset Development Services, Loan Services, and Business Development Services and Training.

Asset Development Services (IDA – Individual Development Accounts): the IDA program provides financial literacy and saving seminars for its participants as well as a matched savings initiative.<sup>55</sup> The matched savings initiative encourages low-income individuals and refugees to save in order to have their savings matched through funding from the State of Oregon and Office of Refugee Resettlement.<sup>56</sup> This program promotes asset development for those who may have little or zero net worth. It also supports business development as many clients use their earned savings to invest in their self-employment enterprises.

Loan Program: the loan program provides micro-loans to low-income populations that do not have access to traditional financial resources, technical assistance, or

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<sup>55</sup> "Matched Savings Asset Development," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/matched-savings-ida/>

<sup>56</sup> "MCNW Fact Sheet" *Mercy Corps Northwest*. ( Last Updated: January 13, 2010). Sent via e-mail: February 1<sup>st</sup>, 2010.

business training services.<sup>57</sup> Through MCNW's Loan Program clients can receive funding, business training and advisory assistance as they navigate their self-employment venture. Loans range from \$500 to \$50,000 and average \$10,200.<sup>58</sup>

Business Development Services and Training: MCNW provides classes, seminars, and business development resources to all low-income populations seeking assistance.<sup>59</sup> Some of the classes are sector-specific seminars or topic-specific seminars, and others offer a more general introduction to business and self-employment.

MCNW's strategy provides a comprehensive approach to tackling the issues at hand. Their equal emphasis on both lending and training demonstrates a crucial difference between micro-finance in the developing world and micro-finance in the United States. While most organizations in the developing world purely focus on the lending component, it is much more difficult to establish and run a microenterprise in the United States than it is in most developing countries.<sup>60</sup> This makes financial training and business development a crucial element MCNW's overall strategic plan.

#### *Assumptions –*

Throughout their work and in their strategic plans to address the problem at hand, MCNW makes some assumptions. For example, MCNW assumes that there are

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<sup>57</sup> "Your Small Business Loan Center"

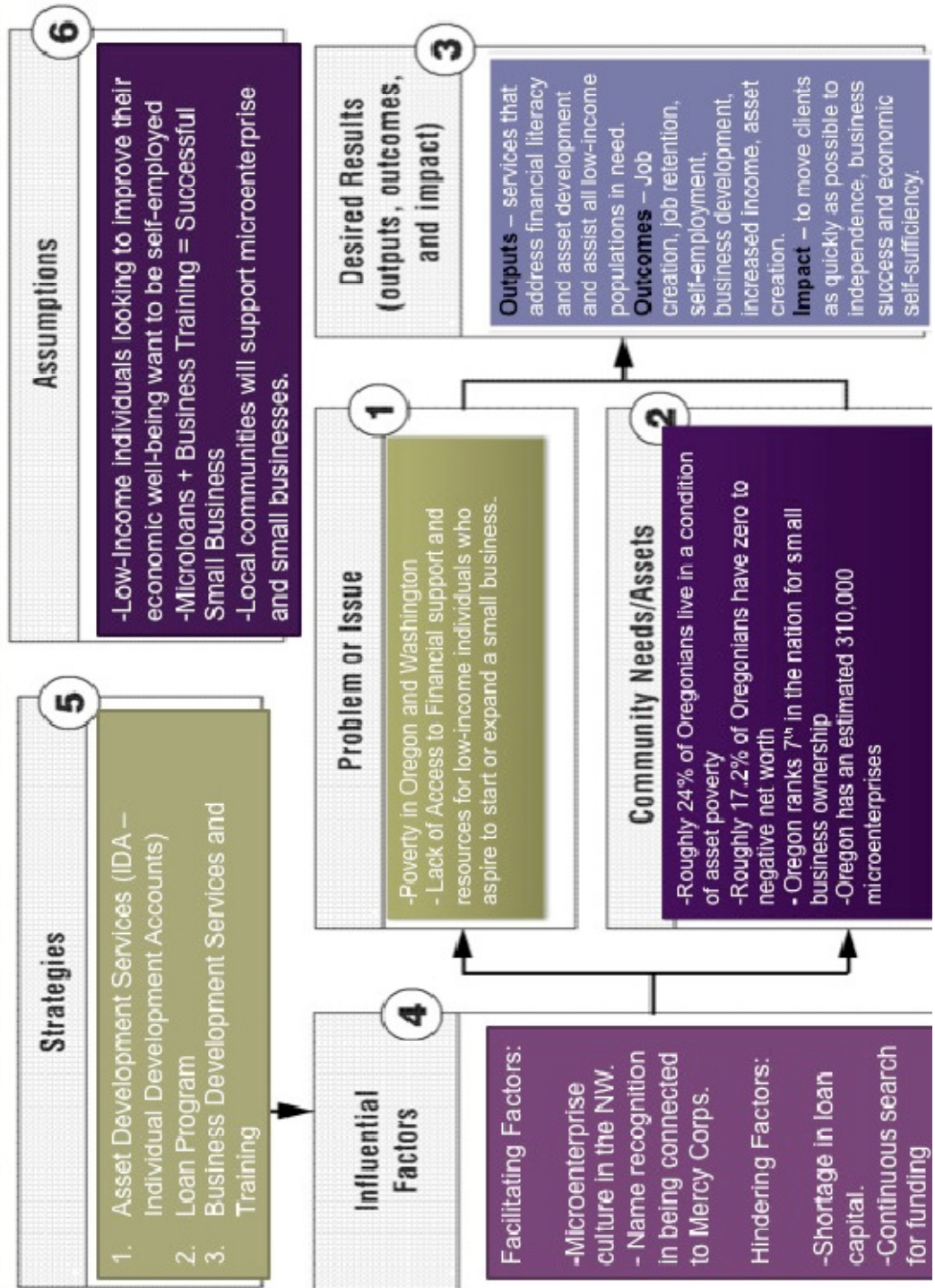
<sup>58</sup> *Ibid*

<sup>59</sup> "MCNW Fact Sheet"

<sup>60</sup> Schreiner and Morduch, pg. 29 and Ben Bernanke, Speech at *ACCIÓN Texas Summit*

individuals in Oregon and Washington who wish to improve their economic conditions through self-employment as opposed to finding a wage or salary job and increasing their income and personal assets that way. Another assumption MCNW makes is that with loan capital and through business training, the average individual can successfully open and run their own microenterprise. Finally, along those same lines, MCNW assumes that the local communities will support microenterprises. While these assumptions are not made blindly or without careful consideration, they indicate that there is always a degree of unknown and a certain amount of risk that must be taken when carrying out microfinance in the U.S.

## Logic Model Development Program Planning Template from the Kellogg Foundation



## **Governance Structure**

MCNW is relatively small organization, with twelve staff members and two AmeriCorps Vista volunteers.<sup>61</sup> The roles and responsibilities of the staff are divided into several categories including, administrative, the Loan Program, the Women's Business Center, the Asset Builder IDA Program, the New American Agricultural Program, the Reentry Transition Center, and the MicroMentor Program.<sup>62</sup>

In addition to the regularly employed staff, MCNW is supported by a nine-member board, student interns, university project teams and volunteers from the local community.<sup>63</sup> MCNW is also supported by a loan committee. This loan committee is an external body made up of five members from the community as well as MCNW's Executive Director, John Haines.<sup>64</sup> The loan committee meets monthly and reviews the loan applications presented by MCNW loan officers. In cooperation with the loan officers, the loan committee approves or declines loans and sets conditions for those loans that are approved.<sup>65</sup>

Complete lists of board members and loan committee members can be found in the appendices.

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<sup>61</sup> "MCNW Fact Sheet"

<sup>62</sup> "Mercy Corps Northwest Staff and Board," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/who-we-are/staff-board/>

<sup>63</sup> "MCNW Fact Sheet"

<sup>64</sup> Application to City of Beaverton, pg. 13

<sup>65</sup> *Ibid*

## **Culture Analysis**

A thorough cultural analysis of MCNW would require months of careful observation. However, a few observations related to the culture of the organization and the culture of the Northwest can be made based on the facts available and the knowledge learned through this case-study analysis. Those cultural observations can be broken down into three parts; the culture of Mercy Corps International, the culture of Mercy Corps Northwest, and the culture of the Pacific Northwest.

The culture of Mercy Corps International is important because MCNW came into being as a project of Mercy Corps International and continues to be influenced by the ethos of its parent organization despite gaining increased independence. In a case study written in 2008 writers Allen Grossman and Caroline King comment on the social entrepreneurial and innovative culture of Mercy Corps International and their ability to “look at the same humanitarian challenge and respond in a creative and thoughtful way”.<sup>66</sup> The writers also discuss the emphasis Mercy Corps places on community involvement and assessing the specific needs of the community or region within which they are operating.<sup>67</sup> This emphasis also means that considerable autonomy and responsibility is given to the Country Directors managing a specific country to determine what actions to take and what programs to run. These cultural characteristics can be seen translated into a domestic context as Mercy Corps International relies on MCNW and Director John Haines to assess the needs of the Pacific Northwest community and involve the community in initiatives to provide services to address those needs.

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<sup>66</sup> Allen S. Grossman and Caroline King. “Mercy Corps: Positioning the Organization to Reach New Heights,” *Harvard Business School* ( December 9, 2008) pg. 2

<sup>67</sup> *Ibid*, pg. 3



Mercy Corps Northwest itself embodies a culture that encourages and promotes risk-taking. A culture of risk-taking is something that is inherent in most micro-financing institutions since often times the goal of such institutions is to help those individuals that traditional banks or financial institutions deem too risky. However, many micro-financing institutions focus their services on expanding small businesses that are already up and running, providing a financial service that other banks refuse to, but playing it safe nonetheless.<sup>68</sup> MCNW takes the risk factor to the next level by prioritizing start-up businesses for micro-loans and catering services to specifically high-risk populations, such as formerly incarcerated individuals.<sup>69</sup>

Finally, the culture of the Pacific Northwest is worth discussing because it is within this environment that MCNW operates. While it has been previously mentioned, it is worth repeating that the entrepreneurial culture of the northwest provides a supportive environment for aspiring micro entrepreneurs in many different fields. In fact, a recent article in Fast Company named Portland, Oregon the top place to start a company and a 2008 CNN study ranked Portland number 6 in the 100 Best Cities to live and launch your business.<sup>70</sup> In addition, residents in Oregon are known for their appreciation of the arts and will support burgeoning artists, whether they are trying to open a photography studio

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<sup>68</sup> Peter Korn, "Small Loans Can Fuel Big Dreams"

<sup>69</sup> Ted Katauskas, "Venturing Forth," *Portland Monthly*. (October 2009).

Accessed At: <http://www.portlandmonthlymag.com/arts-and-entertainment/articles/mercy-corps-1009/2/>

<sup>70</sup> Laura Rich. "Why You Should Start a Company in Portland, Oregon," *Fast Company*. (March 23, 2010). Accessed At: <http://www.fastcompany.com/article/why-you-should-start-a-company-in-portland-oregon> and "100 Places to Live and Launch," *CNN Money*. (2008). Accessed At: <http://money.cnn.com/magazines/fsb/bestplaces/2008/index.html>

or jewelry stand at a market.<sup>71</sup> Many surveys and studies have highlighted Portland as a top city for fitness and health and this bodes well for entrepreneurs interested in opening a bike shop or yoga studio or acupuncture clinic.<sup>72</sup> Finally, the Pacific Northwest embodies a culture of great dining, sustainable farming, and a love for coffee and local hand crafted beer. This cultural emphasis supports both entrepreneurs looking to open a food cart or coffee shop and entrepreneurs looking to sell their organic products at a farmers market.<sup>73</sup> Each of these cultural factors create an open and supportive environment for aspiring entrepreneurs, increasing the likelihood that such businesses will succeed.

### **Communication Strategy and Innovation Diffusion**

The communication strategy of an organization is extremely important because it determines the ways in which an organization will communicate with its current and potential clients, its current and potential funders and the community. Without a successful communication strategy it is difficult for an organization to grow and expand and to garner support, financial and otherwise. Mercy Corps Northwest uses several outlets to disseminate information about its services and communicate with the community.

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<sup>71</sup> "State and Regional Differences in Art Participation," *National Endowment for the Arts*. (December 2009). Accessed At: <http://www.arts.gov/research/Notes/99.pdf>

<sup>72</sup> "America's Top 50 Bike Friendly Cities," *Bicycling Magazine*. (2010). Accessed At: <http://www.bicycling.com/topbikefriendlycities/slide3.html> and Adrien Glover. "America's Fittest Cities," *Travel and Leisure*. (January 2010). Accessed At: <http://www.travelandleisure.com/articles/americas-fittest-cities/1>

<sup>73</sup> Eric Asimov. "In Portland, A Golden Age of Dining and Drinking," *The New York Times*. (September, 26, 2007). Accessed At: [http://www.nytimes.com/2007/09/26/dining/26port.html?\\_r=2&pagewanted=3](http://www.nytimes.com/2007/09/26/dining/26port.html?_r=2&pagewanted=3)

One of the most important communication tools is an organizations website. MCNW's website is a powerful communication tool because of the wealth of information available on it and because of its ease of access. By making the website aesthetically pleasing and easy to navigate MCNW is able to engage with any interested individual and inform them of the services available and the impact that MCNW has in the community. MCNW also utilizes social media tools such as facebook and twitter to connect with more people, share information, and keep interested individuals up to date with current events related to MCNW and their clients. For example, on their facebook page and twitter account MCNW provide links to stories in the media that highlight their work, share information about upcoming classes or events in the community, and advertize new ventures and businesses operated by their clients.<sup>74</sup> MCNW also maintains a very informative blog that covers similar topics, showcases individual clients and their ventures, and highlights outstanding volunteers and the work that they do.<sup>75</sup> Again, these tools provide MCNW with the ability to connect with more people, advertise their services, and showcase the accomplishments of their clients, their staff and their volunteers.

In addition to the social media and web-based tools described above, MCNW relies on word of mouth and coverage in the local media to reach new clients and disseminate information about its services. According to Executive Director John Haines, most new clients discover MCNW via word-of-mouth or are referred by friends that are former or

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<sup>74</sup> Mercy Corps Northwest Twitter Account can be accessed at: <http://twitter.com/mercycorpsnw> and Mercy Corps Northwest Facebook Page can be accessed at:

<http://www.facebook.com/#!/pages/Mercy-Corps-Northwest/114973631856042?ref=mf>

<sup>75</sup> Mercy Corps Northwest Blog Page can be accessed at: <http://mercycorpsnw.wordpress.com/>

current clients.<sup>76</sup> A recent burst of coverage in the local media also helps to get the word out there about MCNW and their programs and can help MCNW reach potential clients, volunteers and donors. A list of links to relevant media articles can be found on MCNW's website.<sup>77</sup>

Finally, it's important to recognize the ways in which MCNW maintains connections and disperses information through its Board, Lending Committee and its various partnerships and alliances. Through its Board, MCNW is linked to a number of groups and organizations that the Board members are associated with. For example, one of MCNW's Board members is an Economics Professor at Reed College in Portland and another is the Vice President of Economic Development and Global Engagement at Washington State University.<sup>78</sup> Two more Board members are the CEO and Executive Director of a software company and a non-profit homeless youth mentoring organization, both of which are headquartered in Portland, OR.<sup>79</sup> These connections put MCNW in touch with diverse communities and provide avenues through which information about their services and programs can be dispersed. Through the lending a committee, a committee of volunteers with financial expertise that assist with selecting loan clients, MCNW develops even further connections with the local financial sector. Members of the loan committee include the VP of Wells Fargo Bank, the VP of Albina Community Bank, a

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<sup>76</sup> John Haines (Executive Director of MCNW). E-mail message to the Author (April 19<sup>th</sup>, 2010).

<sup>77</sup> "Mercy Corps Northwest In The News," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/in-the-news/news-archive/>

<sup>78</sup> "Mercy Corps Northwest Staff and Board"

<sup>79</sup> *Ibid*

Banker, a Small Business Owner, and a Private Investor.<sup>80</sup> Lastly, partnerships and alliances help MCNW collaborate with organizations in the area and nationally doing similar work. MCNW maintains a list of partners on their website and many of these organizations to the same, listing MCNW as a partner on their respective websites.<sup>81</sup> This acts as free advertizing in a sense and continues to expand the ways in which MCNW can reach potential new clients and interested individuals.

### **Impact and Accountability Assessment**

Measuring impact is a crucial component of any kind of social-purpose initiative. In order to be the most effective at what you do and in order to generate the greatest positive social impact, it is necessary for any social organization to be aware of how their services are helping their target population and in what ways their services might be lacking. Measuring impact also allows an organization to compare its approach with other organizations doing similar work. These benchmarks ultimately allow for best practices to develop and they foster an environment of knowledge transfer and learning that benefits the industry in question as a whole.

MCNW is committed to measuring outcomes and impact. They believe it is important to evaluate effectiveness “through external and objective quantitative measures as well as both quantitative and qualitative evaluations from clients and partner organizations”.<sup>82</sup>

MCNW does this by collecting business and income information from every client

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<sup>80</sup> “Loan Committee – Who We Are,” *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/who-we-are/loan-committee/>

<sup>81</sup> “Community Partners and Funders,” *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/who-we-are/community-partners-and-funders/>

<sup>82</sup> Application to City of Beaverton, pg. 15

participating in the loan and IDA programs and by requiring clients receiving micro-loans to provide monthly, quarterly and annual reports highlighting growth and showcasing profit and loss statements for their businesses.<sup>83</sup> Clients are also requested to give feedback at the closing of their loan and at six months after the closing of their loan.<sup>84</sup> This allows MCNW to evaluate customer satisfaction and collect input on the loan program in the short-term and to measure the long-term effectiveness of their services.

MCNW collaborates with several external groups in order to carry out its impact evaluation work. For example, MCNW has partnered with Portland State University to administer exit surveys to clients who participate in the IDA program. MCNW also partners with the Aspen Institute by applying a management tool known as MicroTest,<sup>85</sup> MicroTest was founded by a department of the Aspen Institute called FIELD in order to help microenterprise agencies assess and improve their performance.<sup>86</sup> Through this program MCNW assesses internal performance and effectiveness as well as the success of their clients over time.<sup>87</sup> The internal assessment allows MCNW to compare their performance to other microenterprise organizations in the U.S. The external assessment involves MCNW contacting a randomized sample of former clients to see if they are still in business and to ask a range of questions regarding the health of their business, income accumulation, asset accumulation, and housing stability.<sup>88</sup> This allows MCNW to keep

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<sup>83</sup> "Basic Information on the Loan Program"

<sup>84</sup> *Ibid*

<sup>85</sup> "Improving our Community Through Microenterprise Development," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/who-we-serve/community-impact/>

<sup>86</sup> "MicroTest: General Info," *FIELD U.S – The Aspen Institute*. Accessed At: <http://www.fieldus.org/MicroTest/info.html>

<sup>87</sup> *Ibid*

<sup>88</sup> Application to City of Beaverton, p. 16

track of their clients, even when they are no longer using their services, and gain a better understanding of what kind of impact they are having on their clients in the long-term.

As MCNW has grown over the years, in both staff and number of programs and services available, it has been able to impact the lives of more and more individuals. The number of clients served has increased from 289 in 2005, to 710 in 2007, to over 800 clients in 2009.<sup>89</sup> Since 2001, MCNW has made over 200 loans, with the total worth of loans equaling over \$2.2 million.<sup>90</sup> Furthermore, MCNW has assisted over 400 individuals through their IDA matched savings program.<sup>91</sup> Not included in these numbers are the number of individuals that benefit from MCNW's online services such as MicroMentor and PDX BizHelp.<sup>92</sup>

According to MicroTest survey results, 64% of clients surveyed reported being completely satisfied with MCNW's services and 18% reported being mostly satisfied.<sup>93</sup> Additionally, 91% of clients surveyed remained in business, and of those 75% reported income growth.<sup>94</sup> Each of these quantitative outcomes is above national averages for micro-development organizations.<sup>95</sup>

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<sup>89</sup> "Greater Regional Economic Impact and Scale," *Mercy Corps Northwest*. (2007) and interview with John Haines

<sup>90</sup> Application to City of Beaverton, pg. 10

<sup>91</sup> "Matched Savings Asset Development"

<sup>92</sup> "Greater Regional Economic Impact and Scale"

<sup>93</sup> Application to City of Beaverton, pg. 10

<sup>94</sup> "Improving Our Community Through Microenterprise Development"

<sup>95</sup> Application to The City of Beaverton, pg.16

Finally, it is important to note that the figures calculated through the surveys, the follow-up reports, and the MicroTest program that measure the impact of MCNW do not tell the full story. The social value created by MCNW is often times hard to quantify. For example, MCNW can measure the recidivism rate of the individuals that go through their reentry programs and use that number as a measure of their impact on that community. However, what is more difficult to measure is the social benefit acquired by the families whose mothers, sisters, aunts or grandmothers stay out of prison. On the same note, MCNW can measure the impact a loan has had on an individuals personal income or the stability of their business, but it is difficult to measure how much of an impact a business training class had on one individual who did not need the service of a loan or matched savings program. Although it is difficult to measure these less quantifiable impacts, it is still important to remember them when considering the overall impact of MCNW and the value creation of their services.

### **Scale and Replication**

One of the greatest challenges for the micro-finance institution field in general has been achieving scale. Even though there are an estimated 10 million low-income entrepreneurs that could benefit from the services provided by a micro-finance institution, the 500 or so institutions offering these services are only reaching 175,000 – 200,000 individuals.<sup>96</sup> The reasons behind this mismatch are plenty, but lack of funding and the disparity in the geographic spread of some programs are two main influencing factors.<sup>97</sup> Furthermore, Microenterprise organizations tend to be small in size, with most serving fewer than 200

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<sup>96</sup>Edgcomb and Klein, Pg. 81

<sup>97</sup> *Ibid*, pg. 82



clients per year and the leading organizations serving an average of 600.<sup>98</sup> Despite these challenges, MCNW is committed to achieving greater scale and MCNW has demonstrated this through its involvement in the Aspen Institutes' Scale Academy, its history of scale, and its plans for achieving scale in the future.

### History of Scale

In order to expand upon its core services of lending, saving, and technical training MCNW has developed a number of programs over the years that allow them to reach a greater and more diverse group of low-income individuals.

- In 2005 MCNW launched its **New American Agricultural Project** to help immigrants and refugees start small scale farm enterprises in the greater Portland area.<sup>99</sup> Through this program participants receive agricultural business training, land access and lease negotiation assistance and access to supplies and equipment, in addition to MCNW's core IDA and Loan Programs.<sup>100</sup> Finally, MCNW helps connect the farmers with local food outlets, farmers markets and restaurants in the Portland area.<sup>101</sup>
- In 2006 MCNW launched a program called **MicroMentor** that links aspiring small business owners and entrepreneurs with experienced business owners and

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<sup>98</sup> *Ibid*, p. 34

<sup>99</sup> "New American Agricultural Project," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/new-american-agricultural-project/>

<sup>100</sup> *Ibid*

<sup>101</sup> *Ibid*

professionals via an online networking service.<sup>102</sup> MCNW leveraged its relationship with Mercy Corps International to make this online service available internationally as well as domestically, and this has dramatically increased the geographical scale of this service.<sup>103</sup>

- In 2006 MCNW also developed the **LIFE (Lifelong Information For Entrepreneurs) Project**, a business, entrepreneurship and pro-social skills curriculum for incarcerated women at the Coffee Creek Correctional Facility in Wilsonville, OR.<sup>104</sup> The project aims to help formerly incarcerated individuals establish economic stability and self-sufficiency and become reintegrated back into society. The idea is to decrease re-incarceration and the socioeconomic damage of re-arrest, trial and re-incarceration.<sup>105</sup> Participants in the LIFE Project receive financial literacy and business plan development training, interpersonal skills development, and access to the IDA and Loan core programs.
- As a parallel program to the LIFE Project, MCNW collaborated with a number of reentry services for formerly incarcerated individuals to establish a Re-Entry Transition Center in 2009 (CHECK DATE). This center acts a central location for formerly incarcerated individuals to access a range of services and resources that are essential to the reentry process.<sup>106</sup>

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<sup>102</sup> "MicroMentor," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/micromentor/>

<sup>103</sup> "About MicroMentor," *Mercy Corps*. Accessed At: <http://www.micromentor.org/mentor/about-micromentor>

<sup>104</sup> "LIFE Prison Curriculum," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/life-prison-curriculum/>

<sup>105</sup> *Ibid*

<sup>106</sup> "Re-Entry Transition Center," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/transition-center/>

- In 2009 MCNW also opened its **Women's Business Center**, a virtual and physical space that assists women-owned enterprises at any stage of their development.<sup>107</sup> This Women's Business Center is the only center that provides assistance and support to women-run and owned enterprises in the State of Oregon.<sup>108</sup> The Women's Business Center provides an avenue through which women business owners and learn about and access the core services offered by MCNW, including business training, matched savings, and microloans.<sup>109</sup>

*Plans For Achieving Scale in the Future:*

As was already mentioned, MCNW is committed to reaching and impacting more clients by scaling up and out through the addition of services and by replicating current services in order to reach more people by expanding the regional scope in which those services can be offered. Some plans for the future include:

- Web – Based Communities of Practice: MCNW is working on an online forum that will bring communities of practice together virtually so that dialogue and learning can occur between individuals working in similar environments and most likely facing similar obstacles.<sup>110</sup> For example, MCNW works with a lot of clients who are interested in starting a business, or who already own a business, related to health and wellness, such as naturopathic acupuncture clinics, yoga studios,

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<sup>107</sup> "MCNW Fact Sheet"

<sup>108</sup> "Women's Business Center," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/what-we-do/womens-business-center/>

<sup>109</sup> *Ibid*

<sup>110</sup> Interview with John Haines

Pilates studios, massage therapy clinics, etc. The web-based community of practice would bring together all of the individuals involved in “health and wellness” microenterprise in some way and allow those individuals to ask and answer questions related to their work.<sup>111</sup> Some other communities of practice would include daycare or childcare services and food-industry services.

- Web – Based Training: MCNW is looking into providing business training and development via a web-based curriculum.<sup>112</sup>
- LIFE Project Replication: The Coffee Creek Correctional Facility in Wilsonville, OR has been the pilot location of MCNW’s LIFE Prison Education Project. With additional funding and resources and through partnerships with other microenterprise or reentry organizations, MCNW hopes to extend the LIFE project to other correctional facilities.<sup>113</sup>
- Expansion of Loan Program: MCNW currently has about \$900,000 worth of loans out in microloans with a number of clients. However, with additional funding MCNW would like to increase the number of loans disbursed, and ultimately increase the number of clients and businesses impacted by the Loan Program.

### **Recommendations**

After completing this case study and gaining a much greater understanding of what it is Mercy Corps Northwest does as well as their successes and challenges, a few ideas stand out as recommendations for the future. MCNW is young and growing and their efforts

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<sup>111</sup> *Ibid*

<sup>112</sup> *Ibid*

<sup>113</sup> “LIFE Prison Curriculum”

have already had a significant impact on the communities within which they operate. However, it is apparent that their greatest challenges revolve around expanding their services out to more individuals and attaining both stable funding and larger amounts of funding so that their loan capital can be increased and their programs can grow. A number of communication strategy suggestions could help tackle these main obstacles. Additionally, three specific suggestions related to the expansion of services could help MCNW reach and impact more people.

### Communication Strategy

- **Greater Emphasis on Communicating Impact:** MCNW goes to great lengths to measure the impact it is having on its clients and its community. Through the MicroTest program MCNW follows up with their clients every year to measure economic resiliency and growth and to track how their services benefit their clients. Through this work MCNW has been able to track some significant outcomes, but more could be done to communicate those outcomes. Achieving impact and adding value to a community is a crucial part of attracting potential clients *and* funders. At the moment MCNW's website is divided into 5 main categories: "WHO we are", "WHO we serve", "WHAT we do", "RESOURCES", and "CONTACT us".<sup>114</sup> "SOCIAL impact" should be added as a stand-alone category. Under this category annual MicroTest reports should be made available to the community as well as any other gathered data on outcomes and results so that anyone can read about the measured impact MCNW is having on its clients.

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<sup>114</sup> "Mercy Corps Northwest – Financing Change Through Microenterprise Development and Self-Employment," *Mercy Corps Northwest*. Accessed At: <http://www.mercycorpsnw.org/>

- **Client Profiles:** Many of the big microfinance organizations such as ACCION USA, the Opportunity Fund, Grameen America and others include a section on their website that profiles specific clients and tells their story. This would be a beneficial addition to MCNW's website. Many people have a deeper understanding or feel a deeper connection to an idea when they understand on a more real life basis how that idea is changing people's lives. If interested individuals could access the MCNW website and read about specific clients who have been helped by MCNW and understand on a more personal level how the services offered by MCNW are making a difference, they may be more inclined to donate or volunteer or even just spread the word about the work MCNW is doing. Pictures and videos that give a visual representation of the impact that is taking place are particularly effective at telling a story and relaying a message.
- **Donations, Front and Center:** At the moment MCNW receives about 10% of its funding from private donations, but I believe there is the potential for this to increase. People can be extremely generous with their money when they have the flexibility to do so, and I believe our most recent financial crisis has encouraged people to look inwards, to their own communities, as opposed to the international arena, when considering how and where to "give back". However, in order to capitalize on this idea MCNW needs to reevaluate its communication strategy as it pertains to garnering private donations. Currently, on the MCNW website there is a box in the top right corner of the page that says "Donate Now". While the link remains in the same spot no matter where you navigate to on the website, it is not particularly striking and easily fades into the background. MCNW should

consider devoting a more central and obvious location to the “Donate Now” link as well as adding some components to the donation page. Additions could include a section that explicitly outlines how a \$50 or \$100 or \$500 etc. donation helps MCNW as well as “stories” or quotes from previous donors.

- **Sponsoring Individual Clients:** As a parallel effort to increasing the visibility and accessibility of the donation page on the website, MCNW should consider developing a program that would allow private donors to fully or partially fund individual clients. Organizations like KIVA have demonstrated the power of person-to-person giving for microenterprises in the developing world, and there is the potential for this model to work for clients of MCNW as well. The Opportunity Fund has recently created a person-to-person program by collaborating with KIVA.org and SaveTogether.org.<sup>115</sup> MCNW could adopt this approach and collaborate with organizations that already manage person-to-person giving, or MCNW could establish their own personal model. Profiles of potential clients would be a necessary component of either approach, as potential funders will want to understand in-depth what they could be funding. Similar to the current and former client profile suggestion articulated above, these profiles would allow interested private donors and funders to feel more personally connected to the projects and people they would be helping to fund.

*Expansion of Projects and Services:*

- **Greater Reach into Washington:** As MCNW continues to grow and reach out to more clients in the Northwest it is imperative that MCNW develops an outreach

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<sup>115</sup> “Get Involved – Opportunity Fund,” *The Opportunity Fund*. Accessed At: <http://www.opportunityfund.org/get-involved>

strategy for the Washington area. This should include diversifying the Board and Lending Committee to include more Washington based individuals as well as creating more of a presence in Washington by perhaps opening a Seattle or Olympia office. It will also be necessary to continue to network with existing organizations in the area so that collaboration and knowledge transfer can occur and so MCNW can be sure to not spend time and resources creating service and program models that already exist in the area.

- **Capitalize on Technological Infrastructure and Know-How in the Community:** MCNW has already expressed its desire to continue to develop its web-based initiatives by creating web-based communities of practice forums and web-based or software based business-training curriculum. MCNW should pursue these goals and other technology based goals by capitalizing on the technological infrastructure and expertise that is already present in the community. There are a number of technology and software companies in the region, including two of the most influential and recognizable companies in the field, Intel and Microsoft. MCNW should consider partnering with private companies such as these so as to gain expertise in the technology and web-based fields and to create new and innovative ways to reach more clients and improve upon their services.
- **Address Policies That Create Barriers of Entry:** In their book titled “Forces For Good: The Six Practices of High-Impact Nonprofits” authors Leslie Crutchfield and Heather McLeod Grant argue that the best nonprofits both advocate and serve by coupling policy reform with programs or direct service.<sup>116</sup>

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<sup>116</sup> Leslie R. Crutchfield and heather McLeod Grant. *Forces For Good: The Six Practices of High-Impact Nonprofits*. (San Francisco: Jossey – Bass, 2008). pg 53



MCNW could have greater impact if they added an advocacy component to their work to address policy issues that create barriers for those wishing to launch their own microenterprise or small business. According to the Aspen Institute, welfare and public assistance programs do not always support self-employment initiatives and instead most often push wage jobs as a means to improve economic self-sufficiency for low-income individuals.<sup>117</sup> MCNW should assess the particular policy barriers that their clients face and advocate policy reform to address those barriers.

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<sup>117</sup> Edgcomb and Klein, pg.98



## **Appendix A**

### **Board Members**

**Angie Brummitt (Treasurer)**

Sr. Director of Corporate Finance, Mercy Corps  
Board Member Since 2009

**Beth Burns**

Executive Director, p:ear  
Board Member Since 2008

**John Gardner**

Vice President of Economic Development and Global Engagement, Washington State University  
Board Member Since 2008

**John W. Haines**

Executive Director, Mercy Corps Northwest  
Board Member Since 2003

**Dave Hersh**

CEO, Jive Software  
Board Member Since 2006

**Neal L. Keny-Guyer**

CEO, Mercy Corps  
Board Member Since 1998

**Mignon Mazique**

Executive Counselor, Mercy Corps  
Board Member Since 1998

**Noelwah Netusil (Chair)**

Professor of Economics, Reed College

**Rick Voirin**

Independent Consultant, Dallas TX  
Board Member Since 2008

## **Appendix B**

### **Loan Committee Members**

**Bernie Kronberger**

Vice President, Wells Fargo Bank

**Kent Walton**

Vice President, Albina Community Bank

**Doug Butler**

Small Business Owner

**Mike Kehoe**

Private Investor

**Nathan J. Beatty**

Banker

**John W. Haines**

Executive Director, Mercy Corps Northwest

## Appendix C

### Community Partners and Funders

The following organizations ensure the efficacy of Mercy Corps Northwest services and initiatives, through deep community outreach and collaborative relationships.

**Bold** organizations offer funding to Mercy Corps Northwest projects.

- [Aspen Institute](#)
- **[Assets for Independence/AFL U.S. Dept. of Health and Human Services](#)**
- [Albina Community Bank and Albina Opportunities Corporation](#)
- [Black Parent Initiative](#)
- [Black United Fund/BUF](#)
- [Catholic Charities USA](#)
- [Child Care Improvement Project](#)
- **[City of Portland Development Commission/PDC Economic Opportunity Initiative](#)**
- [Coalition for a Livable Future](#)
- **[Community Capital Development](#)**
- [Hacienda Community Development Corporation](#)
- [Hillsboro Chamber of Commerce](#)
- [JPMorgan Chase & Co.](#)
- **[Kaiser Permanente Community Fund](#)** and **[Northwest Health Foundation](#)**
- [Latino Network](#)
- [MicroEnterprise Services of Oregon/MESO](#)
- **[M.J. Murdock Charitable Trust](#)**
- [Native American Youth & Family Center/NAYA](#)
- [New Seasons Market](#)
- **[Office of Refugee Resettlement](#)**
- [Oregon Association of Minority Entrepreneurs/OAME](#)
- [Oregon Banker's Association](#)
- [Oregon Small Business Development Center](#)
- [Point West Credit Union](#)
- [Portland Business Alliance](#)
- [Portland State University Business Outreach Program](#)
- [Portland Youth Builders](#)
- [REACH Community Development](#)
- [Reentry Organizations and Resources/ROAR](#)
- [Rose Community Development](#)
- [Rudolf Steiner Foundation](#)
- [SCORE](#)
- [Self-Employed Creative Professionals/SECP](#)
- [ShoreBank Enterprise Cascadia](#)
- [Small Business Association \(SBA\)](#)
- [Small Business Legal Clinic](#)
- [State of Oregon Department of Corrections](#)
- **[State of Oregon IDA Tax Credits](#)**

- State of Oregon Entrepreneurial Development Loan Fund
- StartZone at Highline Community College
- Sterling Savings Bank
- Travel Oregon
- Trillium Artisans
- **United States Department of Agriculture**
- **United Way**
- University of Portland
- Verde
- Washington CASH
- **Wal-Mart Foundation**
- **Wells Fargo**
- Willamette University
- Working Artists
- Willamette Week

## **Appendix D**

### **Guiding Principles of MCNW**

#### **Our Mission**

MCNW's mission is to assist all low-income populations throughout Oregon and in areas of Washington State by increasing their economic self-sufficiency and community integration through microenterprise development and self-employment. MCNW's mission provides a domestic context to the parallel mission of our parent organization, Mercy Corps, which is to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities.

#### **Our Vision**

Through our direct services and community initiatives, MCNW works with motivated individuals to:

- Improve income
- Increase net worth and assets
- Promote community integration
- Stabilize housing
- Build enduring small-business success

#### **Our Values**

As an organization, Mercy Corps Northwest believes in:

- Diversity in our clients and services
- Comprehensive support for our clients
- Targeted outreach to those who need it most
- Strong, cooperative relationships with other organizations
- Accessibility of programs and resources for everyone

## **Appendix E**

### **Literature Review of Microfinance in the U.S**

#### **Introduction:**

The microfinance movement has received a great deal of attention over the last two decades for its innovative approach to poverty alleviation in the developing world. Muhammad Yunus, often considered the Father of the movement, founded the Grameen Bank in Bangladesh in 1976 and revolutionized thinking on lending to poor individuals with little to no credit or collateral. The success of the Grameen Bank encouraged the movement to spread to developing countries all around the world, including countries in Asia, Africa, Latin America and Eastern Europe. After recognizing impressive results overseas, U.S officials and program organizers began to consider the possibility of utilizing microfinance to tackle the lack of access to credit and business training within the United States. Today there are hundreds of institutions within the United States offering micro-loans and other financial services to low-income populations as a means to address and alleviate poverty within our own borders.

One of the organizations offering micro-financing services within the U.S is Mercy Corps Northwest. Mercy Corps Northwest is a sister organization to the larger and more widely known Mercy Corps International. It's stated mission on it's website is to "assist all low-income populations throughout Oregon and in areas of Washington by increasing their economic self-sufficiency and community integration through microenterprise development and self-employment". Mercy Corps Northwest practices its mission by providing micro-loans, micro-mentoring, and business and entrepreneurial skill seminars to low-income and entrepreneurial aspiring individuals. The organization was founded in 2001 and its youth reflects a general theme of the micro-financing movement within the United States. The newness of this field provides an important opportunity for research and analysis as we continue to learn how to best apply this poverty alleviation tool to the context of the United States and other developed nations.



### **Microfinance in the United States:**

The vast majority of literature on microfinance has focused on the developing world, including themes and controversies that have arisen in relation to the practice of microfinance in the developing world. Because the practice of microfinance in the United States is a relatively new phenomenon there is less scholarly literature related to this topic specifically, however this is changing as the field continues to grow and as more well-known organizations such as the Grameen Bank, ACCION, KIVA, and Mercy Corps turn their attention to the possibilities of microenterprise within the United States. The literature that does exist on microfinance in the United States tends to focus in three areas; the history of microfinance in the U.S, the differences between microfinance in developing countries and the U.S, and the main challenges for microfinance institutions in the U.S.

### **History of Microfinance in the U.S**

In her chapter, “The Emergence of U.S Microenterprise Development” Nancy Jurik discusses the history of microfinance institutions in the United States, tracing its development over time. Jurik argues that microfinance in the U.S was first introduced in government economic development policy and legislation, and she points to the Economic Opportunity Act of 1964, which included an Equal Opportunity Loan program that made loans to small businesses, to support her claims (Jurik, 2005). Jurik also highlights women’s movement practitioners and NGO professionals from economic-development foundations in the late 1980s as the early leaders and promoters of the micro-financial movement in the United States (Jurik, 2005). In fact, it was the organizing efforts of these two groups that really created a foundation and a framework for the movement to grow into, and the first U.S programs to offer micro-loans, such as WEDCO (the Women’s Economic Development Corporation), provided a model for other organizations to follow (Jurik, 2005 and Servon, 2002). Finally, many scholars point to the support and promotion of microfinance by President Bill Clinton and Hillary Rodham Clinton in the 1990s as a significant influencing factor in the growth of the

microfinance movement in the United States (Jurik, 2005; Servon, 2002; Schreiner and Morduch, 2002).

### **Microfinance in the Developing world vs. Microfinance in the United States**

A large portion of the literature on microfinance in the United States compares microfinance in the U.S and the developing world. Several scholars have written extensively on the key factors that set the two contexts apart. Mark Schreiner and Jonathan Morduch (2002) point out in their chapter “Opportunities and Challenges for Microfinance in the United States”, that unlike institutions in the developing world that have hundreds of thousands of clients (or even 2 million clients, as is the case with the Grameen Bank), U.S microfinance institutions tend to be much smaller, with the average number of clients at about 200. Schreiner and Morduch (2002) also argue that it is much more difficult to establish and run a microenterprise in the United States, which makes business training a much more essential component of any overall micro-financing strategy in the United States. The Opportunity Fund, a microenterprise development organization working in the Bay Area, points out that the size of the loans tend to be much greater in the United States, and can range anywhere between \$500 and \$50,000. Andres Vinelli (2002), in his essay “Financial Sustainability in U.S. Microfinance Organizations”, writes that although financial sustainability has been emphasized, and in some cases achieved, in the developing world, it is less of a realistic goal for micro-finance organizations in the United States. The larger loan amounts and the greater operational costs as well as an emphasis on additional services such as business training and mentoring make profitability or financial self-sustainability difficult to achieve (Servon, 2002; Bhatt, Painter and Shui-Yan Tang, 2002). However, Vinelli (2002) is careful to stress that although achieving financial self-sufficiency is especially challenging in the United States, it does not mean that microfinance is not a worthwhile approach to poverty alleviation.

### **Challenges Related to Microfinance and Micro-Enterprise in the U.S:**

There are many factors unique to the United States that makes microfinance and micro-enterprise particularly challenging. For example, in a speech at a Summit on

Microfinance in the United States (2007), Ben Bernanke spoke about the challenges individuals face in setting up a business or enterprise. The complex U.S market often requires entrepreneurs to deal with licenses, zoning or health regulations, and taxes (Bernanke, 2007). This differs from the developing world where government officials often turn a blind eye to the micro-entrepreneurial efforts of the poor (Bernanke, 2007). In addition, Schreiner and Morduch (2002) argue that the overall smaller size of the microenterprise sector and the competition from large firms in the U.S encourages individuals to seek wage jobs and makes it difficult for a micro-enterprise to survive even if it does receive micro-funding. Schreiner and Morduch (2002) also argue that it has proven to be challenging to apply the group-lending model in the United States because of individualistic and independent culture in the U.S, and this drives up transaction and operational costs.

### **Mercy Corps Northwest:**

Although the number of micro-financing institutions in the U.S is growing, there is a lack of literature, both scholarly and otherwise, on individual organizations providing these services. Mercy Corps Northwest (MCNW) is no different, and the majority of literature that discusses or reports on the work of MCNW is found either in news articles and other media outlets or is self-reported information found on the MCNW website. The literature on MCNW can be divided into three sections; self-reported information describing the specific programs carried out by MCNW and the main populations that are targeted, media reports that offer a broad and general description of the work carried out by MCNW and their clients, and finally, news stories highlighting specific ventures or businesses that have benefited from MCNW.

### **Self-Reporting**

MCNW clearly outline and describe their programs and targeted populations on their website and in documents intended for internal-use. In a document titled “MCNW Talking Points”, MCNW describes their efforts to address the “roots of persistent economic decline” and “intergenerational cycles of economic need” by targeting the incarcerated and ex-offenders and long-term renters (MCNW, 2009). In a document titled

“MCNW Fact Sheet”, MCNW outlines and describes each of their current programs, including asset development services (or matched savings programs), the loan program, business development services and training, web-based small business communities, reentry correctional facility programs, the New American Agriculture program, and their women’s business center (MCNW, 2010). The variety in services available offers a real-life example of a U.S micro-financing institution that provides a more comprehensive approach to poverty alleviation and economic development, unlike organizations in the developing world that often only offer micro-loans.

### **Media – Broad and General Reporting:**

In an article in Portland Monthly in 2009, author Ted Katauskas featured Executive Director John Haines and gave an overview of the kind of work MCNW has achieved thus far. Katauskas reported that more than 2,000 hopeful entrepreneurs have drafted business plans through MCNW’s business training classes, and more than 186 individuals have secured loans, ranging from \$500 to \$50,000, with the average right around \$10,000. Katauskas (2009) also reported that half of the entrepreneurs had annual incomes below the federal poverty level, and that nearly two-thirds are women, and 38% are members of minority groups, including refugees and immigrants.

### **Media – Business and Micro-Enterprise Profiles:**

Most of the media literature that mentions or highlights MCNW does so by reporting on particular ventures or micro-enterprises that have directly benefited from services provided by MCNW. An Oregon Business (2010) article and a Portland Business Journal (2008) article both highlighted the growing food cart ventures in Portland and reported on specific ventures that benefited from MCNW micro-loans and/or business trainings. The Portland Business Journal (2008) article reported that a study done on food vendor business owners in Portland found that a very small percentage of them had any formal business training and that most lacked access to traditional sources of capital. The article concluded that these findings supported the need for the services offered by organizations like MCNW (Portland Business Journal, 2008). A 2010 article in the Portland Tribune by Peter Korn profiled Eric and Naihma Deady,

owners of a newly opened bike shop in Portland. The article reported that the Deady's received a \$27,000 loan from MCNW and completed monthly training sessions with business consultants through a program offered by MCNW (Korn, 2010). Korn argues that the services provided by MCNW to entrepreneurs in the Oregon and Washington region has become increasingly important as U.S commercial banks become more stringent with their loans in response to the current financial crisis (Korn, 2010).

### **Gaps In the Literature:**

As is mentioned previously, the literature on microfinance in the U.S is quite lacking. This is largely because the practice of microfinance in the United States is a relatively new trend and the focus until recently has been on microfinance in the developing world. The literature that does exist on microfinance in the United States tends to focus on highlighting the differences between microfinance in the U.S and the developing world and the challenges that are unique to the U.S environment. While this literature is important, it tends to provide broad and sweeping generalizations about micro-financing institutions in the U.S and general trends in the field. What is lacking is analysis and understanding at the micro level and reporting or case studies on specific micro-finance organizations. The lack of literature at the micro-level means that while theories and trends have been reported on about the field in general, little is understood about what individual organizations are actually doing and the challenges or obstacles they face in their specific communities. A second gap in the literature has to do with measuring the impact and the effectiveness of microfinance in the U.S context. While much has been written about the impact of micro-financing in the developing world little has been done to measure the impact in the United States and the success rates and effectiveness of individual micro-finance institutions.

### **Conclusion:**

My case-study hopes to add to the literature on microfinance in the United States and tackle some of the gaps in the literature by providing an in-depth report and analysis of the operations of one specific microfinance organization – Mercy Corps Northwest. While my case-study will only provide insight into one organization

practicing micro-finance and business training, the hope is that it will present a more practical and real-life depiction of what micro-finance looks like in one region of the country. Through this we can begin to understand at least the impact one organization may have on the clients they serve and the realities of microfinance in the U.S.



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