

**MICROENTERPRISE
DEVELOPMENT:
EVALUATION OF
WASHINGTON'S
PROGRAM**

**PROPOSED
SCOPE AND OBJECTIVES**

JUNE 23, 2011



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM
Fara Daun

PROJECT SUPERVISOR
John Woolley

LEGISLATIVE AUDITOR
Keenan Konopaski

Joint Legislative Audit &
Review Committee
1300 Quince St SE
Olympia, WA 98504-0910
(360) 786-5171
(360) 786-5180 Fax

Website: www.jlarc.leg.wa.gov
e-mail: barbara.neff@leg.wa.gov

Why a JLARC Study of Microenterprise Development?

In 2007, the Legislature passed Second Substitute Senate Bill 5652, establishing the state's microenterprise development program to "assist microenterprises in job creation by increasing the training, technical assistance, and financial resources available to microenterprises."

The Washington Department of Commerce, through a contract with the Washington State Microenterprise Association, is to provide organizational support and grants to local microenterprise development organizations and to leverage additional funds from sources other than the state general fund.

The legislation requires JLARC to evaluate the program by January 1, 2012.

What is Microenterprise?

Microenterprise development is rooted in the international community. In the 1970s, the Grameen Bank in Bangladesh began to provide minimal loans (\$10-\$50) to women to purchase things like weaving and beading materials and livestock for food production. These raw materials could be used to generate income for their families.

In the United States, a microenterprise is usually defined as a company with between one and five employees including the owner, which requires no more than \$35,000 in start-up capital. Microenterprises generally lack access to conventional forms of financing. Most microenterprises are home-based businesses. Microenterprises are found in a broad range of business types, including professional services, technology, trades, crafts and arts, manufacturing, child care, in-home catering, and small agricultural and farming businesses.

Microenterprise development organizations typically help low-income entrepreneurs develop the skills and gain access to the capital needed to start or improve their business and achieve economic self-sufficiency. Microenterprise development organizations usually focus on specific markets. These markets may be defined by the industry type, geographic regions (including rural or urban distinctions), or the population of entrepreneurs they typically serve.

Study Scope

The evaluation will identify how microenterprise development fits within economic development generally and define the state's role in microenterprise development. Although the state program does not work directly with entrepreneurs, this evaluation will examine the state's role in job creation, improving access to capital, and the leveraging of non-state funds from 2007 through 2011.

Study Objectives

The evaluation will address the following questions:

- 1) What is the state's role in microenterprise development?
- 2) What is the Washington State Microenterprise Association doing to assist microenterprise development organizations?
- 3) How are microenterprise development organizations benefiting from the Washington State Microenterprise Association's services and funding?

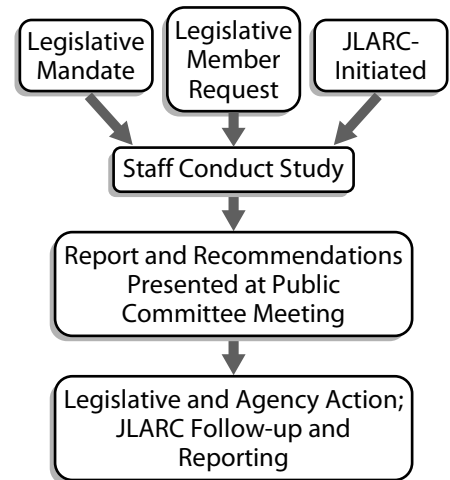
Timeframe for the Study

Staff will present its preliminary and final reports at the JLARC meetings in November 2011 and January 2012.

JLARC Staff Contact for the Study

Fara Daun (360) 786-5174 f.daun@leg.wa.gov

JLARC Study Process



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources? For example:
 - Is JLARC the most appropriate agency to perform the work?
 - Would the study be nonduplicating?
 - Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?