



Australian Government

Department of Social Services

Families and Communities Programme

**Financial Wellbeing and Capability
Community Development Financial Institutions –
Microenterprise Development**

Funding Round Summary

June 2015

Community Development Financial Institutions (CDFI) – Microenterprise Development

The aim of the CDFI – Microenterprise Development project is to increase the economic empowerment and participation of disadvantaged individuals. It does this by providing funding directly to CDFIs that support those on a low income to:

- increase their business-planning and workforce skills
- develop sustainable microenterprises where appropriate and
- create opportunities for employment, including self-employment.

These aims acknowledge that for many people on a low income, there are a number of barriers to increased economic participation. Some of these are structural (such as the absence of appropriate employment in some regional and remote locations). Others relate to the lack of skills needed for existing employment options. Microenterprise development seeks to overcome these barriers, by creating employment opportunities through microbusiness, providing training and mentoring, and facilitating access to funds when needed.

Grants are provided to support the development of financially sustainable community finance organisations capable of delivering microenterprise solutions to low-income individuals and families.

Government funding is provided to meet the costs of service delivery and operational expenses and cannot be used for the purposes of providing loan capital. It is a condition of funding that CDFIs have a source of loan capital. If an application is submitted without supplying proof of an established relationship with financial institutions the application will not be assessed.

It is also a condition of funding that CDFIs comply with relevant legislative requirements (including National, State and/or Territory requirements) to deliver this initiative. If an application is submitted without supplying proof of compliance with the relevant legislative requirements the application will not be assessed.

In order to assist the Department's assessment of the sustainability of an organisation, organisations must complete and attach a budget (using the template at **Attachment A**) to their application for funding. The budget will assist the Department to determine the value for money of each application.

Selection type

This selection is an open competitive process.

Eligibility

To satisfy eligibility requirements, applicants seeking funding to deliver CDFI – Microenterprise Development services must fall into one of the following categories:

- a. Incorporated Associations (incorporated under state/territory legislation, commonly have 'Association' or 'Incorporated' or 'Inc.' in their legal name)
- b. Incorporated Cooperatives (also incorporated under state/territory legislation, commonly have 'Cooperative' in their legal name)
- c. Companies (incorporated under the Corporations Act 2001 – may be a proprietary company (limited by shares or by guarantee) or public companies)
- d. Aboriginal Corporations (incorporated under the Corporations (Aboriginal and Torres Strait Islander) Act 2006)
- e. Organisations established through a specific piece of Commonwealth or state/territory legislation (public benevolent institutions, churches, universities, unions etc)
- f. Partnerships
- g. Trustees on behalf of a Trust

How much?

Up to \$2.0 million is available from 2015-2016 to 2016-2017. Funding may be offered to up to three organisations as a result of this process.

Closing Date and time:

Applications should be submitted by 2.00 pm on 29 September 2015.

DSS may reject any application lodged after the closing date. See Section 3.7.6 of the Financial Wellbeing and Capability Programme Guidelines Overview (Programme Guidelines).

Who to contact?

Please email your enquiries to: grants@dss.gov.au

Grant objectives

Community Development Financial Institutions – Microenterprise Development

The objectives of the CDFI – Microenterprise Development project are for CDFIs to:

- work with disadvantaged communities to support microenterprise development
- provide tailored business and financial literacy
- support one-on-one mentoring (including after the establishment of a microbusiness)
- facilitate access to a flexible and appropriate loan product and
- leverage funding from alternative non-government sources to build the sustainability of the organisation

These objectives are in line with research that has found that successful microenterprise development organisations are clear about their programme mission, targets and relevance;

focus on outcomes rather than the simple provision of loans; build in appropriate support for clients; and work towards sustainability.

In Australia, the concept of microenterprise development is still embryonic. Funding provided to CDFIs to undertake microenterprise development is intended to improve the level of diversity and reach in the sector and to enable organisations that are already delivering similar services to grow in scale. Due to the limited time frame of the project, it is expected that organisations applying for funding will have an established relationship with a bank or financial institution that will provide loan capital.

Organisations must also be compliant with all relevant legal and regulatory requirements, such as credit licensing, needed to deliver the service. Given these mandatory requirements, organisations not already delivering some form of microenterprise and/or microfinance activity in Australia may find it difficult to qualify for funding.

Government funding is provided to meet the costs of service delivery and operational expenses. Organisations are expected to demonstrate they are moving towards sustainability into the future. It is expected that by the end of the funding period, organisations will be able to subsidise at least 25 per cent of their operational expenses and their application will have a plan for how they expect to achieve this. This may include leveraging private or philanthropic sector investment or generating their own revenue through interest on loans.

Statement of Requirement

CDFIs will be funded to undertake a number of key activities in order to achieve the aims and objectives of the project, principally microenterprise development. More details of the activities and services to be provided are given below under **Core Activities**.

It is a condition of funding that CDFIs have a source of loan capital, generally supplied through a relationship with a mainstream bank or other investment or philanthropic partner. In their application for funding, organisations must provide evidence of an existing arrangement with a capital provider (such as a bank), who will guarantee the provision of loan capital should their application be successful. Applications must be accompanied by a letter of support from the capital provider (or equivalent documentary evidence of sufficient capital). It is expected that small business loans will be offered at market or below market interest rates. If an application is submitted without supplying proof of an established relationship with financial institutions the application will not be assessed.

It is also a condition of funding that CDFIs comply with the relevant legislative requirements (including National, State and/or Territory requirements) to deliver this initiative. In their application for funding, organisations must provide a letter confirming compliance with relevant legislative requirements (including National, State and/or Territory requirements) required for their service delivery model. If an application is submitted without supplying proof of compliance with the relevant legislative requirements the application will not be assessed.

Successful applicants will be expected to cooperate with programme evaluation. This may include participating in evaluation activities and/or assisting external evaluators to identify clients for the purpose of inviting them to participate in an evaluation.

Target Groups/Service Coverage Areas

The main target groups for CDFIs are individuals who experience disadvantage in the form of welfare dependency, low income and/or demonstrated financial exclusion. The Financial Wellbeing and Capability Programme Guidelines, under which the project is funded, outline the primary target groups assisted across the Activity. These are people who are:

- participating in Income Management (service priority)
- Indigenous Australians
- a person with disability
- in receipt of a Commonwealth Pension or allowance or have low or no income
- students
- sick
- unemployed
- experiencing financial stress, bankrupt or insolvent or at risk of either
- impacted by a significant event affecting them financially
- unable to access loans or savings products
- making the transition to employment, and
- individuals and families who are homeless or at risk of homelessness.

There is a key balance to be achieved between targeting vulnerable individuals and ensuring that these individuals have the capability to develop sufficient business acumen to succeed in microenterprise. Some particularly vulnerable groups are likely to have additional challenges in meeting the demands of establishing and maintaining a business. These groups are likely to have lower human and social capital and therefore require more intensive support. There is a danger that CDFIs may over time experience 'mission creep' towards less disadvantaged groups who have a higher chance of successful outcomes. In order to avoid this, CDFIs are expected to have a coherent and realistic mission statement. This should be clearly articulated, alongside the target group and guidelines for accessing their target market.

Demand for microenterprise development and particularly microenterprise loans is likely to be much smaller than the demand for other types of small-scale credit (such as consumer loans). Before providing credit, organisations will be expected to assess an individual's capacity/resources to repay the loan, including making an assessment of cash flow potential of the microenterprise. Not everyone who begins the programme will be capable of managing a microenterprise nor have the potential to repay a loan. Nevertheless, evidence suggests that outcomes can still be achieved for the individual even where a microenterprise has not been successfully established.

CDFIs must operate primarily in disadvantaged communities within Australia. In their application for funding, organisations must clearly identify the geographical area(s) in which they propose to deliver services and explain why they have chosen to operate in that area.

As a guide, the Department uses Socio-Economic Indexes for Areas (SEIFA) to identify areas of disadvantage. SEIFA was developed by the Australian Bureau of Statistics (ABS), derived from the 2011 Census of Population and Housing. It ranks all geographical areas in Australia according to relative socio-economic advantage and disadvantage. SEIFA was chosen as a consistent and accurate measure of disadvantage that could be used nationwide, across different types of services, and over time. More information about SEIFA is available on the [SEIFA website](#).

Core Activities

In the application for funding, CDFIs are expected to describe in detail how and where they will provide microenterprise development services, as well as articulating a clear mission statement outlining their goals, values, and intended outcomes.

CDFIs will be funded to undertake the following key activities:

1. Community engagement and integration

The needs of vulnerable individuals are often highly complex and managing these needs may sometimes be outside the skills or mission of the CDFI. CDFIs are expected to collaborate with other community organisations in the regions in which they operate to achieve the best outcomes for their clients. CDFIs must have a highly developed knowledge of existing services in order to provide appropriate referrals to manage an individual's loan and/or develop their microenterprise. CDFIs will work with other local service providers to ensure clients are supported with wrap-around services that meet a broader range of needs than microenterprise development to improve client outcomes where appropriate.

CDFIs will complement existing microfinance activities, including the No Interest Loan Scheme (NILS), low interest loan scheme (StepUP) and matched savings programme (Saver Plus), as well as other microenterprise development schemes such as the New Enterprise Incentive Scheme (NEIS), Business Enterprise Centres (BEC) or through Indigenous Business Australia (IBA).

2. Business literacy

The emphasis of the project is first and foremost microenterprise development, rather than the simple provision of credit. CDFIs are expected to provide support to clients (typically business development support) well beyond the provision of a micro-loan. Supporting clients to develop workforce skills and business acumen is the focus of business literacy. Some clients who receive business literacy training may not, for various reasons, go on to establish a microenterprise. Training therefore should be broad enough to ensure all participants are provided with skills that will maximise their opportunities to improve their workforce participation, while ensuring consistency with the aims and objectives of the project.

Business literacy activities may involve some or all of the following:

- assisting individuals to make an informed choice regarding commencing a sustainable microenterprise. This includes CDFIs exercising judgement about the types of microenterprises supported to ensure they:

- do not promote undesirable social outcomes within the community they serve, nor
- cause reputational risk to the Department
- providing financial literacy
- supporting individuals to develop a sustainable business plan, which considers:
 - legal, regulatory and taxation requirements
 - cash flow, including profit and loss
 - the implications of business credit and finance
 - marketing and advertising
 - understanding of risk management in a context specific to their industry/market

While business literacy activities will be tailored to the needs of the individual, they may be delivered in an appropriate group environment, relevant to the community and appropriate to the cultural needs of the regions in which they operate. Training may also be delivered informally alongside the development of the microenterprise. Business literacy training must be primarily delivered face-to-face.

Training and support (including mentoring described below) will be provided free of charge to the client. Individuals seeking additional training to that provided by the CDFI are encouraged to pursue these opportunities, however, any additional costs for this training should not be drawn from grant funding. Subject to CDFIs' internal policies and procedures, CDFIs could consider including these costs in a micro-credit facility.

3. Mentoring

Mentoring is an essential activity under the project and will be delivered throughout the development of the microenterprise, including at the business literacy development stage, as well as after the establishment of a microenterprise. The role of mentor is to:

- build a relationship with micro-entrepreneurs and potential micro-entrepreneurs
- provide guidance and coaching on business
- provide additional avenues of support through personal contacts and business networks
- keep track of the development of the microbusiness, including periodic review of progress against the business plan and suggestions for further improvement

Mentors will preferably be experienced entrepreneurs and/or small business owners (or have strong familiarity with these types of activities). These may be employed by the CDFI or they may be community volunteers. Details of the nature of the mentoring relationship are not proscribed and may be flexible based on the needs of the individual client.

4. Access to loans

While the provision of micro-credit is not the primary goal of the project, access to funds can be a key tool in supporting microenterprise development. This has been identified as a significant barrier for many individuals on a low-income in establishing a business. CDFIs, therefore, will provide access to small amounts of credit for individuals who have a

sustainable and developed business plan and are able to demonstrate capacity to repay a loan, with sufficient cash flow. Typically loans will:

- have a simpler application process to that traditionally used by banks (ensuring consistency with credit regulations) for example offering tailored support to assist clients with limited financial literacy understanding to navigate the loan process
- offer clients flexibility in terms of repayments and
- not overextend the financial capacity of the client to repay the loan.

Not all microenterprises will require finance and CDFIs should actively work to minimise the amount of credit an individual takes on. It is expected that loans will not exceed \$20,000 and in most cases will be under \$10,000.

Loans will be provided directly by the CDFI or by a partner bank, with each agency developing its own criteria to assess loan applications. It is expected that market interest rates (or below) will be charged and that interest earned on loans will support the growth and sustainability of the CDFI. The Department will require the successful organisation(s) to notify the Department of any changes to relationships with partner agencies that may impact on the CDFI's ability to deliver this initiative.

CDFIs must meet all Australian (include relevant State and Territory) regulatory and credit licensing requirements prior to submitting an application for funding.

5. Promoting sustainability

A key feature of CDFIs is a business model that maximises sustainability from Government funding over time. While sustainability can be pursued in a number of ways, lessons learnt from the CDFI pilot suggest it is difficult for CDFI programmes to reach sufficient scale to pay for themselves through interest earned on loans alone. This is particularly the case with microenterprise development programmes, which are much lower in scale than consumer finance schemes and have a far more intensive and costly service delivery model.

Nevertheless, sustainability is important and organisations are expected to demonstrate in their application that they are moving towards sustainability into the future, including a plan for achieving at least 25 per cent sustainability by the end of the funding period. This can be from interest earned on loans, funding leveraged from a range of non-Government partners, funding from State/Territory Governments or, preferably, from a combination of many sources to embed long-term sustainability.

In order to assist the Department's assessment of the sustainability of an organisation, organisations are required to complete and attach a budget (using the template at **Attachment A**) to their application. The budget will assist the Department to determine the value for money of each application.

Measuring Outcomes

A number of measures will be used to determine the success of the project:

Short-term outcomes

1. Clients learn and are able to apply a range of practical business skills
2. Clients are supported to determine whether they have a viable idea for a business
3. Clients are able to access a loan if appropriate
4. CDFIs have access to capital and have leveraged funds for service delivery

Medium-term outcomes

1. Clients are supported to establish a microenterprise
2. Clients maintain loan repayments
3. Individuals are earning an income from microenterprise and reducing reliance on income support payments
4. CDFIs achieve at least 25% self-sustainability

Specific targets for measuring these outcomes will be negotiated with the successful applicant(s) as part of their grant agreement.

Eligible use of funding

Grant funding must be used to develop and support business infrastructure related to the delivery of loans and small business support to financially excluded individuals, as well as associated financial and business literacy education.

Applicants must submit a proposed budget using the Budget Template (at **Attachment A**).

The grant may be used for:

- staff salaries and on-costs which can be directly attributed to the provision of services in the identified service area or areas as per the grant agreement
- employee training for paid and unpaid staff delivering Activities that are relevant, appropriate and in line with Activity objectives
- interpreting services to assist clients to access Activities, and
- operating and administration expenses directly related to the delivery of services, such as:
 - telephones
 - rent and outgoings
 - computer / Information Technology/ website/ software
 - insurance
 - utilities
 - postage
 - stationery and printing
 - accounting and auditing
 - domestic travel/accommodation costs, and
 - assets as defined in the Terms and Conditions that can be reasonably attributed to meeting agreement deliverables.

Ineligible use of funding

Service providers delivering services may NOT use funding for:

- loan capital
- purchase of land
- funding to cover retrospective costs
- costs incurred in the preparation of a funding application or related documentation;
- major construction/capital works
- seed funding or establishment grants for peak bodies or other new organisations (legal entities)
- overseas travel, or
- activities for which other Commonwealth, state, territory or local government bodies have primary responsibility.

Selection Criteria

The equally weighted selection criteria are:

1. Demonstrate your understanding of the need for the funded Activity in the community and/or the specified target group.
2. Describe how the implementation of your proposal will achieve the Activity objectives for all stakeholders, including value for money within the Grant funding.
3. Demonstrate your experience in effectively developing, delivering, managing and monitoring Activities to achieve Activity objectives for all stakeholders.
4. Demonstrate your organisation's capacity and your staff capability (experience and qualifications) to deliver the Activity objectives in the chosen community and/or the specified target group.
5. Describe and demonstrate a service delivery model that includes effective partnerships, linkages and referral pathways that directly contribute to the Activity outcomes.

Answering Selection Criteria

The guidance below is provided to assist you in responding to the selection criteria on your application form. You are welcome to add any further information, within the word limit (1,000 words per criteria), that will assist us to assess your application.

Criterion 1 - Demonstrate your understanding of the need for the funded Activity in the community and/or the specified target group.

To successfully address this criterion you are required to describe your understanding of microenterprise and evidence (i.e. SEIFA) of why it is needed in the communities in which your service will operate. In your response, you will need to demonstrate your understanding of the following activities and how they will assist you in supporting disadvantaged individuals:

- business literacy and mentoring
- access to finance
- community engagement

Criterion 2 - Describe how the implementation of your proposal will achieve the Activity objectives for all stakeholders, including value for money within the Grant funding.

To successfully address this criterion you will need to demonstrate how your proposal will increase the economic empowerment and participation of disadvantaged individuals. Your proposal must demonstrate how you will implement microenterprise development in the community, including how you will:

- work with disadvantaged communities to support microenterprise development
- provide tailored business literacy
- support one-on-one mentoring (including after the establishment of a microbusiness)
- facilitate access to a flexible and appropriate loan product (including what interest rate you will charge)

You must also demonstrate:

- how you will leverage funding from alternative non-government sources to build the sustainability of your organisation into the future and reduce the cost of service delivery to Government over time
- how you plan to subsidise at least 25 per cent of the cost of service delivery by the end of the funding period
- how your proposal represents value for money from the Government's perspective (see section 3.3 of the Financial Wellbeing and Capability Guidelines)

You must submit a proposed budget using the Budget Template (at **Attachment A**) to support your application.

Criterion 3 - Demonstrate your experience in effectively developing, delivering, managing and monitoring Activities to achieve Activity objectives for all stakeholders.

To successfully address this criterion, you must demonstrate your experience in developing, delivering, managing and monitoring microenterprise development. In your application you must detail your previous experience in:

- providing business literacy training to disadvantaged individuals (such as supporting the development of a business plan)
- mentoring disadvantaged individuals who are attempting to establish a microenterprise
- providing (or facilitating) small business loans to disadvantaged individuals
- collaborating with other community organisations to achieve the best outcomes for clients

Criterion 4 - Demonstrate your organisation's capacity and your staff capability (experience and qualifications) to deliver the Activity objectives in the chosen community and/or the specified target group.

To successfully address this criterion, you must describe in the context of delivering microenterprise development services:

- your current staffing numbers and capabilities (experience and qualifications)
- how you plan to develop and train staff
- your capacity to recruit and retain workers
- your compliance with the capital and legislative requirements

Criterion 5 - Describe and demonstrate a service delivery model that includes effective partnerships, linkages and referral pathways that directly contribute to the Activity outcomes.

To successfully address this criterion, you must demonstrate how you develop and maintain links with other organisations as a key component of delivering services, including the following:

- current partnerships and linkages to other Financial Wellbeing and Capability services in the community
- current partnerships and linkages to other services in the community
- complementary services/organisations that you need to work with to deliver microenterprise development in the community in which you will operate
- how you maintain effective referral pathways in order to achieve outcomes for stakeholders

IMPORTANT INFORMATION FOR APPLICANTS

1. Applicants must provide an indicative budget (**Attachment A**) on the template provided with the Application Pack.
2. It is a condition of this funding round that proof of an established relationship with financial institutions must be provided. If an application is submitted without supplying proof of an established relationship with financial institutions the application will not be assessed. Applicants must provide a letter of support from their capital provider or equivalent documentary evidence of sufficient capital with the Application Pack.
3. Applicants must provide a letter confirming compliance with relevant legislative requirements (including National, State and/or Territory requirements) required for their service delivery model. If an application is submitted without a letter confirming compliance with relevant legislative requirements the application will not be assessed.
4. Documents/attachments not requested by the Department will not be assessed as part of your application.
5. Funding of up to \$2.0 million is available from 2015-16 to 2016-17. You should be able to scale up or down your model dependant on the grant funding you are offered

- noting funding is up to \$2.0 million and will only be provided to up to three organisations under this process.
- 6. Other information as noted in the Grant Application form (including Financial Viability and Governance)

As per the Commonwealth Grant Rules and Guidelines, information on the successful grants will be published on the DSS website no later than fourteen working days after the agreement for the grant takes effect.

Multicultural Access and Equity policy

Australia's Multicultural Access and Equity Policy: Respecting diversity. Improving responsiveness obliges Australian government agencies to ensure that cultural and linguistic diversity is not a barrier for people engaging with government and accessing services to which they are entitled, for example, by providing access to language services where appropriate. Grant applicants should consider whether services, projects, activities or events may require the use of professional translating or interpreting services in order to communicate with non-English speakers. If your Application Form states that a budget is required, costs for translating and interpreting services should be included in your application.

Assessment

The Assessment Team will comprise Department of Social Services (DSS) officers which may include staff from each state and/or territory. Teams will undertake training to ensure consistent assessment for all applications received. The Assessment Team will be bound by the APS Code of Conduct and the DSS Secretary's Instructions.

Probity

The selection of funding recipients for the Activity must be fair, open and demonstrate the highest level of integrity.

The following probity principles will be applied through all stages of the selection process:

- a. fairness and impartiality;
- b. consistency, accountability and transparency of process;
- c. security and confidentiality of information;
- d. identification and resolution of conflicts of interest; and
- e. compliance with legislative obligations and government policy.

These principles are intended to achieve an equitable, justifiable and sound process.

Adherence to the probity principles means that everyone involved with the selection process will act:

- a. impartially; and

- b. with integrity, including avoiding actual or perceived conflicts of interest.

A Probity Advisor may be appointed for the Activity. If appointed, the role of the Probity Advisor will be to assist DSS meet its probity obligations in relation to the Activity by ensuring that the selection processes are defensible and will withstand external and internal scrutiny.

The Probity Advisor may independently monitor procedural aspects of the selection process to ensure compliance with the published relevant Programme Guidelines Overview and to advise DSS in relation to such matters. The Probity Advisor plays no part in the assessment of applications.

Programme Guidelines Overview

The Programme Guidelines Overview provides the key starting point for parties considering whether to participate in the Activity and form the basis for the business relationship between the Department and the funding recipient. Applicants are strongly advised to read the Programme Guidelines Overview prior to completing an Application Form.

How to Apply

Please read and complete the declaration part of the Application Form carefully. Ensure all responses are true and accurate. Click the **Submit Application** button and follow the instructions provided. All questions will be verified. Any incorrect or unanswered responses will be displayed for your correction. The Application Form will not submit until all responses have been verified.

Upon successful submission you will be issued with a confirmation receipt and email. Submission may take several minutes. **Please be patient and do not close the Application Form before receiving confirmation. Do not attempt to submit the application more than once.** If you do not receive confirmation or you experience difficulties submitting the Application Form, please call 1800 020 283.

Grant Agreement Information

The Grant Agreement is a performance-based, legally enforceable agreement between the Commonwealth (represented by DSS) and the successful applicant that sets out the Terms and Conditions governing the funding to be provided.

The type of Grant Agreement entered into will be influenced by the nature of the Activity, the assessed Activity risk level, the length of the Activity and the value of the Activity.

The executed Grant Agreement represents each grant provided within it and the relevant Activity and supersedes all prior representations, communications, agreements, statements and understandings, whether oral or in writing.

Questions

Questions can be submitted via email to grants@dss.gov.au.

Responses to questions will be published on the funding round page within five working days of receipt, except where the answers are already available in the Application Pack. DSS will only respond to requests for information that seek clarification of issues to allow applicants a better understanding of the requirements of the Application Form and Programme Guidelines e.g. DSS will not provide advice on how to respond to specific Selection Criteria.

DSS will not respond to any questions, requests for information or correspondence about the status or progress of applications from **22 September 2015** till the conclusion of the selection process.