

# Strengthening Small & Emerging CDFIs

## The Logic Model as an Outcome-Based Project Management Framework

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## Agenda

- Definition and relevance of the logic model
- Elements of the logic model
- Theory of change and the logic model
- The community context
- Problem analysis
- Logic model integration and examples



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## Relevance of Logic Model

- Creates a visual diagram with a sequential point of view to measure results
- Illustrates the role of the CDFI as a potential catalyst in the development process – and identifies the roles of other partners
- Pushes CDFIs to think about outcomes and impact in addition to outputs



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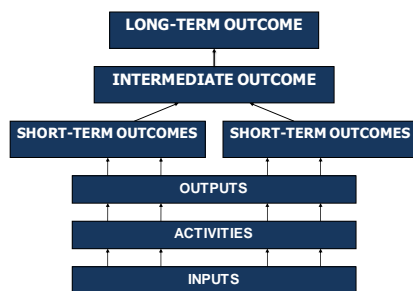
## Elements of the Logic Model

Logic models use the following terms:

**Conventional terms used in project design:**

- Goal
- Purpose
- Objective
- Output

**But do these terms have any intrinsic meaning?**



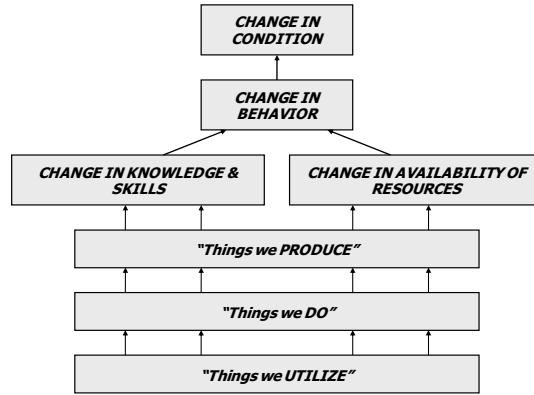
**Do these terms have any intrinsic meaning?**



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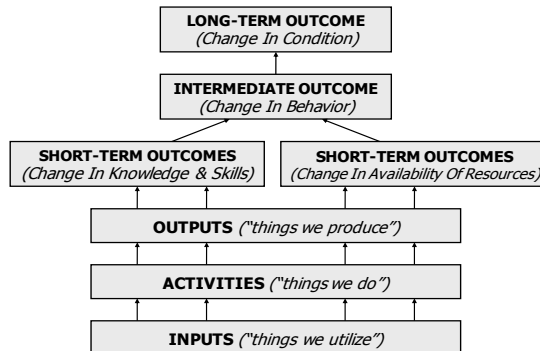
# The Logic Model's Theory of Change



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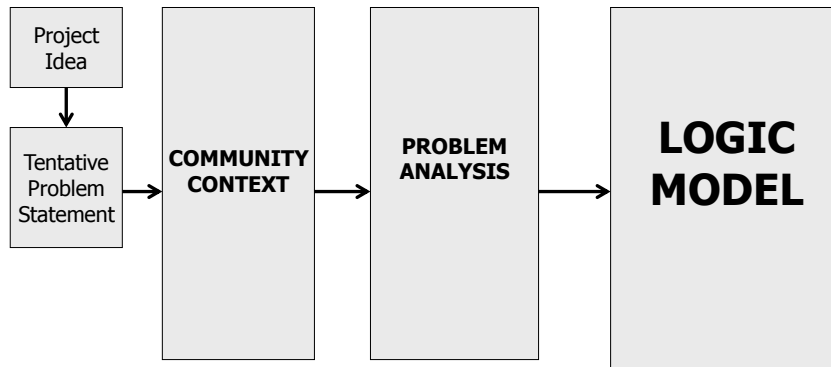
# Embedding the Theory of Change into the Logic Model



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## Primary Components of the Logic Model



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## Completing a Sample Logic Model



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## Step 1: Identify Problem

- ABC CDFI is a small business loan fund serving the entire state of Louisiana. Its Governing Board wants it to expand its products and services. It will use a Logic Model to assist with this endeavor.
- ABC CDFI's senior staff has identified the following:
  - **Project Idea:** Should the CDFI roll-out new products?
  - **Tentative Problem Statement:** Based on the unmet small business loan demand in its target market, the CDFI must identify the most needed loan products and then determine if it has internal infrastructure and capacity to offer new products and services.



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## Step 2: Community Context Overview

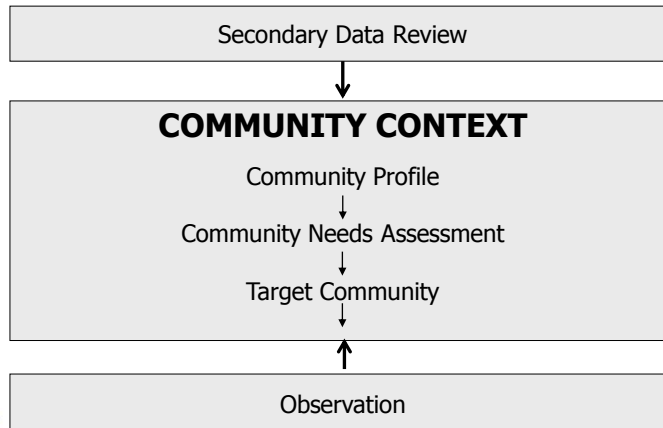
- Once the project idea and tentative problem statement have been identified, then **Community Context** phase begins. ABC CDFI may perform the following:
  - Engage a 3rd party to complete a market/demand analysis that includes:
    - Competitive landscape of other CDFIs offering similar products;
    - Survey potential borrowers to identify unmet capital needs; and
    - Quantify annual unmet loan demand based on product type
  - Review of 3rd party reports and secondary data to understand the key demographic trends impacting its target market; and
  - Conduct focus groups with key industry lenders and business owners to identify their primary capital needs.



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## Step 2: Community Context Snapshot



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## Step 3: Problem Analysis Overview

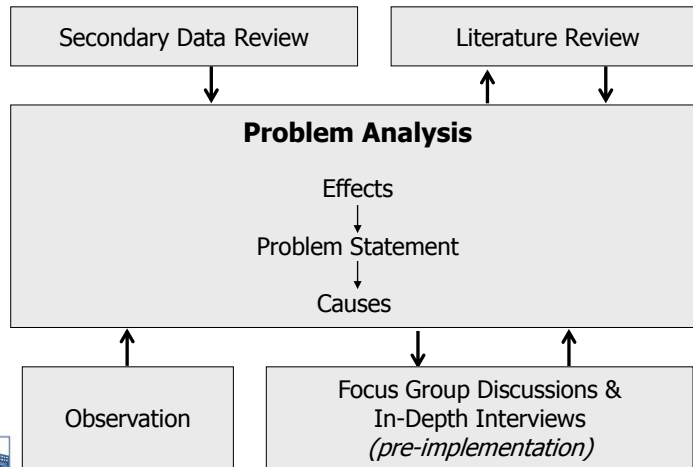
- After ABC CDFI has determined the Community Context, the **Problem Analysis** phase begins. The CDFI will work with its Governing Board to determine the following based on the unmet loan needs:
  - What financial products should we launch?
  - Do we currently have sufficient staff capacity to effectively underwrite and service these new loan products?
  - Do we need to update our policies and procedures to reflect the new loan products?
  - Does our current loan servicing platform accommodate the new loans?
  - Will these new products cannibalize our current loan offerings?
  - Do we need a new capitalization strategy to raise enough capital to finance these new loans?
  - Do we need to hire a consultant to assist with the product launching?



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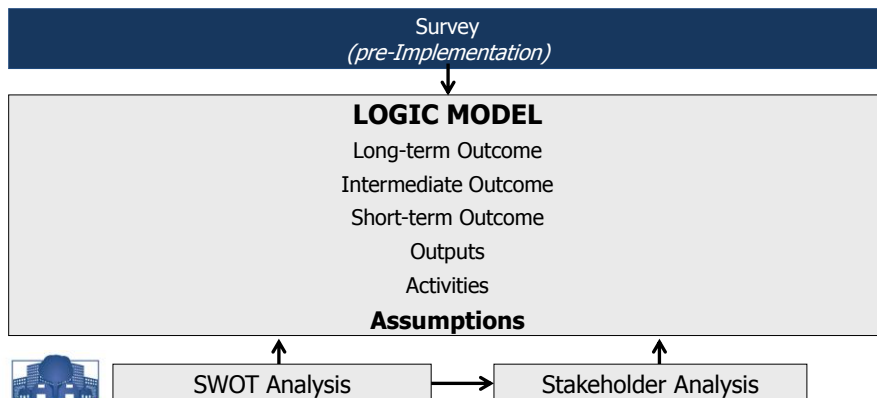
## Step 3: Problem Analysis Snapshot



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## Step 4: Logic Model Overview

Once the Community Context and Problem Analysis phases are complete, then the CDFI will develop the Logic Model.



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# Example of Completed Logic Model Worksheet

## Strengthening Small & Emerging CDFIs

### Logic Model Worksheet

**Project Idea:** Should the CDFI roll-out new products?

**Problem Statement:** Based on the unmet small business loan demand in its target market, the CDFI must identify the most needed loan products and then determine if it has internal infrastructure and capacity to offer new products and services.

Inputs	Outputs				Outcomes – Impact		
	Activities	Participation	Target Date	Status	Short	Medium	Long
<ul style="list-style-type: none"> <li>Market Analysis</li> <li>Surveys and Focus Group Reports</li> <li>Commissioned Reports</li> <li>Staff and Capitalization Assessment &amp; Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Develop a business plan and marketing strategy</li> <li>Explore types of loans to offer</li> <li>Identify targeted borrower profiles</li> <li>Update P/P</li> </ul>	<ul style="list-style-type: none"> <li>Define staff roles</li> <li>Engage consultants</li> <li>Identify referral networks and partners</li> </ul>	Complete by 12/31		<ul style="list-style-type: none"> <li>Offer at least one new loan product by 12/31/13</li> <li>Close 5 loans by Q1'14</li> </ul>	<ul style="list-style-type: none"> <li>Raise at least \$10MM in new loan capital</li> <li>Close at least 50 loans by Q4'14</li> </ul>	<ul style="list-style-type: none"> <li>Be the primary source of capital for small businesses in LA</li> </ul>

**Assumptions**  
The Market Analysis indicated that the most needed loans are between \$50-100K for working capital and equipment financing.

**External Factors**

- No other CDFIs offering such loans.
- City has funds available for a revolving loan program.

