

# 2017 MICROENTERPRISE RESULTS REPORT

The U.S. Agency for International Development (USAID) submits this report pursuant to the requirements of the Microenterprise Results and Accountability Act (MRAA) of 2004 (Public Law 108-484), which states, “The Administrator of the Agency, acting through the Director of the office, shall submit to the appropriate congressional committees a report that contains a detailed description of the implementation of this title for the previous fiscal year.” Specifically, this document summarizes USAID’s investments in microfinance and the development of microenterprise, and addresses the 12 reporting requirements included in the MRAA.

## INTRODUCTION

USAID has played an integral part in the development of microfinance, which is now a largely sustainable industry that serves individuals, households, and microenterprises with a growing number of financial services. The 2017 Microfinance Barometer report, an annual assessment of the sector, shows that in 2016 alone, 1,160 formal microfinance institutions (MFIs) served more than 132 million people around the globe. As MFIs have become increasingly self-sustaining with deposits and capital from impact investors<sup>1</sup> and others, USAID has shifted its support to address other gaps that further advance financial inclusion and create employment, while continuing to support microenterprises as part of many programs.

Data collected from USAID Missions, Bureaus, and Independent Offices and implementing partners for this report indicate that USAID programmed \$318 million for microenterprise-development activities<sup>2</sup> in Fiscal Year (FY) 2017. This funding level reflects the important role microenterprise-development plays in promoting self-reliance, as well as efforts to capture microenterprise components within larger activities across a broad array of sectors.

FY 2017 data shows that more than half of USAID’s microenterprise programming (nearly 54 percent) funds programs in the agricultural sector, and that microenterprise investments in areas of private-sector productivity (12 percent) and counter-narcotics (more than six percent) has increased from previous years. Technical areas reported for the first time in FY 2017 were workforce-development (almost one percent), conflict-mitigation (three percent), and disaster assistance (nearly three percent).<sup>3</sup>

Because of the evolution of best practices in microenterprise programming since President George W. Bush signed the MRAA into law in 2004, including advancements in methodologies for reaching the very poor and measuring poverty, some of the reporting indicators originally required by the statute reflect little or no current activity.

## FY 2017 RESULTS FOR THE MRAA’S REPORTING REQUIREMENTS

**I) Funding:** The number of grants, cooperative agreements, contracts, contributions, or other form of assistance provided under Section 252 with A) The amount of each grant, cooperative agreement, contract, contribution, or other form of assistance; B) The name of each recipient and each developing country with respect to which projects or activities under the grant, cooperative agreement, contract, contribution, or other form of assistance were carried out; and C) A listing of the number of countries receiving assistance authorized by Section 252.

In FY 2017, USAID invested \$318 million in microenterprise activities across 48 countries and 164 projects. A full listing of all microenterprise recipients appears at <https://mrr.usaid.gov/>.

<sup>1</sup>“ Impact investments” are those that intend to generate social and/or environmental impact alongside a financial return.

<sup>2</sup> Activities aimed at encouraging the formation of microenterprises or promoting the improved performance of existing microenterprises.

<sup>3</sup> Trade and Investment: 6.6%; Financial Sector: 1.6%; Private-Sector Productivity: 12.0%; Workforce-Development: 0.8%; Economic Opportunity: 0.05%; Agriculture: 53.6%; Energy Services: 0.3%; Environment: 9.6%; Higher Education: 0.5%; Social Policies and Services: 1.7%; Disaster Assistance, Recovery and Readiness: 2.7%; Health: 1.0%; Counter-Narcotics: 6.6%; Conflict-Mitigation and Stabilization: 3.1%.

**2) Central Mechanisms:** The amount of assistance provided under Section 252 through central mechanisms.

USAID no longer funds a central mechanism dedicated to microenterprise-development, as such activities the Agency has incorporated effectively in country programming across many sectors and mechanisms in every region.<sup>4</sup>

**3) Development Credit Authority:** “The name of each country that received assistance under Section 256 and the amount of such assistance.”

USAID further expands the capital base for microenterprises through a partial credit-guarantee program managed by our Office of Development Credit (DCA). Some of these guarantees encourage lenders (e.g., banks) to extend credit to MFIs by mitigating a portion of the real or perceived risk of investing at the grassroots level. As a result, these guarantees help MFIs to expand their portfolios and to provide new products and services to microenterprise clients that would not have access to them otherwise. In other partnerships, USAID guarantees a portion of the portfolio of MFI micro-loans, which ultimately helps increase access to credit for micro-entrepreneurs.

USAID’s 108 active microfinance guarantees in FY 2017 have leveraged, or will leverage, an aggregate estimated amount of up to \$936 million in private sector capital. In FY 2017, USAID issued 10 new guarantees with the potential to leverage \$114 million in private capital in support of microenterprises. A list of USAID’s microfinance credit guarantees appears at: <https://catalog.data.gov/dataset/development-credit-authority-dca-guarantee-utilization-and-claims>.

**4) USAID Recipients:** The level of funding provided through contracts, the level of funding provided through grants, contracts, and cooperative agreements that is estimated to be sub-granted or sub-contracted, as the case may be, to direct service providers, and an analysis of the comparative cost-effectiveness and sustainability of projects carried out under these mechanisms.

USAID supports microenterprise through a wide array of implementing partners and funding mechanisms. In addition, implementing partners often make sub-awards in the form of grants or contracts. These types of awards enhance USAID’s ability to involve smaller partners and local organizations that offer valuable skills and expertise without having to manage a large award. Of the \$318 million in microenterprise development funding recorded in FY 2017, USAID obligated 63 percent (\$201 million) through contracts, and 37 percent (\$116 million) through grants, cooperative agreements, DCA guarantees, inter-agency agreements, awards to public international organizations, and support to host governments. In addition, the Agency is obligated 14 percent (\$44 million) through subcontracts, and eight percent (\$25 million) through sub-grants and cooperative agreements to direct-service providers. Out of the 35 projects with programming relevant to this requirement, 71 percent of USAID partners achieved financial sustainability.

**5) Matching Assistance:** It is the sense of Congress that the report required by Section 258 of the Foreign Assistance Act of 1961 (as added by Section 6 of this Act) should include a description of all matching assistance provided for the prior year by recipients of microenterprise development assistance under such title. Matched assistance is assistance from non-United States Government sources, including private donations, multi-lateral funding, commercial and concessional borrowing, savings, and program income.

In addition to the DCA projects, 47 other USAID activities reported mobilizing an aggregate amount of more than \$29 million in private resources in FY 2017, with an average leverage of more than 116 percent of USAID’s contribution.<sup>5</sup>

**6) Percentage of Very Poor:** The percentage of assistance furnished under Section 252 that was allocated to the very poor based on the data collected using the certified methods required by Section 254.<sup>6</sup>

The definition of “very poor” is the poorest 50 percent of people who are living below the poverty line in a given country, or those who are living on less than \$1.25 per day.<sup>7</sup> USAID Operating Units reported funding a total of 22 activities valued at

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<sup>4</sup> The last year USAID reported funding programming through a central mechanism was FY 2014.

<sup>5</sup> Note the leverage reported is not the same as the matching assistance as defined in Section 258, which the Agency does not currently use in microenterprise programming, but rather how projects were able to leverage only private resources to achieve greater impact in their programs.

<sup>6</sup> Because of resource constraints, USAID has not created or updated PATs since 2012.

<sup>7</sup> The World Bank updated International Poverty Line to \$1.90 in October 2015, but Congress has not revised the MRAA to reflect this change. Accordingly, the “very poor” live below the international poverty line of \$1.90 per day. The “poor” live on approximately \$1.91 to \$5.50 per day.

\$47.9 million during FY 2017 under Section 252, of which \$34.5 million, or 72 percent, of funding supported the very poor. Three of these 22 activities used a Poverty Assessment Tool (PAT) or the Progress out of Poverty Index (PPI). Other activities used the World Bank Consumption Expenditure Tool, a project's annual impact survey, and other methods.

**7) Number of Very Poor:** The estimated number of the very poor reached with assistance provided under Section 252.

USAID estimates, that based on the 22 reported activities, the Agency's microenterprise investment supported 4,889,988 very poor beneficiaries. This number does not include those touched by projects in digital finance or other activities that could reach the very poor indirectly.

**8) Poverty Assessment Methods:** The process of developing and applying poverty assessment procedures required under Section 254.

USAID continues to fund poverty-assessment tools for 37 countries, as well as country guides, resources, an implementation manual, and a help desk for implementing partners to help them assess their success in reaching the poor and the very poor.

**9) Victims of Trafficking and Exploitation:** Information on the efforts of the Agency to ensure that recipients of United States microenterprise and microfinance development assistance work closely with nongovernmental organizations and foreign governments to identify and assist victims or potential victims of severe forms of trafficking in persons and women who are victims or susceptible to other forms of exploitation and violence.

Financial inclusion and microenterprise development enable the most-vulnerable and marginalized to contribute to, and benefit from, economic growth and stability. USAID's microenterprise programs have long supported victims of human trafficking, potential victims, and women who are susceptible to other forms of exploitation and violence. Such efforts span many sectors and activities. For example, many Village Savings and Loan Associations (VSLA) funded by USAID not only help those who lack access to formal financial services to save and borrow, but also incorporate training in literacy, numeracy, community action, as well as the prevention of gender-based violence and trafficking.

In FY 2017, USAID invested nearly \$62 million across 67 programs to target victims and potential victims of human trafficking and women who are victims of, or susceptible to, other forms of exploitation and violence.

**10) Poverty and Race/Ethnicity:** An estimate of the percentage of beneficiaries of assistance under this title in countries where a strong relationship between poverty and race or ethnicity has been demonstrated.

Throughout much of the world, social exclusion because of race or ethnicity is strongly associated with lower socioeconomic status and economic opportunity. One pathway to advance economic well-being is through microenterprises. In FY 2017, an estimated 39 percent of beneficiaries of USAID microenterprise development activities lived in countries in which there is a strong relationship between social exclusion because of race or ethnicity and poverty, including in Azerbaijan, Bangladesh, Bosnia and Herzegovina, Colombia, El Salvador, Ethiopia, Ghana, Guatemala, Haiti, Honduras, Kenya, Kosovo, Mali, Nepal, Nigeria, Pakistan, Paraguay, Perú, Sri Lanka, Tanzania, and Zimbabwe.

**11) Performance Monitoring System:** The results of the monitoring system required under Section 253: A) The monitoring system shall include performance goals for the assistance and expresses such goals in an objective and quantifiable form, to the extent feasible; B) The monitoring system shall include performance indicators to be used in measuring or assessing the achievement of the performance goals described in paragraph (a) and the objectives of the assistance authorized under Section 252; C) The monitoring system provides a basis for recommendations for adjustments to the assistance to enhance the sustainability and the impact of the assistance, particularly the impact of such assistance on the very poor, particularly poor women; and D) The monitoring system adopts the widespread use of proven and effective poverty assessment tools to successfully identify the very poor and ensure they receive adequate access to microenterprise loans, savings, and assistance.

USAID's performance monitoring system results for FY 2017 appear in Appendix A.

**I2) Additional Information:** Any additional information relating to the provision of assistance authorized by this title, including the use of additional information on assistance provided by the United States to support microenterprise development under this title or any other provision of law.

This report responds to the annual reporting requirements of the MRAA. To limit the report's length and reduce costs, supporting data are available on-line at [mrr.usaid.gov](http://mrr.usaid.gov). The website enables users to explore the data, access previous reports, and compare information across years.

## EXAMPLES OF FY 2017 USAID MICROENTERPRISE PROGRAMS

**Digital Finance in West Africa.** USAID has funded [digital financial tools](#) to extend the reach of formal financial services to hard-to-reach communities and the very poor. For example, technical assistance to the Central Bank of Liberia led to the passage of agent banking regulations in June 2017, which enable banks to offer services in communities that are distant from bank branches. USAID support led the Bank of Sierra Leone to launch a regulatory “toolbox” to foster greater investment and innovation in financial technology (FinTech) products useful for microenterprises and consumers. USAID also provided technical assistance to four mobile network operators (MNO) across Liberia and Sierra Leone to improve the quality and liquidity of mobile money agent networks. Despite significant operational constraints faced by each provider, by the end of the project, each MNO had a customized "toolbox" to operationalize best practices for managing its agent networks.

**Cacao for Peace in Colombia.** In *Sierra Nevada de Santa Marta*, an area that has suffered for more than 50 years from conflict, and the production and trafficking of narcotics, local and indigenous populations have started the transition to growing cacao as an alternative to coca. However, many lacked the technical knowledge and business strategies to build sustainable cacao farms. In 2016, USAID, with the Foreign Agriculture Service of the U.S. Department of Agriculture, started a program to strengthen Colombia's key public and private institutions involved with cooperative research, technical assistance and extension education in the cacao sector. This project provides access to technical assistance on a regular basis, and launched with a “bootcamp” for trainers in November 2016. The project's 101 participants of varying ages and ethnic communities will help build the foundation for sustainable extension services for cacao, as well as contribute to peace in the region.

**Village Savings and Loan Associations (VSLA) in Ethiopia.** Poverty, vulnerability and food-insecurity affect many households in Ethiopia. The [Pastoralist Area Resilience through Improved Market Expansion \(PRIME\)](#) project has been working to address this challenge by building human capital, access to markets, and economic resilience in the lowland regions since 2012. PRIME helps women and other destitute people through its VSLA program, which requires members to regularly contribute to each group's savings pool. The group then selects a member micro-entrepreneur capable of managing a loan from the pool to generate financial returns for the group. PRIME also works with many partners to foster the development of market systems, and to build capacity in livestock-management, natural-resource management and nutrition.

**Partnering for Innovation in Bangladesh.** Farmers in Bangladesh reap less than one percent of their crops mechanically. Reapers are too expensive for smallholder farmers to purchase, although they can reduce labor costs in harvesting rice and wheat by 90 percent, and on-farm crop losses by 10 percent. As a result of a USAID partnership with [The Metal](#), a mechanized-cultivation company in Bangladesh, farmers now lease reapers or rent them on a fee for service basis to smallholder farmers by local micro-entrepreneurs. Over an 18-month period, 4,000 smallholder farmers purchased reaping services from these firms, and The Metal established six machinery hubs, hired 32 staff, and trained 700 local service-providers.

## Appendix A: Performance Goals and Results Estimates for Fiscal Year (FY) 2017 for Investments in Microenterprise by the U.S. Agency for International Development (USAID)

	FY 2017 Goals	FY 2017 Results
Number of microenterprise clients who are borrowers (55 projects reporting) <sup>8</sup>	500,000	888,874
Percentage of Women	60%	62%
Percentage of Rural	40%	69%
Number of microenterprise clients who are savers (38 projects reporting)	1,000,000	614,873
Percentage of Women	60%	64%
Percentage of Rural	40%	99%
Total number of microenterprise borrowers and savers <sup>9</sup>	1,000,000	1,016,075
Number of microenterprises supported directly by Partners (25 projects reporting)	400,000	956,594
Percentage of Women	40%	57%
Percentage of Rural	75%	95%
Total number of microenterprise employees	500,000	3,587,065
Total number of microenterprise beneficiaries	2,650,000	6,791,650
Percentage of USAID partners that achieved financial sustainability (35 projects reporting)	50%	74%
Percentage of funds that benefited the very poor (22 projects reporting.)	50%	72%
Estimated number of very poor reached	1,325,000	4,889,988 <sup>10</sup>

### New Performance Goals and Results Estimates, FY 2017

Number of people trained in financial literacy, business-management and/or sector-specific skills (19 projects reporting)	250,000	3,306,882
Number of people covered by digital, mobile or technologically based financial service	250,000	277,361
Percentage of Women	40%	39%
Percentage of Rural	60%	67%
Number of insurance holders among microenterprise beneficiaries (14 projects reporting)	60,000	112,286

<sup>8</sup> Given the current diversity and evolution of USAID's microenterprise programming, not all projects report on each element.

<sup>9</sup> Many beneficiaries are both savers and borrowers.

<sup>10</sup> Fewer microenterprise projects work directly with very poor beneficiaries, as the evidence suggests other interventions, such as the Graduation Approach—which is a sequenced, multi-sector intervention designed to equip participants with the tools, livelihoods and self-confidence to sustain themselves at the end of the program—are more effective for these populations.