

Full Report

**REACHING DOWN AND SCALING UP: Meeting  
the Microenterprise Development Challenge**

U.S. Agency for International Development

Microenterprise Results Reporting for 1997

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Credit Guarantee Corporation  
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Diocese of Mati  
Diocese of San Pablo  
Diocese of Sorsogon  
Diocese of Tagbilaran  
Dominican Rehabilitation  
DTC  
Dushtha Shasthya Kendra  
(DSK)  
Dzelzelnieks KS  
EDAPROSPRO  
EDPYME CREDINPET  
EDUCA  
Edyficar  
Egyptian Small Enterprise  
Development Foundation  
EJMDA  
El Majmoua  
EMED  
Emprender  
ENLACE/Ecuador  
FAMA  
Familia y Medio Ambiente  
Family Welfare Center  
Faso Jugui  
Faulu/Africa  
Faulu/Ethiopia  
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FEDECACES  
FFH/CRECER/Bolivia  
FFH/FOCCAS/Uganda  
FFH/FUCEC/Togo  
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FFH/Kafo Jiginew/Mali  
FFH/Nyesigiso/Mali  
FFH/RCPB/Burkina Faso  
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FODEPE  
FOGAPI  
FOMMI  
Foncap  
FONDESPOIR  
Fondesurco  
Food for the Hungry  
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Evolution  
FREED  
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FUNDAP/PROSEM  
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Genesis Empresarial/FUNTEC  
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Geo. Arts Culture Center  
Gerry Roxas Foundation  
Development  
Get Ahead Financial Services  
GKF  
Glassmakers Credit Union  
GOP National Credit Council  
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Heifer Project  
Helen Keller International  
Hermandad de Honduras  
HORTEXA  
HRDA Clark Atlanta University  
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# Reaching Down and Scaling Up: Meeting the Microenterprise Development Challenge

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September 1998

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## Key Accomplishments

Helping poor entrepreneurs start and build viable, productive businesses — commonly known as microenterprise development — is a key element of the United States Agency for International Development (USAID) economic growth strategy. These small or microbusinesses provide vital income, assets, and jobs for the poor. Millions of entrepreneurs around the world are running successful microenterprises; they have created a better life for their families, and many are no longer poor.

USAID has been a worldwide leader in microenterprise development, a leadership role strongly supported by the American people and the U.S. Congress. This report describes USAID's progress in 1997 toward meeting the commitments made in the Agency's Microenterprise Initiative, launched in 1994 and renewed in June 1997. It also highlights USAID's priorities for microenterprise programs and emerging issues in the field.

Microenterprise development involves providing both financial and non-financial services. These services support disadvantaged entrepreneurs who lack access to credit, safe savings vehicles, and business development services.

As a result of USAID's investment in microfinance, by the end of 1997<sup>1</sup>:

- **A record 1.4 million poor clients had active loans** from USAID-supported institutions, up 47 percent from the end of 1996.<sup>2</sup> The loans were valued at **\$645 million**, an increase of 113 percent from 1996. Through USAID-supported microfinance programs, most of these entrepreneurs gained access to reasonable and convenient financial services for the first time, enabling them to capitalize on economic opportunities and embark on a path toward prosperity.
- **67 percent of active loans were "poverty loans,"** i.e., loans at or below \$300 for the Africa, Latin America and Caribbean (LAC), and Asia and Near East (ANE) regions, and at or below \$1,000 for the Europe and the

<sup>1</sup> Data reported are for fiscal year 1997.

<sup>2</sup> The institutions that reported data were those with active funding agreements with USAID. This includes institutions that received funding in 1997 and those that received prior-year funding and still had active agreements with USAID in 1997. The subset of microfinance institutions that received 1997 obligations reported 1,292,028 active loans at the end of 1997, an increase of 31 percent over the total reported at the end of 1996.

Note: The Microenterprise Results Reporting (MRR) activity, which collects and analyzes the data for this report, uses a proxy of one loan to represent one client, since most programs do not provide clients with more than one loan at a time.

New Independent States (ENI) region. Poverty lending received 68 percent of microfinance funding, up from 58 percent in 1996.

- There were **2.1 million clients participating in the savings programs** of USAID-supported institutions. The clients had \$372.8 million in savings, an impressive accomplishment for poor families, particularly those living on the margin of survival.
- **Women were two-thirds of the total client base.**
- **The average repayment rate for the lending programs was 94.8 percent.**

1997 was also a record year for USAID funding investments in microenterprise development. The Agency continued its role as the leading grant donor worldwide. In 1997, USAID recorded the following accomplishments:

- **A total of \$165.1 million in funding support for microenterprise development.**<sup>3</sup> Estimated 1998 funding is \$144.0 million. Since 1994, when USAID first announced its Microenterprise Initiative, microenterprise funding has increased slowly, despite cutbacks in overall Agency funding.
- **Microenterprise development funding by USAID missions and central offices supported both financial and non-financial services in 62 countries.** "Financial funding"<sup>4</sup> includes monies for loan capital, and related

operational expenses of and technical assistance to microfinance institutions. **Slightly less than 70 percent of overall microenterprise funding supported credit provision and other microfinance activities.**

- **The average annual growth in the number of clients served by USAID-supported financial institutions was 150 percent.**
- **The Agency ensures that the microfinance organizations it supports have a credible plan for achieving full financial sustainability within seven years.** A survey of microfinance awardees found that **26 percent of those reporting already are covering all their financial and operational expenses**, putting them on the road to financial independence and the end of donor support. This will permit scarce development resources to be channeled to new institutions and needs.
- **In 1997, 481 institutions received USAID funding**, either directly or through an umbrella grant to an intermediary organization. This brings the **total number of microenterprise development institutions with active funding agreements to 613.**
- **Of these partners, U.S. private voluntary organizations (PVOs) comprised 22 percent, local non-governmental organizations (NGOs) 48 percent, and credit union organizations 14 percent.**

<sup>3</sup>Of this amount, \$14.1 million was carryover of FY '96 funds and \$18.9 million was a one-time endowment to Fundusz Mikro by the Polish American Enterprise Fund.

<sup>4</sup>The term "financial" is used rather than "credit" to reflect the fact that many microfinance programs provide financial services beyond credit, such as savings and insurance. To reflect this broader scope of services, "microfinance" is emerging as the preferred term in the field of microenterprise development.

## Acronyms

ACLEDA	Association of Cambodian Local Economic Development Agencies
ANE	Asia and the Near East Region (USAID)
ATAG	Aid to Artisans/Ghana
BHR/PVC	Bureau for Humanitarian Response/Office of Private and Voluntary Cooperation
CCB	Cambodia Community Building
CGAP	Consultative Group to Assist the Poorest
CRS	Catholic Relief Services
DA	Development Assistance
ENI	Europe and New Independent States Region (USAID)
ESF	Economic Support Funds
FATEN	Palestinian Corporation for Microcredit and Development
FFH	Freedom from Hunger
FSA	Freedom Support Act
FY	Fiscal Year
GDP	Gross Domestic Product
GNP	Gross National Product
GGLS	Group Guaranteed Lending and Savings
IBRD	International Bank for Reconstruction and Development (i.e., the World Bank)
IDB	Inter-American Development Bank
IFC	International Finance Commission of the International Monetary Fund
IGP	Implementation Grant Program
LAC	Latin America and the Caribbean Region (USAID)
MRR	Microenterprise Results Reporting
NGO	Non-Governmental Organization
NOA	New Obligating Authority
PRIME	Program for Innovative Microenterprise Expansion
PVC	Office of Private and Voluntary Cooperation
PVO	Private Voluntary Organization
SAI	Special Assistance Initiative
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions



# Introduction



Around the world, millions of poor entrepreneurs are building better lives for themselves and their families by starting and expanding tiny businesses or “microenterprises.” USAID has stood behind their initiative, hard work, and dreams of prosperity and dignity, through its funding of microenterprise development. For over a decade, Agency funds totaling more than \$1 billion have supported hundreds of partner organizations in dozens of countries that provide microenterprise development services to the poor.

Microenterprise development has emerged as a priority for the Agency because of its power to contribute to the key goals of U.S. development aid. Poor families launch microenterprises to improve their economic status, achieve higher and more secure incomes, and build savings and other assets as a cushion against natural disasters, illness or death, and other crises. As these enterprising households pull themselves out of poverty, they can improve their access to safe drinking water and more nutritious food, improve their housing, and educate their children. In most countries, women own the majority of microenterprises, and as their income, assets, and entrepreneurial success grows, the women become empowered to make decisions that strengthen their families, businesses and communities.

The benefits of successful microenterprise development extend to the broader society. In both transition economies and the developing world, microenterprises play an important role in economic growth and job creation for those unable to find employment in the formal sector. Through microenterprise development, the poor can become business owners, build assets, and invest in their community’s well-being, contributing to an “economic democracy.” This route has proven to be a vital ingredient in building vibrant civil societies and thriving democracies around the world. Thus, investment in successful microenterprise development pays dividends across the U.S. development agenda.

The enterprising individuals described in this report hail from many different places, including Cambodia, Bolivia, Ecuador, El Salvador, Ghana, Honduras, Latvia, Mali, Nepal, Uganda, and the West Bank. They all share common traits: They are succeeding due to their hard work, determination, and willingness to take risks, often in the face of daunting challenges. They represent the more than 1.5 million entrepreneurs worldwide who benefited from access to USAID-funded services in 1997.

Another common factor in these entrepreneurs’ success has been their access to reliable support, both financial and non-financial, from USAID’s microenterprise development partners. Not only have these

committed organizations reached out to the truly poor and disadvantaged entrepreneurs who lack access to credit, safe savings vehicles, and business development services, they are also committed to building sound, sustainable institutions with “staying power” to provide services tailored to their clients’ changing needs. USAID and its partners believe that it is only by tackling these challenges in tandem, reaching out to the very poor and building sustainable institutions, that microenterprise development can reach its full potential of helping millions of poor families pull themselves out of poverty.

Last year’s report, “Small Loans Making a World of Difference,” focused particularly on the challenge of reaching the entrepreneurs most in need through poverty-lending institutions. While describing the continued progress in poverty lending, this year’s report has a broader focus: the challenge of helping large numbers of microentrepreneurs succeed over time.

Several valuable lessons have emerged from experience in the microenterprise development field.

- It is possible to design financially viable microcredit programs that serve large numbers of poor entre-

preneurs. An impressive array of microfinance institutions worldwide are balancing these goals, and, in some countries, commercial institutions are also beginning to show an interest in this market. This report highlights some promising examples of these trends.

- A microloan is rarely sufficient to help a poor entrepreneur build a successful business and escape poverty. Access to other financial services (such as savings and insurance) and non-financial services (such as more productive technologies, improved market access, and increased technical and managerial skills) plays an important role in building sustainable microenterprises. This report illustrates how USAID’s partners are seeking to provide cost-effective, non-credit services. Also included are examples of successful USAID-assisted efforts to create a more enabling policy environment for poor microentrepreneurs and the institutions that serve them.
- USAID and its partners continue to learn much about the challenge of sustainability for microenterprise development organizations. The report shares our partners’ experience in balancing poverty outreach with the bottom line. Also included are descriptions of how USAID and its partners are approaching microenterprise development in the Africa region and the ENI region, two regions with less well-developed microenterprise development sectors that face particular challenges.



Opportunity International photo

## Microenterprise Development and Outreach to the Poor

USAID defines a "microenterprise" as a firm with a total of 10 or fewer employees. Many microenterprises involve only one person, the owner-operator or "microentrepreneur." In some cases, a microenterprise employs the owner and unpaid family workers; in other cases, there are paid employees. Few microenterprises are formally registered, or taxed. Most are found in the informal or unregulated sector and are often itinerant businesses. A minority of microenterprises grow into small or medium-sized businesses; most remain tiny in size yet are critical to the family's economic livelihood.

Typical microentrepreneurs are vendors working on the street, in market stalls, or out of their homes. They may produce handmade items or provide services such as simple repairs and dressmaking. They are involved in food processing and tiny agro-processing operations such as rice husking, and other usually low-technology, labor-intensive activities.<sup>5</sup>

USAID uses a second defining characteristic of microenterprises: *the low level of assets and income of the business and its owner.* Within this group, special efforts are made to serve those facing socioeconomic disadvantages, such as women in developing countries. These women often have severe economic constraints and are among the microentrepreneurs who depend most heavily on income from microenterprises for survival. As a result, female entrepreneurs are a group of special concern to USAID.

Thus, by policy, USAID targets its

### World Relief/Cambodia: Charp Sok

Charp Sok had a lot weighing her down two years ago. Her husband's job, cutting wood for someone else, brought in only enough money for them to eat rice and water twice a day; their only other food was the vegetable greens that grow wild around them. Today, the family has their own home and land and eats three meals a day.

Two years ago, when World Relief first began helping poor women in her neighborhood start a community bank, Sok wanted to join. The other women, who were a little better off than Sok, felt that her extreme poverty made her too high a risk. But a World Relief staff member felt more confident about Sok's determination and ability than did her neighbors. He brought Sok together with some other very poor women and helped them to form a village bank.

When Sok got her first loan of \$20, she bought the materials for a cart. She purchased a supply of wood from the rubber tree plantation and hauled it back in her cart. Her family worked hard to saw and chop the wood; then she sold it as firewood in the market. Sok never missed a weekly loan repayment, and she's now on her sixth loan. Her business has gradually expanded so that the family now uses two carts to haul all the wood back and forth. The business brings in about \$3.50 a day in profits.

Source: World Relief.



World Relief/Jon Warren photo

<sup>5</sup>As a matter of USAID policy, lending for agricultural production credit *per se* is not classified as microcredit. However, in rural areas many households engage in multiple farming and microenterprise activities, making a complete separation difficult. The most effective lenders to microenterprises generally do not attempt to restrict the use of funds by borrowers.



Save the Children photo

support to microenterprises owned and operated by the poor.<sup>6</sup> In practice, each USAID mission then attempts to identify who and where the poor are, and develops a strategy to target these individuals and communities for microenterprise development services.

Growing field experience suggests that, rather than denying services to the non-poor, successful microenterprise programs tailor their services to fit the specific needs of the poor, thereby attracting the targeted clientele. This approach includes offering small loans and using "collateral substitutes" such as group guarantees rather than formal collateral to encourage repayment.

To have a rough proxy for targeting microcredit to the poor, microfinance practitioners, policy makers and donors in the late 1980's established a loan size of \$300 as an upper boundary for loans to the poor, i.e., "poverty loans." When

USAID launched its 1994 Microenterprise Initiative, the Agency accepted this standard (pegged to 1994 dollars), although not without some reservations as to its applicability across all regions and economies.<sup>7</sup> With increased funding of microenterprise support activities in the ENI region, USAID established a \$1,000 ceiling for poverty loans in that region.

### The USAID Microenterprise Initiative

To focus increased attention within the Agency on microenterprise development and to highlight its work for a wider audience, USAID launched its Microenterprise Initiative in June 1994. Three years later, in June 1997, USAID renewed the Microenterprise Initiative in a ceremony attended by numerous Members of Congress and First Lady Hillary Rodham Clinton.

With the Microenterprise Initiative, USAID has committed to:

- (1) Maintain women and the poor as its primary emphases, particularly through support for poverty lending;
- (2) Help implementing organizations reach greater numbers of people;
- (3) Support institutional sustainability and financial self-sufficiency among implementing organizations; and,
- (4) Seek improved partnerships with local organizations.

<sup>6</sup>Identifying the poor is not easy because it depends on the existence of national census data which many governments do not have the resources to collect. The LAC Bureau, for example, adheres to definitions of poverty used by the World Bank and the Inter-American Development Bank (IDB), where extreme poverty is defined as having income of \$1 or less per day and moderate poverty is income of up to \$2 per day. Not surprisingly, countries with the worst poverty often have the worst data, or none at all. Seven LAC countries — Bolivia, Ecuador, El Salvador, Guyana, Haiti, Nicaragua and Paraguay — have no national data available.

<sup>7</sup>A number of key microfinance players have become concerned about the limitations of the \$300 standard in the face of variation in national economies, the expansion of successful clients' credit needs, and inflation. Leading members of the microfinance community including USAID are beginning to explore alternatives. To illustrate one option under consideration, Annex C compares the per capita GNP in many countries where USAID programs operate, to the relevant poverty lending amount (\$300 or \$1,000).

In addition, the renewal of the Initiative included a number of ambitious quantitative targets for the Agency and its awardees.

- At least half of all microenterprise clients of the institutions that USAID supports will be women.
- At least half of all the USAID funds supporting microfinance institutions will go to poverty lending.
- At least two-thirds of the clients of USAID-supported microfinance institutions will receive loans of less than \$300.
- The average repayment rates for microfinance institutions receiving USAID support will be 95 percent or above.
- Every USAID-supported microfinance organization will have a plan to reach full financial sustainability in a reasonable period of time.

In addition, USAID has set a target of 15 percent per year growth in the number of clients receiving services.

As discussed above, USAID substantially met or surpassed all of these targets in 1997.

As part of the renewal of the Microenterprise Initiative, the Agency identified the Africa and ENI regions as areas of special emphasis in building the microenterprise field. Toward that end, the Africa Bureau has pledged to intensify the dialogue between its field missions and practitioners to identify on-the-ground opportunities, give increased attention to capacity-building for microenterprise development institutions, and heighten efforts to ensure that larger policy reform activities include the alleviation of legal and policy biases that hinder microentrepreneurs and/or microenterprise assistance institutions.

The ENI Bureau pledged to help increase the capacity of the region's newly established microenterprise institutions, foster regional exchanges and networking among practitioners, encourage the Enterprise Funds to establish or expand microlending programs, charge regional policy reform projects with examining the policy and regulatory problems affecting microenterprises and microfinance institutions, and train additional ENI staff in microenterprise program design. (See Annexes D and E for details on microenterprise programs in Africa and ENI.)



FINCA photo

### WOCCU/Latvia: Janis Vorza

For Janis Vorza in Latvia, the reorganization of the Soviet farming and monetary systems meant unemployment and the gutting of his savings from extraordinarily high inflation. Needing a loan to start life anew and support his large family, Janis went to commercial banks but was denied financing because he lacked collateral.

Then Janis went to his credit union, Ligatnes Druva, and received a \$1,000 loan to purchase a chain saw. He hired two other people and started a small business in the wood industry, supplying lumber to builders. As his business grew, Janis repaid his first loan and took out two more loans from his credit union to buy a car and a van to transport his employees to work.

Today, six credit unions in Latvia serve over 4,500 members. The credit unions' assets are more than \$700,000, and their loans exceed \$670,000. The loans meet the basic finance needs of members with average loans across the six credit unions ranging from \$240 to \$946.

Source: WOCCU



WOCCU photo

## USAID Supports Microenterprise Development

To fulfill the goals of the Microenterprise Initiative, USAID's strategy has been to:

- (1) Improve the performance and outreach of organizations that directly deliver financial services and non-financial assistance to microenterprises, and,
- (2) Improve the policy and market environments where microenterprises operate.

USAID is also making investments to build knowledge, skills, and capacity in the microenterprise development field. Key elements of the USAID strategy are summarized below:

### Delivering Services

USAID has invested in many different approaches and types of institutions, including business associations, cooperatives, credit unions, finance companies and other for-profit companies, government agencies, NGOs, PVOs, and research institutions.

#### FINANCIAL SERVICES

Two-thirds of USAID funding supports the provision of financial services to poor microentrepreneurs. Financial services include credit, safe savings mechanisms, insurance products and other services. Experience has shown that, if each is available, at any given moment more people, including the very poor, will use savings vehicles than need access to credit.

USAID's approach has been to foster the development of viable financial insti-

tutions offering unsubsidized,<sup>8</sup> high-quality financial services to poor microentrepreneurs.

USAID has had a longstanding relationship with national credit union movements. Where local credit unions are strong, they have large numbers of members and correspondingly large loan portfolios. USAID has provided support to strengthen credit unions' capacity to meet the microfinance needs of the poor.

PVOs and NGOs are also well-established microfinance partners with USAID. USAID's current portfolio includes hundreds of U.S. PVOs and local NGOs that provide microcredit and other financial services. Many institutions that worked traditionally with USAID in disaster relief and food aid programs recently have entered the microfinance arena.

As the original pioneers in delivering microcredit have succeeded in providing cost-effective services to large numbers of poor clients, some NGOs are seriously pursuing options for additional services, such as providing savings to the general public, insurance, leasing arrangements, and debit cards. The provision of these services poses new challenges. Accepting deposits from the general public, for example, likely will increase regulation by national banking authorities.

### **BUSINESS DEVELOPMENT SERVICES**

Sometimes getting a loan is only the first step for a microentrepreneur. If a new entrepreneur does not understand basic accounting, sales, or marketing, she will have a hard time growing her business and boosting her income over time. A number of microenterprise sectoral studies stress the importance of non-financial con-

### **Katalysis North/South Development Partnership/Honduras: Luisa Zelaya**

When Luisa Zelaya started a small business in Honduras selling household goods, she had no assets or capital. She financed her purchases by borrowing from loan sharks who charged exorbitant daily interest rates, rates so high that they ate up most of her profits, and kept her on the margin of survival despite her dawn-to-dusk efforts.

Then Luisa joined a Community Bank started by the Organization for Women's Enterprise Development (Organizacion de Desarrollo Empresarial Femenino or ODEF). As a community bank member, Luisa received a loan of \$68, business training, and support from other women. With this help, she opened a fish stand in Lima's busy marketplace. Netting more and more sales, Luisa now employs three people (including her husband) and expanded her product line to include vegetables, fruit, and natural medicines.

ODEF is a leading microfinance institution in Honduras and a member of the Katalysis North/South Development Partnership. Luisa is one of over 20,000 microentrepreneurs served by the Katalysis Partnership.

Source: Katalysis



*Katalysis Partnership photo by Colleen Donovan*

<sup>8</sup>A financial institution is said to be providing financial services on a "subsidized" basis if the interest and fees collected from clients for those services fail to cover the institution's full long-run costs. An institution is expected to operate with sufficient efficiency, management skill, and a price structure to reach a significant scale and fully cover all operational and financial costs, including inflation, within seven years of initiating operations.

## Market Development and Training in Ghana

The USAID/Ghana mission supports Aid to Artisans/Ghana (ATAG), a local affiliate of the U.S.-based PVO. ATAG promotes the development of entrepreneurial, technical, and marketing skills of microentrepreneurs who produce export-quality handcrafted products such as wood carvings and brass objects. ATAG works to help Ghanaian microentrepreneurs develop new product lines suitable for the international market and to increase export sales of Ghanaian crafts by fostering links between producers and foreign buyers. In 1997, ATAG linked rural artisans with a large foreign buyer, MARMAXX, which purchased over \$1.2 million of handcrafted products. More than 100 artisans including 40 women participated in production for the MARMAXX order.

Source: USAID Ghana

## Krofofrom Brass Makers Enter New Markets



AID TO ARTISANS photo

In the small village of Krofofrom, where there is no electricity, artisans have a long tradition of making brass objects for their country's tribal leaders. They use lost-wax casting and recycled brass techniques from the last century. As local demand for their work decreased, however, unemployment rose and the youth began to leave Krofofrom for the cities. ATAG, under USAID's Trade and Investment Program, was invited to work with the artisans. Together they quickly developed new product lines of candle holders, napkin rings, art objects, and decorative components for wood products. Now U.S. importers have added the Ghanaian artisans' work to existing product lines. For example, the Gumps catalog recently featured a Ghanaian votive candle holder. Today, there is full employment among the artisans in Krofofrom, and entrepreneurs from the village are traveling to international markets to sell their products.

Source: Aid to Artisans

straints on the growth and prosperity of microenterprises.<sup>9</sup> For many active microentrepreneurs, inadequate business management and marketing skills, and limited knowledge of improved production techniques and market opportunities pose more serious barriers to growth than the lack of credit.

To meet these needs, many microenterprise development programs offer a variety of non-financial services to entrepreneurs. Effective organizations, working directly with microentrepreneurs, will tailor their business development services to client needs. Non-financial services may be offered on a stand-alone basis or as part of a larger package that includes credit.

Some organizations are working to develop new marketing channels or to introduce improved technologies. The challenge in providing business development services to microenterprises is to develop methodologies that can be cost-effective and sustainable. USAID prefers funding experimental programs that may lead to improvements both in cost recovery and service delivery. For example, a recent grant supports a direct electronic link between poor microentrepreneurs in Guatemala and the Philippines with overseas markets and product design services. However structured, business development services must be driven by market demand.

<sup>9</sup>See, for example, the USAID-sponsored GEMINI (Growth and Equity through Microenterprise Investments and Institutions) technical report series of microenterprise surveys in Africa, in particular, Technical Reports 14, 16, 24, 25, and 46. Technical Report No. 75, "Micro and Small Scale Enterprise in Kenya: Results of the 1993 National Baseline Survey," states that Kenyan microentrepreneurs view the lack of access to markets and inputs as greater constraints than lack of access to capital.

## GUIDING PRINCIPLES FOR SERVICE DELIVERY

USAID considers that an effective service or program is only successful if it reaches a significant number of people. This belief is shared by many practitioners who have honed their methodologies to address the needs of a larger clientele. Microlenders have standardized service units, cut costs, and facilitated expansion of lending services. By demonstrating the effectiveness of their outreach strategy, they are more likely to attain donor funding on a large scale, permitting the organization to serve even greater numbers of clients. This volume of lending, in turn, not only covers the lending program's costs but generates a profit and the possibility of self-financing growth. This is full sustainability. USAID's strategy is to build the sustainability of its development partners so as to stretch scarce funding resources.

The USAID strategy also considers that people's willingness to pay for services is a direct indication of the value they place on those services. The institutions that survive this "market test" will have the best chance of achieving full sustainability. USAID encourages competition among providers as a means of promoting efficiency and reducing costs of services to poor customers.

### **Improving Policies and Regulations**

Frequently, USAID's limited resources can have the greatest effect at the policy level. To this end, a number of USAID missions have focused on policy reform. Inflation management, agricultural policy, utilities regulations, and trade and exchange rate policies are some areas where USAID is working to achieve more rapid, sustainable economic growth in the developing world. Improvements in the economic arena will tend to benefit both microenterprise owners and their employ-

### **Banco Solidario/Ecuador: Emma Lagla Correa**

What seems to be the problem? Your nerves? Low energy? An ulcer? Your love life? Evil spirits? Emma Lagla Correa has an herbal cure.

Coming from a long line of herbal practitioners, Emma opened an herbal shop in Ecuador. To get her business started, Emma borrowed \$880 from moneylenders, which she secured with her apartment. The interest was 10 percent a month, but she had to pay \$17 every day. With sales of only \$22 a day, she did not have much left for feeding and clothing her four children.

One day Emma heard a radio advertisement for Banco Solidario, an ACCION affiliate in Ecuador. Emma immediately applied for a loan, and in eight days she received a loan which she used to pay off the moneylender. This loan had an affordable interest rate, and from then on, Emma was never late in her payments. Two subsequent loans helped her build inventory and sales. The business is now providing stable support for Emma and her family.

Source: ACCION



ACCION photo by Jessica Boyatt

ees, through stronger growth in product demand and by providing the impetus for the creation of higher-paying jobs.

Financial and non-financial policies and regulations affect microenterprises. Typically, the financial policies are national in scope, while the non-financial policies are more local in nature. On the financial front, often the most beneficial policy intervention for microenterprises is the removal of outdated financial laws and regulations that unintentionally work against the efficient provision of microfinance services. In addition, the removal of interest rate restrictions can benefit the microenterprise sector. These restrictions set artificial limits on loan pricing and can severely limit the ability of microfinance institutions to provide services on a sustainable basis. Another potentially counterproductive policy is requiring banks to channel a specified share of their lending to small and microenterprises. Such restrictions frequently lead to poorly designed programs and methodologies that undermine the strength of legitimate microfinance players.

Non-financial policy constraints on microenterprises are no less important, and USAID has supported policy and regulatory reform to address these barriers. The following list illustrates how non-financial policies affect microenterprises.

- Poorly defined access to space in urban markets exposes vendors to harassment by police and other vendors.
- Inheritance and property laws prevent women from obtaining title to business property.
- Discretionary allocation of foreign exchange and import licenses inhibits small and micro-scale firms from gaining access to imported inputs.

### ***Building the Microenterprise Development Field***

To maximize its resources and to extend its outreach to poor entrepreneurs, USAID:

- Develops strategic partnerships with implementing partners and other donors to leverage additional resources for microenterprise development activities;
- Strengthens the institutions that deliver services to clients, helping them expand their outreach and increase their financial sustainability; and,
- Promotes the development of effective methodologies, collaborative research, evaluation and monitoring tools, and documentation on microenterprise practices, both successes and failures.

As a leader in supporting “best practices” efforts worldwide, USAID is working to accelerate the learning curve. For example, the Agency sponsors innovative training activities designed to increase the number of people trained in microenterprise development.

The Agency is also engaged actively in the search for better poverty yardsticks and in conducting field-based analysis of the impact of microenterprise development programs on the poor. USAID has been an active participant in the worldwide dialogue on these issues that was set in motion by the 1997 Microcredit Summit.

Finally, as a lead funder in the sector, the Agency has helped spearhead donor cooperation initiatives including the creation of the Consultative Group to Assist the Poorest (CGAP), which is housed at the World Bank and now numbers 27 multilateral and bilateral donors in its membership.

USAID's Microenterprise Development Office and other Washington-based bureaus and offices initiate and fund a large portion of the Agency's "field-building" work. Annex F summarizes USAID central offices' microenterprise development activities.

### **Emerging Trends in the Microfinance Field**

#### **NGOs AND THE MICROCREDIT REVOLUTION**

Many microfinance institutions began by pioneering or adapting methodologies for providing the poor with small, timely, accessible, and relatively inexpensive business loans. With maturity, some microfinance organizations have realized full profitability; many others will likely reach profitability soon. NGO microfinance organizations are achieving this important goal through a variety of strategies. Some have achieved profitability and large-scale operations solely by providing very small loans; others have chosen to provide a mixture of loan sizes.

Many village banking programs, for instance, are electing not to "graduate" clients to other programs or banks that provide larger loans; instead, they are opening separate group solidarity or individual loan windows for clients who have prospered and have growing financial needs. Generally, they restrict these windows to their own long-term clients who are established as good credit risks. This approach serves both the clients, who prefer to remain with the organization, and the organization, which can operate more profitably with a mixed portfolio of larger and smaller loans. In addition, the more profitable larger loans cross-subsidize the smaller ones.<sup>10</sup>

### **COUNTRY PROFILE: Financial Services in Cambodia**

In Cambodia, USAID sponsors three complementary initiatives. The first, undertaken with the United Nations Development Program (UNDP) and the International Finance Commission (IFC) of the International Monetary Fund, provides technical assistance and training support to transform the Association of Cambodian Local Economic Development Agencies (ACLEDA), the leading national microfinance institution, into a commercial bank. ACLEDA has expanded rapidly and currently provides credit services, through 33 branches, to almost 50,000 clients, the majority of whom are women.

The second involves Catholic Relief Services (CRS), which plans over the next five years to transform its village banking program into a wholesale lending institution. A subsidiary corporate structure will provide financial and non-financial services to NGOs. This will allow the CRS poverty lending program to expand its scope from 5,000 to 25,000 women, working with 10 local partner institutions.

The third initiative is World Relief's Gateway II program, an integrated credit, savings, maternal and child health, and community organizing program that teams up with a local organization, Cambodia Community Building (CCB). To date, they have established nearly 300 community banks that serve the financial needs of over 8,000 women living in squatter slums in Phnom Penh and in rural areas. Another 500 village banks serving 15,000 clients are projected by the year 2000, when CCB plans to be self-financing.

Source: USAID/Cambodia

<sup>10</sup>PRODEM, for example, is a Bolivian NGO with an explicit policy of cross-subsidizing smaller loans by maintaining a portfolio of larger loans. The smallest loan size is \$47, the largest \$4,664. Many credit unions also tend to have a mixed clientele ranging from the very poor to the working class. The strategy of extending loans of different sizes can reduce risk to the lender, promote portfolio diversity, and help modulate cashflow.



World Education photo by  
Kathryn Matchett

### THE SAVINGS CHALLENGE TO INSTITUTIONS

Considerable evidence exists that the poor, and especially microentrepreneurs, place a high value on access to safe, convenient, and liquid savings deposit facilities. Savings facilities require different methods and mechanisms than credit, and many microfinance institutions are finding that successfully adding deposit services is a complex undertaking.

While credit unions are designed with the express purpose of helping their members save, many NGOs have been restricted in their savings activities. In most countries, NGOs are not regulated as financial institutions and are not permitted to mobilize savings from the general public. A number of NGOs are now ready to become more formal, regulated institutions that can accept deposits. A very few of these former NGOs have become fully licensed banks. USAID actively supports the transition of NGO microfinance institutions that seek to expand their range of services and “graduate” to the ranks of formal financial institutions.

For many other microfinance institutions, regulatory changes are under way that will affect their ability to do business. Discussions with governmental authorities involved with banking supervision are

establishing new rules and standards for effective, appropriate, and prudent regulation of microfinance institutions that want to accept deposits from the general public. In Bolivia, Ecuador, Ethiopia, Honduras, and Peru, for example, this type of regulatory activity is moving ahead with USAID involvement.

### COMMERCIAL BANKS: THE NEW KID ON THE BLOCK

In the past, commercial banks showed little interest in working with small accounts or poor borrowers. The success of the NGO and credit union lending programs with poor customers has not gone unnoticed by commercial bankers, however. In recent years, large commercial banks, building on methodologies pioneered by private non-profits, have been entering the market by opening microloan windows and offering products aimed at the smallest enterprises. More are expected to follow, either as direct lenders or by wholesaling loan capital to specialized microfinance institutions. This trend offers the potential to expand greatly microfinance services available to poor entrepreneurs.

To meet the growing interest among commercial bankers, in 1998 USAID sponsored two seminars in Chile and Kenya. In April, USAID sponsored a conference in Santiago, Chile, for Latin American commercial bankers who are actively entering the microcredit market. It drew representatives from 16 banks in 10 countries. These banks had a combined outreach of over 300,000 microfinance clients and a loan portfolio of about \$450 million. To reach this new market, the banks are focusing on operational issues that will help them reduce transaction costs; many are using computer technology to facilitate this process. They are also hiring staff trained by NGOs to assist them.

Interest from commercial players is not limited to Latin America. A similar conference in May, in Nairobi, Kenya, attracted over 100 bankers, microfinance practitioners, and financial policy makers from a dozen anglophone African countries. The discussion was on the potential for commercially viable microfinance services in Africa. More seminars are planned for the next two years.

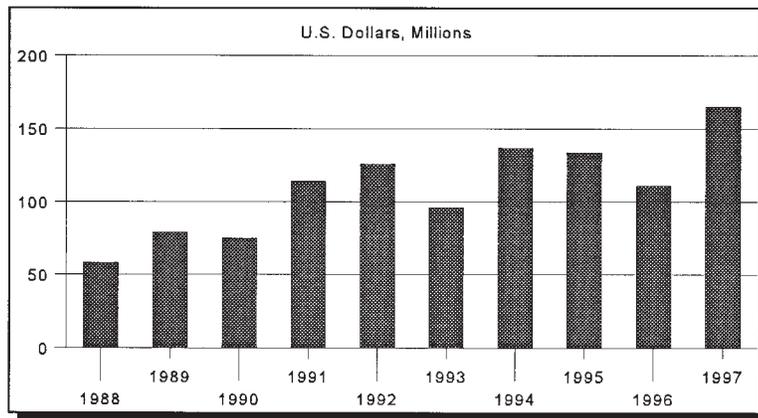
### Policy and Regulatory Reform in Honduras

The USAID/Honduras mission has contributed to the strengthening of the indigenous microfinance sector for a number of years. In addition, several USAID-supported institutions are actively engaged in a national-level policy dialogue focusing on microfinance issues. For example, the Covelo Foundation drafted a regulatory framework that will permit qualified PVOs to mobilize capital from the public. When approved by Congress, this framework will require that the National Bank and Insurance Commission provide prudential supervision of these PVOs to protect the depositors as well as the institutions.



*Opportunity International photo*

**FIGURE 1: Ten Years of USAID Microenterprise Funding, 1988-1997 (actuals)**



**TABLE 1: Microenterprise Funding by USAID Bureau, 1997, Millions of Dollars**

	Credit Programs		Non-Credit Programs		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Africa Bureau	8.7	34	17.0	66	25.7	100
Asia/Near East Bureau	28.8	78	8.1	22	36.9	100
Europe/NIS Bureau	34.8	77	10.6	23	45.4	100
Latin America/Caribbean Bureau	14.5	72	5.6	28	20.1	100
Central Bureaus	26.9	73	10.0	27	36.9	100
Total	113.7	69	51.3	31	165.0	100

## USAID'S Microenterprise Funding

From this point forward in this report, the focus is on the information collected for 1997 on USAID's programs and the achievements of its microfinance partners. The originating USAID field mission or office provided the funding data.

### Trends in Microenterprise Funding

USAID's strong commitment to microenterprise development is clear. Historical funding trends are rising despite reductions in overall Agency funding and without earmarked funds for economic growth.

USAID substantially exceeded its 1997 targets for microenterprise funding. In the Microenterprise Initiative, USAID committed to spending at least \$120 million for 1997. Overall funding in 1997 was \$165.1 million, a 48 percent increase over the 1996 funding level of \$111.4 million. \$33 million of 1997 funding was "carryover" and a one-time investment by the Polish American Enterprise Fund.

Because funding in 1996 was lower than expected due to the late receipt of Agency funding, it may be more appropriate to average the past two years; this results in an average of \$138.2 million per year for 1996 and 1997. The average places annual funding well above the pledge of \$120 million.

The current 1998 estimate is roughly \$144 million.

### Use of Funds

All USAID bureaus, with the exception of the Africa Bureau, are spending more than two-thirds of their funds to promote sustainable financial programs for microenterprises.

The Africa Bureau warrants special mention because it used a greater proportion of its funds to promote non-financial assistance to microenterprises. The Bureau is funding support for productivity-enhancing skills training for microentrepreneurs, market development, and policy reform. A number of U.S.-based PVOs, including TechnoServe, Volunteers in Technical Assistance, World Education, and Africare, are involved in providing these non-financial services in Africa.

With Central Bureau funding allocated to the regions, the distribution of USAID funds changes to the proportions shown in Table 2.

The Office of Private and Voluntary Cooperation in USAID's Bureau for Humanitarian Response (BHR/PVC) has provided significant funding to U.S.-based PVOs for financial programs in Africa. In addition, the Africa Bureau has funded the African Revitalization Project to rebuild and strengthen a number of credit unions. The Microenterprise Development Office's PRIME and IGP grant mechanisms have also supported financial programs in Africa.<sup>11</sup>

The microenterprise development picture in Africa is changing. In recent years, there has been an international awakening of interest, and many African governments are becoming supportive of microenterprise services. With a more promising policy environment, many missions in Africa are nurturing nascent financial services programs, both through direct mission funding and in conjunction with BHR/PVC. Some of these programs are taking off with great rapidity. While the provision of non-financial business services is likely to continue as a mission emphasis in the Africa region, financial services will play an increasing role in many USAID field missions' microenterprise portfolios.

**TABLE 2: Microenterprise Funding by Region of Utilization, 1997, Millions of Dollars**

	Credit Programs		Non-Credit Programs		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Africa	20.0	53	18.0	47	38.0	100
Asia/Near East	34.5	81	8.3	19	42.8	100
Europe/NIS	34.9	77	10.6	23	45.5	100
Latin America/ Caribbean	23.3	80	6.0	20	29.3	100
North America	1.0	11	8.4	89	9.4	100
Total	113.7	69	51.3	31	165.0	100

<sup>11</sup>Among the African microfinance programs receiving funding from central funding sources are: CARE/AVFS/Ethiopia, CRS/Senegal, FINCA/Uganda, Food for the Hungry/Faulu (Kenya), Freedom from Hunger (Mali, Ghana, Uganda, Burkina Faso), Opportunity International/Zambuko Trust (Zimbabwe), Save the Children (Ethiopia and Mozambique), World Relief (Burkina Faso, Mozambique, and Rwanda), and World Vision (Uganda and Tanzania).

### FINCA/Uganda: Balidawa Robinah

Balidawa Robinah is a woman competing successfully in a man's business — brickmaking. Robinah learned the trade through watching her husband, but used her own initiative to start the business, after she realized how marketable bricks were. Robinah is the sole proprietor. Placing her manufacturing site beside a road has attracted business for Robinah and making a high-quality brick has helped her compete with other brickmakers. As a result, she not only sells lots of bricks, she has been able to hire two employees to assist her in the business.

Before she became a FINCA client, Robinah could make only 1,000 -1,500 bricks at a time. By investing her FINCA loans in raw materials, Robinah now makes 5,000 bricks at a time, earning about \$200 per 40 bricks. After expenses, she turns a profit of \$40. These profits have helped her to pay school fees for her seven children.

Source: FINCA



FINCA photo

**TABLE 3: Percentage of USAID Funds Committed to Poverty Lending by Region, 1997**

	Total Microenterprise Funding (US\$ millions)	Credit Programs		Percent of Credit Funding for Poverty Lending
		Amount (US\$ millions)	Percent of Total	
Africa	25.7	8.7	34	85
Asia/Near East	36.9	28.8	78	86
Europe/NIS	45.4	34.8	77	31
Latin America	20.1	14.5	72	42
Central Bureaus	36.9	26.9	73	72
Total	165.0	113.7	69	68

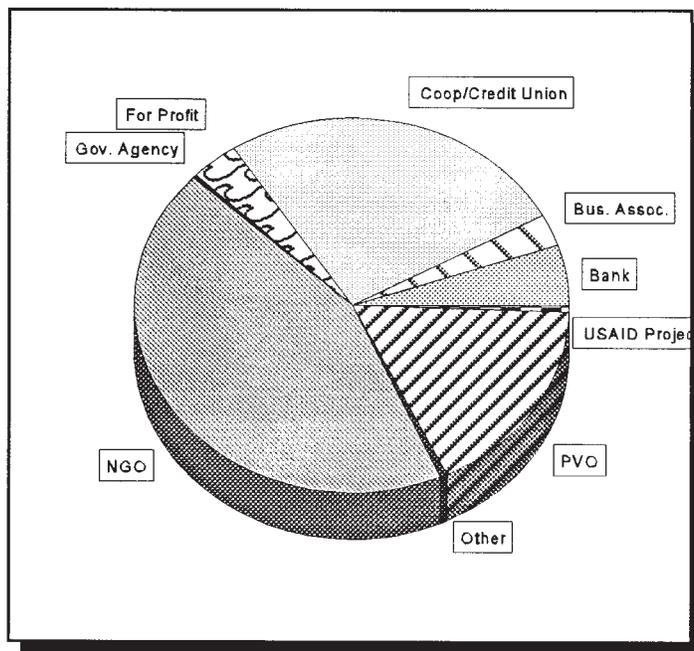
### Poverty Lending

Table 3 presents 1997 funding to institutions engaged in poverty lending. Funding for poverty lending has increased from 54 percent in 1996 to 86 percent in 1997 for the ANE region and from 15 percent in 1996 to 31 percent in 1997 for the ENI region. Overall USAID funding for poverty lending went from 58 percent of credit funding in 1996 to 68 percent in 1997.

## Findings from the Financial Institutions Survey

Over the spring and summer of 1998, USAID missions distributed a questionnaire to the financial institutions with which they have active funding agreements, and 295 institutions responded.<sup>12</sup> In this year's survey 71 percent of the institutions with funding for microfinance reported, an increase from 53 percent in 1996. In analyzing the data, eight different types of organizations reported delivering financial services: banks; business associations; cooperatives and credit unions; finance companies and other "for profit" companies; government agencies; NGOs; PVOs; and an "other" category, which included several research institutions. Ten institutions reported engaging in the delivery of both financial and non-financial services.

**FIGURE 2. USAID-Supported Microfinance Institutions Responding to 1997 Survey**



### Overview of Lending Programs

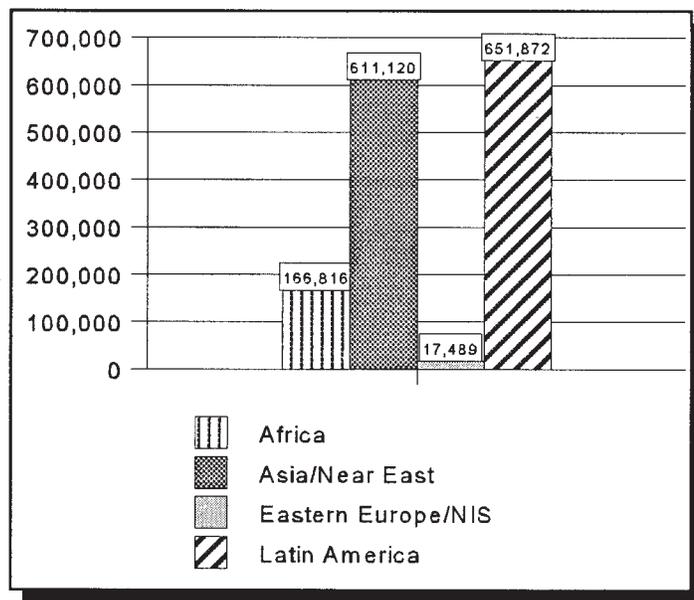
Figure 3 and Table 4 below demonstrate some of the regional differences among USAID-funded programs in 1997.

#### INCREASE IN ACTIVE LOANS

USAID's partner institutions reported a total of 1,447,297 active loans at the end of 1997, and roughly the same number of clients. This represents an increase of 465,643 loans or a 47 percent increase over the 981,654 active loans reported at the end of 1996. This major increase reflects the successful outreach programs of USAID's partner institutions.

Both the LAC and ANE regions have noticeably larger numbers of clients than either Africa or the ENI regions. For this survey, 117 institutions from the LAC

**FIGURE 3. NUMBER OF CLIENTS REACHED BY REGION, 1997**



<sup>12</sup>See Annex A for details on the data collection methodology.

**TABLE 4. Active Portfolio for Lending Institutions 1997**

	Total Loans (U.S.\$ millions)	Percent of Total Portfolio
Africa	29.4	4.6
Asia/Near East	116.3	18.0
Europe/NIS	12.3	1.9
Latin America	487.1	75.5
Total	645.1	100.0

region and 86 institutions from the ANE region reported data on their lending activities. USAID received completed questionnaires from 60 African programs for 1997; many of these programs are newer and thus smaller than the more established efforts in the LAC and ANE regions. In the ENI region, 29 institutions responded. One reason for this relatively low number is that USAID activity in the ENI region is more recent. In addition, and for somewhat different reasons, the institutional capacity to provide microfinance services is less well developed in the Africa and ENI regions than elsewhere.

#### **GROWTH IN LOAN PORTFOLIOS**

In terms of the lending volume or the value of the active portfolio, the amount reported was \$645.0 million, an increase of more than \$200 million in 1997. The LAC programs are by far the largest, and is older and more well established than most programs in the other regions. There is also a relatively large number of credit unions reporting from the LAC region. They tend to have many members and a wide range in the size of the loans outstanding; as such, they contribute a large number of relatively larger loans.

In the LAC region, there is a history of USAID support for microfinance development, including regulatory and banking sector reform and longstanding support to leading PVOs, such as ACCION's work with solidarity group lending and FINCA's pioneering efforts in developing village banking. Both methodologies involve increasing loan sizes with repeat loans. This strategy coupled with aggressive expansion has meant dramatic portfolio growth over time.

In the ANE region, there is also a number of well established programs. The high volume of loans is due to a combination of factors: Egypt is home to several

#### **CRS/EI Salvador: Tereso Granados**

When an earthquake hit San Salvador in 1986, Don Tereso lost his home and his possessions; in addition, many in his family were seriously injured and unable to work. To gain an income, Don Tereso used a small amount of money to set up a tortilla business. The business was surviving, but it was not until a local community bank was inaugurated that Don Tereso received a loan to expand. With this loan, his business is thriving, and he was able to expand into propane gas distribution in his community.

Don Tereso is now the treasurer of the "New Victory" community bank and a firm believer in microentrepreneurship. He believes that three factors contribute to his ongoing success: the training he received, special attention to his clients, and quality products.

Source: Catholic Relief Services

successful programs, almost all with average loan sizes between \$500 and \$1,000; Bangladesh and Cambodia have institutions with over 50,000 borrowers, so that even with small loans, the portfolios are between \$5 million and \$8 million; and Sri Lanka's credit unions account for more than \$38 million (and 280,000 clients). ANE is also the site of several highly successful microfinance institutions that no longer require USAID support. In achieving this level of success, they have provided an important marker for the field's development.

The relatively smaller scale of the loan portfolios in Africa and the ENI region graphically illustrate why USAID identified these regions for priority attention when the Agency renewed the Microenterprise Initiative in 1997. Both



*Freedom from Hunger photo by Jan Kingsbury*

### **Freedom from Hunger/Kafo Jiginew/Mali: Kadia Cisse**

Kadia Cisse is a participant in Kafo Jiginew's "Credit with Education" program sponsored by Freedom from Hunger. She came from Koury, a town on the border of Mali and Burkina Faso, and has three daughters.

Kadia says, "One year ago, thanks to the assistance of a Kafo Jiginew field agent, I joined a credit association with 32 members. Together, the association members received a group loan from which each individual member took a loan of \$43. When I received this sum, I bought a large sack of millet and increased my production of moni (enriched millet porridge, a Malian staple). Within a few days my profits increased many times over. I had no problem making my weekly payments. I was able to purchase clothes for my children, as they had been wearing nothing but rags."

In the second four-month cycle, Kadia received a loan of \$65, and in the third cycle, a loan of \$87. Today, Kadia can easily buy two sacks of millet and earn much more money. She has also become treasurer of her credit association.

Source: Freedom from Hunger

**TABLE 5. Average Loan Size and Percentage of Women Clients, 1997**

	Average Loan Size (U.S.\$)	Percentage of Women Clients
Africa	176	85
Asia/Near East	190	68
Eastern Europe/NIS	703	66
Latin America/Caribbean	746	62
Worldwide	445	67

### The Case of Bolivia

The most sophisticated country in the Americas in the area of microenterprise, Bolivia illustrates how different methodologies and types of institutions each play a part in serving the poor. Eight USAID-supported financial institutions reported microfinance data for 1997. Reporting were credit unions, one of the very few commercial banks in the world devoted exclusively to microfinance, a finance company, and five non-profit organizations. One non-profit is in the process of becoming a regulated financial institution and two others are also on track to do so. The smallest loan size for the institutions ranges from \$19 to \$187, the largest loan size from \$287 to \$30,000.

The eight institutions reported 222,415 microenterprise loans outstanding. This represents 24 percent coverage of a total potential market estimated by local researchers at 925,000 people. Since most of these organizations are growing rapidly, there should be a marked increase in market penetration in the next few years.

*While the combined average loan size of these Bolivian microfinance institutions is \$1,177, this number disguises the fact that just a few institutions are serving a very large number of poor people. Of the 222,415 microenterprise loans reported, 31 percent or 68,067 were loans in amounts of \$300 or less.*

BancoSol, the commercial bank, provided poverty loans to almost 25,000 clients. Two NGOs, CRECER and Promujer, have village banking programs, which together provide poverty loans to 19,000 clients. A third NGO, PRODEM, uses a solidarity group methodology and reported 14,351 poverty loans for 1997. Finally the credit unions, often overlooked as microenterprise lenders, reported 10,130 poverty loans.

regions have large populations dependent on microenterprises for survival and both offer promising opportunities to build financial and human capital. Investments in microenterprise development capacity tailored to each region's economic circumstances are likely to yield rich dividends. Annexes D and E describe recent Agency efforts to realize this potential.

### AVERAGE LOAN SIZE

The data on average loan size also reveal differences among the regions. In this case, the ENI region joins the LAC region at the high end of the spectrum, and the institutions in the Africa and ANE regions cluster together at the lower end, a pattern also seen in 1996.

In both Africa and Asia, where average loan sizes are smaller, many USAID-supported programs are quite new. More than a few are seeking to replicate the model of Bangladesh's Grameen Bank.

Average loan size in the ENI region has decreased from \$1,104 in 1996 to \$703 in 1997, reflecting the growing emphasis in the ENI region on outreach to poorer clients.

In Latin America, the higher average loan size is linked to the maturity of many institutions, and data from a large number of credit unions with a typically wider range of loan sizes. The case study of Bolivia illustrates how the higher average loan size of many LAC programs obscures the fact that many large institutions also have large numbers of very small loans. The larger loans cross-subsidize smaller loans, as noted earlier. In addition, with these more mature microfinance institutions, over time a significant number of clients have progressed from small loans to large ones as their businesses have grown.

## WOMEN AS CLIENTS

All regions report that women comprised more than 50 percent of the clients receiving services, fulfilling the Microenterprise Initiative's pledge on gender. Programs in Africa report by far the highest percentage of women clients: 85 percent. The other three regions surpassed the 50 percent mark by a solid margin: 68 percent in ANE; 66 percent in ENI; 62 percent in LAC.

## RURAL VS. URBAN CLIENTS

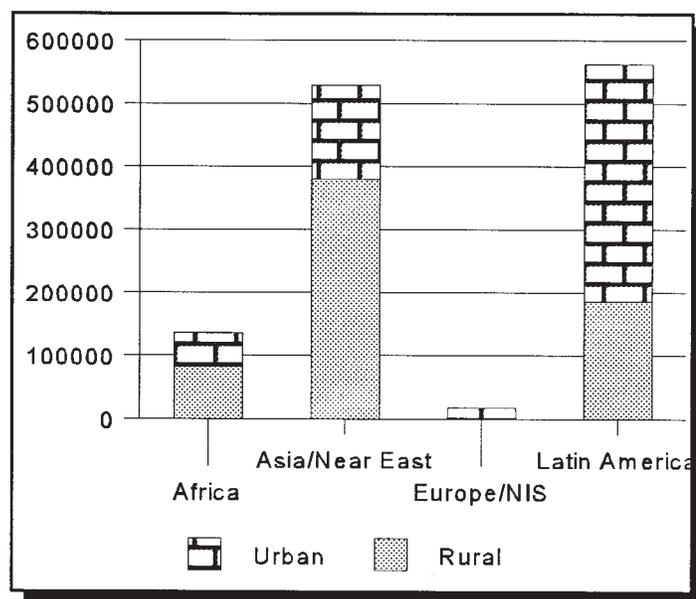
Microfinance programs also vary by region in the location of clients served. The majority of clients in microfinance programs in the ANE and Africa regions live in rural areas, while the majority in the LAC and ENI regions reside in urban areas. Worldwide, 52 percent of clients of USAID-supported microfinance institutions reside in rural areas.

## SMALL LOANS FOR POOR CLIENTS

USAID continues its strong support of "poverty lending" programs; these programs have a significant portion of their portfolio devoted to small loans, as Table 6 illustrates. This data is presented based on the program's location rather than by funding source.

Among African institutions, 89 percent of their loans are in amounts of \$300 or less. The ENI region, where poverty loans are \$1,000 or less, is next highest at 83 percent, while the ANE region reported 76 percent of its loans were in the poverty lending range. The microfinance programs in all geographical regions have more than half of total loans in poverty loans. When looked at on a worldwide scale, over two-thirds of all loans are poverty loans.

**FIGURE 4. Location of Clients: Rural vs. Urban Setting**



**TABLE 6. Poverty Loans by Region, 1997<sup>1</sup>**

	Total Micro Loans (thousands)	Poverty Loans (thousands)	Poverty Loans as % of Total Loans	Poverty Loans as % of Portfolio
Africa	151.2	135.2	89	70.1
Asia/Near East	554.4	424.0	76	46.0
Europe/NIS	13.7	11.4	83	31.6
Latin America	615.3	327.8	53	13.1
Total	1,334.6	898.4	67	21.3

<sup>1</sup>Includes only those institutions reporting their poverty lending activities.

**TABLE 7. Average Repayment and Loan Loss Rates for Microcredit Institutions by Region, 1997**

	Repayment Rate %	Loan Loss Rate %
Africa	95.0	2.5
Asia/Near East	95.9	0.7
Europe/NIS	93.6	1.0
Latin America/Caribbean	93.9	2.4
World	94.8	1.8

**TABLE 8. Sustainability of Institutions Supported by USAID, Percent**

	Not yet Sustainable	Operational Sustainability	Fully Sustainable	Total
Africa	72	7	21	100
Asia/Near East	72	4	24	100
Europe/NIS	61	7	32	100
Latin America/ Caribbean	57	13	30	100
Total	65	9	26	100

**Selecting Development Partners**

USAID chooses its development partners through competitive review. Implementing institutions are evaluated both in terms of outreach to target groups and projected sustainability. These two criteria together, outreach and sustainability, can ensure permanent or at least long-term access to services for large numbers of the poor. Award agreements incorporate quantitative and qualitative performance targets tailored to these two factors.

Investments in training and capacity-building support the objective of achieving quality in service delivery, as does conscientious monitoring of awardees' performance and timely help when problems arise. In all cases, institutions are expected to operate using sound financial management practices.

**PORTFOLIO QUALITY**

Two measures of progress toward sustainability are repayment rates and degree of financial self-sufficiency. Repayment rates<sup>13</sup> for USAID-supported institutions are expected to be 95 percent or higher. Table 7 shows the repayment rates for institutions reporting 1997 data. Loan loss rate, or the average of losses over several years as a percentage of active loans, is a second measure of portfolio quality.

**PROGRESS TOWARD FULL SELF-SUFFICIENCY**

USAID expects microfinance institutions to move beyond dependence on outside subsidies to self-sufficiency over time. USAID-supported institutions are required to have a credible plan for achieving full financial self-sufficiency within

<sup>13</sup>The repayment rate used here is based on the amounts of unpaid loan balances with payments outstanding for 90 days. Since a portion of these unpaid balances often are repaid subsequently, this measure overstates non-repayment.

seven years of initial funding.<sup>14</sup> Prior to full financial self-sufficiency, an organization should reach operational sustainability, whereby client revenues are sufficient to cover all administrative costs, including loan losses.

### **Need for Safe Savings Instruments**

The number of savers in USAID-supported institutions exceeds the number of borrowers. The total amount of savings is currently considerably less than the loan portfolio, however. As more microfinance institutions become regulated and are able to offer liquid savings instruments and competitive interest rates on deposits, this number is expected to soar. Historically, where poor communities have both options available, savings surpass loans by a considerable margin.

### **CECI/Nepal: Kaushila Chand**

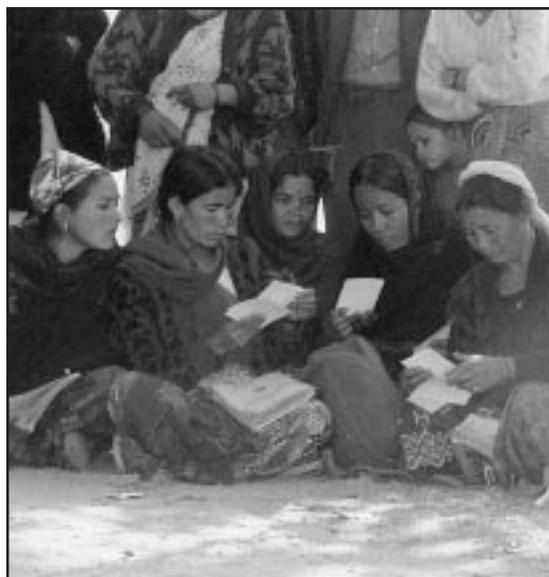
Kaushila Chand is 27 years old and has a 10-year-old daughter. Her husband left her seven years ago. Through the Women's Economic Empowerment Project with USAID/Nepal support, a savings and credit group was started in Kaushila's village by the Canadian Center for International Studies and Cooperation. Kaushila took the little money she had from raising goats, joined the savings and credit group, and invested her earnings. Kaushila took a loan from the group to buy a few goods from the market to sell in her village.

Kaushila continued to invest her earnings in new activities, such as buying improved breed goats to raise and growing vegetables to sell in the off-season. The money Kaushila is making from her vegetables, goats, and shop is ensuring her daughter's education, which is a priority for Kaushila. Seeing her initiative and active interest, the group elected her chairperson of the savings and credit committee. Since she became chairperson, she has seen the value of being able to read and write, and wants her daughter to be educated.

Source: USAID/Nepal

**TABLE 9. Number of Savings Members and Savings Amounts by Region, 1997**

	Number of Savings Members (thousands)	Savings Amounts (U.S.\$ millions)
Africa	145.0	20.0
Asia/Near East	1,008.0	92.5
Europe/NIS	17.5	3.5
Latin America/Caribbean	948.8	256.8
Total	2,119.3	372.8



USAID photo

<sup>14</sup>Full financial sustainability refers to the case where an institution is able to fully finance the cost of all its operations, including the cost of obtaining funds and allowing for inflation, with client revenues.

## **ANNEX A**

### **Microenterprise Results Reporting (MRR)<sup>15</sup>**

#### ***Methodology***

The MRR team collected the data in this report from USAID officers and microenterprise program staff. USAID officers reported 1997 funding and then disseminated a questionnaire to all microfinance institutions and umbrella organizations receiving funding for microfinance activities.<sup>16</sup> Programs supported by BHR/PVC and the Global Bureau's Office of Microenterprise Development reported data on their activities directly to the MRR team. The Statistical Annex contains the 1997 MRR Questionnaire.

An important change to the database on USAID-supported microenterprise programs has been the addition of details on *all of USAID's active portfolio* (i.e., organizations with active funding agreements), regardless of the year of funding. This addition provides a more complete picture of USAID investments in microenterprise development worldwide than could be presented in last year's report.

In 1996, a total of 310 institutions received funds for either the support of finance programs or for providing non-financial services. In 1997, 481 institutions received assistance for either financial or non-financial activities. In addition, USAID funds were provided to 28 mission activities to be sub-obligated to institutions at a later date. Because a portion of the 1997 funds had not yet been sub-obligated with specific institutions at the time of reporting, the total number of implementing entities is under-reported.

This year's data collection reflects a substantial increase in the reporting rate and number of implementing institutions. The number of institutions providing data for 1997 is 295. Of that number a subset, 257, received funding in 1997. The number of institutions reporting data is a subset of the total number of institutions that have received funds for financial programs. (See Tables 10 and 11 below.)

In 1996, of the 243 institutions that received funding for financial programs, 128 provided data on their operations. Thus, the 1996 findings on

<sup>15</sup>USAID has had a system for tracking its microenterprise support efforts since 1989. The current MRR activity, managed by Weidemann Associates Inc., has been responsible for collecting data from USAID-supported institutions for the past two years.

<sup>16</sup>Microenterprise funding data are for fiscal year 1997. Institutional data may be for either fiscal year 1997 or the calendar year.

**TABLE 10. Microenterprise Institutions Funded in 1997 by Type**

	Total Obligations		Credit Obligations		Non-Credit Obligations	
	Amount (\$000's)	Number	Amount (\$000's)	Number	Amount (\$000's)	Number
Banks	5,124	19	5,124	19	0	0
Business Assocs.	2,288	17	500	9	1,788	9
Consulting Firms	7,089	11	3,069	5	4,020	7
Coops/Credit Unions	9,428	79	9,068	78	360	1
ForProfits/Finance Cos.	38,302	9	38,102	9	200	1
Gov. Agencies	423	2	163	1	260	1
NGOs	16,386	221	12,412	166	3,974	58
Other Institutions <sup>1</sup>	8,026	20	3,588	7	4,438	14
PVOs	56,444	103	31,813	59	24,631	44
USAID <sup>2</sup>	21,562	28	10,001	10	11,561	21
Total <sup>3</sup>	165,072	509	113,840	363	51,232	156

<sup>1</sup>Includes institutions that do not fit into other categories, such as research institutions and UN organizations such as the ILO.

<sup>2</sup>Mission projects that have not yet committed funds to particular institutions, Mission support activities on behalf of microenterprises, and the technical assistance and support activities of the office of G/EGAD/MD.

<sup>3</sup>Note that the total of all institutions does not equal the number for credit and non-credit institutions, as 10 institutions received funds for both types of activities.

microfinance institutions reflect data from 53 percent of those with credit funding. In 1997, 71 percent of the institutions with credit obligations reported data. This improved response rate is encouraging.<sup>17</sup>

There continues to be room for improvement in the data collection process. One area for further refinement is poverty lending data reporting. While the universe of institutions submitting microfinance data for this report was 295, only 238 institutions provided data on poverty loans.<sup>18</sup> A number of institutions that are not accustomed to USAID reporting requirements have begun to implement systems that will allow them to report on loans in amounts less than \$300 (or \$1,000 in the ENI) for the first time. As a result, a steady improvement is expected in both data quality and accuracy as reported by institutions that have an ongoing relationship with USAID. However, for institutions new to USAID funding, there will always be some whose systems are not prepared initially to handle this request.

**TABLE 11. Microenterprise Institutions in 1997 Survey by Type**

Type	All Institutions	Reporting Data <sup>1</sup>
Banks	20	16
Business Assocs.	19	8
Consulting Firms	12	0
Coops/Credit Unions	83	77
ForProfits/Finance Cos.	17	11
Gov. Agencies	7	1
NGOs	296	128
Other Institutions	23	2
PVOs	136	51
USAID	38	1
Total	651	295

<sup>1</sup>Institutions funded for microfinance activities only.

<sup>17</sup>In any given year, some financial institutions have no data to report as yet because the program activity is new. In other cases, data pertaining to the lending activities of a number of local implementing institutions are bundled under a single umbrella. Hence the number of total institutions will always be larger than the number shown reporting data.

<sup>18</sup>One institution not included in the poverty lending numbers, Fundusz Mikro, received funds of \$18.9 million in 1997. If it were included, this extraordinarily large obligation provided through the Polish American Enterprise Fund to a single institution would overshadow all the other activities in the ENI region. Since this funding constitutes a large up-front investment aimed at enhancing Fundusz Mikro's ability to serve smaller customers, inclusion of the pre-award averages would distort the results for this awardee and the entire survey. Data reported by Fundusz Mikro in subsequent years will provide a more accurate picture of the clients reached with USAID support.

## ANNEX B Sources of Microenterprise Funding

### Appropriated Accounts

USAID operates with a number of distinct funding accounts determined by the USAID administration and/or Congress. These include:

- *Development Assistance (DA)* to be used for long-term development objectives worldwide and often containing substantial Congressionally mandated earmarks (specific uses);
- *Economic Support Funds (ESF)*, an account for which the State Department determines the level an individual country receives based on special economic, political or military significance, after which USAID is responsible for programming the funds for development;
- *Special Assistance Initiatives (SAI)*, an account used for specific areas of current foreign policy interest, most recently the Central and Eastern European countries, including the Baltic States, under the Support for Eastern European Democracy Act (1989); and,
- *Freedom Support Act (FSA)*, an account established in 1992 to fund activity in the New Independent States.

The amount these accounts have contributed to microenterprise funding since 1990 are shown in the table below.

**TABLE 12. Sources of USAID Funds for Microenterprise by Appropriation Account, Millions of Dollars**

Fund	1990	1991	1992	1993	1994	1995	1996	1997
DA <sup>1</sup>	44.6	40.2	61.3	51.6	51.1	77.5	72.9	83.3
ESF	9.6	43.2	34.4	18.2	31.6	22.9	16.1	24.5
Local Currency	21.0	30.2	30.6	23.6	16.6	13.0	12.2	11.8
FSA					21.9	5.7	5.4	20.6
SAI				2.6	16.2	14.4	4.7	24.8
Total	75.4 <sup>2</sup>	113.6	126.3	96.0	137.4	133.5	111.4	165.0

<sup>1</sup>Development Assistance (DA) Funds include the Development Fund for Africa (DFA).

<sup>2</sup>Total does not add up because data on fund accounts not available for Colombia and Oman.

### ***The New Obligating Authority for 1997 vs. Other Sources***

New Obligating Authority (NOA) money is that which is appropriated by Congress in a given year. It may be made available to the Agency for use over one year, over two years, or for an unspecified length of time, in which case it is referred to as "no year" money. The most common case is for the money to be available for two years. USAID generally tries to obligate as much of the money as possible in the first year of availability; however, especially if the appropriation authority comes late in the fiscal year, money may be "carried over" and obligated in the second year. Another source of "older" money is deobligation followed by reobligation of funds for a different purpose.

### ***Local Currency***

In addition to the accounts appropriated by Congress, USAID missions or PVOs may have local currency available which can be used to finance microenterprise work. This source is particularly appropriate for capitalizing loan portfolios and covering operating costs paid in local currency. Only expenditures are reported for local currency, since obligations, as such, do not exist. (There is no local currency in the ENI region.) Local currency is generated from two sources:

- a. **Balance-of-Payments Support:** In certain instances, a foreign government receives ESF to use for balance-of-payments support, in exchange for macroeconomic reforms. Where inflation is not an issue, local currency is often generated against the value of the additional dollars in the economy. While this type of local currency is owned by the host country, it has often been jointly pro-

grammed between the host country government and USAID. This was most common in Latin America, where some \$4 billion in ESF was deployed over the course of the mid- and late 1980's, the large majority of which was used for balance-of-payments assistance. This generated a large amount of local currency that was still being drawn down in the 1990's after the actual ESF assistance level dropped.

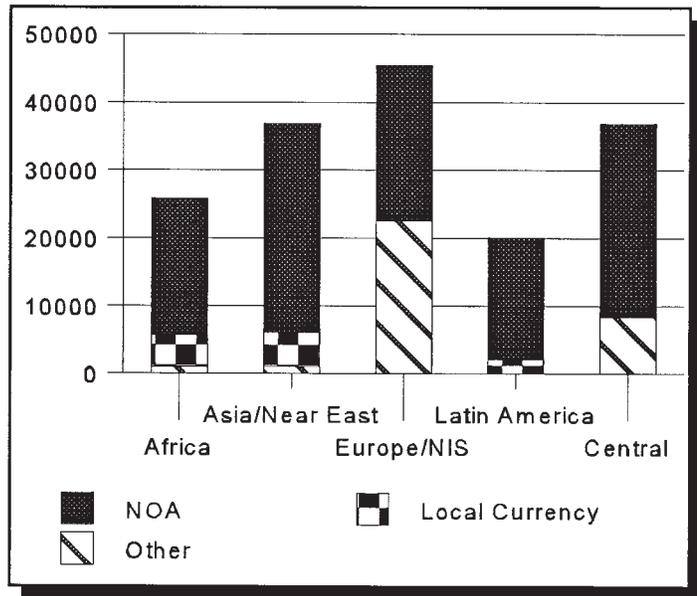
- b. **PL-480:** Under Titles II and III of the Agricultural Trade Development and Assistance Act of 1954, (Public Law 480 as amended) agricultural commodities are donated to least developed countries. The revenue generated by the sale of such commodities has been utilized for economic development activities. Among the uses prescribed for local sales proceeds are activities that promote increased access to food through programs designed to boost employment and incomes, such as microenterprise development programs. In accordance with utilization plans approved by USAID, a number of Title II cooperating sponsors have applied funds toward microenterprise development activities.

In Figure 5, USAID microenterprise development funding is shown as 1) dollar funding newly authorized for first use in 1997, 2) appropriated dollar funds carried forward from 1996 or reobligated, and 3) local currency.

Approximately \$33 million of 1997 funding is carryover from 1996. A total of \$22 million of this is in the ENI region alone, of which \$18.9 million is the funding for Fundusz Mikro, a large and successful microfinance organization established in Poland by the Polish American Enterprise Fund.

Local currency constitutes \$11.8 million of the 1997 funding, and represents a 3 percent decrease from the previous year. This is a 61 percent decrease from 1992, the high point for local currency utilization in recent years. The amounts estimated for local currency expenditures in 1998 and 1999 are \$19 million and \$23 million, respectively.

**FIGURE 5. Funding of Microenterprise Activity Showing New Obligating Authority, Local Currency and Carryover or Reobligations (U.S.\$, Thousands)**



## ANNEX C

### GNP Per Capita and Poverty Loan Size in Selected USAID-Assisted Countries Atlas Method, U.S. Dollars

(Source: World Bank, World Development Indicators, 1998)

REGION	COUNTRY	GNP Per Capita	Poverty Loan Size	Poverty Loan Amount as % of GNP P.C.
<b>AFRICA (AFR)</b>				
	Benin	350	300	85.7%
	Burkina Faso	230	300	130.4%
	Burundi	170	300	176.5%
	Cape Verde	1010	300	29.7%
	Chad	160	300	187.5%
	Eritrea	not available	300	
	Ethiopia	100	300	300.0%
	Gambia	320	300	93.8%
	Ghana	360	300	83.3%
	Guinea	560	300	53.6%
	Guinea-Bissau	250	300	120.0%
	Kenya	320	300	93.8%
	Madagascar	250	300	120.0%
	Malawi	180	300	166.7%
	Mali	240	300	125.0%
	Mozambique	80	300	375.0%
	Namibia	2250	300	13.3%
	Niger	200	300	150.0%
	Senegal	570	300	52.6%
	South Africa	3520	300	8.5%
	Swaziland	1210	300	24.8%
	Tanzania	170	300	176.5%
	Uganda	300	300	100.0%
	Zambia	360	300	83.3%
	Zimbabwe	610	300	49.2%
<b>Asia/Near East (ANE)</b>				
	Bangladesh	260	300	115.4%
	Cambodia	300	300	100.0%
	Egypt	1,080	300	27.8%
	India	380	300	78.9%
	Indonesia	1,080	300	27.8%
	Jordan	1,650	300	18.2%
	Lebanon	2,970	300	10.1%
	Morocco	1,290	300	23.3%
	Nepal	210	300	142.9%
	Philippines	1,160	300	25.9%
	Sri Lanka	740	300	40.5%
	West Bank/Gaza	not available	300	
<b>Europe and the NIS (ENI)</b>				
	Albania	820	1000	122.0%
	Armenia	630	1000	158.7%
	Azerbaijan	480	1000	208.3%
	Bulgaria	1,190	1000	84.0%
	Caucasus	1,190	1000	84.0%
	Croatia	3,800	1000	26.3%
	Czech Republic	4,740	1000	21.1%
	Estonia	3,080	1000	32.5%
	Georgia	850	1000	117.6%
	Hungary	4,340	1000	23.0%
	Kazakhstan	1,350	1000	74.1%
	Kyrgyzstan	550	1000	181.8%
	Latvia	2,300	1000	43.5%

**GNP Per Capita and Poverty Loan Size in Selected USAID-Assisted Countries  
Atlas Method, U.S. Dollars**

REGION	COUNTRY	GNP Per Capita	Poverty Loan Size	Poverty Loan Amount as % of GNP P.C.
<b>Europe and the NIS (ENI)</b>				
	Macedonia	990	1000	101.0%
	Poland	3,230	1000	31.0%
	Romania	1,600	1000	62.5%
	Russia	2,410	1000	41.5%
	Slovakia	3,410	1000	29.3%
	Tajikistan	340	1000	294.1%
	Turkmenistan	940	1000	106.4%
	Ukraine	1,200	1000	83.3%
	Uzbekistan	1,010	1000	99.0%
<b>Latin America and the Caribbean (LAC)</b>				
	Belize	2,700	300	11.1%
	Bolivia	830	300	36.1%
	Costa Rica	2,640	300	11.4%
	Dominican Republic	1,600	300	18.8%
	Ecuador	1,500	300	20.0%
	El Salvador	1,700	300	17.6%
	Guatemala	1,470	300	20.4%
	Guyana	690	300	43.5%
	Haiti	310	300	96.8%
	Honduras	660	300	45.5%
	Jamaica	1,600	300	18.8%
	Mexico	3,670	300	8.2%
	Nicaragua	380	300	78.9%
	Peru	2,420	300	12.4%

## **Annex D**

### **Africa: A Closer Look**

Africa is a priority region for microenterprise development as identified in the renewal of the USAID Microenterprise Initiative. USAID missions in Africa manage a variety of microenterprise development programs that offer financial and/or non-financial services and are often targeted to a rural clientele. The following is an overview of these programs:

- In Africa, microenterprise development has often followed disaster relief programs or conflict. In Mozambique and Ethiopia, for example, as the local situation stabilized, initial revolving credit funds were followed by larger-scale credit programs financed by monetized PL-480 food aid.
- The delivery of non-financial services to microentrepreneurs is a focus area for many missions. In Ghana and Zimbabwe, where USAID missions principally fund non-financial activities, they have also identified lack of access to business credit as a major constraint.
- USAID missions in Uganda, Kenya, Guinea, and South Africa are funding complementary financial and non-financial activities.
- A number of missions also have microfinance programs funded by USAID/Washington that will likely be scaling up in the future.
- Numerous African missions are working to improve the policy environment for private enterprise, microentrepreneurs, and the organizations that are providing microfinance services.

#### *Africa Bureau Programs<sup>19</sup>*

#### ■ Uganda

USAID/Uganda places microenterprise work under its strategic objective of "increased rural household income" and works through the successful PRESTO (Private Enterprise Support, Training and Organizational Development) Project. Designed to address the need of entrepreneurs for secure credit and savings services, PRESTO established its Center for Microenterprise Finance (CMF).

<sup>19</sup>These country program descriptions came from overviews provided by mission personnel or were obtained from the mission's "Results Review and Resource Request."

The CMF is a training center and an information clearinghouse for NGOs and banks involved with microfinance. In three years, the CMF has successfully supported new NGO finance programs affiliated with FINCA, Food for the Hungry, Freedom from Hunger, PRIDE/Africa, and World Vision; by the end of 1997, these programs alone were serving some 17,000 clients. Furthermore, the CMF has been instrumental in assisting the Uganda Cooperative Bank to establish a successful microfinance unit. The CMF also provides technical support to some 15 NGOs and banks for sustainable financial service delivery. USAID/Uganda reports that in 1997 13,808 new borrowers and 19,313 new savers were recruited, up from 5,270 and 7,500, respectively, in 1996. The CMF design concept is being explored by other Africa missions as a model for accelerating microenterprise and microfinance development.

The PRESTO non-financial component is a Local Industries Facility for Training and Technology, assisting micro- and small entrepreneurs to gain access to more profitable markets through trade fairs, workshops, and industry networking.

USAID/Uganda has provided \$8.6 million in funding to PRESTO in the past three years. This has been complemented by an additional \$2 million from the centrally funded PRIME Fund and \$1 million from BHR/PVC through its Matching Grant program with Food for the Hungry/Faulu, Freedom from Hunger, FINCA, and World Vision/MED-Net.

#### ■ Kenya

The goal of USAID's four-year Micro-PED project is to increase microenterprise employment in Kenya by creating 100,000 jobs annually through microenterprise development. The project has

four components, each managed by an NGO or a private firm.

1. The Financing Growth component is designed to build the capacity of local microfinance organizations and create linkages to the private sector. Managed by Development Alternatives, Inc., this activity includes a consultant database, a resource center, a staff training program for local institutions, institutional assessments to help the organizations assess their own strengths and weaknesses, and a monitoring and evaluation component.
2. The Non-Financial Marketing, Technology Development, and Business Skills component focuses on agricultural microenterprises and is managed by Approtec and Technoserve.
3. The Policy and Regulatory Restrictions component, managed by the International Center for Economic Growth, is designed to identify and change restrictive laws and regulations.
4. Finally, a limited grant component provides assistance to local microenterprise institutions to strengthen services and outreach.

In 1997, USAID/Kenya obligated \$1 million for microfinance activities and \$1.9 million for non-financial microenterprise activities. In addition, part of a \$533,000 grant by BHR/PVC to Freedom from Hunger will be used in Kenya.

#### ■ Ghana

USAID/Ghana works with microenterprises under its objective to "increase private sector growth." The mission's overall private sector program focuses on policy reform related to trade and invest-

ment. The mission also promotes the growth of private sector-led non-traditional exports through the microenterprise sector. A recent review of mission accomplishments reported that "USAID-assisted microenterprises engaged in agribusiness and handicraft production generated revenues of over \$2 million in 1997, which represented a 200 percent increase over 1996 levels."

USAID/Ghana obligated \$4.5 million for non-financial activities in 1997. In addition, \$100,000 was obligated under the USAID/Washington PRIME project in support of WOCCU. BHR/PVC obligated \$133,000 for Freedom from Hunger/Ghana.

#### ■ Mozambique:

USAID/Mozambique has recently become involved in enterprise and finance development, as the country recuperates from a long and devastating civil war.

At an April 1998 national workshop, a working group of donors and practitioners analyzed the framework for promoting microfinance development in Mozambique. An Action Plan was adopted and is being promoted under the rural development agency, with World Bank and USAID sponsorship. The mission is working with banks, government agencies, its PVO partners, and other donors to see how it can best support an improved policy and regulatory environment for microenterprise growth.

The mission funded a grant to the Cooperative League of the USA to develop a network of economically viable and democratically-managed rural enterprises in the agricultural province of Nampula. CARE, Africare, and World Vision collaborated in the promotion of agricultural technologies, notably edible-oil presses. In addition, Technoserve pro-

vides business advisory services to micro businesses that are linked with a growing number of farm producer associations.

World Relief pioneered village banking in Mozambique with funding from BHR/PVC in 1995, and recently received approval for an FY 98 grant. The program has 4,900 clients and a quarter-million dollar loan portfolio, making it the largest microfinance program in the country.

BHR/PVC is also funding an extension of a Mennonite Economic Development Associates (MEDA) small business credit program in peri-urban areas.

In 1997, the mission and BHR/PVR obligated just under \$3 million for non-financial microenterprise activities.

#### ■ Zimbabwe

USAID/Zimbabwe has focused on the microenterprise policy environment to achieve broader local ownership of business and housing assets. The mission aims to:

1. Increase microbusinesses' access to capital by testing microfinance models across different target markets and modes of operation.
2. Foster growth of a national microfinance industry by developing a policy environment that encourages microfinance development and expansion, "best practices" to ensure operational and financial sustainability, and increased professionalism in the industry through training and research.
3. Coordinate the efforts of the major donors to avoid duplication, share lessons learned, assure the presence of clear, consistent donor policies, and support mechanisms for microfinance growth.

USAID/Zimbabwe has supported:

1. The development of the Zimbabwean Association of Microfinance Institutions (ZAMFI), a practitioner's body designed to encourage adoption of microfinance best practices by the membership and advocate that the Government of Zimbabwe create a legislative environment conducive to the development of a sustainable microfinance sector
2. The Masvingo Credit Against

Poverty, a local CRS-funded institution, to develop a detailed business plan for consideration by interested donors, including USAID.

USAID/Zimbabwe is in the process of phasing out, and obligated \$35,000 for microenterprise development in 1997, a considerable decline from its usual annual level of about \$500,000 over the past decade. In addition, BHR/PVC provided \$125,000 to Opportunity International in 1997 for work with its Zimbabwean affiliate, Zambuko Trust.

## **Annex E**

### **Europe and the New Independent States: A Closer Look<sup>20</sup>**

The ENI, like Africa, is a priority region identified in the renewal of the Microenterprise Initiative. USAID's ENI missions fund microenterprise development programs that offer financial and non-financial services; however, these programs differ from other USAID regions. In some parts of the region, economies and physical infrastructure are more developed. In addition, the ENI programs have a different origin. The SEED (Support for Eastern European Democracy) and the FSA (Freedom Support Act) acts were passed in 1989 and 1992, respectively, by the U.S. Congress to provide U.S. assistance in the political and economic transition after the collapse of communism in the Soviet Bloc countries.<sup>21</sup>

Under the SEED and FSA acts, activities have focused primarily on three areas: economic restructuring (including privatization of large state-owned industries); strengthening democratic institutions; and improving the quality of life. To date, more than 70 percent of program funding has been allocated to economic restructuring.

On the basis of most social and educational indicators, Central and Eastern Europe (CEE) could be classified as a "developed" region, with GNP per capita significantly higher than that of most USAID-supported countries. Therefore, while the activity mix in Europe has included both non-financial and financial microenterprise development activities, the specific programs reflect the different setting.

In contrast, many countries in the New Independent States (NIS) are poorer and more similar to the countries where USAID has traditionally worked. Given this situation, USAID is pulling out of the wealthier countries in the ENI region and shifting its efforts toward the poorer NIS countries. In those countries with continuing programs, an emphasis on traditional development programming will likely lead to additional support of microenterprise development.

<sup>20</sup>The USAID Eastern Europe region encompasses: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bosnia and Herzegovina, the Federal Republic of Yugoslavia (Serbia and Montenegro), Albania, Macedonia, and Romania. The New Independent States encompass: Armenia, Georgia, Azerbaijan, Russia, Ukraine, Belarus, Moldova, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan.

<sup>21</sup>Monies appropriated under the SEED Special Assistance Initiative and the FSA are appropriated funds for use only in Central and Eastern Europe and the NIS. Furthermore, very little funding from the DA account and none from the ESF account have been used in this region.

U.S. assistance in the ENI economic sector began when the U.S. Congress established the independent Enterprise Funds for several CEE countries at the end of the 1980's. The Enterprise Funds invest in local institutions to promote enterprise development. Although the Enterprise Funds are generally focused on larger enterprises, many have opened special windows for small and microenterprises, often in partnership with NGOs. An example is the Polish American Enterprise Fund's creation of Fundusz Mikro (see below), which is providing loans to microentrepreneurs. Enterprise Funds in several other countries have established relationships with affiliates of Opportunity International and FINCA.

**Greater Loan Sizes:** Given the ENI's level of economic development, especially in Central and Eastern Europe, loan sizes are generally larger than in the traditional USAID regions. USAID has established a microenterprise loan ceiling of \$10,000 for reporting purposes.

**Higher Poverty Lending Cap:** For the ENI region, the poverty lending cap was also increased to \$1,000.

**Larger Job Creation:** While the ENI clients of USAID-supported microenterprise development organizations are fewer than in other regions, evidence to date indicates that ENI microenterprises often generate proportionately higher levels of employment than elsewhere. Fundusz Mikro in Poland, for example, reported that after three years of operations it had served 6,000 clients resulting in 3,000 new jobs within those businesses.

The following is an overview of selected ENI programs:

#### ■ Russia

USAID-funded pilot microfinance programs are showing good results in Russia.

The Opportunity International (OI) credit program, the most mature of the USAID/Russia-supported programs, provides small-scale credit (loans up to \$1,500) to women-owned micro-businesses through group lending. By developing Russian NGO partners, OI has pioneered women's cooperative lending programs and small credit programs in western Russia and developed successful business incubator and leasing programs in Nizhny Novgorod and Rostov. The credit programs have lent more than 2,000 loans/leases to Russian entrepreneurs; 87 percent of the borrowers are women; and the programs are estimated to have created more than 1,200 jobs. Building on its successful track record, OI received additional funding from sources such as the United Nations, CGAP, Mott Foundation, British Know-How Fund, and private investors.

#### ■ Poland

The Polish American Enterprise Fund (PAEF) founded Fundusz Mikro in October 1994 to extend loans to the microenterprise community; PAEF set aside \$20 million from its funds for loan capital, most of which was transferred to Fundusz Mikro in 1997 as lending began to take off. USAID also provided \$4 million for operating expenses. The target clients were enterprises with up to five employees. From the beginning, Fundusz Mikro set out to employ best practices and reach full financial sustainability within six years. By the end of the third year, September 1997, Fundusz Mikro had reached 50 percent of its sustainability goal.

The program has expanded rapidly since its first full year of operations (1995-1996). In 1996, Fundusz Mikro opened 12 branches, followed by another 12 in 1997. By the end of 1997, 80 percent of the 6,000 clients were being served using a group sol-

idity methodology with four or more borrowers to a group. In 1998, the program will have 35 branches.

Fundusz Mikro is planning new products, including services for its most successful clients and products targeted to poorer clients. The program's annual report states that "we believe our parallel development both upwards and downwards will effectively balance the respective social and economic considerations."

#### ■ Kyrgyzstan

USAID funded the development of credit facilities and supported policy changes that affect microenterprise development in Kyrgyzstan.

FINCA has been very successful with its microfinance program, which uses a village banking/group lending methodology. FINCA serves more than 6,500 clients who are organized into 550 groups and, by the end of the project, will be operating in all the oblasts of the country.

FINCA also provides small business management training to its clients, who are primarily women. Average loan size is \$100. To date, more than \$2 million in loans have been extended to clients under the original USAID grant. With the growth of a client savings pool—now larger than the loan portion of the original USAID grant—another \$2.5 million in loans have been made. Now in year three, for every \$1,069 in loans from the grant, an additional \$1,822 is loaned from the savings pool.

On the legislative side, the Kyrgyz Parliament passed two significant commercial laws, both written with USAID assistance. The Foreign Investment Law encourages foreign investment with protections from unreasonable government interference. The Bankruptcy Law streamlines procedures to liquidate failed businesses, permits entry of new market participants, and provides an opportunity for reorganized competitive businesses to get a fresh start.

## **Annex F**

### **Centrally Funded USAID Programs Supporting Microenterprise Development**

The Office of Microenterprise Development (G/EGAD/MD) was created to provide in-house technical resources and funding for collaborative ventures between USAID and private partners in the microenterprise field. To achieve these objectives, the Office uses several mechanisms. MicroServe is an activity designed to increase the capacity of USAID missions and USAID personnel by providing access to short-term technical assistance in microenterprise development. Through the PRIME Fund, USAID provides co-financing to USAID missions to improve the quality of and increase mission support to microenterprise programs

The Office of Microenterprise Development also manages the Implementation Grant Program (IGP); the IGP provides grants to U.S. PVOs and other multicountry organizations. The Office selects the organizations through a competitive process. The IGP aims to accelerate the growth process of local implementing organizations so that they can reach large numbers of clients. In the case of microfinance institutions, the emphasis is on becoming profitable; for other business services, the goal is to reach the maximum cost recovery possible using known methodologies.

The IGP is designed to complement and closely coordinate with the BHR/PVC Matching Grant Program. BHR/PVC has had a long and distinguished role in helping U.S.-based PVOs in all sectors strengthen their ability to deliver services. Many of the PVOs working in microenterprise development first partnered with USAID through BHR's Matching Grant Program. For example, the Matching Grant Program supported Freedom From Hunger's (FFH) transformation from a PVO focused on food security to one that combines microlending with health, nutrition and business education. This eight-year evolution required a new board of directors, new staff, and a new set of methodological tools. The Matching Grant Program enabled FFH to develop new systems, build existing staff capacity, use consulting services during the transformation, evaluate progress over time, and, finally, share its success story with other PVOs.

The Office of Microenterprise Development also funds and coordinates two activities that focus on research and dissemination of new knowledge and successful practices in the sector. Each involves a wide variety of collaborators.

- Microenterprise Best Practices (MBP) is a training, research, and information exchange project that is facilitating a continuing expansion of the microenterprise knowledge base. With a core research agenda and a sub-grant facility to encourage "best practices" in the field, MBP works through a consortium of technical consultants and practitioners. It is also intended to help improve the design and implementation of USAID-supported projects.
- AIMS (Assessing the Impact of Microenterprise Services), a research and technical assistance program, is contributing to a greater understanding of how microenterprise services improve the businesses and welfare of microentrepreneurs, households, and communities over time. A primary objective is to develop low-cost tools that practitioners can use to measure the impact of their services on beneficiaries. This program also involves a consortium of technical consultants, academics, and PVO/NGO representatives.

The AIMS tools will permit practitioners to assess not only their programs' effects on clients, but also clients' level of satisfaction with products and services. Information gathered on clients' credit use will provide additional insight into their overall strategy for maximizing household income and improving their economic and social welfare. The tools developed to

date were recently tested with clients of ODEF (a Honduran affiliate of Katalysis) and those of the village banking window of Kafo Jiginew (a joint undertaking between a Malian credit union and Freedom from Hunger).

In addition to these activities, the Office manages a series of linkage activities that are designed to foster greater involvement in microenterprise development on the part of other entities and increase donor coordination. These include an agreement with the Peace Corps to expand microenterprise work, support to interdonor activities, such as CGAP, and cooperative activities undertaken with other donors, such as the Inter-American Development Bank. The Office also collaborates with other USAID offices on topics of mutual interest.

On the capacity-building front, the Agency has been instrumental in developing, with the Economics Institute, a summer training program in Boulder, Colorado, which provides two to six weeks of intensive training for professionals involved in the delivery of microfinance services. Similar training was provided in Warsaw for new practitioners in the ENI.

Finally, the Office manages the MRR system that collects microenterprise funding information from USAID offices in the United States and overseas, and produces an annual report on USAID-supported microenterprise activities.

## ANNEX G

SUMMARY OF USAID MICROENTERPRISE FUNDING BY COUNTRY, 1991-1998  
US\$ '000's

REGION	COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998 estimates
<b>Africa (AFR)</b>									
	Benin							1835	900
	Botswana	451	627	158					
	Burkina Faso	110	150						
	Burundi	1,020	2,171			543			
	Cape Verde								
	Chad	270	258	1,635	10				
	Eritrea						200	200	
	Ethiopia					330	34		
	Gambia	37	100	298	10		276		
	Ghana	250	1,050	505			2,584	4,515	5,100
	Guinea		4,054	1,409	2,210	2,210	500	401	853
	Guinea-Bissau	40	1,370		1,855		2,575	2,033	0
	Kenya	1,608	1,084	270	1,650		2,000	2,904	3,250
	Madagascar	685	801		550		229	260	408
	Malawi	5,482	3,466	1,953					
	Mali	3,346	4,329	175	8,251	1,160	148	417	1,240
	Mozambique	450	750	180	630		3,373	2,370	2,335
	Namibia			280	320	410	712	241	68
	Niger			2,795	3		715		
	RCSA							400	0
	REDSO/EA			260					
	Senegal	932	7,040	7,850	3,520	450	932	364	1,500
	South Africa			3,021		8,016	3,781	3,308	2,700
	Swaziland	1,879	3,327						
	Tanzania				1,558	1,478			2,000
	Togo	1,292	1,141						
	Uganda	2,328	2,330	3,358	2,582	2,416	3,044	5,481	8,320
	Zambia	570	153		500		600	1,000	1,300
	Zimbabwe	720	603	5,500	425		350	35	200
	Regional Programs		491	100			800		0
<b>AFR Subtotal</b>		<b>21,470</b>	<b>35,295</b>	<b>29,747</b>	<b>24,074</b>	<b>17,013</b>	<b>22,853</b>	<b>25,764</b>	<b>30,174</b>
<b>Asia/Near East (ANE)</b>									
	Bangladesh		1,500	250	650	1,165	5,670	8,639	12,814
	Cambodia			112	462	2,398			0
	Egypt	24,892	35,554	11,000	17,376	16,020	10,000	15,000	15,000
	India							428	0
	Indonesia	1,867	2,590		679	2,200		747	0
	Jordan			1,031	100		500	2,792	5,662
	Lebanon					2,045		1,000	1,000
	Morocco			210		1,500	3,600	1,450	1,000
	Nepal	840	1,980	2,260	1,950	1,200	50	1,170	1,855
	Pakistan	3,417	3,134						
	Philippines	23,866	4,820	2,666		4,802	8,411	3,000	2,900
	South Pacific	2,336	564						
	Sri Lanka	1,353	2,873	1,292	482	549	769	200	40
	Yemen	821	658						
	West Bank/Gaza						1,888	2,499	3,760
<b>ANE Subtotal</b>		<b>59,392</b>	<b>53,673</b>	<b>18,821</b>	<b>21,699</b>	<b>31,879</b>	<b>30,888</b>	<b>36,925</b>	<b>44,031</b>
<b>Europe and the NIS (ENI)</b>									
	Albania				2,240	2,200	225	1,000	1,000
	Armenia						553	2,150	0

SUMMARY OF USAID MICROENTERPRISE FUNDING BY COUNTRY, 1991-1998 (cont.)  
US\$ '000's

REGION	COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998 estimates
	Azerbaijan						991	4,200	0
	Bulgaria				1,564	1,400	771	132	262
	Caucasus							6,940	1,250
	Central/Eastern Europe			2,614					
	Croatia							500	0
	Czech Republic				569	500			
	Estonia				224	150			
	Georgia				870		923	2,027	0
	Hungary				1,197	730			0
	Kazakhstan							244	901
	Kyrgyzstan				6,200		487	2,878	1,773
	Latvia				224	430			
	Lithuania				560	600			
	Macedonia					2,500	950	900	500
	Poland				7,756	4,976	1,693	19,088	
	Romania				896	500	1,405	3,200	3,950
	Russia				12,810	5,200	2,475	2,139	2,000
	Slovakia				896	500			
	Tajikistan								42
	Turkmenistan								108
	Ukraine				2,100	450			2,000
	Uzbekistan								124
<b>ENI Subtotal</b>		<b>0</b>	<b>0</b>	<b>2,614</b>	<b>38,106</b>	<b>20,136</b>	<b>10,473</b>	<b>45,398</b>	<b>13,910</b>
<b>Latin America and the Caribbean (LAC)</b>									
	Belize	342	266						
	Bolivia	1,442	2,136	3,548	5,532	7,652	1,775	1,800	3,230
	Caribbean Regional	1,021	1,005	1,000	4,610	600			
	Costa Rica	200	300	110	140	15			
	Dominican Republic			4,778	5,684	2,065	1,300	780	300
	Ecuador			200	250	945	1,094	796	1,000
	El Salvador	11,863	11,882	9,898	19,120	7,788	2,478	3,214	3,850
	Guatemala			795	647	708	708	1,974	2,743
	Guyana			875	350	700		53	0
	Haiti			2,030	1,180	760	3,148	2,868	3,257
	Honduras	9,783	8,307	6,190		1,187	587	914	1,000
	Jamaica	356	745	946	743	696	442	389	1,324
	Mexico		65					200	0
	Nicaragua			627	101	1,744	448	1,222	995
	Peru	387	732	4,592	3,011	7,796	3,220	4,447	5,217
	Regional Programs							1,444	
<b>LAC Subtotal</b>		<b>25,394</b>	<b>25,438</b>	<b>35,589</b>	<b>40,721</b>	<b>32,595</b>	<b>15,200</b>	<b>20,101</b>	<b>22,916</b>
<b>CENTRAL BUREAUS</b>									
<b>Global</b>									
	Credit & Investment	400	500	450				61	
	Emerging Markets		4,136				2,800		
	Microenterprise	2,595	3,145	3,793	4,909	22,416	20,194	28,534	25,000
	Housing (RHUDO)						300		
	Women in Development	216	730				645		
<b>Global Subtotal</b>		<b>3,211</b>	<b>8,511</b>	<b>4,243</b>	<b>4,909</b>	<b>22,416</b>	<b>23,939</b>	<b>28,595</b>	<b>25,000</b>
<b>Bureau for Humanitarian Response (BHR)</b>									
	Private & Voluntary Coop.	4,148	3,381	4,989	7,887	9,494	8,005	8,289	8,000
<b>BHR Subtotal</b>		<b>4,148</b>	<b>3,381</b>	<b>4,989</b>	<b>7,887</b>	<b>9,494</b>	<b>8,005</b>	<b>8,289</b>	<b>8,000</b>
<b>SUBTOTAL for Central Bureaus</b>		<b>7,359</b>	<b>11,892</b>	<b>9,232</b>	<b>12,796</b>	<b>31,910</b>	<b>31,944</b>	<b>36,884</b>	<b>33,000</b>
<b>GRAND TOTAL</b>		<b>113,615</b>	<b>126,298</b>	<b>96,003</b>	<b>137,396</b>	<b>133,533</b>	<b>111,358</b>	<b>165,072</b>	<b>144,031</b>

INDEPCO	Management Systems	OI/Indonesia	Rural Development Center	Society For Promotion of Health,	VOCA/Azerbaijan
Institute for	International	OI/Novy Soyuz	for Cambodia	Education & Rural Social	VOCA/Georgia
Development Research	Mansoura Foundation	OI/Perspective	Rural Development Organization	Awareness Center	VOCA/Kazakhstan Community
Institute for International	Marano Upliftment	OI/Philippines	(RDO)	Society for Rural Improvement	Loan Fund
Institute for Liberty	Foundation, Inc.	OI/Russia	Rural Finance Facility	(SRI)	Volkhov International Education
and Democracy	Masvingo-Credit	OI/SEED/S.Africa	Rural Financial Markets	Society for Social Service	Foundation
Institute of Cultural Affairs	Against Poverty	OI/Soprichastnost	Rural Reconstruction Center	Sohag CDA	Weidemann Associates
Institute of Private Enterprise	MCC	OI/Vozmozhnost	Rutec	SOLIDARIDAD - CESS	Weidemann/Jamaica
Development/Guyana	McFarlane Associate	OIC International	Salesians Institute	South Asia Research	WOCCU
Instituto para el Desarrollo	MEDA	OMAES	Samaj Bikash Samithi	Society (SARS)	WOCCU/ARP
Hondureno	MEDA/CHISPA	Opportunity International	Samaj Sewa Women Savings	South Cross Business	WOCCU/Bolivia
Instituto Tecnologico de	MEDA/Phakama Economic	ORES	and Credit	Development Trust	WOCCU/Ecuador
Santo Domingo	Development Co.(PRT) Ltd	Organization for Mothers	SANASA Federation	SOYNICA	WOCCU/Ghana
Integrated Development	Medical Credit Union	and Infants	SANGAMITRA/MYRADA	SRIZONY	WOCCU/Kenya
Foundation (IDF)	Medunsa Organisation	PACT/Nepal	Saphunila Savings	St. Joseph Community Center	WOCCU/Malawi
Integrated Holistic Approach	for Disabled	PACT/Peru	& Credit Coop	Superintendency	WOCCU/Mozambique
Integrated Rural Development	Mercados Emergentes	PADI	Sartawi	of Banks/Bolivia	WOCCU/Niger
Inter-American	Mhlume Workers Coop Society	Page-Poverty Alleviation	Save/Armenia	Support Activities for	WOCCU/Romania
Development Bank	Micro Enterprise Network	Pakruojis Farmers Credit Union	Save/Azerbaijan	Poor Producers of	WOCCU/Swaziland
Internat'l Fertilizer	of NGOs	Palli Karma Sahayak Foundation	Save/Bangladesh	Svay Rieng Community	WOCCU/Uganda
Development Center	MILAMDEC	Palli Progoty Sahayak Samity	Save/Egypt	Development Project	WOCCU/Zimbabwe
International Center for	Mitra Karya East Java (MIKEJ)	Passion Fruit Growers	Save/El Salvador	TACF	Women's Health Improvement
Economic Growth	Mount Ayliff Dev.	Peace Corps	Save/Ethiopia	Taurene Credit Union	Women in Rural Enterprise
International Orthodox	Movimiento Manuela Ramos	Pearl S. Buck Foundation	Save/Georgia	Technology Initiative	Development
Christian Charities	MUDE - Asociacion de Mujeres	People's Institute for	Save/Haiti	for the Private Sector	Women's Development
IRIS/Nepal	en Desarrollo	Development	Save/Jordan	TechnoServe	Association
Janasewak Savings and	Mujeres en Desarrollo	Peoplink/Guatemala	Save/Lebanon	Technoserve/Ghana	Women's Enterprise
Credit Cooperative	Multicredit Bank	Peoplink/Philippines	Save/Mali	TechnoServe/Kenya	Development Program
Janashakthi/Sri Lanka	Mushroom Women	Pietermaritzburg	Save/Mali-group	TechnoServe/Mozambique	Women's Welfare &
JIGI	NACHALA Foundation	Business Support	Save/Mozambique	Thangamara Mohila Sabuj	Environment Save Center
Jigiyaso	Nandom Rural Bank	PLAN/HG	Save/Nepal	Sangha	Wonji Catholic Church
Jordanian Women's	Nation's Trust	PPC	Save/West Bank	Thekwini Business	Workers Bank
Development Society(JWDS)	National Bank for Development	PRADIPAN	SEA	Development Centre	Working Capital Russia
Kabalikat para sa Maulad	(NBD)	PRIDE/Africa	SECID	TSPi Development Corporation	World Education/Mali
na Buhay, Inc.	National Development	PRIDE/Guinea	Seed Capital Guarantee	TURBO Systems/ Action	World Education/Ntinga
Kahublagan Sang Panimalay	Foundation of Jamaica	PRISMA	Fund/Ecuador	for Enterprise	World Education/PIEC
Foundation,	National Savings	Private Sector Foundation	SEEP Network	UCC/Cambodia	World Relief Corporation
KATALYSIS North/South	Bank/Madagascar	PRODEM	Servipro	UDDIPAN	World Vision Relief &
Development	National Union of	Project Dungganon (PD)	SETU	UGAFODE/Uganda	Development, Inc
KATALYSIS/BEST/Belize	Eritrean Women	Project Hope/Ecuador	SEWA	Uganda Flower Growers	World Vision/Armenia
KATALYSIS/CDRO	National Council of	Project Hope/Honduras	SEWA/Nepal	Uganda Multipurpose Training	World Vision/Azerbaijan
KATALYSIS/ODEF/Honduras	Negro Women, Inc	PROMUC	Sewela Savings & Credit	& Export Association	World Vision/Georgia
Khuohuka	Nazareth Children's Center	ProMujer/Bolivia	Coop Society	Uganda Vanilla Assoc.	World Vision/Mozambique
Kingston Cooperative	& Integrated	ProMujer/Nicaragua	SHALE	UMCOR (United Methodists)	WRC/Burkina Faso
Credit Union	Near East Foundation	PROPEMI - FUSADES	SHARE	UNDP	WRC/Cambodia
KREP/Kenya	Negro Women for	PROSHIKA	Share/Guatemala	University Research Corp.	WRC/Honduras
Kusile Savings & Credit Coop	Tomorrow Foundation	Proyecto Centro Maya	Sharkia Business Association	International	WRC/Mozambique
KwaZulu Training Trust	Nepal Community	PSBF-Angeles	for Community Development	UNRWA - Income Generation	WRC/Rwanda
La Voz de la Mujer	Development Center	PSBF-Cebu	(SBACD)	Office/Gaza	WSU Small Business Centers
Lake Mburo	Nepal National Dalit	PSBF-Manila	Sibonglo Savings & Credit	UPAKAAR	WV/ASODECO/Peru
Ligatnes Druva	Social Welfare	PSBF-Olongapo	Coop Society	Uswag Development	WV/CAPA/Romania
Lodgecom	Network of Small Scale	PVO/Mozambique	Sinapi Aba Trust	Foundation, Inc.	WV/MED-Net/Uganda
LOL/Dairy Farming	Savings and Credit	PWOFOD	Sisebenza Nawe Business	Veselava Credit Union	WV/SEDA/Tanzania
Los Andes	NIRDHAN	Quebo Associations	Development Network	Vievio Taupa	WWBG/MASU
Lower Pra Rural Bank	NIRMALGRAM	Quitafine Associations	Sissian Business Center	Village Institute of Social Action	Yakan Integrated Resource
Lubane Savings & Credit Coop	Nsoatreman Rural Bank	RDA	Siyakhula Savings and	(VISA)	Development
Lukhotse S.C.C.S.	NTF/Senegal	RDRS	Credit Coop Society	VITA Volunteers in	YMCA
MAG Training Centre	Nyae Nyae Farmers Cooperative	REDES	Siyembili Savins and Credit	Technical Assistance	Youth Charitable Organizations
MAGA	OEF de El Salvador	RMCDP	Small Enterprise Development	VITA/Ai Amana/Morocco	Zambia Association of Chambers
Mahila Upakhar Munch (MUM)	Office of the	Rodale Institute	Assoc. Port Said	VITA/Benin	of Commerce
Mahila Vikasa	Presidential Assistant	ROVA	SNAT SCCS	VITA/Guinea	Zambuko Trust
Malarani Savings and	OI/Albania	Rural Credit Union Program	SNF-UNIDAD de Bancos	VITA/South Africa	Zimbabwe Association of
Credit Group	OI/Croatia/NOA		Del Progresso	VOCA/ACDI/Romania	Microfinance



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and reports, and  
links to other informative  
microenterprise web sites.

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