

Reaching Down and Scaling Up: Focus on USAID's Development Partners

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(USAID/G/EGAD/MD)

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Acronyms

ANE	Asia and the Near East Region (USAID)
BDS	Business Development Services
BRAC	Bangladesh Rural Advancement Committee
BRI	Bank Rakyat Indonesia
CACEDRF	Central America and Caribbean Emergency Disaster Recovery Fund
CIS	Credit and Investment Staff
CUES	Credit Union Empowerment and Strengthening
CWE	Credit with Education
DCS	Development Credit Staff (formerly CIS)
EE	Europe and Eurasia Region (USAID)
ESF	Economic Support Funds
FFH	Freedom From Hunger
FSA	Freedom Support Act
FY	Fiscal Year
ICEG	International Center for Economic Growth
K-REP	Kenya Rural Enterprise Programme
LAC	Latin America and Caribbean Region (USAID)
MBP	Microenterprise Best Practices
MEDA	Mennonite Economic Development Associates
MFI	Microfinance Institution
MRR	Microenterprise Results Reporting
NGO	Nongovernmental Organization
PVO	Private Voluntary Organization
SEED	Support for Eastern European Democracy
SEEP	Small Enterprise Education and Promotion Network
SEF	Small Enterprise Foundation
SEPA	Support Program for Artisanal Product Exports
TBDC	Thekwani Business Development Center
TCP	Tshomisano Credit Program
TIME	Transition Institutions Microfinance and Enterprise
USAID	United States Agency for International Development
VITA	Volunteers in Technical Assistance
WOCCU	World Council of Credit Unions

Executive Summary

Microenterprises provide stability for millions of poor households around the world. The United States Agency for International Development (USAID) has invested nearly \$1.3 billion in the last decade in microenterprise development. USAID has long supported microenterprise programs as a part of its strategy for achieving broad-based economic growth. More recently, microenterprise assistance has proven valuable in reaching those most affected by economic hardship brought on by natural disaster, conflict, health crisis, or financial system turbulence. USAID recognizes the need to work simultaneously to achieve sustained economic growth and respond to critical short-term events. This report presents a summary of USAID's fiscal year 1999 activities in support of microenterprises worldwide. In addition, it highlights the ways in which microenterprise institutions are advancing the field through their efforts to innovate and adapt to changing market conditions.

Recently the U.S. Congress passed and President Clinton signed the Microenterprise for Self-Reliance and International Anti-Corruption Act of 2000. This legislation makes microenterprise development a more integral part of the U.S. foreign assistance strategy and ensures that the U.S. will maintain its position as a global leader in promoting the microenterprise sector.

This year's microenterprise report focuses on the microenterprise institutions that have made great strides toward providing higher-quality services, including credit, savings, and business development services, to record numbers of microentrepreneurs around the world. Highlights of this year's report include:

- Two million loan clients received services through 277 USAID-assisted institutions. These institutions had a total portfolio value of \$667 million; their average loan size was \$329,¹ a sign that USAID-supported institutions are working with poor and very poor clients.

- An additional 2.5 million clients received loans through one USAID-supported institution, the Micro Division of Bank Rakyat Indonesia (BRI). Its loan portfolio was \$795 million; the average loan size was \$322.²

- Of the 2 million loans (excluding BRI), 69 percent, or more than two-thirds, were poverty loans with initial loan sizes of \$300 or less in Africa, Asia and the Near East, \$400 or less in Latin America and the Caribbean, and \$1000 or less in Europe and Eurasia.³

¹ Institutions provide data on the number of loans with loan value outstanding at the end of their fiscal year. Average loan size represents the average outstanding loan size or balance at the time of reporting.

² BRI was analyzed separately due to its scale, which exceeds all other USAID-supported institutions in 1999 combined.

³ BRI reported that loans with initial value of \$300 or less comprised 44 percent of its total loans to clients.

■ BRI alone provided savings services to 24 million savers. The other USAID-supported institutions provided savings services to an additional 3 million clients.

■ Excluding BRI, 70 percent of the clients of USAID-supported microfinance institutions were women.⁴

■ Loan repayment at these institutions is exceptional, reaching more than 95 percent.⁵

With \$153.5 million in USAID funding channeled to microenterprise in 1999, the agency exceeded its \$135 million target. More than two-thirds of total funding (\$107 million) went to support financial services programs or promote a better policy and regulatory environment for microfinance institutions. Of these funds, 58 percent went to support poverty lending.

An additional \$47 million (30 percent of total funding) supported business development services, including training, marketing, technology transfer, and counseling to microenterprises. The 1999 survey of USAID-supported organizations that provide business development services found that the clients of business development service programs are predominantly women and tend to be located in rural areas. The majority of assisted businesses are ongoing businesses. USAID-supported institutions reported assisting nearly half a million microenterprise clients in 1999.

Many more institutions are seeing the value of providing quality, demand-driven business services as a means of achieving greater impact. The results can be seen in improved productivity and income gains to microentrepreneurs and their households. The agency continues to support innovative business development services providers that have a strong commercial orientation and serve poor and very poor clients.

While it is relatively inexpensive, policy advocacy on behalf of microenterprises can have a powerful and widespread nationwide effect. Policies and regulations controlling the types of financial services that nongovernmental organizations can provide, for example, will determine the extent to which these services can be extended to thousands of poor women and men. USAID supports a range of policy efforts to improve the environment for both microenterprise institutions and their clients.

⁴ Women clients constituted 23 percent of BRI's clients.

⁵ Loan repayment at BRI was 97 percent.

Introduction

In a post-Cold War world where political upheavals, natural disasters, and HIV/AIDS have destabilized economies and societies, the United States Agency for International Development (USAID) has been a leader in supporting programs that assist those who are most at risk. People whose meager incomes put them under their country's poverty line are clearly in this category, because they have little to fall back on during times of crisis.

Development experience has demonstrated that broad-based economic growth is essential to poverty reduction. Such growth does not occur overnight; it is a gradual process occurring over many years and requiring the development of institutional capacity within communities and the accumulation of assets by individuals and households. This report presents fiscal year 1999 data summarizing USAID-supported programs that work on two fronts simultaneously: responding to short-term crises and building toward long-term economic growth.

Over the past 25 years, USAID's support to microenterprise development has helped to create new opportunities for poor entrepreneurs around the world. This report includes stories that demonstrate how men and women who face dire conditions in the most distressed areas of the world are able to gradually build a ladder out of poverty for themselves and their families through hard work and determination. As in past years, we have featured individuals whose stories remind us that support to microenterprise development can make a difference.

This report especially highlights the efforts of USAID's development partners, microenterprise institutions. Local institutions providing services to microenterprises are at the vanguard of support to poor entrepreneurs. Through their efforts, each year more and more microentrepreneurs are provided access to safe savings and credit services. Through their innovation and experimentation, services useful to microenterprises at different stages of development and for different types of businesses are being identified and refined. Through their problem-solving initiatives, many challenges facing the most vulnerable populations can be addressed. Standing at the vanguard of change, these organizations adapt to meet new market demands and often join forces to advocate for improvements to policies and regulations affecting their clients.

What Are Microenterprises?

Microenterprises are small, often informally organized businesses that poor people operate. These businesses provide essential income that is used to feed and clothe families, send children to school, buy



Ramula Nakasalire, a member of World Vision's Microenterprise Development Network (MED-Net) in Uganda, sells eggs to hospitals and hotels.

Courtesy of World Vision

medicine, and build and repair homes. While many microentrepreneurs focus their efforts on a single business activity, it is not unusual in the developing world for men and women to supplement their income and diffuse their risk by operating multiple business activities concurrently.⁶

Focus on USAID'S Development Partners

USAID's contribution to microenterprise development is only as effective as the work of its implementing partners. No U.S. legislative mandate alone will ensure that the poor in Bangladesh or Zambia will have ongoing access to essential financial services. Rather, it is the commitment of thousands of local and international organizations that brings services to those who need them. The combination of dedicated practitioners and donors committed to promoting best practice in microenterprise development has been a recipe for success. To achieve its development objective to reach more of the world's poor, USAID continues to promote institutional soundness, growth, and innovations that address the economically disadvantaged. USAID also supports creative new models that are able to reach more people, address the needs of poorer clients, and are potentially self-sustaining.

Project HOPE, Malawi



A meeting of the Tiyese Village Health Bank

Where Project HOPE once brought medical help and relief to crisis areas, it now combines a village banking methodology with its traditional approach to promoting health.

Rose Mukhwapa is a fish seller. She is also the President of the Tiyese ("Let Us Try") Village Health Bank, organized by Project HOPE in Malawi. Before she joined this program six months ago, she was selling doughnuts. Now she employs two people to assist her in marketing fish. Since she started her new business, Rose has adopted her late sister's three children and is better able to care for her own asthma. Her loans also provided her with enough money to buy fertilizer for her garden.

Courtesy of Project HOPE

⁶ The ease of entry into trade and service activities contributes to the size of the microenterprise sector during times of economic crisis.

USAID's relationship with some of its development partners goes back more than two decades. Those partners achieving outstanding success have been encouraged to expand their services and to undertake special projects to advance the field. USAID's support to these partners has not always been continuous, rather it has served strategic purposes.

In fiscal year 1999, USAID/Indonesia once again supported one of its oldest development partners, Bank Rakyat Indonesia (BRI). In the early years of this relationship, USAID supported the growth of BRI's Unit Desa System, which consists of small banking centers located throughout the Indonesian countryside. Each of these offices was empowered to approve loans and collect savings and time deposits for microentrepreneurs. The system has flourished and, at the end of 1999, served 2.5 million clients with an average loan size of \$322 and almost 25 million savers. When USAID assistance to the Unit Desa System was no longer necessary, USAID's relationship with its long-time partner ended briefly. Today, through a \$500,000 USAID grant, the BRI Unit program is improving its automated information management system, updating and enhancing its BRI Unit training programs, and conducting special studies to improve effectiveness and outreach.

There is more diversity in the microenterprise field today than ever before. This variety can be seen in USAID's portfolio of assisted institutions, although certain types of institutions are more prevalent in particular parts of the world. For example, many Asian banks have become fully engaged in working with the microfinance sector as a result of favorable government policies.

Small Enterprise Foundation, South Africa

For the women of Lemondokop Centre, the Tshomisano Credit Program (TCP) has provided them with the opportunity to significantly improve their lives. Most of the women did not have a reliable source of income prior to joining TCP, and most faced the devastating effects of extreme poverty: food insecurity, poor quality housing, poor clothing, poor sanitation, and the inability to educate their children. Through access to formal financial resources that were completely unattainable before, these women have begun to build sustainable businesses that offer reliable income sources to meet basic household needs.

SEF, a partner of Calmeadow, was founded in 1991 and today reaches more than 10,000 active clients, 97 percent of whom are women, with its two programs: TCP and the Micro-Credit Program. With an outstanding portfolio of approximately US \$1.2 million, SEF's delinquency remains close to zero. The program operates in the Northern Province of South Africa through a network of nine branch offices.



TCP women at a repayment meeting

Photo by Salene Austin of Calmeadow

Compartamos, Mexico



Alejandra Hernandez Cruz selling tortillas.

Working with ACCION International, Compartamos created microloan-processing software for the Palm Pilot®, a handheld computer. With this new tool, loan officers at Compartamos take applications and make loan calculations on the spot. At the office, data is quickly uploaded to a centralized database.

Compartamos is a Mexico City-based organization dedicated to providing financial services to the country's self-employed poor. Until recently, Compartamos operated as a non-profit organization implementing programs in microfinance, food and health. With USAID assistance, Compartamos has transformed to a private, commercial institution and significantly expanded its operations. In 1999, Compartamos served more than 48,000 women entrepreneurs in rural areas in nine Mexican states.

With additional USAID funding, Compartamos has launched an exciting new program that uses handheld computer technology to substantially cut the time and cost it takes to make a microloan.

USAID has seen benefits to the microenterprise field from supporting different types of organizations. Local nongovernmental organizations (NGOs), for example, may have small potential outreach but are frequently well-positioned to provide services to hard-to-reach clients. Business associations often have strong member networks through which information and technical assistance can be channeled.

USAID funds institutions for different reasons. In some cases, support is provided to established institutions that work with poor clients to help the organizations reach full profitability and sustainability so that their operations can continue beyond the duration of donor funding. Some organizations funded for this purpose are World Relief in Cambodia, MEDA in Nicaragua, and Opportunity International in Ghana.⁷ Since 1995, World Relief

Cambodia has grown from 2,000 clients, to more than 13,500 clients, all women.

Another reason that USAID supports established organizations is to give them the resources to work with poorer clients. USAID has funded special programs within commercial banks, such as the Cooperative Bank of Kenya, for this purpose. While this program is still small, greater access to capital for lending potentially enables banks to provide financial services to larger numbers of clients. In FY 2000 USAID will provide support to ACCION's affiliate, ADMIC, in Mexico, which will be directing its services to microenterprises for the first time. For the last 20 years this institution has worked with small and medium-sized businesses.

As some nonprofit institutions have transformed into banks or other regulated institutions, USAID has supported the transformation process. This enables the institution to mobilize savings and the means to access more loan

⁷ While these organizations were centrally funded, USAID missions frequently support a similar goal.

capital for microenterprises through interbank lending. USAID has funded this process in Kenya (K-REP), Mexico (Compartamos), and elsewhere.

In other cases, USAID support goes to promote best practices. This is accomplished through a variety of means.

- U.S.-based private voluntary organizations (PVOs) with extensive experience in implementation have been funded specifically for the purpose of implementing methodologies that they have helped to refine and for which, in some cases, they define best practice. FINCA, for example, received funding to implement its village banking system in Tanzania, while Freedom from Hunger (FFH) received funding for its Credit with Education (CWE) program in Mali with credit unions.

- USAID funds international organizations, such as the Grameen Trust, to support replication and adaptation of the Grameen Bank model that relies on solidarity groups.

- With USAID funding, centers of excellence have been established that serve large numbers of organizations across the globe. The Centers for Microfinance in Nepal, Peru, Poland, and Uganda, for example, are helping to channel information on current design and practice to many local organizations in those regions.

- USAID also funds organizations, such as PLAN International, with huge community outreach worldwide to develop expertise in microenterprise development. With a grant from the Office of Private and Voluntary Cooperation

Table 1. Types of USAID-Supported Institutions in 1999

	Africa	Asia & Near East	Europe & Eurasia¹	Latin America & Caribbean	Worldwide	Total
Banks	3	23		6		32
Business Associations	5	8	3	5		21
Consulting	3	5	2	4	3	17
Credit Unions/Cooperatives	7	25	10	37	3	82
For Profits	3	1		1		5
Government Agencies	1	1		1		3
NGOs	45	68	24	82	1	220
Non Bank Financial Institutions	8	4	7	10		29
PVOs	43	26	30	38	32	169
Research/Education		3	6	1		10
Other	4		7	1		12
Total	122	164	89	186	39	600

¹ Eurasia includes Kazakstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. The Europe and Eurasia Bureau was formerly known as the Europe and New Independent States Bureau.

Association Al Amana, Morocco

Courtesy of VITA



One Al Amana client added a \$200 loan to her savings to buy a hair dryer for her salon.

Volunteers in Technical Assistance (VITA) created the Association Al Amana in 1997 with USAID funding and relatively modest goals. Specifically, it aimed at extending a total of 16,750 loans over a 7-year period through a 14-branch operational structure. Based on the organization's early success, however, VITA modified these goals significantly. With more than 30,000 loans currently outstanding and 47 branch offices, Al Amana is now on a steady path to full self-sufficiency, which it expects to achieve by 2001.

The organization's clients are poor people working primarily in Morocco's cities. Approximately 53 percent of the organization's clients are female.

Al Amana uses a model developed locally to provide loans to microenterprises for working capital and fixed assets. Loan sizes range from about \$50 to about \$500, with an average loan size of around \$250. Al Amana is now experimenting with the provision of cost-effective, tailored business development services to its clients through innovative video technology.

(PVC), PLAN has developed partnerships with experienced local organizations to establish sustainable programs that offer financial services to PLAN-assisted communities.⁸

Table 1 highlights the active institutions that USAID supported either directly or indirectly (through an umbrella agreement) in 1999.⁹ While NGOs and PVOs constitute 65 percent of USAID-supported institutions worldwide, in Africa they represent 72 percent. In Asia and the Near East, 57 percent of all institutions are NGOs or PVOs. Throughout the world, the majority of programs that work directly with clients are implemented by local NGOs or international PVOs. NGOs have indeed risen to the challenge presented by the huge demand for microenterprise services worldwide. They continue to seek ways to adapt to meet the changing needs of their clients.

Credit unions are a model that has had tremendous potential and adaptability in reaching the microenterprise sector. As member-based organizations

“The microfinance movement has lifted the profile of NGOs. While government failures become increasingly evident, NGOs have had the energy, dedication, and financial resources to pursue required legislative changes and institutional experimentation.”¹⁰

⁸ PLAN estimates that over 7 million people benefit from its programs in 43 countries around the world. With assistance from PVC, PLAN acts as both a donor and a partner, supporting institutional sustainability by assisting with feasibility analysis, planning, management, and monitoring.

⁹ Umbrella agreements provide funding to an institution that serves as a conduit for funds or technical assistance to other institutions.

¹⁰ Jonathan Morduch, “The Microfinance Promise,” *Journal of Economic Literature*, (December 1999): 1569-1614.

found throughout much of the world, USAID has supported credit unions in their efforts to provide more services to self-employed entrepreneurs in addition to formal sector workers and their families. This work has been funded in all regions, but especially in Latin and Central America, Asia, and Eastern Europe. The credit union movement has shown its adaptability to a variety of legal and regulatory environments.

There were 23 banks in the Asia/Near East region supported by USAID in FY 1999. The greater involvement of banks in the microenterprise sector is being felt worldwide. With USAID's backing, NGOs have been able to seek bank financing directly to dramatically expand their loan portfolios (see PRIDE/Finance box, page 10).

For-profit institutions comprise nearly 14 percent of all USAID-assisted institutions if banks, non-bank financial institutions, international consulting firms, and other for-profits are included. The number of for-profit organizations in USAID's portfolio should not be surprising since USAID promotes profitability as a means of building greater institutional self-reliance and scale. Many of the non-bank financial institutions were, in fact, formerly NGOs that reached a level of scale and profitability at which formal regulation made sense. Non-bank financial institutions have been on the rise because many more countries have been working toward specialized licensing of microfinance institutions. USAID has supported efforts to accomplish this in several countries because licensing and effective regulation can protect clients and enable institutions to serve more clients through savings mobilization.

Business and trade associations offer expertise in business development and strong networks through which services can be provided to microentrepreneurs. In Egypt, USAID works through a number of business associations to provide financial services to their members. In Peru, USAID has an umbrella agreement with ADEX, an export association, to provide assistance to several NGOs that are helping poor microentrepreneurs successfully develop high-end exports in handicrafts, shoes, and apparel.¹¹ The NGOs provide a range of business development services directly to microentrepreneurs, such as market research, business consulting, and new product development and testing.

USAID's partners also include research institutions and government agencies. In Europe and Eurasia, in particular, the use of research or educational institutions to promote microenterprise is more common than in other regions, as they have proved to be effective in undertaking much-needed policy research and advocacy on behalf of microenterprises. On occasion, government agencies may also receive USAID funding. In Bolivia, for



With a loan from Opportunity International's Albanian partner, PSHM, Ismete Demo opened a shop in Tirana.

Courtesy of Opportunity International

¹¹ ADEX is also the umbrella through which COPEME, the national consortium of Peruvian NGOs working with microenterprises, receives funding.

example, USAID supports efforts on behalf of the government's banking agency to adapt the regulatory framework for NGOs operating as microfinance institutions.

TRENDS IN THE FIELD

Because it is impossible to report on all the ways in which USAID works with its partners to advance microenterprise worldwide, several interesting developments will be highlighted. These include:

- Efforts to blend methodologies to achieve a broader impact.
- Different means of leveraging donor resources.
- The promotion of national and international networks.

- Ways of helping microenterprise institutions and their clients survive crises.

ApproTEC, Kenya

ApproTEC is a facilitator NGO supported by USAID/Kenya that works through partner private sector suppliers to market technology-based services to microentrepreneurs in Africa. Because ApproTEC has focused on developing technologies that enhance productivity for agribusinesses, it has catalysed substantial investments by local private sector companies to build a significant new industry. Each year ApproTEC relies less and less on donor support for its promotion program.

With USAID assistance, ApproTEC is commercializing a new, very low-cost irrigation pump that is appropriate for poor entrepreneurs. ApproTEC's role has been to ensure high-quality production and develop the market for this pump through a marketing and promotion campaign. ApproTEC's *Super-MoneyMaker* pumps are now being profitably manufactured by five engineering firms in Kenya and sold by more than 75 retail outlets. The pump owners' high profit margins have created a huge demand for more pumps. The average annual profit earned from land irrigated using this pump is \$1,250, which is above Kenya's poverty line (\$810) and more than twice the average profit earned without pumps (\$530).



The Super MoneyMaker pump is used for crops grown for local consumption, rather than for export.

BLENDING METHODOLOGIES: THE WHOLE IS GREATER THAN THE SUM

USAID supports a variety of savings and credit methodologies, such as solidarity groups, credit unions, village banks, and individual loan programs. While each approach has its merits, a recent USAID study also noted that there has been diffusion or blending of methodologies as microenterprise practitioners seek to expand client services and pursue market share.¹² After FINCA established its village banks to fill a need that credit unions were not meeting, other large multisectoral PVOs, such as CARE and Catholic Relief Services, followed by setting up village banks. Freedom from Hunger (FFH) then elaborated on FINCA's model by adding a component,

Courtesy of ApproTEC

12. Larry Frankel, Jeff Ashe and Gloria Almeyda, "Synergy in Microfinance Programs: Lessons from the Field," U.S. Agency for International Development, Washington, D.C., September 1999.

Credit with Education, to educate women on health and business issues. Other PVOs, such as Helen Keller International and Project HOPE have now adapted CWE to their child survival programs. Later FFH looked to existing credit unions as another vehicle for expanding its CWE program in Mali, Burkina Faso, and the Philippines.

The growing convergence or blending of microfinance products, services, and clientele among credit unions and other microfinance institutions is a positive trend for microenterprise development. Where credit unions have, for the most part, developed as more sustainable institutions, they traditionally have been less accessible to the poor and to microenterprises. Microfinance institutions, on the other hand, have always focused on products and services for microentrepreneurs and have had much more to learn about institutional viability. Seeking to extend their services to the same clientele has led to a collaborative effort between credit unions and PVOs, resulting in stronger institutions, more microenterprise products, and greater outreach to the poor.

As an example of this development, in the Philippines, the World Council of Credit Unions (WOCCU) and FFH have collaborated with USAID assistance to manage the Credit Union Empowerment and Strengthening Project (CUES). CUES has been highly praised for revitalizing failing credit institutions and giving them new relevance for their members. The model credit union program has increased savings mobilization and recycled the savings into microenterprise loans. Because of the previous high delinquency rate in Filipino credit cooperatives, the program has focused on educating members about the importance of loan repayment and teaching cooperatives how to monitor and collect delinquent loans.

Where WOCCU brought knowledge of credit union principles and management, FFH had experience in reaching a poorer clientele in the Philippines. Together these organizations have teamed up to produce a financially sound program with extensive outreach to the poor of Mindanao. Twelve local cooperatives representing more than 50,000 members are involved in CUES.



Crispina Canales and her husband in their newly expanded restaurant

Courtesy of WOCCU

“I was very impressed by the strengthening activities being undertaken by CUES partner cooperatives in order to achieve Model Credit Union status and the implementation of international standards in their operations.”

The Honorable Pantaleon D. Alvarez, House of Representatives, Republic of the Philippines



Courtesy of MEDA

Two clients of MEDA/Bolivia's San Luis Savings and Credit Cooperative

Another example of how microenterprise practitioners are integrating different approaches to meet their current clients' needs and attract new clients can be observed in the field operations of ACCION International, Opportunity International, and VITA. These PVOs are now providing specialized business support services on a wider scale within the context of their microfinance programs rather than requiring credit clients to undergo training. Business development services are provided to an overlapping but distinct client base with a demand for technical or managerial business assistance. Combining business development services and financial services in this way reflects current thinking in the field that many microentrepreneurs need more than credit to increase returns on their businesses and are willing to pay if they perceive

the services as valuable.

LEVERAGING RESOURCES: STRETCHING USAID FUNDS

A daunting challenge to microenterprise practitioners has been the escalating demand for financial services without a proportional increase in donor funding. Once again, microenterprise institutions have been on the vanguard of change as they have found ways to leverage donor funding in limited amounts to achieve greater access to capital and expand client services. One

example is the recycling of loan repayments into new loans, which generates new benefits to program participants. USAID funds provided to an organization for loan capital in 1997, for example, are likely to have been recycled as many as 12 times by the year 2000.¹³

Donor funding can also be leveraged through the provision of guarantees to back loans made to microentrepreneurs. USAID is providing loan guarantees to banks in Bolivia, Ecuador, Haiti, and Honduras to promote microfinance. USAID/Haiti has offered risk-sharing loan portfolio guarantees to two banks, Société Générale de Banque S.A. (SOGE BANK) and Société Financière Haitienne de Développement

PRIDE/Finance, Guinea

In 1998, an estimated two-thirds of Guinea's economically active population was employed in the informal sector, and 62 percent of Guinea's gross domestic product came from the informal economy. Still recovering from the rule of Sékou Touré, which had devastated the once-prosperous agricultural sector, Guinea was also trying to cope with a swelling refugee population from troubled Guinea Bissau, Liberia, and Sierra Leone.

USAID has supported PRIDE/Finance in Guinea since the organization was established in 1991. VITA, a U.S. PVO, has provided technical assistance to PRIDE/Finance since 1993. In 1998, PRIDE/Finance expanded throughout Guinea and was operating 16 branches, with a loan portfolio of 9,000 loans valued at \$1,255,763 and an average loan size of \$140. After months of negotiations with the government of Guinea, USAID agreed to fund VITA's continued technical support and provide additional loan capital to PRIDE/Finance. The arrangement includes forging a unique relationship with Riggs Bank in Washington, D.C. that established a \$2.6 million "U.S. Guinea Trust" to leverage additional capital. The timeline calls for PRIDE/Finance to be self-sustaining by December 2002.

¹³ This would be the case for village banks that generally have client loan terms of three months or less.

S.A. (SOFIHDES) for medium to long-term microenterprise loans. Loan sizes to microentrepreneurs through the commercial banks range from \$230 to \$3,500. USAID/Haiti's program is designed to encourage the Haitian commercial banking sector to engage in making such loans to microenterprises.¹⁴

There is a growing trend by microfinance institutions to use commercial financing as a means of leveraging scarce donor funds. With USAID's backing, NGOs have been able to seek bank financing directly to dramatically expand their loan portfolios.

FINCA, Kosovo

Isuf Morina, 36, was with his four children in the first floor of his house in Ostrozub, a small village in southern Kosovo, when a grenade exploded on the third floor. His family survived but the house was completely destroyed. For three months, Isuf, his children, and other villagers hid in the mountains, where they had buried food in anticipation of war.

Isuf and his children now live in one room of a neighboring house. Isuf's business, a small grocery store, was destroyed by fire. He has managed to restore part of the shop and is slowly rebuilding his business with the help of a FINCA loan.

Now the chairman of the Shpresa ("Hope") village banking group in Malishevo, Isuf plans to invest his FINCA loan in new inventory, including cosmetics and perfumes. Isuf's long-term plan is to purchase a large freezer to store chickens and other meat to sell wholesale to shops and restaurants in Malishevo. As his business grows, he will hire workers and purchase a sausage-making machine. With his profits, he will rebuild his house and send his four children to university. It will take time, Isuf says, but he will rebuild.

BUILDING NETWORKS

Another important area that USAID supports and where microenterprise development organizations are taking the lead is in the promotion of networks. The creation of national and international networks for the dissemination of best practices and technical assistance has greatly enriched the microenterprise community. Practitioner associations, such as the SEEP Network,¹⁵ have been instrumental in advancing and disseminating research on developments in both microfinance and business development services.

USAID supports national associations, such as COPEME in Peru, that provide important services to its members, including a credit bureau, performance indicator reports, training and technical assistance. USAID also recently funded a network training that the Ghana Microfinance Institutions Network (GHAMFIN) and SEEP organized to strengthen services and promote best practices for networks in Benin, Burkina Faso, Cameroon, Ghana, Malawi, Mauritania, Namibia, Nigeria, Peru, the Philippines, Uganda, and Zimbabwe.

The PVO community, in conjunction with USAID, is also strengthening its networks of local affiliates. USAID's Office of Private and Voluntary Cooperation and PVOs are jointly exploring innovative forms for working with overseas partners to build institutional capacity. Two elements being addressed are

¹⁴ The program is structured similarly to the portable guarantee loan program that USAID'S Global Bureau, Office of Development Credit Staff, formerly Credit and Investment Staff (CIS), operates.

¹⁵ The SEEP (Small Enterprise Education and Promotion) Network is an association of international NGOs that support micro and small business programs in the developing world. With more than 50 members based in North America, the Network aims to promote learning by its member organizations and their southern affiliates and partners. SEEP also works to develop comparable networks and consortia throughout the world.

the need for mentoring relationships with smaller organizations and innovation in design and program implementation to achieve broader impact and scale. World Relief International, for example, has a mentoring relationship with Shelter Now International to promote best practices in the provision of micro-enterprise and microfinance services.

DISASTER RECOVERY

Countless communities throughout the world are afflicted by political or ethnic strife and even more are recovering from a period of instability brought on by conflict, natural disaster or financial system turbulence. When conflict subsides, microenterprise institutions frequently arise in response to the demand for resources to rebuild. Microenterprise assistance institutions can be found working with struggling entrepreneurs in many of the world's communities where recovery has begun.

Microenterprise development institutions are actively engaged in working with people whose income and social status place them at very high risk in the event of economic or social disaster. These institutions have many different approaches for working with vulnerable populations. Some are engaged in specialized business support activities or in the provision of credit and savings, while others offer a range of community development programs, beyond microenterprise services, that include group formation, health education, and literacy training.

In the Dominican Republic, USAID has funded the Center for the Support of Micro and Small Enterprises-Instituto Tecnológico de Santo Domingo (CAMPE-INTEC) in its efforts to assist microentrepreneurs following natural disaster. After Hurricane Georges, CAMPE-INTEC used a diagnostic tool to determine the extent to which

ProMujer, Nicaragua

Following Hurricane Mitch in 1998, ProMujer staff took quick action to support clients. After short-term relief efforts, the institution quickly assessed what it could do to meet clients' urgent needs without compromising its viability.

Several stopgap measures were critical in helping ProMujer stay solvent. Initially, loan disbursements were halted for one week to

avoid use of loans for non-business investments. During that time, women came to repay their loans or provide partial payments, while in other cases they used savings to make loan repayments. Strong client commitment to meeting loan obligations provided a foundation for rebuilding.

While program operations were briefly suspended, it was not long before the program continued its loan operations, recognizing that the women needed more capital to rebuild their businesses. ProMujer had aimed to be self-sufficient within the year, so program goals had to be revised. Despite this major setback, ProMujer expects to achieve full financial sustainability only a year later than initially planned. While the demand for financial services in Nicaragua has played a big role in keeping ProMujer alive during these difficult times, good management and client relations have also contributed to ensuring the program's ongoing success. As for ProMujer's clients, they are glad to see the return to normal operations, including training in basic health and prevention techniques that served a good purpose following the hurricane.



Juniette Pichardo produces ceramic figures in her home workshop.

microbusinesses needed technical assistance to restart. CAMPE-INTEC provides a package of services to microenterprises that aims to increase productivity while alleviating damage to the business. Using radio spots broadcast nationwide, CAMPE-INTEC offers advice on how to prepare for, what to do during, and steps to take following disaster.

Working with vulnerable populations, microenterprise assistance institutions also become vulnerable to the same disasters. Recognizing the need to assist its development partners with disaster planning and management, USAID commissioned research to look into the ways that microfinance institutions can respond to crises that effect their communities. Through its Microenterprise Best Practices (MBP) activity, USAID has provided technical guidance on managing risks and emergencies in microfinance.

USAID recognizes the need for flexibility and having grant funds and credit available so that resources can be quickly directed to institutions coping with crisis. As reported last year, USAID created a special fund for microenterprise institutions that had been hard hit by Hurricane Mitch. The agency will continue to respond proactively to help established microfinance institutions get through difficult times arising from crises beyond their control.



Photo by Jon Warren of World Relief

After Hurricane Mitch destroyed their shrimp business, Rosalina Ramirez and her husband set up a sidewalk shop selling clothing with a loan from World Relief in Honduras.

The Microenterprise for Self-Reliance and International Anti-Corruption Act of 2000

The Microenterprise Initiative, launched in 1994, articulated USAID's basic commitment and strategy for support to microenterprise development. Renewed in 1997, members of the U.S. Congress and practitioners once again examined USAID's role in supporting microenterprise development worldwide. Ongoing dialogue among these constituents yielded important consensus and led to a number of refinements in USAID's development targets based on important lessons derived from the field, such as the need to account for regional variations affecting microenterprises and their service needs.

Building on this consensus, recently the U.S. Congress passed and President Clinton signed the Microenterprise for Self-Reliance and International Anti-Corruption Act of 2000. This legislation makes microenterprise development a more integral part of the U.S. foreign assistance strategy and ensures that the U.S. remains a global leader in promoting the microenterprise sector.

There are signs of hope in Africa. There has been improvement in per capita GDP growth for USAID-assisted countries throughout sub-Saharan Africa. In 55 percent of the countries in sub-Saharan Africa where USAID operates, average annual growth rates exceed 1 percent.¹ Yet the number of refugees within Africa grew from 1 million in 1970 to nearly 16 million in 1994, mostly as a result of internal political or ethnic conflict. Today, two key concerns for Africa are how it will manage the deadly effects of HIV/AIDS and how those countries that are transitioning into democracy will fare in their efforts to bring economically marginalized groups, such as refugees and the rural poor, into the mainstream.

In 1998, the U.S. Congress enacted the Seeds of Hope Act “to support sustainable and broad-based agricultural and rural development in sub-Saharan Africa.” Under this Act, USAID was directed to “use credit and microenterprise assistance to improve the capacity and efficiency of agricultural production in sub-Saharan Africa of small-scale farmers and small rural entrepreneurs.”

Because crop production is excluded from the agency’s definition of microenterprise, assistance to small-scale farmers for crop farming is not included in these findings. Through MRR, however, USAID reports on efforts made to assist rural farm households with their non-crop production enterprises, such as micro-scale agro-processing activities. USAID field missions in Ethiopia, Kenya, Mali, Nigeria, Senegal, South Africa, Uganda, and Zambia, included microenterprise development in their strategies for assisting rural households, the vast majority of which are engaged in both farm and nonfarm activities.

USAID funding to African-based microenterprise activities has continued to grow since 1994, the first year of the agency’s Microenterprise Initiative.²

Of USAID Africa funds in 1999, 46 percent (\$19 million) went to support financial programs or to improve the legal and regulatory environment for microfinance institutions.³ USAID provided another \$22.3 million (54 percent) to institutions engaged in providing business services to microentrepreneurs, many of whom are severely constrained by a lack of access to basic facilities and services, such as roads, telephones, and computers in rural areas. Funds for nonfinancial services

Table A1. USAID’S Funding to Microenterprise Activities in Africa (US\$ Millions)

	FY 1996		FY 1997		FY 1998		FY 1999	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Africa Region	\$27.1	24%	\$38.0	23%	\$37.4	27%	\$41.3	27%
Total USAID Funding	\$111.4	100%	\$165.0	100%	\$138.4	100%	\$153.2	100%

¹ “1999 Agency Performance Report,” U.S. Agency for International Development, (Washington, D.C.: Center for Development Information and Evaluation, February 28, 2000), p.15.

² Microenterprise funding data prior to FY 1996 do not completely capture agency support to microenterprise in Africa because they do not include funding from central bureaus that went to Africa-based programs.

³ USAID/Senegal has obligated funds for addressing financial policy constraints affecting microenterprise.

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are also used to address improvements in the wider policy environment affecting microenterprises. This represents less than 2 percent of total Africa funding.⁴

HIV/AIDS and Microenterprise

Seventy percent of people in the world infected with HIV live in Africa. The prospect for many of the worst-hit communities is especially bleak. USAID has worked to mitigate the effects of the crisis across many of its program areas, including microenterprise. In FY 2000, USAID/Zimbabwe will be using funds appropriated specifically for combating HIV for some microenterprise support activities. Many USAID-assisted microfinance institutions are already building partnerships with local health organizations to integrate health education into ongoing programs.

A recent study commissioned by the Office of Microenterprise Development explored the effects of HIV/AIDS on institutions and communities that have already seen numerous changes related to the crisis.⁵ These include reductions in client savings as health costs rise, changes in portfolio quality as delinquency increases, and rising staff costs due to absenteeism and death. Alternative methods to manage these challenges are being compiled and shared within the microfinance community to help mitigate the crisis in Africa and elsewhere.

Democracy

USAID's investments in democratic reform and economic growth work hand-in-hand throughout Africa. Recent political changes in a number of African countries have opened the door to the possibility of even greater reform. USAID supports microenterprise programs in Benin, Ghana, Malawi, Mali, South Africa and Tanzania as a means of reinforcing democratic gains and building civil society institutions. In particular, by working through rural groups and local associations, microfinance institutions and BDS providers offer key leadership and participation opportunities to citizens who have long been disenfranchised.

USAID's Growing Microenterprise Support in Africa

USAID plans to continue playing a strong role in Africa in the coming years. Already new USAID-supported microenterprise programs are being developed in the Congo, Ethiopia, Nigeria, Rwanda, and Senegal. These will serve to provide access to many thousands of rural entrepreneurs in areas where USAID has not actively worked in the past. In countries such as South Africa, where USAID has provided ongoing support to microenterprise, new strategies are being developed to enhance outreach to disadvantaged groups.



Photo by Betty LaDuke of Freedom from Hunger

⁴ USAID missions in Kenya and Senegal supported research on nonfinancial policy in FY 1999.

⁵ See Joan Parker, "Discussion Paper: Microfinance and HIV/AIDS," Microenterprise Best Practices Project, Washington, D.C., May 2000. This paper is available online at www.mip.org.

EnterpriseWorks Worldwide, Uganda

Through its local affiliate, Appropriate Technology (Uganda), EnterpriseWorks Worldwide seeks to develop, expand and improve agricultural processing and marketing services in Uganda. Under the USAID-funded Sustainable Agriculture Food-Based Enterprises project, a three-year \$650,000 effort, activities have a secondary focus on internally displaced persons residing in refugee camps due to civil disturbance.

The EnterpriseWorks approach emphasizes development of private sector mechanisms and sustainability of enterprises created and assisted through its projects. The organization's activities in Uganda build on past successes from other EnterpriseWorks projects in Africa using agricultural processing technologies. Local staff has trained two local manufacturers and 104 retailers to produce and market technologies such as a manual oilseed press, treadle pump, cassava slicer, and peanut grinder. In 1998, 534 agribusinesses were using these technologies.

An example of the technology's economic impact can be seen in the business of an EnterpriseWorks client in northern Uganda. In 1999, he expanded his production of sunflower seeds and harvested more than 7,000 kilograms. He processed these seeds into 1,400 liters of oil, which he sold for more than US \$2,000. Had he sold the same amount unprocessed, he would have made half the amount of money. Furthermore, he started buying seed from neighboring farmers and processing their oil for a small fee. His business now employs four people for a third of the year, at the height of production.

Under the act, the agency is authorized to implement more grant assistance to microfinance institutions to expand the availability of financial and business support services, encourage capacity building within the institutions providing these services, and promote policy and regulatory reforms that work in favor of microenterprises worldwide. The agency has also been called on to provide a comprehensive strategy to include the ways in which it will seek to improve access to financial and related business services to the world's poor.

Key elements of this bill state that, first, 50 percent of all microenterprise resources shall be targeted to very poor entrepreneurs, defined as those with no more than half the income established as the poverty line by the government of each country.

Second, loans to the very poor will be defined in 1995 dollars in the amounts of \$300 or less to clients in Africa, Asia and the Near East, \$400 or less to clients in Latin America and the Caribbean, and \$1,000 or less to clients in Europe and Eurasia. (These new limits address the regional variations noted above.)¹⁶

Third, demand-driven business development programs that achieve reasonable cost recovery and are provided to clients holding poverty loans in the amounts named above are also appropriate for the very poor and count towards the 50 percent funding target.

Subsequent annual reports on the agency's microenterprise activities will address the specific ways in which USAID has implemented these objectives.

¹⁶ In anticipation of the passage of legislation early in 2000, Microenterprise Results Reporting (MRR) collected data for poverty loans using the new limits.

Microenterprise Funding in 1999

Overall USAID funding to microenterprise development in 1999 was \$153.5 million, up from \$138.4 million in 1998. Table 2 contains USAID funding data over the past decade. Despite some fluctuations resulting from project funding cycles and some large individual obligations, the trend has been a gradual increase in microenterprise funding.

At the same time that total funds to microenterprises appear to be rising, a shift in the source of these funds from within the agency is occurring. Funds from the Development Assistance Fund for microenterprise development were down slightly (6 percent) in 1999 from the previous year, but were down 19 percent from 1995. Since 1995, lower levels of development assistance funding and increased competition among priority programs have resulted in less DA funding available for microenterprise programs. Long-running development programs in USAID missions throughout Africa, the LAC region, and Asia and the majority of centrally funded microenterprise programs are funded through this account.

Economic Support Funds (ESF) were increasingly directed at microenterprise development and up by 20 percent in 1999 over 1998. Concurrently, increased spending for microenterprises occurred through other specialized accounts. A 39 percent increase in local currency in 1999 over the prior year reflects the use of more Title II food aid funds for microenterprise programs.¹⁷

Table 2. Sources of USAID Funds for Microenterprise by Appropriation Account, 1990-1999 (Millions of US Dollars, actuals)

Fund	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
DA ¹	44.6	40.2	61.3	51.6	89.2	93.3	72.9	83.3	79.9	75.3
ESF	9.6	43.2	34.4	20.8	31.6	22.9	16.1	24.5	27.2	32.9
FSA ²							5.4	20.6	14.3	12.8
SEED							4.7	24.8	4.6	12.0
CACEDRF										3.2
Local Currency	21.0	30.2	30.6	23.6	16.6	17.3	12.2	11.8	12.4	17.3
Total	75.4³	113.6	126.3	96.0	137.4	133.5	111.3	165.0	138.4	153.5

1 Development Assistance Funds include Development Fund for Africa.
 2 FSA refers to the Freedom Support Act.
 3 Total does not add because data on fund accounts are not available for Colombia and Oman.

¹⁷ Local currency obtained through monetization of Title II funds under PL 480 is specifically designated for uses related to food security in the poorest countries of the world.

In addition, microenterprise funding grew in 1999 through the use of funds appropriated for assistance for Eastern Europe under the SEED (Support for Eastern European Democracy) Act. Funds appropriated for the Central America and Caribbean Emergency Disaster Recovery Fund (CACEDRF) following Hurricane Mitch were also used for microenterprise development activities.

Table 3 shows the breakdown of USAID funding by region of use in the past year. Funds provided by central bureaus are shown in the region where the funded activity or institution is located. In 1999, more than two-thirds (70 percent) of total USAID funding went into financial services programs for loan capital, operational expenses, technical assistance, or microfinance policy advocacy. The remaining 30 percent was applied to business development programs that included training, marketing, counseling, technology transfer, or policy advocacy on behalf of microentrepreneurs.

Total amount of financial policy funding in 1999 was \$4.6 million or 4 percent of total financial funding. Funding for microenterprise policy advocacy of a general nature, (i.e., not related to financial services programs), amounted to \$3.8 million in 1999 or 8 percent of total nonfinancial funding.

In 1999, funding to Africa, Europe and Eurasia, and Latin America all increased over 1998 funding. In both the Europe and Eurasia region and the Latin America and the Caribbean region, funding increased by over 30 percent from 1998 funding levels.

The percentage of total funding going to Africa was exactly the same in both years, although the amount rose by 10 percent. The greater proportion of 1999 funding to nonfinancial programs in Africa does not reflect a significant drop in actual funding to microfinance, which went from \$20.8 million in FY 1998 to \$19.0 million in FY 1999, a decrease of 8 percent. Rather, funding to business support programs increased by 34 percent (up \$5.7 million from 1998 funding) in 1999.¹⁸

Table 3. FY 1999 Funding by Region of Use (Millions of US Dollars)

	Financial Programs		Nonfinancial Programs		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Africa	\$19.0	46	\$22.3	54	\$41.3	27
Asia/Near East	\$31.7	87	\$3.5	13	\$35.2	23
Europe/Eurasia	\$19.1	74	\$6.6	26	\$25.7	17
Latin America/Caribbean	\$34.1	78	\$9.7	22	\$43.8	28
Worldwide	\$3.0	41	\$4.5	59	\$7.5	5
Total	\$106.9	70	\$46.6	30	\$153.5	100

¹⁸ This includes more than \$7 million in an unusual one-time grant to a single organization, EnterpriseWorks Worldwide, for its Africa programs. Excluding this amount from total funding for Africa, 57 percent of funding to Africa went to financial programs and 43 percent went to nonfinancial programs.

Table 4 shows the 1999 contributions to microenterprise support by the USAID bureau that provided the funds. Central bureau funding, which includes the Global Bureau and the Bureau for Humanitarian Response, was down \$6.1 million (16 percent) from 1998. In prior years the central bureaus played a larger role in microenterprise funding (27 percent of overall funding in 1998) than most of the regional bureaus.¹⁹ Programs managed by the central bureaus have been used to provide technical leadership while supplementing mission funding; this approach is designed to build institutional capacity and encourage best practices among practitioners. Recently more USAID field missions, which receive their funding through the regional bureaus, have included microenterprise as a component of their country development strategies for the first time. (See the Africa section for examples.) As these programs are implemented, it may result in larger amounts of regional bureau funding for microenterprise.

Funds committed to microenterprise by the Africa Bureau, Europe and Eurasia Bureau, and LAC Bureau increased in 1999 from 1998 levels. LAC Bureau funding grew by 76 percent as a result of large microfinance investments in two countries, Guatemala and Haiti. Africa Bureau funding increased by 12 percent, and Europe and Eurasia Bureau funding increased by 35 percent. In the Asia/Near East (ANE) region, funding in 1999 was down 13 percent from 1998, from a high of \$37 million in 1998.

Of 1999 funding for financial institutions, 58 percent went to support poor clients who received poverty loans.²⁰ This calculation is made based on the institutions receiving financial funding in 1999 that provided data to MRR. The poverty lending proportions for Africa, ANE and LAC²¹ Bureaus grew in 1999. In 1998, these proportions were 56, 59, and 63 percent, for Africa,

Table 4. FY 1999 Funding by USAID Bureau (Millions of US Dollars)

	Financial Programs		Nonfinancial Programs		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Africa Bureau	\$13.6	50	\$13.7	50	\$27.3	18
Asia/Near East Bureau	\$30.9	95	\$1.7	5	\$32.6	21
Europe/Eurasia Bureau	\$19.0	74	\$6.6	26	\$25.6	17
Latin America/Caribbean Bureau	\$29.4	79	\$7.6	21	\$37.0	24
Central Bureaus	\$14.0	45	\$17.0	55	\$31.0	20
Total	\$106.9	70	\$46.6	30	\$153.5	100

¹⁹ If one excludes the one-time grant to Enterprise Works Worldwide of \$10.8 million for business development services worldwide, funding by central bureaus dropped by 45 percent or nearly \$17 million from 1998 funding levels. Over \$6 million of central bureau 1999 appropriated funds carried forward to FY 2000.

²⁰ MRR uses the following calculation for the proportion of funds going to poverty lending: The amount of funds provided to the institution by USAID is prorated based on the percentage of the total outstanding portfolio value held in poverty loans.

²¹ A revised poverty loan amount of \$400 in LAC region was used in the FY 1999 data collection based on the new Microenterprise for Self Reliance Act of 2000. However, at least one mission, El Salvador, had its implementing partners report on loans of \$300 or less.

ANE, and LAC Bureaus, respectively. Overall, the proportion of funding for poverty lending was down 5 percent, from 63 percent in 1998.

In Europe and Eurasia, however, the percent of financial funds to poverty lending dropped from 72 percent in 1998 to 42 percent in 1999. While programs receiving 1999 funding had a smaller proportion of their portfolios in poverty loans, the average outstanding loan size for all USAID partner microfinance institutions in the Europe/Eurasia (EE) Region was still only \$259. This discrepancy relates to the fact that large obligations were made to relatively small institutions in anticipation of an increase in microenterprise support activities. In other words, the current poverty lending ratio of the institution does not reflect the intended effect of USAID funding on changes in the institution's clientele. In fact, as noted above, USAID often supports institutions in their efforts to design programs to be more responsive to the poor. The low average loan size in the EE region is based on USAID's active portfolio in that region. Many of these institutions have large numbers of poor clients.

The following sections discuss how USAID funding for FY 1999 was applied in support of microenterprise institutions that provide financial services, business development services, or policy advocacy and research for the microenterprise sector.

Microenterprise Institutions

MICROFINANCE

USAID's support to microfinance institutions occurs on many levels. Through policy initiatives, improved regulatory environments are being promoted to strengthen financial institutions and protect clients. USAID also directly provides loan capital for microloans and support for operational expenses, staff training, new product development, and to initiate new programs in microfinance institutions.

Table 5. Percentage of USAID Funds Committed to Poverty Lending in 1999

	Total Microenterprise Funding (US\$ millions)	Financial Programs Amount (US\$ millions)	Percent of US\$ for region	Percent of Financial Funding for Poverty Lending
Africa	\$27.3	\$13.6	50	63
Asia/Near East	\$32.6	\$30.9	95	73
Europe/Eurasia	\$25.6	\$19.0	74	42
Latin America/Caribbean	\$37.0	\$29.4	79	70
Central Bureaus	\$31.0	\$14.0	45	54
Total all Bureaus	\$153.5	\$106.9	70	58

Of the microfinance institutions with active USAID agreements, 277 reported data for their 1999 fiscal year. (See Annex A.) Of this number, 148 organizations or 53 percent of those reporting also reported data in 1998. The remainder includes organizations with new USAID agreements. Because USAID’s roster of microenterprise institutions changes on an annual basis, it is not possible to track a specific set of institutions in the MRR database over an extended period of time. MRR tracks institutions only for the extent of time for which they have an active USAID agreement.²² In some cases, an institution appears in the data over many years, in others, only briefly.

Every year, MRR grapples with how to show very large microfinance institutions that have a dramatic effect on the data. In 1998, the Bangladesh Rural Action Committee (BRAC) was such an institution. With 2 million rural clients, most of whom are women, it played a large part in determining the summary data for the Asia region and the agency as a whole.

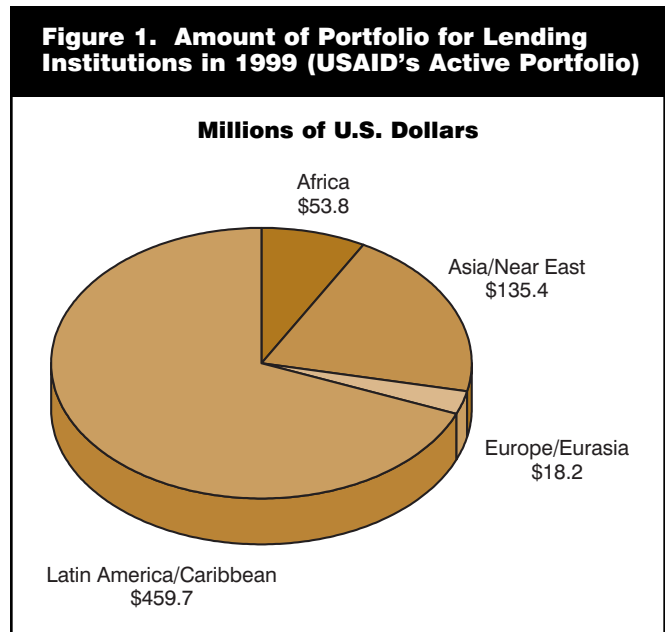
In FY 99, USAID/Indonesia renewed its support of BRI after several years’ absence from its portfolio. BRI’s Micro Division alone had nearly 2.5 million loan clients at year-end in 1999, with an outstanding portfolio of \$795 million. Savers amounted to 24.2 million clients with combined savings valued at \$2.2 billion! While including these numbers would bring the number of USAID clients to a much higher level, Table 6 and the analysis that follows will exclude them, because their inclusion would distort underlying characteristics and trends of the rest of the data.

The total number of clients²³ in USAID-supported microfinance institutions increased from 1.4 million in 1997, to 1.6 million in 1998 (excluding BRAC), and 2.0 million in 1999 (excluding BRI). This is an average annual increase of 19 percent.

Figure 1 illustrates an important regional difference based on the distribution of loan portfolio. With only slightly more than a third of total clients, LAC institutions hold more than two-thirds of the total portfolio.

Table 6. Clients of Lending Institutions in 1999 (USAID’s Active Portfolio)

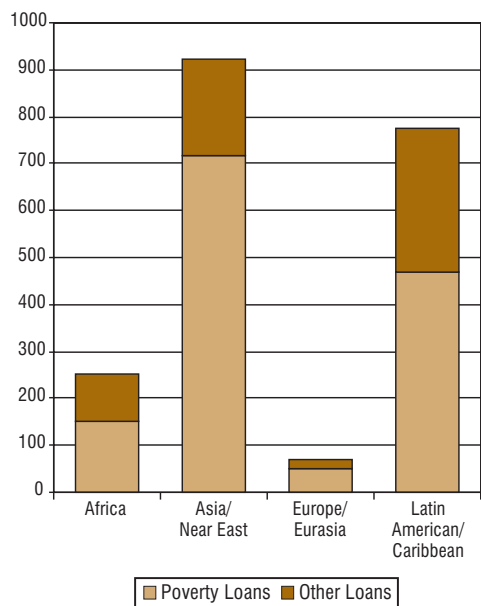
	Total Clients (thousands)	Percent of Total Clients
Africa	250.5	12.4
Asia/Near East	923.0	45.7
Europe/Eurasia	70.4	3.5
Latin America/Caribbean	775.7	38.4
Total	2,019.6	100.0



²² An argument could be made that much of the effect of USAID’s support is not readily visible until several years after the initial funding agreement is made.

²³ As in prior years, the number of loans is used as a proxy for the number of clients because many financial institutions track only the number of loans, not clients. In a very rare case would an individual have more than one loan outstanding with a microfinance institution.

Figure 2. Clients with Poverty Loans in 1999¹
Hundreds of Thousands
(USAID's Active Portfolio)



¹ This table does not include data from BRI, which has more than 2 million loan clients.

The value of portfolio outstanding of all regions decreased by 21 percent in 1999 from 1998. This decrease is due to a combination of factors, including a difference in the set of institutions represented in USAID's portfolio, international financial crisis causing flat institutional performance, and currency devaluations. A decrease in the amount of portfolio held by microfinance institutions also implies that the average loan balance per client was lower, as indeed it was.

Average outstanding balance came down significantly in 1999 in both EE and LAC regions, from \$1,100 and \$872 in 1998 to \$259 and \$593, respectively, in 1999. Overall, the average loan balance decreased from \$389 in 1998 to \$330 in 1999. Asia and the Near East subregions are shown separately to highlight differences in programs and contexts.

The percentage of women clients remains high because many programs are working almost exclusively with women. The challenge in countries in the Near East, such as Egypt and Morocco, continues to be how to create more economic opportunities for women in societies where women have traditionally been less visibly involved in the financial economy. It is also the case, especially among the more successful and mature businesses, that businesses are family enterprises in which both spouses and children work together.

Figure 2 shows the proportions of clients from each region who have poverty loans. Two-thirds of the clients in USAID-supported institutions had poverty loans, with the majority of these clients in Asia and Latin America. This proportion changes from year-to-year based on the universe of institutions with USAID agreements that report to MRR.²⁴

Table 7. Average Loan Balance and Percentage of Women Clients, 1999 (USAID's Active Portfolio)

	Average Balance (US\$)	Percentage of Women Clients %
Africa	\$214	77
Asia	\$114	74
Near East	\$412	36
Europe/Eurasia	\$259	48
Latin America/Caribbean	\$593	68
Worldwide	\$330	69

Table 8 data show the extent of savings that USAID-supported institutions are holding on behalf of their microenterprise clients.²⁵ Where average savings reported in 1998 amounted to \$240, average savings in 1999 for all regions were \$113. This may again reflect differences in the reporting universe and the effect of currency devaluations against the U.S. dollar in 1999.

Figure 3 data demonstrate how USAID-supported programs are distributed across rural and urban environments. In all regions, with the exception of Asia, microfinance programs are represented more in urban areas, where population

²⁴ The overall proportion of poverty loans in 1998 (in numbers) was 83 percent with BRAC included, and 63 percent without BRAC.

²⁵ This data excludes BRI's 24.2 million savers who have \$2.2 billion in savings with an average savings value of \$94.

density contributes to program scale and efficiency. As in prior years, Asia's independent route to development, which includes the use of more banks with extensive rural outreach, sets it apart from other regions.

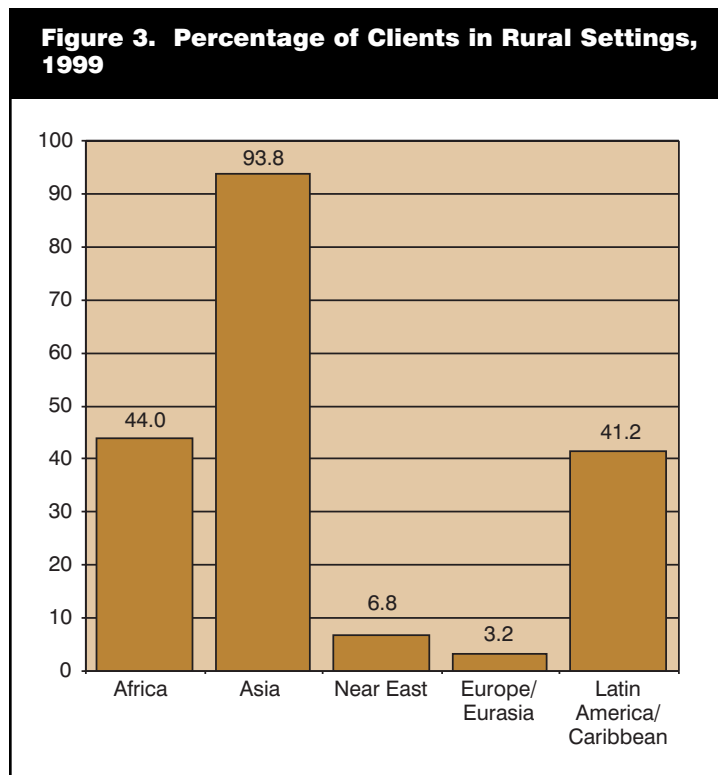
As programs mature, some of them extend their services to rural areas, reaching out from the cities. USAID has been encouraging these efforts in many places.

The proportion of clients reported to be residing in rural areas has risen since 1998. Excluding BRAC, the proportion of rural clients in 1998 was 46 percent as compared with 58 percent in 1999. The rural/urban mix was nearly the same for all regions in the two years. Asia and the Near East are shown separately to illustrate another difference between programs in these two areas.

USAID has a clear interest in ensuring that the quality of services to clients is good and improving. Microfinance institutions that are diligent in maintaining high repayment rates in accordance with best practices have proved to have much better prospects for long-term survival with the potential for

Table 8. Number of Savers and Savings Amounts in 1999

	Savings Members (thousands)	Savings Amounts (millions of US\$)	Average Savings (US\$)
Africa	888.0	\$49.2	\$55
Asia/Near East	1,060.7	\$53.9	\$51
Europe/Eurasia	60.6	\$6.8	\$112
Latin America/Caribbean	1,245.8	\$259.2	\$208
Total	3,255.1	\$369.1	\$113



Nepalese women in Pact's Women's Empowerment Program

Courtesy of Pact, Inc.

Table 9. Average Repayment and Loan Loss Rates, 1999

Region	Repayment Percent	Loan Loss Percent
Africa	98.4	0.6
Asia/Near East	96.5	1.1
Europe/Eurasia	95.6	1.9
Latin America/Caribbean	94.4	1.7
Worldwide	95.2	1.5

growth. Two indicators that USAID monitors address the quality of loan services and institutional performance: repayment and loan loss rates.²⁶ High average repayment rates and low loan losses for all regions suggest that USAID-supported institutions manage their portfolios well.

Figure 4 shows that the proportion of institutions that self-reported as financially sustainable²⁷ is much higher than it has been in prior years. The higher percentage of fully sustainable microfinance institutions in Asia is related to the large number of banks in this year's reporting universe. As regulated for-profit institutions, banks generally have access to loan capital and the financial discipline necessary to profitably manage their micro portfolios.²⁸

Whereas last year only 11 percent of all institutions reported achieving financial sustainability, this year 42 percent report they are able to cover their

own operational and financial expenses with client revenues.²⁹ This situation is only possible when an institution reaches a sufficiently large scale of operations and level of efficiency to produce adequate income from interest and client fees.

Figure 4. Sustainability of USAID-Supported Institutions,¹ 1999

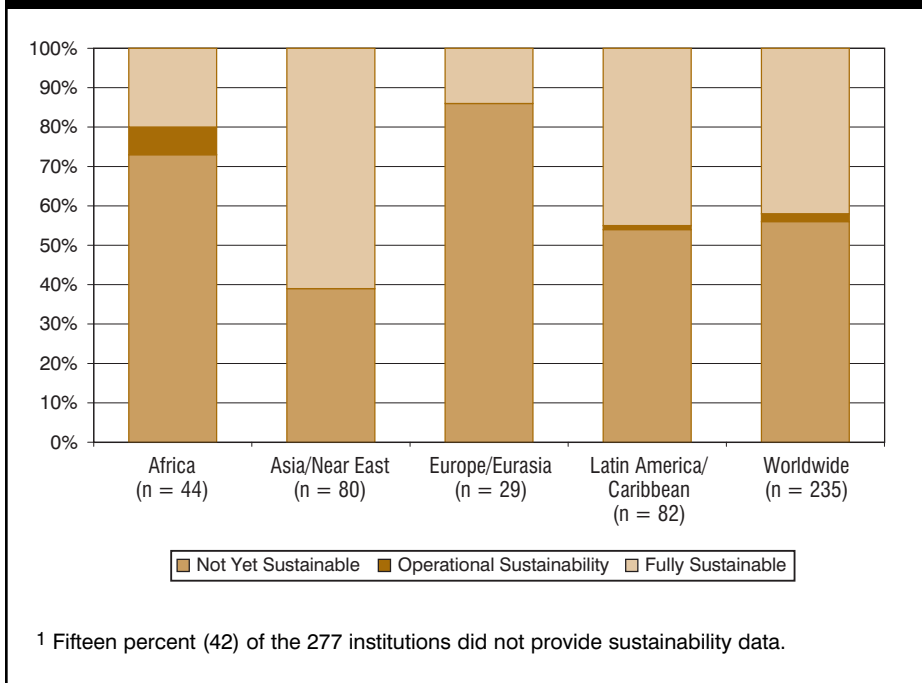


Table 10 shows the institutions in USAID's portfolio, excluding BRI, that reported the largest client base. This group accounts for 43 percent of the total clients in USAID's active portfolio and 56 percent of the total value of outstanding loans to microenterprise; 74 percent of the loans made by these institutions combined are poverty loans.

Most of the largest institutions in USAID's portfolio are in Asia and Latin America; none are in Africa.

²⁶ Loan repayment is calculated based on the amount of portfolio reported to be in arrears for 90 days or more. Loan loss rates show the percent of portfolio that must be written off because of delinquent loans.

²⁷ Operationally sustainable institutions produce adequate income from interest and fees to cover all operational expenses, including loan losses. Fully financially sustainable institutions are able to cover all operational expenses, including the cost of funds from market sources and inflation.

²⁸ Banks with new micro programs may cross-subsidize their micro operations with revenues generated by loans to other sectors.

²⁹ Because these data are self-reported and calculated by the institution, the sustainability percentages cannot be fully verified by MRR. USAID missions and central offices monitor this information for management purposes and as the basis for contract or grant renewal.

Eight are in Latin America; six are in Asia. Of those in Latin America, four are in Bolivia, which boasts the highest concentration of microfinance institutions in the world.

BUSINESS DEVELOPMENT SERVICES

Business development services (BDS) include a range of services to assist businesses at all stages of development. In Nepal, for example, Pact, Inc.³⁰ provides basic entrepreneurial training to assist extremely poor rural women who are undertaking business activities for the first time. A number of other programs are designed for first-time entrepreneurs who desire to generate income through self-employment. Many other USAID-supported programs assist existing businesses that are in need of special services such as marketing or upgraded technology and skills. These services help microenterprises to build both income and assets. Based on the data reported by USAID-supported

Table 10. Large Institutional Reporters in USAID's Active Portfolio, 1999

Microfinance Institution	Type	Number of Borrowers	Number of Poverty Loans
1. Palli Karma Sahajak Foundation/Bangladesh ¹	Non Bank/Umbrella	220,000	220,000
2. Women's Development Federation/Sri Lanka	NGO	116,544	116,544
3. BancoSol/Bolivia	Bank	73,073	7,015
4. ACLEDA/Cambodia	NGO	56,412	46,444
5. WOCCU/Romania ²	Credit Union	54,210	37,960
6. WOCCU/Bolivia ²	Credit Union	53,962	12,156
7. Compartamos/Mexico ³	NGO	48,835	38,700
8. MIBANCO/Peru	Bank	41,344	26,875
9. Caja Los Andes/Bolivia	Non Bank	39,334	12,305
10. WOCCU/Ecuador ⁴	Credit Union	37,840	37,840
11. Pact/Nepal	PVO	35,000	35,000
12. PRODEM/Bolivia	Non Bank	35,000	14,493
13. Financiera CALPIA/El Salvador	Non Bank	34,390	12,606
14. Catholic Relief Services/Cambodia	PVO	29,948	29,948
Total		875,892	647,886

1 The Palli Karma Sahajak Foundation is an apex institution that on-lends to poverty lending institutions. The clients reported are those of the retail lending institutions.
2 The WOCCU programs represent credit union federations and include the activities of many different credit unions in those countries.
3 Compartamos was still an NGO when it reported 1999 data to MRR.
4 For the purposes of its reporting to MRR, WOCCU/Ecuador reports on only a portion of its portfolio; that is, the USAID-supported portion.

³⁰ Pact, Inc. was originally an acronym for Private Agencies Collaborating Together.

World Education, South Africa

Courtesy of World Education



A TBDC advisor provides technical support to a client.

The Ntinga¹ Microenterprise Support Project was developed by World Education and launched in 1996 with USAID funding. Since then, Ntinga has forged successful working partnerships with local microfinance institutions and microenterprise support providers.

One of its most successful partnerships has been with the Thekwini Business Development Center (TBDC), in Durban, the busiest shipping hub in sub-Saharan Africa. What has ensured TBDC's success was the incorporation of a strong public-private partnership element with the local Durban Metropolitan Council.

With technical assistance from Ntinga, TBDC conducted an institutional analysis, streamlined its operations, and established satellite service centers in Durban's underserved townships. Among the services TBDC provides to microentrepreneurs are project management, export training, business linkages, and manufacturing opportunities. Today, TBDC serves more than 2,000 clients monthly and has facilitated business linkages in excess of \$4 million.

World Education is currently in the process of securing funding for the next phase of Ntinga, which will work more intensively with leading partner institutions to establish Centers of Excellence and Outreach in four target provinces. In addition to a wide range of microenterprise-specific activities, World Education will use the next phase of Ntinga to implement cost-effective methods for addressing issues posed by the HIV/AIDS epidemic.

¹ A Zulu word that means to soar or fly

institutions, almost two-thirds (60 percent) of the assisted businesses are ongoing businesses.

Most USAID-supported organizations offering business support services provide either training (84 percent) or business management counseling (79 percent) to their clients. More than two-thirds (70 percent) are involved in marketing products or creating market linkages for their clients. Over half (54 percent) provide assistance with production technologies.

Of the institutions with active USAID funding agreements in FY 1999, 80 provided data on their BDS operations. These institutions have been providing services for an average of seven years. The majority (84 percent) works directly with clients. More than two-thirds also offer BDS to other microenterprise assistance organizations. Providing support to partner institutions that in turn build the capacity of other microenterprise organizations is yet another way in which USAID leverages its support to microenterprises. World Education's activities in South Africa are an example of how strengthening organizational clients

can affect many more microentrepreneurs reached through those organizations.

One of USAID's primary objectives for the institutions it funds and monitors is to promote a commercial orientation. Improved cost recovery, through a variety of means, is a primary objective to ensure that business services offered are in demand and are market-driven. Of institutions reporting 1999 data, 62 percent of those providing business services charge for their services through fees, margins on goods sold, or by other means. Of these, 30 percent reported covering more than 25 percent of their costs. USAID's BDS partners are increasingly appreciating the value of a client-centered, commercial orientation.

In addition to the more than 400,000 clients noted in Table 11, business services were provided to many more microentrepreneurs through another 1,687 organizations that received training and other business support services from USAID-supported institutions.

Of the entrepreneurs assisted through USAID-supported programs, 39 percent work in the commerce or trade sector, 37 percent in businesses related to agriculture or agribusiness, 12 percent in the service industry, 9 percent in manufacturing, and another 4 percent in other sectors. The clients of BDS programs are predominantly women. They tend to be located in rural areas. The majority (70 percent) of BDS clients have incomes below the poverty line in their country. Almost one-third of the total number of clients are very poor or have incomes less than half of what is defined as the poverty line for that country.³¹

POLICY ADVOCACY AND REFORM

While policy advocacy on behalf of microenterprises is relatively inexpensive, it can have a powerful and widespread nationwide effect. Policies and regulations controlling the types of financial services that NGOs can offer, for example, will determine the extent to which these services can be provided to thousands of poor women and men. USAID supports a range of policy efforts to improve the environment for both microenterprise development institutions and their clients.

Table 11. Clients of USAID-Supported Business Development Programs

	Number of Micro Clients	Percent Women	Percent Rural	Percent Urban	Percent Below Poverty Line¹	Percent Very Poor²
Africa	192,761 ³	47	80	20	79	25
Asia	82,929	74	88	11	61	38
Near East	9,901	12		100	20	
Europe/Eurasia	15,552	57	29	71	10	3
Latin America/Caribbean	100,387 ⁴	81	44	56	76	37
Total	401,530	61	69	31	70	29

1 Organizations were asked to report how many of their clients were below their country's poverty line.
 2 Organizations were asked to report how many of their clients were very poor, defined as having less than half the income designated as the poverty line for that country.
 3 World Education/Ntinga is included because it trained organizations, which, in turn, provided business services to 156,368 microenterprise clients.
 4 One organization, Fundacion Jose Maria Covelo in Honduras, reported that it had trained 8,095 clients directly. Another 66,418 microenterprise clients, not included in the total clients for LAC region, received BDS services through assisted organizations.

³¹ Half of USAID-supported BDS institutions in the survey track their clients' income levels through records of business income, business assets, or household income. The remaining 50 percent provided estimates of their BDS clients' income levels.

Action for Enterprise, Mali



Courtesy of Action for Enterprise

Action for Enterprise, a U.S.-based PVO, has a microenterprise export promotion program in Mali, Support Program for Artisanal Product Exports (SEPA). SEPA is helping to forge sustainable business ties between international importers, Malian export agents, and crafts producers. SEPA's role is to facilitate communication and relationships between these economic actors to increase sales and income by producers, generate interest among new buyers, and improve production capacity.

SEPA has already hosted a number of American importers in Mali, including the owner of Bamboula Ltd. After spending four days with the SEPA team, the owner of Bamboula purchased 20 percent more product than she had in all previous trips to Mali that year. Bamboula's agent in Mali noted that, through SEPA's involvement, they have been introduced to many new producers and high quality products. SEPA has helped with banking and shipping issues and contributed to increased sales by sourcing and designing new products for its North American clients. Once the project is complete, ongoing commercial relations will be in place between micro-scale producers, export agents, and buyers that will ensure benefits to all partners, including a higher sales volume and more income for producers.

There were 27 different institutions that reported on policy research and advocacy activities. Each institution advocates or works on a variety of issues in support of microenterprise development.

In Africa, for example, USAID/Kenya supports institutions that advocate in different policy areas. The International Center for Economic Growth (ICEG) advocates on behalf of microenterprises to help gain access to basic market facilities and services, such as running water, that are readily available to larger businesses. In addition, ICEG has analyzed gender biases in current policy and sought to improve technology policy as it relates to microenterprise. Another institution, the Kenya Institute for Public Policy Research and Analysis, analyzed trade policies and licensing as they affect microenterprises.

Funded by USAID/Indonesia, the Partnership for Economic Growth is helping Indonesia's economic and financial systems recover from the effects of the Asian financial crisis by providing technical assistance and grants to various Indonesian government and private institutions. One of its key concerns is to see that Indonesia's microfinance system, which manages nearly 4 percent of the country's total outstanding credit, continues to develop.

As a part of this program, USAID provides two policy advisors, one located in the Central Bank, which is responsible for regulating the banking system, and one in the Ministry of Small Enterprise. These advisors work closely both with their host institutions and a government-wide working group that has been developing microenterprise-friendly policies. Among their achievements has been a new regulatory regime for commercial banks and small-scale village financial institutions that follow market principles, have a deposit and savings orientation, and are geared toward sustainability.

Future Directions

“... by forging ahead in the face of skepticism, microfinance programs now provide promise for millions of households. Even critics have been inspired by this success. The time is right for assessing next steps with candor... and better evidence.” (Morduch, 1999)

This report has highlighted recent developments in microenterprise development, many of which have resulted from innovations that microenterprise institutions have made in response to market conditions. USAID credits the microenterprise organizations for the tremendous amount of work they have done to pioneer new programs and adapt to adverse circumstances.

Many institutions that had just begun at the start of the decade are now seasoned practitioners and are learning how to better manage their programs through volatile times. Many microenterprise institutions are experimenting with a variety of new services for their clients, such as home improvement loans and other special purpose loans. At the same time, much more needs to be done to strengthen and expand existing services.

To address changes in market demand, institutions are developing new products for their microfinance clients. For example, BancoSol, in Bolivia, with more than 70,000 clients, recently introduced a new line of housing credit and has issued credit cards that carry discounts at pharmacies, hospitals and other

Constanta, Georgia

In 1997, Save the Children set up operations in Georgia as the NGO, Constanta, to deliver financial services to poor women microentrepreneurs. With a GDP per capita of only \$960, Georgia was ranked 105 in the United Nations Human Development Index in 1997.

With assistance from the United Nations High Commissioner for Refugees (UNHCR), Constanta focused on assisting Tbilisi’s internally displaced persons, the poorest residents, who fled civil war and political unrest between 1991 and 1993. Operations based in Tbilisi were expanded to Isani and Batumi districts with a USAID grant.

With loans from Constanta, Marva Shamwgia has been able to expand the inventory of her grocery business and increase her family’s income. By investing in her business, she earns roughly \$130 a month, which supports her five children and husband, who lost his job. Almost 80 percent of her income goes to providing food and other household necessities. Marva stressed the importance of access to credit; “It ensures the survival of the family in a very difficult situation.” She hopes her children can borrow from Constanta to start their own businesses.



A Constanta meeting of new microentrepreneurs in Tbilisi

Microenterprise in Nigeria

More than a year after inaugurating a democratically elected president and national, state and local representatives, Nigeria is slowly emerging from 15 years of corrupt military dictatorship. Nigeria's leaders have had to face its legacy of widespread economic devastation. Per capita income in Nigeria today is only \$280.

USAID's recently reestablished mission in Nigeria has launched a new project for microenterprise development, the Transition Institutions Microfinance and Enterprise (TIME) project.

TIME is an innovative project that is testing new alliances and fresh ideas to increase both savings mobilization and the availability of credit services to local enterprises. Two of the largest microfinance institutions in Africa, the Country Women's Association of Nigeria and the Farmers Agriculture Development Union, which together represent more than 900,000 members, are employing new off-line "smart card" technology in a test program for 4,000 rural women that was piloted by Weidemann Associates, Inc. under a USAID-funded contract. A consortium of 31 of the largest banks in Nigeria owns this newly introduced technology, which will reside in many bank branches and merchant locations by the end of the year. The lead partner bank, Guaranty Bank, has contributed over \$1 million in hardware, software, and loan matching funds to the pilot. Another partner, AIICO, a leading insurance company, is providing credit life and disability insurance to borrowers.

locations. The Center for Agricultural and Rural Development in the Philippines has added several loan products, including productive/asset loans, housing loans, multipurpose loans for health and education, and a loan acceleration program targeting entrepreneurs with excellent loan repayment performance and larger capital needs.

Business development practitioners are also making strides toward better understanding their poorer clients' needs and responding with market-oriented services that increase their clients' revenues, profits, and productivity. Networks in the practitioner community are working to ensure that lessons are shared and more is done to build the capacity and long-term viability of organizations that are providing essential business services such as marketing, production technology, and export assistance.

USAID is proud of its development partners' accomplishments. It is especially proud of the way in which this partnership has led to more widespread access to financial services and business support services for the poor around the world. These microenterprise institutions are building their own capacity to provide sustainable services to more people every year. As a leading microenterprise donor, USAID seeks to support strategic efforts that carry the field forward and provide a strong foundation for the next century of microenterprise programs.

Annex A: Microenterprise Results Reporting

METHODOLOGY

This is the fourth annual report of Microenterprise Results Reporting (MRR), USAID's activity to collect and report on microenterprise funding data and institutional results.³² Weidemann Associates, Inc. implements MRR under the MicroServe Indefinite Quantity Contract. This and all prior year reports are available online at www.mrreporting.org.

Funding and institutional data presented in this report are from two primary sources; first, funding data are from USAID field missions and central bureau offices that provide data used for agency planning and budget purposes. Field staff enter much of this data directly into MRR's online database. Second, institutional data are reported by implementing institutions with active USAID grants or contracts in response to an annual questionnaire.

MRR and USAID staff disseminate questionnaires to practitioners of micro-finance and business development services and those engaged in policy advocacy and research.

Table 12. USAID's Active Microenterprise Institutions with Survey Respondents in 1999

Type	Total Active Institutions	Microfinance Survey	Business Development Survey	Policy Survey
Banks	32	29		
Business Associations	21	7	5	
Consulting Firms	17		3	4
Cooperatives/ Credit Unions	82	38	1	4
For-Profits	5	2	1	
Government Agencies	3			2
NGOs	220	132	30	7
Non-Bank Financial Institutions	29	25	3	1
PVOs	169	42	29	7
Research/Educational Institutions	10		5	
USAID ¹	27		1	
Other ²	12	2	2	2
Total	627	277	80	27

¹ Mission projects that have not yet committed funds to particular institutions, mission support activities on behalf of microenterprises, and technical assistance and support activities of the office of G/EGAD/MD.
² Includes institutions that do not fit into other categories, such as the International Finance Corporation and the Enterprise Funds of Central Europe.

³² This report was prepared by Catherine Neill, with assistance from Carmen Varley, Weidemann Associates, under the supervision of Elizabeth Hunt, in the Office of Microenterprise Development, and Katharine McKee, Director of the Office of Microenterprise Development. Dina Towbin, Weidemann Associates, provided editing assistance.

Questionnaires used in the data collection process are available for viewing at the MRR website. Because USAID uses umbrella agreements to channel funds to a greater number of institutions, there is not always a direct connection between USAID and many of the practitioners providing services to clients. Where possible, MRR collects data on microenterprise clients, even where USAID does not have a direct funding agreement with the implementing institution, for example, institutions that have agreements with USAID-supported umbrella institutions. In this way, MRR is able to report more completely how USAID funding assistance addresses the needs of poor microentrepreneurs worldwide.

Table 13. Microenterprise Institutions Funded in 1999

	Financial Institutions		Financial Policy		Non-Financial Institutions		Non-Financial Policy		Total Obligations	
	Amount US\$ (000's)	Number	Amount US\$ (000's)	Number	Amount US\$ (000's)	Number	Amount US\$ (000's)	Number	Amount US\$ (000's)	Number
Banks	1,428	6	564	1	0		0		1,992	7
Business Associations	210	2	0		2,699	8	0		2,909	10
Consulting Firms	4,758	5	1,442	3	2,863	6	273	2	9,336	14
Cooperatives & Credit Unions	4,543	19	0		841	2	500	1	5,884	20
For-Profits	924	2	0		200	1	0		1,124	3
Government Agencies	0		400	1	0		15	1	415	2
NGOs	31,576	43	0	0	5,095	22	0		36,671	64
Non-Profits	25,080	13	0		0		0		25,080	13
PVOs	25,279	53	528	2	23,329	32	1,786	1	50,922	84
Research & Educational Institutions	800	1	0		1,785	5	110	1	2,695	7
USAID ¹	6,333	12	1,689	2	5,147	9	692	2	13,861	22
Other ²	1,322	5			930	4	380	2	2,632	9
Total³	102,253	161	4,623	9	42,889	89	3,756	10	153,521	255

¹ Mission projects that have not yet committed funds to particular institutions, mission support activities on behalf of microenterprises, and technical assistance and support activities of the office of G/EGAD/MD.
² Includes institutions that do not fit into other categories, such as the International Finance Corporation and the Enterprise Funds of Central Europe.
³ Note that the total of all institutions does not equal the sum of the other institution columns, as 14 institutions received funds for more than one type of activity.

In the four years that MRR has been collecting data from USAID-assisted institutions, the quality of the data has improved markedly. Many more institutions now are able to report on poverty lending than were initially. A challenge for MRR is to verify institutional data on sustainability, which is currently self-reported.

In 1999, 277 microfinance institutions responded to the MRR survey. Ninety received 1999 funding; the remainder received funding in prior years. Of the 80 organizations that provided MRR with data on their business development services, 27 received 1999 funding. Of the 27 policy advocacy organizations that provided MRR with data, only 4 received 1999 funding. All the institutions included in the reporting population are currently being monitored by USAID or through USAID agreements to umbrella institutions.

Because USAID's funding precedes new program implementation, often by several months, funding for a particular fiscal year may not capture all the eventual program uses for that year's funding.

Annex B

SUMMARY OF USAID MICROENTERPRISE FUNDING BY COUNTRY, 1991-1999, US\$ '000's

REGION	COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998	1999
Africa (AFR)										
	Benin							1,835	1,040	1,397
	Botswana	451	627	158						
	Burkina Faso	110	150							
	Burundi	1,020	2,171			543				
	Chad	270	258	1,635	10					
	Eritrea						200	200		
	Ethiopia					330	34		1,049	1,683
	Gambia	37	100	298	10		276			
	Ghana	250	1,050	505			2,584	4,515	4,448	6,322
	Guinea		4,054	1,409	2,210	2,210	500	401	73	1,300
	Guinea-Bissau	40	1,370		1,855		2,575	2,033		
	Kenya	1,608	1,084	270	1,650		2,000	2,904	1,717	2,629
	Madagascar	685	801		550		229	260		225
	Malawi	5,482	3,466	1,953						340
	Mali	3,346	4,329	175	8,251	1,160	148	417	809	3,131
	Mozambique	450	750	180	630		3,373	2,370	2,802	0
	Namibia			280	320	410	712	241		
	Niger			2,795	3		715			0
	RCSA							400		
	REDSO/EA			260						
	Senegal	932	7,040	7,850	3,520	450	932	364	2,500	2,778
	South Africa			3,021		8,016	3,781	3,308	4,005	50
	Swaziland	1,879	3,327							
	Tanzania				1,558	1,478			200	950
	Togo	1,292	1,141							
	Uganda	2,328	2,330	3,358	2,582	2,416	3,044	5,481	5,162	4,752
	Zambia	570	153		500		600	1,000	616	1,500
	Zimbabwe	720	603	5,500	425		350	35		200
	Regional Programs		491	100			800			
AFR Subtotal		21,470	35,295	29,747	24,074	17,013	22,853	25,764	24,421	27,257
Asia/Near East (ANE)										
	Bangladesh		1,500	250	650	1,165	5,670	8,639	7,663	3,388
	Cambodia			112	462	2,398				1,281
	Egypt	24,892	35,554	11,000	17,376	16,020	10,000	15,000	15,000	15,000
	India							428		250
	Indonesia	1,867	2,590		679	2,200		747	866	1,000
	Jordan			1,031	100		500	2,792	3,539	5,739
	Lebanon					2,045		1,000	1,000	2,100
	Morocco			210		1,500	3,600	1,450	990	2,000
	Nepal	840	1,980	2,260	1,950	1,200	50	1,170	1,855	500
	Pakistan	3,417	3,134							
	Philippines	23,866	4,820	2,666		4,802	8,411	3,000	2,746	900
	South Pacific	2,336	564							
	Sri Lanka	1,353	2,873	1,292	482	549	769	200		
	Yemen	821	658							
	West Bank/Gaza						1,888	2,499	3,311	501
ANE Subtotal		59,392	53,673	18,821	21,699	31,879	30,888	36,925	36,970	32,659
Europe and Eurasia (EE)										
	Albania				2,240	2,200	225	1,000	1,000	1,500
	Armenia						553	2,150		
	Azerbaijan						991	4,200		
	Bulgaria				1,564	1,400	771	132	524	1,450
	Caucasus							6,940	2,000	
	Central/Eastern Europe			2,614					200	
	Croatia							500		500

Annex B

SUMMARY OF USAID MICROENTERPRISE FUNDING BY COUNTRY, 1991-1999, US\$ '000's

REGION	COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998	1999
	Czech Republic				569	500				
	Estonia				224	150				
	Europe/Eurasia Region									1,000
	Georgia				870		923	2,027		500
	Hungary				1,197	730			310	
	Kazakstan							244	1,377	1,975
	Kyrgystan				6,200		487	2,878	1,177	1,826
	Latvia				224	430				
	Lithuania				560	600				
	Macedonia					2,500	950	900	500	2,000
	Moldova								60	180
	Montenegro									1,000
	Poland				7,756	4,976	1,693	19,088		
	Romania				896	500	1,405	3,200	2,050	4,547
	Russia				12,810	5,200	2,475	2,139	7,340	7,357
	Slovakia				896	500				
	Tajikistan									101
	Turkmenistan									356
	Ukraine				2,100	450			2,403	1,238
	Uzbekistan									40
ENI Subtotal		0	0	2,614	38,106	20,136	10,473	45,398	18,941	25,570
Latin America and the Caribbean (LAC)										
	Belize	342	266							
	Bolivia	1,442	2,136	3,548	5,532	7,652	1,775	1,800	3,230	1,200
	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		500
	Ecuador			200	250	945	1,094	796	945	758
	El Salvador	11,863	11,882	9,898	19,120	7,788	2,478	3,214	3,800	2,990
	Guatemala			795		647	708	1,974	1,403	9,576
	Guyana			875	350	700		53		30
	Haiti			2,030	1,180	760	3,148	2,868	3,698	7,246
	Honduras	9,783	8,307	6,190		1,187	587	914		5,205
	Jamaica	356	745	946	743	696	442	389		640
	Mexico		65					200		147
	Nicaragua			627	101	1,744	448	1,222	1,440	2,817
	Peru	387	732	4,592	3,011	7,796	3,220	4,447	6,564	5,863
	Regional Programs							1,444		
LAC Subtotal		25,394	25,438	35,589	40,721	32,595	15,200	20,101	21,080	36,972
CENTRAL BUREAUS										
Global										
	Business Development								3,150	10,750
	Development Credit	400	500	450				61	573	375
	Emerging Markets		4,136				2,800			
	Microenterprise	2,595	3,145	3,793	4,909	22,416	20,194	28,534	24,994	12,288
	Housing (RHUDO)						300			
	Women in Development	216	730				645			
Global Subtotal		3,211	8,511	4,243	4,909	22,416	23,939	28,595	28,717	23,413
Bureau for Humanitarian Response (BHR)										
	Private & Voluntary Coop.	4,148	3,381	4,989	7,887	9,494	8,005	8,289	8,316	7,650
BHR Subtotal		4,148	3,381	4,989	7,887	9,494	8,005	8,289	8,316	7,650
SUBTOTAL for Central Bureaus		7,359	11,892	9,232	12,796	31,910	31,944	36,884	37,033	31,063
GRAND TOTAL		113,615	126,298	96,003	137,396	133,533	111,358	165,072	138,445	153,521