

# 2016 MICROENTERPRISE RESULTS REPORT

## THE DIVERSIFICATION OF MICROENTERPRISE PROGRAMS

USAID has supported microenterprise development for nearly 40 years. USAID's work helped establish the microfinance industry, which currently conducts nearly \$1 trillion a year in transactions and services around the world. It now supports financial inclusion as well as enterprise development through new financial products and services beyond credit—housing loans, health insurance, and mobile or digital payments. Such support has become part of many USAID programs.

As recently as Fiscal Year (FY) 2010, all microenterprise obligations reported through Microenterprise Results Reporting (MRR) were categorized as economic growth activities. However, by FY 2013, economic growth activities represented only 28 percent of the MRR portfolio, and reached just 25 percent in 2016.

In recent years, the majority of microenterprise activities were through programs supporting agriculture development: 69 percent in FY 2013; 52 percent in FY 2016. By FY 2016, USAID saw a significant increase in the percentage of activities that support microenterprise as part of programs under other categories, including: counter-narcotics and conflict mitigation (10 percent), environment (8 percent) health (1 percent), and education (less than 1 percent).

Microenterprises have a role in reaching 16 of the 17 Sustainable Development Goals (SDGs)—from ending poverty to promoting peaceful and inclusive societies. Diversification of microenterprise programs is likely to be continued.

## FY 2016 RESULTS FOR MRAA REPORTING REQUIREMENTS

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

In FY 2016, USAID invested \$260 million in microenterprise activities across 31 countries and 93 projects. A full listing of all microenterprise recipients is provided at <<https://mrr.usaid.gov/>>.

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

There is no longer a need for a central mechanism dedicated to microenterprise development as microenterprise development has been effectively incorporated in activities across many sectors and mechanisms in every region.

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

USAID further expands the capital base for microenterprises through a partial credit guarantee program managed by its Office of Development Credit. Some of these guarantees encourage lenders (e.g., banks) to extend credit to microfinance institutions (MFIs) by mitigating a portion of the real or perceived risk. As a result, these guarantees help MFIs to expand their portfolios and to provide new products and services to microenterprise clients that would not be served otherwise. In other partnerships, USAID guarantees a portion

of the portfolio of micro-loans made by MFIs, which ultimately helps increase access to credit for micro-entrepreneurs.

USAID's 92 active microfinance guarantees in FY 2016 have the potential to leverage up to \$565 million in private sector capital. In FY 2016, USAID issued 13 new guarantees with the potential to leverage \$109 million in private capital in support of microenterprises. A list of microfinance credit guarantees is provided at: <https://catalog.data.gov/dataset/development-credit-authority-dca-guarantee-utilization-and-claims>.

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

USAID supports microenterprise development through a wide array of implementing partners and funding mechanisms. In addition, implementing partners often make sub-awards in the form of grants or contracts. These types of awards enhance USAID's ability to involve smaller partners and local organizations that offer valuable skills and expertise without having to implement a large award. Of the \$260 million in microenterprise development funding recorded in FY 2016, USAID obligated 73 percent (\$189 million) through contracts, and 27 percent (\$71 million) through grants, cooperative agreements, DCAs, inter-agency agreements, awards to public international organizations, and support to host governments. In addition, 15 percent (\$40 million) was obligated through subcontracts and 10 percent (\$27 million) through sub-grants and cooperative agreements to direct service providers. Out of the 33 projects reporting such assistance, 73 percent of USAID partners achieved financial sustainability.

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

In addition to the DCA projects, 27 other USAID activities reported mobilizing over \$34 million in private resources in FY 2016, with an average leverage of over 50 percent.

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

Thirty USAID activities reported that \$57 million or 22 percent of funding supported the very poor. Five of the 30 activities which reached the very poor reported using a Poverty Assessment Tool (PAT) or the Progress out of Poverty Index (PPI) in FY 2016.

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

USAID estimates assistance reached 3,376,783 very poor beneficiaries.

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

USAID continues to support poverty assessment tools for 37 countries, as well as country guides, resources, an implementation manual, and a help desk for implementing partners to help them assess their success in reaching the poor and the very poor. "Very poor" is defined as being the poorest 50 percent of populations living below the poverty line by a given country, or those living on less than \$1.25 per day.<sup>1</sup>

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<sup>1</sup> The International Poverty Line was updated to \$1.90 in October 2015. The MRAA has not yet been updated to reflect this change.

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

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

In FY 2016, \$73 million was reported as targeted towards victims and potential victims of human trafficking and women who are victims of, or susceptible to, other forms of exploitation and violence.

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

Throughout much of the world, social exclusion because of race or ethnicity is strongly associated with socioeconomic status and economic opportunity. One pathway to advance economic well-being is through microenterprise. In FY 2016, an estimated 40 percent of beneficiaries of USAID microenterprise development activities lived in countries where there is a strong relationship between social exclusion because of race or ethnicity and poverty, including in Ghana, Rwanda, South Africa, Tanzania, Uganda, Zimbabwe, Bangladesh, Indonesia, Azerbaijan, Kosovo, Colombia, Peru, and Pakistan.

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

Results reported in TABLE A, page 5.

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

This report responds to the annual reporting requirements of the Microenterprise Results and Accountability Act of 2004. To limit the report's length and reduce costs, supporting data is available on-line at [mrr.usaid.gov](http://mrr.usaid.gov). The website enables users to explore the data, access previous reports, and compare information across years.

## EXAMPLES OF FY 2016 USAID MICROENTERPRISE PROGRAMS

**DCA Guarantees** provides opportunities for women in Cambodia, the Philippines and Vietnam to access credit. The \$15 million DCA guarantee, co-funded with Australia's Department of Foreign Affairs and Trade, supports the Women's Livelihood Bond which will be traded on the world's first social stock exchange. Proceeds from the bond will be lent to a limited number of microfinance institutions (MFIs) and impact enterprises focused on supporting women's livelihood development through access to credit, income-generating assets, and vocational training.

**The Rural Finance Initiative (RFI) in Colombia** uses milestone, performance-based grants to connect financial intermediaries with rural clients so they can invest in improving productivity. Since its inception in August 2015, the RFI has mobilized \$198,195,150 in funds, and facilitated the approval of roughly 49,000 credit loans, 15,402 insurance policies, as well as the opening of more than 82,145 savings accounts benefiting approximately 146,000 people. Furthermore, 26 new banking correspondents and seven new branch offices have started operations thanks to RFI's incentive grants. RFI has awarded incentive grants to eight financial institutions totaling \$1,379,930, which were matched by an additional \$4,374,833 of funds from the supported financial institutions.

**A clean water social enterprise franchisee participating in USAID's Partnering to Accelerate Entrepreneurship (PACE)** provides ownership and support for its entrepreneur franchisees. By providing "business in a box" tools and systems, the company, Jibu, helps individuals own and operate their own businesses, while creating a distribution network of entrepreneurs providing permanent access to affordable water. USAID's funding provided the working capital needed to purchase the equipment for its franchise expansion. Jibu ensures that its franchisees receive both the financing and the support they need to grow. As of January 2017, Jibu has created 426 jobs through 38 franchises and over 100 micro-franchises. It has sold more than 20.7 million liters of water to 312,000 customers, more than half of whom had previously been drinking unsafe water.

**Financing Ghanaian Agriculture Project (FinGAP)** took a two-prong, pay-for-performance approach to mobilizing investments in support of small holder farmers and others in agriculture-related value chains. FinGAP assembled Ghanaian business advisory services (BAS) providers to help identify investment opportunities critical to expanding and upgrading the value chain. It also supported financing for those investments by Ghanaian banks, MFIs, and investment funds, often through blended capital. Over \$115 million in new financing has been disbursed for investments in targeted value chains, generating sub-award resource grants to BAS providers and capital providers of over \$3 million.

**TABLE A: Performance Goals and Results Estimates, FY 2016**

	FY 2016 Goals	FY 2016 Results
Number of microenterprise clients who are borrowers (Out of 46 Projects) <sup>2</sup>	500,000	512,601
% Women	60%	77%
% Rural	40%	87%
Number of microenterprise clients who are savers (Out of 37 Projects )	1,000,000	934,720
% Women	60%	64%
% Rural	40%	89%
Total number of microenterprise borrowers and savers	1,000,000	1,004,302
Number of microenterprises supported directly by Partners (Out of 71 Projects)	400,000	1,438,235
% Women	40%	49%
% Rural	75%	96%
Total number of microenterprise employees	500,000	3,460,744 <sup>3</sup>
Total number of microenterprise beneficiaries	2,650,000	11,644,080
% of USAID partners that achieved financial sustainability (Out of 45 Projects)	50%	56%
% of funds benefiting the very poor (representing \$56 million in FY 2016 funding)	50%	22%
Estimated number of very poor reached	1,325,000	3,376,783

**New Performance Goals and Results Estimates, FY 2016<sup>4</sup>**

Number of people trained in financial literacy, business management and/or sector-specific skills	n/a	1,168,418
Number of people covered by digital, mobile or technologically-based financial service	n/a	277,361
% Women	n/a	39%
% Rural	n/a	67%
Number of debt insurance holders among microenterprise beneficiaries	n/a	313,542
Number of life/funeral insurance holders among microenterprise beneficiaries	n/a	35,336
Number of agricultural insurance holders among microenterprise beneficiaries	n/a	9,078

<sup>2</sup> Given the current diversity and evolution of microenterprise programming, not all projects report on each element. In addition to these categories, 20 projects reported supporting microenterprise enabling environment, 25 reported supporting micro-insurance, 25 reported supporting catalyzing private investment for microenterprise, reported supporting digital and mobile finance, and 29 reported supporting Village Savings and Loan Associations.

<sup>3</sup> This shift from borrowers and savers to other support activities is the result of the inclusion of more activities which include a microenterprise component, but are part of larger programs

<sup>4</sup> As these are new data points that capture financial services, goals were not set for FY 2016. Performance goals will be set for FY 2017.

## **LIST OF ACRONYMS**

BAS	Business Advisory Services
DCA	Development Credit Authority
E3	Bureau for Economic Growth, Education and Environment
FY	Fiscal Year
MFI	Microfinance Institution
MRR	Microenterprise Results Reporting
MRAA	Microenterprise Results and Accountability Act of 2004
MSME	Micro, Small and Medium Enterprise
PACE	Partnering to Accelerate Entrepreneurship
PAT	Poverty Assessment Tool
PCM	Office of Private Capital and Microenterprise
PPI	Progress out of Poverty Index
RFI	Rural Finance Initiative
SDG	Sustainable Development Goals
USAID	U.S. Agency for International Development

## **ABOUT THE REPORT**

The U.S. Agency for International Development (USAID) Fiscal Year (FY) 2016 Microenterprise Results Report responds to the annual reporting requirements of the Microenterprise Results and Accountability Act of 2004 (MRAA). See the legislation at:

<https://www.congress.gov/108/plaws/publ484/PLAW-108publ484.pdf>

The report was compiled by the Office of Private Capital and Microenterprise (PCM) in the Bureau for Economic Growth, Education and Environment (E3) utilizing a team of consultants with DevTech Systems.