



2018 MICROENTERPRISE RESULTS REPORT

The U.S. Agency for International Development (USAID) is submitting this report pursuant to the requirements of the Microenterprise Results and Accountability Act (MRAA) of 2004 (Public Law 108-484) which states, “the Administrator of the Agency, acting through the Director of the office, shall submit to the appropriate congressional committees a report that contains a detailed description of the implementation of this title for the previous fiscal year.” Specifically, this report summarizes USAID’s investments in microfinance and microenterprise development during Fiscal Year (FY) 2018, and addresses the 12 reporting requirements included in the MRAA.

INTRODUCTION

USAID expands financial inclusion and microenterprises in developing countries, including in remote and post-conflict areas. This work spans many of the sectors in which USAID operates, from health and education to counter-narcotics and natural-resource management, while agriculture remains the sector with the most microenterprise activity. The Agency also works with host-country governments, telecommunications companies, and financial institutions to expand digital financial services, which grew at double-digit rates in the developing world in 2017.¹

Not only do enterprise-driven development and access to finance remain important aspects of USAID’s programming to foster self-reliance, a growing body of evidence demonstrates that societies with greater equality between women and men experience faster economic growth and benefit from greater agricultural productivity and improved food security. The enactment of the Women’s Entrepreneurship and Economic Empowerment Act of 2018 (WEEE Act) supports the Agency’s work in finance, enterprise development, and other areas to connect women to economic opportunities at all levels, from improving the lives of very poor women in Kenya to helping fast-growing, women-owned small businesses gain access to much-needed capital in Kosovo.

USAID Missions, Bureaus, and Independent Offices reported investing \$217 million in microenterprise-development activities² in FY 2018—more than 53 percent of which supported agricultural programs. Programs in alternative livelihoods represent a growing portion of the Agency’s microenterprise work, at nearly 20 percent.³

Because of the evolution of best practices in microenterprise programming since the enactment of the MRAA in 2004, including advancements in methodologies for reaching the very poor and measuring poverty—as well as its successful integration into other programming such that partners do not often implement it as a stand-alone intervention—the reporting indicators originally required by the statute no longer reflect progress in financial inclusion and microenterprise programming at USAID. To better capture the impact of these activities, future reports to Congress will address the requirements of the recently enacted WEEE Act, which amended the MRAA.

RESULTS AGAINST THE MRAA’S REPORTING REQUIREMENTS IN FY 2018

Requirement 1) Funding: The number of grants, cooperative agreements, contracts, contributions, or other forms of assistance provided under Section 252 of the MRAA, 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 that are receiving assistance authorized by Section 252.

In FY 2018, USAID microfinance and microenterprise-development activities obligated \$217 million across 51 countries and 142 projects. A full listing of all microenterprise recipients appears at <https://mrr.usaid.gov/>.

¹ 2018 Microfinance Barometer, which reports on access to, and usage of, mobile money.

² Activities aimed at encouraging the formation of microenterprises or promoting the improved performance of existing microenterprises.

³ Breakdown: Agriculture: 53.8 percent; Alternative Development and Livelihoods: 19.9 percent; Private-Sector Productivity: 18.9 percent; Health: 2.10 percent; Biodiversity and the Management of Natural Resources; 2.08 percent; Other Sectors: 3.2 percent.

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

USAID no longer funds a central mechanism (grant, cooperative agreement, or contract) dedicated to microenterprise, as the Agency's Missions have incorporated this work in country-level programming effectively across many sectors and mechanisms in every region.⁴

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

USAID expands the capital base for microenterprises through a partial-credit-guarantee program managed by the Office of Development Credit (DCA). Some guarantees encourage 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 expand their lending and provide new products and services to microenterprise clients that would otherwise not have access to capital. In other partnerships, USAID guarantees a portion of the portfolio of MFI micro-loans, which ultimately helps increase access to credit for micro-entrepreneurs.

USAID's 111 active microfinance guarantees in FY 2018 have leveraged or will leverage an estimated amount of approximately \$884 million in private-sector capital. In FY 2018, USAID issued six new guarantees with the potential to leverage \$64 million in private capital in support of microenterprises. A list of USAID's microfinance credit guarantees is available at: <https://data.usaid.gov/Evaluation/Development-Credit-Authority-DCA-Guarantee-Utiliza/rf8e-mnf8>.

DCA will become part of the new U.S. Development Finance Corporation (DFC) on the day the DFC becomes effective (currently anticipated to be in October 2019), and USAID's existing portfolio of loan guarantees will transfer with it at that time.

Requirement 4) USAID Recipients: The level of funding provided through contracts, grants, and cooperative agreements that is estimated to be sub-granted or subcontracted, 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 finances the development of microenterprise through a wide array of implementing partners and several funding mechanisms. In addition, implementing partners often make sub-awards in the form of sub-grants or sub-contracts that support smaller partners and local organizations, which provide them with valuable skills and expertise without having to implement a large award. Of the \$217 million in microenterprise-development funding recorded in FY 2018, USAID obligated 54.2 percent (\$117 million) through contracts, and 43.2 percent (\$93.8 million) through grants, cooperative agreements, DCA guarantees, interagency agreements, awards to public international organizations, and support to host governments. Over forty percent of the partners that implemented microenterprise activities used sub-contracts, sub-grants, and microloans to achieve results. Out of 43 projects that reported relevant programming, 39.4 percent of partners achieved financial sustainability.

Requirement 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, multilateral funding, commercial and concessional borrowing, savings, and program income.

In addition to DCA projects, other USAID activities reported mobilizing an aggregate amount of more than \$112 million in private resources in FY 2018, with an average leverage of more than 163 percent of USAID's contribution.⁵

⁴ The last year for which USAID reported programming through a central mechanism was FY 2014.

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

Requirement 6) Percentage of Very Poor: The percentage of assistance furnished under Section 252 allocated to the very poor based on the data collected using the certified methods required by Section 254.⁶

USAID uses the definition of “very poor” in the MRAA, which is the poorest 50 percent of people who are living below the poverty line in a given country, or those who are living on less than \$1.25 per day.⁷ USAID Operating Units reported funding a total of seven activities valued at \$5.6 million during FY 2018 under Section 252, of which \$2.8 million, or 49 percent, of funding supported the very poor. One activity used a Poverty-Assessment Tool. The other activities used the World Bank Consumption Expenditure Tool, a project’s annual impact survey, and other methods for assessing activity impacts that benefit the very poor. Twenty additional programs noted that they explicitly targeted the very poor by using alternative methods.

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

Based on the seven reported activities, the Agency could extrapolate that its funding for microenterprise activities reached more than 1.79 million very poor beneficiaries. These figures do not include programs in digital finance or other activities, and are only estimates.

Requirement 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.

Requirement 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 non-governmental 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 the development of microenterprise enable the most vulnerable and marginalized populations to contribute to—and benefit from—economic growth and stability. USAID’s microenterprise-development programs have long supported victims and potential victims of human trafficking, and women who are susceptible to other forms of exploitation and violence. Such efforts span several sectors and activities. For example, many Village Savings and Loan Association programs not only help those who lack access to formal financial services to save and borrow, but also incorporate training in literacy, numeracy, community action, and the prevention of gender-based violence and trafficking.

In FY 2018, USAID provided \$14.7 million across 24 microenterprise development programs to support victims and potential victims of human trafficking and women who are victims of, or susceptible to, other forms of exploitation and violence.

Requirement 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.

In parts of the world, social exclusion because of race or ethnicity can have a strong association with socioeconomic status and economic opportunity. One pathway to advance economic well-being is through microenterprises. In FY 2018, an estimated 48 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 Afghanistan, Burma, China, Colombia, the Democratic Republic of the Congo, El Salvador, Egypt, Ghana, Guatemala, Haiti, Honduras, Indonesia, Kenya, Kosovo, Laos, Nepal, Mali, Mozambique, Pakistan, Perú, Somalia, South Sudan, Sri Lanka, Sudan, Uganda, and Zambia.

⁶ Because of resource constraints, USAID has not created or updated Poverty Assessment Tools since 2012.

⁷ The International Poverty Line, used by most of the development community, increased to \$1.90 per day in October 2015. The MRAA defines “the very poor” as those who are living on less than \$1.25 per day.

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

USAID reports its performance-monitoring system results for FY 2018 in Appendix A.

Requirement 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 MRAA. For supporting data, please refer to information at mrr.usaid.gov, which enables users to explore the numbers, access previous reports, and compare information across years.

EXAMPLES OF USAID-FUNDED MICROENTERPRISE PROGRAMS IN FY 2018

The ACCESS to Markets Activity in the western part of the Republic of Honduras works to improve the lives of extremely poor people by increasing their ability to generate income, reduce malnutrition, produce higher-value agricultural commodities competitively, gain access markets and finance, as well as resist market and climatic shocks. Since December 2014, across ACCESS's targeted communities, stunting in children under the age of five has dropped 20 percent; more than 73,000 people have received training; lenders have made more than \$7.6 million in loans; sales of agricultural commodities have increased more than \$30 million; nearly 3,000 jobs have been created; and beneficiary household incomes have more than doubled from \$0.98 per person per day to \$1.99.

The Empower Private-Sector Activity in the Republic of Kosovo creates jobs by elevating the competitiveness of Kosovar firms like Milos and Marta Bakery. For example, after Dragica Antonijevic lost her factory job, she started producing baked goods at home, by using family recipes passed down from her mother and grandmother, and formed a bakery named after her children. As the popularity of her products increased, Dragica and her husband had a hard time meeting the growing demand. As a result of USAID Empower, Dragica and Bojan secured a bank loan for their Milos and Marta Bakery that enabled them to buy a new facility and equipment. Sales have since quadrupled, and they have hired nine new employees to support this growth. At the close of FY 2018, Empower had assisted 364 Kosovar businesses like Dragica's to expand their production, which has produced a total of \$83.8 million in new sales and 2,973 new jobs.

The *Adaptasi Perubahan Iklim dan Ketangguhan* (APIK) program in the Republic of Indonesia facilitates partnerships and collaboration between non-governmental organizations (NGOs), the private sector, and local communities to build resilience and foster innovation. For example, APIK worked with a local NGO and two universities to introduce climate and weather information, an early-warning system, and smart agriculture and sustainable fisheries to farmers and fisherfolks in East Java and Southeast Sulawesi. This will help farming and fishing communities make more-informed decisions to become more resilient. In another case, USAID worked with a bank, an insurance company, and an agri-business company to encourage investment. The insurance company provided loan insurance, which reduced the risks for the banks and the farmer borrowers. Farmers were then willing and able to invest in higher-quality seeds and other inputs, as well as make informed decisions about when to plant and harvest, which resulted in an increased yield of corn from an average of three to four tons per hectare to more than eight tons per hectare.

The Kenya Livestock Market Systems Activity in the Republic of Kenya under the Rural Entrepreneur Access Project (REAP), which is part of Feed the Future, employs the poverty-graduation model to help extremely poor women gain financial, business, and life skills, and provides them with assets to start an income-generating activity with two years of ongoing training and mentorship. Through this program, Rukia Liban, a 33-year-old mother of eight, has already been able to stop selling cigarettes and pre-paid phone cards at razor-thin profit margins to join

forces with two other local women to enter the heavily male-dominated—and much more lucrative—livestock sector, where they expect to earn profits of roughly \$20-35 per goat, which they will then divide and reinvest in more goats. Rukia is confident their operation will be successful, which can serve as an example for other women in their traditionally patriarchal society. The program plans to engage 5,460 women like Rukia and her business partners across the five targeted counties over two years to empower them to escape poverty.

Community Development and Licit Opportunities (CDLO) Activity in the Republic of Colombia provides support for microentrepreneurs to find alternative livelihoods to producing illicit crops. Claudia Arcila of Tarazá lost two brothers because of conflict, while two others were displaced. With limited economic opportunities, she and countless others in similar predicaments once resorted to the production of illicit crops to survive and support their remaining family members. After 52 years of armed conflict, CDLO is working to bring vulnerable citizens like Claudia together to participate in their own development through new licit activities, connections to local and national markets, and public-private alliances with community organizations to build cooperation and trust. Because of USAID’s investments, Arcila and other Colombians in rural areas are creating a more-promising future for their communities, including through a 25-percent increase in sales for producer associations and by leveraging at least \$80 million in private-public funds to advance local development initiatives they prioritized.

Strengthening Entrepreneurship and Enterprise Development (SEED) in the Arab Republic of Egypt supports economic development by making it easier for businesses to formalize. Excessive bureaucracy can make microentrepreneurs more reluctant to register their business activities and transition from the informal to formal economic sectors. Before SEED, more than 55 percent of firms surveyed in Upper Egypt reported that it took more than three months to register their businesses, while 21 percent reported that it took over a year. To address this, USAID collaborated with the Sohag Chamber of Commerce to revamp the Sohag One-Stop-Shop (OSS) to facilitate the process of commercial registration and speed up economic development in the Governorate. In the first year, the OSS served 6,064 clients, who noted in surveys that the new processes were easy and fast enough that they no longer felt the need to send lawyers or agents to conduct business on their behalf—a change that saves them both time and money, which they now can use to grow their businesses.

In the Republic of Guinea, the SAVY Apprenticeship in Agricultural Extension, Entrepreneurship, and Rural Innovation training program is transforming the lives of unemployed college graduates by helping them start businesses with growth potential that also serve their communities. A total of 85 Guinean youth have graduated from this program. As a result of this training, graduate Amadou Diarouga Diallo identified a business opportunity to clear, weed, plant, and harvest large plantations and provide temporary employment to dozens of unemployed young people in his village. With USAID’s funding, his business has grown to employ 50 permanent workers who receive training in improved farming techniques that benefit clients’ farms. He has plans to expand across the region and beyond, stating, “My goal is to attract young Guineans who are tempted to go to Europe, retain them and provide them with job opportunities ... together we can accomplish huge success, as there is a great potential to work for people who want to invest in agriculture.”

Mboga na Matunda in the United Republic of Tanzania employs market-facilitation strategies to drive growth in the horticultural value-chain. The program’s private-sector supplier partners demonstrate modern farming technologies, and, with USAID’s funding, provide training to smallholder farmers to increase their productivity and profits. Targeted smallholder farmers gain access to finance and new buyers, which enables them to increase their investments for inputs, which to date have realized an additional \$1.2 million in sales. This market-facilitation approach has benefited an estimated 192,000 smallholder farmers and catalyzed over \$11.5 million in private-sector investment in agriculture through the end of FY 2018.

Appendix A: Performance Goals and Estimates of Results for Investments in Microenterprise by the U.S Agency for International Development in Fiscal Year (FY) 2018

	FY 2018 Goals	FY 2018 Results
Number of microenterprise clients who are borrowers (38 of the 142 projects reporting) ⁸	250,000	281,687 ⁹
Percentage Women	60%	50%
Percentage Rural	40%	92%
Number of microenterprise clients who are savers (29 projects reporting)	250,000	197,316
Percentage Women	60%	75%
Percentage Rural	40%	99%
Total number of microenterprise borrowers and savers ¹⁰	500,000	479,003
Number of microenterprises supported directly by partners (69 projects reporting)	400,000	836,607
Percentage Women	40%	49%
Percentage Rural	75%	98%
Total number of microenterprise employees ¹¹	500,000	1,074,049
Total number of microenterprise beneficiaries ¹²	2,650,000	3,654,614
Percentage of USAID partners that achieved financial sustainability (50 projects reporting) ¹³	50%	52%
Percentage of funds that benefited the very poor ¹⁴ (27 projects reporting)	50%	18% ¹⁵
Estimated number of the very poor reached (27 projects reporting)	1,325,000	1,786,589 ¹⁶
Number of people trained in financial literacy, business-management and/or sector-specific skills (78 projects reporting)	250,000	996,211
Number of people covered by digital, mobile, or technologically based financial services (19 projects reporting)	250,000	398,911
Percentage Women	40%	48%
Percentage Rural	60%	76%
Number of insurance-holders among microenterprise beneficiaries (eight projects reporting)	60,000	97,944

⁸ Given the current diversity and evolution of microenterprise programming, not all projects report on each element.

⁹ Most USAID microenterprise programming supports development of ecosystems that benefit microenterprises less directly than in the past, such as connecting them to financial providers within existing value-chains, or forming self-managed community savings groups, both of which are frequently replicated and scaled without requiring USAID's funding and occur in sectors such as health and counter-narcotics that often do not require collecting data on access to finance. As a result, specific data on individual borrowers and savers are not always available.

¹⁰ Many beneficiaries are both savers and borrowers.

¹¹ Number of people employed directly.

¹² The amount of people directly and indirectly employed by recipient microenterprises, the number of borrowers and savers they support, and insurance-holders.

¹³ Includes all projects involved in microcredit, micro-insurance, and savings without borrowing.

¹⁴ The MRAA defines "the very poor" as those who are living on less than \$1.25 per day.

¹⁵ Evidence shows that traditional microfinance and microenterprise-development programming, such as access to credit and training, has limited impact on the very poor (those who are living on less than \$1.25/day). Loans to these populations, which have limited to no capacity to withstand even minor shocks, can lead to indebtedness. Very poor populations who suffer from malnutrition and stunting cannot fully benefit from training. USAID provides other support that enables these populations to become more "market -ready" over time, such as the Graduation Approach—which is a sequenced, multi-sector intervention designed to equip participants with the tools, livelihoods, and self-confidence to sustain themselves and their families at the end of the program.

¹⁶ Fewer microenterprise projects work directly with very poor beneficiaries; however, programming in market systems can help the very poor with better access to affordable, much-needed products and services.

