

# 2015 MICROENTERPRISE RESULTS REPORT

## LIST OF ACRONYMS

DCA	Development Credit Authority
E3	Bureau for Economic Growth, Education and Environment
FY	Fiscal Year
GLAC	Grupos Locales de Ahorro y Crédito
MFI	Microfinance Institution
MRR	Microenterprise Results Reporting
MSME	Micro, Small and Medium Enterprise
PCM	Office of Private Capital and Microenterprise
USAID	U.S. Agency for International Development

## ABOUT THE REPORT

The U.S. Agency for International Development (USAID) Fiscal Year (FY) 2015 Microenterprise Results Report responds to the annual reporting requirements of the Microenterprise Results and Accountability Act of 2004 (MRAA). The report was compiled by the Office of Private Capital and Microenterprise (PCM) in the Bureau for Economic Growth, Education and Environment (E3). To limit the report's length and reduce costs, all data is available via an interactive, online platform at [mrr.usaid.gov](http://mrr.usaid.gov). The website enables users to explore the data, access previous reports and compare information across years.

## PROGRAM FOCUS

For more than 35 years USAID has supported microenterprise development around the world. As a result of decades of support from USAID and the international donor community, the microfinance industry reached an estimated \$95.1 billion in 2013. In 2013 and 2014, the annual increase in the number of borrowers was roughly 10 percent. It now relies much less on donor support. In fact, more than half of the financing provided by microfinance institutions (MFIs) now comes from deposits, with much of the remaining from private capital sources.<sup>1</sup>

Building on the success of the microfinance industry, USAID microenterprise efforts have evolved from focusing on microfinance to an approach that places greater emphasis on financial inclusion. This approach is designed to: catalyze private capital investment in microfinance institutions and microenterprises; engage a wider set of institutions in providing financial services and products; and use digital financial services, such as mobile banking, to reach greater numbers of customers at lower cost, especially women, the extreme poor and the most vulnerable. Acknowledging that the development and growth of local enterprises is critical to ending extreme poverty and that financial inclusion is important to achieving many of the Sustainable Development Goals, USAID incorporates microenterprise development into its activities in a number of sectors.

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<sup>1</sup> <http://www.convergences.org/en/bibliotheque/microfinance-barometer-2015/>

## FY 2015 RESULTS FOR THE ANNUAL REPORTING REQUIREMENTS OF THE MRAA

**1) Funding:** The number of grants, cooperative agreements, contracts, contributions, or other form of assistance provided under section 252, with a listing of:

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 2015, USAID invested \$280 million in microenterprise activities across 35 countries and 136 projects. The full listing is available at [mrr.usaid.gov](http://mrr.usaid.gov).

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

USAID no longer supports a fixed central mechanism dedicated to microenterprise development because microenterprise development has been effectively incorporated in activities across many sectors and mechanisms, in both the field and in Washington.

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

USAID further expands the capital base for microfinance through a partial credit guarantee program managed by its Office of Development Credit. Some of these guarantees encourage lenders (i.e., 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 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 also launched an innovative bond securitization guarantee that will provide capital market financing to MFIs in 2015.

USAID's 114 active microfinance guarantees in FY 2015 have the potential to leverage up to \$755 million in private sector capital. In FY 2015, USAID issued 19 new guarantees with the potential to leverage \$235 million in private capital in support of microenterprises. A list of reported microfinance credit guarantees is provided at:

[catalog.data.gov/dataset/development-credit-authority-dca-guarantee-utilization-and-claims](http://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 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 programs microenterprise assistance through a wide array of implementing partners and funding mechanisms. In addition, implementing partners frequently 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. Of the \$280 million in microenterprise development funding in FY 2015, USAID obligated 42 percent (\$117 million) through contracts, and 58 percent (\$163 million) through grants and cooperative

agreements. Of these funds, 15.8 percent (\$44 million) was sub-obligated through sub-contracts and 43.7 percent (\$122 million) was sub-obligated through sub-grants and cooperative agreements to direct service providers. While the sample of partners reporting on operational sustainability in FY 2015 was small (15 projects), 67 percent report sustainability. As in previous years, the choice of assistance instrument was not a factor in determining 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, multilateral funding, commercial and concessional borrowing, savings, and program income.

The Development Credit Authority projects have the potential to leverage up to \$235 million in credit from commercial lenders in FY 2015. \$5 million in microenterprise assistance was matched by other donors. In addition, 20 USAID projects reported supporting microenterprise enabling environment development which helps enable microfinance institutions to accept deposits. Although a precise figure is unavailable, the Microfinance Barometer 2015 found that 55 percent of MFI's funding now comes from deposits — an inexpensive form of capital. USAID has played an important role in this trend which results in ongoing matching assistance. Donor dollars from decades past for microcredit loans continue to be re-circulated to benefit the poor and extreme poor.

**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.

USAID estimates that \$18,163,327 or 29 percent of funding supported the very poor. This is calculated by determining the percent of very poor assisted out of 21 projects reporting a Poverty Assessment Tool (PAT) or Progress out of Poverty Index (PPI) and applying this percentage to total funding for FY 2015.

**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 assess success in reaching the poor and the very poor, to compare poverty levels in different areas, or to track changes in poverty levels over time. “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.

**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 programs not only help those that lack access to formal financial services save and borrow, they often incorporate training in literacy, numeracy, community action, gender-based violence and trafficking. USAID's Countering Trafficking in Persons in Ukraine project has conducted 13 microenterprise development trainings for 268 victims of trafficking from 16 oblasts. It has also provided 161 grants to victims of trafficking who started 94 microenterprises in agriculture and retail trade.

**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 due to race or ethnicity is strongly associated with socioeconomic status and economic opportunity. One pathway to advance economic well-being is through microenterprise. In FY 2015, an estimated 23 percent of beneficiaries of USAID microenterprise development activities lived in countries where there is a strong relationship between social exclusion due to race or ethnicity and poverty, including in Guatemala, Haiti, Burma, Pakistan, Afghanistan, Angola, Kenya, Uganda, South Sudan, and Nigeria. In Guatemala for example, USAID has provided support to subsistence

farmers who survived the violent civil war so they could form a thriving micro-enterprise which grows, sorts and packages string beans for export.

**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.

See TABLE 1, 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.

For additional information, see [mrr.usaid.gov](http://mrr.usaid.gov).

**TABLE I: Performance Goals and Results Estimates, FY 2015**

	FY 2015 Goals	FY 2015 Results
Number of microenterprise clients who are borrowers (Out of 15 Projects) <sup>2</sup>	1,250,000	614,202
% Women	60%	58%
% Rural	40%	81%
Number of microenterprise clients who are savers (Out of 24 Projects )	1,750,000	5,717,703
% Women	60%	61%
% Rural	40%	62%
Total number of microenterprise borrowers and savers	1,750,000	5,986,845
Number of microenterprises supported directly by Partners (Out of 89 Projects)	400,000	1,356,357
% Women	40%	44%
% Rural	75%	94%
Total number of microenterprise employees	500,000	5,657,235 <sup>3</sup>
Total number of microenterprise beneficiaries	2,650,000	11,644,080
% USAID microfinance partners that achieved sustainability (Out of 15 Projects)	50%	67%
% Funds benefiting the very poor (representing \$18,163,327 FY2015 funding)	50%	29%
Estimated number of very poor reached	1,325,000	3,376,783

<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 micro-insurance, 25 catalyzing private investment for microenterprise, 11 digital and mobile finance, and 29 Village Savings and Loan Associations.

<sup>3</sup>The substantial increase is due to the inclusion of more activities which include a microenterprise component, but are part of larger programs, such as in health, environment, alternative livelihoods, and agriculture — 89 of the projects reporting included microenterprises participating in value chain activities.

## EXAMPLES OF HOW USAID IS MAKING A DIFFERENCE

### **Community banking fosters entrepreneurship in**

**Colombia:** Doña Orfelía Amaya, 60, was no stranger to economic challenges. As the owner of a small grocery store in the small village of La Paulina, in Northern Colombia, Doña Orfelía barely made enough to support her family when her husband suffered a stroke that left him incapacitated and her as the sole “bread winner.” Looking for new opportunities to get by, Doña Orfelía joined the local savings and loan group (GLAC for its Spanish acronym) — a USAID-supported community-banking program to stimulate savings and small loans in areas lacking formal financial services, but expanded to also spur small business creation and empower women across conflict-affected municipalities.

As a result of USAID support, this community-banking model includes a network of nearly 2,000 savings and loan groups with more than 27,000 participants — 70 percent of them women like Doña Orfelía — who have collectively saved more than \$2.4 million.

In addition, USAID facilitated partnerships between interested GLACs and various national and international businesses to leverage the GLAC network to sell and distribute previously unavailable products and services to marginalized communities. MovilWay, the largest e-payment service provider in the region, was among the first to partner with the savings and loan groups in conflict-affected municipalities.

Through this program of savings and loan groups, business development support, networks and partnerships with larger firms and supply chains, Doña Orfelía’s income has grown 560 percent. “Thanks to the [program] I’ve been able to increase my income, support my family, and provide a new service for the rest of the community.”

### **Opening Armenia’s capital markets to microfinance**

**institutions:** USAID, through a bond guarantee, has launched an important and pioneering project to provide \$2 million in

capital market funding to five Armenian micro-lending financial institutions (MFIs) through the securitization of the 5-15 percent of their respective loan portfolios. The microfinance loan securitization offers a new financial product for Armenian capital markets and opens up a new funding source for participating MFIs, which regularly work with small businesses and low income borrowers. While MFIs have growing track records, raising funds is still a challenge, as not all MFIs can mobilize deposits like banks and often have trouble borrowing from local banks due to perceived competition. The investment mobilized through this guarantee could support 800 to 17,000 new loans in agriculture and other rural, microenterprises.

### **Aggregating clean energy projects for investment at**

**scale in Africa:** African businesses typically cannot rely on national power grids and instead generate their own power using diesel fuel. This is an expensive and polluting option, but most micro and small enterprises cannot finance the conversion to renewable energy. At the same time, private capital investors lack a standardized platform to invest in these projects at scale.

USAID is partnering with CrossBoundary Energy to address these challenges. For the first time in Africa, CrossBoundary has instituted an “energy as service” model whereby African businesses can pay for the energy they use as a regular business expense, without having to save the capital necessary or borrow to purchase a new system. In this way, CrossBoundary is enabling African businesses to afford clean and reliable solar energy systems which can respond to their energy needs as their businesses grow, as well as allowing them to use their capital and credit lines to develop new products and services and hire additional employees.

This partnership is expected to have a significant demonstration effect, both for businesses in Africa and investors who want to invest in medium-scale renewable energy installations.