



FIELD Support LWA Award

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Quarterly Report #3 **April 1, 2006 to June 30, 2006**

Submitted By:



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The FIELD-Support Management Team at AED is pleased to present this quarterly report highlighting the LWA developments and accomplishments.

1. Existing Pilot Activities

Implementation began on the four pilot activities approved in April 2006 as part of the Year 1 Workplan:

- (i) Microenterprise Development in Fragile States – IRIS with Save the Children, CARE, World Vision;

The IRIS Center, working in partnership with CARE, Save the Children and World Vision, will develop *model guidelines* for sustainable microenterprise development work in fragile states, and will test these guidelines in *pilot activities*. The project will focus on finding practical ways to improve *local institutional arrangements* (“enabling environments”) as they impact enterprise development, and the related areas of financial services and delivery of public services. IRIS will emphasize learning from local initiatives (and coping mechanisms) that support enterprise development, and enhancing these in ways consistent with longer-term transformational development.

IRIS began work in June and has been working on the literature review, and also planning field visits with the three partner organizations for purposes of pilot design. The literature review should be submitted by October. IRIS envisions field work in Mozambique (November, with CARE), Angola (January, with World Vision), and Nepal (December or February, with Save the Children). Final pilot design and writing of guidelines will take place after the field trips.

- (ii) Community Managed Savings and Loan Fund Working Group – CARE with SEEP Network;

Goals of the Savings Led Financial Services Working Group: Develop a set of performance management ratios and industry wide standards for savings led financial services; investigate and document sound practices in outreach and the provision of savings led financial services; increase awareness of savings led financial services and identify barriers to increased donor support; and identify challenges and plan for growth.

The “Village Savings and Loan Association Developing Performance Measurement Standards” has completed all of its proposed activities for the first quarter. Specifically:

- A Working Group was established at the SEEP Network. A launch conference was held on May 23rd, where a first year workplan was developed and sub-working groups established. As part of the workshop, a new name was established for the working group, the Savings Led Financial Services Working Group. This name more accurately reflects the focus of the group’s research and activities. A copy of the workshop minutes and the workplan were sent to AED.

- The SLFS Working Group hosted a session at the USAID Learning Conference, entitled “Building the Assets of the Poorest: Savings Led Financial Services”. After a brief introduction to the state of the practice in savings-led financial services, the learning session facilitated a discussion with the attendees on issues of impact and sustainability of savings led financial services programs.
- The SLFS Working Group has applied for an Associated Session at the MicroCredit Summit entitled: “Savings Led Financial Services: The State of the Practice”. The associated session will focus on the state of the practice in savings led financial services. Exploring what current methodologies are being used, and efforts to develop a set of industry standard performance management ratios.

(iii) Integrating a Market Development Approach to Health Sector Assessment and Intervention Design in Bangladesh – Action for Enterprise;

AFE worked in collaboration with USAID/Bangladesh to conduct an assessment of the private (commercial) healthcare sector in Bangladesh. In this assessment AFE explored how market actors in the commercial sector can be supported and leveraged to bring improved products and services to underserved populations. Estimated completion of the assessment report is end of August 2006. AFE will then have a one day workshop event it is planning with the USAID Washington health office in coordination with Jeanne Downing.

(iv) Integrating the Un-banked through Remittance-linked Product Development in Guatemala – WOCCU.

WOCCU, working in partnership with the meso-level Federación Nacional de Cooperativas de Ahorro y Crédito de Guatemala (FENACOAC – Guatemalan National Credit Union Federation), is integrating the unbanked through remittance-linked product development. WOCCU is working closely with five pilot credit unions affiliated to FENACOAC (ACREDICOM, COOSADECO, ECOSABA, Guayacan and Parroquial Guadalupeana) on product design, marketing, launch and progress monitoring. These five institutions participated in the AMAP-funded in-depth survey research of remittance recipients at credit unions. They distribute half of the number of remittances of all 25 distributing credit unions.

Between April and June, William Bonilla, pilot activity manager, coordinated with and prepared consulting agreements for Chris McHugh, pilot marketing and product development consultant, and FENACOAC. Arrangements were made for a consultancy trip by Mr. McHugh as well as a meeting with all involved parties in Guatemala in July.

Chris McHugh traveled to Guatemala to conduct field research at the pilot credit unions from July 3 - 12. On July 11, William Bonilla, pilot activity manager, Mr. McHugh and Daniel Martinez, FENACOAC’s technical assistance manager, met in Guatemala. Chris McHugh and William Bonilla, pilot activity manager, presented and discussed with FENACOAC’s senior management team the trip findings and the preliminary design of remittance linked products. In addition, the terms of reference for the marketing survey to

be conducted by a local consulting firm were discussed and agreed upon, as well as the adjustments needed to the MIS to support the launch of the products.

2. New Pilots

On June 5th, 2006, AED submitted following pilot activity concept papers for review by the MD office. These pilots were approved by the MD Office on June 15th, the next step being the development of a more detailed proposal for each proposed pilot activity.

- Improving design, implementation and current practices of economic strengthening interventions for AIDS affected households within the USG OVC program portfolio. Several meetings were held with the OVC working group at USAID to design this intervention. AED is working with Margie Brand, Evelyn Stark and the HAMED Working Group to redesign this activity.
- Research and Project Design for Financing Water: Using Financial Systems to Improve Access to Irrigation and Markets in Rural Peru – CARE with ACDI/VOCA

CARE proposes the “*Financing Water: Using Financial Systems to Improve Access to Irrigation and Markets in Rural Peru*” project, to be implemented in Ayacucho Region. The project will increase small-scale agricultural enterprises’ yield and product variety by financing irrigation systems, and will link farm families with markets to maximize the value of increased productive capacity. *Financing Water* will build upon CARE’s existing REHASER project in Ancash, Peru, in which a financial institution (the EDPYME EDYFICAR) provides credit to community Water Users’ Groups, formed and trained with CARE’s support. Communities use the loans to finance drinking water and sanitation infrastructure; local governments are also involved as co-financers and project promoters. *Financing Water* will borrow REHASER’s successes, but tailor its approach, activities and products to meet the water and marketing needs of small-scale farm households.

The proposed project will build and rehabilitate productive water systems using the microfinance institution EDYFICAR as the primary source of funding. Further, CARE proposes to use a value chain approach: the project will include not only the financing of water systems, but also development of linkages with markets so participants can maximize the value received from their increased productive capacity.

The *Financing Water* project will generate, disseminate, and apply new knowledge on the financing of water as a means of increasing rural incomes. The work will demonstrate (1) appropriate loan products for productive water infrastructure, (2) models for community action, and (3) a financial system solution to collective goods dilemmas.

CARE and EDYFICAR will disseminate the new knowledge via Focus Notes, Notes from the Field, participation in conferences and workshops, and targeted dissemination to USAID missions that have prioritized access to water for economic activities in rural communities.

Specific outcomes from the implementation of *Financing Water* will include:

- 50 loans made to farmers in at least three communities to construct, rehabilitate or expand productive water systems.
- 50 small agri-enterprises have improved access to water.
- 50% of agri-enterprises have adopted new high-value crops in response to new market opportunities
- Enterprise income for small farmers increases at least 15 percent owing to increased production capacity and access to new markets.
- 95 percent of loans are repaid on time.

- SOCIAL Performance Evaluation of two MFIs in Uganda and India – ACCION;

The award will be used apply the SOCIAL tool, a diagnostic to evaluate the success of the microfinance institution in fulfilling its social mission and contributing to broadly accepted social goals with the following objectives. The tool will be applied at two microfinance institutions, one in Africa and one in Asia, with the following objectives:

- Improve organizational performance, by highlighting strengths and weaknesses in the dimensions of social performance;
- Provide a social assessment of the institution to complement financial assessment information, including information on poverty outreach, client service and human resources management;
- Provide information on how the microfinance institution is perceived by clients, staff and the community;
- Fulfill the information requirements of third parties, such as socially responsible investors or donors, who request this information;
- Follow the example of many private sector businesses in providing shareholders with a social performance report to demonstrate increased transparency and a broader framework for decision-making;
- Establish a baseline of performance before entering a phase of change or evolution (such as transformation);
- Demonstrate to microfinance institutions how social performance can be measured practically on a regular basis.
- Use information to inform the microfinance community, in particular the SEEP Social Performance mapping project.

During the course of this project, ACCION will:

- evaluate the social performance of the two institutions with respect to six dimensions of social performance
- develop social performance checklist for social investors
- produce ACCION publication on social performance
- participate in industry working groups

- Social Performance Management Map/State of the Practice Paper and Social Performance Management Working Group – SEEP Network.

This activity will support the work of the SEEP Network’s Social Performance Working Group (SPWG, formerly known as the Client Assessment Working Group, or CAWG), specifically the development of a Social Performance Management (SPM) Map/State of the Practice Paper. The map, or state of the practice paper, will summarize SPM experience, knowledge, initiatives, and approaches to date from the NGO, private, and microfinance sectors. It will also be accessible, meaning that it will be targeted to non-technical audiences with each topic covered in sufficient brevity to keep the length reasonable but in sufficient detail to convey the necessary information. In turn, the map will provide stakeholders with comprehensive information to make more informed (and presumably better) decisions, regarding, for example, program management or social investment, and it will help align expectations with what is feasible or desirable.

The deliverables are: one writing/mapping workshop (at the SEEP Annual Conference in October 2006); two SEEP Annual Conference workshops (one in 2006 and one in 2007 – both for dissemination purposes): one publication; and at least one knowledge exchange activity through www.microlinks.org (such as the Speaker’s Corner) or a USAID MD breakfast or after-hours seminar. All deliverables will involve ACCION and its *SOCIAL* tool. In fact, the timing of the writing/mapping workshop will coincide nicely with ACCION’s piloting of the tool, and ACCION will be able to bring to the writing/mapping workshop experience from four pilots. Also, all deliverables will involve the current field-testing experience of the measurement tool developed through AMAP.

3. Outreach

FIELD-Support LWA Brochure was completed in early May and distributed to all core partners and resource organizations. During the second quarter AED and its core partners continued working on a CD-ROM to provide missions and USAID operating units with information about FIELD-Support and instructions on how to access it. Completion is expected in July.

4. Associate Awards

Microfinance Evaluation, Sector Assessment, and Activity Design USAID/West Bank and Gaza (April 2006 – June 2006)

Using the FIELD-Support LWA mechanism, USAID/West Bank/Gaza initiated an associate award to conduct the Microfinance Evaluation, Sector Assessment, and Activity Design in West Bank and Gaza. The focus of this sector assessment, conducted by AED and ACCION International, was to estimate the demand for microfinance services, identify strengths and weaknesses of current microfinance institutions, as well as ways to expand services and products, and recommend appropriate policy reforms to foster the growth, development and expansion of microfinance services to low income Palestinians.

Under the activity, an evaluation of two USAID-funded microfinance activities and their institutional capacity was conducted and a detailed draft activity description and general implementation plan to support new interventions, services, and products (for the further development of the microfinance sector based on the evaluation and sector assessment) were designed. This work will result in a report, outlining recommended areas where USAID should focus its micro-enterprise development activities.

Agriculture, Rural Investment and Enterprise Strengthening Program USAID/Afghanistan (August 2006 – July 2009)

On May 8th AED and its partners ACDI/VOCA, FINCA, and WOCCU submitted a proposal for the Agriculture, Rural Investment and Enterprise Strengthening (ARIES) Associate Award in response to the USAID/Afghanistan RFA No 306-06-010 issued on April 7, 2006 for an \$80 million rural finance program under the FIELD-Support LWA. Besides expanding microfinance, credit unions and credit cooperatives, the project will establish a small and medium enterprise investment fund designed to both stimulate private sector financial institutions to enter the market as well as finance businesses that form key links in agricultural value chains.

On June 29, 2006 AED and its partners submitted a revised proposal in response to detailed comments made by USAID/Afghanistan on June 6, 2006 on the initial proposal. The revised proposal made a strong emphasis on the management role to be played by AED, including the addition of ShoreBank International to assist AED in the management and capacity building of the SME fund, and the regional approach that the ARIES Team will take during implementation. These points were not clearly described in the initial application so AED made every effort to do so in the revised proposal. This revised proposal contained major changes to the original proposal. Among them are:

- The Rural Investment Fund will be implemented by MISFA through a grant from AED, with technical support from ShoreBank International and AED.
- An inclusive stakeholder-based planning process developed by the Academy for Educational Development, SCALE™ (System-wide Collaborative Action for Livelihoods and the Environment) will enable integration, differentiation, coordination, synergy, and leveraging of resources in the regions among the ARIES partners, the Alternative Livelihood partners of USAID, and the provincial revitalization teams (PRT).
- A fully revised proposal to focus on SME and micro-lending initiatives in the regions that recognizes their similarities and differences, and describes how each ARIES partner will extend rural SME and microfinance lending into the regions.
- Stronger overall direction and technical input by AED for ARIES Program with the addition of the Senior Rural Finance Advisor and the Regional Program Coordinator to its staff, and the sub-contracting of ShoreBank International to advise MISFA. Through the SCALE process and robust computer-based monitoring and evaluation, knowledge management and capacity-building assistance to our partners, AED will ensure that integrated, differentiated, and coordinated program implementation is realized.

The revised proposal incorporates responses to the USAID comments and presents a coherent road map for program implementation. This includes an overall strategy and financial

backdrop for each region involving multi-level lending that is in accordance with Shariah requirements. Our activity will extend lending facilities into rural areas that do not have them and will direct lending to support alternative livelihoods and reduce poppy debt. We will provide microfinance and SME lending to the Southern Region through MISFA and NGO's such as BRAC and ARMP and provide loans to women and SME's that provide employment to landless farmers and the unemployed. Our proposed approach makes optimal use of financial institutions that are already working in the regions employing lending tools such as conditional lending, guarantee facilities, tiered lending and leveraging capital. Through these activities we will create apex capacity building and lending institutions that will sustain the expansion of credit cooperatives, credit unions, and SME and microfinance lending beyond the end of the ARIES Program.

5. Knowledge Management

Financing the Value Chain: Bob Fries of ACIDI-VOCA attended FAO's "Financing Agricultural Value Chains Conference," from May 16 through 18, to learn about developments in Value Chain financing from practitioners and donors operating in Latin America. The Conference addressed such themes as: Lessons Learned in Value Chain Finance, Models for Financing the Agricultural Value Chain, The Role of Financial Institutions, Risk Management, and Effective Technical Assistance. AED is in the process of arranging for Mr. Fries to share the information with fellow field implementers and other practitioners at an MD dissemination event.

Microsave Workshop: On June 26, AED hosted a workshop for LWA partners and SEEP members on the tools developed under the Microsave program in Kenya. During the workshop, Microsave Training Specialist Lisa Parrott presented an overview of the Microsave tools used, and shared ideas on how to use them effectively. Ms. Parrot also answered questions on the ongoing action research agenda. The workshop was attended by 10 FIELD-Support partners.

Microenterprise Development in a Globalizing World: A USAID Learning Conference: FIELD-Support LWA participated in this June 14 to16 Learning Conference that brought together leading practitioners from around the world to find new ways to help poor households and entrepreneurs seize the many opportunities presented by globalization. The conference was very well organized and was extremely useful for FIELD-Support because it was an excellent forum to:

- publicly display the LWA for the first time
- inform people (USAID operating units, NGOs, private sector companies and foundations) how to access the LWA
- meet with so many of our partners and other organizations to discuss proposals and ideas directly.
- Allow our partners to lead and/or participate in conference workshops addressing critical microfinance and microenterprise issues.

Knowledge Management Consultant: FIELD-Support hired the services of Margie Brand as a KMC consultant to ensure close integration between AMAP, SEEP and LWA knowledge

generation, sharing and wider applications. Among other things, Ms. Brand facilitated the collection, review and submission of the Round II concept papers.