



FIELD Support LWA Award

Quarterly Report

**The Financial Integration, Economic Leveraging, Broad-Based Dissemination
Leader with Associates
Cooperative Agreement No. EEM-A-00-06-00001-00**

July 1, 2006 to September 30, 2006

Submitted By:



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Connecting People > Creating Change

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The FIELD-Support Management Team at AED is pleased to present this quarterly report highlighting the LWA developments and accomplishments for the quarter ending September 30, 2006.

1. Pilot Activities

Implementation continued on the four pilot activities approved in April 2006 as part of the Year 1 Work plan:

Integrating a Market Development Approach to Health Sector Assessment and Intervention Design in Bangladesh – Action for Enterprise (April 2006 – August 2006)

AFE worked in collaboration with USAID/Bangladesh to conduct an assessment of the private (commercial) healthcare sector in Bangladesh. This study has been completed. Following activities took place under this pilot during the reporting period:

- In-country field work for the assessment of selected healthcare products in Bangladesh (oral contraceptives, condoms, oral re-hydration solutions, zinc, and Vitamin A) took place in July, and a de-briefing for USAID Bangladesh on initial findings and outcomes from assessment took place on completion of field work.
- In August, a draft report was prepared and submitted for review by USAID (Bangladesh Mission, Microenterprise Development Office, Office of Population and Reproductive Health).
- In September, AFE made a presentation of findings for USAID Microenterprise Development Office and USAID Office of Population and Reproductive Health (OPR).

Microenterprise Development in Fragile States – IRIS with Save the Children, CARE, and World Vision (October 2005 – May 2007)

The IRIS Center, working in partnership with CARE, Save the Children and World Vision, continued its work on developing *model guidelines* for sustainable microenterprise development work in fragile states. The project is focusing 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. Scopes of work, budgets and subgrant agreements for country pilots were finalized in October. Fieldwork will take place between January and March 2007 and pilot designs will be completed sometime between February and April, 2007. Following work is being carried out under the country pilots:

- Angola (partner: World Vision): Pilot will combine regulatory and capacity-building work at the center with regional/local-level work on enabling conditions

for microenterprise & microfinance. A National Conference (under central bank auspices) on microfinance regulation has been scheduled for February 1, 2006. Currently additional sources of funding for project implementation are being identified.

- Mozambique (partner: CARE): Pilot will focus on strengthening property rights enforcement for HIV/AIDS widows, linking this to microenterprise development and microfinance (main impact area is Nampula region).
- Nepal (partner: Save the Children): This country pilot will be carried out in cooperation with Nirdhan, a local microfinance bank. It will begin with a case study of Nirdhan's successful deepening of microfinance outreach during the insurgency and will include an analysis of what could be done to link microfinance services with microenterprise development and basic public services. Main impact area is Lumbini region.

The Savings-Led Financial Services Working Group – CARE with SEEP Network (previously titled as Community Managed Savings and Loan Fund Working Group) (March 2006 – March 2007)

During the reporting period, work continued under the Savings-Led Financial Services Working Group: (i) developing a set of performance management ratios and industry wide standards for savings-led financial services; (ii) investigating and documenting sound practices in outreach and the provision of savings-led financial services; (iii) increasing awareness of savings-led financial services and identifying barriers to increased donor support; and (iv) identifying challenges and planning for growth.

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

- The SLFS Working Group has been allocated a session at the SEEP Annual General Meeting, entitled "Savings Led Financial Services, Innovations in the Field." The session presented innovations in the implementation of savings-led financial services programs, including self-replication and integration in a multi-sectoral NGO.
- The SLFS Working Group has been allocated 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.
- The Ratio subgroup has produced a draft set of "Performance Management Ratios for Savings Led Microfinance." Once presented and refined by the entire working group, the ratios will go through a period of peer review and then be prepared for publication.

Integrating the Un-banked through Remittance-linked Product Development in Guatemala – WOCCU (March 2006 – March 2007)

With an annual influx of more than \$2 billion, remittances are vital to Guatemala's economic growth as well as its largest source of foreign exchange. Credit Unions are the primary providers of remittance distribution services to the very poor in Guatemala's remote rural areas and WOCCU and the Federacion Nacional de Cooperativas de Ahorro y Credito (FENACOAC) are working with five federation members to design and market new products and encourage those who receive remittances to join a credit unions. Project efforts center on two areas – convincing people to channel a portion of their funds into a savings account and designing credit products for those who would consider taking a loan for housing, business, or other viable investment.

Together, WOCCU, FENACOAC, and the credit unions are developing easily-managed products that are attractive to remittance recipients and are upgrading the credit union management information system to track the rate at which non-members join credit unions and the types of services they use. During this quarter:

- A consultancy report was prepared based on findings from the field research that took place in July. The report included the design of four remittance-linked products as well as recommendations for implementation and further market testing;
- In preparation for the launch of the remittance-linked products, Steve Schaffer, WOCCU's Technical Officer for Latin America and the Caribbean, traveled to Guatemala to make the necessary adjustments to the MIS systems, including assisting them in identifying additional fields to add to their web based remittance system to be able to track additional demographic information on beneficiaries that receive their remittances at FENACOAC credit unions;
- A local consulting firm was hired to conduct focus group sessions with those remittances recipients who are not yet members of the pilot credit unions. This will help gather relevant information and facilitate refinement and personalization of the savings and credit products which are being designed.

2. New Pilots Developed During the Reporting Period

Following new pilots were approved in September. The awards are currently being finalized.

- **Research and Project Design for Financing Water: Using Financial Systems to Improve Access to Irrigation and Markets in Rural Peru – CARE with ACDI/VOCA**

The proposed project will build and rehabilitate productive water systems using the microfinance institution EDYFICAR as the primary source of funding. CARE is planning 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.

Specific outcomes of this pilot will include:

- 60 loans will be made to farmers in at least three communities to construct, rehabilitate or expand productive water systems;
- 60 small agri-enterprises will have improved access to water;
- 50% of agri-enterprises will have adopted new high-value crops in response to new market opportunities;
- Enterprise income for small farmers will increase at least 15% owing to increased production capacity and access to new markets.

- **SOCIAL Performance Evaluation of two MFIs – ACCION International**

The award will be used to 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. The tool will be applied at two microfinance institutions, Uganda Microfinance Limited in Uganda and an affiliate of Unitus network in India.

During the course of this project, ACCION will evaluate the social performance of the two institutions with respect to the following six dimensions of social performance: Social Mission, Outreach, Client Service, Information Transparency & Consumer Protection, Association with Community, and Labor Climate.

- **Social Performance Management (SPM) Working Group and SPM Map/State of the Practice Paper – SEEP Network**

This activity will support the work of the SEEP Network's Social Performance Working Group (SPWG, formally 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. These experiences will then be shared at the SEEP annual conferences and practitioner-led workshops, as well as the Microlinks Speaker's corner.

- **Poverty Assessment Tools Training - IRIS Center**

In 2003, USAID/EGAT/MD contracted IRIS to develop, test and disseminate poverty assessment tools that meet Congressional requirements for accuracy and practicality. Developing Poverty Assessment Tools (PAT I), began in September 2003, and lasted until October 2006. The Phase I of the Project involved establishing communications with the microenterprise community, reviewing existing poverty measurement tools, and developing testing methodology and criteria for certification. During the implementation phase of the project (Phase II), IRIS drew from existing indicators and developed a composite survey that yielded roughly 250 indicators to be tested. In 2004, the poverty indicators making up the composite survey were tested for accuracy in 4 countries: Bangladesh, Kazakhstan, Peru and Uganda.

IRIS is now using the practicality testing results to determine which indicators are the most practical. Using the data from the four accuracy test countries and the eight additional countries for which LSMS datasets have been obtained, IRIS will then re-run the regressions to determine which fifteen of the remaining indicators, and their corresponding coefficients (weights), will yield the highest accuracy results for each country, thereby creating a country-specific tool for those 12 countries.

One of the findings emerging from the current testing for practicality is that, for many organizations, a procedural manual is not sufficient for teaching organizations how to implement a poverty assessment tool. Thus, Trainings of Trainers (TOTs) will be offered in many regions where USAID funds microenterprise programs. The participants of the TOTs will then be available to train specific organizations in their home countries on the use of the poverty assessment tools. The IRIS team will use its experience in training the practicality test participants to fine tune the training materials for the Poverty Assessment Tools' regional trainings (PAT II). This FIELD-Support pilot will include three regional trainings for the USAID Poverty Assessment Tools Project, in Bangladesh, Uganda, and Washington, DC.

3. SEEP Program

Collaborative Learning Networks to Advance Microenterprise Development Knowledge and Practice – SEEP Network

The *Collaborative Learning Networks to Advance Microenterprise Development Knowledge and Practice* consists of two components:

- The Practitioner Learning Program; and
- The Implementation Grant Program (IGP) Learning Networks

Through the FIELD-Support LWA, USAID is funding SEEP to administer and facilitate the two learning components. As resources for technical, academic, and practical expertise and guidance, both project components will include partners from FIELD-Support LWA consortium, the AMAP consortia, and other organizations and individuals. The project will be headquartered in Washington, DC, at SEEP's office, but project activities for both components (PLP and IGP Learning Networks) will be carried out in a variety of USAID-presence countries. SEEP will implement this project over a three-year period, beginning October 2, 2006 and ending September 30, 2009.

The project will reach across all three topics of the FIELD-Support LWA learning agenda (extending the reach of microfinance; working effectively in fragile environments; and exploring more integrated approaches to microenterprise development across sectors).

Practitioner Learning Program

The Practitioner Learning Program (PLP) component of this project will build on the successes – and will benefit from the mistakes – of the Practitioner Learning Program predecessor project.

The PLP will explore the key challenges facing the microfinance and microenterprise development fields through targeted grants in priority thematic areas that resonate strongly with both practitioner needs and USAID interests. The PLP will be a competitively-run grants program, engaging practitioners in the SEEP Network and beyond, with an emphasis placed on practitioners outside the SEEP Network, in a collaborative learning process to document and share findings, helping to identify effective and replicable practices and innovations. As practitioner organizations implement their activities, the PLP will sponsor joint meetings and promote virtual information-sharing for participants to learn from each other.

Implementation Grant Program (IGP) Learning Networks

The IGP Learning Networks will emphasize collaborative, peer learning to improve implementation of USAID-funded projects in enterprise development and financial services. There will be one learning network for recipients of Enterprise Development Implementation Grants and one learning network for recipients of Financial Services Implementation Grants.

For each IGP Learning Network, a part-time Facilitator will be engaged to coordinate the network, facilitate discussions and exchanges among participants, and assist with the documentation of lessons learned across grants. Also, for each IGP Learning Network, there will be two Resource Persons, drawn from the FIELD-Support LWA core team or the AMAP research consortia, which will assist SEEP and the Facilitator with the development of lessons learned from implementation activities for the benefit of the participants in the learning network as well as the industry at large. Given the small number of IGP, there may be good opportunity to widen the exchange of learning to include selected Mission-funded projects and practitioners. The aim of these exchanges will be to identify, reach agreement on, and document good or best practices in microfinance and enterprise development.

4. Outreach

During the third quarter AED and its core partners finalized work on the content of a CD-ROM to provide missions and USAID operating units with information about FIELD-Support and instructions on how to access it. The CD-ROM is expected to be produced in November.

5. Associate Awards Under Implementation

During the reporting quarter, three new Associate Award projects were launched under the FIELD-Support LWA and two new staff were brought on board at AED: Timothy Nourse joined AED in October as the Microfinance and Enterprise Development Specialist. He will be managing the ARIES and MART associate awards and contributing to the knowledge management activities of FIELD-Support. Megan Greeley joined as a Program Associate in October. Megan will be working mostly on the ARIES and MART programs, but will also support general FIELD support activities as needed.

Microfinance Assistance for Recovery and Transition (MART) (September 2006 – September 2008)

Tightened restrictions on internal and cross border movements, and other related factors have lead to a severe decline in the Palestinian economy. This has been compounded by impositions of sanctions on the newly-elected Palestinian government. Because of the economic downturn, the microfinance sector is facing a serious challenge. MFIs have reported increases in arrears, increases in portfolio at risk, decreases in earnings, and decreasing levels of sustainability (percentage of costs covered with earnings).

Awarded in September, Microfinance Assistance for Recovery and Transition (MART) is a two-year program designed to preserve the microfinance institutional infrastructure in the West Bank and Gaza and assist microfinance intermediaries develop and adopt effective strategies and management practices during the present emergency in order to lay the foundation for a transition to sustainable growth. Currently project launch efforts are underway, including development of the project implementation plan.

Development Communication (DevCom) (September 2006 – September 2007)

DevCOM Associate Award under the FIELD-Support LWA will build upon and help validate original assumptions, and document the work previously begun in Morocco and Kenya within the framework of the *Agriculture Partnerships for Productivity and Prosperity (AP³) Project*. AP³ is a global demonstration project supported by USAID that is designed to improve rural livelihoods by increasing the scale and impact of agriculture development programs.

The DevCom project will finalize demonstration activities with an emphasis on innovative, comprehensive, and integrated system/value chain approaches that will lead to sustainable environmental protection and economic growth with poverty reduction through increased productivity in the agricultural sector. Among others, it will: (i) measure and validate the number and strength of linkages among targeted value chain stakeholders (i.e., individuals, micro-, small, medium, and large enterprises, public institutions, NGOs, etc.); (ii) improve the productivity and competitiveness of value chain stakeholders as well as their access to physical inputs, technology, and credit; (iii) improve value chain stakeholders' access to national and international markets; (iv) through collective action, help advocate for the removal of value chain or system barriers or constraints and create win-win scenarios for all stakeholders; (v) improve value chain efficiencies, value-added products, and ability to promote the use of new technologies; and (vi) disseminate findings and lessons learned from these two demonstration activities to a broad cross section of development practitioners in a variety of formats. Currently project launch efforts are underway.

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

Agriculture is central to the Afghan economy and society with a high proportion of the population depending directly or indirectly on farm income for their livelihoods. However, 25 years of war, a progressively deteriorating infrastructure, and a severe and prolonged drought have dramatically slowed the country's agricultural output.

At the forefront of the USAID strategy are programs that support economic growth led by the private sector. The Agriculture, Rural Investment, and Enterprise Strengthening (ARIES) Program, awarded in September 2006, is led by AED along with its implementing partners—ACDI/VOCA, the World Council on Credit Unions, FINCA, Microfinance Investment Support Facility for Afghanistan (MISFA) and ShoreBank International — and will introduce innovative, comprehensive, and integrated approaches to sustainable economic growth with poverty reduction in Afghanistan by strengthening existing or create new regional networks for micro-lending, farmer associations, agricultural cooperatives, and rural credit unions in selected production areas. The project will increase farmer access to financial products and services, agricultural inputs, and other services and it will establish a Rural Investment Fund to assist in financing industrial-level development activities through the Afghan private sector and to help cooperative and private agribusiness finance investments in storage, processing, and marketing facilities. Currently project launch efforts are underway.

6. Knowledge Management

Knowledge Management Consultant: FIELD-Support is continuing to use the services of Margie Brand as a KM consultant to ensure close integration between AMAP, SEEP and LWA knowledge generation, sharing and wider applications. The consultant continued working on defining effective and efficient ways for managing the knowledge generated in the FIELD-Support LWA. During the reporting period, the KM consultant contributed to the pilot project selection and design.

7. 2007 Annual Work plan and Annual Report

The production of the 2007 annual workplan and annual report was postponed until next quarter due to the requirements of the ARIES program start-up.