



**Office of Microenterprise Development
Activity Report: 1995-1997**

Activity Report

U.S. Agency for
International Development
Washington, DC 20523

Office of Microenterprise Development

Activity Report: 1995–1997

Activity Report

U.S. Agency for International Development

Washington, DC 20523

Contents

Table of Contents

I. Overview: USAID's Microenterprise Initiative, 1

- A. Background, 1
- B. Small but Significant in Impact, 2
- C. Objectives of the Microenterprise Initiative, 2
- D. Implementing the Microenterprise Initiative, 4
- E. Future of USAID's Microenterprise Initiative, 5
- F. Purpose of the Report, 5

II. Implementation Grant Program (IGP), 7

- A. Purpose, 7
- B. Activities, 13

III. The PRIME Fund, 16

- A. Purpose, 16
- B. Activities, 17

IV. MicroServe, 26

- A. Purpose, 26
- B. Activities, 27

V. Assessing the Impact of Microenterprise Services (AIMS), 29

- A. Purpose, 29
- B. Activities, 31

VI. Microenterprise Best Practices (MBP), 33

- A. Purpose, 33
- B. Activities, 34

VII. Supplementary Microenterprise Office Activities, 39

- A. CGAP, 40
- B. Standards, 40
- C. Microfinance Training Program, 40
- D. Conference on Commercial Banks and Microfinance, 42
- E. Reaching Microenterprise through the Peace Corps, 43
- F. Microenterprise Results Reporting, 43

Appendix A.

Contact Information:

USAID's Office of Microenterprise Development, 44

Tables

1. USAID Microenterprise Obligations by Bureau, 6
2. Implementation Grant Program (IGP) Awards, 1995, 1996 and 1997 Rounds, 14
3. The PRIME Fund: Summary for 1995-1997, 20
4. PRIME Funding by Region, 20
5. PRIME Projects in Africa, 21
6. PRIME Projects in Asia, Near East, 22
7. PRIME Projects in Latin America, 24
8. MicroServe Projects by Countries and Contractors, 28
9. MBP Research Projects, 36
10. MBP Grants Awarded in 1996 and 1997, 37
11. MBP Exchange Visit Grants Awarded in 1997, 38

Overview

I. Overview: USAID's Microenterprise Initiative 1994-1997

A. Background

With the launching of the Microenterprise Initiative in 1994, the United States Agency for International Development (USAID) gave microenterprise development a priority within Agency programming that matched its economic importance for the poor. To support its prominence, USAID's Office of Microenterprise Development (MD) established the Microenterprise Innovation Project (MIP) as the Agency's principal vehicle for microenterprise development activities. Extensive consultations with Congress, particularly the House International Relations Committee, and practitioners preceded establishment of the Microenterprise Initiative. Key among practitioners supporting the initiative was the Microenterprise Coalition, a policy group composed mainly of US private voluntary organizations (US PVOs) that implement microenterprise programs around the world. The Initiative was developed under USAID's general enabling legislation without special legislative provisions or earmarks.

USAID's Microenterprise Initiative has become a critical component of the Agency's broad-based economic growth strategy focused on helping the poor increase their incomes, assets, skills and productivity. As poor families and informal enterprises increase their access to essential resources such as financial services, their stake in the economy grows. Microenterprise development can therefore play a pivotal role in building "economic democracies" in which all citizens participate fully in the economy.

1

B. Small but Significant in Impact

While microenterprises are generally small sole proprietorships owned and managed by men and women within the informal economy, together they represent a significant contribution to the national economies of many developing countries. In Latin America, for instance, more than 80 percent of all businesses have fewer than ten employees but generate half of all employment. The percentage is closer to 90 percent in Africa where formal sector jobs are scarce and the vast majority are forced to earn a living from the informal sector. This informal segment of the economy represents an enormous unmet market for financial services. The experiences of the Grameen Bank in Bangladesh, Bank Rakyat Indonesia, BancolSol in Bolivia and other microenterprise programs demonstrate the profitability and employment creation potential of lending to microenterprises.

The primary objective of MD's Microenterprise Innovation Project (MIP) is to provide microentrepreneurs, particularly women and the very poor, with greater, more reliable access to financial and nonfinancial services needed to improve business performance and household income. Each program of MIP is designed to increase the capacity, outreach and scale of international and indigenous organizations providing services to the microenterprise sector. Through direct funding and technical assistance, MIP helps organizations improve the quality of their services and, over time, attain sustainability. The organizations supported by MIP emphasize broad service outreach and sound operating policies.

C. Objectives of the Microenterprise Initiative

Renewed in 1997 for an additional two years, the Microenterprise Initiative focuses on three key objectives:

Maintain a significant overall level of funding for microenterprise throughout the Agency, particularly among field missions.

Under the Microenterprise Initiative, USAID targeted \$140 million in FY 95 and \$120 million in FY 96 to fund microenterprise programs globally. Actual obligations for those years amounted to \$133.5 million and \$111.4 million respectively as shown in Table 1. Preliminary data for 1997 reveals an obligation level of \$161.3 million. In 1995 and 1996, differences between targets and actual obligations were due to USAID budget cuts. Funding was distributed widely across all regions: Africa, Asia Near East, European and Newly Independent States, and Latin America through 40 to 50 USAID missions. USAID is committed to a gradual increase in its microenterprise funding as overall budget conditions allow.

2

Increase attention on the poorest clients—of whom more than 50 percent must be women—within the microenterprise sector, particularly through poverty lending.

USAID has made intensive investments in poverty lending programs, and is clearly the world's leading donor to institutions, particularly US PVOs. However, the Agency has fallen slightly below its target of allocating half of its support to poverty lending services (involving loans of \$300 or less). The estimate for FY 1996 is 43 percent. The shortfall is largely due to the low level of poverty lending in the European and Newly Independent States (ENI) region where loan sizes, even for poor clients, tend to be larger than the \$300 standard. If ENI is excluded, USAID's percentage of microcredit funding aimed at poverty lending is estimated to be 59 percent for FY 1996. Women represented 66 percent of the number of clients of programs supported by USAID in FY 1996.

3

Improve technical quality through central programs.

By establishing the Office of Microenterprise Development in the Bureau for Global Programs, Field Support and Research (G/EGAD/MD) as manager of the Microenterprise Initiative, USAID intended MD to serve as a source of quality technical assistance on microenterprise programs for the USAID network as a whole. Through its staff of technical specialists, the Office supports microenterprise and microfinance programs in bureaus and missions throughout the world in the following ways:

▲ **Technical Advisory Services.** MicroServe is a worldwide contract to provide microfinance and microenterprise training and technical assistance to USAID missions, regional bureaus and implementing organizations. MicroServe has completed 20 technical assistance assignments and trained over 100 USAID and counterpart staff in the design of microfinance programs.

▲ **Grant Funds.** The Microenterprise Implementation Grant Program (IGP), the PRIME Fund, and the Microenterprise Best Practices (MBP) Subgrant Facility represent four vehicles through which the Office has provided to grants to implementing organizations. IGP has awarded \$30 million to 16 US PVOs and international organizations and is expected to serve over 400,000 clients by the end of

the grants. The PRIME Fund has provided \$17 million to USAID missions in 20 countries for institution-building, promoting an enabling environment for microfinance, and providing credit and savings services to over 300,000 clients. The MBP Subgrant Facility, which supports capacity-building, has awarded small grants to 13 organizations.

▲ **Research.** Assessing the Impact of Microenterprise Services (AIMS) and MBP projects are pursuing a forward-looking research and information exchange agenda to assess the impacts of USAID-funded microenterprise programs and identify effective innovations and best practices in microfinance.

▲ **Training Activities.** In 1995, the Office initiated a microfinance training program at the Economics Institute in Boulder, Colorado to train USAID program developers and managers, the staff of PVO implementing organizations and other interested professionals in the principles of microfinance. The "Boulder course," as it is often referred to, has developed into a premier training program attended by microenterprise specialists and novices to learn both the basics and state-of-the-art in microfinance. In 1996, The Office sponsored a conference on microfinance for commercial bankers to discuss challenges faced by formal financial institutions in developing and expanding services for microentrepreneurs.

▲ **Support to Other Centrally-Funded Programs.** The Matching Grant and Cooperative Development Programs of the Office of Private and Voluntary Cooperation of the Bureau for Humanitarian Response (BHR/PVC) have provided \$25 million to 16 US PVOs and Cooperative Development Organizations for microenterprise development in 29 countries in the three years since the Initiative began. The Global Bureau's Micro and Small Enterprise Development (MSED) loan guarantee program manages loan and guarantee facilities supporting microenterprise credit in six countries, as well as "bridge funds" for two US PVOs providing them with access to commercial sources of funds.

▲ **Linkages with Other Institutions.** The Office has taken a leadership role in promoting key linkages such as formation of the Consultative Group to Assist the Poorest (CGAP), a consortium of donors established to disseminate best practices among donors, practitioners and governments, support leading microfinance institutions around the world, and improve donor coordination in microenterprise programming. Office linkages initiated with the US Peace Corps have resulted in the training of Peace Corps volunteers on a global scale to promote local micro businesses and microentrepreneurs

▲ **Results Reporting.** The Office collects data on USAID-funded microenterprise activities worldwide through the Microenterprise Results Reporting (MRR) system. The MRR system allows USAID to report to Congress on the results of the Microenterprise Initiative worldwide, including the number of loans under \$300, the percentage of women reached, and programmatic expenditures by region.

D. Implementing the Microenterprise Initiative

The Office of Microenterprise Development established the Microenterprise Innovation Project as an umbrella for five programs—the Implementation Grant Program (IGP), the PRIME Fund (Program for Innovation in Microenterprise), MicroServe, Assessing the Impact of Microenterprise Services (AIMS), and Microenterprise Best Practices (MBP)—designed to support and enhance microenterprise activities around the world. These programs provide technical advisory services, grant funds, research findings and training to field-based implementing organizations as well as USAID missions and bureaus. Together they work to build the capacity within local institutions for sustainable microfinance services.

1. **The Implementation Grant Program** is a competitively-run grant program open to U.S. PVOs and other experienced microenterprise institutions. IGP is designed to expand access to microenterprise services and increase the financial viability of local institutions that provide these services.
2. The **PRIME Fund** co-finances USAID Mission designed and managed microenterprise projects. The purpose of the fund is to improve the quality of USAID Missions' microenterprise initiatives and to ensure that top quality microenterprise efforts receive adequate support.
3. **MicroServe** supports the design and implementation of USAID-funded projects in microenterprise development worldwide. Consultant teams provide state-of-the-art technical services and conduct training programs to expose practitioners to the latest field research results and up-to-date skills.

4. Through **Assessing the Impact of Microenterprise Services (AIMS)**, USAID and its development partners can document the results and measure the effects of programs serving microentrepreneurs in developing countries. AIMS also includes technical assistance to missions.

5. **Microenterprise Best Practices** is the research and learning component of the U.S. Agency for International Development's Microenterprise Innovation Project (MIP). MBP's objectives are to expand the knowledge of microenterprise practitioners working in developing countries, improve the design and implementation of USAID supported projects, and increase the capacity of institutions serving microenterprises.

E. Future of USAID's Microenterprise Initiative

In the second phase of the Microenterprise Initiative, which was formally launched in July 1997 when the program was renewed, USAID will maintain the program's core objectives while emphasizing three additional goals:

1. Enhancement of microenterprise programming at the regional and mission levels, particularly in the Africa and ENI regions.
2. Expansion of USAID's leadership role at home and among other donors.
3. Improvement of reporting on microenterprise programs based on results rather than inputs.

F. Purpose of Report

This report highlights the strategies, funding commitments and activities of the five key programs of the Office of Microenterprise Development since the inception of the Microenterprise Initiative. Chapter II describes the Implementation Grant Program (IGP), Chapter III reports on the PRIME Fund (Program for Innovation in Microenterprise), Chapter IV details the work of MicroServe, Chapter V summarizes **Assessing the Impact of Microenterprise Services (AIMS)**, and Chapter VI reviews the research of **Microenterprise Best Practices (MBP)**. Brief case studies and examples of grantee activities are included to illustrate the variety of approaches institutions are using to enhance microenterprise development, along with extensive tables detailing funding, recipients and types of programs. The final chapter reviews the special activities of the Office. An Appendix concludes the report with names, roles and contact information for staff members of USAID's Office of Microenterprise Development.

The information presented in this report focuses on the Offices' activities during 1995, 1996 and 1997. Readers should note that information and updates on MD programs can also be found on the Internet at <http://www.mip.org>.

Table 1**USAID Microenterprise Obligations** by Bureau

IN MILLIONS OF US\$	FISCAL YEAR	1994	1995	1996	1997
Africa		24.1	17.0	22.9	25.8
Asia/Near East		21.7	31.9	30.9	36.9
European and Newly Emerging States Initiative (ENI)		38.1	20.1	10.5	45.4
Latin America		40.7	32.6	15.2	20.1
Regional Bureaus		124.6	101.6	79.5	128.2
Global Bureau		4.9	22.4	23.9	28.6
Bureau for Humanitarian Response/ Office of Private Voluntary Coop.		7.9	9.5	8.0	8.3
Central Bureaus		12.8	31.9	31.9	36.9
AGENCY TOTAL		137.4	133.5	111.4	165.1

IGP

II. Implementation Grant Program (IGP)

A. Purpose

The Implementation Grant Program (IGP) funds financial and non-financial microenterprise support programs for the poor in developing countries with a USAID presence. IGP aims to expand the credit and savings services of local institutions by increasing their financial viability and improving cost effectiveness. IGP is a competitive grant program open to US PVOs, for-profit firms, cooperatives, credit unions, international organizations, commercial banks and other formal financial institutions experienced in working in more than one country. To be eligible for IGP support, applicants must offer sustained service delivery to microenterprises while reducing and eventually eliminating donor dependence. Each grant establishes scale and sustainability performance targets for the institution.

purpose

Types of Programs Supported

The types of financial programs that may be proposed include:

- ▲ Community banking
- ▲ Solidarity groups
- ▲ Individual lending
- ▲ Savings mobilization
- ▲ Other methodologies demonstrating a capability to serve the poor

Non-financial services programs may include:

- ▲ Training
- ▲ Marketing
- ▲ Subsector development
- ▲ Policy
- ▲ Other programs promoting microenterprises of the poor

Eligibility Criteria

- ▲ Experienced implementing organizations, including:
 - US PVOs
 - International non-governmental organizations
 - For-profit firms
 - Cooperatives and credit unions
 - Commercial banks and other formal financial institutions

- ▲ A solid track record in microenterprise in more than one country.

- ▲ A well-tested methodology and direct experience implementing the proposed methodology.

- ▲ Local partner institutions with experience in microenterprise and in full agreement with the applicant's proposal.

By focusing on performance targets, the IGP has furthered the adoption of “best practices” among grantees. Expert MD staff familiar with the most effective strategies used by successful microenterprise programs, play an important role in assessing program proposals and determining the credibility of proposed performance targets. Expected results include:

- ▲ **Self-sufficiency.** IGP emphasizes achieving full financial self-sufficiency within a reasonable time frame, generally less than seven years. A principal criterion for selecting proposals is the existence of a credible strategy for achieving funding from non-donor sources, along with the necessary financial and management systems. Organizations are challenged to analyze their performance and activities in terms of impact on long-run financial viability. The desired result is independence from donor support. Non-financial services programs are expected to emphasize cost recovery.

- ▲ **Outreach to the Poor.** IGP emphasizes expansion of scale and increase in the depth of outreach—that is, serving more people and ensuring very poor people are served. Nearly 70 percent of new clients receiving loans under IGP-supported programs were poor women classified as poverty lending clients. The IGP currently reaches over 200,000 loan clients and is expected to reach about 500,000 in four to five years. IGP programs also support poor microentrepreneurs through non-financial services programs, such as marketing and business training.

▲ **Performance based.** All IGP agreements include annual implementation targets, usually covering return on operations (a measure of financial viability), number of loans outstanding, delinquency rates and other targets specific to individual institutions. Early in the project or before the award, MD conducts a field assessment to verify baseline data, financial and management systems necessary for reporting, and reasonableness of targets.

▲ **Technical Excellence.** During its brief life, IGP has achieved recognition as a technically rigorous program attracting some of the best microenterprise implementors in the field. More than a funding source, IGP represents an approach with which institutions want to be associated. This direct grant relationship has allowed the Microenterprise Office to gain a deeper appreciation of both the possibilities and challenges facing implementors. IGP grants form a learning laboratory for defining the frontiers of microenterprise programs.

Field assessments combined with semi-annual reports from grant recipients are used to monitor the progress of all IGP-funded programs, as well as selected PRIME Fund financed programs (see Section B). The assessments are designed to help grantees, and where appropriate, USAID Missions, appraise their microenterprise programs using “best practice” indicators. Key areas for review include:

- 1) appropriateness of the service delivery methodology,
- 2) quality and capabilities of MIS, reporting and internal control systems, and
- 3) financial results, with an emphasis on operating costs, earnings, asset quality, growth, and movement toward financial independence and stability.

The standard assessment format includes information gathered through interviews of program staff, visits with borrowers, and a review of historical and current financial statements and other statistical reports. A typical, two-person team requires approximately six to nine days to complete an in-country assessment. Final reports assess internal management and control, staff development, service quality and delivery systems, and progress towards long-term sustainability and broad outreach in services.

The results expected by IGP-funded programs include:

▲ Increased outreach and scale of supported microenterprise organizations;

▲ Movement of microenterprise finance institutions toward higher levels of financial viability;

▲ Greater cost effectiveness and cost recovery by institutions providing non-financial services;

▲ Leveraged funding by non-donor sources, including low-income depositors; and

▲ Improved quality of reporting and accountability by supported organizations.

**Mennonite Economic Development Association, Nicaragua
CHISPA**

IGP: Nicaragua

The CHISPA loan program was established by the Mennonite Economic Development Association (MEDA) in April 1991 to support microentrepreneurs in the war-torn Masaya area of Nicaragua. After the civil war, Nicaragua was impoverished and unemployment was rampant. This situation resulted in rapid growth of the informal, self-employed sector.

CHISPA (which means "spark") responded by offering financing and training to these new entrepreneurs.

It has since expanded to the Managua and Rivas areas. Although it is a relatively young credit program, CHISPA is now financially viable, covering all of its financial and operating expenses.

CHISPA provides credit to all kinds of enterprises through three principal credit lines: 1) solidarity group loans; 2) individual loans; and 3) small business loans. The solidarity group program comprises about 70 percent of CHISPA's portfolio. Groups of four to five microentrepreneurs come together to receive training and loans. Loan terms range from about four to 30 weeks. Repayments rates have been well above 95 percent. Approximately 60 percent of the solidarity group borrowers are poor women. The individual loan and small business loan programs have about 1,000

clients, receiving larger and longer term loans. Among these loans, delinquency has generally been harder to control; however, the CHISPA General Manager has successfully reduced the delinquency rate, with the result that the overall portfolio at risk (over 30 days) rate for CHISPA is only 4 percent.

By March 1997, the CHISPA program had 5,019 active borrowers and a portfolio of \$915,000, with an average loan size of \$199. The program plans to expand to over 9,600 clients by 1999 and gain access to commercial sources of funds.

CHISPA credits a staff incentive scheme in which loan officers receive bonuses for increasing the loan portfolio and maintaining high repayment rates with contributing to its strong performance.

MEDA has received funding for technical assistance and loan capital from both IGP and USAID/Nicaragua.

World Council of Credit Unions, Ecuador
Credit Union Development

IGP: Ecuador

In 1995, the World Council of Credit Unions (WOCCU) received an IGP grant for credit unions in Ecuador. WOCCU aims to modernize and upgrade the services of local credit unions by helping them become more efficient, create new savings products and extend more and better services (savings and loans) to people who normally have little access to commercial financial institutions.

Ecuador's credit unions are like credit unions in the US in that they provide financial services to the low and middle-income segments of the population, have low collateral requirements, and accept small savings accounts. However, in Ecuador over 52 percent of credit union members are employed in or own a micro or small enterprise, and annual household incomes are estimated to average around \$3,000.

With more than 500,000 members, the credit unions in Ecuador serve over 8 percent of the economically active population. However over the past decades, many credit unions have become either bankrupt or incapable of providing their members with good quality, competitively-priced services. They pay low rates on savings, suffer chronic shortages of liquidity, and make customers wait weeks or months to receive loans. Some credit unions are marginally profitable, but loan recovery problems are common, operating costs are high and increasing, and the

availability of retained earnings to finance capital growth is declining. The grant with the World Council of Credit Unions is designed to reverse this decline by introducing a new, more business-oriented credit union "model." This model combines standardized accounting and reporting formats, modern policies and techniques for lending and deposit mobilization, and strategic plans to upgrade credit union services.

By June 1997, WOCCU had selected ten of the largest Ecuadoran credit unions. Five additional organizations are seeking to enter the program. The original ten credit unions have a combined membership 356,000 individuals (46 percent of whom are women), loans of \$63 million, and savings of \$70 million.

WOCCU's new "model" is now in place, and beginning to show results. Over 73,000 loans were outstanding in December 1996 (with an average loan size of \$800), and growth of assets, loans and savings outpaced the annual inflation rate of 30 percent. Loan delinquency rates have improved but remain high at 13 percent of outstanding loans. The remainder of the project period will determine the degree to which the credit unions can overcome outdated policies and attract new members with attractive financial products and services.

Jordanian Women's Development Society
Save The Children/Jordan

IGP: Jordan

Save the Children is proving that its Group Guaranteed Lending and Savings Methodology (GGLS) works in the Middle East region and demonstrates the viability of women—especially very poor women—as entrepreneurs. Save/Jordan began working in the Mahatma and Natheef urban refugee squatter areas in June 1994. The program has expanded to both urban and rural areas as part of an effort to reach thousands of women nationwide through a 1995 IGP grant.

The GGLS program is run by a new non-governmental organization, the Jordanian Women's Development Society (JWDS). It offers community banking, whereby 10 to 25 women receive a group loan from the JWDS. Each group's elected executive committee, together with group members, manage the disbursement and bi-weekly repayment of loans to each member as well as payments into and from the group's savings account. The group is responsible for repaying the group loan back to JWDS after 18 weeks. If it repays in full and on time, the whole group becomes eligible for a new larger loan, whose size increases with the amount of savings in the group account.

As of March 1997, JWDS had 2,398 active loan clients with an outstanding loan portfolio of \$209,617. The average loan size was \$140. The program has consistently exceeded outreach targets set forth in the IGP grant agreement, and expects to have well over 3,000 clients at project end in December of 1998, and to recover all operational costs by 1999.

Like many IGP programs, one of the project's central aims has been establishment of a local organization, independent from the initiating international PVO. Like many countries, it was difficult and politically sensitive to establish a local NGO. The task of solving these legal, bureaucratic, and political issues delayed the full-scale start of operations. Save the Children/Jordan has been remarkably creative and persistent in efforts to develop and formalize a local partner organization, and with the founding of JWDS the institutional framework for rapid expansion is now in place. This success prompted USAID/Jordan and G/EGAD/MD's PRIME Fund to add funding to the JWDS program, so that it can move into other needy areas of Jordan.

Save the Children is now expanding its GGLS strategy to other Middle Eastern countries, including Lebanon, West Bank/Gaza, and Egypt.



activities

B. Activities

Under the FY 95, 96 and 97 rounds, IGP awarded almost \$39 million in grants to 19 institutions (see Table 2) for work in 22 countries throughout USAID's regions. The direct loans, improved financial administration systems, and innovative-loan-guarantees and equity mechanisms supported by IGP will position several organizations to leverage significant commercial resources to expand their loan capital funds and client outreach over the next several years. As of March 1997, active IGP financial services programs had 202,953 borrowers (including Grameen Trust grantees) of whom 85 percent were poor women. Program descriptions provide examples of programs that have flourished with IGP support.

To apply for an IGP grant, institutions must respond to an RFA (Request for Applications) issued every October or November in the Commerce Business Daily publication and on the Internet. A selection committee within USAID reviews proposals presented to MD about two months later when the proposals are competitively ranked based on established criteria. Grants generally range from \$500,000 to \$3.5 million and cover two to five years.

Table 2

**Microenterprise Implementation Grant Awards
1995, 1996 and 1997 Rounds**

GRANTEE/YEAR	AWARD	COUNTRIES	PURPOSE
ACCION International 1995	\$ 3,500,000	Peru, Bolivia, Ecuador & others	Equity investments in transforming MFIs. As of 9/97, three investments in Bancosol, ACP and Banco Solidario were in the process of being finalized.
Appropriate Technology International 1996	\$ 449,072	Zimbabwe	Privatization of oil press enterprise.
Catholic Relief Services 1995	\$ 1,994,542	Indonesia	Creation of financial intermediary for BPR (local banks) system. As of 8/97, CRS-supported BPR's had 12,445 active borrowers.
CARE 1996	\$ 649,389	Ethiopia	Start-up of lending program. Data currently unavailable.
Counterpart 1996	\$ 1,000,000	Uzbekistan	Membership association strengthening. Data currently unavailable.
FINCA	\$ 1,100,000	MIS worldwide 1995	MIS improvements in affiliates.
	\$ 1,000,000	Honduras 1996	Transformation into bank entity. As of 9/97, FINCA/Honduras had 14,605 active borrowers.
	\$ 1,000,000	Tanzania 1997	Start-up of lending program. FINCA/Tanzania's goal is to have 6,500 clients in three years.
Freedom from Hunger 1995	\$ 2,000,000	Bolivia CRECER,	Expansion of lending program. As of 6/97, FFH's local affiliate, had 7,108 active borrowers.
	\$ 2,665,000	Mali 1997	Lending program with credit unions. As of 9/97, the "credit with education" program reached 8,821 borrowers.
Grameen Trust 1996	\$ 2,500,000	Nepal, India, Philippines	Support of replication of Grameen Bank methodology in these and other countries.
Katalysis 1996	\$ 853,467	Honduras	Expansion of lending program. As of 9/97, Katalysis' local affiliate had 6,337 active borrowers.

Continued

GRANTEE/YEAR	AWARD	COUNTRIES	PURPOSE
Mennonite Economic Development Assn. 1995	\$ 2,098,766	Nicaragua	Expansion of lending program. As of 9/97, the local program, CHISPA had 5,340 active borrowers.
		Zimbabwe	Start-up of lending program. As of 9/97, the local partner, Phakama, had 1,137 active borrowers.
Opportunity International 1995	\$ 2,500,000	Ghana	Expansion of lending program. As of 9/97, OI/Ghana had 2,489 active borrowers.
		Bulgaria	Expansion of lending program. As of 9/97, the OI program in Bulgaria had 166 borrowers.
PEOPLink 1997	\$ 300,200	Guatemala, Philippines	Internet marketing of ME products. Data currently unavailable.
PROMUJER 1997	\$ 1,689,000	Bolivia	Expansion of lending program. As of 9/97, ProMujer/Bolivia had 8,682 active clients.
Save the Children	\$ 700,000	Haiti 1996	Strengthen ME Marketing unit.
	\$1,000,000	Jordan 1995	Expand lending program. As of 9/97, Save/Jordan had 2,837 active borrowers, all of whom were women.
VOCA 1996	\$ 950,000	Kazakstan	Start-up of lending program. Data currently unavailable.
World Council of Credit Unions	\$2,000,000	Ecuador 1995	Improve outreach and viability of credit unions. As of 9/97, WOCCU supported 15 credit unions that had 29,661 ME clients.
	\$3,140,000	Kenya 1997	Improve outreach and viability of credit unions, WOCCU expects to support 15 model credit unions with about 25,000 ME clients.
	\$2,748,696	Philippines 1996	Program to integrate community banking into credit unions. Data currently unavailable.
World Education 1995	\$1,000,000	Mali	Start-up of lending program. As of 9/97, World Education/Mali had 1,536 borrowers.
World Relief 1996	\$1,500,000	Cambodia	Expand lending program. As of 9/97, World Relief/Cambodia had 6,882 active borrowers.

The Prime Fund

III. The PRIME Fund

A. Purpose

The Program for Innovation in Microenterprise (PRIME) Fund was established in 1995 to co-finance microenterprise projects designed and managed by USAID in-country “missions.” By ensuring adequate support, PRIME aims to improve both the quality and quantity of microenterprise projects supported by USAID missions.

In considering projects to support, the PRIME Fund looks for significantly improved service quality, outreach and financial viability of local organizations providing direct financial or non-financial services to poor clients. More than 75 percent of these clients are women. The average loan size ranges from \$33 to \$958. Twenty-two of the 24 institutions that provide financial services have average loan sizes under \$300. In selecting proposals for funding each year, MD considers the mission's long-term microenterprise strategy, and mission technical and managerial capacity to expand and deepen microenterprise efforts. Emphasis in the PRIME Fund is placed on local organizations.

purpose

Types of Programs Supported

- ▲ All programs must be connected to a broader USAID country development strategy.

- ▲ Financial and non-financial programs are eligible for support.

- ▲ Local and international organizations can be implementing organizations.

- ▲ Types of activities include, among others:
 - Training and technical assistance for MFIs,
 - Regulatory and banking policy reform for MFIs, and
 - Expansion of financial services.

- ▲ Methodologies include, but are not limited to:
 - Grameen replication programs,
 - Solidarity group lending programs,
 - Village banking operations, and
 - Individual loans.

- ▲ PRIME supports fledgling organizations with ability to grow and organizations expanding to national scale.

B. Activities

While all microenterprise activities financed by the PRIME Fund are connected to a broader USAID country development strategy, the methodologies adopted by specific missions and local institutions have been diverse. PRIME supports Grameen replication programs, solidarity group lending programs, village banking operations and others. It has also supported organizations with proven small business lending technologies to increase their ability to lend to micro-level clients. Fledgling organizations with the potential to grow as well as older organizations that are expanding to reach national scale have been recipients of PRIME Fund grants. PRIME also supports financial services and microenterprise development services provided by local and international organizations, training and technical assistance for implementing organizations and regulatory and banking policy reform for microfinance institutions.

In the three years that the PRIME Fund has been operational, USAID Missions have supported a total of 67 local microfinance organizations in Africa, Asia/Near East and Latin America. Located at the end of this chapter, Tables 3-7 provide a detailed breakdown of funding information, number of countries served and number of microenterprise institutions supported.

In six countries--Cambodia, Morocco, Sri Lanka, South Africa, Ecuador and Uganda--PRIME funds have assisted USAID to begin a long term strategy that incorporates microenterprise development, including poverty lending. In 13 other countries PRIME funds have enabled missions to strengthen existing commitments to microenterprise development.

Over the three-year period, 83 percent of all PRIME funds, or \$19.5 million, supported the microcredit operations of local and international organizations. Of that total, \$15 million (or 78 percent of PRIME funding to microcredit programs) supported poverty lending operations. Altogether 90 percent of the microcredit institutions supported by the PRIME Fund have average loan sizes below \$300. The remaining 17 percent of PRIME funding supports microfinance institutions with a broader spectrum of working poor clients, training for microfinance institutions, business development services to microentrepreneurs, and banking policy reform to enhance the commercial environment for microfinance institutions.

activities

Association of Cambodian Local Economic Development Agencies (ACLEDA)

Prime: Cambodia

ACLEDA is the leading microfinance institution in Cambodia, a country where only 10 percent of the labor force is officially wage-employed. On the Human Development Index, Cambodia ranks 153 out of 174 countries. Nominal GDP per capita in 1995 was estimated at \$292. Banking services are concentrated in the capital, leaving the vast majority of the economically active population without access to financial services. ACLEDA currently provides credit to more than 46,000 active borrowers through a network of 19 branches. Ninety percent of ACLEDA's clients are women. The average outstanding loan is less than \$200.

ACLEDA makes short-term loans based on a solidarity group methodology. An average of seven members in each solidarity group guarantee each others' loans. In 1996, the average loan size in a pool of 12, 335 active clients was \$96, and the loan recovery rate was 98 percent. ACLEDA also provides individual secured loans to micro and small businesses. Loans ranging from \$200-\$4,000, and business training services are key components of this lending window. At the end of 1996, there were 6,838 active clients, with an average outstanding loan balance of \$592.

ACLEDA has a unique organizational structure in which decisions are guided by a General Assembly made of staff who implement lending operations in 11 provinces. From its beginning as an ILO project in 1993, ACLEDA rapidly expanded its portfolio and developed a plan for organizational growth, leadership, staff development and sustainability. The organization has evolved from a project sponsored by an international organization to a locally owned microfinance lending institution.

ACLEDA and its technical advisors have dedicated themselves to the development of the institution, the capacity building of the staff, and meeting their clients' financial services demands. The organization is now committed to transforming its NGO operations into a commercial financial institution serving the urban and rural poor throughout Cambodia.

In 1996, USAID supported the expansion of ACLEDA's lending facilities through a small PRIME grant in parallel with funding from the Japanese government as part of the US-Japan Common Agenda.

Prime:Ecuador

With over 1.2 million low-income microentrepreneurs estimated to have no access to financial services through formal institutions, USAID/Ecuador is encouraging development of non-bank financial institutions (i.e., NGOs) interested in becoming microfinance intermediaries, and assisting more formal institutions such as banks to serve low-income clients profitably. USAID/Ecuador's first strategic objective is to "increase sustainable economic growth for a broad base of the population." The goal calls for expanded participation by low-income groups in the economy, emphasizing the provision of financial services to micro and small-scale businesses.

In April 1996, USAID/Ecuador approved a \$4 million Microenterprise Assistance and Strengthening (MAS) results package aimed at bringing quality financial services to the poor. The mission has chosen to work with promising institutions of several types. At the upper end of the microfinance spectrum, the MAS program has helped one NGO become a commercial, microenterprise bank (Banco Solidario). In the middle, a consortium of seven micro lending NGOs are working to gain access to commercial funding sources, and at the low end, three US PVOs (FINCA,

Project Hope and Catholic Relief Services) are offering village banking services to very poor women.

Within six months of MAS program launching, Banco Solidario had provided over 1,000 low-income clients with loans, and projects it will have 23,300 active clients by 2000. In December 1996, the three village banking operations had provided financial services to 2,731 clients, with an average loan size of \$90, and they hope to reach 6,600 by 1999.

During the four-year period, USAID/Ecuador-supported programs are projected to reach over 135,000 new clients and leverage over \$13.8 million from private, commercial sources of finance and savings mobilization. The mission's microfinance strategy incorporates best practice principles including developing linkages with the commercial sector, extensive and deep outreach, and offering loan products that adapt to a client's growing financial needs including larger loan amounts and voluntary savings services.

Table 3**The PRIME Fund: Summary for 1995-1997**

YEAR	TOTAL FUNDING	MISSION MATCH	NUMBER OF COUNTRIES	NUMBER OF INSTITUTIONS	POVERTY LENDING AS % OF TOTAL
FY 1995	8,380,000	9,787,000	11	19	57
FY 1996	8,583,000	8,779,000	15	39	70
FY 1997	5,985,000	7,657,500	15	22	69
Total*	22,948,000	26,223,500	25*	67*	

* Number of countries and institutions funded each year is adjusted in the total to eliminate double counting resulting from multi-year funding.

Table 4**PRIME Funding by Region**

REGION	TOTAL FUNDING	MISSION MATCH	NUMBER OF COUNTRIES	NUMBER OF ACTIVE CLIENTS	# OF WOMEN CLIENTS AS % OF TOTAL	POVERTY LENDING AS % OF TOTAL
Africa	6,500,000	8,590,000	6	24,600	68	68
Asia/ Near East	8,255,000	11,219,500	6	50,800	96	61
Latin America	8,203,000	6,414,000	9	98,800	76	66
Total	22,958,000	26,223,500	21	174,200		

Table 5**PRIME Projects in Africa**

AFRICA	Local Organization	Amount (US\$)	Year	Purpose of Assistance
Guinea	GREDP	2,000,000	1995	Expand the operations of the Guinea Rural Enterprise Development Project (VITA) and build the capacity of the local institution. As of 12/96, GREDP had 9,956 active clients; the average loan size was \$270 and 72% of the clients were women.
Kenya	K-REP	500,000	1996	Provide technical assistance to K-REP in its transformation to a commercial bank to serve microentrepreneurs. As of 6/96, K-REP had 5,500 active clients, the average loan size was \$217, and 60% of the clients were women.
Niger	Maradi	500,000	1995	Consolidate operations of the Maradi microcredit program and provide CARE technical assistance to local organization.
Malawi	FINCA	300,000	1996	Assist the expansion of FINCA village banking operations. As of 1/97, FINCA Malawi had 5,119 active clients, the average loan size was \$75, and 100% of the clients were women.
South Africa	VITA	600,000	1996	Initiate micro lending component of a larger micro and small enterprise lending and training project.
Uganda	Co-op Bank	1,000,000	1995	Pilot and initiate microfinance activities in the Cooperative Bank.
Uganda	Ugafode/ OI	50,000	1996	Assist Ugafode to expand community banking operations in Kampala. 100% of the clients were women.
Uganda	FOCCAS/ FH	50,000	1996	Pilot a village banking lending technology with rural women in Mbale
Uganda	Various	900,000	1997	Expand the Financial Services Grant Fund which will support 3 microfinance institutions in Uganda.
Africa Regional	WOCCU	600,000	1997	Provide technical assistance and training in model credit union development in four African countries --Kenya, Ghana, Swaziland and Senegal.

Continued

Table 6

PRIME Projects in Asia, Near East

ASIA, NEAR EAST	LOCAL ORGANIZATION	AMOUNT (US\$)	YEAR	PURPOSE OF ASSISTANCE
Cambodia	ACLEDA	240,000	1996	Expand the microfinance lending portfolio.
Cambodia	CRS	150,000	1996	Develop training and technical advocacy program for micro lending organizations in Cambodia. CRS also operates a village banking program with 1,760 women. The average loan size is \$39 and repayment is 100%.
Cambodia	UCC	10,000	1996	Technical assistance to develop a business plan for client training.
Indonesia	BRI	830,000	1995	Establish an International Visitors' Program for the dissemination of the BRI methodology.
Jordan	Jordanian Women's Development Society	250,000	1997	Expand the outreach and building institutional capacity. The program has 2,817 active borrows with average loan sizes of \$87. 100% of the clients were women.
Morocco	Microfinance Activity	500,000	1996	Provide action research on policy and regulatory reform, training and technical assistance in microfinance best practice.
Morocco	El Amana	500,000	1996	Provide technical assistance and capitalization to El Amana local microfinance organization that expects to serve women in rural and urban areas.
Nepal	CECI	300,000	1996	Strengthen credit and savings societies by incorporating 3,000 women members involved in high value agriculture, and develop national level credit and savings society legislation.
Nepal	CSD	\$400,000	1996	Through a grant to IRIS, provide technical assistance (IRIS) and operation support to CSD's microfinance operation. As of 3/97, CSD had 8,000 active clients (100% women) the average loan size was \$46.

Continued

PRIME Projects in Asia, Near East

ASIA, NEAR EAST	LOCAL ORGANIZATION	AMOUNT (US\$)	YEAR	PURPOSE OF ASSISTANCE
Nepal	Nirdhan	400,000	1996	Through a grant to IRIS, provide technical assistance and operation support to Nirdhan's microfinance operation. As of 3/97, Nirdhan had 4,894 active clients (100% women) and the average loan size was \$60. IRIS will also develop national level microfinance legislation, and work on interest rate policy.
Nepal	CECI	278,000	1997	Initiate a Microfinance Best Practice Center in Nepal.
Nepal	Save the Children	300,000	1997	Consolidate operation of individual credit and savings societies into legally registered credit and savings federations
Nepal	Nirdhan	300,000	1997	Expand Nirdhan operations to new branches in the Terai.
Philippines	National Credit Committee	500,000	1995	Provide technical assistance to the NCC in policy and regulatory reform for microfinance on a national basis.
Philippines	Gerry Roxas Foundation	700,000	1996	Assist GRF to expand micro lending operations to Mindanao.
Philippines	TSPI	200,000	1996	Provide technical assistance and training to microfinance institutions through national networks.
Philippines	Rural Bankers Association of the Philippines	800,000	1997	Provide technical assistance to rural and cooperative rural banks in Mindanao to incorporate microfinance technologies.
Sri Lanka	Janashakti	700,000	1995	Expand credit portfolio and strengthen financial management.

Continued

Table 7

PRIME Projects in Latin America

LATIN AMERICA	LOCAL ORGANIZATION	AMOUNT (US\$)	YEAR	PURPOSE OF ASSISTANCE
Bolivia	Fundacion para La Investigacion y Educacion	300,000	1995	Develop FIE's business development services program for microenterprise clients.
Bolivia	Sartawi	500,000	1995	Expand Sartawi micro lending operations. As of 12/96, Sartawi had 4,135 active clients, the average loan size was \$371, and 33% of the clients were women.
Bolivia	FIE	500,000	1996	Expand micro lending in new branches. As of 12/96, FIE had 14,039 active clients, the average loan size was \$584 and 60% of the clients were women.
Ecuador	Banco Solidario	700,000	1996	Transform Enlace/Fundacion Alternativa to become a commercial bank. Deepen the outreach of Banco Solidario through Seed Capital Development Fund.
Ecuador	CorpoMicro & Banco Solidario	500,000	1996	Provide second tier lending facilities to a consortium of national NGO lenders (CARE).
Ecuador	Banco Solidario	60,000	1997	Provide technical assistance and equity investment to Banco Solidario.
Ecuador	CRS	100,000 TBD	1996 1997	Expand CRS village banking operations. As of 12/96, CRS had 375 active clients, the average loan size was \$51, and 100% of the clients were women.
Ecuador	FINCA	100,000 TBD	1996 1997	Expand FINCA village banking operations. As of 12/96, FINCA had 414 active borrowers, the average loan size was \$130 and 100% of the clients were women.
Ecuador	Project Hope	100,000 TBD	1996 1997	Expand Project Hope village banking operations. As of 12/96, Project Hope had 1,942 active clients, the average loan size was \$87 and 100% of the clients were women.
El Salvador	CRS, FINCA, CAM, OEF, Sec. Nacional de la Familia, FOMMI	600,000	1995	Inter-agency cooperation project to develop a technical assistance, training and credit reference service among six micro lending operations with 45,000 active clients (76% women).
El Salvador	CRS	283,000	1996	Consolidate the lending operations of 12 village banking programs, develop a strategic plan and pilot micro lending activities as a legally incorporated microfinance institution.

Continued

PRIME Projects in Latin America

LATIN AMERICA	LOCAL ORGANIZATION	AMOUNT (US\$)	YEAR	PURPOSE OF ASSISTANCE
Guyana	Institute for Private Enterprise Development	350,000	1996	Strengthen and expand IPED microfinance operations.
Haiti	Haitian Development Foundattion	100,000	1995	Provide technical assistance to HDF in strategic planning and a business plan to develop and expand microfinance services.
Honduras	FUNADEH	250,000	1996	Provide technical assistance to deepen outreach by incorporating had a solidarity group lending technology. Technical assistance provided by ACCION. incorporated 2,000 microfinance clients into operations in 1996.
Honduras	TBD	400,000	1997	Provide technical assistance and training to commercial banks to scale-up their capacity to lend to microentrepreneurs and develop an appropriate regulatory framework for microfinance institutions.
Mexico	TBD	200,000	1997	Provide technical assistance to microenterprise development institutions in the Southern Region.
Nicaragua	Pro-Mujer	400,000	1996	Expand microcredit operations in rural areas using village banking techniques.
Nicaragua	ACCION, CRS, FINCA, OI and Pro-Mujer	200,000	1996	Develop a technical assistance and training network among international affiliates and local microfinance lenders in Honduras.
Peru	ADEX	250,000	1995	Strengthen technical assistance and training to incorporate women's groups as independent sub-contractors on a sub-sector basis.
Peru	CAPS	600,000	1995	Provide technical assistance to local organizations in institutional development and financial management to qualify as recognized microfinance institutions.
Peru	Village Banking: CARE, CRS, FINCA	600,000	1996	Expand the village banking operations of CRS, CARE and FINCA. As of 12/96, these programs served 6,620 active clients (100% women) and the average loan size was \$126.
Peru	PROMUC	900,000	1997	Develop a nation wide self-sustaining village banking franchise program, serving 17,700 clients through 661 village banks.

MicroServe



purpose

IV. MICROSERVE

A. Purpose

MicroServe is the Office of Microenterprise Development's chief mechanism for providing training and technical assistance to USAID/Washington, missions, regional bureaus and implementing organizations in carrying out the Agency's Microenterprise Initiative. MicroServe operates through two Indefinite Quantity Contracts (IQCs) that provide services on a buy-in basis. Services include sector and institutional assessments and strategy development; design of financial operations systems and advice on institutional change in partner organizations; in-country training and seminars; operational evaluations; and analyses of equity investments. MicroServe training covers in-country workshops and conferences; banker and microfinance training; and state-of-the-art microfinance seminars. Throughout the technical assistance and training efforts, emphasis is placed on improving women's access to microcredit and making microfinance activities sustainable.

MicroServe builds on 20 years of USAID investment in research and development in the informal sector and microenterprise development. Consultant teams provide expert technical services, while training programs expose practitioners to the latest field research results and opportunities to update skills. By drawing on this wealth of knowledge and experience through MicroServe, USAID's microenterprise programs can take advantage of proven "best practices" that make a measurable impact on microentrepreneurs.

B. Activities

USAID's two MicroServe contractors are Chemonics International Inc. and Weidemann Associates. Chemonics' partners in delivering technical assistance and training services include ACDI, Carana Corporation and ADEMI. Weidemann Associates' partners are ATMA International, Carana Corporation, Deloitte Touche Tohmatsu ILLA Group, Development Associates Inc., Sterling International, and Winrock International. Each of these partner brings impressive credentials to microenterprise development.

Chemonics International has used its extensive experience in developing and transforming NGOs in assisting USAID missions in Sri-Lanka, Cambodia, Bolivia, Honduras, West-Bank/Gaza and Bangladesh. Under an innovative umbrella delivery order with USAID/Bolivia, MicroServe Chemonics supports a broad array of activities from policy and regulatory assistance to institutional strengthening, training and equity investments. Services are aimed at transforming six Bolivian NGOs into formal financial institutions. Under the MicroServe assistance, lessons learned from previous NGO graduates, BancoSol, Caja de los Andes and other successful microfinance institutions are being transferred to the Bolivian urban and rural NGOs ("Fomento a Iniciativas Economicas," Agrocapital, Promujer, Sartawi, Crecer and Eco-Futuro).

Weidemann Associates is working in new areas that show promising results, and has served USAID missions in Peru, Jamaica, Indonesia and Jordan. In Peru, Weidemann Associates is integrating "best practices" in microenterprise development and microfinance into the operations of a Population and Health Office. This work involves a two part strategy. The first focuses on identifying and developing market linkages among health and population

programs and organizations active in the development of financial markets. The second part, based on best practices in microfinance, involves establishing a microfinance program based on a community-based methodology.

In Jamaica, Weidemann Associates produced a set of high quality video-based training modules demonstrating business best practices in four sub-sectors: furniture manufacturing, small scale restaurant operations, dress-making and tailoring and day care. These videos will allow professional, effective training to be widely disseminated with minimal incremental cost per trainee. Weidemann Associates is also working with USAID missions and Bureaus worldwide to develop a consistent and useful reporting system on microenterprise and microfinance activities sponsored by USAID. Finally, Weidemann Associates has organized conferences or workshops for bankers in Latin America, Asia and Africa who are developing commercially viable microfinance programs.

activities

Table 8**MICROSERVE Projects by Countries and Contractors**

COUNTRY	AMOUNT (US\$)	YEAR	PURPOSE OF ASSISTANCE
A.I.D./W	61,000	1997	Microfinance Training
Sri Lanka	58,000	1997	MESA Assessment
Bolivia	1,200,000	1997	Design, assessments, institutional strengthening
West Bank/Gaza	63,000	1997	Microfinance Workshop
Bangladesh	73,000	1997	WEDP Evaluation
Honduras	12,000	1997	IGP Assessment
Cambodia	15,000	1997	IGP Assessment
Kenya	15,000	1997	IGP Assessment
Albania	56,000	1997	Sector Assessment/Program Design
A.I.D./W	10,000	1997	Quality control MicroServe publications/TA USAID/Bolivia coordination
Jamaica	118,000	1997	Video Training Module Development
Peru	180,000	1997	Microenterprise/ Health/ Population linkage development
Indonesia	114,000	1997	Census of micro-small enterprises/ assistance to Central Bureau of Statistics
A.I.D./W	189,000	1997	Agency-wide Microenterprise Results Reporting
Peru	260,000	1997	Institutional strengthening, advising in microfinance and non-financial assistance
Jordan	15,000	1997	Microenterprise Development strategy, assessment of institutional constraints.
Egypt	5,000	1997	MIS assessment, data gathering control
Romania	7,000	1997	Microenterprise/population linkage development
A.I.D./W	20,000	1997	Quality control of MicroServe publications, overall advisory services to USAID missions
Ghana	3,000	1997	Sector assessment, microenterprise /tourism linkage development
A.I.D./W	120,000	1996	Workshop on Commercial Banks

AIMS

V. Assessing the Impact of Microenterprise Services (AIMS)

A. Purpose

Assessing the Impact of Microenterprise Services (AIMS) is a five-year research project designed to determine how microenterprise services, particularly financial services, help clients strengthen their businesses and improve their family's welfare. By documenting program results, AIMS can enhance the capacity of USAID and USAID-funded partners to evaluate program impact and take advantage of effective strategies. Project activities include refining methodologies for evaluating impact, producing a research series, and developing monitoring and evaluation tools for use by practitioners. AIMS' joint enterprise/household perspective distinguishes it from much of the previous work in microenterprise evaluation and monitoring. With this dual focus, AIMS is exploring how microenterprise services affect the stability and growth of enterprises and the social and economic welfare of the household and individuals within the household.

purpose

AIMS Working Papers

*Assets and the Impact of Microenterprise
Finance Services.*

Carolyn Barnes, 1996.

Household Economic Portfolios.

Martha Alter Chen and Elizabeth Dunn, 1996.

Household, Microenterprise and Debt.

Elizabeth Dunn, 1996.

*Review of Methodological Risk and the Impacts
of Microenterprise Services.*

Elizabeth Dunn, Nicholas Kalaitzanodonakes
and Corinne Valdavia, 1996.

*PVO/NGO Tools for Household and Business Impact
Assessment: Report of a Planning Meeting.*

Elaine Edgecomb, 1996.

*Approaches to the Study of Microenterprise
Credit Programs.*

Gary L. Gaile and Jennifer Foster, 1996.

*A Review of Approaches For Measurement of
Microenterprise and Household Income.*

Anne Inserra, 1996.

*Overview of Studies on the Impact of
Microenterprise Credit.*

Jennifer Sebstad and Gregory Chen, 1996.

The Economic, Policy and Regulatory Environment.

Don Snodgrass, 1996.

Diversification in the Household Economic Portfolio.

Elizabeth Dunn, 1997. *A Review of Impact
Information Systems of NGO Microenterprise Programs.*

Eric Hyman and Kirk Dearden, 1997.

*For copies of working papers, contact the Microenterprise
Innovation Project website (<http://www.mip.org>)
or fax AIMS (202/488-0754).*

AIMS HOUSEHOLD ECONOMIC PORTFOLIO MODEL

Previous studies of microenterprise impact focused on effects of financial services on the enterprise for which the client indicated s/he would use the loan. Findings revealed a different reality: loan use often differed from the borrower's stated intention on the loan application form. Some, all or none of the loan was invested in the stated microenterprise. Other previous studies focused on social and economic impacts at the level of the household, seeking attribution of program participation to family planning practices, and the health and education status of the clients and their children. The AIMS project developed a framework for assessing the impact of microenterprise services that begins with the household economy. Its thesis: decisions about microenterprises are best understood when considered in relation to the overall household economy. Not only do microenterprises belong to a larger portfolio of household economic activities, they depend to varying degrees on their households for capital, labor and other inputs. Income generated by microenterprises is as likely to be used for family consumption as investment.

Widening the scope of microenterprise impact assessments beyond the enterprise means incorporating the contribution of microenterprise services to household security, individual well-being and community economic development. The AIMS household economic portfolio model provides a framework for understanding the role of microenterprises in the household economy and the way risk enters into decision making about use of microenterprise credit. Viewed as an addition to the household's set of human, physical and capital resources, credit can be used in any household activities. In turn, loans are repaid out of resource flows generated by any of the household's portfolio of economic activities. By acknowledging both members of the household and its portfolio of economic activities change over time, the model is far from static. The approach suggests hypotheses related to

different household objectives. The poorest households in pursuit of short-term survival objectives might concentrate on the intensification and diversification of labor activities. Richer households with objectives of longer-term mobility, can be expected to diversify assets and invest financial resources. Looking to achieve stability or security objectives, the middle range will attempt to maintain or stabilize the household's resources and social networks.

For more information, please consult "Assessing the Impacts of Microenterprise Interventions, A Framework for Analysis," by Catherine Neil, Jennifer Sebstad, Carolyn Barnes, and Gregory Chen published by Management Systems International, March 1995, and "Household Economic Portfolios," by Martha Chen and Elizabeth Dunn, published by AIMS, Management Systems International, June 1996.

household

B. Activities

AIMS is implemented by the Microenterprise Impact Assessment consortium composed of Management Systems International, Harvard Institute for International Development (HIID), the University of Missouri and The Small Enterprise Education and Promotion Network (SEEP). The consortium is pursuing a two-part strategy. First, it is carrying out three rigorous impact assessments that reflect the latest knowledge in impact assessment methods. Second, it is attempting to develop practical tools for measuring and/or monitoring impact on a cost-effective basis. In addition, over the first two years of the project, AIMS produced a number of studies—shown in “AIMS Working Papers”—related to the process of impact assessment.

activities

The three major impact assessments begun in 1997 include partner institutions selected to collaborate with AIMS on the basis of their operational maturity and movement toward self sufficiency, their substantial level of outreach, and representativeness of a range of financial institutions within their region. All provide microcredit services and some deliver other financial or non-financial services. The institutions selected are:

- ▲ **Accion Comunitaria del Peru (ACP).** Beginning with micro loans in 1982, ACP provides group and individual credit services to 22,000 microentrepreneurs, mostly traders, in low income neighborhoods of Lima. ACP is affiliated with ACCION.
- ▲ **Self Employed Women's Association (SEWA) Bank, India.** For 20 years SEWA Bank has provided savings, credit and insurance to poor women in the city of Ahmedabad. Services are provided to 55,000 savers, of whom nearly 6,000 are also active borrowers. Sewa Bank is affiliated with Women's World Banking.
- ▲ **Zambuko Trust, Zimbabwe.** Only four years old, Zambuko Trust provides credit plus informal advisory business services in three major urban areas, including Harare. Its 4,000 clients, of whom 75 percent are women, include both very poor microentrepreneurs and larger businesses. Zambuko Trust is affiliated with Opportunity International.

In addition to impact assessments, AIMS will design tools for PVOs and NGOs to track the impact of microenterprise programs. Driving this activity is the desire by practitioners for measurement tools that are cost effective and affordable. While the tools developed may lack methodological rigor required of academic exercises, they should provide credible information in ways programs can readily use. Findings from the core assessments should help establish the validity of measures developed for the tools. The tools will be developed and implemented in partnership with the following two microfinance institutions:

▲ **ODEF (Organization for Women's Enterprise Development), Honduras.** Founded in 1985, ODEF supports women's microenterprise development. Today ODEF reaches 8,700 clients with a combination of individual and community banking loans. ODEF is affiliated with Katalysis.

▲ **Kafo Jiginew, Mali.** Kafo Jiginew is a credit union federation made up of 64 savings and credit unions (caisses) with 37,000 members. It was established in 1988, and provides a wide variety of loan and savings products for agricultural activities and mid-level entrepreneurs. In partnership with Freedom from Hunger, Kafo introduced a poverty lending program in 1996 that provides financial services to poor rural women. In its first year, this program component added 4,600 women to Kafo Jiginew's membership. Kafo is affiliated with Freedom from Hunger.

AIMS also provides technical assistance on evaluation methods. To date, two activities have been completed and a third initiated:

▲ **Morocco.** A baseline survey was developed, tested and undertaken with Al Amana, a new microfinance institution. Conducted in Fez Marakech and Essaouria prior to Al Amana making its first loan in these cities, the survey provided the project with baseline data on potential clients, served as a training activity for newly recruited loan officers, and generated data to be used in product design.

▲ **CGAP Impact Assessment Methodology Working Group.** AIMS organized an electronic meeting in April 1997 on impact assessment methodologies with joint funding from USAID and CGAP. (See Chapter VII, Section A of this report.)

▲ **Jamaica.** Through a buy-in from USAID/Jamaica, AIMS is working with Workers Bank in Jamaica to develop indicators and implement a monitoring system that will measure changes at the enterprise and household levels among bank clients.

MBP

IV. Microenterprise Best Practices (MBP)

A. Purpose

The goals of Microenterprise Best Practices (MBP) project are to stimulate and inform work taking place at the frontiers of microenterprise development and provide programs worldwide with an understanding of successful microenterprise development practices. MBP carries out these ambitious goals through a combination of research and learning, a grant facility, and information sharing. The body of knowledge involved in discovering best practices is constantly evolving as practitioners try new approaches to delivering microenterprise services effectively and experience success and failure. By documenting these experiments, the MBP project is expanding a critical knowledge base that will enable practitioners around the world to learn from each other and achieve higher standards of program performance.

MBP, like other MD programs, is a collaborative effort. The five-year contract is carried out by Development Alternatives, Inc. (DAI), ACCION International, FINCA International, Ohio State University's Rural Finance Program, Opportunity International, International Management and Communications Corporation (IMCC) and Small Enterprise Education and Promotion (SEEP) Network and Harvard Institute for International Development (HIID). These premier organizations work as a team to examine best practices and develop a theoretical understanding of what makes a "best practice." Development Alternatives, Inc. is the prime contractor on the project and manages the work of the other participating organizations.



purpose

MPB Completed Research Studies

▲ *Commercial Banks and Microfinance Institutions*, by Mayada Baydas, Douglas Graham and Liza Valenzuela, August 1997. Drawn from the experience of the banks participating in USAID's conference on commercial banks and microfinance, this paper analyzes the current involvement of commercial banks in providing microfinance services and discusses implementation challenges banks face when they enter this market.

▲ *Managing Growth of Microfinance Institutions*, by Craig Churchill, May 1997. This paper provides a comprehensive review of business literature on managing the growth of public and private sector organizations that provide lessons from the corporate world to microfinance institutions. It includes discussion of incentive systems, information needs and managerial requirements that accompany the growth of microfinance institutions.

The reports are available from Development Alternatives, Inc. and are also available on the Microenterprise Innovation Project website, <http://www.mip.org>.

B. Activities

By the end of the five-year period, MBP will produce research papers on 21 topic areas, sponsor 20 conferences and award more than \$2 million in grant funds to practitioner agencies to support capacity-building. The project's three core activities—Research and Learning, the Grant Facility and Information—are discussed below.

MBP Research and Learning efforts are grouped in three categories. The first is Financial Services—making financial products available to poor people on a large scale and sustainable basis. The second is Business Development Services—finding cost-effective ways of delivering nonfinancial services to microentrepreneurs to enhance their ability to conduct business. The third involves the Role of Microenterprise Services in Economic and Social Development—uncovering the larger context in which microenterprise development

activities

occurs. In total, 103 research papers will be produced out of the 21 research topics (see Table 9). Readers should note that MBP publications listed on the web site include abstracts, two-page synopses for each publication, and information on how to order hard-copy publications.

MBP investigations focus on real problems identified by people actively engaged in microenterprise development work. This approach ensures that studies are relevant and address real obstacles confronting those serving the microenterprise community. Each topic is examined by a team of both academics and practitioners to build strong conceptual and practical frameworks. Summaries of research products produced to date are presented in "MPB Completed Research Studies."

The MBP Grant Facility, administered by DAI, supports initiatives through small grants to practitioners and others outside USAID willing to make a long-term investment in mechanisms to build capacity in the microenterprise field. Grant applications are evaluated by a panel of academic, practitioner and USAID experts in the field of microenterprise. In MBP's first year, 1996, grants totaling \$379,890 were awarded to 13 institutions. During 1997, MBP's grant total increased to \$763,651, and 16 organizations received awards.

Grants provide funding in three areas:

- ▲ **Capacity-building**--support of organizations committed to the development of the microenterprise field through such means as peer networks, training programs and information exchange.
- ▲ **Exchange Visits**--support of study and information exchange concerning a specific learning objective between newer and more experienced institutions.
- ▲ **Pilot Projects**--support testing of innovative programs, technologies and methodologies to serve microentrepreneurs.

MBP Information Sharing is aimed at ensuring that lessons learned from both MBP and the larger Microenterprise Innovation Project (MIP) are made widely available to practitioners, policymakers, and donors working in the field of microenterprise development. The three principal methods for increasing the knowledge base of the microenterprise community are:

- ▲ A World Wide Web site (<http://www.mip.org>), listing findings, grant announcements, microenterprise resources, and information on other USAID microenterprise efforts. Although maintained through MBP, the website also includes information about the AIMS and MicroServe projects. The Web Site also links to the web pages of other microfinance and microenterprise organizations for easy reference;
- ▲ A publication series covering all research products will be published and distributed

Managing Growth of Microfinance

Institutions: As microenterprise finance organizations attempt to grow, they frequently encounter institutional capacity constraints. This topic examines common problems and pitfalls associated with growth and how institutions have sought to resolve them.

Loan Sizes, Lending Strategies, and Poverty:

This topic examines the relationship between loan size distributions in microfinance programs and other variables such as the poverty level of clients, repayment capacity, elasticity of demand, and lending methodology.

Ownership and Governance of Microfinance

Institutions: This topic examines governance issues such the role of non-governmental organizations, boards of directors and senior management in policymaking.

Networks and Replication: Replication of microenterprise programs across countries has proved possible, though some organizations and affiliate networks have had greater success than others. This topic examines the methods used in previous and present replications and will assess which aspects of microfinance are directly replicable versus those that must be adjusted from place to place.

Information Management for Microfinance

Intermediaries: This topic looks at transaction/ information flow requirements for microfinance; computerization of information, and internal use of information in order to develop tools that will assist organizations in using information.

Special Financial Management Issues in

Microfinance: This topic covers special financial management issues such as portfolio quality analysis, asset and liability management, internal control, preventing and detecting fraud, product cost analysis and discusses adapting these topics to different programs and methodologies.

Savings Services: This topic will document the savings mobilization experience of a variety of institutions from a practical point of view, covering issues such as costs of mobilizing savings, types of instruments and client response and internal institutional prerequisites to offering savings services.

Regulation & Supervision of Microfinance

Institutions: Using experts in banking regulation, this topic will address the risk profile of microfinance institutions and propose appropriate structures for regulation and supervision.

Microenterprise Development & Social

Intermediation: Social intermediation denotes attempts to use microfinance services as a means of achieving additional objectives such as empowerment or education. This topic looks at how to achieve additional objectives without adding costs or otherwise burdening the effective functioning of the microfinance program.

Village Banking: This topic will explore methods for ensuring the robustness of the village banking methodology and developing the appropriate long run institutional framework.

Evolution of Credit Methodologies: This topic will analyze the state-of-the-art in group lending and individual lending methodologies to answer current questions such as the internal dynamics of solidarity groups.

Alternative Financing Mechanisms: This topic will examine progress in linking microenterprise finance services to commercial sources of funds.

Business Development Services for

Microenterprises: This topic examines the effectiveness of business development services and offers lessons regarding client graduation, financial viability, scale and depth of outreach, growth strategies and impact.

Advocacy: Focusing on the ability of associations to be effective advocates and the mechanisms through which government relates to microenterprise groups, this topic reviews the experience of microenterprise advocacy efforts.

Institutional Alternatives for Microfinance:

This topic explores the feasibility of “downscaling” commercial banks (encouraging them to serve poor clients), revitalizing state banks and developing networks of locally-owned small financial institutions.

New Financial Products & Services:

This examines the issues surrounding the development of additional financial products aimed at poor entrepreneurs and their families such as: insurance services, payments (fund transfer) services, and technologies such as debit cards.

Sectoral Linkages: This topic looks at the role of microenterprise programs in the housing, health, agriculture and environmental sectors.

Market Access: This topic examines ways to identify markets with good growth potential for microenterprises and to increase the access of microentrepreneurs to such markets.

Microenterprise Development & Social

Safety Nets: In order to provide guidance regarding the applicability of microenterprise programs among distressed populations, such as refugees, demobilized soldiers and other displaced people, this topic examines the value of microenterprise services in fulfilling roles otherwise assigned to social safety net programs.

Small Business Development:

As microenterprises grow, their needs become more complex. This topic reviews what we know about how to support small business development and makes recommendations about future small business programming.

Table 10

MBP Grants Awarded in 1996 and 1997

Capacity-Building Grants

ORGANIZATION	AMOUNT/DURATION	DESCRIPTION
Americas Association of Cooperative /Mutual Insurance Societies (US)	\$50,000 One year	Hold two workshops in Latin America to disseminate information on insurance services and provide technical assistance to selected organizations.
Save The Children (US)	\$50,000 One Year	Refine a training and training of trainers curriculum on business development services for women entrepreneurs and hold two workshops for practitioner organizations.
Catholic Relief Services (US)	\$50,000 19 Months	Develop an internal account management tool kit to increase internal account management capacity in hundreds of village banks.
Calmeadow (Bolivia)	\$50,000 One year	Establish a microfinance policy training institute in Santa Cruz, Bolivia, for microfinance organizations worldwide.
Instituto de la Promocion de la Economica Social (Peru)	\$30,000 One year	Build capacity of microenterprises, public agencies, and NGOs involved in recycling in metropolitan Lima, Peru.
Action for Enterprise	\$76,606	Build capacity of SEPROT, a Botswanan microenterprise network, to design and implement subsector-based business development programs.
Credit and Development Forum (Bangladesh)	\$90,750	Conduct training and capacity-building activities to enhance competency of microfinance NGOs in such areas as loan services, savings services, and accounts management
PROMUC (Peru)	\$70,000	Develop and implement a training system for its franchised community bank program.
World Vision (US)	\$84,000	Build institutional and technical of microfinace organizations in Ethiopia through training a support for local microenterprise network.

Innovation Grants

PEOPLINK (US)	50,000 Two years	Test the viability of establishing a network of NGOs promoting the wholesale marketing of crafts via the Internet.
Private Sector Initiatives Foundation, Inc. (US)	\$50,000 20 months	Field test a rating system with 15 microfinance institutions in Latin America.

Continued

Exchange Visit Grants

ORGANIZATION	AMOUNT/DURATION	DESCRIPTION
World Vision Relief and Development, Inc. (US)	\$10,000	Allow WORD East Africa staff to visit K-REP in Kenya to learn about K-REP's lending model.
TSPI Development Corporation (Philippines)	\$10,000	Visit ADAM in the Dominican Republic to examine individual lending methodologies.
Catholic Relief Services, Egypt Program (Egypt)	\$6,960	Visit Freedom From Hunger in Ghana to learn about the "Credit With Education" methodology.
Centro de Promocion y Empleo para el Sector Informal Urbano (Ecuador)	\$6,000	Visit organizations assisting recycling microenterprises in Bolivia and Costa Rica to examine recycling and credit methodologies.
FONDESPOIR (Haiti)	\$5,000	Visit MEDA's Prisma project in Bolivia to see how Prisma has achieved financial self-sufficiency.
Volunteers in Technical Assistance (US)	\$11,930	Allow staff from VITA's Guinea affiliate to visit organizations in Senegal and Cameroon to examine program expansion issues.
Reseau des Caisses d'Epargne et de Credit (Senegal)	\$78,000	Pilot a health insurance scheme for women microentrepreneurs and their families
GRET (Cambodia)	\$ 68,000	Pilot health insurance products in 20 Cambodian villages
Fundusz Mikro (Poland)	\$61,000	Test an experimental loan portfolio risk assessment tool for microfinance institutions.
EMPRENDAMOS (Colombia)	\$37,000	Develop and apply an experimental risk assessment tool to organizations to whom EMPRENDAMOS has issued guarantees.
TechnoServe (US)	\$75,000	Establish a working model of an environment enterprise in Ghana.
Learning Fund for Micro-Insurance	\$75,000	Fund for information exchange, actuarial technical assistance, grantee documentation, and dissemination of results of micro-insurance innovation grants MBP-024 and MBP-025

Continued

Exchange Visit Grants (Continued)

ORGANIZATION	AMOUNT	DESCRIPTION
Feed The Children Ethiopia, Kenya (Uganda)	\$10,895	Visit RUTEC and Get Ahead Foundation in South Africa to examine RUTEC's microenterprise training program and Get Ahead Foundation's use of commercial partnerships in providing credit to the urban working poor, their technical skills training program, and their work promoting recycling businesses with street children. Staff from Ethiopia, Kenya, and Uganda are participating in the visit.
Pwogram Fomasyon Pou Oganizasyon Dyakona (Haiti)	\$9,355	Visit four institutions in Honduras - Project Hope, FINCA, Ven a Servir, and SOLITAS - to examine those organizations' experience in promoting savings and training of community bank managers.
Get Ahead Financial Services (South Africa)	\$5,440	Visit BancoSol and PRODEM in Bolivia to examine their lending methodologies and BancoSol's experience in transforming into a commercial bank.
Opportunity International (Russia)	\$8,400	Visit BancoSol in Bolivia to examine BancoSol's credit program and its experience in marketing its financial services and providing business development services.
Alexandria Association of Home Economies (Egypt)	\$6,505	Visit the community-based microfinance programs of the General Union of Voluntary Societies (GUVS) and the Ministry of Social Development (MSD) in Jordan to examine regional models of local management in microfinance program.
ACLEDA (Cambodia)	\$6,000	Visit BancoSol in Bolivia to examine BancoSol's experience in transforming into a commercial bank.
BEES Trust (South Africa)	\$9,700	Sponsor jointly with the Centre for Social Development studies a visit to/from Kenya to explore inter-firm linkages and technology transfer among manufacturing enterprises and develop a program for action.

Supporting Activities

VII. Supplementary

Microenterprise Office Activities

International donor agencies, both bilateral and multilateral, have taken an increasing interest in microfinance in recent years. With a long history of investment in this area and a large portfolio of existing projects, USAID plays an important leadership role among donor agencies on microfinance issues.

A. CGAP

Through the Office of Microenterprise Development, USAID participated in deliberations that led to the creation in June 1995 of the Consultative Group to Assist the Poorest (CGAP), a multi-donor organization focused exclusively on microfinance for the very poor. USAID was one of the first donor organizations to pledge its support for the creation of CGAP, which now counts 25 members, including all of the major bilateral and multilateral donors. CGAP works to increase the dissemination of best practice information among donors, practitioners and governments; support microfinance institutions that promise to become leaders in the field; improve donor coordination and the quality of donor programming; and “mainstream” microfinance in the World Bank which houses the CGAP Secretariat. USAID currently chairs the CGAP Working Group on Impact Assessment through its Microenterprise Office and co-chairs the committee on review and renewal of CGAP.

B. Standards

One of the significant accomplishments of increased donor coordination is the development and widespread acceptance of performance and reporting standards. Working through two existing donor committees--the Donor Committee on Small Enterprise and the Donor Working Group on Financial Sector Development--USAID led an effort in 1995 to develop a brief set of standards, which were adopted in 1996 by CGAP, and by extension, all CGAP members. These standards cover criteria for selecting microfinance institutions to receive support, appropriate funding practices, and minimum reporting requirements for microfinance institutions regarding outreach and financial performance. The consistent application of these standards by a majority of donors should go far to support enhanced performance of microfinance institutions around the world.

C. Microfinance Training Program

Training microenterprise program managers in USAID and partner organizations was one of the original priorities identified in the Microenterprise Initiative. Success of the Initiative, in fact, depends in large part on the existence of an Agency-wide cadre of program managers and staffing partner organizations who can manage sustainable microenterprise programs. Therefore, one of MD's first activities was to develop a tailor-made course on the principles of microfinance. The primary purpose of the course was to train funders of microenterprise programs, particularly program managers in USAID/Washington and field missions, headquarters staff, and, to a lesser degree, staff of USAID-supported PVOs and other donor agencies. The course, which addressed principles of financial sector development, innovative methodologies for meeting the financial needs of poor people, institutional strengthening, bank regulation and supervision, performance standards,

management information systems and impact measurement, was provided by a private contractor in 1995 and 1996.

Two factors prompted MD to pursue a more sustainable approach in 1997. The growth of the field of microfinance and emergence of an excellent Microfinance Training Program -- drawing in large part on the same materials and faculty as the original USAID-sponsored courses — offered by the Economics Institute in Boulder, Colorado led USAID to fund 16 scholarships for this program in 1997. At Boulder, participants can take advantage of broad range of courses extending beyond the introductory principles course originally offered by USAID. In 1997, 25

percent of USAID-supported participants enrolled in more advanced training modules on topics such as building microfinance systems, performance standards and financial management tools. The audience has expanded to include over 100 practitioners from microfinance institutions and many government officials. To date, the Office has provided direct support for training 44 USAID staff spanning 22 missions, most of which have or are developing major microenterprise strategies. Among 116 managers from partner organizations who have received training, a majority work for grantees under the IGP program or organizations supported by the Office's PRIME Fund. Participants have been evenly spread across Africa, Asia and Latin America and the ENI. All courses

CGAP Working Group on Impact Assessment Methodologies

The Consultative Group to Assist the Poor (CGAP) invited USAID to chair the Working Group on Impact Assessment Methodologies, one of several working groups established in response to requests to CGAP from donors and practitioners. In April 1997, the working group conducted a virtual conference on the objectives, methodologies and standards for conducting microfinance impact assessments, with support from the AIMS project. In addition to commissioned background papers, the conference considered a discussion paper by David Hulme, University of Manchester, entitled "Impact Assessment Methodologies for Microfinance." The virtual conference used E-mail and a 'listserve' created for the meeting, and brought together 23 participants from donor agencies, research institutions and practitioner organizations. The discussion took place over a two-week period in India, Australia, Europe and the US. A moderator, Gary Gaile, University of Colorado,

facilitated the virtual meeting in which interaction ebbed and flowed as participants entered the discussion from around the world.

Conferees agreed on the need to link impact assessments more closely to program management. Recommendations focused on the need for a methodological norm in this field which gives priority to a mix of small quantitative surveys, qualitative studies and, where appropriate, participatory approaches. Impact surveys must be both affordable and generate credible findings. Future activities of the working group will involve individual networking among members during the design of several small impact assessments, preparation of a background paper, and conduct of a subsequent virtual meeting focused on development of minimum standards for conducting impact assessments of microfinance programs.

stress the importance of financial viability and emphasize creative ways to incorporate private sector ideas and funding into microfinance.

D. Conference on Commercial Banks and Microfinance

In November 1996, MD sponsored a conference on Commercial Banks in Microfinance bringing together some 20 commercial bankers from Asia, Africa, Latin America and the Caribbean to discuss challenges these institutions face in developing and expanding services to microfinance clients. Although microfinance was generally the domain of non-governmental organizations, an increasing number of regulated commercial banks around the world are beginning to turn their attention to this market niche.

While conference participants represented privately-owned commercial banks, there was representation from one state bank (the Bank Rakyat Indonesia), one NGO that had transformed into a bank and two banks that emerged from the consumer loans market. All claimed to be profitably engaged in microfinance, while at the same time performing a social function. There was consensus that the microenterprise or micro loans and savings market was a large untapped market that could be very profitable. As one participant said: "We are sitting on a gold mine...and we in this room have the leading edge."

A key theme of the conference was how to increase the scale of operations. In this context, participants discussed:

-
- ▲ The importance of a fundamental commitment to microfinance from bank leaders;
-
- ▲ The challenges involved in changing a bank's corporate culture which has considered the small loans business to be a "second class" activity;
-
- ▲ Internal controls to keep track of thousands of tiny loans and savings accounts, informing regulators about this specialized market, appropriate institutional structures to handle microfinance within a large corporate entity; and
-
- ▲ The importance of staff training and incentives to maintain high staff productivity.
-

A special concern revolved around the high operating costs of microfinance, since it is much more labor-intensive than traditional banking. While operating costs do need to be controlled by finding efficiencies, "pricing" was considered to be the main solution. Interest rates need to be higher to service this microfinance market than for the bank's traditional loan markets. Participants expressed satisfaction with this first effort to bring them together as a commercial microfinance community and expressed interest in future regional seminars of this nature. As a follow-up, MBP prepared a paper on "Commercial Banks: New Actors in the Microfinance World."

E. Reaching Microenterprise through the Peace Corps

The field presence of Peace Corps provides a unique opportunity to provide entrepreneurship training and support at little marginal cost. Through the Peace Corps' Microenterprise Development Project (MEDP), USAID's Office of Microenterprise Development supports training to Peace Corps volunteers, host country professionals in NGOs and the public and private sector, and entrepreneurs. USAID's support is specifically designed to include local counterparts of Peace Corps volunteers that supplement the Peace Corps training funds. Training covers issues such as: organizational development for NGOs; credit for business development; training for adults (e.g. participatory training techniques); consulting skills, and small business and economic development.

Most of Peace Corps' work involves business development rather than microfinance. In 1996, for example, sub-sector analysis was used in Asia to determine where Peace Corps and its partners could have the most impact in local handicraft production. MEDP also supported a workshop in the Dominican Republic to introduce subsector analysis tools to Peace Corps staff and Dominicans from NGOs, universities and public sector. Sub-sector analysis was introduced to a number of other countries including Ecuador, Benin, and West Samoa. In Eastern Europe, MEDP provided support to Junior Achievement programs, supporting the development of entrepreneurship at the high school level.

F. Microenterprise Results Reporting

The Microenterprise Results Reporting (MRR) system collects data on USAID's microenterprise involvement worldwide for the purpose of monitoring whether USAID is meeting targets established under the Microenterprise Initiative. MRR focuses first on the overall level of Agency obligations for microenterprise during each fiscal year by region, mission, and funding purpose (credit or other services). Secondly, it collects information on the results achieved by institutions USAID supports with that funding. In particular, MRR monitors numbers of active clients served by the institutions (which enables a look at growth rates), loan size (particularly proportions of loans above and below \$300, or above and below \$1000 for ENI) and the percentage of women clients.

Data on obligations are collected through the Agency's internal budget system while information on institutions and clients requires a separate survey of each supported institution. Data collection and analysis are carried out through the MicroServe Weidemann contract. MRR replaces an earlier data collection project, the Microenterprise Monitoring System (MEMS) which began in 1992.

The MRR system allows USAID to report annually to Congress on those aspects of microenterprise in which Congressional interest is highest. The first complete MRR report detailing the use of FY 96 funds is available. The report documents how much Agency funding went to microenterprise development; how much to credit and non-financial activities respectively; and how much supports institutions engaged in poverty lending. It also provides a complete list of the microenterprise organizations supported by USAID in FY 1996.

Appendix

Appendix A

Contact Information for USAID's
Office of Microenterprise Development

Additional information on the Office's programs and activities may be obtained by phoning the Office of Microenterprise Development (202/712-0030) or contacting the Microenterprise Innovation Project website: <http://www.mip.org>. Questions may also be directed to the following staff members:

Staff as of Sept. 30, 1997

Elisabeth Rhyne, Office Director, manages the office and serves as country manager for India.

Liza Valenzuela, a USAID Foreign Service Officer, manages the Microenterprise Implementation Grant Program (IGP).

Monique Cohen, Senior Technical Advisor, manages the AIMS (Assessing the Impact of Microenterprise Services) Project.

Roberto Castro, a Foreign Service Officer and Agricultural Economist, manages Microserve.

Heather Clark, Senior Technical Advisor, manages the PRIME Fund.

Elizabeth Hunt directs the Microenterprise Results Reporting program.

Annica Jansen, a USDA economist, provides technical assistance for microenterprise programs.

Barry Lennon is a USDA financial systems

Barrett Ware supports the Microenterprise Results Reporting (MRR) system and the MicroServe program.

Victoria White and Jean Martin, Presidential management interns support the Microenterprise Best Practices Program

Photographs

cover: Susan Warner/Save the Children
page 13: Susan Warner/Save the Children
page 26: FINCA
page 33: FINCA



U.S. Agency for International Development
Washington, DC 20523