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ACCELERATED MICROENTERPRISE ADVANCEMENT PROJECT (AMAP) FINANCIAL SERVICES IQC

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AMAP Knowledge Generation Consortium Assesses AfriCap Microfinance Fund in Africa

In June, the Chemonics AMAP KG team concluded an assessment of the AfriCap Microfinance Fund. AfriCap is a \$15 million equity investment fund dedicated to advancing the microfinance industry in Africa. AfriCap is the only specialized equity fund for microfinance institutions (MFIs) based in Africa, and invests in institutions committed to serving low-income communities without access to conventional banking services. AfriCap has a dual mission: to generate a commercial return to shareholders and a social return in the form of a viable microfinance industry. AfriCap is a ten-year fund, and takes a long-term perspective to building value, developing an active governance role with each investee institution.

The AfriCap assessment, led by Marc de Sousa-Shields of Enterprising Solutions, was conducted in conjunction with DFID. USAID and DFID have invested in AfriCap since 2000, and the assessment will evaluate the performance of the fund to date, as well as examine the equity investment market in

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Africa. In 2000, USAID provided a \$500,000 Implementation Grant Program (IGP) grant to Calmeadow for investment in AfriCap. USAID's investment represented seven percent of total donor investment in AfriCap's Equity and Technical Services Funds. DFID contributed about 30 percent of the total investment in both funds.

USAID and DFID believe this an ideal time for an evaluation of their investments in AfriCap. USAID's agreement with Calmeadow and AfriCap concluded recently and DFID's agreement just reached its half-way mark. In addition, AfriCap is currently requesting additional investments for its follow-on fund know as AfriCap II.

The assessment report is being finalized and will inform future investments in AfriCap as well as provide additional information to USAID and DFID on the success of their investments in meeting programmatic objectives.

Gary Woller of Chemonics' AMAP KG Social Performance research team also met with AfriCap in Kenya in June to develop an action plan and tentative timeline for implementing a Social Performance system for the Fund. The team, led by Gary Woller will assist AfriCap to conduct a social rating of one of its investees. Chemonics' team will also facilitate a social performance workshop for AfriCap stakeholders to be sponsored jointly by AfriCap and USAID.

CHEMONICS CONSORTIUM PARTNERS

American Refugee Committee
Refugee and post-conflict microfinance

Bankworld, Inc.
Financial institution regulation and supervision

exchange, L.L.C.
Information technology, training, change management

Enterprising Solutions Global Consulting, L.L.C.
Program assessment and design, enterprise development

The IRIS Center, The University of Maryland
Enabling environment; regulation and supervision

Shorebank International
Small business loan product design and bank training

DMS Secures DCA Loan Guarantee to Support Agricultural Finance in Malawi

The Deepening Malawi's Microfinance Sector team (DMS) contributed to the design and development of a \$13 million USAID Development Credit Authority (DCA) Loan Portfolio Guarantee, which is soon to be approved by the USAID Credit Review Board.

USAID/Malawi will provide a partial credit guarantee on loans extended by NBS Bank and Stanbic Bank Malawi to agriculturally linked MSMEs. NBS Bank and Stanbic Bank will utilize the guarantee to establish and expand their MSME portfolio and small business departments. The guarantee will serve as a catalyst for the expansion of access to financing for agriculturally linked MSMEs in Malawi where there is currently minimal lending.

Eighty percent of Malawi's export revenue in 2005 came from agriculture. According to the US State Department, "the agricultural sector contributes about 63.7 percent of total income for the rural population, 65 percent of the manufacturing sector's raw materials, and approximately 87 percent of total employment."

Chemonics' Carrie Averch laid the groundwork for the guarantee in August 2006, completing an assessment on the feasibility of establishing a DCA guarantee with the objective of increasing MSME access to private sector credit. Revealing a significant unmet demand for credit and a complementary demand from local partner lenders to participate in the guarantee program, the feasibility assessment concluded that Malawi's MSME sector could realize significant benefits from the establishment of a DCA guarantee facility. In April 2007, Bill Kedrock of Chemonics and Jason Agar of Kadale Consultants LTD completed a Borrower Cohort Report, which was well received by USAID/Malawi and provided a strong foundation for the DMS team, USAID/Malawi, and ODC to reference as they completed the remaining portions of the DCA Action Package.

Both Stanbic and NBS Bank have formulated strategic plans that they hope will lead to greatly expanded financial services to MSMEs; these plans will be supported by technical assistance provided by the DMS team that has established close relationships with both banks as well as with many segments of the targeted borrower group. Additionally, other donor projects providing TA to agriculturally-linked enterprises will be brought to the attention of banks by DMS to increase their understanding of MSME clients and reduce their perception of borrower risk.

Haiti DCA Program Conducts SME Sector Assessment

As part of the Haiti DCA program's strategy to strengthen the institutional capacity of Sogesol and Capital Bank, the program conducted an assessment of Haiti's small and medium enterprise (SME) market led by Jean-Robert Estime. The objective of this activity was to build the capacity of the banks to conduct similar assessments as well as to identify target sectors and clients for their emerging SME lending units.

The assessment team investigated key productive sectors identified by USAID/Haiti and analyzed SMEs' needs and demand for financial services. The team also evaluated the current provision of credit and other financial services to the SME market.

The assessment and recommendations of the program were very well received by the banks and by USAID/Haiti. This highly informative assessment will feed into the development of SME lending and outreach strategies at both Sogesol and Capital Bank.

Publications

USAID Workshop in Mali Summary Presentation: Explored Competitiveness and Financing in Agricultural Value Chains. April 2007.

microNOTE Rural and Agricultural Finance: Emerging Practices from Peruvian Financial Institutions. April 2007.

Task Orders Submitted, Awarded and Completed

Title	USAID Mission	Task Order Amount	Date Awarded	Start Date	End Date
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No task orders were submitted, awarded, or completed during this quarter.

AMAP/Microfinance IQC Financial Summary

Task Order	Year 1 2002- 2003	Year 2 2003- 2004	Year 3 2004- 2005	Year 4 2005- 2006	Year 5 Oct-Dec 2006	Year 5 Jan-Mar 2007	Year 5 Apr-Jun 2007	TOTAL
Task Order 804: Deepening the Microfinance Sector in Malawi	\$0	\$12,280	\$635,012	\$803,486	\$288,265	\$161,805	\$296,140	\$2,286,275
Task Order 803: Assessment of Village Savings and Loan Associations in Guinea	\$0	\$0	\$163,754	\$0	\$0	\$0	\$0	\$163,754
Task Order 801: Malawi Microfinance Sector Assessment	\$0	\$64,762	\$0	\$0	\$0	\$0	\$0	\$64,762
Task Order 800: Bolivia RFS Evaluation	\$45,565	\$0	(\$37)	\$0	\$0	\$0	\$0	\$45,528
Task Order 03: Technical Assistance in Support of the Haiti DCA Program	\$0	\$0	\$0	\$100,969	\$104,997	\$13,920	\$70,856	\$290,742
Task Order 01: Knowledge Generation	\$0	\$361,657	\$865,710	\$514,428	\$80,400	\$120,281	\$114,467	\$2,056,940
Total	\$45,565	\$438,696	\$1,664,439	\$1,418,883	\$473,662	\$385,293	\$481,463	\$4,908,001

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. in conjunction with AMAP consortium members American Refugee Committee, Bankworld, echange, Enterprising Solutions, IRIS and Shorebank International.

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

For more information on the Accelerated Microenterprise Advancement Project Financial Services Component, please visit <http://www.microlinks.org> or contact Scott Kleinberg, Cognizant Technical Officer at skleinberg@usaid.gov or at (202) 712-1598.