

IRIS
CENTER FOR INSTITUTIONAL REFORM AND THE
INFORMAL SECTOR

ANNUAL REPORT

ACCELERATED MICROENTERPRISE ADVANCEMENT
PROJECT

ENABLING ENVIRONMENT

Fiscal Year 2003

Contract No: GEG-I-00-02-0029-00

IRIS Center of the University Research Corporation, International
University of Maryland
2105 Morrill Hall; College Park, Maryland; 20742

IQC Project Manager: Thierry van Bastelaer V: 301-405-3344 F: 301-405-3020 thierry@iris.econ.umd.edu	Program Specialist: Kate Druschel V: 301-405-1835 F: 301-405-3020 kate@iris.econ.umd.edu	Contracts Administrator: Ruth Evans V: 301-405-3441 F: 301-405-3020 ruth@iris.econ.umd.edu
---	---	---

Submitted to:
U.S Agency for International Development
ATTN: Scott Kleinberg

skleinberg@usaid.gov
1300 Pennsylvania Avenue
Washington, DC 20523-7100
Phone: 202-
Fax: 202-216-3052

Submitted by:
University Research Corporation, International
An Affiliate of the University of Maryland, College
Park
University of Maryland
2105 Morrill Hall
College Park, Maryland, 20742
Phone: 301-405-3110
Fax: 301-405-3020

A

Executive Summary

Small scale enterprises play a critical role in providing individual incomes and raising national economic well-being everywhere. Where the environment enables them to start and grow, these businesses and the innovations they foster have improved the quality of life for millions of citizens. Where, however, the entry and development of business is hampered by unsupportive laws, regulations, policies, and institutional practices, all aspects of the economy are affected, and the poor and innovative enterprises suffer the most.

To create the sort of setting where small scale businesses can thrive, in September 2002 USAID awarded an indefinite quantity contract entitled "Accelerated Microenterprise Advancement Project Support (AMAP) Enabling Environment," valued at approximately \$20 million, to the Center for Institutional Reform and the Informal Sector (IRIS) and a consortium of organizations. Since that time we have worked closely with USAID to fulfill the goals of USAID's Office of Microenterprise Development (EGAT/MD) in developing enabling environments for the growth potential of small enterprises, the economies they support, and their prospects for poverty reduction. With AMAP, EGAT/MD has at its disposal a powerful procurement tool through which it can ensure that building an enabling environment for microenterprise growth, including financial and non-financial service delivery, is an integral part of MSME development programs.

For the AMAP/EE project, IRIS has assembled a team of highly experienced firms and consultants that provide world-class creative acumen and practical field support to the development of enabling environment for MSMEs. With this team we are able to rapidly and expertly respond to Task Orders as they are delivered. The consortium includes Bankworld, Chemonics International, Coverdale, Nathan Associates, and Shorebank Advisory Services. Unfortunately, the IRIS consortium lost one of our partners this year, International Development Professional, due to the death of the principal researcher. The IRIS team provides a unique blend of applied economic research, program and project design skills, technical assistance, knowledge management, training, facilitation and advocacy in a large number of areas of the enabling environment for MSMEs. The consortium's geographical experience extends deeply into all regions where USAID missions work, and will enable both Missions and their clients to improve the enabling environment for MSME growth and, through it, help ensure that the benefits of economic growth are spread more widely, especially among the poor.

EGAT/MD solicited six Task Orders during FY 2003. The IRIS consortium was able to respond to all Task Orders and offered expert consultants and technical assistance. We were pleased to be awarded and successfully complete Task Order 1: Informal Sector Training in the first quarter of the project. In addition, the IRIS team was awarded Task Order 2: Developing Poverty Assessment Tools and Task Order 3: Worldwide Assessment of Investor Roadmap Experiences. Task Orders Five and Six were awarded in September 2003, with activities scheduled to begin in project year 2004.

We look forward to working with EGAT/MD to successfully complete the **outstanding** Task Orders. In addition we hope to work with EGAT/MD, Missions and with counterparts on new MSME Enabling Environment issues as they are **identified, both in** country-specific applications and in advancement of the overall technical **leadership** agenda of the Agency.

I. TASK ORDERS COMPLETED

1. Informal Sector Training Task Order #1

Project Start Date: 12/06/2002
Project End Date: 12/31/2002
Amount of Task Order: \$10,827
Task Order Objective: To facilitate a session that would orient USAID private sector officers towards what extent the informal sector is "under the radar," and what the implications of this phenomenon has on economic growth. in particular.

I.A. Summary

The Microenterprise Development division (MD) has participated in EGAT's Private Sector's Officers Training for the past two years by facilitating a session on Microenterprise Development both at Charlottesville and other sites abroad. This past fall, MD offered to work with other units within EGAT to provide two additional inputs for both the LIR and Financial Sector Reform sessions. Under Financial Sector Reform, the MD office facilitated a session on financial sector deepening.

IRIS provided support to USAID/MD for its presentation on the informal sector at the EGAT Private Sector's Officers Training. IRIS provided MD with materials that assisted in tackling the following questions:

- a. What is the informal sector? To what extent, and in what ways, does the informal sector extend beyond microenterprises?
- b. Why should USAID care about the informal sector? How are poverty, **distributional** effects, growth constraints, and fiscal well-being related to the informal sector?
- c. Why do people choose to work in the informal sector? What are the **costs and** (lack of) benefits of formality?
- d. What can be done regarding the informal sector? How can USAID **help ensure** that an economy delivers benefits widely?
- e. Why is this hard? What is USAID's role?

IRIS undertook the following activities:

1. Met with USAID to discuss the issues and the presentations.

2. Outlined the presentation and initiated literature review and data retrieval
3. Reviewed selected USAID and World Bank microfinance evaluation reports to identify discussions of enabling environment issues
4. Drafted literature review
5. Drafted text of the presentation and suggested slides
6. Prepared drafts of slides
7. Identified case studies and project examples of successful and not successful informal sector reform efforts
8. Reviewed outputs internally
9. Coordinated with other LIR Presentations being prepared at IRIS
10. Met with USAID to discuss drafts.
11. Edited and finalized drafts.
12. Presented material.

The activity was led by Charles Cadwell, IRIS Director, who has worked to develop informal sector programs since IRIS's inception. Darin Dalmat and Thierry van Bastelaer provided support and oversaw the deliverables.

2.A. Deliverables

- Annotated Bibliography
- Power Point Slides for the MD Introduction to Microenterprise Development presentation

II. TASK ORDERS AWARDED

1. Developing Poverty Assessment Tools, TO#002

Project Start Date:	September 16, 2003
Project End Date:	March 31, 2006
Amount of Task Order:	\$1,280,250
Task Order Objective:	To lead the development of poverty assessment tools in collaboration with implementers and practitioners in the microenterprise field.
CTO:	Stacey Young
Consortium Team Members:	Chemonics International; Nathan Associates, Inc; Coverdale
Applicable Links:	www.povertytools.org

Activities for this project will begin in October, 2004 and continue through March 31, 2006.

2. **Worldwide Assessment of Investor Roadmap Experiences, TO#003**

Project Start Date: September 30, 2003
Project End Date: September 30, 2004
Amount of Task Order: \$841,204.11 budgeted, \$400,000 obligated
Task Order Objective: The objective of this effort is to undertake a comprehensive, detailed assessment of USAID and non-USAID funded Investor's Roadmap experiences worldwide.
CTO: Grant Morrill
Consortium Team Members: Chemonics International; Nathan Associates, Inc

Activities for this project will begin in October, 2004 and continue through September 30, 2004.

III. KNOWLEDGE DISSEMINATION

EGAT/MD has placed a high priority on disseminating the knowledge generated through the AMAP process. This focus will ensure that the research results and lessons learned through the project reach the broadest possible audience, and that knowledge dissemination is built into Task Orders. The IRIS team is working to establish and maintain a system for disseminating MSME policy research and lessons learned. A first step is the establishment of an AMAP/EE Discussion Series, a series of roundtables and workshops that highlight relevant and timely issues in MSME policy research. In 2003 IRIS held the first Discussion Event.

1. Islamic Finance and International Donor Policy: The Indonesia Example

Date: March 18, 2003, 3:30-5:00pm
Place: Nathan Associates Inc., Arlington, Virginia
Number of Participants: 35

Indonesia, with the largest Muslim population in the world, has come to shariah banking relatively recently. Islamic/shariah finance refers to financial instruments and institutions which conform to the strictures of sharia, or the Muslim religious law. Many of Indonesia's Muslim leaders do not believe that commercial interest is prohibited in its modern form. But after some false starts, shariah financial institutions are developing rapidly and have the enthusiastic support of many young people and intellectuals. This seminar featured Dr. Thomas Timberg of Nathan Associates Inc., the author of the paper entitled "Islamic Banking in Indonesia." Timberg and others addressed the question of how international donors should respond to shariah finance as part of their efforts to promote financial development.

IV. MARKETING

An important component of the success of enabling environment work is the quality of the relationship between contractors and USAID Missions, Bureaus, and Offices. In order to facilitate understanding of the AMAP IQC and its advantages to USAID Missions interested in policy work in the MSME sector, IRIS developed a series of brochures and handouts. These are included as Annex 1. These were distributed to various USAID Missions, including Bangladesh.

V. FINANCIAL REPORT

The Financial report for Fiscal Year 2003 is attached.

IRIS
CENTER FOR INSTITUTIONAL REFORM AND THE
INFORMAL SECTOR

ANNUAL FINANCIAL REPORT

ACCELERATED MICROENTERPRISE ADVANCEMENT
PROJECT

ENABLING ENVIRONMENT

Fiscal Year 2003

Contract No: GEG-I-00-02-0029-00

IRIS Center of the University Research Corporation, International
University of Maryland
2105 Morrill Hall; College Park, Maryland; 20742

IQC Project Manager: Thierry van Bastelaer V: 301-405-3344 F: 301-405-3020 thierry@iris.econ.umd.edu	Program Specialist: Kate Druschel V: 301-405-1835 F: 301-405-3020 kate@iris.econ.umd.edu	Contracts Administrator: Ruth Evans V: 301-405-3441 F: 301-405-3020 ruth@iris.econ.umd.edu
---	---	---

Submitted to:
U.S Agency for International Development
ATTN: Scott Kleinberg

skleinberg@usaid.gov
 1300 Pennsylvania Avenue
 Washington, DC 20523-7100
 Phone: 202-
 Fax: 202-216-3052

Submitted by:
University Research Corporation, International
An Affiliate of the University of Maryland, College
Park
University of Maryland
2105 Morrill Hall
College Park, Maryland, 20742
 Phone: 301-405-3110
 Fax: 301-405-3020

**Accelerated Microenterprise Advancement Project (AMAP)
Annual Financial Report for Year End 9/30/03**

Task Order Number	Project Name	Authorized Expenditures	Actual Expenditures	Balance	Estimated Completion Date	Actual Completion Date
1	Informal Sector Training	10,827	6,897.00	3,930.00	12/31/2002	12/31/2002
2	Developing Poverty Assessment Tools	1,250,850	-	1,250,850.00	3/31/2006	
3	Worldwide Assessment of Investor Roadmap Experiences	400,000	-	400,000.00	9/30/2004	