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Grameen Bank - Microenterprise

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GRAMEEN BANK

Microenterprise

file Grameen

Professor Muhammad Yunus
Managing Director

GRAMEEN BANK
Mirpur Two, Dhaka 1216, Bangladesh
Phone : 803-559 (Off.) 801-247 (Res.)
Fax : 880 - 2 - 803 - 559

Mr. James Nach
Charge d'Affaires, a.i.
Embassy of the U.S.A.
Baridhara, Dhaka

May 6, 95

Dear Jim :

Thanks for bringing us the exciting gift for our Barobazar-Kaliganj branch office from the First Lady. Her visit to our branch will remain a life-time event for all of our borrowers and colleagues at the branch and everybody in Grameen.

We'll take steps to install the computer (Compaq "Prolinea", model 4/335 486 SX) at our Barobazar branch to commemorate the First Lady's visit to Moishahati.

Please convey our thanks to the First Lady for her gift and the limitless inspiration she has provided us all in Grameen through her visit.

Warm regards.

Sincerely yours,

E-Mail Address : Internet : grameen@driktap.tool.nl Toolnet : 9:1880/1.6

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Mr. James Nach,
Charge d'Affaires,
Embassy of the United States of America,
Baridhara,
Dhaka.

May 2, 1995

Dear Mr. Nach,

Thank you for your kind visit and the gifts that you presented on behalf of Mrs. Hillary Rodham Clinton. The Centre was delighted to receive the two Compaq "Prolinea" computers and colour monitors, the electric thermometer and covers, and the pulse oximeter. These will help the Centre pursue its mission to develop and disseminate solutions to health and population problems facing the world, with special emphasis on simple and cost-effective methods of prevention and management.

I would like to take this opportunity to state what a pleasure and honour it was to host a visit by Mrs. Clinton and her important entourage. Mrs. Clinton was a delightful and extremely knowledgeable guest. In addition to being a very gracious and interested visitor, she was well acquainted with the Centre and its work, and demonstrated a remarkable understanding of some of the issues on which the Centre is working. We were also greatly honoured to welcome Dr. Carol Lancaster and Ms. Robin Raphel, and hope that they found their visit helpful and informative.

The US Embassy and USAID demonstrated great faith in the Centre when they recommended that the First Lady visit, I hope and believe that the Centre rose to the occasion and was worthy of such an honour. We look forward to welcoming the President soon !

With best regards.

Yours sincerely,

Demissie Habte, M.D.
Director

(Signed in his absence
by the Acting Director)

PS I enclose some photographs of the ceremony on May 1st.

Concerned Women for Family Planning
পরিবার পরিকল্পনায় আত্মনিবেদিত মহিলা
108, Kakrail Road,
Dhaka—1000
Phone : 836053, 406504

May 16, 1995

James Nach
Charge d'Affaires, a.i
Embassy of The United States of America
Baridhara
Dhaka

Dear Mr. Nach,

It was a great pleasure for us to have the opportunity to present to Mrs. Hillary Clinton, a part of our activities during her recent visit to Bangladesh. We will always remember this visit with pride.

Please extend our heartfelt thanks to Mrs. Clinton for giving us a Compaq "Prolinea" Model 4/33 486SX Personal Computer and Compaq 14-inch SGVA colour monitor. CWFP will make good use of the equipment for the programme advancement.

All of us at CWFP appreciate her interest for women's advancement. We as women, feel she is one of us and all of us together can help change the world for a better and happier future.

Thank you.

With regards,

MUFAWEZA KHAN
Executive Director
Concerned Women for Family Planning, Dhaka

Mufaweza Khan
Executive Director

Grameen Foundation USA

File
Grameen
Bank

Katy - we need to call Grameen & see how they're doing. Pls create a file.
Kate McKee
712-5578 1/4-1-

February 18, 1998

Melanne Verveer, Chief of Staff
Office of the First Lady
The White House
Washington DC 20433

Dear Melanne,

It was a pleasure to meet with you and the First Lady last month when Professor Muhammad Yunus was in town. I deeply appreciated her, and your, interest in the work of Grameen Foundation USA, which Dr. Yunus established to advance his work here in the United States.

As you may remember, one of the issues we discussed was the decrease in funding from the U.S. Agency for International Development (AID) for micro-lending projects overseas. This understandably seemed to surprise and trouble you and the First Lady.

As we mentioned, actual funding fell from $137.4 million in FY'94 to $111.4 million in FY'96. The projected funding for FY'97 in AID's most recent report is $120 million, though actual expenditures are often below projections. A copy of AID's recent report on their micro-lending program details this drop in funding.

Many of us in the micro-lending movement are disappointed with these figures. Indeed, Reps. Ben Gilman and Sam Gedjenson wrote a letter to Brian Atwood last month to urge him to reverse the trend of prevent the funding from being reduced further. A copy of this letter is enclosed.

I would appreciate it if you could bring this to the attention of the First Lady and ask her to contact Brian Atwood to find out if further reductions are anticipated.

Sincerely,

Alex Counts
Executive Director

cc: Professor Muhammad Yunus

236 Massachusetts Ave., N.E., Suite 300, Washington, D.C. 20002 U.S.A. Tel: (202) 543-2636 Fax: (202) 543-7512 Email: grameen_foundation@msn.com
www.grameenfoundation.com

Small Loans Making a World of Difference:

U.S. Agency for International Development
Microenterprise Results Reporting for 1996

FULL REPORT

USAID

December 1997

One woman said to me something I have never forgotten..."Too many great ideas die in the parking lots of banks..." I think if more banks understood the tenacity, the commitment, and the entrepreneurial spirit of people who are given a chance to help themselves, we would go a long way in not only extending credit, but in eliminating many of the unfortunate stereotypes about people who are poor. Anyone who has worked with microcredit or seen its impact around the world will testify that those stereotypes are just plain wrong.

Most people who are eligible for microcredit around the world work as hard as they know how, from sun-up to sundown, and sometimes for many hours beyond. Yet, too often, those of us in positions of influence dismiss them. We seem to have a belief that if people are poor, they are meant to be poor and will always remain poor. Yet many of us come from families, generations back, who themselves were poor, and through hard work, sometimes lucky breaks and a helping hand, were able to climb out of poverty. These microcredit projects are proof of what we can unleash if we invest in the economic and human potential of all the world's citizens.

First Lady Hillary Rodham Clinton
Microcredit Summit
February 3, 1997

Microenterprise provides opportunities for small loans and savings accounts that make it possible for millions trapped in poverty to gain self-sufficiency through their own heroic acts of self-reliance. The Microenterprise Initiative is demonstrating how much difference a few hundred dollars and a chance at a better life can make for a poor family. This last year the U.S. Agency for International Development reached nearly one million households — or about five million people — around the globe with small loans. Through these loans, we are turning a small amount of capital into a tremendously brighter future for the developing world.

J. Brian Atwood
Administrator, U.S. Agency for International Development
December 9, 1997

Table of Contents

This report was prepared by Elizabeth Hunt and Catherine Neill, under the direction of ~~Elisabeth Rhyne~~, Director, USAID's Office of Microenterprise Development.

Kate McKee

Introduction

Perhaps no aspect of development is more important than economically empowering the individual. Generating economic growth in the developing world is essential to increasing incomes and improving the overall quality of life. Much of the employment in developing countries comes from microenterprises — tiny businesses operated by the poor. In many countries, particularly lower-income countries, a third or more of the labor force may be engaged in these small enterprises.

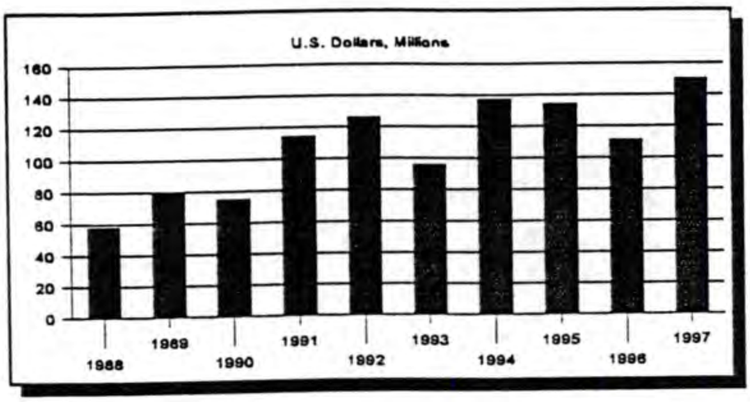
Microenterprise programs provide very small loans — the average loan size for USAID programs in 1996 was $309 — to individual entrepreneurs, enabling them to expand their incomes and employment while priming the pump for broader economic growth. The main beneficiaries of these programs are low-income women and their families. Perhaps the most striking aspect of the microenterprise programs — whether they be in Bolivia, Bangladesh or Botswana — is that repayment rates for these small loans to poor customers have been consistently comparable to the repayment rates most commercial banks enjoy with far wealthier clients.

In 1994, with broad and bipartisan Congressional support, the U.S. Agency for International Development (USAID) launched its Microenterprise Initiative. This Initiative was renewed in 1997 and signaled USAID's continuing commitment to microenterprise and efforts to expand the availability of financial and other services to poor entrepreneurs. USAID is proud that microenterprise development has an increasingly central place in the agency's strategy for stimulating economic growth. This report provides a global picture of USAID's microenterprise programs for fiscal year 1996.

Highlights of USAID's microenterprise programs that received funding in 1996 include:

- Total agency support for microenterprise for fiscal year 1996 was $111.4 million — the largest total committed to microenterprise by any bilateral donor. In the agency's overall budget, an increasing portion of economic growth programming is being devoted to microenterprise.
- Microenterprise programs funded in 1996 reached nearly 1 million households — or about 5 million people.

10 Years of USAID Microenterprise Funding, 1988-1997[1]



[1]Fiscal year 1997 is estimated.

- Sixty-six percent of loan clients were women.
- USAID's microenterprise clients had access to 310 microenterprise institutions. Of these institutions, 74 percent were local non-governmental organizations or private voluntary organizations.
- Of the total number of loans issued in 1996, 89 percent were in the "poverty lending" category.
- Africa had the smallest average loan size, $130. Europe and the New Independent States had the largest average loan size, $1,014.
- In regions in which USAID works, except Europe and the New Independent States, nearly two-thirds of the support to credit programs supported poverty lending. In Africa, with its very low levels of per capita income, there was an appropriately greater concentration on poverty lending: In Africa 83 percent of all microfinance support is associated with loans of $300 or less.
- Of total funds committed to microcredit programs, 58 percent were committed to poverty lending programs.

The structures and institutions developed to provide microenterprise services — whether they be village banks, credit unions or partnerships with commercial banks and non-governmental organizations — also expand the range of local mechanisms that give disadvantaged groups a say in the decisions that affect their lives. It is known that lending programs can help to build self-sufficiency for individuals and families.

USAID's biggest challenge in the coming years in the microenterprise area is to help more of its partners achieve financial sustainability. As is true for all of the U.S. foreign assistance programs, the ideal is to nurture institutions that are self-supporting and will not require donor assistance in the future. Commercially viable lending institutions that serve the poor are the best hope for expanding microentrepreneurs' access to vital financial services. As we have seen in Latin America and Asia, the prospects are strong for microfinance institutions to make this leap to self-sustainability.

USAID's Commitment to Microenterprise

USAID works indirectly through a wide range of local institutions, U.S. private voluntary organizations and private financial institutions to support microenterprise programs. Through its work, the agency promotes the development of effective lending practices, strengthens the institutions that deliver services to clients and helps those institutions expand their outreach and increase their financial sustainability.

This report summarizes information from all USAID microenterprise programs receiving funding in fiscal year 1996, the most recent year for which "actual" data — as opposed to estimates — are available. This information is also compared to historical trends in USAID's microenterprise funding. USAID's growing commitment to microenterprise is made more notable by the fact that this trend has taken place at a time when the agency has faced very tight overall budget levels.

Around the world today, vast numbers of poor people earn their living as microentrepreneurs. They engage in small-scale business activities that produce goods and provide services for their communities as seamstresses, carpenters, potters, street vendors and a whole range of other occupations. These entrepreneurs provide income and employment critical for sustaining themselves and their

"Spark" — The Mennonite Economic Development Association, Nicaragua

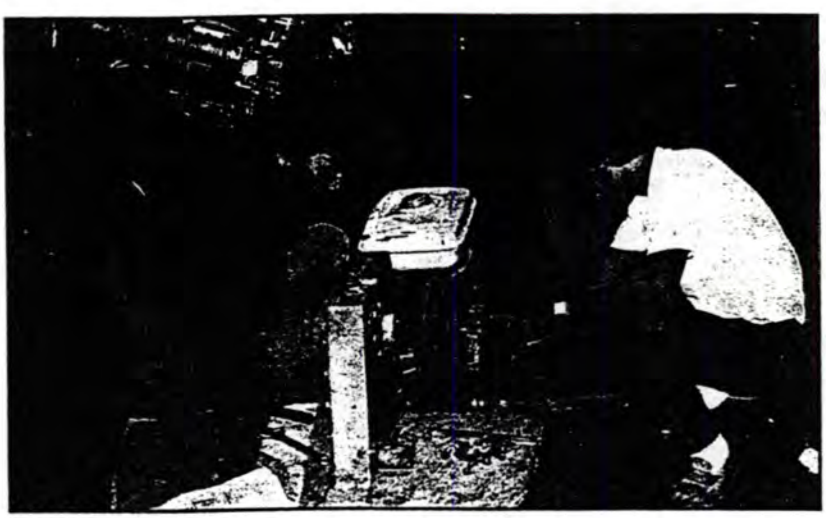
The Mennonite Economic Development Association established its "spark" loan program in April 1991 to support microentrepreneurs in the war-torn Masaya area of Nicaragua. After the civil war, Nicaragua was impoverished and there was rampant unemployment. This situation resulted in rapid growth of the 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 enterprises through solidarity group loans, individual loans and small business loans. The solidarity group program comprises about 70 percent of CHISPA's portfolio. As solidarity groups, four to five microentrepreneurs come together to receive training and loans. Loan terms range from four to 30 weeks. Repayments rates have been well above 95 percent. Poor women are approximately 60 percent of the solidarity group borrowers. The individual loan and small business loan programs have about 1,000 clients, who receive larger and longer-term loans. By March 1997, the CHISPA program had 5,019 active borrowers and a portfolio of $915,000, with an average loan size of $199. With USAID assistance, the program plans to expand to over 9,600 clients by 1999 and to access commercial sources of funds.

families. In many countries, employment in microenterprise is growing rapidly as new workers find it difficult to secure occupations in the more formal labor force. Microenterprises are particularly important to women, since they allow women to work from their homes while caring for their children.

Microenterprises include seasonal and part-time income-earning activities that supplement a variety of other family earnings such as agricultural labor. Microenterprises also include full-time enterprises that, while small, allow families to build assets over time and pay for important family investments such as education, better nutrition and improved housing. Some microenterprises also grow to become larger businesses, offering expanded employment opportunities and significant income expansion for their founders. In Europe and the New Independent States, microenterprises may prove to be an important avenue for new business creation over time.

Because microenterprises contribute to increasing income, employment, the delivery of goods and services and the creation of enterprises, they have an important place in both an economic growth and a poverty alleviation strategy. Accordingly, microenterprise development is a key component of USAID's approach to economic growth, which emphasizes economic opportunity for the poor. USAID's microenterprise development efforts are directed at enabling the poor to increase assets, income and productivity by gaining access to services previously out of reach. Experience has shown that access to financial services helps enable microentrepreneurs to establish viable, sustainable enterprises. In some cases, financial services can be effectively supplemented by other efforts such as business training and product design and marketing that also assist business growth.


USAID photo

How USAID Supports Microenterprise Growth

To encourage the development of high-quality services for microenterprises, USAID relies on an array of development partners, both U.S. and local, to address the challenges of providing financial and technical business services. A number of institutions have demonstrated that financial services can be provided in the poorest communities on a cost-recovery basis and at a price the poor are willing and able to pay.[1] Because microfinance services can be provided to large numbers profitably, most USAID programs focus on microfinance, including poverty lending.

Throughout the world, non-governmental organizations, through village banking, group guarantee and individual

[1]See Christen, Robert Peck, Elisabeth Rhyne, Robert C. Vogel, and Cressida McKean, "Maximizing the Outreach of Microenterprise Finance: An Analysis of Successful Microfinance Programs." The United States Agency for International Development. USAID Program and Operations Assessment Report Number 10. USAID Center for Development Information and Evaluation. August 1995.

lending, provide credit services to poor clients who had previously lacked access to financial services. These programs are beginning to reach significant numbers of people, allowing lending institutions to cover their costs, and even to generate profits. Non-governmental organizations have made so much progress that USAID has established a policy that all the microfinance programs that it supports must become financially viable and of significant size within five to seven years. The most exceptionally successful non-governmental organizations have been converted into formal institutions, regulated by the banking authorities and permitted to take deposits from the general public — while continuing to focus on providing services to their small-scale borrowers and depositors. It is hoped that many more institutions will reach this level in the next few years.

In some places, commercial banks are discovering a new niche in microenterprise lending[2] and are either adopting techniques pioneered by non-governmental organizations to serve the microenterprise market directly, or are becoming wholesalers to, or partners with, non-governmental organizations. With donor encouragement, credit unions are also reaching further down into the community and increasing their attractiveness to small savers and borrowers. These are exciting and complex developments. In numerous countries, innovation and exploration are going on at every level — from local non-governmental organizations, to credit unions, to the commercial banking sector and the national regulatory authorities. In many cases, U.S. private voluntary organizations are involved as partners or

FINCA in Kyrgystan

"Who could have imagined," asked Ryla Primvirdieva, a 45-year-old mother of 13 children, "that one day I would be a grain seller in the Osh bazaar?" Forced into poverty by the collapse of the Soviet Union, in March of 1996 Ryla came to the decision that finding some form of self-employment was her only hope. So, with her daughter-in-law and two youngest children, she moved to the regional market city of Osh, Kyrgystan, 22 miles from her home, where she rented a tiny flat for \$4.75 a month. With a mere \$21 in working capital borrowed from a neighbor, Ryla began selling rice in the Osh bazaar. At first, she was able to purchase only a half sack of rice, from which she earned a profit of only \$2 per day, barely enough to buy bread and tea for herself and her three dependents.

Then, Ryla heard that FINCA was making small working capital loans — starting at \$40 — to women sellers like herself. Ryla seized the opportunity and with 11 other women organized a village bank. With her first loan, Ryla could buy one to two sacks of rice each week, allowing her a profit of \$3-4 per day.

Six months after joining her bank, Ryla has a second FINCA loan of \$57, plus an additional \$25 borrowed from bank members' collective savings. Because she has increased her inventory, she makes a profit of over \$6 per day, half of which she gives to her husband and the children living with him on the collective farm. She has nearly \$33 in savings. The additional income allows Ryla to purchase butter, sugar, and meat — luxuries she could not afford only a few months ago.

Source: FINCA International Website, www.villagebanking.org, used with permission.

[2]See Bayadas, Maya M., Douglas H. Graham and Liza Valenzuela, "Commercial Banks in Microfinance: New Actors in the Microfinance World," Microenterprise Best Practices Project, August, 1997. The paper is available through Web site: www.mip.org.

USAID photo

affiliates. In a vast number of cases, USAID is involved in a significant way.

Financial services are not the only services that can benefit microentrepreneurs. Policy reform in areas such as municipal licensing, zoning, land-use restrictions and certain areas of trade policy can have a fundamental impact on microentrepreneurs' ability to do business profitably. Upgrading technical skills, business training and market access are also key areas for assistance. Given the variety of these services, delivering them cost-effectively remains challenging. USAID is supporting experimental efforts to establish those additional services that are critical to microenterprise success and can be delivered in accessible, cost-recoverable ways.

In March 1994, USAID launched its Microenterprise Initiative to give added impetus and attention to the agency's work in this sector. To underscore USAID's commitment to this exciting work, the Microenterprise Initiative was renewed in July 1997. The Initiative has brought together leaders who made a commitment to support USAID's microenterprise work, including Republican and Democratic Congressmen and Senators, First Lady Hillary Rodham Clinton, and the microenterprise development practitioners represented by the Microenterprise Coalition, a policy group of U.S. private voluntary organizations engaged in microenterprise development worldwide.

For the renewed Initiativ has pledged that its programs will acterized by the following:

- More than half of all microenterpris clients will be women;
- More than half of all the funds directed to microenterprise credit programs will go toward poverty lending;[3]
- At least two-thirds of the clients of the microfinance institutions will receive poverty lending loans;
- The average repayment rates for microfinance institutions receiving USAID support will be 95 percent or above;
- Every microfinance organization supported by USAID will have a plan for reaching full financial sustainability within a credible period of time; and
- USAID has also set a target of 15 percent per year growth in the number of clients receiving services.

To ensure that these pledges are met, USAID continues to further develop its systems to measure and monitor the results of its microenterprise programs.

Data Collection for This Report

Two types of data were collected for this report: funding data and data on institutions that received USAID funding in 1996. The funding data includes all obligations[4] of U.S. dollars made by USAID for microenterprise development, as well as local currency expenditures.[5] Annex A provides details on the methodology used.

[3]Poverty lending programs are defined as those that issue a significant portfolio of loans of $300 or less in most regions of the world or of $1,000 or less in Europe and the New Independent States.

[4]At USAID, funds are defined as "obligated" when they are assigned to a specific, legally binding agreement or contract.

[5]Local currency expenditures represent funds from special programs, such as food aid, that generate local currency for use by local governments or organizations that are programmed with USAID approval. These funds are necessarily tracked at the point of expenditure (actual transfer of funds) rather than obligation.

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...ency associated with balance-of-payments support programs or Food for Peace. Annex B provides more details on the funding categories.

Findings — USAID Funding for Microenterprise Development

The overall trend in USAID microenterprise funding shows a persistent increase during the past decade. By 1995, the funding level was 131 percent of the 1988 level, and by 1997 it is expected to rise to 160 percent of 1988. Amounts for all years are actual amounts, with the exception of fiscal year 1997, which is an estimate.

Under its 1994 Microenterprise Initiative, USAID proposed to fund microenterprise programs at $130 million in 1994 and $140 million in 1995. The actual amounts were $137.4 million and $133.5 million for 1994 and 1995, respectively. While initially it was projected that 1996 funding would reach $118 million, actual funding proved to be somewhat less, at $111.4 million.[6] In its renewed Microenterprise Initiative in 1997, USAID proposed providing annual funding of $120 million to microenterprise activities in fiscal years 1997 and 1998. The current estimate for microenterprise funding in fiscal year 1997 is $150.2 million. It should be noted that estimates generally exceed actuals, as often some portion of

Association of Cambodian Local Economic Development Agencies (ACLEDA)

Cambodia suffers desperate poverty: Per capita income was estimated at $292 in 1995; the country ranks 153 out of 174 on the Human Development Index; and only 10 percent of the labor force is officially wage-employed. ACLEDA is the leading microfinance institution in Cambodia, and is working to bring banking services to the vast majority of the population without access to financial services. ACLEDA currently provides credit to more than 25,000 active borrowers through a network of 19 branches and makes short-term loans based on solidarity group guarantees. Ninety percent of ACLEDA's clients are women. In 1996, the average loan size for this window, with 12,335 active clients at year end, was $96, and the loan recovery rate was 98 percent. ACLEDA also provides individual, secured loans to micro- and small businesses. Loan sizes range from $200 - $4,000, and business training services are a key component of this program. At the end of 1996, there were 6,838 active clients, with an average outstanding loan balance of $592.

From its beginning as an International Labor Organization project in 1993, ACLEDA has rapidly expanded its portfolio and developed a plan for organizational growth, leadership, and sustainability. The organization has evolved into a locally owned microfinance lending institution. ACLEDA is now committed to transforming itself from a non-governmental organization into a commercial bank that serves the urban and rural poor in Cambodia. In 1996, USAID supported the expansion of ACLEDA's lending facilities through a small grant, in parallel with funding from the Japanese government, as part of the U.S.-Japan Common Agenda.

[6] In June 1997, USAID released a preliminary total of $138 million for FY 1996. This number changed as a result of closer scrutiny of detailed institutional data. Some change was attributed to discrepancies in terminology used by missions. The largest change resulted from a shift in timing of nearly $20 million in funds provided to Fundusz Mikro in Poland from FY 1996 to FY 1997.

FY 1996 Funding by Region

US$ Millions

	Amount	Percent
Africa	22.9	20
Asia/Near East	30.9	28
Europe/NIS	10.4	9
Latin America	15.2	14
Central Bureaus	31.9	29
Total	111.4	100

USAID Microenterprise Funding as a Percent of Core Economic Growth

US$ Millions

	1991	1995
Core Economic Growth Funds	2,057.5	1,860.1
Microenterprise Funding (excluding local currency)	83.4	116.2
Microenterprise as a Percent of Core Economic Growth	4%	6%

the activities that USAID missions anticipate funding in a given year are not funded, or are funded in the succeeding year.

Periodically, the total funding for individual years either falls backward, as in fiscal year 1996, or leaps ahead, as happened in fiscal year 1994 and is projected for 1997. Fluctuations are due to various factors, such as the life cycle of projects, changing geopolitical emphases by region and the fact that the agency sometimes receives its funding extremely late in the year — as it did in 1996. As is discussed later, the European programs are currently shifting toward the poorer areas of the region and toward more traditional development programming, which should lead to a significant increase in microenterprise funding. However, more important than individual year spikes or valleys, or the vagaries of USAID project cycles, is the underlying trend in USAID's microenterprise funding, which has consistently been on the rise.

Microenterprise Funding Compared to Funding for Economic Growth

Since 1990, overall appropriated funding available for development programming in the area of economic growth has — on balance — been declining. However, USAID's support for microenterprise has been maintained despite the budget cutbacks affecting the agency.

Local currency and, more recently, contributions to the Eastern European Enterprise Funds are important sources of microenterprise funding. Local currency available for development uses is most commonly generated from two sources: monetization of funds under Food for Peace programs and Economic Support Funds balance-of-payments programs. The latter has declined quite dramatically over the past 10 years. Thus, local currency from balance-of-payments programs is a shrinking resource for microenterprise. Local currency generated through Food for Peace programs, however, remains an important source of microenterprise funding.

Funding for Microfinance and Non-financial Services

USAID groups its microenterprise funding as either credit/financial or non-credit/non-financial. Credit includes funds used for loan capital or for the institutional development of credit or financial institutions. Poverty lending programs are credit. Non-credit or non-financial funding supports business or technical training for microentrepreneurs, regulatory and policy reform directly affecting microenterprises, market access programs, and some USAID program support and research.

Overall, USAID provides two-thirds of its support to credit programs. However, patterns differ by region. The Bureau for Asia and the Near East shows the greatest concentration on finance with more than four-fifths of its funding devoted to finance. At the other extreme, the Bureau for Africa applies 60 percent of its funding to non-credit uses. The differences reflect a range of factors, including the greater relative availability of institutions that can absorb large amounts of loan funding in some Asian and Near Eastern countries.

Funding for Poverty Lending

USAID has pledged that at least half of its microfinance funding will support institutions providing services to the very poor, as measured by the availability of loans of $300 or less ($1,000 in Europe and the New Independent States). For each credit institution funded by USAID in fiscal year 1996, a poverty lending rating was determined based on the propor-

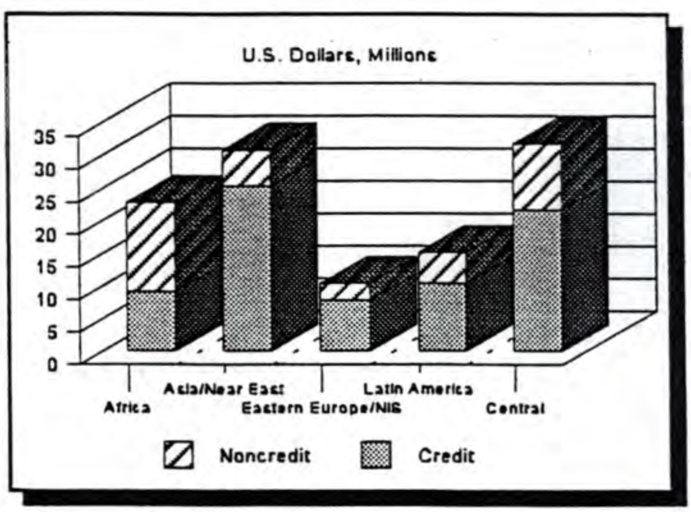
Non-credit Funding in Africa

Of the 17 African countries with USAID funding for microenterprise activities in 1996, five missions are engaged exclusively in non-credit activities. Another eight missions are funding both credit and non-credit microenterprise activities. There are different reasons for the emphasis on non-credit activities; in some countries other donors are funding credit programs on such a massive scale that certain missions have chosen to emphasize other areas that they consider complementary.

Those countries that funded only non-credit activities in 1996 are Eritrea, Gambia, Ghana, Senegal, and Zambia. The following are examples of the type of activities funded:

- In Eritrea funds were provided to the National Council of Negro Women for institution-building with the National Union of Eritrean Women.
- Marketing assistance in Ghana has been provided through Technoserve and Aid-to-Artisans in a Trade and Investment Program that promotes microenterprises that produce non-traditional exports.
- In Zambia, local trainers provide training in basic business, business management, accounting, bookkeeping, marketing and production.

Uses of Microenterprise Funding by Region, 1996



Percentage of USAID Funds Committed to Poverty Lending by Region, 1996

	Total Microenterprise Funding (US$ millions)	Credit Programs		Percent of Credit Funding for Poverty Lending
		Amount (US$ millions)	Percent of Total	
Africa	22.9	9.1	40	83
Asia/Near East	30.9	25.4	82	59
Europe/NIS	10.4	7.8	75	15
Latin America	15.2	10.3	68	39
Central Bureaus	31.9	21.7	68	75
Total including Europe/NIS	111.4	74.3	67	58
Total excluding Europe/NIS	100.9	66.5	66	65

tion of lending in the poverty lending range in its overall portfolio. The ratings for each institution were then weighted by the funding amount received in fiscal year 1996. Thus, for a program with one-third of its portfolio in loans below $300, one-third of the USAID obligation to that program would be counted in tallying USAID's total support to poverty lending.

In fiscal year 1996, 58 percent of USAID's microfinance funding was devoted to poverty lending and the poverty lending portion of mixed programs. This shows a substantial focus on reaching the very poor. In the traditional USAID regions, excluding Europe and the New Independent States, nearly two-thirds of the support to credit programs is for poverty lending. In Africa, with its very low levels of GDP per capita, there is an appropriately greater concentration on poverty lending: 83 percent of all microfinance support is directed at the very poor.

Regional and Country Funding Patterns

During the last two years, USAID has made substantial shifts in its placement of microenterprise funds. First, as a result of the 1994 Microenterprise Initiative, USAID directed significant funding into centrally funded programs, especially in the Global Bureau's Office of Microenterprise Development and the Office of Private and Voluntary Cooperation in the Bureau for Humanitarian Response. The program spending in the Office of Microenterprise Development rose from $3.8 million in 1993 to $20.2 million in 1996. Similarly, the program spending for microenterprise development in the Office of Private and Voluntary Cooperation rose from $4.9 million to $8 million in the same years.

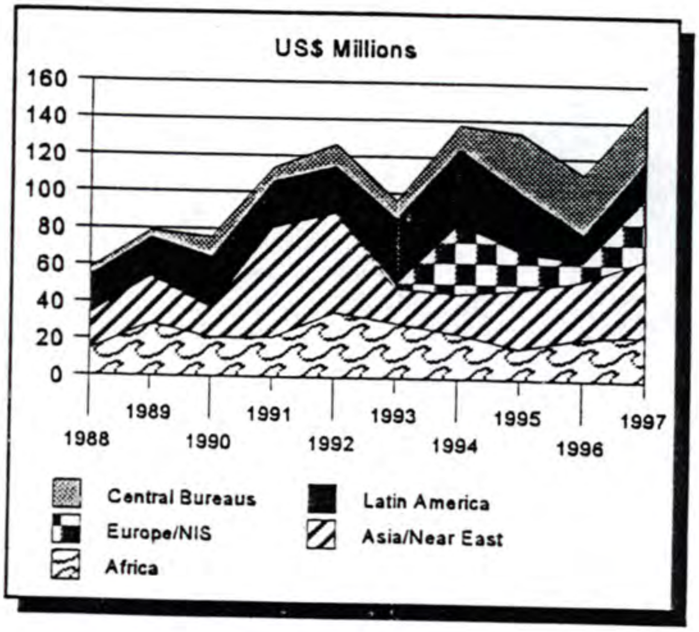
Second, with the opening of USAID programs in Europe and the New Independent States, funding has been directed toward starting up microenterprise programs in this region. Programs here differ substantially from those in the traditional USAID regions, both because microenterprise and microfinance are new to these countries and because the economies of most countries in the region are more developed than those in the traditional developing countries. Annex C has further details on USAID's activities in Europe and the New Independent States.

Missions and Offices With Major Microenterprise Funding in 1996

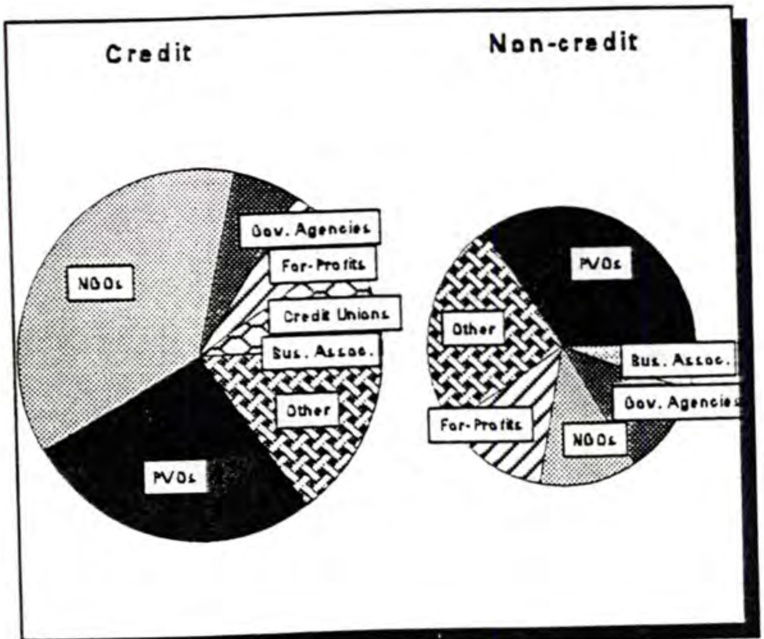
In 1996, USAID made large-scale investments in microenterprise in a wide range of countries. Large-scale microenterprise funding tends to fluctuate among different missions and offices from year to year for the same reasons discussed earlier in this report. Thus, in any given year, some missions with major, multifaceted microenterprise programs may not appear in the list of the top 10 funders. For the period 1990 through 1997, a few missions and central offices consistently stand near the head of the list: Egypt, El Salvador, the Philippines (all missions receiving large overall budgets during the 1990s), the Office of Private and Voluntary Cooperation, and the Global Bureau's Office of Microenterprise Development. While the list highlights certain consistently large players in this area, it also tends to obscure what may be an equally intense commitment by missions with smaller budgets.

While some countries have microenterprise programs that are funded annually, many missions provide multiyear funding to projects. Hence, in a particular year, a mission that has ongoing microenterprise programs may not have made a microenterprise obligation.

USAID Microenterprise Funding by Region, 1988-1997



1996 Funding Amounts for Credit and Non-credit Activities by Type of Institution



Note: "Other" includes mission projects that have not yet committed funds to particular institutions, mission support activities on behalf of microenterprises, and the technical assistance and support activities of the Office of Microenterprise Development.

Findings — Institutions Supported by USAID

USAID identified 310 institutions or activities supported with fiscal year 1996 USAID funds. The institutions were of a variety of types, including U.S.-based private voluntary organizations, credit unions, local non-governmental organizations, private banks, government agencies and private consulting firms.

USAID's support is overwhelmingly directed at U.S. private voluntary organizations and local non-governmental organizations. U.S. private voluntary organizations with experience and expertise in specialized areas received large amounts of funding in support of microenterprise activities in 1996. Private voluntary organizations and non-governmental organizations, combined, received 74 percent of the funding in fiscal year 1996. However, this figure undercounts the funding amount eventually going to these groups as some of the "other" category represents initial obligations into general, private voluntary organization co-financing, or similar, projects. Much of this money will eventually be "sub-obligated" into cooperative agreements with private voluntary organizations or local non-governmental organizations, raising the percentage further. By contrast, only 7.5 percent of microenterprise funds went to government agencies. The "for-profits", which account for 8.5 percent of total funding, are consulting firms providing technical expertise either to local institutions or USAID.

In 1996, 243 credit organizations received funds for credit activities, and 88 organizations received funds for non-credit activities. From these two groups, 21 institutions received USAID funds to implement both credit and non-credit activities. Of the 243 credit organizations, 24 organizations received funds to initiate new lending activities, and, hence, had no data to report on loan portfolio. Another 91 did not provide portfolio data for various reasons. Some of these institutions are umbrella organizations without a portfolio, and others provide technical assistance to the lending organizations. In some cases, umbrella organizations reported the data of all "pass through" organizations combined. Thus, the data set for which detailed portfolio information is reported consists of 128 institutions.

Client Outreach and Portfolio Size

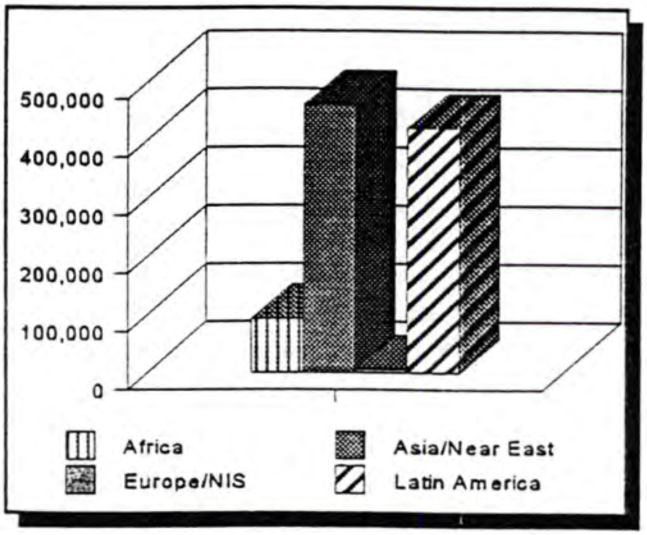
USAID microenterprise programs are achieving significant outreach around the globe. Worldwide, USAID programs reached nearly 1 million households, or about 5 million people, and had lending portfolios totaling $301 million. Of this total number of clients, two-thirds were women. These programs are growing rapidly, with an aggregate growth rate in loan portfolio of 42 percent, and a 24 percent increase in borrowers. The annual growth rate in savings in these institutions is 28 percent, with an 11 percent increase in savers.

The average loan sizes differ widely by region. Africa had the smallest average loan size, $130. Europe and the New Independent States had the largest average loan size at $1,014. Striking differences in the outreach and portfolios of programs supported in each region are also evident. Africa, Asia/Near East and Latin America all show outreach to substantial numbers of clients and sizeable loan portfolios. The Europe and the New Independent States Bureau, reflecting the early state of microfinance institutions in the region, shows much smaller outreach and portfolios (see Annex C).

U.S. PVOs Receiving the Largest Amounts of USAID Funds for Microenterprise, 1996

	Countries Where Programs Are Located	**Funding U.S.$ Millions**
Volunteers in Technical Assistance	Guinea, South Africa, Morocco	6.5
FINCA	Malawi, Uganda, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru, Kyrgystan	5.3
TechnoServe	Ghana, Mozambique, Worldwide	4.0
WOCCU	Ghana, Kenya, Mozambique, Niger, Swaziland, Uganda, Zimbabwe, Bolivia, Ecuador, El Salvador, Nicaragua	3.8
ACCION	Bolivia, Ecuador, Guatemala, Nicaragua, Peru	2.7
World Vision	Mozambique, Tanzania, Uganda, Armenia, Azerbaijan, Georgia, Romania, Peru	2.6
CARE	Mozambique, Philippines, Georgia, Ecuador, Guatemala, Peru	2.3
Catholic Relief Services	Benin, Ethiopia, Gambia, Senegal, Cambodia, Indonesia, Philippines, Ecuador, El Salvador, Guatemala, Haiti, Nicaragua, Peru	2.2
		Total 29.4

Number of Clients Reached by Region, FY 96



Average Loan Size and Percentage of Women Clients for FY 96

	Average Loan Size (U.S. $)	Percentage of Women Clients
Africa	130	85
Asia/Near East	260	68
Europe/NIS	1,104	61
Latin America/ Caribbean	389	60
Total	307	66

Characteristics of Institutional Support

Microfinance organizations include those that serve as retail lenders to clients, those serving as wholesale lenders to other institutions and those that specialize in providing technical assistance to other credit institutions. The sample includes both microcredit organizations that received assistance from USAID directly and those that received it indirectly via an umbrella organization that channeled funds or technical assistance to them.

USAID supports institutions that employ a range of methodologies and organizational structures for the provision of credit and, in many instances, savings. USAID supports credit unions or credit union federations, village banking programs, and solidarity group lending programs as well as many individual lending programs. Many U.S. private voluntary organizations specialize in a particular approach. For example, FINCA International and Freedom from Hunger have well-established village banking programs, while ACCION International promotes the solidarity group model, and the World Council of Credit Unions provides technical support to strengthen the management of credit unions.

USAID works with a range of microfinance institutions for a variety of reasons. The agency works with credit unions and commercial banks to help them learn how to work profitably with a much poorer clientele either directly or in partnership with non-governmental organizations. It works with regulatory authorities and national legislators to improve the regulatory and legislative environments within which microfinance institutions and microentrepreneurs operate.

In the case of non-governmental organizations and private voluntary organizations, USAID often supports the expansion of a particular local institution to achieve significant outreach and sustainability or the expansion of a proven methodology into a new region. It also supports private voluntary organizations that are experimenting with improving methodologies or breaking new ground in the sector. Sometimes the new development involves methodologies or procedures; sometimes it involves new regions or social groups.

USAID has long been a leader in promoting successful approaches for providing savings services, as well as credit. Of the 1996 institutions, 59 percent of the microfinance organizations are active in providing savings services to their clients. A lesser number of organizations are experimenting with leasing and group life and/or health insurance programs.

Poverty Lending

USAID's loan programs are clearly focused on the poverty lending client. Almost 89 percent of all clients of USAID-supported programs are receiving poverty level loans less than $300 in most regions. Even in the Europe and the New Independent States region, they constitute 63 percent of the loans provided.

The proportion of the portfolio dedicated to loans falling within the poverty lending definition, however, is lower. This is, in part, simply due to the fact that a few larger loans can have a dramatic effect on this measure. (One client receiving $1,000 claims as much loan capital as 10 clients receiving $100.) Worldwide, approximately one-third of the total portfolio being placed by institutions receiving USAID funding in fiscal year 1996 corresponds with poverty loans. In Europe and the New Independent States, a handful of institutions are almost exclusively poverty lending programs, but their volume of lending currently represents a small

ACCION Peruana - An ACCION Affiliate in Peru

Maribel Tapia Reategui and her family live in the Pueblos Jovenes, the shantytowns of Lima, Peru. These areas often lack such basic services as running water, sewage and electricity. Maribel needed to earn money but also attend to her young children. Faced with few options, she displayed her resourcefulness by starting a tiny "bodega", or general store — the first in her neighborhood.

Although there was plenty of demand for her goods, Maribel did not have the capital to stock more than a few staples, and her neighbors were forced to travel an hour or more to buy basic items elsewhere. Maribel needed only a small loan to expand her inventory, but she was not eligible for bank financing. Borrowing from a local money lender, at interest rates of up to 20 percent per day, would have crippled her tiny business.

But Maribel was able to get a loan of $180 through ACCION Peruana (ACP), a Peruvian affiliate of ACCION International, which is supported by USAID. It was exactly what she needed. Today, after a second ACP loan, Maribel's clean, well-stocked store is a tiny oasis in the neighborhood.

Source: ACCION International Website: www.accion.org, used with permission.

Total Number of Poverty Loans in 1996
By Region, Hundreds of Thousands

	Total Micro Loans	Poverty Loans	As Percent of Total
Africa	93.1	74.1	79.6
Asia/Near East	461.8	423.7	91.7
Europe/NIS	5.6	3.5	62.5
Latin America	421.3	369.4	87.7
Total	981.7	870.5	88.7

Poverty Loans as a Percentage of Total Lending Institution Portfolios in 1996, Millions of U.S. Dollars

	Total Loans	Poverty Loans	Poverty Loans as % of Portfolio
Africa	12.1	6.3	52.1
Asia/Near East	120.1	40.7	33.9
Europe/NIS	5.5	0.4	7.0
Latin America	163.8	56.4	34.4
Total	301.5	103.8	34.4

USAID photo

portion of the total portfolio for the region.

As long as USAID intends to help people move up and out of poverty, its programs will show this kind of number and size distribution. The programs will strive to reach many of the very poor, but by continuing to offer larger loans to those who are moving up, it will continue to show significant amounts of the loan portfolios dedicated to loans above the poverty lending threshold.

Quality of Loan Programs

As a leader in promoting sound financial practices in microfinance, USAID's policy on microenterprise development includes specific institutional performance standards for microfinance institutions.[7] These performance standards include expectations for sound management practices, high-quality service provision and outreach to the poor on a truly significant scale.

USAID's expectations for the financial management of microfinance institutions cover three main areas:

1. The microfinance institution must have the ability to set interest rates and fees to fully cover costs. A reasonable start-up period is allowed. Emphasis is also placed on efficiency to keep the cost to the clients as reasonable as possible.
2. The microfinance institutions must have control over loan delinquency with a delinquency rate no higher than 10 percent (outstanding balance on loans overdue more than 90 days as a percentage of total portfolio)[8] and a loan loss rate below 5

[7]See Microenterprise Development Brief, Number 34, October 1996, titled "USAID Policy on Microenterprise Development." Also see September 1995 USAID Policy on Microenterprise Development.

[8]Some institutions reported on loan delinquency over 30 days.

percent (not applicable to start-up programs). Loan loss rate is defined as the average of losses over several years as a percentage of loans outstanding.[9]

3. The microfinance institution must provide a credible plan for how it plans to achieve full financial sustainability within no more than seven years of the initial USAID funding.

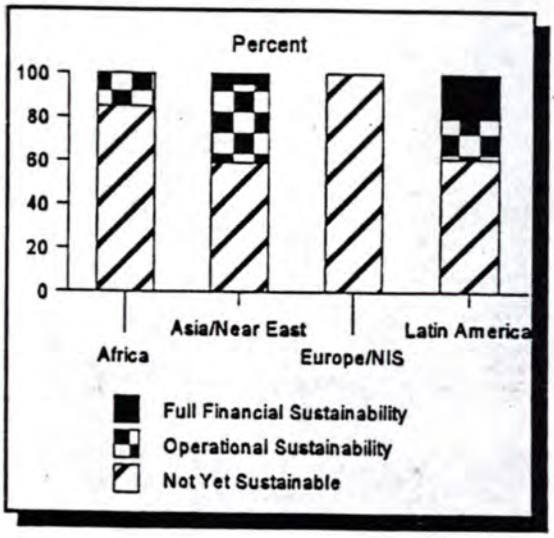
Institutions supported by USAID reported on their progress toward attaining full financial sustainability, meaning the organization is able to fully finance its own operations (including the cost of obtaining funds and compensation for inflation) with revenues from clients. A less ambitious measure, operational sustainability is defined as the ability to cover all administrative costs, including loan losses, with client revenues. In general, the institutions that have already achieved full financial self-sufficiency are older, well-established programs in Latin America. Of course, as programs become large and truly profitable, they no longer need USAID support and disappear from the USAID data set, as has happened with some well-established programs, such as the Bank Rakyat Indonesia (BRI).

Helping more of its partners to achieve financial sustainability represents the single biggest challenge for USAID's microenterprise program. Only fully sustainable institutions can reach the many clients who need services without repeated injections of donor funds. Only such institutions effect permanent, structural change in their communities and nations. The prospects are strong for microfinance institutions to make this leap as the suc-

Average Repayment and Loan Loss Rates for Microcredit Institutions by Region, 1996

	Repayment Rate	Loan Loss Rate
Africa	95.7	2.2
Asia/Near East	96.2	2.0
Europe	94.7	2.4
Latin America/ Caribbean	93.3	2.4
Worldwide	94.5	2.3

Sustainability of Institutions



[9]Aggregate loan loss rates reported by the institutions in our sample may be optimistic as a number of newer programs were not able to report on this measure.

**Credit Union Development —
World Council of Credit Unions, Ecuador**

In 1995, the World Council of Credit Unions was awarded a grant from USAID for work in Ecuador. In some respects, Ecuador's credit unions are similar to U.S. credit unions: They provide financial services to the low- and middle-income segments of the population; have moderate 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. 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 quality services. These credit unions have tended to pay low rates on savings, suffer chronic liquidity shortages 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 World Council of Credit Unions grant is designed to reverse this decline by introducing a new, more business-oriented credit union model. This model combines standardized accounting and formats, modern techniques for lending and deposit mobilization, and strategic plans to upgrade services. By June 1997, the World Council of Credit Unions had selected 10 of the largest Ecuadoran credit unions, with a combined membership of 356,000 individuals (46 percent women), loans of $63 million, and savings of $70 million.

The World Council of Credit Unions' 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 asset growth was outpacing inflation. Loan delinquency rates have improved to 13 percent of outstanding loans and are expected to improve further.

cess of Latin American programs and some Asian institutions has shown. Institutions in Africa are increasingly on their way to sustainability, while those in Europe and the New Independent States are only starting. Seeking progress in these regions will be high on USAID's microfinance agenda for the coming years.

ANNEX A
MICROENTERPRISE RESULTS REPORTING (MRR)[10]
Details on Data Collection Process

Obligations data. Early in 1997 a request for obligations data was made by cable to all USAID offices. As in previous years, microenterprise obligations and local currency expenditures were requested by funding account and by function: credit and non-credit.

Missions and USAID/Washington offices were also asked to provide in detail the funding amounts provided to specific institutions or activities. Thus, for the first time, all funding for the reported fiscal year has been linked to specific institutions or activities. This is an important addition to USAID's system for tracking its support for microenterprise. The list of institutions was later cross-referenced against the data obtained through the MRR questionnaire. As a result, this report is able to directly connect each program activity to a specific USAID obligation.

Institutional data. Institutional data was collected through the use of a multilevel questionnaire completed by USAID mission staff, private voluntary organization offices, and other microcredit institutions. The emphasis has been on collecting data on financial organizations. Reporting on non-financial activities was limited to asking missions to provide brief descriptions of non-financial activities funded in fiscal year 1996.

The MRR questionnaire for the current reporting year had two parts. The first section contained an overview explaining agencywide definitions for microenterprise and poverty lending. Mission personnel were asked to provide the following:

Details on mission criteria for microenterprise obligations and microlending;
An appropriate exchange rate for calculation of poverty loans; and,
Brief descriptions of non-credit activities, including amounts obligated to specific institutions.

[10]USAID has had a system for tracking its microenterprise support efforts since 1989. Prior to that time, important details, such as the gender of clients and the size of loans, could not be tracked. The Microenterprise Monitoring System was funded through fiscal year 1995 to provide regular reporting on USAID's microenterprise projects worldwide. In January 1997, a new contract to monitor USAID's microenterprise activities was signed with Weidemann Associates Inc. The new activity, known as Microenterprise Results Reporting, has been responsible for collecting the data presented in this report.

The second part of the questionnaire was directed to microcredit institutions that had received fiscal year 1996 obligations. Mission personnel either provided this information or forwarded the form directly to the institution. All organizations, including "subgrantees," handling a loan portfolio were asked to provide portfolio data. This included direct recipients of USAID funding and recipients of USAID-funded technical assistance. Information was requested on:

- Type of organization, including private voluntary organization, non-governmental organization, business association, for-profit, etc.;
- Sources of USAID funding;
- Names, types and contact information for local institutions supported through an umbrella where applicable;
- Geographic location of project activities;
- Fiscal year for institutions;
- Portfolio data for fiscal year 1996 and fiscal year 1995, where applicable (amount of loans outstanding, number of loans outstanding, and percent of women borrowers);
- Savings data for fiscal year 1996 and fiscal year 1995, where applicable (amount of clients' savings and number of savings members);
- Portfolio quality data, including loan delinquency rate and long-term loan loss rates;
- Level of sustainability of the institution: operational, financial, or neither; and,
- Poverty lending data, including a) the amount in local currency equivalent to $300 ($1,000 for Europe and the New Independent States); b) by preference, the totaled end-of-year balances of those loans that had an initial value less than or equal to $300 or $1,000 (ENI only), with the associated number of loans; or c) [where b) was unavailable], as a proxy, the end-of-year total of outstanding loan balance less than or equal to $300 or $1,000 (ENI only), also with the associated number of loans.

This questionnaire was distributed via E-mail, which greatly facilitated the process and made it easier for the MRR team to provide support to the field offices when necessary.

In this year's reporting, 63 field missions and central offices reported microenterprise funding in 59 different countries, and 310 organizations received fiscal year 1996 funding for either credit or non-credit activities. Of the 243 institutions engaged in providing credit or technical assistance to credit programs, a subset of 128 provided data on lending operations.

A number of reasons exist for the remaining 115 organizations or activities not having portfolio data to report. Fledgling programs just beginning operations often have no portfolio activity to report for the first six to 18 months after obligation; one-fifth of those institutions could not provide portfolio information for this reason. A number of umbrella institutions have no direct lending portfolio but provide funds or technical assistance to local organizations that reported individually; conversely, some programs reported all the institutional activity through the umbrella in a bundle and did not break apart the data for the individual organizations working under the umbrella. Similarly, in some cases for-profit institutions provide technical assistance or

Microenterprise Institutions in 1996 Survey, by Type

	Total Obligations		Credit Obligations		Non-Credit Obligations		Number Providing Data[1]
	Amount ($000's)	Number	Amount ($000's)	Number	Amount ($000's)	Number	
Business Assoc.	2,176	5	240	3	1,936	3	1
Credit Unions	6,699	20	6,699	20	0	0	12
For-Profits	9,427	21	4,662	17	4,765	8	8
Gov. Agencies	8,379	6	4,394	4	3,985	3	1
NGOs	31,582	144	27,185	127	4,397	21	69
PVOs	32,715	85	19,929	62	12,786	33	33
Other[2]	20,380	29	11,206	10	9,174	20	4
Total	111,358	310[3]	74,315	243	37,043	88	128

[1]Only institutions receiving USAID funds for credit programs were asked to provide data.

[2]Mission projects which have not yet committed funds to particular institutions, mission support activities on behalf of microenterprises, and the technical assistance and support activities of the Office of Microenterprise Development.

[3]Note that the total of all institutions does not equal the number for credit and non-credit institutions, as 21 institutions received funds for both types of activities.

training to the organizations, which then provide credit services to clients. Finally, there are some obligations to USAID projects that will later be passed to microenterprise organizations. The most common examples are PVO co-financing projects or general microenterprise development projects that will be used to fund cooperative agreements to private voluntary organizations or local non-governmental organizations in the following year. In such cases, only the initial obligation is counted. The secondary obligation to the institution will not be counted.

The number of institutions reported this year undercounts the programs actively supported by USAID because data collection was limited to those receiving funding from USAID in fiscal year 1996. Therefore, as an example, an institution receiving full funding in fiscal year 1995 for a three-year activity does not appear in the data.

Next year a comprehensive set of data on all institutions supported with USAID funds (i.e., institutions with active contracts or grants) will be collected. Institutions supported with fiscal year 1997 obligations will still be specifically linked to fiscal year 1997 funding.

ANNEX B
Sources of Microenterprise Funding

Fiscal year 1996 funding was composed of dollars from the Development Assistance account (65 percent), the Economic Support Fund (14.5 percent), the Freedom Support Act (5 percent) and Special Assistance Initiatives (3 percent). The Freedom Support Act is an account that provides funds for countries in the New Independent States. Funds for Special Assistance Initiatives are appropriated for special purposes and are currently being used by missions in the Europe and the New Independent States (ENI) and Asia and the Near East regions. The funding levels also include expenditures of local currency (11 percent) and contributions the ENI Enterprise Funds have provided to microcredit programs (1.5 percent).

In almost all cases, the initial obligation or legal commitment of the funding is counted. In a few rare instances, where the initial obligation was not identified, a sub-obligation to a microenterprise institution is picked up. It should be noted that the obligations can include funds carried over from appropriations in earlier years, as well as fiscal year 1996 New Obligating Authority (NOA) monies. In years for which the agency has been granted deobligation/reobligation authority, the funding may include reobligated funds.

Sources of USAID Funds for Microenterprise, 1990-1997
Millions of U.S. Dollars

Fund	1990	1991	1992	1993	1994	1995	1996	1997 estimate
DA[1]	44.6	40.2	61.3	51.6	89.2	93.3	72.9	78.0
ESF	9.6	43.2	34.4	20.8	31.6	22.9	16.1	22.6
Local Currency	21.0	30.2	30.6	23.6	16.6	17.3	12.2	25.1
ENI Reflows							1.7	17.3
FSA							5.4	6.0
SAI							3.0	1.1
Total	75.4[2]	113.6	126.3	96.0	137.4	133.5	111.4[3]	150.2[4]

[1]Development Assistance (DA) Funds include Development Fund for Africa (DFA).
[2]Total does not add because data on fund accounts not available for Colombia and Oman.
[3]Actual total with no rounding of individual account subtotals is $111,358,000.
[4]Actual total with no rounding of individual account subtotals is $150,209,000.

ANNEX C
Europe and the New Independent States

The microenterprise programs in the Europe and New Independent States region are unique. This is due to the distinctive economies of the region and the history of USAID involvement there. The economies in Europe are more similar to those of the developed world than the developing world in size and structure. On the basis of most social and educational indicators, these countries must be considered developed. Although lagging behind the economies of the group of countries generally classified as developed, their GDPs are significantly higher than those of most USAID-supported countries.

The Europe and the New Independent States programs originated differently and evolved differently than USAID programs elsewhere. The SEED (Support for East European Democracy) Act[11] and the Freedom Support Act were passed in 1989 and 1992, respectively, by Congress to provide U.S. assistance to the political and economic transitions taking place following the fall of communism in the Soviet bloc countries.

The overriding objective of programs that developed from the SEED and Freedom Support Acts was the facilitation of the transition from an economic system based on the socialist principles of centralized planning and management to the democratic and capitalist systems of open markets, competition, and free enterprise. Under the SEED and Freedom Support Acts, programs are focused primarily in three areas: economic restructuring (including privatization of large state-owned industries), strengthening democratic institutions, and improving the quality of life. To date, more than 70 percent of program funding has been allocated to economic restructuring.

Within the Europe and New Independent States region, loan size is not used as the principal criterion for defining a microcredit program. Firm size and social and economic disposition are considered more important factors. The numbers of clients reached in the region is not expected to be as high as in other regions, due to the lower prevalence of microenterprises in the economy and the nascent capacity of service and finance providers. Evidence to date indicates that in Europe and the New Independent States microenterprises

[11]The SEED Act is one of the Special Assistance Initiatives and is shown as such in the tables.

in many cases generate higher levels of employment than other regions.

Several of the earliest lending programs in Europe are funded through independent Enterprise Funds established by Congress. The Enterprise Funds place investments in local institutions to promote enterprise development. Although the Enterprise Funds are generally focused on large enterprises, many of them have opened special windows for small and microenterprises, often in partnership with non-governmental organizations. Because the legislation for the Enterprise Funds is separate from regular USAID funding, although their funds originate in USAID's budget, they operate independently of USAID. As a result, the relationship between USAID and the Enterprise Funds is indirect, and USAID receives only minimal reporting from funded institutions.

ANNEX D
Summary of Microenterprise Funding by Country
1991-1997

SUMMARY OF USAID MICROENTERPRISE FUNDING, 1991-1997
US$ '000's

REGION	COUNTRY	1991	1992	1993	1994	1995	1996	1997 estimates
Africa (AFR)								
	Botswana	451	627	158				
	Burkina Faso	110	150					
	Burundi	1,020	2,171			543		
	Cape Verde							456
	Chad	270	258	1,635	10			
	Eritrea						200	200
	Ethiopia					330	34	592
	Gambia	37	100	298	10		276	550
	Ghana	250	1,050	505			2,584	4,020
	Guinea		4,054	1,409	2,210	2,210	500	401
	Guinea-Bissau	40	1,370		1,855		2,575	2,800
	Kenya	1,608	1,084	270	1,650		2,000	500
	Madagascar	685	801		550		229	189
	Malawi	5,482	3,466	1,953				
	Mali	3,346	4,329	175	8,251	1,160	148	610
	Mozambique	450	750	180	630		3,373	3,187
	Namibia			280	320	410	712	125
	Niger			2,795	3		715	612
	RCSA							1,500
	REDSO/EA			260				
	Senegal	932	7,040	7,850	3,520	450	932	856
	South Africa			3,021		8,016	3,781	2,463
	Swaziland	1,879	3,327					
	Tanzania				1,558	1,478		1,250
	Togo	1,292	1,141					
	Uganda	2,328	2,330	3,358	2,582	2,416	3,044	3,170
	Zambia	570	153		500		600	786
	Zimbabwe	720	603	5,500	425		350	
	Regional Programs		491	100			800	200
AFR Subtotal		**21,470**	**35,295**	**29,747**	**24,074**	**17,013**	**22,853**	**24,467**
Asia/Near East (ANE)								
	Bangladesh		1,500	250	650	1,165	5,670	11,615
	Cambodia			112	462	2,398		
	Egypt	24,892	35,554	11,000	17,376	16,020	10,000	15,000
	Indonesia	1,867	2,590		679	2,200		747
	Jordan			1,031	100		500	3,450
	Lebanon					2,045		1,000
	Morocco			210		1,500	3,600	1,100
	Nepal	840	1,980	2,260	1,950	1,200	50	1,835
	Pakistan	3,417	3,134					
	Philippines	23,866	4,820	2,666		4,802	8,411	3,973
	South Pacific	2,336	564					
	Sri Lanka	1,353	2,873	1,292	482	549	769	200
	Yemen	821	658					
	West Bank/Gaza						1,888	2,500
ANE Subtotal		**59,392**	**53,673**	**18,821**	**21,699**	**31,879**	**30,888**	**41,420**
Europe and the NIS (ENI)								
	Albania				2,240	2,200	225	1,000
	Armenia						553	535

SUMMARY OF USAID MICROENTERPRISE FUNDING, 1991-1997 (cont.)
US$ '000's

REGION	COUNTRY	1991	1992	1993	1994	1995	1996	1997 estimates
	Azerbaijan						991	750
	Bulgaria				1,564	1,400	771	110
	Central/Eastern Europe			2,614				
	Croatia							3,500
	Czech Republic				569	500		
	Estonia				224	150		
	Georgia				870		923	1,129
	Hungary				1,197	730		1,580
	Kazakstan							560
	Kyrgystan				6,200		487	915
	Latvia				224	430		
	Lithuania				560	600		
	Macedonia					2,500	950	900
	Poland				7,756	4,976	1,693	17,528
	Romania				896	500	1,405	1,622
	Russia				12,810	5,200	2,475	2,139
	Slovakia				896	500		1,000
	Ukraine				2,100	450		
ENI Subtotal		0	0	2,614	38,106	20,136	10,473	33,268
Latin America and the Caribbean (LAC)								
	Belize	342	266					
	Bolivia	1,442	2,136	3,548	5,532	7,652	1,775	1,800
	Caribbean Regional	1,021	1,005	1,000	4,610	600		
	Costa Rica	200	300	110	140	15		
	Dominican Republic			4,778	5,684	2,065	1,300	699
	Ecuador			200	250	945	1,094	788
	El Salvador	11,863	11,882	9,898	19,120	7,788	2,478	3,819
	Guatemala			795		647	708	1,896
	Guyana			875	350	700		
	Haiti			2,030	1,180	760	3,148	1,225
	Honduras	9,783	8,307	6,190		1,187	587	913
	Jamaica	356	745	946	743	696	442	123
	Mexico		65					
	Nicaragua			627	101	1,744	448	1,089
	Peru	387	732	4,592	3,011	7,796	3,220	7,399
	Regional Programs							500
LAC Subtotal		25,394	25,438	35,589	40,721	32,595	15,200	20,251
CENTRAL BUREAUS								
Global								
	Credit & Investment	400	500	450				
	Emerging Markets		4,136				2,800	
	Microenterprise	2,595	3,145	3,793	4,909	22,416	20,194	22,447
	Housing (RHUDO)						300	
	Women in Development	216	730				645	
Global Subtotal		3,211	8,511	4,243	4,909	22,416	23,939	22,447
Bureau for Humanitarian Response (BHR)								
	Private & Voluntary Coop.	4,148	3,381	4,989	7,887	9,494	8,005	8,356
BHR Subtotal		4,148	3,381	4,989	7,887	9,494	8,005	8,356
SUBTOTAL for Central Bureaus		7,359	11,892	9,232	12,796	31,910	31,944	30,803
GRAND TOTAL		113,815	126,298	96,003	137,396	133,533	111,358	150,209

ONE HUNDRED FIFTH CONGRESS

CONGRESS OF THE UNITED STATES

COMMITTEE ON INTERNATIONAL RELATIONS

HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

TELEPHONE: (202) 225-5021

January 23, 1998

The Honorable J. Brian Atwood
Administrator
U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, D.C. 20523

Dear Mr. Atwood:

We were relieved to hear that the budget for the USAID microenterprise office will not be reduced. While we are convinced by your personal commitment to USAID's microenterprise program, that commitment does not seem to be backed by the bureaus to the same degree. Every year, financing the microenterprise office - at the modest level outlined in the Microenterprise Initiative - generates an unnecessary internal battle within USAID.

In the original Microenterprise Initiative, the FY95 levels included $30 million for the microenterprise office and $8 million for the Matching Grant program. The numbers were set at these levels because USAID believed the absorptive capacity of its NGO partners was limited. Due to overall budget cuts in FY96 and FY97, USAID cut the level of resources for the central office to $25 million. When we, along with other members, endorsed the Renewal of the Initiative in July last year, we understood your commitment to further strengthen the centrally funded microenterprise programs that have been so effective in working with NGO's to create the many success stories we hear about in microenterprise.

We are thus alarmed to hear about the Global Bureau's intention to not only reduce the level, but also to fund the majority of the cost of the microenterprise office with the scarce resources allocated to the Regional Bureaus rather than through the Global Bureau's discretionary budget as originally envisioned in the Microenterprise Initiative. The microenterprise office resources were meant to complement those of the regions and missions and serve as an incentive to mainstream microfinance in the field operations. In addition, the microenterprise office has played a strong role in solidifying USAID's reputation as a global leader in microfinance.

We urge the Global Bureau to bring the microenterprise office budget to at least $30 million, the level of FY95. We believe this level is justified, considering that overall budgetary constraints have decreased and the capacity of USAID's NGO partners has increased. Further, the outstanding performance of this sector has generated overwhelming bipartisan support. We also urge you to increase the Matching Grant annual budget from $8 million to $10 million to continue building the capacity of microfinance institutions. Moreover, we encourage these budgets to increase in the future as overall funding levels increase.

We applaud you on your personal leadership and that of several senior staff, but the work of mainstreaming microfinance within USAID should be a continued priority in order to engage all the senior ranks.

Sincerely,

BENJAMIN A. GILMAN
Chairman
Committee on International Relations

SAM GEJDENSON
Ranking Democratic Member
Subcommittee on International
Economic Policy and Trade

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2013-0534-S
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~~cc: Diane Dewhirst~~
~~Melanne Verveer~~
file Grameen Bank

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Managing Director

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Hillary Radham Clinton
First Lady of United States
The White House
Washington DC
U.S.A.
Fax : 202-456-6703

April 22, 98

Dear First Lady :

We just had a wonderful visit by Bill Richardson, Rick Inderfurth and Bruce Riedel. They visited a Grameen village and met Grameen borrowers. Bill was wonderful in communicating with the village women. He became instant friend to them all. When he announced that you'll be coming to Bangladesh along with the President all the women applauded the announcement with great excitement.

It was great joy for everybody to hear the announcement about your visit to Bangladesh. All of us at Grameen are thrilled with your decision to come here. We want to prepare a trip that makes you and the President, as well as our borrowers and staff, happy about the whole experience. We want it to be even better than the visit you and Chelsea made here in 1995. A lot has happened in Grameen since then, not least the launching of Grameen Phone, our telecommunications venture that will allow thousands of Grameen borrowers to become "Telephone Ladies of the Village," bringing inexpensive wireless pay phone services to their neighbors. This idea caught our imagination —– it got us thinking how we can bring advanced technologies in service of the poor. It has since caught the imagination of the world. Even the Washington Post editorial page gave good coverage to Grameen Phone (a few days after we met). Now we are working towards bringing solar energy to the poor, and Internet access for income-generation and education, and more.

We would like to show off our old and new programs to you and the President. We want to arrange a visit to a Grameen village that will allow him to attend a center meeting, and make use of a Village Pay Phone operated by a Grameen borrower, and a solar home system owned by a Grameen borrower. You and the President can call Chelsea at Stanford on a Grameen telephone lady's phone. We give loans to borrowers to buy the phones and the solar panels, and they pay back the loans while earning money for their families and providing valuable services to their communities —– telecommunications and renewable energy.

We know that many governmental and non-governmental organizations will want try to put a claim on your time when you are in Bangladesh. But we want to make sure that you and the President spend enough time with Grameen to get a real sense of what we are doing — both in traditional micro-credit as well as our newest

GRAMEEN BANK

technology-oriented initiatives. We want to inspire people around the world that micro-credit for the 100 million of the world's poorest families is a do-able thing, and that micro-credit to the poor opens up new world of possibilities, like telecommunications for the poor, Internet for the poor, solar power for the poor, etc. During the visit the President may make a statement regarding his feelings about microcredit which may be quoted in future by all microcredit practitioners throughout the world to carry the movement forward.

We want to start planning your visit immediately. Alex Counts, the Executive Director of Grameen Foundation USA (who was with me when we met last time), for keeping contact with your staff while preparation is in progress. Alex will come to Bangladesh (he speaks fluent Bangla) in advance of your visit to help us prepare for your arrival. I would like him to begin meeting with your staff, and Rick and Bruce, and whoever else is working on the visit, in the coming weeks to make sure everything turns out right. If Melanne Verveer can convene a planning meeting with Alex, may be also including Rick and Bruce, in May, that would get things off on the right foot.

We are so excited about your visit, I can't begin to tell you.

Please give my regards to the President and Chelsea.

Sincerely yours,

Cc: Ambassador Bill Richardson
Rick Inderfurth, Assistant Secretary of State
Bruce Riedel, National Security Council
Alex Counts, Grameen Foundation USA