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Rush-Smith-Payne Microfinance Sign-On Letter to USAID

Closes Friday, July 8

To sign, please contact Angelle B. Kwemo (AngelleB.Kwemo@mail.house.gov) with Rep. Bobby Rush's office or Sheri Rickert (Sheri.Rickert@mail.house.gov) with Rep. Chris Smith's office or Algene Sajery (Algene.sajery@mail.house.gov) with Rep Donald Payne's office. The letter will close July 8.

Focus on the Poorest

In 2004, Congress passed Public Law No 108-31 and Public Law No. 108-484, which mandates that 50 percent of overall microfinance and microenterprise funding benefit the very poor.

Unfortunately, USAID has not approached this target:¹

Per Poverty Assessment Tools	FY 2009 Results	FY 2008 Results	FY 2007 Results
Microfinance	22.8%	28.50%	16.3%
Enterprise Development	23.8%	26%	20.5%
Overall	23.5%	26.9%	19.1%

Focus on Women

The focus on women has been a repeated objective of the microenterprise laws. However, the Microenterprise Results and Accountability Act of 2004 (PL108-484) does not direct what percentage of funds should benefit women. USAID's own targets are low and do not reflect the need of women for access to financial services.²

	FY 2009 Results	FY 2009 Goal	FY 2008 Results	FY 2008 Goal
Women Clients: Microfinance	62%	60%	62%	60%
Women Clients: Enterprise Development	49%	30%	36%	30%

USAID can play a critical role to ensure that recipient government and implementing agencies fully take into account gender equity in their policies, staffing, management, and practices. For example, in the microenterprise where agri-business is promoted, USAID should consider underlying issues impeding women to fully realize their rights as farmers, employees or business owners. Such issues might include but limited to land ownership, access to extension services in the same right as men, access to and control over water resources, control over income, participation in decision-making in farmer-based organization and broader community structures, equitable access to market opportunities, equitable rights for women in the labor market.

¹ FY 09 Microenterprise Results Report to Congress

² FY09 Microenterprise Results Report to Congress

Focus on Sub-Saharan Africa

While there are more than 300 million economically active individuals in sub-Saharan Africa, only about 20 million of them — less than 10 percent — have access to any kind of formal financial services.³ The population includes the highest burden and percentage of people living in extreme poverty of any developing region,⁴ with almost half the population surviving on less than \$1 per day,⁵ No financial institution is reaching 80 percent of the 800 million people living there. Despite the high poverty levels and need, the region receives only 6 percent of foreign investment in microenterprise.⁶

The World Bank reports that there has been little sustained decline in the \$1.25 a day poverty rate in sub-Saharan Africa since 1981, and in absolute terms, the number of poor people has nearly doubled, from 200 million in 1981 to 390 million in 2005.⁷ Too few of the microfinance institutions that serve the hardest-to-reach populations — including the very poor, those in rural areas, marginalized women, the disabled, and other un-served and underserved populations — have the capacity to access and on-lend private investment funds.

Despite the clear need, USAID funding for microfinance activities in sub-Saharan Africa declined from \$15.3 million in FY02 to \$8.2 million in FY08. In FY09, Latin America and the Caribbean received 35.6 percent of all microenterprise and microfinance funding, compared to 16.5 percent for the 19 countries sub-Saharan Africa; Colombia alone received 26.2 percent of all funding. Funding for sub-Saharan Africa was only slightly higher than funding to the Middle East (14.8 percent overall), which includes just five countries, with Iraq receiving the bulk of that funding (55.9 percent). The only sub-Saharan African country to be among the top ten recipients was Liberia.

Recommendation: USAID should set clear country or regional targets based on greatest need, as evidenced by poverty indicators and look to fill a gap in unmet demand by the very poor for financial services. Distribution of public funding should be proportionate to the distribution of poverty.

Support Formal and Informal Savings-Led and Asset Building Approaches to Microfinance

The need for savings services is fundamental. Some poor already save in an unorganized manner, such as loans from money-lenders or relatives and savings kept in their homes, but these methods are not safe and do not meet their needs. 99 percent of survey respondents in Uganda stated that unorganized savings methods such as saving at home, or savings in livestock or assets did not help them meet their goals: money was lost or stolen, or it was too easy to spend funds when saved in their home.⁸ Informal but well organized savings-led approaches can enable the most poor to build their financial assets and skills through savings rather than debt, offering a mechanism to access financial services in small amounts that are typically not profitable for formal banks or many MFIs.

There is a huge unmet demand for access to savings both informally and formally. Savings accounts are being engaged at rates up to 12:1 compared to loans, even when both services are available from the same institution. In Uganda, 43 percent of people said a savings account is their greatest financial need, compared to 31 percent who cited credit.⁹ Savings — especially informal savings groups that target very poor people — are critical for women's economic and social empowerment. Informal savings-led groups in Niger, Zanzibar, and Nepal have shown and reflected adaptability and resilience in economically and politically charged settings.¹⁰

³ CARE. *Microfinance in Africa: State of the Sector Report: Bringing Financial Services to Africa's Poor*. 2009

⁴ Forty-two percent of sub-Saharan Africa's economy is informal; this is the highest proportion on earth. CARE, Access Africa, "The Power of Financial Services," 2008

⁵ United Nations, Millennium Development Goals report 2008, p.1 <http://www.un.org/millenniumgoals/pdf/Sub-Saharan%20Africa.pdf>

⁶ CGAP. Focus Note No. 44. *Foreign Capital Investment in Microfinance: Balancing Social and Financial Returns*. February 2008.

⁷ CGAP. Focus Note No. 44. *Foreign Capital Investment in Microfinance: Balancing Social and Financial Returns*. February 2008.

⁸ Collins, Morduch, Rutherford, Ruthven. *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press 2009.

⁹ Collins, Morduch, Rutherford, Ruthven. *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press 2009.

¹⁰ Grant, William J. and Henry C. Allen, "Successful Financial Intermediation in the Rural Sahel," *Journal of Microfinance*, Vol 4, No.2.

Anyango, Ezra and Ezekiel Esipisu, Lydia Opoku, Susan Johnson, Markku Malkamaki and Chris Musoke, "Village Savings and Loan Associations — experience from Zanzibar," *Small Enterprise Development*, Vol.18, No.1, March 2007, p. 12.

Microfinance's Impact on Development

Microfinance contributes to universal primary education¹¹

- In Bangladesh, almost all girls in Grameen client households had some schooling, compared to 60 percent of girls in non-client households. Basic competency in reading, writing, and arithmetic among children 11 to 14 years old in BRAC member households increased from 12 percent in 1992 to 24 percent in 1995, compared to only 14 percent for children in non-member households.
- In Honduras, Save the Children clients earnings enabled them to send kids to school.
- In Peru, Acción Comunitaria del Peru-borrower households spent 20 percent more on schooling for their children than non-borrower households.

Microfinance promotes gender equality and empowers women¹²

- In Indonesia, female clients of BRI were more likely than non-clients to make joint decisions with their husbands concerning allocation of household money, and children's education.
- In Bangladesh, a survey of 1,300 clients and non-clients showed that credit clients were significantly more empowered than non-clients in terms of their physical mobility, ownership and control of productive assets, involvement in decisions, and awareness of legal and political issues.
- In Nepal, 68 percent of Women's Empowerment Program members said that they made decisions on buying/selling property, sending girls to school, and arranging children's marriages.
- In India, SEWA clients lobbied for higher wages and the rights of women in the informal sector.

Microfinance improve health outcomes

HIV/AIDS:

- An estimated 80 percent of borrowers of the FINCA program in Uganda care for AIDS orphans.
- In Uganda, nearly 70 percent of World Vision's microfinance clients, already with children, welcome into their homes an average of three HIV/AIDS orphans.¹³

*Child mortality and maternal health:*¹⁴

- In Bangladesh, a study of BRAC clients found that fewer members suffered from severe malnutrition than non-clients and the extent of severe malnutrition continued to decline.
- In Bolivia, a study of CRECER clients had better breast-feeding practices, responded more with rehydration therapy for children with diarrhea, and had higher rates of DPT3 immunization.
- In Ghana, Freedom from Hunger clients also demonstrated better breast-feeding practices, and their one-year-old children were healthier in terms of weight-for-age and height-for-age.
- In CARE programs in Mali, members are selected and trained as community health agents to reach out to local women. In the first phase of the project, 4,000 local women were reached with health.¹⁵

Mayoux, Linda and Valley Research Group, "Women Ending Poverty, The WORTH Program in Nepal: Empowerment through Literacy, Banking and Business," Pact, June 2008. Hereafter cited as WORTH 2008.

¹¹ Take in whole from: [CGAP, What Do We Know About Microfinance?](#)

¹² Except for first paragraph, excerpt from: [CGAP, What Do We Know About Microfinance?](#)

¹³ World Vision. Impact! [HIV/AIDS: Uganda Microenterprise Development.](#)

¹⁴ Take in whole from: CGAP, What Do We Know About Microfinance? <http://www.cgap.org/p/site/c/template.rc/1.26.1306/>

¹⁵ CARE. Building the Linkage Between Maternal Health and Financial Services for the Poor, Community Action and Women's Empowerment.