RESULTS
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FY 2012 REQUESTS FOR FOREIGN OPERATIONS SUBCOMMITTEE LEADERSHIP

House

Rep. Kay Granger, Chair

Rep. Nita Lowey, Ranking Member

Senate

Sen. Patrick Leahy, Chair

Sen. Lindsey Graham, Ranking Member

Microfinance

FY12 Request: Provide $500 million for the microfinance and microenterprise funding and language to direct funds to the very poor

Global Microfinance and Microenterprise Funding History

Fiscal Year	FY06	FY07	FY08	FY09	FY10	FY11 House	FY11 Senate	FY12 President's Request	FY12 RESULTS' Request
Funding Level	$200 million	$200 million	$243 million	$245 million	$265 million	Not released	$230 million	$155.5 million	$500 million

Proposed language to be included in the Appropriations Committee bill
Microenterprise
The Committee recommends $500,000,000 for microfinance and microenterprise development programs for the poor, especially women. Because the delivery of financial services is an especially important tool in enabling the poor to escape from poverty, the Committee encourages investment in a variety of financial services that allows the poor to save, borrow, and access insurance, remittances, and other key services. The Committee is concerned about the lack of funding for sub-Saharan Africa and directs increased investment in microfinance in sub-Saharan Africa within the USAID microfinance and microenterprise program. As required by section 251(c) of the Foreign Assistance Act of 1961, USAID is to target half of all microfinance and microenterprise funds to the very poor, defined as those living on less than $1.25 a day. The Committee recommends that USAID modify and improve the poverty assessment tools so that the tools can assist partner organizations' management and outreach to the very poor.

- Microfinance is the process of extending small loans and other financial and business services, such as savings, to very poor people, so that they can start up or expand tiny businesses, thus allowing them to care for themselves and their families.
- An estimated **2.7 billion people around the world have no access to formal financial services**, which are both safer and less expensive than the informal alternatives.
- The global financial crisis reduce credit opportunities for the poor worldwide: the number of loan accounts remained unchanged in 2009, and loan volume as a percentage of GDP declined in most economies.

- Yet demand is still high, and the poor want access to a safe place to save, especially in difficult times. The number of savings deposits globally grew an average of 4.3 percent — the largest increase took place in the poorest 20 percent of countries, showing that access is improving more rapidly in less-developed countries.
- While poverty affects many people throughout sub-Saharan Africa, there is economic progress that offers hope: more than 35 percent of Africans live in economies that have seen sustained growth of more than 4 percent a year for the last 10 years. Continued growth depends on an active financial sector, and progress with broad economic indicators cannot substitute for a simultaneous effort to ensure that the poor have access to financial services, as they are too often the last to benefit from such broad economic growth.
- The poor have very complex financial "portfolios" and a need for different financial instruments and forms of money management, just like everyone else. But while we can use banks and insurance companies, the poor have to often rely on informal options that exploit their situation and take too much of their hard-earned income. Microfinance bridges this divide.
- Microfinance is a suite of financial services, including loans, secure savings, and insurance that the poor can use to pull themselves out of poverty. Microfinance began as a way to finance self-employment ventures in places where poor people could not find satisfactory employment or obtain needed credit. It has since expanded to cover all the ways poor households can manage their finances through credit for such things as enterprise, education, housing, health care, as well as through protective services such as savings and insurance.
- Public funding is critical to reaching the poorest and most marginalized, because very little of the private foreign investment capital in microfinance and microenterprise is going to the countries with greatest need — especially in Africa — or to support the microfinance services that reach the most marginalized. **Despite the high poverty levels and need for financial services in Africa and Asia, these regions receive only six and seven percent of foreign private-sector investment in microenterprise, respectively.**
- With support to grow and become self-sufficient, microfinance programs in developing countries need less grant money, can utilize loans and loan guarantees, and eventually get linked into the formal financial system. Well-run microfinance organizations in developing countries are eventually able to sustain their operations through interest income. Organizations have been able to cover 100 percent of operational costs with the interest income generated by loan repayments.
- Across the world, young girls and women are faced with limited opportunities. Seventy-five percent of the world's women cannot get formal bank loans because they often lack permanent employment and capital and assets, such as land. Microfinance programs offer them an alternative to a life of despair, providing them with the income they need to start small businesses and earn a living with dignity.

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