USAID's microfinance activities have met some, but not all, of the agency's microenterprise program objectives. These objectives are to (1) reduce poverty among participants; (2) target the poor and very poor; (3) encourage women's participation; and (4) develop sustainable microfinance institutions (MFI). First, regarding reducing poverty—defined as alleviating its impacts or lifting and keeping a large number of people above the poverty line—GAO found that microfinance can help alleviate some impacts of poverty, incrementally improving borrowers' income levels and quality of life and offering an important coping mechanism to poor workers and their families. However, there is little evidence that it can lift and keep many over the poverty line. Second, microfinance generally has served the poor clustered around the poverty line but not the very poor. Third, USAID has successfully encouraged the participation of women, who have comprised about two-thirds of micro loan clients since 1997. Fourth, USAID has emphasized the importance of MFI sustainability. In fiscal 2001, of 294 USAID-supported MFIs that reported on sustainability, 38 percent reported achieving full sustainability—a percentage consistent since 1999.

The basic data in USAID's Microenterprise Results Reporting (MRR) system are reliable, but certain methodological problems may affect the accuracy of some of the agency's reporting on key program objectives. Specifically, USAID may not be reporting accurately (1) the amounts it has obligated to microenterprise activities; (2) whether 50 percent of its resources went to the very poor, as required by Congress; and (3) the sustainability of USAID-supported institutions. Further, although the agency reports annually on the activities of institutions it supports, it does not show the percentage of those institutions' total funding that its contribution represents.

USAID has identified and disseminated microenterprise best practices, providing information to its missions and implementing partners through policy guidance, training, and technical assistance. In addition, USAID has collaborated with microenterprise development provider networks and others to publish information about these practices.

Microentrepreneur from a USAID-Supported Project in Egypt

Source: GAO.