


GAO
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Highlights

Highlights of [GAO-04-171](#), a report to the Chairman, House Committee on International Relations

Why GAO Did This Study

Microenterprises—small businesses owned and operated by poor entrepreneurs—have potential to help the world's poorer populations. For this reason, the U.S. Agency for International Development (USAID) included microenterprise development in its programming. In 2001, the agency reported that it was conducting microenterprise projects in 52 countries and had obligated almost \$2 billion since 1988 to support its program. The program supports micro loans, among other services, to assist poor entrepreneurs. Since 1996, USAID has annually reported the program's results.

To help Congress oversee USAID's management of its microenterprise development program, GAO was asked to (1) determine the extent to which the agency's microfinance activities are meeting the program's key objectives, (2) assess the reliability of USAID's reporting on its overall microenterprise activities, and (3) examine the agency's role in identifying and disseminating microenterprise best practices.

What GAO Recommends

GAO recommends that the Administrator of USAID review the agency's MRR system to ensure that (1) it measures the program's performance and (2) all data are collected, analyzed, and reported USAID completely and accurately. USAID concurred with our recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-04-171.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Gootnick at (202) 512-3149 or GootnickD@GAO.gov.

MICROENTERPRISE DEVELOPMENT

USAID's Program Has Met Some Goals; Annual Reporting Has Limitations

What GAO Found

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.