

Congress of the United States

Washington, DC 20515

August 3, 2011

The Honorable Dr. Rajiv Shah
Administrator
United States Agency for International Development
1300 Pennsylvania Ave., NW
Washington, DC 20523-0001

Dear Administrator Shah,

As you well know, the World Bank estimates that 1.4 billion people live on less than \$1.25 per day. In order to overcome this pandemic of poverty, we support microfinance as a critical tool that offers the very poor an alternative to a life of despair. It provides them with the funding they need to start small businesses and earn a living with dignity. It also provides income to help pay for medicine, nutrition, and education for the children. While your tenure at the helm of USAID is still relatively recent, we would like to encourage your effort to enhance USAID's microfinance and microenterprise funding and programs, particularly those that benefit the very poor. We are particularly interested in strengthening efforts to reach women living in sub-Saharan Africa, and supporting innovative programs and informal savings-led approaches.

Reaching the very poor

Congress recognizes that public funds play a vital role in helping the poorest and most marginalized who are excluded from the traditional financial sector to participate in microfinance and microenterprise programs. In order to ensure that U.S. funding reaches these populations, Congress passed legislation (P.L. 108-31 and P.L. 108-484) that mandate that 50 percent of overall microfinance and microenterprise assistance benefit the very poor.

Unfortunately, USAID has never approached this target. In FY 2009, only 23.5 percent of total microfinance and microenterprise funding benefited the very poor which was even less than the 26.9 percent in FY 2008. Instead of helping 1,580,000 very poor clients as USAID was able to do in FY 2008, only 973,000 were assisted in FY 2009.

Please explain what steps USAID will be taking to ensure that the 50 percent mandate is reached in the future.

Focus on Women

Across the world, young girls and women are faced with limited opportunities and many more barriers.

According to the United Nations Development Program, women and girls represent 70 percent of the 1.4 billion people living on less than \$1.25 a day. Yet 75 percent of the world's women cannot get formal bank loans because they often lack permanent employment and capital and

assets, such as land.¹ Although women produce up to 80 percent of food in Africa, women own only one percent of the land in Africa.²

Evidence has shown that women involved in microfinance groups are more motivated to take actions to improve their lives and those of their families and are more able to engage in social and political activities.³ To fully reach women and the very poor, there is a need to ensure that funds invested are leveraged to build financial literacy, enterprise education, and business development services specifically targeted at these groups.

Are there plans to increase the percentage of funds benefiting women? Please also explain how USAID grants, cooperative agreements, and contracts ensure that partner organizations are structuring programs that meet the land ownership and asset challenges that women face, and provide women with microenterprise agricultural extension services.

Focus on sub-Saharan Africa

We are also very concerned about the lack of funding directed to 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.⁴ 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. Moreover, in FY09, the 19 countries in sub-Saharan Africa received \$44 million, while Colombia alone received \$95 million.⁵ Public funds are critical to close this investment gap by infusing resources to support the growth of microfinance and microenterprise development institutions that serve marginalized regions and populations.

Please explain what efforts are being made to ensure that sub-Saharan Africa receives an equitable percentage of microenterprise and microfinance assistance.

Support for informal savings-led approaches and asset approaches to microfinance

The microfinance industry has clearly recognized that the need for savings services is fundamental to economic growth. Some poor already save in an unorganized manner, such as depositing savings with relatives or even strangers. Ninety-nine percent of survey respondents in Uganda stated that unorganized savings methods such as saving at home, or investing 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. Informal savings-led approaches can enable the very 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 banking systems or many micro-finance institutions. Moreover, the financially-excluded

¹ United Nations Development Programme. International Women's Day Special: Faces of Strength and Courage (Press Release). March 8, 2009. Available at: <http://content.undp.org/go/newsroom/2009/march/international-womens-day/international-womens-day-special-faces-of-strength-and-courage.en>.

² Action Aid UK. "Fertile Ground." http://www.actionaid.org.uk/doc/lib/fertile_ground.pdf

³ CGAP, What Do We Know About Microfinance? <http://www.cgap.org/p/site/c/template.rc/1.26.1306/>

⁴ CGAP, What Do We Know About Microfinance? <http://www.cgap.org/p/site/c/template.rc/1.26.1306/>

⁵ Gross funding levels are taken from the annual Microenterprise Results Report. Calculations of percentages were made based on those numbers.

and most poor people do not move directly to formal financial inclusion, but transition through informal financial services.

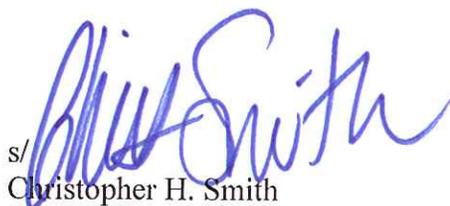
Can you please clarify whether USAID is taking a proactive role both in supporting informal savings-led groups and in linking these groups to the formal financial sector?

We look forward to hearing from you. Should you need any further details or clarifications, please contact Angelle Kwemo (Rep Rush) at 5-4372 or angelleb.kwemo@mail.house.gov.

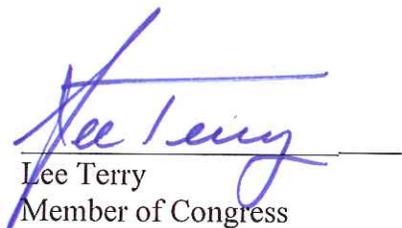
Sincerely



s/
Bobby L. Rush
Member of Congress



s/
Christopher H. Smith
Member of Congress



Lee Terry
Member of Congress



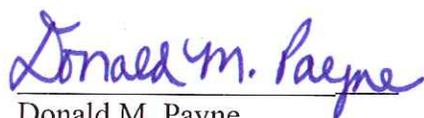
Adam Smith
Member of Congress



Frederica S. Wilson
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Jesse L. Jackson
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Donald M. Payne
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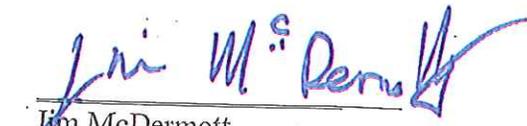
Corrine Brown
Member of Congress

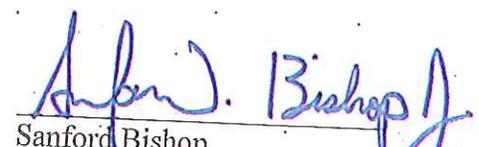


Donna M. Christensen
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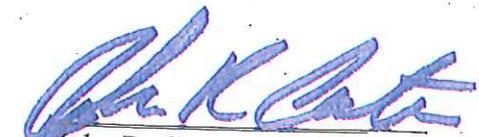
Yvette D. Clarke
Member of Congress

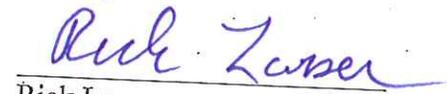

Jim McDermott
Member of Congress


Sanford Bishop
Member of Congress

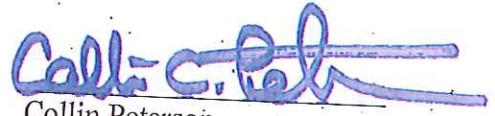

Marcia L. Fudge
Member of Congress

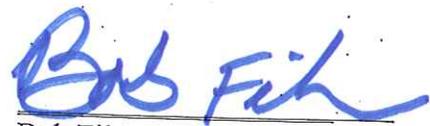

Raul Grijalva
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Member of Congress

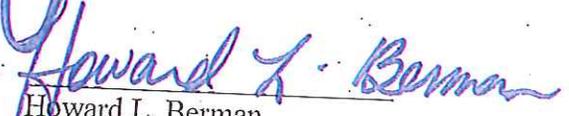

Shelley Berkley
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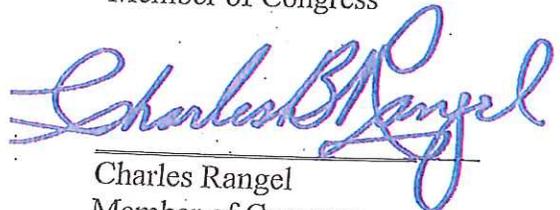

Collin Peterson
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Bob Filner
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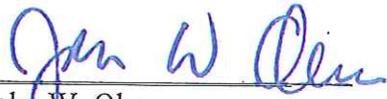

Jan Schakowsky
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Mike Honda
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Howard L. Berman
Member of Congress

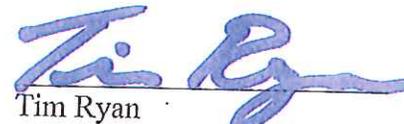

Charles Rangel
Member of Congress

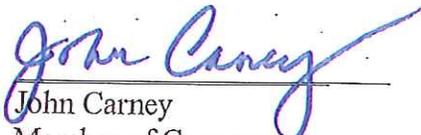

Edolphus Towns
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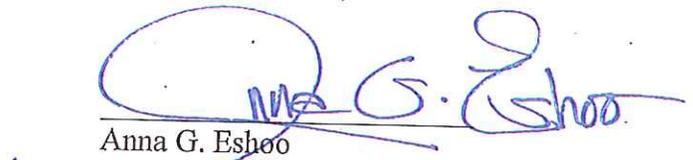

John W. Olver
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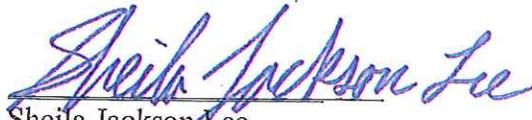

James Himes
Member of Congress


John Lewis
Member of Congress

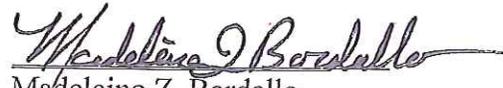

Tim Ryan
Member of Congress

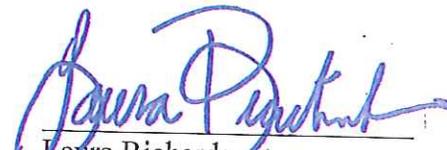

John Carney
Member of Congress

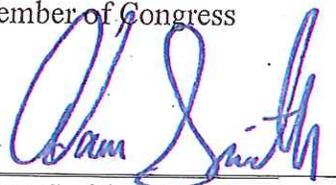

Anna G. Eshoo
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Jaime Herrera Beutler
Member of Congress

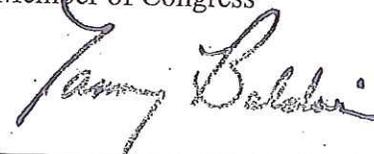

Madeleine Z. Bordallo
Member of Congress

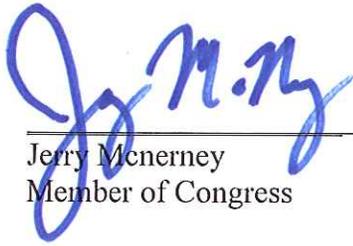

Latra Richardson
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Adam Smith
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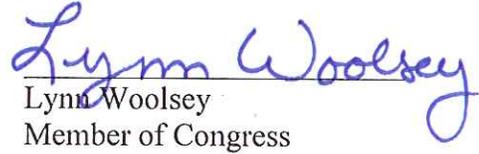

Michael E. Capuano
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Rush D. Holt
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Tammy Baldwin
Member of Congress



Jerry Mcnerney
Member of Congress



Lynn Woolsey
Member of Congress



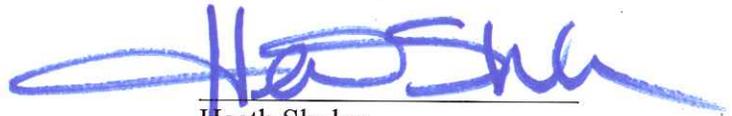
Dutch C.A. Ruppertsberger
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Andre Carson
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Martin Heinrich
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Heath Shuler
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Alcee L. Hastings
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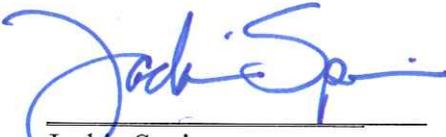
Todd Young
Member of Congress



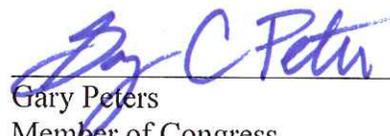
Zoe Lofgren
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Kathy Castor
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Jackie Speier
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Gary Peters
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Gene Green
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Sam Farr
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Bill Flores
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Ben Ray Lujan
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Kurt Schrader
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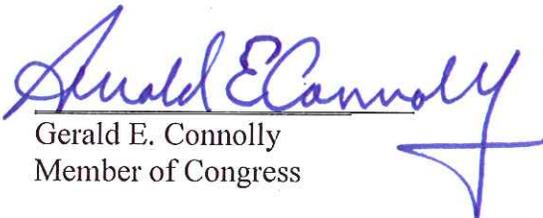
Jim Moran
Member of Congress



Steve Rothman
Member of Congress



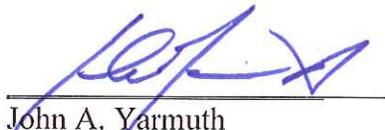
Jim Matheson
Member of Congress



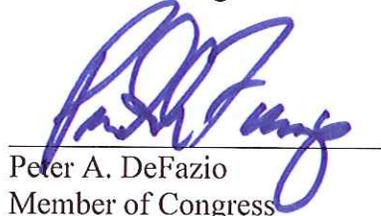
Gerald E. Connolly
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Brad Miller
Member of Congress



John A. Yarmuth
Member of Congress



Peter A. DeFazio
Member of Congress



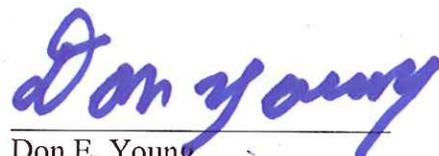
Earl Blumenauer
Member of Congress



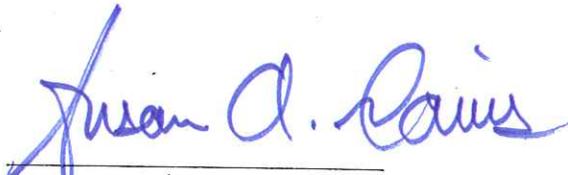
Keith Ellison
Member of Congress



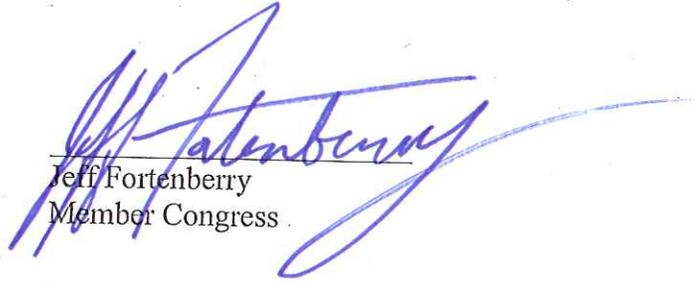
David Wu
Member of Congress



Don E. Young
Member of Congress



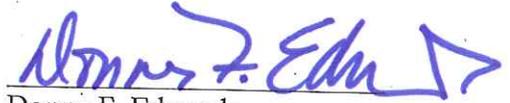
Susan Davis
Member of Congress



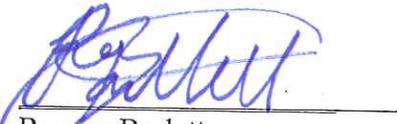
Jeff Fortenberry
Member Congress



G.K. Butterfield Jr.
Member of Congress



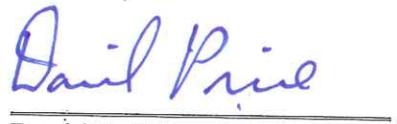
Donna F. Edwards
Member of Congress



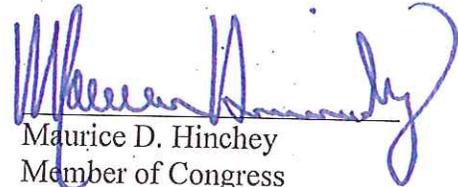
Roscoe Barlett
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Diana L. DeGette
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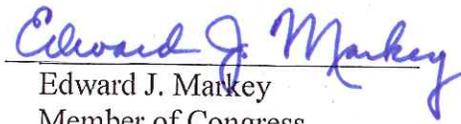
David E. Price
Member of Congress



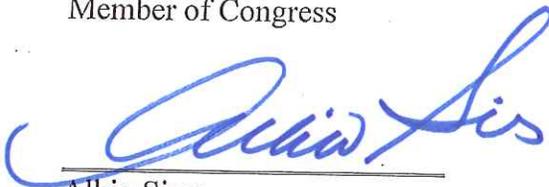
Maurice D. Hinchey
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Albio Sires
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George Miller
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Dana Rohrabacher
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Chris Van Hollen

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Pete Stark

Pete Stark
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Luis V. Gutierrez
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Lloyd Doggett

Lloyd Doggett
Member of Congress

Dale E. Kildee

Dale E. Kildee
Member of Congress

Danny K. Davis

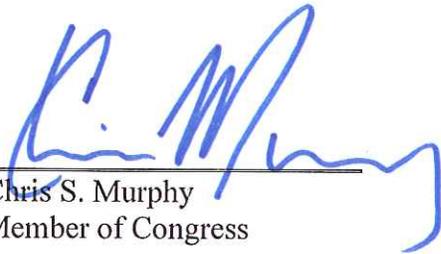
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Member of Congress

Dave G. Reichert

Dave G. Reichert
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Norm Dicks

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Chris S. Murphy
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Thaddeus G. McCotter
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