

## Data Sheet

<b>USAID Mission:</b>	Mexico
<b>Program Title:</b>	Microenterprise
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	523-009
<b>Proposed FY 2004 Obligation:</b>	\$200,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$0
<b>Year of Initial Obligation:</b>	FY 2000
<b>Year of Final Obligation:</b>	FY 2004

**Summary:** The passage of the historic new Savings and Credit Law in 2001 revolutionized the microfinance sector in Mexico. USAID's microenterprise program has responded to the new environment by slightly modifying the emphasis of its program, which informed the development of this law. It includes three inter-related components: 1) creating an improved legislative policy environment for microfinance in Mexico, 2) strengthening select microfinance institutions, and 3) conducting and disseminating research on the role of microenterprise in the Mexican economy and its relationship to migration. The first component of the program has evolved from early efforts to improve advocacy and communication with the sector to its current focus on supporting the development of a prudent regulatory environment and adequate supervision scheme. Activities under the second component were expanded in 2003 with the addition of a second long-term advisor dedicated exclusively to institutional strengthening.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Legislative and supervisory environment (\$75,000 DA). USAID will provide technical advisors to assist the Government of Mexico (GOM) in drafting secondary norms and regulations for the new Savings and Credit Law in order to help establish an effective regulatory environment for microfinance institutions. In addition, USAID will support the development of federations called for under the law that will supervise and provide other support services to their member institutions. The principal contractor is Chemonics Inc.

Microfinance Institution (MFI) Capacity Building (\$125,000 DA). USAID will assist a select number of MFIs (4-6 over 2003 and 2004) to transform their operations to comply with the new law. Beyond simple compliance, USAID's activities will seek to strengthen best practices within MFIs, including sound business planning and the adoption of strong internal control systems to better manage default risk, in order to build efficient MFIs that are capable of reaching large numbers of microentrepreneurs. The principal contractor is Chemonics Inc.

#### FY 2005 Program:

This program will end in FY 2004 and a new follow-on microenterprise program will begin, described in a separate Data Sheet.

**Performance and Results:** Technical assistance under this program during FY 2003 resulted in important improvements to the legislative framework that will improve the likelihood that the new Savings and Credit Law will contribute to a financially sound microfinance sector with broader and deeper outreach.

Through the development of an extensive list of manuals and other documents, the Pro-Development Supervisory (a microfinance federation) received official certification. USAID has also offered these manuals to a second federation, and to the Government of Mexico's development bank for the cooperative sector. As a result, the manuals will be distributed to approximately 600 institutions that are preparing to make the changes necessary to comply with the new Savings and Credit Law.

Finally, USAID expanded sources of capital for MFIs through use of the Development Credit Authority and targeted technical assistance. During FY 2003, one participating Mexican microfinance institution increased its total deposits by \$1.8 million and increased its fixed deposits by 43% for a total of \$9.1million; another Mexican microfinance institution increased its total fixed deposits by \$5.6 million to \$8.0 million (which was 0 in 2000).

By the end of the program in FY 2004, the program will have achieved several significant results since its initiation in FY 2000. First, MFIs in Mexico are now governed by a comprehensive supervision and regulatory framework that will protect depositors, improve access to capital, and promote the expansion of financial services in Mexico. Second, a selected group of microfinance institutions will have improved capacity due to the technical assistance provided under this program. These institutions will be ready to make the necessary changes when the new law takes effect in 2005. Furthermore, materials developed for these institutions will have been disseminated by the Government of Mexico to all institutions preparing for compliance with the new regulatory framework (more than 700 small- and large-scale cooperatives, and MFIs), thus expanding the impact of this program far beyond its initial scope. Finally, research on both the needs of microenterpreneurs and the impact of microenterprise on the Mexican economy will have been shared with policymakers throughout the country.

## US Financing in Thousands of Dollars

Mexico

	DA	DCA
523-009 Microenterprise		
<b>Through September 30, 2002</b>		
Obligations	2,167	67
Expenditures	1,683	0
Unliquidated	484	67
<b>Fiscal Year 2003</b>		
Obligations	900	0
Expenditures	0	0
<b>Through September 30, 2003</b>		
Obligations	3,067	67
Expenditures	1,683	0
Unliquidated	1,384	67
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2004 NOA</b>		
Obligations	200	0
<b>Total Planned Fiscal Year 2004</b>		
Obligations	200	0
<b>Proposed Fiscal Year 2005 NOA</b>		
Obligations	0	0
Future Obligations	0	0
Est. Total Cost	3,267	67