



USAID
FROM THE AMERICAN PEOPLE

Building Alliances Series:



MICROFINANCE &
MICROENTERPRISE

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INTRODUCTION: MICROFINANCE AND MICROENTERPRISE

Welcome USAID Alliance Builders!

Public-private partnerships done right are a powerful tool for development, providing enduring solutions to some of our greatest challenges. To help familiarize you with the art of alliance building, the Office of Development Partners / Private Sector Alliances (ODP / PSA) office has created a series of practical guides that highlight proven practices in partnerships, demonstrate lessons learned, and provide insight on identifying and designing strategic partnerships that will meet your sector-focused development objectives.*

The purpose of this guide is to show you how to build public-private partnerships in the Micro Sector, defined here as microenterprise development, microfinance and other small-scale access to finance projects. There are separate guides for agriculture, EGAT, water, workforce development and energy, which may also cover alliances focused on micro issues.

Whether you are new to alliances or a seasoned expert, in the following pages you will find tips, resources, and information that remove some of the mystery behind alliance building in this sector. Additionally, we hope this guide will inspire you, with its stimulating questions and partnership examples from around the world, to think creatively about designing alliances that will address key challenges wherever you are working. Although the series includes partnership examples from many organizations, the guides emphasize USAID's **Global Development Alliance (GDA)** model of alliances.

While this guide is meant to promote your partnership efforts in the micro sector, it represents only part of the alliance information available to you. There are also additional micro resources and guidance readily available to you on the GDA website:

[usaid.gov/GDA](https://www.usaid.gov/GDA)

inside.usaid.gov/GDA/resources/tools.pdf

* The terms "alliance" and "partnership" are used interchangeably in this guide, but both terms refer to the type of collaboration that can be de

ALLIANCE MODELS IN MICROFINANCE AND MICROENTERPRISE: WHAT WORKS?

If you are designing a new partnership, a good place to begin is a review of partnerships that have been successful, as well as other collaborations that can provide a model for partnerships. Take a look below at five ways that microfinance and microenterprises are being supported by multiple partners.

MODEL 1: ACCESS TO FINANCE

Providing or facilitating access to finance for households and individuals helps families build assets, deal with risk, stay healthy and improve the lives of their children. There are numerous types of alliances that work at the household level. Partners collaborating on alliances at this level include financial institutions, organizations that want to increase market access, and those that may be motivated by corporate social responsibility or philanthropy.

USAID partnered with Nokia and a network of rural banks in the **Microenterprise Access to Banking Services (MABS)** alliance, which sought to expand access to microfinance services in rural areas of the Philippines. Rural banks were trained on how to offer microfinance loans, and in 2004 the MABS Program partnered with G-XChange, Inc. (GXl), a subsidiary of Globe Telecom. GXl helped to develop and implement mobile phone banking applications and mobile commerce services for rural banks and their clients. Rural



banks can now offer financial services via text message, including Text-A-Payment for loan payments, Text-A-Remittance to transfer money locally and abroad, Text-A-Deposit for remote deposits, and Text-A-Withdrawal which allows clients to withdraw electronic money directly from their savings account to their mobile wallet. Nokia contributed technical expertise on cellular phone platforms, and USAID provided financing.

USAID partnered with FINCA International and Visa International to **expand access to microfinance and basic banking services to poor communities in Central America**. The alliance, active 2004-2007, introduced electronic payment tools to FINCA's village banking groups. FINCA and Visa International co-branded a debit card, which gave microfinance clients a safer and more accessible way to use loan proceeds. The partnership relied on contributions of significant resources from all parties, including financing from USAID, local staff resources and expertise from FINCA, and major technical assistance from Visa in the areas of bank partnerships, payment technology, and product development.



“This [microfinance link to clean energy] feels like microfinance did 20 years ago. Little things are starting to work and momentum is building.”

PAUL RIPPEY
EXPERT CONSULTANT

MODEL 2: ACCESS TO PRODUCTS AND SERVICES

Sometimes microfinance products can be linked to products and services, filling critical needs for low-income clients. Partners in these types of alliances are usually connected to the product or service being offered.

The Energy Links project, managed by ACCION International and partially funded by USAID, seeks to develop, test, refine, document, and publicize integrated approaches to financing and marketing clean energy products to large numbers of people in developing countries. **Energy Links brokers partnerships among suppliers, sources of finance, and distribution networks.** In Uganda, Energy Links is working on providing

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solar-powered lamps for households, including financing. Energy Links is partnering with Uganda Microfinance Limited, which supports a micro-franchising, business-in-a-bag model.

In Indonesia, USAID’s Environmental Services Program (ESP; 2004-2009) **worked with local banks and the local branch of the utility company to use microfinance for water services.** Less than forty percent of urban-dwelling Indonesians have access to a piped water system. Although urban water services have been expanding, many Indonesians find the connection fee to be unaffordable. ESP’s partnership with banks permitted customers to obtain micro-loans in order to pay for household piped water connection, and to pay back the loan over a period of two years. In many cases, the utility company provided a guarantee to the bank that the loan will be paid off in a timely manner.

In West Africa, the pharmaceutical company Glaxo Smith Kline partnered with the NGO Freedom from Hunger to include malaria education in the services provided to micro credit customers. Freedom from Hunger had been working closely with microfinance institutions in the region, who found that clients often missed payments when they were ill with malaria. The partnership, active 2003-2006, worked closely with local MFIs to deliver a malaria education curriculum along with micro loans. The health information, called **‘Credit with Education’**, combined financial services with health education to improve prevention, early detection and treatment of malaria at home.



MODEL 3: BUILDING FINANCIAL INSTITUTIONS THAT SERVE MICRO CLIENTS

Microfinance clients, like customers anywhere, benefit from choice, quality and competition. Alliances can help to build robust microfinance institutions and programs that are sustainable and responsive to client needs.

In Armenia, USAID partnered with the European Bank for Reconstruction and Development (EBRD) in support of the **Armenia Micro-lending Program** (2005-2008). USAID provided funding for technical assistance in support of four local private commercial banks selected by EBRD, which were lending funds to microenterprises throughout the country. The EBRD assumed the full commercial risk for the investments made by the local banks. The USAID-financed technical assistance helped partner banks to develop their internal lending operations, including the training of personnel, the creation of efficient lending procedures and diversified loan portfolios, and establishing transparent and objective decision-making mechanisms. A key objective of the partnership (2005-2008) was to bring financial services to the smallest business and entrepreneurs, bringing unbanked enterprises into the formal banking system.

In 2005, USAID partnered with Deutsche Bank and DFID to establish the **Deutsche Bank Global Commercial Microfinance Consortium** to create and expand linkages between the microfinance sector and domestic and international capital markets. The Consortium raised more than US\$80 million to lend to MFIs at commercial interest rates, expanding the MFI funding base beyond traditional donors to include commercial investors. Both DFID and Deutsche Bank provided significant equity funding. USAID provided a substantial loan guarantee, which played an important role in reducing the risk and making the transaction more attractive for commercial investors.





MODEL 4: POST-CONFLICT MICROFINANCE

In the aftermath of conflict, microenterprises may play a central role in providing income for the poor as the economy recovers. Formal employment opportunities may be severely limited, and microfinance can play a role in encouraging individuals to establish their own businesses during post-conflict transition periods.

In Afghanistan, USAID partnered with Roshan, the country's leading wireless telecom company, to **generate income and increase telecommunications access** in rural areas. The alliance joined several microfinance organizations to assist women in rural communities establish Public Call Offices (PCOs) in their homes and other locations such as small shops and health clinics. Participants receive training in business management as well as ongoing support from business advisors. Roshan provides the telephones for the PCOs, which allows owners to track phone calls and costs. USAID provides funding and alliance coordination, and manages the links with microfinance organizations. The alliance is active 2007-2010.

MODEL 5: INTEGRATING MICRO- ENTERPRISES INTO VALUE CHAINS

Supporting microenterprise development can create wealth in poor communities and promote economic growth. USAID's approach to microenterprise development focuses on linking micro-businesses into existing value chains, whether they be local, national or international. To connect to these value chains, firms often need finance, business services, technical assistance, and improved inputs. Potential partners include final buyers of the product, financial services organizations, and others who work within the sector.

In the **Malawi Dairy Development Alliance**, smallholder dairies were provided with improved inputs and linked with local milk processors, resulting in a stronger milk-bulking programs and higher milk production to meet the strong local demand. USAID partnered with Land O' Lakes, World Vision and local and regional associations to provide farmers and processors with access to finance and training in cattle health, sanitation, and market development practices. The first phase of the alliance ended in 2008, and phase 2, which started in 2009, includes new partners General Mills and Monsanto. USAID and Land O'Lakes provide both financing and technical assistance, and draw on their long history of working in Malawi's dairy sector. General Mills





provides financing, and Monsanto contributes seeds for soy beans, which are used in feed for cattle. For more information, see the case study at the end of this guide.

The **Sustainable Cocoa Enterprise Solutions for Smallholders (SUCCESS) Alliance** is active in the cocoa value chain in five countries, and focuses on integrating small cocoa farmers into the international value chain. Alliance partners include USAID; the U.S. Department of Agriculture (USDA); the World Cocoa Foundation (WCF); and Mars, Incorporated. In Vietnam, the SUCCESS alliance began in 2004 and includes several additional partners such as the national and provincial ministries of agriculture, the National Cocoa Development Coordinating Committee and WCF members Cargill and Olam. Since cocoa is a relatively new crop in Vietnam, the partnership is focusing on building a sustainable cocoa industry from the ground up. Since the first alliance cocoa seedlings were planted in 2004, the number of hectares planted in cocoa has tripled, and over 17,000 smallholder farmers have been trained. USAID and USDA provided initial funding; Mars, Cargill, Olam and other WCF members provide input on standards and sourcing requirements, and are also cocoa buyers.

A partnership in India between implementer ACIDI /VOCA and technology giant InfoSys targeted the **information gap between small farmers and markets**. The two developed an application called FreshConnect, which uses wireless software applications that are accessible on handheld devices. Small farmers use FreshConnect to monitor demand and ensure the timely delivery of the right volume and quality of fresh produce to sales outlets. The system minimizes inventory requirements, reduces waste and

small farmers to be on equal footing with larger farm enterprises. The partnership, which began in 2008, was funded under USAID's Growth-Oriented Microenterprise Development program (GMED). ACIDI /VOCA drew on the organization's significant knowledge of agriculture value chains as well as India's market structure for agriculture products. InfoSys provided the technology expertise in programming and design of applications.

USAID's Strengthening Micro, Small and Medium Enterprises in Cambodia (Cambodia MSME) project was not an alliance in the typical sense, but used an innovative model of partnerships in project activities that was very successful. Cambodia MSME, active from 2005 to 2008, focused on promoting the competitiveness of the country's swine, fish, and brick and tile value chains. The project provided services to small farmers and enterprises by linking them to individuals, such as input providers, who could deliver needed (but previously nonexistent) services in the course of promoting their own products. So, for example, a veterinarian might train a pig farmer on the best husbandry practices, how to prevent diseases by using his services, and which might be the best type of feed. In this way, the **project served as a matchmaker** and established partnerships between private sector enterprises that benefited all involved. Results were striking; in the swine value chain value and volume of annual sales exceeded the targets by well over 200%.

USAID provided seed funding for an alliance between American Express and Aid to Artisans that supported **small-scale pottery**



artisans in Mexico. Aid to Artisans identified international markets for the pottery, contingent upon the potters discontinuing their traditional use of toxic lead-based glazes, and provided technical assistance in design and marketing. American Express, attracted by the issues of maintaining cultural heritage and ensuring economic independence for the potters, provided funding. American Express has continued to support and publicize the project in Mexico even after grant funding ended in 2006.

In Guatemala, USAID has partnered with a number of local and international private and public sector partners to create the **Guatemala Community Tourism Alliance** (2006 - 2010). This partnership is helping to increase

the number of community-based tourism enterprises in rural areas, using the value chain approach. Major donors include National Geographic Society, Conservation International, and Guatemalan producer and industry associations like AGEXPORT (Guatemalan Association of Exporters), ANACAFE (Guatemalan National Coffee Association), and INGUAT (Guatemalan Tourism Institute). Partnership beneficiaries include community-managed tourism enterprises, small-scale tourism service providers, tour operators, small-scale producers and sellers of local handicrafts, and community and municipal tourism associations and organizations. USAID provided funding, Conservation International and National Geographic Society advised on eco-tourism initiatives, and the Rainforest Alliance provided technical expertise on conservation around tourism sites.



“Especially when we’re working with microenterprise alliances, it’s the relationships within the private sector that are most important. Those are the ones we really want to encourage. Relationships among microenterprises and their relationships with larger firms are key, not the relationship between those firms and USAID or the partnership.”

JASON WOLFE, EGAT/
PR/MD

The **Alliance for the Development of Liberia’s Smallholder Rubber Sub-Sector** draws on the expertise and resources of USAID, Liberia’s Ministry of Agriculture, the International Institute of Tropical Agriculture (IITA), and Firestone. The partnership’s technical and financial assistance seeks to link smallholder rubber producers to the larger value chain by focusing on appropriate cropping systems that increase productivity, conserving biodiversity, and making sure that long-term economic incentives are in place. The Ministry of Agriculture works on policy issues and land issues, USAID provides funding, training for rubber farmers, development of extension services, tools and seedling distribution, and coordination of partnership activities. Firestone contributes technical assistance for producers, planting material and assistance with the distribution of seedlings. The alliance was active 2007-2009.

WHAT KINDS OF PARTNERS HAVE ALLIANCES?

Type of Company	Motivations	Illustrative Companies That Have Participated in Micro Alliances
Information Technology/ Telecom Companies	Market access, testing viability of new applications and/or platforms	Nokia, Globe Telecom, Roshan, InfoSys
For-Profit Financial Institutions	Opening new market segment, corporate social responsibility	Deutsche Bank, Visa International, American Express
Agribusiness	Securing supply chain, improving product quality, corporate social responsibility	Mars, Cargill, Starbucks, Land O'Lakes, General Mills, Monsanto
NGOs, Non-Profits And Foundations	Expanding markets, providing new tools for clients, sustainable business practices	FINCA, ACCION, Conservation International

COLLABORATED ON MICRO

Possible Non-Cash Contributions	Alliance Models
Telephone handsets, training, phone platform, applications	Access to finance, access to products and services, post-conflict microfinance
Convening power, technology, marketing	Access to finance, access to products and services, building financial institutions, post-conflict microfinance
Technical assistance on product requirements and growing techniques, inputs	Access to finance, integrating microenterprises into value chains
Knowledge of microfinance market, access to clients, technical expertise, training	Access to finance, access to products and services, building financial institutions, post-conflict microfinance





FINDING A GOOD PARTNER

Once you've considered possible models and industry sectors, there are many good ways to identify specific organizations that may be interested in collaboration. You can use the following list of questions to identify potential partners. USAID's implementing partners often know the answers to many of these questions, and you may want to work through this list with them:

- 1 Are there market segments that local microfinance institutions are not serving? What other actors are interested in these populations?
- 2 Do service providers for household services (energy, water) find that certain areas or populations are restricted by cost?
- 3 Which financial firms are active or interested in the agricultural sector? Are there other firms supplying services to the agricultural sector or offer services that could be combined with financing?
- 4 Are clean energy initiatives reaching low-income households?
- 5 Which actors have the resources, skills and incentives to invest in upgrading a value chain? Why has this investment not already happened?
- 6 Is there an existing successful micro alliance in the region that could be expanded to your country?

7 What are the main sources of off-farm revenue? Could small-holder farmers remain viable in agriculture if links to value chains were strengthened?

8 Does your host country's Poverty Reduction Strategy or other plan for increasing exports focus on certain agricultural products? If so, the government may be particularly willing to collaborate to support small producers, and may know private sector or NGO actors who may also be interested.

Other resources can help you identify private sector partners:

[Chambers of Commerce](#) and Associations can tell you which local and international businesses are particularly interested in development issues. Chambers of Commerce meetings are an easy way to reach a large audience of key stakeholders.

The [Foreign Commercial Service](#) at the Embassy is also a resource for excellent intelligence on companies that are active in or looking to enter the local market.

Talk to your [Regional Alliance Builder](#) and get his or her perspective on alliance partners and trends across your region. To find out if your region has an assigned alliance builder, look on the GDA website.

“If you're thinking of developing an alliance to promote value chain development, do an analysis first. Identify what actors have the incentives to invest. Then the important question becomes -- how could USAID, via an alliance, buy down the risks of investing?”

**- JEANNE DOWNING
EGAT/PR/MD**

WHAT PARTNERS CAN OFFER

Partnerships need cash. However, partners can add value to a micro alliance in many ways beyond financing. Often, USAID and alliance partners have unique in-kind resources that the other may lack. Understanding the full range of what each partner can offer may help you communicate to potential partners about the benefits of joining an alliance.

What Can Alliance Partners Offer (In Addition To Cash)?

- Knowledge of needs and opportunities in local markets
- New technologies or improvements to existing technology systems
- Research and development capabilities
- Access to client networks
- End markets for agricultural and other products
- Technical information on market requirements; access to customers
- Inputs (especially in agriculture value chains)
- Training

WHAT CAN USAID OFFER TO POTENTIAL PARTNERS?

- Strong and collaborative relationships with Ministry-level and other government officials whose work impacts the financial sector and the broader business environment.
- Technical expertise in community development, rural agriculture, enterprise development, energy, water, gender and a host of other development-related issues that surround the micro sector.
- Perspective on and familiarity with the local environment; USAID's knowledge of the country and society may be able to identify underserved markets for the potential partner.
- Legitimacy: ability to act as neutral broker. USAID has a long-term, in-country presence.
- Practical experience: ability to draw on proven practices in micro alliances from other countries and regions. USAID has a track record of successful partnerships around the world.
- Convening power: USAID can bring multiple stakeholders to the table to discuss challenges that affect microfinance and microenterprise.





ISSUES TO WATCH / LESSONS LEARNED

Other issues to consider when developing partnerships at the micro level:

- Many times, microfinance institutions are most hampered not by lack of funds, but by **weak management skills**. Partnerships that focus on support institutions may need to include capacity building.
 - The poor need a **variety of services**, not just microloans.
 - Improving the **enabling environment** can be the key to improved access to finance. See the DG and EGAT guides in this series for examples of partnerships that focus on this issue.
 - In value chain partnerships, keep your focus on the **long-term vision for and competitive position of the industry**.
 - For post-conflict or emergency settings, it is helpful to **provide tools or training on value chain approaches for disaster relief field workers**. Humanitarian actors may not have experience with the kind of economic analysis used in value chain interventions.
 - Although microfinance can be critically important in post-conflict or emergency settings, it must be **applied carefully** and should avoid putting highly vulnerable people into unsustainable debt.
- Make sure to analyze the potential alliance to make sure there is **no conflict with national or regional development plans** for the education sector; the country's Poverty Reduction Strategy or donor harmonization efforts.
 - Are there **quantifiable, measurable objectives** that will allow for monitoring progress and evaluating impact?
 - Develop a **clear exit strategy** that includes local capacity building, so that objectives achieved by the intervention will last.



NINE WAYS TO GET STARTED

1 MEET WITH THE MFIs

Local microfinance institutions (MFIs) can provide valuable perspective on access to finance issues. The MFI community should be able to tell you what tools are working, what populations are being served, and what bottlenecks or obstacles are impeding progress. A meeting with leading MFIs can solicit suggestions on potential activities and partners.

2 MEET WITH THE PRIVATE SECTOR

One way to generate private sector interest in partnerships is to convene an open meeting. You can work with local chambers of commerce or similar organizations to organize an event, or you can offer to speak at an event that's already been scheduled. Highlights should include your Mission's goals and programs, USAID's experience with private sector collaboration, and how the private sector benefits from partnership with USAID. A meeting is also the perfect opportunity to hear the private sector's perspective on microfinance and microenterprise issues and identify common interests. Visit the GDA website for PowerPoint presentations and other tools.

3 USE THE TOOLS

USAID's MicroLinks wiki provides excellent tools for value chain selection and analysis. Work through the analysis activities and identify what resources, skills and tools are missing in the value chain. What could partners provide?

4 CONSIDER AN OPEN COMPETITION FOR TECHNOLOGY SOLUTIONS

Consider sponsoring an open competition for a new application, platform, or method of using existing technology as a solution to the issue you're targeting. In 2008, USAID issued the



Development 2.0 Challenge, an open call for development solutions that used mobile phones, the most commonly available computing tool in the developing world. Offering a small cash prize, the Agency received 115 ideas, most of which were high-impact, low-cost, and open source solutions.

5 TALK WITH OTHER USAID COUNTRY TEAM MEMBERS

Some of the best partnership ideas can come from your colleagues. Mission staff involved in other sectors may already have partnerships that involve micro issues, or they may be working with the private sector in relevant areas. Look for areas of overlap and cross-sectoral or cross-cutting issues. Your colleagues may not have considered the aspects of their existing alliances that are relevant to microfinance or microenterprise. If appropriate, ask your colleagues to arrange an introduction to their private sector partners. They can also advise you on how they designed and manage their partnerships.

6 EMBED PARTNERSHIPS INTO EXISTING PROGRAMS

Consider how a partnership could contribute to the success of your core programs. A potential alliance partner could expand the scope of your existing programs or could add unique resources that would deepen impact. Proposing participation in an ongoing program allows potential partners to easily see how their resources will make a difference. Missions achieve the highest level of development impact when partnerships are aligned with core programs. The ODP/PSA office has

developed specific guidance on how to embed partnerships. See the link on the GDA website or contact the ODP/PSA office.

7 LEVERAGE EXISTING RELATIONSHIPS

USAID has relationships with hundreds of private sector organizations. Search the GDA database or ask the ODP/PSA office to find out if and where we've worked with a potential partner before. The ODP/PSA Team has also developed global relationships with companies such as Microsoft, Intel and Rotary International. Visit the GDA website to find out more. Not only are there existing partnership models with these global framework companies, the ODP/PSA Team can also leverage its contacts at the company to engage local affiliates in-country.

8 CONTACT THE ODP/PSA Team

The staff at the ODP/PSA office in Washington is available to advise Missions on any aspect of partnership-building or management, as are Mission-based Regional and Country Alliance Builders. The Team knows how to navigate the most common challenges including procurement, due diligence, relationship management, reporting, etc. If necessary, the ODP/PSA Team can also coordinate with your Mission's Office of Procurement or your Regional Legal Advisor to address particularly challenging situations.

9 INCLUDE ALLIANCE ACTIVITIES IN SOLICITATIONS

As you design RFP's and other solicitations for your Mission's projects, include alliance activities that complement key objectives. Implementing partners are often great alliance resources, both for identifying partners as well as managing partnership implementation. The General Counsel's office has developed specific language for including alliance-building activities in solicitations. Please download the template language from "Tools for Alliance Builders" on the GDA website.



EXISTING USAID MECHANISMS

Think about using one of these existing Indefinite Quantity Contracts or other mechanisms to encourage an existing partner to get involved in microfinance and microenterprise.

TYPE	NAME	PURPOSE
Leader With Associates (LWA)	Financial Integration, Economic Leveraging, Broad-Based Dissemination and Support Program (FIELD-Support)	Strengthen the economic status and security of poor households; promote economic growth by supporting micro and small enterprises (MSEs); promote the development of accessible financial systems; improve the national, regional, and/or local enabling environment
Grants Under Contract (GUC)	Grant Funding	Under the Knowledge-Driven Microenterprise Development project, the Microenterprise Development (MD) office regularly offers grant funding to partner organizations to advance the Agency's microenterprise learning agenda. The goal improvements in the design and implementation of USAID-supported microenterprise programs
Competitive Grants Program	Practitioner Learning Program (PLP)	The PLP, administered by the Small Enterprise Education & Promotion (SEEP) Network, explores the key challenges facing the microenterprise field through targeted grants in priority areas of business development services (BDS) and microfinance.
Competitive Grants Program	Implementation Grant Program (IGP)	The IGP is a competitive grant program coordinated by the MD office that supports international and local providers of microfinance and value chain development efforts. The IGP is designed to push the frontier of innovation in microfinance and enterprise development and provide Missions and the development community with case studies of "good practice."
LWA	VEGA Alliance	The VEGA LWA focuses on broad economic growth through private market development, financial services, agribusiness, and economic opportunities for the urban and rural poor. LWA activities include enterprise development, microfinance and MFI capacity building, cluster and value chain development, trade development, access to new markets and more.



ADDITIONAL IDEAS AND RESOURCES

Other Donors and Organizations

For additional inspiration, take a look at what other donors and organizations are doing in micro sector alliances and projects. Links to all resources listed below, and many more, are available on the GDA website.

- Consultative Group to Assist the Poor (CGAP)
- ACCION's Center for Financial Inclusion
- Duke University's Global Value Chain Initiative
- GTZ and value chains
- Microfinance Enhancement Facility (MEF)
The International Finance Corporation (IFC) and KfW, the German development bank, created the \$500 Million Microfinance Enhancement Facility fund to support microfinance institutions during the financial crisis of 2008-2009. BlueOrchard Finance, responsAbility Social Investments AG, and Cyrano Management are investment managers, ensuring rapid deployment and cost efficiency.
- The Consultative Group to Assist the Poor's (CGAP) Technology Program
In partnership with the Bill & Melinda Gates Foundation, CGAP's Technology Program is working with local partners

in Colombia, Ecuador, India, Kenya, Maldives, Mongolia, Pakistan, the Philippines, and South Africa to create new ways to provide financial services to the poor through technology such as ATMs, credit cards, and mobile phone banking.

- Microfinance Investment Support Facility for Afghanistan (MISFA)
CGAP and the World Bank designed MISFA to help build a strong and sustainable microfinance sector in Afghanistan. The facility seeks to build local capacity in microfinance and to provide information on best practices and reporting standards to organizations looking to invest in Afghanistan. MISFA is now an independent organization that supports 15 microfinance institutions, with a network of 280 branches in 24 provinces, with almost 500,000 active savings and loan clients.
- Enterprise Development Network (EDN)
The Overseas Private Investment Corporation (OPIC) established EDN in partnership with a growing network of public and private sector organizations from around the globe. EDN provides financing and political risk insurance to micro, small and medium-sized enterprises (SMEs) working in developing countries.
- MicroSave
MicroSave, established by CGAP, is a joint initiative led by public and private donors committed to strengthening the capacity of microfinance organizations and providers to deliver market-led loans. The initiative provides toolkits, training, and best practices in microfinance.



Reports and Research on Micro-related Partnerships

All links available on the GDA website.

Report: Partnerships for Small Enterprise Development (UNIDO, Global Compact, UNDP; 2004)

Report: Promoting SMEs for Sustainable Development. (World Business Council for Sustainable Development 2008)

Report: Supporting Entrepreneurship at the Base of the Pyramid through Business Linkages (International Business Leaders Forum, 2008)

Report: Protecting the Poor, a Microinsurance Compendium. (Munich Re Foundation, 2006)

Working Paper: Micro-franchising at the Base of the Pyramid (Acumen Fund, 2008)



“For value chain partnerships, approach partners on economic level, not philanthropic. Partners are interested in making a profit, no matter if you’re dealing with a huge multinational or small local companies. They’re not interested in just handing out money, they’re interested in making an investment. That approach has helped us in building our alliances.”

**- MARK VISOCKY,
USAID/ MALAWI**

CASE STUDY: MICROENTERPRISE

VALUE CHAIN ALLIANCE SUPPORTS SMALLHOLDER DAIRIES

Project:	Malawi Dairy Development Alliance
Objective:	Build the capacity of small dairy farmers, local milk processing plants and farmer-owned milk bulking programs in order to improve production and profitability.
Partners:	Land O'Lakes, local milk producers and dairies, General Mills, Monsanto, Government of Malawi, World Vision, Volunteer Service Overseas, PeaceCorps, USAID
How The Alliance Works:	Partners collaborated on improving the entire dairy value chain, including loan programs which allow farmers to purchase new heifers, improved feed and cattle health, loan guarantee programs for local milk processing facilities and improved milk bulking practices. The alliance provides rural dairy farmers, feed producers, and small and medium-size dairy processing facilities with the resources and tools required for a successful local dairy industry.
Partners' Contributions:	<i>Land O'Lakes:</i> Technical expertise, significant experience in Malawi, introduction of new cattle breeds <i>Local milk producers/dairies:</i> Investments in new practices and technology; capital for farmer loan programs <i>General Mills:</i> Financing <i>Monsanto:</i> Soy bean seeds and technical assistance. The mature beans are used for cattle feed <i>USAID:</i> Technical advice, financing, partner and alliance coordination <i>Government of Malawi:</i> Extension agents that worked in the value chain; assistance with animal importation; assistance with processing paperwork quickly
Lessons Learned:	Value chain alliances such as this can help to create a middle market of service providers. In this case, veterinarians became interested in assisting in the partnership's new cattle health practices, and insurers asked to be introduced to the dairy farmer groups. The partnership also found that getting local actors involved and investing in the value chain moved the whole value chain forward. Relationships were cemented and local actors stayed involved once they put their own resources at risk. The achievements of the first phase of the alliance helped USAID Mission staff to successfully secure additional partners for the second phase.

CASE STUDY: MICROFINANCE

INCREASING EFFICIENCY AND SECURITY FOR MICROFINANCE CLIENTS

Project:	Alliance with FINCA and Visa International in Guatemala, El Salvador and Nicaragua
Objective:	To provide cutting-edge, customer-focused new financial products, such as pre-paid cards and improved remittance delivery, to microfinance clients who are not part of the formal banking sector. To extend the financial infrastructure to and increase security within the poorest communities.
Partners:	USAID, FINCA International, Visa International, Covington and Burling LLP law firm
How the Alliance Works:	Working with Visa, FINCA assisted its village banking clients in establishing debit accounts at rural banks and provided FINCA/Visa co-branded debit cards. These bank accounts allowed electronic payment of micro-loan disbursements, which had previously been done by check. For the first time, clients were able to have 24-hour access to their funds via automatic teller machines, and could withdraw the funds in the increments they needed, instead of all at once. The bank accounts also facilitated electronic transfer of remittances, and the debit cards could be used instead of cash for purchases in many places. In addition, the partnership trained FINCA's credit officers to educate their village banking clients on the use of electronic payment solutions. The debit cards reduced the need to carry large amounts of cash, thus increasing security.
Partners' Contributions:	<i>FINCA:</i> Technical expertise, village bank networks, training for clients <i>Visa International:</i> Product platforms, transaction processing capabilities, technological expertise, training for FINCA's credit officers <i>Covington and Burling law firm:</i> Pro bono legal advice. <i>USAID:</i> Financing, alliance coordination.
Lessons Learned:	Technological innovations can benefit the very poor, including those who had not previously used formal banking services. In a similar alliance among the same partners in Mexico, clients reported that the time savings alone represented a significant savings. Before using the prepaid cards, clients often had to travel a long distance to the nearest bank, making sure to arrive during limited opening hours, paying high transportation costs and often having to wait in long lines. The debit cards were often the first step into the formal banking sector for many clients, some of whom reported the added intangible benefit of the fact that having a banking card with their name on it gave them a feeling of importance.



“Our partnership cemented local contributions and tied local actors very directly to the project. In this new relationship, local companies had to take a much more active role, and they had their own resources on the line. That was the big turning point – it was the act of the whole value chain getting involved and saying -- listen, this is our project, this is our industry, if we don’t take an interest nobody else will either.”

- MARK VISOCKY, USAID/ MALAWI



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