



U.S.AGENCY FOR INTERNATIONAL DEVELOPMENT
MICRO, SMALL AND MEDIUM-SIZED ENTERPRISE
Fiscal Year 2020 Results Report to Congress

OVERVIEW

Pursuant to the requirements of Section 258(b) of the Foreign Assistance Act (FAA) of 1961 (Public Law 87-195), as amended by Section 4 of the Women's Entrepreneurship and Economic Empowerment (WEEE) Act of 2018 (Public Law 115-428), the United States Agency for International Development (USAID) submits this report to Congress. The report summarizes the Agency's activities supporting micro, small, and medium enterprises (MSMEs), covering Fiscal Year (FY) 2020 planned resources¹ for MSME activities and results reported in FY 2020 (October 1, 2019 to September 30, 2020).

CHANGES TO THIS YEAR'S REPORT

This year's report reflects the beginning of a transition to a new methodology USAID is instituting to improve the accuracy and process of reporting by integrating MSME data required by the WEEE Act into the Agency's existing program reporting systems. Past practice was to collect this data outside of core Agency systems through a stand-alone field survey.

This change in methodology incorporates recommendations in a recent Government Accountability Office (GAO) Report, [Micro, Small, and Medium-Sized Enterprise Development: USAID Needs to Develop a Targeting Process and Improve the Reliability of Its Monitoring](#). USAID has accepted all of GAO's recommendations and this report reflects the beginning of the transition to existing systems for Agency MSME reporting.

RESULTS REPORTING

The WEEE Act requires that the report contains "to the extent practicable" information on the five elements (and sub-elements) below:

1. Information on assistance provided under Section 252, including:
 - a. The amount of each grant or other form of assistance;
 - b. The name and type of each intermediary and implementing partner organization receiving assistance;
 - c. The name of each country receiving assistance; and
 - d. The methodology used to ensure compliance with targeted assistance requirements.
2. Percentage of [MSME] assistance, disaggregated by gender and income level.
3. Estimated number of individuals that received assistance, disaggregated by income level, gender, and type of assistance.
4. Measuring progress on MSME activities.
5. Information on poverty assessment methodologies.

For cross-sectoral programming like MSME support, existing Agency systems report on current year spending by using past data collection on future funding levels. As a result, for MSME spending levels in FY 2020 provided in this report under elements 1 and 2, the Agency uses, as a base, planned future MSME spending levels reported in FY 2019 and then makes adjustments as appropriate. This prospective

¹ Unless otherwise specified, the words "resources", "assistance", and "funding" are referring to USAID operating unit's planned obligations using appropriated resources. The WEEE Act uses these words throughout. Where possible USAID has mirrored that language in the report.

reporting approach is only used for overall spending and the required disaggregation of that spending data by type of partner organization, country, gender and income level.

By using the planned funding levels, USAID is able to better direct and report spending levels against the mandates of the law. This method also has the advantage of providing a clearer picture to the reader of where and for what purpose the MSME designated funds are used on a year by year basis. Actual spending figures, those funds obligated in FY 2020, regardless of the original fiscal year of appropriation, muddies the financial picture by making it more difficult to accurately track the funds and is a less reliable way to ensure the intent of the WEEE Act is met.

For impact and outcome reporting required in Elements 3 and 4, Agency systems rely on retrospective reporting. This type of methodology allows for full integration of Agency systems to inform this report. This approach is not only a more cost efficient way to gather information than a custom survey, it also increases the reach, reliability and timeliness of the data given the regularity and controls in place for official reporting through Agency systems. Additionally, looking back at what results occurred in the fiscal year presents a fuller picture to the public of the work the Agency is doing for MSMEs and the very poor by providing a clear and consistent year-to-year comparison over time through these reports and the [USAID MSME website](#).

For this year, USAID used a combination of data collection methods, including the continued use of a tailored field survey, which will be phased out with this report, as we anticipate fully making the transition to core reporting systems for reporting in the FY 2021 MSME Report. For additional information on the methodology, please see Annex C.

I) INFORMATION ON ASSISTANCE PROVIDED UNDER SECTION 252

All of the USAID's MSME spending data have been posted in a table on its website (<https://mrr.usaid.gov/data.html>) listing all planned FY 2020 awards with MSME assistance. This table captures information on planned MSME programming levels by activity, implementing partner, USAID operating unit or country, and planned FY 2020 MSME obligation amounts disaggregated by enterprise size, beneficiary income level, and sex. Annex A displays the top countries receiving MSME assistance with FY 2020 funding, along with allocations for the very poor and women-owned enterprise development.

The WEEE Act requires that 50 percent of MSME resources target the very poor; and 50 percent of small and medium-sized enterprise (SME) resources target activities that reach enterprises owned, managed, and controlled by women. For the purposes of setting these targets, USAID sets its overall MSME resource level at the level of the annual appropriation directive for MSME. In FY 2020, the MSME directive was \$265 million. Therefore, USAID's funding targets in FY 2020 were \$132.5 million of MSME for the very poor (50 percent of \$265 million) and \$66.25 million of SME resources for enterprises owned, managed and controlled by women² (50% of \$132.5 million).

² USAID defines SME resources as half of the annual MSME directive, or \$132.5 million for FY 2020. Therefore, fifty percent of SME resources is equal to \$66.25 million. Annex C has additional details.

The methodology to determine the USAID MSME assistance amounts was done through an internal review of all FY 2020 Operational Plans to generate a list of awards and projects that described activities associated with MSME and programming that reached the very poor. USAID then sent direct surveys to relevant operating units to report on MSME planned funding (i.e. planned obligations³) and results. These numbers were verified, to the extent possible, using other Agency data systems and financial tracking tools. As noted in the WEEE Act implementation progress report⁴, USAID continues to improve its systems to better capture the extent of the work supporting both mandates. Operating units verified planned FY 2020 MSME obligations of \$114,317,267 to reach the very poor (43 percent of the target), and \$92,920,900 was planned to reach enterprises owned, managed and controlled by women (40 percent above the target).

Table 1: FY 2020 Targets and Planned Obligations

FY 2020 MSME Obligations	FY 2020 Target	FY 2020 Planned Obligations
FY 2020 MSME directive	\$265,000,000	\$385,295,350
50% of MSME resources for the very poor	\$132,500,000	\$114,317,267
50% of SME resources for enterprises owned, managed and controlled by women	\$66,250,000	\$92,920,900

2) PERCENTAGE OF [MSME] ASSISTANCE, DISAGGREGATED BY GENDER AND INCOME LEVEL

In total, USAID operating units reported planned FY 2020 obligations of \$385 million for MSME activities. Of this funding, \$181 million (forty seven percent) is planned to support activities that target women⁵ and \$114 million (thirty percent) is planned to support activities that target the very poor. In addition to Table 2, Annex A shows where MSME resources are being most utilized.

Table 2: Percentage of MSME Assistance

Percentage of assistance by sex	FY 2020 Planned	Percentage of Assistance
MSME assistance (obligations) that target women	\$181,086,066	47%
Total planned MSME assistance (obligations)	\$385,295,350	

³ Obligation is defined as, "A definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another." GAO, [A Glossary of Terms Used in the Federal Budget Process](#)

⁴ https://www.usaid.gov/sites/default/files/documents/1869/USAID_Report_Congress_WEEE_Act_FY2019.pdf

⁵ Table 1 reflects only small and medium enterprises owned, managed, and controlled by women, this number also includes microenterprise resources targeting women and broader women's economic empowerment activities such as property rights and livelihood programming.

Percentage of assistance by income	FY 2020 Planned	Percentage of Assistance
MSME assistance (obligations) that target the very poor	\$114,317,267	30%
Total planned MSME assistance (obligations)	\$385,295,350	

3) ESTIMATED NUMBER OF INDIVIDUALS⁶ THAT RECEIVED ASSISTANCE, DISAGGREGATED BY INCOME LEVEL, GENDER, AND TYPE OF ASSISTANCE

Tables 3 and 4 below present the results of USAID programming in FY 2020, without regard to the fiscal year that funds were appropriated⁷. Of the over 12 million very poor beneficiaries reached, 49 percent were women (Table 3).⁸ In compiling the number of very poor individuals reached, USAID surveyed the managers of the awards and contracts that contained programming for the very poor. In future reports, USAID intends to incorporate this indicator into the Agency-wide Performance Plan and Report (PPR). Targets for this indicator will be established for FY 2022.

Of the 95,542 microenterprises supported by USG assistance, 63,089 (sixty six percent) were owned by male entrepreneurs and the remaining 32,453 (twenty four percent) were owned by female entrepreneurs. In FY 2020, USAID introduced a new indicator for capturing the number of SME supported. As a new indicator, the initial results are low with only 354 firms supported. However, as shown in Annex B, there is a robust amount of work for SMEs. USAID expects that the reporting will increase as the indicator is incorporated into new programming over the next few years (Table 4).

In addition, USAID continued to provide support to SMEs via credit guarantees issued by the U.S. International Development Finance Corporation (DFC). In 2020, 1,396 loans were made to women borrowers under ongoing SME guarantees, totaling \$20.3 million.

Table 3: Number of Very Poor Individuals Reached

Very Poor Reached	FY 2020 Actual	FY 2021 Target ⁹
Number of individual very poor people reached, as a result of USG assistance	12,326,546	N/A
Male	6,233,731	N/A
Female	6,043,772	N/A
Other / Unknown	49,043	N/A

⁶ USAID interprets “individuals” as representative of both the singular people reached, including the very poor, and as the number of enterprises benefiting from USAID MSME programming.

⁷ As noted in Annex C, USAID is using the planned MSME FY 2020 amounts to respond to elements 1 and 2 and the reported results that occurred in FY 2020 to respond to elements 3 and 4. The results are provided without attribution to the original fiscal year and account.

⁸ As this is a new indicator created after the WEEE Act, it was impractical to disaggregate by type of assistance. USAID is examining the feasibility of adding that dimension to the data collection when the indicator is incorporated into normal Agency systems beginning next year.

⁹ Because this indicator was not established for FY 2020, there were no targets. This indicator will be established for FY 2021.

Table 4: Number of Enterprises Supported¹⁰

Enterprises Supported	FY 2020 Target	FY 2020 Actual	FY 2021 Target
Number of microenterprises supported by USG assistance	51,693	95,542	54,538
Male entrepreneurs	23,787	63,089	24,974
Female entrepreneurs	27,906	32,453	29,564
Number of SMEs supported by USG assistance	N/A ¹¹	354	675
Male-led	N/A	155	270
Female-led	N/A	124	240
Unknown/Not reported	N/A	75	165

4) MEASURING PROGRESS ON MSME ACTIVITIES

This is the first year where the majority of the Agency's MSME data was obtained from existing data collection systems rather than direct survey, as had been previous practice. As such, the numbers reported in the MSME monitoring system are lower than prior reports. USAID expects improved reporting on these indicators as additional guidance and system controls are implemented. Annex B includes many examples of MSME programming that provide a more detailed picture of the Agency's work.

Of the over nine thousand newly employed as a result of USAID programming, over 44 percent were women. Of the over one million with increased access to finance, nearly 68 percent were women. Over 130,000 people completed USAID-supported workforce development programs, half of which were women. And nearly 9,000 women received documented land tenure rights as a result of USAID programming.

In FY 2020, USAID also introduced a new indicator in increased access to finance for MSMEs. Only a single operating unit, USAID/Georgia, reported on this indicator (82), however USAID expects more operating units to adopt this indicator as new contracts are awarded. Already the target has increased by over 40x for FY 2021. Similarly when it comes to land tenure, USAID is projecting a large increase in targets in the out years, but it is a relatively new indicator and it is expected that it will also increase over time as more operating units adopt it into their programming.

¹⁰ Sex disaggregation is represented as available. Differences in the total and the sex disaggregates should be counted as "unknown."

¹¹ As a new indicator in FY 2020, targets were not established for that year.

Table 5: Results from the USAID Monitoring System on MSME activities ¹²

Improvements in Employment		FY 2020 Target	FY 2020 Actual	FY 2021 Target
Number of individuals newly employed		18,999	9,356	9,991
	Male	2,592	3,379	1,171
	Female	5,975	4,171	3,141
	Unknown/Not Reported	10,432	1,806	5,679
Access to Financial Services		FY 2020 Target	FY 2020 Actual	FY 2021 Target
Number of private sector enterprises with increased access to finance due to USG assistance		N/A	82	3,585
Number of individuals participating in USG-assisted group-based savings, micro-finance or lending programs		1,106,594	1,139,792	1,430,968
	Male	196,152	339,703	344,645
	Female	405,618	773,657	511,993
	Unknown/Not Reported	504,824	26,432	574,330
Workforce Development		FY 2020 Target	FY 2020 Actual	FY 2021 Target
Number of individuals who complete USG-assisted workforce development programs		50,304	131,268	49,521
	Male	15,945	64,422	13,910
	Female	17,308	65,819	19,828
	Unknown/Not Reported	17,051	1,027	15,783
Property and Land Rights		FY 2020 Target	FY 2020 Actual	FY 2021 Target
Number of adults provided with legally recognized and documented tenure rights to land or marine areas, as a result of USG assistance		97,820	69,970	540,345
	Document Holder Sex: Male	0	8,950	70,510
	Document Holder Sex: Female	0	8,947	80,490
	Document Holder Sex: Unknown/Not Reported	97,820	52,073	389,345

¹²As specified in FAA Section 253, the monitoring system covers the areas specified with the exception of “earnings and control of over income.” It is not feasible to include this indicator given the variability of such potential indicators, which significantly weakens their reliability, and the high costs to collect such data across Agency-wide MSME programming. Earnings often vary depending on the time of year or the day of the week. Reporting on earnings can also be inflated by multiple income sources and a desire of the reportee to impress the surveyor or can be deflated if the reportee believes that there might be something to be gained by providing a lower number. Control over income is complicated further due to household dynamics, as well as the social and cultural norms between the person asking and the person being asked.

Property and Land Rights		FY 2020 Target	FY 2020 Actual	FY 2021 Target
Number of adults who perceive their tenure rights to land or marine areas as secure with USG assistance		5,844	932	10,740
	Document Holder Sex: Male	0	117	0
	Document Holder Sex: Female	0	89	0
	Document Holder Sex: Unknown/Not Reported	5,844	726	10,740

5) INFORMATION ON POVERTY ASSESSMENT METHODOLOGIES

Activities covered in this report used data gathered through a variety of poverty assessment methodologies, including:

- household vulnerability assessments;
- PAT plus (a Poverty Assessment Tool);
- Feed the Future's Living Standards Measurement Survey;
- Asset-Based Wealth Survey,
- the Poverty Probability Index;
- poverty prevalence and depth of poverty data in specific areas; and
- proxies such as the size of a farm, ability to provide three meals per day throughout the year to all family members, certain occupations (like waste collecting or sorting), and/or general living conditions.

USAID is updating guidance on poverty assessment methodologies and has commissioned an analysis of existing tools and methodologies that will inform revisions to Agency policy and guidance. Work has already commenced to update Agency policy and research¹³ on poverty. These updates to policy and poverty assessment methodologies are expected to be completed by 2022.

Some Missions do not use a poverty assessment methodology to explicitly target the very poor, but do specifically target marginalized and vulnerable populations that frequently experience higher levels of poverty, such as the disabled, female-headed households, elderly, and households with young children (first 1000 days/5 years). Others focus in post-conflict areas or working with displaced persons, where poverty is assumed via observation--but not yet quantified via a structured methodology.

¹³ <https://www.marketlinks.org/post/report-microenterprise-and-pathways-out-poverty>

ANNEX A: LIST OF TOP COUNTRIES FOR FY 2020 MSME PLANNED OBLIGATIONS

Chart I: Top USAID MSME programming by country, based on FY 2020 planned obligations

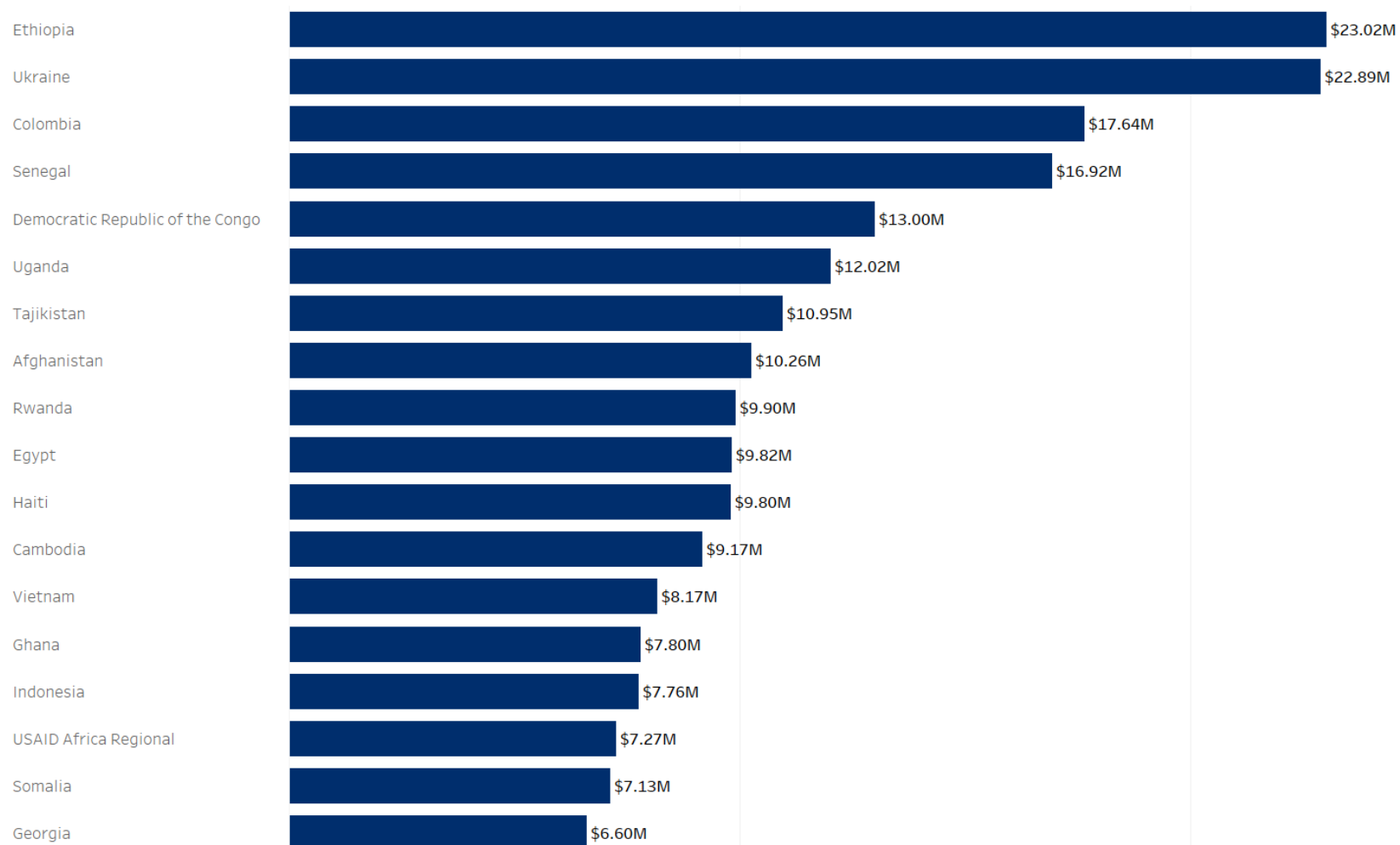


Chart 2: Top USAID MSME programming targeted to reach the very poor by country, based on FY 2020 planned obligations

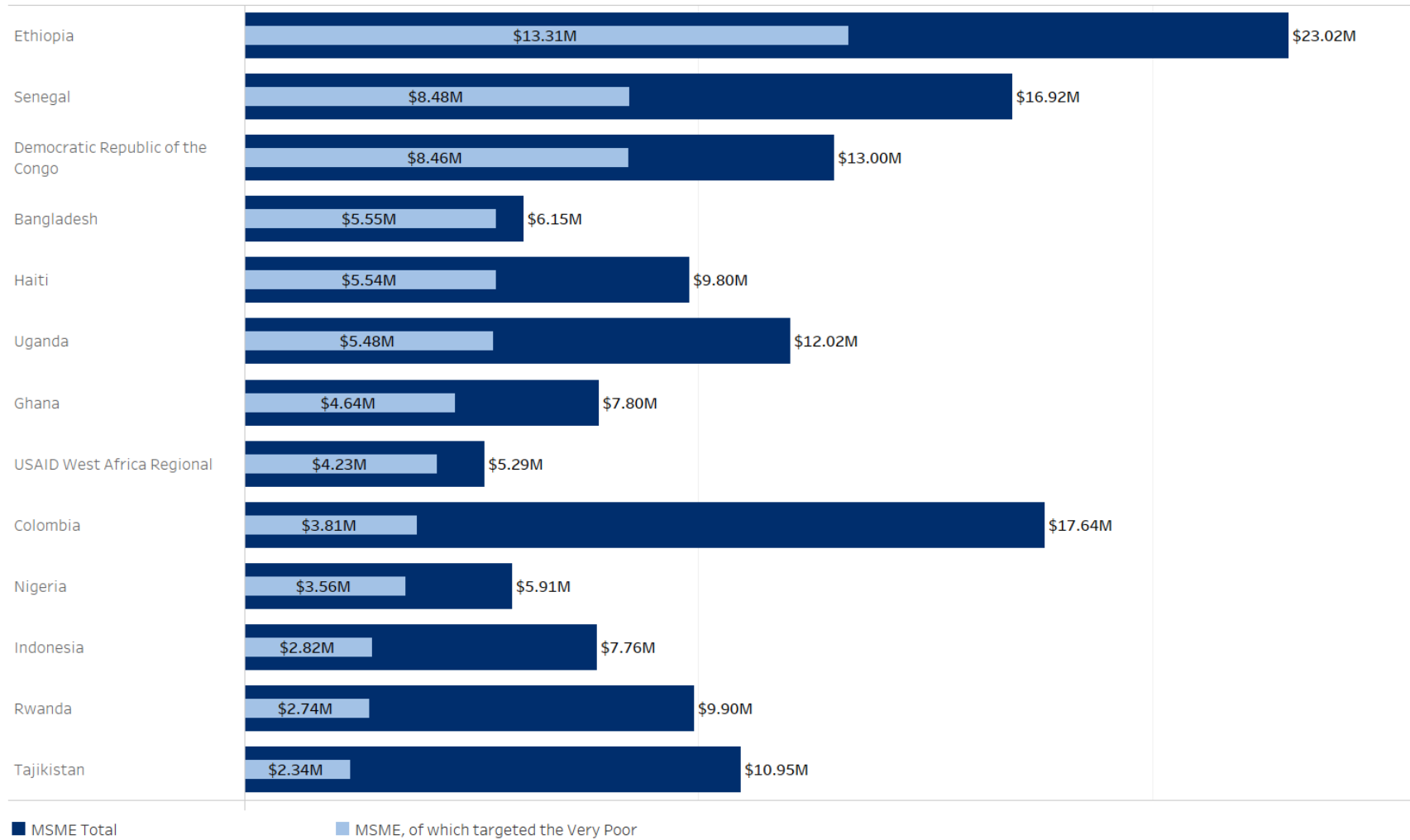
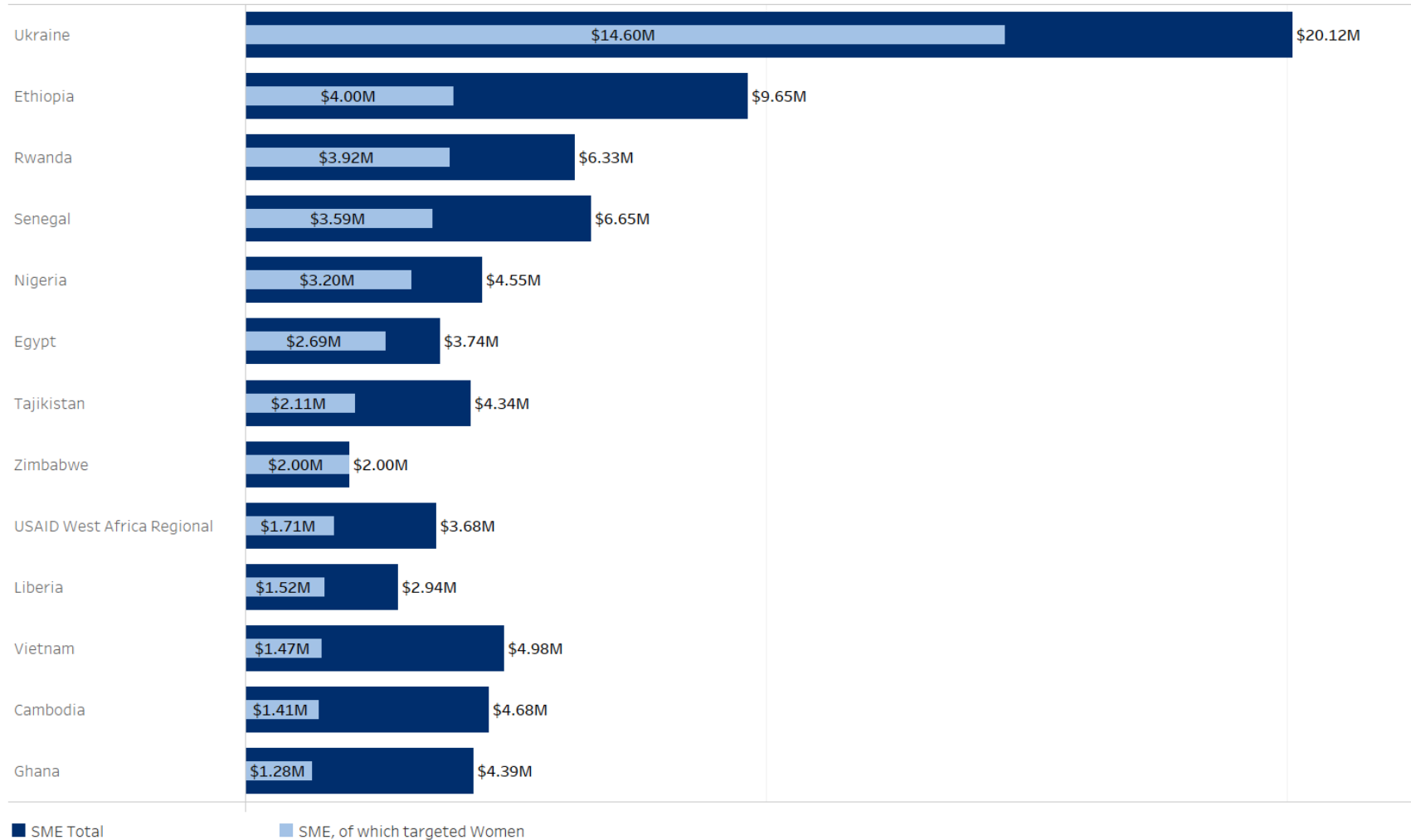


Chart 3: Top 15 USAID SME programming targeting women-owned enterprise by country, based on FY 2020 planned obligations



ANNEX B: ILLUSTRATIVE MSME PROGRAMMING IN FY 2020¹⁴

- In Guatemala, the [Feed the Future Coffee Value Chains Project](#) is increasing agricultural incomes and productivity to deter illegal immigration through improved coffee production practices and diversifying livelihoods. One component of this activity strengthened 37 communal banks serving 30 coffee cooperatives. The 1,564 participants in these cooperatives (81% women, and 45% youth) were able to save \$25,877, and 48 women obtained small loans to expand entrepreneurship in egg and meat production to improve the nutrition of the communities. In addition, the activity provided support to households, including 886 women and 49 men, to improve overall egg and meat production. Some of the increased production at the household level was for family consumption, but participants were also able to earn \$221,381 by selling at local markets. To improve coffee production, USAID worked with 4,311 small coffee producers (74% men and 26% women), helping them access \$2.2 million in loans from BANRURAL. The loans not only supported working capital, but also helped farmers to invest in plantation renewal and strengthen post-harvest practices.
- In Tajikistan, the [Agribusiness Competitiveness Activity](#) supports fruit and vegetable farmers in the Khatlon province. The program is addressing the need for skilled grafters--a technique used to increase plant vigor and counter environmental stresses--by professionalizing these skills and building the capacity of youth and women. Mavjigul Kurbonova, a grafter with more than 30 years of experience, attended the 'master class' on new spring and summer grafting methods for peach, persimmon, and pistachio trees. With her new skills and certificate, Mavjigul has trained many others, including 28 women on pistachio grafting, placing women at the forefront of new grafting techniques on this relatively new crop for Tajikistan.
- In the Republic of the Congo, USAID is empowering women in and around [Nouabalé-Ndoki National Park](#) (NNNP). Maman Saida --as she is affectionately known--started her restaurant, 'La Main de Dieu' in Bomassa, on the banks of the river in January 2019. At the time, it was the first place that people could find a meal in the village outside of their homes. "I noticed that the fishermen who travel up and down the river would stop for the night in the village, but they would struggle to find something to eat. I saw an opportunity and decided to innovate." Two years later, people are queuing out the door to get a seat in the cozy 12-seat restaurant. Many of Saida's customers are the staff of the Wildlife Conservation Society (WCS) who work at NNNP, which is a short walk from the village. At over one million acres, the park is one of the largest areas of intact lowland tropical rainforest left in the Congo Basin. A UNESCO World Heritage Site since 2012, it is a refuge for species such as lowland gorillas and forest elephants, in a region plagued by poaching and habitat loss. WCS and USAID joined forces to support the Association of Women United for Biodiversity and provide hospitality training to entrepreneurs like Saida. "The training opened my eyes to new possibilities...and gave me the confidence to expand and improve my restaurant," says Saida. The Women's Association provided her with a savings scheme that allowed her to construct a proper restaurant for her customers and provided her family with the long-sought sense of financial security.

¹⁴ All of these activities were underway in FY 2020, with many continuing into FY 2021.

- In eastern Ukraine, the [Economic Resilience Activity](#) supports people living near the demarcation line between areas held by Ukraine government forces and the so-called DNR and LNR forces. Marianna Neshcheret is the president of the OVOCHI Stanychnykyiv Vegetable Cooperative in Stanytsia. A lawyer by training, Marianna decided to stay in the region she, and many others, call home. “There were probably around 40 greenhouse holders who didn’t leave. We could grow vegetables under any condition, but the problem was distribution. Because of the fighting, nobody wanted to come to us.” USAID addressed the transportation challenge and helped the community sell to large retail markets far from the conflict zone. “We have now grown to nearly 100 greenhouse households and have become more self-reliant. Could we grow the same crops in other places? Of course we could. But for us, this is our home, our land, our air, and our rivers. It has been a significant boost for us to stand on our feet and, in essence, for us to help ourselves for today and into the future.”
- In Peru, the [Alliance for Financial and Digital Services](#) is supporting entrepreneurs like José Guzmán who face challenges in accessing finance. José, is General Manager of Link C SAC, a food distribution company in the San Martín region. As a result of the Rural Fintech Challenge-- an initiative implemented by the Alianza Crece in conjunction with Empeñe UP (Universidad del Pacífico)--José was able to access factoring finance, which provides a means to convert outstanding invoices into cash quickly. José says: “It is one of the alternatives that give us the best opportunity to obtain liquidity and financing. Thanks to it, we can serve our customers and suppliers in a timely manner and achieve business growth.” The Alianza Crece enables entrepreneurs like José with opportunities to leave behind the coca economy that is still an impediment to licit development.
- In Laos, small and medium enterprises (SMEs) have played a limited role in public-private dialogue due to a lack of capacity--especially at the local level. As a result, larger and well-connected businesses, particularly those based in the capital, have dominated the dialogue process. In 2020, the [Laos Business Environment Activity](#) facilitated a workshop on strengthening local public-private dialogue (LPPD) platforms. Representatives from a broad range of public and private sector organizations--including relevant business associations--discussed key challenges and lessons learned, and identified practical ways to expand the platforms and proactively engage local SMEs in the process. This meeting resulted in the launch of a new LPPD initiative in Champasak province. These efforts are expected to better-equip SMEs across the country to actively participate in policy dialogue and ensure that this dialogue is more inclusive, resulting in a more level playing field.
- USAID also works on initiatives with a global reach. In its first year, the [eTrade Alliance](#) -- a partnership between USAID and 11 private sector partners¹⁵-- laid the groundwork for activities in five workstreams: 1) Policy and enabling environment for ecommerce; 2) MSME skills development for ecommerce; 3) ecommerce logistics and trade facilitation; 4) access to finance; and 5) inclusive trade. Several pilots began in its first year, including Cargill’s farmer information system and mobile

¹⁵ Cargill, DHL, Element, Etsy, Google, Latin American eCommerce Institute, Mastercard, PayPal, Ringier One Africa Media, UPS, Visa

money pilots in Indonesia, Brazil, and Cameroon. Despite delays in activities due to the COVID-19 pandemic, the Alliance has been able to leverage nearly \$2.4 million to train more than 700 SMEs, sensitize and train 56 policymakers, regulators, private sector and industry association leaders around the world on ecommerce policy and initiatives best practice, and onboard 83,856 SMEs onto electronic platforms.

- The [Feed the Future Bangladesh Livestock Production for Improved Nutrition](#) program is helping women respond to COVID-19. Umme Salma and her husband own a dairy farm in Chakaria, Cox's Bazar, which produces 130 liters of milk a day. Due to the COVID-19 pandemic, milk sales dropped significantly. USAID responded. Umme was one of 566 female farmers trained in household food processing, food safety, and the storage and handling of dairy and meat products. The training included demonstrations on the use of fresh and preserved milk and meat products, including yogurt, labang (yogurt drink), ghee (clarified butter), cheese, and other dairy products. After the training, Umme started her own business using the surplus milk from their farm, making yogurt, yogurt drink, sweets, cakes, etc. In addition to selling the products to her community, she started a Facebook page, "Salma's Cakeries," and took orders online. Umme now earns an additional \$300 (BDT 25,000) per month, on average, from her new venture.
- [The Pakistan Regional Economic Integration Activity](#) (PREIA) enhances the participation of women in trade activities. In FY 2020, it organized training sessions on exporting processes and benefits for 120 aspiring women entrepreneurs, members of women chambers of commerce, and industries functioning across Pakistan. Its curricula was designed to meet the specific needs of women, and included not only export management skills, but also networking opportunities and technology applications. In the second phase, women businesses exhibiting strong export potential will receive: logistics support to participate in international trade exhibitions, technical assistance to improve export potential, international market access, and mentoring from industry experts. The project is also working with the Ministry of Commerce and women entrepreneurs, to ensure effective incorporation of women in Pakistan's eCommerce Policy framework.
- In Colombia, the USAID [Land for Prosperity Project](#) works with governments, communities, academia, and the private sector in transitioning towards a massive-formalization model which provides clear property rights and fosters licit livelihoods and economic opportunities. In FY 2020, the project established 10 new municipal land offices and worked with the National Land Agency to ensure rural land titling includes women as co-owners with their spouse--or as heads of household. This not only strengthens their property rights, but provides a signal that empowers them to become part of the decision-making regarding use of the property.

ANNEX C: METHODOLOGY FOR COMPLIANCE WITH THE WEEE ACT

Introduction

The FY 2020 MSME Report debuts a new approach to representing the MSME results that is different from USAID's past practice on MSME and microenterprise reports. The approach to this report was changed after analysis of prior procedures, lessons from the FY 2019 report, USAID's collaboration with the Government Accountability Office (GAO) report on MSME assistance¹⁶, and discussions with Congressional stakeholders. In addition, changes in process are beginning to be systematically instituted that will ensure compliance of the mandates in the WEEE Act by 2022. Through an internal analysis of existing USAID systems and processes, review of Congressional reports on the WEEE Act, and from the GAO recommendations, USAID has taken steps to ensure a clearer, more robust picture of MSME activities, increase the reliability of the data, and present a transparent method for compliance with the WEEE Act. The new reporting approach and procedures are highlighted by three major changes:

1. The report elements under FAA Section 258(b) are bifurcated to report **planned** FY 2020 obligations for subparts one and two, and **actual** results for subparts three and four;
2. Compliance with the provisions in FAA Section 252(c) will be **explicitly linked** to the MSME directive in USAID's annual appropriation (the FY 2020 MSME directive was \$265 million); and
3. Progress toward full **integration** of MSME results and funding data into existing Agency systems.

Methodology from FY 2005 to FY 2019

The [FY 2019 MSME Report](#) was the first report produced under the guidelines from the WEEE Act. That report relied on the internal reporting and control standards established under the Microenterprise Results and Accountability Act (MRAA) of 2004 (Public Law 108-484). With the MRAA methodology, USAID relied on field submitted results and funding data derived from surveys sent after the fiscal year of that year's annual report had ended (e.g. the FY 2018 report collected data in March 2019). In prior years using this approach, USAID reported the actual obligations (i.e. money that was committed to non-governmental entities to perform services or grant funds for microenterprise development) and the actual results that occurred in the applicable fiscal year. In addition, the MRAA under FAA Section 252, stated that, "50 percent of all microenterprise resources shall be targeted to clients who are very poor." To ensure compliance with this section, USAID looked at microenterprise programming where a valid poverty assessment method was used in the project. From this subset of projects, USAID reported the amount of funding targeted to reach the very poor.

FY 2020 MSME Report Method and Approach

As noted in the WEEE Act [year one implementation report](#), USAID conducted an analysis of systems and processes, "to streamline our gathering and reporting of data by incorporating collection into existing systems and processes, while at the same time enriching the quality and analytical input of the data received." USAID also worked with GAO throughout 2020 to examine USAID's existing processes and to validate approaches to meet the requirements of the WEEE Act. The FY 2019 report

¹⁶ <https://www.gao.gov/products/gao-21-269>

demonstrated that retroactively counting obligations after the fact without controls in place at the planning stage made it nearly impossible to ensure compliance with the resource mandates as stated in FAA Section 252. In addition, USAID does not have the current systems capability to determine the total amount of resources for MSME for any given year since obligations on MSME fluctuates depending on budget levels, strategy and Administration priorities. USAID also found that reporting on actual MSME obligations over the course of a single fiscal year is difficult to track, subject to misinterpretation, and is confusing for the public audiences. Finally, USAID and GAO found that data gathering through direct survey became less reliable as a means to capture the full picture of MSME resources and results as well as to ensure the reliability of the data being reported.

To address these issues, USAID made the changes to the report approach and compliance methodology.

- First, all resource reporting (Section 258(b)(1) and (2)) will be represented as the planned amount of funding for the fiscal year of the report. For the other reporting subparts (Section 258(b)(3), (4), and (5)), USAID is reporting the actual results that occurred in the fiscal year without attribution to the fiscal year of the money. In other words, the results from FY 2020 could be from funding appropriated in FY 2019 or prior. FY 2020 funds will be obligated and spent in future fiscal years, but are not tied to the FY 2020 results.
- Second, USAID's targeted resource requirements will be based on the annual appropriation directive for MSME, for FY 2020 this amount was provided at \$265 million. The directive has always been viewed as a floor for USAID funding of MSME and final planned obligations could exceed the directive year to year. However for the purposes of meeting the requirements of Section 252(c), USAID is establishing the following targeted resource minimums based on an assumption of a \$265 million directive level:
 - Micro, Small and Medium-sized Enterprise (SME) resources: \$265 million
 - Microenterprise and livelihood funding: \$132.5 million
 - Small and Medium-sized funding: \$132.5 million
 - Targeted resources to reach the very poor, i.e. Microenterprise and Livelihoods: \$132.5 million (50 percent of MSME)
 - Targeted resources to reach enterprises owned, managed and controlled by women: \$66.25 million (50 percent of SME funds)
- Third, the WEEE Act monitoring system (FAA Section 253) will be fully incorporated into the Agency's regular reporting system, the Performance Plan and Report (PPR). For the FY 2020 report most of the data was derived from the PPR. Given this is the first year of using the system, the numbers are low, but USAID expects better reporting over time as awareness and controls are put into place to collect the data. In addition, budget data for Section 252 will be captured in the annual Operation Plan exercise and will be updated each year.

The transition of this methodology is still in process with a full implementation expected for the FY 2022 MSME report expected to be released in June 2023.