



# U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISE Fiscal Year 2023 Results Report to Congress



PHOTO BY LET'SGO BAJO CAUCA

Pictured: Let's Go Bajo Cauca in Colombia provides MSMEs with financial services needed for their growth and sustainability to over 4,000 individuals. [Read their story.](#)

## REPORT CONTEXT

Pursuant to the requirements of Section 258(b) of the Foreign Assistance Act (FAA) of 1961, 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 WEEE Act requires that this report contain, to the extent practicable, information on the five reporting elements below related to the Agency’s Micro, Small and Medium Enterprise (MSME) Programming:

1. Information about assistance provided under section 252 [of the Foreign Assistance Act (FAA), as amended], 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 under subsection (c) of such section.
2. The percentage of assistance, provided under section 252, disaggregated by income level, including for the very poor, and by [sex]<sup>1</sup>.
3. The estimated number of individuals that received assistance under section 252, disaggregated by income level (or an appropriate proxy for income level, including for the very poor) by [sex], and by type of assistance.
4. The results of the monitoring system required under section 253.
5. Information about any method in place to assess poverty levels under section 254.

This report also reflects the incorporation of all U.S. Government Accountability Office (GAO) Audit recommendations for MSME reporting by USAID, as noted in the GAO report, [Micro, Small, and Medium-Sized Enterprise Development: USAID Needs to Develop a Targeting Process and Improve the Reliability of Its Monitoring](#). The data collection processes, definition of terms, and analytical methods now employed in the development of this report, because of these recommendations, will be reviewed on an ongoing basis to ensure the reporting objectives assigned to USAID are achieved.

## REPORT ELEMENTS

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<sup>1</sup> In accordance with [USAID’s Gender Equality and Women’s Empowerment Policy \(2023\)](#), all people level standard performance indicators must be sex disaggregated (page 25). For consistency of terminology with data provided, the word “sex” is substituted in this report in lieu of “gender” as written in the WEEE Act.

## Element I: Information About Assistance Provided Under Section 252

- 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
- D. Methodology Used To Ensure Compliance With Targeted Assistance Requirements

All of USAID's MSME spending data have been posted in tables on USAID's Aidscape website: <https://aidscape.usaid.gov/weee-act-msme/dashboard>. The website provides information on all planned awards receiving FY 2023 MSME resources, including amount of assistance, implementing partner(s), type of award, and relevant USAID operating unit (OU) and/or country. Tables 1 and 2 below show the planned FY 2023 MSME obligation amounts disaggregated by enterprise size, beneficiary income level, and sex.

### Note on Methodology Used To Ensure Compliance With Targeted Assistance Requirements

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, as has been the practice since the passage of the WEEE Act, USAID sets the overall MSME resource level at the appropriated amount of the directive for MSME. USAID's funding targets in FY 2023 were \$132.5 million of MSME for the very poor and \$66.75 million for enterprises owned, managed and controlled by women.

The target for the very poor is simply half of the MSME directive. In FY 2023 the directive was set at \$265 million, therefore the target for assistance that reaches the very poor is \$132.5 million. To determine the target level for assistance to enterprises owned, managed and controlled by women, USAID must identify the amount of resources for SMEs within the MSME directive. The Agency then takes half of the SME amount to arrive at the target.

To do this, the Agency first defines how much of the directive is for Microenterprise ("M"). Since the passage of the WEEE Act, USAID has characterized Microenterprise programming as activities that reach the very poor exclusively. Therefore, all compliance with FAA Section 252(c)(1) is reported through Microenterprise programming alone. USAID used this same logic to characterize SME assistance as being any resources for enterprise development that do not reach the very poor.

Having established that Microenterprise programming is exclusively for the very poor and SME is not, USAID can infer a target of \$132.5 million to reach the very poor (50 percent of \$265 million MSME directive). That leaves a remainder of \$132.5 million SME resources. FAA Section 252(c)(2) requires 50 percent of SME resources to reach enterprises owned, managed and controlled by women. Thus, \$66.75 million is USAID's target for SMEs that are owned, managed and controlled by women.

To track compliance with the WEEE Act mandates, USAID created three cross-cutting key issues in the internal budget planning process called the Operational Plan (OP). OUs attribute (i.e. report on spending) on one or more of the MSME-related key issues: Microenterprise & Livelihoods; Small and Medium-sized Enterprises; and Women-owned Small and Medium Enterprises. The aggregation of these planned amounts form the basis of reporting for Elements 1 and 2. Note that the Agency's MSME

reporting often exceeds (as it does below) the directive level since OUs may elect to attribute non-directive monies to the MSME-related key issues.

In order to ensure more accurate data in the report, the Agency’s MSME Team carefully reviewed any FY 2023 Operating Plans (OPs) that were either assigned an MSME earmark or attributed to one or more MSME key issues. The MSME Team then analyzed those OPs and determined if the relevant USAID missions, bureaus, and independent offices (MBOs) were correctly attributing to the key issues based on our [FY 2023 Key Issue Guidance and Definitions](#). If the Team determined that a MBO incorrectly attributed to one or more of the key issues, it would make a note to that MBOs to adjust their attributions. Similarly, the Team did a similar exercise with the Performance Plan and Report (PPR) in which it flagged any gender disaggregates in Tables 3 & 5 that did not add up to the topline numbers so that the relevant MBOs could adjust.

As part of USAID’s responsibility to annually report on the impact in increasing access to financial services for MSMEs, the MSME Team made it mandatory in FY 2024 for MBOs to explicitly link their MSME OP attributions to their PPR MSME reporting in the concurrent year. For example, if an MBO attributed to the Microenterprise & Livelihoods key issue in FY 2024, they will be required to report on the Very Poor Beneficiaries indicator for FY 2024. This will ensure better data accuracy in the report by showcasing the direct results of the MSME programming.

**Table 1: FY 2023 Targets and Planned Obligations**

FY 2023 MSME Obligations	FY 2023 Target	FY 2023 Planned Obligations	Planned Obligations as Percent of Target
FY 2023 MSME directive	\$265,000,000	\$366,891,678	138.5%
<i>Of which 50% of MSME resources for the very poor</i>	\$132,500,000	\$152,248,158	114.9%
<i>Of which 50% of SME resources for enterprises owned, managed and controlled by women</i>	\$66,250,000	\$66,610,540	100.5%

## Element 2: The Percentage Of Assistance Provided Under Section 252, Disaggregated By Income Level, Including For The Very Poor, And By [Sex]

In total, USAID OUs reported planned FY 2023 obligations of over \$366.9 million for MSME-related activities. Of this funding, \$148 million (40 percent) is planned to support activities that benefit women. In addition \$152 million (42 percent) is planned to support activities that reach the very poor, a 5.6 percent increase over the FY 2022 numbers.

**Table 2: Percentage of MSME Assistance**

Percentage of Assistance by Sex	FY 2023 Planned	Percentage of Assistance
MSME assistance (obligations) that benefit women*	\$148,402,490	<b>40%</b>
Total planned MSME assistance (obligations)	\$366,891,678	

Percentage of Assistance by Income	FY 2023 Planned	Percentage of Assistance
MSME assistance (obligations) that target the very poor	\$152,248,158	42%
Total planned MSME assistance (obligations)	\$366,891,678	

\*Note 1: The percentage of assistance provided in Table 2 does not represent USAID’s official assistance for the purposes of FAA Section 252(c). There are three reasons for this:

1. The use of the phrase, “benefit women” in the indicator is deliberate choice to make a distinction between the percentage of small and medium enterprises that reached enterprises owned, managed, and controlled by women in Table 1 and the disaggregation of general assistance by sex which is a broader level of assistance than strictly focusing on enterprises owned, managed and controlled by women.
2. Table 1’s achievement of the target percentage is based on the fixed directive amounts (for explanation please refer to Element 1’s narrative and the USAID’s response to GAO). The percentages presented in Table 2 are based on the total projected assistance that fluctuates every year.
3. Finally, Table 2 looks at the percentage of MSME resources whereas FAA Section 252(c)(2) is explicit in to mandate the percentage of assistance based on the amount of Small and Medium Enterprise (SME) resources and excludes Microenterprise assistance. Table 2 adds in Microenterprise assistance along with the SME resources that benefited women.

### Element 3: The Estimated Number Of Individuals That Received Assistance Under Section 252, Disaggregated By Income Level (Or An Appropriate Proxy For Income Level, Including For The Very Poor), By [Sex], And By Type Of Assistance

Table 3 below presents the results of USAID programming in FY 2023, without regard to the fiscal year that funds were appropriated<sup>2</sup>. USAID only in the last couple of years established the foreign assistance standard indicator to directly count the number of very poor beneficiaries. For FY 2023, USAID OUs reported 2,392 very poor participants reached using MSME funds, exceeding the target established last year.

USAID supported 438,305 microenterprises of which 61 percent were reported as being led by women, an overall 23 percent increase in women microenterprises from FY 2022. In FY 2023, USAID supported 12,524 small and medium-sized enterprises, of which 41 percent were reported to be led by women, an overall 66 percent increase in women-owned small and medium-sized enterprises from FY 2022.

#### **Indicator Variance Analysis**

This indicator was only recently introduced as a Foreign Assistance standard indicator. As was the case in FY 2021 and FY 2022 (only one OU reported on the indicator in FY 2023). The lower target

<sup>2</sup> As noted, USAID is using the planned FY 2023 amounts (usually obligated in FY 2024) to respond to elements 1 and 2 and the reported results that occurred in FY 2023 to respond to elements 3 and 4. The results in elements 3 and 4 are provided without attribution to the original fiscal year and account.

for FY 2024 is due to the fact that that activity is scheduled to conclude at the end of calendar year 2023 and will not have a full year of implementation.

The results in this indicator do not represent the totality of USAID support to the very poor, it simply reflects very low reporting. Typically, USAID microenterprise and livelihood activities that reach the very poor look at market systems and other enabling environment factors such as nutrition, access to education, social safeguards, and government service delivery as key outcomes.

An example of this type of enabling environment broader approach is Indonesia’s Sustainable Solid Waste Management and Partnership (SELARAS).<sup>3</sup> As Indonesia seeks to reduce and improve the management of solid waste, especially in fast-growing coastal cities, microenterprises are an essential part of the solution. SELARAS will improve the business enabling environment for microenterprises operating in the urban solid waste management sector, including those that employ waste pickers and waste sorters. SELARAS will also work with a range of water and sanitation (WASH) entrepreneurs to improve their business strategies and expand their customer base. Because the majority of microenterprises are family-run businesses, these WASH-related interventions are expected to dramatically improve the quality of life of their households and communities, while helping to expand access to key services. This Activity will also explore opportunities to formalize microenterprises where possible, including creating microenterprise cooperatives and associations.

Indonesia is one of the 39 OUs in USAID that reported Microenterprise and Livelihood activities in FY 2023. USAID supports the very poor in a variety of ways within those activities and generates meaningful and sustainable results without necessarily counting the actual number of program participants for a variety of reasons including cost, social norms, or program design that make it impractical to obtain quality data. Foreign Assistance indicators are always as practically needed to provide proper oversight and representative results. USAID does not mandate OUs that receive MSME funds for activities that reach the very poor report on this specific indicator. USAID is increasing efforts to socialize and encourage adoption of this indicator for new activities and is providing support to OUs and implementing partners with additional guidance and job aids.

**Table 3: Number of Enterprises Supported**

Enterprises Supported	FY 2023 Results
Number of microenterprises supported by USG assistance	<b>483,305</b>
Male entrepreneurs	146,747
Female entrepreneurs	268,972
Unknown	67,586
Number of SMEs supported by USG assistance	<b>12,524</b>
Male-led	5,200
Female-led	5,110
Unknown	2,214

**Indicator Variance Analysis**

<sup>3</sup> <https://www.usaid.gov/indonesia/fact-sheets/usaid-selaras-reducing-land-based-sources-ocean-plastic-pollution>

Table 3 has two indicators measuring enterprise assistance. USAID, in its current guidance, distinguishes microenterprise, and small and medium enterprise assistance as represented in these two indicators. The former related specifically to the very poor and the latter captures everything else, including enterprises owned, managed, and controlled by women.

## Element 4: The Results Of The Monitoring System Required Under Section 253

**Table 5: MSME Results for FY 2023**

Improvements in Employment	FY 2022 Results
<b>Number of individuals with improved employment</b>	<b>2,532</b>
Male	668
Female	844
Unknown	1,020

Access to Financial Services	FY 2023 Results
<b>Number of private sector enterprises with increased access to finance due to USG assistance</b>	<b>5,743</b>
<b>Number of individuals, participating in USG-assisted group-based savings, micro-finance or lending programs</b>	<b>2,524,411</b>
Male	643,983
Female	1,799,771
Unknown	80,657

Workforce Development	FY 2023 Results
<b>Total number of individuals with new employment following participation in USG-assisted workforce development programs</b>	<b>37,039</b>
Male	3,586
Female	4,215
Unknown	29,238

Property and Land Rights	FY 2023 Results
<b>Number of adults provided with legally recognized and documented tenure rights to land or marine areas, as a result of USG assistance</b>	<b>181,838</b>
Document Holder Sex: Male	80,629
Document Holder Sex: Female	69,406

Document Holder Sex: Unknown	31,803
<b>Number of adults who perceive their tenure rights to land or marine areas as secure with USG assistance</b>	<b>209,789</b>
Document Holder Sex: Male	106,721
Document Holder Sex: Female	103,059
Document Holder Sex: Unknown	9

## ELEMENT 5: INFORMATION ABOUT ANY METHOD IN PLACE TO ASSESS POVERTY LEVELS UNDER SECTION 254

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.

As part of the internal reforms undertaken following the GAO Report<sup>4</sup>, specifically in response to Recommendation 2, USAID will be updating standards, tools, and monitoring to identify and report activities that benefit the very poor. USAID is updating guidance on poverty assessment methodologies and plans to commission 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 research<sup>5</sup> on poverty. These updates to policy and poverty assessment methodologies are expected to be completed in FY 2024 with the introduction of the revised USAID Operation Policy Chapter, ADS 219.

Some OUs 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.

## SAMPLE OF MSME PROGRAMMING IN FY 2023

<sup>4</sup> <https://www.gao.gov/products/gao-21-269>

<sup>5</sup> <https://www.marketlinks.org/post/report-microenterprise-and-pathways-out-poverty>



- In Nepal, [Feed the Future](#) will use FY 2023 funds to strengthen the agricultural market system for inclusive development of poor and marginalized households. Support for microenterprise and livelihoods will include targeted literacy and entrepreneurship training sessions to allow historically marginalized groups to take advantage of and benefit from emerging market opportunities in their communities. Interventions will also include technical training in agriculture and agro-processing, financial management, linking microenterprises and smallholders with market actors, and supporting migrant returnees in the establishment of agricultural microenterprises. The activity is expected to benefit over 200,000 farmers and their families by improving their access to modern agricultural inputs and technology. This will lead to increased productivity and incomes, reduced poverty and improved food security in Nepal.<sup>6</sup>
- In Burma, the [Fish for Livelihoods \(F4L\)](#) will use FY 2023 funds to improve the nutrition status in Central and Northern Myanmar by ensuring the improved availability of diverse, safe, affordable nutrient-rich foods, especially for women and young children from poor and vulnerable households. This activity is expected to ensure that poor households have an increased ability to purchase accessible nutritious foods due to improved incomes from entrepreneurial activities including improved small-scale aquaculture in the intervention areas and the strengthening of aquaculture market systems with particular attention to expanding opportunities for women and youth.
- In Rwanda, the [Feed the Future Kungahara Wagura Amasoko \(KWA\) Project](#) identifies and supports export small and medium enterprises (SMEs) that are owned, managed, and controlled by women. The project helps these SMEs improve and maintain international markets' quality standards, link with high-end markets, and increase their access to financing by working with government institutions and private investors to attract, mobilize, and direct public and private financing resources. The KWA promotes inclusive policies and business models that increase the inclusion of women-owned SMEs in the high-value agricultural and food export sector. Additionally, KWA ensures the participation of women in all activities and that their needs are considered as guided by the GESI Strategy which identifies opportunities for inclusion throughout project interventions. This Activity is expected to mobilize \$300 million value of private investments by/through government agencies as a result of USAID support.

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<sup>6</sup> <https://np.usembassy.gov/u-s-launches-24-5-million-feed-the-future-nepal-usaid-agricultural-inputs-activity/>