

Congress of the United States
Washington, DC 20515

March 22, 2010

The Honorable Nita Lowey
Chair
Subcommittee on State, Foreign Operations
and Related Programs
Room HB-26, The Capitol
Washington, DC 20515

The Honorable Kay Granger
Ranking Member
Subcommittee on State, Foreign Operations
and Related Programs
Room HB-26, The Capitol
Washington, DC 20515

Dear Representative Lowey and Representative Granger:

Thank you for your continued leadership on the Foreign Operations Subcommittee and your committed support of U.S. investments in effective development assistance to fight poverty. We write to request that you provide \$500 million for microfinance and microenterprise in the Fiscal Year 2011 Foreign Operations Appropriations bill and include language that ensures that this funding reaches the most marginalized and vulnerable groups, especially the poor and women.

Microfinance is a successful, economically sustainable tool to help the poor lift themselves out of poverty and improve the lives of their families. Thanks to strong congressional leadership, USAID has been a global leader in microfinance, one of the great success stories of U.S. foreign aid. Yet current allocations are not keeping up with the potential capacity of microfinance practitioners.

As you know, 2.6 billion people worldwide live on less than \$2 a day, with 1.4 billion people barely surviving on less than \$1.25 a day. Despite this extreme level of poverty, the poor have complex financial portfolios and a strong need for a full range of financial services. Because traditional banking services are unavailable to them, they must turn to the informal sector to help meet their cash flow needs. However, these unregulated services too often take advantage of the poor, are unreliable, and fail to deliver in difficult times.

Microfinance providers and institutions can provide the poor and marginalized a safe place to save money; a loan with transparent and reasonable interest rates and repayment schedules to start or expand a small business; insurance for health, education, and to protect their homes from natural disasters; a way to receive remittances; and many other new and exciting services like mobile banking.

The poorest suffer most in any post-disaster situation, and microfinance organizations help to provide critical services that are a lifeline for their clients and for the broader community. We saw this important role unfold during the aftermath of Hurricane Mitch in Nicaragua and Honduras; the 2004 tsunami in Indonesia, India, Sri Lanka, and Thailand; and most recently post-earthquake Haiti and Chile. While they do not replace emergency personnel and aid organizations, microfinance institutions can increase the collective capacity on the ground because they have community trust, local contacts, and deep outreach into poverty-stricken areas

that are difficult for emergency personnel to reach quickly. Microfinance institutions can even help with the rebuilding process by creating cash-for-work programs.

Most recently in Haiti, while traditional banking services were frozen in the aftermath of the earthquake, microfinance providers and institutions were able to quickly reopen their branches, reassure clients that their savings were protected, provide clients with a few dollars to help them procure food and basic needs for their families, and continue the flow of critical remittances.

We also must not forget the huge unmet demand for financial services by the poor in sub-Saharan Africa. Only one in five households in the region's poorest countries have access to formal financial services. Despite the fact that well over 75 percent of Africans live on less than \$2 a day, Africa receives only six percent of private foreign investment in microenterprise. This imbalance in private investment is further exacerbated by a similar imbalance in USAID funding for the poorest in the region. In Fiscal Year 2008, for example, the Africa Bureau at the Office of Microenterprise Development received 12 percent of the total funding. Moreover, of that funding, 74 percent supported *microenterprise* development while only 26 percent was allocated to *microfinance*, which comparatively benefits poorer and more marginalized populations to a greater extent. To help reverse this unfortunate trend, we urge specific directives to help increase both overall funding support for USAID's microfinance and microenterprise program in Africa as well as the amount of that funding that goes to organizations focused on reaching the poorest in the region.

Moreover, investing in microfinance helps to take advantage of the synergies between many of our development initiatives. The field is growing to encompass a variety of financial services that have an impact on development objectives such as education, water and sanitation, housing, health, and empowerment. Such investments make our foreign aid more effective by helping to promote cross-sectoral and integrated approaches to development, especially in connection with food security, maternal health, and HIV/AIDS, agricultural and rural finance, and the needs of youth.

Microfinance empowers the poor to provide for their families, build their communities, and gain the dignity and abilities they need to demand political inclusion and human rights from their governments. Thank you again for your dedication to development assistance. We hope you will consider favorably our request for \$500 million in microfinance funding in Fiscal Year 2011.

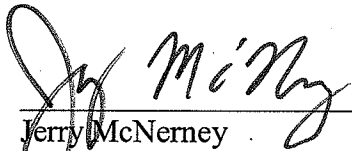
Sincerely,




Rush Holt
Member of Congress




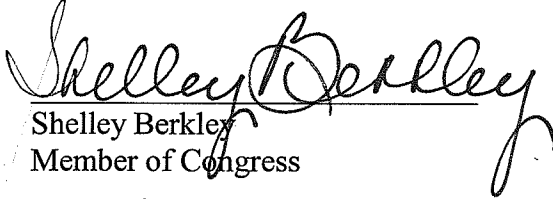
David G. Reichert
Member of Congress

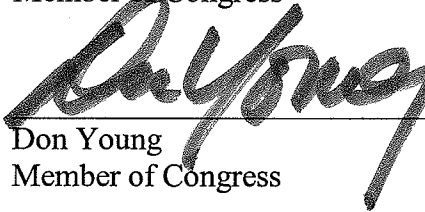

Jerry McNerney
Member of Congress



Mazie K. Hirono
Member of Congress


Ferrol Nadler
Member of Congress



James P. Moran
Member of Congress



Shelley Berkley
Member of Congress

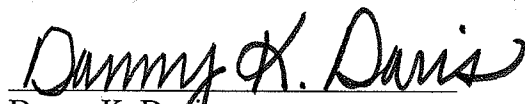

Don Young
Member of Congress

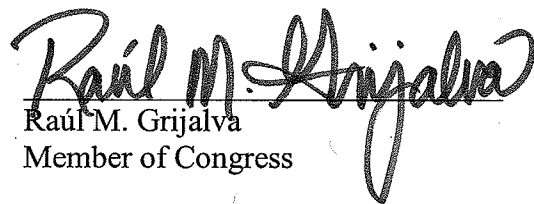

Tammy Baldwin
Member of Congress



Gary C. Peters
Member of Congress

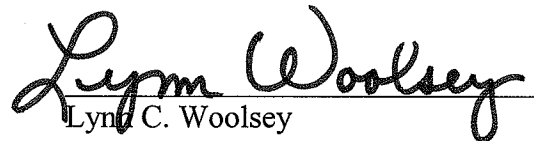

Jay Inslee
Member of Congress



Heath Shuler
Member of Congress

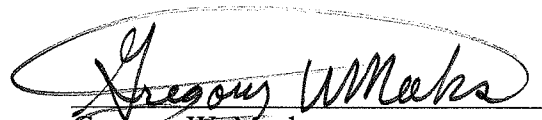

Danny K. Davis
Member of Congress

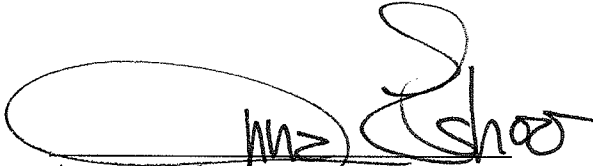

Raúl M. Grijalva
Member of Congress

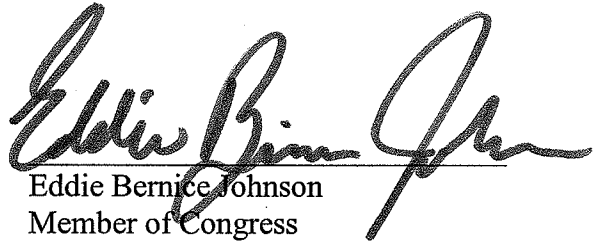

Michael E. Capuano
Member of Congress

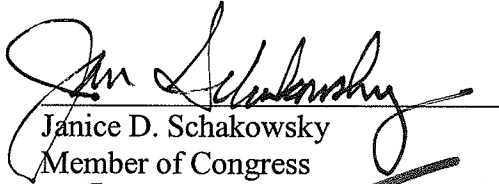

Lynn C. Woolsey
Member of Congress


David Wu
Member of Congress

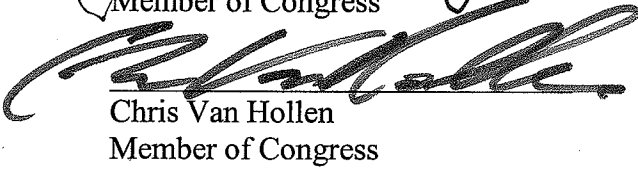

Gregory W. Meeks
Member of Congress

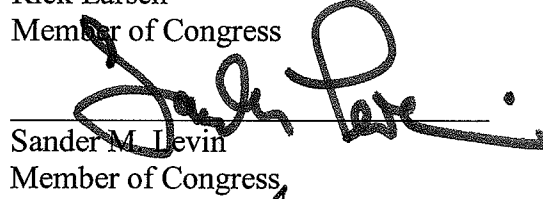

Anna G. Eshoo
Member of Congress

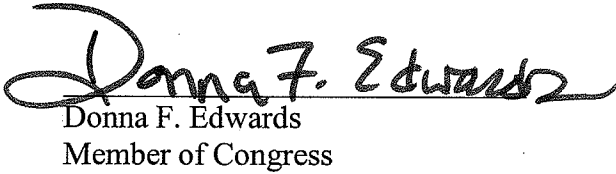

Eddie Bernice Johnson
Member of Congress

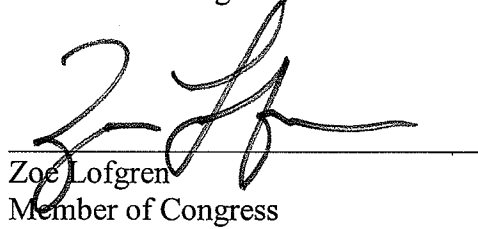

Janice D. Schakowsky
Member of Congress

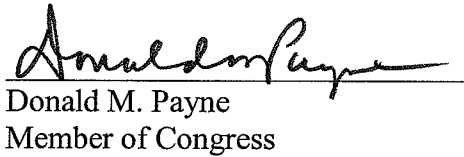

Rick Larsen
Member of Congress

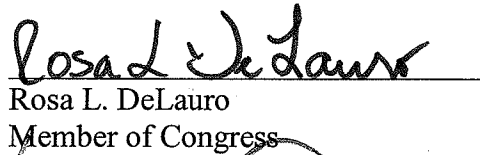

Chris Van Hollen
Member of Congress

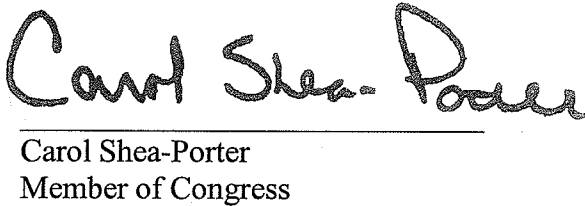

Sander M. Levin
Member of Congress

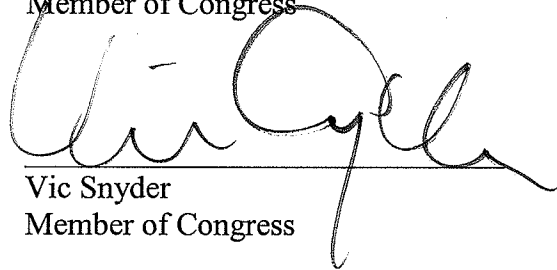

Donna F. Edwards
Member of Congress


Zoe Lofgren
Member of Congress


Donald M. Payne
Member of Congress

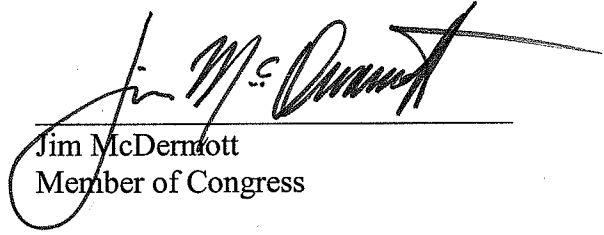

Rosa L. DeLauro
Member of Congress


Carol Shea-Porter
Member of Congress


Vic Snyder
Member of Congress



Jim Matheson
Member of Congress



Jim McDermott
Member of Congress