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Reflections on Experimentation and Learning

By Jim Boomgard

Dr. James J. (Jim) Boomgard is President and Chief Executive Officer of DAI, where he has contributed to development efforts since 1985. An economist by training, he studied at the INSEAD Business School and holds a PhD in agricultural economics from Michigan State University. His work on small enterprise development in Thailand in the early 1980s laid the groundwork for much of the practical work on enterprise development that continues to this day. As this blog documents, over the years Boomgard has been an integral part of USAID's programming on microenterprise and microfinance. Beginning in the early 1990s, Boomgard assumed progressively responsible roles in DAI's operations and business development, taking over as CEO in 2009. In 2014, he was appointed by USAID Administrator Rajiv Shah to serve a two-year term on the Advisory Committee on Voluntary Foreign Aid.

It is a great idea to use the Microlinks blog to capture the history of USAID's path-breaking work in the small and microenterprise field. The story of how the Agency, together with its partners, transformed development assistance is remarkable; one that can teach a great deal about an Agency operating at its finest and about the kinds of investments needed to truly revolutionize development. The globalization of microenterprise was not the work of one entrepreneur, one consultant, one organization, or one app. It was the result of a multi-year investment in knowledge, people, and institutions.

My window on the history of the field started in 1978. USAID's Rural Non-farm Employment Cooperative Agreement at Michigan State University (MSU) funded my graduate assistant-ship. Carl Liedholm was leading a vibrant branch of MSU's rural economy research that collected and analyzed household and firm-level data, often through twice-weekly visits to entrepreneurs over the course of a year. Through

pure luck, I got to be part of several multi-year research projects (funded by USAID Missions and the Science and Technology Bureau (S&T)) on the role of small and microenterprises in places like Botswana, Haiti, Nigeria, Sierra Leone, and Thailand, working with the likes of Steve Haggblade, Don Mead, Mike Weber, and Joan Parker (although Joan is much, much younger). USAID funded my dissertation research on the Furniture Industry in Thailand (the first application of the subsector methodology to small enterprise development) where we worked for 18 months in collaboration with a team from the Ohio State Rural Finance Program (another long-term USAID research and development initiative) led by Dick Meyer.

This was a time when we were all learning. We were surprised by the prevalence of small and microenterprises and their significant role in household income generation in rural and urban areas. The income generated by non-farm enterprises was far more important than most had understood. Households were complex economic units, and we discovered that the collection of one-shot data from entrepreneurs often produced information that was not only inaccurate, but also misleading. Getting a clear picture of the economic implications of non-agricultural enterprises required intensive and repeated (sometimes weekly) data collection. Memories faded quickly; things changed regularly; and many interviewees simply did not tell the truth. (I fear these crucial learnings have been forgotten in our desire to find so-called evidence.) We also learned a great deal about internal and external constraints and potential intervention points. This led us to look seriously at policy biases as well as the important dynamics driven by the industry or subsector.

With my dissertation barely finished, I was hired in 1982 by USAID in Jakarta (Douglas Tinsler to be specific) to support a year-long, US\$1 million design of the Central Java Enterprise Development project (a contract to DAI with Gary Kilmer as Chief of Party and Dick Patten as the finance expert). This project was one of the first Reagan-era private sector support projects to create jobs through small business development. After the design was complete and to keep momentum going, the Mission kept me in Semarang to manage the project's short pre-implementation phase. A brief 18 months later, the contract was awarded, and I ended up in my first Chief of Party role and with a DAI institutional affiliation that still is in place, working in three subsectors/value chains. The project lasted only a little over two years because USAID decided to pursue a policy support agenda. But after I moved back to the United States in 1987, the USAID Mission provided a couple of months for me to write a paper about what we had learned on the project ("Reflections on the Central Java Enterprise Development Project"). How often does that happen today?

While I was living in Central Java, I saw the research curiosity of USAID at work. Sue Goldmark and Jay Rosengard spent months documenting the success story of the Badan Kredit Kecamatan (BKK), one of the original provincial-level village finance institutions. I later learned that the BKK study was one of several sponsored by USAID as part of the evaluation component of the Small Enterprise Approaches to Employment (SEAE) project. This project also was the locus of the legendary battle over the measurement of benefits in the Partnership for Productivity (PfP) program in Upper Volta, which eventually led the private voluntary organization (PVO) community to join ranks and form what eventually became the Small Enterprise Education and Promotion (SEEP) Network.

The late 1980s was a swirl of activity—conferences, seminars, and lots of evaluations—orchestrated somehow by the wizard behind the S&T curtain, Mike Farbman. With the backdrop of PISCES, ARIES, and the Employment and Enterprise Policy Analysis project (EEPA), I recall being interviewed by Elisabeth Rhyne as part of her evaluation of the Bureau’s Small Enterprise program. I remember thinking that I was now in the midst of a bunch of really smart people—like Tyler Biggs, Charles (Chip) Mann and Donald Snodgrass from Harvard Institute for International Development (HIID); Kevin Murphy at J.E. Austin Associates; and Thomas Timberg from Nathan Associates. This was an amazing collection of great people doing all kinds of interesting, path-breaking thinking—all with the S&T Bureau connection. I felt like Forrest Gump.

The world changed when microfinance came into vogue. Thanks to the Grameen-effect, the whole field started getting noticed; things also started to get more polarized. USAID found itself in debates over poverty lending, US\$70 loan limits, and reporting to Congress. Partly in response to this barrage of outside requests, USAID undertook the 1988 Microenterprise Stocktaking study, a 9-month study in which the Center for Development Information and Evaluation (CDIE) took stock of USAID’s work in microenterprise. In addition to finding ways to better report on USAID’s microfinance activities supported around the world, the Agency wanted to know if there were lessons learned on what worked in what circumstances and why? DAI and Nathan Associates were hired to lead the study, and after several months of work, I ended up in charge of preparing and presenting the final report.

The study reached the important conclusion that USAID’s most cost-effective interventions were finance and that the best programs focused exclusively on finance, not technical assistance and training to firms. I worked every day with Tom Timberg and Mohini Malhotra at Nathan Associates and a great team at DAI. I vividly recall some great, extended conversations with people like Jeff Ashe, Bill Burris, Shari Berenbach, Maria Otero, Elisabeth Rhyne, and many, many others. Mostly because of the insights I got from these experts, the study included some interesting results and still is worth a quick read.

Along came GEMINI, the third of USAID’s astrologically named projects. I could write a separate blog about the 9 months or so that we worked to prepare to win this project. DAI’s consortium included ACCION, Michigan State, SEEP, Opportunity International, and Technoserve. These were very strange bedfellows, but we had an amazing team: Nan Borton, Thomas Dichter, Maria Otero, and eventually Matthew Gamser, who succeeded me when I moved back to Indonesia. My role as Chief of Party was a dream job. We had a great customer, Elisabeth Rhyne, who was a genuine partner. The volume of work was enormous; the library is mind-boggling; the work was fascinating.

GEMINI worked on microfinance, business development services, and research on the role of microenterprises. GEMINI was the leading-edge of the financial systems approach to microfinance. Successful microfinance institutions needed to behave more like banks than development agencies. Interest rates had to cover the costs of lending and capital; lean recovery had to be relentless; scale was critical; and, financial services (including savings) were essential for long-term success. The project also worked on the challenge of non-financial support, looking for cost-effective ways to deal with the other

constraints faced by entrepreneurs. An entire research program was devoted to subsector analysis, which laid the groundwork for much of the value chain and M4P work (Making Markets Work for the Poor) happening today. GEMINI was a great example of a central USAID project that was structured to incentivize buy-in from a large number of Missions.

I remember traveling with Pedro Jimenez, head of the Association for the Development of Microenterprises (ADEMI) program in the Dominican Republic, to meet with Mohammed Yunus in Dhaka and to see the Bank Rakyat Indonesia Unit Desa system in Indonesia. I witnessed firsthand a wonderful and intense debate between Pedro and Mohammed on poverty lending versus supporting enterprise growth. No one won. We got involved with the USAID program in Bolivia and worked with Lisa Valenzuela and Richard Rosenberg on one of the first microfinance industry development projects. We connected with some amazing people like William (Bill) Tucker, John Owens, and Pancho Otero. We challenged implementing organizations, like ACCION and Opportunity International, to behave more like banks and linked them with tools and expertise that helped their transformation. Lawrence Yanovitch (who was at Catholic Relief Services at the time) and I went from mortal enemies to best of friends as we learned that battles of ideas could happen without demonizing people or organizations. The project worked on bringing some rationality to wholesaling funds and helped facilitate advances in Central Bank regulation with people like Robert Vogel and Claudia Gonzelez-Vega.

There is a lot I would like to talk about from the GEMINI days. The subsector work with CARE, Steve Haggblade, Bill Grant, Jeanne Downing, and Hans Binswanger really pushed forward thinking on how to support value chains. The debates between the EEPA demand-side ideas and the MSU supply-side approaches were almost religious experiences. My conclusion was that both policy reform and appropriate supply-side interventions have an important role to play in development. And we had fun. The Conference in Yogyakarta was not only productive, it was a blast for all involved. The party after the inauguration of Banco Sol in Bolivia (an amazing story in and of itself) was nuts... and I still have those pictures!

USAID changed forever the field of development with its intensive efforts on small and microenterprise development. I have just given you one observer's view, and I have probably forgotten most of the history and left out a lot of important names (apologies to the accidentally excluded). Microenterprise development has never been a magic bullet for pulling people out of extreme poverty. But it has made a big difference. The field would not have advanced without USAID's long-term investment in research, people, and institutions.

We found lots of dead ends, but they were learning opportunities, not fraud, waste, and abuse. We spent resources on real work, not making the project management and accounting bulletproof from auditors. We worked across the whole community even though there were differences. We shared an interest in development that bound us together. We had a genuine partnership with USAID. We didn't feel like contractors or grantees—those were simply instruments to move resources around. We experimented and learned, not overnight, but over years.