



## **2011 SEEP Annual Conference**

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### **Microenterprise Development 2.0**

**Presenter:**

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**Sponsor:**

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*Female:*

Let me begin by introducing myself for those of you who I have not yet met. My name is Shari Berenbach and I head up USAID's Microenterprise Development Office. And it's a great pleasure for me to be here today. And as I look out into the room, I see many old friends and clearly some new friends as well. But before I get started, I want to just take a moment to acknowledge that we here at USAID love microenterprise, love microfinance and so we do have a number of the USAID staff members who have joined us. And those who are from AID, if you could just raise your hands so you can get a sense that there's really a pretty big crowd that are here for this discussion today.

For those of you who are at SEEP last year, you may recall that we were involved in sort of a listening tour and that I had just joined USAID a few weeks before. And what I'm hoping to do today is to sort of fill you in on what might be considered my first impressions. What do I think about being at USAID and really is the opportunity before us at USAID in the area of microenterprise and microenterprise. Go to the next.

And I think the beginning point to think about it from a USAID perspective is that USAID has a very firm commitment to promoting sustainable broad-based economic growth. And that really is some of the language that really is adopted across the agency more broadly and what our office, the microenterprise office, is doing is using microenterprise as the vehicle through which the poor can participate in this broad-based economic growth. Please next one.

So what does it mean to be at USAID in the year 2011? I've actually been kind of on a broad inquiry, trying to even beginning to define what is microenterprise and microfinance opportunity for USAID. Because we've been, as you know, USAID has been an important supporter in this field for quite some time and I think for many years people at USAID had a pretty clear idea what our work was. Our work was to support microfinance institutions in their delivery of finance services and enterprise development services.

But really, as the agency continues to grow and evolve, what really is the opportunity for us? And as I've been thinking long and hard, I've often thought about a number of things that USAID has done historically where we're not putting as much focus. In fact, we spend a lot of time at AID talking about what we're not going to do. Not only what are we doing, but what are we selecting not to do.

And so we are less and less supporting microfinance just generally. But what we are trying to do is look at how do you relate the goals and objectives of microfinance and microenterprise and integrate it into a number of discrete key strategies and issues that USAID is pursuing more

broadly. And towards that, we have one whole realm of our area that I'm using the term inclusive markets. And this is where we're really talking about deepening economic opportunity. And really, these inclusive markets are intended to be a collection of strategies that are intended to really link the very poor through the small holders through value chains up through SMEs.

And so let me just take that and unwind that for you a bit. You can see in the diagram in a certain sense you can start at the time with this focus on pathways out of poverty. One of the things that we're really looking at what are the interventions that are really well-designed to get down to the ultra poor? Do we need to be thinking about savings and asset building, even cash transfers? What do we need to be doing to link people to livelihoods, to get the very, very poor so that they're ready to in effect move into microenterprise services?

We're also looking at rural and ag finance. And you might say, "Well, why rural and ag finance?" A couple things, firstly, USAID has a major commitment through its Feed the Future initiative to really work with rural small holders in dealing with the needs of these rural households for financial services. We want to see these rural households play a significant role in the Feed the Future initiative. We're going to need to be thinking about the different kinds of services that they need.

And maybe I should just back up and say that one of the things that we're really trying to do is tear down that wall between financial services and microenterprise development and instead thinking in a more proactive way about specific subpopulations that we're working on. I'm focusing on rural and ag finance as well because, as we know, historically microfinance has not really been well-designed to meet the needs of rural and ag finance. And so how can we begin to think about strategies in that sector that meet the needs of households and of ag production and really the diversified needs of those households so that they can in fact become economic actors?

Which leads us into value chains. In fact, Jeanne Downing is sitting in the audience here and as we know, Jeanne's been one of the leaders at AID to really focus on value chains, value chains being a way to understand how people link into markets and through markets you're getting shared prosperity. So value chains features very prominently in our thinking and we're thinking about therefore, how can you make sure that the small holders are linking to the values and so that the economic prosperity is tying all the way and down the spectrum?

And then finally we top up with small and medium enterprises or linking the poor to small and growing businesses, excuse me. SME is yesterday's

language and small and growing businesses is today's language. But once again, not only are we looking at the very, very poor, but we're understanding how by linking up the poor into value chains and into other businesses and markets, with small businesses, give them access to markets and provide sources with supply that we're really able to create a more inclusive market system so that all levels of the supply chain from the very poor on up are growing in a coordinated way.

The next thing we're also doing is thinking about broadening. And here it's important to recognize that historically people often thought about microenterprise or microfinance as being like a corner of what AID did and it sat just in the microenterprise office. But, in fact, as we are looking forward, we're looking at taking the principles behind microfinance, which is really a focus on enterprise solutions that can be sustainable and scalable in bringing them to different kinds of areas. And we're also looking at how do you begin to continue to push the frontier of what microfinance is all about.

So, as you can see, in this broadening area we talk about knowledge management. So what we're learning doesn't just stay within USAID. And I'd like to just add the note management highlight that we have a very active collaboration with the QED Group, which is our knowledge management program and the QED Group is part of that arrangement is actually doing a – will be taping this session and will be making a lot of the experiences and sessions from this conference available online. So how we broaden participation in microfinance is through that knowledge sharing, but then we're also looking at other things like new technology such as mobile financial services, and I know that Maria Stevens from my team was talking yesterday about mobile financial services and how that links into the microenterprise world.

There's also a whole area that I'm calling sector links and this is an area that I personally am very excited about and will be rolling out big time. And that is how does microfinance interface with many other sectors so that it's not just that we live in our own little world, but how do we link with the energy sector so that there's affordable strategies for the dissemination of more efficient, more sustainable energy technologies? How do we link to affordable housing and urban solutions? How do we link to health and different kinds of sustainable social enterprise models for health? And how does microfinance even get involved in delivering health systems? What about things like microinsurance and other products?

So this second team, this second initiative is really about how do we take what we know from microfinance and extend it throughout the agency so that we're not just a little island, but really invigorating the work really

across AID more broadly? And then finally you'll notice that industry relations is down there in the core. And when I use the term industry relations I mean we recognize how important it's going to be for us to be really helping to strengthen the trade associations and the shared learning. And so this is really how we can extend microfinance and broaden its activities is really what this second segment is all about.

Great. So I have sort of laid out kind of very broad terms some of the key strategies that are going to be guiding the work that we're doing coming forward. And I did, in fact, want to now turn our attention a little bit in a slightly different direction and that is to talk about some of the challenges that have actually been I guess vexing might be the word or oops, some of the challenges that we face as we try and do a good job of delivering U.S. government resources to all of you. And that has to do with some of the reporting challenges that we have, it has to do with our commitment to reaching the very poor, it has to do with issues like client protection.

For those of you who are familiar with USAID program, you may or may not know that we actually do each year collect information and statistics about our programs and with that, I actually want to invite two individuals to join me who are involved in that process, that data collection process. We have Ruth Spire and Alex Curtis. And I'm also going to ask Anthony Leegwater from the IRIS team who – and Anthony is the one that works with poverty assessment tools. Because one of the things that we wanted to do in our session today is on the one hand give you an idea about what we see as some of the big opportunities and challenges for USAID in the microenterprise space, but we also wanted to take this opportunity to hear from you about some of the themes and issues that are very, very important to us.

I've joined, as we know, AID last year and it became very clear that part of our commitment is to report to Congress and that we are accountable to the U.S. public. And in order for us to do that, we actually need the active participation of all the different organizations whose work really is supported by USAID in one form or another. All right. Well, maybe I'll just go ahead and wrap up with a few last comments and just to share that, particularly now that everybody's in the room and is quite, I know I started the beginning the conversation with our thoughts about some of the newer strategies that I've been pursuing or really examining since coming to USAID. And really recognizing that in many ways we're at a very exciting junction.

And this, in fact, is a theme that I understand is going to be discussed at the closing plenary here. And that is that for so many years our focus has

been on really standing at microfinance institutions and linking them to private sources of capital. And I think we've come a long way and made a lot of important progress. And to me that's fabulous good news because those institutions are really important development actors and they're change agents that can, in fact, accomplish great social impact using their financial tools, financial strategies and financial products to really move forward an agenda.

At the same time I think we're also starting to recognize that the field that we're in is really much broader than just MFIs. That, in fact, if we start thinking about particular client segments, that there are different kinds of institutions and different roles for a whole set of actors to be involved in the microenterprise field. And a lot of what we've been really trying to think about is what is microenterprise 2.0? And the main thing that I keep coming back to and as I think about conceptualizing microenterprise 2.0, it involves a range of things.

It involves us not thinking exclusively about MFI, where the MFIs are very important because they can become important catalysts and tools. But not just perhaps only in delivery of plain vanilla financial products, but linking up into other sectors. So MFI is involved in energy. MFI is involved in health. MFI is lending to small and growing businesses. And I also start to think about other kinds of institutions and actors. There's been a lot of interest in savings, in voluntary savings associations, in different kinds of organizations at the front lines that can, in fact, step up and provide those kinds of economic services.

And then once you start getting into mobile, mobile financial services, then there's a whole new cast of actors at the table. There's mobile network operators and telephone companies and post offices, and whole other realms and institutions that can really scale what we've been trying to do. And then it becomes a very interesting opportunity to understand how do microfinance institutions link up with those other kinds of actors and what is a new role and new sort of strategy.

But probably what I find most sort of challenging and exciting is this notion that rather than thinking of microenterprise as a corner of development, that we start thinking about the essence of microfinance, which is all about using enterprise base models that can, in fact, be sustainable and therefore scalable. How do we bring this really to develop it more broadly so that we're infusing all of development with a kind of sort of smart, savvy, efficiency results driven ethos that we've all worked so hard to create in the microfinance field? And to me that's a very, very promising proposition because, as we all know, we may have this network of MFIs and we may have private capital at the table, but at the end of the day, the job before us about making it a more just and sustainable world,

about allowing the poor to be more actively engaged and to work their way out of poverty, that challenge still rest with us today. Thank you. So I guess you just *[Inaudible Comment]*. And we're done. So thank you. I want to thank everybody, the SEEP people for giving us the floor and thank you for all of your participation. Thank you.

*[End of Audio]*