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NOTE FROM THE FIELD

Developing Human Talent in Mexico

A USAID program addresses complex challenges facing rapidly growing Mexican MFIs: a limited recruitment pool, competition with other sectors, and a strong need for specialized support services.



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Students from the Instituto Politécnico Nacional visit USAID/AFIRMA partner FINCA México to learn about their operations first hand during a theoretical-practical Introduction to Microfinance Course.

The USAID/AFIRMA Project is partnering with Mexico's second-largest public university, the Instituto Politécnico Nacional, to develop local human resources for the microfinance sector. Results thus far show 56 of 90 students now interested in working in microfinance.

Recruiting talented professionals in Mexico's microfinance sector has been a substantial challenge. Few higher education institutions offer specialized programs in development or microfinance, and young graduates are more likely to have multiple job offers within Mexico's relatively dynamic labor market.

As Mexico's microfinance sector entered its fast-growth phase in 2004, it needed to expand staff and management capacity exponentially to sustain annual growth rates of 30-100%: an overwhelming challenge. Microfinance institutions (MFIs) were unable to staff their basic operations, much less find strategic thinkers with experience in microfinance who could help their institutions grow and mature. Furthermore, there were few specialized service providers to help them improve their operations. While support service providers were often highly competent, they rarely possessed the knowledge of microfinance required by the institutions.

When USAID initiated the Access to Finance for Rural Microenterprises (AFIRMA) project in December 2004, they began by assessing the existing industry and formulating a strategy based on good practices in development assistance. First, USAID/AFIRMA focused on horizontal initiatives that would benefit the entire microfinance sector, rather than a single MFI, thereby minimizing distortions to the marketplace. Second, the project would provide initial subsidies (that would decrease over time) for sustainable initiatives, always focusing on the transfer of knowledge and know-how. As the microfinance sector was accustomed to heavy subsidies, strategic cost-sharing from the project was seen as critical to stimulating the market for these services. Two examples of such initiatives follow.

Local Support Services Providers

With a scarce labor supply for specialized professionals,

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USAID/AFIRMA designed its internal policy for hiring consultants with two key principles in mind: (1) leverage local resources and avoid crowding out by insisting on counterpart co-investment, and (2) ensure knowledge transfer to local microfinance support services providers. The project used several methods to accomplish this: they contracted local firms and consultants and linked them to local MFIs; they performed a sector study that indicated where demand for such services was strongest; they instated microfinance skills-building, which involves matching local service providers with international experts who already specialize in microfinance; and they instituted a mentoring program to train and develop local specialized junior consultants and interns by placing them alongside senior consultants.

After three years the results are encouraging: 12 local firms and 18 local consultants have developed 51 different projects with partnering MFIs, working closely with international consultants and/or the AFIRMA Project team. Eight junior consultants and interns received supervised mentoring. Partner institutions are now covering about 63% of the costs of hiring local consulting firms – up from 13% in the first year and 31% in year two.

The IPN Microfinance Program

USAID/AFIRMA is also partnering with Mexico's second-largest public university, the Instituto Politécnico Nacional (IPN), to develop local human resources for the microfinance sector. The alliance began in

August 2006 with a pilot, extracurricular course in introductory microfinance offered to economics students. The course was designed and delivered by both academics and practitioners for graduating seniors as well as economics professors, who would later become the course's instructors. Since its inception, participants and stakeholders have responded very positively: 56 of 90 students are now interested in working in microfinance, and 15 are already employed in the sector. The microfinance sector and its leaders continue to participate enthusiastically in the program – launching “career days” at IPN and offering specialized scholarships to encourage more participation. IPN has now formally established the Microfinance Human Talent Center, with appropriate resources allocated and a two-year workplan established, all with high levels of support from the IPN leadership.

Several critical factors make this partnership a success. IPN is an excellent partner with the commitment, leadership, and capacity to absorb the support and training provided by USAID/AFIRMA. There are links to other similar initiatives, on a local level and international level, including the Microfinance Management Institute (MFMI), which welcomed IPN as one of its worldwide partners in creating University-based programs in mi-

crofinance capacity building. It encourages replicability by demonstrating the feasibility of such a program and its impact on the microfinance sector. Finally, IPN's direct link to MFIs ensures the continued relevance of IPN's microfinance coursework amidst a rapidly changing private sector environment.

The partnership with IPN used the same principles as the “local services” initiative: starting with a USAID-led process that builds expertise and ensures quality, and slowly handing over the program (and costs) to the local partner. Today, IPN is committed to growing and strengthening the Microfinance Human Talent Center. They now take the lead and have asked USAID/AFIRMA to continue its support to ensure the sustainability and continued success of the program.

Generating specialized human talent can be achieved by relatively modest investment and can produce spectacular results when good development assistance practices are applied and leveraged through strong local partners. These results are long-term and sustainable in nature, as they insist on quality, build upon an understanding of local needs, build local capacity throughout the process, and strengthen rather than undercut local service providers.

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