

Financial Education Update

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A Letter from the Steering Committee

We are very pleased to welcome you to the first edition of the new quarterly newsletter from the *Financial Education for the Poor* project. A very unique and collaborative partnership between two organizations, Microfinance Opportunities and Freedom from Hunger and with support from Citigroup Foundation, the project recently launched the first of its kind financial education curriculum.

As we enter the second year there is growing interest in and demand for financial education. The message is getting out that financial education is a valuable tool to help poor people better manage their resources, understand their financial options and improve their wellbeing. We and our donors believe that this program fills an important niche in the microfinance field.

“We are very pleased to fund this innovative program which will bring a new level of knowledge and skills to microfinance clients. It demonstrates the role that long-term multi-stakeholder partnerships can have in creating sustainable and high impact approaches to help low-income households and reduce poverty.”

-Robert Morse, CEO, Corporate & Investment Banking, Citigroup Asia Pacific

Sincerely,
Monique Cohen, Microfinance Opportunities
Kathleen Stack, Freedom from Hunger
Jennefer Sebstad, Consultant, Microfinance Opportunities

An Overview of *Financial Education for the Poor*

This past year was a big year for the *Financial Education for the Poor* project (FEP). Phase I which took place from January 2003 to June 2006 involved market research to assess the demand for financial education among microfinance clients; the design, field testing, and refinement of financial education modules; and finally the publication of the financial education curriculum. Phase II of the project began in August 2005 and will take place over three years.

DISSEMINATION

It involves disseminating the recently released financial education curriculum globally, designing additional modules which will help low-income households more effectively use financial services, and developing an evaluation strategy to measure the impact of financial education training.

We kicked off Phase II in the fall of 2005 with three regional summits. The first summit was held in Bolivia during the VIII Annual Inter-American Forum on Microenterprise in October. The second summit took place in Morocco during Sanabel's Third Annual Conference in November. The third summit was in Malaysia during the Citigroup-INSEAD Financial Education Summit in December. FEP held two more regional summits in 2006: one in China in March that served as a platform for the release of our published

financial education curriculum and another in June in Budapest with the Microfinance Centre.

To disseminate financial education throughout the world, FEP is implementing a series of workshops designed to train staff in organizations that can, in turn, train others in their home countries. Over the next two years, the program will train and provide technical assistance to master trainers from more than 60 microfinance and training institutions.

In addition to dissemination, FEP is comprised of two other components, innovation and outcomes. The innovation component involves development of new financial curricula. The outcomes component will measure the short- and long-term impacts of financial education at the client and institutional level.

Presenting the Financial Education for the Poor's Curriculum

The *Financial Education for the Poor* curriculum was published in English in March 2006 and in Spanish in April 2006. It is the result of three years of collaborative market research and testing with microfinance institutions in six countries to develop an effective toolkit which will help the world's poor increase, protect, and improve the management of their assets. The core curriculum consists of five modules:

1. Budgeting: Use Money Wisely
2. Debt Management: Handle With Care
3. Savings: You Can Do It!
4. Bank Services: Know Your Options
5. Financial Negotiations: Communicate With Confidence

Each of the modules includes a:

- Content note that provides a basic overview of the topic
- Trainer's guide with step-by-step instructions for conducting each learning session in the module
- Training-of-trainers manual to prepare financial education trainers

In addition, we have developed an Implementation Guidance manual that will instruct partners in the financial education process, including technical information on market research, training of adults, and measuring outcomes. Managers and trainers can use the various components of this guidance to adapt the materials to their target population.

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The Beijing Summit on Financial Education

On March 21st and 22nd, Monique Cohen of Microfinance Opportunities and Kathleen Stack of Freedom from Hunger facilitated a financial education workshop in Beijing to discuss the importance of financial education and introduce the *Financial Education for the Poor* curriculum to the Asian market. The summit coincided with the launch of the FEP curriculum.



Participants at the Beijing Summit

The Beijing financial education summit was held prior to the Asia Microfinance Forum. Twenty-five organizations from nine different countries attended the workshop including Indonesia, Thailand, China, Philippines, India, Bangladesh, Malaysia, Vietnam and East Timor. Participants in the China summit were from the following

institutions: China Foundation for Poverty Alleviation, China Association for Microfinance, Rural Development Institute of the Chinese Academy of Social Sciences, Mercy Corps China, Citigroup Microfinance Training Center, China Banking Association, and the Women's Development Department of the All-China Women's Federation.

The one-day workshop included the following topics: an introduction to financial education; an overview of the FEP curriculum; a discussion of the process of developing financial education; a review of the key principles and practices of adult learning; and an interactive review of the components of the curriculum.

The China Summit generated a great deal of excitement about the financial education curriculum and a desire by many participants to be considered as potential dissemination partners. This reflects a growing interest among microfinance practitioners for financial education to promote the effective use of financial services by low-income households. Next steps are to hold a regional training-of-trainers (TOT) workshop in Indonesia and country training-of-trainers workshops in the Philippines and in China. The TOT in the Philippines was held from September 19-28, 2006 and will be reported on in the next issue.

The Latin American TOT Workshop: Creating Master Trainers

With the completion of its first regional training-of-trainers (TOT) workshop held in Lima Peru from May 9th to 18th 2006, the *Financial Education for the Poor* project (FEP) officially launched the establishment of a global cadre of master trainers in financial education.

The Peru TOT workshop was attended by ten organizations from seven different Latin American countries. While the participants represented a wide range of non-governmental



Dissemination Partners at the Citigroup Reception

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organizations (NGOs), training institutions, and microfinance institutions (MFIs), they were united by their common vision to provide low-income people with the necessary skills, knowledge, and tools to improve the management of their scarce household financial resources. The workshop included representatives from the following organizations:

- **MFIs:** Crédito con Educación Rural (CRECER) - Bolivia, Fundación WWB (FWWB) - Colombia, Asociación Dominicana para el Desarrollo de la Mujer (ADOPEM) - Dominican Republic, Fondo Esperanza - Chile
- **Training Institutions:** Colectivo Integral de Desarrollo (CID) - Peru, Centro Afin - Bolivia, The Boulder Microfinance Institute - Chile, Alcance - Mexico, ACCION Dialogos de Gestiones – Colombia
- **Networks of Microfinance Institutions:** Red Financiera Rural (RFR) - Ecuador, ACCION International, Consorcio de Organizaciones Privadas de Promoción al Desarrollo de la Pequeña y Microempresa (COPEME) - Peru.

Together these organizations have an outreach of more than two million clients and nearly 200 financial institutions. During the workshop, the organizations were trained on adult learning principles and practices, FEP training methodology and techniques, conducting market research to inform the design of the content and delivery of the financial education training, adapting the modules to the local context, and measuring the outcomes of the financial education training. After the TOT these organizations will disseminate the curriculum through their respective organizations and networks.

The success of the workshop was evident from both the evaluations and the enthusiasm of the participants in the substantive discussions of financial education materials.

Partner Spotlight: ADOPEM

ADOPEM, a women's organization from the Dominican Republic, is one of our partners who has become a financial education champion. ADOPEM works to integrate women and their households into the formal market and to provide them with access to financial services. ADOPEM provides its more than 60,000 clients with micro-enterprise, small business, secured, home, and consumption loans as well as savings services. The organization has a total of 15 branches throughout the Dominican Republic.

After the completion of the TOT in May, ADOPEM held a series of workshops at its training center in July on the FEP budgeting module. It also plans to hold additional workshops in September and October to train a group of 19 loan officers and trainers in the other four FEP modules so they can implement the FEP curriculum within ADOPEM.



The FEP Team

Steering Committee: Monique Cohen, Kathleen Stack (FFH), and Jennefer Sebstad

Training Advisors: Danielle Hopkins, Rossana Ramirez (FFH), Maria Perdomo (FFH), and Lillian Díaz Villeda

Program Officer: Leslie Meek, Citigroup Foundation

Forthcoming TOTs: A Chance to Get Involved with the FEP

FEP has scheduled training-of-trainer workshops to be held regularly in the upcoming months. A TOT was just completed in the Philippines in September 2006 and will be reported on in the next issue. Upcoming TOTs include Uganda in November 2006 and South Asia (Indonesia) in December 2006. Workshops are planned for India, Central America, South East Asia and the Middle East in 2007.



The FEP welcomes organizations with strong outreach and training capacity, as well as a commitment to financial education, to express interest in participating in future TOT workshops. Please send inquiries to Danielle Hopkins at danielleh@mfopps.org.

Innovation: FEP's New Modules

In the next two years, as a part of its innovation phase, FEP will develop additional curricula on new topics relevant to diverse market segments. Emerging themes include insurance, remittances, youth, consumer protection, and electronic banking. The development of the youth and remittances modules is currently underway.

The Kenya Pilot:

Responding to the Financial Education Needs of Adolescent Girls

The youth module is one of the new topics that FEP is adding to its existing curriculum. The development of this module is starting through a partnership with the Binti Pamoja Center in Nairobi, Kenya, an affiliate of Carolina for Kibera, the local youth organization in a low-income area of Nairobi. The pilot effort is being led by Carolyn Sakwa and Karen Austrian. Market research interviews and discussions held in March, 2006 identified four key thematic topics: budgeting, savings, banking services, and earning money.

Learning sessions on these topics were pilot tested in July 2006 with 20 young girls who were graduates from the Binti Pamoja Center. In addition to confirming the importance and relevance of financial education for young women in low-income communities, a key lesson generated from this pilot test was the need to recognize the limited financial experience of young people in the design of financial education. Future modules aimed at young people will incorporate more basic information to build upon.

Following this pilot test and refinement of the learning sessions, a trainer's guide was developed and used to train the same 20 young women in a training-of-trainers



Young Girls in Kenya Make a Personal Budget

workshop. After this training these young women will offer financial literacy training to groups of adolescent girls through Binti Pamoja’s Safe Spaces project. This program provides safe venues for adolescent girls to meet, provides reproductive health, life skills, and livelihood training, and creates youth-led service, leadership and athletic opportunities.

FEP is hopeful that the dissemination of financial education among adolescent girls and other groups of young people, both in Kenya and worldwide, will lead not only to improved financial management practices during adulthood, but to the financial independence of these young adults.

The FEP is now in the process of identifying a number of partner organizations to adapt and cross test the youth module developed in Kenya. Based on the results of the cross testing process, the generic youth curriculum should be finalized in the second half of 2007. In sum, the development of FEP’s youth module is progressing quickly, the partnership with Binti Pamoja has worked out extremely well, and there is a high degree of interest and enthusiasm for financial education among young people in Kenya and beyond.

Market Research on Remittances in Ecuador: The Importance of Perceptions



Remittance Team with Courier Oriente

In August 2006, the FEP project in partnership with ACCION International, conducted market research with Banco Solidario in Ecuador. This is the first step in the development of the remittance module. The market research will allow the remittance team to identify the current financial behaviors of people who receive remittances and the impact of remittances on the household budget. The main objectives of the market research were to determine the financial needs and goals of individuals receiving remittances, as well as the factors contributing to specific use of remittances or dependence on remittances. During the market research, the remittance team also investigated the most

appropriate learning methods and delivery channels for the development of the remittance module.

The remittance team conducted in-depth interviews with Banco Solidario staff, remittance receivers, and informal remittance providers in Quito, Guayaquil, and Cuenca. They also conducted focus group discussions with six separate groups from the three cities. The team found that one of the current financial behaviors of remittance receivers is to manage the remittance through a four-stage process:

1. **Immediate**- Payment of debt for relocation of emigrant to bank or money lender. This trip usually costs at least \$12,000 and takes at least 2 years for the family to repay.
2. **Short term**- Basic household needs such as food, education and clothing (increased dependence on remittance during this stage)
3. **Medium term**- Construction of house or home improvements for personal use
4. **Long term**- Additions to house such as additional floors to rent out and to facilitate retirement



Remittance Recipient's House in Cuenca

The FEP team plans to continue developing the framework for the remittances module through the end of this year. Pilot testing of the developed curriculum is scheduled for January 2007.

Outcomes: Pro Mujer

Outcome assessment is an integral part of the *Financial Education for the Poor* project. It is an important tool for understanding the extent to which a financial education program is meeting its objectives at both the client and institutional levels.

Pro Mujer, a Bolivian MFI offering integrated services (credit, health and education) to thousands of poor women in the Andes, has championed financial education and is grappling with these issues. Pro Mujer was one of the original seven partners that developed the FEP curriculum. Its standard training program consists of 30-minute, mandatory educational sessions that are part of clients' monthly meetings. At each gathering, clients choose the class they will attend that day from three or four topics offered simultaneously. To gauge client interest in and assess the impact of financial education, Pro Mujer first offered it as a separate course outside the normal curriculum. This course met for three hours a day for one week. Clients, who pay a small fee for course material, have so far been very satisfied with the training. In the pre- and post-tests given immediately before and after training, the percentage of clients who set money aside for an unforeseen event or emergency, and thus planned for the future, increased from 50% to 67%. In the post-post test given three months after the training, this percentage increased to 90%.

However, these results pertain to only a small group of 300 clients who participated in the first two financial education courses (two classes of 30 women for each of 5 modules). To extend the service to all of its clients, Pro Mujer has also incorporated financial education in to curriculum offerings with stand-alone shorter sessions that have reached approximately 40,000 clients.





**Participatory Training during the Latin American
Regional TOT in Lima, Peru**

The *Financial Education for the Poor* project is made possible through the partnership and cooperation of:

The Citigroup Foundation

The Citigroup Foundation supports organizations that help people improve their lives, businesses to grow, and communities to prosper around the world. The Citigroup Foundation focuses its grants primarily in three areas: financial education, educating the next generation, and building communities and entrepreneurs. Additional information can be found at <http://www.citigroupfoundation.org/>.

Microfinance Opportunities

Microfinance Opportunities was established in 2002 as a microenterprise resource center that promotes client-led microfinance. It seeks to help poor people increase their access to well-designed and delivered financial services. Microfinance Opportunities provides action-research, training and technical assistance in three areas focused on the clients of microfinance services: Financial Education, Microinsurance and Client Assessment. www.microfinanceopportunities.com

Freedom from Hunger

Founded in 1946, Freedom from Hunger is a nonprofit, international development organization bringing innovative and sustainable self-help solutions to the fight against chronic hunger and poverty. Freedom from Hunger specializes in ensuring that the poor have access to microfinance and health protection services, and life skills training to achieve food security for their families. www.freedomfromhunger.com