

A Microenterprise Training Guide for Peace Corps Volunteers



**Peace Corps
2003**

Information Collection and Exchange
Publication No. M0068

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Abridged Dewey Decimal Classification (DDC) Number: 338.7

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**A Microenterprise Training Guide
for Peace Corps Volunteers**

Introduction



INTRODUCTION

REASONS TO PROMOTE MICROENTERPRISES

Around the world, millions of low-income entrepreneurs are building better lives for themselves and their families by starting and expanding tiny businesses. The vast informal sector of the economy is comprised of microenterprises—microbusinesses with one to 10 workers, including the owner. Poor families launch microenterprises to generate income, build savings, and acquire assets as a cushion against natural disasters, illness or death, and other crises. As these enterprising households pull themselves out of poverty, they can improve their access to safe drinking water and more nutritious food, improve their housing, and educate their children. This is grass-roots development!

- Microenterprises provide most of the goods and services that meet people's basic needs in developing and redeveloping countries (such as the former Soviet states).
- Often microenterprises are the only economic organizations that function in a time of crisis.
- Microenterprises require small amounts of capital to enter the market and produce results quickly.
- The small size of microenterprises makes them simple to operate.
- Microenterprises use local products and skills.
- Microenterprises are labor intensive and create jobs.
- Microenterprises improve the income of the entrepreneurial poor.
- Microenterprises are a catalyst for comprehensive community economic development.

According to information presented at the 1997 Microcredit Summit, February 2–4, in Washington, D.C., in which the Peace Corps was a participant, there are more than 1 billion microenterprises worldwide. The income from these microbusinesses enables the working poor to take some control over their lives. Additionally, the benefits of microenterprise development extend to the broader society. In both transition economies and the developing world, microenterprises play an important role in the nation's economic growth and job creation for those unable to find employment in the formal sector. Through microenterprise, the poor become business owners, build assets, and invest in their communities.

International private volunteer organizations (PVOs), indigenous nongovernmental organizations (NGOs), and government-sponsored development organizations, such as the United Nations Development Programme (UNDP), the World Bank, and the U.S. Agency for International Development (USAID), and the Peace Corps, all realize the value in helping to create and sustain microenterprises. Assistance for microenterprises falls into three broad categories:

1. **Financial services—credit and savings:** Microfinance institutions (MFIs), usually indigenous NGOs, are the direct providers of credit and saving services. International PVOs and government development agencies frequently provide MFIs with capital and technical assistance until the MFIs can become self-sustaining.
2. **Nonfinancial services—business development services (BDS):** Nonfinancial services include: entrepreneurship training, consulting services, information technology assistance, etc. Ideally, these services also are provided by local organizations with international PVOs and government development organizations supporting the projects only until they can become self-sustaining.
3. **Subsector targeting:** Often a number of microenterprises operate in the same subsector. Intervening to improve the subsector can increase the profitability of a large number of similar microbusinesses. Analysis of a subsector may result in efforts to expand markets, improve production methods, introduce new raw materials, and/or work to secure more favorable or less restrictive regulations for the subsector.

All three approaches are valid and, when implemented appropriately, effective.

Millions of microentrepreneurs have been reached through microfinancial services. As you learn more about the microfinance movement, you may recognize that these approaches to development are similar to those of the Peace Corps. Both MFIs and the Peace Corps are committed to:

- Working with the poorest of the poor,
- Focusing on women,
- Using locally available resources,
- Designing replicable projects, and
- Striving for sustainability.

There is a major difference in resources offered by the Peace Corps and most other international development organizations. The Peace Corps supplies skilled Volunteers, not loan capital. Local organizations request business Volunteers to help strengthen their operations, and work side-by-side with host country colleagues to deliver financial and nonfinancial services. Municipalities and regional governments as well as local development organizations seek Volunteers to help with subsector analysis and to implement strategies to increase the profitability of microenterprise subsectors.

HOW TO USE A MICROENTERPRISE TRAINING GUIDE FOR PEACE CORPS VOLUNTEERS

Each of the five modules in this manual is designed as a travel guide. It suggests an itinerary that highlights microenterprise information relating to microfinance history and methodology, nonfinancial business development services, and subsector analysis. Peace Corps Volunteers are serious travelers. They want to learn about microenterprise in their host countries and become involved to improve the quality of people's lives.

Travel guides often include sections on the local culture and some useful words of the local language. These training materials do the same. Gender issues related to culture are especially relevant since women operate the majority of microenterprises.

Throughout the microenterprise modules are activities to promote learning. Adults learn best through experience—the most relevant experiences are in communities similar to those where you will live during your Peace Corps service. Many of the activities include community observation, information gathering, and/or involvement—technical expertise is nearly useless until you learn how to adapt and apply what you know to fit the local culture and share that expertise in the local language.

Near the end of each module key microenterprise terms are explained as they are used in the module. There is a space to write the local language translation of each key term.

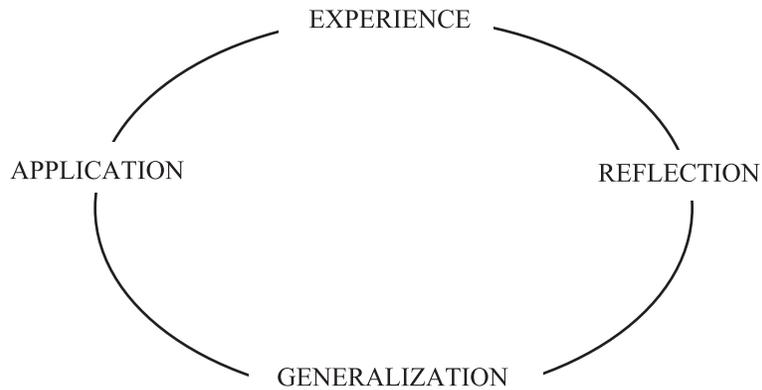
There is flexibility in the time spent and opportunities to explore areas that interest you. How much you learn during your visits is up to you. If you observe carefully, interact with the local people, and are open to new ideas, it will be a rewarding experience. As you begin learning about microenterprise as a strategy for development, it is useful to have a journal to record your observations, experiences, and thoughts; a camera; and an open mind.

Learning is not a spectator sport! You are in charge of your own learning. Your host community is a place for discovery, a place for observing, experiencing, processing, and implementing your learnings. Even “what you think you know” needs to be reevaluated in your new cultural environment. Incorporate local technical language into your vocabulary. In each module you are reminded to analyze what you know and what you are learning in the context of the local culture. Technical training is not complete without the integration of language and culture.

A Microenterprise Training Guide for Peace Corps Volunteers is designed for the self-directed adult learner. Self-directed does not imply a solitary learning experience, but rather that the learner takes responsibility for mastering the knowledge, skills, and attitudes. This self-directed approach is based on the “experiential learning” process, which is the way adults are most likely to learn.

Each module contains several activities, case studies, and/or hands-on exercises to present learning experiences.

EXPERIENTIAL LEARNING CYCLE



The experience that activates the experiential learning cycle may come from your past, an activity in your host community, a simulation game, or a written case study in a module.

Reflection is a special kind of thinking—it is both active and controlled. You are only reflecting as long as you stick to the problem or task at hand. Reflection is the kind of thinking that looks for the reasons for believing one thing rather than another, the kind of thinking that asks questions. It aims at making sense out of an experience. Practice reflecting on your experience, imagine the possibilities, and consider alternative meanings.

Many Volunteers find that keeping a journal encourages reflective thinking. Try writing in a journal every day for two or three weeks to determine if this works for you.

*Socrates believed that it is through this kind of thinking that people shape their lives.
He felt people need to think about what they do and why they do it, about what they believe and why they believe it. He said that a day should never pass without such questions and that a life without such questions is not worth living.*

— reprinted with permission from *Developing Creative and Critical Thinking: an Integrated Approach*, Robert Boostrom, National Textbook Company, Lincolnwood, IL, USA, p. 4

During generalization, you expand on what you are learning to fit new and different situations. Generalization is especially relevant for Volunteers operating in a new and different country and culture.

The last step of the cycle, application, requires that you actually use what you have learned. As you apply what you have learned, you generate new experiences and the experiential learning cycle begins again.

As a self-directed learner, you are responsible for:

- Thoughtfully reading the modules;
 - Actively participating in the suggested activities;
 - Engaging with community residents to learn about microenterprises in the local context;
 - Integrating cultural and language learnings to understand the technical subject matter in the local context;
 - Provocatively seeking additional information to understand the microenterprise topics;
 - Keeping an open mind to different ideas and ways of doing things; and
 - Assuring that learning objectives are achieved.
-
-

TRAINER'S NOTES

INTRODUCTION

The trainer is responsible for facilitating the learners' understanding of microenterprise development by:

- Identifying opportunities and materials that enable learners to experience, observe, and gather information related to the activities and topics;
- Helping learners contextualize their experiences and observations based on the trainer's understanding of the local business environment and culture;
- Encouraging learners to take an appreciative approach to value local knowledge, using local resources and strengths;
- Facilitating the experiential learning cycle (experience, reflection, generalization, and application) using the trainer's technical, cross-cultural, and country-specific expertise.

A Microenterprise Training Guide for Peace Corps Volunteers is written for Peace Corps trainees and Volunteers who expect to serve as community development Volunteers and/or assist microfinance institutions in the delivery of microfinancial and related social and business development services. These materials also should be useful for Peace Corps staff in understanding the possibilities associated with the creation and promotion of microenterprises. With some modifications, *A Microenterprise Training Guide for Peace Corps Volunteers* can be adapted for indigenous NGO staff and local community development workers.

These training materials were designed primarily for use during Pre-Service Training (PST) and In-Service Training (IST). Also, Volunteers can use them for self-study anytime during their Peace Corps service. Because the modules are designed for the self-directed learner, they can be adapted to a center-based, a community-based, or a hybrid PST model. Although a trainee or Volunteer benefits from individual study, working with a small group is usually more interesting, and sharing ideas deepens understanding. Interaction of a knowledgeable skilled technical trainer is not essential but desirable.

Writing training materials to fit every Peace Corps country and training situation is not possible. *A Microenterprise Training Guide for Peace Corps Volunteers* is furnished electronically to facilitate local adaptation. We urge you to make changes! Work with the post's programming and training staff to:

Continued

Trainer's Notes, continued

- Rewrite sections that are not applicable to the local microenterprise or training situation,
- Add country-specific examples and graphics,
- Replace names of people and places with local names, and
- Replace dollar amounts with the local currency to make examples realistic.

Trainer's Notes for each module and activities in the module are located at the end of the module. When printing copies of the modules for training participants, the Trainers Notes can easily be omitted. These notes contain:

- Overview of information and concepts covered in the module or activities.
- Time to complete the module or activities. (Check times to determine if they need to be adjusted to fit your training schedule.)
- Materials that should be on hand before starting the module or activities.
- Preparation to take place before beginning the module or activities.
- Debriefing the experience and processing the learnings is included to remind trainers of ideas, attitudes, and skills that may need to be highlighted or could be used to bring closure to the module or activity. During debriefing and processing, the skilled trainer works cooperatively with learners, to coach them as they reflect on what they have experienced, adapt learnings to fit the local culture, and begin to understand how their learnings can be applied during their Peace Corps service.

The training participant's section of each module contains key terms and knowledge, skills, and attitude objectives.

Key terms include words and phrases defined as they are used in the module. A space is provided for the local language translation. Work with your language teachers to find the right translations and build your technical vocabulary as you study each module.

Learning objectives are stated in behavioral terms and stress application of the learnings. Application is the final step in the experiential learning cycle.

Continued

Trainer's Notes, continued

At the end of each module are resources. These are readily available materials provide training participants and trainers additional information on microenterprises.

The following books are recommended for trainers of *A Microenterprise Training Guide for Peace Corps Volunteers*.

Methods for Development Work and Research: A Guide for Practitioners. Britha Mikkelson. (Sage Publications.) 1995. 269 pp.

Describes and analyzes different development research models, devoting special attention to the participatory approach, but also considering conventional and quantitative research methods that can complement this approach. Discusses the development issues that are being researched, with a separate chapter on poverty and gender analysis. Offers detailed information that can be useful in training field workers to do research.

Training Trainers for Development – Conducting a Workshop on Participatory Training Techniques. The CEDPA Training Manual Series Volume I, 1999.

Compilation of training activities that CEDPA has used in many programs to strengthen the training capacity of health, family planning, and other types of development organizations. Manual prepares managers and trainers to conduct interactive, learner-based training of trainers.

The Thin Book of Appreciative Inquiry. Sue Annis Hammond. (Kodiak Consulting.) 1996. 61 pp.

Simple, practical explanation of appreciative inquiry and how to use it. Also includes useful information on project planning and nongovernmental organization development.

MODULE 1

MICROFINANCE—AN EFFECTIVE POVERTY-REDUCTION STRATEGY

Working through *Microfinance—An Effective Poverty-Reduction Strategy* increases your awareness of the reasons working poor families remain in the poverty cycle. You will also learn about the relationship between gender and microfinance and a couple of promising strategies to help families break out of the poverty cycle. By the time you finish this module you should have the knowledge, skills, and attitudes to:

- Explain why families are stuck in the poverty cycle.
- Give at least three reasons why efforts to break the poverty cycle should focus on women.
- State under what, if any, circumstances you think small grants are better than microloans.
- Recommend two strategies to break the poverty cycle.
- Identify indicators, other than change in family income, that can be used to determine the impact of microfinance services. How would you collect the data? Why do you think these would be valid indicators to measure the impact of microfinance activities?

WHY DO HARD-WORKING FAMILIES REMAIN IN POVERTY?

Think about your experiences with poverty and your assumptions regarding the poor? Do beggars approach you on the street? Do you assume they are there because they are lazy, or addicted to drugs or alcohol, or because of a physical or mental handicap? When you see desperately poor people on TV news broadcasts, do you wonder why they are not receiving adequate assistance? What is the cause of their precarious situation—a natural disaster, civil strife, or ethnic conflicts? How do you react—give money; volunteer your time to help; wonder, given the magnitude of the problem, if there is a solution? Or do you feel helpless—convinced that individual efforts will not make a difference?

ACTIVITY 1:1

ATTITUDE SURVEY

This self-assessment activity allows you to get in touch with your feelings and identify your assumptions. You can keep your answers private, but it might be more interesting to discuss them with your fellow training participants, Peace Corps trainers, or community members. Below are 10 statements relating to ways in which microlending can help the poor start their own microenterprises. This is an attitude survey. There are no absolute right or wrong answers.

Attitude Survey

1. It is impossible to evaluate our work in enterprise development for the poor in terms of financial costs and benefits; human development cannot be valued in dollars.

Agree / Don't Know / Disagree
2. The best way to help poor people increase their incomes is to help a few people, who may not themselves be poor, to develop enterprises that will employ the poor.

Agree / Don't Know / Disagree
3. Poor people are unlikely to have their own good business ideas; MFIs must help them by giving them ideas.

Agree / Don't Know / Disagree
4. Loans for poor people's businesses must be at lower than market interest rates or interest free.

Agree / Don't Know / Disagree
5. MFIs, usually indigenous NGOs that are direct providers of credit and savings services, should charge the poor for enterprise development services, so that the MFIs themselves can become self-sustaining.

Agree / Don't Know / Disagree
6. MFIs should always encourage poor people to start group- or community-owned enterprises rather than individual businesses.

Agree / Don't Know / Disagree

Continued

Activity 1:1, continued

7. It is better to give grants to the poor to help them develop enterprises than to make loans to the poor.

Agree / Don't know / Disagree

8. If we do make loans to the poor for enterprise development, we cannot expect them to repay them on time; we must be lenient.

Agree / Don't know / Disagree

9. Women are better at microenterprise than men; they re-invest the profits, or spend them on their families, and they repay loans better.

Agree / Don't know / Disagree

10. Most poor people do not need training to enable them to start a business; all they need is access to finance.

Agree / Don't Know / Disagree

(This attitude survey is adapted with permission from *Empowerment Through Enterprise*. Malcolm Harper. Intermediate Technology Publications, London, 1996.)

Note: A discussion with answers is found at the end of this module. As you learn more about how microenterprises help the poor break out of the poverty cycle look for information to support or refute each statement in this survey.

Although their situation is heartbreaking, street people and the poor you see on TV are not representative of the working poor. The majority of the world's poor are working families. The term poor is used to identify those who do not have sufficient food to meet their basic nutritional requirements. Most of these families live in developing countries. Women head many of these families. "An estimated 200 million women in the developing world live in severe poverty. Most are self-employed, struggling to ensure the survival of their families through multiple economic pursuits that yield marginal returns" (*Village Banking: The State of the Practice*, Candace Nelson, Barbara McNelly, Kathleen Stack, and Lawrence Yanovitch, The Small Enterprise Education and Promotion Network and the United Nations Development Fund for Women, New York, 1996, p. 3).

What can be done to make a difference in the lives of the productive poor? Humanitarians have struggled with this question for many years. Before you get to the end of this module you will learn about two proven strategies. First, we need to determine why hard-working families remain in poverty. The following case study provides some insights into the vicious cycle of poverty.

ACTIVITY 1:2

A CASE STUDY ABOUT A POOR WORKING FAMILY

(Sakhubai and Rambhau's family is not real, but it is typical.)

Sakhubai and Rambhau's family, besides themselves, consisted of their one-year-old baby girl, Rambhau's 10-year-old sister, and his mother. The sister did not attend school; she worked doing laundry for a rich family in the village. Rambhau owned two acres of land and even a bullock-cart.

Every year Rambhau would borrow money from the moneylender at the rate of 10 percent per month (120 percent annual interest!). The money was used to purchase seeds, fertilizer, and pesticides for his field. But as soon as he reaped the harvest, all his income would go to repaying the loan and interest.

When Rambhau's mother died he didn't know where to get the money for performing the funeral rites. This was a crisis. Poor Rambhau was forced to mortgage one acre of his land for the money. His income was now decreasing.

After some years Sakhubai had a son. They now started running short of money even for his medicines, house repairs, and for so many other basic needs of the home. The expenses as well as prices were constantly on the rise. How much money could one get after selling the grain? Besides, the production of the land was declining each year. Finally, to repay his ever-increasing loan, Rambhau had to sell off the remaining acre of land they owned.

Two years later, when his sister was 14 years old, Rambhau decided to get her married since she was now of "marriageable age." He borrowed money from a sugarcane contractor for the dowry, purchases, and other expenses for the wedding. The entire family now had to work for the sugarcane contractor in order to repay the loan. In spite of working themselves to exhaustion, and almost starving themselves, their problems kept increasing. Their needs were constantly increasing, and it was impossible to make ends meet. The family now had no land; they had even lost their bullock-cart repaying the loans. Sakhubai and Rambhau could not find a way out of their situation.

Continued

Activity 1:2, continued

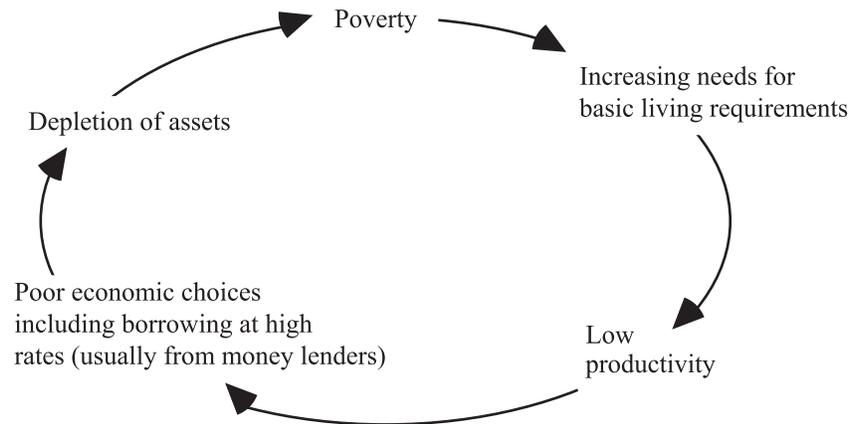
Answering the following questions will help you reflect on Sakhubai and Rambhau's situation, understand generally the factors that contribute to poverty, and finally suggest solutions that might reduce poverty. A small group discussion with other participants, your trainers, and/or community members will be more interesting than answering the questions by yourself and is likely to provide additional insights.

- What were the family's sources of income?
- What were the family's resources? Who in the family owned the land?
- What were the goods and services the family needed to purchase?
- What factors made the family poorer day by day?
- How are the circumstances of working poor families in your country of service similar to and different from those of Sakhubai and Rambhau?
- What development strategies would you suggest to help these poor working families improve their economic well-being?
- Are your proposed strategies culturally appropriate, feasible, cost-effective, long-lasting or sustainable, and replicable? (You may want to get the opinion of your language instructors, local friends, host family, or discuss these issues with your technical trainer.)

(This case study is used with the permission of the author, Dr. Marcella D'Souza, *Little Drops of Water Make a Mighty Ocean*, WOTR Management Series, Watershed Organization Trust (WOTR), Maharashtra, India, 1998.

Although the names are different; the crops may be coffee beans or bananas instead of sugarcane; and the family may reside in an urban slum rather than a rural area, hundreds of millions of working poor families on our planet face similar circumstances. They are caught in a vicious cycle of poverty.

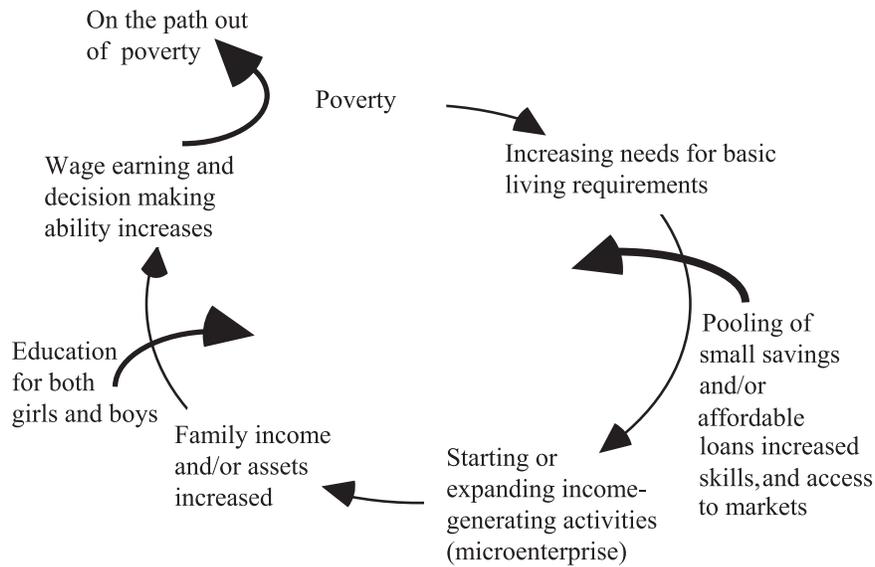
The Poverty Cycle



How can the poverty cycle be broken? Experience shows there are two promising strategies.

1. By **acquiring productive assets** through savings, small grants, or affordable microloans, a family can increase their capacity to produce income by starting or expanding an income-generating activity. A small amount of capital is all that is needed to purchase a bicycle to get produce to market or purchase raw materials to make handicrafts or other homemade items to sell. A little additional income can make a big difference. It is difficult for people without education to find employment, and self-employment or microenterprise is thus the only option for millions of poor people. Lack of capital to acquire equipment, raw materials, seeds and fertilizer, or farm animals is an insurmountable barrier.
2. **Education** not only allows family members to earn higher wages, but also enables them to better manage the family's scarce resources. Unfortunately, an education even at the primary level costs money. Although attending schools may be "free," students need school clothes and supplies. Additionally, there is an opportunity cost for children attending school. The time that a son or daughter spends in school limits the amount of time they can spend on income-producing activities or household chores, which allows adult family members to generate income. Children of the poorest families cannot attend school regularly until the family's basic nutritional, clothing, shelter, and health needs are met.

Breaking the Vicious Poverty Cycle



Education and the ability to secure productive assets are effective strategies in breaking the poverty cycle. Does it matter who in the family receives the education and controls productive assets? The experience of microfinance organizations in Africa, Latin America, and Asia indicates families benefit most when women control the assets and girls and women are educated.

Note: At the Microcredit Summit in Washington, D.C., February 2–4, 1997, attended by more than 2,900 people representing 1,500 organizations from 137 countries, a nine-year campaign was launched. They plan to reach 100 million of the world’s poorest families, especially the women of these families with credit for self-employment and other financial and business services by 2005. Also, in 1999 the United Nations Development Program (UNDP) funded \$3 million for a women’s MicroStart Global Pilot Program. They did this because, “Evaluation of the results of microcredit have shown that these efforts can enhance the role of women in society, resulting in, among other things, prolonged education, reduced fertility and delayed age of marriage.”

(UNDP website http://www.unfoundation.org/grants/3_6_microstart.asp)

WHAT IS THE RELATIONSHIP BETWEEN EDUCATION AND POVERTY?

(The following is excerpted from the comments of John Tucker, manager, Special Unit for Microfinance, United Nations Development Programme, given at the Microcredit Summit of Councils 1999, Abidjan, Côte d'Ivoire.)

Although families usually choose to educate their sons before their daughters, development professionals and world leaders agree the poverty cycle is not broken until girls are educated. At the annual meeting of the Economic and Social Council (ECOSOC) in Geneva, United Nations Secretary-General Kofi Annan called on the international community to do more to promote women's prospects. "Women are among the poorest of the poor," he said. "They work long days, walk long distances to fetch water, and must find time and energy for informal sector activities, which are their only source of income. Their jobs are truly never done."

Annan said investments in women, particularly in the education of women and girls, are the key to sustainable development and will give the greatest benefits to families and society. "By right and by reason, women must have equal opportunities," he said.

World Bank President James Wolfensohn echoed Annan's remarks, telling ECOSOC delegates that providing equal rights to women is vital for the eradication of poverty, and that stable economic growth cannot be achieved without providing voting rights and job opportunities to the world's 3 billion women. (Source: United Nations Wire on line, July 7, 1999.)

Educating girls has great promise as a long-term strategy for increasing the economic well-being of women, their families, their communities, and their nations. If you would like to learn more about this exciting development opportunity, check out *Gender and Development Training: Girls' Education* (ICE No. M0054) listed in the Resources section at the end of this module.

* * * * *

A LEARNING MOMENT

Appreciative Inquiry (AI) is a capacity-building process that begins by valuing the individual, the organization, the community, and the culture in which they exist. Over time, AI develops four important competencies that support the unfolding of an ongoing appreciative learning experience:

- Appreciative competence: the capacity to focus on what individuals, organizations, and communities have done well in the past and are doing well in the present;
- Generative competence: a capacity to allow members to reflect on the impact of their contribution toward a higher purpose;
- Expansive competence: the ability to go beyond familiar ways of thinking; and
- Collaborative competence: the power of dialogue to transform systems.

There are parallels between the experiential learning approach and appreciative inquiry. Appreciative competence encourages us to look at what has gone well, to use past experience. The generative competence relates to the reflection step in experiential learning. The expansive competence correlates to expansion and the collaborative competence to the application step where learning is implemented.

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You are encouraged to use an appreciative approach when interacting with members of your host community.

ACTIVITY 1:3

WHO GOES TO SCHOOL?

The relationship between lack of educational opportunities and poverty is well documented. School can prepare young people to take advantage of opportunities in their adult lives; the lack of adequate schooling leaves them with few options.

To learn about educational opportunities in your host country ask a kid(s), a parent(s), a teacher(s), school administrators, your language instructors, and/or Peace Corps staff. Visit a school. Watch a class. Remember to ask questions “appreciatively”!

- Are schools “free” and available to all?
- Do children from rural and urban areas attend equally?
- What about children from poor families?
- What are the ages of children who attend?
- Do more boys than girls attend?
- What impact does the level of education reached and who attends school have on the economy?
- Do the schools prepare students for jobs that are available in the community?
- When they graduate do most young people find jobs?
- How many start their own businesses?
- How much education do people who operate the microbusinesses in the community have?
- What changes in the school system do you feel would improve the economic well-being of community residents?

If you are lucky enough to have Internet access, visit www.UNICEF.org to view educational information by country.

After you have gathered information on educational opportunities in your host country and reflected on the information, what generalizations would you make? Do your fellow training participants and Peace Corps trainers agree with your generalizations? To what extent does the lack of educational opportunity contribute to the poverty level?

Based on your understanding of the local school system, what possibilities do you see for involvement during your Peace Corps service? You might want to talk to current Volunteers about their experiences working with local schools.

HOW CAN THE WORKING POOR ACQUIRE PRODUCTIVE ASSETS?

Some innovative approaches are being used to place productive assets in the hands of poor families. **Heifer Project International** offers animals (and training in the care of animals) to hungry families around the world as a way to feed themselves and become self-reliant. Children receive nutritious milk or eggs; families earn income for school, health care, and better housing. Farmers learn sustainable, environmentally sound agricultural techniques.

The project, when started in the 1930s, gave heifers (young cows that have not borne a calf) to hungry families. In return, they could help another family become self-reliant by passing on to them one of their animal's female calves. Today the Heifer Project supplies animals, including chickens, rabbits, sheep, goats, and cows, to families in more than 115 countries.

While numerous families have benefited from the Heifer Project, the logistics of providing the animals, training families to care for the animals, and making arrangements to transfer the offspring to other families are staff-labor intensive. This limits the number of families who can be helped.

Trickle-Up, established in 1979, is another program with a unique approach. The Trickle-Up Program is dedicated to reducing poverty by helping the lowest-income people around the world start or expand their microenterprises. Local representatives provide basic business training and a conditional grant. It is based on the assumption that people already have the capability and ingenuity to create viable enterprises. Seventy percent of those applying for Trickle-Up grants are women. It is one of the few programs where youth at least 16 years old can get funds to start a business.

Transaction costs for administering these small grants (\$50 to \$100) are usually high, and since it is not expected that the loans will be repaid, capital is rapidly depleted. The high transaction cost limits the grant program's ability to reach large numbers of the poor. Other disadvantages of grant programs are that they contain no provision for accumulation of family savings or for providing continuing financial services for newly formed microenterprises. Realistically, the small businesses started with grants will need ongoing financial services.

The challenge is to reach large numbers of the productive poor cost-effectively, provide them with productive assets that enable them to increase their economic well-being, and do so in ways that fit the culture.

The following hypothetical but typical story about the business of five Kenyan women highlights some of these cultural issues and explains:

- Why they were reluctant to do even simple business reports after they had operated for three months;
- How their families were better off economically because of a small grant;

- The important role that mutual trust plays in improving the economic well-being of the poor; and
- How the women's business practices were consistent with their traditions and culture.

Five Kenyan women prepared a simple business plan and received a \$50 Trickle-Up grant. They take turns selling green vegetables and grain in the local market. All five women grow the produce in their gardens. At the end of the week each takes home two kilos of maize, three kilos of beans, and a kilo each of rice and wimbi. Each day the one tending the stall takes home the unsold green vegetables that will not keep. Enough money is set aside to replace what has been sold and the remainder is placed in a safe place. Periodically the group decides on a joint purchase with each member going home with six new plastic cups or a cooking pot. The utensils are considered group property and can be recalled for special occasions. The group hopes to someday have enough saved to purchase some land. If a member becomes ill, the group will purchase medication or pay the hospital fee. If there is a wedding or a funeral, money is given to the group member to cover expenses. School fees are paid for members' children, even where members have different numbers of school age children. No records are kept, except in their heads, of who gets what, but each member trusts that when she is in need, the group will respond.

Traditionally, Kenyan women sell their extra vegetables, eggs, or chickens in the market to earn money to buy things for their families. These transactions typically take place on market days. What is carried home is the new purchase. Though over time significant amounts might be involved, records are never kept. In order to maintain control of this income and how it is spent, women do not reveal to their husbands the particulars of their business dealings. The fear is that if men know just how much money is involved, they will take control of it, and the basic needs of the children and household would not be met.

These women's business practices differ from Western business standards of careful accounting and distributing of profits according to a partnership agreement. Despite frequent seeming inequities in who gets what, depending on how tragedies strike, women seem satisfied with the system, feeling that if the balance of misfortune shifts they will be cared for. (Adapted from stories in *The Trickle-Up Program in Kenya: An Evaluation Report*. Lani van Ryzin-Havens and Ruth Kobia. 1987. Trickle-Up Program Inc.)

Today, women still need to protect income from husbands or male family members. Most women do not want cash from their businesses, preferring food or household items. If a husband finds cash he might drink it away, so even recording cash amounts in a book could be a threat. If a man wants to sell a new cooking pot, he is told it belongs to the group and the wife is only keeping it for them.

* * * * *

Programs such as The Heifer Project and Trickle-Up have helped thousands of families. There are many success stories to report. However, these programs are labor-intensive, and it is not possible to reach the 100s of millions of families who need additional productive assets.

A different approach to providing cash to acquire productive assets is the **Microfinance Movement**. It is built on the principles of mass-marketing—low-cost products, high volume, and efficient delivery systems. The loans are generic, the overhead is low, there are no frills, and the number of loans delivered to clients is enormous. Therefore, the transaction cost is low. Microloan programs have reached millions of low-income families and have the potential of reaching the 100s of millions.

More than 20 years ago, in the late 1970s, some highly inventive nongovernmental organizations (NGOs) and banks saw the promise of microlending and pioneered techniques to issue loans to the self-employed: those who know their trade well but lack conventional means to secure a loan. The descendants of these microfinance institutions (MFIs) have prospered in some of the poorest countries of Africa, Latin America, and Asia. In Bangladesh, the Grameen Bank pioneered “peer lending,” which now reaches 2 million women. (*Village Banking*, Candace Nelson, Barbara McNelly, Kathleen Stack, and Lawrence Yanovitch, The Small Enterprise Education and Promotion Network and the United Nations Development Fund for Women, New York, 1996, p. 3.) In Central and South America, FINCA International started “village banking” independently at about the same time, using slightly different methodologies, but embracing the same basic concepts. By 1996, more than 10 million clients around the world had received microfinance services, “the vast majority of whom are below the official poverty line (usually defined by caloric intake).” (*MicroStart*, United Nations Development Programme, New York, 1997, p. 12.)

The fact that more than 10 million clients have received microfinance services is not nearly as impressive as the impact these services have on the lives of the savings and loan clients. Until recently, evaluation information focused on verifiable quantitative numbers—how many loans, number of savers, default rates, etc. Now MFIs are beginning to collect data showing the changes their services are making in the lives of their clients. Jeffrey Ashe collected the information below as part of a program evaluation in Cambodia. The survey findings document substantial change in the lives of the village bank members.

THANEAKEA PHUM VILLAGE BANKING PROJECT

In 1998, village bank members were interviewed. The sample consisted of 197 randomly selected members.

Members' income increased.

- 34 percent said what they earned from their microenterprises represented “most” of their family’s income, compared with only 6 percent before they joined the village bank.

Members' families eat better.

- 67 percent said they ate better food and more of it.

Members are better housed.

- 19 percent said they had made major improvements to their homes and 57 percent more said they had made minor improvements.

Members invested their additional income in consumer goods.

- 65 percent purchased pots and pans.
- 21 percent purchased radios.
- 14 percent purchased watches.
- 9 percent purchased TVs.

Members invested their additional income in productive assets for their businesses, or for their family’s agricultural activities. These investments can lead to greater productivity and more profits in the future:

- 61 percent purchased tools and equipment for their businesses.
- 50 percent purchased tools for farming.
- 26 percent purchased bicycles.
- 13 percent purchased motorcycles.
- 11 percent purchased land.
- 11 percent purchased a cow that also could be used for plowing.

Members said they helped each other:

- 80 percent were given advice by other members on how to sell their goods.
- 71 percent were given advice on how to produce.
- 70 percent were given advice on where to sell.
- 57 percent shared transportation.

- 47 percent sold another member’s goods at the market.
- 28 percent produced the goods together.
- 24 percent shared tools.

Members were available to each other in times of crisis.

- Nearly three-quarters say they “often” help each other in times of personal crisis—sickness, illness, and fire, for example.
- Only 20 percent say they help each other “occasionally” or “never.”
- Close to 60 percent say they help each other with their loan payments.

* * * * *

It would be difficult to find anyone who would argue against educating girls or providing poor women with assets to increase their ability to generate income. However, some development professionals believe lending to poor, often illiterate, women is not an effective use of limited development funds.

In the field of microenterprise, there are two main views on the growth and dynamics of microenterprises: growth and expansion; and equity and poverty alleviation. A third view has emerged, growth through equity and security.

If the goal is to create jobs through a vibrant sustainable microenterprise sector, then invest in those literate people with the skills, motivation, and the risk tolerance to grow and expand their businesses. Society calls these risk takers “entrepreneurs” who take risks by starting “enterprises.” This is the growth and expansion economic development point of view. Proponents of this view characterize most women’s enterprises as having limited potential for growth due to the nature of the enterprises or the women themselves.

Most low-income women in developing countries live and work in high-risk environments and seek to minimize risk and increase their family’s security. Because low-income women often try to avoid risk and provide for the basic needs of their families, rather than to take risk and expand their economic activities, their activities often are not classified as enterprises. The terms “subsistence activities” or “income generating activities” are often used instead of enterprise.

Proponents of equity and poverty alleviation characterize most women’s enterprises as low-growth enterprises; they favor providing funds to enable women to start their minibusinesses. There is no expectation that these women’s businesses will grow; the expectation is they will maintain the families’ basic needs. They don’t believe extra funding is justified to work toward removing the barriers that prevent women from moving up the economic ladder—education, rights to own property, cultural biases that deny women access to nontraditional higher paid jobs, and benefits (like social security) male workers are provided in their formal sector jobs.

Proponents of growth through equity and security also recognize that most women's enterprises have low returns and low productivity but argue that many women's enterprises have potential for growth if cultural, policy, and market barriers are removed. They favor women-focused programs, which address these barriers and provide credit to help low-income women start their businesses. (Discussion of these three views can be found in "Gender and the Growth and Dynamics of Microenterprises," GEMINI Working Paper No. 5. Washington, D.C.: The GEMINI Project, Development Alternatives, Inc., 1990.)

Today different enterprise development projects take different views. Some projects are designed assuming growth and expansion is the optimal approach. Other enterprise development projects implement the equity and poverty alleviation approach, and still others take the growth through equity and security approach. There are many variations in projects. Project results are not clear as to the most effective long-term approach.

What we do know with certainty is that unless both women and men of poor populations become more productive, the likelihood of significant improvements in their standard of living is unlikely.

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A LEARNING MOMENT

What can you do during your Peace Corps service to increase the participation of women and girls?

- Plan meetings and other events at times when women can attend—based on knowledge of their daily schedules.
- Plan for child care—arrange for on-site child care or structure events so children can attend.
- Consider women’s ability to travel or lack of access to travel in locating trainings and other events.

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Before we complete this first module, it is time to play the Best Game. You will experience making decisions as a poor working family in managing its microenterprise and trying to meet basic needs. Enjoy the experience, and may the cleverest family win. The challenge is to have money left at the end of the month!

ACTIVITY 1:4

THE BEST GAME

The Best Game introduces players to the economic realities a poor family faces on a daily basis and lets them experience the tough choices enterprising families make in managing scarce funds.

Ask your technical trainer, Pre-Service Training Director, or business program manager for a copy of the Best Game.

You need at least six people to play the game, plus a facilitator. The ideal number of players is 9 to 15. The game requires three teams (families). Invite some of your host country friends to join you in playing the game. You might want one member of each family who can translate if a local language version of the game is not available. The game facilitator will provide instructions and manage play. The rules and hints for planning the Best Game are included in a trainer's manual that accompanies the game.

After you have played one round of the game, take time to discuss with other players what you have learned. How could you have managed resources better to increase your profit? Will "your family" have to borrow again next month to continue your microenterprise? If you did not keep your savings in a bank or you could not borrow, what would be the impact on "your family's" economic well-being?

May the best family win.

Consider producing a local language version of the Best Game. Adapt both the pictures and words to fit your host country. Use the talents of artists in your group; involve your language instructors. A local language version would be a useful training tool to take to your site for teaching about managing a microenterprise.

KEY TERMS

Key terms are defined as they are used in the module. A space is provided to write the local translation of the word or phrase. Work with your language teachers to find the right translations and build your vocabulary as you study this module.

Entrepreneur: someone with the motivation, ideas, and capacity to combine the factors of production (land, labor, capital, and information) into goods and/or services.

Indicator: a surrogate measurement for a change. Example: A new roof on the home is an indicator of the family's increased economic well-being.

Informal sector: consists of numerous microbusinesses, which typically have no legal status and do not pay taxes. The informal sector accounts for more than 50 percent of the economy in many developing countries and is the major source of income of the poor.

Microenterprise: nonagricultural income-generating activity with fewer than 10 employees including the owner; the owner and employees have few personal assets.

Microfinance institution (MFI): organization that provides nonexploitative credit and savings services, generally for the poor.

Microlending: lending programs that normally range from \$50 to a maximum of \$300 to \$500 (in U.S. dollars).

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RESOURCES

Building Communities from the Inside Out: A Path Toward Finding and Mobilizing a Community's Assets. John P. Kretzmann and John L. McKnight. (ACTA Publications.) 1993.

Guide to asset-based community development, summarizing lessons learned by studying successful community-building initiatives in hundreds of U.S. neighborhoods. Outlines what local communities can do to start their own asset-based development, including how to rediscover their local assets; how to combine and mobilize these strengths; and how “outsiders” in government can effectively contribute to the process of asset-based development.

Gender and Development Training: Girls' Education. (Peace Corps ICE.) 1998. (ICE No. M0054)

Product of the Gender and Development Training Initiative. Seeks to institutionalize the consideration of gender issues throughout the Peace Corps. Contains eight booklets that provide background and training design for various participants; session plans and handouts; and insights from the field.

Income Generation and Money Management. PCV Sheila Reed. (Peace Corps ICE.) 1994. 70 pp. (ICE No. R0087)

Originally titled *Income Generation and Money Management: How to Train Gambian Women*, this manual applies to low-literate entrepreneurs in other parts of Africa and perhaps elsewhere as well. Contains helpful numeracy activities and good materials for small business/women in development projects.

No Short Cuts: A Starter Resource Book for Women's Group Field Workers. Nicky May and Mia Hyrun. (Change International.) 1992. 60 pp.

Provides practical information on how to organize a women's group and have it operate effectively. After a general discussion, relates the information to groups formed for specific purposes. These include creating a savings and loan association; producing handicrafts; initiating agricultural projects and improving farming techniques; processing foods; providing potable water, planting trees, and conserving energy; and improved health, education, child care, and home management. A detailed but easy to understand manual that is an excellent resource to use when working with host country women.

PACA: Participatory Analysis for Community Action. (Peace Corps ICE.) 1996. 350 pp. (ICE No. M0053)

Participatory Analysis for Community Action (PACA) is an approach used to facilitate communities' exploration of their own realities in order to make desired changes. Based on earlier participatory analysis methods, such as Rapid Rural Appraisal and Participatory Rural Appraisal, PACA turns the appraisal activity into a process where the development agent and community develop a partnership that leads to community control of their own projects. As a defining criterion, PACA distinguishes the role of gender in development by applying the participatory exercises with separate groups of women and men, girls and boys, which allows the community to compare and analyze together the roles that shape their reality. In similar ways, PACA can be used to understand age, ethnicity, or any other source of societal differentiation that has implications for development. The tools can be used in schools, organizations, institutions, and any other group, rural or urban, where different voices need to be heard.

A Question of Access: A Training Manual on Planning Credit Projects That Take Women into Account. (UNIFEM.) 1995. 180 pp.

Comprehensive look at issues surrounding the impact of credit on women and how to integrate this awareness into setting up a microcredit delivery system. Provides suggestions and instructions for organizing training workshops that can be used in developing materials and session plans.

Internet:

www.cedpa.org — The Center for Development and Population Activities (CEDPA) is a nonprofit international organization founded in 1975. CEDPA's mission is to empower women of all levels of society to be full partners in development. Good publications, training manuals, and section on lessons learned.

www.girlsright.org — Information from two working groups on girls established as part of the international movement to support the human rights of girls and their issues. Site has information on advocacy, communications, and a summary of "Cleaning a path for girls: NGOs report from the field on progress since Beijing."

www.heifer.org — Overview of Heifer International's history, success stories, and current program.

www.trickleup.org — Overview of Trickle-Up International's history, success stories, and current program.

www.UNIFEM.org — Good resource especially if looking at statistics worldwide on education.

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ACTIVITY 1:1 Reference

ATTITUDE SURVEY: DISCUSSION OF ANSWERS

1. **Financial evaluation is impossible.**

Agree: Human welfare and dignity cannot be “priced”; they are priceless.

Disagree: Business enterprise is about money; we are spending money to help people earn money; we must compare the two.

2. **Jobs for the poor, not self-employment.**

Agree: The poor do not have the education, the skills, or the contacts to start businesses; it is better for them to be employed by others who do have the resources.

Disagree: When the poor are employed they are usually exploited; if they have their own businesses they will be genuinely “empowered.”

3. **We have to give the poor business ideas.**

Agree: The poor have not been exposed to business ideas. A primary function of outsiders is to show them what they can do.

Disagree: The poor know their own situation better than we do; they know what their own resources are, and what they can produce or sell.

4. **Charge the poor low interest or no interest.**

Agree: Poverty means having little or no money, so it is self-evident that poor people cannot afford to pay a high price for money itself.

Disagree: Access to finance is more important for poor people than its price. High interest may be necessary to pay for this service.

5. **Charge the poor fees for our services.**

Agree: People only value services if they pay for them; free services are valued for what they cost, that is, nothing.

Disagree: Donors have given us their money to help poor people; we are breaking our trust if we sell services to the poor.

Continued

Discussion of Answers, continued

6. **Always promote groups.**

Agree: Individual business people always exploit poor people, even if they come from the same community. Strength comes from unity.

Disagree: Group enterprises have bad records everywhere, they are more difficult to manage, and they usually either fail or are “hijacked.”

7. **Grants are better than loans.**

Agree: The poor need every cent for survival; it is wrong to make them repay, and it costs more to administer the recovery than is recovered.

Disagree: Grants demean people and make them dependent on the donor.

8. **The poor cannot repay loans on time.**

Agree: Poor people are vulnerable to personal and natural disasters. They and their families will suffer if they are forced to repay.

Disagree: If a loan has been correctly approved, the borrower should have no difficulty in repaying it on schedule.

9. **Women are better at microenterprise than men.**

Agree: Women always have to plan further ahead and to think of their children; men tend to spend any surplus on drink or other enjoyment.

Disagree: Men are nearly always better educated than women, and they understand money better; most successful big business owners are men.

10. **Most poor people don't need business training.**

Agree: Success in microenterprise depends on shrewdness and local knowledge, not on things that can be taught in a course.

Disagree: Poor people have no knowledge of business, particularly of record-keeping; they must be taught these things if they are to succeed.

TRAINER'S NOTES

MODULE 1 MICROFINANCE—AN EFFECTIVE POVERTY- REDUCTION STRATEGY

Overview:

This module was designed to:

- Increase the reader's awareness of why the working poor have difficulty breaking the poverty cycle.
- Suggest some strategies that are promising in reducing poverty.
- Provide information to support the focus on girls' education and financial services for women.
- Reinforce concepts with an attitude survey, a case study, an activity on local microfinance conditions, and the Best Game, which allows participants to experience managing funds as a poor working family.

Time:

Reading	1 hour
Activities, including debriefing	7 hours

Materials:

The Best Game.

Preparation:

- Read the module and adapt activities if necessary to fit the local situation and training schedule.
- Arrange to have as many of the references listed at the end of the module as possible available at training site(s).
- Identify local microfinance NGOs and their staff for future field trips and/or discussions of local microfinance issues with trainees.
- Secure sufficient copies of the Best Game. Read instructions for the Best Game and be prepared to facilitate or train game facilitators.
- Schedule at least one hour to review and discuss learning objectives with trainees.

TRAINER'S NOTES

**ACTIVITY 1:1
ATTITUDE SURVEY**

Overview:

The attitude survey is intended to get trainees to think about the plight of the poor and what interventions are effective and not effective.

Time: 15 minutes

Materials:

Copies of the attitude survey and discussion of survey. Both are included in the module.

Preparation:

None.

Debriefing the experience and processing the learnings:

Trainees come to their host country with different backgrounds, and, predictably, they will have different attitudes. This activity allows training participants to reflect on their attitudes and better understand how they feel about issues related to helping the poor. Encourage trainees to consider the arguments for and against each statement in the attitude survey and to look for information that would support one or the other position as they learn more about how microenterprises help people move out of the poverty cycle.

TRAINER'S NOTES

ACTIVITY 1:2

A CASE STUDY ABOUT A POOR WORKING FAMILY

Overview:

This activity provides insights into why so many families in developing countries are poor.

Time: 1 to 1 1/2 hours

Materials:

Case study included in module.

Preparation:

Identify a trainee who will be responsible for scheduling the debriefing and leading the discussion.

Debriefing the experience and processing the learnings:

Sakhubai and Rambhau's family story can be used to promote a rich discussion of:

- How families spend their money.
- Gender issues related to poverty.
- Culture—expectations for spending at weddings and funerals.
- The relationship between education and poverty.
- The role of the government in helping the productive poor.
- The role of Volunteers in helping the productive poor.

Possible answers to the case study questions:

- **Sources of income:** farming, labor, or service.
- **Needs for money:** nutrition, clothing, health needs, medication, marriages and funerals, agricultural expenses, house repairs, and education.
- **Reasons for remaining in poverty:** low level of education, lack of adequate resources to earn a living, high cost of borrowing money.

Continued

Trainer's Notes: Activity 1:2, continued

- **Possible development strategies:**
 - Open a factory in the village to provide jobs.
 - Distribute land to the poor.
 - Provide scholarships so children can attend school.
 - Start a cooperative so agricultural supplies can be purchased cheaply and crops sold at higher prices.
 - Provide productive assets like cows and chickens; provide small grants or financial lending and saving services to enable the poor to start their own microenterprises.

Discuss how the poorest of the poor situation locally is similar to and different from the family in the case study.

Encourage participants to look at the cultural appropriateness, feasibility, cost-effectiveness, and sustainability and replicability of their proposed development strategies.

TRAINER'S NOTES

ACTIVITY 1:3 WHO GOES TO SCHOOL?

Overview:

A knowledge of the country's educational system is part of understanding a country's culture. School can prepare young people to be ready to take advantage of opportunities in their adult lives; the lack of adequate schooling can leave them with few options. This activity encourages training participants to learn about educational opportunities in the local community by asking questions of community members and visiting a school.

Time:

Can be adjusted by each training participant to fit his or her interest in this topic.

Materials:

None.

Preparation:

Gather articles and information on the country's educational system and have them available for training participants. Identify local schools that would welcome visitors.

Debriefing the experience and processing the learnings:

If one of the training participants has a strong interest in education, you may want to ask him or her to facilitate the debriefing.

Consider and discuss the following:

- There is a strong correlation between a well-educated population and a high standard of living. Why?
- Who benefits from the local schools and who does not?
- What are the connections between education, economic well-being, and the economy?
- What are the strengths and weaknesses of the local school system?
- What changes would community members like to see in their educational system?
- How can Volunteers be effective in working with local schools?

TRAINER'S NOTES

**ACTIVITY 1:4
THE BEST GAME**

Overview:

The Best Game introduces trainees to the economic realities that a poor family faces on a daily basis and lets them experience the tough choices enterprising families make in managing scarce funds.

Time:

To introduce and play the game	2 hours
To discuss learnings from the game	30 minutes

Materials:

The Best Game.

Preparation:

Instructions for preparation and facilitating the Best Game are found in the instructor's manual in the kit. Allow yourself two hours or more to familiarize yourself with the game. Consider asking one of the training participants to facilitate the game.

Debriefing the exercise and processing the learnings:

Suggestions for debriefing the Best Game are found in the instructor's manual that accompanies the game.

A Microenterprise Training Guide
for Peace Corps Volunteers

MODULE 2

Microfinance Methods



Traditional
Artisans and
Entrepreneurs



