

**Microfinance Opportunities'** new revenue model for consumer financial education is a performance-based model that requires MFO to produce results before it gets paid.

**Microfinance Opportunities** has a history of innovating in consumer research and financial education. The Pay-for-Performance Fund is an innovation in how we finance financial education projects to scale up the provision of financial education in a sustainable manner.

With 100s of millions of youth and adults interacting with a wide variety of new financial services without having received any type of financial education, models for delivering financial education have to achieve scale. Grants from governments, foundations, or philanthropists will never be sufficient to reach the scale needed. MFO believes Financial Service Providers have a vested interest in having educated customers, and are willing to pay for the education. We also believe that we can achieve the results that FSPs value, while also benefiting and empowering the FSPs' customers.

The Pay-for-Performance Fund (PfP Fund) will finance projects in which MFO will invest its time and resources in alliance with an FSP to develop a tailored financial education project. When MFO achieves the results agreed to with the FSP it will receive payment, which it will use to repay the PfP Fund – see "The Model" below and "The Model in Detail" on the next page for a full description.

Donors and Venture Philanthropists interested in investing in the PfP Fund can contact Guy Stuart, Executive Director of MFO, directly at [guystuart@mfopps.org](mailto:guystuart@mfopps.org) to identify the most appropriate type of investment.

Financial Service Providers interested in working in alliance with MFO to implement a financial capability development program or consumer financial education project financed through the PfP Fund should complete in detail and submit an Online Enquiry Form for MFO to follow up with you.

## The Model



## The Model in Detail

Financial service providers (FSPs) value consumer education as a way for them to increase uptake and use of their financial service products, and increase client retention, or, in the case of loans, decrease their portfolio-at-risk (PAR). As a result, FSPs can pay for consumer education programs that directly contribute to their bottom line(s) from increased revenues or decreased costs. MFO helps FSPs achieve such performance through consumer education programs, with the understanding that it will only get paid if the revenue enhancements or costs savings are realized.

To achieve this mutual benefit, MFO enters into and executes a performance-based contract with the FSP through the following process:

0. **Project selection.** MFO and the FSP enter into an MOU that defines the scope of work to be carried out in the market and operations research in Phase 1. FSP makes an upfront payment to cover some basic costs that MFO will incur in conducting its research. The costs will be limited to out-of-pocket expenses related to travel to the FSP's market, and travel within that market. The purpose of this upfront payment is to gain the commitment of the FSP to the project, and align their interests with those of MFO in terms of the efficient use of time in the field.
1. **Research.** MFO conducts the necessary market and operations research to identify the core issues confronting the FSP and determine whether consumer education can play a role in addressing those issues. The selected FSP must be willing to engage MFO in an open and honest dialogue regarding the challenges it faces, and also make available logistical support to facilitate the market research process.
2. **Proposal.** MFO crafts a proposal to the FSP for a consumer education project. The proposal contains a request for a commitment of resources and personnel from the FSP that MFO deems necessary for the success of the project.
3. **Contracting.** If MFO and the FSP successfully negotiate a joint understanding of the requirements of the project and the responsibilities of each party then they sign a pay-for-performance contract.
4. **Implementation.** Once the contract is in place MFO and the FSP implement the agreed upon activities, making adjustments as new data become available through the implementation process.
5. **Performance monitoring.** Though the MFO and the FSP may have agreed a finitely defined set of activities, MFO remains involved beyond those preliminary activities. It monitors the results of the program through a regular analysis of data coming from the field and advises the FSP on adjustments it may need to make to ensure the efficacy of the program.

**Based on the results the project achieves,** the FSP forwards payments to MFO upon a schedule agreed in the contract.

### FOR MORE INFORMATION, PLEASE CONTACT

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