



The MasterCard Foundation Fund for Rural Prosperity

Frequently Asked Questions

(As of October 2017)

THE FUND

1. What is The MasterCard Foundation Fund for Rural Prosperity?

It is a \$50 million, seven-year commitment on the part of The MasterCard Foundation to find, support, help to scale up, and learn from innovative ideas that expand financial services to smallholder farmers and other economically disadvantaged people living in rural Africa.

2. Why is it needed?

Many African economies have been growing recently but the pattern of growth has been unequal. Economic growth has not resulted in significant poverty reduction. This is particularly true for people who make their living from agriculture, either directly or indirectly, who make up 2/3 of Africa's workforce, largely in rural areas and who live in poverty. Only about one percent of all commercial bank lending across the continent goes to the agricultural sector. Most microfinance institutions are located in urban or suburban areas and predominantly aim to serve the urban and suburban poor.

Our assessment is that the demand for financial services by smallholder families far outweighs the current supply.

There are a number of challenges that have prevented the financial services and agribusiness sectors from developing the products and services that rural poor people need. These challenges include the high costs to traditional financial service providers of doing business in remote areas, the lack of staff know-how to design appropriate products and the fact that many farmers are unaware of the benefits they might take advantage of by accessing the formal financial system.

The Fund will help address this need by supporting innovations and the expansion of new financial products, services and delivery models that benefit smallholder families.

3. How many people will benefit from the Fund?

We expect that at least one million smallholder farmers, their families, and/or other poor people in rural households will be able to utilize the products and services developed and/or taken to scale through the Fund's activities.

4. Why is The MasterCard Foundation funding this initiative?

We see the Fund for Rural Prosperity fitting very well into our overall purpose and strategy: to enable people to improve their lives by creating opportunities for all to learn and prosper. We believe that each person has the potential to transform her or his own life and the lives of others,



provided they can develop their natural talents and use the right skills and tools to create a better future.

We believe that poverty in rural Africa is reinforced by financial exclusion. Financial exclusion is reinforced by a lower awareness of the special needs of farmers and other rural residents. Rural poor people, perhaps more than anyone else, need financial products and services appropriate for their particular life situation. Empowered with the right products and services, they can become more productive, manage their resources better, and ensure a better life for themselves, their families and their communities.

5. How will the Fund be managed and governed?

We undertook a competitive selection process to choose the Fund Manager and decided on a consortium of firms led by KPMG International Development Advisory Services, an arm of the global consulting and services firm. The KPMG office in Nairobi will be the lead on this Fund, with support from affiliate offices in other parts of Africa and with input from The MasterCard Foundation.

The Foundation has also established a high-level International Advisory Committee with deep knowledge of agriculture and rural development, and how financial inclusion can have a positive impact on rural poverty, to advise on programming. Ultimate decisions on which projects will be supported under the Fund will be made by The MasterCard Foundation.

6. How will the Fund operate?

The Fund is organized as a challenge fund. In 2015 and 2016, the Fund ran two financing competitions: Innovation Competition and Scaling Competition.

- The Innovation Competition's aim was to receive applications from organizations aiming to design, pilot, test, and launch new financial products and services that could effectively meet the financing needs of people living in poverty in rural and agricultural areas.

The amount set aside for this competition was \$15 million. Funding amounts to winning projects were between US\$250,000 to US\$1,000,000 each. Winners were to implement projects in at least one of 24 countries: Burundi, Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Djibouti, DRC, Ethiopia, The Gambia, Ghana, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, Uganda and Zambia. Applicants were required to provide at least 30% of total value of the project in cash, cash equivalent or in-kind. 13 projects have been awarded funding after the 2015 and 2016 Competitions.

- The Scaling Competition's aim was to provide support for expansion of proven ideas for financial product, service or process into new geographies or new customer segment in the



rural areas. The amount set aside for this competition was \$35 million. Funding amounts to winning projects were between \$750,000 and \$2.5 million each with winners required to provide at least 50% of total value of the project in cash, cash equivalent or in-kind. Eight countries were eligible for implementation: Côte d'Ivoire, Ghana, Kenya, Mozambique, Senegal, Tanzania, Uganda and Zambia. As a result of the 2015 and 2016 Competitions, 6 companies have been selected to receive support.

On the onset, the Fund was set-up to run three rounds of each competition to provide support to the best innovation and the best scaling proposals. However, for the third round of competition, the 'call for proposal' has been slightly modified to a 'rolling' format with applications submitted and evaluated periodically.

The 2017 Competition seeks to support innovative financial products, services or processes from organizations that will design, pilot and test new ideas, as well as those that aim to expand proven ideas into new geographies or a new customer segment in rural and agricultural areas.

7. Any changes to the Fund Operations?

Yes. The Fund will still operate as a Challenge Fund. However, the 2017 competitions will follow a 'rolling' format. It will be open throughout the year with applications submitted and evaluated periodically. The third submission period will close for evaluation on **December 1, 2017**. Unsuccessful applicants will be able to refine and resubmit their applications subsequently, along with new entrants in the competition.

Features of the rolling competition are:

- The competition will be open throughout the year with periodic collections and reviews of submitted applications at set dates.
- The application process is fully automated.
- Applicants will no longer classify their business ideas along the concepts of Innovation or Scaling. However, these concepts will not be entirely dropped but rather, the evaluation and selection criteria will determine under which concept the winning applications will be classified.
- Unsuccessful applicants will have the opportunity to refine and resubmit their applications in subsequent collections.



Eligible projects under the 2017/2018 Competitions must meet the following criteria:

- The proposal must be for a project within an institution.
- Projects may be proposed by a single institution or by a partnership of two or more of them (which could include a non-governmental organization); **however, the lead applicant must be a for-profit entity.**
- Projects must take place in one of the countries listed as eligible; Burundi, Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Djibouti, DRC, Ethiopia, The Gambia, Ghana, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, Uganda and Zambia.
- Projects must demonstrate the potential to increase the provision of financial services to smallholder farmers in eligible countries.
- Applications should be for support of between US\$250,000 and US\$2,500,000.

8. Why have you chosen those 24 countries as the only ones where you will provide project support?

The countries where the Fund will operate in are those where market conditions (number and variety of financial service providers, telecom operators, agribusiness enterprises, other service providers, etc.) will allow the emergence of a strong field of candidates for support. Also included are countries where greatest impact can be achieved by scaling up products and services that have proven to expand financial inclusion for the rural poor.

The countries chosen all meet the same selection criteria, including:

- The agriculture sector has a strong commercial base;
- Government and business support the development of agribusiness, innovation and growth;
- There are strong agricultural exports, but with value chains that reach back to small farmers; and
- There is an established financial sector comprising a range of players that serve the agricultural sector (e.g., banks, micro-finance institutions, non-governmental organizations, savings and credit co-operatives, etc.).

9. Why did you choose to provide financial support through a challenge fund?

While the financial sector in parts of Africa has made large strides to advance financial inclusion, we believe there is a need to find and support innovative solutions by thinking beyond existing conditions. We need to build on the latest insights, technologies and networks to respond more effectively to current, and future, financing needs.

Over the past 15 years, challenge funds have become an established mechanism to help the private sector to overcome risk aversion and deliver social outcomes. Challenge funds have proven to be a cost-effective way of casting a wide net, to pick up new ideas from diverse (and often unexpected) sources and to take good, innovative ideas to scale.



THE APPLICATION PROCESS

9. Can several firms collaborate or partner to submit one idea for funding?

Yes, in fact we encourage firms to do this. Combining the strengths of more than one enterprise or organization means there are greater the chances that the project will succeed. We recognize that the challenge of delivering financial services to remote rural areas requires partnerships that foster risk-taking and innovation.

10. Can an organization that is not-for-profit submit a proposal?

Yes, but only in association or partnership with a for-profit entity. *The lead candidate in any consortium must be a duly-registered private sector firm.* We encourage lead applicants to structure into their projects capacity building support to their customers or beneficiaries to enable them to qualify and effectively utilize the financial services proposed in the application. It is important to note that applications from organizations that are majority owned (greater than 51%) by government or by a non-profit entity are not eligible to submit proposals as lead applicants.

11. Does the Fund have specific allocations per country?

No, there are no set allocations per country; however, the Fund aims to have a geographically balanced portfolio of projects.

12. What are the time periods for the financial support?

The projects in the Rolling Competition will draw down the financial support and report over three years. The Fund will reserve the right to monitor the results of the projects for two to three years after the projects end.

13. What are the interest rates?

The financial support does not attract any interest income for the partners receiving support. Financial support is meant for the development of commercial financial products and services for financially excluded rural and agricultural people.

14. How do smallholders access the Fund?

Smallholders do not access the Fund directly, but will benefit through projects implemented by private sector organizations such as banks, microfinance institutions, information technology and mobile-based operators, non-bank financial institutions and agribusinesses that provide financial services and products to smallholder farmers.

15. How does my company apply?

From the website (www.frp.org), you need to download and complete the application form and submit it to the Fund before the deadline of each competition. The application will require you to



provide some basic information about your company and an outline description of the project you are proposing.

16. Do I have to be based in an eligible country to apply?

No. As long as the project is going to be implemented in an eligible country and has a positive impact on financially excluded rural and agricultural people, you can apply for funding from the Fund.

17. Which language will the applications be in?

The Fund will only accept applications in English.

18. Who reviews my business idea and how is it kept confidential?

Concept notes and business plans are reviewed by the Fund Manager and The MasterCard Foundation, as well as by the international Advisory Committee. All parties sign confidentiality agreements to ensure that your project idea is kept safe. Project ideas are not shared with any outside parties or with other applicants.

19. Who will own the intellectual property developed by the Project?

If funding is awarded, your contract would include a clause which ensures that all project documentation and intellectual property remains the property of your business.

20. What are my chances of winning?

We are looking for innovative ideas in rural and agricultural finance and will provide financial support to the best ideas that meet our selection criteria. It is a competitive process, so we encourage you to put in your best effort into your proposal. In addition, we recognize that the delivery of financial services in rural areas can be daunting. We encourage partnerships to mitigate risk and, at the same time, foster innovation and success.

21. Are current MasterCard Foundation partners eligible to apply?

Existing MasterCard Foundation partners are not eligible to apply as lead applicants.

21. Can existing MasterCard Foundation Fund for Rural Prosperity winners apply for additional financial support?

As much as the Fund will not discourage existing partner organisations from applying, consideration for additional financial support will be dependent on successful implementation of existing project under Fund support.



DEVELOPMENT IMPACT

22. How will impact be measured?

Partner organizations receiving financial support will provide impact data through regular reporting on project implementation progress. The reported impact will also be monitored by the Fund Manager on a regular basis.

In addition, The MasterCard Foundation has created the Rural and Agricultural Finance (RAF) Learning Lab to be implemented by the **Global Development Incubator (GDI)**. The RAF Learning Lab will act as the learning partner to create knowledge from the experience of the Fund and share it with stakeholders and other interested parties via the public domain.

23. Isn't there a risk that you are distorting markets by supporting product development that firms might have done anyway?

The Fund is not intended to replace commercial finance, but aims to support companies considering investment into a financial inclusion project where perceived risk, or some other factor, is preventing the company from having enough financing to carry out its plans.

24. How will you know that you're having an impact?

The impact on clients will be tracked throughout the program in a variety of ways. A monitoring and evaluation team will measure a variety of changes at the household level, including improvements in rural household income, agricultural production as a result of increased access to finance and increased resilience of project customers/beneficiaries.

In addition, the Fund's learning partner, the Rural and Agricultural Finance Lab, will undertake deep dives to understand the impact of and the challenges to introducing financial services to rural households. These lessons will be made available publicly.

OTHER

24. Where can I get more information on the Fund?

For more information on the Fund, visit: www.frp.org. For contact details, select the contacts link on the website.