



Fund for Rural Prosperity

JUNE 2022: RESULTS AND IMPACT REPORT

Transforming lives through financial inclusion

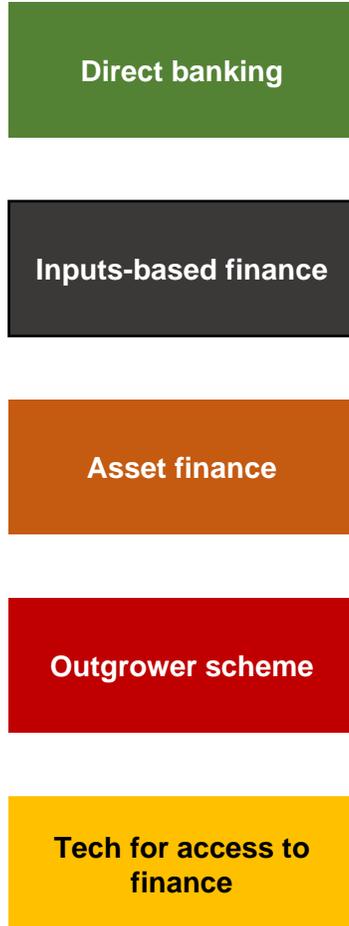


Executive summary: Fund achievements

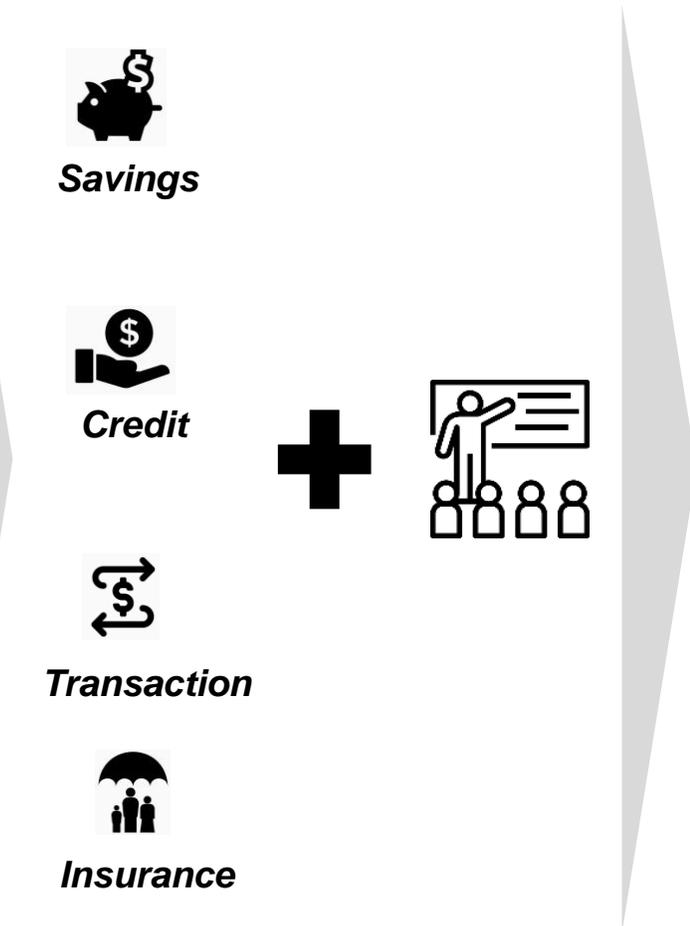
The Fund utilised USD 50 million...

- **USD 43 million** in grants
- **USD 2.4 million** for COVID Resilience and Recovery
- **USD 2 million** in Strategic Investment
- **USD 180,000** in Technical Assistance

...to support a variety of business models...



...to develop 171 new financial products...



...and provide capacity building to 3 million people...

...resulting in expansion of access to financial services for **5.3 million** rural customers (**35%** of whom are women and **41%** young men and women) in **15 African countries**



...and direct job creation for **4,931** people in partner organisations, with **78%** of those jobs going to young men and young women and **38%** to women



Executive summary: Key lessons learned

What is required for business models to be successful?



In terms of **growth and customer acquisition**, there is a clear trade-off between rapid scaling (enabled by partnerships, digital solutions, etc.) and building deeper customer relationships through local engagement, face-to-face training, etc. The right pace of scaling and the value of closer customer relationships will, however, be different for different businesses;



Diversification of product offering helps better meet the needs of customers AND serve multiple customer segments; **Bundling** products can also be a way to boost uptake and reduce cost;



Capacity building of customers is essential for maximising returns both for the customer and for the business

What drives customer impact?

Access to financial services can generate many different positive effects for customers – higher incomes, greater resilience, access to new assets, greater convenience, reduced cost – however, **it is seldom possible for one business or product to generate multiple forms of customer impact simultaneously:**



Businesses that have a direct effect on productivity or marketing potential (e.g. **outgrower schemes** which also, generally, have more holistic support packages) have the most direct effect on incomes.



Businesses that make **flexible financial resources** available to their customers are the most likely to build resilience.



The main contribution of tech innovations is to improve convenience and reduce cost, with limited effect on customer livelihoods

What works in driving broader, systemic impact?



Generating innovation and creating conditions for ideas to be refined and improved through a flexible and adaptable design of the funding mechanism increases the likelihood of broader sector adoption of successful approaches



The most direct way to generate community uplift is to **boost customer incomes**, while the most indirect jobs were created through boosting agricultural production. The agricultural sector has the greatest potential for scaling up employment in the short term

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Overview of the Fund for Rural Prosperity

Fund performance: Customer acquisition

Fund performance: Financial inclusion

Fund performance: Product and service offering

Fund performance: Capacity Building

Impact: Beneficiary Incomes

Impact: Beneficiary Resilience

Impact: Job Creation

Impact: Systemic Change

Conclusion

The Fund has invested about USD 50 million to boost provision of financial services to underserved rural customers in Africa

 **Financial support of USD 47.5 million committed and matched by USD 95.7 million from participants**

TO

 **38 participant projects in 15 Sub-Saharan African countries**

DEVELOPING

 **Financial products and services**

TO REACH

 **Over 5 MILLION CUSTOMERS**

BETWEEN

 **2014 and 2022**



Financial support from the Fund has been used to promote innovation, scale up existing solutions, accelerate successes and support businesses during COVID-19



Core Fund support:

- **Innovation Rounds:** The Fund ran two competitions (2015 and 2017) dedicated to organisations aiming to design, pilot, test, and launch new financial products and services to effectively meet the financing needs of people living in poverty in rural areas.
- **Scaling Rounds:** The two Fund scaling competitions (2016 and 2017) aimed to provide support for the expansion of proven ideas for financial products, services or processes into new geographies or new customer segments in rural areas.
- **Rolling Rounds:** In 2018, the Fund adopted a 'rolling' competition format. This presented an opportunity for high potential applications which were unsuccessful in previous rounds to strengthen their proposals and re-enter them before the next closing date. These competitions were open to both innovation and scaling projects.



Strategic Investments:

In 2020, the Fund awarded additional funding to high performing participants under their Strategic Investments window. This top-up funding aimed to i) leverage existing projects to create work opportunities for young men and women in line with MCF's Young Africa Works program, and/or support the growth of MSMEs within their value chains; ii) accelerate and scale up existing successful projects within the portfolio; and iii) support participants that have been impacted by COVID-19 and thus require more time and resources to roll out their Fund-supported project at scale and achieve the intended impact.



COVID-19 Recovery and Resilience:

To help its participants and beneficiaries withstand and recover from the crisis, the Fund launched a new funding window. This provided existing participants with the opportunity to access top-up grants in order to i) adapt business operations to overcome accessibility challenges and continue to serve rural communities, ii) provide bridging finance to affected communities, particularly women and smallholder farmers, and/or iii) support income retention for affected workers.

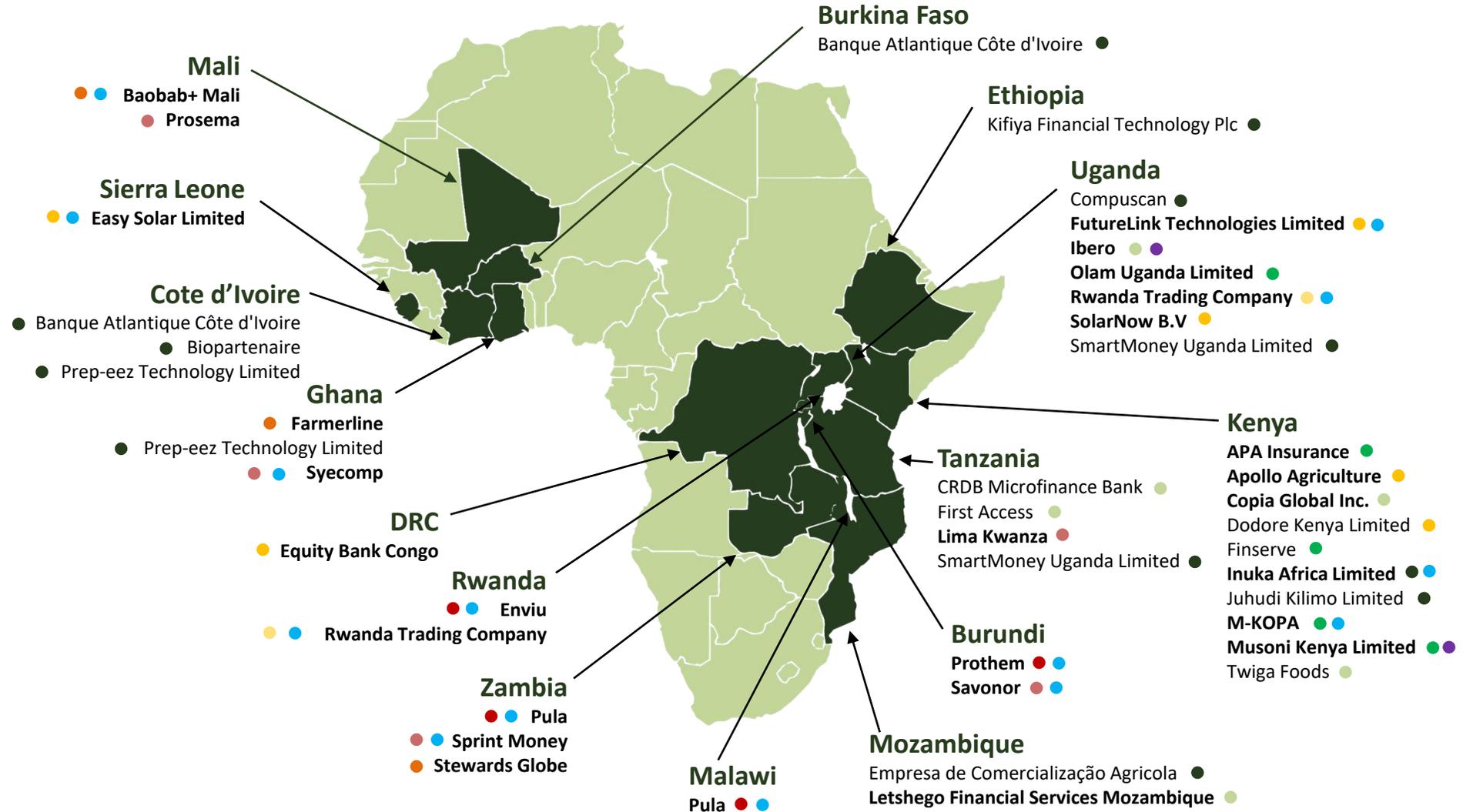


Technical Assistance:

Seeking to provide targeted support for scaling the impact achieved, the Fund also provided technical assistance grants to six competitively selected Fund participants in order to support post-fund capital raising, COVID-19 response and gender mainstreaming.

The Fund has supported 38 projects in 15 African countries, across 10 competitive rounds

2015	Innovation – Round 1
2016	Scaling – Round 1
2017	Innovation – Round 2
2017	Scaling – Round 2
2018	Rolling – Round 1
2018	Rolling – Round 2
2018	Rolling – Round 3
2018	Rolling – Round 4
2020	Strategic Investments
2020	COVID-19



Fund-supported financial recipients can be grouped into five main business model types, representing different channels to deliver financial services

Direct banking

Companies providing financial services and products to the unbanked rural customer. For example new loans, savings mechanisms, or insurance products

Example: Musoni Kenya

Inputs-based finance

Companies provide financial services as an add-on to input sales/ make access to finance conditional on input purchases

Example: Pula Advisors

Asset finance

Companies provide innovative mechanisms to enable the rural poor to bear the upfront cost of an asset

Example: Easy Solar

Outgrower scheme

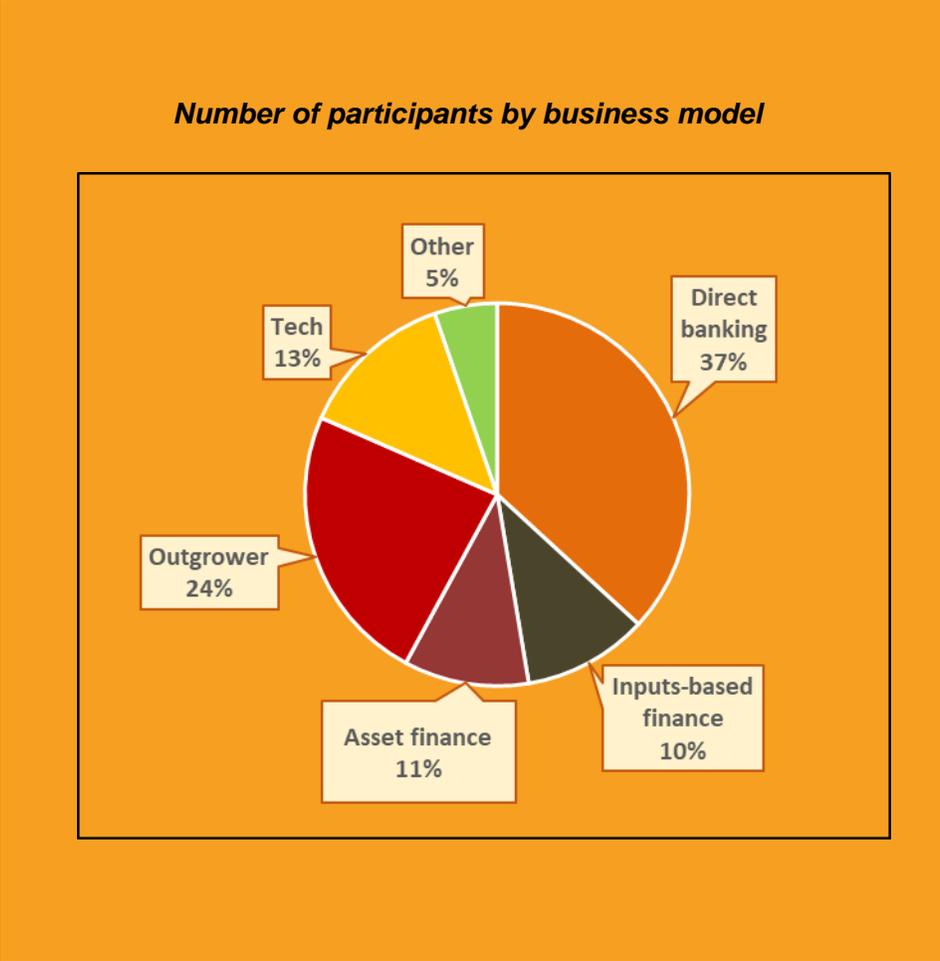
Companies provide access to financial products linked with an outgrower arrangement (that is a guaranteed market and lower risk for smallholders)

Example: Ibero

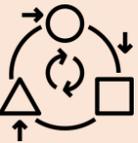
Technology for access to finance

Companies develop innovative data - or IT-based solutions to improve credit risk profiling, connect supply chain actors, enable insurance provision and more

Example: First Access



The USD 2.4 million COVID-19 Recovery and Resilience window has helped 12 Fund participants adapt their business operations, provide bridging finance and protect their workers



Adapt business operations to overcome accessibility challenges and continue to serve rural communities



Provide bridging finance to affected communities, particularly women and smallholder farmers



Support income retention and improving resilience for affected workers

67% of funded interventions have led to the adoption digital strategies to overcome distancing requirements and continue operations



905k new customers among COVID-19 Window participants



773 Job indirect jobs safeguarded (e.g. for agents on commission)



83% of COVID-19 Window participants have continued to conduct training and outreach activities to existing customers



295k active credit customers among COVID-19 Window participants



1136 Direct jobs created between June 2020 and June 2022



Technical Assistance support of USD 30,000 was provided to 6 Fund participants to build internal technical capacity, strengthen customer support and boost investment readiness

Support recipients	Technical assistance activities	Outcomes of Technical assistance
	<ul style="list-style-type: none"> Farmer Insights Report <p>Customer support</p>	<ul style="list-style-type: none"> Apollo has access to up-to-date customer and impact data The value chain based approach developed by the TA will be used for engagement with funders to support expansion
	<ul style="list-style-type: none"> Funding Strategy and Investor Mapping Customer Mapping <p>Investment Readiness</p> <p>Customer support</p>	<ul style="list-style-type: none"> TA-informed customer segmentation categories have been integrated into management reporting Funding Strategy involves providing tools to a further 4k farmers
	<ul style="list-style-type: none"> Financial literacy training and reporting <p>Customer support</p>	<ul style="list-style-type: none"> TA demonstrated that there are significant awareness barriers to the promotion of high-value crops → decision made to dedicate a 12-month period for additional training and reassessment
	<ul style="list-style-type: none"> Payment Security Gap Assessment as part of expansion to Zambia <p>Technical Capacity</p>	<ul style="list-style-type: none"> 14 policy and process changes approved – this has prepared Futurelink for essential regulatory compliance for expansion to Zambia, with plans to reach an additional 1 million customers
	<ul style="list-style-type: none"> Business & Financial Plan Feasibility study for Credit Guarantee Instrument <p>Investment Readiness</p> <p>Technical Capacity</p>	<ul style="list-style-type: none"> Syecomp have begun discussions with institutional investors to seek funding for the planned roll-out of a debt facility and credit guarantee mechanism
	<ul style="list-style-type: none"> Post-COVID Credit Risk Assessment <p>Technical Capacity</p>	<ul style="list-style-type: none"> Easy Solar have revised their customer registration process to get more accurate data for credit scoring. They are also planning to set up a Credit Risk Management Department, incl. tools for customer affordability assessment and portfolio analysis.

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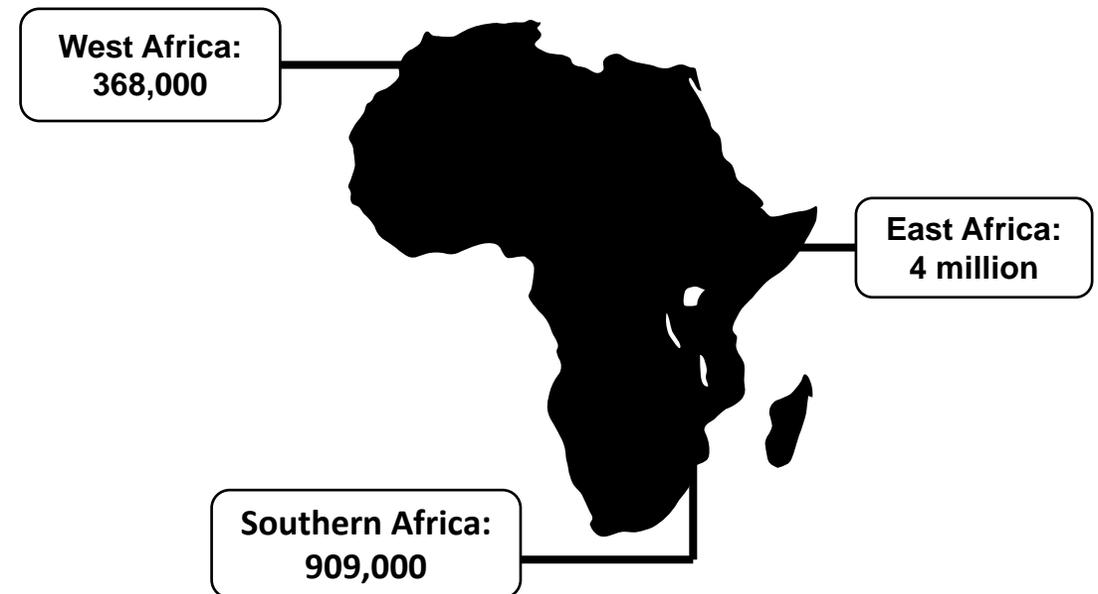
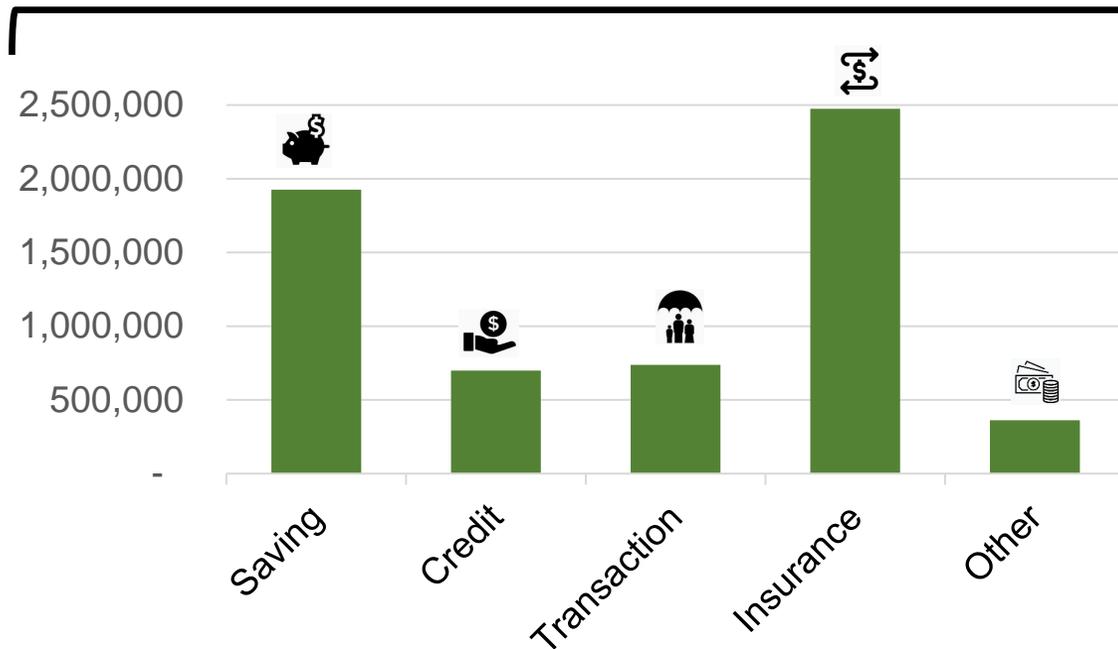
Impact: Systemic Change

Conclusion

Through its supported participants, the Fund has reached over 5 million customers by providing saving, credit, insurance and transaction products

- The Fund has supported about **5.3 million customers in Africa** to get access to financial services. **This is 5 times the original target.**
- **Transaction products** recorded the highest number of customers, although these products are the quickest and easiest to use. Customer base for **saving products** is also significant at **~2 mil.**
- **Most of those customers were reached in East Africa**, due to i) the geographical distribution of the portfolio, and ii) the fact that all Scaling Round projects (i.e. those explicitly focused on substantially expanding access to proven solutions) were from the region.

5.3 million customers reached

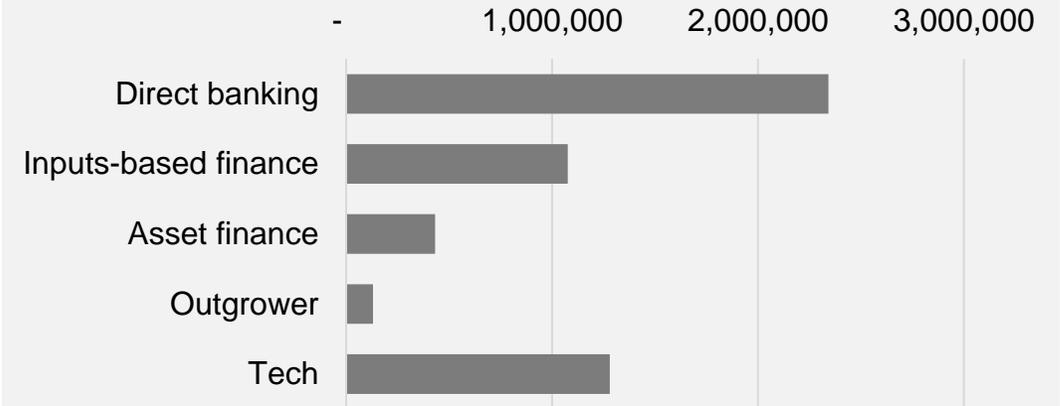


The Fund portfolio covered different funding rounds and business models which influenced the scale and pace of customer acquisition

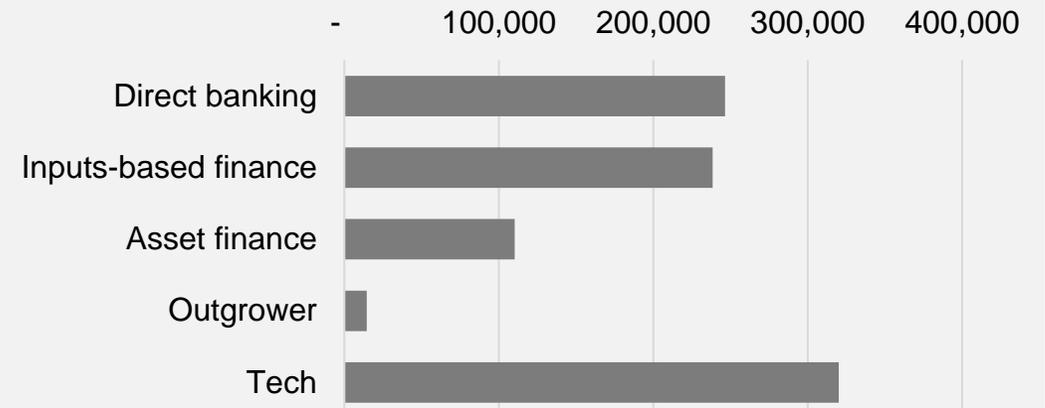
- Performance in terms of customer acquisition at project level was to a large extent, driven by i) objectives of the grant, and ii) the business model being funded.
- **Scaling** projects were supported with the explicit objective to boost access to proven solutions. Correspondingly, although the Fund only supported 6 scaling projects, they were jointly responsible for almost 50% of customer outreach.
- Business model strategies range from **limited-scale high-intensity support of outgrower schemes** to more **arms-length but easily scalable tech projects**. Customer acquisition numbers reflect these different approaches.

	Innovation	Scaling	Other
 # of projects	14	6	17
 # of customers	300000	2.3 million	2.6 million

Total # of customers per business model



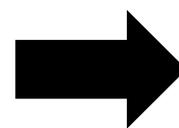
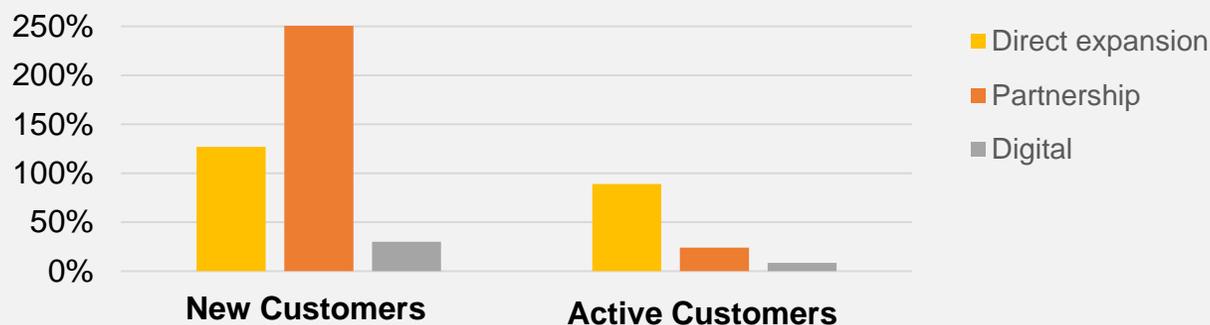
Average # of customers per business model



Across the portfolio, there were 3 categories of growth strategy: direct expansion, partnerships and digital, each with its own trade-offs

Approaches to scaling	Advantages	Challenges
 <p>Direct expansion: expansion of field presence, advertising campaigns, training, door-to-door promotion, etc.</p>	<p>Helps build relationships and establish trust; personal KYC</p>	<p>Resource intensive – requires investment in local agents, local branches, time spent with customers,</p>
 <p>Partnerships: working through input suppliers, partnerships with NGOs or government agencies. When partnering with private sector actors, both parties have to benefit financially</p>	<p>Respected partners provide a valuable entry point; Easier to use an existing customer base to build the reputation of a product;</p>	<p>Risk of customers expecting grants/ concessions Lack of control over collecting data on customers Poor partner performance can undermine reputation Can be difficult to assess true financial sustainability Difficult to trouble-shoot customer issues</p>
 <p>Use of digital technologies to reach customers remotely (<i>frequently combined with partnerships</i>)</p>	<p>Low-cost development and deployment, relative to scale potential</p>	<p>Uptake of technology can be overestimated if mobile penetration is insufficient/ customers require detailed training on how to use the application, etc.</p>

Average annual growth rate (CAGR) of customer acquisition per scaling model



The advantages of investing resources in a direct expansion model become more apparent when looking at growth rates in new and active customers.

While **partnership** models allow projects to scale very rapidly, businesses that prioritise **direct expansion** are much better at translating customer registration into active users.

A DETAILED ANALYSIS OF SCALING PATTERNS WITHIN THE FUND IS AVAILABLE IN THE 2019 IMPACT REPORT

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The Fund set out to promote financial inclusion and targeted companies providing services to rural and financially excluded customers

In order to explore the impact that Fund-supported projects have had on their customers or beneficiaries in more depth, we carried out a series of **IMPACT STUDIES***, including a set of surveys and focus group discussions with customers. Jointly, these impact studies represent Fund participants with about 1.5 million customers. That is approximately 30% of all customers reached by the Fund. Among other questions, these studies allowed us to explore the extent to which Fund projects have reached the target beneficiaries:



Poor



- Using the Poverty Probability Index to estimate the likelihood that a given customer is poor, survey data suggests customers are unlikely (20%) to live under the \$1.90 (2011 PPP) poverty line
- They are however, very vulnerable to price and weather/climate shocks and so may fall under the poverty line temporarily (i.e. be in “transient” poverty) – c.30% were under the risk of falling under \$3.20/day



Rural



- 81% of customers surveyed rely on agriculture as an income source, and rural customers are explicitly stated as the target beneficiaries for all impact study projects.



Financially excluded



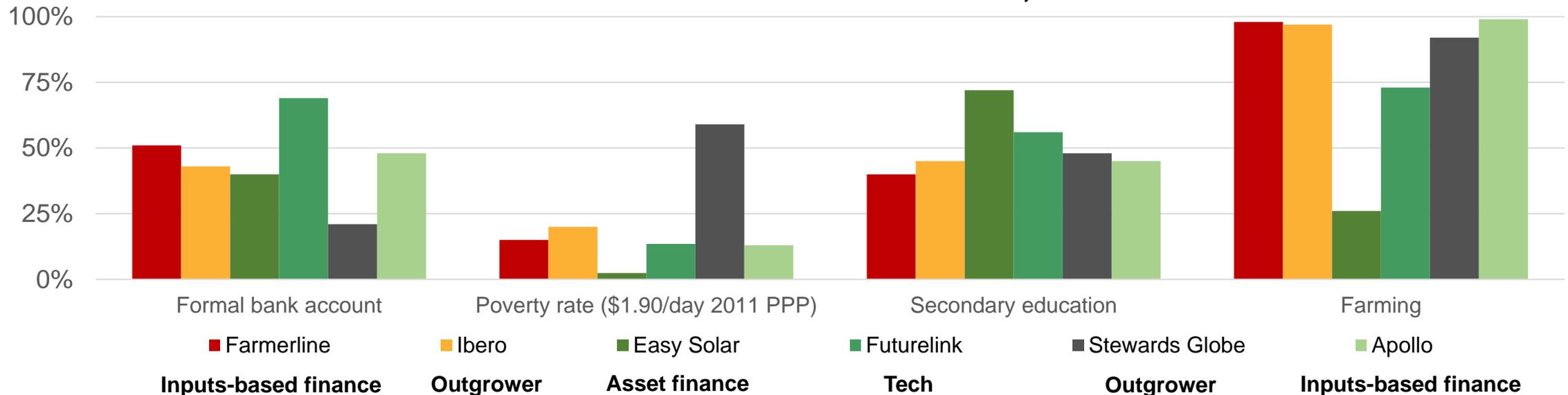
- Participant customers are generally excluded from the formal financial sector: survey responses indicate that only 45% have a formal bank account.
- Focus group discussions revealed that few customers would have had access to financial products without the Fund-supported services

*Impact studies were carried out for Apollo Agriculture, Easy Solar, Farmerline, Futurelink Technologies Limited, Ibero, and Stewards Globe. Individual impact study reports, as well as a synthesis report, are available separately.

However, at project level, customer profiles can vary substantially, and the choice of business model can play an important role in defining target customers

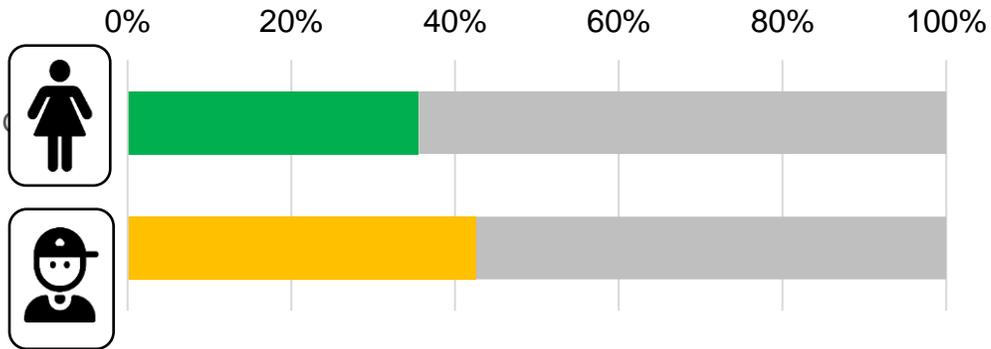
- There are **significant differences in customer profiles across projects** in terms of financial inclusion and socioeconomic characteristics.
- Some of these differences stem from the **design of the business models themselves** – it can be expected that farming is the main income source for customers signing up for input loans (*inputs-based finance such as Farmerline*) or an outgrower scheme (*e.g. Ibero, Stewards Globe*). Similarly, *Tech* business models are explicitly focused on providing IT solutions to existing financial service providers – whose customers, by definition, have access to some form of formal finance.
- However, some business models have shown some signs of departure from focusing on BoP customers – e.g. there has been a notable **drift towards serving more middle-class customers** for asset finance projects, with some degree of cross-subsidisation of service provision to lower-income segments.

Customers' socioeconomic characteristics, as of Dec 2021



Beyond the rural and unbanked, the Fund also aimed to reach female customers and those under 35 years of age, who typically face additional challenges in accessing finance

% of all customers reached by Fund participants

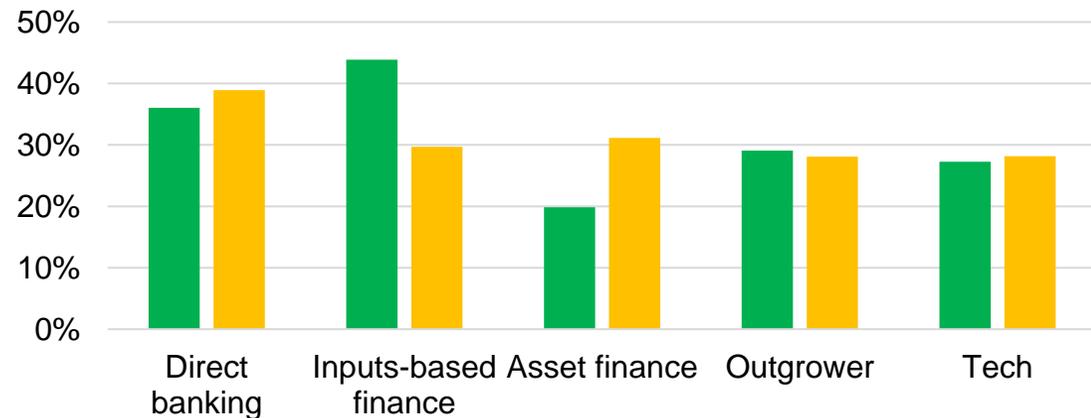


- The Fund has reached **1.8 million African women** and **2.2 million African customers under the age of 35**.
- This corresponds to 35% and 41% of all customers, respectively.
- There are **no differences** in terms of **prevalence of access to different product categories** or between women and youth, suggesting that access has been broadly equitable.
- Generally, inclusion of women and youth has been slightly more limited for tech and outgrower models (the latter likely linked to land ownership)

Average % of female and youth customers per product category



Average % of female and youth customers per business model



Some business models face inherent difficulties in reaching disadvantaged customers but that can be offset by the right partnerships and outreach strategy

Business models & financial inclusion

- **Tech-focused projects** face difficulties in reaching women (who typically have lower rates of mobile phone ownership), older people (who tend to be less tech-savvy), people living in areas with a bad network. Conversely, tech is more attractive to younger customers.

For example, **Inuka** has struggled to generate uptake of its mobile app because dairy farmers (i.e. their primary customers) tend to be older men who are not comfortable with technology and who do not own smartphones.

- **Projects which rely on distribution of goods** (e.g. solar panels, inputs, etc.) typically face higher costs of providing logistics services to remote areas where unbanked customers reside

Partnerships & financial inclusion

- **Partnerships with government programmes** can be particularly effective in helping businesses reach BoP customers.

The Kenyan government is providing a 50% subsidy for premium payments under **APA Insurance**. However, the partnership has brought some of the complications discussed in the previous section – inefficiencies leading to late pay-outs, high degree of risk if the tender is withdrawn, etc.

- **Trusted local value chain partners** can be invaluable for overcoming logistical constraints

Inuka's partnership with local agrovets helped circumvent the technology issue by using the vets' help in building their records

Intensive outreach strategy

- **Approaches that involve more relationship building and face-to-face engagement** have been highlighted by Fund participants as particularly effective in reaching customers traditionally excluded from financial services. Trusted agents can provide reassurance, answer questions, help with troubleshooting problems, etc.

Despite their tech-based model, **Futurelink** has highlighted the need to maintain direct access to customers.

M-KOPA reported that hiring more female sales agents has helped them attract more female customers

- **Financial literacy** is also an essential component for increasing customer confidence

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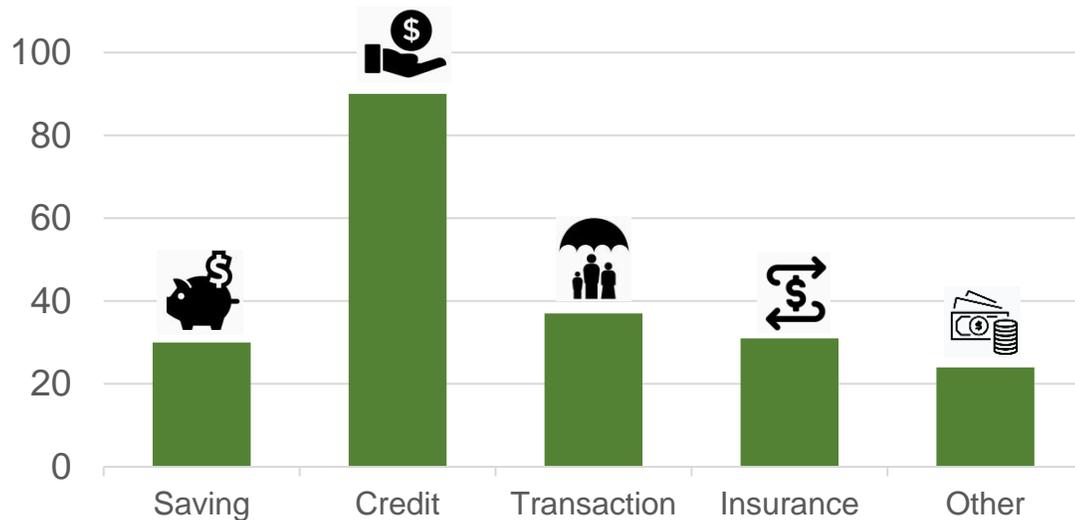
Impact: Job Creation

Impact: Systemic Change

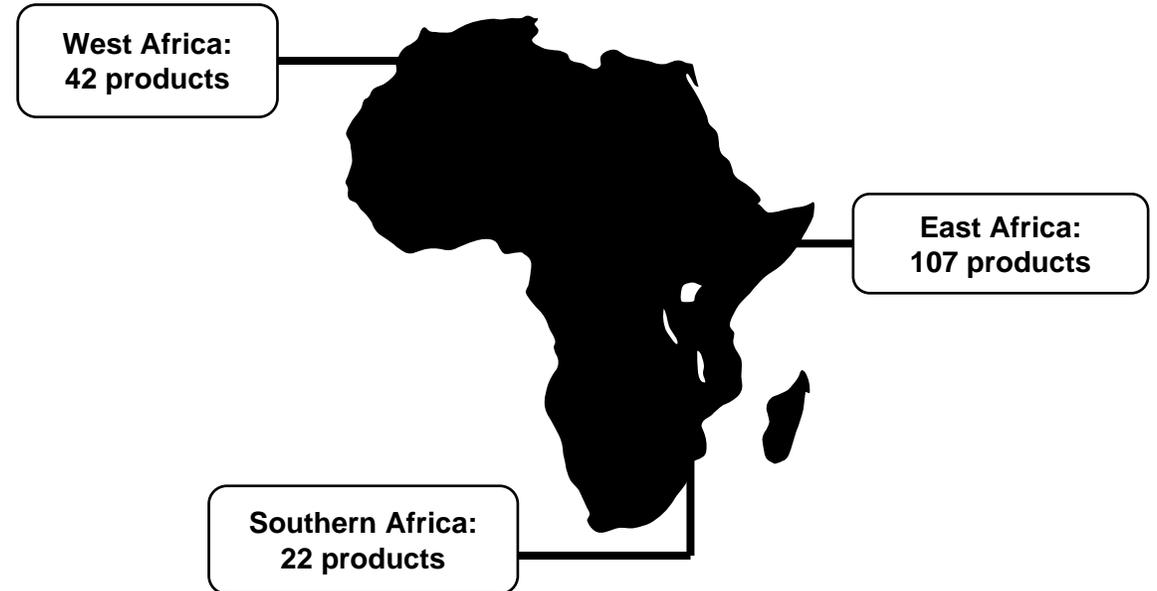
Conclusion

Fund-supported businesses have tested and/or scaled up a wide range of saving, credit, insurance and transaction products

Number (and breakdown) of products launched by Fund participants



Product development by region



- A total of **171 products** has been launched or scaled up by Fund participants, **overcoming the target of 119 by 43%**.
- In line with the distribution of projects and customers, most of these products were developed in East Africa – although, per project it is roughly the same (4-5) across regions.
- Most of these products were different forms of **credit** – although, by looking at customer numbers presented in the previous section, these innovations did not always translate into customer acquisition: loans represented 53% of all products developed but only 13% of customers.
- Product offering varied depending on the needs of the business model – credit for asset finance, credit and transaction for outgrower schemes (to enable farmers to access inputs and receive payment), and a wider variety for other types of projects.

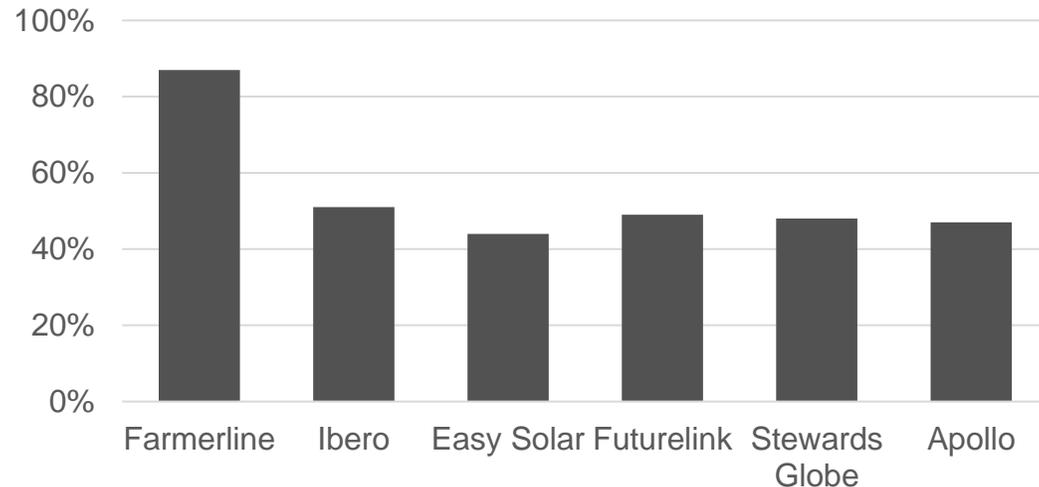
Based on impact study data, financial products supported by the Fund are highly appreciated by their customers and were important during COVID-19

The effect of COVID-19 on participant customers has been severe, with substantial numbers reporting a worse financial situation for their families. Generally, customers' ecosystem was affected by:

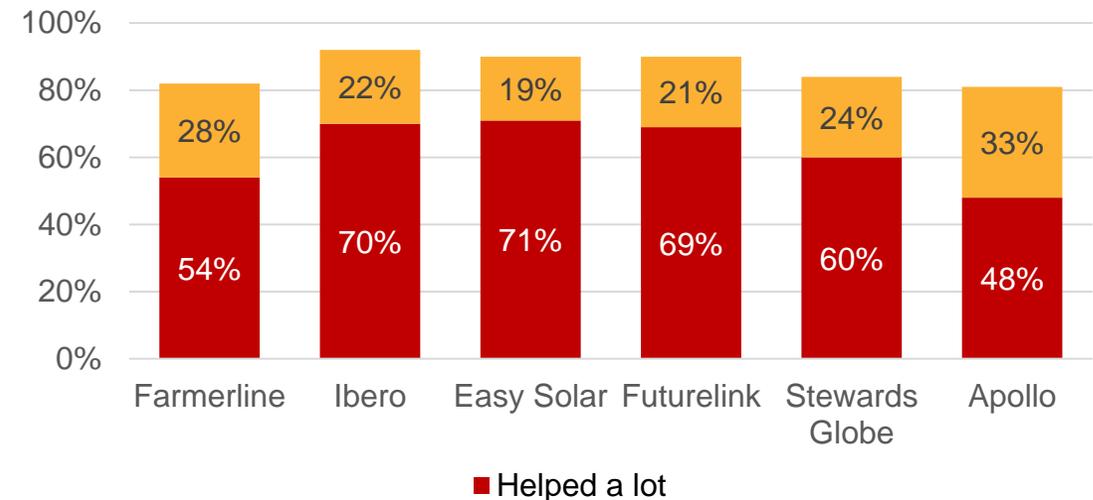
- movement restrictions
- supply chain disruption
- reduced economic activity

- In general customers were highly appreciative of the participants' financial products, with 87% of surveyed customers reporting that access to these financial products and services helped them cope with the COVID-19 crisis
- Evidence also suggests that customers use their products more intensively the longer they work with the participants

% of customers who were still in a worse financial situation in December 2021 compared to before the start of the pandemic



Have participants' financial products and services helped their customers cope with the crisis?



In promoting financial inclusion, it has not only been important which people the Fund projects have reached, but also how product development has made a difference

Financial inclusion means...

Enabling customers to **access financial products** they could not access before

Most customers of Fund-supported projects offering insurance (such as **Pula Advisors, APA Insurance**) would not have had access to insurance before. These projects have carried out significant work in changing customer mindsets and enabling them to benefit from insurance and protect their welfare.

Making financial products and services **cheaper**

For example, the SIM account developed by **CRDB Bank** has been taken up by customers not only because of its simplicity and convenience but also because of the markedly lower transaction fees compared to alternative mobile money providers.

Enabling customers to **overcome physical barriers** to accessing existing services

For example, **Futurelink** has enabled cooperative (SACCO) customers to access their accounts, make deposits and withdrawals, and repay their loans without having to travel to the branch – this was an essential service when transport was interrupted by COVID.

Enabling customers to **acquire assets** they could not access before

For example, by creating a guaranteed market for coffee and providing a credit product with the terms adapted to farmer capacities, **Ibero Uganda** has enabled coffee farmers to access fertilizer loans, in many cases for the first time.

Key lessons learned in regards to product development all relate to the core fact that customer needs are many and varied, and also differ across segments

Diversity of products helps meet the needs of multiple consumer segments and gives customers more flexibility

Ibero has created double the number of loan products than initially planned (10 vs. 5) in order to tailor the service offering to the needs of participating farmers – e.g. cash loans to bridge the income gap before the coffee is sold and reduce the appeal of informal traders; loans for agricultural equipment, and longer term loans for farmers to expand their land, etc.

Easy Solar offers a wide range of solar products – from lanterns to home systems and cookstoves – to enable them to serve the needs of farmers, women, youth, civil servants, etc.

M-KOPA has responded to feedback from their customers and introduced a digital coupon system which allows farmers to access flexible credit and make their own choices over how to allocate funds towards increasing their agricultural productivity, e.g. select the types and brands of fertilizer best suited for them.

Financial products linked to physical assets are more immediately attractive to customers but are more exposed to wider market risks

This includes commodity price fluctuations for outgrower schemes, supply chain interruptions for asset leasing models, etc.

Bundled products can help increase uptake, offer better deals for the customer and save money for the company

APA's bundling of area yield- with index-based insurance, and bundling Personal Accident, Funeral and Hospital Cash have proven to be both great value for the customer and cost-reducing for the company:

“The key strategy to achieve profitability within our target market segment is product bundling, and this has remained a key lesson throughout the project period”.

Companies working with farmers are increasingly seeing the rationale for providing whole-of-value-chain services

Olam and **Ibero** have both invested in coffee washing stations to boost value addition and thus incomes and loan repayment.

Apollo Agriculture are exploring off-taking, in addition to their core service offering of input loans, to improve incomes and thus loan recovery.

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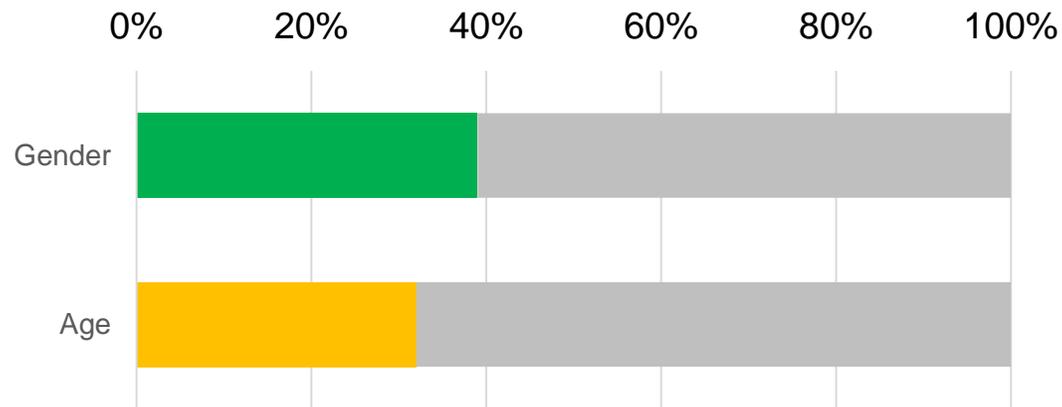
Impact: Job Creation

Impact: Systemic Change

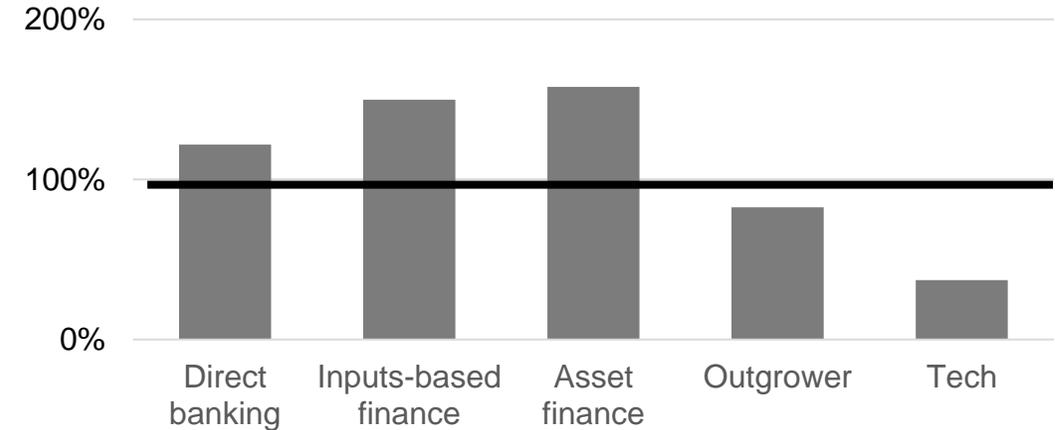
Conclusion

Capacity building has been an important part of service provision for marketing and to help the customers get the most from their products

% of all customers trained by Fund participants



% of all customers trained by Business Model



- A total of **2.9 million customers** of Fund participants have received some form of capacity building.
- An average of **39% of customers trained by the participants were women** – higher than their share in the customer base, suggesting women saw more value in training sessions and were more willing to take part.
- An average of **32% of customers trained by the participants were under the age of 35**.
- Direct banking, inputs-based finance and asset finance business models provided training to more people than they registered as customers, likely reflecting the role of training in explaining and promoting their products and services. Tech models, being more remote from the end customer, trained fewer people than they served.
- **Training / advisory was particularly appreciated by customers** – among impact study participants, training components obtained a Net Promoter Score of 52 and 84% of customers reported wanting to continue receiving training over the next 6 months.

Fund-supported capacity building has covered both financial literacy training and agronomic training

The most basic function of financial literacy training is to help the customers understand the products on offer

- This is particularly important for **products that are completely new to the prospective customers**, such as insurance. Index-based insurance, of the type offered by APA, for example, carries a risk that customers will see their premium payments as an investment and will expect pay-outs every year.

More extensive and detailed financial literacy is valuable in enabling customers make informed decisions

- “After financial training, farmers have become **better at evaluating types of credit facilities and their terms and conditions** to fit their loan repayments and conditions, as well as selecting those best suited to their budget and plans. They also expressed increased potential to negotiate credit terms to fit their income flows”. – *Stewards Globe*

GAP/ agronomic training is a key component of any agriculture-linked financial service offering

- Training on the appropriate application of agricultural inputs as well as water application, weeding requirements, etc. is important not only to secure customer interest by providing an additional service, but also to **maximise yields, increase incomes, and thus improve loan repayment rates**.
- “Teaching the practices that create the **fastest and most dramatic visual improvement** on the farm is extremely effective, as is explaining the “why” behind anything that is taught” – *Rwanda Trading Company*

It is important to consider the modality of the training to maximise participation and absorption of lessons

- “**Women need to be personally and publicly invited** to attend training and it must be at a time when they’re not typically cooking or washing clothes.” – *Rwanda Trading Company*
- “The base level of agronomic skill of participating farmers may be low – **multiple training sessions over multiple seasons** may be required” – *Savonor*
- “Although we had been sending messages, many users only began to use MSACCO after calling them and **training them in their vernacular**.” - *Futurelink*

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Overview of the Fund for Rural Prosperity

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Impact: Beneficiary Incomes

Impact: Beneficiary Resilience

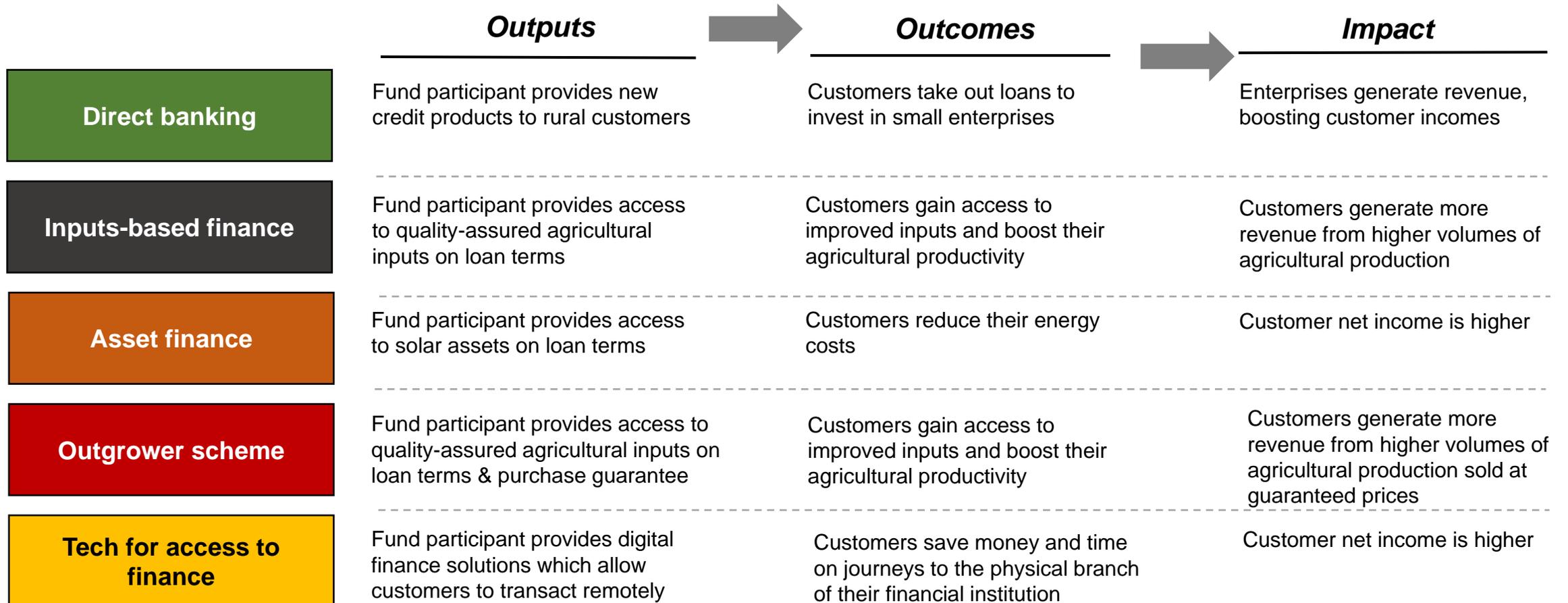
Impact: Job Creation

Impact: Systemic Change

Conclusion

Through expanding access to financial products and services, Fund participants expected to generate positive income effects for their customers

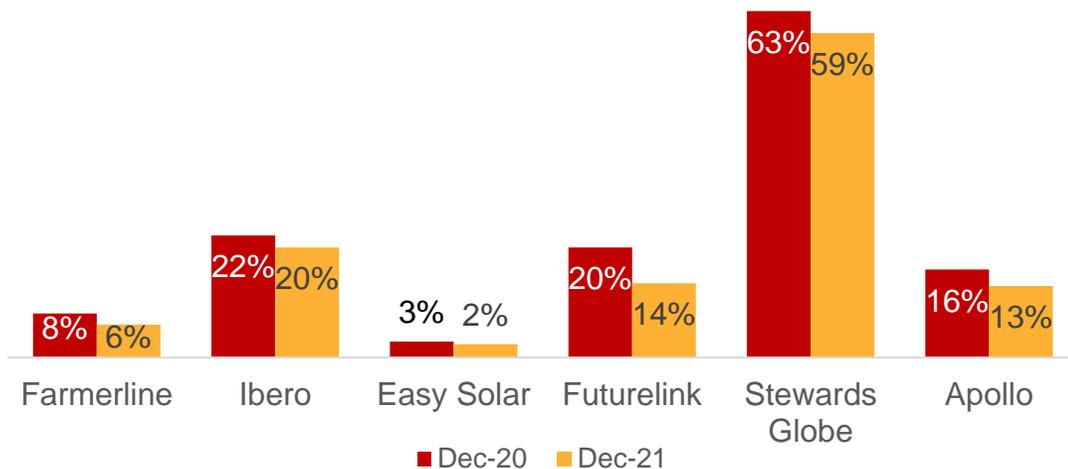
While the expected income pathways were as varied as the projects and products supported by the Fund, there were some commonalities within business model categories, such as the following indicative examples:



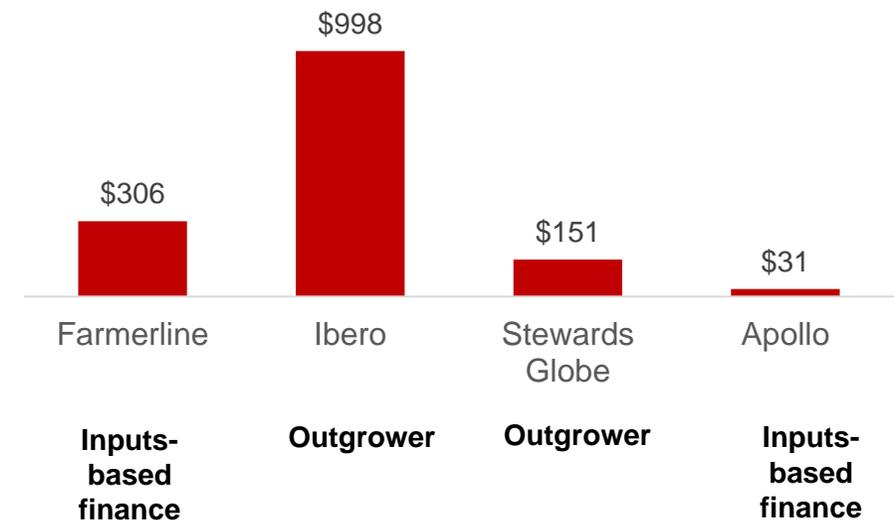
In-depth examination of customer experiences of six Fund participants during impact studies* shed some light on how theories of income uplift translated into practice

- Despite the impact of COVID-19, all participants taking part in the impact studies witnessed a reduction in the poverty rate of their customers between Dec 2020 and Dec 2021 – on average, the poverty rate decreased from 22% in 2020 to 19% in 2021.
- However, participants' achievements in terms of income uplift remains heterogenous. The results suggest that Inputs-based finance and Outgrower business models may be best suited to generate income uplift for their customers, whereas business models aiming primarily at cost reduction (solar asset finance & tech) have a limited effect that the customers themselves find hard to quantify.

Proportion of customers below the poverty line (\$1.90/day 2011 PPP)



Income uplift based on beneficiary model, by project



*Full analysis is available in the individual impact study reports

The approach to calculating the income effect for participant customers included the development of Beneficiary Models

A Beneficiary Model compares the costs and revenues for a participant customer before and after they receive access to Fund-supported products and services; in this way, the net income effect can be obtained – as can be seen in the example below

- **Fund participants were requested to develop Beneficiary Models at the start of the grant period**, with support from the Fund Monitoring Evaluation and Learning team. This included making projections for the future income effect of the project – that is, clearly specifying the drivers for income uplift and the expected effect the project would have on those drivers. This could be, for example, a projected doubling of yield as a result of providing agricultural input loans.
- The surveys carried out as part of our impact studies allowed us to estimate the costs and revenues for **ESTABLISHED customers** (those who have been working with the Fund participant for at least ~1.5 years) and **NEWER customers** (those who have joined less than a year before the survey took place). Comparing the net incomes for two groups allowed the Fund to obtain an **estimate of the expected net income effect of joining the Fund participant**.
- Finally, the Fund was able to compare the net income effect forecast at the start of the grant period with the differential between newer and established customers to see which assumptions about drivers of income held true and which did not.

NEWER CUSTOMERS/ BASELINE ESTIMATE	Revenue before the project	
	Average revenue from sale of 80kg bags Avg. 869 kg @ USD 1.78/kg	USD 1,551
	Costs before the project	
	Average cost of agricultural inputs	USD 157.35
	Average cost of other production elements	USD 81.34
	Average cost of loan interest	USD 30.60
	Net Income before the project	USD 1,282
ESTABLISHED CUSTOMERS/ ENDLINE ESTIMATE	Revenue after the project	
	Average revenue from sale of 80kg bags Avg. 1,477kg @ USD 1.78/kg	USD 2,636
	Costs after the project	
	Average cost of agricultural inputs	USD 202.68
	Average cost of other production elements	USD 108.90
	Average cost of loan interest	USD 54.23
	Net income after the project	USD 2,270
Total income uplift (USD)		USD 998 (+77%)

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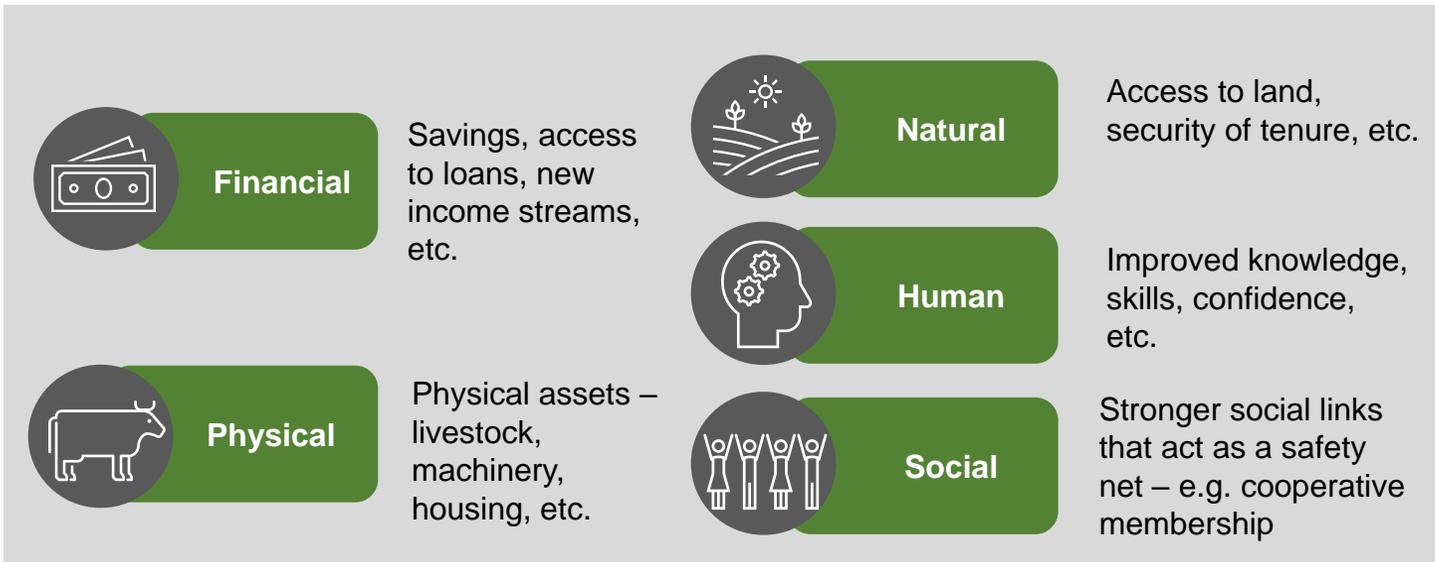
Conclusion

While not an explicit objective of the Fund, anecdotal evidence of Fund impact on beneficiary resilience was gathered and a framework developed to assess it

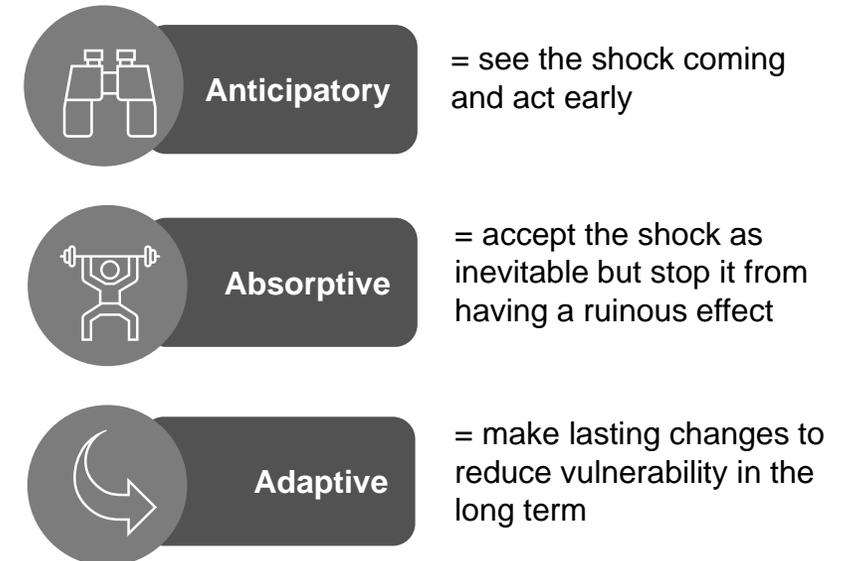
Besides generating income, helping rural people reduce their vulnerability and maintain their welfare is one of the major forms of social impact that access to savings, insurance, loans, and transaction products can deliver

- The Fund is interested in understanding how the resilience of participant beneficiaries was affected – particularly in the context of the shock of COVID-19, and how it helped customers maintain their income
- To understand resilience, we look at how access to financial products affects different types of capital, and in turn how these affect resilience capacity. This is captured in a “resilience results chain”, where outputs in the form of provided products and services help beneficiaries build up their **resilience capital** which, in turn, boosts their **resilience capacities** and enables them to maintain their welfare in the event of a shock. Resilience results chains were developed for each of the 6 participants who took part in impact studies.

Types of Resilience Capital



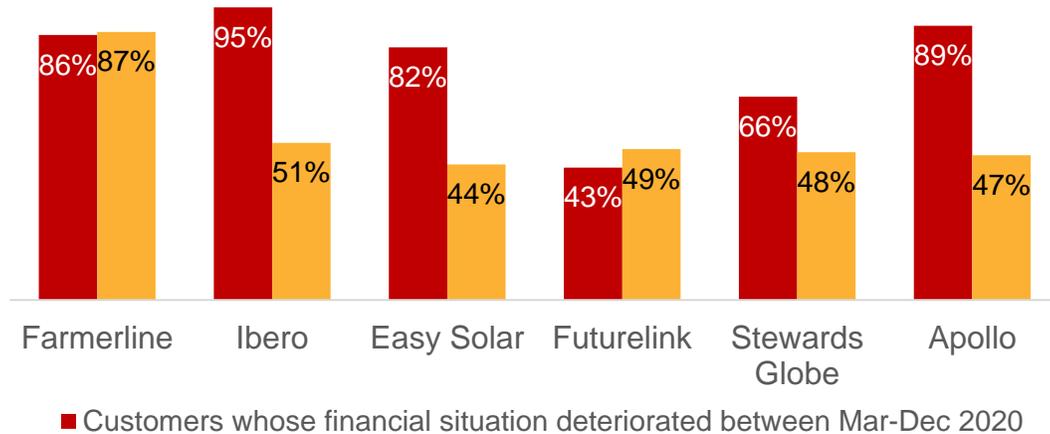
Resilience Capacities



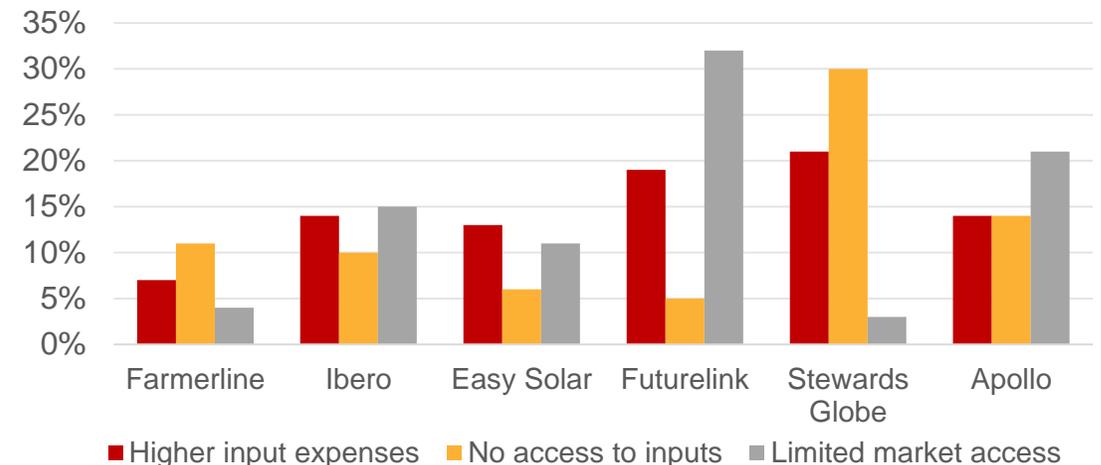
The COVID-19 crisis represented a substantial shock to customer livelihoods and provided an opportunity to assess how the Fund was building customer resilience

- **Impact studies have indicated that most customers were affected by the pandemic**, with on average 77% reporting a deteriorated financial situation between March and December 2020
- **54% of customers remain in a worse financial situation than they were before the pandemic.** While recovery has been faster among some participants (Ibero, Easy Solar, Apollo), the impact of COVID-19 remains felt by many
- **Many customers still have their activities impacted by the pandemic.** Top issues included spending more (15%) and not being able (13%) to purchase inputs, and being unable to find appropriate markets to sell outputs at the right price (14%).

Customers negatively affected by the pandemic, and proportion worse off in Dec 2021 than before the pandemic



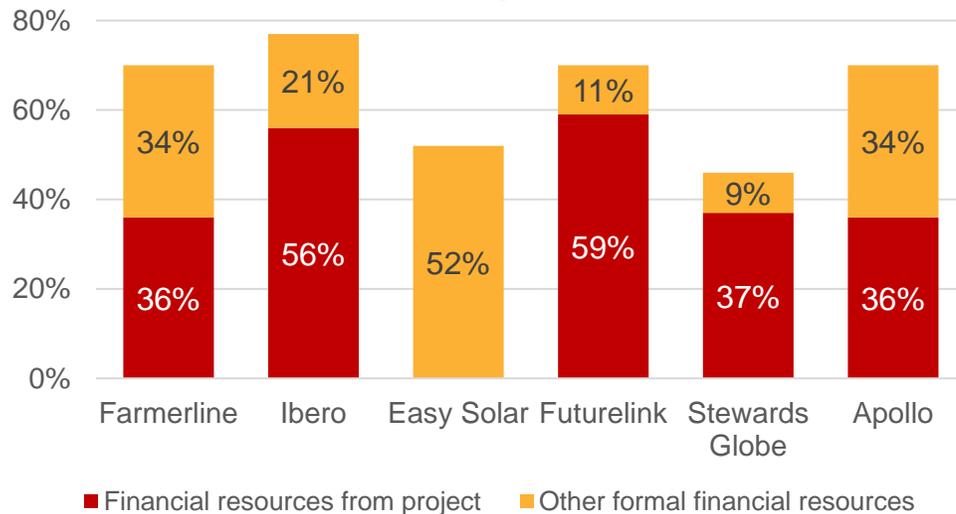
Top pandemic consequences affecting customers' income between Dec 2020 – Dec 2021



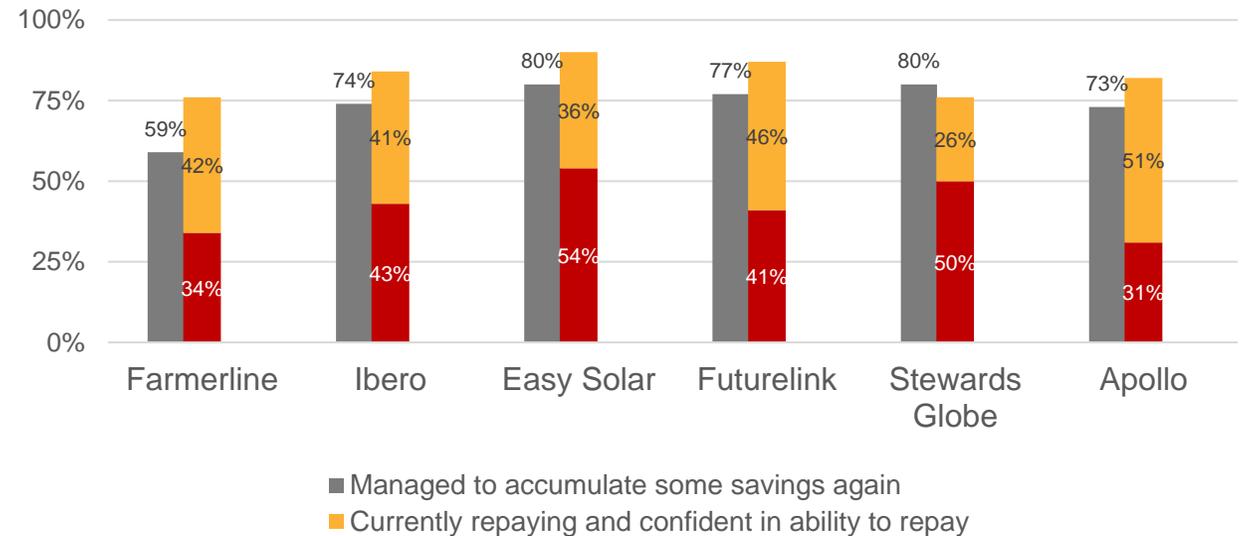
Surveys have confirmed that financial capital - the primary form of resilience capital directly supported by the Fund - is the most important to customers and its use does not undermine customer livelihoods in the longer term

- Interestingly, 64% of customers consider formal financial resources as the most critical resources when shocks arise, while other resources such as physical assets, skills and knowledge, natural resources and community support make up the remaining 36%. Moreover, financial capital accumulated thanks to Fund participants is seen as particularly important.
- The use of financial products in response to the pandemic does not appear to have adversely affected customers; quite the contrary – the vast majority have replenished their savings (74%) and/or can repay their loans (83%). This indicates that customers do not have to compromise future wellbeing when using financial tools to cope with crises.
- Many participants allowed for flexibility in repayment schedules - this included paying larger sums than required, up to and including paying the whole amount in one go, and delaying installments.

Which of these matter the most to you to protect your household when something unexpected happens?



Customers' savings and repayment status after the crisis (Dec 2021)



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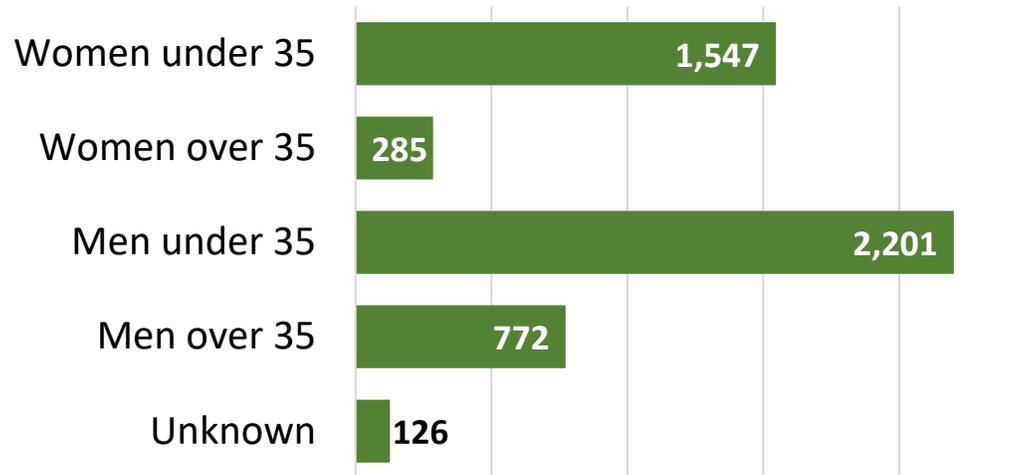
Impact: Job Creation

Impact: Systemic Change

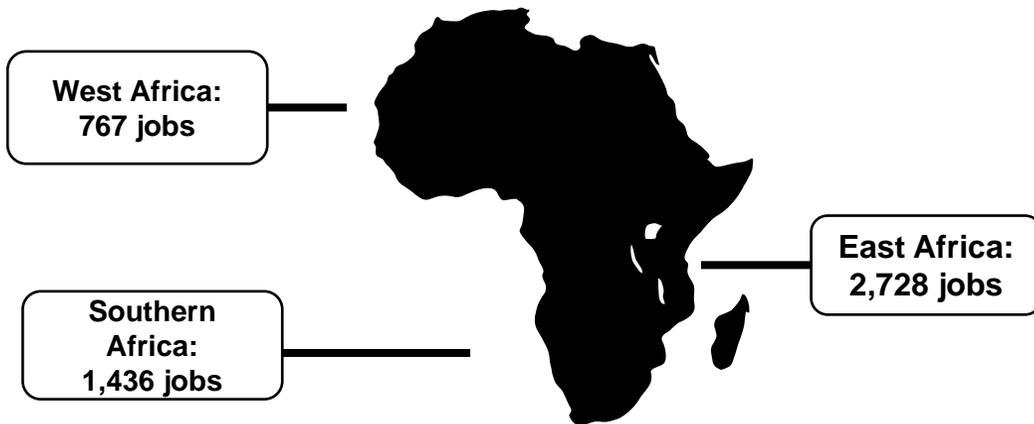
Conclusion

By fostering expansion of financial services, the Fund has also contributed to substantial job creation – firstly, within the Fund participant businesses themselves

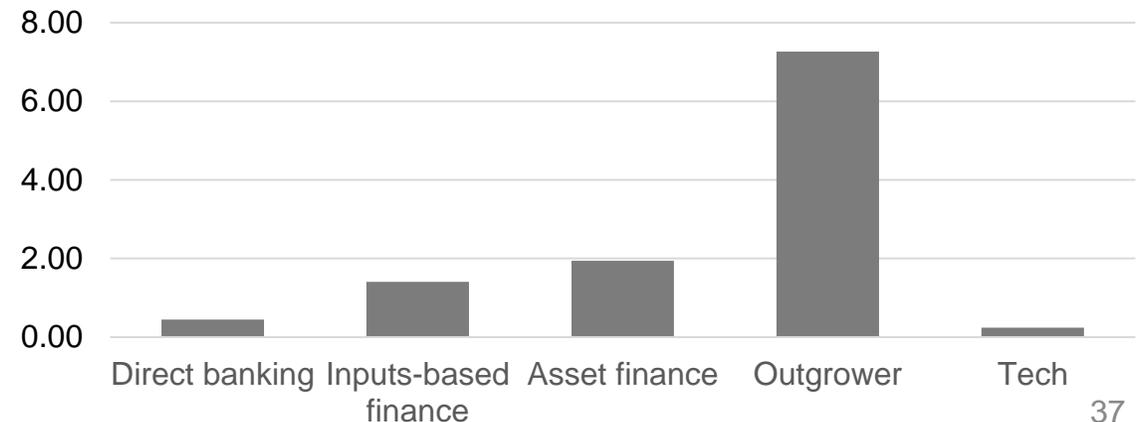
Jobs created



- The Fund has enabled the creation of **close to 5,000 jobs** within the participating businesses.
- 38% of those jobs have been occupied by women and 78% for people under the age of 35
- In line with the geographical spread of the portfolio, **most of those jobs (55%) were created in East Africa**. However, the share of new customers in that region (76%) indicates that those human resources have been successfully leveraged to expand the relevant businesses.
- **Outgrower models** require the most investment in employees to reach their customers (particularly given the more intensive support typically required), and **technology models** the least.



New jobs required to reach 1k customers, per business model



The Fund COVID-19 Recovery and Resilience window helped to support job retention (and in some cases job creation) even during the pandemic crisis*

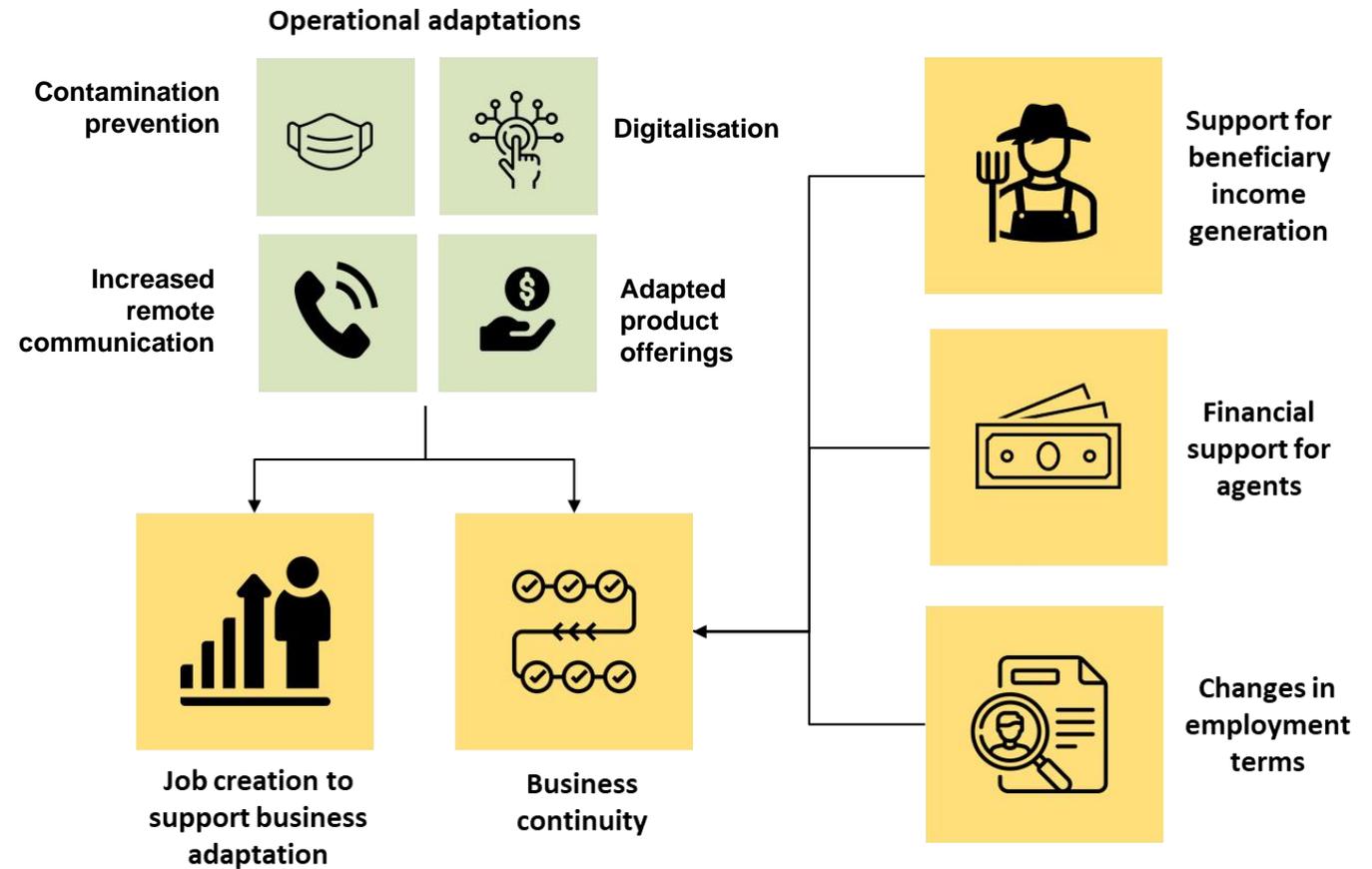
During COVID-19, job retention was a key issue for many participants, as it was essential to maintain continuity and avoid long-term disruptions to their business activities.

While the primary focus of many companies was on operational adaptation to continue generating revenue to be able to continue to employ their staff, some also provided financial support to their agents, changed employment terms, and supported beneficiary income generation.

In addition to these job retention strategies, in some cases, **implementation of operational adaptations led to job creation.**

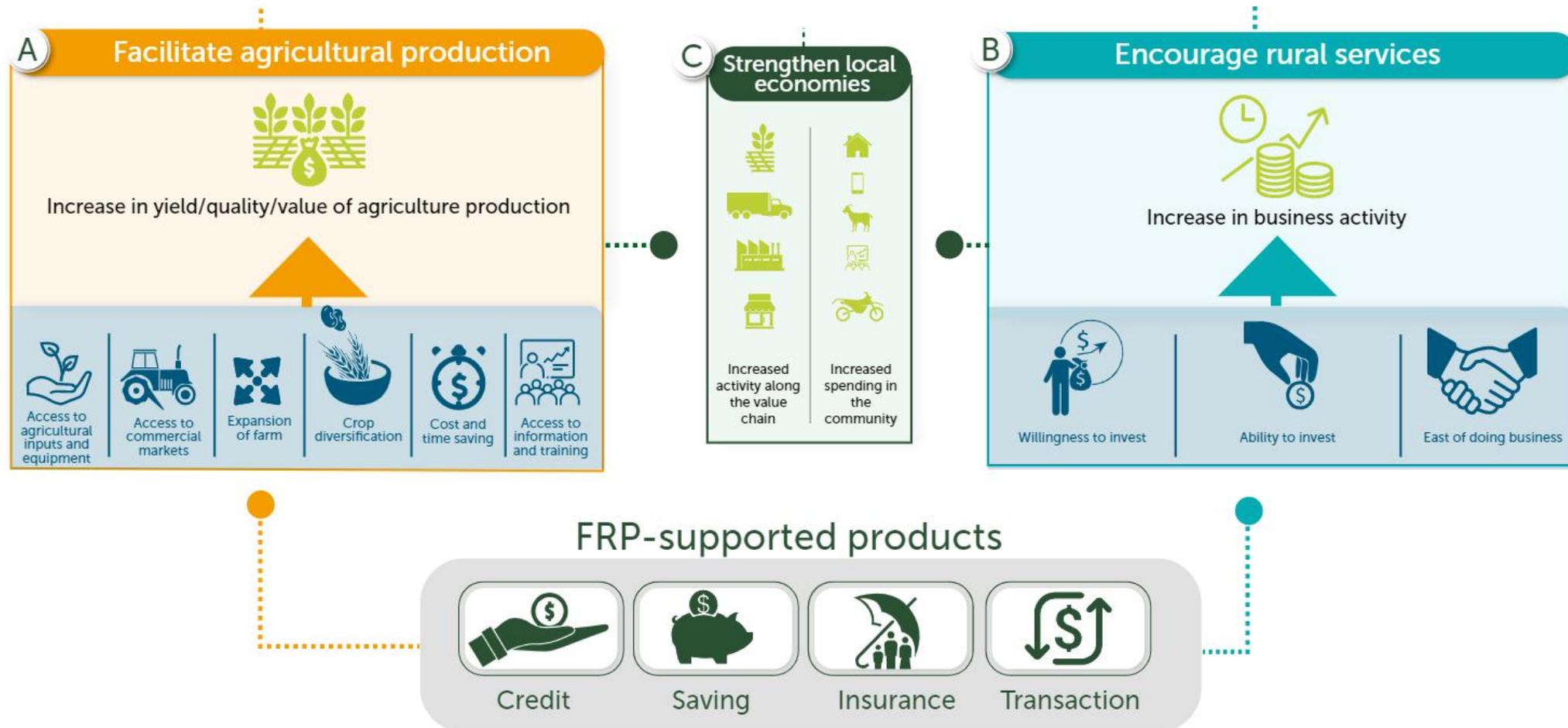
Some measures, such as the provision of financial support to agents, were only put in place temporarily. However, other business adaptations and changes in employment terms proved commercially beneficial, and are likely to persist in the long term.

*More analysis of the effect of COVID-19 on Fund participants and their responses to the crisis is available in the 2020 Impact Report



In addition, the Fund noticed the trend of indirect job creation through participant beneficiaries and developed a framework to assess this form of job creation*

We have identified three main pathways through which participant products can stimulate indirect job creation:

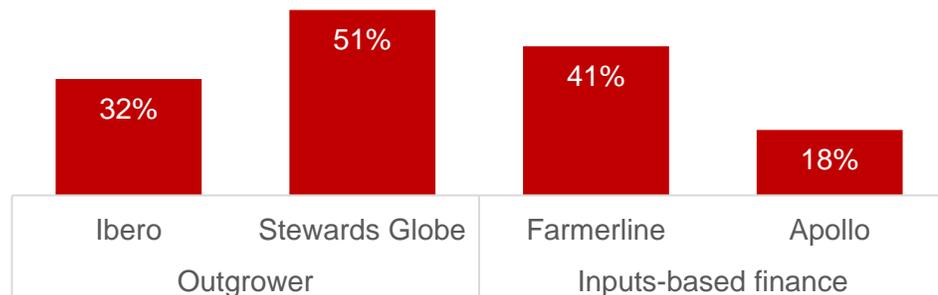


Selective impact studies carried out also allowed the Fund to quantify and analyse the impact on indirect job creation in the case of six Fund participants

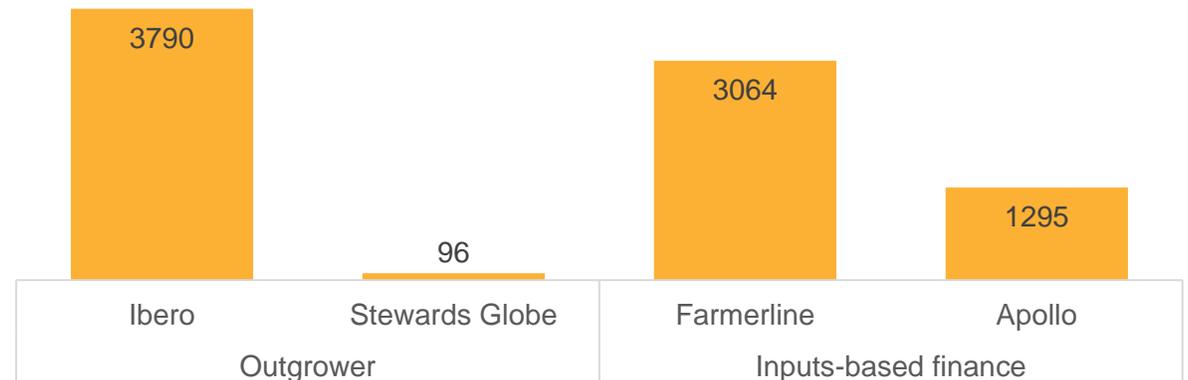
The vast majority of indirect job creation was generated through Pathway 1 (facilitating agricultural production) while the evidence of Pathway 2 (encouraging side businesses) and Pathway 3 (strengthening local economies) was very limited.

- **The extent of indirect job creation varies greatly across participants.** On average, 36% of customers reported needing more hired workers since they joined the project – although this can generally only be attributed to the projects which directly stimulate increases in agricultural production and thus generate the need for more workers to apply inputs, harvest produce, etc.
- **To measure indirect job creation**, we gathered information in Focus Group Discussions on the types of tasks requiring labour and the number of days per task. We established which man-day requirements are linked to which key drivers (e.g. volume of produce, land area, etc.) and scaled up those labour requirements, per task, based on the project’s effect on the key drivers for the average beneficiary. We then converted those extra man-days required per year into FTE jobs.
- Interestingly, one of the main activities of Stewards Globe aimed at encouraging farmers to move to cash crops that happened to be less labour intensive – resulting in little indirect job creation compared to the other outgrower model Ibero
- Evidence of job creation among Easy Solar (asset finance) and Futurelink (tech) customers could not be credibly linked to the services provided by these two companies.

Customers reporting having a higher need for farm workers since they joined the project



Indirect jobs created as of Dec 2021 (full-time equivalent)



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Conclusion

The early indications of the systemic impact by the Fund can be considered by looking at two main aspects:
i) crowding in of investment, and ii) community uplift

There are some indications of crowding-in of investment into the pro-poor financial sector

- While much of the detailed information is confidential and not in the public domain, there is extensive anecdotal evidence of **the participants receiving access to follow-on funding** after the completion of their grant. This reflects the fact that the Fund has enabled businesses providing financial services to unbanked, rural populations in Africa to **develop their proof-of-concept, learn from their experience under the grant, refine their service offering, and demonstrate their impact** – making the sector a surer proposition for funders' investment.
- In addition, there is some evidence of **demonstration effect**, i.e. other market actors in contexts where Fund participants operate adopting some or part of their model:

Orange Telecom operator in Sierra Leone has started to provide solar asset leasing services in imitation of **Easy Solar** who have overtaken the government in becoming the primary energy provider in the country.

There is evidence that the alternative credit-scoring mechanism which relies on reputation-based group guarantees, developed by **Musoni**, has been adopted by other MFIs operating in rural Kenya.

Community uplift is most likely to occur in areas of concentration of economic activity

- **Boosting incomes is the most direct pathway for community uplift.** As the analysis of **indirect job creation** has shown, the biggest potential for this form of systemic impact has been found in agriculture-related projects which had a clear and direct effect on agricultural productivity, and thus on labour requirements and beneficiary incomes.
- **The closer the engagement with customers and the greater the decentralisation of services,** the higher the chances of concentration of economic activity and growth at local level. This is why agent models have been reporting to be driving growth in local communities – through the presence of Fund participant agents, boosting the businesses of agrodealers who have partnered with Fund participants, etc.

Ibero Uganda has invested into the development of **coffee washing stations** in order to boost value addition and enable both the outgrower business and the coffee farmers to obtain higher prices. These washing stations are developing into local economic hubs, with local boda boda drivers being hired by farmers every day at harvest time to transport cherries, and people from the community being hired to wash, sort and dry the cherries.

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Conclusion

Reflecting back on the successes and challenges of Fund-supported projects provides insights into three key questions on impact

What is required for business models to be successful?



In terms of **growth and customer acquisition**, there is a clear trade-off between rapid scaling (enabled by partnerships, digital solutions, etc.) and building deeper customer relationships through local engagement, face-to-face training, etc. The right pace of scaling and the value of closer customer relationships will, however, be different for different businesses;



Diversification of product offering helps better meet the needs of customers AND serve multiple customer segments; **Bundling** products can also be a way to boost uptake and reduce cost;



Capacity building of customers is essential for maximising returns both for the customer and for the business

What drives customer impact?

Access to financial services can generate many different positive effects for customers – higher incomes, greater resilience, access to new assets, greater convenience, reduced cost – however, **it is seldom possible for one business or product to generate multiple forms of customer impact simultaneously:**



Businesses that have a direct effect on productivity or marketing potential (e.g. **outgrower schemes** which also, generally, have more holistic support packages) have the most direct effect on incomes.



Businesses that make **flexible financial resources** available to their customers are the most likely to build resilience.



The main contribution of tech innovations is to improve convenience and reduce cost, with limited effect on customer livelihoods

What works in driving broader, systemic impact?



Generating innovation and creating conditions for ideas to be refined and improved through a flexible and adaptable design of the funding mechanism increases the likelihood of broader sector adoption of successful approaches



The most direct way to generate community uplift is to **boost customer incomes**, while the most indirect jobs were created through boosting agricultural production. The agricultural sector has the greatest potential for scaling up employment in the short term

Fund for Rural Prosperity



The Fund Manager for Mastercard Foundation Fund for Rural Prosperity is KPMG International Development Advisory Services

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