

Key components of The MasterCard Foundation's Rural and Agricultural Finance Portfolio Learning Agenda

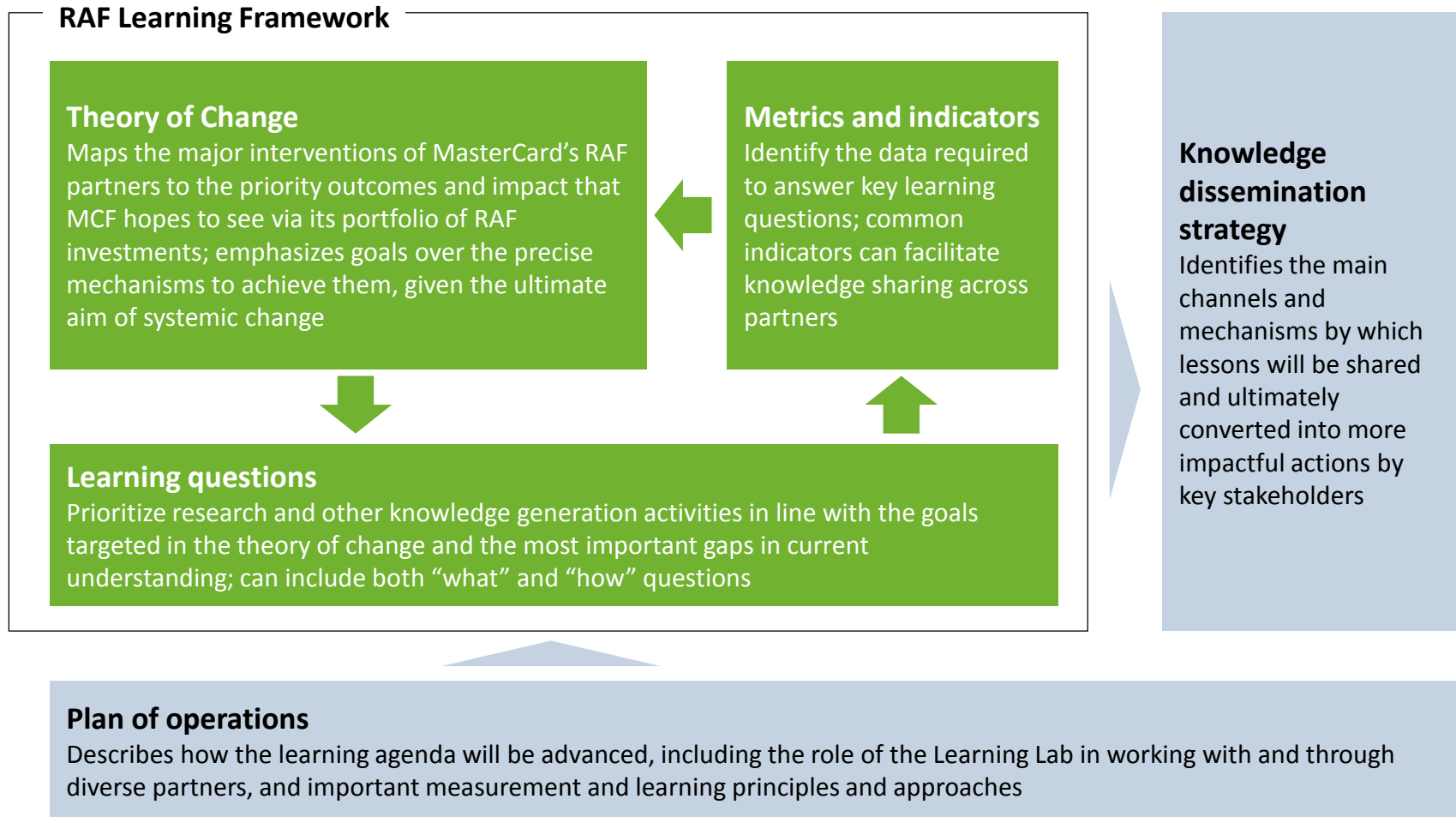


For informational purposes only, and subject to evolution over time in response to lessons learned

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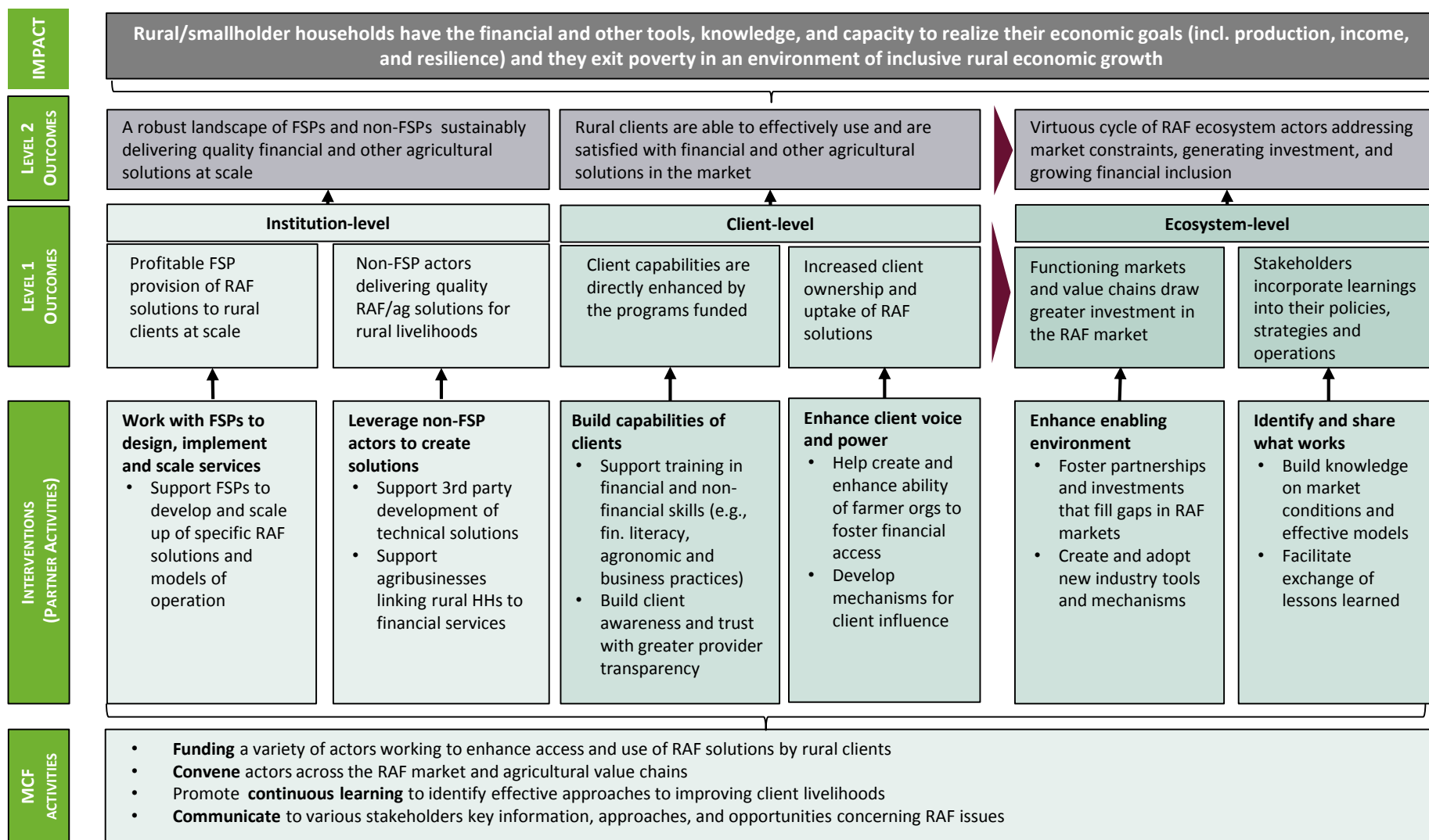


Elements of the Rural and Agricultural Finance learning agenda



The learning agenda (and its components) must be flexible and adaptive, because the systems that RAF partners are trying to change are complex and our learnings must be actionable

Snapshot of The MasterCard Foundation Rural and Agricultural Finance theory of change as of mid-2015



Definitions of selected terms related to the Theory of Change

IMPACT

- **Rural households:** Households that reside in rural areas (as defined by national statistical offices).
- **Agricultural households:** Households that reside in rural areas and rely on agriculture for their livelihoods.
- **Production:** Agricultural, forestry or processing output of a household; or the total economic output of a community.
- **Income:** Net change in gross household cash earnings generated from economic activities performed by members of the household.
- **Resilience:** Ability of individuals or communities to withstand and rapidly recover from a shock such as a drought or sickness.

OUTCOMES

- **Financial service provider (FSP):** An institution (e.g., bank, NBF, MFI, agribusiness) that delivers financial products or services (i.e., credit, savings, transactional, or insurance products) to individuals or entities.
- **(Rural) client:** The recipient of a financial (or possibly finance-enabled) solution, that can be either a smallholder farmer, small agribusiness, or other rural resident – in case of credit products, to distinguish a client from an intermediary, clients are entities borrowing less than ~\$10,000.
- **Smallholder farmer:** farmer typically cultivating less than two hectares.
- **Ecosystem:** Network of actors (e.g., providers, customers, local and 3rd party service providers), rules and relationships that comprise the market for rural and agricultural finance.
- **Agribusiness:** Any firm conducting activities along the agricultural value chain.
- **Financial (RAF) solutions:** Financial products, services, or combinations tailored to the needs of rural households.
- **Quality (financial solutions):** Accessible and affordable financial products and services that meet customers' needs.
- **Rural and agricultural financial (RAF) models:** Business models, including delivery channels, that enable FSPs and agribusinesses to profitably provide financial solutions to rural and agricultural households.
- **Market systems:** Network of buyers, sellers, and other actors that come together to trade in a given agricultural or financial product or service.
- **(Agricultural) value chain:** Full range of activities required for an agricultural product to move from the farm to the consumer.
- **Innovation:** New product, process, or service.
- **Scaling up:** Expanding proven approaches from proof of concept or pilot stage to new customers or regions*.

OUTPUTS

- **Customer-level insights:** Insights on the customer's needs and wants in terms of financial products and services.
- **Capacity (building):** Enhancing smallholder farmers' and agribusinesses' financial and non-financial abilities to effectively use financial products and services.
- **Local service provider:** Any entity providing services to FSPs, but which does not provide financial products and services directly to customers.
- **3rd party:** Any entity active in the agricultural finance space who is not a financial service provider, agribusiness, or customer.

* Further discussion might be needed to refine definition (minimum efficient scale).

Portfolio learning questions guiding the Lab as of mid-2015

High-level learning questions

Impact

- *How does RAF contribute to poverty reduction and improved livelihoods for rural HHs?*

Client

- *What financial and non-financial products, services and channels do different client segments in rural areas value and use most and why?*

Institution

- *What drives the business case for delivering financial solutions to rural households?*
- *What models are best suited for different financial solutions & client contexts?*

Eco-system

- *What are the key levers for creating systemic change to grow client inclusion in the RAF market and why?*

Detailed learning questions

- What are the paths by which RAF solutions contribute to local poverty reduction and improved livelihoods for different client segments?
- What solutions have the greatest contribution to production, income and resilience? For which client segments under what conditions?
- Beyond production, income, and resilience, in what other ways does RAF affect different client segments positively/negatively and why?

- What are the most effective mechanisms for engaging different client segments on developing and scaling RAF solutions? How does this vary by context?
- How does using different engagement mechanisms affect uptake and usage of financial solutions? How does this vary by client segments?
- For different client segments, what are the gaps between intended and actual usage of RAF solutions and why?
- What are the most promising models of combining financial with non-financial or non-agricultural solutions to improve outcomes for different client segments? Why?

- What models (including partnerships) most effectively address the main cost barriers for providing RAF solutions? How does this vary by solution, client segment?
- What advantages of different value chain players can be leveraged to develop and scale successful RAF solutions?
- What knowledge, skills and tools are different FSPs currently lacking to develop and provide RAF solutions at scale? What type of assistance is most needed?
- What business models have been ineffective; why have they failed; and what are the actionable lessons?

- What does an inclusive RAF ecosystem look like for different client segments?
- What features of the enabling environment are most critical for inclusive RAF to thrive?
- What investments and interventions contribute the most to the growth of inclusive RAF?
- What are the best ways to incentivize knowledge sharing, and help RAF actors put knowledge into action? What works for different actors, why and why not?

Illustrative list of key indicators for the learning agenda

Indicators	Description	How to measure	
Impact	Farm productivity	<ul style="list-style-type: none"> Growth in agricultural output and cash earnings at farm level linked to partner interventions 	<ul style="list-style-type: none"> Farm-level surveys, or data collected from outgrowers/offtakers
	Household poverty	<ul style="list-style-type: none"> Increase in consumption and/or assets of households benefiting from partner interventions 	<ul style="list-style-type: none"> Household surveys (e.g. PPI) of targeted and comparison HHs
Client	Client usage	<ul style="list-style-type: none"> Growth, depth, and consistency of rural customer (farmer) usage of financial and technical solutions offered 	<ul style="list-style-type: none"> Data from providers and customer surveys, disaggregated by customer and product characteristics
	Client satisfaction	<ul style="list-style-type: none"> Rural customer beliefs about the degree to which products and services offered meet their needs (feedback on what exists/is yet to be offered) 	<ul style="list-style-type: none"> Customer (and potential customer) surveys, product reviews, and immersive interviews
Institutions	Size and reach of RAF offering	<ul style="list-style-type: none"> Growth in number of customers, volumes of finance, and penetration/availability of products/services 	<ul style="list-style-type: none"> Data from providers, market surveys (e.g., product types), secondary research (e.g. FinScope, FSP Maps)
	Profitability/commercial sustainability	<ul style="list-style-type: none"> Progress toward and proliferation of models where costs of serving rural customers are exceeded by revenues, in the absence of subsidy 	<ul style="list-style-type: none"> Data (financials) from providers, breakeven analyses and projections
Eco-system	Investment in RAF	<ul style="list-style-type: none"> Growth in overall investment in RAF business models (“crowding in”) 	<ul style="list-style-type: none"> Market survey of capital flows, new institutions, geographies penetrated, etc.
	Strengthening of rural markets/value chains	<ul style="list-style-type: none"> Growth in production value in relevant value chains and rural geographies; participation and share captured by smallholders/poor 	<ul style="list-style-type: none"> National, local and industry production and export data; value chain studies; immersive interviews with farmers