



Fund for Rural Prosperity™



Fund for Rural Prosperity: 2020 Impact & Learning Report

November 2021

□ Introduction and Report Highlights

- Overview of the Fund for Rural Prosperity
- Fund for Rural Prosperity - Achievements in 2020
- ***Portfolio in focus:*** Participant Resilience
- ***Portfolio in focus:*** Beneficiary Resilience
- Conclusion
- Annex – portfolio summary 2020 & list of FRP participants



- The year of 2020 and the **COVID-19 pandemic** presented **unprecedented challenges** to the participants and to the customers of the Fund for Rural Prosperity, with business operations disrupted, livelihoods under threat, and concerns about the health and welfare of friends and family at the front of many people's minds.
- While the crisis continues in many countries where FRP operates and the shock of COVID-19 has been significant, **many FRP-supported businesses have shown remarkable resilience, and continue to provide financial services to customers**, at a time when access to credit, savings, insurance and transaction services matter the most. Funding provided through the FRP's dedicated **COVID-19 Resilience and Recovery Funding Window** has had an important role to play in supporting this.
- Correspondingly, this report not only presents the **achievements of FRP**, in what was a very difficult year, but also examines in greater detail various aspects of **Participants' Resilience**, as well as what FRP has meant for **Beneficiary Resilience** for the period up to 31 December 2020.



In early 2020, the Fund continued to award new grants by launching the **Strategic Investments Window**, which provided high-performing projects with additional funding to further increase their impact. USD 2.1m was awarded to two participants.



Overall, the portfolio was **severely impacted by the advent of the COVID-19 pandemic**, which disrupted project implementation and tested the resilience of both participants and beneficiaries.



As a response, the Fund launched a **COVID-19 Recovery and Resilience Window**, awarding USD 2.4m to 12 projects to help them withstand and recover from the shock, and continue to serve their customers.



The COVID-19 window funding enabled the Fund to continue to make progress towards its development impact in spite of the crisis, reaching an additional **1.4 million beneficiaries** – which amounts to **close to 5 million beneficiaries at the end of 2020**.

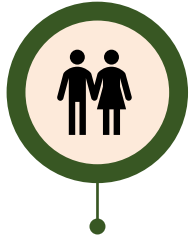


Three participants closed their projects in 2020, and three more are on track to close their activities as scheduled, in 2021. Nevertheless, for the majority of the portfolio, restrictions on movement and gatherings have led to implementation delays. To enable projects to be completed and reach their full potential for impact, the Fund, which was to close by December 2021, was **extended to June 2022**.

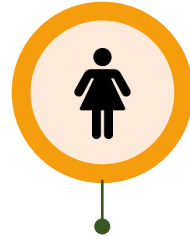


As the majority of projects are now moving towards the last stages of implementation, the Fund is working towards verifying the impact of their activities. In 2020, we rolled out an additional **6 impact study baseline surveys**, using remote phone data collection to safely gather information from beneficiaries – including on the ways in which their resilience had been tested by the COVID-19 pandemic.

Fund for Rural Prosperity – Progress achieved in 2020



1.4 million new customers were reached



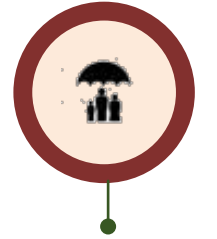
34% of new customers were women living in rural areas



47% of new customers were under the age of 35



710k beneficiaries were supported with capacity building



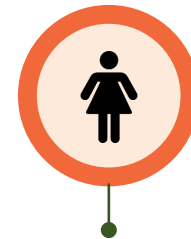
36 new financial products were launched



USD 6.6 million in grants was disbursed in the year, matched by **USD 31.1 million** from participants: every dollar in grants has leveraged an additional **USD 4.8** in spending



65% of jobs were created for those under the age of 35

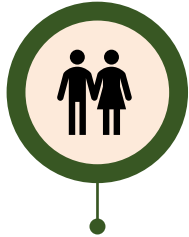


33% of new employees were women

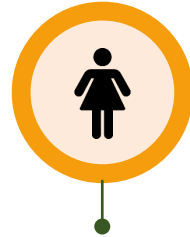


2,043 new direct jobs were created within participant organisations

Fund for Rural Prosperity – Progress to date



4.7 million
customers have
been reached over
the life of the Fund



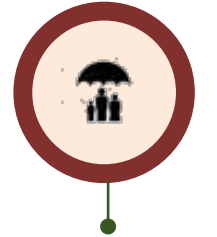
33% of customers
are women living in
rural areas



34% of
customers
under the age
of 35



3.1 million
beneficiaries
supported with
capacity building



204 new
financial
products
launched



USD 33.9 million in grants
disbursed to date, matched by
USD 90.8 million from
participants: every dollar in
grants has leveraged an
additional **USD 2.7** in spending



64% of jobs
created for
those under
the age of 35



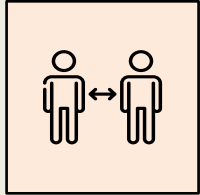
34% of jobs
created for
women



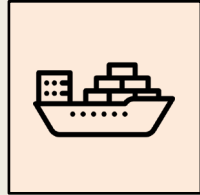
4,940 new direct jobs
created within
participant
organisations

Report Highlights – Participant Resilience during COVID-19

COVID-19 impacted participants in diverse ways



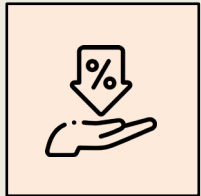
Logistical constraints to reaching customers



Reduced ability to procure goods

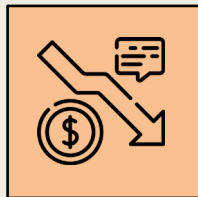


Reduced demand



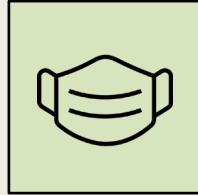
Increase in portfolio at risk

Resulted in:

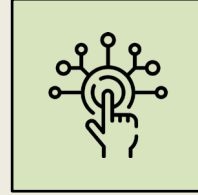


Poor financial performance

To adapt to the crisis, participants made various operational changes



Contamination prevention



Digitalization

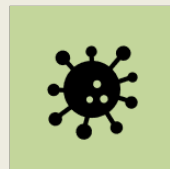


Increased remote communication



Adapted Product offerings

Enabled participants to:



Reduce COVID-19 exposure



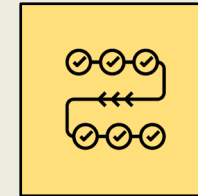
Continue operating



Meet customers' needs

Impact on employment

Participant managed to retain jobs through:



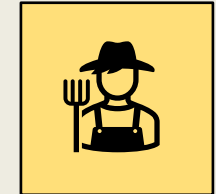
Business continuity



Financial support for agents



Changes in employment terms



Support for beneficiary income generation

Operational changes also led to:



Job creation

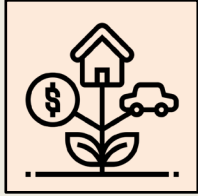
Report Highlights – Beneficiary Resilience

FRP-supported products expected to contribute to resilience through boosting beneficiary capital:



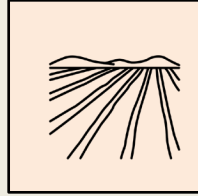
Financial

- Assets & inputs on credit
- Insurance
- Direct income boost
- Cash advance
- Savings
- Mobile banking
- Credit scoring



Physical

- Agricultural inputs
- Farm equipment
- Solar home systems



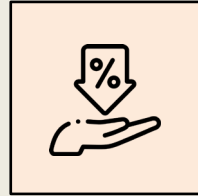
Natural

- Land titling
- Organic certification
- Water conservation



Human

- Agronomic training
- Financial literacy
- Helping children study
- Health insurance



Social

- Village saving groups
- Farmer organisations
- Communications and entertainment technology

Anticipatory capacity

Absorptive capacity

Adaptive capacity

Impact study baselines allowed us to see what effect FRP-supported products had on beneficiary response to COVID-19

Shocks and stresses

COVID-19 is a complex shock and stressor with both short-term and long-term effects. It undermines the beneficiaries’ ability to earn an income, access basic services, interrupts education and threatens physical and mental health.

Forms of resilience capital

The **human capital** component of being able to access essential information was listed as the top response in terms of the ways in which FRP-supported services helped beneficiaries cope.

Access to **financial capital** (e.g. Ibero’s cash advances) and **physical capital** (e.g. Easy Solar’s solar home systems) have proven to be particularly important. A combination of those two forms of capital – physical accessibility of money, i.e. the ability to withdraw and hold cash – was highlighted as crucial.

Resilience capacities

The example of COVID-19 has related to building the beneficiaries’ **absorptive capacity**. In the course of the 2021 endline survey, we will explore how FRP has helped households build their **adaptive capacity** as well.

- Introduction and Report Highlights
- Overview of the Fund for Rural Prosperity
- Fund for Rural Prosperity - Achievements in 2020
- Portfolio in focus:*** Participant Resilience
- Portfolio in focus:*** Beneficiary Resilience
- Conclusion
- Annex – portfolio summary 2020 & list of FRP participants



USD 45 million of grants committed and matched by USD 95.7 million from participants

TO



38 projects in 15 countries

DEVELOPING



SAVING, CREDIT, INSURANCE and TRANSACTION services

TO REACH



a target of at least 1 MILLION CUSTOMERS

FROM



2014 to 2022





Innovation Rounds

The Fund ran two competitions (in 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 Fund's two 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

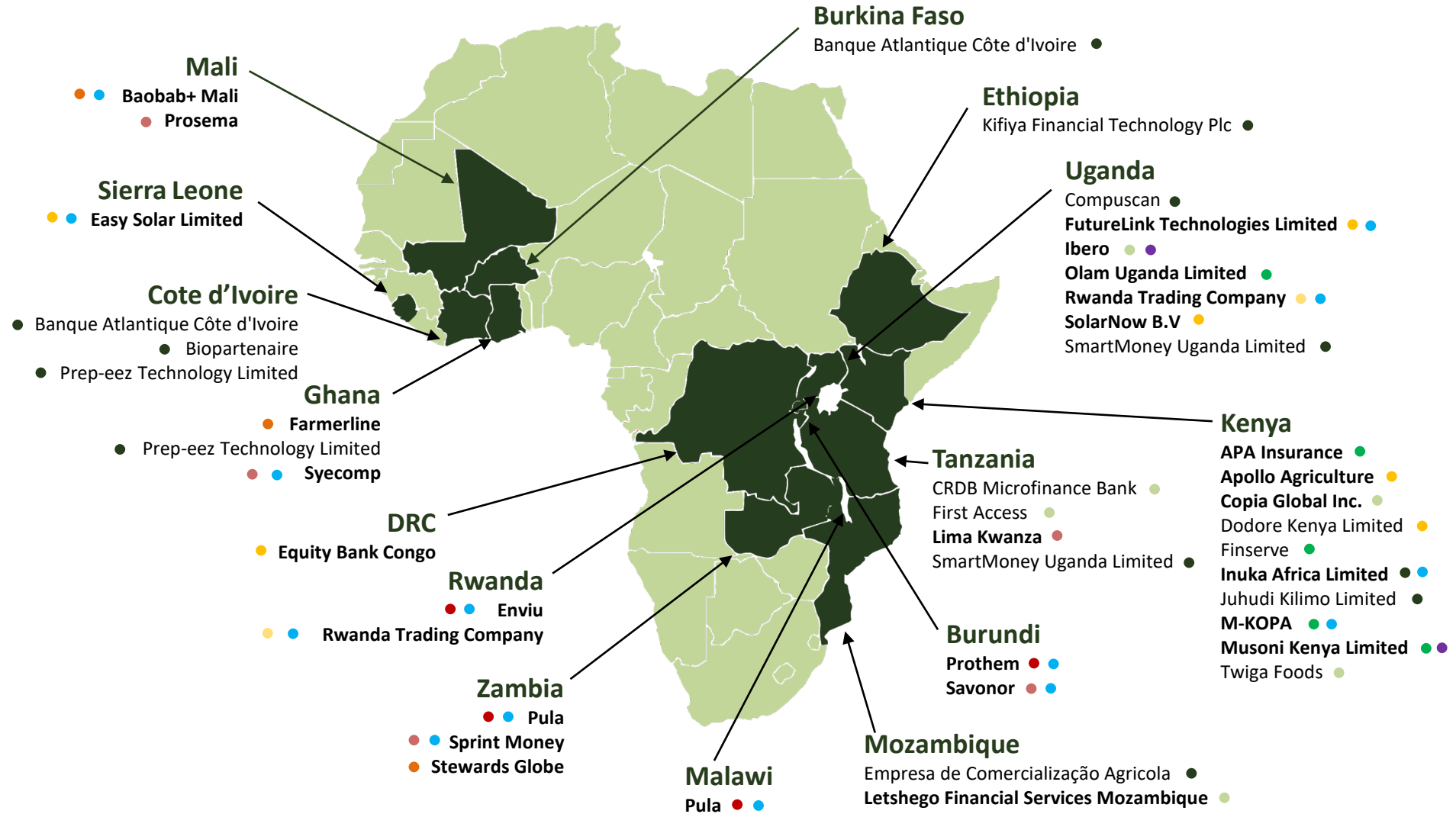
In 2020, the Fund awarded additional funding to high performing participants under their Strategic Investments window. This top-up funding aimed to i) leverage existing projects to create work opportunities for young men and women in line with MCF's Young Africa Works programme, and/or support the growth 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 FRP-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.

| | |
|------|-----------------------------|
| 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 |



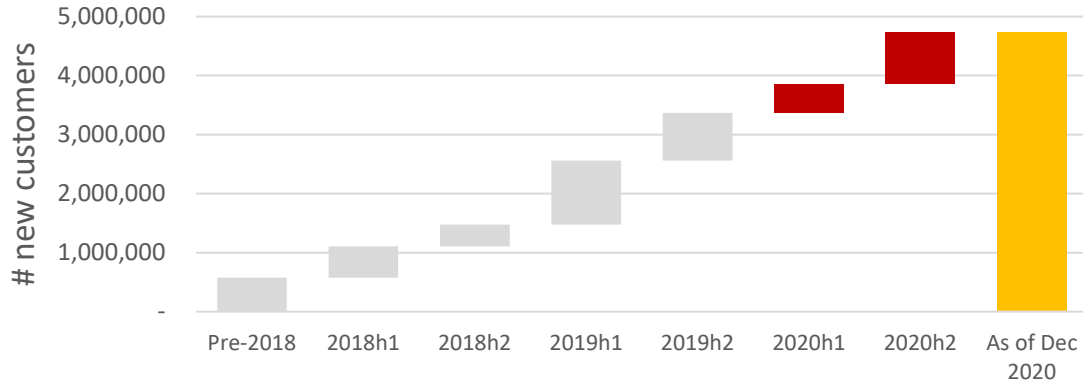
*Projects in bold are still active

- Introduction and Report Highlights
- Overview of the Fund for Rural Prosperity
- Fund for Rural Prosperity - Achievements in 2020
- Portfolio in focus:*** Participant Resilience
- Portfolio in focus:*** Beneficiary Resilience
- Conclusion
- Annex – portfolio summary 2020 & list of FRP participants



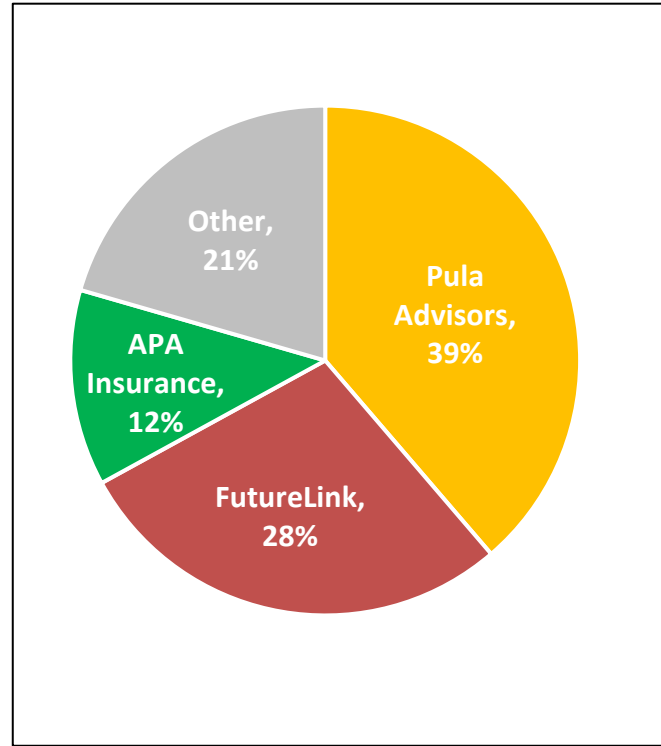
FRP participants reached 1.4 million new customers in 2020, an impressive achievement in light of COVID-19

Customer acquisition, over time



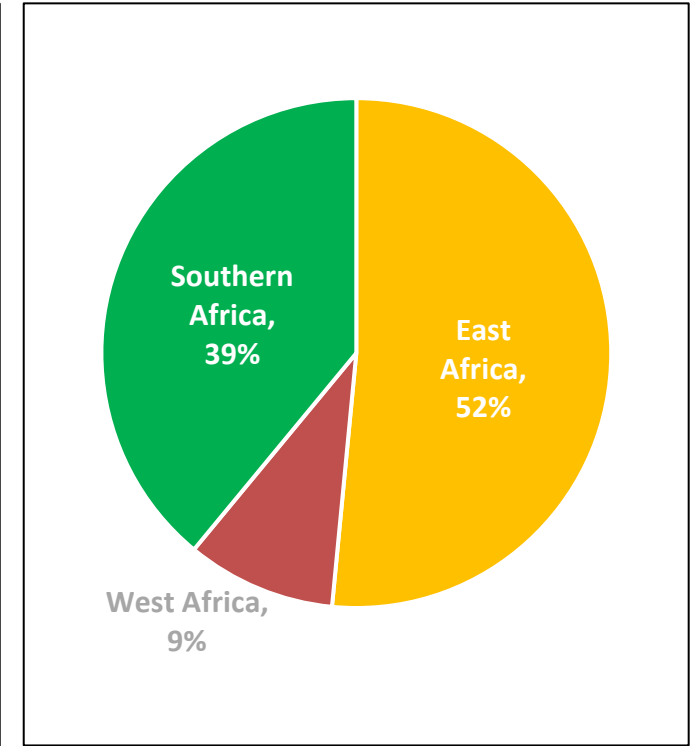
- In spite of the disruption caused by COVID-19, Fund participants have managed to continue reaching new customers.
- Although the number of new customers in H1 was lower than usual, customer acquisition recovered over the second part of the year (increasing by 75%), following the easing of restrictions.
- As a result the Fund has reached 4.7 million customers by the end of 2020, which is close to five times the initial target. Overall, it is estimated that products launched by the Fund have impacted 23.7 million household beneficiaries.
- However, individual project targets were affected by the crisis and 2021 outreach targets have had to be revised downwards as disruptions continue to hamper full implementation and scaling.

Customer acquisition in 2020, by participant



- In 2020, the leading projects in terms of customer acquisition were Pula (39%), FutureLink (28%) and APA Insurance (12%). They were responsible for close to 80% of new customers acquired

Customer acquisition in 2020, by region

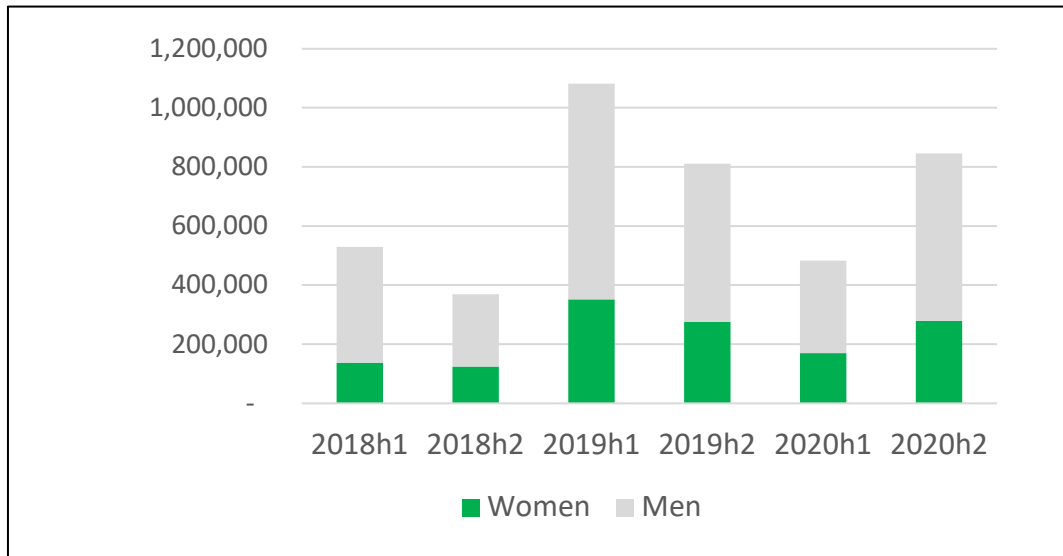


- Pula's successes in outreach have heavily influenced the regional breakdown of customer acquisition per region, since the project operates in Malawi and Zambia.

In 2020, one third of new customers were women and close to half were youth below the age of 35



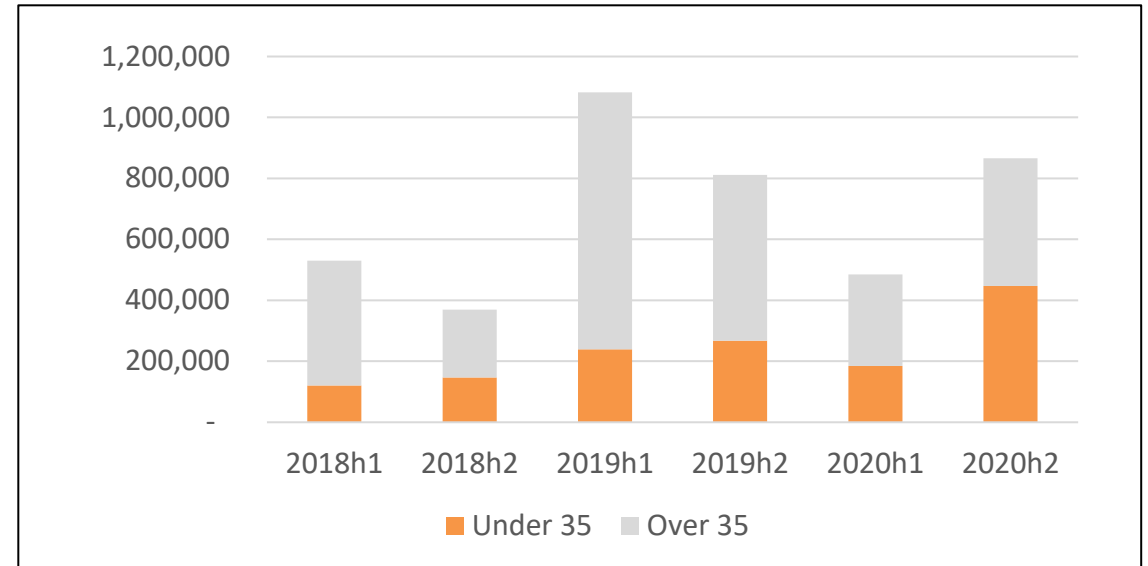
New customers, by gender



- In 2020, the Fund reached 463,222 women, 37% of whom were Pula customers.
- **Musoni** remains in the lead in terms of registering female customers (71% of new customers), though total outreach numbers remain modest.
- Overall, women represented one third of all new customers acquired in 2020, a proportion that has tended to remain constant over time.
- **To date, women represent 33% of beneficiaries.**



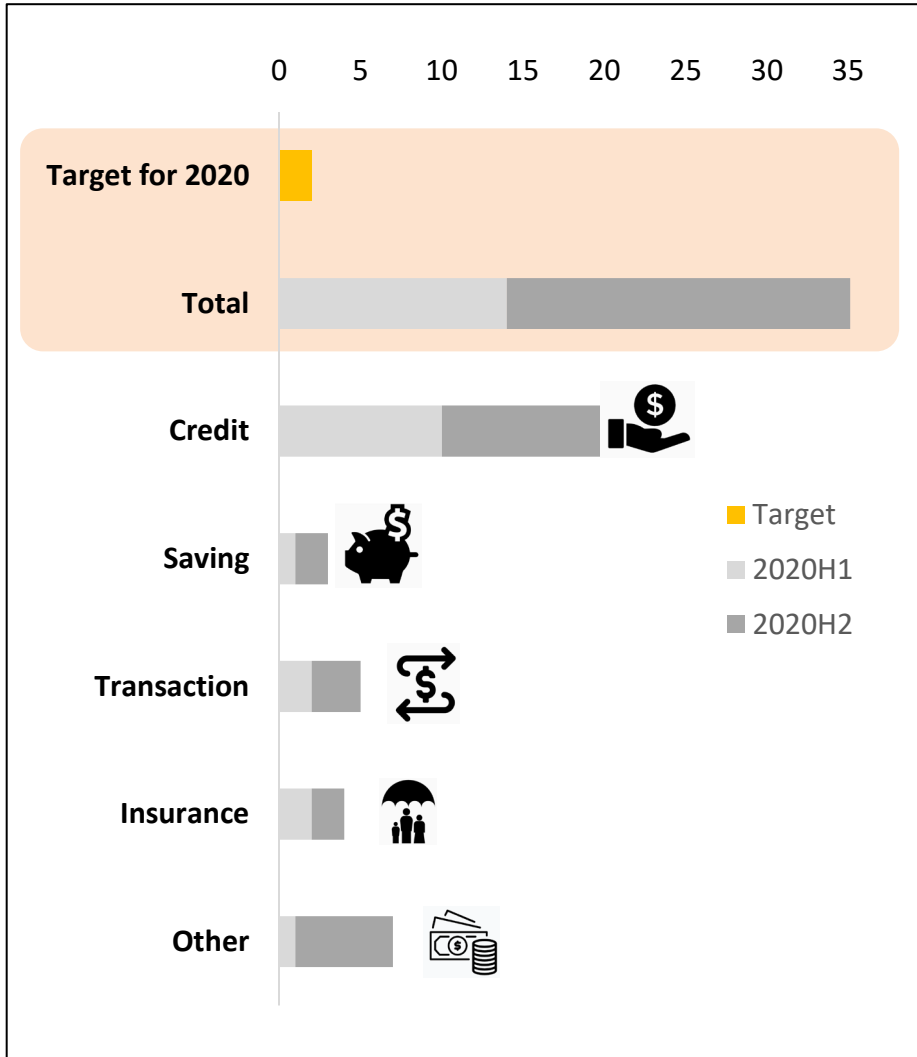
New customers, by age



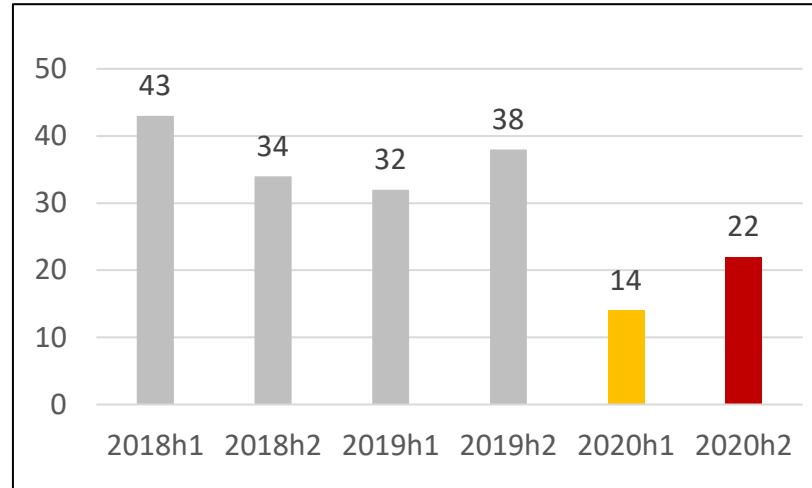
- Participants acquired 447,571 new youth customers in 2020, which amounts to 47% of new customers registered over this period.
- **Lima Kwanza** had the highest share of youth among their new customers (85%). However, portfolio youth uptake was mainly driven by **Pula**, which was responsible for over half of new youth customers.
- In total, participants reached 632,509 new youth customers, an impressive achievement in light of COVID-19. This represents a larger share of new customers than in 2019 (+27%).
- **To date, people below the age of 35 make up 34% of beneficiaries.**

The number of new products being launched continues to exceed projections, an indication of continued adaptation by participants

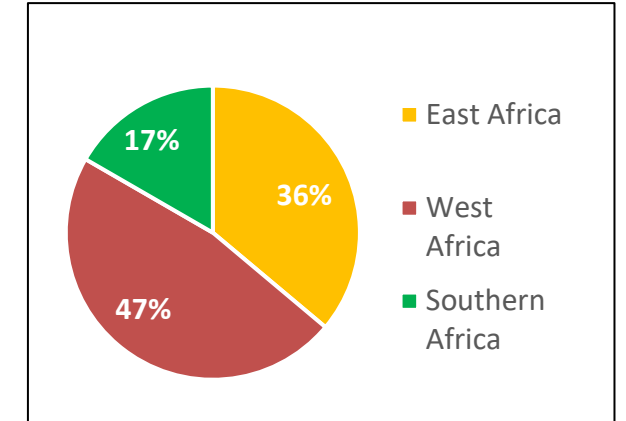
Number of products launched in 2020



Number of products launched over time



Products launched by regions in 2020

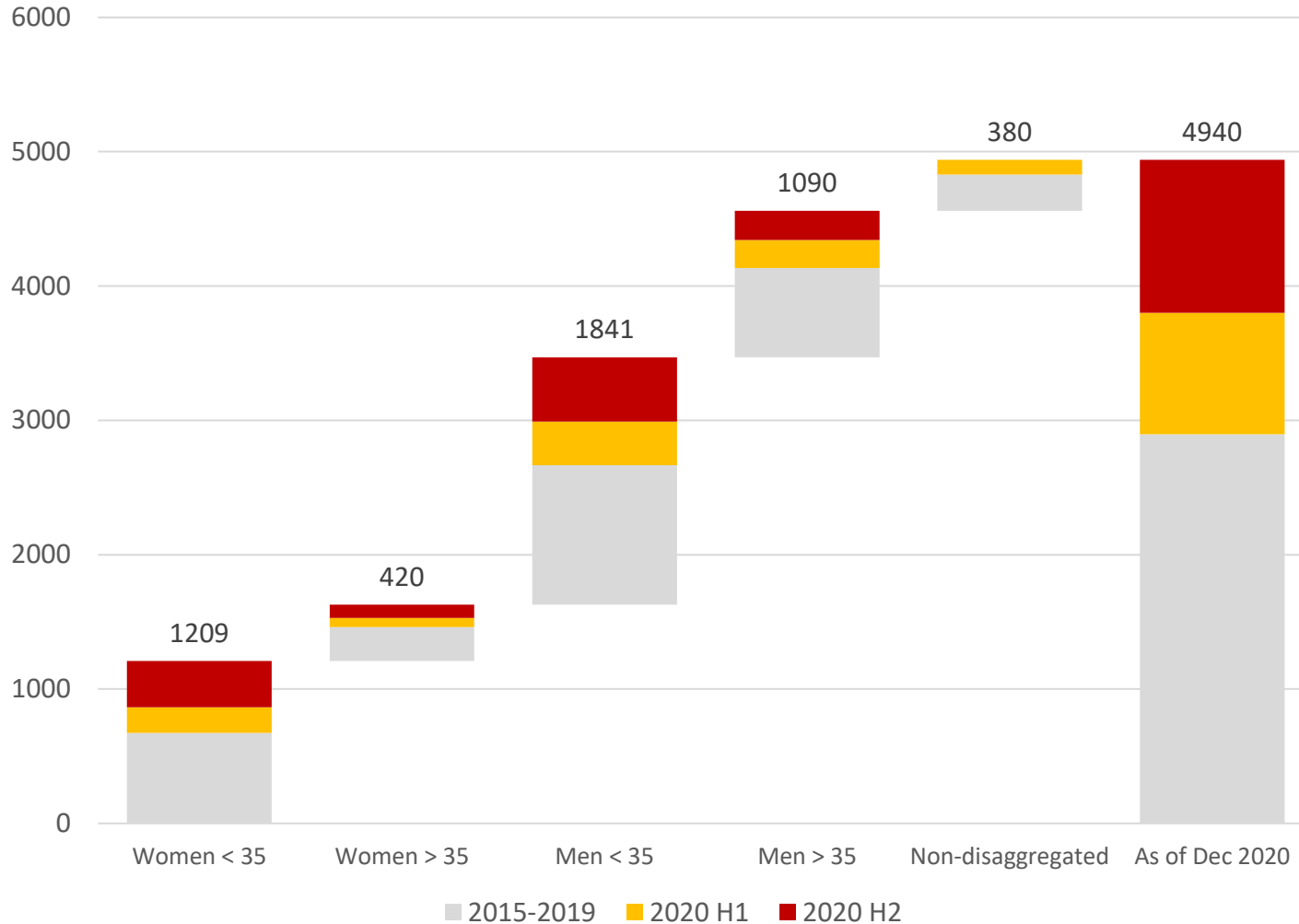


- Participants started offering 36 new products in 2020. Loans remained the most frequent type of product.
- Product development and launch has slowed down considerably compared to 2019, when 70 products were launched. This is to be expected, as most participants are approaching the end of their implementation period: only two new products were initially planned for 2020, and some of these new products were launched to address the COVID-19 crisis.
- This brings the total number of products launched to date to 204.
- West Africa had the highest number of products launched, reflecting portfolio maturity, which was largely driven by Easy Solar and Farmerline launching 5 and 9 new products, respectively, over the reporting period.



Despite the COVID-19 crisis, H2 2020 has seen the highest number of jobs created to date over a single reporting period

Number of direct jobs created



- In spite of the crisis, 1,035 jobs were created in between June and December 2020. In total, 2,043 jobs were created in 2020.
- This included 703 jobs for women (34%), and 1,339 for the youth (65%). Most participants recruited a majority of young employees, with 6 companies exclusively recruiting people below the age of 35.
- Some of this job creation was related to COVID-19 adaptations, for example the expansion of call centres.
- In 2020, 22 participants created jobs. **Rwanda Trading Company** was responsible for 21% of jobs created, followed by **Apollo Agriculture, Savonor, Lima Kwanza, and Easy Solar**. The majority of jobs (68%) were therefore created in East Africa.
- 2020 saw the highest number of jobs created annually, and brings the total job creation to date to 4,940.



Over 3.1 million customers have benefitted from capacity building, with the content varying by business

2015-2019
2,408,384



H1 2020
345,834



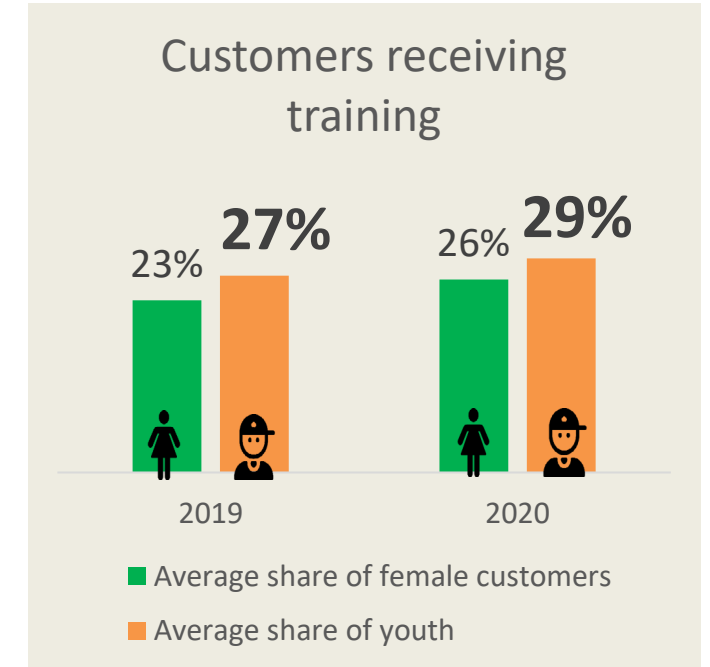
H2 2020
364,829

710,663 customers trained in 2020

≈ 100,000 new customers

- 710,663 customers received some form of capacity building this year, which represents only one quarter of the 2020 target.
- This can largely be attributed to the reduced ability of participants to directly interact with their customers, as a consequence of the COVID-19 restrictions.

A total of **3.1 million** customers have received capacity building to date



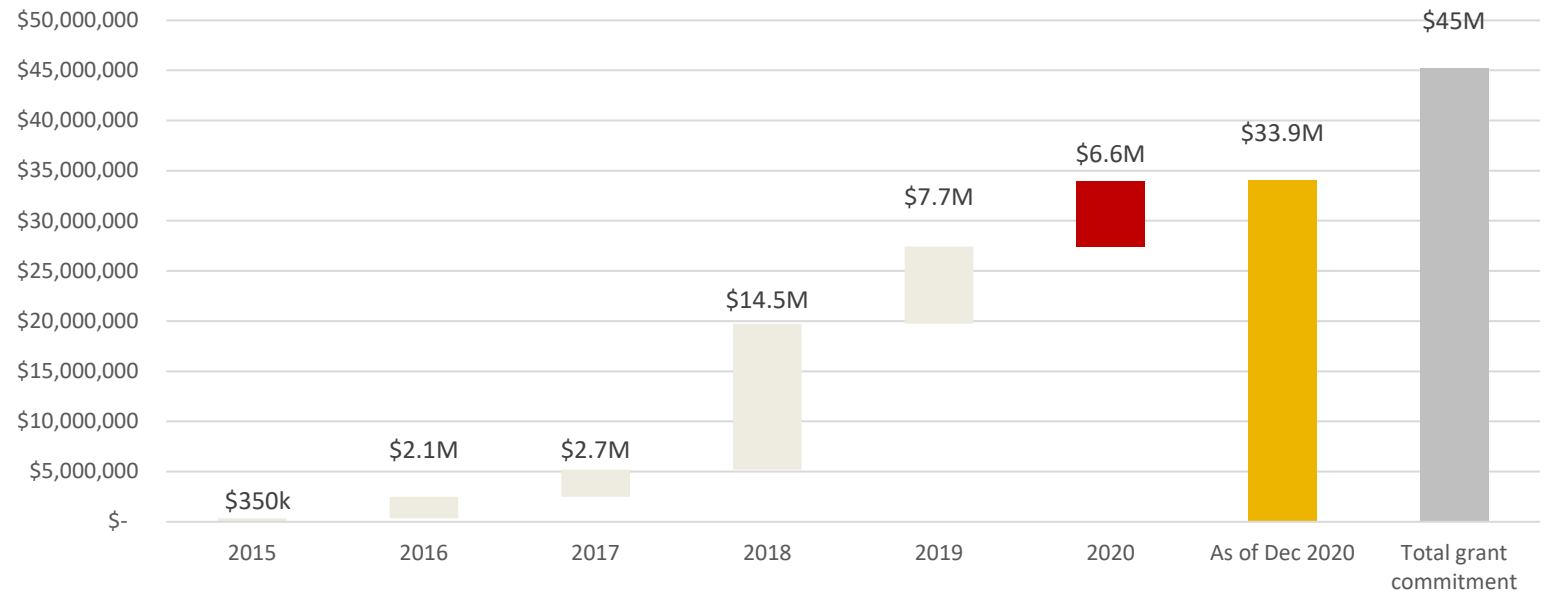
- The proportion of female and youth customers accessing training remains slightly below their prevalence in the general customer base.
- However, there has been a small increase as compared to 2019, suggesting that these customer segments have not been disproportionately excluded by the move towards remote training, undertaken by many participants in response to the crisis.



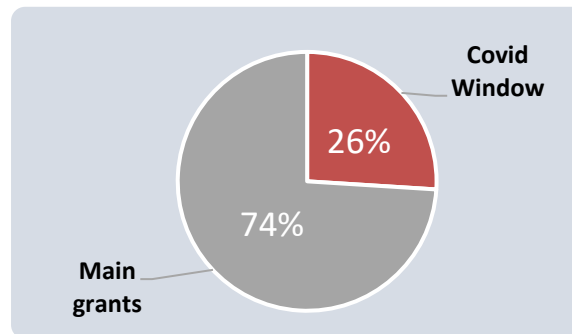
In spite of the disruption caused by the crisis, the Fund met its disbursement target for 2020

- In 2020, the Fund disbursed a total of \$6.6M, or 99% of the contracted amount for the year, to 26 participants.
- This brings total disbursements to date to \$33.9M, or over two thirds of allocated funds. About \$11M remains to be disbursed.
- COVID-19 Response Window funding made up over one quarter of 2020 disbursements.
- The majority of funding went to participants in East Africa, where most of the portfolio is located. However, disbursements to West African participants increased by 40% from 2019, as the portfolio in that region matured.

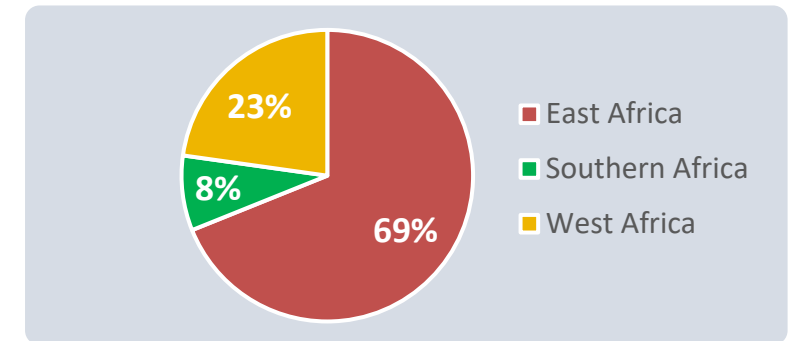
Disbursements as of December 2020



2020 Disbursements



2020 Regional Breakdown

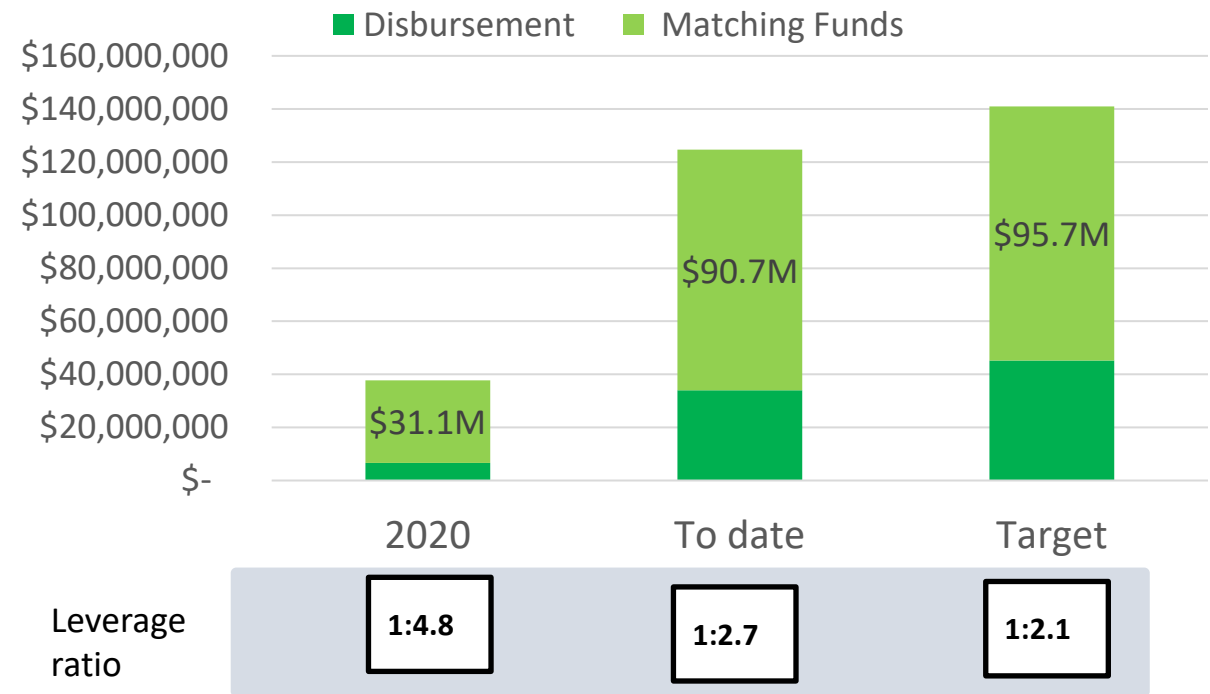




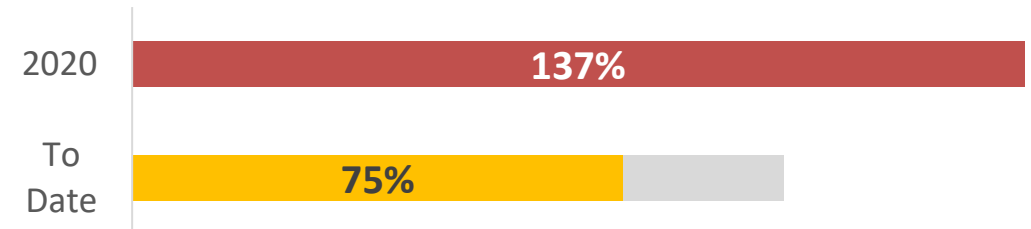
The Fund exceeded its 2020 matching fund targets and remains on track to achieve its overall leverage objectives

- Despite the financial strain that the COVID-19 crisis put on companies, 2020 saw a boost in funds leveraged: matching funds provided for the year amounted to \$31.1M, and make up over one third of the \$90.8M leveraged to date. This can partly be explained by the fact that participants made additional investments to maintain their operations.
- The majority of these funds came from cash contributions from participants (92%). Other sources include in-kind contributions, loans from third parties and grants from other funders.
- **Every \$1 in funding leveraged an additional \$4.8 in spending from the companies in 2020.** This is significantly higher than the leverage ratio to date, which stands at 1:2.7.
- Overall targets were surpassed by 37%, in spite of 15 participants failing to meet their matching fund objectives. This was mainly driven by large, unplanned contributions from Olam and Easy Solar.
- The Fund remains on track to meet its matching fund objectives, having already leveraged 75% of its final target.

Amounts leveraged



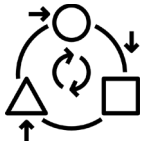
Progress against match funding targets





In June 2020, to support participants and beneficiaries through the pandemic, the Fund launched the **COVID-19 Recovery and Resilience Window**.

This new funding round enabled Fund participants to apply to grants of up to \$250,000 to be used over the following 12 months, in order to:



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 improve resilience for affected workers



12 projects were selected among 32 submitted applications



A total of \$2.4 million was committed. As of December 2020, 70% of COVID-19 window funding had been disbursed.

COVID-19 R&R Window



The projects funded under the Recovery and Resilience Window are being implemented in **9 different countries across East, Southern, and West Africa.**

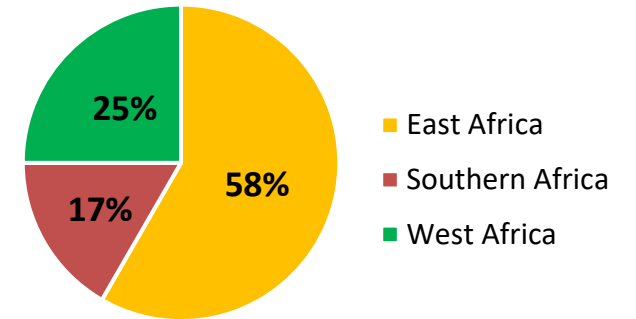
There is a concentration in East Africa, as demonstrated below, which is proportional to the overall number of participants in the region.

All three funding areas under the COVID-19 Response and Resilience Window received applications in roughly similar proportions.

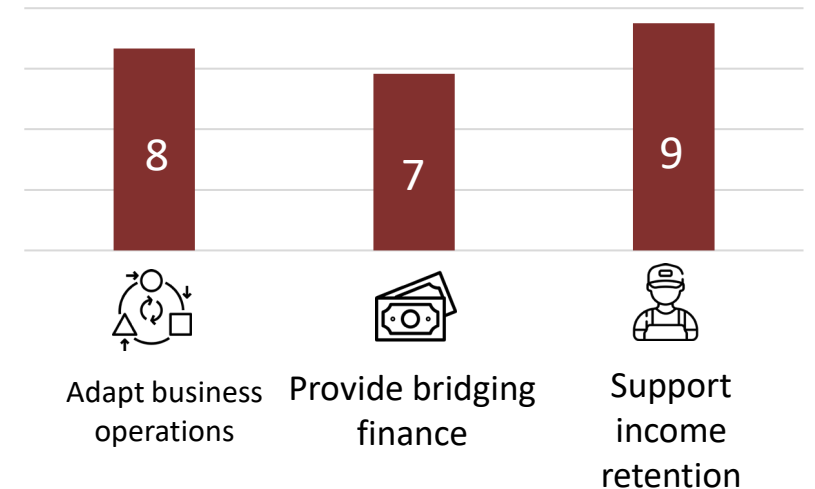
The most popular area was the preservation of employment income. This, perhaps, reflects the difficulties businesses have faced in retaining field agents and contract workers during lockdown periods or in the face of commercial difficulties. 75% of projects sought to address more than one pillar.

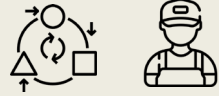
Regardless of the specific objective, **a common theme in projects funded was digitisation.** 10 of the 12 funded projects involved the adoption of digital tools. These included new digital mechanisms to reach customers or to enable payments, as well as to deliver training and to continue to work with remote agents.

Number of projects per region



Primary objectives





Baobab + Mali aims to develop an online diaspora payments platform and centralised customer information platform to better support customers falling behind on repayment. The project is expected to generate 35 new jobs.



Easy Solar also aims to develop a diaspora payments platform, support the digitisation of field registration processes, and revise terms with customers.



The project supports the creation of a digital financial training tool and the digitalisation of Enviu's pension product to enable accounts to be opened and modified remotely.



FutureLink will enhance the capacity of the Call Centre from 3 to 43 Agents, promote the usage of MSACCO through training, and sustain and enhance commission-based employment of more than 200 MSACCO Agents.

inuka africa



The project aims to support the digitisation of Inuka's loan process, co-fund the re-employment of over 100 sales agents, and link some of the farmers whose supply chains have been disrupted to new markets.

M-KOPA



M-KOPA will provide its network of sales agents with a living wage during the period in which sales are reduced, and introduce insurance cover to reduce the financial burden they face if they become ill.

Prothem



Prothem will design new emergency financial products for outgrowers, implement new measures for farmer and staff health and safety, and increase awareness of health risks related to Covid-19.

PULA



The funding will support Pula in developing and rolling out new input top-up loan products for their portfolio of smallholder farmers.



The project will help RTC re-employ furloughed staff to restart training, and provide improved access to inputs for smallholder coffee farmers by establishing nurseries.



Savonor will facilitate access to soap and PPE for their palm oil outgrowers, support an ongoing land titling process, provide insurance, and improve access to inputs.



Sprint Money will establish digital hubs to increase the accessibility of digital financial services, introduce an agent retention scheme, and develop strengthened health and safety processes to mitigate COVID-19 Health & Safety processes.



The funding supports Syecomp in developing market linkages and access to inputs for smallholder farmers.

- Introduction and Report Highlights
- Overview of the Fund for Rural Prosperity
- Fund for Rural Prosperity - Achievements in 2020
- Portfolio in focus: Participant Resilience***
- Portfolio in focus: Beneficiary Resilience***
- Conclusion
- Annex – portfolio summary 2020 & list of FRP participants

Impact of the crisis on participants

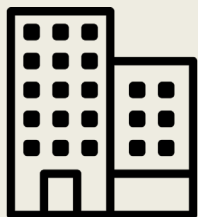
The COVID-19 Recovery and Resilience Window aimed to help participants respond to an existing shock of the COVID-19 pandemic, as well as manage the resulting operational restrictions and their longer-term economic repercussions.

This primarily meant building participants' **absorptive capacity** (i.e. their ability to withstand the shock without having to resort to catastrophic measures), by implementing short-term solutions to cope with the immediate impact of the crisis on their activities, ensure business continuity, maintain jobs, and continue to reach customers.

However, the funding also aimed to improve participants' **adaptive capacity** (i.e. their ability to evolve to minimise vulnerability in the longer term) to better address potential new waves of the pandemic by learning and changing their business model or processes to adapt to the “new normal”.

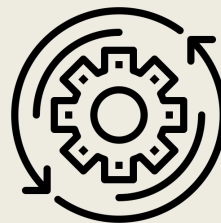
This section focuses on three aspects:

Impact on participants



How did the shock hit the participants?

Operational changes



What operational responses were adopted by participants to cope with and adapt to the pandemic?

Impact on employment



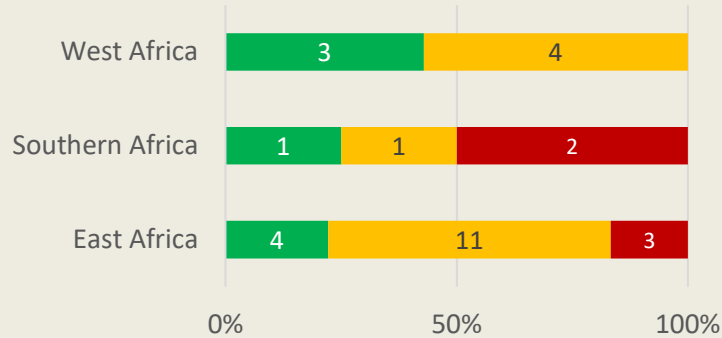
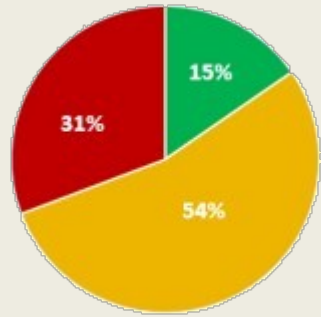
What strategies were adopted by participants to avoid job retrenchments?

Impact of the crisis on participants

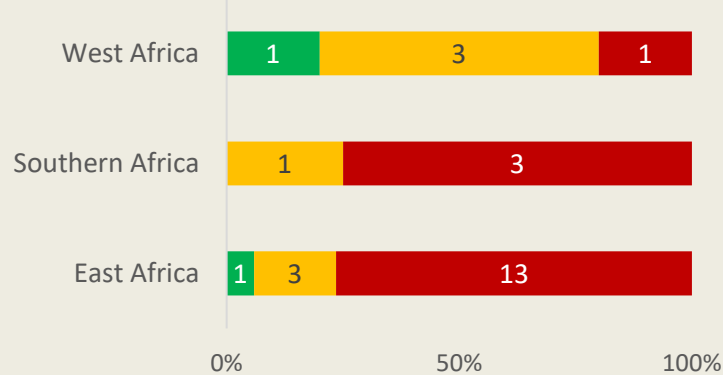
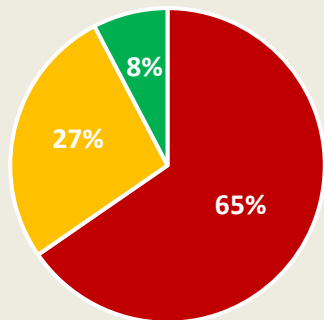
Impact of COVID-19 on participants

■ High ■ Low ■ Medium

May 2020



December 2020



The majority of projects experienced either implementation delays or significant business disruptions linked to the pandemic. As the first wave hit, participants were directly impacted by logistical restrictions linked to the need to socially distance. Towards June 2020, as governments started to ease restrictions, companies began to recover, but also had to face the longer-term economic consequences of the pandemic. With the arrival of the second wave, these were compounded by the return of often stricter lockdown measures. Between May and December 2020, the impact of COVID-19 on active projects significantly worsened, with the proportion of participants experiencing severe disruption increasing by 34%.

The impact on participants varied according to the country context. Government reactions differed, with some countries reacting quickly and imposing strict restrictions whereas others, such as Burundi and Tanzania, did not immediately recognise the threat posed by the virus. Overall, projects located in West Africa have tended to be less severely affected by the crisis. This can be explained by the prompt response of governments, which drew on their Ebola experience, and the fact that the majority of participants were able to quickly adapt, since their models were already focused on digitalisation.

Impact of the crisis on participants

While the impact of the crisis on participants varied over time and across countries and business models, companies were directly affected in four key ways.

Participants experienced i) logistical constraints in reaching customers and ii) difficulties in procuring goods, iii) a reduced demand for products, and iv) lower repayment rates.

This resulted in reduced activities, lower sales, increased costs, and overall poor financial performance which both threatened jobs and raised questions about the degree to which businesses could afford to be inclusive in their product and service offering.

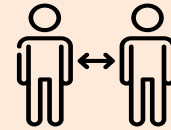
COVID-19 Pandemic

Impact on the ecosystem

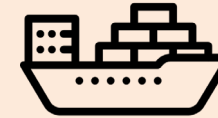
- Movement restrictions
- Supply chain disruption
- Reduced economic activity

Impact on participants

Logistical constraints to reaching customers



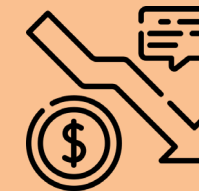
Reduced ability to procure goods



Reduced demand



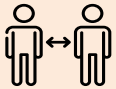
Increase in portfolio at risk



Poor financial performance

Impact of the crisis on participants

Logistical constraints to reaching customers



The pandemic disrupted business operations and reduced participants' access to customers. In order to reach the rural poor, most projects rely extensively on in-person interactions for **marketing and outreach, sales, and training.**

This business model put staff and beneficiaries at risk of being contaminated and made people wary of group meetings and personal contacts. In addition, most countries put in place a number of preventive measures, including lockdowns, curfews, travel restrictions and bans on gatherings. **This meant both personal and regulatory restrictions on interactions.**

This prevented participants from implementing their usual business processes and operations, forcing them to either put activities on hold or adapt by changing the way they operate – adding new operational costs.

“We accept cash payments, which creates opportunities for virus transmission. In addition, a lot of the commercial conversations between our staff and our beneficiaries take place in person, through door-to-door campaigns, adding to the risk of contamination.” – Easy Solar

“Travel restrictions made field access impossible in sourcing areas. Training has been postponed indefinitely.” – RTC

Reduced ability to procure goods



Border closures led to a slowdown in cross-border trade. This was particularly problematic for participants whose business model was dependent on imported goods. This included solar energy providers who had to procure products from abroad, as well as agribusinesses needing to import inputs.

Participants suffered delays in obtaining essential supplies, and bore higher procurement costs. This negative impact persisted after the reopening of the borders due to reduced production levels and suppliers' backlog.

This meant that participants experienced difficulties in meeting the demand that persisted throughout the pandemic.

“We have experienced substantial stock-outs in all business units. There are not enough containers in China at the moment because there is huge demand. The price of transport has increased highly; it is really difficult to maintain the price of our kit.” – Baobab + Mali

Impact of the crisis on participants

Reduced demand and usage



Due to the general slowdown of the economy, agribusiness participants providing access to finance to smallholders through outgrower schemes experienced a decrease in demand for their agricultural products.

This brought prices down and **negatively influenced the businesses' ability to market crops from smallholders**. This was a significant problem faced by companies such as Savoror or RTC.

Movement restrictions and worsening economic conditions led to an income shock for many beneficiaries. This **decrease in purchasing power led to reduced demand for non-essential products**. For instance, demand for solar energy products fell, as customers prioritised essential expenses such as food. Similarly, the stoppage of economic activities **reduced the need for financial transactions and investments**, which led to a reduced demand for transaction and loan products.

"There was a reduction of oil sales caused by the general slump of the economy. For low-income people, palm oil is a luxury, and sunflower oil is even a luxury for middle class people." – Savoror

"The economic shock of Covid-19 had a significant impact on M-KOPA's target customers' ability to pay – even for products and services that they need and value highly." – M-KOPA

Increase in portfolio at risk



In addition to this negative impact on customer acquisition, beneficiaries' financial strain **led to a fall in repayment rates among existing customers**. This increase in the portfolio at risk decreased profitability and cashflow for impacted participants.

In some cases, this financial strain was compounded by reduced deposits, due to falling incomes and the fact that customers had to draw on their savings. As a result, participants had less available funds to grow their portfolio.

"Mobile money trading volumes have fallen by more than 50% in rural areas as many smallholder farmers are defaulting on loan repayments so that they can preserve funds for their basic needs." – Sprint Money

"We observed higher than normal default rates for loans due during March and April" – Apollo Agriculture

Poor financial performance



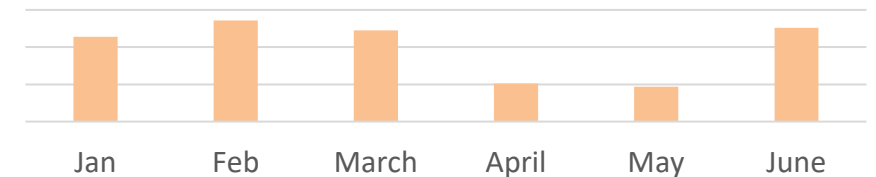
The combination of logistical hurdles, higher procurement costs, lower demand and reduced repayment rates led **to reduced sales and overall financial performance**. This had several implications which tested participants' resilience, threatening their ability to continue offering financial products to the rural poor and maintain jobs.

Not all participants were able to absorb the shock created by COVID-19 losses:

- In some cases, the decrease in profitability led participants to reduce spending. This caused companies to freeze recruitment and **threatened jobs** for staff. Agents on commission also saw their livelihood negatively impacted by lower sales.
- It also forced companies to momentarily suspend some of their activities. For example, Inuka paused lending to its customers from June to September 2020.
- Finally, it pushed some participants to **modify the terms of their service offering**, such as increasing prices or changing eligibility criteria, which risked leaving behind the poorest customers. For example, SolarNow shortened its payment plan and required higher down payments, and Prothem had to reduce the frequency of its payments to outgrowers from every two to every four months.

"We have had to stop our activities in the Kayes region due to the absence of sales, repayment and sales team demotivation" – Baobab + Mali

Sales Baobab+ (2020)



"We have not recruited agents between July and December 2020 due to limitations of field work because of the Covid-19 pandemic." – Letshego

"The original business model focused on a large number of customers, 24-month credit solutions, low down payment and affordable products. This model turned out to be risky with high default rates. The focus is now on shorter pay plans with higher down payment" – SolarNow

Operational adaptations

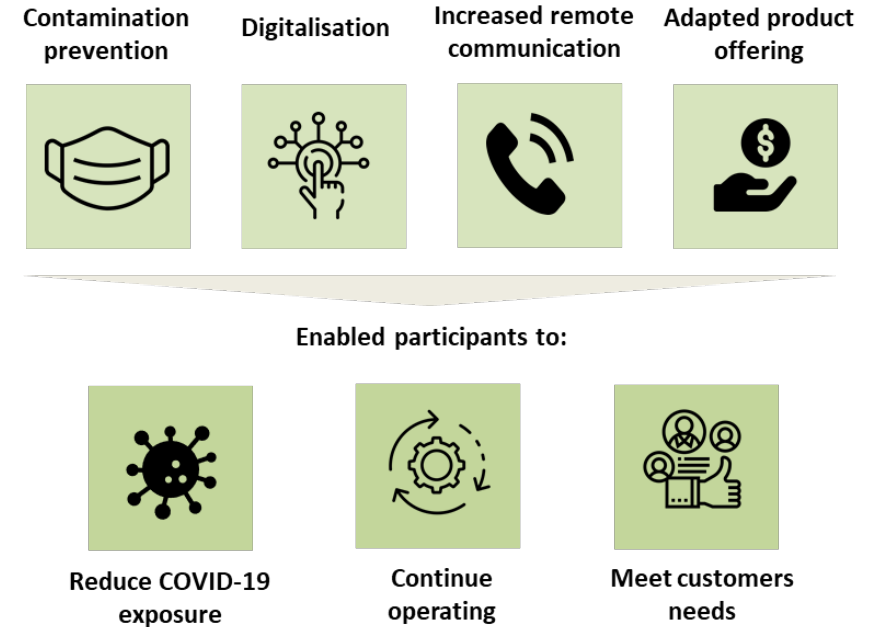
In the face of these adverse conditions, participants had to quickly adapt in order to continue to serve customers, maintain profitability and be able to continue with project implementation.

Overall, the FRP portfolio proved relatively agile. In spite of facing an increasingly tough operating environment, by the end of 2020 the implementation risk level remained manageable. Only 15% of projects were at high risk.

These risks were partially mitigated by the FRP COVID-19 Recovery and Resilience window, which supported 12 participants to adapt their operations to the challenges of the pandemic, and ensure that customers continued to be served.

Operational adaptations adopted by participants varied, depending on the exact nature of the threats they faced. However, most measures have fallen into the following categories:

- **Contamination prevention**, through the provision of personal protection equipment (PPE), adoption of good practices and transition to remote work
- **Digitalisation** of products, channels, and training
- **Increased remote communication**, through personalised calls and mass texting
- **Adapted product offering** through tailoring existing products and developing new ones



This enabled companies to reduce the risk of contamination for their employees, agents and customers and continue to operate by communicating with their customers, advertising and selling their products, conducting training, and meeting customer need for products and information.

While some of the business adaptations, such as those linked to contamination prevention, are temporary and likely to be discontinued when the crisis ends, others might be permanently adopted. For instance, the crisis could lead to an increased adoption of digital processes and products.

Contamination prevention



To ensure the safety of staff, agents and customers, participants had to **adapt their operational protocols to reflect good COVID-19 prevention practices** and align with government regulations.

This included equipping their employees and agents with Personal Protective Equipment (PPE), training them to follow social distancing guidelines, and transitioning to remote work when possible. In addition, some participants tried to prevent contamination among beneficiaries, mainly through sensitisation activities, but also through safety protocols and the provision of hygiene supplies. For instance, Savor provided its outgrowers with subsidized soap and masks.

Adopting these measures created additional costs for businesses, as they had to invest in often costly material and additional training and sensitisation activities – these were not necessarily profitable, and sometimes contributed to the slowing down of operations. However, the measures enabled companies to continue operating legally and prevented further disruption by avoiding contamination of staff, and reassuring customers.

“Prothem has had to invest significantly in PPE and installing proper hand sanitation systems with clean running water and soap across our facilities and our collection network, to ensure the safety of our farmers and staff.” – Prothem

*“As part of this work, we also successfully transitioned our entire company, including our call center, to remote working in late March ”
– Apollo Agriculture*

“APA has implemented precautionary measures (including coordinated transport for staff to minimize human contact on public transport)” – APA

Digitalisation



To continue to service their customers despite the difficulty in conducting activities face-to-face, participants decided to adopt digital solutions.

In many cases, the crisis pushed companies to build on their existing digital products and processes or accelerate their development and roll-out. To enable remote working and reduce the need for travel, some participants decided to **digitise their data collection process**. Often, data on sales and customers was only available in one physical location, at branch level. Digitisation involved developing a platform to centralise data.

“We will develop an integrated modular Enterprise Resource Planning and Business Intelligence platform to centralise all customer information, sales team’s objectives and achievements, repayments made, after-sales returns and other product flows.” – Baobab + Mali

Many participants developed digital channels and products. This mainly involved the development of mobile applications that enable customers to register and conduct banking operations remotely, either by building on existing systems, or developing new ones entirely.

“We have now set up a self-registration tool on the app, allowing both farmers and vendors to self-register in light of restricted mobility on both sides of the value chain during COVID-19.” – Twiga

Participants also used digital tools to provide remote training to staff and beneficiaries. This included conducting agricultural and financial literacy training previously held in person, as well as training on the new processes and products rolled out in response to the pandemic.

This meant that participants had to create new training materials suited to remote dissemination, such as short videos. Participants used a variety of platforms to conduct these trainings, including existing channels such as Whatsapp, Zoom, Facebook live and Google hangouts (e.g. Pula), more specialized platforms like EduMe (e.g. Easy Solar), and new modules added to bespoke applications (e.g. Inuka).

Some participants, like Easy Solar, reported that they intended to continue using remote training after the end of the crisis, since it has enabled efficiency gains.

“With restriction of movement and public gatherings due to COVID 19, our desire for continuous capacity development led to innovative alternatives where we managed to train 8,717 clients virtually through Facebook live and Google hangouts platforms.” – Musoni

Increased remote communication



To maintain contact with customers during the pandemic, participants also had to change the way they communicate. This was especially important as they needed to intensify marketing to boost demand, and encourage continued product usage and repayment.

Participants increased their use of remote communication by **setting up or growing their call centres** to conduct awareness and sales campaigns, maintain relationships, provide technical advice and gather information on customers' evolving needs and financial situation. In addition to personalised phone conversations, participants also **used phone contacts to send information to their customers** through SMS, Whatsapp messages, and voiceover recordings.

"We will build an effective COVID-19 messaging and communications platform, so that all our supplier farmers stay updated about social practices that can minimize the spread of COVID-19." – Prothem

"We continued to push customer activities by implementing SMS marketing campaigns." – Letshego

Adapted product offerings



The changes in the financial situation of the customers and their corresponding needs led participants to adapt their product offering. For instance, the financial pressure on beneficiaries created a need for more flexibility with repayment, as well as new credit products. However, this was challenging to implement as it required having readily available access to useful and relevant data.

Some participants **tailored existing products** to help customers cope with the crisis. For instance, Easy Solar analysed 60,000 clients records to ascertain the impact of the pandemic on repayment patterns for women and youth to offer special products and terms to vulnerable beneficiaries.

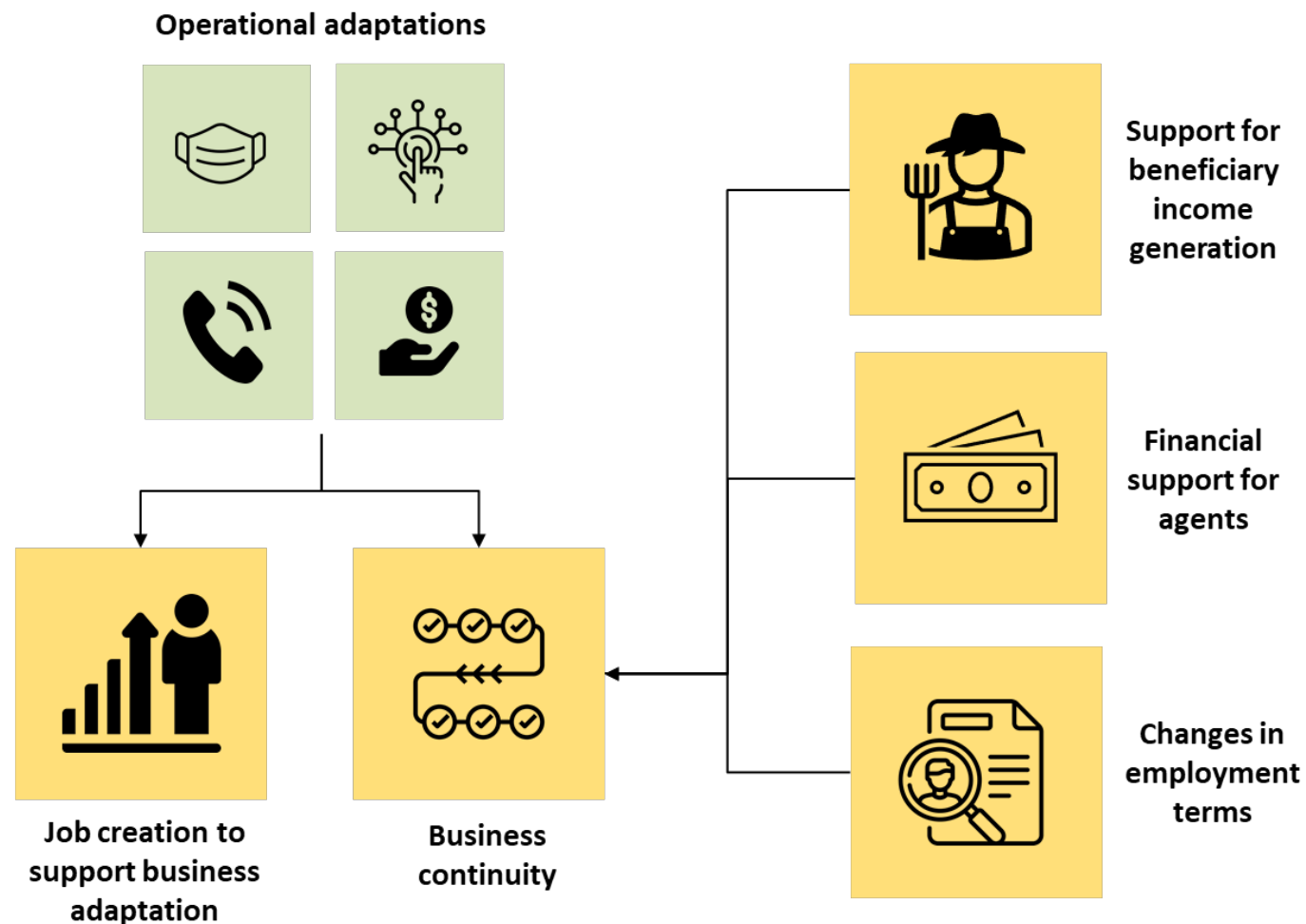
Other participants **launched new products** to address new needs. Prothem is working with its microfinance partner SOCADE to provide its outgrowers with more flexible credit to help them compensate for their reduced income and meet unexpected expenses. Similarly, Pula started developing a credit product to address its customers' growing need for loans in the wake of the pandemic. However, while they were able to build on the data gathered from their insurance customers to develop a credit algorithm on maize, designing one for other agricultural crops proved to be difficult due to the absence of historical data.

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.

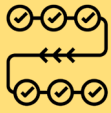
While the primary focus of many companies was on operational adaptation to continue generating revenue to be able to continue to employ their staff, some also provided financial support to their agents, changed employment terms, and supported beneficiary income generation.

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.



Business continuity



The main strategy for job retention adopted by participants was to ensure business continuity. Operational adaptations were made to enable activities to continue throughout the crisis and reduce the need for furlough and lay-offs.

“During 2020, we were able to hire back all 32 employees who had been laid off due to COVID-19. We have also resumed the farmer Agribusiness Training Program (ATP) and were able to continue to pay the 22 washing station managers and accountants who lead those trainings.” – RTC

Evidence: at least 22 participants

Financial support for agents



To enable on-commission agents to maintain their activities in spite of the slowdown, some participants provided them with financial support to compensate for the reduced sales.

“We will provide agents with incentive pay to supplement their drastically reduced incomes by remitting \$20 payments to them in September and October 2020, so that they can preserve resources to reduce vulnerability and ensure their productivity in the upcoming farming season.” – Sprint Money

“M-KOPA will provide a living wage [to agents] during the period in which sales are reduced, and also provide insurance cover to reduce the financial burden they face if they become ill.” – M-KOPA

Evidence: at least 9 participants

Changes in employment terms



Some participants had to cut down on overheads but managed to safeguard jobs by transitioning from direct employment to an on-commission model, enabling former staff to continue working with them as self-employed entrepreneurs. In the case of Prosema, this model was successful as it increased productivity.

“Due to the COVID-19 crisis, we could not continue employing our warehouse agents directly. We have partnered with an NGO called Voies d’Afrique, who oversees them and employs them on a payment-by-results basis. This model has been a success, because it has led to better results, and it is appreciated by warehouse agents because they now have the opportunity to make much more money than what they were paid before, if they perform well.” – Prosema

Evidence: at least 1 participant

Support for beneficiary income generation



Finally, some projects sought to address the loss in income incurred by their beneficiaries, for instance by linking smallholders to markets, or offering training to help them diversify their income streams.

This is likely to contribute to participant resilience by mitigating the impact on reduced demand and repayments in the long term.

“As tools for building resilience for the farmers, a number of artisanal projects will be initiated that will diversify the sources of their income. This includes supporting women and youth in new artisanal activities such as production of masks and water containers for handwashing.” – Savoror

Evidence: at least 3 participants

Job creation to support business adaptation



In some cases, the implementation of changes to business models and launching of new activities generated a need for more staff. For example, some participants expanded their call centers.

“We will enhance the capacity of the Call Centre from the 3 to 43 Agents” – FutureLink

“To implement our response to the crisis, we will need to hire 12 call center operators, 18 sales agents, 3 team leaders, 1 Customer Experience Manager, 1 Call center supervisor” – Baobab + Mali





Participant Resilience - Case study



FutureLink Technologies has been one of the most successful projects within the Fund's portfolio in terms of adapting to the shock generated by the pandemic. Although the impact on their customers, operations and profit was quite strong as the crisis hit, the company has been able to bounce back, with support from the Fund's COVID-19 Recovery and Resilience window. In addition, FutureLink collects a lot of data on product usage, which provides useful insights into customer behaviour. This represents a good opportunity to illustrate in more detail how participants were impacted by the crisis, and what strategies have contributed to strengthening their resilience.



Introduction to FutureLink Technologies

FutureLink is a B2B2C company that works with Saving and Credit Co-operatives (SACCOs) and microfinance institutions, and directly with their customers.





For organisations, FutureLink provides a core banking system, called SAVINGS PLUS, which manages banking operations.

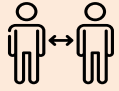
SACCO members can do banking through their phones and ATMs, while being supported by FutureLink's 24/7 customer care department.



The MSACCO Mobile Banking Switch enables SACCO members to make mobile deposits and withdrawals, check their balance and repay loans taken with their SACCO or MFI. In addition, FutureLink's new strategy aims to build a financial market place and make MSACCO available to people who are not currently SACCO members, by connecting them to a SACCO near them.



| | |
|--------------------------------------|--|
| Project | MSACCO ScaleUp; FutureLink Technologies is scaling up the adoption and usage of MSACCO, a mobile banking switch that enables SACCO members to transact (make deposits, withdrawals, check account balances, and access mini-statements) using their phones and ATMs. |
| Country | Uganda |
| Starting Date | 1 May 2018 |
| Grant Amount | Core funding: USD 700,000 Covid-19 RR Window: USD 249,062 |
| Business model | B2B, Digital Channel |
| Product type |   |
| Beneficiaries reached to date | 894,960 new MSACCO users since the beginning of the project |



Logistical constraints to reaching customers

- COVID-19 restrictions represented an opportunity for FutureLink to demonstrate the advantages of its digital banking solution. However, introducing customers to digital banking requires training, and FutureLink’s business model relied on in-person sessions at SACCO branches, or during group meetings.
- This model was rendered ineffective by COVID-19 travel and meeting restrictions: customers were not allowed to congregate; travel was only allowed by car at half capacity, which doubled the price of transport, or by using one’s own vehicle. With these measures in place, only men who owned motorcycles, bicycles and cars were able to travel. This severely limited customers’ ability to access training, and disproportionately affected women and the youth.



Reduced demand and usage

- The Saving Plus (B2B) product was greatly affected due to SACCOs inability to invest in IT supplies. In addition, 80% of MSACCO customers saw their ability to earn an income affected by the crisis. This led to a 41.3% decline in general deposits in Q2 2020. Withdrawals also decreased along with the general slowdown of the economy, since the closure of restaurants and shops resulted in less spending.
- However, the shock was moderate, and customers recovered fairly quickly. Food was cheap and readily available in rural areas, which limited the stress on MSACCO customers. Deposits and withdrawals quickly picked up and grew, so that, overall, the saving balance increased by 15% between Q1 and Q4 2020. Similarly, the number of new loans fell by 63% in Q2 but was almost back to pre-crisis levels by the end of Q4.



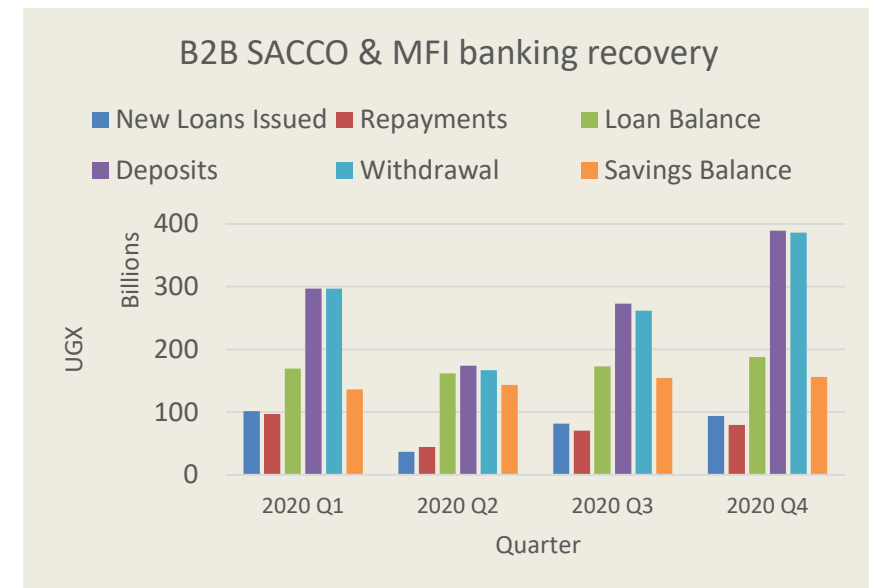
Increase in portfolio at risk

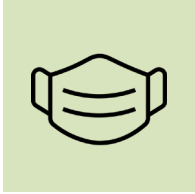
- The shock also negatively impacted repayments, which fell by more than half in Q2. However, by the end of 2020, repayments were back to 82% of pre-crisis levels.



Poor financial performance

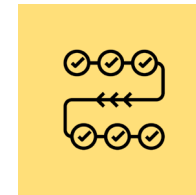
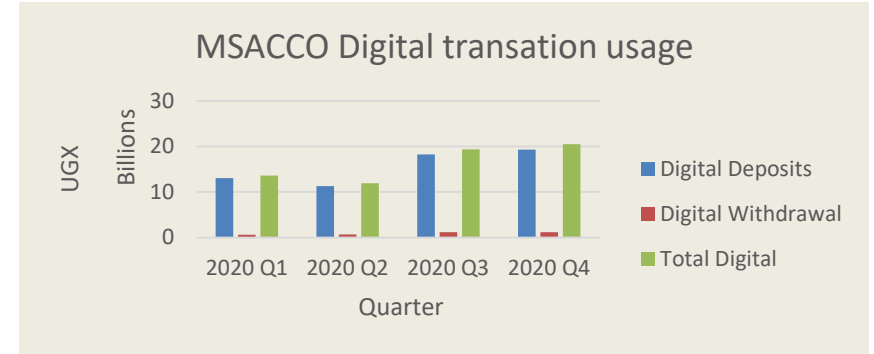
- As a result, by June 2020, FutureLink had only achieved 30% of its target turnover





Contamination prevention and increased remote communication

- As the crisis hit, FutureLink's staff started working from home. The transition was relatively easy, since the company's business model is mainly digital.
- The key business adaptation put in place by FutureLink was to enable remote training and increase the company's capacity to communicate remotely with its customers to leverage the increased need for digital products.
- To do so, supported by the Fund's COVID-19 grant, FutureLink significantly expanded its call centre operations. The company promoted its MSACCO solution through more than 1 million text messages and calls. In addition, a toll-free line was set up for customers, which offered personalised training on how to carry out transactions, as well as on general financial literacy. By the end of the year, 13,476 customers had been trained through direct calling.
- This led to an increased uptake of FutureLink's digital products. Although SACCOs were reluctant to allow open digital withdrawals, digital deposits increased by more than 50% between Q1 and Q4 2020. The number of active customers almost doubled between June and December 2020. This also contributed to greater business resilience for SACCOs, which were able to maintain and grow savings, continue to serve costumers, and meet their cost obligations.
- These business adaptations are likely to be permanent and are expected to continue to enhance FutureLink's resilience to possible future waves of the pandemic.



Business continuity

- By maintaining their operations and continuing to grow their customer base, with the support of the COVID-19 grant, FutureLink was able to avoid contingency measures such as a staff salary reduction of 50%.



Job creation to support business adaptation

- By the end of 2020, Futurelink had recruited an additional 38 call centre agents, and aimed to recruit an additional 21.

Participant Resilience - Conclusion

FRP participants have been severely hit by the direct and indirect impact of the pandemic. They faced a number of logistical constraints to reaching customers, a reduced ability to procure goods, reduced demand, and an increase in their portfolio at risk – which led to poor financial performance.

As a response, participants have implemented various operational changes, and many of those were supported by the COVID-19 Recovery and Resilience funding. These included adopting contamination prevention measures, digitalising products and processes, increasing their reliance on remote communication, and adapting their product offering to their customers' evolving needs. They have also adopted strategies to mitigate the impact of the crisis on job retrenchment, such as providing financial support to agents, and changing employment terms.



These operational changes have built participants' absorptive capacity. By reducing their exposure to the virus and allowing them to continue operating and meeting the needs of their customers, these changes have enabled the participants to absorb the shock, and avoid laying off employees. In some cases, business adaptations have even led to job creation.

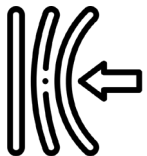
There are also some emerging signs that these changes are likely to contribute to greater adaptive capacity among participants, since some companies envisage making these changes permanent. Some participants have also engaged in activities to support beneficiary income generation, which is likely to mitigate the impact on falling demand and repayments in the long term. However, the impact of participants' COVID-19 adaptations on their adaptive capacity will become clearer as they face new waves of the pandemic – or other shocks.

- Introduction and Report Highlights
- Overview of the Fund for Rural Prosperity
- Fund for Rural Prosperity - Achievements in 2020
- Portfolio in focus:*** Participant Resilience
- Portfolio in focus:*** Beneficiary Resilience
- Conclusion
- Annex – portfolio summary 2020 & list of FRP participants

Why are we interested in exploring beneficiary resilience?

| | |
|--|---|
| Highly relevant to our beneficiaries | The rural poor – FRP’s target beneficiaries – face a large variety of shocks and stresses, including those related to climate, markets, health; all of which can have a devastating impact on livelihoods. |
| An important outcome of access to finance | 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. |
| A diversity of impact pathways | FRP has supported the roll-out and scaling of a wide variety of financial products and services which are expected to support beneficiary resilience through multiple channels. There is, therefore, a potential for exploring and learning about the deeper impact to which FRP can contribute. |
| Evolving context due to COVID-19 | The COVID-19 crisis has presented an opportunity to test the ways in which FRP-supported products and services have helped beneficiaries protect themselves from the worst economic impacts of the pandemic, and to examine broader patterns across multiple projects. It is important to understand what the ongoing ability of FRP participants to provide their goods and services (supported by FRP) has really meant for their customers. |

Key questions regarding beneficiary resilience



What do we mean by resilience, and how can we model it?



In what ways can the FRP portfolio to contribute to beneficiary resilience?



What evidence is there for the beneficial effect FRP-supported products are having?

What do we mean by resilience, and what are the key terms relevant to this analysis?

Resilience

Definitions vary substantially across organisations. The FRP defines resilience as:

“The ability of the individual or household exposed to shock and stresses to maintain their welfare.”

Shocks and stresses

Shocks: External short-term deviations from long term trends that have substantial negative effects on people’s current state of welfare, livelihoods, assets, etc. (e.g. extreme weather events, market price fluctuations, etc.)

Stresses: Long-term trends or pressures that undermine the stability of a system and increase vulnerability within it. (e.g. climate change, protracted conflict, population pressures, etc.)

Forms of resilience capital

By supporting access to financial products and services, FRP helps the end beneficiaries build up **resilience capital** which then helps them deal with shocks and stresses:

Financial

e.g. savings, extra income

Physical

e.g. equipment, tools, infrastructure

Natural

e.g. land, forest, pastures

Human

e.g. skills, knowledge, health

Social

e.g. networks, mutual support

Resilience capacities

A household’s capacity to deal with shocks and stresses can take 3 different forms:

Anticipatory

See the shock coming and reduce exposure

Absorptive

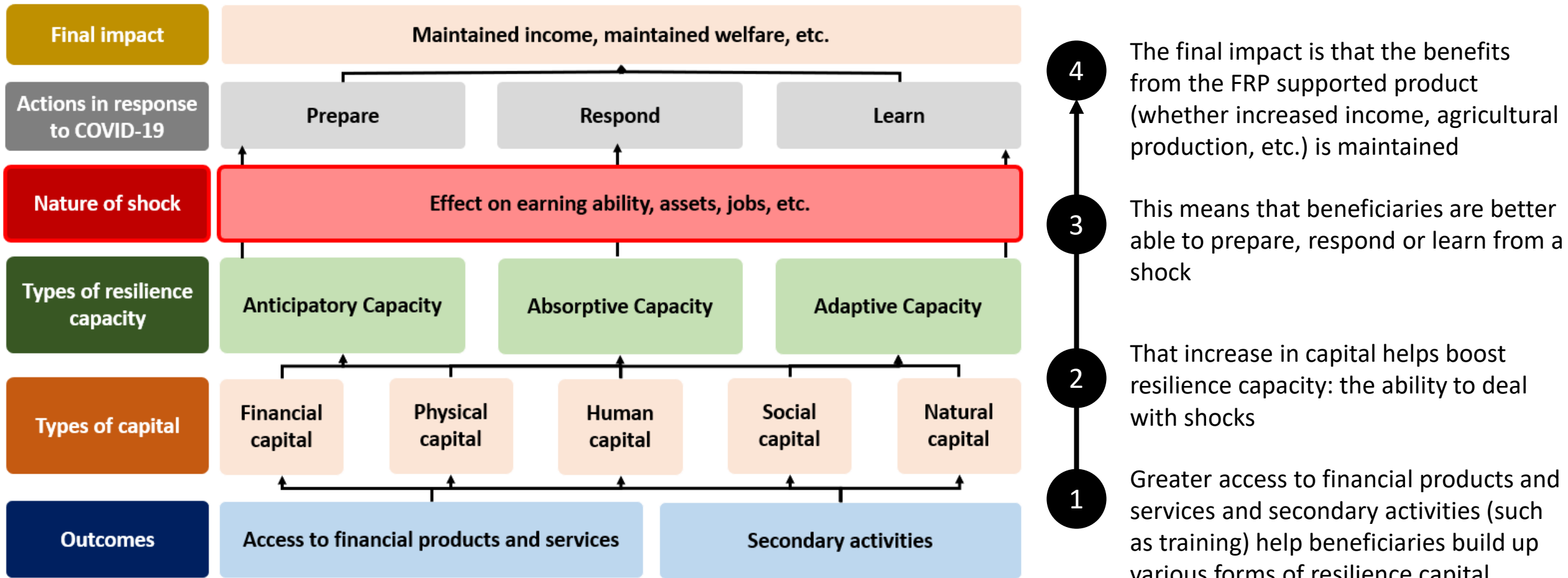
Reduce the severity of the shock when it hits

Adaptive

Make changes to reduce exposure over time

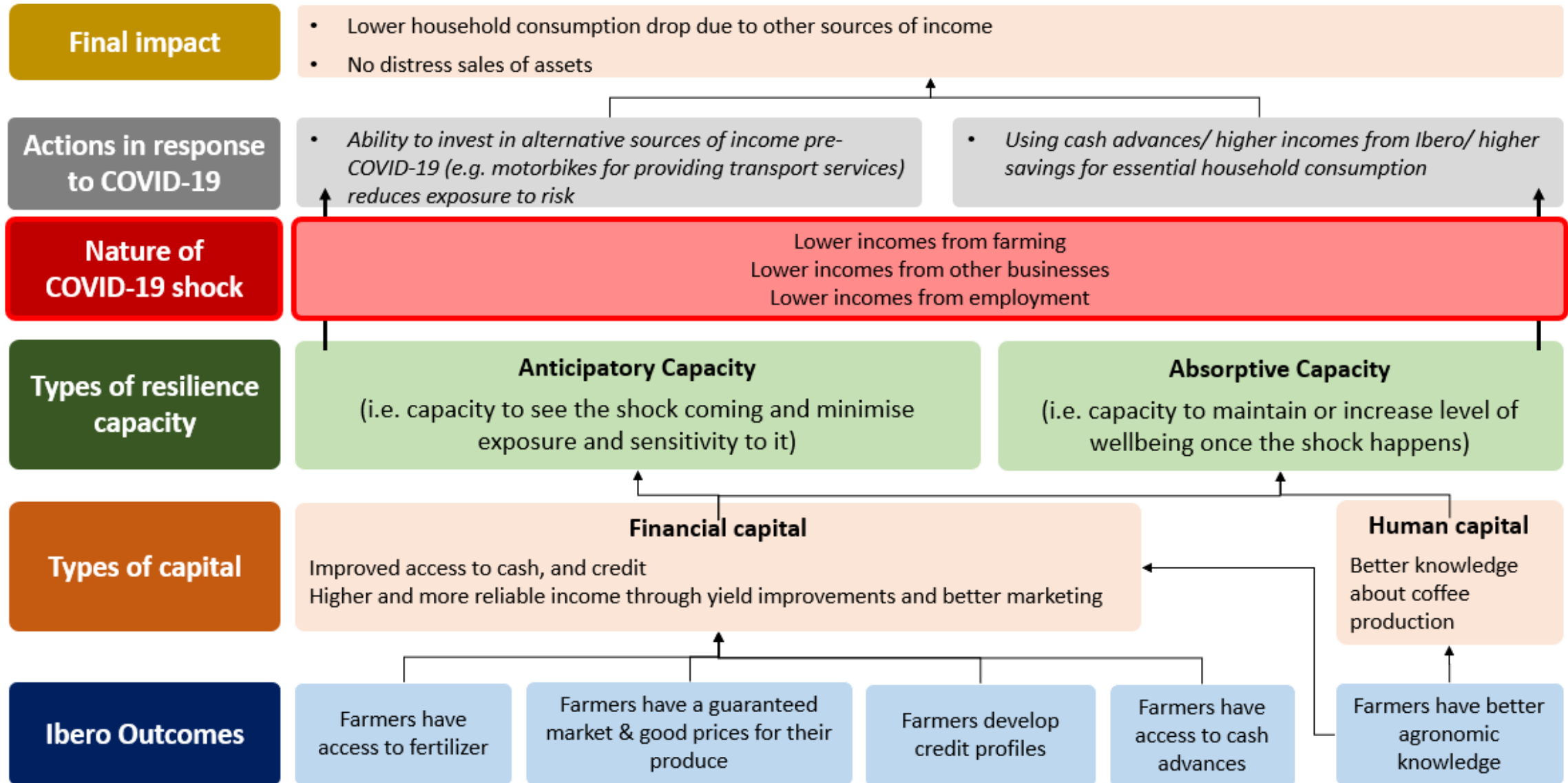
What does a resilience model look like?

A resilience model demonstrates the logic for how the outcomes of the activities undertaken by FRP participants lead to greater beneficiary resilience



What does a resilience model look like?

Example of Ibero and the shock of COVID-19





How can the Fund portfolio contribute to beneficiary resilience?

We can establish the different potential pathways to strengthen beneficiary resilience by assessing the extent to which a project INTENDS to contribute to the accumulation of different forms of capital:

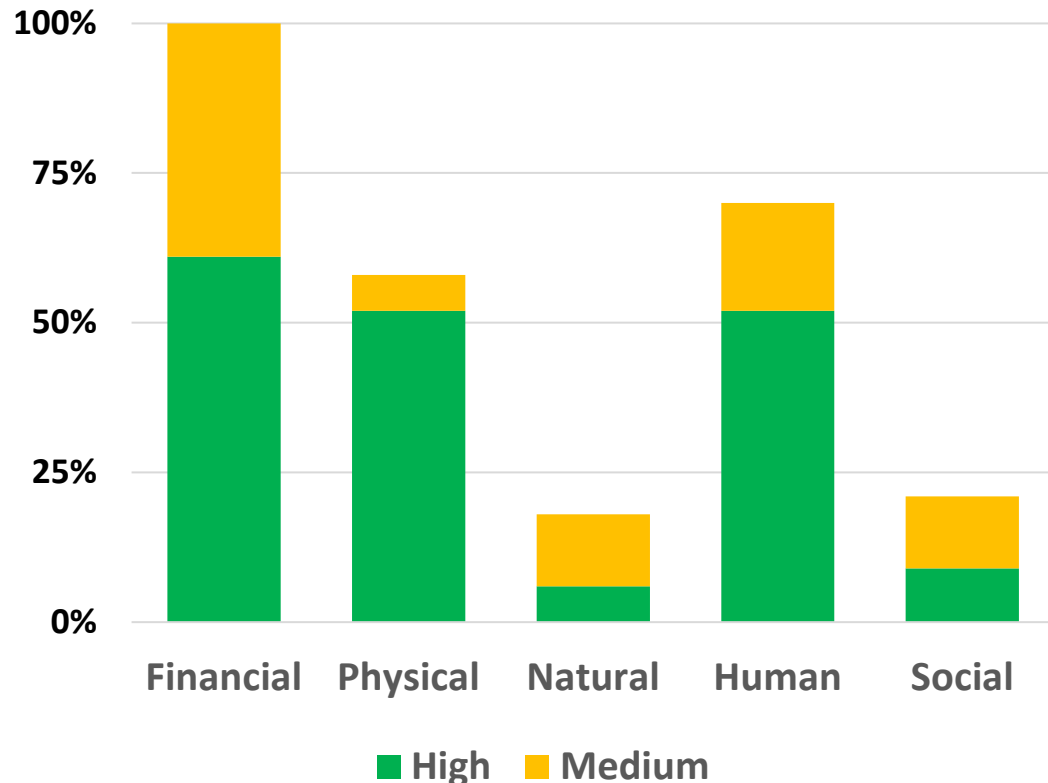
| Form of capital | High | Medium | Low |
|------------------|--|---|--|
| Financial | Direct access to financial services or direct revenue generation | Credit tied to a specific good, or linking beneficiaries to loans elsewhere | No or weak links to financial service provision or revenue |
| Physical | Direct access to physical assets | Enabling beneficiaries to access physical assets elsewhere | No or weak links to physical assets |
| Natural | Directly enabling beneficiaries to gain/ expand access to land and other natural resources | Indirectly contributing to better access to natural resources | No or weak links to natural resources |
| Human | Directly contributing to beneficiaries' training, education and/or health | Indirectly enabling beneficiaries to improve their education or health | No contribution to training, etc. |
| Social | Direct effect on strengthening beneficiaries' social links and networks | Indirectly equipping beneficiaries with means to expand or strengthen their social networks | No effect on beneficiaries' social networks |



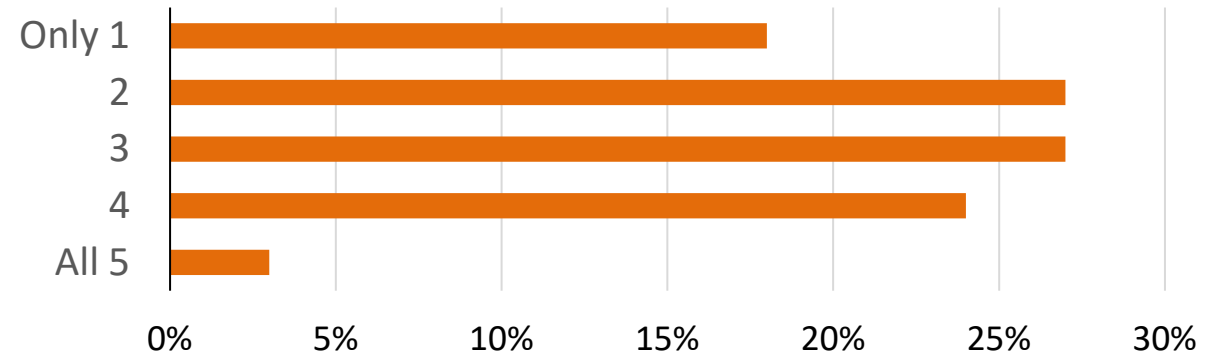
How can the Fund portfolio contribute to beneficiary resilience?

The diversity of projects in the FRP portfolio means that all forms of resilience capital are addressed by at least one participant; and the majority of participants aim to enhance more than one form of capital

% of the portfolio supporting each type of resilience capital



% of the portfolio by how many types of resilience capital are supported



- As could be expected, 100% of FRP participants help their beneficiaries build up their financial capital!
- Similarly, the requirement to provide training means that most projects have at least some impact on beneficiaries' knowledge and skills (human capital)



How can the Fund portfolio contribute to beneficiary resilience?

Due to the nature of FRP's activities, the most direct contribution made by FRP participants to increased beneficiary resilience is through building up financial capital. This can take many different forms:

Inputs on credit

E.g. Outgrower schemes such as Farmerline and Ibero

Assets on credit

E.g. Solar asset finance projects such as Easy Solar

Insurance

E.g. Provision of agricultural insurance such as APA, Pula Advisors

Access to mobile banking

E.g. CRDB, Dodore, Finserve, Letshego

Direct income boost

E.g. New sources of employment/ market access in outgrower schemes

Access to pensions and savings

E.g. Enviu

Credit scoring algorithms

E.g. First Access, SyeComp. This helps farmers qualify for loans elsewhere

Cash advances and other direct loans

E.g. Loans that are then used for productive purposes, such as Ibero, Inuka, Musoni

How can the Fund portfolio contribute to beneficiary resilience?

However, FRP participants also help build other forms of capital, both directly and indirectly:

Physical

- Access to **agricultural inputs** - seeds, seedlings, fertilizer, agrochemicals, etc. (e.g. Apollo Agriculture, outgrower schemes)
- Access to **farm equipment**, e.g. water tanks (e.g. M-KOPA)
- **Solar home systems** (e.g. Easy Solar)

Natural

- Support with **land titling**, securing tenure rights (e.g. Savoror)
- Supporting **organic certification** – which has a beneficial impact on soils, water resources, etc. (e.g. Lima Kwanza)
- **Water conservation** through access to water tanks, irrigation, equipment, etc. (e.g. SolarNow)

Human

- **Agronomic training**, both in person (e.g. Ibero) and remote (e.g. Apollo Agriculture)
- **Financial literacy** training (e.g. Juhudi Kilimo)
- **Helping schoolchildren study** through access to solar power (e.g. Baobab+Mali)
- **Health insurance** products (e.g. APA) improve health outcomes

Social

- Formation of **village savings groups** (e.g. Olam Uganda)
- Creation of **farmer organisations** (e.g. Ibero's Village Coffee Organisations)
- Access to **communication and entertainment technology** through solar asset leasing (e.g. Easy Solar)

How can the Fund portfolio contribute to beneficiary resilience?

There are some clearly identifiable trends for different business models of FRP participants:*

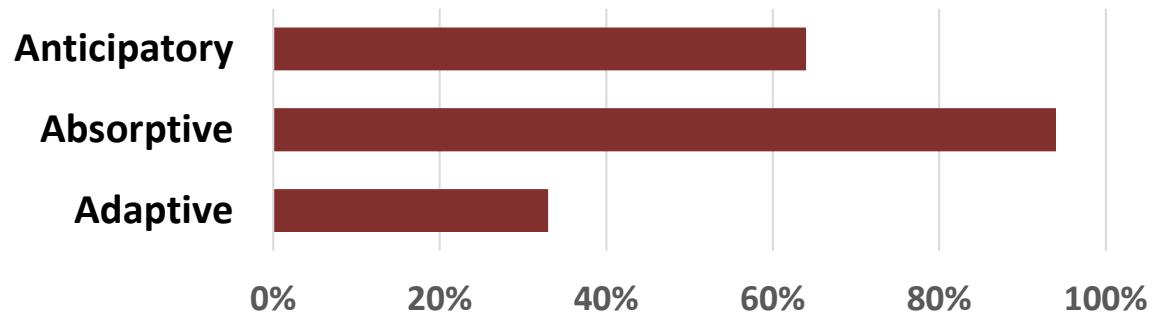
| Direct banking | Inputs-based finance | Asset finance | Outgrower schemes | Tech for access to finance |
|--|--|---|---|--|
| <ul style="list-style-type: none"> • Strong impact on financial capital, either through direct financial service provision or enabling beneficiaries to access financial products elsewhere • Tend to not include physical transfer of assets or support to natural capital • Human capital support mainly through financial literacy training | <ul style="list-style-type: none"> • Access to inputs – i.e. the core offering - represents accumulation of physical capital • Access to finance is a core component, contributing to financial capital • Agronomic training is usually a key component, building up human capital | <ul style="list-style-type: none"> • Building up of physical assets is a core service offering • Credit profiles can be built up as leasing payments accumulate, supporting financial capital • Secondary effects include a boost to natural capital (e.g. through water tanks) and human capital (through access to energy) | <ul style="list-style-type: none"> • In line with the trend of deeper impact, most participants address 3-5 forms of capital • Access to inputs (physical capital), credit (financial capital) and training (human capital) are core elements • Additional support includes land tenure (natural capital) and organising farmers and savings groups (social capital) | <ul style="list-style-type: none"> • Primarily focused on systems to enable beneficiaries to access loans elsewhere (e.g. through credit scoring algorithms, digital systems for financial service providers, etc.) • Typically, no other forms of capital, beyond financial, are addressed |

* For the definition of business models, please see the Annex

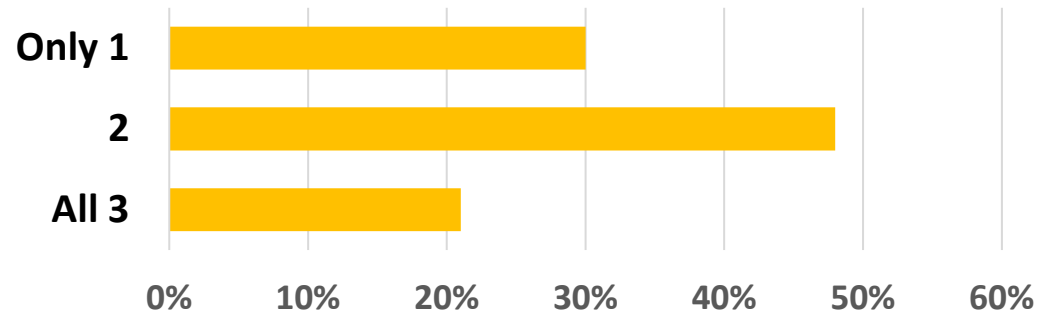
How can the Fund portfolio contribute to beneficiary resilience?

Capital accumulation boosts the three different types of resilience capacity. This can happen in a number of different ways, but almost all FRP projects improve the absorptive capacity of participants.

% of the portfolio by type of resilience capacity support



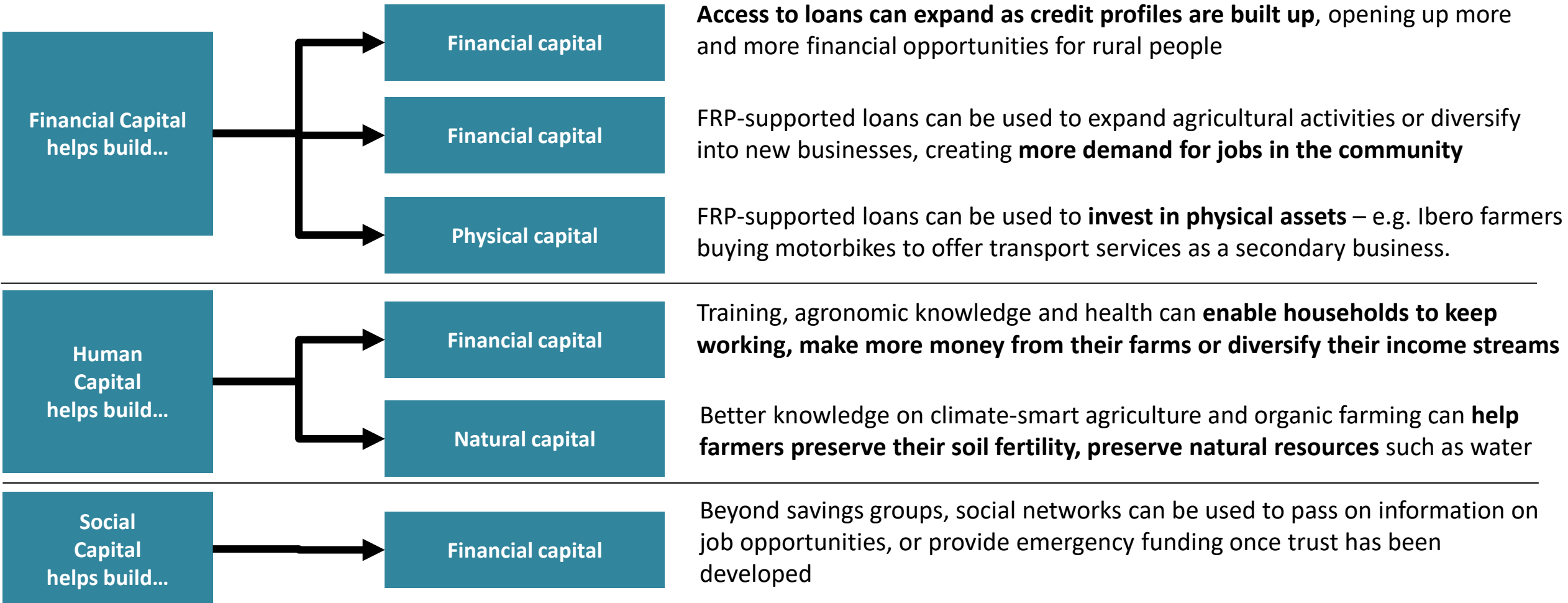
% of the portfolio by the number of resilience capacities supported



- Participants were simply allocated a “yes” or a “no” for each resilience capacity, based on their intervention logic.
- **Anticipatory capacity** is typically linked to human capital in the form of agronomic training and access to information on weather forecasts, financial capital in the form of the ability to save, and physical/ natural capital in the form of water storage tanks.
- **Absorptive capacity** is the dominant form of resilience capacity since almost all projects seek to help their beneficiaries generate additional incomes, and many financial products directly affect rural people’s ability to maintain welfare in a crisis, e.g. savings, insurance, transactions to enable remittance payments, etc.
- **Adaptive capacity** is more rare since it refers to transformational change, e.g. purposeful transition from subsistence to commercial farming as part of an outgrower scheme, or changing long-term behaviour, e.g. opening savings accounts with Enviu.
- **Outgrower schemes** tend to contribute to all 3 forms of capacity.


What secondary resilience effects can Fund participants potentially contribute to?

Over time, and beyond the duration of FRP support, structural changes to behaviour, ways in which beneficiaries make money, or asset holdings can generate a further resilience-building effect, for example:



How has the Fund contributed to beneficiary resilience in practice? Emerging evidence from the portfolio

*We had an opportunity to assess the emerging evidence of resilience impact of FRP-supported products in terms of reducing the impact of COVID-19 on beneficiary households in a series of impact studies**

| Background | Research objectives in terms of resilience | Approach for 2020 baseline | Participants | Country |
|---|---|--|--|---|
| <p>The baseline and impact studies focus on beneficiary resilience and job creation for a sub-sample of high impact projects from the portfolio. These studies consist of a 2020 “dipstick” baseline survey and a more in-depth study in late 2021, with a focus on understanding deeper trends and impact verification</p> | <p>These studies allowed us to explore the following resilience-related questions:</p> <ul style="list-style-type: none"> • What is the nature of the COVID-19 risk/ shock for FRP beneficiaries? • What forms of resilience capital do FRP participants help beneficiaries accumulate? • How does that improve beneficiaries’ resilience capacity? • How has that affected final outcomes for beneficiaries? | <ul style="list-style-type: none"> • “Dipstick survey” using remote data collection techniques • Limited survey questionnaire, with a focus on COVID-19-related impact questions • Limited beneficiary sample |  | <p>Ghana</p> <p>Uganda</p> <p>Sierra Leone</p> <p>Uganda</p> <p>Zambia</p> <p>Kenya</p> |

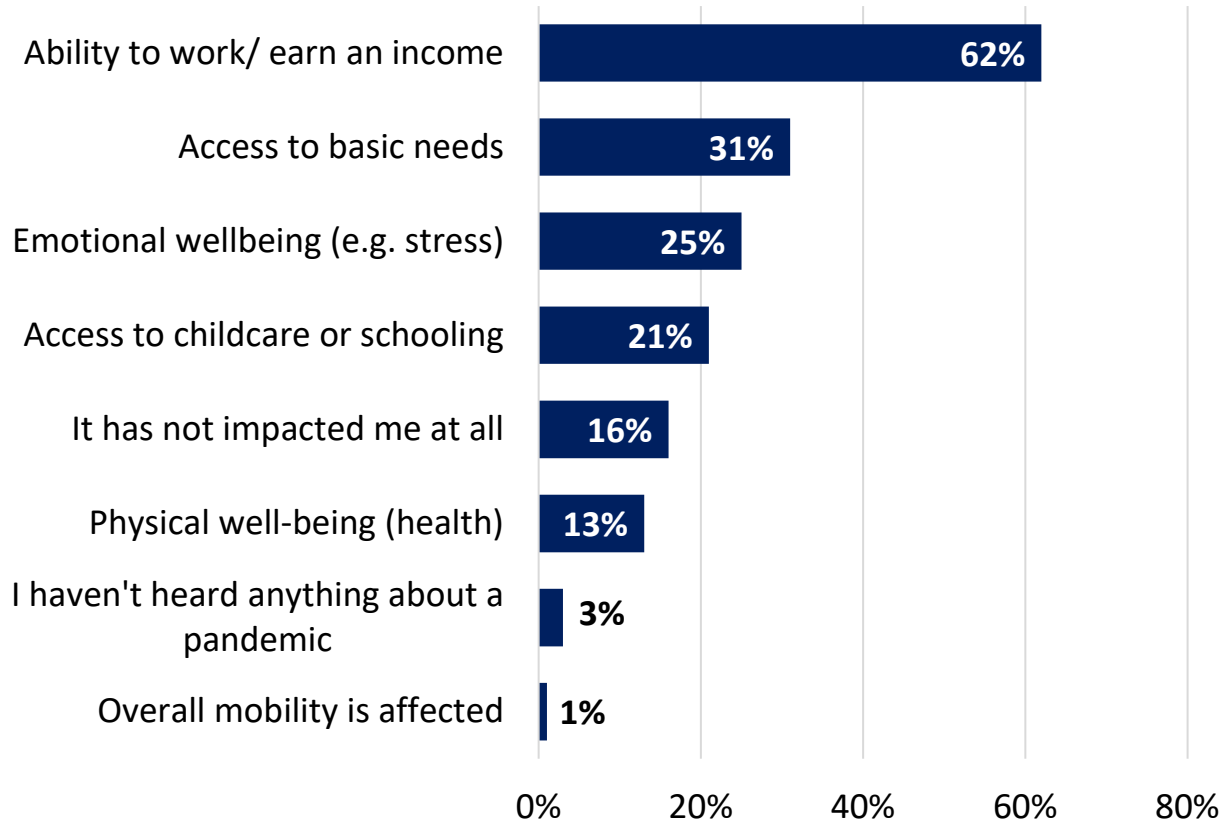
*Baseline studies on 6 FRP participants, listed on this slide, were carried out in late 2020. Full baseline report is available as a separate document.



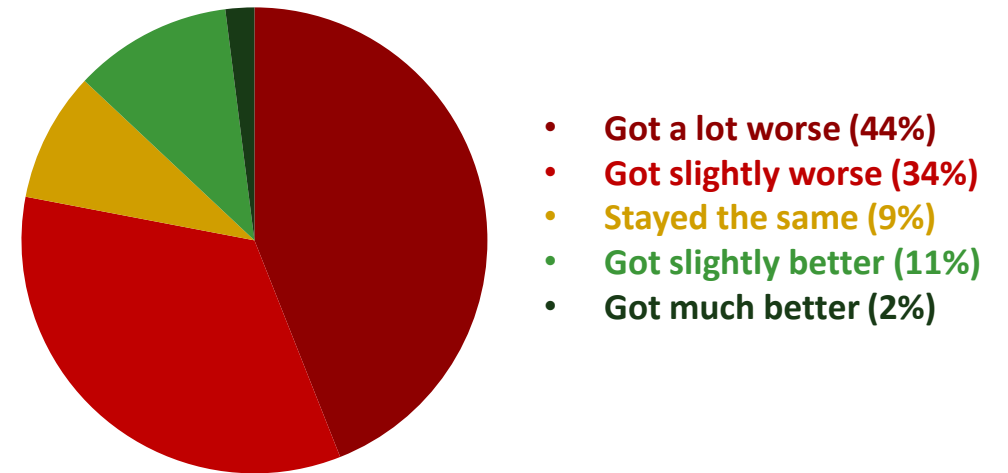
How has the Fund contributed to beneficiary resilience in practice?

The effect of COVID-19 on FRP customers has been severe, with the vast majority reporting a worse financial situation for their families, and close to two thirds struggling to continue earning.

Q: In which ways has the COVID-19 pandemic impacted your life or that of your household members?



Q: So far, overall, has the financial situation of your family changed since the COVID-19 pandemic started?

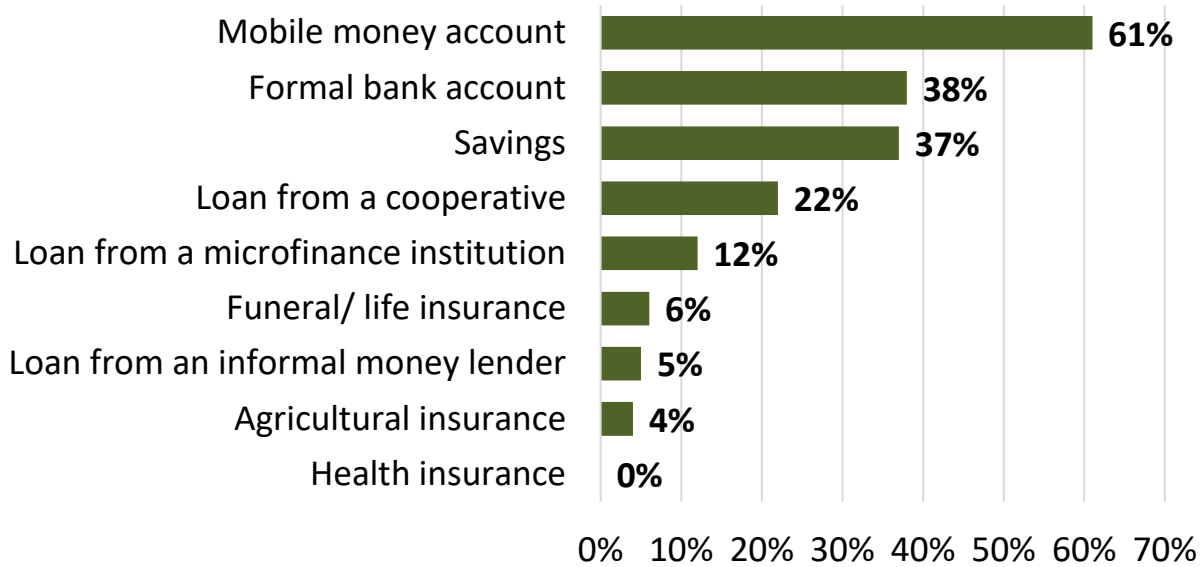


While some projects had surprisingly high rates of responses indicating no COVID-19 impact (e.g. Easy Solar – 65%, Stewards Globe – 20%), there was an immediate and clear contradiction to these claims when the customers were asked about their overall financial situation.

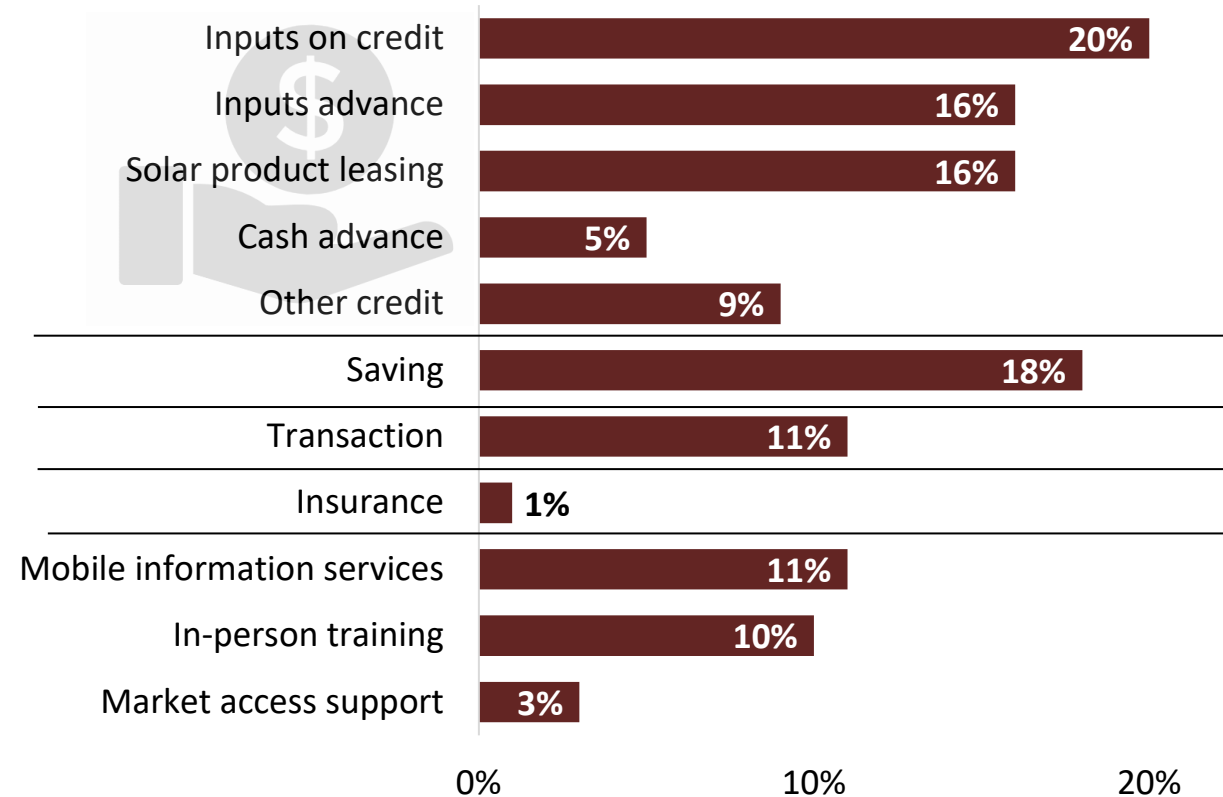
How has Fund contributed to beneficiary resilience in practice?

FRP-supported products represent a form of resilience capital that has the potential to make beneficiaries less vulnerable to shocks – particularly against the background of limited financial access

Q: Do you currently have any of the following financial products?



Types of FRP products that survey respondents have signed on to

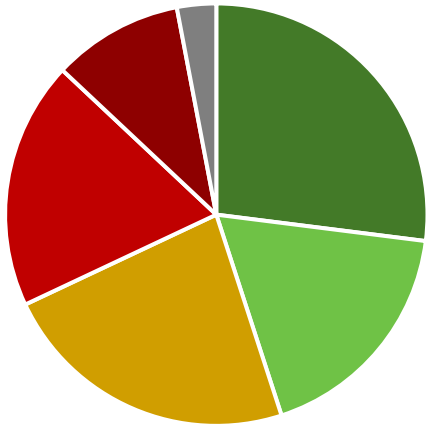


- Predictably, higher rates of mobile money usage have been reported by customers of projects that place an emphasis on digital services (e.g. Farmerline at 92%)
- Access to formal bank accounts is particularly poor for customers of outgrower schemes (<35%)

How has the Fund contributed to beneficiary resilience in practice?

The feedback on the extent to which beneficiaries used their product during the pandemic is broadly positive, enabling investments in income generating activities to continue

Q: Are you using the FRP-supported product or service as normal during the COVID-19 pandemic?

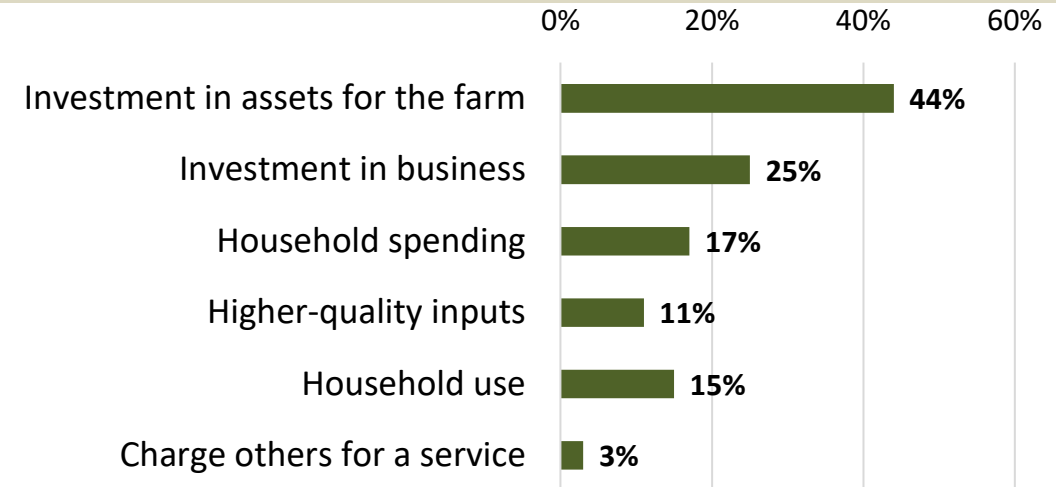


- **A lot more than normal (27%)**
- **Slightly more than normal (18%)**
- **No change (23%)**
- **Slightly less than normal (19%)**
- **A lot less than normal (10%)**
- **Don't know (4%)**

Particularly high rates of product usage were reported by customers who:

- had access to pre-financing (67% of Ibero's customers), whether for specifically for inputs or unspecified purposes – particularly compared to inputs on credit offered by Apollo, that had only a 15% rate of increased usage
- had access to household products, such as Easy Solar's solar-powered household assets (59% reported increased use)

Q: What have you used your product for, so far?

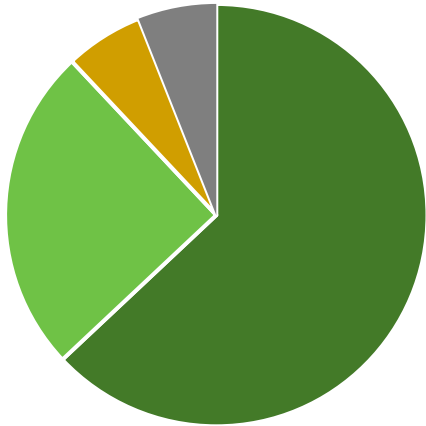


- It appears that the primary purpose of financial products is still being met, and beneficiaries are still reporting investments in income-generating activities
- However, it is possible that these funds are being diverted to essential household spending – which could be highly significant for maintaining beneficiary welfare in the short term

How has the Fund contributed to beneficiary resilience in practice?

Regardless of the levels of active use, FRP products are reported to have had a strongly positive impact

Q: Has working with the FRP participant helped you cope with the crisis?

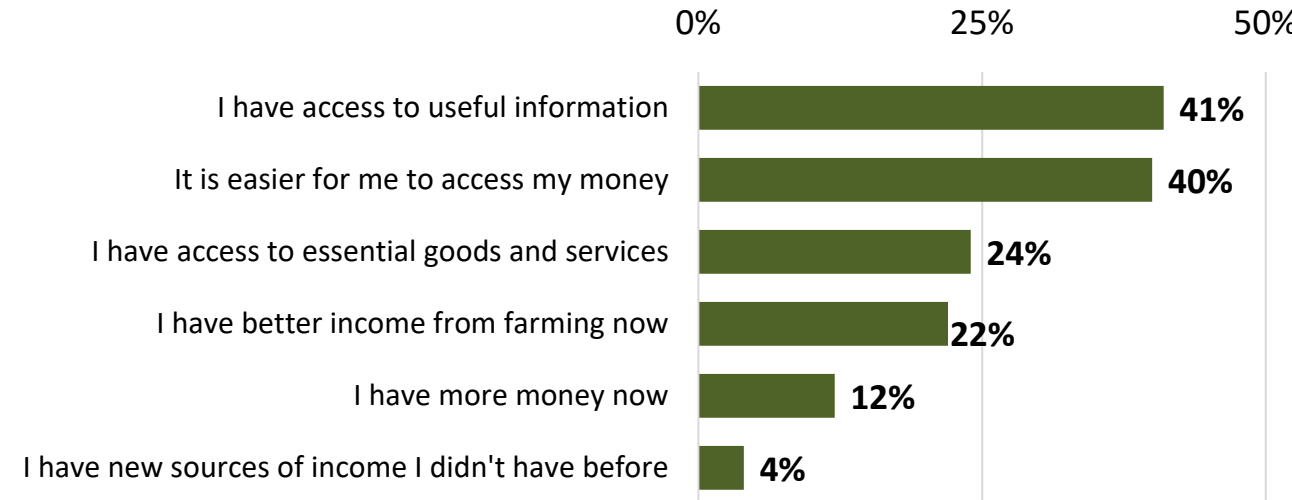


- **Yes, it has helped me a lot (65%)**
- **Yes, it has helped me a bit (23%)**
- **No, it has not had an effect on my ability to cope (6%)**
- **No, it has made my life more difficult (0%)**
- **Don't know (6%)**

- The highest levels of satisfaction were reported by the customers of 1) Easy Solar, whereby 94% of customers who had access to large solar powered home systems reported strong satisfaction, and 2) Ibero, whereby 100% of instant cash customers and 81% of cash advance customers reported strong satisfaction
- A very small minority (1-2%) of beneficiaries also reported being under more stress from financial obligations and failed investments

This positive impact is concentrated around accessing information, and accessing savings, goods and services

Q: How has the FRP product helped you cope with the crisis?



- Given the nature of the pandemic and resulting restrictions, immediate benefits relating to information and logistics have been emphasised by a greater number of customers (e.g. 80% of Futurelink's customers) than the direct effect on the amount of money at their disposal, or their potential for earning more
- It is expected that the reported investments in farms and businesses (see previous slide) translate into having more money and higher incomes in the medium term

The FRP portfolio is expected to contribute to strengthening end customer resilience through multiple and varied channels. Evidence from the baseline studies indicates which channels have been the most relevant for the COVID-19 crisis, and endline studies in 2021 will deepen our understanding of longer-term effects.

Shocks and stresses

COVID-19 is a complex shock and stressor with both short-term and long-term effects. It undermines the beneficiaries' ability to earn an income, access basic services, interrupts education and threatens physical and mental health.

Forms of resilience capital

The **human capital** component of being able to access essential information was listed as the top response in terms of the ways in which FRP-supported services helped beneficiaries cope.

Access to **financial capital** (e.g. cash advances of Ibero) and **physical capital** (e.g. solar home systems of Easy Solar) have proven to be particularly important in helping beneficiaries mitigate the adverse income effects. A combination of those two forms of capital – physical accessibility of money, i.e. the ability to have ready access to cash – was highlighted as crucial.

Resilience capacities

To a great extent, the example of COVID-19 and the associated support has related to building the beneficiaries' **absorptive capacity**. In the course of the 2021 endline survey, we are likely to have an opportunity to explore the extent to which FRP-supported products and services have helped households build their **adaptive capacity** as well – for example, by helping to diversify income sources, facilitating access to digital technology, etc. This has already been observed for participants such as **Futurelink** that enabled the end beneficiaries to obtain remote access to their accounts.

- Introduction and Report Highlights
- Overview of the Fund for Rural Prosperity
- Fund for Rural Prosperity - Achievements in 2020
- Portfolio in focus:*** Participant Resilience
- Portfolio in focus:*** Beneficiary Resilience
- Conclusion**
- Annex – portfolio summary 2020 & list of FRP participants

2020 has been a busy year for the Fund for Rural Prosperity, with ongoing management of the portfolio, closure of some of the projects, and management of two new funding windows to help participants adapt to the new reality of COVID-19 and build on their existing achievements through strategic investment.

These experiences have helped us expand and broaden our understanding of the challenges businesses face in continuing to deliver services under government restrictions and in an atmosphere of uncertainty, as well as the forms of support that enable FRP's beneficiaries to maintain their access to finance at a crucial time.



As the Fund moves towards the final stages of implementation, greater emphasis will be placed on reflecting on lessons learned and investigating in more detail the impact that the Fund's activities have had on the lives of rural customers.



- Introduction and Report Highlights
- Overview of the Fund for Rural Prosperity
- Fund for Rural Prosperity - Achievements in 2020
- Portfolio in focus:*** Participant Resilience
- Portfolio in focus:*** Beneficiary Resilience
- Conclusion
- Annex – portfolio summary 2020 & list of FRP participants



| | | Achieved | Target by 31 Dec 2020 | Projects |
|---|--|---|-----------------------|----------|
| Impact | Rural people reached | | | |
| | New customers added Jan - June 2020 | 485,122 | n/a | 24 |
| | New customers added July - December 2020 | 868,459 | n/a | 26 |
| | New customers added in 2020 | 1,353,581 | 2,445,075 | 28 |
| | Cumulative total customers reached as at Dec 2020 | 4,732,384 | 7,438,928 | 38 |
| | Total number of household beneficiaries as at Dec 2020 | 23,661,920 | 37,194,642 | 38 |
| Outcomes | Increased usership of financial products and services | | | |
| | Active customers as at 31 December 2020 | 1,897,051 | n/a | 26 |
| | Products launched or scaled Jan - June 2020 | 14 | n/a | 24 |
| | Products launched or scaled July - December 2020 | 22 | n/a | 26 |
| | Products launched in 2020 | 36 | 2 | 28 |
| | Cumulative Total financial products launched or scaled as at Dec 2020 | 190 | 119 | 38 |
| | Job creation | | | |
| | Net new jobs created January - June 2020 | 903 | n/a | 24 |
| | Net new jobs created July - December 2020 | 1070 | n/a | 26 |
| | Net new jobs created in 2020 | 1,973 | 3,214 | 28 |
| | Cumulative Total net new jobs created as at Dec 2020 | 4,940 | n/a | 38 |
| | Commercial performance | | | |
| | Average revenue of FRP supported projects July-December 2020 | \$ 1,069,619 | n/a | 26 |
| | Outputs | Outreach of financial literacy capacity building | | |
| No. of customers who participated in financial literacy capacity building interventions in Jan - June 2020 | | 345,834 | n/a | 24 |
| No. of customers who participated in financial literacy capacity building interventions in July - December 2020 | | 364,829 | n/a | 26 |
| No. of customers who participated in financial literacy capacity building interventions in 2020 | | 710,663 | 2,712,685 | 28 |
| Total customers participating in financial literacy capacity building interventions as at Dec 2020 | | 3,119,047 | n/a | 38 |



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

In association with:

TRIPLELINE

NATHAN

Trusted for Excellence