**Concept Note for Grant Proposals**

**(Max 2000 words)**

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| **1. Grant Sponsoring Division: PMI** | **2. Co-sponsoring Division(s)[[1]](#footnote-1): LAC and PRM[[2]](#footnote-2)** |
| **3. Title of the grant:** Mainstream Fintech and Agritech technologies into IFAD portfolio of country programs |
| **4. Value of IFAD grant:** *(in US$) 3.5 Million* | **5. Co-financing:** *(in US$) We will request at least 20% of co-financing of the beneficiary companies*  |
| **6. Implementation period:** (*Months)36 months* | **7. GRIPS ID**: 2000002829 |
| **8. Selected Strategic Priority[[3]](#footnote-3): 5. Business opportunities and partnership with Private Sector** |
| **9. Window:** Indicate Global/Regional [x] Country [ ]  | **10. Country/Countries:** All countries in LAC where IFAD has an active portfolio of loans can participate as long as there are investment opportunities (Fintech or Agritech companies already operating) |
| **11. Recipient:** *Select one of the following options** Competitive selection at CN stage [ ]  and name of recipient
* To be selected competitively at design stage [x]
* Direct selection [ ]  and name of recipient
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| **12. Rationale for recipient selection and recipient capacity:** The selection for the recipient will be done through a competitive process. After finalizing the TOR for the recipient, we will invite organizations with experience in deploying Fintech or Agritech solutions within projects benefiting small farmers to present a full proposal to implement this grant. The selection criteria[[4]](#footnote-4) for the competitive process will be developed in advance to the competitive process and will be prepared in collaboration with a prestigious university and/or technology company in order to evaluate the technical robustness of the submitted proposals, and later on the applications and technologies to be supported.  |
| **13. Background/relevance:** Worldwide, agriculture is the primary source of income for the rural poor, but most lack access to information, technologies and training needed to maximize their yield production and quality, agricultural inputs and financial resources needed to invest appropriately in their livelihoods, and competitive markets where they can sell their produce to the highest bidder. This depresses their farm productivity and income, just as agribusinesses face looming production crises that lead to supply shortages and price spikes at the consumer level. Meanwhile, the market in LAC has been slow to develop to meet these farmers’ needs, primarily because the costs of transacting with rural farmers remain prohibitive. Without considerable upfront investment in rural infrastructure, for example, financial institutions lack the ability to cost-effectively identify and acquire qualified smallholders, as well as the visibility needed to make informed lending decisions or monitor ongoing portfolio risks. Similarly, private sector buyers lack data/tools needed to cost-effectively source quality grade produce, and face risks in investing in smallholders whose low, lumpy incomes often force them to side sell for quick cash even when they have the opportunity to access formal value chains. Building cost-effective linkages and improved visibility into farmers’ businesses is critical to enabling financial institution, agribusinesses, and service providers to work with rural smallholders at significant scale. The rapid expansion of mobile technology presents new opportunities to engage and connect rural smallholders to the resources they badly need, and to develop new business models whereby sourcing from and delivering services to the last mile makes good economic sense. The technical solutions supported through this grant will help to unlock access to finance, technical assistance, markets and services that farmers require to generate greater yields and sell in higher-paying, standards-based markets. These same technologies can then use by agribusinesses to reliably source from smallholders while improving operational efficiencies and reducing costs, and by financial institutions to affordably acquire and service customers at the last mile. The private sector has become the growth engine in rural economies as a main source for innovation, investments and rural financial constructions. The innovations and new technologies that start-up companies in the financial and agriculture services industry developed are of vital importance for the future of the sector to increase and maintain its competitiveness. IFAD needs to step up efforts to continue connecting smallholders to better markets, services and financial solutions through the private sector in order to lift the rural sector out of poverty. However, there are several constraints when it comes to engaging private sector actors and building partnerships, especially in relation to the availability and cost of services, information, and technologies to support small producers. Local private sector companies, especially technology innovators, Agritech and Fintech companies serving rural populations, struggle to adjust their technologies to serve smallholders, position themselves in rural markets, and to scale up their solutions/services at a sustainable level. Fintech companies usually don’t have experience operating in rural areas or with agriculture producers while Agritech companies lack enough financial resources to expand their services or customize them to provide better services to poor farmers. Access to technology has been one of the fundamental drivers behind the progress on improving access to finance, markets and services in other regions compared to Latin America; however, still 1.7 billion adults around the world remain unbanked, underserved , and most of them with limited access to markets. The World Bank reports that formal banking reaches about 40% of the population in emerging markets while 90% of adults today own a mobile phone. IFAD is looking for new ways to engage private sector companies; mobile and digital technologies maybe the key for unlocking access to finance, services, and markets for small holders. Supporting new Fintech and Agritech solutions that are emerging to deliver easier, cheaper, and faster ways to provide financial/non-financial services can enhance IFAD portfolio of loans, and reduce costs to benefit smallholders. Furthermore, development, testing, and sustainable deployment of digital solutions that improve smallholder access to markets and financial/non-financial services while enabling IFAD to sustainably collect the data it needs to target investments, inform strategy, and build partnerships with the private sector directly contributes to all three Strategic Objectives within IFAD’s 2016-2025 Strategic Framework. |
| **14. Direct and indirect target group:** The project will target different types of stakeholders such as: **Fintech/Agritech private sector companies in the project focus countries:** The grant will support at least 10 companies to customize their offering of technologies/solutions to improve or innovate financial and non-financial services to smallholders within IFAD portfolio of loans. This technologies might include among others the use of crypto-currencies such as bitcoin, the use of block chain, credit scores, big data, artificial intelligence, regulatory technology (RegTech), Cloud Computing, biometrics, keystroke dynamics, to protect e-payment, etc. It could also include the use of drones, satellite imaging, biotech, remote sensing, etc.**Direct target group:** Within this group the Fintech/Agritech companies will work with cooperatives, POs and associations, and farmers’ SME willing to adopt these technologies/services that allow them to have more and better access to regional, national and international markets as well as other financial and non-financial services. It is difficult to calculate exactly the number of direct beneficiaries until the companies are selected. However, it will be requested that at least 40 groups (POs) with an average of 30 members each are served by each technology/applications (10), adding up to a total of 400 groups, or 12000 members. **Indirect target group**: The grant will seek to work with different types of value chain members and market actors such as processors, SME, and local and international agribusiness looking for opportunities to work with smallholders using new technologies or application to provide financial or non-financial services . It will also include local SME and private sector companies that want to buy product in small scale from smallholders such as restaurants, local processors, exporters, supermarkets, etc. (at least 5 private sector companies/financial organizations per country (at least3), adding up to 15 SME in totalAll beneficiaries will have a direct link to an IFAD project. Gender equity and equality will be ensured in all components/activities considered in this grant. The participation of at least 50% of women in all activities will be guaranteed and at least 30% of youth. |
| **15. Goal, objectives and expected outcomes:** At the forefront of technology innovation, are nimble and innovative start-up companies and SME that can harness the latest technologies and deploy operating models to quickly develop strong customer centric value propositions, thus the overall goal of the grant is to improve smallholder livelihoods through better access to markers, and new financial and non-financial services provided by private sector companies that leverage the use of ICT.This grant has the following objectives :* Identify the best technology innovators, Agritech/Fintech companies (start-ups and MSME) with presence in LAC that provide financial and non-financial services for small farmers to improve their access to financing, technical assistance, and markets.
* Support those companies (start-ups and MSME) to customize and mainstream the provision of their services to smallholders within IFAD portfolio, and
* Set up those companies (start-ups and MSME) with potential financiers such as the ABC or an Agritech/Fintech investment funds to scale up their services and technical solutions to the entire region in different countries.

The expected outcomes are the following: i) At least 20 companies that provide financial and non-financial services for small farmers have been identified within LAC region, ii) At least 10 companies are linked to farmers within IFAD portfolio and are providing their innovative services to them, and iii) at least 5 companies scale up their operation to one or more projects with the support of a third party financier, and iv)KM events and products are created. |
| **16. Key activities by component:** This grant has 4 components with their respective activities as described below:**Component 1: Identification Phase.** It includes the selection of the grantee throughout a competitive process with the support of a prestigious university[[5]](#footnote-5). Once selected, the grantee will be in charge of conducting a landscape analysis to identify Fintech/Agritech companies that already developed applications/technologies that provide a service to small holders in LAC, specially linking them to value chain actors for improving smallholder access to markets and financial/non-financial services. The grantee will develop the selection policy which includes predefined criteria to be used to pre-screen potential Fintech/Agritech companies and proposed technologies. This policy will be translated into a financing process that governs the behaviour of the grantee in a way to remain faithful to the key principles of the selection policy. These guidelines will help the grantee in making good decisions to select good companies that are capable to offer the appropriate services to IFAD target beneficiaries. **Component 2: Mainstreaming Phase**. Once companies have been identified using the selection policy, the grantee will invite them to compete and present a proposal on how to link with IFAD target groups to offer their services. The grantee will conduct a proper due diligence process to assess their business model and their value proposition. Companies that fit best the selection criteria, have the best proposals, and the potential to offer a good service will be selected for financing up to USD 250 000[[6]](#footnote-6). In this phase, the grantee will play a key role in supporting Fintech/Agritech companies to customize their business models and start providing new services to POs within IFAD portfolio of loans (unlock new markets as well as new financial/non-financial services to smallholders). The grantee will finance all the activities of the mainstreaming phase, and will provide technical support to the Fintech/Agritech companies during the entire process of mainstreaming until successfully deployed the new services. **Component 3: Scaling up Phase.** In this phase, the grant seeks to escalate the best models, technologies or applications to other IFAD projects. Thus, the grantee will act as a broker and help these companies to identify potential bridge funding from donors or social impact investors (third party financier) to scale up their operations to other IFAD projects in the country or in other countries in LAC. Ideally, the selected SME will obtain financing either from the ABC fund, or from another Fintech/Agritech investment fund in the region, or from IFAD future window for private sector investments.**Component 4: M&E and KM**. The project will be monitored regularly, and at the end, a full internal evaluation will be conducted. This component will also incorporate elements of knowledge management such as a document on how to scale up technologies in development projects. It will also extract lessons and practical information on the use mobile applications for e-commerce, remote commerce, mobile banking, mobile payments, supermarket orders, production input procurement, as well as mechanism to reach/benefit smallholders within IFAD projects. The SSTC and KM centre would be involved to seek their support to identify both opportunities to share knowledge in the region as well as to share knowledge among regions . |
| **17. Project cost:** The budget for the proposed grant is estimated for three years. Table A below shows a breakdown of estimated expense to support activities described in *Section 16: Key activities by components*.**Table 1: Cost by Component**

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|   | **Year 1** | **Year 2** | **Year 3** | **FIDA**  | **CO-FINANCING** | **TOTAL (USD)** |
| Component 1: Identification Phase |  100 000  |  140 000  |   |  240 000  |   |  240 000  |
| Component 2: Mainstreaming Phase |  1 000 000  |  1 500 000  |   |  2 500 000  |  500 000  |  3 000 000  |
| Component 3: Scaling up Phase |  80 000  |  100 000  |  100 000  |  280 000  |   |  280 000  |
| Component 4: M&E and KM. |  20 740  |  100 000  |  100 000  |  220 740  |   |  220 740  |
| Management fees/overheads |  96 059  |  147 200  |  16 000  |  259 259  |   |  259 259  |
| **Total** |  **1 296 799**  |  **1 987 200**  |  **216 000**  |  **3 499 999**  |  **500 000**  |  **3 999 999**  |

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| **18. Risks***:* The main risks associated with this grant are: * Fintech/Agritech companies might not have enough interest to expand their offering of services to IFAD target groups because of the high cost and risk associated of serving poor farmers in remote rural areas.
* Significant delays in deployment of services due to limited technical capacity and/or financial resources of Fintech/Agritech companies.
* Fintech/Agritech companies, and/or their implementing partners are not able to achieve commercial sustainability to deliver their services during the 3 year timeframe.

**Mitigation measures:*** The grantee will provide a financial incentive and technical support to the Fintech/Agritech companies to partially cover their incremental cost of serving IFAD target group.
* The grantee will identify project champions within each Fintech/Agritech company who will be key contacts during the grant implementation. The project champions will be paired with a member of the grantee in country team, who will be in charge of guiding, training, and supporting the project champion along the grant implementation.
* A good business model is crucial for the Fintech/Agritech companies to sustain the provision of services post grant. The grantee should only work with companies that are already operating, have good business models, and are able to benefit from the cost reduction and the efficiency gains of working within an IFAD project.
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| **19. Monitoring & Evaluation, KM and Learning:** As mentioned in Point 16, Component 4 includes the monitoring and evaluation of the grant. The grant will be monitored constantly to assure that all the organizations included on it are reporting the data as planned. The advantage of working with technology companies is their ability to collect information in real-time or quasi real-time. Performance information in terms of service provision will be requested and formalized in a financial agreement. The information collected and the knowledge created during the grant execution period will be systematized and process into a document where all lessons learned will be described as well as the best ways to integrate the data and new learning into IFAD operations.  |
| **20. Supervision modalities:** The supervision will be carried out in strong coordination with the CPMs of the countries involved in the grant. Implementation progress will be directly monitor and supervised by PMI staff in the context of their mission to the participant countries and with a close collaboration with PMD staff, especially CPM's. Regular supervision and backstopping will take place in conjunction with missions for loan projects. Resources for supervision will be earmarked. |
| **21. Linkages**: The grant is jointly proposed by PMI, PRM and LAC, and is expected to link private sector companies (Fintech/Agritech companies) that provide services to smallholder farmers in the context of IFAD projects. It will be articulated with IFAD projects in at least 5 countries. Some of the potential countries are: In Argentina, PRODERI and PRODECA, in Bolivia, ASOCIOS and CAMBIOSUR projects; in Peru, the new project under design; in Honduras, PRO LENCA and the new PROINORTE program; in Nicaragua, the new project under design NICAPESCA, and in El Salvador, RURAL ADELANTE and AMANECER RURAL. These countries all have VC projects that benefit a large number of producer organizations and some of them already have funding for developing or extending existing mobile technology platforms and services. However, these projects currently lack resources to support the uptake and adoption of the technology by private sector players in particular. This grant will focus on building out those partnerships with the private sector and then building their capacity and that of producer organizations to link to new services.  |
| **22. Scaling up: Grant activities foresee scaling up the engagement of** private sector companies that leverage the use of ICT to connect smallholders to more and better markets as well as to new financial and non- financial services in 5 countries in LAC. Furthermore, the possibilities to scale up the results to other countries are enormous as 75% of IFAD portfolio includes value chain projects and consequently POs that require better access to market and financial/and non-financial services. |
| **23. Sustainability:** The grant will establish new business relationships between private sector actors and POs, enabling more adequate services that use technology to overcome information asymmetries, promote greater trust between chain actors, and drive efficiencies in the provision of services. Sustainability is ensured by the fact that this grant builds up on the business models of successful companies that will have the ability to continuously provide services in the future responding the needs of farmers and their institutions. The grantee will provide continuous technical support and will help the Fintech/Agritech companies to get additional financing to consolidate and expand their operations as part of the scale up phase.  |
| **24. Other aspects:** This grant will provide IFAD with an innovative intervention approach to link private sector to its portfolio of loans. It will articulate with programs in at least 5 countries of intervention, and could generate services that IFAD will be able to use in other programs at the global level. Furthermore, IFAD had successfully set-up a new investment mechanism (ABC Fund) to directly finance private sector companies. This Fund could invest in the future in these Fintech/Agritech companies to allow them to expand their operations to other countries. IFAD is also developing the new private sector strategy that will allow IFAD to invest directly into private sector companies, either by providing equity or loans. The companies supported by this grant could be the first 10 investment of IFAD private sector window. |

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1. Interdivisional and interdepartmental collaboration is strongly encouraged. [↑](#footnote-ref-1)
2. The CPM of Argentina , Paraguay, Uruguay. Bolivia and Honduras were consulted. [↑](#footnote-ref-2)
3. The indication of a strategic priority only applies to Global/Regional grants. [↑](#footnote-ref-3)
4. Selection criteria will be defined later but might include the following conditions: i) Companies that have already developed a technology or app, and have a successful business model, ii) Companies interesting to expand their services to small holders in rural areas, and iii) companies that could provide useful services for small holders. [↑](#footnote-ref-4)
5. Preliminary conversation has been conducted with 3 universities (MIT, MSU, and Berkeley) [↑](#footnote-ref-5)
6. Selected companies will be required a 20% of co-financing. [↑](#footnote-ref-6)