



Financial Access for Rural Markets, Smallholders and Enterprises (FARMSE),  
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## **CALL FOR CONCEPT NOTES (CNs)**

### **Innovation and Outreach Facility for Financial Service Providers**

**Country: Malawi**

**Name of Project: Financial Access for Rural Markets, Smallholders and Enterprises (FARMSE)**

**Project Number: 1501**

**Project Funding: International Fund for Agricultural Development (IFAD)**

**Procurement reference number: FARMSE/016/MW/20**

#### **1.0 Background:**

Ministry of Finance is implementing Financial Access for Rural Markets, Smallholders and Enterprises (FARMSE) Programme with funding from International Fund for Agricultural Development (IFAD), the Government of Malawi (GOM) and the private sector and intends to use part of the proceeds of this funding to provide grants to successful applications from financial services providers. FARMSE is a seven year programme beginning July 2018 and finishing June 2025. The total cost of the programme is US\$57.7million with IFAD contributing US\$42 million of which \$21 million is a loan at highly concessional terms while the other \$21 million is a grant. The Government of Malawi is contributing USD9.6 million and private sector partners (PSPs) will contribute US\$6.1 million of the \$57.7 million.

FARMSE is a nation-wide programme involving demand driven projects implemented by various partners, particularly financial service providers (FSPs). Partners are selected with the aim of spreading geographic footprint as broad as possible.

FARMSE is supporting formal financial service providers wishing to enter and expand outreach in rural areas through provision of matching grants under Innovations and Outreach Facility.

## **2.0 Call for Concept Notes**

FARMSE now calls for Concept Notes from interested and eligible formal financial service providers involved in all ranges of financial products and services including savings, loans, money transfers, mobile money transfers, various micro insurance services, and any other innovative financial services and products targeting rural areas for upscaling and expansion of outreach.

### **3.0 The objectives of the Innovation and Outreach Facility (IOF)**

The outcome of this **Innovation and Outreach Facility** is to enhance the capacity of financial service providers to deliver demand-driven services in rural areas;

- i) To increase access to new and innovative financial services and low-cost delivery mechanisms for poor rural households and micro small and medium enterprises (MSME); and
- ii) To support the scaling up of proven financial services and delivery mechanisms.

This facility supports FSPs to enter and expand outreach in rural areas through financial products, services, and delivery mechanism innovations for a variety of client segments. Support is provided on a demand-driven and cost-sharing basis. The IOF is intended to address key constraints undermining FSP willingness and ability to enter and expand rural finance including a fundamental lack of experience in rural financial markets coupled with limited expertise in designing and delivering products and service targeting low-income rural clients and MSMEs. Critically, a lack of exposure to rural markets leads to an exaggerated perception of risks which further discourages FSPs from entering these markets.

### **4.0 Who can access funding**

The IOF is open to a broad range of FSPs including banks, MFIs, SACCOs, leasing companies, mobile money operators, insurance providers, and any form of financial service provider. It would also be open to non-financial institutions such as input suppliers, agribusiness companies, warehouse operators and commodity exchanges. FARMSE is specifically requesting concept notes for upscaling projects under Window 3.

### **5.0 Window 3: Expanding Outreach**

This window supports scaling up of proven products/services and delivery mechanisms. It may finance rollout of products and services already tested and piloted under Window 2, but also existing products/services developed by the FSP.

#### **Proposals would be based on:**

- i) A proven pro rural product or delivery mechanism to be scaled up for FARMSE target group;
- ii) A well-defined outreach strategy with clearly defined performance targets and milestones;
- iii) FARMSE could co-finance physical investment costs related to the roll-out, as well as incremental operating costs on a declining basis. Most costs should be directly linked to outreach targets;
- iv) To accommodate high impact projects which could lead to transformative change and reach many beneficiaries, a ceiling for matching grants under this window is set at USD 1 million. FSPs would be required to contribute 30% of the total project costs of which at least 20% should be in cash;
- v) Proposals to FARMSE should provide nationwide scaling up of products or services.

## **6.0 Opportunities available/ Potential Projects to be funded**

The programme supports a broad range of products and services meeting the needs of rural poor households and MSMEs such as:

- Banking services- tailor made delivery mechanisms most suitable for rural households.
- Savings and loan products e.g. cash flow-based multipurpose loans, agricultural production loans, postharvest and warehouse receipt financing.
- Insurance e.g. micro insurance (Life/ Funeral etc.) crop and livestock insurance, rural pension schemes.
- Digital payment systems tailor made digital payment systems that could be easily adopted for rural households.
- Support to low-cost delivery mechanisms (e.g. low-cost branches and agency models), as well as structured financing arrangements involving value chain partners (e.g. off takers, input providers, commodity exchanges).
- Development and roll out of innovative financial products that would contribute to enhance the resilience of rural households.
- Non-Financial Sector Services e.g. value chain finance arrangements between FSPs, input suppliers, agribusiness companies, warehouse operators and commodity exchanges or partnerships with mobile money operators for digital payment solutions, strengthening farmer organizations or basic financial literacy support, market linkages establishment, or targeted extension services. Such services may be supported either directly or in partnership with FSPs. Partnerships are encouraged as they can often manage risk better and reduce transaction costs than a single institution alone. .

## **7.0 Screening of Concept Notes**

Screening of CNs will be based on the eligibility criteria which will be made available to all applicants on request.

## **8.0 How to apply**

Interested applicants should request for the following documents, through email to [akamenya@farmse.org](mailto:akamenya@farmse.org); [rmbekeani@farmse.org](mailto:rmbekeani@farmse.org). The request for the following documents shall stop on 31<sup>st</sup> August 2020 to allow applicants prepare concept notes.

- Concept Note Form,
- The General Conditions for the Utilization of Grant Facility from FARMSE PMU and
- Evaluation Criteria for Concept Notes.
- Guidelines for submission of electronic Concept Notes.

## **9.0 Review process**

Concept notes will be reviewed by PMU Internal Concept Note Review Committee. Successful applicants, at Concept Note stage, will be invited to develop full proposals for funding by FARMSE. The rest of the applicants will be notified of the review results accordingly.

## **10.0 Submission of Concept Notes**

Interested organizations should submit their Concept Notes in electronic copies through a flash in sealed envelopes to the address below or through an email to [farmse@farmse.org](mailto:farmse@farmse.org) copy to [akamenya@farmse.org](mailto:akamenya@farmse.org)/[rmbekeani@farmse.org](mailto:rmbekeani@farmse.org) before the deadline and clearly marked as follows:

**“Concept Notes for Innovation and Outreach- Window 3” on or before 30<sup>th</sup> September 2020 at 14:00Hrs**

**The Programme Coordinator  
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MALAWI**

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