The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center

Day 2 ~ July 17, 2014

Recognizing Innovations in Financial Inclusion and MIT Innovations Competition

Roger Morier ~ Emcee

Good morning and welcome back. We're going to start with our first session which is about recognizing innovations in financial inclusion, and this is where you're going to hear about two new prize competitions, one from the Legatum Center for Development and Entrepreneurship at MIT, and the other from The MasterCard Foundation. They're both designed to do one thing, and that is to encourage innovation in customer-centricity in financial inclusion.

Ann Miles is the Director of Financial Inclusion at The MasterCard Foundation. Before joining the Foundation she was the Managing Director at Blue Orchard Finance, a for-profit asset management company based in Geneva, and it specialized in microfinance and commercial and debt and equity investments.

The first person who will speak to you is Iqbal Quadir, a pioneer in creating inclusive ventures in low income countries. In the 1990s, he founded Grameenphone in Bangladesh. And Grameenphone now has over 50 million customers. That's a testimony to what his vision was at that time. Subsequently, he helped found bKash in Bangladesh, and he's still an active board member on bKash. And now he's also the head of the Legatum Center for Development and Entrepreneurship at MIT, which is sponsoring one of the prizes. So Iqbal, if you could start, and then we'll hear from Ann. Iqbal Quadir.

Iqbal Quadir ~ Legatum Center, MIT

Good morning. It's great to be here. Before I describe the prize, let me introduce my Center. The Center at MIT, the Legatum Center, helps MIT students create enterprises in developing countries, self-sustaining, profitable, potentially profitable ventures. And to support them, we fully believe in customer-centricity. Our customers are our fellows, and we provide them scholarships. We coach them through classes, and we help them

network with like-minded people, potential funders, and we have a college of mentors who help them, and also we bring together thinkers, doers like this in a conference. And we have been massively empowered by The MasterCard Foundation to sponsor 200 fellows from the continent of Africa the last few years ago. So we have been doing that.

Of course, our fellows work in many different areas, and one of them is financial inclusion. And so I give you three examples. Enrique Bay is in Mexico. He has a project that helps people lay away funds, and then buy equipment or maybe household white goods and things like that. And that helps low income people buy equipment that otherwise would not be possible. Owen Ogawa, he's originally from Japan, but he has lived in Tanzania, and right now he's bringing tractors from Japan and leasing them to farmers in Tanzania. Ekene Umeika is in Nigeria. He's using the mobile payment platforms and also crowdsourcing techniques to fund new ventures in Nigeria.

Now these kind of students is what we are encouraging in many different fields. This is only in financial inclusion. And we tend to teach them that the low income people are actually a very good opportunity for them to pursue. Among other things, they usually pay more than high income people. So for instance, they could be paying a higher interest rate in borrowing. But they also have a need to lift themselves up, therefore they need to buy some kind of device, some productivity tool, and therefore they would need financial services. In other words, ironically, financial services are actually more needed for low income people than at least high income people. High income people problem has been somewhat solved. And similarly, therefore remittances, they would also pay higher. So borrowing, the cost is higher; remittance cost is higher; and of course, they lose many opportunities if adequate number of financial services are not available to them.

At the same time, the low income people actually bring quite a few things to the table. One is the sheer number. And as Reeta was mentioning yesterday there are 2.5 billion people who don't have adequate financial services. So they bring the number, and any opportunity needs scale to economize on the costs. So the "poor" people actually bring a great deal of things to the table. One is number. The other is that they're also dispersed in many different places, facing many different circumstances, and therefore there are many different needs which is what innovation is about. You need to address an old idea perhaps in a new way, in a new context, and thus it gives rise to a new innovation. So they are a very important resource. If you address their needs, then that

is a technique of innovating something new. And of course, they bring a lot of eagerness to embrace new innovations because at the end of the day they are being harassed by many other lack of infrastructures. So in other words, they are quite eager to take something new, and therefore they are a very important market. For instance, I'm on the board of a company in Bangladesh providing mobile phones, mobile payment services. Of the 30 million customers, almost all of them are "poor" people. The rich people haven't taken it yet, but they are transacting close to 1.5 million transactions a day, and most of those transitions are being done by low income people. So this is the kind of things we teach to our fellows and we try to tell them that this is a good pursuit for them to go on with.

Now what we noticed is that we have a problem. The problem is that we have been too customer-centric, focused on our fellows alone. And so we have been thinking there are actually a lot of innovators out there in Africa, for instance, who are not capitalizing on what we have created at MIT, and so because there are innovators and entrepreneurs who are pursuing various ideas. So then our problem has been that we are too customer-centric. But then we realized that customer-centricity does not mean that you stick to your existing customers and not embrace new customers.

And so therefore, we have devised an idea that will give a prize to who are not at MIT. MIT is a very difficult place to get in. I didn't even dare to apply. But what I'm saying is that there are those innovators out there who are doing fantastic work, and we wanted to bring them into our ecology. And so we applied for a grant from The MasterCard Foundation and they have been very generous to give us a grant. And with that, we're launching this prize which is called the Zambezi Prize. As you know, there's a long river in the continent where a lot of ideas could be floating by, and we'll be out there fishing those good ideas, and of course, this is just a concept. Even if your country is not next to the Zambezi River, you are perfectly welcome to apply. And the idea is that those who already have gotten out of the garage perhaps, but is not too big, and then we want to highlight and empower those entrepreneurs further. Among other things, we'd raise awareness, encourage funding, advance broad based and overall financial inclusion as Robert and Reeta were describing how they fostered broad-based prosperity.

The first prize would be $100,000, and then the few runners up will split another $100,000. And another little part of the award would be a boot camp at MIT for 10 days or so. People will come and they go through an exposure to our ecology, and they will be part of our Center. And so this is what we are just launching now. From September

1st, you should be able to apply and the applications will be closing in November 15. Please visit our website and you'll see more information on this.

So I would love to welcome you all to apply to this exciting new prize competition, and I look forward to going through the process and fishing and learning from your ideas. Thank you very much. (Applause)

Ann Miles ~ The MasterCard Foundation

Good morning. Thank you, Iqbal, for announcing the Zambezi Prize. We're really excited to see what kind of applications come in and how we can work together to support innovation and financial inclusion in sub-Saharan Africa.

I think some of you who were here last year, many of you, if you recall in the last session that Bob and I had at that time, I announced that The MasterCard Foundation would support innovation around client-centricity or *Clients at the Center* coming into the next symposium. We're almost there. What we've been working on over the last couple of months is the design of this prize and what it could look like and sort of the competition. So I'll share with you a sneak preview on what this will be over the next couple of months.

We're still working on the details, and we do expect to formally launch it early in 2015. So between now and January or so of next year, we will keep you all informed in terms of where the development of this prize is. But let me tell you about some of the details first, or what we're thinking about.

This will be a prize that really recognizes an organization. So a little difference than Zambezi which is working around individual innovators. We're looking for innovative organizations. So this could be a team within an organization, but it's the organization, what have they done to become client-centric? And in fact, someone took me aside yesterday and said, "Ann, I want to be up on that stage next year, and I want to be recognized for the work that my organization is doing." I'll be looking to see that organization's application in the next coming months. We will recognize through this prize a microfinance institution, a bank, an NGO, a mobile network operator, any organization that in the opinion of a group of judges that we'll be selecting, has gone over and above what is required to be client-centric in the financial inclusion space. It's open to all organizations big or small, working anywhere in the developing world, responding to the needs and aspirations of low income clients. So although the

Foundation has a specific focus on sub-Saharan Africa, this is open more broadly to client-centric approaches globally. So we'll be very interested in seeing what comes through there.

Some of the criteria that we're in the process of thinking about is that the organization will have to show that it puts *Clients at the Center* of their business, so a real demonstration that this is a focus of the organization. We need to see some evidence of success. So this is not something that's in the planning stage. We want to see something that's already taking hold. So, you can demonstrate how the product is either being more used, or how a particular service has increased, how you may have approved your retention rate. There are a number of ways we can think about the evidence.

Also, have to show some ability to scale over time and impact a large number of clients. And then importantly, we need to see the opportunities for sustainability. There will have to be some element or aspect of it that seems somewhat innovative or some new approach. I'm thinking back to what Claudio said last year in his opening speech. It's not just innovation for innovation's sake. It could be you're looking at an old idea that you've innovated on, and that is showing some promise and success.

What we hope is that any organization that comes forward and is recognized and wins this prize, they will get the recognition internationally. We'll use the symposium and other MasterCard Foundation communication efforts to really highlight that organization's work and promote it through all of the different communication and media channels that we can do. The organization will also win a prize of $100,000. Now when you think of what Mark said yesterday, that's just a drop in the ocean of the $6 million that they've spent at MicroCred in looking at this, but it's not so much about funding that process within the organization. It's really more around recognition.

Another piece of this is this learning partnership. What we would hope is that the organization, or what we would expect is that the organization would be prepared to share the learnings in a public forum such as this, and more broadly in terms of how the process has worked, what's worked, what hasn't worked so well, some of the challenges that you've experienced along the way.

So I think that's sort of it in a nutshell. We are working with a partner, InnoCentive, on the design of the prize, and we're really looking forward to getting going. As I said, it will

be announced formally at the beginning of the year, so start thinking about it. If you're innovating in client-centricity or if you want to be, start getting ready to think about how we can work with you at the beginning of next year. And then again, what we would really look forward to is featuring and promoting and sharing out the learnings of this organization's work with an audience like yourselves, and more broadly the global community. So thank you very much for your attention. I think we have two quick minutes for any questions that you may like to direct to Iqbal or myself before we bring on our keynote speaker. So thank you. (Applause)

Iqbal, happy to share the podium, come here. Any questions from the audience?

Sanjay Behuria (Audience participant)

It's a very short question. My name is Sanjay I work with BASIX in India and my only question to Ann is, will you help scale up this if it wins a prize?

Ann Miles

Certainly, but not in India, I'm sorry.

Sanjay

No, we work in Africa too. We work in Tanzania and Mozambique.

Ann Miles

One of the areas the Foundation supports is definitely scaling up proven models. And I'm happy to talk with you separately about how we do that. But yes, we'd love to see some of these innovations come through over time that we can potentially support longer term. Any other questions? Hi Susan, good morning.

Susan Davis (Audience participant)

Good morning. What's the theory of change behind the competition? What's the theory behind the Zambezi Prize and the competition? In other words, why a competition?

Iqbal Quadir

At least, our view is that as Reeta was explaining yesterday is that if there's broader financial inclusion, it would give rise to broader prosperity. And why competition? Because that's how we can make—at least from our Center's point of view, the ecology we have in our Center, be made use to other people who are not MIT students. Because vast number of innovators are not able to get into MIT.

Ann Miles

I think that's a nice distinction. On the MIT, there's really this great opportunity to learn from world class academic institution. From our perspective, we're looking at sort of crowdsourcing a lot of innovative ideas, and we want to be able to also recognize through really the public recognition how this can stimulate some ideas around client-centricity. So it's around a particular idea. It's not the broader financial inclusion agenda. It's more limited to this particular approach. So that's what we want to call out through the competition. Thank you very much. (Applause).

# # #