Joint Seminar Event: From Smallholders to Shareholders: Optimizing Private Sector Engagement for Smallholder Impact

Audio Transcript

October 22, 2014

Contents

PRESENTERS

Julie MacCartee (moderator), USAID Bureau for Food Security

Laura Cizmo (moderator), USAID Bureau for Food Security

W. Robert de Jongh, Feed the Future Partnering for Innovation

Louisa Parker, AGCO Corporation

Tom Carroll, Global Development Incubator

PRESENTATION

Julie MacCartee: Thank you and good morning. Welcome. My name is Julie MacCartee and I'm a knowledge management specialist for the USAID Bureau for Food Security and I'd like to welcome you to today's seminar titled, "From Smallholders to Shareholders: Optimizing Private Sector Engagement for Smallholder Impact".

I'm excited because today is a jointly sponsored event. It's both a member of the Ag Sector Council seminar series, which is led by the USAID Bureau for Food Security and Agrilinks and also a member of the MPEP seminar series, which is led by the USAID Office of Microenterprise and Private Enterprise Promotion and Microlinks. So we're happy to have a jointly-sponsored webinar today.

And before we get rolling I always have a couple of housekeeping issues, first and foremost which is to please silence your cell phones just so that we don't interrupt the speakers. And I always make sure to do that myself as well. But if you are a Twitter aficionado please feel free to keep your cell phones handy and tweet along with the hash tag "Ag Event". And especially if you're joining us online be sure to check out the Twitter stream.

This seminar is being recorded today and we have a lot of participants joining by webinar. And for that reason we generally that you hold your questions until the speakers have completed their presentations so that we can pass around the microphone, and so that the webinar audience can hear your questions.

I just quickly wanted to point out two upcoming events that are hosted by, or sponsored by Agrilinks. Next week in Ronald Reagan Building we have an event entitled, "Climate change impacts on agriculture and food security: implications for developing climate resilient agriculture programs", which is a wrap up event for the USAID African and Latin American Resilience to Climate Change Program, quite a mouthful. But it's here in Ronald Reagan Building next Thursday and you can register via Agrilinks.

And we also have an ag exchange coming up in November. We'll post more information about that and if you are a member of the Agrilinks listserv you'll always get our information about upcoming events.

Very quickly I'd like to pass the mic over to my colleague for a few words.

Kristin O'Planick: Hi I'm Kristin O'Planick from the Office of Microenterprise and Private Enterprise Promotion. I'm very excited to be doing this joint seminar today that's bringing together the Agrilinks and Microlink communities purposefully for the first time. While these disparate communities definitely have some overlap -- I'm sure some of you are members of both -- if you are only a participant of one and you're interested in topics like today I encourage you to look at the other.

Agrilinks covers all things ag sector development (as you might guess) and Microlink covers inclusive market systems and finance topics. So for our next seminar series next month, November 20th, we will be having a webinar on youth savings and the business of social cases behind pushing that momentum forward.

So enjoy today's seminar.

Julie MacCartee: Thank you, Christen. And for another quick introduction and to introduce our speakers today I'd like to pass the mic over to Laura, who is a private sector advisor with the USAID Bureau for Food Security.

Laura Cizmo: Thank you, Julie and thank you everyone for joining us today for this Ag Sector Council seminar focus on optimizing private sector engagement for smallholder impact within Feed the Future. Together with its partners, Feed the Future is delivering results that are reducing poverty and hunger in some of the world's poorest families.

In this past year Feed the Future has increased the value of agricultural products sold by farm households by $117 million. We've enabled the used of improved technologies and management practices on more than 4 million hectares and increased the value of private sector investment within the agricultural sector by more than $160 million.

USAID's Bureau for Food Security's Office of Market and Partnerships Innovation leads private sector engagement within Feed the Future and strives to increase the productivity and profitability of smallholder farmers through market led innovation and dissemination of technology, private sector partnerships and policy reforms that address farmer risk and finance.

We hear of private sector partners as thought leaders who can bring crucial feedback, a fresh perspective and innovative insights to the development table. We are excited about today's events that highlight just a small portion of our portfolio that work towards these goals.

Our first presenter will be Robert De Jongh, which is a technology commercialization and models lead for USAID's Feed the Future Partnering for Innovation Program, implementing by Fintrac, that promotes private sector engagement to commercialize technologies to smallholder farmers and enhance food security.

He is the main author of our new guide: *From Smallholders to Shareholders*, which focuses on providing useful tools and insights into inclusive business models that maximize smallholder impact and will be presenting on some main themes of that guide. He is also a specialist leader within the Monitor Deloitte's commercial practice in the social impact service line. He has more than 20 years of experience and has held senior level positions in both for-profit and non-profit organizations.

We will then have the pleasure of hearing from one of our private sector partners, Louisa Parker of AGCO Corporation about their strategy for reaching smallholder farmers. Louisa Parker is the manager of institutional funding and stakeholder relations for Africa and the Middle East at AGCO Corporation and is one of our core partners within a USAID partnership to bring small-scale silo storage to smallholder farmers in Zambia through Feed the Future Partnering for Innovation.

Access to finance for smallholders is often a missing link in our best intended programs and partnerships. Today we will also hear from Tom Carroll, treasurer of the Global Development Incubator and the director of the Initiative for Smallholder Finance, a USAID-supported, multi-donor effort designed to demonstrate how specific products and services can expand the reach of financing for smallholder farmers. He will discuss this challenge and new trends in finding solutions to unlock the much-needed financing for smallholders.

Tom has extensive strategic advisory experience in a wide range of industries and his most recent agricultural sector experience includes comprehensive market analysis, both global and sub-Saharan African horticultural markets, and the development of numerous private sector partnerships across a host of commodity markets.

Thank you again for joining us today and I will pass it over to Robert.

Robert De Jongh: Thank you, Laura, and good morning to all of you and good day to everybody who's online and good evening as well to those who are in time zones very far away from us. And I'm delighted to be here.

As Laura mentioned, I'm going to provide a few highlights of the recent publication we launched last entitled, "From smallholders to shareholders," and then of course a lot of the deeper content will come from our two additional

guests, Louisa and Tom, who will get into some of the nitty gritty aspects of some of the things that I'll be speaking about more generally.

So I thought I'd begin with a pop quiz. It's early morning, it's a rainy day -- thought some of you might like to get your mind working a little bit. And I wanted to talk about a few misconceptions about working with smallholder farmers in emerging markets.

I'd like to see a show of hands in a true or false as I go through the following slides.

Show of hands, true or false: "Smallholder farmers prefer cheap products." True? Show of hands. False? Correct. Smallholder farmers are actually willing to pay more for a product that is risk-free. They even don't like free products because they think because they're free there must be something wrong with them. And a lot of people assume that they just would prefer the cheapest thing out there. That's not necessarily true.

Second misconception: successful models with smallholder farmers are high-volume, low-margin businesses. True? Show of hands. False? In this case it depends, actually. Some of the models are high-volume, low-margin, but some of the other models high-volume, high-margin. And of course the trick part is what's in italics: *successful*. We have seen successful models in both, but increasingly there's evidence to demonstrate that high-volume, high-margin businesses are possible when working with smallholder farmers.

Smallholder finance is best done through banks and not companies. True? Show of hands. False? This one is an interesting question. It's another one where it depends. And I think Tom will talk a little bit about this towards the end of our session today. This is a contentious point, and there are various perspectives as to what works best and what will get us to scale more effectively and more efficiently as we move more actively into smallholder financial models.

Local regulatory issues do not interfere with low income business models. True? Do not interfere. False? Clearly they do. They do in many different ways. And the enabling environment, or disabling environment can be a critical barrier to entry for many companies as they pursue these kind of business models in emerging markets.

Risk in low income markets is very well understood, especially by private sector actors. Especially. *[Laughter]*. True? False? You're very good. Indeed, it is not well understood. And especially in new market entry strategies they often entirely miscalculate what it's going to take to be successful and what the looming risks are, like what's beneath the iceberg when they enter those markets. And lastly, companies engage with smallholders primarily to improve their reputation. True? False?

It's not too long ago where CSR is what drove a lot of smallholder engagement. But increasingly I think the case for leveraging your core business and driving business growth for these kinds of models has been made. So really it's about making money. It's in the core business interest to pursue these models in a number of different ways.

So these misconceptions can often lead to failure. And here are a few of the failures that we've seen through some of the research we've done. Oftentimes an inclusive business model with smallholder farmers can fail because the model is not mature enough. There may be some places where the model works, but maturity suggests that it should work in a variety of contexts, in a variety of geographies. In many cases it has not yet been proven, and so the business model fails when it's attempted to be replicated.

Second, which we already addressed a little bit, is definitely a lack of market understanding, what it takes to be successful with smallholder farmers is often not well-known, and often not implemented correctly.

The third: there's obviously a lot of inadequate logistic and infrastructure. These are real barriers to entry that can inhibit the growth of many of these business models. Without logistics and the appropriate infrastructure a lot of these models can often fail.

Lack of access to finance -- and again, Tom will speak to this during his session -- there's increasingly a lot of social lenders engaging in this space, but the big question mark is around can commercial lenders move downmarket and move downmarket into rural areas, and how can we do that effectively. So there still is an enormous lack of extra finance; the smallholder segment is not well-served.

And lastly there is an underestimation of the degree of customization required. Many of the products and services that work in middle income or high income markets just don't translate to low income markets. Low income consumers and smallholders don't make purchasing decisions in the same ways that other markets do. And so the degree of customization is often woefully misunderstood and miscalculated, leading to a lot of mistakes that many companies can make in those markets.

After that bleak picture -- I'm not here to say that nothing works. I'm also not here to say that business models are the panacea. But certainly there is hope. There are things that are working, and I'll highlight a couple of those things.

Obviously this is not quite the Wheel of Fortune, but if all these things were happening we'd probably not all be sitting here but we'd be out drinking champagne and celebrating a lot more success. But obviously if we have better affordability, we have improved access to influence technology, we have improved distribution, productivity, access to finance and market access.

Obviously smallholder farmers would benefit immensely and the companies who engage with them as well.

So given that what works and why? And the guide that we just launched last week talks about 11 business models that have been shown, through case studies and otherwise, to be somewhat successful. Of course it all depends on context and some of the issues that I mentioned as misconceptions and risks that occur in many environments.

I'm not going to get into all the models, obviously, because there is not time and it's hard to summarize six months of work into 15 minutes, but if you go to the guide you will see many of these represented in a very innovative way. So what we did as part of the guide was to try to provide a useful framework to think about and analyze business models.

So we adapted the business model canvas to keep things simple and applied it to the smallholder context. And so we have a business model canvas that covers these six elements, really, "What's the company value? How does the company create value? How does it make money in some of these models? How does it do to market? How does the product or service get from point A to point B in the most effective manner? How do they do it? How do they create smallholder value? So how does a smallholder win? And what do they gain from that engagement? What is the customer experience like? So what's happening between the company and the smallholder? Is it direct engagement? Is it indirect? Is it using outsource solutions? Is it insource? Is it using different ways of engagement to be successful? And how does it scale and become sustainable?" All questions that are very relevant to the kinds of thinking that underpins successful private sector partnerships.

And lastly we also speak a little bit about the role of the donor, like a USAID. How can a donor play a de-risking role? Or a role in accelerating the value of many of these business models as *[inaudible, mumbled]* partnerships.

So I'll pick one example. And one example that we highlight is shared channel distribution. Sounds like a very technical word for something very simple. But the idea is that businesses who have a difficult time getting to market can leverage the assets of someone else, of another player to get their product to market more effectively and look for innovative ways of bundling their services. So they piggyback on existing distribution systems. They try to use a front line salesforce, there is high interaction between the company and its products, and the end consumer, in this case the smallholders, and it can leverage many value chain competencies.

When we apply obviously the shared value canvas, as we call it, we can talk about the fact that it really helps reduce the costs for the company; it can generate new revenue because it's a new way of delivering a product to market and

growing a new market segment. It increases access and affordability for the smallholder, so it can be very successful and useful for them as well.

And honestly, it can really enhance scale and sustainability because depending on the infrastructure and platform that they use that might be something that has immense coverage in many rural areas. And so it can get to market more quickly, grow more rapidly, and it's a much more efficient way than doing it themselves.

We also develop this sort of contextual assessment tool because as I said earlier in my remarks it always depends on the context. Context matters, and context will help shape and define the business model you use. And we try to come up with some of the key uncertainties that drive the choices you make when you think about the right business model you want to use in your different smallholder contexts.

So in this case we're looking at -- to our shared channel distribution: four element, you know, the notion of the complexity of distribution. If it's high it's really how much control are you willing to give up to be able to have a better interaction with your end consumer. Because in this case you're using someone else's distribution network, not your own.

In the case of customization how much do you have to change your product to be effective? The more you need to change it the higher your cost structure. So how do you work that out? Do you localize that? Do you look for a third party manufacturer? How do you think about that sort of customization that's required? What is the kind of behavioral change required? In shared channel distribution, as you'll see in the next slide where we'll talk about an example, you'll see that the behavioral change was very, very light because it took advantage of an existing behavioral pattern of the smallholder farmer. And you'll see what I mean by that in a second.

And the last is affordability: what's the right price point for the product or service? And how will that determine if it'll be a real seller or not? Will it be competitive or not?

So there's an example in India where there's a joint venture between MCX, which is a commodities exchange and the Indian postal service and the wonderful thing about this example is that the Indian postal service has infrastructure everywhere, and they're able to reach many, many, many rural areas in ways that cannot be done normally.

And MCX, being a commodity stream wanted to be able to provide useful information to hundreds of thousands, if not millions of smallholders across India.

So what they're able to do obviously for the company they were able to generate a whole new segment for sales and increase their profits, while for the smallholders they opened up a whole new world of information, of inputs and a lot of bundled services that could be used around the postal service system.

And lastly what was successful about it was that they could leverage the last mile infrastructure that the postal service offered. They could share these extensive networks, and they could play a role of aggregators. They would aggregate the demand that smallholders had for specific products, and in so doing were able to reduce the cost of those inputs, for example, and other services for the smallholder community as a whole.

So one example of one element of their business model: they create awareness about the offering that GSK provides. So they simply put a blackboard on the front of a post office in a rural area to really get a sense of what's the input demand. They are given a ten percent advance to be able to say, "I want X volume of whatever inputs there are." They consolidate all of those demands as was earlier under one model, under one transaction with a number of different providers that they've already worked with, input providers. They provide -- obviously they ensure that there's much more efficient delivery of those solutions and products to the post office. They deliver it directly to the smallholder farmer and on top of that they also provide training. So it is a number of different models rolled into one but fundamentally it is about leveraging an existing channel and using that intelligently as a company.

So some key themes about what works within this context -- and yes, the fingers that actually touch. You're not -- the first is that successful business models in this space should generally be high touch, meaning that there needs to be a lot of engagement between the smallholder and the company for it to be successful. And that means that things like an extension, an engagement and training are fundamental to success, and to long-term success.

The second is that you'll need to have a lot of innovative smallholder finance schemes. These could be everything from philanthropic capital to commercial transactions and commercial lending and everything in between. Tom will speak to some of these as well during his presentation and Louisa will allude to them in hers. But obviously it's a critical piece and often a missing piece in many of these business models.

There obviously needs to be the aggregation of supply to have economies of scale. And if you're wondering what this is, these are not raisins; these are actually string rays aggregating somewhere in the ocean in the South Pacific. I thought it was a really cool picture so I thought I'd share it. But it really is about aggregating supply to be effective and reach those economies of scale.

Most successful business models in this space require some degree of third party facilitation. That could be a donor, it could be a non-profit organization, another kind of institution that can play a role of ethical agent, that can create an environment of trust that can breed success.

And in many cases effective customer segmentation is not just smallholders as one big group; there are successful segments within them that have to be prioritized and thought of in different ways.

So the idea, as I said earlier, of the contextual assessment tool, is that it's dynamic. No matter what business model we talked about, or you look at context will drive how it evolves and changes based on the market. That seems obvious to many. But in many cases they believe that replication is really simple, once we get it right here it's going to work over there. That's not always the case. This kind of tool can help ask the right questions to help you think how one should adapt and customize, given your local context.

So some of the key takeaways -- and I'll be wrapping up now, given the short time that I have -- the first is that for successful private sector partnerships, or the notion of introducing innovation and technology in the context of smallholder farmers, getting the business model right is fundamental. Trying to do technology introduction in smallholder contexts without an appropriate business model is like trying to fly a plane without wings. We know what will happen: it goes up, it might look great, and then goes straight down. So it's really important to think about what's the right business model and really understand what works.

The second, as I mentioned repeatedly: context matters. It's fundamental. Understanding your context really drives how you shape your business model to make sure it engages successfully.

Third, it's fundamental to understand and manage risk. A lot of the roles that different stakeholders play is trying to de-risk the business model so that the right players come to engage. Finance can be crowded in, the right private sector partners can engage. And so donors can and should think about their role as how to bridge the gap, create confidence and trust, and look for strategic ways of de-risking the investment that the private sector wants to make in these markets.

Fifth, it's about establishing meaningful partnerships across sectors, not just public/private but private/private, private/civil society and different mechanisms that can really make these models come to life. And lastly it's about knowing your customer, understanding that smallholders behave and think differently than regular customers and ensuring that models are tailored to their specific needs.

So to keep it simple, 6 As: it's about understanding and creating "awareness" among the smallholder segment about the products and services, making sure those products and services can be made "affordable", ensuring that they can be

made "available" to those markets, ensuring that they're "accessible" to those markets, making sure that it's "acceptable" meaning that it fits within their behavioral norms and they're able to use it effectively, and that it's "adaptable", adapted specifically to their needs and modalities.

And if you want to learn more about some of these themes you can go to PartneringforInnovation.org and you can download a copy of the guide. And I think we also have them on thumb drives just outside when you leave today. They'll be available for print in the next couple of weeks. I'm looking at my colleagues, yes? So thank you for your time and for your patience.

Laura Cizmo: Thank you, Robert, and I do want to encourage everyone, there will be thumb drives on the desk when you leave, so please pick up a copy and for those online at the webinar please go to PartneringforInnovation.org and download your copy.

I'm going to pass it off to our next speaker who'd joining us virtually from London, Louisa Parker of AGCO.

[Off mic conversation]

We're trying to re-establish connection with Louisa, so we will jump forward and pass it off to Tom Carroll and then try again at the end with Louisa.

Tom Carroll: I'm going to stand up here but if I start pacing like a cat I will sit back down. I don't actually know Louisa's slides so I'm not going to try and present those. I'll click through where hers are and get to what I think is a narrower focus than what she was going to present and it's really kind of diving into the work that we're doing right now around smallholder finance.

I'll give you a little bit of a background on what the Initiative for Smallholder Finance is and how it developed, how we're framing the market and then kind of channel in to one particular area of research to talk about and get a little bit closer so some of the successful models and then caveat what we mean by success.

So the Initiative for Smallholder Finance is a platform for research and development of financial services for the smallholder farmer market. And it's both donor organizations and capital providers and practitioners. And just a couple of nuts and bolts of who we are: we are a time bound three to five year effort, and the idea was there is an opportunity for a market intervention here but there isn't a requirement for setting up a whole new institution for this. And there is a way for a number of partners organizations in the market to get together and start coordinating some of their activities and sharing information and research in a different way.

Three main things that we do: one, we research, two, we facilitate actors in the market coming together, and three, we want to get into, and have begun,

brokering really specific transactions that'll help prove the model for how you move finance in this market and financial services.

Obviously the goal of our market is to close that gap between what the market size we've identified as roughly $450 billion and the $10 to $20 billion is supply that's out there right now. I'm not making the claim that there's a $450 billion addressable market; the addressable market is probably two to three times what's out there now but then there's a whole lot of demand generation and market development activity that would need to happen to get to that broader number.

We've got a ton of logos up there, so I'm going to go through a little bit of who's involved here. The Global Development Incubator -- in the reading of my bio I realized I forgot to put in a whole decade at Dahlberg. The Global Development Incubator is a spinoff from Dahlberg Global Development advisors. In fact I was a partner there for the eight years prior to this past September, before I made the leap over to the public charity we set up to house initiatives -- and on one side of the house -- and on the other of the house deal with social enterprise acceleration.

The Initiative for Smallholder Finance is actually one initiative of I think six that we have within the incubator right now and it's the largest and most mature. We have a group of sponsors, USAID is obviously one of them, these are our steering committee participants: Citi Foundation, Skoll Foundation, Ford, KFW and Master Card. Gates Foundation has actually recently joined us as well and we have an advisory committee, or sort of an unofficial advisory committee and that's root capital, techno serve, C Gap, Business Fights Poverty and ANDE, the Aspen Network of Development Entrepreneurs. We actually have a whole host of advisors for those are the ones that show up at meetings currently.

A little bit of history. In September 2012 we launched a report -- and this was back when I was a partner at Dahlberg -- called Catalyzing Smallholder Agriculture Finance and this was sort of what spawned the initiative. And interesting, it comes from a couple of different places. The Citi Foundation came to us, Graham MacMillan, because they had been getting requests from managing directors on the commercial side of the house who were managing multinational relationships in the food industry, and those multinational companies were coming to them and saying, "We've got smallholders in our supply chains. We don't really know what to do with them. There's a financial need here. Can you help us?" And the NDs were saying, "We have no idea what this market's all about." And so they tossed it over to the foundation side and said, "Can you put a frame on this market? How big is it? What's happening in it? Who's playing, and how's it going to grow?"

Similarly the Skoll Foundation was looking to top off its investment in root capital, which is one of the social lenders we'll talk to in a second, but Skoll's board had similar questions which is we love root but what's their market about? Where is this going to be in ten years? What are they growing into? And how do

we see this model actually becoming scalable or sustainable?" So hence the initiative was born.

In that report we laid out these five growth pathways and I'll take you through those very quickly and then talk about how that relates to how we're set up and the work we do.

The report itself one thing we did we kind of came out with a big number and that's the $450 billion, so we said -- we did some consulting math and came up with how big is thing going to be within the realm of reasonable? So it was a swag but it was a calibrated swag.

The second thing was talking through all of the constraints, lining up who are the actors in this space who are set against these constraints in an interesting way and what's going to happen next. And then sort of next, looking forward, what are the areas for growth where we can really see some penetration for financial services to the smallholder market? And you'll notice these are not actually mutually exclusive but comprehensive but these were the ones that we thought are most interesting. It's a blend of business models, products and actual customer segments.

The first one was replicate and scale the existing social lending model. Who here is familiar with the term social lending? Okay, so just a quick definition: social lenders are the -- they're effectually the largest of them have formed a group called the Council on Smallholder Agricultural Finance. And this is Root Capital, Work for Credit, Triados, Shared Interest, Responsibility Ultra Finn, and Rabobank.

They're the ones that have traditionally provided trade capital to cooperatives and that's been their target market with a heavy concentration in export cash crops via in particular coffee in Latin America. What they have worked out a business model that has been successful in the past, they've been growing their penetration in that market, and the idea was where, from a commodity perspective and from a geography perspective, do they need to replicate and grow?

The second area was let's look at the product portfolio -- and there's obviously a big need for long-term lending to the smallholder and by long-term we had to come up with a definition so we said anything longer than 12 months. And what we were really talking about here were renovation loans and some sort of asset finance.

The third one was -- and this is called financing the outdoor screens of multinational buyers but this begins to get to that question that Robert was talking about earlier which was do you want to be using third parties to provide finance or do you want them to actually be going directly through and working with the multinationals who have their own trade finance portfolios. And there is

an if-when question, whether the multinational is the one that's best positioned to provide that finance, or actually if they've capped their growth related to what they want to do from a banking or financial service perspective and we need a third party to come in. How do you know? When do you know?

The fourth area was around alternate aggregation points. When we first set this out we thought we'd be looking more at warehouse receding and obviously a ton of work's being done on that. So we think we're going away from that a little bit, rather than reinventing the wheel, and looking more at what are the input providers doing and the networks that they have sets up -- are there opportunities to do point of sale and transactional work within the input providers' networks?

The last piece was on finance direct to farmers. And so want to make a clear distinction here what we're talking about is the third party finance providers who are trying to do direct lending to farmers. So it's some adaptation of microfinance models is a good way to visualize it but there's a whole host of different business models that are trying to get after this right now, as distinct from what the input providers might be doing which also might be direct or what the multinationals might be doing, which also might be direct. This is the third party piece of it.

Over the summer, now continuing to the fall we had a research and design process. We created the database of roughly 160 organizations in consultation with C Gap, organizations who are actually financial service providers of these types of services. One thing I should say: we had a really heavy credit bias when we started out on this; as soon as we got to this area of the world credit bias fell as credit saving insurance. And now when we start to do some of the ideation around new products and services we're talking more about blended financial services.

What is it's real need and use within the farmer household and how does it cross or combine what has traditionally been credit savings and insurance products.

We had a large research effort to try and figure out what's happening here. Then we had a design effort where we got a whole host of practitioners in the market. This was anywhere from financial service providers themselves to data firms to MNOs to some funders and they led a two-day human-centered design workshop.

The idea here was similar to this questionable idea of success -- inherently in a lot of these models they are not built to scale and they're not currently commercially sustainable. So how do we tease apart what's happening in the marketplace right now in terms of the other key challenges that we're getting after, what are the key areas of experimentation that's actually in the market so a little bit of knowledge sharing, and then lastly if we take some of those experimental models what's the next generation look like along these key

dimensions of areas where you can affect the business model in a way that it might be sustainable and scalable.

Very quickly -- I don't know if any of you have been through the human-centered design process before but it depends on how it's structured but you throw a ton of ideas up on the wall -- the room like this would be plastered with hundreds of ideas and we went through that. This is a collapsing of that.

We came up with five areas where a lot of the ideas seem to cluster. One is infield efficiency -- and this is talking about field and branch-based delivery as key drivers of operational costs: what's happening to try and lower those operational costs. The second one was around agronomic learning, a funny point that relates too Robert's more comprehensive look at what's happening with the smallholder market -- this was a financial service human-centered design two-day workshop so we got all these ideas up on the wall and I leaned to one of my partners and said, "Nothing about finance up here." All this is challenges to say it identified but kind of around the financial service and product, so how do we solve these problems that are inhibiting what are pretty commodified or standard ways of doing and interacting financial services.

Agronomic learning is obviously a key one of those co-dependencies that can also help enhance productivity obviously that does wonders for your repayment and risk profile.

Credit assessment: how do you score smallholders? How do you have enough information to score and understand what the real risk is going to be?

Fourthly: portfolio diversification. Lot of discussion around different crops and the lumpiness of the cash flows within the farmer household. How do you design around that, both from a product and service portfolio but then how does the financial institution think about their portfolio in managing risk within that lumpiness?

Lastly: individual motivation. A lot of this is done through group work and group incentives. So within those group structures is lending; how do you incentivize individuals? What kind of adaptations can you make to the model to make them more sustainable? What I'll do is take you through a couple of the experiments that are out there and they're pilots; they haven't been taken to scale yet. But then move that to what is the ideation process then kind of get us thinking about going forward?

The first was an infield efficiency. Obviously there's a big digital component to this and there's a whole lot that's happening in terms of both mobile information and mobile payments. So very tangible examples of this. One acre fund: they're using loan repayment using mobile money.

What does that do? From a supply side perspective big part of the cost driver: you need these high touch businesses. How do you have the high touches without the costs that are associated with them and how do you better your field ratios which is the number of field officers that you have that are touching the number of farmers and that's what actually can make the whole model get closer to operational break even.

Pushing that one a little further opportunity international growing has mobile van branches where they're bringing the financial services outside of large towns and bringing them to communities and rural environments. This has been really successful in fact so successful that they've built an offshoot of this where they're using containers and they're dropping a bank in some of the communities.

These are obviously already getting to some of the issues but how do you take that one level further? There's a whole lot of applications that are built right now, or being built for larger cooperative structures. How do you drop that one level lower to the farmer, the farm group leader so that you can offload some of those administrative tasks and make the communication with the individual farmers a whole lot smoother? Again, we've got a slew of these next generation ideas. Just in the interest of time and some Q&A I'll hold it at that level.

Next area when we talk about agronomic learning. Technology is ____for farmers -- this is clearly happening. One of the asset-based financing models [Tahouti Kalaimo?], that Robert mentioned they're getting into video training by tablet so they're arming their field officers with tablets that can go in and actually use non text-based examples of how you do some of this better agronomic practices.

Similarly Safaricom and Icow they've got agricultural tips by SMS and they're doing this in a number of different buckets and they're able to customize it. As you can see it says 3 Kenyan shillings for SMS so there is actually a revenue stream coming out of this as well for them. Not breakeven yet but getting there. Again, this is one of the low margin scale businesses.

How do you take that further? If you think about the Tahouti tablet what if Tahouti actually had, the Tahouti field officer had access not just to that video but a whole repository of content and could customize the experience with the farmer? You don't actually homogenize your farmers because we know they all have unique learning aids. You can come up and say, "Okay, it's actually financial literacy we need to talk about today rather than your agronomic practices here's the module that I can pull up and give you for that."

We have a ton of different NGOs and learning partners in this space; how about we collapse some of that learning into a place where the field officers can access it.

Again interest of time I got the hi sign: there's a whole lot happening in this space so I think the key takeaways here are this is a key part of the problem; it's clearly not the only part of reaching smallholders. There's a whole lot of success in terms of how do you reach and impact smallholders when it comes to financial services. I think there's a whole lot that needs to be done if you talk about success defined not as reach and impact but success defined as sustainable commercial organizations that are rapidly increasing that penetration rate of the smallholder farming community.

I think the third point would be there's a ton of innovation here and so this market where it is today even when we got started two years ago it's in an entirely different place. So with that --

Laura Cizmo: Thank you Tom. Do we have Louisa Parker online? So please let me pass it back to Louisa Parker of AGCO Corporation. Julie's going to quickly dial back the Power Point to your first slide, Louisa.

Louisa Parker: Thank you very much. Good morning, good afternoon, good evening, depending on where you're joining us from today. My name's Louisa Parker, I work for AGCO. I'm the manager for institutional funding and stakeholder relations for Africa and Middle East region. It's great to be joining you all today.

I was asked to talk to you about three areas, really, on behalf of AGCO. Firstly, to give you a quick overview of AGCO's strategy in Africa. Secondly to talk about some of the specific projects we're working on: the future farm concept and particularly thanks to Bolt, which is supported by USAID and the Feed the Future Partnering for Innovation. And then lastly top provide an overview of the challenges we're facing as private sector in the market in relation to introducing sustainable mechanization.

Very friendly with regard to AGCO. For those of you that aren't familiar with the organization we design, manufacture and distribute agricultural machinery through our five core brands that you can see on the slide just there. GFI is our grain storage brand, Massey Ferguson our global brand, probably the best known, and many of you I'm sure will have heard of Massey Ferguson, and Vulture. And Visions is high tech solutions to professional farmers feeding the world, and I should say that this is as much relevant for Africa as for many other parts of our business. Africa is one of the regions where we've seen the most growth actually in recent years.

So AGCO, we're the largest pure play agricultural manufacturing company worldwide. By pure play we're not in the construction industry, we don't get involved in anything to do with agro processing. But we do provide a full line of agricultural equipment, tractors are what we're best known for, combines, squares, implements, grain storage equipment and hay and forage tools.

We interact primarily in the markets through a network of independent distributors and dealers and we have about 3,100 dealers worldwide and pretty much every country in Africa I think is covered, or bar one or two.

AGCO's strategy for Africa is very much about providing solutions to African farmers. Our current strategy was developed about three years ago and was founded on the four pillars that you see there: products, future farms, local footprint and finance. So I go more into detail on product and future farms in the coming slides but our local footprint just to say we've invested quite heavily in this as a manufacturer actually having a presence on the continent. We have an office in Cape Town, a dedicated parts warehouse in Johannesburg, a future farm in Zambia, and we've entered recently a joint venture with the Algerian government for the assembly of Massey Ferguson tractors in Algeria, specifically for the Algerian market, but in the longer term with the view to exporting to the rest of Africa.

On finance we have a partnership with Standard Bank in South Africa. We have other partners at the country and project level but I guess for a strategy this is still one of our greatest challenges and an area where we still have some way to go.

In September last year Dr. Rob Smith joined AGCO as our new senior vice president for the region, specifically for the e-region, with a very specific remit to develops AGCO's market particularly in Russia and particularly in Africa. So under Rob's direction we are now in the process of expanding our Africa strategy and for the first time having a specific strategy for emerging farmers which I think is really positive.

It's no surprise to any of you on the chat today or in the room there that the majority of our farmers in Africa are smallholders and I noticed earlier some of the chats, people were saying, "Okay, well what's the definition of smallholders? It's not one size fits all." Absolutely I agree with that, and certainly for private sector this is one of the challenges that we have when looking at this market in particularly.

You'll see how we do this at AGCO we break down the Africa farmers into four segments: smallholders, broadly into subsistence and emerging, and then we have midsized domestic agribusiness and large-scale commercial farmers. And the numbers across the bottom are the segmentation based on the numbers that we've pulled from the Zambian market and again it shows how you can sort of break these down at country level.

I think the challenge for AGCO and for our outside distribution particularly when introducing mechanization is to look at who are the fastest adopters of technology, but in a way that maximizes the opportunity trickle down to the smallholder or to the subsistence farmer. And so an example of this would be targeting lead farmers or even local entrepreneurs at community level so that act

as contractors and provide services to those around them. Often it's those lead farmers and other people within the community that have the local networks and understand how best to get these services to these smaller farmers that perhaps can't afford to buy machinery themselves.

There are many models that could equally be identifying bankable or viable farmers' organizations and supporting them with access to mechanization. How are we doing this? I guess first and foremost our strategy has to start with product, so having a product that's suitable to the market so it's contexted in terms of its ability and its quality and of course on price.

We now have a dedicated team looking at mechanization packages, and we're talking about packages here that address all parts of the value chain where AGCO product touches the farmers' operation. And actually this seems like quite a simple thing, particularly from a machinery company but it's actually quite a step change within the business.

Our starting point now is very much the customer wants to put the seed in the ground and end up --

[Ends abruptly, off mic conversation]

Laura Cizmo: I'll just give what I was going to say at the very end, that in addition to Feed the Future Partnering for Innovation and our support for various other initiatives like Tom's Initiative for Smallholder Finance the Bureau for Food Security's Office of Market and Partnerships Innovation has also recently launched a new investment support program that will be implemented by Dahlberg's Global Development Advisors.

It's a five-year program with a $60 million ceiling that is focused on technical assistance and advisory services to mobilize private sector capital towards opportunities that can generate both economic and social impact. It works within the agricultural sector but has the opportunity to work outside the agricultural sector as well. It's a market-driven approach and it will provide such services as investment identification and promotion, investment facilitation including negotiation of business to business value chain partnership and depending financial sector engagement in developing markets.

Elizabeth Diebold is on the webinar and will include some more information on how to follow up with her specifically on investment support programs. She is a USAID manager and for the people in the room please feel free to come up to me after the webinar if you would like more specifics but I would imagine -- this just began earlier this month so I imagine in the next month or two you will start seeing more information. But this is just one other way that our office is trying

to engage in this increasingly important sector in international development with engaging the private sector and finding strategic ways to de-risk their investment.

I'm going to pass the mic over to Julie

Questions and Answers

Julie MacCartee: Thank you so much, Laura, and thank you very much to our speakers. If we get Louisa back we'll see if we can patch her in but we have about 25 minutes or so for Q&A with our speakers. So we'll go ahead and move into that. I also, just before I start Q&A, wanted to ask that if you have the opportunity to fill out the survey on your chairs that's always very helpful for us to help improve our events going forward. If you have to leave early just feel free to leave it on your chair or drop it on the front table outside.

Traditionally we start with a question from our online audience, so I'll throw it back to our webinar team in the back and see if they have the first question.

Laura Cizmo: Yes, there are 180 people joining us online from all over the world so thanks for tossing it to the webinar audience. The first question is from Alexis Geaneotes: "Can you expand on your point of effective customer segmentation? What do you think about segmenting e.g. crop productivity and behavioral? And how is that applied in thinking of customized approaches?" That was a question for Robert.

Robert De Jongh: Of course. I think that Louisa spoke to this a little bit I think Pundit as well. Smallholder farmers are not just one massive market; there are different ways of segmenting the market to tailor your products and services uniquely to their needs. And the better you understand those needs, either by applying different methodologies from ethnographic research to others the better you're able to be successful in those markets. So it could be everything from segmenting based on geographic regions, segmenting based on rain-fed or non-rain-fed regions, segmenting based on degree of land size, plot size. There are a number of different ways to cut that fruit as the visual suggested.

And I think the point really is that it's about segmentation that will drive the types of successes you can have. And maybe I think Tom can speak to that in the context of finance as well.

Tom Carroll: Certainly. Part of the work we've done, particularly as it relates to direct farmer we're using C Gap segmentation. That's pretty rudimentary segmentation because the theory being there is a whole class I think, as Louisa referred to them, as emerging farmers who actually pretty well served in terms of their

financial need. These include some of the export cash crop smallholders and those have larger than the standard two-hectare plots. So again, beginning to think along a number of different dimensions, who is it that you're targeting or what behavior you're trying to affect.

One thing I'd call your attention to: prior to my life focusing on agricultural financial services for this community I did -- what I did at Dahlberg was help develop and grow their agricultural practice.

We did a project with the Gates Foundation three, four years ago called Farmer Focus and it was a very comprehensive national level survey of two different countries, one in Malawi and one in Tanzania. And the idea was is there a way to come up with a replicable customer segmentation so you can think about who you're approaching.

I think they did somewhere around 7,000 primary interviews and it was along what you'd talked about in the question, Alexis, the both demographic information but also there was a -- we called it a skill level matrix -- there was a huge behavioral element to it. And there's a really interesting data set that's available through that work and it gets to how do you really need to think about those that you're targeting with goods and services.

The good news was that we did it in two countries to see if there was compatibility and there were two very different contexts. And from at least a statistical perspective the consumer segments held. And so there are types that you can see within the market that fall out along this skill level matrix and it does help with targeting.

Laura Cizmo: Do we have a question from our in-person audience over here? And in general please state your name and organization if that's all right.

Chris McClurry: Chris Macrae, Value True: Last week I was at Georgetown where the secretary for agriculture directly launched, will launch a ____ program with the Global Social Value Enterprise group within Georgetown. I was wondering, do you have a space for basically exchanging your models internationally and inside the country? Because it seems to be so much commonality, also would be jolly useful if that could include 20 to 30 year olds because there are not many 20 to 30 year olds in this room. And so generally how do you share all of these models across all of these cross-connected interest groups?

John De Jongh: That's a great question and I think fortunately Partnering for Innovation has what's called the ag tech exchange where we'll actually bring to life the models guide by webifying in terms of not just having it be a PDF document but a community around which other people can add their models. We also are

integrating a lot of additional resources and information of where we got our own research from in terms of where existing case studies exist.

And the idea that over time we can have virtual community discussions and webinars that increase that body of knowledge. Because I agree with you: it's often fragmented out there. And the idea is to try to bring as many of them together, either through that platform or with Agrilinks and others as well but totally agree with that concept.

Tom Carroll: We have an interesting happenstance. One of our program officers from the Skoll Foundation relayed a story that they had been at a meeting -- maybe it was a conference after a meeting with the San Francisco Fed. The San Francisco Fed is responsible for administering the Community Redevelopment Act requirements of the local banking community and they were looking at smallholder farmers in northern California. Somehow they had gotten a hold of our report and were using the five growth pathways but in the context of the northern California farmer. And that honestly was not an idea that had dawned on us at the time because we've been more focused on the emerging markets. But the idea for these models walking across different geographies were irrespective of whether there are emerging and global I think is a very important one.

Laura Cizmo: We'll toss it back to our online audience and I'll get you next.

Audience: This question comes from Jozimo Rocha of ADRA International. "I agree that getting the business model right is essential but to what extent should donor projects take the role in closing the gap so smallholders are more business oriented? Should we just leave it to the private sector to help them?

Robert De Jongh: I think it's also be very good question and the notion of what role should a donor play is always a very important question the donors are thinking about: how far is too far? Are there subsidizing too much and where can the private sector really engage with their own resources? And it's a fine balance. I don't think there's a perfect answer. I think different donors will look at this issue of how do derisk and how to subsidize in different ways. But I think many of the newer developments in donor communities is about leveraging, and actually ensuring that companies put their own skin in the game, and that is a way of trying to say, "Look, we're in this together. We're not just here to help you and provide you with all the subsidy to cover all of your additional costs that would require you to enter this marketplace."

I think it's about finding that right balance and I think at least the later development in development finance have been moving in that direction and locate more effective leveraging skills.

Tom Carroll: -- kind of further it and say I think kind of the next generation of what's happening at least in the financial services community there needs to be some thought given to how do you move the incentives for participation closer to those who have immediate interest in what's happening with that local smallholder farmer community and that includes both the multinational corporation or even multinational a regional player within the supply chain but also the local government.

There's a big kind of a follow-on, open question and something that needs to be resolved is what is the role of the policy environment and setting up the right context for this and any sort of subsidy regime longer term?

We did a piece looking back at -- it was an historical comparative analysis of the U.S. upgrade on Germany. One of the reasons we did this piece if because I had no reference point. I'm like what's this supposed to look like if we get it developed? Or are we in such a different world now that it's going to be completely different no matter what?

The interesting thing is, and I think this is no surprise to the people in the room, in each of those markets subsidy and policy support never went away for this particular part of the market. And so one thing that needs to be brought into this discussion is what does that advocacy agenda look like locally, but what are the right policy structures and/or subsidies that are required to have effective commercial participation, particularly around the financial service community?

Laura Cizmo: A question for our in-person audience?

Anita Campion: Thank you so much. My name's Anita Campion, I'm with Connexus Corporation. We organization the annual Cracking the Nut conference. Our next year's event is going to focus on addressing challenges amid climate change to _____ role in agricultural market so I'm curious to know from both of you of kind of what you see as the likely implications as climate change is making things even more difficult for predicting agricultural markets. And one thought I have was say should we be looking at ways to leverage the playing field for agribusinesses to other businesses by providing say public insurance that would cover index-based insurance, for example, or do you have any other thoughts on kind of from your own wealth of experience on that.

Robert De Jongh: That was a toughie.

Tom Carroll: We are exposed on what are the effects of climate change on financial service provisions for smallholders. We haven't look hard enough at it; I'll just be completely honest. And in fact I was talking to Doug Pond from Opportunity International about being on a panel at your conference, and I said, "I think Dahlberg could go deeper on this than the Initiative for Smallholder Finance could at this stage."

Obviously there are huge implications for how financial service providers are going to need to think about risk. And yeah, I do think there is a potential role for sponsored or subsidized insurance products; I'm not sure there is anybody to step up and do that scale at this point. But it is something that we need to go further into and think about.

Obviously the effects on the financial service world are not just around the risk of their loans -- they're a risk assessment, obviously there are much broader impacts that we need to think about in terms of what is the impact on the smallholder community outside of what might worry a bank or a financial institution.

Robert De Jongh: There are two answers to that. I think part of it is also looking at climate swing agricultural and what are practices that can really assure certain degrees of resilience for smallholders and what that might mean and what that implies in terms of education and awareness raising from the smallholder community. And of course on the other side is the issue of how do you figure out what's the right insurance scheme that can look at those issues more holistically, as you suggest.

And it may be about bundling private/public and looking at other incentive schemes that can try to address that issue but I would agree that there isn't yet the proverbial solution that can really be of scale in the market as of yet.

Tom Carroll: A little caveat to that actually -- now I'm recalling the conversation with Doug: some of the same concepts -- and this is both from an agronomic practice perspective but also from a financial service perspective that have been talked about in the context of just creating a more efficient business model, actually have knock-on benefits for when we think about that in the context of climate change. So I think there needs to be just a shift of the lens to say, "Okay, we've been thinking about things like tillage and some of the other productivity enhancements. And thinking about them in the context of how does that increase productivity at a lower cost longer term. And then how do you finance the materials that we require to do some of those practices, thinking about it as a long-term business model, efficiency play, rather than there's a climate change play here. And I just -- we have not done the work to do that, to line it up and say this is what's going to be effective here and this is the implications of it.

Julie MacCartee: I just wanted to add quickly that our office has separate initiatives and one of our Feed the Future innovation labs specifically works on whether these index insurance pilots and working through the difficulties of measuring basis risk to get quality insurance products for smallholder farmers that do protect them from risk. We've also recently partnered with the World Bank which is starting to pull together a field of experts to think through some of these challenges moving forward. There are several private sector index-based insurance providers that are beginning to saturate some of the smallholder markets but there's still more work that needs to be done in structuring high-quality index insurance products for smallholders.

Audience: This question comes from Steve Lynn, an independent consultant in Brattleboro, Vermont. "Since farmers' ability to afford financial services is directly related to their market can you speak about tying financial service provision to market outlets?"

Tom Carroll: I'm not 100 percent sure that I understand the question "to market outlets", and I'm not sure if the distinction that we're making here is between tight value chains and loose value chains. And hopefully I'm answering this question most accurately. Most of what's happened in the smallholder finance community thus far has actually been where there is a direct tethering to buyers and market outlets. And that's largely what's been financed, regardless of whether it's at the cooperative level or actually you're going down to the direct farmer model which is the trade finance is actually run off of the buyer's note. And that's kind of the cap on the receivable.

And that's been more successful in export cash crops where there's a more predictable buying market and the margins are better. I think what we're seeing -- the second part of that would be the market outlets, and the ones that are of more interest for the smallholder community, the bulk of the smallholder community would be those market outlets that are locally or regionally based. And I think that's where our work is actually moving toward, which is how do you think about the financial service provision in the context of these local commercial cash crops that are not export cash crops necessarily that do provide income for the smallholder. And I think that's the next generation for us.

As we think about the markets that we've approached and the way that we set up our rubric here export cash crops were obviously the lead-in and then that's where the social lenders largely play. That was only ten percent of the market for smallholders and he said we're missing the 90 percent and we've got to get after the 90 percent so we need to understand at a much deeper and local level what is the relationship between the smallholder and the market outlet.

Ed Bresnyan: Ed Bresnyan from the World Bank. One of the aspects -- getting back to your point initially, Robert, about policy, whether it hinders or facilitates, and Tom you mentioned subsidy schemes, for example, in terms of possibly crowding out effective finance and maybe a business perspective as well. I understand that getting into the policy discussions unique for almost every country because context really does matter. But where has -- if you can give a few examples, say, of technology policy, innovation policy, where it has facilitated or where it can be a facilitator in ag finance or in access to inputs whether it's machinery, seeds, other types, and perhaps where there is a policy vacuum or where it's been a hindrance. Appreciate that. Thanks.

Robert De Jongh: Before I joined Partner for Innovation and Deloitte I was working with the government of the Philippines and they were looking at how to incentivize inclusive business models in agriculture but more broadly. One of the things that we identified as an issue was looking at trying to leverage tax amnesty as a way in which to incentivize companies to move downmarket. Because as many of us know in emerging markets the tax regimes are not well enforced and most companies are not historically paying their taxes. So they owe a lot of money to the government and hope and pray that the government will never come knocking on their door and try to collect.

So that's a big fear and it's on their balance sheets in some way as sort of a big risk. If you can play with that from a policy perspective in terms of an investment model they were quite open to rethinking and using tax amnesty, saying, "Well forgive all of your previous debt to the government if you move more proactively in these kinds of business models," which makes sense for you because you can grow your business in these sort of customer segments or new market segments and it helps create a more inclusive growth strategy for the country overall.

And that's one example that I thought was really interesting that I never thought that tax regimes would come into this conversation but it was something that I thought was useful to share.

Tom Carroll: I'll leave at that one, and you're from the World Bank so you probably know this but for the broader group there's actually a group that's coming out of the Doing Business Better part of the organization that's going to be looking at policy regimes and doing some sort of databased indication of who's doing it better, who's doing it worse so you can actually understand a little bit more about the context going forward. And I'm certain that there will be technology indicators included in that data set.

Laura Cizmo: A question from online.

Audience: Thank you. Tom did interpret that question correctly. He was looking for a link in credit with buyer commitment.

This next question comes from Jeanie Harvey, gender advisor at USAID: "USAID has made a strong commitment to addressing the needs and special issues faced by women farmers. Do these models make any effort to specifically address the needs of women farmers, including the special constraints faced by them?"

Robert De Jongh: The models framework? There's a second layer of analysis that can look at many of these issues more specifically. And I was thinking of one day if we do a next generation, and as we go online and create sort of broader inputs to thinking about these business models more succinctly there are those kinds of challenges

and issues that I think could be made much more explicit and more relevant and I think the gender issue is definitely one.

And I think having deeper dives on things like mechanization, the inputs market, post-harvest and storage, creating an extension -- what are the models that work specifically on those contexts beyond just sort of the overarching general models that seem to work more broadly in the smallholder context. So I definitely think there is room for that but we did not consider that lens for this part of our effort and sort of the first brick upon which we hope to lay the foundation for more thinking at a more reliant level.

Dan Silverstein: My name is Dan Silverstein; I'm an external private sector and capital markets advisor to MPI. I don't hear a lot of talk about the money markets, the credit markets and the capital markets. And it would seem that they play, should play, an essential role. As I was listening to your really excellent presentations it popped into my head that it sounds a lot to me like it has the character of the Fuller Brush man: you go from door to door, from farm gate to farm gate basically with a kit, looking to provide services or to sell a product.

In the industrialized nations we've commoditized the money markets by facilitating short-term lending by corporations that have established credit ratings so that they can finance their receivables and do all kinds of short term lending procedures. I don't see a lot of research about that.

So my question is: is there research about this? Who's doing this? Is the World Bank looking at this? And is it feasible?

Tom Carroll: So the short answer is yes. Are we good? But what I can say is obviously that's a big question because as we've tried to break apart the market I can speak to one example where it's happening. So I mentioned the CSAP group, the Councils for Smallholder Agricultural Finance and Social Lenders, and one of the reasons they got together was to try and preempt what maybe happened in the microfinance industry 10, 15 years ago in terms of the ambiguity of how those services were provided and the impact they were having. Standardized some processes for how they tracked their own businesses.

One of the main intentions for that was so that it would be easier for the capital providers, those funding their businesses, to know what good looked like, and to know what they were getting into.

There's another component to that for they themselves which is the information that is being tracked has a lot to do with that donors require in their markets, not necessarily what from an operational perspective would ease their doing business, something like a credit bureau. And so that's kind of the next generation for them, which is thinking through what do we need the information to do in terms of our ability to make good loans and to attract capital to do so.

And to give those who are funding us greater security that they're making good equity investments in our organizations.

Audience: My question is somewhat of a corollary to the previous question about tax reform. My question was a corollary to this previous question about tax reform. It's all about the institutionalization starting at the sovereign level down through the ranks in order to create -- to facilitate lending. I just don't see a lot of that.

Tom Carroll: That's one aspect. One of the other part of this that we get into when it comes to the next order of the capital markets -- and we talk a lot with the direct farmers about local distribution. But some of it we're getting into are the financing vehicles that will allow the DFIs to get into this, and the credit enhancement schemes. And so yes, that is happening.

Case in point -- and maybe this goes further to answer your question -- part of the project that we did for long-term debt there was a peel-off piece of it that was a relationship between KFW, one of our steering committee members and a global coffee organization. What they wanted to do was set up a Mauritius-based fund with some credit enhancement involved and then the coffee distributor would actually set up the local distribution and get further into the value chain, not crowding out the local commercial capital or even parts of it that they couldn't get to yet. And so it was expanding their own trade finance portfolio, that KFW -- and hopefully with other partners in which case it would have moved to Luxembourg, would be able to provide a facility for them where -- and a risk-adjusted facility to do so. That's happening.

Robert De Jongh: And just to build on that I did spend some time with ADB and IDB on inclusive business models and I'm thinking about inclusive business strategy specifically in the context of looking at some of those financing vehicles that go from the top to the bottom as opposed what we've discussed today which is much more from the bottom to the top.

What I was surprised to learn that in the private-sector portfolios of the larger banks, regional banks there isn't a lot of agriculture. It kind of fell out of flavor for a good two decades, and now it's slowly coming back because there's a realization that infrastructure alone is not going to solve poverty in many of these countries. So there is some new thinking to say, "Well can we use some of those facilities at sort of the meta level that can really sort of try to ease risk and provide those credit enhancements to different lending institutions to help them move downmarket especially in the rural context. And there's some hope there. I think there is some new appreciation for those kinds of vehicles moving forward.

Julie MacCartee: Well we've reached the end of the hour so I'm going to wrap up. Let's give our speakers one last round of applause. Thank you all so much for joining. Thanks to our very large online audience and if you have any further questions about Ag Sector Council or about the content of this particular event please feel free to

email me, Julie MacCartee, JMacCartee@USAID.gov. I'll either answer it or pass it along to the right person. And hope to see you at our November seminar. Thank you.

[End of Audio]