Viewing Value Chain and Household Finance From a Demand Perspective

Q & A Session

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Facilitator: So we'll take questions until about 10:30, and we have 60 people joining us on the webinar, so please be mindful to wait for us to pass you the mike so that they can hear your questions.

And I will start with a question from the webinar. It is a question coming from Shani, India from Dr. Ranjuck Rand. And the first question that he asked is "How can we eliminate side selling completely in the presence of local traditional trading system that requires middleman?" And also he asked, the follow-up is "Since rural access is very costly, should we first focus on infrastructure or in finance, and which of the two are more important?" And finally, how landless, poor or non-farmers can benefit in value chain.

Chalmers: Sorry. Could you repeat that?

Facilitator: How landless poor or non-farmers benefit in value chain? Thank you.

Chalmers: Okay. Jason, I'm going to ask you to tackle the first one, the how to eliminate side selling in the traditional systems where middleman brokers play an important role.

Do we still have you, Jason?

Agar: Geoff, can you hear me?

Chalmers: Okay, yeah. We can now.

Agar: Yeah, sorry. I think I muted my mike. Right, I'm back on now.

And yeah, okay, I mean I think one of the key things I would start from is recognizing that there is a role for the intermediate or middleman, middle intermediate trader in many of these chains. Obviously if there's a kind of contractee relationship then middlemen can play a very disruptive role. And I think the way that I saw that was possible to address was ensuring that the farmers have no reason to sell to the middleman. It was because they couldn't sell a product at the time they wanted, when they really needed cash, that people were really responding to the middleman. The middleman was very good at getting out into the villages ahead of the buyers and maybe even offering a slightly better price. But certainly the ability to sort of advance money or to provide goods in advance in exchange for crop was one of the effective tactics that middlemen were using.

I think if you can try and address the issues of cash flow and ensure that farming households do have access to the resources they need to deal with their immediate problems, I think you can really cut down the amount of selling to middlemen, because there is then less reason. I think the farmers understand that they're getting a raw deal, it's just that they don't think they've got a really good alternative to get the cash that they need at that point in time or because of something that's a risk. And I'm not sure you will always eliminate them, but I think you have to design the system that makes it more likely that the farmer will be able to and will want to sell to you.

I think the other thing that has to be done is to have flexible pricing systems. So it's a bit of a one-way system unfortunately. You know, the farmer says, "Well, you guaranteed to buy at this price, so I'm insisting on it, even though the world market prices have gone down." But the other way around is if the world market price has gone up he's quite willing to sell outside of his contract arrangement, and it's very difficult to enforce. So you kind of need a pricing system that allows you to flex the price upwards in response to market changes. And I think that's where some of these profit-sharing and dividend models, which we're looking at ways of rewarding the farmers who sold to the buyer with some sort of dividend payment later on, like an accumulated bonus which the farmer can then receive at a time which is very useful to him, perhaps in the hungry season or when he needs fertilizer.

So I think it's about being smarter, but I don't think you'll ever cut it out.

Chalmers: And if I were just to add one thing to that, which is, I mean the way I would see it is the middleman and brokers I think in some either – in some instances they do actually add some value, and in many other cases I think they have the potential to. And I think when we talk about kind of how to move away from such a reliance on the middlemen that is, at least in my view, what we should be looking at is how to make sure that farmers sell to middlemen only when they're adding value. And one example of that would be in terms of logistics and transport, where sometimes they can add a tremendous amount of value for the more remote farmers, where that remote farm is never going to have a very direct link with the end buyer.

So if we can get to a place where it's, as Jason said, it's not because of urgent cash flow needs that they're selling, it's not only because of that, because, oh, you know, he's the only guy that'll buy my stuff and pay me right away, but rather a conscious sort of business decision that's being made on the part of the farmer that says, "Oh, here's one actor that adds this value, here's this other actor that adds this value," and then it becomes a sort of win-win. I mean it's whatever happens to make sense in each case. So I think thinking about those cash flow issues and addressing them where possible through other means other than through the broker will increase the likelihood that middlemen will migrate to the places where they're most likely to add value to the whole transaction.

Just in the interest of time I'm going to skip to the third question, which is how the landless poor benefit in value chains, which I think is a whole sort of topic on its own. I think it's a crucial one, it's one that I think people have been working on to different degrees for many years and decades. You know, I don't know how much I would add to the discussion, but I think one important part that we tried to approach in this paper is the risk question and being conscious of how the risk – how different types of risk are influencing decisions. I think the first part is just that greater understanding.

A second part is some of these sort of what some people call kind of premarket readiness intervention, so it's the – it could be the financial literacy, it could be some savings-based interventions, but it's things that are looking at households that could have the potential to be integrated into, you know, a good opportunity, a good value chain, but aren't there yet and recognizing there are some of these kind of push interventions that are going to be important before you really start talking seriously about how to integrate them into growing value chains.

And then financial products can be an important part of that, but very much a part and not the driving solution. And of course, the savings-based solutions are certainly one important part of that. Some of the work that Grameen Foundation has been doing in India seemed pretty interesting in terms of having really thinking through a whole sequenced series of interventions, some of which are financial and some of which are not, specifically targeted at this population of not quite market ready yet, but explicitly trying to move them in that direction and then tie them into something that's more of an opportunity.

Anything to add there, Jason?

Agar: Only that I would say, I mean there's been quite a bit of work in and around graduation models, but I think the way these models can be most effective is by linking them into designing them with a particular chain in mind. So, okay, is the end position, how are we going to link these people into some sort of functioning market-driven system. So that should be built in from the beginning, because you can help people with a lot with production, but we've often failed to link them into the market part of it. So graduation plus outgrowing I think has high potential.

Audience Member: Hi there. My name is Diandra Chekon. Thank you so much for looking at this from a household perspective. I'm really curious how much the interventions are gender segregated, simply because women and men have different expenditure responsibilities in households. And from a lot of fieldwork I've done and seen women need a steady stream of income, whereas men tend to get the big hits of income as well as the larger hits of, you know, we need to save now so we can invest in the plough, the cow, the tools, the seeds. So could you talk about how much innovations are targeted at women as well as men?

Facilitator: Thank you.

Chalmers: You want to go ahead and take the first?

Agar: Geoff? Yeah.

Chalmers: Go ahead.

Agar: Sure. Yeah, thank you very much for that question. I think that's a really, really interesting – well, it opens up a lot of interesting issues.

From what we saw in the kind of really relatively rapid review of innovations across the world, I mean it was a very broad brief and I don't think we saw a lot that was really sort of breaking down the household beyond this kind of broad mantra that, you know, women are more reliable clients of microfinance than men and that men will gravitate towards larger amounts of credit. Of course, I think that's, you know, I think there are different products that are being designed in relation to perhaps savings and thinking about the different ways in which men and women can save and want to save and making it easier for them to save. I think that's an area where there has been some attention to the kind of different gender approaches. But I don't think from a kind of very rapid thought that there was a lot that's been.

I think your point is really, really valid, because I think we may also be falling into the trap of somewhat generalizing the household, and of course we have very different types of households. We have quite different cultural responses as well. And then, of course, the needs of men, women, and even other members of the household, younger members and even older members. So I think I can't really help much further than that. Geoff?

Chalmers: Yeah. I mean also I think thinking about the kind of gender dimensions, especially at the household level, I think it very much sort of shares the same philosophy of looking at the integrated cash flow. 'Cause I think you – especially when you start – I think some of the most interesting work recently in this regard maybe hasn't focused so much on the financial aspect, so that may be something that's still to be done, but focuses more on sort of the gender dimensions of the household in terms of labor. So really looking at – but again, it sort of shares the same philosophy as saying, okay, look at each – essentially take the household as a unit and don't assume that a decision will be made in terms of let's say starting a new economic activity, don't assume that the decision will be made based on one dimension, like, "Hey, this is a great economic opportunity to start growing these high-value vegetables, why aren't they taking it up?" is that there are all these non – or not even non-economic, there are these multi dimensions of the household, and labor being a big part of that.

So, you know, if something is very labor intensive and is going to fall more towards the woman who happens to already be overstretched with her other 12 activities that she's sort of in charge of, then that may take precedent over the fact that there is a valid economic opportunity there. So it's really it shares that same kind of how do you understand the household and all those dynamics and not just focus on the sort of economic opportunity. And it gets back to that sort of like, you know, scratching your head, "Well, there are these great opportunities and all they need to do is, you know, x, y, and z and they'd just be off and running. Why aren't people taking it up?" And so getting at that behavior change kind of concept.

I think one of the challenges there is the cost of doing that, because as Jason said, you don't want to over generalize too much, but you can't quite do household by household by household throughout, you know, hundreds of millions of households. So how do you generalize in a good way to the point where you can have some aggregated solutions, you know?

Facilitator: Thank you. The next question from webinar comes from Richard Maher, and it's a question to address the possibility of downside of MFI lending to value chain due to the portfolio that may not be adequately diversified. And then also then Richard asks to talk about diversification and how to achieve it when focusing on value chain approach.

And then there's a related question from Anton Wolfe. The question is "Why do we think agricultural finance has always been treated as an orphan in the microfinance community? Sometimes it's high on the agenda and sometimes no one mentions it. There haven't been real solutions. Is it because it's unattractive for suppliers since it's hard to make agricultural finance profitable?" So both questions are linking microfinance and agricultural finance.

Chalmers: Okay. Maybe I'll take a first crack at this one. In terms of the downside of microfinance lending, I'd say maybe of microfinance lending into agricultural value chains I'd say two things, one is related to products and one is related to the diversification question. So in terms of products I'd say, and thinking of the sort of innovations and trends, I think there has been some really good – it's still not quite as widespread maybe, but I think we're going on about ten years of pretty good models that have shown to be pretty successful in terms of getting the product right for essentially agricultural microfinance. So really coming up with sort of hybrid products that take the best of microfinance and take the best of ag credit, they really think through the agricultural cash flow and seasonality aspects, they're very tied into the real reality of the farm household, but they also take into account the other aspects, the non-farm aspects of the household.

So what I've seen is when they get that product right and the analysis right and the cash flow analysis right it really lowers their risk significantly. You add onto that some of them have been really good at linking into some of the buyers in particular, but also input suppliers, linking themselves with these value chain actors and saying, okay, we're going to understand a little bit more about what business we're lending into, you know, what are the dynamics of the value chain, and our links with these buyers and input suppliers can also help lower our risk in terms of screening clients, in terms of sort of alternatives to collateral, various things.

I think there's been some real success on that side, but it leaves this diversification question from looking at the supply side, looking at the supply of finance, and particularly from a microfinance institution perspective I would tend to agree that I think for most MFIs, particularly broad-based ones that have a national coverage or, you know, quite a significant coverage, they'll definitely want to be looking at, you know, probably starting off small and as they do increase that portfolio, probably considering having some kind of a policy of some kind of a cap or another where they're not overexposed, certainly overexposed to one crop or one subset of crops. And I think many have gone the route of, you know, agriculture at large, you know, having sort of a limit that different people will have different opinions, whether that's 10 or 15-percent or 30-percent of the portfolio. I've seen a few that are successful with, you know, 50 or 60-percent, but many would say that's, you know, pooling that risk too much or focusing it too much. So I think there will be different answers to it, but it's certainly something from the supply side that a financial institution would want to watch closely.

Agar: Geoff, can I throw a few points? Richard, thanks very much for the question, and great to get your thoughts on that as well. I agree with what you're saying, Geoff, and I think that's – I'm working – I'm a non-executive director of ACE, a rural microfinance organization, and exactly that, we've tried to set a limit on what proportion of the portfolio should be in agriculture. But I think one of the things I see is that we tend to think of agriculture as one thing and we don't really properly differentiate the degree of risk between different crops, types of livestock. We cannot presume it's the same. And I think it's also there's a failure to recognize that agriculture is almost inevitably cyclical in nature; you're going to have good production years, you're going to have poor production years, you're going to have good years where prices are good and years where prices are poor. That may or may not be related to the national kind of production picture, so you can have poor production and poor prices in the same year or the other way around.

So I think what I've observed is that financial institutions start to get excited about agriculture, they start to say, "Okay, we can do this, things are looking good," they start investing and then they have one bad year and they pull back, because the people in the more senior positions say, "We can't be so exposed." And yet it's almost inevitable in agriculture that you're going to get this kind of cyclical years, and it might – it really needs to be that people think about agricultural finance over a say five or whatever is the appropriate period for that particular crops, and to think particular crops, particular types of livestock.

So for example, investing in the lending to tea growers in Malawi is relatively low-risk because they're linked into a purchasing system that guarantees to pay them every month, and has done for many years. Compare that with lending into paprika, where buyers will often run away with the crop or pay late or farmers will run away, and you can see the risk is really quite different. So where there's a good market structure and system or good contracting arrangements, then I think agricultural finance can become a lot more attractive. But I think many of the FIs are not yet discerning enough and understanding enough of the relative risks, and I think they're unwilling to stay with it long enough, recognizing that it's a very cyclical business.

Chalmers: Yeah, great point about the differentiating the risk; I think that's a crucial element that, you know, what we talked about before in terms of getting to a more nuanced understanding rather than an agriculture is risky or agriculture is wonderful and we should all do more of it. You know, there's probably a middle ground in there somewhere.

Just a couple points on the second question, which I believe was a separate question, right?

Agar: Yeah.

Chalmers: So essentially why is – was it framed why is agricultural finance or agricultural microfinance always an orphan? Who is the orphan?

Agar: It's agricultural finance, why do you think agricultural finance is being treated?

Chalmers: Agricultural finance, okay.

Agar: Yeah. I'm sorry, as an orphan in the microfinance community.

Chalmers: Right. Okay. Right. So I would make three points. I think one, it traditionally was an orphan somewhat due to kind of dogma in the microfinance community from many years back that had its roots in a lot of not-so-great experience in agricultural credit and trying to sort of draw a stark line and say, "Hey, we're going to do something different that doesn't do all this bad directed credit that happened many years ago," and so a sense that a dogma was necessary for many years to sufficiently say, "Here's something different." But that we got to some point, and whether that was ten years ago or when it was, that we said, "Okay, there's enough of a momentum there on microfinance as its own world that has done things – overall has done things fairly well and has a lot of success" and say, "Let's look back and say how can we look back at agricultural finance, agricultural credit, etc. and say 'Let's think about it again and release some of that dogma and say, you know, that this is something that we can approach.'"

In terms of, you know, the unattractiveness of the line of business, some of it we addressed I think in the previous question, but it is a major – I think it's really important for all of us to think about upfront and not fall into the trap of, again, sort of saying, you know, you come into a country and sort of, "Oh, everybody should be doing more agricultural credit and more ag finance, and why aren't banks jumping – you know, why aren't microfinance institutions lining up to do this?" And there are a lot of really good reasons that they don't, and two that come to mind, one is sort of the opportunity cost, so even if you do identify, you know, lower-risk models and methods and good partners and all these wonderful things, often there are still other, you know, there's a limited amount of capital from the financial institution and they are often going to choose whether it's the more profitable path, the lower-cost path, the easier path, the path they already know. I mean there are a lot of reasons, and so you really need to sort of find those partners early on that have a strategic interest in it. You know, it's typically not going to work to kind of try to really convince and, you know, sort of show obviously no strong-arming, but even really just having a we need to convince all the financial institutions to get into this typically tends not to work.

And then the second part is the capacity in terms of some of this, particularly I'd say this cash flow analysis-based lending. So whether it's banks that are used to very collateral-based lending or if it's MFIs used to solidarity groups, neither of them, you know, both of those models can I think work in some limited instances in agriculture, but they're probably not the main way that it's going to move forward. So if they lack a middle ground capacity that's based on a cash flow understanding of a farm household and they don't have an openness and desire to kind of build that capacity then it's going to be a tough uphill battle.

Agar: Can I add to that, Geoff, that I think, you know, agri finance, it's interesting how it's perceived as an orphan, and I think actually also the area of household finance has been much more neglected. And we're kind of approaching financing peoples' agricultural needs as if they're somehow in a separate silo from their non-agricultural finance needs. And I think until we start to think of agricultural finance in the round of the whole household, which I think is one of the key sort of points of the paper, then we're going to be – financial institutions are going to be constantly disappointed when people divert money to pay for a wedding or to pay for a funeral.

I think we have to think about ag finance models that are much more realistic about how people will deploy the money and where the resources might come for to pay it back, possibly from another business, not necessarily from the farming business. So I think until we kind of see financial institutions being more willing to recognize those range of other things that need to be dealt with they will tend to get excited about ag finance and then disappointed and they will come in and out. As new managers come along they start to get excited again, then they get disappointed, somebody comes in, and so the cycle tends to repeat itself.

Facilitator: Thank you. I just want to ask, we have about five minutes left, so we'll take two or three questions from the room? Is it okay, Geoff?

Chalmers: Mm-hmm.

Facilitator: And please keep your questions really short and we'll also try to keep answers brief. So I'll take the question from that side of the room and then one more here. And is there another question? So two questions here and then we'll address the three. And please, for the rest of your questions come to talk to Geoff in the end. Thank you.

Audience Member: Hi. Chris McRae. I've know the founder of Microloan Foundation, which-

Chalmers: Is that on? Is he on? Yeah? Okay, sorry.

Audience Member: So the founder of Microloan Foundation, which has maybe 50,000 members in Malawi. I don't really hear their interests actually being represented in this value chain, because I think they're even smaller or even more poor. I think it's absolutely true that when a micro creditor is absolutely representing the poorest you do get the hybrid model of household, so I recognize what you're saying there, but additionally I believe that the really poorest micro credits have never just been about banking; they've been about helping form the market for those poorest. So I would just sort of consider that at any level that you take a value chain map you could always ask is it a poor group and try and contact the people representing them to just make sure they're on the map.

Audience Member: Hi. My name is Aaron Dimner Dunlap. I'd like to focus on what Jason touched on just briefly about shocks to household finances, like deaths or weddings, and whether or not you found any appropriate products in your review. It didn't seem like there were many, although you did mention as a significant constraint to financial stability.

Audience Member: My name is Benjamin Adam. I want to know if you have any experience in competition among those who are financing the value chain? You know, because I believe that as a contribute to, you know, sight setting by families. Because if you are not together, you know, if two or three companies are financing one commodity, okay, so farmers can decide to go and sell to the other. I don't know whether you have any experience in that.

And then the question of insurance. I think Jason mentioned Tigo in Ghana. I don't know if he can explain that better, because I'm interested in that.

Agar: Okay. Geoff, can I jump in?

Chalmers: Please. Yeah.

Agar: Yeah, thanks. Those are, again, good questions. The gentleman, I didn't catch your name, for concerning Microloan Foundation, I know the organization pretty well. And you're right, I mean there's a group of people who are kind of very often outside of value chains and potential to engage in them. I know another microfinance organization that I suppose is competing with Microloan Foundation, and the way they understood the rural situation was to think about the seasonal flows for the type of households that they're dealing with. So for example, there is a period where the household needs to invest in its farming activities, even if that's a food crop, even if it's maize or something like that, or, you know, a semi-commercial crop like – sorry, a commercial crop like cotton, there's a need to understand that the points at which money is required, the points at which money will start to flow in, and recognizing that there's quite a lot of downtime, particularly in that part of Africa, where it's a – is it unimodal weather system, there's only one set of rains.

So typically those sorts of households will start to engage in enterprise activities, and I think this is where we need to think of it as the two things working hand in hand, the farm enterprise and the non-farm enterprise and where the household will put its efforts. And it will actually wrap up the non-farm enterprise when it comes to the farming season; they will devote most of their energies to their farming, because that is kind of in many ways the kind of prime reactivity.

But there are lots of opportunities for those non-farm enterprises outside of the agricultural season, but you've got to understand the particular group you're dealing with. And I'm glad you've raised that point, because it does remind us that we have to focus in on the particular sets of needs for whichever group it is that you're most interested in.

And I think, Aaron, you were asking this question about were there any products that deal with the shocks to household finance. This is where, again, looking at that kind of cycle for a rural person, and I'm speaking mostly from my experience in sort of Southern Africa, there is that period between January and March where the homegrown food is run short and they may need to borrow, and yet there are things like the start of the new school year and there can be other emergencies, such as a funeral or a medical emergency. And it's these sorts of shocks that does tend to push farmers from being good suppliers to being – to just dropping off the radar completely. And once they fail to fulfill their obligations to the buyer that they're contracted to they try to disappear because they can't repay the credit. And so we've kind of lost them.

And that's where I think in outgrowing schemes if we can start to think about building in simple packages for funeral benefit insurance, building in crop insurances that are related to the most common risks, thinking about these kind of weather-based products as well. So I think there is quite a lot of innovation that's going on in and around the crops, but also some of the things to do with the household problems, the funeral benefits, the health insurance, and even thinking about loans for education. I think we've got to deal with the problem holistically if we're really going to make much progress here.

Geoff, do you want to comment on the third one or any of the others?

Chalmers: Two quick comments on the first two maybe, and then we'll go back to you for the final one.

Agar: Okay.

Chalmers: So I think with this question of what I had referred to as the kind of premarket readiness kind of population, where they are a run below the kind of typical client let's say, and that's where a lot of this kind of pathways out of poverty and graduation models and all of this work has been focused, much of which is not focused on MFIs or financial services particularly, but on the sort of non-financial aspects, with the exception of the financial literacy part. So. But I think when we think about what's the role of an MFI or a financial institution in contributing to that effort to target the very lowest rung, the most vulnerable households, I'll go back to this one case that the Grameen Foundation was looking at India that I thought was pretty interesting challenges in terms of how to scale it up, 'cause it's a cost-heavy model.

But they were looking at kind of the long-run being, okay, if an MFI could see these clients not as, oh, they're not potential clients of ours, but rather they are future clients of ours someday, because they'll essentially graduate at some point, then they could look at the costs associated with helping contribute to getting them there as the same way that, you know, a marketing firm might look at sort of, you know, what are the costs associated with acquiring clientele. So they have this sort of sequenced model that's very heavy, it's very costly because it's household by household. You know, it's basic business skills, it's financial literacy, it's, you know, very basic savings programs that aren't making the MFI any money. So all of those typically we think of as either you don't do it or you subsidize it completely. And so they were looking at it as how can you do it where you subsidize it, but – and they don't know the answer yet, it's more of a hypothesis, can an MFI look at that as an investment into a future clientele, will that turn out to be a business model? So I thought that was one interesting way of looking at that.

In terms of the second question about shocks, I know I sound like a broken record, but I think a lot of the issues, you know, don't have so much to do with the particular shock being a wedding or, you know, emergency needs that come up, but this cash flow-based – cash flow analysis-based lending, where one way or another the lender or the provider of financial services has come to an understanding of this integrated model at the household. So it includes, you know, when these financial institutions do their cash flow analysis, it is asking about the farm activities, it's also asking about the non-farm activities, it's asking about the animals they're raising, it's asking about the small shop they run, and it's asking about what typical expenses they have in terms of school fees and healthcare and all these other things, and that's going into the model. So yeah, the model isn't going to tell you the perfect answer, but it's going to get that understanding of the client a lot closer, I think. And then you can add on the unexpected stuff, you can then say, "Okay, let's isolate the unexpected stuff," maybe think a little bit more about insurance when it comes to those unexpected ones, but at least the expected household expenses you can build into the model of how you structure a financial product.

Agar: Geoff, sorry, just to _____. I think we have this kind of mindset where we only want to lend for productive use, and I think we therefore do our analysis very often, looking at the productive activity, but without recognizing that the main – the more important driver of household decision-making is in the kind of non-productive household area. And so unless we have a model that encompasses the two we would be looking at how we're going to work with a household on one of the areas that is probably from the household's point of view less important. So we need to sort of combine the productive and the non-productive in terms of our thinking of design of products and try to deal with both and accept that people will divert money at certain times of year to certain things, such as the time when it's the initiation ceremonies or, you know, when there's a wedding or some sort of other emergency, they will divert it. So we have to build that into our design and not just think about productive – lending for productive activities.

Chalmers: Okay, and so the final question from Benjamin was related to, if I understood it right, the competition – essentially MFIs that are lending to the same client, right, and some of the problems that can arise from that. So I think that's a really good question. You know, it's on the – I'm not sure in terms of the impact on the kinds of questions we were looking at, like side-selling, I'm not sure how that exactly impacts. But I think it can be partially addressed through the same, once again, the broken record of the kind of cash flow, you know, better understanding on the part of an MFI of sort of segmenting – understanding each client as a client household. Because part of that same analysis really also involves, okay, what are your flows of money coming in. And one of those flows coming in is, of course, other loans.

Now of course clients can lie, they can say that they don't have loans from other institutions, but it's a really good first start to kind of press that and ask that in the context of an integrated picture of their whole household. You know, here's their incomes, here's their expenses on the ag side, here's the expenses on the non-ag side, here's the household stuff, here's other sources, whether it's remittances, whether it's loans from other institutions. And at least taking a shot at trying to understand that and start to put that into the equation of the loan officer so that it's not just sort of the credit machine mentality of, you know, just get out the credit and sort of not ask questions about what other sources. 'Cause you're essentially lending to an entity that you don't have the full picture of their, you know, of the way that their income statement and balance sheet basically. So the more you can do that I think it is an important first step.

Another step is clearly taking – advancing on the credit bureau and credit information side and bringing that down to the microfinance world, where I think we're seeing that in some countries, and it takes some innovation on the regulatory side, it takes innovation on the supply side of the credit bureaus themselves and some technical assistance in their marketing, you know, showing them that there's an attractive market of MFIs, that there's no reason –

there's no barrier that we can't overcome in terms of making credit bureaus a relevant source of information for our lender, but there's some challenges for it.

Agar: Geoff, can I just add a couple on points? There are some activities going on where people are seeking to really map their clients in greater detail, and not just sort of gathering demographics, but using simple GPS technology just to map out what sort of land people have, what land area. And what's interesting on one of the organizations that's doing this is that they're finding that farmers are consistently well out in terms of the actual land area. So for example, you know, if you ask a farmer how much land does he got and he says 1 hectare or 2 acres, whatever measurement is used, that's consistently 30, 40, 50-percent out on what he actually has when you physically go and map out.

Now, of course, if you're lending for imports to one acre of cotton, that is a relatively fixed relationship. But if a farmer's actually got two acres, he's spreading the inputs too thinly, he's not getting the necessary productivity achievements, or he's getting too much for his cotton imports because he's actually only got three-quarters of an acre. So there are attempts to try and sort of experiment with that kind of mapping and really getting closer to the particular farmers you want to do with, and I think try to develop that relationship where you can spot if there is additional resources coming into the household, although I think that's quite difficult.

I think the other way to address this is through thinking about collaboration efforts across an industry. And of course this is very sensitive because, you know, that could easily be seen to be some sort of cartel-type arrangement. But there are kind of agricultural kind of platforms and partnerships evolving whereby representatives of all the different stakeholders come together and people work out a system to say, "This is how we record who we've lent inputs to." And it can either be by different firms declaring that or they can pool their resources together to come up with a pool that the farmer can draw upon, but then there's some sort of levee coming out of when the crop is purchased.

I think that's kind of the – there is a need to have collaboration, but obviously we don't want that to become price collusion, and it's a very difficult balance to make sure. But I think that's the only way that you can start to avoid this farmer or borrower taking two or three amounts from different lenders. And that has to involve the purchasers and the financiers in that process.

Chalmers: Okay, and I think – Jason, did you have anything quick to add on to the question – in terms of the insurance, in Tigo, mm-hmm?

Agar: In Tigo. I mean obviously there's a little bit in the report. I don't know if people are aware, but there should be a set of Excel sheets that people can link into and get a little bit more on each of those initiatives that's mentioned and hopefully some sort of link to a website. To be honest, also, nowadays it's so easy to sort of search, just type in the words and you'll get more references than you would really want. But I think those kind of – there are some really, really interesting things going on in and around the sort of mobile phones, and using SMS messaging to provide reminders to save or using it as Tigo have done, as a promotion – using life insurance as a promotional tool, but obviously linking people into something that they clearly want to have. And so definitely worth looking in and around those areas.

Facilitator: Okay, thank you so much. Thank you for the interesting presentation. Thank you, Jason, for joining us remotely today.

Agar: My pleasure. Thank you.

Facilitator: And thank you for coming.

Chalmers: Yeah, thanks, everybody.

Facilitator: Yeah, I just have a few announcements.

Chalmers: Thank you very much for the questions.

Facilitator: Thank you, Jason. I have a few announcements to make. If you are interested to learn more about value chain we have a basic course that is available to the public, and you can find it on Microlinks if you go to the lending page. So to the home page of the website. It is an interactive course that has been developed and is available to everyone to use.

Also, you might be interested in the upcoming breakfast seminar, which is on February 23rd on Tools for Mending Week and Fractured Value Chains with DAI. And on February 28th we are launching Emerging Payment Systems, which is a broader discussion with a subset of mobile financial services and related topics about the use of imaging technologies in developing. So please ask me about that if you're interested. So then more it's on February 28th and also in the morning. Thank you for coming.

Chalmers: And one other announcement. The link – Jason referred to some Excel sheets that are essentially an annex to the report. And I actually need to check to make sure that they are available. They are there somewhere, but I'm not sure that they're on the exact same link. So if you don't see them in the next couple hours check back again tomorrow, 'cause I'll go back and make sure that it's in the proper place.

Facilitator: Thank you so much.

Chalmers: Thanks.

Facilitator: Thank you.

[End of Audio]