

Progress Report for First Year: July 2007 to June 2008 (Deliverable No. 9 First Mile Phase 2, IFAD-Agridea)

Introduction

Over the last year the First Mile project three key lessons have been learned:

- *Disruptive Information and Communication Technologies ICT:* We have witnessed a 'revolution' in the development of ICTs in rural East Africa. ICTs are so disruptive that they are fundamentally changing the way rural markets work. However, not all people in rural society pick up the chances with ICTs, resulting in some being left behind with the ensuing consequences on equity. We therefore need to concentrate on building new uses for ICTs to have an alleviating effect on rural poverty, and not on the development of the technologies per se.
- *Fair Trade and Transaction Security:* We have seen that ICTs can, if usefully applied, achieve transparency along marketing chains. Transparency breaks through the present inefficiencies and distrust in rural markets. Transparency lets partners know whether they are entering into a fair deal. Modern ICTs make it possible to sell services that achieve "transaction security" even for highly dispersed rural markets and time-sensitive deals involving many small farmers. It is this new service of providing transaction security that the First Mile project is helping to develop, with far-reaching effects on rural poverty.
- *Developing commercial relationships:* We have learned that civil servants and NGOs, however well they work together, cannot provide commercial services because clients do not relate to them commercially and their behaviour is not entrepreneurial. The structure, procedures and behaviour of a public projects make it very difficult to engage with entrepreneurial people in the private sector. Delays in fund releases cause delays in promised activities which is seen by entrepreneurs as unreliability. Long decision making processes required by bureaucratic due diligence have the same effect. When engaging with the private sector in rural development we need to work in a business manner. This will have implications for the design of future Private Public Partnerships.

At the beginning of the year we planned to undertake the following (for details of workplan see Deliverable #1):

- organize and plan the required interactions between relevant Divisions in IFAD, Agridea and IDESO in Switzerland
- detail the work plans for integrating the technical assistance activities of Agridea with IFAD Communications Division activities
- prepare progress report for the first year (this paper)
- update and maintain the First Mile project website including all documented outputs of the activities in the first year
- manage and update the online LLL service "First Mile learning team" including membership and contact details
- provide technical assistance, starting with a survey to underpin the development of appropriate trials on ICT connectivity in selected AMSDP districts. These trials were to determine the profitability of various connectivity options in selected districts

- explore a prototype software programme that shall allow farmers and traders to use SMS to access an online database at the District level with updated locally relevant market intelligence and market information
- further promote the local learning on: a) the extent to which key players along the marketing chains are capable of using the ICTs for generating and exchanging locally relevant market intelligence; and b) the technical support requirements for local Market Access Companies to sustain their connectivity with client farmers and market intermediaries
- make available good practices and model business plans emerging from the ICT trials for sharing with other districts

However, during the year a number of bottlenecks emerged that affected our progress. These were as follows.

- The original set of people from AMSDP's District core groups who intended to launch Market Access Companies (MACs) were mostly NGO staff and public servants, with little understanding of the requirements for launching a commercial venture. On top of this AMSDP stopped its financial support to these core group members. Thus core group members had to balance the return to their 'real' jobs with starting new commercial enterprises. Unfortunately, this resulted in a lack of time and energy for effective follow-through on setting up commercially behaving MACs. Activity in Hai, Same and Babati MACs came to a standstill. Muheza, Mufindi and Songea MACs struggled to provide services to their clients. We learned to focus on supporting truly commercially oriented individual entrepreneurs who are better inclined to take up the business opportunities. This had implications for the learning programme that is now focussing on Same, Korogwe, Muheza, Mwanga, Mufindi and Songea. We however, remain open to any kind of commercial 'renaissance' in Babati or Hai.
- The people from AMSDP (IFAD) and the RKN (FAO) project envisaged to provide technical support to the MACs did not manage to take up their tasks. Since the districts we selected for learning on market intelligence were no longer supported by the AMSDP it became very difficult for AMSDP's staff to provide technical support. Also the planned technical support from the RKN project did not materialize during this year. It took some time to grasp that typical consultant contracts along the regular lines of FAO result in hiring people who don't have an entrepreneurial outlook and therefore fail to support commercial viability of MACs. Indeed, the RKN project is only now identifying its 'Regional Managers'. This resulted in little local coaching of the First Mile learning in the districts throughout this first year.

While the concept of MAC remains correct, the way to their establishment is now seen to be through committed individuals who have an entrepreneurial mindset and a commercial track record and therefore better inclined to pick up the business opportunities. We now call such individuals "Trade Agents". MACs are envisaged to grow out of the operations of such individual Trade Agents.

Directly important for the efforts of First Mile is the conceptual insight that "Transaction Security" to all the actors along the various marketing chains is the unique selling proposition of a commercial service network. First Mile is expected to show the communication equipment and its operations that allow us to achieve transaction security.

Transaction security is defined as:

Agreed volume of produce, of the agreed quality, at the agreed time, at the agreed place, paid on time according to agreed conditions, trackable in case something did not work out as agreed and so can be corrected, traceability of produce back to the producers.

In this progress report we cover the lessons learned in

- ICT connectivity for rural marketing entrepreneurs.
- Organizing market intelligence that is relevant for actors along the marketing chains.
- The required backup support by the National Marketing Company to achieve connectivity and truly useful market intelligence.

Our progress report concludes with recommendations for organizing the further work in the second year of this project and some observations on the sustainability of AMSDP.

ICT Connectivity

Our learning on ICT connectivity focussed on how rural entrepreneurs operating Market Access Companies can connect to the internet both at their office and while they're on the road. Trials were designed for assessing what kind of connectivity most suits the marketing efforts of MACs, ie. mobile and stationary access, signal coverage, websites for MACs (for details of trial designs see Deliverable #2). Prior to the trial design a survey was conducted which assessed the state of connectivity in selected typical districts (internet, mobile, radio), explored the ongoing efforts by various agencies and companies to improve connectivity, and suggested avenues of action for the trials to test (for details of survey results see Deliverable #3). The trial programme combined online mentoring with field assessment visits to Songea, Mufindi, Muheza, Same and Babati (for details of trial assessment see Deliverable #6).

Lessons Learned

Connectivity is fast evolving throughout Tanzania. When the survey was conducted GPRS modems and broadband wired access in remote Districts was just being tested. Now both these technologies are being aggressively marketed by the large providers. MACs will therefore need to be very flexible and opportunistic in capturing the best options for their purposes at any one time. At present stationary access is expected to be most efficient through broadband cables from TTCL towers. Laptops with GPRS modems provide mobile access.

Connectivity equipment, except mobiles, is beyond the financial reach of entrepreneurs at the district level who would operate as Trade Agents, or even for MACs. Soft loans and/or a rental service or lease service will have to be explored to equip Trade Agents with laptops and modems. The most serious operational challenge is servicing of electronic equipment in remote areas. Computer viruses are rampant, and dust and humidity add their toll. This can only be countered with regular and professional servicing, which in most areas is difficult to get. Again, a rental service that includes the servicing in the rent may take care of this strategic problem. The fact that in many areas electricity is not available may allow for synergies with renting solar equipment as well. A business model of a solar company in Laos that operates a rental service for solar equipment in rural areas will inform our learning.

While exploring the rental option it was discovered that new types of laptops are being built that are more suitable for rural conditions, and in particular for rental operations. These are solid-state laptops, some even "ruggedized" for rural wear and tear. Contacts have been made with the company Inkmedia to attempt to test such laptops for our requirements (www.ink-media.com).



Market Intelligence

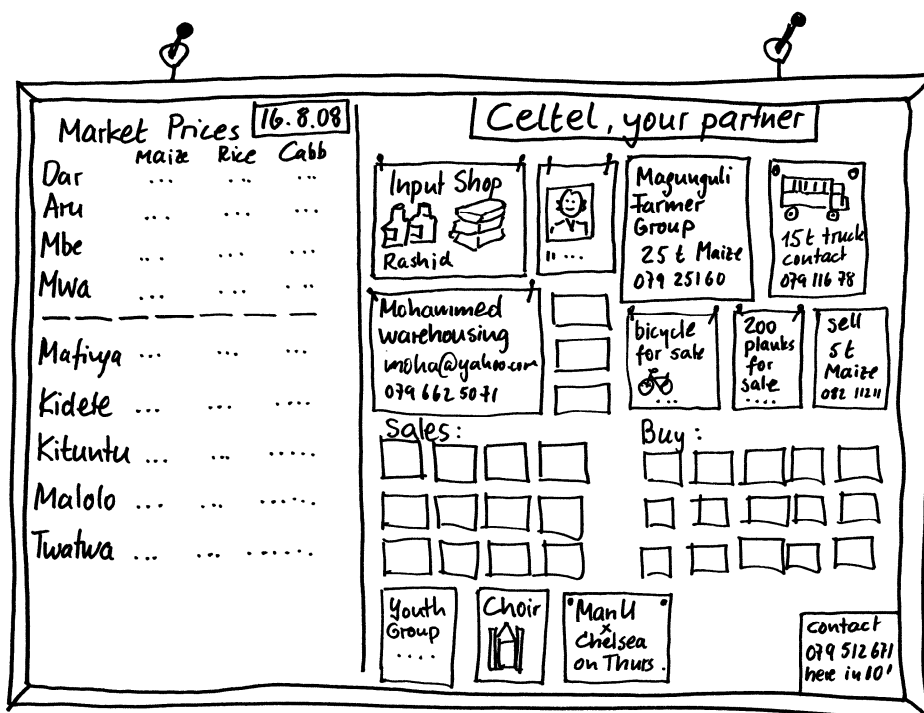
Our learning on market intelligence focussed on four areas as follows (for details of learning agenda see Deliverable #4).

- Market information boards: What kind of information is expected to be most interesting and relevant, How would such boards have to look like, Where to place them, How to manage them, How to ensure sustained funding and operations.
- Brokering deals: How to approach traders, how to organize the information flows, etc.
- Find income streams: How to identify and define the “headaches” of the various client actors in the marketing chains, in order to design services for which they will be willing to pay.
- Setting up MACs: How to define ownership, decision making processes, legal process of registration, set up business plans.

Learning agendas were put up on the web and mentored on the LLL (www.linkinglearners.net) Demand Driven Services (DDS) Team. Online mentoring was supported by two field visits to the MACs to assess progress made. The first visit was at the end of 2007 and the other in April 2008 (for details of assessment see Deliverable #8). Also included in market intelligence was the need to develop an interface for mobile-to-internet exchange. As a result of the exploratory work by Ideso contact was made with Busylab (www.busylab.com) in Ghana as a potential online trading and market information platform (for details of Ideso report see Deliverable #7). Negotiations, including an exploratory visit by Busylab’s Mark Davies and Sarah Bartlett to Tanzania in April 2008, concluded that we should test the Tradenet platform in Tanzania as soon as possible.

Lessons Learned

On Information boards: The concept of Information Boards increasingly looks sound and valid as the basis on which to build market information networking. We expect that without Information Boards it will be virtually impossible to initiate sourcing efforts for large deals from dispersed villages. This is a critical competence for the commercial viability of MACs. However, strong and committed MACs have not emerged to test this concept. We therefore adopted a new strategy where individual “Trade Agents” will first engage in setting up and operating Information Boards.



The sketch of an Information Board shows on the upper left some critical prices of main national markets which are updated each day. Below that the same for local markets where the information board is located. To the right is the advertisements section where ads are posted for a fee, these are the income of the Information Board Manager.)

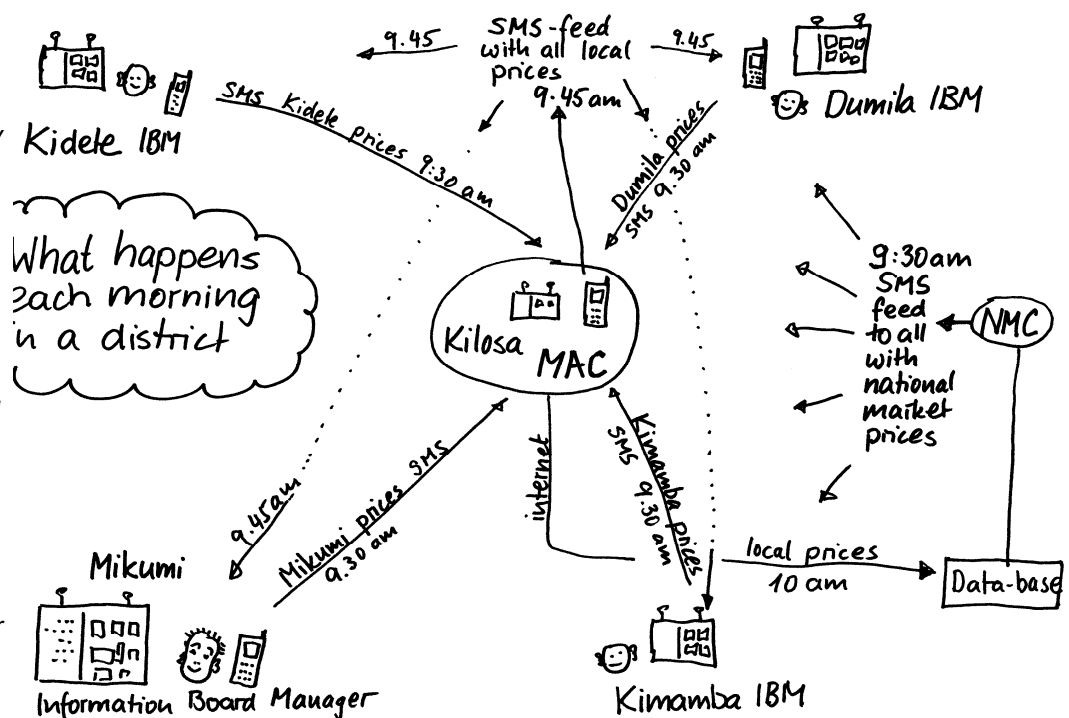
What was also learnt is that price information up on a board itself does not lead to viable trading. There need to be offers for buying and selling up on the board too. So the Information Board itself must become a trading tool, not just an information source. Furthermore, we learned that a network of trade agents operating Information Boards exchanging information throughout a district will be the primary local network of market intelligence, and that such a network of trade agents will be developing the electronic versions that will become accessible over SMS and internet. Based on these experiences and insights a first business model for operating the Information Boards as self-sustaining small businesses has been developed. (for details of practical suggestions see Deliverable #12).

On SMS-feeds: SMS feeds are tailor made one-to-many SMS messages. They can be configured by MACs/Trade Agents, and subscriptions to such feeds can be sold (eg. through Tradenet). Explorations about these possibilities with local traders and producers showed that such SMS-feeds may become very important early income streams for them, even before earning commissions on brokered deals. (for details of practical suggestions see Deliverable #12).

On Brokering deals: Due to difficulties with the emergence of MACs and the lack of mentors not much could be implemented here. However what was learnt is that large sourcing orders from outside are probably the best trigger to get a Trade Agent or MAC going in a district. We also discovered getting big buyers as clients is easier than sourcing the products from small farmers for them. (for details of practical suggestions see Deliverable #12).

On local market enumerators: Market enumerators are people who collect price information and upload it for it to be accessible. Such enumerators will have to be at large main markets, but also in local markets. Actually, the Trade Agents are the local market enumerators, a function that evolved out of the earlier concept of “Shushushu”, ie. market spy. The national marketing company runs the main market enumerators. (for details of practical suggestions see Deliverable #12).

The diagram depicts a possible sequence of information exchange each day in a market price information network at the district level. The National Marketing Company sends sms of daily updates of prices from major national markets each morning to the MAC all the registered Information Board Managers in the district who transfer these national market prices onto their boards.



At the same time the Information Board Managers have collected the prices at their local market and each send an SMS to the MAC with that information. The MAC then collates all this information as a text message and sends it back to all its IBMs who transfer this local price information onto their boards. The MAC then uploads this information onto the data-base of the NMC (ie. Tradenet or similar).

Back Up Support

Our learning on identifying what kind of back up support MAC's need from the national level focussed on the following areas: (for details of learning agenda see Deliverable #5)

- Support to ensure appropriate ICT connectivity
- Support to deal making
- Support to market intelligence
- Support to setting up a commercial enterprise
- Support for identifying and developing income streams
- Support to new ventures
- Support to using LLL learning platform

The learning agenda was implemented through online mentoring via the Informing Commercial Enterprises (ICE) Team and field visits to selected MACs with AMSDP and RKN project coordinators. An assessment meeting was conducted in Arusha in April 2008 (for details of assessment report see Deliverable #14).

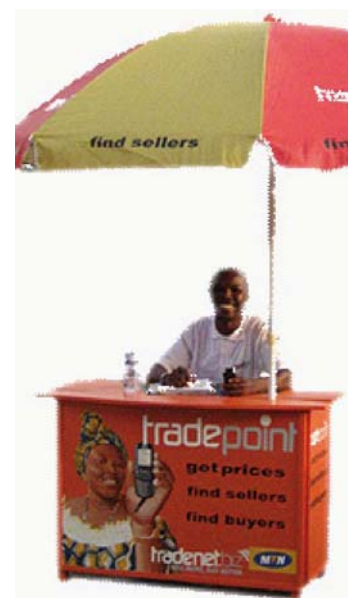
Lessons Learned

On support to connectivity: The company FUNEA Softnet in Dar es Salaam was identified and found to have the technical skills as well as experience in working on rural connectivity issues suited to our purpose. This company will also be suitable as a partner for exploring the rental operations for electronic equipment, including the testing of the solid state laptops.

On support to deal making and commercial operation: Due to heavy workloads of AMSDP coordinators and delays in setting up the RKN little support was given in deal making at the national level. Nevertheless, contacts were made to some large buyers, such as the UUNAT orange processing plant in Morogoro. One of the key lessons that have been learnt in this regard is the fact that it is not at all difficult to find large buyers willing to pay a very good price for reliable delivery of good quality. It is much more difficult to search for good buyers for products of farmers. Deal making best begins from the demand side rather than the supply side. We now think sourcing for large buyers rather than marketing for many small producers is much more efficient and effective for putting money into the pockets of small producers. This is a win-win for both producers and large buyers.

On Support to market price information: How can national back up ensure reliable and relevant market price information for all the clients in the networks? An initial effort was to collate information on *spreadsheets* from government sources and regularly send them to the MACs. This approach was not useful because the data was too old.

It was realized that beside Trade Agents who can take care of local market price collection and exchange, there need to be specialized *enumerators* in the main markets, who can reliably upload actual prices each day. First explorations in Makambako revealed that such enumerators must be among the owners of the market or be mandated by the owners to do this. This approach is closer to the original concept of "Shushushu", except that the information is now broadly accessible. For ensuring the relevance of market information it must be broadly available and timely. This requires the online-platform that is also accessible only via SMS, as envisaged by the First Mile concept. *Tradenet.biz* was identified as a functional platform that may take up this task.



On support to setting up commercial enterprises: AMSDP and RKN coordinators provided some legal advice to ex-core groups of AMSDP intending to set themselves up as MACs. Soon it was discovered that going through a formal registration process and raising the initial capital was too high a threshold for a group to become operational. Furthermore it soon turned out that such groups are intrinsically unsuited for launching commercial operations, and therefore this line of approach was replaced with the emergence of individual “Trade Agents” as precursors to MACs (see above). No serious legal concerns have yet been encountered in this beyond the importance of establishing close relationships with the District Council offices involved in market development.

On support to income streams: It was discovered that operating Information Boards could be a small rural enterprise in its own right. Combined with the activities of a Trade Agent, this now appears to be a viable business, though still in need of testing. A further lesson was that many ideas emerge for making money with SMS feeds and subscriptions, once they become available. However, it was also learned that actually such SMS feeds can first be done “manually” by normal procedures using mobiles, before using the automatic broadcasting done by a specialized platform such as Tradenet. Manual sms can be taken up immediately in order to gain experience and fast income streams. (for details of business ideas see Deliverable #12).

On support to new ventures: An important new venture emerging from MAC experiences is in financial services. The challenges on the finance front are now seen to split into three categories:

- Cash flow problems in trading (trader cannot pay farmers because he himself hasn’t been paid either).
- Payments on delivery (the headache of paying many diverse producers on delivery in a safe and cash-less way acceptable to the producers).
- Access to venture credits (the challenge that Trade Agents and MACs are on the one hand too small, inexperienced and without assets for normal commercial credits, but on the other hand too big to be able to cope with the small available amounts and administrative hassle of microcredits).

Further indications of this were encountered after interacting with Mobipawa (payments via mobiles), and Drumnet in Kenya on payments via mobiles and internet. It was discovered that the Financial Services Deepening Trust of DfID has an interest to support ‘trials’ in financing services.

On support to using LLL-platform: Over the year many ideas for improvements have emerged that could simplify the interaction among users. We learnt that there tends to be info-overload when too many discussions thread occur simultaneously. It is too difficult for newcomers to find their way through the maze of threads and discussions, with people reporting “sterile visits”, meaning they visited but could not decide where to engage in the many threads going on or could not find the topic that really interested them. There will therefore have to be an effort to separate various discussion threads into separate topical mailing groups that are easily tracked. Alerting people with SMS to important postings on the LLL platform did result in a high reaction rate by those alerted. An attempt should be made to see how alerts can be automatically generated by the system for messages on topics which the member of the platform can define. (for details on online discussions see Deliverable #13). We also learned that the DDS, First Mile and ICE learning teams must be more clearly separated thematically. Now experiences in establishing viable operations at MAC trade agent level are shared in the DDS team, while the ICE team takes care of issues of back up support from the national and regional level. The First Mile team will focus on all the technical issues regarding ICT access (for details on learning teams see Deliverable #11). In response to user feedback and improved ICT access we have redesigned the www.linkinglearners.net website to give a simpler access for users and visitors to find what we are doing and learn what we have done. (for details on new website see Deliverable #10).

Conclusion

In spite of the lack of mentors and the reconfiguring of the MAC approach, the First Mile effort is still largely on track, with important learning having been achieved towards making relevant information accessible to producers and traders for marketing. From the experiences in this first year we can derive recommendations for the work in the second year. However, in view of the unforeseen challenges in logistics and funding faced by the institutions in which First Mile is operating, a serious concern emerges with regard to whether a sustained effect can be achieved.

Recommendations for ICT connectivity:

1. Test laptops of Inkmedia (and/or some other solid state laptop), together with suitable GPRS modems supported by mobile providers, for their technical and operational usefulness for the business of Trade Agents and Market Access Companies.
2. Pilot with FUNEA Softnet the financial, operational and contractual arrangements for a rental service for laptop and modem, plus optional printer and solar power pack, so that a business plan for a rental service can be informed by real operational data.

Recommendations for Market Intelligence:

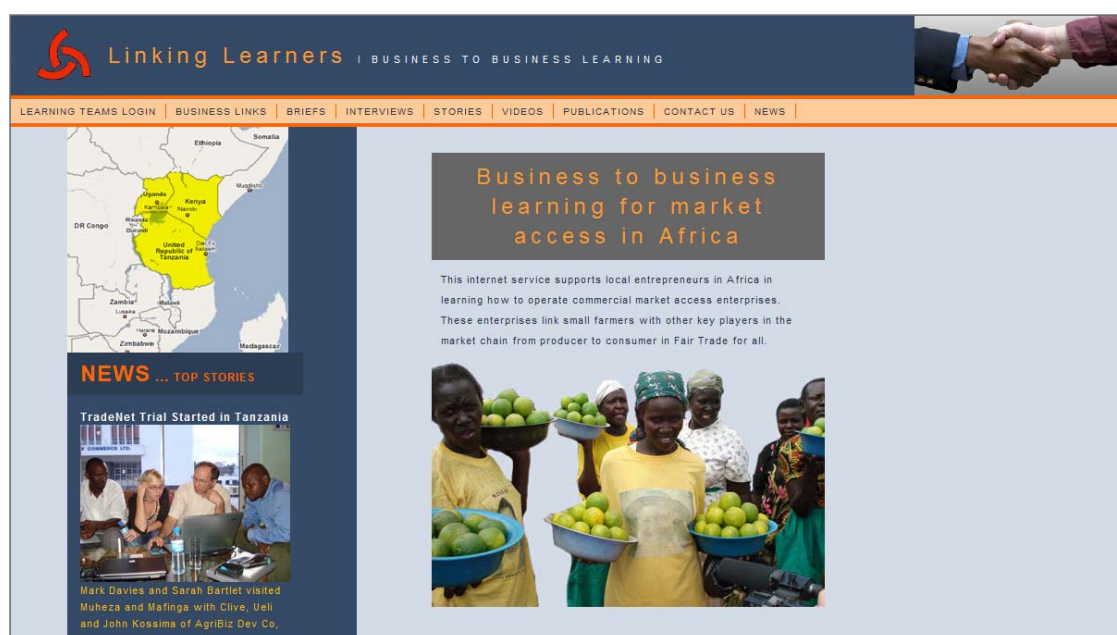
1. Establish information boards according to the developed operational and financial model and test the model. Collect data to be able to build business plans for operating a network of Information Boards in a District.
2. Build simple sms information feeds and involve Trade Agents in operating and testing such sms feeds. First “manually” for Trade Agents and their clients to grasp the concept and to discover efficient procedures, later transfer to the automatic platform of Tradenet.
3. Initiate sourcing by sub-dividing a large demand into various districts and letting the Trade Agents attempt to source that demand. National Marketing Company will be operating these transactions. Collect further experience on the operational and financial details of providing transaction security.
4. Adjust current learning agenda to accommodate the main insight that it is the individual “Trade Agents” that need to do most of the learning, add in a learning agenda on District Councils in supporting the emergence of successful individual Trade Agents who will later grow into fully fledged MACs.

Recommendations for Back Up Support

1. Organize the whole market enumeration as a service that can financially sustain itself. Make Tradenet operationally available to Trade Agents and emerging MACs. Organize the relationships with the mobile phone providers. Engage enumerators at the national markets and explore remuneration that is linked with the reliability of the collected information.
2. Explore how newly emerging ICT-products can help in the challenges of tracking and tracing products, cashflow problems, payments on delivery and access to venture credits. Interact with the financial services in Tanzania to explore ways to collaborate in overcoming the identified bottlenecks.
3. Improve Instant Team and user-access to it. (SMS to discussion, discussion alerts, discussion sign ups within teams, etc). Develop choice to sign up to individual topical threads in the discussion. Continue to change website in response to user feedback developing a directory of MACs and trade agents with brochures and links to websites where they have them, moving older publications to an archive to make new materials easier to find, and continuing with the newsletter.

4. Continue the process of rationalizing the use of teams: ICE team focus on tech back up, DDS team focus on market access, and FM team focus on tradenet and laptop rental and continue to respond to the learning needs identified by the learners themselves. Further develop the capacities of the NMCs and the Regional Managers to facilitate discussions. Continue to change directory in response to user feedback with National companies responsible for identifying and registering new MACs and Trade Agents, and collaborating partners from other IFAD projects to be registered.
5. Continue documenting and sharing impact stories, practical suggestions, and business plans for other projects to grow the network of MACs, Information Board Managers and Trade Agents. Continue preparing briefs to capture learning for others to support the up-scaling of market access companies.

A new look for www.linkinglearners.net

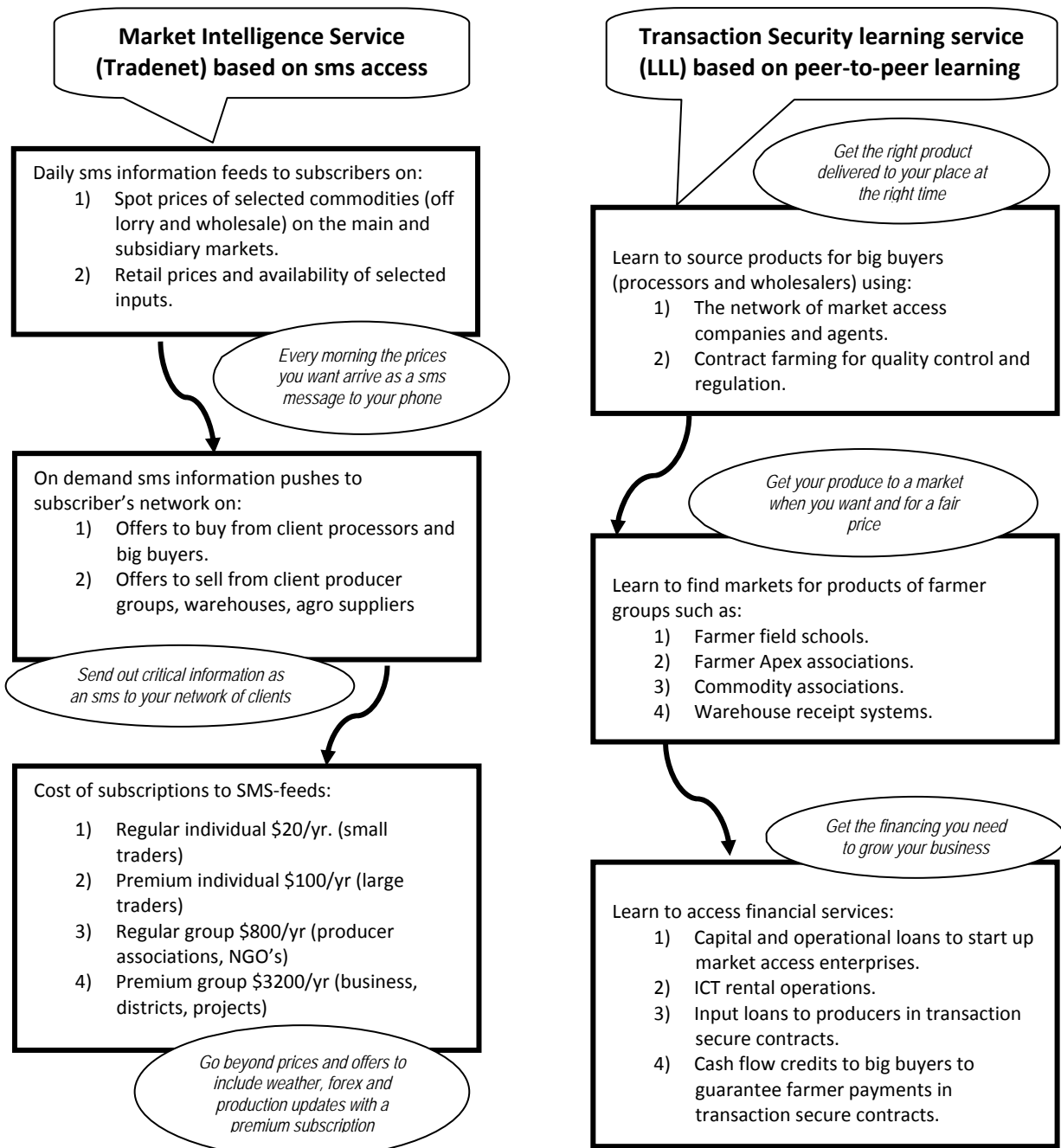


Sustainability concerns

The role of First Mile is to develop the tools and procedures for making relevant and trustworthy market intelligence reliably available to all players along the marketing chains. For this to happen it was identified that specialized services for “Transaction Security” had to be in place. Moreover, these services can only be provided by independent neutral players outside the chains on a commercial basis. That has been the basis for designing the IFAD-funded Rural Knowledge Network project of FAO.

The First Mile effort is therefore closely linked with the RKN project which supports the emergence of the network of market access businesses that will be using the tools and approaches being developed: the MACs and Trade Agents in the Districts and the backup National Marketing Company, along with its mentors. However, delays in launching RKN have led to the situation where the envisaged mentors are still not available for conducting the fieldwork in the Districts. This has hampered operations considerably and resulted in reshuffling the planned schedules. It has also led to the emerging MACs/Trade Agents not getting the planned level of coaching to conduct the learning with First Mile. Making matters much worse they are not getting the planned levels of training in key areas of the business model, on being a good service provider, and financial

Model services for sustained market access services to all market chain players.



List of Deliverables for First Mile Phase 2 Year One.

1. Work plan and schedule of first year's work
2. Programme for ICT trials in five target districts
3. Report on the ICT survey results
4. Programme for learning in local market intelligence
5. Programme for learning back up support
6. Proceedings of assessment of ICT trials
7. Prototype program of the sms to internet interface
8. Proceedings of assessment of learning in local market intelligence
9. Progress report on the first year (this report)
10. Updated project website
11. Updated LLL service learning teams
12. Instructional materials on practices and business ideas
13. Online open access knowledge pool of experiences
14. Proceedings of assessment of learning in back up support