

AN ENTREPRENEURIAL APPROACH TO USE OF ICT FOR THE GROWTH OF AFRICA'S COOPERATIVE MOVEMENT: THE CASE OF THE MOBILE PHONE.

By

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Abstract

This paper is based on the author's interaction with Kenya's farming co-operators that reveals lack of farmer's empowerment. The farmers' inability to maximize returns from his/her produce due can be pegged to exploitation by the middlemen who have monopolized market information which they use to exploit the farmer. This study was important because in Africa most co-operatives are mainly in the agriculture sector. It goes further to illustrate how the farmer could be assisted to eliminate the middlemen in this era of information and communication technology (ICT). The focus was on the entrepreneurial use of the mobile phone to disseminate market information to the farmer to empower him/her in dealing with the exploitative middleman (or eliminate the middleman altogether). This paper also used both quantitative and qualitative approach; it unveiled an optimistic picture of the potential impacts mobile phones can play for the continent's farming community in general and cooperators who are members of the Savings and Credit Cooperative Organisations (SACCOs) in particular. It proposes a model that the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA) can use to empower Africa's SACCOs to empower the farming SACCO members.

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Introduction

The exact date of the birth of the cooperative movement in Africa is elusive. According to Munkner (1989) they may have been introduced by the French around 1910. It has since grown to be Africa's biggest non-governmental organization, playing a significant role in many national economies. The movement has a more than comparable job-creation advantage over other types of enterprises: it is labour intensive by nature, cost-effective because of member commitment and participation, generates economies of scale and scope through horizontal and vertical integration, establishes links between the informal and the formal sectors, provides an investment and savings avenue for members and also provides business capital and puts economic and social development on a broader base. Worker-owned cooperatives provide their members with decent, permanent employment (Lindenthal, 1994).

In Africa cooperatives are commonly found in agriculture and financial sectors with prevalence varying according to the particular structure of the national economy. Generally agriculture cooperatives represent 40 to 60 % of all cooperatives while financial institutions represent 30 to 50% of all cooperatives in a given country (Pollet, 2009)

Background on cooperative movement in Africa

SACCOs are said to have been invented in South Germany in 1846 by two community business leaders: Freidrich W. Reifeisen and Herman Schultz-Delitsche. In Africa the first SACCO is said to have been introduced in Ghana by Father John Ncnulty to assist villagers improve their economic conditions. In 1962 Father Mathias Chimole introduced SACCOs in Malawi (Ng'ombe and Mikwamba, 2004). It is believed that in regions of Francophone East and Central Africa such as South Kivu in Congo DRC, SACCOS locally known as Coopératives D'Epargne de et de Crédits (COPEC) are the only functional financial institutions since banks don't exist.

Statistics show that in Africa there are more than 18000 SACCOs with a membership of more than 20 million (www.accosca.org/index.php?option=com_saccos...africa). Up to 60% of Africa's cooperatives, and by some extension SACCOs, are agro-based whose membership is composed largely of small scale farmers. The SACCOs play two fundamental functions. The basic one is financial intermediation i.e. bridging savers and borrowers and encouraging the thrift culture. The second is the investment function which may entail allowing and encouraging members to develop formal businesses. Successful SACCOs function like banks. This calls for entrepreneurship skills.

Entrepreneurial banks do innovate services that go beyond the traditional services. In Kenya for example two banks for which this author has consulted introduced accounts that provide more than the usual services. Thus the Kenya Commercial Bank (KCB) introduced a Biashara Club Account where the bank partners with and supports customers to grow and explore diverse business opportunities in local, regional and international markets. Barclays Bank has a Business

Club account with similar services like the KCB and a Free Quarterly "In Business" Magazine. The said banks' innovative services are designed to help the customer prosper and avail more business. This way the banks retain customers. That it is much easier and cheaper to retain an old customer than to acquire a new one is an open secret.

The SACCO movement in Africa has evolved from an employee-based organization where members' contributions are collected on a check-off basis by the employer from the employee's salary to non wage-based organization such as farmers. In Kenya for example virtually every district has a farmer's SACCO.

This evolution has come with its own challenges. If for example the remittances of members of an employee based SACCO are guaranteed then those of non-wage employed members are not. Thus farmers contributions will depend on whether the farmer got good market for his produce or not. In Africa membership to farmers SACCOs is, by and large, that of rural small scale mixed farming communities. These farmers are known to be exploited by the middleman and other intermediaries. Contributions to farmers SACCOs are neither guaranteed nor stable. This poses growth and sustainability challenges. Entrepreneurship is best placed to provide solutions to these challenges.

ENTREPRENEURSHIP AND THE COOPERATIVE MOVEMENT

Entrepreneurship may loosely be defined as the process of identifying viable opportunities and profitably exploiting them. Entrepreneurs are creative, innovative and alert to spot opportunities in the environment and exploit them for profitability and growth. The core aspects of entrepreneurship and entrepreneurs are creativity and innovation.

The name Robert Owen (1771-1858) is recognized in the history of the cooperative movement. He is often referred to as the father of the cooperative movement. Owen believed in putting his workers in a good environment with access to education for themselves and their children. At that time these were very creative ideas since they went against the grain of "business as usual" with employees. These ideas were put into effect successfully in the cotton mills of New Lanark, Scotland where the first co-operative store is reported to have opened. Spurred on by the success of this, Owen had the idea of forming "villages of co-operation" where workers would drag themselves out of poverty by growing their own food, making their own clothes and ultimately becoming self-governing. By thinking of the betterment of others Owen was practicing social entrepreneurship.

Social entrepreneurship is the work of a social entrepreneur and a social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change. Social entrepreneurs aim for value in the form of transformational change that will help underserved groups of people and in the end society in general. Social entrepreneurs have throughout history brought in solutions to difficult social problems, fundamentally improving the lives of innumerable persons by revolutionizing the way important systems function. Robert Owen did exactly that.

With its interwoven values of mutual assistance, solidarity, self-management and democracy and its pursuit of economic and social objectives geared towards development of the community as a whole (refer to the 7th cooperative principle of concern for the community), the cooperative movement represents social entrepreneurship.

ACCOSCA has no choice but to enhance the cooperative movement's entrepreneurial culture and spirit.

ICT AND THE COOPERATIVE MOVEMENT (THE MOBILE PHONE)

In his address at the 22nd KUSCCO Annual Delegates meeting on Friday 22nd May 2009 Kenya's Minister for Cooperative Development and Marketing Hon. Joseph W. N. Nyaga recognized the growth of the SACCO movement and noted that it now plays a major role in providing financial services to the majority of Kenyans, particularly in the rural areas. The Minister nevertheless lamented the inconsistent level of ICT adoption in relation to the fast growth of the SACCO movement and the serious challenge this posed to the movement.

The minister's sentiments have been echoed many times at the cooperative forums attended by this author. The message has been that ICT revolution has particular relevance to cooperatives. ICT solutions provide cooperatives and their members greater access to global markets for goods, services and ideas. Even the least sophisticated cooperatives should be able to gain useful knowledge of marketplace conditions (prices, changes in supply and demand, etc.), in order to operate with greater effectiveness and efficiency. ICT access has rich potential to enhance the ability of cooperatives to communicate and coordinate with members, facilitate business relationships and transactions with suppliers and buyers, and access news and training programs of value to their managers and employees, members and directors.

Statement of the problem

Kenya's ministry of Cooperative Development and Marketing held a series of regional conferences from 29th March to 14th May, 2010. This author performed key note presentations at all the 8 regional conferences that covered all the provinces of Kenya. The Kenyan cooperative movement leaders at every of these conferences decried the magnitude of loss to farmers brought about by middlemen who were thought of "reaping where they did not sow". In-depth interviews with these leaders revealed that despite the extensive use of mobile phones in Kenya there is information void between the farmers and the markets for their produce. The middlemen with knowledge about the markets take advantage of the situation to literary "fleece" the farmers.

A rapid results oriented internet search by this author, whose results are sampled in the box below, confirmed that middlemen do exploit farmers in Africa. .

**THE
MONITOR** Uganda
Dorothy Nakaweesi, 23 April 2010

.... This is compounded by the middlemen who exploit farmers by buying the product at low prices before re-selling it to non-licensed traders at exorbitantly high rates.

act:onaid

tanzania

.... Singida is the highest producers of sunflower and millet in Tanzania. Ntuntu ward alone produced 1,950 tonnes of sunflower and 835 tonnes of finger millet last year in 2009. But middlemen took most of the profits leaving farmers with barely enough to keep them going. 50-years old Teresia Paulo is among the farmers in the ward that have endured the back-breaking labour only to enrich middlemen.

“When the produce was still in the farm, the middlemen came and gave me an advance of Tshs 8,000 for a 70kg bag of sunflower”, she says.

“When I harvested the produce, I pleaded with them to increase the price but only stopped at Tshs 10,000”.

THE HERALD

Published by the government of Zimbabwe

[Zimbabwe](#): No to Middlemen, Say Farmers: 3 February 2006

Harare — FARMERS selling produce at Mbare Musika and satellite markets in Harare want the city council to take decisive action against middlemen, popularly known as makoronyera, whom they allege are fleecing them of millions of dollars through underhand dealings.

Harare City Council operates satellites markets at Lusaka in Highfield and Matoko in Mabvuku

THE STANDARD

[Kenya](#): Middlemen Fleecing Coffee Farmers, Admits Minister: Patrick Muriungi: 3 July 2003

Nairobi — Kenya earned a total of US\$7.5 billion (Sh555 billion) from coffee exports last year but only US\$5.5 billion (Sh407 billion) reached farmers. Releasing the figures, Co-operative Development Minister, Njeru Ndwiga, said this shows exploitation by middlemen at the coffee auctions

Questions – how can farmers bridge the existing market information gap? What role can ICT play? Do models for bridging the gap exist? What role can ACCOSCA play? Can the mobile phone play the trick? These questions constituted the gist of the research problem.

OBJECTIVE OF THE STUDY

The general objective of the study was to explore for an entrepreneurial approach to using ICT for the growth of Africa’s cooperative movement.

In specific terms the study sought to explore how the mobile phone is being used and/or can be effectively used for the disintermediation purposes for the small scale farmer in Africa.

SCOPE OF THE STUDY

The focus of the study was the mobile phone as an aspect of the information systems used in gathering, analyzing and disseminating information about prices.

LITERATURE OVERVIEW

Encyclopaedic information reveals that agriculture was civilization's first great achievement, and agricultural development remains a measure of economic progress around the world. The challenges the African agriculture in general and commodity markets in particular faced in the colonial era seem to have some similarities with what they face today. Narratives from the older generation inform us that farmers grew their grain and raised their livestock miles away from the urban areas which constituted the markets. Back then, there were no rapid, affordable mechanisms by which farmers could learn about what prices these commodities were fetching in these distant markets, and transportation costs were high. Today, in Africa, communication and transportation costs may be comparatively lower, but information transparency and transaction costs still determine whether a particular market is successful and whether commodity producers prosper or suffer. And today, as seen in the statement of problem section above, market intermediaries--brokers, traders, and other middlemen--are the key players in the market information flow between producers and users.

A general understanding is that a middle man is a person who buys a product directly from the producer, and then either sells the product at retail prices to the public, or sells the product at wholesale prices to a distributor.

Debate on the role of the middleman in the supply chain cannot be said to be conclusive. There are those who view the middleman as an entrepreneur. They seem to be students of the school of thought that the word entrepreneurship is derived from the French meaning between-taker or go-between. History has recorded some of the earliest examples of entrepreneurs acting as go-betweens to have been merchant-adventurers such as Marco Polo, Vasco Da Gama etc. These made contact with new markets and developed trade routes.

Around 1800 French economist J. B. Say described an entrepreneur as someone who "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." Say's definition can be interpreted to mean that an entrepreneur is "a gap filler" which fits the middleman concept. With the consensus that entrepreneurs are agents of change and catalyse the process of development it is not difficult to see where proponents of the positive role of middlemen are coming from.

Apologists of the middleman think that much of the hostility directed towards him is unwarranted. Middlemen, according to their apologists, perform an essential function in carrying out the marketing of produce. They are, in effect, the channel through which produce is taken out of the rural areas and money returned. It is argued that provided a market opportunity is identified, which is normally the responsibility of the middleman, farmers will respond by producing the crops.

The opposing school of thought points out that the middleman never operates in an atmosphere of strong competition and market transparency. In virtually all the cases the middleman tends to have monopoly of market information and goes on to use it to exploit not only the seller but also the buyer. Thus as one more link in the supply chain and armed with information the other participants in the chain do not have, the middleman buys at low and sells at high prices. It is for this reason that both the seller and the buyer should be interested in disintermediation.

Indeed disintermediation in a supply chain or "cutting out the middleman" can be initiated by both producers and consumers. This is possible where there is high market transparency with buyers or consumers aware of supply prices direct from sellers or producers. In this case buyers would choose to bypass the middlemen in order to buy directly from the producer and thereby pay less. This less would still be more than what the middleman would have given the seller and this creates a win-win situation.

There has been a tremendous increase in ICT usage in Africa since the early 1990s. This is especially the case with mobile phones usage by individuals and in businesses. The rapid technological advancement that the world has witnessed in the recent years especially in the electronic industry has also changed the means of production around the world. This can be evidenced in the telecommunications sector where, since the introduction and evolution of the mobile phones, the ways and means of business information transfer have changed leading to more efficiency and productivity in both service and manufacturing sectors (ITU, 1996).

Mobile phones use has created a situation in which users carrying portable devices have access to a shared infrastructure independent of their physical location and which provides them with flexible communication with other people and access to networked services (Ling, 1999). In today's environment, the mobile phone may have socio-economic impact and has become an integral part of the daily lives of individuals including small scale farmers all over the world. Hence, mobile phones may potentially be an important technology for economic development (ITU, 1996).

Mobile phones could offer small scale farmers the opportunity to improve on their profits through the simplified market information availability. However despite an increasing awareness in the research literature on the importance of mobile technologies for development (Heeks, 1999), there is still lack of studies on mobile phones adoption, usage and impact within the rural agriculture sector in Kenya and believably in other African countries as well.

CONCEPTUAL FRAMEWORK

Africa's small scale farmers are generally poor. We theorize that this is because they keep **Passing Over Opportunities Repeatedly (POOR)** to middlemen. Using a middle man means that the price offered to the farmer is lower despite the consumer prices being high. We can conceptualize this mathematically as:

$A = C - B$ (A IS EQUAL TO C MINUS B) or $A = f(B,C)$ (A is a function of B and C)

Where A is the profit accruing to the farmer; B is the profit accruing to the middleman and C is the price the middleman sells to the final consumer. It is important to note here that in Kenya in some instances A falls to less than ¼ of B and sometimes less than 5% of C. This has been the case with coffee farmers.

We can identify up to six routes through which A in equation $A = C - B$ can be maximized.

1. C increases with B remaining constant
2. C increases with B decreasing
3. C remains constant as B decreases
4. C and B increase but with C doing so at higher rate than B
5. C and B decrease but with C doing so at a lower rate than B
6. C remains constant as B is eliminated

Route six implies disintermediation which can be defined as the removal of intermediaries in a supply chain: "cutting out the middleman".

Let us interpret these six routes

ROUTE	IMPLICATION	TENABILITY
1. C is increased with B remaining constant	Final consumer prices are increased but the portion to the middlemen is left constant	It is unlikely that middlemen can be indifferent when final prices are going up
2. C is increased and B decreased simultaneously	Final consumer prices are increased and the portion to the middleman is decreased	It is most unlikely that middlemen will allow this.
3. C is left constant as B is decreased	Final consumer prices are not touched but the portion to middlemen is reduced	By its own nature intermediation is motivated by commission. The middleman will not let go of his profit
4. C is increased at a higher rate than B but simultaneously	Final consumer prices are increased and the portion to the middleman also increased but at a lower rate	Experience shows that most middlemen would like their portion to grow faster
5. C is reduced at a lower rate than B but simultaneously	Final consumer prices are reduced less rapidly than reductions in the portion to the middleman	Situations where consumer prices fall are extremely rare in Africa and even if they did it is unlikely that middlemen will want their proportion decreased
6. C is left constant while B is eliminated	Final consumer prices are untouched but middlemen are bypassed	This is the ideal situation and is possible if producers and consumers are linked in one way or another

Source: Conceptualized by author

The un-tenability of most of the shown routes helps underline the fact that people have long been suspicious of middlemen. The focus of this study was the exploration of modalities of achieving route 6. The other five routes could be areas for further research.

METHODOLOGY

This was an exploratory research where both desk and field research approaches were adopted. The main desk research tool was the internet. The eight provincial conferences mentioned in the statement of the problem provided opportunity for focus group discussions. At every conference there was a plenary at which the problem at hand formed part of the discussions. The respondent moderator focus group approach where one or more of the respondents are asked to act as the moderator temporarily and the client participant focus groups where one or more client representatives participate in the discussion, either covertly or overtly were heavily relied on. Finally opinion leaders spotted during the conference deliberations were also interviewed.

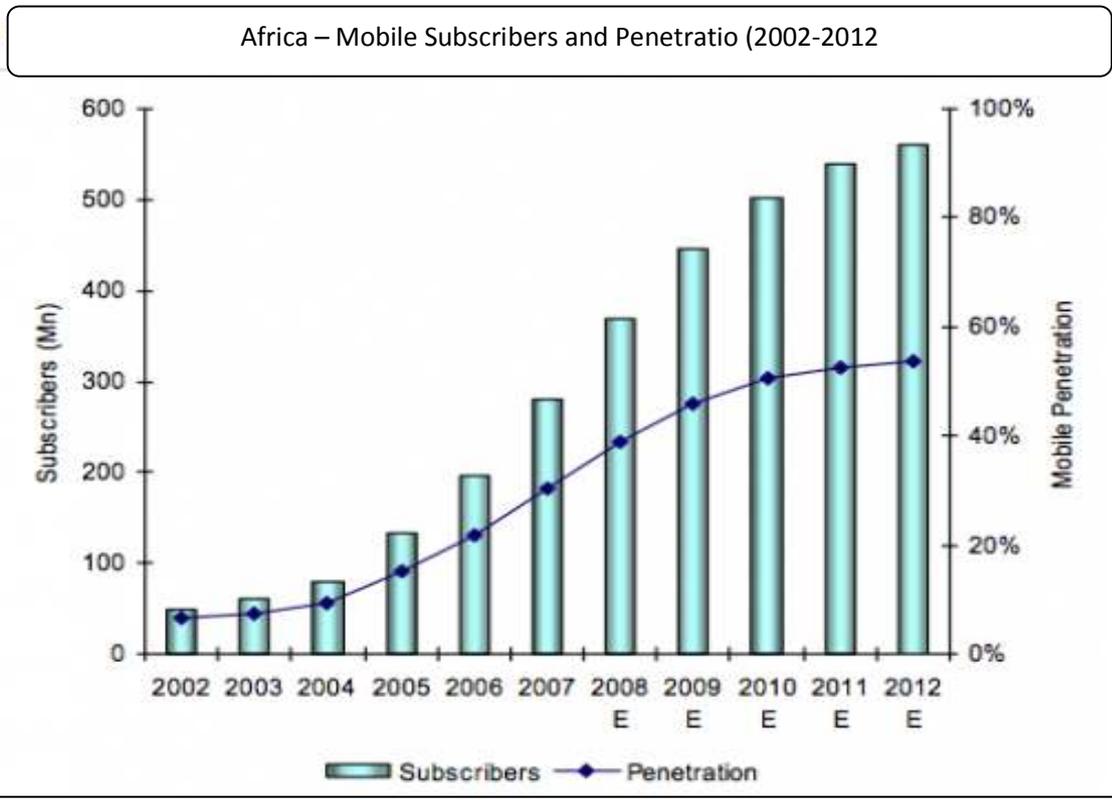
FINDINGS

DESK RESEARCH FINDINGS

Internet information shows that a number of African countries have made market information initiatives part of their broader interventions in the agriculture sector. Thus in Senegal, there is the Xam Marsé service launched by Manobi which provides information on commodity prices. InfoPrix in Benin offers market prices of the most important staple foods via SMS. In South Africa, there is the Makuleke Project which set up a virtual trading facility installed on mobile phones so that farmers can sell their produce direct. In Benin, Burkina Faso, Côte d'Ivoire, Guinea, Niger, Nigeria, Mali, Senegal and Togo, the RESIMAO/WAMIS-NET network supplies the latest information on rural and urban agricultural commodity markets via the Internet, radio, print, e-mail and SMS. The Smallholder Enterprise and Marketing Programme (SHEMP) offers a cross-border SMS market information service for farmers in Zambia and the Katanga province of the Democratic Republic of Congo.

In Uganda Esoko provides current market data via SMS and the web to stakeholders within the agriculture and trade sectors. In Kenya there is the SMS Sokoni project run by the Kenya Agricultural Commodities Exchange (KACE), which provides agricultural information through SMS for a fee. In Kenya usage of the mobile has gone a notch higher. There is an M-PESA Safaricom service which allows subscribers to transfer money using a mobile phone. A number of Kenya's banks have introduced mobile phone banking services. These Kenya developments mean that there is potential for the development of virtual marketing where the buyer and the seller do not have to come into physical contact. Potential for Africa's SACCO movement to exploit these Kenyan developments by replicating them in other countries exists.

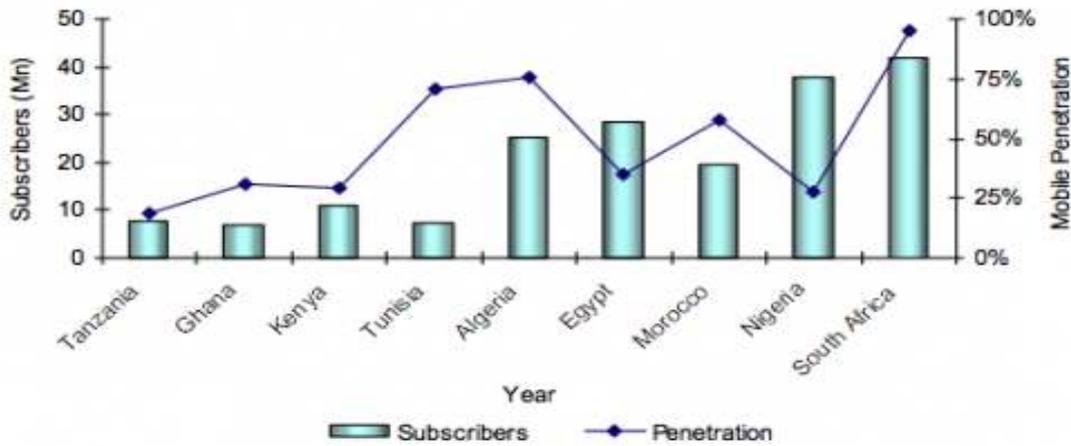
In terms of mobile phone usage internet sources revealed that at the end of 2007 there were 280.7 million mobile phone subscribers in Africa, representing a penetration rate of 30.4%. The chart below shows the historical numbers up until 2007, with projected growth and penetration rates through 2012.



Source: Africa – [Africa Telcom News](http://www.whiteafrican.com/2008/.../2007-african-mobile-phone-statistics/): the African Mobile Fact Book
[whiteafrican.com/2008/.../2007-african-mobile-phone-statistics/](http://www.whiteafrican.com/2008/.../2007-african-mobile-phone-statistics/)

Major African mobile markets show a huge growth potential for areas that are already very profitable. These include Nigeria, Kenya and Egypt. The figure below illustrates this fact.

Africa – Major Mobile Markets



Source: Africa – [Africa Telecom News](http://www.whiteafrican.com/2008/.../2007-african-mobile-phone-statistics/): the African Mobile Fact Book
[whiteafrican.com/2008/.../2007-african-mobile-phone-statistics/](http://www.whiteafrican.com/2008/.../2007-african-mobile-phone-statistics/)

FOCUS GROUP DISCUSSIONS FINDINGS

Focus group discussions revealed the existence of exploitative middlemen. Farmers lose up to 70% of their produce. If about 20 – 30% of the production goes to waste due to conventional post harvest handling then up to 40% of the value paid by the consumer goes to the middleman. It was further revealed that although many farmers have mobile phones they do not use them for market information search purposes. Cases were narrated where farmers sell their grain to middlemen at throw away prices only to buy the same grain later at exorbitant prices. Situations where farmers borrow to buy what they themselves produced were reported.

The discussions revealed that farmers’ SACCOs in Kenya do not involve themselves in the marketing activities of the farmer. The scenario depicted by the discussion can be summarised in the following diagram



DISCUSSION

In Kenya agricultural price differentials exist in various parts of the country but farmers don't take advantage of them. Thus because of lack of information there is oversupply in some markets and lack of supply in others thereby occasioning huge price differentials. The original role of Cooperative Farmers Unions is not apparently being played or if it is then it requires reinforcement. The unions were established to remove the middleman. The question becomes - have they achieved this? Have they effectively disintermediated in the areas they serve? The proliferation of middlemen everywhere may be an indicator that these institutions may have failed. The next logically obvious question becomes – why have they failed? Could it be mismanagement? Could it be some interference? Could it be obsolescence of the tools and methods they use? Research can provide answers to these and the unasked questions.

ICTs are today powerful tools for socio-economic development globally. Rural small scale farmers are often regarded to be a major source of agricultural productivity for they fully utilize their little plots as opposed to large scale farmers who only partially utilize them. The adoption of mobile phones can allow the small scale farmer to communicate with his/her input suppliers and customers without having to pay a personal visit to the individuals or organizations.

For the small scale farmer to adopt ICT strategies and tools, benefits must outweigh investment and maintenance costs of the ICTs both in terms of knowledge and infrastructure. The findings above show individualistic usage of mobile phones for purposes other than market information access. It would make sense for SACCOs to borrow entrepreneurship approaches such as mentioned above in relation to Kenyan banks to diversify services to their members. Provision of market information would be one aspect of the diversification process. ACCOSCA as an apex organization for the SACCOs has a responsibility to spearhead this process. In the process Farmers Unions could be revived and co-exist, supplement, collaborate and form alliances with SACCOs in the spirit of principle number six of the cooperative movement - Co-operation among Co-operatives.

CONCLUSION

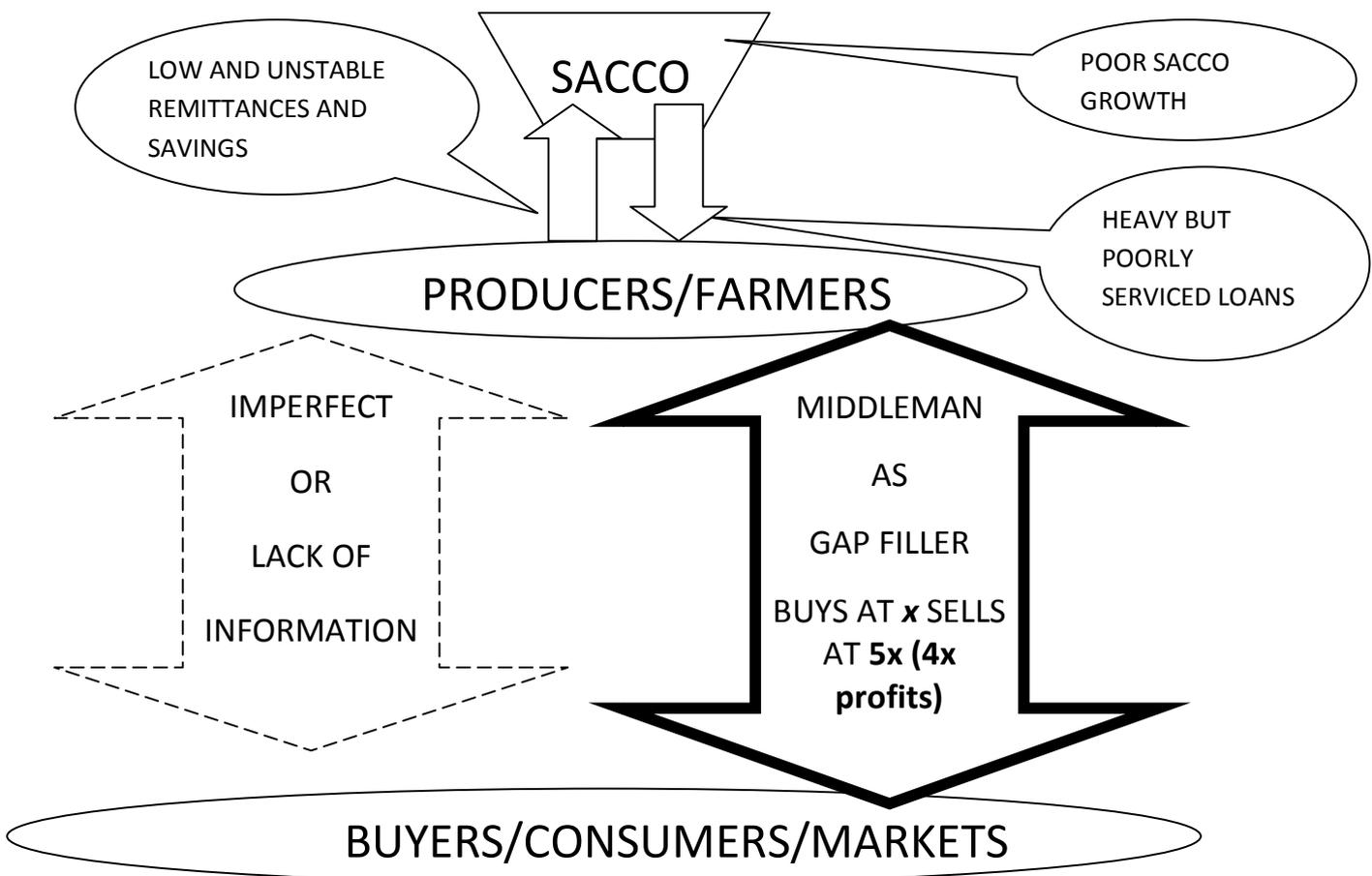
This exploratory study has unveiled an optimistic picture of the potential impacts mobile phones can have for small scale farmers. The research findings show that although there are good initiatives they have not yet been widely embraced.

PROPOSAL (IN PLACE OF RECOMMENDATIONS)

The title of our proposal is: **LINKING SMALL FARMERS (LISFA) TO THE MARKET PLACE (MAP) THROUGH THE MOBILE PHONE (MOB)** abbreviated as LISFA-MAP-MOB project. The project is motivated by the wisdom that, “if you keep doing what you have always been doing then you will keep getting what you have always been getting”. There is need for a paradigm shift and deliberate re-engineering efforts to propel the SACCO movement to greater heights. SACCOs must become entrepreneurial and add value to the movement by diversifying their products and services.

THE CURRENT SITUATION

The current situation among farming SACCO members depicts a market information void. This is shown by the dotted two way arrow between producers/farmers and the market in the diagramme below. Lack of information encourages market intermediation by the middleman as shown by the solid two way arrow between producers/farmers and the market in the diagramme. The middleman buys at low and sells at high prices. Both the producer and the consumer are exploited.

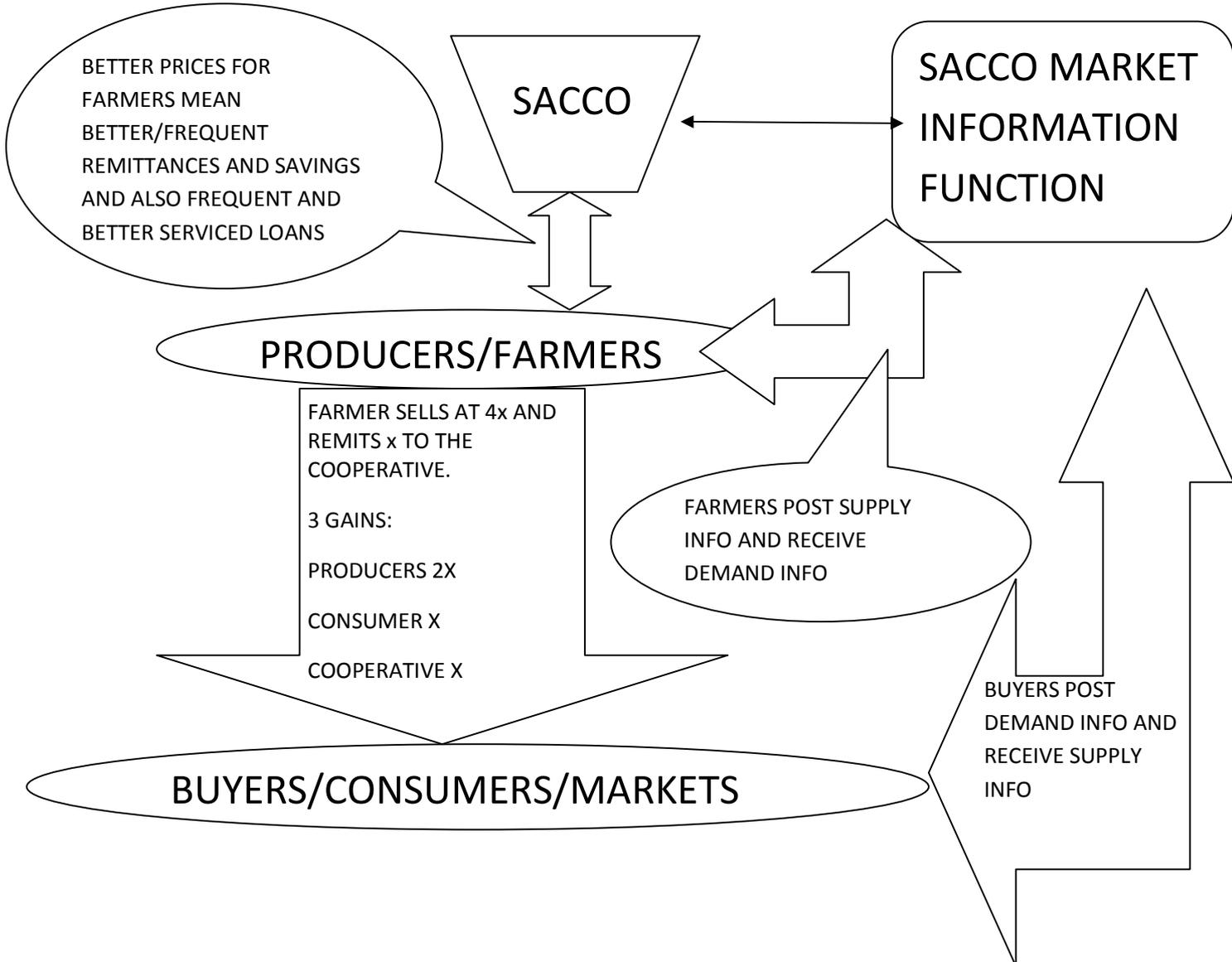


The low prices received by the farmer are translated to low remittances and savings to the SACCO. At the same time the farmer is perennially in need of loans which he services poorly. The result is that the SACCO does not grow.

PROPOSED SITUATION

We propose creation of market information systems that gather and disseminate demand and supply information. SACCOs should create and update databases of such information daily. This information would include products in demand in an area, the level of demand, the points in demand (e.g. demand for passion fruits by hotels), seasonality of the demand, prices on offer, etc. The SACCO would source this information from district cooperative offices and other sources. It could link with an internet provider to disseminate information on SMS alerts to the users e.g farmers. Other information such as sources of capital and their interest rates, international trends, etc could also be disseminated

Armed with the relevant information the farmer makes prudent selling decisions and sells to the buyer at better prices (higher for the seller but lower to the buyer when compared to the situation with the middleman). Resultantly the farmer has more to remit to and save with the SACCO and borrows more frequently. Well serviced loans translate into growth of the SACCO. A win-win situation is created. This is illustrated by the diagramme below.



The assumption made is that the only advantage the middleman has over the producer is market information. Since the producer sells directly to the market he can sell at 4x (the middleman sells at 5x) hence a gain of x for the buyer. When the producer remits x to the cooperative he remains with 3x or a gain of 2x compared to when he sold at x to the middleman. The cooperative gains x in remittance from the producer. Considering the law of large numbers the cooperative's total gain can be substantial enough to generate other gains for the producers.

We can explain the rationale of the proposed project via our ABCD model

$$C + A = B + D$$

Where

A = ASSISTANCE GIVEN TO FARMERS AS MARKET LINKAGES (which leads to B)

B = BETTER LIFE AS A RESULT OF HIGHER INCOMES
C = CREDIT GIVEN TO FARMERS AS LOANS (which leads to D)
D = DEVELOPMENT ACCRUING TO THE MOVEMENT AND SOCIETY IN GENERAL

PROJECT DETAILS

The proposal is to establish a mechanism that links farmers and the market so they can cost-effectively interact. With time the mechanism can grow to link the main supply-chain partners engaged in the production, financing and marketing of agricultural produce.

When fully developed the mechanism should enable SACCOs that provide credit to the farmers to directly link the farmers to businesses that sell agricultural inputs or transport produce to markets, to wholesale buyers, and to agricultural extension/ training organizations. This way the SACCOs will be acting entrepreneurially by offering unique products to farmers including SMS scouting, data mapping and tailored reporting on market trends, weather, prospective partners, or related requests.

The main chain to be addressed by the proposed mechanism includes a farmer, SACCO, input-supplier, and the produce buyer. The SACCO avails loans to farmers; the agro-input supplier makes seeds and fertilizers and other inputs available while buyers- e.g. a manufacturer- create the market for agricultural produce. For example a sunflower farmer can be linked to the inputs (seeds, fertilizer etc) supplier and the vegetable oil manufacturer who buys the harvested sunflower seed. When farmers themselves would have been trained in entrepreneurship to add value to their sunflower then they can be linked to the oil press manufacturers to obtain oil presses and to the institutions that use vegetable oil such as schools, hospitals and even supermarkets to deliver the oil.

At the core of these arrangements is an IT platform that is compatible with the Internet, mobile phone networks, and other wireless devices. This then calls for an appropriate software.

For the project to succeed the farmers will have to obtain cell phones. These cell phones will require charging yet not all rural areas have electricity. The farmers may have to obtain batteries for charging the phones. The batteries themselves will need charging. That will necessitate solar panels to charge the batteries.

Reading between the lines it is not difficult to spot the multiplier effect associated with this project.

We envisage the following critical activities that will be required to successfully undertake the project:

1. A continental (or country-by-country) situation analyses (including detailed SWOT analyses) of the SACCO and Farmers' cooperative union activities
2. A continental (or country by country) exploratory study and analysis of the SACCO value chain that includes stakeholder analysis that identifies SACCO business alliance opportunities
3. The development of appropriate software that provides a quick and easy way to send information to a large number of people at the same time.
4. An exploratory study for opportunities that ACCOSCA can build on to avoid re-inventing the wheel. For example in Kenya there are two recent very striking innovations by university of Nairobi students. One student innovated a bicycle driven dynamo to charge a mobile phone and another innovated a mechanism to use with the mobile phone to attract fish. ACCOSCA can "kill two birds with the same stone" by taking such innovations to the next level. In the first place it will be assisting the innovative youth. In the second place it will be assisting the farmer to make even better use of the mobile phone
5. A study to identify priority or pilot areas for the project. For example the project could start in lines of agri-business that are growing rapidly, have minimal fluctuations, and modest competition and taking an anglophone and francophone contexts into perspective. In many countries it might be the case that farmers engaged in high-value commodities with elastic demand, such as fruits, vegetables and dairy products may have a higher probability of success than those in basic food staples such as rice and wheat. It is research that is best placed to make an informed decision.
6. An entrepreneurship curriculum to train SACCO officials on a training of trainers (TOT) basis and farmers on appropriate diversification, value addition and other aspects of their day to day businesses

In adherence to ACCOSCA's philosophy that projects must be backed by sound research we propose good research in these (and other) areas before the project can be finally designed.

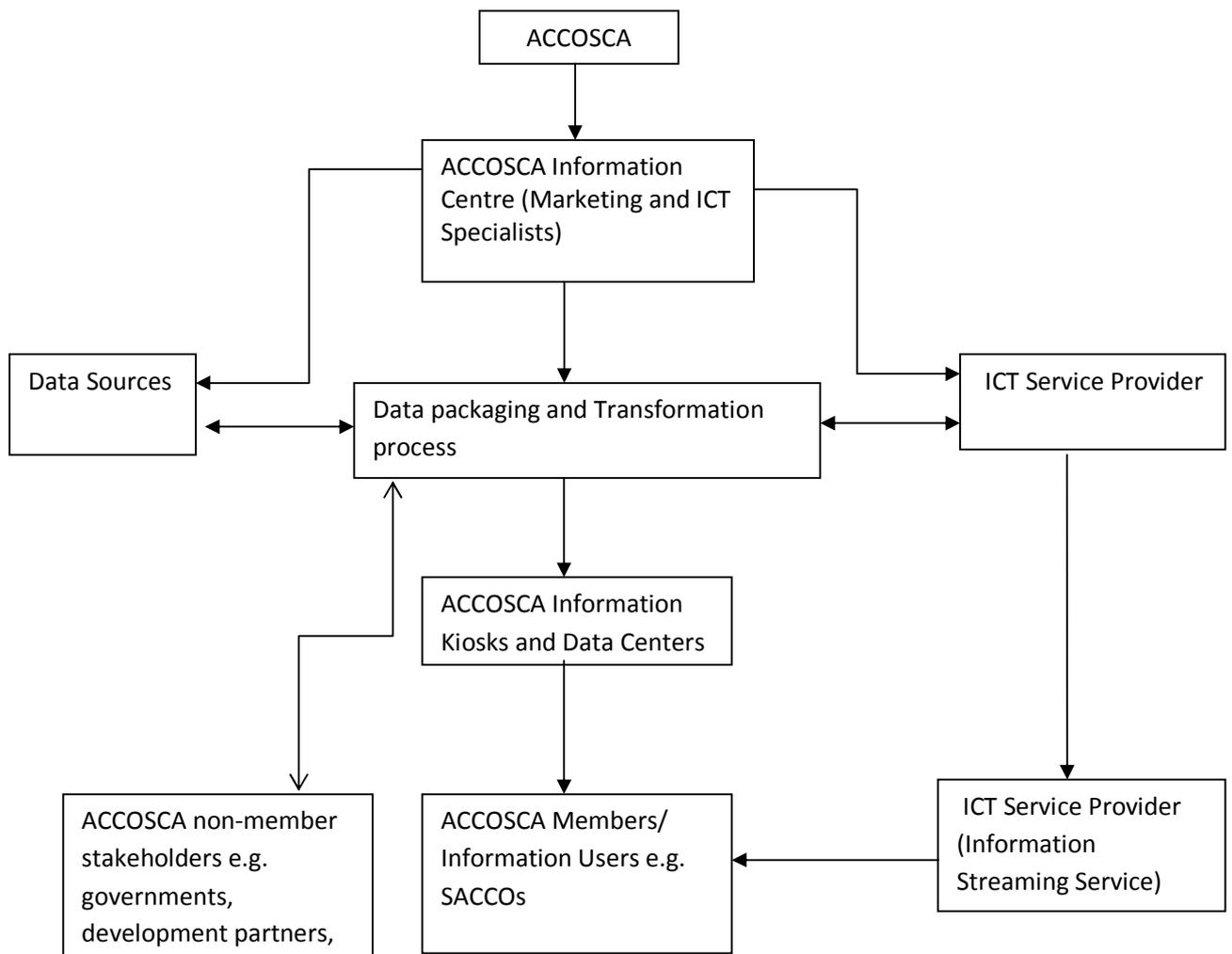
On the onset one can count a number of expected key benefits of the project:

1. Increase in farmers' incomes
2. Elimination of middlemen
3. Reduction of post harvest losses
4. Reduction of marketing costs
5. Growth of the rural SACCO movement. Part of such growth could be forward and backward integration similar to Kenya's Tea Development Authority (KTDA) which owns factories together with farmers (and by extension control tea farming). KTDA also owns chai trading company which is their 'middleman'. In this way KTDA manages the

value chain by controlling most of its aspects. Because of this, Tea farmers tend to earn more than Coffee farmers.

6. Achievement of ACCOSCA vision and mission
7. Others

When all is said and done we envisage ACCOSCA creating a structure such as the one proposed below (subject to refinement)



Structure of the envisaged ACCOSCA information dissemination wing

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