ÉLAN RDC: Changing course – improving coordination in river transport

Farmers in rural Democratic Republic of Congo (DRC) face an uphill task when it comes to getting goods to markets in the capital city. ÉLAN RDC is developing trust and coordination between traders and river transport outfits to make this process more efficient. By encouraging traders to relay information about how much produce is ready to be shipped, boats can be dispatched sooner and have sufficient space for all goods.

Lacking coordination

Millions of small scale farmers rely on the Congo River as their principal route to market. Farmers cycle up to 60km to sell to traders at the river's edge. From there, traders often wait long periods for boats to come, and then have to pay high prices for the trip to Kinshasa. In all, transport makes up one third of the final price of food.

Launched in 2014, ÉLAN RDC is a five year DFID-funded project working in river transport and other markets to support people with low-incomes. ÉLAN RDC found that a lack of coordination between traders and boat owners was affecting the market for river transport. Because farmers sell to a fragmented network of small and medium traders, operators of larger boats, lack information on how much produce traders are holding. As a result, there is often a shortage of boats, especially in more remote areas. In Basanankusu, where ÉLAN RDC is working, only eight boats come to collect produce in an entire year.
As the time lapse between boats increases, so does the risk of rot. Consequently, traders take on significant risk, which they factor in to the low prices they pay farmers.

Due to the large number of traders operating at small volumes, no individual has a strong enough incentive to invest in better information systems. Economists would call this type of market failure a coordination failure.

**Information is the key**

ÉLAN RDC’s vision was for better information flows and planning, with more timely access to information about where and how much produce was located. It believed this would increase boat frequency, shrink times to market and lower transaction costs. It also saw forward purchase agreements as a significant benefit to both traders and transporters, with shared targets to work towards, both in terms of volumes and timing. Over the longer term, traders would gain confidence in more regular transport and buy more produce, leading to higher farmer incomes.

**A new type of contract**

To achieve this ambitious vision of change, ÉLAN RDC looked for a combination of traders and transporters who saw a mutual benefit from increasing coordination. ÉLAN RDC found an association of traders in Basankusu called ACOBA, whose members were willing to share information on the type and quantity of produce they had purchased. This information was relayed via mobile phone to a trusted focal point person within the association, who calculated and relayed the aggregate figure to a network of river transport operators to agree the date, time and volume for pick up.

A pilot was designed to see how this forward contract would influence both trader behaviour (how much would they purchase?) and boat owner attitudes (would they show up on time with adequate space?). It was also set up to generate valuable data that could be used to persuade others to adopt the new model.

ÉLAN RDC and the association of traders also shared the cost of building small warehouses to store produce from different traders. The warehouses were strategically located close to both the port and local roads used by traders. This enabled farmers to further save money by selling to motorised traders rather than paying the high costs of bicycle transport. Traders in turn would spend
Cutting costs by 20 per cent

The initial test proved successful, with 450 tonnes of farmer produce sold and transported in the first year of the pilot. The produce was transported by a single transporter, MB MOISE, which transported over three times the amount of maize compared to the previous year. The benefits were a faster boat rotation and significantly reduced fuel consumption. All of this added up to a 20 per cent reduction in transport costs for traders. There is now a high demand from traders to be a part of the system, with projections for a doubling of volumes in Basankusu.

ÉLAN RDC is replicating the model in nearby Bikoro as well and encouraging other businesses to crowd in and copy the model. Video was used to disseminate the profitability of the new model to attract interest from other firms.

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