

**Malawi Cotton Seed Treatment
Programme:
Case Study of Business Linkage
Challenge Fund**

**George Manu
Creative Squares, UK**

Introduction

- Example of an international donor (DFID) using challenge fund to engage private sector, share risks and leverage funds for investment and development
- Highlights private sector-led PPP
- Part of Business Linkage Challenge Fund (BLCF) – a GBP 18 million competitive matching grant scheme

Introduction

- Project started in 2003
- BLCF allocated GBP approx. GBP 300K, whilst promoter (Great Lakes Cotton) and partners contributed GBP 1.3 million
- Leverage ratio of 1:4.5
- Objective - to improve cotton seed varieties to produce high yielding, better quality pre-treated seeds

Linkage Process

- Cotton Development Association (CDA) formed
- 210,000 farmers registered in 2004, of which 118,000 planted; est. 180,000 in 2005
- Registration gave access to new, subsidized pre-treated seeds, pesticide chemicals and spraying equipment
- In return, farmers would sell produce exclusively to CDA ginneries at prices determined by latter

Linkage Process

- Employment of extension workers a key strategy
- By end 2004, 400 extension workers and 50 supervisors recruited and trained by 2 ginnerers
- Extension workers also provided a market for farmers - 250 markets all located in farming areas in 2004 with plans to extend to 360 in 2005

Linkage Process

- Involvement of National Assn of Smallholder Farmers (NASFAM) also a contributory success factor
- Also collaboration with govt
- These partnerships enabled ready access to farmers nationwide and stemmed suspicion that might otherwise have been levelled at promoters
- Procurement and installation of seed treatment plants in farming areas also crucial

Impact (as at March 2005, Midway through project)

	2003	2004	2005 est
Prodn of cotton in Malawi p.a.	16,000 m/t	43,000 m/t	60,000 m/t
Export value of cotton lint	US\$ 6.95 million	US\$ 16.3 million	US\$ 19.3 million
Employment of casual labourers		10,000 + Ext Off	35,000 + Ext Off
Smallholders involved		118,000	180,000

Conclusion and Critical Success Factors

- MCSTP has transformed the cotton industry in Malawi
- Positive impacts result of several factors
- Challenge fund – powerful mechanism for fostering business linkages, especially in risky ventures
- Challenge fund – effective for leveraging funds for investment and development. For every US\$1 of public funds, private sector put in US\$ 4.40
- Donor's grant catalyst for linkage process – promoters may not have done it otherwise

Critical Success Factors

- Involvement of local partners - important
- Government and business association – also contributory factors for success
- Need to invest in training and infrastructure and in taking long-term perspective in engaging with developing countries crucial
- Sustainability and ensuring that greater benefits accrue to smallholders will be great challenges in the future

This document was created with Win2PDF available at <http://www.win2pdf.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.