

Project Name: Business Innovation Facility 2 (BIF2)
Client: Department for International Development (DFID)
Location: Malawi
Time Span: October 2013 – March 2019

About the project:

Malawi's Growth and Development Strategy aims to transform Malawi from a country predominately focused on imports and consumption to a country focused on exports and production. Following the successful completion of the Business Innovation Facility ([BIF1](#)) pilot project in 2013, phase two was launched in October 2013, with Imani Development as the project implementer. BIF2 used a systemic approach to market development, supporting commercially sustainable innovations which seek to enable market access among the poor.

As the country director for this project, Imani became one of the pioneers of the Market Systems approach in Malawi. BIF evaluated and selected three markets (**Pigeon Pea, Rice and Pico Solar Products**) based on their high potential for pro-poor impact, their economic growth opportunities and the feasibility of achieving change. The programme used the market systems approach (M4P) to support firms working in these markets.

The specific objectives in each of the three markets supported by the programme were:

Pigeon Peas

- I. Promoting seed uptake and availability
- II. Promoting the uptake and availability of crop protection inputs (CPI)
- III. Facilitating industry coordination, collaboration and insight
- IV. Improving Pigeon peas aggregation and facilitating access to competitive markets

Rice

- I. Development of competitive domestic and regional export markets
- II. Supporting rice quality development and improvement
- III. Promoting good agricultural practices and extension services
- IV. Facilitating warehouse receipt systems and aggregation
- V. Promoting seed uptake and availability

PSP

- I. Facilitating development and implementation of improved product marketing and distribution strategies
- II. Facilitating development of viable and sustainable consumer finance models
- III. Generating and disseminating market intelligence to PSP firms
- IV. Conducting advocacy and lobbying to influence policies and regulations that support the development and growth of a competitive PSP market in Malawi
- V. Facilitating access to viable and sustainable business finance models

As the project implementer, Imani's role was to identify and select suitable firms to support in each market. The selected firms were supported to develop and implement innovative business models, grow their businesses and work with thousands of smallholder farmers as buyers of certified seed, CPI and solar products.

Firms that delivered successful pilots received further support to scale up and achieve the desired impact. It is imperative that we emphasise the transformative market changes that have already taken place in each market, as these will continue to benefit the companies supported by BIF. In addition, new market entrants who will bring in competition which ultimately benefits smallholder farmers and consumers. This is the real lasting contribution of BIF2. Below are a few highlights of the social and economic impacts BIF support has generated in the three markets.

Three fundamental market changes demonstrating BIF's impact:

Pigeon peas:



Pigeon peas at podding stage

BIF has actively facilitated five seed businesses and Farmers Organisation Limited (FOL) - one of the largest CPI firms in Malawi, to provide dressed seed as the main product available in the market. In October 2017, FOL commissioned two seed dressing machines in Blantyre and Lilongwe. The machines are used to dress pigeon peas, maize, cow peas and beans. Dressed seed is protected from pest and disease attack at planting and up to six weeks after germination leading to better yields and quality.

The availability of domestic seed dressing facilities has encouraged seed companies to increase dressed seed volumes. Companies supported by BIF plan to sell at least 140 metric tons of dressed pigeon peas seed in the 2018/19 season. Prior to the start of BIF intervention, smallholder pigeon peas farmers used recycled seed with negative impact on yields and quality. To date, 45,104 smallholder pigeon peas farmers have benefited from using dressed certified seed and CPI as a result of BIF interventions.

Rice:

BIF supported two innovative inclusive business models. BIF supported Mtalimanja Holdings Limited (MHL) to work with seed out-growers, to multiply certified pure seed which was distributed to 5,537 paddy out-growers in Nkhotakota, Dowa and Kasungu districts. The use of certified seed has enabled paddy growers to increase yields and achieve variety purity, traceability and quality consistency.



Rice fields in Nkhotakota

This has increased buyer and consumer confidence and hence the demand for Malawian rice in domestic and regional export markets. BIF has also worked with Peacock to bring certified rice seed to the market. As a result, Peacock sold 34 metric tons of certified seed in Malawi and 38 metric tons in neighbouring Mozambique in the 2018 summer season. Altogether, 15,221 smallholder farmers have benefited from BIF interventions in the rice market and 7,814 have recorded net additional incomes. The cumulative net additional income earned by the 7,814 smallholder farmers was £712,638 giving a mean income of £91.20/smallholder farmer.



Titukuke women's club in rice field in Nkhotakota

The success achieved by companies supported by BIF in the rice market has encouraged SeedCo, one of the largest seed companies in East and Southern Africa, to invest in trials of its own rice seed varieties. If approved, the company aims to distribute and sell the varieties on the Malawian market starting in October 2020. Successful market entry by such a large player will increase competition and potentially attract other seed companies to crowd into the market, thereby creating healthy competition which ultimately benefits farmers.



Farmers with PSP solar lamps in Mulanje

PSP:

BIF support to Total Malawi resulted in the company importing 10,000 PSP in October 2017 which arrived in Malawi in January 2018. The products were sold to small PSP businesses which in turn sold to their customers. By June, products were almost sold out and Total placed an order for a second container. The key market change is that Total has largely moved away from being a retailer and last mile distributor to being an importer and wholesale distributor of solar products. This has increased availability of products and enabled small companies to buy and deliver products as and when they get orders from customers.

Lessons learnt:

The main lessons learnt during this project include:

1. The need to maintain balance between project and firm objectives:

Sometimes the objectives of the project may be at variance with those of a firm supported by the project. In such a case, it is critical to understand the commercial reasons behind a firm's decision and ensure project objectives do not undermine the achievement of a firm's commercial targets.

2. Embedding technical assistance in the recipient firm enhances impact and sustainability: Technical assistance provided by personnel who work on a day-to-day basis with the recipient firm has a higher chance of delivering the desired change and impact. Sustainability is enhanced if the personnel are eventually engaged as employees by the recipient firm in recognition of the added value they bring to the firm's top and bottom lines.

3. Adaptive programming is required to effectively respond to market dynamics and realities: Not all interventions will progress and deliver results as planned. It is important to quickly drop interventions that are not delivering planned results and focus resources on those delivering the best value for money.

4. Large firms can deliver impact at scale, but their decision-making processes are often very slow and frustrating: Because of the resources (human, financial, etc.) at their disposal, working with large companies can help projects to deliver impact at scale. Great attention must however be paid to the pace at which decisions and actions are taken to achieve results. In many cases, bureaucratic processes in large companies can slow down progress and be very frustrating for project staff.