Document of

COMMON FUND FOR COMMODITIES

PROCOTTON:
IMPROVING PRODUCTIVITY AND MARKETING OF COTTON THROUGH STRENGTHENING SELECTED PRODUCER ORGANIZATIONS IN EASTERN AFRICA (CFC/ICAC/40)

PROJECT DOCUMENT

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## NARRATIVE SUMMARY

**Program goal:**
The goal of the Procotton Program is to improve the income position of small cotton producers in developing countries by enhancing the social, economic and environmental performance of cotton production.

**Project objectives:**
1. To strengthen Producer Organizations in Zambia and Tanzania for the increase of sustainably produced cotton, sales on added-value markets, reinforcement of the Producer Organizations’ position in the value chain and financial independence.
2. To develop the Procotton strategy and methodology for the cotton sector, establish a strong institutional basis for the Procotton program (country and regional levels), disseminate the best practices to other actors in the cotton sector and create the conditions for extension of the Procotton program to other regions in Africa, Asia and Latin America.

## OBJECTIVELY VERIFIABLE INDICATORS

<table>
<thead>
<tr>
<th>Objective 1: Outreach to at least 30,000 farmers in Zambia and Tanzania, through Producer Organizations (POs)</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) POs with improved services to the producers</td>
<td>- Socio-economic surveys on smallholder cotton farmers</td>
</tr>
<tr>
<td>b) POs with improved services to the producers</td>
<td>- Overall global reports on fibre production, e.g. ICAC, BCI, organic exchange, organic fibre and market reports, Fairtrade production reports etc.</td>
</tr>
<tr>
<td>c) Increase of volume of cotton produced in a sustainable way for added value markets</td>
<td>- Country cotton sector reports (Zambia, Tanzania, Uganda)</td>
</tr>
<tr>
<td>d) Financial independence of one PO, other PO to have clear plan to become independent</td>
<td>-</td>
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<tr>
<td>e) Market linkage of PO to added value markets</td>
<td>-</td>
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<tr>
<td>f) Additional revenue/better position in value chain</td>
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</tr>
</tbody>
</table>

## IMPORTANT ASSUMPTIONS

- The global market for added-value cotton (i.e. cotton of sustainable origin) will continue to expand over the next decades
- Governments and cotton institutions will be favorable to added-value cotton markets and provide an enabling environment
- Producers and their organizations are interested to improve cotton production conditions and improve their own position

## MEANS OF VERIFICATION

- Overall program reports:
  - the project proposal
  - midterm- and annual reports,
  - baseline studies
  - impact evaluations

## OBJECTIVE 2: ProCotton methodology and instruments elaborated and applied

<table>
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<tbody>
<tr>
<td>a) ProCotton methodology and instruments elaborated and applied</td>
<td>-</td>
</tr>
<tr>
<td>b) No. of partners and strategic alliances in ProCotton program</td>
<td>-</td>
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<tr>
<td>c) Communication of best practices to other actors in cotton sector</td>
<td>-</td>
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<tr>
<td>d) Service project proposals for extension of the program</td>
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</tr>
</tbody>
</table>

## IMPORTANT ASSUMPTIONS

- ProCotton offers support in areas relevant to cotton farmers
- Price premiums or other benefits of added-value cotton are sufficient to cover costs of production and benefit farmers
- Producer organizations are willing to critically assess themselves and make changes

## OBJECTIVE 3: Service project proposals for extension of the program

<table>
<thead>
<tr>
<th>Objective 3: Service project proposals for extension of the program</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) No. of POs that have improved capacities to service their member farmers</td>
<td>-</td>
</tr>
<tr>
<td>b) Volume of cotton produced under improved social and environmental conditions</td>
<td>-</td>
</tr>
<tr>
<td>c) Improved financial facilities for PO’s and/or farmers</td>
<td>-</td>
</tr>
<tr>
<td>d) Activities are implemented to improve the position of the POs in the value chain</td>
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</tbody>
</table>

## MEANS OF VERIFICATION

- Overall program reports:
  - the project proposal
  - midterm- and annual reports,
  - baseline studies
  - impact evaluations

## OBJECTIVE 4: Improved financial facilities for PO’s and/or farmers

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<th>MEANS OF VERIFICATION</th>
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</thead>
<tbody>
<tr>
<td>a) Two POs have improved capacities to service their member farmers</td>
<td>-</td>
</tr>
<tr>
<td>b) 14,000 MT’s of cotton lint is produced under improved social and environmental conditions</td>
<td>-</td>
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<tr>
<td>c) With two POs activities have been implemented to improve the position of the POs in the value chain</td>
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</tbody>
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## MEANS OF VERIFICATION

- Overall program reports:
  - the project proposal
  - midterm- and annual reports,
  - baseline studies
  - impact evaluations

## IMPORTANT ASSUMPTIONS

- Capable local project coordinators can be identified
- The producer organization has staff available for project coordination and communication to the Procotton coordinator
- The producer organization is open for collaboration with other organizations or companies if this leads to a win-win situation
- There are service providers (third parties) at a local/regional level which are professional, skilled, available, affordable, have a proven track record and speak the local language(s)
<table>
<thead>
<tr>
<th>Outputs objective 2:</th>
<th>For objective 2:</th>
<th>Objective 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) ProCotton methodology and instruments elaborated and applied</td>
<td>a) ProCotton approach seen and replicated as best-case practice in Zambia and Tanzania</td>
<td>- Alliances with local stakeholders</td>
</tr>
<tr>
<td>b) No. partners and strategic alliances in ProCotton program</td>
<td>b) Project management system (manuals, protocols, tools, guidelines etc) with a description of procedures and instruments</td>
<td>- Handbooks produced</td>
</tr>
<tr>
<td>c) Communication of best practices to other actors in cotton sector</td>
<td>c) One new co-financing partner in the Procotton program and at least one strategic alliances</td>
<td>- MOUs between partners and alliances</td>
</tr>
<tr>
<td>d) Service project proposals for extension of the program</td>
<td>d) A publication of the best practices, at least two exchanges between farmers and POs and a presentation on the annual event of CFC</td>
<td>- Publication and reports of events</td>
</tr>
<tr>
<td></td>
<td>e) Two proposals for new service projects in other regions</td>
<td>- Project proposals</td>
</tr>
</tbody>
</table>
The colours, boundaries, denominations and classifications in this map do not imply, on the part of the Common Fund for Commodities or its Members, any judgment on the legal status of any territory, or any endorsement or acceptance of any boundary. The projection used for maps may distort shape, distance and direction.
PROJECT SUMMARY


SUBMITTING ICB: International Cotton Advisory Committee (ICAC).

DURATION: Two years.

LOCATION: Tanzania (LDC), Zambia (LDC).

NATURE OF PROJECT: This is a technical assistance project with a specific focus on providing assistance to producer organizations as mechanism to strengthen producer productivity and increase income derived from cotton production. The approach advocated by the project, to raise farmer income by strengthening producer organizations, has proven to be successful for other commodities like coffee, cocoa and tea. The project will provide integrated support programmes to established and well-functioning producer organizations, addressing constraints related to technical support, access to finance, capacity building, access to markets, and product diversification and value-addition. The CFC contribution to the project is limited to two years. It will be continued and expanded by the project partners. It is envisaged that by 2014/15 up to about ten producer organizations will be supported having a membership of at least 75,000 smallholder cotton farmers.

TOTAL COST: USD 840,000

CFC FINANCING: USD 500,000 (Grant) of which USD 250,000 will be provided from a contribution of the OPEC Fund for International Development (OFID) to the CFC.

COUNTER PART CONTRIBUTION: USD 340,000

PROJECT EXECUTING AGENCY: Solidaridad, ‘t Goylaan 15, 3525 AA Utrecht, the Netherlands

SUPERVISORY BODY: International Cotton Advisory Committee (ICAC).

COLLABORATING INSTITUTION: Rabobank Foundation, P.B. 17100, 3500 HG Utrecht, the Netherlands.
APPRAISAL AND RECOMMENDATION
OF THE MANAGING DIRECTOR TO THE EXECUTIVE BOARD

I.  Project Background

1. The project intends to introduce a successful approach of reaching small commodity producers through strengthening the entities in which they have organized themselves. Experiences with producer organizations of producers involved in coffee and cocoa production have shown that this approach has led to substantive income increases for producers and have enabled coffee/cocoa producer organizations to provide better services to their membership. The experiences have shown that successful producer organizations are capable of adequately moving from the phase of receiving grant-funded support to loan support and receive assistance from regular financial institutions. The project has been developed on the basis of earlier project experiences of Solidaridad, essentially in Latin America, for commodities such as coffee, cocoa and tea. The current CFC project will replicate this approach in Africa for cotton. The CFC project will provide support of a limited, two year, duration to address specific problems identified by the beneficiaries in Tanzania and Zambia. It is anticipated that Solidaridad and Rabobank will continue supporting the programme activities after completion of the current CFC project in 2013. A possible CFC contribution to activities foreseen to be developed from now on for implementation in the period beyond the current implementation period may be considered but will be reviewed and possibly decided upon following the usual CFC procedures for project approval. The CFC project has been developed with support from the CFC’s Project Preparation Facility (PPF) in close consultation with the proponents and the International Cotton Advisory Committee (ICAC) which has endorsed the current proposal.

2. Based on these earlier experiences (mainly located in Central and Latin America), the ProCotton project aims to transfer the lessons and experiences to the smallholder cotton sector in Africa. The five main components of the services “menu” foreseen in the project are:

   a) technical assistance (focus on agronomic practices);
   b) access to finance (focus on making financial resources available);
   c) capacity building (making the producer organization more efficient and its operations more effective/profitable);
   d) access to markets (linking producer organizations to appropriate national or possibly international markets); and
   e) product diversification (introduction of novel rotation crops and/or attention to value-addition activities).

3. Support can be given in the form of technical expertise (sourced from the region or international) or possible loan funding. ProCotton aims to develop partnerships with producer organizations over a period of 5 – 8 years, targeting self sustainability and financial independence during or at least after that period. All individual (grant-funded) interventions are financially modest and of relatively short duration, normally not exceeding 1 – 3 years. In most cases initial grant-fund of support is transferred into/followed by loan funding.

4. The project addresses one of the key priorities of the Fund’s 3rd Five-Year Action Plan, namely to increase the sustainability of small-holder commodity production, thus enabling small-scale producers to obtain a reasonable income from their production. The project reflects a strong value-chain approach, providing direct support at different levels
based on demand-driven requests for temporary assistance. The project is endorsed and submitted by the International Cotton Advisory Committee (ICAC), the designated International Commodity Body for cotton. The project falls within the priority programme “Sustainable Production Systems with a focus on the early stages of the production/processing chain”. This intervention is included as Programme 4.1, reflecting the ICAC’s identified priority subjects in the Fund’s 3rd Five-Year Action Plan.

5. The project has been approved by the Fund’s Executive Board at its fifty-first meeting that was held on 13 and 14 April 2011.

II. Overview of the Commodity

6. Cotton is a major agro-industrial crop produced in both developing as well as developed countries. The world cotton industry provides employment opportunities for hundreds of millions farmers and to allied industries such as those relating to agricultural inputs, machinery and equipment, transportation, storage, ginning, bailing, seed crushing and textile manufacturing. Cotton is produced in approx. 80 countries and serves as the economic mainstay of many regions and nations. Over 75% of world cotton production is located in developing countries.

7. Cotton production for 2010/2011 is estimated at 24.5 mln ton (lint), about 3.2 mln ton more than the preceding year. Cotton consumption for 2010/2011 is forecasted to remain fairly stable at 24.7 mln, thanks to a robust recovery of demand resulting from recovery in world economic growth. Demand is expected to be relatively curtailed due to certain limitations in supply and high lint prices. Prices for the year 2010/2011 are again high, currently at the level of 164.26 cents per pound of lint, implying an increase of more than 80% compared with prices in the year 2009/2010.

8. There are about 20 cotton producing countries in Africa (with an annual production of 10,000 tons or more), many of which are LDC’s. About 1 mln ton of cotton is produced annually in Africa and the continent accounts for about 4 - 5 % of the world cotton production. Approximately 80% thereof is exported. In some countries cotton represents more than 50% of national export income and cotton is the largest source of export receipts in several West and Central African countries. Throughout the continent, the cotton sector plays an important role in the fight to reduce rural poverty, with cotton-related activities accounting for a large share of rural employment. It is estimated that about 15 mln people in Africa are engaged in cotton production/processing activities.

9. In the two targeted project countries cotton is an important source of employment, producer income and export revenue, and is thus clearly considered to be of national importance. In Zambia, cotton production is estimated to cover some 262,000 ha (ICAC estimate) involving some 250,000 farmer/families. Yields are low, estimated at around 191 kg lint/ha (ICAC estimate), bringing total production at about 35,000 tons of lint. In Tanzania, it is estimated that 402,500 farmers/families are depending on cotton production working on 460,000 ha. Yields are estimated at 196 kg lint/ha for 2010/2011 season (ICAC estimate), giving a national production of around 100,000 tons. Cotton production in these countries can be characterized as smallholder production, with very low yields, below the already low Eastern/Southern African average of 235 kg and certainly lower than the world average of 750 kg lint/ha.
III. Project Rationale and Objective

10. This project delivers technical assistance, which will ultimately increase incomes of small-holder cotton farmers through providing support to producer organizations, in the form of different need-based services. The project is based on the insight that reaching out to smallholder farmers in the field is often fraught with communication problems and that the response or capabilities of smallholders to adopt recommended practices are insufficient to bring about sustainable progress. Infusing knowledge, insights, technical support, etc. through representative member organizations that have a proven track record of sound performance (both in terms of organization, member representation as well as in financial management) is considered a cost effective and successful modality of providing technical support to commodity producers at field level.

11. The concept of working through producer organizations has been extensively operationalized by the project proponents in the fields of coffee, cocoa and tea, whereas other related programmes focus on commodities like sugar and tropical fruits. Current programmes are largely located in Latin and Central America, while new initiatives are being developed in Africa and Asia. The focus of the current cotton project/programme will initially be on Africa, but can be expanded to Asia, subject to satisfactory performance during the initial years of the cotton programme and when sufficient funds can be mobilized to set up those expanded programmes. The countries targeted for the current cotton project are Tanzania and Zambia (with the intended CFC contribution focusing on a two year period with activities limited to Tanzania and Zambia). These countries are all LDC’s where smallholder cotton production provides an important source of employment and income. Productivity, however, is low and major production increases combined with the income increases are expected through the provision of targeted support services in focused interventions.

12. The objective of the ProCotton Programme is to improve the income position of smallholder cotton producers in developing countries, by enhancing the social, economic and environmental conditions of cotton production. The programme offers integrated support to producer organisations that produce, or aim to produce, cotton under “sustainable conditions” preferably for markets that pay premium prices for such cotton.

13. ProCotton will make the following services available:

a) **Technical assistance:** Support to enable farmers to increase production volumes, improve productivity, obtain higher product quality, etc. This can include training on better management practices, integrated pest management, avoiding contamination, etc.;

b) **Access to finance:** Financial services to bridge the time gap between the purchase of cotton seed and sale of cotton lint, e.g. through crop finance, working capital, loan for other relevant investments managed at producer organization-level (storage places, transport means, etc.);

c) **Capacity-building:** Support to producer organizations in capacity building and development of human capital through trainings, new staff, improvement of organizational management, etc. Another method for capacity building will be through the creation of a network that allows for exchange of experiences, best practices, etc.;

d) **Access to markets:** Support to producer organizations where they lack business skills, e.g. valorization of cotton produce, identification of new clients and markets, price negotiations and contracts, development of a long-term relationship with buyers, etc;
e) **Product diversification and value addition**: Support in product diversification, value-added rotation crops, marketing of rotation crops. In addition, the organizations can be supported where there are opportunities to move up further in the value chain (e.g. through investment in ginning capacity).

14. The ProCotton Programme will be open to established and operational producer organisations that meet formulated entry criteria like minimum size (400 - 500 members), formal registration and transparent internal procedures (finance, record-keeping, elections etc.). In the early stages of the project, the proponents envisage to work with one organization in Zambia (CAZ – Cotton Association of Zambia) and one organization in Tanzania (Biosustain). For these producer organizations preparatory work has been done resulting in clearly identified needs assessments, proposed support activities and related budgets. CFC’s currently foreseen contribution will focus on these activities to be implemented in the first two years of the project. Additional activities in Zambia and Tanzania still require further preparation, both in terms of identifying organizations that could qualify for assistance as well as confirmation of priority needs that would fall within the support scope of the project. Activities and related budgets for those new producer organizations will be developed while the programme is ongoing.

15. The project has been designed based on extensive consultations with sector representatives and formal entities in the three countries. There is a confirmed interest and commitment to participate effectively in the wider ProCotton programme. The smallholder cotton sector is an important source of employment, income generation and export earnings in the countries concerned. The ProCotton approach is considered to be well in line with other formal and informal initiatives to increase net (smallholder) farmer income. Both countries have national entities (“Cotton Boards”) that play an important role in supporting cotton development in consultation/co-operation with relevant Ministries and the cotton producer organizations. Adequate consultations have been held during initial project formulation stages with these entities.

16. It should be noted that providing assistance to cotton smallholder producers in itself is not a novel activity. During the last decades, wide ranging support programmes have been initiated, all with extensive support from the donor community. Results have been varied, as evidenced by the still very low levels of productivity in smallholder cotton production, particularly in Africa. The current project proposes to introduce a concept of support programmes based on approaching smallholders through representative, established producer organizations. This method has led to good results for e.g. smallholder coffee production in Latin America. Its “transfer” to the cotton sector in Africa may be seen as a pilot activity which could yield a positive and sustainable outcome, when the prevailing conditions determining the African smallholder cotton production sector are adequately assessed.

**IV. Description of Project Components**

17. The project has been designed with two major components/activity fields:
   a) Implementation of the ProCotton service projects in Eastern Africa (Tanzania and Zambia); and
   b) Consolidation of the ProCotton approach and strengthening of local support mechanisms.
Component 1: Implementation of the ProCotton service projects in Eastern Africa (Tanzania and Zambia)

The project intends to provide two producer organizations with specific support activities based upon a participatory needs assessment exercise. The organizations have been identified based on them meeting criteria like membership size (min. 400/500 producers), number of years in operation (min. 2 years), internal organization and formal/legal registration, transparency in sharing/distributing income; traceability of produce/products, etc. Extensive local consultancy work, with a focus on the national cotton sectors and information collection on possibly qualifying producer organizations, led to a final screening and evaluation of organizations that had indicated their interest in co-operating with the ProCotton programme. The final selection was made taking into account their needs for clearly spelled out support and on the assessment whether they can provide a sound basis to start the ProCotton activities.

18. In Tanzania, one organization was selected (out of three) which was considered already at this stage a suitable partner: the organization is Biosustain, which is a commercial trading company with an ethical focus. It is working with some 3500 contract farmers who are currently (semi-)organized into informal groups (“primary societies”). Biosustain provides support by supplying seeds, extension services and purchase contracts. Based on its own needs assessment, Biosustain seeks support from the programme in the fields of technical assistance (strengthening the extension services, social organization and productivity improvement), market access (strengthening linkages with long-(er) term buyers), capacity building (business planning and financial management) and access to finance (building on an initially obtained loan from the Rabobank). Primary objective of the support to be extended to Biosustain is to work towards an efficient internal organization, capable of providing sound member support services, based on donor-independent, commercially viable financing arrangements. It is envisaged (based on the current planning of activities) that the proposed programme can be completed in a two year period with a total CFC contribution of approximately USD 100,000. The detailed programme of activities, their timing and budgeting (including incorporation thereof in a project-specific Logical Framework) is attached as Annex II.

19. In Zambia, one organization has been selected to start possible activities with and to serve as the main entry point for ProCotton. This producer organization in Zambia is CAZ (“Cotton Association of Zambia”), a member-based organization representing, in principle, all 290,000 cotton farmers in Zambia. Farmers need to pay a membership fee, however, to benefit from the services that CAZ provides, implying in practice that the level of membership is far lower. Currently CAZ has an organized effective membership of some 13,200 cotton farmers, organized in about 900 “study circles/groups”. In order for CAZ to more effectively service its members, it requires strengthening of its institutional and organizational capacity and technical expertise to provide more effective extension services focusing on productivity improvement and more sustainable production. The identified priorities in the ProCotton programme are therefore support in the fields of internal capacity building; increase of CAZ’ membership base; enhanced extension services for its members; and increased effective access to crop financing and strengthened self-financing capacity. Membership is targeted to increase to 26,000 farmers by 2012 and possibly 50,000 farmers by 2013. Based on a provisional activity/input planning for a two-year period of CAZ support, it is budgeted that a CFC contribution of approx. USD 70,000 is required.
20. An expansion of project activities under CAZ is currently discussed and CAZ has proposed additional activities in a second proposal (see Annex IV for more detailed information). The objectives are to increase cotton productivity from the current 650 kgs/ha to 1000 kgs/ha and to reduce the number of sprays from five to three per season among smallholder cotton farmers through promotion, adoption and dissemination of a cotton-based farming system using appropriate integrated crop production and crop pest management coupled with conservation farming technologies over a period of eighteen (18) months. The training methodology in using appropriate integrated crop production and crop pest management with conservation farming technologies developed by CAZ through the action will subsequently be replicated through other CAZ programmes, out-grower training programmes with ginning companies and extension staff. Continental Ginneries Limited would be the key partner in the implementation of the “Integrated Production and Pest Management” project. CAZ already has good collaboration experiences with Continental Ginneries Limited drawn from the implementation of value addition activities under the related CAZ Programme outcome area. The out-grower company shall provide cotton seed to demonstration farmers in the study circle groups and eventually buy off the crop from the farmers. This approach will assure continuity and sustainability of the action. Activities are expected to be completed within a 1 – 1½ year timeframe requiring a CFC contribution to the programme budget of approx. USD 75,000.

21. The detailed programme of activities in Zambia, their timing and budgeting (including incorporation thereof in a subproject-specific Logical Framework) is given in Annex III & IV.

22. When implementing the work programme, and in as far as relevant to the support sought by the producer organizations in each subproject, due attention will be given to ensuring a gradual move from grant-based support to a mix of grant/loan and subsequently to loan support (ultimately resulting in meeting financing needs through regular financing available from commercial local banks). This attention for gradually reducing the grant element of support will be implemented throughout the programme and during the assessments of initial and subsequent requests for support.

Component 1: Implementation of the ProCotton service projects in Eastern Africa (Tanzania and Zambia) for year 1

Project Tanzania (see Annex II for more info)

Objective 1: To expand production by training and extension services for producers

Output 1a: Productivity increased from 1013 kg/ha (2009/2010) to 1235 kg/ha in season 2011/2012

Output 1b: Biosustain production increased from 1,900 Mt in 2009/2010 to 4,000 Mt in season 2011/2012

Activities

a. New farmers and staff are trained on organic production in Itigi Ward, Manyoni District.

   Timing: Sep – Dec 2011 (4th Quarter)

   Input: Extension staff implementing partner (*Biosustain)

   Costs: See budget table Biosustain: 13,000 USD for year 1

   Milestone: All new 544 producers are trained in good organic production practices and registered
b. Field days and monitoring trips are conducted.
   Timing: Sep 2011 – August 2012 (all Quarters possible)
   Input: Implementing partner (*local project coordinators Biosustain)
   Costs: 4,000 USD
   Milestone: Motivation of participating farmers and trainers is high, including monitoring and evaluation of activities & progress.

c. Basic training in using ox-plough and weeder, sprayers and protective gear as well as how to use and maintain storage facilities are conducted.
   Timing: September – December 2011
   Input: Extension staff implementing partner
   Costs: 1600 USD (materials)
   Milestone: Participating farmers made aware of the advantages of using ox-plough and weeder, sprayers and protective gear.¹

Objective 2: Reinforce the capacities of primary societies and formalise their relationship with Biosustain (social organisation)

Output 2: 50% of the primary societies are sensitised on the advantages of self-organisation, trained on PO management techniques and the basis for formalizing relation with Biosustain trialled.

Activities

a) Expand the programme for sensitisation of farmer members of the primary societies that Biosustain is working with
   Timing: September – December 2011
   Input: Extension staff implementing partner
   Milestone: Expanded programme in place for sensitisation- and training of primary societies

b) Develop a training programme for the board of primary societies on adequate management
   Timing: 4th Quarter
   Input: Implementing partner and support PEA
   Costs: See costs related under d.
   Milestone: Farmers are interested to increase their involvement with Biosustain and secure the relationship

c) Research into the most suitable form of formalising the relationship between the primary societies and Biosustain, plus running a trial
   Timing: Sep – February 2012
   Input: Staff implementing partner
   Costs: See costs d.
   Milestone: 2 or 3 primary societies identified for trial and trial executed

d) Explore the option of Fairtrade certification and support capacity building primary societies (social organisation).
   Timing: September 2011 – February 2012
   Input: External consultant
   Costs: 6,000 USD

¹ Note that the mentioned equipment will be used on their demonstration plots and at a later stage the equipment might be offered on credit basis to producers.
Milestone: Go or no-go for Fairtrade certification and action plan for compliance.

Objective 3: To improve and strengthen the capacity of the services of Biosustain and its staff

Output 3: Extension staff Biosustain trained in IT related skills and accountancy to more effectively manage recordkeeping and administrative issues.

Activities

a) Organize basic computer training and training in software like Microsoft Office.
   Timing: September – October 2011
   Input: External training
   Costs: 1450 USD for the training, including other materials
   Milestone: Capacity of local offices Biosustain strengthened and more effective services delivered.

b) Organize trainings in accounting using Tally software as training material.
   Timing: November – December 2011
   Input: External consultant
   Costs: 500 USD
   Milestone: Improved accountancy of staff office Biosustain (managing director and operational managers).

c) Proper documentation and registration
   Timing: Sep 2011 – Aug 2012
   Input: Staff member Biosustain
   Cost: 550 USD

Objective 4: To make Biosustain self-reliant and a donor-independent organisation

Output 4: Development of long-term viable business plan for Biosustain

Activities

a) Develop long term donor independent business model and social organisation building plan.
   Timing: January – April 2012
   Input: External consultant
   Costs: 4000 USD
   Milestone: Viable business plan developed that further improves the vision of Biosustain and transparency of the business plans.

b) Organize impact assessment at farm level
   Timing: January – April 2012
   Input: Extension staff Biosustain
   Costs: See costs related to 4 a.
   Milestone: This farm level cost-benefit analysis/impact assessment will provide quantitative data (from farm dairies) as well as qualitative data (farmer interviews).

c) Organize feasibility study of further vertical integration in the chain (yarn/textiles).
   Timing: First Quarter 2012
   Input: External consultant
   Costs: Part of business plan under activity 4a.
Milestone: Feasibility study will become part of the total business plan for Biosustain to take the current plan to an improved and more comprehensive version.

* Additional provision of materials, supplies, machinery and hardware for capacity building
Costs: 20,400 USD

* Monitoring costs for the PEA regional office East Africa have been added for an amount of 4,100 USD for monitoring, evaluation visits and reporting to the PEA.

Projects Zambia (See Annex III and IV for more info)

Service project 1 CAZ

Objective 1: To build a strong administrative and linkage structure between IC (information centres), DFA (District Farmer Associations) and CAZ secretariat.

Output 1: Improved organization structures under CAZ and linkage structure between the different organizations representing the producers

Activities
a) Provide trainings to IC, DFA and cotton area associations on democratic governance and organisation management
b) Training in record keeping and financial management
c) Trainings in group dynamics and conflict resolution
d) Training in contract negotiations and negotiation skills
e) Technical assistance and mentoring in financial management, records keeping and filing

Timing: 4th Quarter 2011 until 2nd Quarter 2012

Input: Consultant and Extension & Business Development Officer CAZ are responsible for implementing trainings

Costs: 3,250 USD

Milestone: Transparency, clear linkage, democratic governance and documentation between different producer group levels/structures under the CAZ umbrella established.

Objective 2: Increase the membership base of active producer members

Outcome 2: CAZ initiatives for increasing membership base enhanced

Activities
a) Conduct sensitisation meetings at IC levels by Field Facilitators and study cycle organisers/leaders
b) Record and broadcast CAZ promotion materials in two local languages – about CAZ and benefits a farmer get from being a member

Timing: 4th Quarter 2011

Input: The Field Facilitators and Study Cycle Organizers from CAZ will be responsible for a. The second activity will be for the Extension & Business Development Officer CAZ

Costs: 1,950 USD

Milestone: A significant increase of female members (50%) and increase in new study cycle groups actively involved in cotton production (8 new groups).
**Objective 3:** Strengthening the extension services CAZ is offering to their members and making them more effective and efficient

**Outcome 3:** Extension service provision of CAZ improved.

**Activities**

a) Translate, print and distribute a pair of study circle materials  
b) Establish additional study circle groups  
c) Procure bicycles for study circle organisers  
d) Train study circle organisers and leaders in study circle extension and training methodology  
e) Monitoring and backstoppping support to study circles  
f) Organising and holding of farmer field days  
g) Organise and hold on-farm demonstrations  

**Timing:** 4th Quarter 2011 until 2nd Quarter 2012  

**Input:** Extension Business Development Officer, Administration Officer and the field team (field facilitators & Study Cycle organisers) are responsible  

**Costs:** 36,700 USD  

**Milestone:** 400 on-farm demonstrations in good/sustainable practices are organized and all farmers adapt successfully best practices through CAZ services

**Objective 4:** Increase and expand CAZ initiative, that enables Zambian cotton producer to become self-financed and access independently from ginning companies inputs and seeds for improved cotton production.

**Outcome 4:** Initiatives of linking self financed cotton farmers to access production inputs and markets enhanced

**Activities**

a) Identify and hold meetings with potential input suppliers  
b) Train field facilitators and cotton farmers in production planning, savings and mobilising input credit  
c) Monitoring and backstoppping activities of piloting self financing methodologies  
d) Evaluate pilot on self financing methodologies  
e) Document best practices and finalise self financing methodologies  
f) Support initiatives to link self financed farmers to markets

**Timing:** Quarter 4 2011 and mainly 1st and 2nd Quarter in 2012.

**Input:** Extension and Business Development Officer with the Finance and Administration Officer of CAZ are main responsible for the implementation.

**Costs:** 11,500 USD  

**Milestone:** At least 5,000 cotton farmers sell self-financed cotton in the cotton season 2011/2012

**Monitoring costs:** for the local PEA have been added for an amount of 4,500 USD, including duty travel, reporting and monitoring of activities and meetings with CAZ and reporting towards the PEA.

**Service project 2 CAZ**

**Objective 1:** Integrated crop production and pest management is promoted to enhance productivity, soil fertility restoration and human and livestock dietary diversity and to increase food and income security among smallholder cotton farmers.
Outcome 1: Cotton productivity increased from the current 650kgs/ha to 1000 kgs/ha (rain fed and trained in use of rotational crops).

Activities
a) Mobilise 12,000 (30% female cotton farmers) smallholder farmers through study circle groups
b) Conduct trainings in Integrated production and Pest Management (IPPM) Field Facilitators and study circle level.
c) Conduct Seed multiplication and processing training for 450 seed growers.
d) Procure and distribute inputs for 450 on-farm demonstrations at study circle group level (Groundnuts and soybeans, herbicide and ULV).
e) Conduct 450 seed multiplication and IPPM on-farm demonstrations for cotton and two legumes.
f) Promote and procure 80 Ultra low volume sprayers (ULV) for female cotton farmers.
g) Train 12,000 farmers of which 30% are female cotton farmers in the use of rotational crops and ULV sprayers.
h) Promote and conduct chemical weed control demonstrations in the cotton based farming system for increased productivity.

Timing: 4th Quarter 2011 and 2012
Input: CAZ coordination team, extension team, Field facilitators and study cycle groups
Costs: USD 41,700
Milestone: Due to increased productivity and reduced loan burden due to efficient insecticide use, the negative issues of loan defaulting and side selling among farmers will be minimized and more seed cotton to buy both for the benefit of the cotton farmers and ginning companies.

Objective 2: Conservation Farming Technologies are disseminated through on-farm demonstrations, trainings, field days and media.

Outcome 2: 12,000 farming households trained in conservation farming technologies as well as rainwater harvesting through on-farm demonstrations, field days and the media.

Activities
a) Conduct 100 fields days viz Southern Province 25; Eastern 55 and Central 20
b) Produce and broadcast 30 radio programmes on various conservation farming technologies and integrated pest management in English and two local languages Tonga and Nyanja which are popular in cotton growing areas of the country.
c) Conduct farmer local, regional and international exchange visits.

Timing: 4th Quarter 2011 and 2012
Input: CAZ coordination team, extension team, Field facilitators and study cycle groups
Costs: 17,500 USD
Milestone: Broader adaption and expansion of conservation farming amongst members CAZ and support training methodologies of players in cotton in Zambia, under which the ginning companies.
Component 2: Consolidation of the ProCotton approach and strengthening of local support mechanisms

23. The project aims to function as a time-restricted activity, providing targeted support on a need-be basis. While the activities themselves are thus required to be developed with an open eye to the “end-of-activity” situation (including an exit strategy for the provision of the outside support in each subproject), the ProCotton approach itself is to be implemented with a focus on a timely phasing-out of the support mechanisms, be it that this will have a longer time frame than the individual subprojects. In order to firmly establish the methodology chosen in the ProCotton approach, it is considered important to include activities focused on strengthening local capacities in different cotton organizations in the participating countries, including in the benefitting producer organizations themselves. Management and coordination expertise, dissemination of project experiences, best practices, exchanges with beneficiaries and managers of parallel cotton programmes and, as deemed appropriate, related coffee, cocoa and tea programmes, etc are important tools to establish the methodology in the countries.

24. In the framework of this component, it is also foreseen that exchanges and consultation between producer organizations, financing organizations (banks), providers of technical and marketing expertise and formal/regulatory entities (cotton specific and relevant governmental agencies) will be set-up to contribute to embedding the approach and the programme results in the national environment.

25. Project management, development/expansion of the project beyond the currently selected three producer organizations in the two countries, development of communication and dissemination strategies, preparation of technical manuals and tools (including all dissemination materials) will be based in this component. A detailed programme of work in that regard will be finalized before the start-up of the project. A CFC contribution of USD 110,000 for this component is envisaged for the two year involvement in the project.

ProCotton SP promotion and learning

Objective: To improve and expand the implementation of ProCotton activities in Tanzania and Zambia

Output(s):
- a) Use knowledge gained for dissemination and communication purposes in current projects
- b) Develop ProCotton national strategy for Tanzania and Zambia
- c) Identify and include new possible PO’s to expand ProCotton services projects

Activities
a) A ProCotton training/ workshop will be organized in Tanzania for all local project coordinators in East and Southern Africa and the strategic partner of ProCotton (Rabobank Foundation), including local representatives of Rabobank Foundation.

Timing: 29 August – 2 September
Input: PEA will organize training together with local offices and external consultant
Costs: 22,000 USD
Milestone: Local project coordinators motivated and better worked into the ProCotton approach, best practices from India shared with East Africa in cotton and activities and prepared to develop strategy plan for the consolidation of the programme in East Africa.
b) Disseminate experiences/best practices in Tanzania from Biosustain to other PO’s through exchange visits and develop new methodologies.

**Timing:** 1st – 2nd Quarter 2012  
**Input:** Local project coordinator of the PEA will organize this activity together with the PO  
**Costs:** 9,000 USD  
**Milestone:** ProCotton practices at Biosustain used and disseminated to other potential PO’s and promoted in the cotton sector.

c) Disseminate experiences/best practices in Zambia from services projects to other PO’s through exchange visits and develop new methodologies

**Timing:** 1st – 2nd Quarter 2012  
**Input:** Local project coordinator of the PEA will organize this activity together with the PO’s  
**Costs:** 9,000 USD  
**Milestone:** ProCotton practices from services projects used and disseminated to other potential PO’s and promoted in the cotton sector in Zambia.

**Development of program manuals/tools & Communication** (*Co-financed by ProCotton partners*)

26. The activities (funds available of 30,000 USD) will be discussed, designed and planned during the ProCotton training in September 2011, with all staff from the PEA, involved in the ProCotton program in Eastern Africa and the Rabobank Foundation.

V. Benefits and Beneficiaries

27. The two identified Producer Organizations and their membership will be the primary beneficiaries of the project. It is envisaged that the benefits can vary from being paid 10% premium prices, obtaining 30% higher yields to 50% of the membership of a producer organization being certified as organic cotton producer (of which at least 50% thereof should be women farmers).

28. The target set for CAZ in the first service project (Zambia) relates to strengthening its internal organization (institution building) jointly with strengthening the facilitation of procurement of inputs and provision of extension services through self-financed production by farmers. Production increases should reach 1,200 kg of seed cotton/ha (equiv. to about 400 kg lint/ha), up from the current 650 kg. The pilot project aims to start with 3,000 farmers who will be financing their own inputs, a number which is targeted to increase with another 5,000 if the pilot is successful. At least 30% of the membership involved in the self-financing scheme should be women.

29. The target set for the second service project under CAZ relates to testing the methodology to train around 12,000 cotton farmers in areas of cotton crop rotation systems and conservation farming technologies including water harvesting methodologies which would enable the 12,000 farmers to substantially increase their cotton yields and incomes. Productivity increase to 1000 kg’s per ha, is one of the outcomes.

30. For the identified Tanzanian producer organization (Biosustain) the expected results/benefits are in the range of a strengthened internal organization and implementation/administration structure, expanded services to primary production societies
(currently involving some 3,500 farmers), increased membership/coverage implying setting up training/extension programmes for an additional 550 farmers and consolidation of premiums of 10 - 15% being paid to participating cotton farmers. Obtaining Fair Trade certification and development of sound business models are also part of the outputs to be produced.

31. A successful project may be expected to contribute to the operational strengthening of the producer organizations, be it directly through production/marketing performance or indirectly through enabling them to operate more effectively and efficiently as a service providing organization to the benefit of their members. The producer organizations to be involved/supported should develop into self-financing, donor-independent entities whose activities would be based on sound commercial principles.

32. In order to properly assess the expected improvement in incomes of participating farmers/organizations adequate information needs to be collected at the start of the project as well as at the end of the period of supporting the organization. For that purpose, the information collected at the time of selecting the organizations participating in the current stage of the project will be updated prior to starting the support activities. “End-of-project” information collection should enable adequate result/impact assessment.

VI. Overall project Costs and Financing

33. The total cost of the programme with a two-year CFC involvement as currently foreseen is estimated at USD 840,000 with a CFC contribution of USD 500,000 as a Grant of which USD 250,000 will be provided from the contribution of the OPEC Fund for International Development (OFID) to the CFC. It is to be noted that of that amount, USD 360,000 will be made available to the PEA to cover technical project activities (as outlined in Component 1 and 2). USD 100,000 will be earmarked for CFC-managed expenditures (like supervision by ICAC in its capacity of being the project’s Supervisory Body, CFC monitoring, external evaluation in the second year and recovery of pre-financed project formulation support for a total of USD 40,000). The contingency provision of USD 40,000 will also be controlled by the Fund.

34. A summary cost/financing table of the grant-funded support to the two-year programme (by project component) is given in the full project document.

35. Detailed budget tables (for the project as a whole and for the country/PO allocation) are included in the Annexes II to IV of the full project document. These budget tables will be updated and adjusted based on progress in implementation and possible revision of activities. This will be reflected in approved annual work programmes and budgets which will be approved by the ICAC and CFC prior to their implementation.

VII. Organization and Management

36. The Dutch NGO Solidaridad will be the Project Executing Agency (PEA). Solidaridad will be responsible for project implementation, management, administration and reporting. It will work closely with the Rabobank Foundation. The two organizations are cooperating also within the framework of the earlier mentioned programmes in the field of coffee, cocoa and tea, which have a similar set-up as the currently proposed cotton programme.

37. The background of the organizations involved, their long-term commitment to
sustainable socio-economic development in developing countries and their recognition of the
importance of the environmental aspects of commodity production, may be considered
sufficient guarantees that the activities supported by the programme will be sustainable.

38. A project Steering Committee will be set up by the PEA which will be responsible for
the overall implementation and management of the project vis à vis CFC. It is envisaged that
this Committee will meet four times per year. Under the Steering Committee, the PEA’s
Project coordinator/Manager will be appointed to manage the programme on a day-to-day
basis. The coordinator will set-up appropriate linkages with a designated officer in
Solidaridad’s Nairobi office who will act as local liaison/backstopping officer. The existing
regional network of Solidaridad and Rabobank(-affiliate) offices will be used extensively for
adequately managing and implementing the project. Responsibilities to be assigned to
different parties will be documented in appropriate instructions as applicable.

39. In the case of Biosustain the regional office of Solidaridad in Kenya (further referred
to as local PEA East Africa) will have the full responsibility for reporting back to the PEA,
conducting monitoring visits at the level of the project, maintaining contact with Biosustain
staff and implementing and further developing the national ProCotton strategy for Tanzania.
An important element of the strategy will be the identification and selection of additional
project partners under the umbrella of ProCotton. At the level of the project, the extension
staff of Biosustain will be responsible for the execution of the training and support activities
according to the timetable. Key farmers will report back to the extension staff with regard to
the performance of the cotton producer groups. External consultants engaged by Biosustain
are responsible for the trainings and inspection with regard to the business plan, inspections
and accountancy trainings.

40. In the case of the project activities with CAZ, the PEA has a local coordinator based
in Southern Africa for reporting purposes, monitoring visits, direct contact with CAZ and the
development of a national ProCotton strategy. Within CAZ, a national coordinator will be
the team leader in production/service delivery and responsible for the overall coordination
and monitoring of the activities. Other member of the daily CAZ team will be the Extension and
Business Development Officer (EBDO) responsible for coordination in the field of the
extension services that CAZ provides and the technical support geared towards sustainable
cotton production. Study Cycle Operators (SCO) fall under the responsibility of the EBDO
mostly cotton producers) and will report to the EBDO with regard to the performance of the
study cycle groups (groups in which the farmers are trained and gain knowledge). Twice a
year there is a general multi-stakeholder meeting in Lusaka, facilitated by CAZ with other
supporting organizations to discuss the progress of activities in the field. The PEA is also a
member of the multi stakeholder platform Agri-ProFocus in Zambia, enabling the PEA to
distribute information concerning ProCotton also on their electronic platform for cotton in
Zambia and to share/exchange knowledge with other key players.

VIII. Supervision, Monitoring, Reporting and Evaluation

41. The International Cotton Advisory Committee (ICAC), the Fund’s designated
International Commodity Body for cotton activities, will be the Supervisory Body for the
project. It has the expertise to do so and the experiences of the Fund with the ICAC as
Supervisory Body are generally satisfactory. The current project has been developed by the
proponents in close consultation with the ICAC and has the full endorsement of that
organization. ICAC will advise on work plans and budgets, regular progress reports and other
reports as prepared by the PEA. It will be involved as deemed required in the endorsement of proposed subprojects envisaged for implementation beyond the ones currently developed.

42. CFC will undertake monitoring visits depending on perceived need to assess progress and developments in the field. It is envisaged that shortly before the completion of the Fund’s two years of involvement, an external evaluation mission will be fielded to assess the progress made and to advise the Fund on possible ways forward.

43. The PEA will prepare the usual annual work plan/budget and progress reports for submission to CFC and the ICAC in an agreed-upon timeframe. It will submit financial reports in the required formats for review by CFC. A provisional timeframe for identified main activities as envisaged by the PEA is provided in Annex I.

IX. Risk Assessment

44. The programme is not expected to encounter specific risks. Extensive consultations have taken place with major stakeholders in each project country and the pre-selection of participating producer organizations has taken place on the basis of “checklists” which have proven to provide a reasonable guarantee to select properly functioning producer organizations. The programme deals with a commodity that is produced primarily by smallholders and the sector is acknowledged to be important in terms of employment creation and generation of export earnings.

45. Nonetheless, the proponents have noted that the professional organizations bringing together African smallholder cotton producers generally differ in organizational structure and strength from related organizations in, say, Latin America bringing together small-scale coffee producers. It is therefore acknowledged that more attention needs to be given to elements of organizational capacity building in the current ProCotton programme than in the early stages of the related coffee and/or cocoa programmes. As this is, however, already noted in the design phase, it may be expected that the programme management and coordination structures that are being envisaged in the programme will be sufficient to avoid unexpected challenges in this area. The aspect of organizational strengthening will, nonetheless, be an important point of attention when assessing the overall progress achieved in each subproject and when assessing the institutional sustainability of the programme at national level in particular.
### Annex I: Provisional Implementation Schedule Chart

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timing</th>
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</thead>
<tbody>
<tr>
<td><strong>Programme for CAZ first project (Zambia)</strong></td>
<td></td>
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<tr>
<td>Output 1: capacity building PO/organisational strengthening: increase membership base, enhance social organisation (field to central)</td>
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<td>Output 2: technical assistance: better management practices + profitability (yield) increase</td>
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<td>Output 3: self financed farmer: linkage to input suppliers, credit providers</td>
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<td>Output 4: making market linkage</td>
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<td>Output 5: Needs Assessment &amp; proposal development</td>
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<tr>
<td>Next season outputs based on needs assessment</td>
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<tr>
<td><strong>Programme for CAZ second project (Zambia)</strong></td>
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<tr>
<td>Output 1: Integrated crop Production and pest management is promoted to enhance productivity, soil fertility restoration and human and livestock dietary diversity</td>
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<tr>
<td>Output 2: Conservation Farming Technologies and IPPM are disseminated through on-farm demonstrations, trainings, Field days and media</td>
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<tr>
<td><strong>Programme for Biosustain (Tanzania)</strong></td>
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<tr>
<td>Output 1: farmer grouping + field staff training</td>
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<td>Output 2: social organisation - Fair Trade feasibility assessment</td>
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<td>Output 3: Financial training</td>
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<tr>
<td>Output 4: Business planning</td>
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<tr>
<td>Output 5: Needs Assessment &amp; proposal development</td>
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<tr>
<td>Next season outputs based on needs assessment</td>
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<tr>
<td><strong>ProCotton Consolidation</strong></td>
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<tr>
<td>2.1.A. training ProCotton approach and Needs Assessment in East Africa</td>
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<td>2.1B. ProCotton SP promotion</td>
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<tr>
<td>2.1C ProCotton learning - exchange visits</td>
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<tr>
<td>2.1D National ProCotton plans</td>
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<tr>
<td>2.1.E National ProCotton events (workshops, councils, stakeholder meetings)</td>
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</table>
ANNEX II - Action plans POs Tanzania 2011

Biosustain (T) Ltd

Background

Biosustain is a commercial trading company with an ethical focus. The company is working with 3,500 contract farmers for organic cotton production who are organized into semi-informal groups (‘primary societies’). Biosustain supports the groups with the supply of seeds, extension services, services for organic certification and a contract to buy the seed cotton after harvest. BioSustain was part of the ProCotton 2009 pilot.

Biosustain provides technical support to the farmers, organises the organic certification and offers farmers a market for all their organic products (= “1-stop shop” for farmers), all these activities help and stimulate farmers to grow and sell more cotton and maximise their revenues. Biosustain has successfully marketed the cotton each year, even when the market was down 1.5 year ago, and now manages more and more to sell the cotton at better prices that reflect the organic efforts. With support of ProCotton/Rabo loan (2009), BioSustain is able to pay farmers timely.

Biosustain recently opened their ginner, with support from ProCotton/Rabo Foundation financing facility) and in the long term (3-5 years) they may plan to move further up the chain (making yarn and/or textile). Dr. Riyaz Haider is the main shareholder (87.5%) of the company and Mr. Sajjad Haider holds the remaining shares. Currently Biosustain works in 22 villages (in Singida Rural, Iramba and Manyoni Districts) but they plan to work in the whole of Singida (over 200 villages). Moreover the organization is also active in beeswax and sesame, although on a much smaller scale than its cotton activities.

Biosustain is educating producers in Singida on the benefits of growing organic products (environmental, economical and social), which it believes has a higher impact on poverty alleviation than conventional cotton. One of the major motivators for the producers is the 10-15% premium on top of the market price. To get the best possible quality from controlled organic farming, their quality assurance team carries out continuous product checks. For the technical aspects their agricultural engineer visits the farmers regularly. Find the organizational structure (organogram) of Biosustain in reference documents.

At the moment, the farmers do not have a share or official representation in the Biosustain company. This is mainly due to the current status of the producer organisations (primary societies): they are inactive or their capacities are weak. It is Biosustain’s ambition to work towards producer participation in the company over the coming years, e.g. in the form of a partnership or a share in the company. This will enable them to jointly decide on the support services rendered to the farmers, and also guarantee that a fair price is paid for the cotton.

In 2009-2010, Biosustain has started, as part of the Procotton project, with activities such as: awareness-raising on the rights and obligations of producer organisations, training on management of producer organisations. These activities need follow-up as well as piloting with the most advanced producer organisations for a way of participation in the company. Another option that may be looked into is certification for the Fairtrade standard; a first assessment by a representative of the Africa Fairtrade Network took place in summer 2010, with positive results. Certification for the Fairtrade is attractive for Biosustain because it will guarantee a certain level of organisation of the farmers, and at the same time open up new markets. There is currently no supply of Fairtrade cotton from East Africa, yet it is expected that there will be market demand for it. Through a form of active participation, Biosustain wants farmers have a formal say in the management of the company as well as an equal share in the profits.
Results of the Needs Assessment

Figure 1: Outcome of needs assessment Biosustain

Main areas for improvement

- There is need to continue improving agronomic practices, as the gap between poor performing producers (371 kg/ha) and high performing producers (2470 kg/ha) is large. However the gap shows the potential for improvement.
- The primary societies in which the farmers are organised are relatively weak, there is a need to reinforce their capacities. In 2009-2010, this process has started (as part of the Procotton project), with activities such as: awareness-raising on the rights and obligations of producer organisations, training on management of producer organisations. These activities will need to be further expanded over the coming years with more sensitisation and targeted training of the board of the primary societies. At the same time, it needs to be investigated what the most suitable form of farmer participation is in the Biosustain company, and this needs to be trialled with the most well-developed primary societies.
- The current head accountant needs assistance, which will become more evident with expansion. This implies hiring a new accountant to assist the head accountant. Moreover capacitating the director and the operational manager in accountancy would be a great benefit.
- The organization is looking for long term committed buyers who are able to pre-finance and are socially and environmentally committed. Biosustain's ginnery is about to be fully operational, which lowers the (transport) costs and gives the organization more quality control. The choice to work with producers in the whole region of Shingida, however stretches the logistical operations and costs. There will be a need to open more buying posts close to the farmers. Moreover better transport means (motorbikes or otherwise bicycles) for extension workers is needed, especially during inspection time. The expansion in Shingida also needs additional storage capacity.
- There is a need for a capable operational manager who also has excellent reporting skills. This is currently lacking in the organisation, with too heavy dependence on the director. With the planned expansion, reinforcing HRM capacities are becoming increasingly important.
<table>
<thead>
<tr>
<th>Activity</th>
<th>Timing</th>
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<tbody>
<tr>
<td>2.2. Development of programme manuals and tools</td>
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<tr>
<td>(governance protocols, assessments criteria projects, revision of Needs Assessment etc.)</td>
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<tr>
<td>2.3 A. Communication and Dissemination: development material (brochures, website, advertisements, social media…), collection of best practices/lessons learnt</td>
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<tr>
<td>2.3. B. Dissemination ProCotton; about the program, options to join, lessons learnt, etc.</td>
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<td>2.4 A. Overall Programme Coordination/administration</td>
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<td>2.4. B. Steering group committee</td>
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<td>2.4.C Progress reports projects</td>
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<td>2.4.D Progress report to CFC/ICAC</td>
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<td>2.4.C. Final report</td>
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</table>

*For a detailed explanation of the different activities (and specific time planning for each activity) related to the outputs, please look into the Annexes II-IV with regard to the 3 service projects and timetables.*
Annex II, Page 5

Timing of activities supported by ProCotton program 2011-2012

Timing of activities Biosustain

<table>
<thead>
<tr>
<th>Activities</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
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<th>April</th>
<th>May</th>
<th>June</th>
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<th>Aug</th>
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<tbody>
<tr>
<td>New farmers (544) and staff training on organic production in Itigi Ward, Manyoni District and documentation and registration</td>
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<tr>
<td>Stationery for training by extension staff of farmers</td>
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<tr>
<td>Purchase of motorbikes, bicycles, computer and printer, sprayers, ox-plough and weeder and protective gear.</td>
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<td>Computer training</td>
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<td>Accounting training Tally</td>
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<td>Warehouses</td>
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<tr>
<td>Social organisation-Fair Trade assessment</td>
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<tr>
<td>Business planning – field work and report writing</td>
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<td>Mid term progress report</td>
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Observation and Conclusion

Biosustain is a fast growing and increasingly successful organic producer organization. Ginning activities have recently started, more than 3,000 producers joined Biosustain and productivity is higher than most other organic (or for that matter even most non-organic producers) producer organizations in Tanzania. However, Biosustain has to be careful not to become victim of its own success and its fast growth. Fortunately the management is becoming more and more aware that a more gradual growth is the way forward. Therefore the target for the year of ProCotton support, 2011-2012, has been lowered. Not only does the organization need to train, certify, register etc. all the new producers but also the staff of Biosustain needs expansion and capacity building. Therefore the ProCotton support is mostly allocated in these areas.

In the last few years Biosustain had problems finding a reliable market, however this year it managed to find sufficient outlets. It is still looking for a more strategic partner who is, among other things, willing to pre-finance part of the payments, which will significantly reduce its cash flow pressure and makes it strongly imbedded in a viable chain. Finding a more strategic buyer will be a continuous activity by the current management, thus in this respect there are no specific additional funding needs from ProCotton/Rabobank foundation. In the coming years there is no additional loans. Their current loan with NMB (Rabobank is large stakeholder in the Tanzanian bank NMB), with guarantee from PASS, is securing their financial needs.
Explanation of activities and Organization of the project

- The organic training approach and methodology is based on current practices and partners, BioSustain has its own extension staff who consequently induct farmers in the villages. Training includes: soil health, bio pesticides and fertilisers, water retention, semi-mechanical cultivation, ICS and certification demands.

- The accountancy training is most costs effective when the identified trainer (Dar es Salaam) would be give an 1-2 day in-house training in Shingida. The trainer is proposed to stay for 3-4 days to backstop the trainees while they are applying the software/approach. The extension staff following the basic computer trainings and the word, excel and email trainings will follow an open registration course, likely to be in Mwanza. The managing director, among other things, will be continue to find new buyers and/or strengthening existing partnerships.

- The most suitable form of farmer participation is still to be determined. On the long term the producers are encouraged to become shareholders of Biosustain, this will likely materialise beyond 2015. This is only possible, however, when producers are organised in strong groups, know the full meaning (responsibility, rights and (dis) advantages) of being a shareholder and are willing to contribute, even it is a limited amount, to become shareholder. Together with RLDC and other partner Biosustain will continue strengthening farmer groups by group formation and farmer group establishment operation. They will than slowly grow as shareholders. However the exact path is not known and therefore a study needs determine the best options (2011/2012). This study will be followed by a trial with the most developed producer groups (2012 onwards). The ownership and increasing utilization of their ginnery’s capacity helps the organisation become commercial more viable and less reliant on donor funding.

- The above is also connected to the discussions and activities around social organisations (with Primary Societies) and a possible Fair Trade certification. Fair Trade (FLO certification) requires farmer participation. Fair Trade could possibly be an interesting market for BioSustain, with options for long term commitment and pre-financing from buyers, which could be important when determining the long term self sustainability.

- The organisation wants to develop a long-term strategy with focus on becoming completely independent of donor funding. Furthermore a feasibility study will be conducted to determine the viability of their ambition in textile production and what their strategic plans/approach, in this respect, will be.

- Also on the level of farmers, better insight on overall income position and profitability of organic cultivation will be needed, as lack of transparency is often given as criticism on organic farming. This farm level cost-benefit analysis/impact assessment will provide quantitative data (from farm dairies) as well as qualitative data (farmer interviews).

- All these elements, social organisation building, farm level calculations assessment, donor independent strategic plan and the feasibility study, will be become part of one comprehensive business plan. This plan will be an expansion and build upon their existing business plan. An external advisor - preferably an expert in business plan analysis/writing and known in the cotton sector – will be appointed to conduct these studies and make one strong business plan of it. He/she will work closely with the managing director of Biosustain.
## Project Logical Framework 2011-2012

### Table 1: Log Frame Biosustain

<table>
<thead>
<tr>
<th>Project objectives</th>
<th>Activities</th>
<th>Output Indicators</th>
<th>Means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| **Objective 1: To expand production by training and extension services for producers** | - New farmers and staff are trained on organic production in Itigi Ward, Manyoni District.  
- Field days and monitoring trips are held.  
- Basic training in using ox-plough and weeder, sprayers and protective gear as well as how to use and maintain storage facilities are conducted. | - All (new) 544 producers in Itigi (within Singida region) trained in good organic production practices and registered.  
- Productivity increased from 1012 kg/ha in 2009/2010 to 1235 kg/ha in 2011/2012.  
- Reach production of 725 Mt in 2011/2012 in Itigi.  
- All new 544 producers are trained in uses and made aware of the advantages of using ox-plough and weeder, sprayers and protective gear.  
- Due to the productivity gain, price premium (10-15%) and other supporting activities, producers’ income increased by 10-20%. | - Internal inspection results and certification.  
- Farmer’s opinion and farmer groups interviews.  
- Records kept from financial contribution  
- Keeping records of the number of meetings  
- Records kept by extension staff on farmer’s registration, productivity, acreage etc.  
- Mid term progress report in January.  
- Annual financial report.  
- Field visits. | - The production, productivity and income increase are based on average weather conditions and extreme weather circumstances might influence the indicators.  
- It is assumed that cotton prices will not differ greatly from the trend of the past 3-4 years.  
- It is assumed that the local and regional government remains positive towards organic production. |
| **Objective 2: Reinforce the capacities of primary societies and formalise their relationship with Biosustain (social organisation)** | - Expand the programme for sensitisation of farmer members of the primary societies that Biosustain is working with;  
- Develop a training programme for the board of primary societies on adequate management  
- Research into the most suitable form of formalising the relationship between the primary societies and Biosustain, plus running a trial  
- Explore the option of Fairtrade certification > Go/No Go decision  
- Go: Action Plan for compliance | - At least 50% of the primary societies Biosustain is currently working with has been sensitised on the advantages of self-organisation and trained on PO management techniques.  
- The best suitable form for formalising the relationship between the primary societies and Biosustain has been identified and trialled, and can be scaled up in future  
- Result report of Fairtrade GAP analysis and (in case of a Go), an Action plan for compliance | - Elaborated programme document and reports of sensitisation- and training activities  
- Research study report including trial suggestion  
- 2 or 3 primary societies identified for trial and trial executed  
- Result report of Fairtrade GAP analysis | - Farmers are interested to increase their involvement with Biosustain and secure the relationship |
| **Objective 3: To capacitate Biosustain and its staff** | - Organize basic computer training and training in software like Microsoft Office.  
- Train in accounting package like Tally (trainer’s fees, food and accommodation)  
- Four extension staff based in the local office in Manyoni trained in various computer skills.  
- Two operational managers and the managing director trained in mastering the accountancy software ’Tally’. | - Expansion of current business plan will be expanded by a long-term donor independent business model, feasibility study for vertical integration and a social organisation building plan. | - Reports produced using new software  
- Financial reports prepared using new software. | |
| **Objective 4: Business planning** | - Develop long term donor independent business model and social organisation building plan.  
- Impact assessment farm level  
- Feasibility study of further vertical integration, yarn/textiles. | - Farm level assessments  
- Business plan.  
- Various report of consultants. | | |

Annex II, Page 3
ANNEX III - Action plan 1 PO Zambia 2011

COTTON ASSOCIATION OF ZAMBIA (CAZ)

Background

CAZ is a member-based organization, which was formed in the year 2005 based on the Cotton Act (1999) and the Agricultural Credit Act. CAZ, being a member based organization, implements its activities through organized smallholder cotton farmers groups. In principle, CAZ represents all cotton farmers (i.e 290,000 farmers), but farmers have to pay annual membership or commitment fee (of ZKW 10,000) to benefit from CAZ support. Currently, CAZ has organised farmers into 880 study circle groups, each study circle group having averagely 15 farmers (i.e 13,200 farmers). CAZ’s objective is to double the number of study circle groups (i.e to 1760 study circle groups) and consequently number of farmers will also double to 26,400.

Cotton farmers are organized under cotton committees, which later form an Information Centre (IC) cotton committee, under the Zambian National Farmer’s Union (ZNFU) structures. Representatives of the various Information Centres (ICs) elect a District Cotton Representative and the cotton representatives form a District Cotton Committee (DCC). The chairperson of the DCC joins the District Farmers’ Association Executive Committee (DFAEC), and so he becomes a CAZ council member (i.e. CAZ councillor). The council is the supreme organ of CAZ. The council has about 34 members (councillors) representing various Districts and Cotton Associations. The council elects a chairman (CAZ Chairman) and also the council members elect a CAZ Executive Committee of eight people. CAZ is affiliated to ZNFU and hence ZNFU is represented in the Council and the Executive.

In addition to having the executive committee, the 34 councillors are disintegrated into four sub committees, (i) The extension and input supply committee, which handles the issue of input supply, (ii) Membership and disciplinary committee, which handles members’ mobilization and discipline, (iii) Constitution and ethics committee, which develops guidelines, reviews and amends the constitution, (iv) a committee which handles staff and staff matters. The memberships to the four sub committees are drawn from the councillors. CAZ is a national organization hence its structure is different from that of other farmer groups.

The day-to-day’s running of the association and its program activities is done by the CAZ secretariat, which develops the work plans and budgets with consultations with the members. The secretariat is headed by the national coordinator and has ten other members of staff. The secretariat will implement the ProCotton program support activities and hence will be responsible for reporting to ProCotton.

Different farmers are linked to different supply or value chains of the different cotton ginners as the farmers produce and sell cotton to the cotton (ginning) companies. Ginning companies have traditionally been responsible for providing inputs and extension services. The quality, outreach and interest of such services have been questioned. Extension services provided by the ginning companies are only given to a few farmers registered with the respective ginning companies. Services are only limited to those services that relate to and is connected enabling the farmer pay back the input credit. As such in-depth technical advice can go lacking or not given priority in some cases.

It should be noted at this point that CAZ was formed as an advocacy and lobby agency, with the principal role of advocacy for and ushering farmer’s interests on behalf of cotton farmers. CAZ has been instrumental in bargaining and negotiating for fair cotton prices and fair prices for inputs. Due to the weaknesses of the existing extension system and the cavernous gap in
extension, in addition to the advocacy and lobbying activities, CAZ is undertaking various initiatives, some of them aiming at enhancing extension service to its members, and others relate to enhancing farmers access to inputs and access to markets for their outputs. Extension support, increasing membership base and enhancing market access are the basis of cooperation with CAZ on the ProCotton program.

**Needs assessment**

**Results of needs assessment**

An assessment of areas of needs of CAZ was conducted with the CAZ secretariat. The assessment focused on three key areas; production, internal organisation and market. The needs assessment revealed that CAZ has a weak, but growing membership base, CAZ has good staffing and staff has relevant knowledge and competences and clarity on tasks and responsibilities, although the organisation desires to have a staff with specialised skills to undertake donor relations and fundraising and also CAZ need to upgrade its other communication facilities like the Internet. The financial performance of CAZ is not strong as CAZ is not a profit-making organisation. CAZ has clarity in its long-term perspectives and focus and this is exemplified in a strategic plan, which spells out CAZ’s strategic plans for 2010 to 2015.

CAZ secretariat is the implementing organ of the ProCotton program and will directly report to ProCotton on the progress of the program. However, bearing in mind the entry point of the ProCotton program are farmers POs, ProCotton program will support farmer related programs that CAZ is undertaking. Indeed the needs assessment focused on CAZ but looked at how CAZ should be enabled to reach out to the targeted 26,400 farmers who will be beneficiaries of CAZ farmer programs.

Farmers supported by CAZ are located in the three main cotton-growing provinces. ProCotton will work with farmers at the IC levels. CAZ has been getting support from various donors, including CORDAID, and most of the donors working with CAZ support specific activities or output areas in the strategic plans of CAZ. ProCotton’s support will target the output area of increasing production and productivity through enhancing extension. Due to its competencies, CAZ secretariat will directly be responsible for the implementation of the ProCotton programs and will report to ProCotton. The cotton committee are a basic unit of farmer organisation and will be instrumental in the implementation of some elements of the ProCotton program. The outcome of the needs assessment of the PO was plotted in a spider web as shown in figure 2 below.

**Figure 2: Spider web presentation of outcome of CAZ needs assessment**
Areas for improvement

Under production, some areas like the PO services was revealed to be weak, because, being a lobbying and advocacy organisation, CAZ does not directly undertake business function like buying and transporting cotton to ginners. Also CAZ scores on external relations was revealed to be poor as CAZ ‘s relationships with clients, cotton (especially ginners) community and clients (cotton farmers) need improvement although the tainted relationship between CAZ and ginners is understandable as in recent years CAZ has been pushing the ginners for better terms for inputs for farmers and better prices for farmer’s cotton.

Logical framework for ProCotton – CAZ support program

The logical framework was derived from the needs assessments of CAZ. The overall goal of ProCotton cooperation with CAZ is similar to the goals of ProCotton i.e to improve the income position of small holder cotton producers in Zambia by enhancing the social, economic and environmental performance of cotton production. Since the entry point for ProCotton is the producer groups, the project purpose or projects specific objectives are related to improving the mechanisms of how CAZ delivers its services to its clients - the farmers and also improving the services CAZ delivers to the farmers. To establish the project specific objectives the consultant used the Needs Assessment Scoreboard (NAS), supplemented by a discussion with the organization. Needs Assessment Scoreboard (NAS), and the discussion with the organization helped to identify objectives of the program and it also relate program objective directly to the six support areas of ProCotton. Table 1 below presents the logical framework of the Pro Cotton support project for 2011 and table 2 presents activities and inputs.

To achieve the overall goal of improving the income position of smallholder cotton producers, the ProCotton CAZ partnership needs to strengthen the roles CAZ can play in the cotton subsector development by building strong administrative and linkage between ICA, DFA and CAZ secretariat. Also there is need to the partnership to support initiatives for increasing CAZ farmer membership base and also capacitate CAZ to effectively deliver in the area of extension service provision. ProCotton also needs to support initiatives of linking self-financed cotton farmers to access production inputs and markets.

In the backdrop of poor extension services for cotton subsector, CAZ has innovated to come up with a cost effective way of delivering extension. CAZ has mobilised farmers in study circle groups where they get training on best agronomy for cotton. Extension staff (Study circle group facilitator) facilitate study circle groups. There are averagely 15 farmers in one study circle group. There are currently 880 study circle groups. The idea is for the number of the study circle groups to double by 2011 season. CAZ intends to scale out this extension outreach program by increasing the number of farmers in the study circle groups. For the groups to expand, each member of the study circle group should recruit at least two members.

In addition CAZ has been piloting initiatives of link cotton farmers to access production inputs and markets as opposed to farmers getting inputs from ginners. The added value in this initiative is that when a farmer accesses inputs form the market, he gets it at a market price, which can be cheaper than the price for input the ginners charge, since there is no interest to be paid. Ginning companies use the inputs they give farmers as a bait to attract farmers and sometimes, during the season for selling cotton, (usually about 6 month from the time a farmer got the input) an interest is charged on the input, making it more expensive for a farmer. CAZ intends to organize farmers and link them to wholesale input dealers who can supply farmers the inputs and a market price and without charging interest, hence increasing gains to farmers. Farmers can save up to ZMK 50 or more, per package of insecticide when buying inputs at the market rate.
Currently, CAZ is piloting the self-financing of inputs by farmers and 3,500 farmers, a sample from the 26,400 farmers earlier mentioned are 2012 targeted for this project under ProCotton. Number of farmers self-financing inputs is expected to increase to about 5,000 in 2012. Hectares of cotton farms range from 1 to 1.5. Rarely, some farmers have 2 hectares. We expect hectares of cotton to increase to above 10,000 given there will be 5,000 farmers.
<table>
<thead>
<tr>
<th>Narrative Summary</th>
<th>Objectively verifiable indicator (OVI)</th>
<th>Means of Verification (MOV)</th>
<th>Assumptions/risks</th>
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<tr>
<td><strong>Overall Goal (Overall objective) national level</strong></td>
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<tr>
<td>- To improve the income position of small holder cotton producers in Zambia by enhancing the social, economic and environmental performance of cotton production</td>
<td>- Contribution to production of seed cotton increased from 75,000 Mt of cotton in the last production season to 150,000 Mt by end of 2011-production season (national level)</td>
<td>- Ministry of Agriculture cotton subsector reports</td>
<td>- Timely delivery of inputs and support (extension and business development) services</td>
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<td>- Yield of cotton increased from the current 650 kg/Ha to 1,200Kgs/Ha.</td>
<td>- Ginners records</td>
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<td>- All farmers working with the CAZ are able to adopt and practice conservation farming methods</td>
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<td>- An equal percentage of women are involved and benefit from cotton production under CAZ</td>
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<tr>
<td><strong>Project Purpose (Specific Objectives)</strong></td>
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<tr>
<td>- Build strong administrative and linkage structure between ICA, DFA and CAZ secretariat.</td>
<td>- 100% of membership fee paid is remitted to CAZ secretariat by December of each year.</td>
<td>- Percentage of membership fee remitted</td>
<td>- Paid up members are free to contest and members are free to choose contestant of their choice</td>
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<td>- 100% of membership payments are documented and declared to all members during the AGM at IC level.</td>
<td>- Receipt books</td>
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<td>- Democratic elections are held every two years</td>
<td>- Minutes of AGMs</td>
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<td>- Minutes or AGM of years when elections are held</td>
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<td>- 70% of each member of the study circle group recruit at least two new members</td>
<td>- The reports of the study circle leaders, organisers and field facilitators.</td>
<td>- Effective flow of information from the study circle group members</td>
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<td>- A field facilitator forms at least 8 new study circle groups of farmers each year.</td>
<td>- Report of the field facilitator</td>
<td>- CAZ continues to provide positive incentives to the members.</td>
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<td>- 50% increase in the number of women and female headed households in the new groups formed.</td>
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<td>- Availability of finances</td>
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<tr>
<td>- Enhance extension service provision of CAZ.</td>
<td>- A 50% increase in the number of study circle organisers by end of 2011</td>
<td>- The reports of the study circle leaders, organisers and field facilitators.</td>
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<td>- A 50% increase in the number of study circle groups by end of 2011</td>
<td>- Report of the field facilitator</td>
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<td>- At least 5,120 pairs of study circle materials translated and printed in two local languages</td>
<td>- Extension Training Officer (ETO) report</td>
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<td>- At 400 on-farm demonstrations are conducted each year</td>
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<td>- All farmers under CAZ adopt best farming practices</td>
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<td>- Support initiatives of linking self financed cotton farmers to access production inputs and markets.</td>
<td>- At least 5,000 farmers sell self-financed cotton in 2011/12 season if the pilot with 3000 farmers prove successful.</td>
<td>- DFA reports</td>
<td>- CAZ has good relationship with ZNFU and DFAs</td>
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<td>- At least 11,000 Hectares of cotton grown under the self financed scheme by 2012 or 2011</td>
<td>- Business Development Officer (BDO) report</td>
<td>- CAZ is able to access funds for pre financing inputs</td>
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<td>- Ginning company reports</td>
<td>- The study circle groups in the pilot</td>
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At least 30% of the women supported by CAZ accesses inputs through the linkage to inputs under the self financed scheme.

### Expected Outputs (Results)

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<tr>
<th>Expected Output (Result)</th>
<th>Evidence</th>
<th>Additional Information</th>
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<tr>
<td>Strong administrative and linkage structure between ICA, DFA and CAZ secretariat enhanced.</td>
<td>- Receipt books</td>
<td>CAZ has good relationship with ZNFU and DFAs</td>
</tr>
<tr>
<td></td>
<td>- Minutes of AGMs</td>
<td>CAZ is able to access funds for pre financing inputs</td>
</tr>
<tr>
<td></td>
<td>- Minutes or AGM of years when elections are held</td>
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</tr>
<tr>
<td>CAZ initiatives for increasing membership base enhanced</td>
<td>- Number of new study circle groups double, reaching at least to 1,760 by end of 2011 production season.</td>
<td>Reliable and timely funding</td>
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<td>- Total number of study circle groups increase from the current 880 to 1,760 by 2011.</td>
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</tr>
<tr>
<td>Extension service provision of CAZ enhanced</td>
<td>- Number of farmers getting extension message from study circle groups increases form 13,200 to 26,400 by end of 2011. Yields increase from 650kgs/ha to 1,200kgs/ha by 2012</td>
<td>CAZ is able to access funds for pre financing inputs</td>
</tr>
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<td>- Number of farmers getting technical /extension advice through on-farm demonstrations increase from 880 to 2640 by 2012.</td>
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<td>- All farmers of CAZ adopt sustainable farming practices (e.g. conservation farming, crop rotation etc)</td>
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</tr>
<tr>
<td>Initiatives of linking self financed cotton farmers to access production inputs and markets enhanced</td>
<td>- Number of institutions farmers are linked to by CAZ increase from 0 to 5 by end of 2011</td>
<td>Input dealers welcome the idea</td>
</tr>
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<td>- The number of farmers selling self financed cotton increase from 0 to 3,500 by</td>
<td>The pilot worked successfully</td>
</tr>
<tr>
<td></td>
<td>- Number of Hectares of cotton produced through self-financing from 0 to 4,500 hectares in 2011</td>
<td>Ginnors do not retaliate or oppose the idea</td>
</tr>
<tr>
<td></td>
<td>- Business Development Officer (BDO) report</td>
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<td>- Report of the field facilitator</td>
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</tr>
<tr>
<td></td>
<td>- Extension Training Officer (ETO) report</td>
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<tr>
<td></td>
<td>- The reports of the study circle leaders, organisers and field facilitators.</td>
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Table 2: Activities and inputs for CAZ – ProCotton support program

<table>
<thead>
<tr>
<th>Activity</th>
<th>Expected Output 1: Strong administrative and linkage structure between ICA, DFA and CAZ secretariat enhanced.</th>
<th>Expected Output 2: CAZ initiatives for increasing membership base enhanced.</th>
<th>Expected Output 3: Extension service provision of CAZ enhanced</th>
<th>Expected Output 4: Initiatives of linking self financed cotton farmers to access production inputs and markets enhanced</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.1 Provide trainings to IC, DFA and cotton area associations on democratic governance and organisation management.</td>
<td>2.1 Conduct sensitisation meetings at IC levels by Field Facilitators and study circle organisers/leaders.</td>
<td>3.1 Translate, print and distribute a pair of study circle materials</td>
<td>4.1 Identify and hold meetings with potential input suppliers</td>
</tr>
<tr>
<td></td>
<td>Consultant EBDO</td>
<td>FFs,SCO</td>
<td>EBDO,FAO</td>
<td>EBDO,FAO</td>
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<tr>
<td></td>
<td>1.2 Training in record keeping and financial management</td>
<td>2.2 Record and broadcast CAZ promotion materials in two local languages – about CAZ and benefits a farmer get from being a member.</td>
<td>EBDO</td>
<td>EBDO</td>
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<tr>
<td></td>
<td>Consultant EBDO</td>
<td>FFs,SCO</td>
<td>EBDO</td>
<td>EBDO</td>
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<td></td>
<td>1.3 Trainings in group dynamics and conflict resolution</td>
<td>3.2 Establish additional study circle groups</td>
<td>EBDO</td>
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<td></td>
<td>Consultant EBDO</td>
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<td>EBDO</td>
<td>EBDO</td>
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<td>1.4 Training in contract negotiations and negotiation skills</td>
<td>3.3 Procure bicycles for study circle organisers</td>
<td>FAO</td>
<td>FAO</td>
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<tr>
<td></td>
<td>Consultant EBDO</td>
<td></td>
<td>FAO</td>
<td>FAO</td>
</tr>
<tr>
<td></td>
<td>1.5 Technical assistance and mentoring in financial management, records keeping and filing</td>
<td>3.4 Train study circle organiser and leaders in study circle extension and training methodology</td>
<td>EBDO,FFs</td>
<td>EBDO,FFs</td>
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<tr>
<td></td>
<td>Consultant EBDO</td>
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<td>EBDO,FFs</td>
<td>EBDO,FFs</td>
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<td></td>
<td>1.6 Review, strengthen or set up a democratic electoral procedures</td>
<td>3.5 Monitoring and backstopping support to study circles</td>
<td>EBDO,FAO,FFs</td>
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<td></td>
<td>Consultant EBDO</td>
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<td>EBDO,FAO,FFs</td>
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<td></td>
<td>1.7 Strengthening, administrative, communication and reporting system between CAZ, IC, and DFAs.</td>
<td>3.6 Organising and holding of farmer field days</td>
<td>EBDO,FFs</td>
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<td></td>
<td>Consultant EBDO</td>
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<td></td>
<td>2.1 Conduct sensitisation meetings at IC levels by Field Facilitators and study circle organisers/leaders.</td>
<td>3.7 Organise and hold on-farm demonstrations</td>
<td>EBDO,FFs</td>
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<td></td>
<td>FFs,SCO</td>
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<td></td>
<td>2.2 Record and broadcast CAZ promotion materials in two local languages – about CAZ and benefits a farmer get from being a member.</td>
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<td>EBDO,FAO</td>
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<td>FFs,SCO</td>
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<td>EBDO,FAO</td>
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<td></td>
<td>2.3 Establish additional study circle groups</td>
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<td>EBDO,FAO</td>
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<td></td>
<td>EBDO</td>
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<td>EBDO,FAO</td>
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<td></td>
<td>2.4 Train study circle organiser and leaders in study circle extension and training methodology</td>
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<td>2.5 Monitoring and backstopping support to study circles</td>
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<td>2.6 Organising and holding of farmer field days</td>
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<td>2.7 Organise and hold on-farm demonstrations</td>
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<td></td>
<td>3.1 Translate, print and distribute a pair of study circle materials</td>
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<td>EBDO,FAO</td>
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<td></td>
<td>3.2 Establish additional study circle groups</td>
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<td>3.3 Procure bicycles for study circle organiser</td>
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<td>FAO</td>
<td>FAO</td>
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<td>FAO</td>
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<td></td>
<td>3.4 Train study circle organiser and leaders in study circle extension and training methodology</td>
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<td></td>
<td>3.5 Monitoring and backstopping support to study circles</td>
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<td></td>
<td>3.6 Organising and holding of farmer field days</td>
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<td></td>
<td>3.7 Organise and hold on-farm demonstrations</td>
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<td></td>
<td>4.1 Identify and hold meetings with potential input suppliers</td>
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<td></td>
<td>4.2 Train field facilitators and cotton farmers in production planning, savings and mobilising input credit</td>
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<td></td>
<td>4.3 Monitoring and backstopping activities of piloting self financing methodologies</td>
<td></td>
<td>EBDO,FAO</td>
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<td></td>
<td>4.4 Evaluate pilot on self financing methodologies</td>
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<td></td>
<td>4.5 Document best practices and finalise self financing methodologies</td>
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<td></td>
<td>4.6 Support initiatives to link self financed farmers to markets</td>
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<td>EBDO,FAO</td>
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</table>

**Note:** Activities and inputs for CAZ – ProCotton support program are distributed as follows:

- **3rd Quarter:** J, A, S, O, N, D
- **4th Quarter:** J, F, M, A, M, J
- **1st Quarter:** J, A, S, O, N, D
- **2nd Quarter:** J, F, M, A, M, J

**Staffing:**

- **Consultant EBDO**
- **EBDO,FAO**
- **FFs**
- **SCO**
- **EBDO**
- **Field Facilitators**
- **Finance & Administration Officer**
- **Extension & Business Development Officer**

**Expected Outputs:**

1. Strong administrative and linkage structure between ICA, DFA and CAZ secretariat enhanced.
2. CAZ initiatives for increasing membership base enhanced.
3. Extension service provision of CAZ enhanced.
4. Initiatives of linking self financed cotton farmers to access production inputs and markets enhanced.
Explanation of activities

- This project is focussing mainly on strengthening and expanding CAZ extension services to its farmers. The priority is productivity improvement, which will directly benefit farmer’s income. CAZ has fairly competent staff of agronomists. Some external expertise will be hired to improve quality and knowledge level.

- The extension services will follow the existing CAZ model with study circles of farmers, providing regular trainings to farmers in the villages. Moreover, field demonstrations will be used. The focus of the trainings will be good agricultural practises, aiming for improved soil fertility, crop protection and application of fertilisers. CAZ has already been facilitating “Cotton based” farming system. This is a farming system in which cotton is taken to be the central crop but it is grown in rotation with other crops, mostly legumes. As part of this ProCotton project, CAZ will promote more and more sustainable farming practices, including e.g. elements of integrated pest management and “decent work” (improving social conditions for farmers and workers on the field).

- External expertise would be needed in strengthening the management and operation systems of CAZ. CAZ will solicit services of a consultant to undertake trainings for ICs and cotton area associations in democratic governance, organisation management and records keeping.

- To increase the membership, farmer members who are already attending study circle groups will be encouraged to recruit others. CAZ will translate, print and distribute the study circle materials, which will be used by facilitators to train farmers in best cotton farming practices.
**Observation and conclusion**

CAZ is currently piloting private input financing scheme, whereby farmers will be linked to private input supplier and the input suppliers can later recover their costs for inputs after a farmer has sold cotton. This was an innovation by CAZ after a realisation that ginners give farmers inputs before the price of seed cotton is known and if during the buying season price of cotton is low (usually if lower than price for the previous season) ginners are not willing to cushion farmers from the double loss due to high input prices and the fall in the price of cotton.

Like it was the case with COMACO, CAZ is interested in establishing a credit facility or a production pre-financing mechanism for farmers. The idea is that the credit facility would be linked to the farmer self financing program currently being piloted by CAZ. It is also advisable that if ProCotton can finance the pilot, CAZ pilots the loan with a few progressive farmers, for at least a season. Lessons learnt from such pilots can then be used to map way forward for establishing the credit facility.
ANNEX IV - Action plan 2 PO Zambia 2011

COTTON ASSOCIATION OF ZAMBIA (CAZ)

Proposed 2nd Service project with CAZ

Summary of the action

The action will enable CAZ to develop and test the methodology to train around 12,000 cotton farmers in areas of cotton crop rotation systems and conservation farming technologies including water harvesting methodologies which would enable the 12,000 farmers to substantially increase their cotton yields and incomes. This will make cotton a much more viable cash crop amongst the participating farmers who are living in the rural areas of the country. Based on the CAZ finalized and tested training methodologies in crop rotation and integrated production and pest management (IPPM) systems linked to conservation farming, the cotton growing systems are expected to be replicated by other cotton farmers and thereby further improving the livelihoods of more cotton farmers. To ensure sustainable crop production the action shall promote seed multiplication of legumes for purposes soil fertility improvement in the cropping system. Furthermore the strategic combination of crops in the cotton based farming system crop production through integrated crop production and pest management shall improve income generation and dietary diversity at household level. The integrated crop production and pest management would significantly reduce pesticide use in the cropping system as farmers shall be trained in integrated pest management (IPM).

What are the problems to be resolved and the needs to be met?

Unacceptably low cotton yields which average between 600-650kgs/ha depending on climatic conditions are the most important constraint facing the industry. Unattractive returns to labour (in particular) resulting from poor management practices have also impacted negatively on the industry. Addressing the low cotton yields, improving access to affordable, quality legume seeds and poor crop pest management through appropriate integrated crop production and crop pest management and adoption of conservation farming methodologies will be the key problems which will be solved by the action. The action will foster the emergence of above 12,000 well organized cotton farmers who will have the knowledge and expertise to consistently achieve seed cotton yields of 1000 kgs/ha to 1,200 kg/ha under correct and reduced insecticide application.

The action will also improve or stabilize soil fertility, reduced tillage, early accurate seeding, November rainwater harvesting, rapid and even crop emergence and crop rotation with nitrogen fixing legumes, participating farmers will increase yield by 40 to 50% in the first year of adoption and benefit from further increments as soil fertility improves. The action will enable the participating farmers to comply with specific agronomic practices related to cotton including integrated pest management (IPM) and the utilisation of herbicides for weed control which will further increase yields and reduce excessive labour inputs and costs.

The action will enable CAZ and the Ginning Companies to develop a core of over 12,000 highly skilled, loyal and productive farmers with improved food security and incomes. Due to the size of the cotton sector (over 250,000 smallholders) the farmers participating impact will be substantial. The action will enable CAZ to test and finalise training methodologies with regard to appropriate integrated crop production and crop pest management linked with conservation farming techniques and these methodologies will subsequently be used by the out-grower promoting companies’ training programmes (Continental Ginneries Limited (CGL), Cotton Development Trust (CDT), Golden Valley Agricultural Research Trust (GART), In-Service Training Trust (ISTT), Ministry of Agriculture and Cooperatives (MACO) training agents, Conservation Farming Unit (CFU) as well as Cotton Association of Zambia (CAZ) through the Zambia National Farmers’ Union (ZNFU).
Who are the actors involved (final beneficiaries, target groups)?

The following groups and interested parties have been identified as beneficiaries: Cotton Farmers and their families: through increased incomes from improved yields. The smallholder cotton farmers are resource poor that depend on pre-financing from cotton out-grower promoting companies. These farmers have limited access to animal draft power and cultivate between one and three hectares of cotton, which limits their income earnings. This is one of the crops with low female participation and hence the need to facilitate their increased participation through the promotion, adoption, dissemination of labour saving and gender sensitive technologies.

The other important actors are:

b) CAZ operational structures, 200 Information Centres through study circle groups, which will be used to mobilise the farmers, improve governance and good ethics.

c) Cotton Ginner CGL will be able to finance and market increased cotton produced.

d) ISTT, CFU and CDT, will be the key training institutions.

e) GART will provide research and technical back-up on such as Farming systems research and conservation agriculture while on the other hand CDT will provide research and development in the area of varietal development and maintenance breading.

What are the objectives and expected results?

Overall Objective:
To increase food and income security among smallholder cotton farmers and contribute to the development of the cotton sector through improved seed cotton yields.

Specific Objective:
To increase cotton productivity from the current 650kgs/ha to 1000 kgs/ha (rainfed) and reduce number of sprays from five to three per season among smallholder cotton farmers through promotion, adoption and dissemination of a cotton based farming system using appropriate integrated crop production and crop pest management coupled with conservation farming technologies over a period of eighteen (18) months.

The training methodology in using appropriate integrated crop production and crop pest management with conservation farming technologies developed by CAZ through the action will subsequently be replicated through other CAZ programmes, out-grower training programmes and MACO extension staff. This approach will assure continuity and sustainability of the action.

Expected results

• 12,000 farming households trained in use of rotational crops for cotton for soil fertility restoration and human and livestock nutrition.
  • 1000 smallholder farmers trained in seed multiplication
  • 5 CAZ staff trained in seed inspection and treatment
  • The farmers reduce spraying regime from 5 sprays per season to three.

• 12,000 farming households trained in conservation farming technologies as well as rainwater harvesting through on-farm demonstrations, field days and the media.

• 12,000 farmers are able to increase their seed cotton yields to 1000kgs/ha

• 1000 Seed Growers sensitized in entrepreneurship skills
• 12 CAZ staff trained in Integrated Pest management

• CAZ training methodology in appropriate rotations coupled with conservation farming techniques developed.

What is the value of the action (what adds to the action by reference to (central or local) government action and actions implemented by non state actors)?

Currently, there is no cotton based farming system in Zambia using integrated crop production and crop pest management system and hence there is need to promote one to enhance cotton productivity and efficient use of insecticides and subsequently improve incomes among smallholder cotton farmers. The system will stabilize crop yields due to restoration and maintenance of soil fertility and farmers shall start to view and carryout cotton production as a business. Adoption will offer the biggest avenue of dissemination of the research results in farming systems research and conservation farming.

Methodology and Sustainability

The Cotton Association of Zambia in mid 2010 adopted study circle extension and training methodology for dissemination and promotion of recommended production technologies as well as market information to smallholder cotton producers. The study circle extension approach will be used in the dissemination and adoption of integrated crop production and crop pest management System.

The approach is dependent on farmers forming interest groups made up of a maximum of sixteen farmers. In this case the interest would be cotton production. At district level the extension approach is managed by Cotton Association of Zambia Field Facilitators who supervises an average of 20 Study Circle Organizers (SCO). The Study Circle Organizers are farmer volunteers picked from an information centre (IC) and an information centre is the smallest organizational unit under the CAZ structure. On average an IC has an average of 450 farmers.

Once the SCOs are identified, they are trained in the study circle extension and training methodology. At the completion of the insights of the approach each SCO facilitates formation of a maximum of ten study circle groups. Each study circle group then elects a study circle leader whose main function is to oversee the holding of study circle session and ensure equal and free participation of all the group members.

For the groups to function, relevant study circle materials are developed, produced and provided to the groups. In the case of the Dissemination and Adoption of Cotton Based Farming system, the study circle materials are already available while the study material for integrated pest management would be required to be developed.

Under the current network of study circles, the Association has 80 study Circle Organizers with a potential of organizing 800 study circle groups with an average of 14 members per group. With the expansion of study circle activities with the other Solidaridad project, number of study circle organizers would increase to 120 with a potential of organizing 1,200 study circle groups. This would give an outreach of 17,000 farmers by June, 2013 (18 months of the project)

Currently the Association has about 6,000 and it is targeted that by mid 2012 shall have reached 12,000 smallholder farmers in integrated production and pest management (IPPM).
Continental Ginneries Limited would be the key partner in the implementation of Integrated Production and Pest Management Project. The Association already has good collaboration experiences with Continental Ginneries Limited drawn from the implementation of value addition activities under the value addition CAZ Programme outcome area. The out-grower company shall provide cotton seed to demonstration farmers in the study circle groups and eventually buy off the crop from the farmers.

**Area of operation**

The other Solidaridad proposal is aiming at up scaling of the CAZ coverage area from the six pilot districts namely Mumbwa, Kabwe, Mazabuka, Choma, Katete and Chipata to include 15 other districts as follows. In Eastern Province: Chama, Lundazi, Mambwe, Chadiza, Petauke and Nyimba Districts. In Central Province: Kapiri Mposhi, Chibombo, Kafue and Chongwe Districts and in the Southern Province Siavonga, Monze, Kalomo, Gwembe and Sinazongwe Districts.

**Who will be our main implementing partners, what is the length of your relationship with them and how will they be involved in the project?**

f) Golden Valley Agricultural Research Trust (GART) specialized in cropping systems research. CAZ has been associated with GART since 2005 when the latter was the fund manager of the grant to the former under the Agricultural Innovation Fund (AGRIFU). CAZ has been participating in the trainings and field days as well as open days that have been organised at GART. For the promotion of Guar as a rotational crop and additional source of income for the smallholder cotton farmers, CAZ shall work with GART. The Trust shall supply the Guar seed to the cotton farmers and be able to provide limited training and technical back up service.

g) In-Service Training Trust (ISTT) and Conservation Farming Unit (CFU). The two institutions will carry out the outfiel farmer training sessions in conjunction with the Association and the Swedish Cooperative Centre through their study circles. CAZ has been associated with the two (02) institutions since 2005.

h) Cotton Development Trust (CDT)  
   This institution is responsible for varietal research and development of cotton in Zambia. In addition, they also provide training and seeds to farmers. CAZ has been closely working with CDT since 2005.

The Association will work with Continental Ginneries Limited and the other various cotton companies who shall provide cotton seeds and chemicals to the farmers.

**What will the impact of the action/project be on its targeted beneficiaries?**

The impact of the action will be increased knowledge, skills, productivity, increased food and income security among smallholder cotton farmers. The seed cotton yields are expected to increase from the current 650Kgs/ha to 1000 kgs/ha over a period of eighteen (18) months and which may be noticed even in the first season. The inclusion and adoption of legumes (Groundnuts, Soybeans and Cowpeas) in the cotton based farming system will provide additional sources of income to cotton farmers and will stabilize yields due to soil fertility restoration and maintenance. Due to increased productivity and reduced loan burden due to efficient insecticide use, the negative issues of loan defaulting and side selling among farmers will be minimized and more seed cotton to buy both for the benefit of the cotton farmers and ginning companies.
Will it have multiplier effects?

The improvement in seed cotton productivity is expected to be replicated throughout the cotton sector in Zambia and will involve about 250,000 households through the out-grower training programmes, MACO extension activities and CAZ follow up programmes. Increased production will make Zambia a more viable cotton country as ginning companies will be able to improve their utilisation of the installed ginning capacities and thus be in a position to improve the seed cotton prices paid to farmers. Increased cotton production would also act to re-invigorate the textile industry as more cotton lint would be available. The extraction of cotton cooking oil would also expand thereby help to reduce the imports of edible oil into the country. The resultant cotton cake would be available to livestock farmers to improve and increase meat stocks and milk production and further enhance local participation in the value chain. Furthermore the reduction in volumes of insecticides applied would reduce environmental pollution such underground and surface water consequently reducing harm to soil micro-organisms.

Budget

Two-years Summary budget Service project 2 CAZ

In the first table below the planned costs per budget category are presented for the second service project with CAZ. For component 2 no budget costs have been planned since all general costs have already been mentioned in the first service project budget summary.

<table>
<thead>
<tr>
<th>Costs per budget category Year 1</th>
<th>CFC Contribution</th>
<th>PC Partners</th>
<th>Total Cost</th>
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</thead>
<tbody>
<tr>
<td>Component 1:</td>
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</tr>
<tr>
<td>I Vehicles, Machinery and Equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>III Materials and Supplies</td>
<td>19.900</td>
<td>8700</td>
<td>28.600</td>
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<tr>
<td>IV Personnel</td>
<td>-</td>
<td>-</td>
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<tr>
<td>V Technical Assistance and Consultancy</td>
<td>13100</td>
<td>-</td>
<td>13.100</td>
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<tr>
<td>VI Duty Travel</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VII Dissemination and Training</td>
<td>-</td>
<td>17.500</td>
<td>17.500</td>
</tr>
<tr>
<td>VIII Operational Costs</td>
<td></td>
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<tr>
<td>Subtotal</td>
<td>33.000</td>
<td>28.200</td>
<td>61.200</td>
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<tr>
<td>*Overall Programme Coordination PEA</td>
<td>10.000</td>
<td>-</td>
<td>10.000</td>
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<tr>
<td>Total costs</td>
<td>43.000</td>
<td>28.200</td>
<td>69.200</td>
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</table>

The table below represents the planned costs for the second service project in Zambia under CAZ coordination for year 2. The specification the planned budget categories and activities will be discussed and made during the implementation of year 1 and presented to the PEA.
### Timetable and planning for the different activities Service project 2 with CAZ

<table>
<thead>
<tr>
<th>Output/Activity</th>
<th>Year 1</th>
<th>Year 2</th>
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<tbody>
<tr>
<td><strong>Output 1: Integrated crop Production and pest management is promoted to enhance productivity, soil fertility restoration and human and livestock dietary diversity</strong></td>
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<tr>
<td>1.1 Conduct ToT in Integrated production and Pest Management (IPPM) (12) Field Facilitators and study circle level</td>
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<td>1.2 Conduct ToT in Seed inspection and processing training for 12 Field Facilitators.</td>
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<tr>
<td>1.3 Conduct Seed multiplication and processing training for 450 seed growers.</td>
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<tr>
<td>1.4 Conduct, Procure and distribute inputs for 450 IPPM on-farm demonstrations at study circle group level (Groundnuts and soybeans, herbicide and ULV).</td>
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<tr>
<td>1.5 Train 12, 000 farmers in use of IPPM system through IPPM mentors.</td>
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<tr>
<td>1.6 Promote and procure 80 Ultra low volume sprayers (ULV) for female cotton farmers</td>
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<td>1.7 Compile and produce IPPM study material 1000 leaflets.</td>
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<tr>
<td><strong>Output 2: Conservation Farming Technologies and IPPM are disseminated through on-farm demonstrations, trainings, Field days and media</strong></td>
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<tr>
<td>2.1 Conduct 450 IPPM  on-farm demonstrations</td>
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<tr>
<td>2.2 Conduct 80 on-farm field days</td>
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<td>2.3 Recording and broadcasting of radio programmes</td>
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<td>2.4 Conduct technical backstopping and M and E</td>
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<td>2.5 Mid and end of year and end of assignment report writing</td>
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