

TRANSFORMING OIL TO SOAP: THE CASE OF MULONDOLWA JATROPHA INDUSTRY

Author: Kapalu Muswala and Sara Mbago

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“Jatropha production, processing and marketing offers an opportunity to create jobs for our children” Mrs. Hilda Kapasa, Board member of Mulondolwa.

CHALLENGE

Mungwi district is located in Zambia’s remote of Northern Province 34 kilometers away from the provincial headquarters, Kasama. Most of the district’s 120,000 people depend on agriculture for their livelihood. Majority are poor, subsistence farmers living on less than US\$2 per day. Since 2007 SNV Zambia has supported multi-actor systems intended to assist Mungwi’s population to lift itself out of poverty. Interventions include improving access to good quality basic services, and creating opportunities for increasing production, income and employment. In Mungwi small scale farmers were encouraged to invest in their own future through adding value to Jatropha; these local entrepreneurs started processing Jatropha seed to produce soap, lantern oil and organic fertilizer for the local market. The local community is happy with this initiative as they are able to access locally produced goods at affordable prices while previously they had to cover long distances to buy them

CLIENTS

On 12th April 2008, the Mulondolwa Jatropha Industry was born as a small scale social enterprise by Jatropha producers with the support of SNV working in close collaboration with JL Mutale, a local capacity builder contracted by SNV. From inception, SNV has supported Mulondolwa Jatropha Industry through business coaching and mentoring. The business model is based on local shareholding and therefore members have contributed in kind and cash to see the enterprise take off. Each share in the enterprise costs 50,000 Zambian Kwacha (approximately US\$ 10) and each member has since bought 10 shares. The enterprise comprises of 10 board members, four of whom are women. To date, the enterprise has mobilised US\$1300 through its shareholding. This money has been used to leverage more resources.

Asked the reasons for investing in this enterprise, Mr. Potassio Kabungo, one of the shareholders said, “I invested my money in Mulondolwa as I have trust and confidence that I will make money through dividends. This will help me educate my children hence contribute towards poverty eradication in my household.”

METHOD / SNV INTERVENTION

So.....what role did SNV play?

In 2007, SNV Northern Portfolio commissioned a Jatropha baseline study which informed the decision to support geographical localities that have enough feedstock and producers to qualify for the tailor-made Six Step Rural Enterprise Programme aimed at promoting the processing of Jatropha into commercially viable products. Hence, through working with the then Mungwi Jatropha Group and District Business Association, the Mulondolwa Jatropha industry was formed. Against this background, farmers were trained to process Jatropha oil into soap, lamp oil and organic fertilizer. This training was conducted by JL Mutale Enterprise, a local capacity builder in Zambia. Due to their improved capacity and through SNV brokerage, in 2009, the enterprise managed to secure US\$88,000 from the Africal Development Foundation for working capital. This was used to

purchase machinery and Jatropha feedstock from the farmers. Of this amount, the farmers in Mungwi have received US\$11,000 through the purchase of Jatropha feedstock by the enterprise from 900 producers in Mungwi and the surrounding districts. An agribusiness manager, accountant, sales person and two guards have been employed by the enterprise. SNV continues to provide capacity development services in business management including operational management, financial management, corporate governance, product development and quality control, marketing and branding of Jatropha products, and supply chain management through the establishment of an outgrower scheme. Mulondolwa Enterprise is a member of the Northern Biofuels Forum facilitated by SNV. The market study done in 2008 clearly demonstrates that domestic soap and fertilizer markets offer opportunities for growth and development of the enterprise. In parallel, SNV built the capacity of the District Business Association to train and coach the farmers in business plan development and entrepreneurship.

"SNV has taught us how to catch fish and this opportunity should be exploited for the benefit of our families and the Mungwi community. This is clear testimony of development."
Mr. Joseph Mukuka, board chairperson of Mulondolwa Jatropha Industry.

The model SNV employed in supporting the emergence of social enterprise

SNV Northern province used the six step rural enterprise development programme which is an integrated package of services aimed at not only equipping the community based social enterprises with entrepreneurship skills, but also vocational [VOSD] skills, processing know how and business management skills. This model has been developed by SNV and JL Mutale Enterprises to meet the needs of small-scale emerging entrepreneurs in rural Zambia as piloted in Mungwi district. The process aims, inter alia, to encourage transition from informal to formal enterprise including company registration which, in Zambia's difficult business environment with arduous business licensing procedures, is a major hurdle faced by most business start-ups. The six steps include:

- Entrepreneurship training
- Community mobilization (champion selection)
- Enterprise modeling
- Business registration
- Product marketing and packaging
- Business plan development

OUTCOME

SNV's capacity development services have shaped our lives and that of our communities as we are now able to make money out of Jatropha and offer a market to fellow Jatropha farmers. We started small at Chipalila village and now we can pride ourselves as one of the pioneers of the soap making industry in Northern Province. Board Secretary of Mulondolwa Jatropha Industry

The board of directors and ordinary shareholders of Mulondolwa are full of zeal and determination as within the short period of the existence of the enterprise, they have achieved the following:

- The enterprise is registered with the Registrar of Companies under the Business Name Act.
- They have two functional bank accounts with Finance and Standard Chartered Bank.
- The enterprise launched itself and products on the market officially in 2010. The occasion was graced by the District commissioner of Mungwi.



Kasama Agro Enterprise members on an exchange visit to Mulondolwa

- The enterprise members have acquired Jatropha processing and marketing skills. The enterprise has 16 outlets to sell their products in Mungwi and Kasama districts.
- They have built a good supply relationship with small-scale farmers of Jatropha in Mungwi.
- They have bought and processed 1,000 x50 kgs of Jatropha seed and sold 200,000 [100 grammes] jatro bath soap tablets. They have realized USD\$7,000 in income to date.
- They have molded and burnt 6000 bricks for construction of a shed/plant.
- They have acquired a commercial plot from the local authorities in Mungwi to set up a processing plant.
- The enterprise received funding of US\$ 88,000 from ZATC/ADF for working capital, and have procured processing equipment.
- They have visited producers from Chisamba Valley producers of soap from other essential oils to learn and share experiences.
- The enterprise has employed an Agribusiness manager to take charge of operations.
- The enterprise has successfully exhibited their products at the Camp, District, Provincial and National shows at which business linkages were established



The Bank of Zambia Governor, Dr. Caleb Fundanga at Mulondolwa stand during the Agricultural Commercial Society Show 2009 in Lusaka buying soap

IMPACT

Value addition is the key!!!

Mungwi district is blessed to have a local industry owned and managed by our local people. We should strive to add value to all our produce we grow through processing to create employment for thousands of youths roaming the streets. Mr. Bwembya, former District Commissioner for Mungwi.

One Mungwi community member, Mrs. Mwewa, cannot hide her happiness proclaiming that, "We can boast of bath and laundry soap which is produced locally in our district which has never happened in history."

The difference the enterprise is making to the community

Mulondolwa Jatropha industry is providing a ready market for more than 900 small-scale Jatropha farmers, this has motivated the growing of Jatropha by farmers as they are guaranteed of a market, the enterprise continues to buy Jatropha feedstock from fellow farmers at US\$1 per Kg. With funding from ZATAC/ADF the enterprise has expanded their processing capacity which has led to them buying large volumes of feedstock from not just the farmers within Mungwi but also in surrounding districts.

Into the future the enterprise will employ workers and vendors drawn from the local community engaged in processing and marketing of Jatropha products. The

community has access to locally produced natural and affordable soap, cooking fuel, mosquito repelling, lantern oil and organic fertilizer. The organic fertilizer has been applauded by the community as very enriching as it makes crops grow naturally without affecting negatively the fertility of the soil.

"The food from organic fertilizer is very good and my garden is performing well, thanks to the Jatropha organic fertilizer that I can easily access from enterprise" Mr Mwewa, a vegetable gardening farmer.



SUSTAINABILITY

Social institutions will be strengthened. In line with the enterprise's community based support strategy where by part of the profits will be used for sensitization of farmers, investment in training institutes, establishment of Jatropha demonstration plots and supporting provision of extension services to Jatropha farmers. In recognition of this nascent node for local enterprise development the Mungwi district council [local authority] was motivated to start allocating land for industrial purposes which in the future will provide a source of income for the council to deliver better services to its citizens.

Enterprise owners will benefit from increased earnings and shareholding of the company as they will realize higher dividends. All of this will contribute to increased income at household level and more money circulating in the local economy. With increased volumes of Jatropha feedstock in the market, the establishment of Jatropha nurseries and collection centres as well as the increased volumes of Jatropha oil in the domestic market, the local bio-diesel industry is expected to take off. Overtime, the Mungwi experience is poised to propel Zambia's emergence as a proponent of a locally produced green energy country in the region and beyond.



LESSONS LEARNED

Lessons learnt in promoting local investors

State and non state actors engaged in agricultural development have piloted and introduced a number of cash crops for production by small scale farmers without much emphasis on value addition at village level. This has contributed to low income levels of producers as little proceeds are realized from the sale of these commodities. One of the key lessons learnt is that the processing of Jatropha at village levels has encouraged farmers to take Jatropha production seriously as they are able to see tangible benefits and results through incomes realized and employment creation. However, it suffices to mention that the literacy levels in a community can be a key factor in the success or failure of any business. The correct identification of 'local champions' at the enterprises inception is critical to enterprise development. The sourcing of quality packaging and branding materials has been a challenge and a huge (cost to the enterprises). The soap competes favorably with other domestic and foreign brands and it is quickly increasing its market share. The establishment of a soap and fertilizer distribution system is the exciting challenge that lies ahead.