

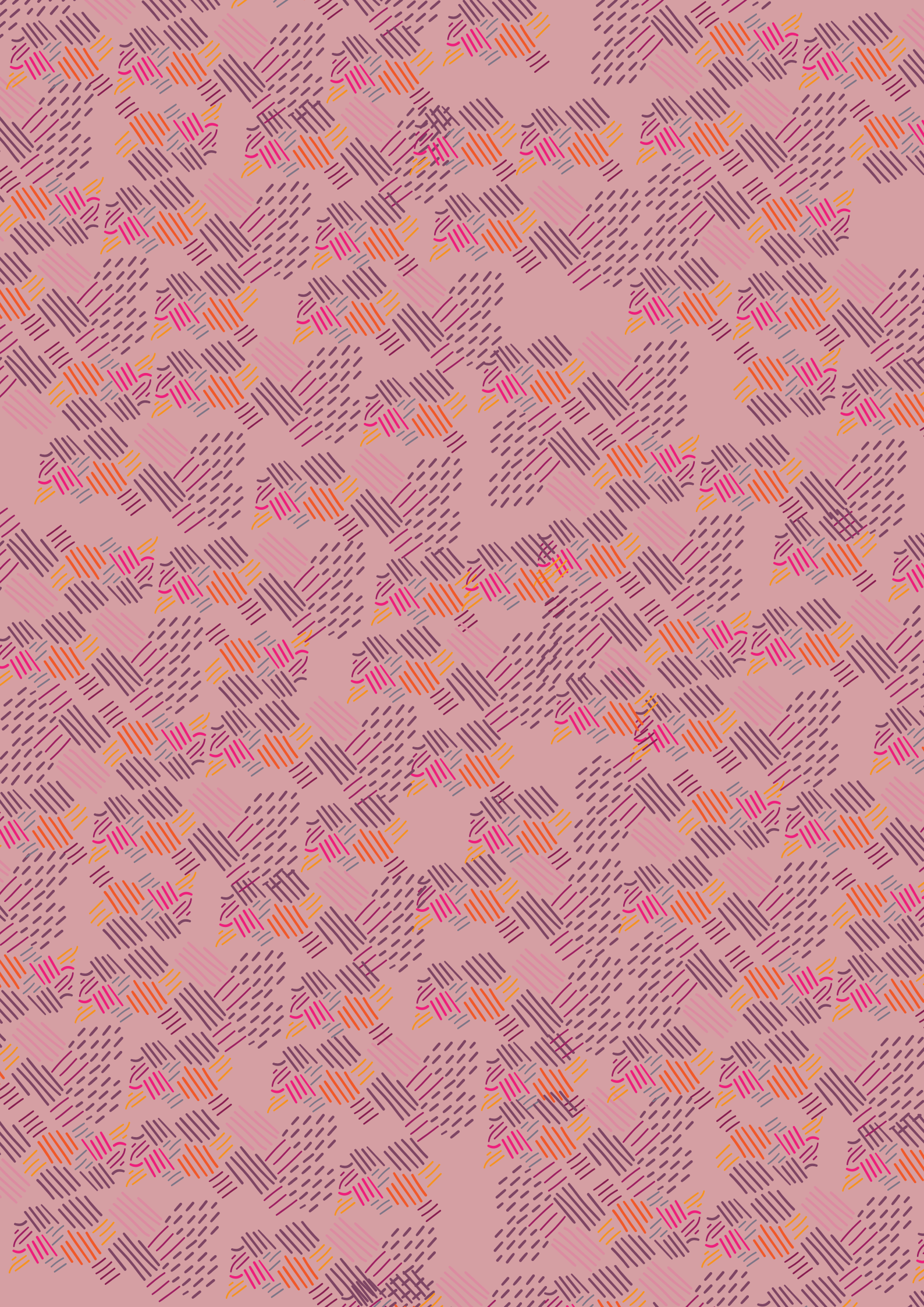


# Malawi 2019

MAKING ACCESS POSSIBLE (MAP) FOR MSMEs:  
MALAWI ROADMAP 2019

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## **ACKNOWLEDGEMENTS**

This report was authored jointly by FinMark Trust and Genesis Analytics.

The authors would like to extend their gratitude to all of those who assisted in the compilation of the Making Access Possible (MAP) for Micro, Small and Medium Enterprises (MSME) Malawi Diagnostic Report. Gratitude also goes to the MSME Reference Group, set up and chaired by the Ministry of Finance, Economic Planning and Development, through the Department of Pensions and Financial Sector Policy Division; and comprised of representatives from FMT, Reserve Bank of Malawi (RBM), National Statistics Office (NSO) Malawi, Malawi Microfinance Network, Community Savings and Investment Promotion (COMSIP), Ministry of Industry, Trade and Tourism, Malawi Union of Savings and Credit Cooperatives (MUSCCO), United Nations Development Programme (UNDP), European Union (EU), World Bank Group (WBG), Department for International Development (DFID) among others. And, UNCDF (MAP) that also provided technical input and direction to the overall implementation of the MAP MSME Malawi study.

The authors would further like to thank the range of stakeholders that were engaged to provide insights on the market and to establish the 'as-is' state of the MSME sector in Malawi. We would like to thank all individuals who participated in this project in their personal and institutional capacity, without which the project would not have been successful. These stakeholders included government institutions, donor agencies, financial service providers, private sector players and industry associations.

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## **ACRONYMS AND ABBREVIATIONS**

<b>ACE</b> Agriculture Commodity Exchange for Africa	<b>MMO</b> Mobile money operator
<b>ADMARC</b> Agricultural Development and Marketing Corporation	<b>MNO</b> Mobile network operator
<b>AfCFTA</b> African Continental Free Trade Area	<b>MRA</b> Malawi Revenue Authority
<b>AHCX</b> AHL Commodity Exchange	<b>MSE</b> Malawi Stock Exchange
<b>ATM</b> Automated Teller Machine	<b>MSME</b> Micro, small and medium-sized enterprises
<b>AU</b> African Union	<b>Mt</b> Metric tonne
<b>BDS</b> Business Development Services	<b>MUSCCO</b> Malawi Union Of Savings and Credit Cooperatives
<b>CABS</b> Common Approach to Budget Support	<b>NAP</b> National Agriculture Policy
<b>COMESA</b> Common Market for Eastern and Southern Africa	<b>NASFAM</b> National Smallholders Farmers' Association
<b>CRB</b> Credit reference bureau	<b>NBM</b> National Bank of Malawi
<b>DEMAT</b> Development of Enterprises Malawi Trust	<b>NEPAD</b> New Partnership for Africa's Development
<b>DFI</b> Development Finance Institutions	<b>NES</b> National Export Strategy
<b>DFS</b> Digital financial services	<b>NFIS</b> National Financial Inclusion Strategy
<b>EDF</b> Export Development Funds	<b>NGO</b> Non-governmental organisation
<b>FGD</b> Focus Group Discussions	<b>NIP</b> National Industrial Policy
<b>FISP</b> Malawian Government's Farm Input Subsidy Programme	<b>NSL</b> National Switch Limited
<b>FSP</b> Financial service providers	<b>NSO</b> National Statistical Office
<b>GDP</b> Gross Domestic Product	<b>PE</b> Private Equity
<b>GoM</b> Government of Malawi	<b>POS</b> Point of sale
<b>HDI</b> Human Development Index	<b>PPSR</b> Personal Property Security Registry
<b>HRDC</b> Human Rights Defenders Coalition	<b>PSP</b> Payment service providers
<b>ICRISAT</b> International Crops Research Institute for the Semi-Arid Tropics	<b>RBM</b> Reserve Bank of Malawi
<b>ITTF</b> Local Information Technology Task Force	<b>RCIPMS</b> Regional Communications Initiative Project Malawi
<b>KYC</b> Know Your Customer	<b>SACCO</b> Savings and credit cooperative societies
<b>MACRA</b> Malawi Communications Regulatory Authority	<b>SADC</b> Southern African Development Community
<b>MAIC</b> Malawi Agriculture and Industrial Corporation Plc	<b>SLPCG</b> Second loss partial credit guarantees
<b>MAP</b> Making Access Possible	<b>SME</b> Small and medium-sized enterprises
<b>MBS</b> Malawi Bureau of Standards	<b>SMEDI</b> Small and Medium Enterprise Development Institute
<b>MEDI</b> Malawi Enterprises Development Institute	<b>SSA</b> Sub-Saharan Africa
<b>MEPD</b> Ministry of Economic Planning and Development	<b>TEVET</b> Technical, Entrepreneurial and Vocational Education and Training
<b>MFI</b> Microfinance institutions	<b>TNM</b> Telekom Networks Malawi
<b>MGDS</b> Malawi Growth and Development Strategy	<b>UNECA</b> United Nations Economic Commission for Africa
<b>MICF</b> Malawi Innovation Challenge Fund	<b>VAT</b> Value Added Tax
<b>MIS</b> Management information systems	<b>VC</b> Venture Capital
<b>MIT</b> Malawi Institute of Tourism	<b>VSLA</b> Village savings and loan association
<b>MITA</b> Malawi Information Technology Agency	<b>WEF</b> World Economic Forum
<b>MITASS</b> Malawi Interbank Transfer and Settlement System	<b>WTTC</b> World Travel & Tourism Council

## **GLOSSARY OF TERMS**

<b>TERM</b>	<b>DEFINITION</b>
<b>Access Strand</b>	A measurement of financial inclusion across the formal/informal institutional provider continuum.
<b>Banked</b>	Individuals using one or more traditional financial products supplied by commercial banks.
<b>Business Development</b>	Refers to any activity that serves to 'develop' the business in some way. It entails tasks and processes to develop and implement growth opportunities for businesses.
<b>Credit</b>	Obtaining funds from a third party with the promise of repayments of principal and, in most cases, with interest and arrangement charges in exchange for the money.
<b>Demand-side barriers</b>	Barriers to access financial services and business development support related to characteristics inherent to the individuals within the business.
<b>Formal products</b>	Products provided by government-regulated financial institutions including, but not limited to, commercial banks, insurance companies and microfinance institutions.
<b>Formally included</b>	MSME owners using formal financial products supplied by institutions governed by a legal precedent of any type. This is not exclusive usage, as these individuals may also be using informal products.
<b>Formal MSME</b>	MSMEs who are either registered with the Registrar General or licensed with a local authority.
<b>Financial Access Landscape</b>	A measurement of usage of both formal and informal products across the four main product groups: transactions, savings, credit and insurance.
<b>Financially served</b>	SME owners using one or more formal and/or informal financial products/services.
<b>Financially excluded</b>	SME owners who are not using any formal or informal financial products/services.
<b>Financial inclusion</b>	The extent to which the adult population in the country engages with financial products and services, such as savings, transaction banking, credit and insurance, whether formal or informal.
<b>Insurance</b>	A financial service where payment is made as a premium for risk of an event happening, where pay-out is made if or when the event occurs.
<b>MSME</b>	The MSME Policy, 2018 defines MSMEs based on number of employees, annual turnover or maximum assets.
<b>Supply-side barriers</b>	Barriers to access financial services and business development support related to factors inherent to providers that prevent individuals from using their services.
<b>Youth</b>	Defined as people aged between 10 and 35 years.

# EXECUTIVE SUMMARY

The Malawi Making Access Possible (MAP) for Small and Medium Enterprises (SME) Development Roadmap lays out a vision and implementation framework for the development of the SME sector in Malawi. This Roadmap only focuses on SMEs, and excludes micro-enterprises. This was in recognition that, even though micro-enterprises are critical as a major contributor towards livelihoods, they are unlikely to bring about meaningful impact in economic and employment growth. The diagnostic assessment was conducted in 2019, evaluating the country's context, regulatory and policy frameworks; supply-side considerations, FinMark Trust's FinScope Micro, Small and Medium Enterprises (MSME) Malawi Survey 2019 and qualitative demand-side research.

Enterprises were classified into high-growth segments by using the following:

- 1. Personal income is above the median of the segment:** This measure correlates to business performance and provides a useful benchmark for showing businesses that are performing slightly above average.
- 2. The business has employees:** All businesses that have employees other than the owner. This is done on the basis that businesses that employ can contribute to economic growth as well as employment.
- 3. The business views itself to be growing or stable in the past year:** This provides insight around business perception and, in conjunction with the previous two indicators, provides a rounded view of high-impact businesses.

The high-impact segment was further subdivided into aggressive-growth and employment-creation SMEs to develop a more nuanced understanding of SMEs based on the sectors in which they are active. The criteria used include:

- **Aggressive-growth:** These are industrialisation-driving SMEs active in sectors such as agriculture, manufacturing (including agro-processing), business services and construction.
- **Employment-creation:** These are labour intensive sectors comprised of tourism, community and household, and wholesale and retail trade.



The diagnostic identified the following key takeaways from the analysis, highlighted in the following categories:

### **Sectoral focus**

- The agriculture sector is the most dominant sector in Malawi, and greater prioritisation of key value chains is required to grow the sector.
- Agro-processing and manufacturing are growth sectors that should be prioritised to industrialise Malawi.
- The wholesale and retail trade and tourism sectors have high linkages to the agricultural sector and have the potential to grow employment.
- Infrastructure remains a challenge, particularly energy and ICT infrastructure.

### **Supply-side constraints**

- There is a lack of diverse range of providers able to meet specific sector and business life cycle needs.
- Information asymmetry between lenders and borrowers driver perceptions of high risk in lending to SMEs.
- There is a lack of innovative credit assessment methods that limits lenders' ability to apply risk-based lending and pricing.
- A lack of payment interoperability and partnerships with informal providers limits the reach of formal financial service providers (FSPs).
- Product innovation is required to better serve the needs of SMEs.

### **Demand-side constraints**

- Sourcing capital is the leading challenge faced by SMEs across business life cycles, from start-up to mature enterprises.
- Limited access to markets stifles the growth of SMEs.
- Low levels of business and financial management skills affect the operations of SMEs and also impacts their ability to access finance.
- Formalisation and compliance are constrained by low awareness and knowledge.
- Women and youth face many challenges in growing businesses from micro to small and medium enterprises.

### **Policy and regulatory**

- There is a need for improved flexibility of MSME Policy to cater to business needs, agnostic of sector.
- Government procurement policy is currently not implemented fully, and greater focus has to be given to youth and women-owned enterprises.
- The Malawi Investment and Trade Centre's 'One Stop Service Centre' (OSSC) needs to be scaled up and streamlined to support formalisation and compliance.
- Usage of government services such as the warehouse receipt system (WRS), personal property security registry (PPSR) and Malawi Bureau of Standards (MBS) is low, which limits opportunities to de-risk lending and improve access to markets.

To address these market constraints, the Roadmap proposes four intervention areas that require efforts from the Government of Malawi, private sector and donor agencies to complete them. The implementation areas are as follows:

#### **1. Enhance access to finance for SMEs**

- 1.1. Develop tailored products and services for priority sectors

#### **2. Promote access to markets**

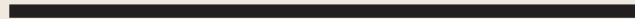
- 2.1. Support value chain linkages and linkages to buyers

#### **3. Develop SMEs capacity and support formalisation**

- 3.1. Strengthen business development services (BDS)
- 3.2. Streamline the formalisation and compliance processes

#### **4. Target government policy towards priority sectors**

- 4.1. Focus the MSME Policy and other government strategies on priority sectors.





## SECTION 1

## INTRODUCTION



**M**alawi is a landlocked country in south-eastern Africa. It is bordered by Zambia to the west, Mozambique to the south, and Tanzania to the north-east. Malawi is currently a member of the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), African Union (AU), Africa Free Trade Area (AfCFTA,) and New Partnership for Africa's Development (NEPAD). With a population of 18.1 million in 2018<sup>1</sup>, Malawi is one of the poorest countries in the world. Malawi has undergone volatile economic growth over the past 10 years owing primarily to exogenous shocks to agricultural production.

The Government of Malawi (GoM) has long recognised the role and importance of micro, small, and medium-sized enterprises (MSMEs) in developing its economy. This was evidenced by the passing of the Small and Medium-sized Enterprise (SME) Policy in 1998, which was later revised to include micro-enterprises in 2018. Additionally, the Government has provided financing, capacity development and business support to MSMEs in the country.

The GoM, in partnership with donor agencies and private sector players, jointly referred to as the MSME Reference Group, commissioned in-depth demand-side, supply-side, regulatory and policy research to establish the 'as-is' state of the MSME sector in Malawi. The Reference Group was

set up and chaired by the Ministry of Finance, Economic Planning and Development, through the Department of Pensions and Financial Sector Policy Division; and comprised of representatives from FinMark Trust, Reserve Bank of Malawi (RBM), National Statistics Office (NSO) Malawi, Malawi Microfinance Network, Community Savings and Investment Promotion (COMSIP), Ministry of Industry, Trade and Tourism, Malawi Union of Savings and Credit Cooperatives (MUSCCO), United Nations Development Programme (UNDP), European Union (EU), World Bank Group (WBG), Department for International Development (DFID), among others.

The findings from this research are captured in the Diagnostic Report (Making Access Possible [MAP] Malawi Diagnostic Report 2019). The Roadmap follows directly from the Diagnostic Report, providing recommendations to further support MSMEs to attain their potential economic growth and employment capabilities. It is important to note that the Roadmap is focused on SMEs that are likely to have the highest impact on the economy, and not MSMEs in their entirety. The Roadmap presents a strategy for improving the performance of these high-impact SMEs and forms the basis for an action plan, which sets out specific activities for the attainment of the strategy as well as the responsibilities and timeline for implementing them.

1. World Bank, World Development Indicators data, 2019

The key research findings from the diagnostic assessment were based on the following processes:

- **Country context analysis:** This analysis reviewed the macroeconomic context, including deep dives into key sectors; socio-economic and demographic characteristics; infrastructure context; and the political context. These insights were used to ground the overall research.
- **Regulatory and policy framework review:** This considered the policy and regulatory framework as relevant for MSME development. This reviewed existing and planned policies and regulations and was carried out through stakeholder consultations and by evaluating individual policy and regulatory frameworks. Key regulatory gaps were identified.
- **Supply-side analysis:** Interviews were held with 32 stakeholders between June and July 2019. The stakeholders included financial services providers (FSPs) and business development support (BDS) providers, regulatory authorities, government departments and parastatals, industry associations, business organisations, and development partners (donor organisations). The main purpose of the interviews was to understand, and document products and services targeted at MSMEs, analyse their constraints and look at measures in place to support MSMEs. Data request templates that sought additional insights into FSPs provision of products and services to MSMEs were issued, with five banks and three insurance providers responding to the requests. Secondary research was further used to identify industry trends and explore provider case studies.
- **Quantitative demand-side research:** The analysis draws heavily on the FinScope MSME Malawi Survey 2019. FinScope is a nationally representative demand-side survey that was implemented by FinMark Trust with the aid of the NSO and MSME Reference Group. FinScope MSME surveys reflect how small business owners source their income and how they manage their financial lives. The Malawi survey sampled 2,993 individuals who own MSMEs, from 281 enumerator areas. The data from the survey was used to obtain insights into the MSME sector.
- **Qualitative demand-side research:** The analysis also used qualitative demand-side research that was conducted by FinMark Trust from September to October 2019. Individual interviews were conducted with six focus group discussions to get insights into the nature of the operations of SMEs and their views on key factors impacting on their development. These focus groups were made up of women-led enterprises, youth, manufacturing, agro-processing, agriculture, high-impact SMEs and business support groups.

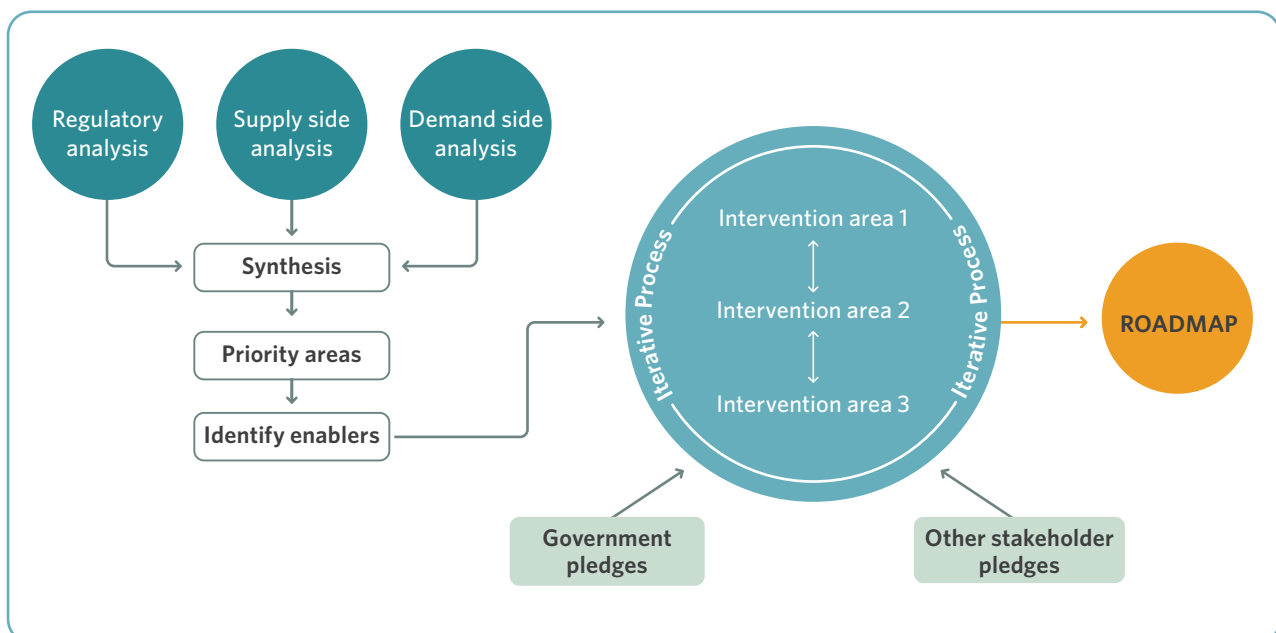
These findings were synthesised to develop key priority intervention areas for the Malawi MSME MAP Roadmap.

## 1.1. Methodology

The Roadmap approach is presented in Figure 1. The Roadmap is founded on priority intervention areas emanating from gaps identified in the diagnostic assessment.

The final stage of the process was to build consensus from the key stakeholders for the proposed interventions, Roadmap and implementation plan, including activities, responsibilities, timelines and accountabilities.

**FIGURE 1: MAP approach**



# SECTION 2

## MALAWI SECTOR CONTEXT

### 2.1. Economic and policy context

As at 2018, Malawi had a gross domestic product (GDP) of USD 7.1 billion (MWK 5.1 trillion) with a GDP per capita of USD 389 (MWK 280,092)<sup>2</sup>. Based on this measure, this makes Malawi one of the poorest countries in the world. Malawi has undergone volatile economic growth over the past 10 years owing primarily to exogenous shocks to agricultural production. Malawi has averaged 5 per cent annual growth in GDP over the period 2009 and 2018.

The growth in the Malawian economy has slowed in recent years and the economy has been characterised by its dependence on the agriculture sector and its vulnerability to climate-related shocks. Agriculture comprises 28 per cent of GDP as well as more than 80 per cent of export earnings<sup>3</sup>. Manufacturing, mining, construction, and energy accounts for 14 per cent of GDP and the balance is accounted for by services sectors—mainly wholesale and retail trade, and the hospitality industry at 18 per cent<sup>4</sup>.

The Malawian population has grown at approximately 3 per cent over the period 2013 to 2018 and currently the population is 18.1 million with a gender split of around 51 per cent female and 49 per cent male. A defining factor of the Malawian population is that 81 per cent are below the age of 35 years old<sup>5</sup>. The characteristics of steady population growth and a high proportion of youth emphasise the importance of ensuring the development of productive capacity so as to increase youth economic activity and drive economic growth.

Education and skills remain a key impediment to unlocking the potential of Malawi's youth. In 2017, the literacy rate of individuals above 15 years old was 73 per cent; with 68 per cent of individuals not having any educational qualification.

Further, only 6.5 per cent of adults had successfully completed secondary school to attain a Malawi School Certificate of Education<sup>6</sup>. These low levels of education have a knock-on effect on the level of business support that can be provided and the efficacy thereof.

Employment rates of individuals aged 15 to 65 years were 80 per cent in 2018, of which 89 per cent was informal. Males had a higher employment rate of 86 per cent compared to females at 74 per cent. Individuals living in rural locations registered a higher employment rate of 81 per cent compared to their urban counterparts at 72 per cent. The sectors exhibiting the highest employment were agriculture (64 per cent), and wholesale and retail trade and repair of motor vehicles (16 per cent)<sup>7</sup>.

Limited infrastructure is a key driver of low productivity, which ultimately affects the facilitation of domestic production and international trade. The World Economic Forum currently ranks Malawi 132 out of 141 countries for the state of its infrastructure.<sup>8</sup> An IMF country report on Malawi cited frequent and lengthy electricity outages as central to the country's infrastructure challenges.<sup>9</sup> This is due to the weak capacity of, and high dependence on, drought vulnerable hydroelectricity generation. The World Bank's development indicators show that less than 4 per cent of the rural population and 57 per cent of the urban population have access to electricity.<sup>10</sup>

Malawi's road network has improved following significant spending on the road infrastructure of around 4 per cent of GDP in the early 2000s. However, mismanagement of road development projects is evidenced through over-engineering of roads in some parts while funding for road preservation and maintenance remains a challenge.<sup>11</sup> Additionally, only 26 per cent of Malawi's population lives within 2 kilometres of

2. World Bank, World Development Indicators data, 2019 | Note: Using the exchange rate at 31 December 2018 from Oanda.com

3. CIA World Factbook, 2017

4. RBM, Financial and Economic Review, 2019

5. World Bank, World Development Indicators data, 2019

6. NSO, Integrated Household Survey 2016-2017, 2017

7. NSO Statistical Yearbook, 2018 | Malawi labour market profile, 2016

8. World Economic Forum, Global Competitiveness Report, 2019

9. IMF, Selected Issues, 2018

10. World Bank data, 2017

11. Over-engineering of roads refers to paving of roads where there are minimal traffic volumes

## The informal sector is responsible for the majority of employment

an all-weather road.<sup>12</sup> This raises an opportunity for strategic investment aimed at ensuring accessible road networks to support the growth of the agricultural sector.

Malawi's information and communication technology (ICT) infrastructure has improved significantly following the introduction of an independent regulatory agency and the establishment of a competitive market for mobile services. The country scores close to 60 per cent on an index of institutional best practices for the ICT sector, well above the Sub-Saharan Africa (SSA) average.<sup>13</sup> However, Malawi can still improve the reach and quality of mobile connectivity as only 10 per cent of the population are making use of smartphones.<sup>14</sup>

Malawi is a generally peaceful country and has had stable governments since independence in 1964. The country's sixth tripartite elections were conducted in May 2019 where President Peter Mutharika was re-elected. Despite this relatively peaceful past, there has been recent ongoing protest action led by the Human Rights Defenders Coalition (HRDC) and supported by opposition parties following alleged irregularities in the vote-counting process.

Malawi is one of the most donor aid-dependent countries and uses official development assistance to fund social expenditure such as education, health, and welfare. Volatility in donor spending has had a significant impact on Malawi as indicated by donor spending as a proportion of government spending, which was 128 per cent in 2017, from a low of 55 per cent in 2009 and 2011<sup>15</sup>. A key driver behind the volatility was the cash-gate scandal that occurred in 2012–2013, which resulted in the majority of the members in the European and multilateral agency, Common Approach to Budget Support (CABS), putting a hold on aid<sup>16</sup>.

The key context drivers are summarised in Table 1 below.

**TABLE 1: Key context drivers**

Context driver	Description
Macroeconomic context	<ul style="list-style-type: none"> <li>Malawi has undergone volatile economic growth over the past ten years owing primarily to climate related shocks.</li> <li>The informal sector is responsible for the majority of employment.</li> <li>Inflation has averaged around 20 per cent over the last five years, mainly due to changes in exchange rate frameworks and climate related shocks.</li> <li>Agriculture is the dominant sector, contributing 28 per cent towards annual GDP and more than 80 per cent of export earnings.</li> </ul>
Socio-economic and demographic context	<ul style="list-style-type: none"> <li>High levels of poverty persists with 70 per cent of Malawians living on less than USD 1.9 per day (MWK 1,368).</li> <li>81 per cent of the population are youth, which presents both challenges and opportunities.</li> <li>Literacy rates of those above 15 years old is 73 per cent, with 68 per cent of individuals not having attained any education qualification.</li> </ul>
Infrastructure context	<ul style="list-style-type: none"> <li>Electricity infrastructure has improved, but still faces frequent and lengthy shortages.</li> <li>Similarly, the road network has expanded. However, mismanagement of road development projects is evident.</li> <li>Together, these infrastructure limitations impede MSME growth.</li> </ul>
Political context	<ul style="list-style-type: none"> <li>Relatively stable political environment.</li> <li>High dependence on donor funding.</li> </ul>

12. World Bank, Malawi Infrastructure- A continental perspective, 2011

13. Ibid.

14. GSMA, Digital Identity Country Report, Malawi, 2019

15. World Bank, World Development Indicators data, 2019

16. Malawi: Key Developments and U.S. Relations, 2017

## 2.2. Regulatory framework and business operating context

The MSME Policy 2018 classifies MSMEs based on employment, annual turnover, and maximum assets. The target segment groups are, however, classified using the number of employees, individual business income relative to the median in the group, and perceptions of business growth, as described below:

- 1. Personal income is above the median of the segment<sup>17</sup>:** This measure is correlated to business performance and provides a useful benchmark for showing businesses that are performing slightly above average.
- 2. The business has employees:** All businesses that have employees other than the owner. This is done on the basis that businesses that employ can contribute to economic growth as well as employment.
- 3. The business views itself to be growing or stable in the past year:** This provides insight around business perception and, in conjunction with the previous two indicators, provides a rounded view of high-impact businesses.

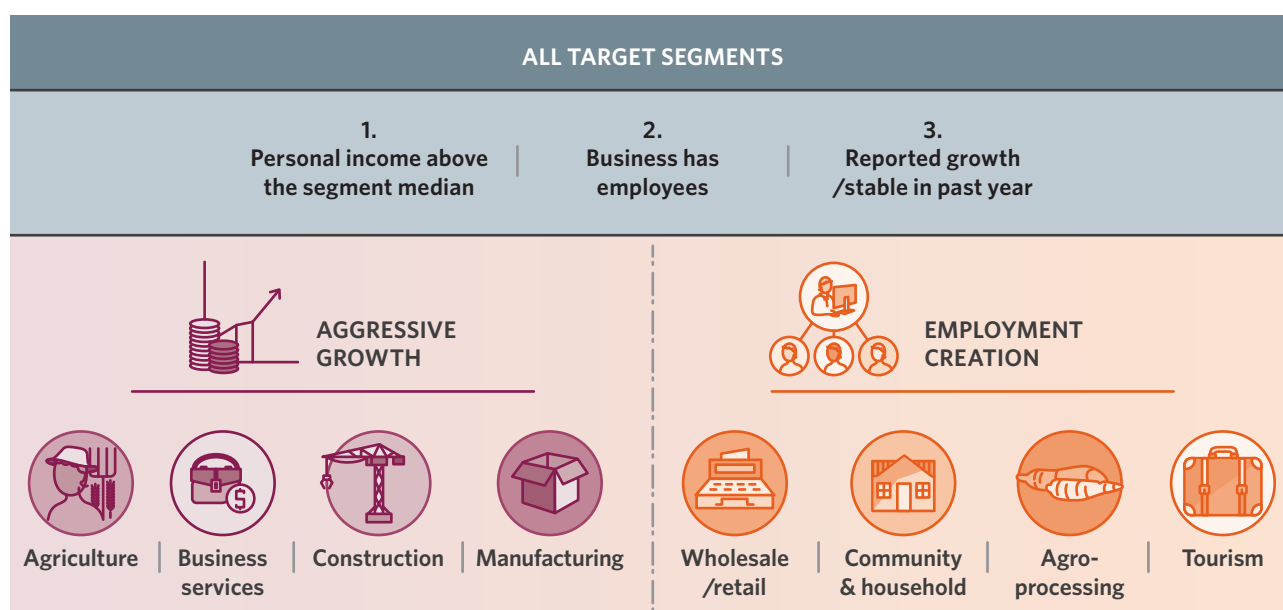
The high-impact segments are further subdivided into aggressive-growth and employment-creation SMEs to develop a more nuanced understanding of SMEs based on the sectors in which they are active. The following set of criteria is used for segmenting SMEs into aggressive-growth and employment-creation growth:

- **Aggressive-growth:** These are industrialisation-driving SMEs active in sectors such as agriculture, manufacturing (including agro-processing), business services and construction.
- **Employment-creation:** These are labour-intensive sectors comprised of tourism, community and household, and wholesale and retail trade.

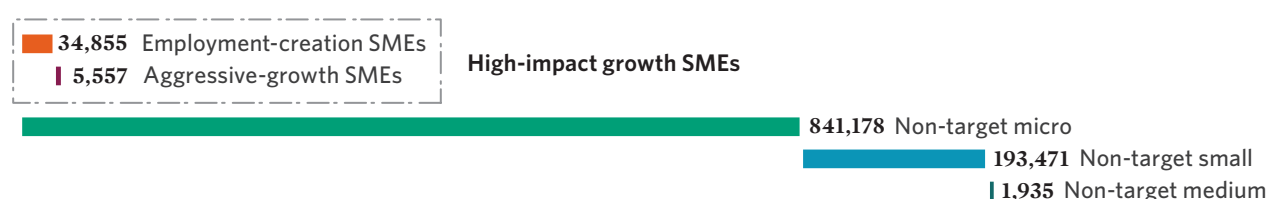
Figure 2 provides a conceptual view of the segmentation, showing the aggressive and employment-creation target groups are subsets of total high-impact SMEs.

Placing the segmentation into the context of the overall MSME market, the aggressive-growth target segments make up 3 per cent of the overall MSME market, i.e. 34,855 businesses. Within the target segments, aggressive-growth SMEs comprise 16 per cent of total high-impact growth SMEs (5,557) and employment-creation SMEs comprise 84 per cent of total high-impact growth SMEs (29,298).

**FIGURE 2:** Conceptual diagram of SME target segmentation

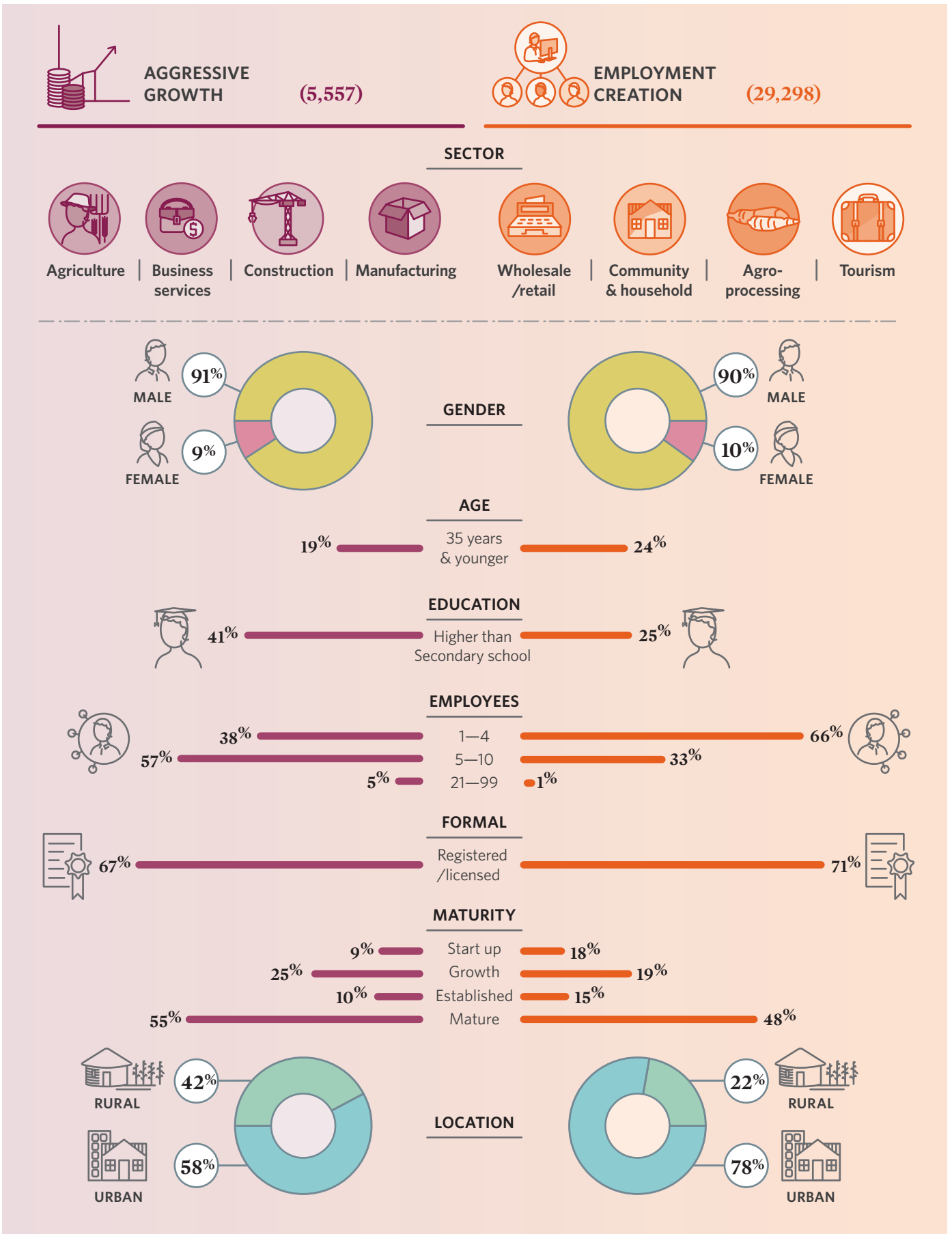


**FIGURE 3:** Target market SMEs vs Non target market MSME | Source: FinScope MSME Malawi, 2019



17. Note: For small enterprises above MWK 480k p/m and medium above MWK 600k p/m

**FIGURE 4: Summary of target segment owner and business characteristics** | Source: FinScope MSME Malawi, 2019



### 2.2.1. Overview

Aggressive-growth SMEs have a higher proportion of businesses that employ between 5–20 individuals (57 per cent) and 21–99 (5 per cent); while 66 per cent of employment-creation businesses employ between 1 and 4 individuals. Men dominate the ownership of both target groups, as depicted in Figure 4. This is in contrast to overall MSME ownership, where 49 per cent of businesses (the majority of which are micro-businesses) are female-owned. This demonstrates a large gender imbalance in the high-impact target segments.

19 per cent of aggressive-growth and 24 per cent of employment-creation business owners are aged 35 years and younger. Of overall MSMEs, 42 per cent are run by youth. This shows that the target segments are mainly led by older entrepreneurs. 41 per cent of aggressive-growth business owners had attained higher than secondary school education, against only 25 per cent of employment-creation business owners.

Aggressive-growth businesses have a similar distribution of rural and urban locations, likely reflecting the large composition of agriculture businesses in rural areas. 78 per cent of employment-creation SMEs operate in urban areas, as would be expected with primarily trade sectors in busier cities.

The majority of both high-impact segments are formally registered or licensed, compared to only 1 in 5 (20 per cent) businesses from the overall MSME. This suggests that SMEs see a greater need to formalise as they grow in size.

65 per cent of aggressive-growth businesses and 63 per cent of employment-creation businesses have reached the established or mature phase. This exceeds the average 39 per cent of overall MSMEs. This confirms that the target market segment is more experienced relative to other MSMEs.

### 2.2.2. Business operating and regulatory framework barriers to business growth

Both aggressive-growth and employment-creation SMEs began their operations to satisfy their entrepreneurship drive rather than as a last resort.

Aggressive-growth businesses are generally more pessimistic about their business prospects as they feel they do not have the same opportunities as other people and are worried about their businesses shutting down. This points to the difficulties of industrialising in Malawi. Alternatively, employment-creation businesses were more optimistic and satisfied with what they had been able to achieve to date.

Both target segments reported high access to cell phones and electricity coverage. However, findings from the FGDs with

MSMEs and stakeholder interviews indicate that frequent load-shedding and high commercial cost of electricity continue to plague businesses<sup>18</sup>.

The majority of aggressive-growth SMEs operate out of residential premises (52 per cent) and stalls in designated trading areas (28 per cent). Employment-creation SMEs operate predominantly out of stalls in designated trading areas (49 per cent) followed by on-street and pavement setups (21 per cent). These findings are aligned with the nature of the underlying business sectors. For example, aggressive-growth SMEs predominantly operate in residential premises where they can have more stable access to electricity, as opposed to employment-creation SMEs, which operate in stalls and on the streets where they are closer to buyers but depend less on electricity.

A key operational consideration for small businesses is the source of customers as this has an impact on the stability and future growth prospects of the business. For example, relying primarily on private individuals and walk-in customers could be a less reliable source of clients compared to other small or large businesses where contracts are more likely to be set in place. Aggressive-growth SMEs have a more diversified customer base. This is evidenced by 54 per cent citing other small businesses as customers, and 49 per cent citing larger businesses. Furthermore, there were marginally more aggressive-growth SMEs offering their customers credit than employment-creation SMEs.

*Aggressive-growth SMEs  
have a more diversified  
customer base*

Both target segments rely primarily on walk-ins, reference or recommendations, and repeat business. A review of methods of marketing across both target groups indicates that word of mouth is the primary form of marketing. This speaks to the gap SMEs face in marketing their goods to new markets, especially through digital channels such as social media.

A review of major business expenses by maturity reveals that wages and inputs are a significant expense throughout the maturity cycle for both target groups. For employment-creation SMEs, this includes rental costs, reflecting their higher use of dedicated stalls compared to aggressive-growth SMEs that largely operate in residential premises.

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### 2.2.3. Access to capacity building programmes

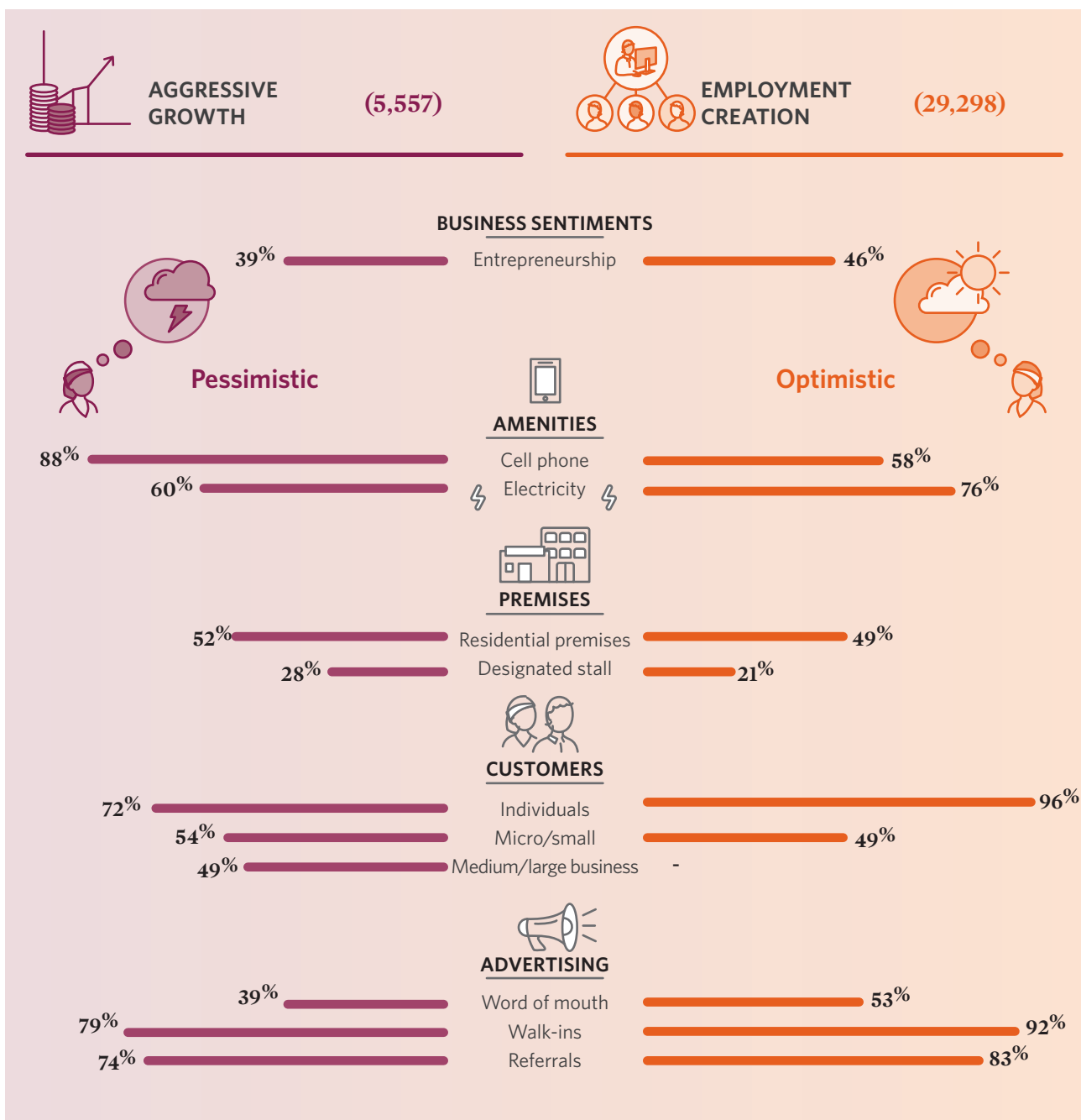
According to FinScope, both high-impact SME segments are aware of business development services (BDS), but only 1 in 5 SMEs are making use of them. Qualitative insights from the FGD report revealed that the availability of BDS services is relatively better in the agriculture sector compared to other sectors, such as manufacturing and tourism, due to donor-funded programs.

The main form of BDS received by aggressive-growth businesses is employee and staff management (51 per

cent). Considering few SMEs recorded facing problems with staff members at the time of the survey or when starting their businesses, it seems likely that aggressive-growth businesses face limited access to alternative forms of BDS. Employment-creation SMEs predominantly reported receiving technical training on goods and services provision (58 per cent).

92 per cent of aggressive-growth SMEs and 80 per cent of employment-creation growth SMEs report that they keep financial records. Similar to access to electricity, there is high reporting for record-keeping but stakeholder interviews and FGDs suggest that the quality is low and many are not

**FIGURE 5: Summary of target market operational considerations** | Source: FinScope MSME Malawi, 2019





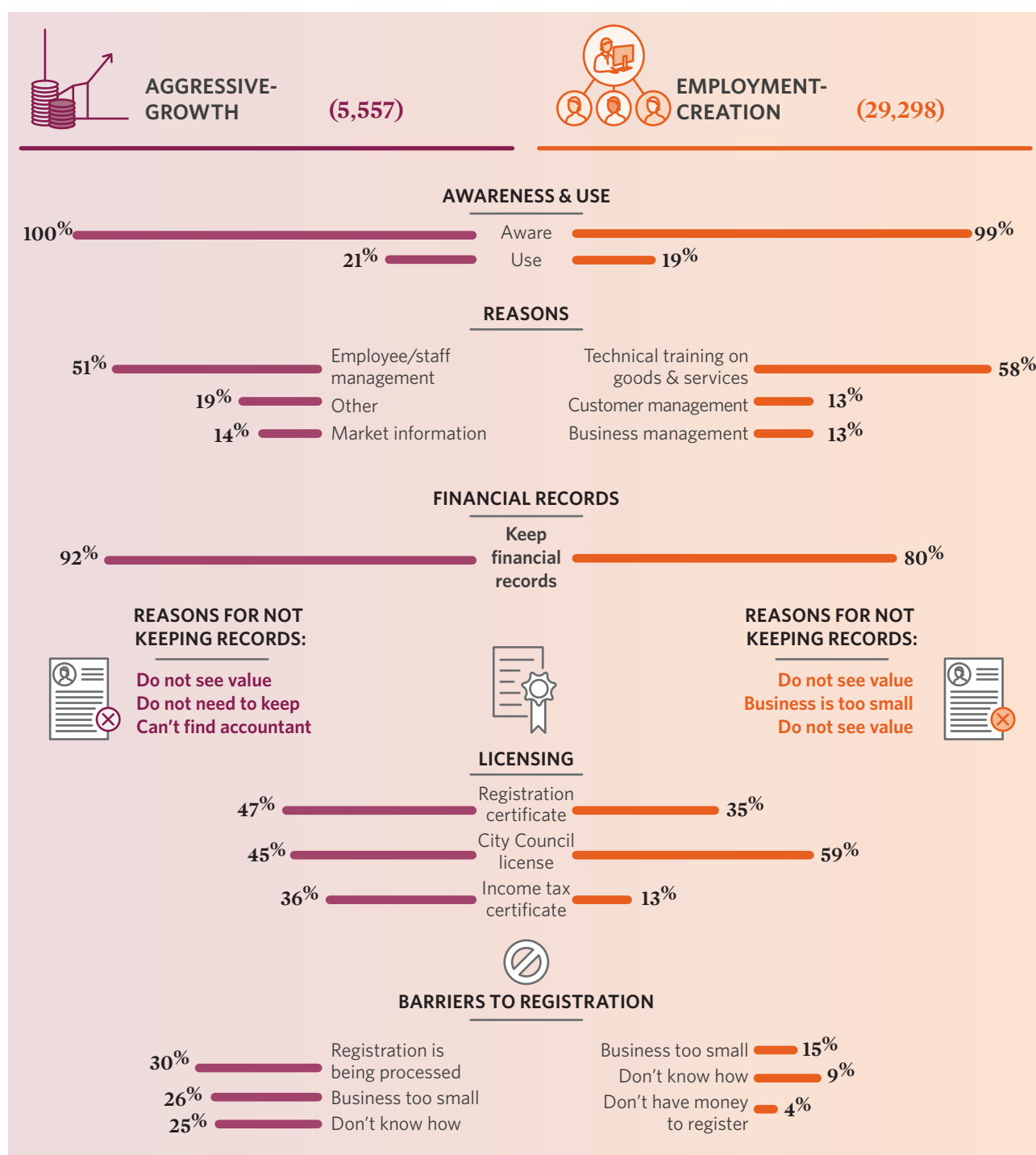
kept up-to-date. Among SMEs that did not keep records, it is interesting to note that aggressive-growth SMEs reported not seeing the value (54 per cent) and employment-creation SMEs reported that they don't need to keep records (63 per cent).

One in three businesses within the target segments is not registered. The main reasons cited by aggressive-growth SMEs for not being registered were that they were either currently in the process of registering their business, their

business was too small, or they did not know how to do it. The employment-creation target group reported that the main barrier to registration is the sense that their business is too small to require it.

A review of compliance across both target SME segments suggests that there is a low level of income tax compliance amongst SMEs. 47 per cent of aggressive target growth and 35 per cent of employment-creation target growth segments have registration certification.

**FIGURE 6: Summary of take-up of business development services** | Source: FinScope MSME Malawi, 2019



### 2.2.4. Access to financial services



#### Financial Access Strand

Most high-impact SMEs in Malawi are banked (73 per cent, 24,444), with the remainder also largely served by non-bank formal institutions. As a result, only 3 per cent (1,046) of high-impact SMEs are excluded from any financial services. Employment-creation SMEs are marginally less banked than aggressive-growth SMEs (71 per cent vs 83 per cent), and therefore have a higher reliance on non-bank formal institutions (91 per cent vs 86 per cent). Despite having a lower share of banked SMEs, its greater relative size means the employment-creation segment has a significantly larger number of banked SMEs (4,612 vs 20,802).

The proportional level of financial inclusion within the high-impact SME segments is in stark contrast to the overall MSME population where only 24 per cent of MSMEs are banked, 54 per cent with formal access. This suggests that high-impact SMEs find it relatively easier to open accounts with formal financial institutions.

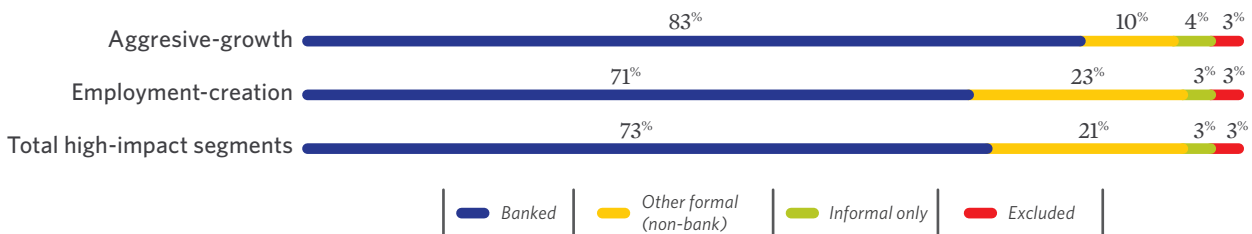
Uptake of formal non-bank financial products was the largest contributor to the high levels of formal financial inclusion

amongst SMEs. This is largely driven by mobile money usage. Informal financial access stood at 40 per cent for aggressive-growth businesses (which is identical to overall MSME access) and 16 per cent for employment-creation businesses. This may suggest that aggressive-growth businesses can utilise agriculture networks in rural areas for finance, something that urban retail businesses in the employment-creation segment are not able to take advantage of.

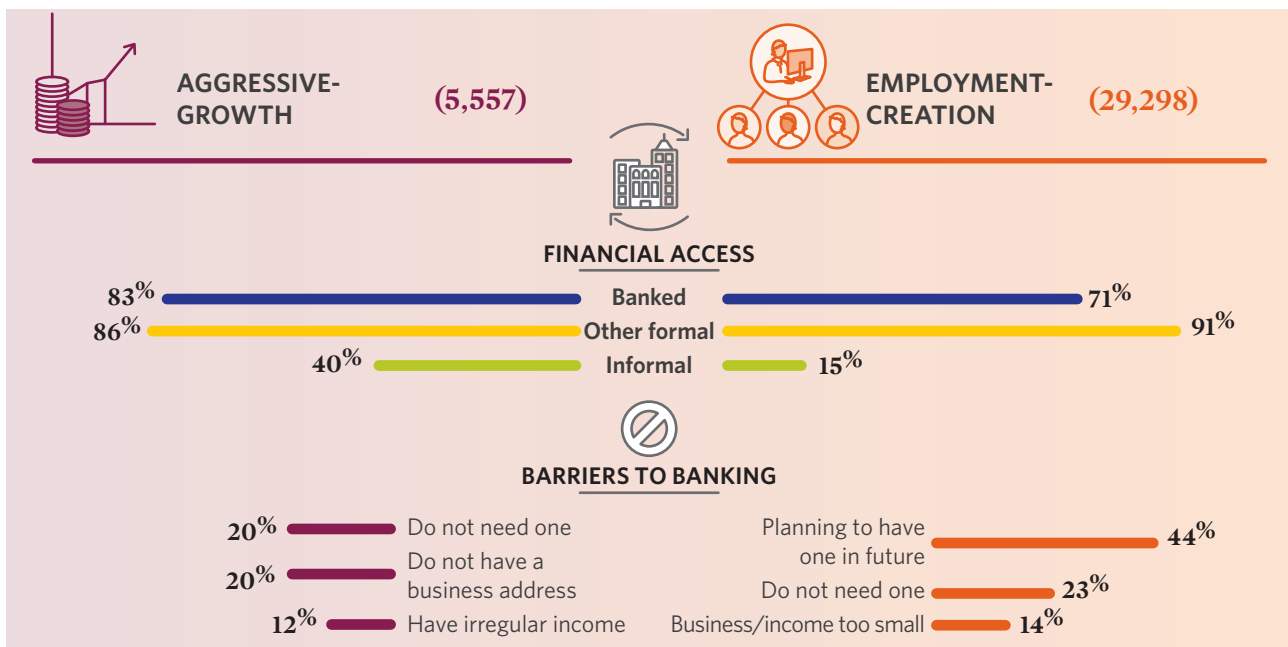
Of the 17 per cent (939) aggressive-growth businesses that are not currently banked, the two main inhibitors cited are that businesses do not need a bank account and that the operation does not have a business address. FGDs highlighted that businesses would rather seek finance from alternative sources before going to a bank because they perceive they will not meet the eligibility requirements to be served. Businesses were also under the impression that they are too small or were too informal to be banked. This was particularly a deterrent for both women and youth-led businesses.

29 per cent (8,467) of the employment-creation SMEs without bank accounts reported that they were planning to have one in the future, suggesting that many businesses are still interested in opening bank accounts even though they don't currently have one (see Figure 8 below).

**FIGURE 7: Financial Access Strand** | Source: FinScope MSME Malawi, 2019



**FIGURE 8: Summary of financial access** | Source: FinScope MSME Malawi, 2019





## Credit/finance

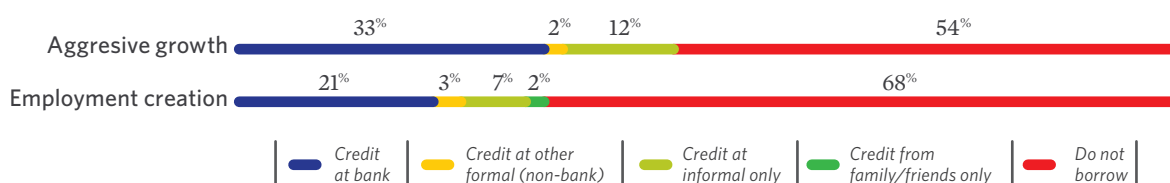
54 per cent (2,973) of aggressive-growth and 68 per cent (19,776) of employment-creation businesses do not borrow, compared to 64 per cent of all MSMEs. Of those that borrow, both target segments have a larger proportion borrowing from banks (33 per cent [1,828] for aggressive-growth and 21 per cent [6,065] for employment-creation) in comparison to all MSMEs at 4 per cent only.

Trends among aggressive-growth businesses suggest that as businesses mature in their life-cycles they find it easier to

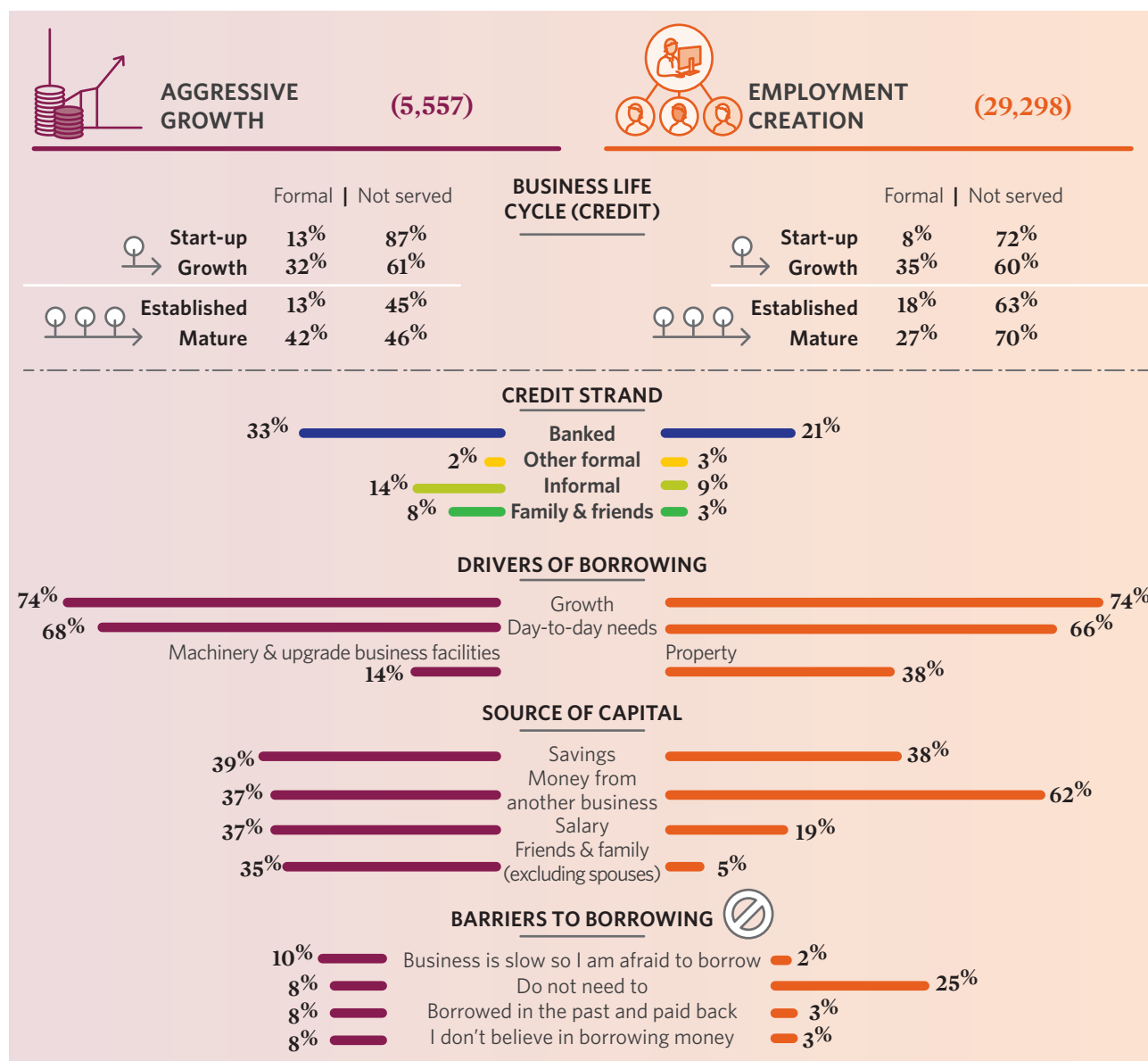
access formal credit. This general trend shows an increase of bank-based lending from 13 per cent as a start-up to 42 per cent as a mature business (except for established businesses that reported 42 per cent of informal credit). Employment-creation businesses depicted a general rise in the uptake of formal bank credit but the percentage of businesses not borrowing remained largely unchanged.

Credit was mainly used to grow high-impact businesses or to meet their day-to-day operational needs. Additionally, employment-creation businesses used credit to purchase land, while aggressive-growth businesses used it to purchase

**FIGURE 9: Credit strand** | Source: FinScope MSME Malawi, 2019



**FIGURE 10: Summary of take up of credit/financing** | Source: FinScope MSME Malawi, 2019



machinery and to upgrade business facilities. This supports the data on business premise and shows the difference in business focus, i.e. aggressive-growth being focused on industrialisation whilst employment-creation targets a more ideal environment for trade. These were, however, a small proportion of businesses suggesting a potential underutilisation of asset finance and mortgage products.

FGDs identified that MSMEs have low knowledge and understanding of alternative forms of formal finance, such as the Malawi Stock Exchange (MSE), equity financing from private equity (PE) or venture capital (VC) firms, and equipment leasing. Similarly, there was limited knowledge of the credit reference bureaus (CRBs) and the Personal Property Security Registry (PPSR) (i.e. the movable collateral registry).

Of those not borrowing, the indication was that they had no demand for credit. This could be a result of many reasons, such as businesses being satisfied with their current state and therefore not seeking additional access to credit, or businesses

giving up on trying to borrow from formal providers and having resigned themselves to rely on alternative, non-formal sources of finance. Trends among aggressive-growth businesses suggest that as businesses mature in their life-cycles they find it easier to access formal credit. This general trend shows an increase of bank-based lending from 13 per cent as a start-up to 42 per cent as a mature business (save for established businesses that reported 42 per cent of informal credit). Employment-creation businesses depicted a general rise in the uptake of formal bank credit, but the percentage of businesses not borrowing remained largely unchanged.



As with credit, both target segments have higher percentages of businesses that save formally compared to overall MSMEs at 2 per cent. However, both segments reported having over 50 per cent of businesses not saving at all. This further

FIGURE 11: Savings or investment strand | Source: FinScope MSME Malawi 2019 Survey

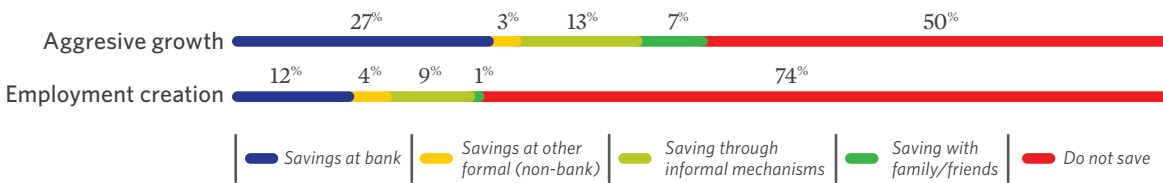
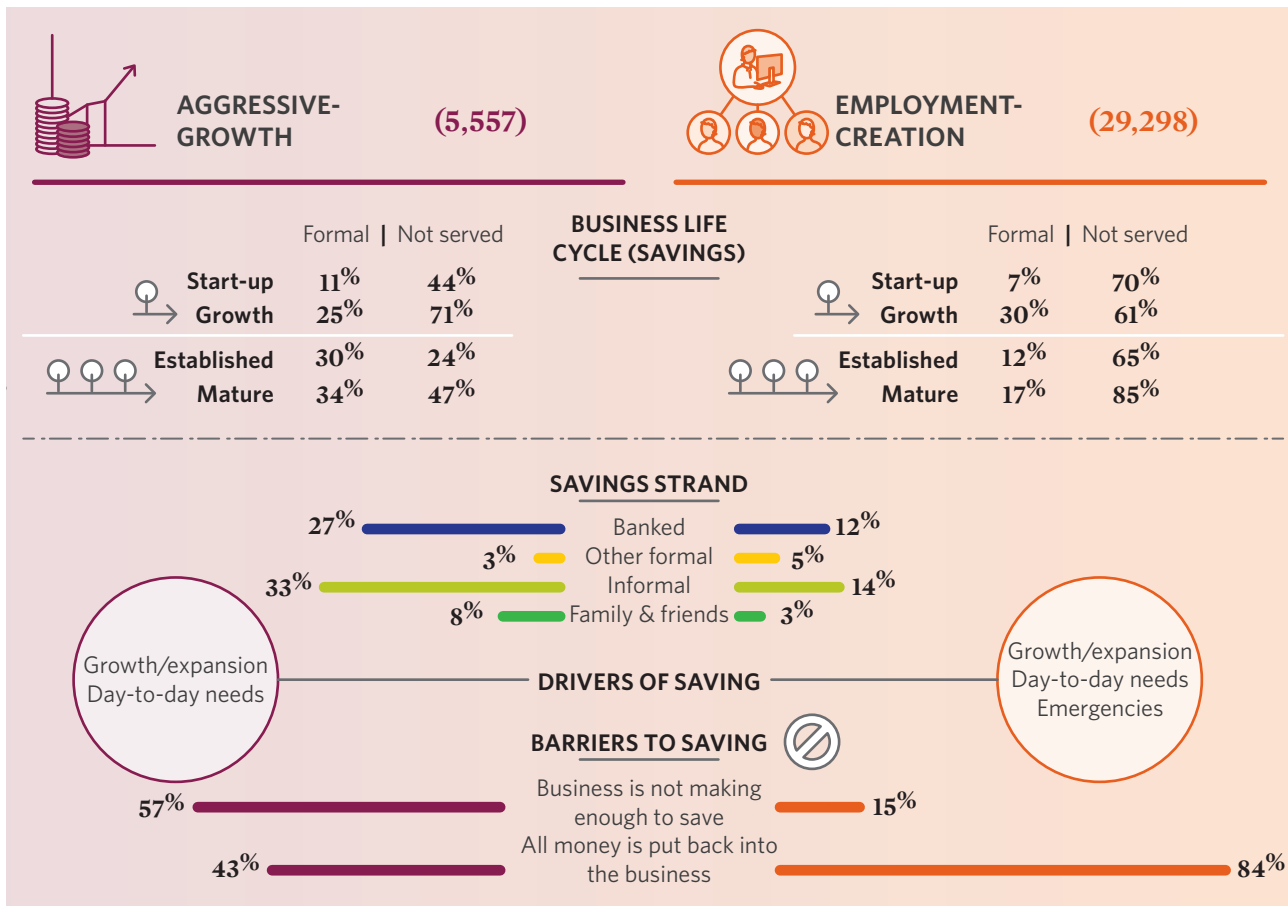


FIGURE 12: Summary of take-up of savings/investments | Source: FinScope MSME Malawi 2019 Survey



highlights the lack of depth in financial inclusion for the two target segments, i.e. above average formal access coupled with a majority that does not take up specific product offerings (see Figure 11 below). Aggressive-growth businesses save/invest more than their employment-creation business counterparts.

Aggressive-growth businesses exhibited a general rise in the use of formal bank savings or investments as the business matured: starting with 0 per cent as a start-up and rising to 34 per cent as a mature business. Employment-creation SMEs exhibited a decrease in the amount of savings used as a business matured. This could suggest that the bigger the business gets, the less surplus the entrepreneur generates to keep up with operational needs such as stock. This may suggest a need for greater access to working capital finance.

Both aggressive-growth and employment-creation businesses save marginally more using informal mechanisms compared to formal institutions. FGDs identify that this could partly be a result of credit sought from VSLAs against individual savings.

Aggressive-growth businesses primarily utilise their savings/investments to expand their businesses, while employment-creation businesses primarily save for emergencies. From this

and the above findings, aggressive-growth businesses seem more focused on expanding and growing while employment-creation businesses seem more content to maintain their operations and protect for any emergencies. Additionally, more mature aggressive-growth businesses seem to utilise their savings to purchase assets, thus suggesting the greater need for longer-term, asset financing for them.

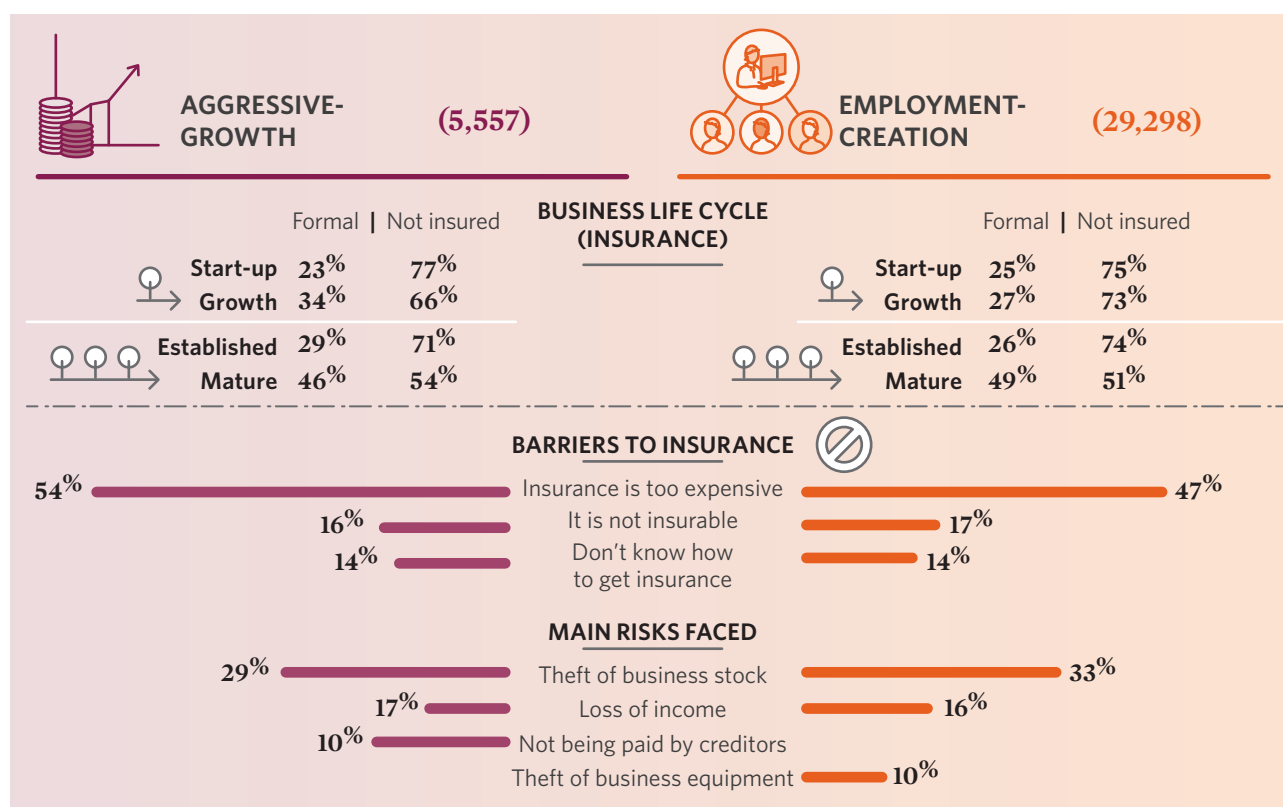
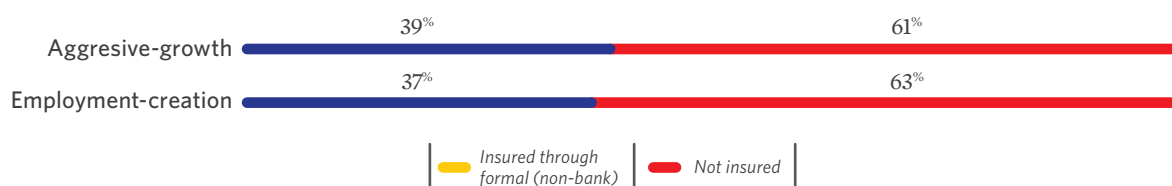
The main reasons cited for not saving/investing is that all the money is put back into the business and that businesses do not make enough money to save/invest. As above, this suggests the need for BDS support to help businesses navigate their operating environments.



Both target groups had over 35 per cent formal insurance uptake, which is markedly higher than that of overall MSMEs at 3 per cent.

Aggressive-growth and employment-creation businesses both registered a rise in uptake of formal insurance as a business matured. FGDs identified that businesses have

**FIGURE 13: Insurance strand** | Source: FinScope MSME Malawi 2019 Survey



adequate knowledge of the type of insurance products offered by providers. However, the barriers to uptake relate to the suitability of products to the main risks they face and the high costs of insurance services.

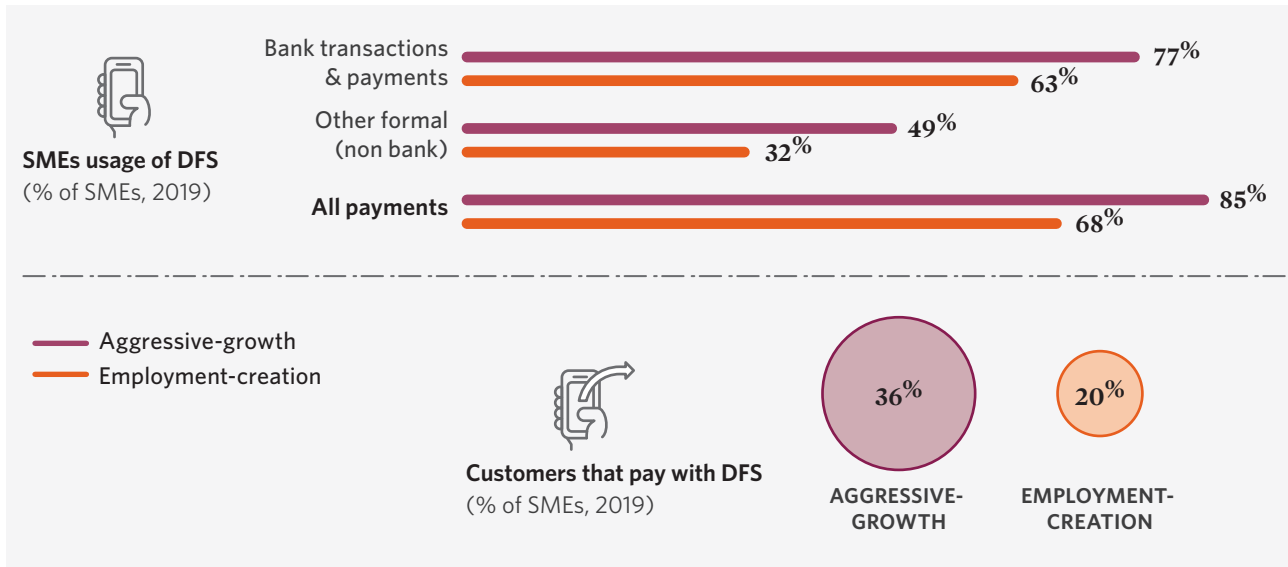


**Payments**

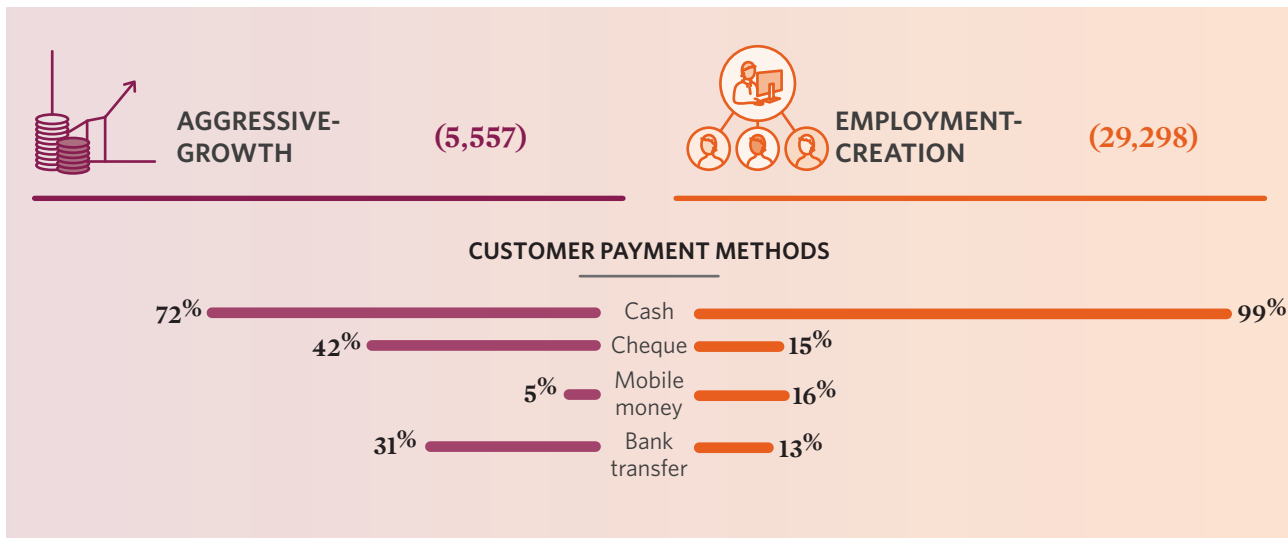
Usage of digital forms of payment was reportedly 85 per cent (4,723) of aggressive-growth businesses and 68 per cent (19,923) of employment-creation businesses. This was aligned with how end customers reported using digital financial services (DFS); with 36 per cent of aggressive-growth businesses reporting their customers made payment using DFS, while 20 per cent of employment-creation businesses reported customers made payment using DFS. Overall, MSME usage of DFS was much lower than the target segments at only 8 per cent.

Cash remains the most utilised form of payment with which customers pay the target segments. Aggressive-growth businesses reported a lower cash acceptance, at 72 per cent (4,001 businesses), than employment-creation, at 99 per cent (29,005 businesses). Aggressive-growth businesses further reported that 42 per cent (2,334) of businesses received payment by cheque and 31 per cent (1,723) received payment through bank transfer. Employment-creation businesses reported higher acceptance of mobile money payments at 16 per cent (4,688). Together, these emphasise the difference in the type of customers each segment serves; with aggressive-growth servicing a larger proportion of other businesses whilst employment-creation has a higher proportion of private individuals (retail) as customers. This suggests there is a need to support the general public in increasing its access to DFS, which will in turn support businesses increased use of DFS.

**FIGURE 15: Digital payments uptake** | Source: FinScope MSME Malawi 2019 Survey



**FIGURE 16: Payment methods** | Source: FinScope MSME Malawi 2019 Survey



## 2.2.5. Target Market Needs

The target segment needs are summarised in Table 2 below.

**Note:** Light green shading highlights which category of stakeholder is related to the identified needs

**TABLE 2: Target segment needs**




Identified need	Motivation	Aggressive-growth	Employment-creation	Providers	GoM
BDS on starting a business, including financial management training, developing business plans and how to register businesses (basic for start-ups)	Poor financial record keeping and low levels of compliance				
BDS on advanced business skills such as staff management, quality control, marketing, business management and business innovation (advanced for growing businesses)	Challenges faced in industrialising, limited usage of formal marketing services and a high reliance on walk-ins				
BDS on technical training	Challenges faced in industrialising and remaining competitive				
BDS on technology and social media platforms	Limited usage of marketing services and a high reliance on walk-ins				
Awareness of CRBs and PPSR	Limited knowledge				
Start-up financing or capital	Limited uptake of FSP financing for capital and limited knowledge of alternative forms of finance				
Working capital financing, such as trade financing	Limited usage of working capital financing				
Asset financing	Limited usage and knowledge of alternative forms of finance				
Traditional insurance products	Low uptake of insurance against fraud				
Design new forms of insurance products, such as weather and climate change	Current products not aligned to main risks of businesses				
Formal savings/investment products with potential linkages to credit products	Relatively low uptake				
Improve messaging or marketing of relevant products to SMEs (formal FSPs)	Businesses have poor perceptions of their eligibility to be served by formal FSPs				
Develop more robust risk management and credit scoring capabilities	Limited uptake of financial products for SMEs				
Increase scale and awareness of product offerings (for government and donor providers)	No reported usage of GoM and donor financing products from FinScope				
Improved coordination of SME support programmes					
Assessment of the business and tax compliance regime to identify and address gaps that discourage SMEs from formalising					

# SECTION 3

## IMPLEMENTATION AREAS

Based on the target SMEs' needs, the country context, and supply-side considerations, four intervention areas for SME growth are identified.

### 1. Enhanced access to finance for SMEs

- 1.1. Develop tailored products and services for priority sectors.

### 2. Promote access to markets

- 2.1. Support value chain linkages and linkages to buyers.

### 3. Develop SME capacity and support formalisation

- 3.1. Strengthen BDS.
- 3.2. Streamline formalisation and compliance.

### 4. Target government policy towards priority sectors

- 4.1. Focus the MSME Policy and other government strategies on priority sectors.

The four implementation areas are discussed in detail here, with specific reference to the Malawian SME context. The implementation areas follow from extensive analysis of target group characteristics and country context drivers.

## 3.1. Enhance access to finance for SMEs

### Develop tailored products and services for priority sectors.

#### CONTEXT

Formal lending to SMEs in Malawi remains limited because FSPs perceive SMEs as too risky. This is attributed to their simplified credit scoring and risk management frameworks, which rely on manual processes and traditional collateral to secure credit. Businesses, equally, have come to perceive these biases and refrained from approaching formal FSPs for services, believing they do not meet the eligibility criteria.

FSPs often lack the technical capabilities and appetite to develop more suitable frameworks and models. Considering the scale that these formal providers may be able to offer, government agencies and donors may continue to incentivise capacity building to FSPs to nudge them towards enhancing their coverage of the target segments.

#### IMPLEMENTATION ACTIONS

To develop tailored products and services for priority sectors, the following implementation actions could be taken:

- **Promote grant, equity, and concessional debt funding to start-up and growing agricultural producers and processors** from DFIs, private equity, venture capital, angel investors, and donor organisations.
- **Grow asset financing** from banks and MFIs to established and mature agricultural SMEs by de-risking lending through **strengthening the PPSR, credit information sharing, WRS, and offering partial credit guarantee schemes.** These efforts will require a review of the PPSR to improve customer experience; cleaning the data within CRBs and including non-credit information such as utility providers, government payments, and mobile money transactions to increase the richness of data; and reviewing the efficacy of a single WRS and the potential merging of the two commodity exchanges (comexes).
- **Develop an online platform linking SMEs to funders and BDS providers** that can help package small ticket size deals. To achieve this, a refresh of the BDS directory (2015 Directory of Micro Small and Medium Enterprises Support



Providers) will need to be carried out to update the list of BDS providers and potential funders. Similarly, adequate market sensitisation will need to be carried out to ensure consumers are aware of the platform.

- **Grow working capital and revolving credit facilities for wholesale and retail SMEs** to shield cash-flow challenges and enable expansion.
- **Develop credit scoring models that harness alternative data sources** such as mobile money transaction data.
- **Digitise SME cash flows** by promoting payment interoperability and merchant acquisition.
- **Develop weather index insurance products by leveraging satellite imagery** to circumvent the lack of automated weather stations.
- **Consider partnerships with SACCOs and farmer groups** to leverage the group lending model to extend credit.
- **Develop financial products that offer off-grid, pay-as-you-go solar solutions** to tackle electricity constraints faced by SMEs, particularly agro-processors and manufacturers.
- **Consider developing a wholesale lending model for the MFI sector.** This will require a detailed analysis of the current funding gaps experienced by MFIs and international best practices on the structure of the lending model prior to its roll-out.

## 3.2. Promote access to markets

### Support value chain linkages and linkages to buyers.

#### CONTEXT

Access to markets remains a key challenge faced by SMEs in Malawi. This is highlighted by a large number of SMEs identifying that they lack enough customers and have too many competitors.

#### IMPLEMENTATION ACTIONS

In addressing this challenge, both a sectoral focus as well as an overall enhancement of the operating landscape is required. These include the following:

- **Establish agricultural SME supplier development programmes** working with large retailers and large tourism companies.

## Donors and government should support investment in telecommunication infrastructure

- **Support certification, packaging, marketing, and market exploration** within the priority value chain producers to expand local and international reach. This would involve reviewing the operations of the Malawi Bureau of Standards (MBS), and identifying key pain points and actionable areas to enhance the internal capacity of the MBS.
- **Donors and government should support investment in telecommunication infrastructure** as a strategic necessity to increase ICT adoption to grow online marketing and e-commerce in the agriculture, wholesale and retail, and tourism sectors.

## 3.3. Develop SME capacity and support formalisation

### Strengthen BDS.

#### CONTEXT

The vast majority of the high-impact SMEs in Malawi are aware of BDS, but do not make use of their services. This is despite findings that suggest SMEs have a lack of financial management skills, limited access to markets, and a lack of technical training.

The BDS generally offered to SMEs in Malawi did not match their needs. This highlights the need for a more effective and appropriately tailored BDS system in Malawi. It requires coordinated efforts from BDS providers to ensure the right support is being provided and adequate resources are allocated to reach SMEs.

#### IMPLEMENTATION ACTIONS

Opportunities for developing BDS lie in developing more targeted and adequately resourced providers to deliver technical expertise in all areas of provision and across SMEs maturity spectrum. This can be achieved through the following implementation actions:

- **Develop training in financial management and reporting, developing business plans and strategies, and assistance**

**with how to formalise for start-up and growing**

**enterprises.** Services should also focus on supporting women and youth-owned businesses, given their challenges in growing from micro and small to larger businesses.

- **Develop specialised BDS services to improve productivity** in the agricultural sector and support the evolution towards agri-processing and manufacturing.
- Impact investors, DFIs, angel investors, banks and MFIs to **work closely with BDS providers to source potential SME clients to invest in.**

**Streamline formalisation and compliance.****CONTEXT**

Majority of MSMEs (i.e. 89 per cent of total MSMEs) are informal. Furthermore, most women and youth-owned businesses are not aware of the process or the importance of formalising. Streamlining of the process of formalisation and compliance will work towards easing the process for SMEs and improving the business operating landscape in Malawi.

**IMPLEMENTATION ACTIONS**

Opportunities for streamlining formalisation and compliance include the following:

- **Strengthen the Malawi Investment and Trade Centre's (MITC's) 'One Stop Service Centre' (OSSC) offering** on business registration, tax compliance, licensing, and certification for local and international businesses. Carry out market sensitisation on requirements for formalisation and services provided by OSSC.
- **Develop an online platform for the OSSC** to make it more convenient as well as easier for remotely located SMEs to access services

**3.4. Target government policy towards priority sectors****Focus the MSME policy and other government strategies on priority sectors.****CONTEXT**

Malawi has 16 different regulations and policies at varying stages of implementation that either directly or indirectly affect MSMEs and their operating landscape. This includes the MSME Policy, 2018. Though these cover a large range of sectors, further focus on priority sectors is required to ensure impact.

**IMPLEMENTATION ACTIONS**

This can be achieved through the following actions:

- **Review existing data and conduct additional deep dives into the structure and gaps prevailing in the key value chains.** This is a necessary foundation to map out the number of farmers and value chain actors as well as the linkages that do or do not exist.
- **Review input supply models being applied and explore opportunities for the Government's Farm Input Subsidy Programme (FISP)** to work with aggregators, processors, and other value chain actors to provide inputs and extension services.
- **Implement, monitor, and report on Public Procurement and Disposal of Public Assets policy to ensure 60 per cent of government procurement is from Malawian SMEs.** The policy should be expanded to set specific targets for women and youth-owned businesses.
- **Create a dashboard to track the implementation of the MSME policy.** This is aimed at strengthening the coordination between key implementing stakeholders by providing clear and frequent updates on the status of implementation.

# SECTION 4

## SME DEVELOPMENT ROADMAP FOR TARGET GROUPS

**Note:**

1. MoITT is Ministry of Industry, Trade and Tourism
2. MoFEPD is Ministry of Finance, Economic Planning and Development
3. BAM is Bankers Association of Malawi
4. S is short term i.e. 1 year
5. M is medium term i.e. 2 – 3 years
6. L is long term i.e. 4 years

The preceding implementation areas are captured in the implementation matrix below

**TABLE 3: Roadmap for target groups**

Strategic Objective	Action	Performance Indicator	Deliverable/Output	Implementing Body		Timing		
				Lead Institution	Support Institution	S	M	L
<b>1.</b> Enhance access to finance for SMEs	<b>1.1</b> Develop tailored products and services for priority sectors							
	a) Promote grant, equity and concessional debt funding to start-up and growing agricultural producers and processors b) Grow asset financing from banks and MFIs to established and mature agricultural SMES by de-risking lending c) Develop an online platform that links SMEs to funders and BDS providers. d) Grow working capital and revolving credit facilities for wholesale and retail SMEs e) Develop credit scoring models that harness alternative data sources f) Digitise SME cash flows by promoting payment interoperability and merchant acquisition g) Develop weather index insurance products by leveraging satellite imagery h) Consider partnerships with SACCOs and farmer groups to leverage the group lending model to extend credit i) Develop financial products that offer off-grid, pay-as-you-go solar solutions j) Consider developing wholesale lending model for the MFI sector	a) Launch of additional grant, equity and concessional debt funding offerings for SMEs b) Increase in uptake of formal financial services by SMEs c) Launch of online platform to link SMEs to funders and BDS providers d) Review/Reports on how to improve the operations of the PPSR, credit information sharing, WRS and comexes e) Launch of partial credit guarantee (PCG) schemes for FSPs f) Increase in uptake of DFS by SMEs (e.g. merchant acceptance and B2B payments) g) Launch of satellite imagery use in weather index insurance h) Develop digital payments and lending products linking formal FSPs and SACCOs and farmer groups i) Launch of financial products offering solar pay-as-you-go solutions j) Launch of MFI wholesale lending facility	a) Increased provision and uptake of financial services to/by SMEs b) Increased usage of PPSR and CRBs c) Streamlined operations of WRS and comexes d) Sustainable growth in agricultural and wholesale and retail trade SMEs e) Increased uptake of weather index insurance f) Increased usage of off-grid energy solutions	RBM	MoITT MUSCCO Department of Registrar General Banks MFIs SACCOs Insurance providers MMOs Donors BAM Comexes (i.e. ACE and AHCX) WRS CRBs Business incubators MCCI NASME	X	X	X

Strategic Objective	Action	Performance Indicator	Deliverable/Output	Implementing Body		Timing		
				Lead Institution	Support Institution	S	M	L
<b>2.</b> Promote access to markets	<b>2.1 Support value chain linkages and linkages to buyers</b>							
	<p>a) Establish agricultural SME supplier development programmes</p> <p>b) Support certification, packaging, marketing and market exploration within the priority value chain producers</p> <p>c) Donors and the Government should support investment in telecommunication infrastructure as a strategic necessity</p>	<p>a) Launch agricultural SME supplier development programmes</p> <p>b) Launch support programmes within priority value chains</p> <p>c) Widening telecommunication infrastructure</p>	<p>a) Sustainable growth in SMEs in agriculture, trade and tourism sectors</p> <p>b) Growth in share of Malawian agricultural SMEs supplying to large retailers and large tourism companies</p> <p>c) Increase in ICT adoption among SMEs and consumers</p>	MoITT	<p>MoFEPD</p> <p>Ministry of Agriculture</p> <p>Irrigation and Water Development</p> <p>Ministry of Information and Communication</p> <p>Donors</p> <p>MNOs</p> <p>MBS</p>		X	X
<b>3.</b> Develop SME capacity and support formalisation	<b>3.1 Strengthen BDS</b>							
	<p>a) Develop training in financial management and reporting, building business plans and strategies, and assistance with how to formalise for start-up and growing enterprises</p> <p>b) Develop specialised BDS services to improve productivity in agriculture sector</p> <p>c) Impact investors, DFIs, angel investors, banks and MFIs to work closely with BDS providers to source potential SME clients</p>	<p>a) BDS providers to launch tailored curriculum for start-up and growing enterprises</p> <p>b) Review and enhance agriculture BDS curriculum</p> <p>c) Develop MOUs between BDS providers and financiers</p>	<p>a) Increased provision and uptake of financing to start-up and growing enterprises</p> <p>b) Increased productivity in the key agricultural value chains</p> <p>c) Growth equity and blended finance to start-up and growing enterprises</p>	SMEDI	<p>BDS providers</p> <p>TEVETS</p> <p>Ministry of Agriculture</p> <p>Irrigation and Water Development</p> <p>Ministry of Information and Communication Technology</p> <p>Donors</p> <p>NCCI</p> <p>NASME</p> <p>Chamber of Small and Medium Enterprises</p> <p>NCBA Clusa</p> <p>Banks</p> <p>MFIs</p> <p>Financiers</p>	X	X	
	<b>3.2 Streamline formalisation and compliance</b>							
	<p>a) Strengthen the Malawi Investment and Trade Centre's 'One Stop Service Centre' (OSSC) offering</p> <p>b) Develop an online platform for the OSSC</p>	<p>a) Report reviewing OSSC offering and recommending areas for enhancement</p> <p>b) Launch of online OSSC platform</p>	<p>a) Improved compliance amongst SMEs</p> <p>b) Increased awareness on, and ease of, registering a business and obtaining licences and certificates</p> <p>c) Increased formalisation amongst small and medium enterprises</p>	MITC	<p>Department of Registrar General</p> <p>MRA</p> <p>MoITT</p> <p>The Office of Commissioner of Lands</p> <p>SMEDI</p>	X		

Strategic Objective	Action	Performance Indicator	Deliverable/Output	Implementing Body		Timing		
				Lead Institution	Support Institution	S	M	L
<b>4.</b> Target government policy towards priority sectors	<b>4.1 Focus the MSME policy and other government strategies on priority sectors</b>							
	<p>a) Review existing data and conduct additional deep dives into the structure and gaps prevailing in the key value chains</p> <p>b) Review input supply models being applied and explore opportunities for government FISP to work with value chain actors to increase input supply and extension services</p> <p>c) Implement, monitor and report on Public Procurement and Disposal of Public Assets policy to ensure 60 per cent of government procurement is from Malawian SMEs</p> <p>d) Create a dashboard to track the implementation of the MSME Policy</p>	<p>a) Report on the structure and key constraints and opportunities along agriculture value chains</p> <p>b) Report on opportunities for government FISP to leverage value chain actors to improve input supply and extension services</p> <p>c) Enhanced reporting of Public Procurement and Disposal of Public Assets Policy</p> <p>d) Specific targets introduced for women and youth-owned business under the procurement policy</p> <p>e) Launch of MSME Policy implementation dashboard</p>	<p>a) Growth in productivity and value add within the agricultural sector</p> <p>b) Enhanced coordination of MSME Policy implementation</p> <p>c) Increased government procurement from SMEs</p>	MoITT	<p>MoFEPD</p> <p>Ministry of Agriculture</p> <p>Irrigation and Water Development</p> <p>Ministry of Labour</p> <p>NSO</p> <p>Ministry of Information and Communication</p> <p>Donors</p> <p>Business advocacy groups</p>		X	



