



**MALAWI NATIONAL ECONOMIC EMPOWERMENT POLICY
AND ACTION PROGRAM**

PART 1

NATIONAL ECONOMIC EMPOWERMENT POLICY STATEMENTS

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ABBREVIATIONS AND ACRONYMS

EU	European Union
DBSA	Development Bank of South Africa
DEMAT	Development of Malawian Enterprise Trust
DTI	Department of Trade and Industry
IDC	Industrial Development Corporation
MEPD	Ministry of Economic Planning and Development
MFI	Micro Finance Institutions
NABW	National Association of Business Women
NEEA	National Economic Empowerment Act
NEEF	National Economic Empowerment Fund
NEEC	National Economic Empowerment Commission
NEEP	National Economic Empowerment Policy
SEDOM	Small Enterprise Development of Malawi
SMME	Small, Micro, and Medium Enterprises

CHAPTER 1

INTRODUCTION

1.1 Background

Being one of the least developed countries, Malawi, is characterised by widespread poverty. According to the 1998 nationwide Integrated Household Survey (IHS), 65.3% of Malawi's population lives below the poverty line. But even before the actual extent of poverty was ascertained, the year 1994 marked a watershed in Malawi's efforts to deal with poverty. During the pre-1994 era, poverty alleviation was not a central feature of the government's economic policies, despite the existence of some programmes and initiatives aimed at tackling it. The then government's message was that poverty was only endemic during the colonial era. But when the new government assumed office, it proclaimed that poverty alleviation was going to be its operative development philosophy. After launching the Poverty Alleviation Programme (PAP) in August of 1994, the programme's policy framework document was finalized in October 1995.

The main feature of the policy framework for the poverty alleviation programme was that it defined the various categories of the poor in Malawi, the constraints they face, and the strategies that government was going to adopt in order to alleviate their poverty. However, the document did not go far enough in articulating the various poverty alleviation strategies. It only provided a general framework for implementing a poverty alleviation programme. That is why the Malawi Poverty Alleviation Strategy Paper (MPRSP) published in April of 2002 represented a major advance in efforts to reduce poverty in Malawi. Unlike the PAP Policy Framework Document, the MPRSP contains a detailed, prioritised and costed set of activities that stakeholders have agreed will maximise poverty reduction given the available resources. It also has an action plan that clearly allocates responsibility over the undertaking of the various activities to lead institution as well as supporting institutions. And unlike its precursor, the MPRSP has a framework for monitoring and evaluation.

The MPRSP itself is organised into pillars, which represent a grouping of various goals, objectives, strategies and activities that represent a specific facet in efforts to reduce poverty. The central philosophy of the MPRSP is economic empowerment. And nowhere in the strategy paper is this better manifested than in pillar one, which focuses on pro-poor growth. The main tenet of this pillar is that one sure way of reducing poverty is to stimulate growth in Malawi's key productive sectors and ensuring that such growth takes place to the direct benefit of the poor. But although the MPRSP outlines the various activities and strategies for achieving pro-poor growth, it does not articulate in detail how this growth will be brought about. It is for this reason that the government recently developed a Growth Strategy Paper (GSP). The GSP identifies those sectors and sub-sectors with growth potential, and

outlines the necessary actions that need to be undertaken in order to exploit this growth potential.

But unless there is a deliberate policy and action programme, Malawians may not be active participants and beneficiaries of this growth. Currently, despite the various initiatives by government, donors, and NGOs, most Malawians are still involved in low-return, small-scale enterprises. The large-scale, high-value businesses are owned by either foreigners or a minority of Malawians. It is for this reason that this proposed National Economic Empowerment Policy Statement (NEEPS) and Action Programme (AP) find their premise.

1.2 Economic Empowerment Defined

Economic empowerment is defined as “improving the livelihood of Malawians through increased access to economic factors of production, and various facilities that enhance the potential for engaging in businesses and other income generating activities. These activities may be in the form of wage employment or business ventures”.

1.3 Goal and Objectives of the Economic Empowerment Policy

1.3.1 Goal

Economic disempowerment is caused by a number of factors and manifests itself in the inability by the majority of citizens in Malawi not being able to control their economic destiny. Disempowerment affects citizens depending on their race, gender, age, location and economic disposition.

For the majority of the poor people in Malawi, the causes of economic disempowerment are due to a lack of productive assets, lack of access to land and infrastructure and inadequate skills. Further, high unemployment exist among the poor as the formal sector has failed to create employment.

The National Economic Empowerment policy (NEEP) has the goal of bringing about social-economic transformation to enable the poor in Malawi to be in a position to make their own decisions that will determine and control their economic destiny by making them share in the ownership, control, and management of the country’s wealth, thereby increasing their participation in the formal economy in Malawi.

1.3.2 Objectives of the National Economic Empowerment Policy

To achieve the above goal, a coherent and integrated approach is needed to contribute in solving the various causes of disempowerment, which exists in different sections of the poor in Malawi. Central to the objectives are areas in human resource development, employment equity, enterprise development, preferential procurement and investment, ownership, managing, owning and control of productive assets.

The following economic empowerment policy objectives will govern the initiative;

- *To promote the socio-economic transformation of the poor in Malawi for meaningful participation in the economy;*
- *To facilitate the acquisition, management and control of productive assets by the citizens of Malawi;*
- *To increase the ownership and control of new and existing enterprises by Malawians;*
- *To increase access to land and infrastructure and the transfer of skills to the poor especially women, disabled and the youth in Malawi;*
- *To improve access to finance for the poor and other entrepreneurs in Malawi;*
- *To facilitate the transfer of technology to the economically disempowered;*
- *To develop and grow an affluent middleclass in Malawi;*
- *To build the capacity of Malawians to own and manage their own enterprises and their ability to make their own decisions and choices; and*
- *To effectively liaise with the relevant institutions in addressing the HIV/AIDS pandemic.*

1.4 Target for Empowerment

The policy targets all those ***indigenous Malawians*** who at the moment face one or more constraints to the realisation of their full potential to participate and to excel in business ventures. They may want to participate in a micro, small, medium or large-scale business venture, but are facing various constraints, or may already be operating businesses. The development of enterprises, their growth and survival is key to empowering Malawians on a sustainable basis.

1.5 Key Issues addressed by the Policy

This policy statement is presented based on seven main pillars, which were identified during the consultation process with stakeholders as critical for a successful empowerment programme. These pillars are:

- The institutional framework for empowerment;
- The regulatory framework for empowerment;
- Access to financial services and capital;
- Access to science and technology means of production;
- Access to land and rural development;
- Capacity building for economic empowerment; and
- Improving infrastructure.

Other sub-pillars include:

- Expanding business opportunities;
- Empowering rural communities;
- Empowering women;
- Empowering the youth; and
- Empowering people with disabilities.

1.6 Structure of the Policy Statement

This policy statement is presented in three parts parts:

Part 1 presents the main policy statements covering the above listed pillars and sub-pillars. Each statement is preceded by a brief explanation of its rationale.

Part 2 presents a detailed Action Programme that outlines the activities that will need to be undertaken to operationalise the main policy statements. The Action Programme also indicates the proposed time-frames and responsibilities for the implementation of the policy.

Part 3 presents the situation analysis of empowerment programmes that have been implemented in Malawi, South Africa and other countries in the region. It also presents the lessons learnt from these programmes.

CHAPTER 2

SITUATIONAL ANALYSIS

2.1 Historical background

Malawi's experience with economic empowering programmes can be traced back to as far back as the early 1960s. The then Ministry of Gender, Youth, Community Services, and Social Welfare (now known as Ministry of Gender and Community Services) used to run a Home Economics Programme under which women were trained in such areas as needlecraft, cookery, childcare, and nutrition. However, the dominant development philosophy at that time was that Malawi's economic development could only be achieved through the promotion of large-scale entrepreneurship. Thus, government directed the two main commercial banks to design loan products for large-scale farming entities (estates). Similarly, in 1972, the government established the Investment and Development Bank (INDEBANK) with the express purpose of providing loans to large-scale businesses.

Towards the end of the 1970s and early 80s, it was felt necessary by government to introduce initiatives that would also cater for micro, small and medium enterprises. In particular, in 1979 the Development of Malawian Traders Trust, now called the Development of Malawian Enterprises Trust (DEMAT) was established, followed by the Malawi Union of Savings and Credit Cooperatives (MUSCCO) in 1980, the Malawian Entrepreneurs Development Institute (MEDI) in 1981, and the Small Enterprise Development Organisation of Malawi (SEDOM) and INDEFUND in 1982. DEMATT was set up to help Malawian traders to fill the gap left by the Government's policy to expel Asians from rural areas and restrict the place that they could trade.

In the early '80s, GTZ established the Rural Growth Centres Project, funded by GTZ, to develop socio and economic development in selected rural areas such that growth would develop around the designated centres, however, the selection of the Centres was too politically motivated and some Growth Centres were in the wrong place e.g. Mbalachanda. In 1986, the GTZ funded Promotion of Micro-enterprise for Rural Women (PMERW) programme was launched in the Ministry of Gender, Youth, and Community Services. It was felt that the existing empowerment initiatives did not address the specific needs of rural women. Thus, building on the already existing Home Economics Programme that the ministry was already implementing, the PMERW brought in new elements of economic empowerment such as training in appropriate technology and linking women to commercial banks for the provision of loans.

Since the 1990s to date, Malawi has seen many more empowerment programmes being initiated. Several factors have motivated the proliferation of these programmes including the launching of the Social Dimensions of

Adjustment (SDA) project by the World Bank in 1990, the Poverty Alleviation Programme (PAP) by the new Malawian government in 1994, and the privatisation programme launched in 1996. The SDA project was the World Bank's regional initiative for Sub-Saharan Africa whose aim was to address the negative impact that structural adjustment programmes (SAPs) had on the poor. A significant development in recent empowerment initiatives has been the involvement of NGOs, especially in the area of micro-finance.

2.2 Characteristics of empowerment initiatives

Since the 1960s Malawi has seen more than forty different types of empowerment initiatives. Some are still operational while some are defunct. The various empowerment initiatives have the following characteristics:

- The majority of the initiatives (almost 50%) have been involved in the provision of loans (financial and equipment) and training (business management and technical). Others, although in a minority, are involved in the provision of business advice, business information services, and advocacy;
- The majority target small, micro, and medium enterprises. Very few initiatives target large-scale enterprises;
- More than half are operational in all the districts of the country. Some though are localised, operating in a few districts;
- Most tend to target the rural areas, and especially women; and
- Most are government and donor driven, with hardly any private sector involvement.

2.3 Lessons Learnt

Although the various initiatives have had varying areas of focus, there are some lessons that have been learnt, which provide useful insights in the formulation of a policy for Malawi.

- Despite the existence of many initiatives, supply of loanable funds and training services does not seem to meet the demand. Thus, as far as the situation in Malawi is concerned, economic empowerment should not just aim at addressing access issues but supply as well.
- Some programmes have not succeeded because of politicisation. For example, default rates have been very high in credit schemes promoted by politicians. This is because borrowers perceive such loans as grants;
- Few programmes have approached empowerment in an integrated manner. For example:
 - One of the factors behind non-repayment of business loans has been lack of complementary business training and advisory services; and
 - Some people have received training in entrepreneurship but have not been able to access financial services.

- Economic empowerment must attempt to address other intervening factors. For example, microfinance institutions have been unable to operate in some rural areas because of poor infrastructure and security. Similarly, there is need to address some more subtle constraints to empowerment such as people's attitudes. There seems to be consensus that the attitude of most Malawians is that self-employment is a second best career;
- There has been little attention paid to information dissemination in empowerment initiatives. Some empowerment schemes have not been fully utilised because people have not been aware that they exist; and
- Some institutions involved in the implementation of empowerment initiatives are themselves beset with capacity problems.

CHAPTER 3

POLICY STATEMENTS

3.1 ESTABLISHING AN INSTITUTIONAL FRAMEWORK FOR ECONOMIC EMPOWERMENT

3.1.1 Rationale

Economic empowerment has many facets, and therefore requires a multi-pronged approach. This requires proper coordination to avoid overlaps and conflicts. Indeed, while many economic empowerment initiatives exist in Malawi, there is no overall coordinating institution. Further, it is crucial to the success of an economic empowerment programme that there be an institution that should have overall responsibility for the implementation of the empowerment policy and action programme. Many policies have not been implemented because there has been no specialised institution to take the full responsibility and authority action. To be effective, proper coordination, management, monitoring and evaluation of all economic empowerment initiatives are needed.

3.1.2 Policy Statement

Government shall:

- ***Establish through an Act of Parliament, an autonomous and independent institution that will have overall responsibility for the operationalization of the economic empowerment policy. The institution shall be known as the National Economic Empowerment Commission (NEEC). Although the NEEC will be autonomous, its work will fall under the MEPD. The institution will among other things be responsible for the following:***
 - ***Proposing changes to various types of legislation for the effective delivery of economic empowerment initiatives;***
 - ***Mobilizing resources for economic empowerment;***
 - ***Reviewing the framework for the provision of enterprise development services e.g. training and financing, in response to changing circumstances. This should include putting in place regulatory frameworks in these areas;***
 - ***Facilitating the development of sector charters for economic empowerment;***
 - ***Commissioning and conducting research;***
 - ***Developing innovative ways of creating business opportunities e.g. identifying those services which the government needs to start outsourcing;***
 - ***Developing business ideas as well as importing business ideas from abroad and then disseminating such ideas to the***

- public so that those interested could consider developing such ideas into real business ventures;*
 - *Undertaking Information, Education and Communication (IEC) activities. This could include educating the general public on the various empowerment schemes available;*
 - *Exploring ways of fostering business linkages;*
 - *Reviewing the economic empowerment policy;*
 - *Proposing changes to Malawi's education curricula in order to inculcate an entrepreneurial culture amongst Malawians; and*
 - *Monitoring and evaluation of economic empowerment initiatives.*
- *Ensure that there is funding for the operations of the NEEC Board and Secretariat.*

3.2 ESTABLISHING A REGULATORY FRAMEWORK FOR ECONOMIC EMPOWERMENT

3.2.1 Rationale

An enabling environment is critical to the success of the empowerment policy. It is therefore important that a sound regulatory framework is in place to govern the implementation of the policy. Currently there are no laws in Malawi that would facilitate the successful development and implementation of empowerment initiatives.

3.2.1 Policy Statement

The Government shall facilitate:

- *The Development of a National Economic Empowerment Act that will provide a legislative framework upon which all the empowerment initiatives in the country will be based. Among the various issues, the act will have following provisions:*
 - *The creation of the National Economic Empowerment Commission (NEEC) that will be responsible for coordinating empowerment activities;*
 - *The establishment of transformation sector charters. The Sector Charters will clearly detail the role the various sectors will play in empowering Malawians, and how the resources will be mobilised from among the signatories to the charters; and*
 - *The establishment of a National Economic Empowerment Fund (NEEF). The main responsibility of the NEEF will be the mobilization of wholesale funds that will be made available to private sector institutions for retail lending to the target beneficiaries.*

- *The amendment of existing laws in order to create a conducive environment for the implementation of the economic empowerment policy.*

3.3. ACCESS TO FINANCIAL SERVICES AND CAPITAL

3.3.1 Preamble

Access to financial services and capital is critical for the success of an economic empowerment programme. International best practice has shown that finance is one of the primary obstacles to starting up and expanding business enterprises, and access to finance is as critical as the cost of finance. Currently, supply of loan funds cannot meet the demand for credit, while high delinquency rates hamper efforts by financial institutions to extend loans to many more Malawians. Similarly, unfavourable loan conditions also preclude some Malawians from accessing loans.

3.3.2 Increasing supply of loan funds

3.3.2.1 Rationale

One of the major constraints to access of financial resources is that the supply of loan funds is not adequate to meet the demand. Several factors contribute to this situation. The first is the lack of a savings culture or the ability to save amongst Malawians. This is partly due to poverty, but also due to ignorance about the advantages of saving. In addition the macro-economic factors such as inflation and devaluation of the local currency, erodes the value of savings. Secondly, it would seem that the various ways in which loan funds can be mobilized have not been exhausted by existing financial institutions. There is little creativity in developing new financial products and services to meet the needs of the lower end of the market. Thirdly, high delinquency rates and a lack of credit culture in most cases have led to the breakdown of revolving loan schemes. Finally, in some cases, credit providers have simply not been aware that funds are available for on-lending to the public.

3.3.2.2 Policy Statements

Government shall facilitate:

- *The promotion of a savings culture amongst Malawians by embarking on a savings campaign to be coordinated by the NEEC;*
- *The introduction of mandatory contributions to the pension scheme amongst civil servants;*
- *The relaxation of rules governing deposit taking by financial institutions;*
- *Through the NEEC, the formation of a financial sector charter that would among other things, commit financial institutions to allocate more funds to economic empowerment initiatives;*

- *The establishment of an autonomous National Economic Empowerment Fund (NEEF) that will be used to mobilise funds in order to complement the resources mobilized by financial institutions themselves; and*
- *The establishment of an apex institution that will be charged with the responsibility of mobilizing funds from various sources, which can be lent to credit providers.*

3.3.3 Tackling high default rates

3.3.3.1 Rationale

Credit providers complain that in some cases, borrowers simply choose to default on their loans. The following are some of the reasons cited as being responsible for high delinquency rates:

- The lack of a credit-referencing bureau as borrowers move from one institution to another;
- Politicians tend to publicly condemn MFIs that charge high interest rates and ask for short repayment periods. As a result borrowers feel justified when they default on their loans;
- In some cases, politicians have been directly involved in influencing the state owned credit institutions to extend loans to some unworthy individuals. As a result, beneficiaries tend to perceive such loans as government grants or rewards for their political affiliation, and as such do not feel pressured to repay;
- Lack of training for those starting up their businesses;
- Lack of business advisory services once businesses are operational. As such, most beneficiaries are unable to succeed in their businesses, forcing them to default on their loans;
- Lack of adequate monitoring and supervision of clients;
- Combining loan officer roles with business advisory roles – business advisors become debt collectors and not advisors on best business practice; and
- Poor product development to design appropriate financial products to suit the needs of the target groups.

3.3.2.2 Policy Statements

Government shall facilitate:

- *The establishment of a Credit Reference Bureau in order to keep track of borrowers;*
- *The introduction National Identity Cards;*
- *The promotion of adherence to international best practices in micro-finance;*
- *Through the Training Unit of the NEEC, the enhancement of the capacity of micro-finance institutions to monitor and supervise their clients;*

- *Through the Training Unit of the NEEC, that all those who borrow for business purposes receive proper training and business advisory services once their businesses are operational;*
- *The introduction of legislation that will provide for the punishment of those who deliberately default on loans and give incentives to those that do repay;*
- *Through a unit/department in the NEEC, the sensitisation and encouragement of financial institutions to design tiered loan packages which provide incentives to borrowers who are faithful in loan repayment; and*
- *The enhancement of the capacity of courts to handle business cases. Government will also explore the possibility of introducing special courts to handle business disputes, similar to the industrial relations courts.*

3.3.4 Creation of favourable loan conditions

3.3.4.1 Rationale

Start-up and established entrepreneurs are sometimes unable to access loan funds because of unfavourable loan conditions. These include collateral demands by some providers that preclude the poor, small loan amounts available to individual borrowers, high interest rates, short repayment periods, and high frequencies of repayment. Further, even if entrepreneurs are able to access finance, some loan conditions do not create a conducive environment for profitable entrepreneurship. For example, short repayment periods, the requirement that repayments be made frequently (e.g. weekly), and the fact that most borrowers can only access small amounts of loans, forces people to engage in non-productive business activities, most of which have very low profit margins, such as trading activities involving the buying and selling of merchandise.

3.3.4.2 Policy statements

Government shall:

- *Reduce borrowing on the domestic market in order to reduce interest rates and ensure that they remain low;*
- *Commit itself to ensuring that loans are not subsidized since this creates the misconception that loans are free and not supposed to be paid back;*
- *Create incentives to borrowers to pay back loans;*
- *Commit itself to tackling the problem of high delinquency rates. This is because Government recognises that some of what the borrowers consider to be unfavourable loan conditions are due to the fact that borrowers themselves have not been faithful in repaying loans; and*
- *Through a unit/department in the NEEC, help finance institutions in designing differentiated financial products that suit the conditions and needs of various potential borrowers.*

3.4 ACCESS TO LAND

3.4.1 Rationale

Land plays a critical role to economic empowerment. Primarily, it is one of the key factors of production. However, land is not equitably distributed amongst Malawians. Few Malawians own large pieces of land, most of which is not being utilised. As a result, most Malawians are unable to venture into income generating activities that require land as an input. The problem of access to land is more acute in cities where demand for land is very high, and yet it takes very long for the Ministry of Housing or Lands to process applications for land. Consequently, the cost of land on the market has been very high, making it very difficult for potential entrepreneurs to set up businesses. Also, most Malawians who own land do not have title deeds to them. This means that they cannot use land as collateral to access loans.

3.4.2 Policy Statements

Government shall:

- ***Redistribute land equitably as outlined in the Land policy;***
- ***Implement a programme of land titling; and***
- ***Introduce reforms in the way land is allocated in cities so that all unnecessary delays in the processing of land applications are removed. Also, under the reforms, Malawians needing land for commercial purposes will be given preference.***

3.5 ACCESS TO SCIENCE AND TECHNOLOGY

3.5.1 Rationale

Most enterprises in Malawi tend to be trading oriented, often characterised by low profit margins (GEMINI 2000). In some cases this is because people are not exposed to manufacturing type of businesses, while in other cases it is because they are unable to raise enough financial capital to purchase the required technology. Those Malawian owned businesses that are involved in manufacturing do not employ the best technical know-how, resulting in low-quality products that struggle to compete with imported products. Further, the productivity of labour in such businesses is low due to lack of complementary technology. And finally, most Malawian businesses have been unable to access foreign markets because they have not fully utilised information technology.

3.5.2 Policy Statement

Government shall facilitate:

- *The strengthening of the capacity of technology development centres;*
- *The promotion of a culture of innovation;*
- *The increase of the range of technologies available by enhancing Research & Development;*
- *The establishment of business information bureaus, with state of the art Information and Communication Technology (ICT), in various parts of the country;*
- *The increase in awareness of the various types of technologies available and their potential benefits;*
- *The promotion of the development of loan packages that are aimed at increasing access to technology; and*
- *The promotion of computer literacy amongst entrepreneurs*

3.6 EXPANDING BUSINESS OPPORTUNITIES

3.6.1 Preamble

Apart from removing supply-side constraints, economic empowerment also requires that deliberate efforts be made to create business opportunities for existing and potential Malawian entrepreneurs. Sometimes people may have the desire, or in some cases even the resources, to start and run a business, but cannot do anything because they see most markets to be saturated. While it is the responsibility of private individuals to develop new business ideas, government too can play a role in the creation of business opportunities. When people are given a business opportunity, they get empowered not only because they earn money, but also because they gain the experience that they need to be competitive.

3.6.2 Public sector reform

3.6.2.1 Rationale

The potential to create business opportunities through public sector reform is immense. As a matter of principle, government should not be involved in activities that can easily be undertaken by the private sector. Further, it is within the ambit of the government to create business opportunities for Malawian entrepreneurs through reforms in procurement policy. Government should be a facilitator of the provision of services, not a provider of services.

3.6.2.2 Policy Statement

Government shall:

- **Ensure that most goods and services “consumed” by Government and parastatal institutions are outsourced from Malawian owned businesses;**
- **Ensure that government procurement policy deliberately favours Malawian firms vis-a-vis foreign firms;**
- **Privatise those public companies that can better be run by the private sector and develop schemes to promote the participation of Malawians in the ownership of the privatised companies;**
- **Encourage the private sector to outsource and procure from Malawian owned suppliers; and**
- **Franchise to the private sector some of the government’s commercial activities (e.g. post offices and hospital pharmacies).**

3.6.3 Development of business ideas

3.6.3.1 Rationale

Government will go a long way to empower Malawians by complementing private efforts to develop business ideas. Sometimes private individuals do not have enough resources to conduct research that can eventually lead to the development of a business idea.

3.6.3.2 Policy statements

Government shall facilitate:

- **The carrying-out of research on possible business areas for Malawians through a unit to be created within the NEEC;**
- **The dissemination of information on possible business ventures while being cautious that this does not lead to the fallacy of composition where everybody wants to do the same type of business; and**
- **The provision of advice on how entrepreneurs can further develop their business ideas.**

3.6.4 Access to markets

3.6.4.1 Rationale

Business opportunities can also be created by promoting those activities that facilitate access to markets and by removing constraints that inhibit entrepreneurs from accessing markets.

3.6.4.2 Policy statements

Government shall:

- ***Strengthen the Malawi Export Promotion Council (MEPC);***
- ***Promote the participation of Malawian entrepreneurs in trade fairs;***
- ***Provide incentives to private sector institutions and businesses that procure from local Malawian firms; and***
- ***Provide training courses on tendering and procurement procedures***

3.7 EMPOWERING THE RURAL COMMUNITIES

3.7.1 Rationale

The rural communities are in general the most affected by the lack of facilities and infrastructure supporting the development of businesses. In general there is a perception among financial institutions that the rural communities are no-go areas as the cost of providing financial services to these areas are too high relative to the returns. However, with over 85% percent of the Malawi population living in the rural areas, there is need for the empowerment policy to specifically target the rural communities if a significant impact is to be made in empowering Malawians. Some of the challenges that will require to be addressed are the high illiteracy levels in rural areas, lack of infrastructure as outlined above, low income levels, seasonal nature of economic activities which in most cases is driven by agricultural activities. To enhance the flow of financial resources into these rural communities, there will be need for more innovative financing mechanisms such as community development venture funds, community loan funds, supporting the traditional micro-loan funds granted by institutions such as MRFC and NABW.

In all these efforts to uplift the economic participation of the rural communities, both the private and public sectors should play a key role. Incentives should be introduced for the private sector financial institutions to play a role in allocating a sizeable proportion of their available funds to such communities. Examples of such incentives include a Community Investment Tax Credit which would provide lenders to, and equity investors in these communities with a guaranteed minimum rate of return. In addition, the government would provide matching grant funds to private sector investors willing to invest in profitable projects in the rural communications.

The culture of hand-outs and political patronage to rural communities is wasteful, counterproductive and unsustainable. What is critical is to stimulate private investment in these areas through creative and sustainable initiatives involving the private sector.

3.7.2 Policy Statement

The Government, in partnership with the private sector, shall:

- ***Endeavour to improve the economic situation in rural communities through the introduction of specific and targeted programmes and incentives. The role of the private sector in this regard shall be profit-driven to ensure sustainability over a long-term;***
- ***Scale up investment in rural infrastructure – roads, telecommunications, electricity, and water;***
- ***Develop a programme that will oversee the establishment of cooperatives in rural areas. These cooperatives will help reduce the transaction cost of dealing with rural entrepreneurs as well as cushion such entrepreneurs from exploitation by promoting collective bargaining;***
- ***Introduce incentives for financial and other institutions to operate in rural areas; and***
- ***Provide matching grant funds to private sector investors willing to invest in profitable projects in rural communities.***

3.8 EMPOWERING WOMEN

3.8.1 Rationale

Despite a lot of effort put into improving the welfare of women in Malawi, they remain marginalized compared to men. Women are likely to have less access to education, credit, land, and property than men. In addition, women have less access to employment opportunities than men, in the public and private sectors. They also may not have equal access to technology and other key market information to support their business activities. The institutional framework for supporting the development is weak, mostly in the public and non-governmental institutions. In Malawi 52% of the population is comprised of women and most of these live in the rural areas. Women still have to get approval from their husbands to access credit from some financial institutions. In most cases, women who have had access to business and financial support have performed better than men and are able to payback their loan commitments. However, there still remains a big challenge to build the capacity of women entrepreneurs to give them the requisite business skills and confidence to enable them to actively participate in the economic empowerment programme. Initiatives should also be undertaken to improve the women's access to technology, their understanding of local and international markets to enhance their businesses and exploit opportunities. Empowerment initiatives should also aim at promoting the access to

information and communication technologies such as internet/email, therefore widening their information sources to support their businesses. Institutionally, the efforts of the Ministry of Gender and the various women micro-finance institutions such as NABW should be complemented with the provision of adequate resources and capacity building initiatives.

3.8.2 Policy Statement

The Government will endeavour to enhance the economic empowerment of women in the urban and rural areas of Malawi through:

- ***The provision of capacity building programmes to enhance their entrepreneurial skills and their ability to effectively manage their businesses;***
- ***Review legislation to identify areas which currently serve as constraints to the development of women in general, and access to credit, land, markets and information in particular;***
- ***Enhancement of the institutional framework supporting the development of women entrepreneurs through the institutional reform of such institutions; and***
- ***Development of a charter to increase the employment opportunities of women in the public and private sector organizations.***

3.9 EMPOWERING THE YOUTH

3.9.1 Rationale

The unemployment situation among the youth has worsened over the last 20 years. Increasingly the youth are completing their education with very little prospect of securing a job, or engaging in entrepreneurial activities. Because they have no experience, very few employers are willing to recruit and train them on the job. The Government, which is the largest employer in Malawi, has drastically reduced creation of new jobs because of budgetary constraints. The scenario is that of a significant proportion of the population, with a lot of energy and expectations, staying idle despite having academic qualifications, including university diplomas and degrees. Financial institutions are reluctant to extend credit to the youth because they do not have the requisite security or the capacity or experience to implement the project. The curriculum of most education institutions has not changed much to allow for the development of an entrepreneurial cadre, who upon completion of their studies would seek opportunities for business rather than employment. In addition there is hardly any institutional framework specifically dedicated to the up-liftment of the youth and economically empowering them.

3.9.2 Policy Statement

The Government shall:

- *endeavour to empower the youth through the strengthening of institutions responsible for equipping the youth with the requisite skills and resources to enable them to actively participate in economic empowerment activities such as self employment, access to employment opportunities, and creation of enterprises;*
- *Review the formal education curricula at all levels and include entrepreneurship courses in order to inculcate an entrepreneurship culture amongst the Malawian youth; and*
- *Introduce incentives for private sector participation in youth development, including a youth fund.*

3.10 EMPOWERING PEOPLE WITH DISABILITIES

3.10.1 Rationale

The people with disabilities are usually the most affected in terms of access to assets and other facilities required to economically get empowered. They experience difficulties accessing financial services and capital, skills development programmes, and technology developments. They are also the most affected by poor infrastructure such as roads, communication, and buildings not designed to accommodate or meet their special needs.

3.10.2 Policy Statement

The Government shall, through the economic empowerment policy, ensure that people with disabilities are not in any way marginalized in their quest to get economically empowered. The proposed empowerment Act will specifically make provisions for according people with disabilities equal opportunities to those offered to able people. Furthermore, the Government will improve the capacity of the Malawi Council for the Handicapped and other similar institutions that deliver services to people with disabilities.

3.11 IMPROVING THE INFRASTRUCTURE

3.11.1 Rationale

The lack of adequate infrastructure in Malawi such as all weather roads, reliable electricity, water, and communication facilities is a key constraint to the development of viable businesses. This situation is worse in the rural areas where the cost of doing business is high and financial institutions are much less willing to extend loans for new or ongoing business projects. In addition to the inadequate infrastructure, where utilities are available their

supply are unreliable and expensive. Frequent power blackouts, for example, pose a high risk for manufacturing entities with continuous processes. Installation of back-up generators is expensive, and simply makes Malawian businesses uncompetitive in the region.

In most rural areas communication is still a problem as not many trading centres have adequate and reliable facilities. The Malawi Telecoms Limited is still struggling to meet the demand for telephone lines in the urban and rural areas. Where these are provided they are expensive and unreliable, therefore contributing to the uncompetitiveness for both the local and export markets. In transportation, the high costs of fuel, vehicle parts and poor roads, all contribute to high unit costs of production or providing services.

In addition to the above, there is generally lack of information regarding business opportunities, tax and other incentives, and other key business information. MIPA, MEPC and other Government institutions seem to have inadequate resources or capacity to effectively provide such information. On the other hand the public in general does not seem to know where and how to access such information to assist them in planning. Efforts to empower Malawian owned businesses will therefore need to address these shortcomings in the infrastructure.

3.11.2 Policy Statement

The Government shall undertake to improve the infrastructure in urban and rural areas in support of the empowerment initiative. A review of the Growth Strategy and the PSIP will be undertaken to ensure that its objectives and priorities support the empowerment program. Efforts will be made to improve the supply of electricity, water, telecommunication services through the allocation of more resources and improved planning for the concerned utility providers.

In addition, the government shall review the operations of institutions providing key services such as water, electricity, telecommunications, and business marketing information, with an objective of developing a strategy for improving their performance in general.

3.12 CAPACITY BUILDING FOR ECONOMIC EMPOWERMENT

3.12.1 Rationale

There is evidence which suggests that many Malawians are failing to participate fully in mainstream economic activities due to lack of the requisite knowledge and skills. Research findings reveal that Malawians by and large lack a business culture.

Discussions with various stakeholders also revealed serious capacity inadequacies that will need to be addressed. These capacity problems are evident at two levels: individual level and institutional level.

a. Individual level capacity problems

These are mostly with respect to individuals who are already undertaking business activities, or who are about to start operating a business. In particular, it has been found that most individuals start running businesses without receiving adequate business management and technical training skills. Similarly, most people who are running businesses are unable to receive business advisory services. The following are the main reasons why most people have been unable to access training:

- Although most empowerment initiatives have training components, the supply cannot meet the demand;
- Most people cannot afford to pay for training;
- Some people do not see much need to undergo training in order to run their businesses. This is most common amongst those operating businesses that are not technical in nature, and also amongst those who are illiterate who usually have great difficulties understanding the need for recording basic business transactions; and
- Some people are simply not aware of the training opportunities that are available.

Another individual level capacity problem identified by stakeholders is the general lack of entrepreneurial culture in Malawi. Unlike Malawians of Asian origin, most indigenous Malawians lack certain basic tenets of successful businessmanship. Some of the attitudinal problems identified were as follows:

- Very few Malawians aspire to make business as their fulltime career. Most Malawians attain formal education with the sole intention of participating in wage employment. They only venture into self-employment when they have not been able to go very far with their formal education, or when they are unable to obtain wage employment. This attitude needs to change.
- Most Malawians, with the exception of those in professional fields such as law, accountancy, engineering and architecture find it very difficult to form business partnerships. It seems that generally, Malawians can neither trust each other nor help each other in business.

b. Institutional level capacity problems

Most training and credit institutions are also beset with capacity problems. In both cases, the root cause of their capacity problems is inadequate financial resources. For credit institutions, this problem is manifested in the following situations:

- They are unable to provide adequate training in credit management; and
- They are usually understaffed and hence cannot properly supervise and monitor their clients.

With regard to training institutions, lack of financial resources has resulted in the following:

- The majority face challenges with technology, equipment, vehicles, availability of trainers, and funding their operations;
- Many of them have abandoned their original mandates in order to survive, consequently compromising on the quality and impact of their programmes;
- The majority of them have difficulties keeping their training programmes relevant because of inadequate research capacity; and
- The coverage of their services is skewed towards the urban areas.

3.12.2 Policy Statement

The Government recognises that economic empowerment efforts cannot succeed without deliberate interventions to address the capacity constraints facing many Malawians. To this end, the Government shall design and implement a National Human Resource Development Strategy that complement and effectively supports the implementation of the Economic Empowerment Policy within the framework of the Economic Growth Strategy and Poverty Reduction Strategy with a deliberate bias towards the empowerment of Malawian citizens operating and working in small and medium enterprises.

The HRD Strategy shall aim to incorporate the education and training pipeline, which best meets the needs of the Malawian economy in order to build globally competitive human capital.

The HRD Strategy shall incorporate the full spectrum of learning, including primary school, higher education, adult basic education and training, life long learning, learnerships for the youth, SME skills development, entrepreneurship, innovation and on-the-job-training in both the public and private sectors. The curriculum at different levels will be reviewed to ensure that it meets the entrepreneurial and other knowledge and skills requirements of a modern economy.

Public institutions offering learning and training opportunities shall be rationalised to enable them provide such services more optimally than at present. Government intends to ensure that the national budget is structured in such a way as to provide meaningful support to institutions that fall within its ambit, while ensuring that institutions such as TEVETA are fully supported by all those with the means to do so, particularly large-scale private sector firms.

Government shall endeavour to promote innovative partnerships between private sector partners (local and international) and academic research institutions with the view to establishing centres of technology excellence, particularly for the benefit of small and medium enterprises.

The Government is aware of the large numbers of youths that will not be able to secure employment in the formal employment sector. To this end, Government intends to expand the capacity of existing vocational training institutions to take in more participants in their programmes. It shall also encourage all colleges to offer entrepreneurial and other training in specialised trades best suited to self-employment.

CHAPTER 4

MONITORING AND EVALUATING THE EMPOWERMENT PROGRAM

For the Government of Malawi to determine how well the economic empowerment programme is being implemented, the transformation process has to be measured by using a qualitative and quantitative approach. The task of measurement also needs an independent institution to undertake the task, as Government will not have the capacity.

The benchmark / barometer/or scorecard will measure the core elements of the economic empowerment policy, which are:

- Direct empowerment through ownership and control of enterprises and the wealth of the country. That is, is there an increase in the ownership and control of the economy by the Malawians? This means a higher proportion of controlling interests of the companies by Malawians and there being a genuine participation in decision-making at board, top management and operational levels. Control is emphasised, as it is imperative that fronting is guarded against;
- Human resource development and the employment of women, the disabled and the youth in all levels of management. This will entail the employment and promotion of Malawians in top operational, professional and executive decision- making positions. To guard against tokenism, a deliberate policy aimed at improving the skills of Malawians needs to be implemented by companies;
- Economic empowerment through preferential procurement and enterprise development. For economic transformation to take place, there is a need for more enterprises owned by Malawians to produce value-added products, attract investments and to employ more Malawians in productive activities. Creating and ensuring the growth of enterprises held by Malawians remains a core strategy of MEEP. For these businesses to grow there is a need to be supported by an effective market linkage mechanism through preferential procurements;
- Enterprise development will also entail that there is a growing trend in investment between Malawi owned and empowered enterprises. This process should also emphasize the necessary transfer of skills. These investments should result in economic benefits to both parties; and
- Residual factors.

Individual sectors will be allowed to include other factors for measurement such as:

- Use of labour intensive techniques which will allow more local labour to be utilised;
- High level of beneficiation;
- Enterprises based in rural areas;
- Investments in supporting welfare of employs in housing, transport, and health care; and

- Backward and forward linkages to enterprises operating in the same communities.

4.1 Qualitative benchmark

As seen above, a qualitative approach in monitoring will be needed. Qualitative bench marking will be in terms of the degree to which the private companies, public sector and communities embrace and implement the economic empowerment policies. Further, it will measure the quality of the implementation of these policies. Qualitative research will be conducted periodically to provide this information.

4.2 Quantitative scorecard

To have a holistic approach in the extent to which the process of transformation is being implemented, the following performance areas will be measured:

- Human resource development;
- Employment equity;
- Enterprise development;
- Preferential procurement;
- Investment, ownership and control of enterprises and wealth of the country; and
- Residual factors.

These areas are to be broken down into additional performance indicators. For example to measure how well a firm has performed in terms of resource development will involve looking at career develop paths of Malawians, number of women, disabled and the youth employed and future projections in this regard. This suggests multidimensionality in the measurement of factors.

4.3 Who will conduct monitoring and evaluation?

Government should not be at the centre of implementing programmes; rather partnerships should be formed with the private sector and NGOs for some of the work to be conducted under NEEP. In this case, the Government of Malawi will establish NEEC, which will operate under the Ministry of Commerce and Industry but have the necessary autonomy to operate effectively.

NEEC will provide the needed monitoring and evaluation and come up with a universal score card to be used in the different sectors. Wherever possible, this task could be outsourced to other enterprises, as the secretariat might not have the capacity to do this.

A suggested score card to guide the work of MEEC is as follows;

MEEP element	Indicator	Conversion factor	Raw score	Weighting	Total score
Direct Empowerment Score					
Equity ownership	% share of economic benefits				
Management	% Malawians in Executive management and/ or executive board and board committees				
Human resource development and Employment Equity Score					
Employment Equity	Weighted employment equity analysis				
Skills development	Skills development expenditure as a proportion of total payroll				
Indirect Empowerment Score					
Preferential procurement	Procurement from Malawi owned and empowered enterprises as a proportion of total procurements				
Enterprise development	Investment in Malawi owned and empowered enterprises as a proportion of total assets				
Residual Factors					
To be determined by the sector Charters					
Total score out of 100%					

The conversion factors and weights will be determined by NEEC.

APPENDIX 1

LIST OF INSTITUTIONS CONSULTED

BLANTYRE

Malawi Chamber of Commerce
Malawi Development Corporation
Privatization Commission
Malawi Revenue Authority
SEDOM
INDEBANK
DEMATT
INDEFUND
Stanbic
National Bank of Malawi
Employers Consultative Association of Malawi (ECAM)
Malawi Trade Union
FMB
Finance Bank
Finca
The Polytechnic
Malawi College of Accountancy (MCA)
Business Consult Africa (BCA)
Training for Enterprise and Exports in Malawi (TEEM) Project (DFID funded)
Malawi Savings Bank
National Business Association of Malawi
Oxfam's rural sustainable livelihoods programme
Banking Association of Malawi

LILONGWE

Ministry of Economic Planning and Development
Ministry of Finance
Ministry of Labour
Ministry of Justice/ Law Commission
Ministry of Gender and Community Services
Ministry of Youth
Ministry of Education
Office of the Director for Public Procurement
Malawi Institute of Management
Development of Malawian Traders Trust (DEMATT)
Lilongwe Technical College (LTC)
MEDI
Budget and Finance Committee of Parliament
Commerce and Industry Committee of Parliament
EU
World Bank
USAID
DFID
CIDA

UNDP
NORSAD
GTZ
Opportunity International
TEVET
Rural Income Enhancement Project
Malawi Rural Finance Company of Malawi
Network for Microfinance Institutions
Reserve Bank of Malawi
Representatives of the main political parties

SOUTH AFRICA

The Empowerment Commission
SA Chamber of Commerce
BEE Institutions
IDC
DBSA
DTI
Umsobomvu Youth Fund
National Youth Commission
Ntsika
Khula
Micro Finance Regulatory Council
DFID – FinMark & ComMark
Micro enterprise Alliance
Human Science Research Council
The Banking Council



Draft

**MALAWI NATIONAL ECONOMIC EMPOWERMENT POLICY
AND ACTION PROGRAM**

PART 2

ACTION PROGRAM

Ministry of Economic Planning and Development

MAY 2004

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NATIONAL ECONOMIC EMPOWERMENT POLICY AND ACTION PROGRAMME

ACTION PROGRAM

1.0 INTRODUCTION

This Action Program is derived from the main National Economic Empowerment Policy document that has been developed after exhaustive consultations with key stakeholders. The need for a comprehensive implementation plan cannot be over-emphasized. During the consultation process, including the stakeholder workshop, concern was expressed on the plethora of policies that have been developed by the Government but are yet to be implemented. The reasons for non-implementation are numerous but what was repeated again and again was the lack of a clear and well defined implementation plan or action program, with detailed tasks, deliverables, responsibilities and resource requirements.

This Action Programme is therefore designed to ensure that the provisions of the policy statement are implemented and the overall goals and objectives are achieved overtime. Although specific timeframe have been assigned in the Action Programme, these should ordinarily be reviewed by the Steering Committee periodically.

2.0 FORMAT OF THE ACTION PROGRAMME

The Action Programme is presented in a simple and clear tabular format for ease of implementation, monitoring and review. Specific objectives have been highlighted to ensure that there is focus on what each component of the Policy is trying to achieve. Each objective is linked to a strategy, clearly indicating how the objective will be achieved. The strategy in turn is supported by key tasks or activities that will require to be implemented or carried out, if the objective is to be achieved. The action Programme also clearly highlight who will be responsible for the carrying out the tasks, and what the outputs for the various tasks will be. Finally, an estimate on the cost of carrying out the tasks has been made.

2.1 OBJECTIVES

The Objectives in the Action Programme have been derived from the main Policy Statement. They cover the key pillars of the Policy Statement and are meant to give clarity on what the Policy is trying to achieve. An attempt has been made to make the objectives realistic, specific, measurable, and

verifiable. The objectives clearly address the question: what are we trying to achieve.

2.2 STRATEGIES

The Strategies are designed to clearly outline what needs to be done to achieve the stated objective. Each objective has one or more strategies outlined. The strategies are supported by tasks or activities.

2.3 KEY TASKS OR ACTIVITIES

The tasks or activities are detailed steps that will need to be implemented or carried out to execute the strategy and therefore achieve the stated objective. The tasks have been presented in a chronological sequence to facilitate their implementation.

2.4 DELIVERABLES/OUTPUTS

The deliverables or outputs are deliberately highlighted to ensure that there is no doubt what the outcome of the activities will be. The deliverables together should satisfy the stated objective as indicated above and serve as measure of whether the implementation plan is on track or not.

2.5 TIME FRAME

Each activity has been assigned a time-frame over which it will be implemented. The purpose of the time frame is to guide the implementing agent in more detailed activity planning. It is normal for the time-frame to be periodically reviewed during the implementation period.

2.6 RESPONSIBILITIES

The “Responsibility” refers to the agent who will have the overall mandate to see the carrying-out of the tasks or activities and the realisation of the objectives. It is clear that at the outset there should be commitment from those assigned the responsibilities if indeed the objectives will be achieved. The responsibilities have been assigned to positions in institutions rather than individuals in cognisance of the fact that there are always changes in personnel manning positions in the institutions.

2.7 FINANCIAL RESOURCES

For each strategy, an estimate has been made of the financial resources that will be required for implementation purposes. No attempt has been made to indicate the source of the funding at this time in anticipation that the funding may come from Government, the donor institutions or private sector. It is expected that one purpose of the Policy Statement and the Action Programme will be to use it to solicit funding from various sources. The assumptions upon which the estimates have been derived are the current and projected macro

and micro-economic factors or variables. These factors include the consumer price index, cost of capital, and cost of labour.

2.8 Benefits

A brief description of benefits has been presented to highlight the importance of the outputs or deliverables in the Action Programme.

3.0 THE ACTION PROGRAMME

A. REGULATORY FRAMEWORK

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
<i>A.1 To create a legal framework for all empowerment initiatives in Malawi.</i>	1. Develop a National Economic Empowerment Act	1. Review the current general regulatory framework in Malawi	Nov 2004 - Feb 2005	MEPD/Min of Justice	1. National Economic Empowerment Act.	K550 mn
		2. Identify the key laws that impact on empowerment initiatives in Malawi	Nov 2004 - Feb 2005	MEPD/Min of Justice		
		3. Make recommendations on laws that will need amendment to facilitate empowerment	Feb 2005	MEPD/Min of Justice		
		4. Draft a National Economic Empowerment Bill	Mar- May 2005	Min of Justice		
		5. Present Bill to Cabinet	Aug 2005	MEPD/Min of Justice		
		6. Present the Bill to Parliament	Nov 2005	Min of Justice MEPD/Min of Justice		
		7. Implement National Economic Empowerment Act	By 1 Jan 2006			

BENEFITS

1. The National Economic Empowerment Act (NEEA) will provide the legislative framework upon which all the empowerment initiatives in the country will be based. The Act will also provide for the creation of the institutional framework required for the implementation of the NEEP and how these will be funded. Further, the Act will provide for the establishment of transformation Sector Charters. The Sector Charters will clearly detail the role the various sectors will play in empowering Malawians, and how the resources will be mobilised from among the signatories to the charters.

2. There will be the provision for establishing a National Economic Empowerment Fund (NEEF). The main responsibility of the NEEF will be the mobilisation of wholesale funds that will be made available to private sector financial institutions for retail lending to the target beneficiaries. The NEEF Act will also provide the mechanism for participation of the target beneficiaries in the privatisation programme. The proceeds from the privatisation programme can be one of the sources of funding for the NEEF. The Fund will be an autonomous institution, run on international best practices and managed by professionals.

B. INSTITUTIONAL FRAMEWORK

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
B.1 Implement the Empowerment Policy in an effective and efficient manner.	1. Establish an institution to oversee the implementation of the Empowerment Policy and coordinate other empowerment initiatives in Malawi.	1. Commission a study to determine the structure, staffing, roles and responsibilities of the National Economic Empowerment Commission/Council (NEEC)	Oct– Dec 2004	MEPD/Steering Committee	1. Established NEEC 2. Director and Staff of NEEC appointed 3. Sources and amount of funding for NEEC identified	K1,300 mn
		2. Draft the rules and regulations that will give guidance during the operations of the NEEC	Mar-May 2005	MEPD/Steering Committee		
		3. Determine the facilities required by the NEEC	Aug 2005	MEPD/Steering Committee		
		4. Appoint the Director for NEEC	Aug 2005	MEPD/Steering Committee		
		5. Determine the required funding for NEEC and identify the source for such funding	Aug 2005	MEPD/Steering Committee		
	2. Identify institutions that will	1. Undertake a review of public and private sector	May-Aug 2005	MEPD/Steering Committee	Recommendations on institutions to be	

	be linked to the NEEC	institutions that directly or indirectly currently participate in empowerment initiatives	May-Aug 2005	MEPD/NEEC	directly and indirectly linked to NEEC and the nature of the linkage	
		2. Review other institutions that have a potential to contribute to empowerment initiatives	May-Aug 2005	MEPD/NEEC		
		3. Make recommendations on the nature of linkages the NEEC can forge with selected institutions.				

BENEFITS

1. The National Economic Empowerment Commission (NEEC) will play a key role in the implementation of the NEEP. The NEEC will be an autonomous institution with its own powers to effectively manage the empowerment process. The Director will report directly to Parliament. The funding for the NEEC will be provided for in the National Economic Empowerment Act.

2. The NEEC will play a key role in consolidating and monitoring the various empowerment initiatives currently being implemented by various public, and non-public organizations in Malawi. The NEEC will serve as an information centre, where all relevant data will be kept and made available to stakeholders who may wish to develop empowerment programmes.

3. The NEEC Director will be responsible for drawing a strategic plan for implementing the NEEP.

C. ACCESS TO FINANCIAL SERVICES, CAPITAL AND PRIVATIZATION OPPORTUNITIES

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
C.1 To increase the number of Malawian owned businesses that have access to	1. Financial institutions in the private sector to commit a collectively agreed	1. Draw up the Terms of Reference for the task force	Nov 2004	Banking Association, Reserve Bank, Insurance Association MEPD/RBM	Financial Sector Charter	K25 mn
		2. Appoint a task force	Dec 2004			

financial services and capital	percentage of their available resources for loan capital towards the Malawian owned businesses	<p>to be responsible for the development of the Financial Sector Charter.</p> <p>3. Undertake consultations with key stakeholders, including the NEEC, and NEEF</p> <p>4. Develop a Financial Sector Charter to guide the financial institutions in their efforts to increase the participation of Malawians in the Economy.</p>	<p>Feb–Mar 2005</p> <p>Mar-May 2005</p>	<p>Consultants</p> <p>Consultants</p>		
	2. Review the role to be played by existing public institutions such as MDC, SEDOM and DEMATT in the empowerment programme	<p>1. Draw up terms of reference for the Review of the public institutions</p> <p>2. Appoint a task force/consultants to undertake the assignment</p>	<p>Aug 2004</p> <p>Oct-Dec 2004</p>	<p>MEPD/NEEC</p> <p>MEPD/NEEC</p>	Recommendations on the new roles of public institutions	K12 mn
C.2 Increase the participation of Malawians in privatization	1. Review the privatisation policy, strategy and action programme	1. Draw up the Terms of Reference for the review of the privatisation policy, strategy, criteria and action programme	Aug 2004	MEPD/Privatization Commission	Recommendations on how the participation of Malawians in privatisation can be	K20 mn

		2. Appoint a task force/consultant to undertake the assignment	Sept 2004	MEPD/Privatization Commission	increased.	
	2. Review the portfolio of Admarc Investments and its divestiture programme	1. Draw up the Terms of Reference for the review of the Admarc Investments 2. Appoint a task force to undertake the assignment	Oct 2004 Nov 2004	MEPD/NEEC/Privatization Commission	Recommendation on the future of the role of Admarc Investments	K12 mn
<i>C.3 Reduce the Delinquency culture prevalent among Malawian individuals and businesses</i>	1. Establish a Credit Reference Bureau	1. Undertake a study to determine the viability of establishing a credit reference bureau in Malawi. 2. Identify the appropriate institution in the private sector to take the lead in establishing the credit reference bureau 3. Identify possible sources of funding for such a credit reference bureau.	Oct-Dec 2004 Nov-Dec 2004 Nov-Dec	Banking Association, Reserve Bank NEEC, Reserve Bank of Malawi Reserve Bank of Malawi	Recommendation on the establishment of a Credit Reference Bureau	K15 mn
	2. Establish Commercial courts	1. Undertake a study to determine the feasibility of a commercial court to facilitate timely	Jan 2005	NEEC, Min of Justice	Commercial Court	K45 mn

		<p>resolution of commercial cases which currently take a long time to resolve.</p> <p>2. Discuss with the Ministry of Justice the human and other resources required for establishing the Commercial Court.</p>	Feb 2005	NEEC, Min of Justice		
C.4 Increase public-private partnerships in empowerment	1. Introduce tax incentives for private sector institutions participating in empowerment programmes	<p>1. Discuss with the Ministry of Finance the viability of introducing such incentives</p> <p>2. Make recommendations on the tax incentives to be introduced</p>	<p>Oct 2004</p> <p>Nov 2004</p>	<p>MEPD/Min of Finance</p> <p>MEPD/Min of Finance</p>	Recommendations on Tax Incentives	K35 mn
	2. Review the possibility of providing grant funds to match private-sector funding for empowerment related projects	1. Identify matching funds programmes that can be quickly implemented	Oct-Nov 2004	MEPD/Min of Finance	Proposals on Matching funds programmes	K14 mn

Benefits

1. The Financial Sector Charter will be driven by the private sector financial institutions. The Charter will clearly articulate the commitment of the Sector towards supporting Malawian owned businesses to increase access to financial services and capital. In addition the charter will provide for the preferential procurement from Malawian owned businesses. The Charter will in addition provide for the close working relationship among the NEEC, NEEF and the signatories of the Charter to ensure that there is consistency in the objectives and strategies being implemented.

2. The MDC, SEDOM and DEMATT require urgent review if at all they will play a role in the Empowerment Programme. All these institutions are at critical stages and currently are not able to fulfil their original mandates for a number of reasons. Most importantly they have low credibility image by the general public.

3. The review of the privatisation programme will seek to link it to the NEEP and AG to ensure there is consistency between the two programmes. This will serve to address the concern among the Malawians that the privatisation programme has mostly benefited foreigners. Further more it will link the privatisation fund to the objectives of the NEEF.

4. Other key players in the financial sector such as ADMARC Investments are in the process of being restructured and shedding-off investments in their portfolio. These privatisation initiatives should be in line with the NEEP to ensure maximum benefit to the Malawian citizens.

5. The Credit Reference Bureau will aim to develop a database of loans offered to individuals and businesses in Malawi. It will also most importantly develop a database of individuals and businesses that default on honouring their debts and against whom judgement has been passed in court of law.

6. The commercial courts will speed up the time taken to resolve commercial cases. Currently financial institutions are discouraged from taking culprits to court because the commercial cases are not treated as a priority, as a result the cases may take as long as 5 years to resolve.

D. ACCESS TO SCIENCE AND TECHNOLOGY

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
<i>D.1 Improve the access by Malawian businesses to appropriate technology and developments in Science to enhance their productivity and access to markets</i>	1. Enhance the capacity of technology development centres in Malawi.	1. Review the role of institutions in Malawi involved in technology development and dissemination. 2. Identify an institution which will have the responsibility for disseminating information on appropriate technology to Malawian businesses.	Oct-Dec 2004	MEPD/NEEC	Database of appropriate Technology and developments in science.	K40 mn

Benefits

Most Malawian owned businesses struggle to compete with foreign or foreign owned businesses because they do not have access to appropriate technology. Efforts to give Malawian businesses preferential procurement can only succeed if they can supply the required goods and services at an acceptable quality and price. Currently very few Malawian businessmen know where they can access this information. A comprehensive and accessible database of appropriate technology and market information would enhance the performance of the Malawian businesses.

E. ACCESS TO LAND AND RURAL DEVELOPMENT

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
<i>E.1 Formalise ownership of land by Malawians especially in the rural areas to enable them to use it as security or collateral for loans.</i>	1. Enhance the implementation of the Land Act, Land Policy and Action Programme.	1. Review the provisions of the Land Policy 2. Identify provisions of the Policy that directly impact on empowerment initiatives. 3. Make recommendations on how the implementation of such initiatives can be speeded up to support the NEEP and AG.	Oct-Dec 2004	MEPD, Min of Lands, NEEC	Recommendations on implementation of land reforms that have a direct effect on empowerment	K15 mn

Benefits:

The rural masses in Malawi own land through the customary law. However, they have no formal title to this land as such they are not able to use it as security when borrowing from financial institutions. Where there is title to the land, it is very difficult for the financial institutions to seize this land from a defaulting borrower as this requires the consent of the Minister for Lands. The review of the current Land Act and Policy would highlight these constraints and make recommendations on how they can be resolved.

F. CAPACITY BUILDING

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
<i>F. 1 Create the capacity necessary to effectively support economic empowerment initiatives</i>	1. Develop a National Human Resource Development Strategy	<ol style="list-style-type: none"> 1. Conduct an in-depth analysis of the capacity needs of the economic empowerment programme with strategies to meet identified gaps. 2. Consultations with stakeholders on the HRD Strategy 3. Cabinet approval 4. Implement HRD Strategy. 	Jun-Dec 2004	MEPD/DHRM	HRD Strategy	K25 mn
	2. Develop a Capacity Development Programme	<ol style="list-style-type: none"> 1. Review capacity development needs to support economic empowerment 2. Present Report to stakeholders 3. Cabinet approval 4. Implement Report 	June-Dec 2004	MEPD/DHRM	Capacity Development Programme	K15 mn
	3. Rationalise public institutions providing entrepreneurial and other specialised training.	<ol style="list-style-type: none"> 1. Review public institutions involved in providing entrepreneurial and other specialised training 2. Present Report to stakeholders 3. Bills/legislation 	June-Dec 2004	MEPD/Ministry of Commerce and Industry/Ministry of Labour/Ministry of Justice	Institutions rationalised	K45 mn

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
		<p>developed to change mandates of institutions</p> <p>4. Present to stakeholders proposed Bills</p> <p>5. Cabinet approval</p> <p>6. Implement new structures</p>				
	4. Strengthen institutions providing entrepreneurial and other specialised training.	<ul style="list-style-type: none"> Assess the infrastructure and other requirements for effective learning Present Report to Stakeholders Steering Committee approval Implement Report 		MEDP/Ministry of Commerce and Industry/Ministry of Labour	Assessment Report	K55 mn
	5. Upgrade the entrepreneurial curriculum	<ul style="list-style-type: none"> Review of curriculum Present Report to stakeholders Steering Committee Report Implement Report 	Jun-Dec 2004	MEPD/Ministry of Commerce and Industry/Ministry of Labour	Curriculum Report	K20 mn
<i>F. 2 Strengthen the mechanisms for funding training programmes</i>	1. Provide refundable bursaries through Treasury, but administered by training provider	<ul style="list-style-type: none"> Develop criteria and system for selecting and supporting participants through priority programmes Consultations with stakeholders on Criteria and system 	Jun-Dec 2004	MEPD/Ministry of Commerce and Industry/Ministry of Labour/Treasury	Bursary system developed	K15 mn
	2. Fund high priority	<ul style="list-style-type: none"> Develop mechanism for funding priority 	Jun-Dec 2004	MEPD/Ministry of Commerce and	System for funding high	K18 mn

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
	programmes in public institutions	for funding priority programmes <ul style="list-style-type: none"> • Present to stakeholders • Steering Committee approval • Administer system 		Industry/Ministry of Labour	priority programmes developed	

Benefits

1. *The Economic Empowerment Programme shall be fully supported by a needs based HRD Strategy and Capacity Development Programme that is consistent with the aims of the Poverty Reduction Strategy and Economic Growth Strategy. The Strategy and Programme will provide the framework for the review, design and implementation of training programmes that are relevant to the needs of economic empowerment. This will in turn avoid wasted efforts.*
2. *Targeted funding arrangements will enable public institutions and private institutions to conduct high priority training programmes as funds will be made available for deserving participants and institutions.*
3. *The rationalisation of public institutions will entail concentration only activities that add value economic empowerment as well as facilitate easier funding of such institutions.*

G. INFRASTRUCTURE

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
<i>G.1 To improve the infrastructure in urban and rural areas to facilitate the implementation of empowerment programmes</i>	1. Strengthen PSIP development and implementation	1. Review the PSIP development process, prioritization and financing 2. Increase the funding of the PSIP	Aug-Dec 2004	MEPD	Recommendations to improve PSIP process and increase funding	K15 mn
	2. Increase the participation of private sector in infrastructure funding	1. Review ways in which the private sector can play a key role in the development of infrastructure	Aug-Dec 2005	MEPD	Recommendations on the participation of the private sector in infrastructure development	K10 mn

Benefits

1. *The review of the PSIP process, prioritisation and funding will assist in identifying areas that can be quickly strengthened to enhance the identification and implementation of infrastructure projects that can support empowerment initiatives.*
2. *The participation of private sector in infrastructure development projects will relieve the burden on Government funding.*

H. TARGETED PROCUREMENT

OBJECTIVE	STRATEGY	TASKS/ACTIVITIES	TIMEFRAME	RESPONSIBILITY	OUTPUTS	BUDGET
<i>H.1 Improve access to business opportunities by Malawian owned businesses</i>	1. Amend the Procurement Act and Regulations to provide for the preferential awarding of contracts to Malawian owned businesses.	1. Review the procurement act and regulations especially the section on SME. 2. Recommend on specific percentage of public procurement that has to be allocated to Malawian owned businesses. 3. Recommend on how the private sector organizations can be motivated to give preference for procurement to Malawian owned businesses as suppliers.	Aug – Dec 2004	NEEC, ODPP	Recommendations on improved access by Malawian businesses to procurement.	K15 mn

Benefits

The Government alone procures goods and services in excess of K30 billion. Together with State Owned Enterprises, the public sector presents the biggest opportunity for businesses in Malawi to supply goods and services profitably. A preferential procurement policy on Malawian suppliers would enhance and complement the empowerment policy. Safeguards can be put in place to ensure that quality is not sacrificed in pursuit of this objective.



Draft

**MALAWI NATIONAL ECONOMIC EMPOWERMENT POLICY
AND ACTION PROGRAM**

PART 3

**situational analysis of economic empowerment initiatives in malawi and lessons from the
southern africa region**

Ministry of Economic Planning and Development

MAY 2004

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ABBREVIATIONS AND ACRONYMS

ADB-WID	African Development Bank – Women in Development
ApproTEC	Appropriate Technologies for Enterprise Creation
ATTIGA	Appropriate Technology Training for Income Generating Activities
BEE	Black Economic Empowerment
BEEC	Black Economic Empowerment Commission
BEED	Business Expansion and Entrepreneurship Development
CBOs	Community Based Organisations
CTU	Clothing & Textile Unit
CUMO	Concern Universal Microfinance Organisation
DEMAT	Development of Malawian Entrepreneurs Trust
EAP	Economic Activities Programme
ECLOF	Ecumenical Church Loan Fund
EDETA	Enterprise Development and Training Agency
EIB	European Investment Bank
FINCA	Foundation for International Community Assistance
INDEBANK	Industrial Development Bank
MACOHA	Malawi Council for the Handicapped
MCCCI	Malawi Confederated Chambers of Commerce and Industry
MDC	Malawi Development Corporation
MEDI	Malawian Entrepreneurs Development Institute
MEEC	Malawi Economic Empowerment Commission
MEPC	Malawi Export Promotion Council
MEPD	Ministry of Economic Planning and Development
MFI	Micro Finance Institutions
MIPA	Malawi Investment Promotion Agency
MIRTDC	Malawi Industrial Research and Technology Development Centre
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
MUSSCO	Malawi Union of Savings and Credit Cooperatives
NABW	National Association of Business Women
NAHIBA	National Hawkers and Informal Businesses Association
NASME	National Association of Small and Medium Enterprises
NEEF	National Economic Empowerment Fund
NGO	Non-Governmental Organisation
OVOP	One Village One Product
PAP	Poverty Alleviation Programme
PHN-WID	Population Health Nutrition – Women in Development
PMERW	Promotion of Micro-enterprise for Rural Women
RTOA	Road Transport Operators Association

SAP	Structural Adjustment Programme
SDA	Social Dimensions of Adjustment
SEDOM	Small Enterprise Development of Malawi
SMME	Small, Micro, and Medium Enterprises
SMIDO	Small and Medium Industries Development Organisation
TEEM	Training for Enterprise & Exports in Malawi
TWEA	Training of Women in Economic Activities
TYEDF	Thyolo Youth and Enterprise Development Fund
WVI	World Vision International
WWBMA	Women's World Banking Malawi Affiliate

1.1 Introduction

This report contains the findings of a situational analysis of Malawi's economic empowerment initiatives as well as the findings of a review of lessons that can be learnt from similar initiatives in the region. The purpose is to outline those policies and programmes which have already facilitated some economic empowerment of Malawian citizens in our country in order to identify constraints, which – unless relieved – will continue to preclude a more meaningful Malawian participation in the country's economic development process. The insights obtained from the situational analysis as well as from lessons that can be learnt from the region should provide useful input into the formulation of the policy statements and action programme.

1.2 Historical background to Empowerment Initiatives in Malawi

Malawi's experience with economic empowering programmes can be traced back to as far back as the early 1960s. The then Ministry of Gender, Youth, Community Services, and Social Welfare (now known as Ministry of Gender and Community Services) used to run a Home Economics Programme under which women were trained in such areas as needlecraft, cookery, childcare, and nutrition. However, the dominant development philosophy at that time was that Malawi's economic development could only be achieved through the promotion of large-scale entrepreneurship. Indeed, the programme by the Ministry of Gender was more geared towards uplifting the livelihoods of women than to use it as a mainstream development strategy for the country.

Soon after gaining independence in 1964, the government established the Malawi Development Corporation (MDC) to act as a vehicle for Malawian driven economic development through the participation of. Also, government directed the two main commercial banks to design loan products for large-scale farming entities (estates). Similarly, in 1972, the government established the Investment and Development Bank (INDEBANK) with the express purpose of providing loans to large-scale businesses.

Towards the end of the 1970s and early 80s, it was felt necessary by government to introduce initiatives that would also cater for micro, small and medium enterprises. In particular, in 1979 the Development of Malawian Traders Trust, now called the Development of Malawian Enterprises Trust (DEMAT) was established, followed by the Malawi Union of Savings and Credit Cooperatives (MUSCCO) in 1980, the Malawian Entrepreneurs Development Institute (MEDI) in 1981, and the Small Enterprise Development Organisation of Malawi (SEDOM) and INDEFUND in 1982. DEMATT was set up to help Malawian traders to fill the gap left by the Government's policy to expel Asians from rural areas and restrict the place that they could trade.

In the early '80s, GTZ established the Rural Growth Centres Project, funded by GTZ, to develop socio and economic development in selected rural areas such that growth would develop around the designated centres. However, the selection of the Centres was too politically motivated and some Growth

Centres where in the wrong place e.g. Mbalachanda. In 1986, the GTZ funded Promotion of Micro-enterprise for Rural Women (PMERW) programme was launched in the Ministry of Gender, Youth, and Community Services. It was felt that the existing empowerment initiatives did not address the specific needs of rural women. Thus, building on the already existing Home Economics Programme that the ministry was already implementing, the PMERW brought in new elements of economic empowerment such as training in appropriate technology and linking women to commercial banks for the provision of loans.

Since the 1990s to date, Malawi has seen many more empowerment programmes being initiated. Several factors have motivated the proliferation of these programmes including the launching of the Social Dimensions of Adjustment (SDA) project by the World Bank in 1990, the Poverty Alleviation Programme (PAP) by the new Malawian government in 1994, and the privatisation programme launched in 1996. The SDA project was the World Bank's regional initiative for Sub-Saharan Africa whose aim was to address the negative impact that structural adjustment programmes (SAPs) had on the poor. A significant development in recent empowerment initiatives has been the involvement of NGOs, especially in the area of micro-finance.

1.3 Profile of empowerment initiatives in Malawi

Since the 1960s Malawi has seen more than forty different types of empowerment initiatives. Some are still operational while some are defunct. Table 1 in the appendix provides a profile of these initiatives. From the table, the following observations can be made:

- The majority of the initiatives (almost 50%) have been involved in the provision of loans (financial and equipment) and training (business management and technical). Others, although in a minority, are involved in the provision of business advice, business information services, and advocacy;
- The majority have targeted small, micro, and medium enterprises. Very few have targeted large-scale enterprises. But this is only a reflection of the fact that Malawi does not have many large-scale enterprises;
- More than half are operational in all the districts of the country. Some though are localised, operating in a few districts;
- Most tend to target the rural areas, and are biased towards women;
- Most are government and donor driven, with hardly any private sector involvement.

The various empowerment initiatives in Malawi, both past and present, can be grouped into six categories that will be reviewed in turn as follows:

- Financial capital initiatives
- Training initiatives
- Business advice and information service initiatives

- Promotion of technology initiatives
- Advocacy initiatives
- Initiatives dealing with cross-cutting issues

1.3.1 Financial capital initiatives

In order to properly review the financial capital initiatives, we identify three categories of lending schemes:

A. MEDIUM TO LARGE SCALE ENTERPRISE LENDING SCHEMES

Loan services to medium and large-scale enterprises have been offered by **development finance institutions** and by **commercial banks**. The oldest of the development finance institutions is INDEBANK which, as already indicated above, was established in 1972. Since its establishment, the bank has been involved in providing loan and equity financing for large-scale projects in selected sectors –agribusiness, manufacturing, tourism, and services. INDEFUND, and MDC. Ten years later, INDEFUND was established to provide similar services, but to medium-scale enterprises.

As lending institutions, INDEBANK and INDEFUND have been fairly successful in achieving high repayment rates. Their success has been due to two main factors. The first is that they have both invested adequately in project analysis, appraisal, and monitoring. Thus, they have always ensured that they lend to those businesses that are commercially viable. Secondly, they have generally operated without political interference. Thus, they have only been able to extend loans to borrowers who qualify based on the banks' criteria.

The main problem facing these institutions has been inadequate funding. Despite an impressive loan recovery record, the cashflow has not been enough for the bank to extend its loans to more borrowers. As a result, the banks have mostly relied on external lines of credit, most of which have been limited to financing projects in specific sectors only (mostly agriculture and agro-processing). It is for this reason that INDEBANK has recently converted into a commercial bank in an attempt to increase its profitability.

The experience with MDC has been different. The corporation was established in 1964 as a statutory corporation wholly owned by the government. It was set up to act as a focal institution to help achieve greater participation by Malawians in business and industry. In particular, its mandate was to undertake investments or develop investment ideas in all productive sectors of the economy and to provide services beyond the scope of conventional development banks. MDC's objective is to identify economically viable projects in agriculture, industry and commerce, and to participate directly, and to attract local and foreign investment capital to participate in selected projects and to participate alongside them.

While MDC has indeed been able to help set up various projects some of which are still operational today, the corporation has many times been faced with significant financial and operational difficulties usually stemming from very rapid and poorly managed growth. Most of its operations have been politically motivated rather than influenced by sound business principles.

In the 1980s, the government had to undertake a major restructuring of the corporation, involving a series of major disinvestments and equity portfolio switches with the Press Group and a consolidation of operations. However, it seems mistakes continue to be made. The corporation has continued to be involved in projects that are politically motivated. For example, the corporation was in the late 90s asked to administer an empowerment loan scheme by government, where the majority of beneficiaries were politicians. As a result, most people never paid back. Apart from the fact that borrowers never felt the need to repay the loan because it was perceived to be a reward for their political affiliations, MDC itself was not well placed to administer the loan. Extending loans to businesses that it will not itself be involved has never been its area of competence.

Also, MDC's potential to empower more Malawians has not been fully exploited. The original scheme was that MDC would move out of a project once that project matures. The proceeds from the sale of its shares would then be used as venture capital for another project, so that more Malawians are able to start-up large-scale businesses. Unfortunately, this has not happened in many cases. The corporation has stayed put even after most of its projects have matured.

Apart from the development financial institutions, commercial banks have also been active in providing loan finance to medium and large scale enterprises. For a long time, there were only two commercial banks in Malawi – the National Bank and the then Commercial Bank of Malawi (now Stanbic Bank). However, following deregulation of the financial sector, there are now eleven commercial banks operating in Malawi. The main problem with financing coming from commercial banks is that there is very little term lending available. Most business lending done by commercial banks is in the form of short-term overdraft facilities, and is mostly extending to elite blue chip firms. There no pressure for banks to lend to businesses as they are able to make easy money by lending to government through the purchase of high interest government bonds. But commercial banks also point out that they are reluctant to lend to businesses on a long-term basis because legal procedures for recovery in the event of default are long and costly.

B. PRIVATISATION LOAN SCHEMES

Since the inception of the privatisation programme in 1996, the government has also pursued a policy of empowering Malawians by ensuring that they have stakes in privatised companies. For example, in the same year, a Special Privatisation Fund of K50 million was set up whose objective was to provide loans to Malawians to buy shares in those companies that have been privatised and listed on the Malawi Stock Exchange. The loan scheme was

initially administered on behalf of the Privatisation Commission by INDEBANK but is now being managed by NICORP. Under the scheme, loans are extended at 15% and payable within five years. The limit for a single borrower was K20,000. It is estimated that so far, only 16,000 Malawians have benefited. However, it seems most Malawians have not been aware of the scheme. As a result, it has only benefited a certain group of people – mostly middle class professionals. Further, the fund was undercapitalised to allow for wider access.

Another scheme aimed at promoting the participation of Malawians in privatisation is the Deferred Payment Scheme. Under this scheme, which is directly managed by the Privatisation Commission, deserving Malawians are allowed to purchase stakes in privatised companies on credit. For example, former employees of Malawi Railways were able to buy houses that the company was disposing. The main problem that has dogged this scheme is that most people have been defaulting.

A third privatisation scheme is the Discount Scheme, where those Malawians with a good technical and financial proposal have been able to purchase companies being privatised at a discount of up to 20% of the going price. But like the other two privatisation schemes, most Malawians are not aware of this opportunity.

Finally, INDEBANK and INDEFUND also managed another privatisation scheme that was funded by the European Investment Bank (EIB). The scheme was aimed at providing equity loans to indigenous Malawians who wanted to acquire significant stakes in public sector companies being privatised. Those Malawians who were aware of the scheme benefited in the privatisation of companies like New Capital Dairy, Kasungu Inn, Government Hostel in Zomba, and Soche Tours. Unfortunately, the fund got exhausted. Otherwise, it was generally a success because loans were only extended to those Malawians who were technically competent to run the respective businesses.

C. MICROFINANCE

Over the years, there have been more than twenty initiatives by the public and private sectors, NGOs, and donor community aimed at providing finance to small and micro-enterprises. Examples of government initiatives include loan schemes operated by SEDOM, DEMAT, MRFC, MSB, in occasionally, MDC. As already indicated in the historical background, the Ministry of Gender and Community Services has over the years implemented a number of donor-funded microfinance initiatives such as PMERW, TWEA, PHN-WID, ADB-WID, and EAP. These have mostly been targeted at rural women, although recently, men are also benefiting. The most recent initiative by government is the OVOP scheme. NGO initiatives have included NABW, ECLOF, CUMO, World Vision International, and Care International, while private sector initiatives include FINCA and Pride Malawi.

Despite a myriad of microfinance initiatives, access to finance remains a problem. According to the Malawi National GEMINI MSE baseline survey of 2000, only 6% of the MSEs surveyed had received credit some time during the five years prior to the survey. The main problem still remains availability of loanable funds. Most of the initiatives, whether being implemented by government, private sector or NGO institutions, were created with donor seed capital. With the exception of a few microfinance institutions, low recovery rates have directly translated into an erosion of the capital base. Unlike in other countries, there is no apex institution to provide loanable funds to retail lending institutions. The low recovery rates have been due to several factors including lack of credit culture among Malawians, poor design of credit schemes, and capacity constraints amongst microfinance institutions. In addition, government and donor supported initiatives (such as SEDOM and DEMAT) have sometimes had mixed agendas, combining welfare and sustainability objectives. Most of them have not adhered to best practices in the field of microfinance, such as charging market interest rates. As such, they have generally undermined other microfinance programmes by sending wrong signals to borrowers in terms of the cost of credit and the need to repay.

1.3.2 Training initiatives

Malawi has also had several initiatives whose aim has been to provide different types of training to potential as well as existing entrepreneurs. Training has been in technical skills as well as in business management. Examples of government training initiatives include MEDI, SEDOM, DEMAT, EAP and its precursors (PMERW, TWEA, PHN-WID, and ADB-WID), ATTIGA, TEVETA, MACOHA, MIRTDC, and technical colleges. Donor initiatives in training include TEEM, CISP, while NGO initiatives include BEED, EDETA and programmes run by World Vision International, Oxfam. In general, most microfinance initiatives have had training components as well.

Despite the wide range of training institutions and initiatives, most Malawians are still unable to access training. The 2000 Malawi National GEMINI MSE baseline survey found that only 23% of MSEs surveyed had received training, half of which was received free from family members. One of the biggest problems faced by training is lack of resources. Thus, training institutions struggle to be self-sustaining. This problem has been exacerbated by the fact that most people are not willing to pay for training. Most people do not see much need to undergo training in order to run their businesses. This is most common amongst those operating businesses that are not technical in nature. For example, previously, training at MEDI used to be free because of government subvention. After funding from government was reduced, the institution introduced fees, and since then, demand for training has been very low. Because of problems with funding, most training institutions have also had problems to offer quality training because of shortage of staff and equipment. It has also been difficult for them to venture into new areas.

There is need for training to be practical and hence, there is need for market research to guide the development of training curricula.

1.3.3 Business advice and information service initiatives

There have also been a number of initiatives in the area of business advisory and information services. On its part, government established DEMAT in 1979 to provide business advisory services to indigenous traders. However, due to funding constraints faced by SEDOM, DEMAT broadened its mandate in 1993 to include provision of credit facilities to its clientele. Although MEDI was initially established to provide entrepreneurship training, it later started offering business advisory services as well. Other government initiatives are MEPC which provides extension and information services to exporters, and MIPA which provides investment information to potential investors.

Apart from these government funded initiatives, there are also two donor funded initiatives providing business advisory and information services – the TEEM project funded by DFID, and CISP funded by the EU. With regard to the TEEM project, businesses are expected to pay for advisory services, while under the CISP, services are free.

In terms of access, the 2000 Malawi National GEMINI MSE baseline survey found that only 6% of MSEs surveyed had received other business support services apart from training and credit. The main problem with regard to business advice and information service initiatives is that demand for their services has generally been low because most entrepreneurs are yet to appreciate the need for these services. Business owners will rarely take recourse to advisory services when their businesses are struggling. They are even less interested if they have to pay for the service.

1.3.4 Promotion of technology initiatives

Empowerment initiatives for promoting the use of technology in Malawi have not been many. The most prominent one is the Malawi Industrial Research & Technology Development Centre (MRTDC). The institution has since 1993 been involved in conducting research in technology as well as facilitating transfer of the technology for use by micro, small, and medium enterprises. Another initiative by government has involved the provision of training in appropriate technologies being offered by the Appropriate Technology Training for Income Generating Activities (ATTIGA) centre in Lilongwe and Magomero Community Development College in Chiradzulu. The two technology training centres are funded by donor and government through the Ministry of Gender and Community Services, and primarily target women. The main problem with all these initiatives has been inadequate funding. As a result, it has not been possible for them to update the existing technologies or acquire new ones. Furthermore, it has not been possible for the centres to undertake sensitisation initiatives (promotional campaigns/fairs). As a result, very little is known to the general public about the opportunities available at the centres.

1.3.5 Advocacy initiatives

By its very nature, business advocacy is the purview of NGO and private sector institutions and associations. This is because, the objective of advocacy is to lobby government on certain issues of interest or concern. NGO institutions that have been involved in advocacy include WVI, Oxfam, NABW, and EDETA. On the other hand, the notable private sector associations have been MCCCCI, RTOA, NASME, and NAHIBA. Unlike other empowerment initiatives, advocacy has a public good characteristic. As such, those businesses that are not members of constituents of a particular business association are still able to benefit without having to pay for the service. As a result, the business associations have generally been weak because of financial constraints. Another problem that these advocacy initiatives have faced is the lack of single focal point of contact with the government. There has also been concern of overlapping responsibilities and functions, say between NASME and NAHIBA.

1.3.6 Initiatives aimed at removing cross-cutting constraints

Malawi has also had several other empowerment initiatives with the aim of dealing with cross-cutting issues such as gender, the youth, infrastructure, and the disabled. With regard to **gender**, most of the initiatives have been focused on removing constraints faced by women. In terms of scope, these have already been reviewed above under access to finance and training. They include initiatives such as EAP, PMERW, TWEA, PHN-WID, ADB-WID all under the Ministry of Gender and Community Services, NABW, WWBMA, FINCA.

With regard to the **youth**, examples of initiatives include the Thyolo Youth and Enterprise Development Fund (TYEDF), which is a loan scheme being run by the Ministry of Youth, Sports, and Culture. The government has also been operating a Youth Credit Scheme which has however been dogged by financial constraints. The main problem with this particular scheme has been its politicisation. Those who have benefited from it have not felt obliged to repay back the loans because of they have perceived it to be more of a grant than a loan.

In terms of **infrastructure**, Malawi has had one notable empowerment scheme. As mentioned in the historical background, in the early '80s, GTZ established the Rural Growth Centres Project, funded by GTZ, under which certain social and economic infrastructure were built with the aim of stimulating economic activities, and hence, growth, in the selected centres. However, the selection of the Centres was too politically motivated such that very little economic activity was stimulated because the centres had not economic potential in the first place. In other cases, such as in Mbalachanda, the Growth Centre was simply not well positioned.

The notable empowerment initiative for the **disabled** is the government funded Malawi Council for the Handicapped (MACOHA). Under the institution, the disabled have been trained in various technical skills such as carpentry, arts and craft, and tailoring. While the initiative has no doubt assisted many disabled, it has not performed to its full potential because, for political reasons, the organisation has been more of an end in itself that what it actually supposed to achieve.

1.4 Constraints to economic empowerment

Despite the various economic empowerment initiatives that Malawi has undertaken so far, there remain a number of problems that constrain most Malawians from exploiting their full potential to participate in wealth creation. In particular, various problems need to be overcome in the area of access to finance, capacity, technology, infrastructure, business opportunities, regulatory environment, and institutional framework.

1.4.1 Access to finance

Stakeholders perceive problems in accessing finance as the most important constraint to economic empowerment. Three types of problems have been identified in relation to access to finance:

- **Lack of funds**

Although some of the credit providers have enough loanable funds, most providers, especially MFIs, cannot meet the demand for credit. The following are some of the reasons why there is scarcity of funds:

- o Lack of savings culture amongst Malawians. This is partly due to poverty but also due to ignorance about the advantages of saving,
- o The various ways in which loanable funds can be mobilized have not been exhausted,
- o High delinquency rates in most cases have lead to the breakdown of revolving loan schemes,
- o In some cases, credit providers have simply not been aware that funds are available somewhere.

- **High delinquency rates**

Credit providers also complain that in some cases, borrowers simply choose to default on their loans. The following are some of the reasons responsible for high delinquency rates in Malawi:

- o The lack of a credit-referencing bureau as borrowers move from one institution to another,
- o Politicians tend to publicly condemn MFIs that charge high interest rates and ask for short repayment periods. As a result borrowers feel justified when they default on their loans,
- o In some cases, politicians have been directly involved in influencing the state owned credit institutions to extend loans to some individuals. As a

result, beneficiaries tend to perceive such loans as government grants or rewards for their political affiliation, and as such do not feel pressured to repay,

- o Lack of training for those starting up their businesses,
- o Lack of business advisory services once businesses are operational. As such, most beneficiaries are unable to succeed in their businesses, forcing them to default on their loans,
- o Lack of adequate monitoring and supervision of clients.

▪ **Unfavourable loan conditions**

According to beneficiaries, loan conditions in Malawi are unfavourable in the following ways:

- o Collateral demands by some providers that preclude the poor,
- o Small amounts of loans available to a single borrower,
- o High interest rates,
- o Short repayment periods,
- o High frequency of repayment e.g. some providers require borrowers to be repaying on a weekly basis.

Short repayment periods, high frequency of repayment condition, and the fact that most borrowers can only access small amounts of loans forces people to engage in non-productive business activities, most of which have very low profit margins. In particular, because of these loan conditions, most borrowers engage in trading activities involving the buying and selling of merchandise. As a result, most businesses are survivalist in nature, which does not auger well with efforts to improve people's livelihoods.

It is worth pointing out that the problem of high delinquency rates and harsh loan repayment conditions can sometimes be mutually reinforcing. Thus, borrowers sometimes fail to repay their loans because of the harsh loan repayment conditions. At the same time, providers are forced to institute tough repayment conditions (such as stringent collateral demands and high interest rates) in order to mitigate against high default rates.

1.4.2 Capacity Constraints

There are a number of capacity inadequacies that need to be addressed for Malawians to be economically empowered. These capacity problems are evident at two levels: individual level and institutional level.

▪ **Individual level capacity problems**

These are mostly with respect to individuals who are already undertaking business activities, or who are about to start operating a business. In particular, it has been found that most individuals start running businesses without receiving adequate business management and technical training skills. Similarly, most people who are running businesses are unable to receive business advisory services. The following are the main reasons why most people have been unable to access training:

- o Most people cannot afford to pay for training,
- o Most people do not see much need to undergo training in order to run their businesses. This is most common amongst those operating businesses that are not technical in nature, and also amongst those who are illiterate who usually have great difficulties understanding the need for recording basic business transactions,
- o Some people are simply not aware of the training opportunities that are available.

Another individual level capacity problem identified by stakeholders is the general lack of entrepreneurial culture in Malawi. Unlike Malawians of Asian origin, most indigenous Malawians lack certain basic tenets of successful business man ship. Some of the attitudinal problems identified were as follows:

- o Very few Malawians aspire to make business as their fulltime career. Most Malawians attain formal education with the sole intention of participating in wage employment. They only venture into self-employment when they have not been able to go very far with their formal education, or when they are unable to obtain wage employment. This attitude needs to change.
- o Most Malawians, with the exception of those in professional fields such as law, accountancy, and architecture find it very difficult to form business partnerships. Most stakeholders bemoaned the fact that generally, Malawians can neither trust each other nor help each other in business.

▪ **Institutional level capacity problems**

Most training and credit institutions are also beset with huge capacity problems. In both cases, the root cause of their capacity problems is inadequate financial resources. For credit institutions, this problem is manifested in the following situations:

- o They are unable to provide adequate training in credit management,
- o They are usually understaffed and hence cannot properly supervise and monitor their clients.

With regard to training institutions, lack of financial resources has resulted in the following:

- o The majority have challenges with technology, equipment, vehicles, availability of trainers, and funding their operations,
- o Many of them have abandoned their original mandates in order to survive consequently compromising on the quality and impact of their programmes,
- o The majority of them have difficulties keeping their training programmes relevant because of inadequate research capacity,
- o The coverage of their services is skewed towards the urban areas.

1.4.3 Technological Constraints

There are two types of constraints that Malawi faces in the area of technology. Firstly, most people do not have access to appropriate technology, and a major constraint in this regard is that people are simply not aware of the many high-value business opportunities that are in the offing using appropriate technologies. For example, the centre for Appropriate Technology Training in Income Generating Activities (ATTIGA) in Lilongwe has more than twenty different types of appropriate technologies that can easily be transferred to aspiring entrepreneurs. These technologies include soap making, production of fruit juice, peanut butter, and jam, bakery, cloth making, e.t.c. Unfortunately, not many Malawians are aware of the existence of the centre, and due funding problems, the centre itself is unable to advertise its services.

The second dimension of technological constraints is that those businesses involved in manufacturing do not employ the best technical know-how, resulting in low-quality products that struggle to compete with imported products. Due to financial constraints, institutions like the MIRTDC are unable to develop new technologies as well as transfer them to Malawian local manufacturers.

1.4.4 Infrastructural Constraints

The lack of key infrastructure such as good roads, electricity, portable water and communication facilities is another major stumbling block in undertaking economic activities in Malawi, especially in the rural areas. Good infrastructure increases access to markets and reduces the cost of undertaking economic/business activities. Financial institutions are not keen to provide funding to remote and inaccessible areas where it would be difficult to monitor the performance of the projects.

1.4.5 Limited scope of business opportunities

Most Malawians have to be extra innovative in order to succeed in their business ventures because of lack of the limited scope of business opportunities. Firstly, government ministries and departments, as well as parastatal organisations have crowded out the private sector through self-provision of goods and services. There are a number of services that government is providing for itself instead of outsourcing from the private sector. Secondly, the current government procurement system does not necessarily favour Malawian owned contractors. Although the Public Procurement Act does mention the need to promote SMEs, procurement rules and regulations do not specifically give a preference to Malawian contractors. This is the case also in the private sector, where there is even more concern for quality and price than the public sector.

1.4.6 Weaknesses in the policy, institutional, and regulatory framework

At the moment, Malawi does not have any overarching policy, institutional, and regulatory framework for empowerment. As such, the various initiatives are uncoordinated. Further, the regulatory environment, especially in the area of finance is not conducive to the promotion of economic empowerment. These are areas that need to be looked into when formulating an economic empowerment policy.

1.5 Lessons from the region

Many countries in the region have also had experience with several empowerment initiatives, from which lessons, both positive and negative can be learnt. It must be said though that apart from South Africa, there is no country in the region that has already got a policy framework for economic empowerment. Thus, other than South Africa's strategy for black economic empowerment, lessons learnt from other countries will be from individual empowerment initiatives.

1.5.1 Access to Finance

Wholesale financing has been a popular model for mobilising loanable funds in the region. For example, in South Africa, Khula Enterprise Finance Limited in South Africa has been very successful in mobilising financial resources for on-lending by retail financial institutions. Government set up the Economic Empowerment Fund which is a pool of funds for BEE. Khula has managed to mobilise resources to various institutions and organisations, including government, that have interest in the development of small, micro and medium enterprises. The institution has also been involved in the provision of credit guarantees to financial intermediaries who lend to borrowers that are unable to provide security for loans. However, a recent review by the Black Economic Empowerment Commission (BEEC) of this initiative has recommended that Khula should exit the business of providing guarantees to banks and must instead concentrate on building a sustainable and larger network of retail financial intermediaries. This is because it has been found that capacity constraints amongst financial intermediaries are more critical.

Similarly, in Swaziland, they have the Swaziland Enterprise Fund while in Uganda they have the Development Finance Fund both of which operate on the principles of South Africa's Khula in solving the problem of access to finance. Thus, it would be instructive for Malawi to try out with having an Apex Institution for mobilising financial resources for enterprises.

Another key lesson to be learnt from initiatives in the region is that government should not be involved in credit lending. Instead, it should only play a facilitatory role by creating a conducive environment for the operation

of private sector and NGO finance institutions, as well as making its own financial contributions to a wholesale financial institution. Indeed, the sector charters in South Africa are private sector initiatives to promote BEE. All that government has done is to support the initiative and ensure that the law provides for such charters.

1.5.2 Capacity building

This problem is common in most countries, and no empowerment scheme will succeed unless this is tackled. For example, under the Swaziland Enterprise Fund, building the capacity of the retailers was seen as key to the success of the fund. It has also been observed that expatriate technical assistance has so far proven very useful in capacity building of retail financial institutions. Also, already noted above, the BEEC in South Africa also observed in its 2001 review of the BEE that most financial intermediaries were facing serious capacity constraints.

Capacity constraints at the individual level of entrepreneurs have also been common phenomena in other countries in the region. In Mauritius, several initiatives have been tried and seem to have worked. The first is that industry specific training programmes have been developed. For example, the Clothing & Textile Unit (CTU) provides training courses tailored to the specific needs of clients across the different links of the textiles value chain. Secondly, Mauritius has also encouraged foreigners who come to invest in the country to ensure that they train and equip the locals with relevant skills and that they have a programme where most of the tasks would eventually be done by the locals.

In Lesotho, CARE International is implementing an economic empowerment programme known as “*Local Economic Assessments to Promote market driven enterprise development - LEAP Project.*” Under the project, the organisation realises that there are serious capacity gaps amongst individuals in Lesotho to identify viable business opportunities as well as to pursue them.

Individual capacity constraints have also been solved through the promotion of enterprise culture in the formal education curriculum. For example, in Botswana, entrepreneurship is not only taught in vocational technical colleges, but in the mainstream education institutions as well, up to university level. Since it has been observed that Malawians lack an entrepreneurial culture, this would be a model worth emulating.

1.5.3 Access to appropriate technology

There is also an NGO in Kenya known as Appropriate Technologies for Enterprise Creation (ApproTEC) that was created in 1991. As its name suggests, ApproTEC aims to promote sustainable economic growth and employment creation in Kenya by developing and promoting technologies,

which can be used by dynamic entrepreneurs to establish and run profitable small scale enterprises. One key feature of the success to the programme has been adequate funding. As a result, the Juwakali enterprises of Kenya have been a success story because of initiatives such as ApproTEC.

1.5.4 Creation of business opportunities

Economic empowerment initiatives in the region have also recognised the critical role that the creation of business opportunities plays in motivating people to venture into business. Once people see that opportunities for business do exist, they get encouraged to mobilise resources and start up businesses. In this regard, preferential procurement by government has been widely used to create business opportunities in South Africa, Tanzania, and in Kenya. Malawi should therefore make this an integral component of its empowerment policy.

Also, CARE's LEAP project in Lesotho has some lessons for Malawi to emulate. The project was born out of the organisation's conviction that most micro-enterprise development services tend to be supply rather than demand-driven -providing standardised services that do not necessarily address the specific constraints and opportunities of a given locality. In particular, it was discovered that this results in the proliferation of the same low margin, highly competitive and unsustainable enterprises in saturated markets. Thus, the LEAP project tries to develop the capacity of NGOs, Community Based Organisations (CBOs) and government departments to develop and design participatory tools which can be used by various organisations to assist their clients to identify viable business and market opportunities, to identify and build capacity required to pursue these opportunities and to build partnerships with organisations that can support them in developing viable micro-enterprises.

1.5.5 Policy, institutional, and regulatory framework

As already mentioned earlier, apart from South Africa, most countries in the region do not have overarching policy or institutional frameworks for economic empowerment. As a result, their empowerment initiatives are not properly coordinated and regulated. In South Africa, economic empowerment is supported by an act of Parliament, the Economic Empowerment Act. This has ensured that empowerment has a legal mandate and that it has political support at the highest level. Further, the Act provides for the establishment of an institution to drive and coordinate the process. Malawi can therefore learn from this set up.

One criticism that South Africa has faced with its BEE is that it runs the danger of replacing one elite of South African's with another. Malawi therefore needs to be very careful in defining the target for economic empowerment.

Some countries in the region have also tried to develop the idea of one-stop centres for the provision of business support services. For example, the Empretec Programme Model in Uganda and the Small and Medium Industries

Development Organisation (SMIDO) in Mauritius provide under one house a range of services such as training, marketing strategies, technological services, and finance. The approaches have largely been successful in these two countries. Therefore Malawi needs to explore this approach in view of the fact that it currently has three different types of government institutions set up for these services: SEDOM, DEMAT, and MEDI.

APPENDIX 1

COMPENDIUM OF ECONOMIC EMPOWERMENT INITIATIVES IN MALAWI

No	Name of Initiative	Affiliation	Scope of Services	Target Group
1	Small Enterprise Development Organisation of Malawi (SEDOM)	Govt – Ministry of Commerce & Industry	-Credit -Business & Technical Training -Workshop space	-Small enterprises -Medium enterprises
2	Development of Malawian Entrepreneurs Trust (DEMAT)	Govt – Ministry of Commerce & Industry	-Business advice -Technical advice -Credit	-Micro enterprises -Small enterprises -Medium enterprises
3	Malawi Entrepreneurs Development Institute (MEDI)	Govt – Ministry of Labour and Vocational Training	-Business & Technical Training -Business advice	-Micro enterprises -Small enterprises -Medium enterprises
4	Technical, Entrepreneurial, Vocational Education and Training Authority (TEVETA)	Govt – Ministry of Labour and Vocational Training	-Business & Technical Training -Development of training curricula -Promotion of appropriate technologies	-Technical training institutions
5	Malawi Rural Finance Company of Malawi (MRFC)	Limited Liability Company but wholly owned by Govt.	-Credit	-Medium scale enterprises
6	Promotion of Micro-enterprises for Women (PMERW)	Govt – Ministry of Gender & Community Services	-Training -Appropriate Technology -Provision of basic equipment -Credit linkages	Rural women

No	Name of Initiative	Affiliation	Service(s) Provided	Target Group
7	Training of Women in Economic Activities	Govt – Ministry of Gender & Community Services	Training	Rural women
8	Population Health Nutrition-Women in Development (PHN-WID)	Govt – Ministry of Gender & Community Services	-Training -Provision of basic equipment -Credit linkages	Rural women
9	African Development Bank – Women in Development (ADB-WID)	Govt	-Training -Provision of basic equipment -Credit linkages	Rural women
10	Economic Activities Programme (EAP)	Govt – Ministry of Gender & Community Services	-Training -Credit linkages -Appropriate technologies	-Mostly rural women -Some rural men
11	Special Privatisation Fund	Govt - Privatisation Commission, first managed by INDEBANK, then NICORP	-Loan to those wishing to purchase shares in listed companies	Middle – High class professionals
12	Deferred Payments Scheme	Govt- Privatisation Commission, and managed by the commission itself	-Allows deserving Malawians to buy public enterprises on loan. 20% is paid upfront, and then fully payment is made over a period of 10 years	No specific target – just “deserving Malawians”
13	Discount Scheme	Govt - Privatisation Commission	-Malawians are able to buy public companies at a discount – up to 20% discount offered	Malawians with a better technical proposal for the management of the company

No	Name of Initiative	Affiliation	Service(s) Provided	Target Group
14	Empowerment Loan Scheme	Govt - Malawi Development Corporation (MDC)	Loans to businesses	Not well defined
15	Japanese Non-project Aid Loan Scheme	Govt –Ministry of Finance	Capital equipment loans	Not well defined, but selection based on proposals
16	Private Sector Development Fund	Govt –Ministry of Finance, managed by INDEFUND	Loans to businesses	Businesses in agro-industry, tourism, mining, textile.
17	One Village One Product (OVOP)	Govt – Ministry of Economic Planning & Development	-Loans to businesses -Linkages to markets	Not well defined, but selection based on proposals
18	INDEFUND	Limited liability company, but govt has stake through MDC	-Loans -Training (facilitated by BCA) -Business advice (MEDI, DEMAT)	-SMEs -Businesses owned by professionals -Mechanics
19	European Investment Bank (EIB) Loan Scheme	Govt – managed by Privatisation Commission, INDEBANK & INDEFUND	-Loans to assist Malawians buy shares in public sector companies	Not well defined but selection based on proposals, non-black Malawians not eligible
20	INDEBANK	Private Company	-Loans to businesses	Large scale businesses
21	Press Trust	Govt - Public Trust Company	-Joint venture capital with Malawian entrepreneurs	Large scale businesses
22	Small and Medium Enterprise Fund (SMEF)	Govt – Administered by the Reserve Bank	-Loans to businesses through intermediary institutions such as DEMAT, NABW, WWBMA, SEDOM, & NASME	SMEs, especially those owned by women, the youth and the disabled

No	Name of Initiative	Affiliation	Service(s) Provided	Target Group
23	Social Dimensions of Adjustment (SDA) Project – Social Programme Support Fund (SPSF)	Govt/donor partnership – administered by the Project Implementation Unit (PIU) in the Ministry of Economic Planning & Development	-Loan capital to businesses through intermediary institutions such as FINCA, Mulanje Youth Enterprise Development, NABW, WWBMA	Poorest households
24	National Association of Business Women (NABW)	NGO	-Loans -Training -Appropriate technology -Information services & marketing	Women willing to do business or already in business
25	Women's World Banking Malawi Affiliate (WWBMA)	Trustee Organisation	-Loans -Technical assistance	Rural women entrepreneurs
26	Malawi Union of Savings and Credit Cooperatives (MUSCCO)	Limited Liability Company	-Loans through Savings and Credit Cooperatives (SACCOs)	Low income households in rural and urban areas
27	Foundation for International Community Assistance (FINCA)	NGO	-Credit	Rural & urban women
28	Opportunity International Bank of Malawi	Limited liability commercial bank	-Loans/micro-credit	-individuals without bank accounts elsewhere -SMEs, especially those owned by women
29	Pride Africa	Limited liability company	-Loans and a bit of training	-Individuals and SMEs
30	Ecumenical Church Loan Fund (ECLOF)	Church NGO	-Loans	

No	Name of Initiative	Affiliation	Service(s) Provided	Target Group
31	Small Enterprise Development Programme (SEDP)	Donor Programme	-Loans disbursed through commercial banks (National Bank and Commercial Bank)	Small enterprises
32	National Association of Small and Medium Enterprises (NASME)		-Training -Links entrepreneurs -Advocacy	
33	National Hawkers and Informal Business Association (NAHIBA)		Advocacy	
34	Malawi Confederated Chambers of Commerce and Industry		Advocacy	
35	Malawi Mudzi Fund			
36	Mulanje District Community Development Chikondano Credit Scheme (CHIKONDANO)	Govt – Ministry of Gender and Community Development	Business loans	
37	Thyolo Youth Enterprise Development Fund (TYEDF)	Govt – Ministry of Youth and Culture	-Credit -Training -Supervision	
38	Training for Enterprise & Exports in Malawi (TEEM)	Donor Initiative	-Training -Business advisory -Export facilitation	Small & growing enterprises
39	CISP in Malawi	Donor Initiative	-Training -Local business information & service centre	
40	Concern Universal Microfinance Organisation (CUMO)		-Microcredit	

No	Name of Initiative	Affiliation	Service(s) Provided	Target Group
41	Malawi Investment Promotion Agency (MIPA)	Govt Parastatal	-	
42	Malawi Industrial Research and Technology Development Centre (MIRTDC)	Govt Parastatal	- Technical training - Technology hardware	
43	Business Expansion and Entrepreneurship Development (BEED)	NGO	Business training	
44	World Vision International (WVI)	NGO	- Business training - Technical training - Marketing - Advocacy - Financial advice Consultancy and non-financial advice	Individuals
45	OXFAM	NGO	- Advocacy - Financial grants - Non-financial grants	Micro enterprises
46	Enterprise Development and Training Agency (EDETA)	NGO	- Business Training - Technical Training - Advocacy - Consultancy and non-financial advice - Marketing – creating linkages	SMEs

APPENDIX 2

LIST OF INSTITUTIONS CONSULTED

MALAWI

Malawi Chamber of Commerce
 Malawi Development Corporation
 Privatization Commission
 Malawi Revenue Authority
 SEDOM
 INDEBANK
 DEMATT
 INDEFUND
 Stanbic
 National Bank of Malawi
 Employers Consultative Association of Malawi (ECAM)
 Malawi Trade Union
 FMB
 Finance Bank
 Finca
 The Polytechnic
 Malawi College of Accountancy (MCA)
 Business Consult Africa (BCA)
 Training for Enterprise and Exports in Malawi (TEEM) Project (DFID funded)
 Malawi Savings Bank
 National Business Association of Malawi
 Oxfam's rural sustainable livelihoods programme
 Banking Association of Malawi
 Ministry of Economic Planning and Development
 Ministry of Finance
 Ministry of Labour
 Ministry of Justice/ Law Commission
 Ministry of Gender and Community Services
 Ministry of Youth
 Ministry of Education
 Office of the Director for Public Procurement
 Malawi Institute of Management
 Development of Malawian Traders Trust (DEMATT)
 Lilongwe Technical College (LTC)
 MEDI
 Budget and Finance Committee of Parliament
 Commerce and Industry Committee of Parliament
 EU
 World Bank
 USAID
 DFID
 CIDA
 UNDP
 NORSAD

GTZ
Opportunity International
TEVET
Rural Income Enhancement Project
Malawi Rural Finance Company of Malawi
Network for Microfinance Institutions
Reserve Bank of Malawi
Representatives of the main political parties

SOUTH AFRICA

The Empowerment Commission
SA Chamber of Commerce
BEE Institutions
IDC
DBSA
DTI
Umsobomvu Youth Fund
National Youth Commission
Ntsika
Khula
Micro Finance Regulatory Council
DFID – FinMark & ComMark
Micro enterprise Alliance
Human Science Research Council
The Banking Council