



**Selected Perspectives On
The Enabling Environment
For Women Entrepreneurs
In Malawi**

Foreword

The small business sector plays a crucial role in Malawi's development and is identified as a key tool for economic growth, job creation and poverty alleviation. (Malawi Growth and Development Strategy 2007-2011 Sub Theme Five.) The global recession holds significant challenges and opportunities for small entrepreneurs in general and even more so when viewed from a gender perspective. Women generally lack the necessary resources for starting and developing their own businesses due to gender based barriers, Malawian women entrepreneurs often still remain in the periphery of the economy.

The international Labour Organization (ILO) is working to advance opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogues in handling work-related issues. The Small Enterprise Programme of the ILO has had a dedicated programme Women's Entrepreneurship Development and Gender Equality (WEDGE) Project the ILO has developed and established a robust methodology and a wide range of tools for supporting women entrepreneurs and their service providers. This research is part of a WEDGE project funded by the Norwegian Agency for Development Cooperation (Norad). The WEDGE project follows a development and rights-based approach which aims to satisfy the practical needs of women entrepreneurs, to remove socio-cultural, legal and political barriers for women entrepreneurship and to advocate for an enabling environment for business development and gender equality.

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Introduction

As part of the WEDGE Malawi project, four (3) Separate pieces of research were commissioned and written by various Malawian consultants to assist the project team in implementation of the project from 2009-2011. This report consists of a compilation of these four research reports with the aim of further contributing to the body of knowledge in Malawi about women entrepreneurs. The reports have a specific focus on growth oriented women entrepreneurs. This research should be utilized by national and district decision makers and business development service providers to better understand the operational and legislative and environment for women entrepreneurs in Malawi.

The responsibility for opinions expressed in these pieces of research rests solely with their authors, and publication does not constitute an endorsement by the International Labour office of the opinions expressed in them.

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A Capacity Assessment and Rapid Appraisal of the Enabling Environment for Women Entrepreneurs in Malawi

John Heston Mataya, 2009

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Acronyms

| | |
|----------|---|
| AWISA | AIDS Workplace Programmes in South Africa |
| AGM | Annual General Meeting |
| BDS | Business Development Services |
| COMESA | Common Market for Eastern and Southern Africa |
| CONGOMA | Council for Non-Governmental Organizations in Malawi |
| CTA | Chief Technical Advisor |
| DEMAT | Development of Malawian Traders Trust |
| DWCP | Decent Work Country Programme |
| ECAM | Employers Consultative Association in Malawi |
| EU | European Union |
| FEDOMA | Federation of Disability Organizations in Malawi |
| FGD | Focus Group Discussion |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome |
| IBAM | Indigenous Businessmen Association in Malawi |
| IGA | Income Generating Activities |
| ILO | International Labour Organization |
| M&E | Monitoring and Evaluation |
| MADEF | Malawi Development Fund |
| MIPA | Malawi Investment Promotion Agency |
| MACOHA | Malawi Council for the Handicapped |
| MASAF | Malawi Social Action Fund |
| MBCA | Malawi Business Coalition against AIDS |
| MCCCI | Malawi Confederation of Chambers of Commerce and Industry |
| MCTU | Malawi Congress of Trade Union |
| MEDI | Malawi Entrepreneurship Development Institute |
| MEPEC | Malawi Export Promotion Council |
| MGDS | Malawi Growth and Development Strategy |
| MK | Malawi Kwacha |
| NABW | National Association of Business Women |
| NBS | New Building Society |
| NAO | National Audit Office |
| NGO's | Non-Governmental Organizations |
| OVOP | One Village One Product |
| PAP | Poverty Alleviation Programme |
| PESTEL | Political, Economic, Social, Technological, Environmental and Legal |
| PPA | Public Procurement Act |
| PMU | Project Management Units |
| PSRP | Poverty Alleviation Strategy Paper |
| SADC | Southern Africa Development Community |
| SEDOM | Small Entrepreneurship Development Organization in Malawi |
| SMEs | Women's and Medium Enterprises |
| SWOT | Strengths, Weaknesses, Opportunities and Threats |
| FITSE | Finance Trust for the Self Employed |
| TEVETA | Technical Entrepreneurship Vocational Education and Training |
| TORS | Terms of Reference |
| UN | United Nations |
| UNICEF | United Nations Children's Fund |
| USAID | United States of America International Development |
| WED | Women's Entrepreneurship Development |
| WEDGE | Women's Entrepreneurship Development and Gender Equality |

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Executive Summary

The ILO realizes that women are an important social group in development. Yet, they continue to be marginalized in many areas of development including business, resulting in gender imbalances in enterprise development. Concerned with this situation and in line with its Decent Work Agenda, the ILO initiated a three year project focusing on Women's Entrepreneurship Development and Gender Equality in Southern Africa (WEDGE-SA) Project in four countries: Lesotho, Mozambique, South Africa and Malawi.

This report presents an assessment of sixteen preselected business development service providing institutions in Malawi in terms of their suitability to become ILO partners in the WEDGE Project. The report also presents a rapid appraisal of the institutions' target beneficiaries at the micro, meso and macro levels; gender based barriers to women's entrepreneurship development as well as a picture of the enabling environment for women entrepreneurs in Malawi.

Participatory data collection techniques and the ILO's Partner Capacity Assessment were used to collect the data reported here.

Major findings from the study indicate that most business development service providers have the institutional infrastructure and human resource capacity but lack operating finances. As a result,

quality and quantity of their services is compromised. In addition, most of the business development service providers are in urban areas, yet 80% of the Small and Medium Enterprises (SMEs) are in rural areas. This has created a service gap in the rural areas.

Malawi has a good legal framework that supports the empowerment of women and prohibits their marginalization in the Constitution of the Republic of Malawi. However, there are some statutes that still work against the empowerment of women. In addition, while there has been an increase in the number of women going into business since 1994, obstacles to their formalization and growth still remain. Cultural beliefs and norms that are gender biased against women create stereotypes that continue to hinder more women to engage in business ventures. Low levels of education among women and the lack of exposure to good business practices, lack of credit and other business development services that respond specifically to the needs of women are other challenges that women entrepreneurs face as compared to their male counterparts.

Overall, for Malawian women to realize their full potential in business, the WEDGE project should work together with the Ministries of Labour; Industry and Trade; and Gender, Child and Community Development on policy matters that touch on the empowerment of women entrepreneurs. In terms of project management and training, the study recommends NABW and MEDI as principal project partners.

Chapter 1

The Wedge Project-Malawi

1.1 Introduction

The ILO initiated a three year Women's Entrepreneurship Development and Gender-Equality (WEDGE) Project¹ in four Southern African countries including Malawi. The regional project concept was developed with an understanding of the knowledge and status of women entrepreneurs in the countries involved and the business development services available to them. The overall goal of the project is to create an enabling national environment for the promotion of women's entrepreneurship development and gender equality as one way of supporting poverty reduction initiatives in the countries involved. Specifically, the project is aimed at:

- Developing an improved enabling environment for Women Entrepreneurship Development (WED) in Malawi;
- Improving the capacity of Business Development Service (BDS) providers to deliver services to women entrepreneurs;
- Improving the income-generating capacity, productivity and competitiveness of growth oriented women entrepreneurs in Malawi.

1.2 Economic Benefits of the Project

It is envisaged that the project will strengthen the institutional capacity of the Government of Malawi to address existing gender imbalances in enterprise development through interventions and activities targeting women entrepreneurs. The proposed strategy seeks to reduce the vulnerability of women's enterprises in relation to working conditions; safety and health at work; social protection; lack of organization, representation and voice; lack of access to appropriate financial services; and all forms of gender-based discrimination.

The Malawi WEDGE project will work with Government, workers and employer organizations and partner agencies to equip and train them in ILO tools and approaches in WED in order to:

- Remove the obstacles that women face in starting and growing their businesses
- Build the capacity of Government, workers' and employers' organizations
- Provide support to SMEs and institutions that support women entrepreneurs

- Expand the knowledge base in WEDGE
- ### 1.3 Statement of the Problem

Although the initial WEDGE project concept was developed with an understanding of the existing knowledge about the situation of women entrepreneurs and the BDS providers in the countries involved, there were gaps in terms of responding to specific needs and situations of women at country level. At the country level, there was need to define its target groups at the micro, meso and macro-levels, the interventions to be implemented and the business development institutions that it will partner with. There was need to have a Malawi WEDGE project that is demand driven and responsive to the needs and situation of women entrepreneurs in Malawi. The present study therefore set out to address the shortfalls in the initial project concept.

1.4 Objectives of the Study

In order to address the shortfalls in the initial project concept, the ILO commissioned an investigative study to:

- Assess the capacity of business development institutions in order to establish their suitability to work with the WEDGE project. The assessment focused on the ability of the potential partners to deliver project services sustainably during and after the life of the project.
- Conduct a rapid appraisal that would inform the project about:
 - i) The micro level groups that the project should be targeting to achieve its policy level change objectives
 - ii) The meso and macro level groups that the project should work with to achieve its objectives on service improvement to women entrepreneurs
 - iii) Specific sectors and geographic locations that the project should focus on to achieve its job creation and enterprise sustainability objectives.

1.5 Outputs of the Study

This report contains the design and methodological approach to the study for both the data collection and analysis processes and the findings as per the objectives of the study. This chapter gives a brief background to the WEDGE project, its main objectives and the anticipated overall benefits to women entrepreneurship in Malawi. It also spells out why the present study was conducted and its main objectives. Chapter 2 describes the design and

¹ The WEDGE project is based on a regional concept covering Malawi, Lesotho, South Africa and Mozambique

methodological approach to the study. Chapter 3 presents findings on the Partner Capacity Assessment and Chapter 4 contains findings on the Rapid Appraisal. Chapter 5 draws some conclusions from the study and provides recommendations for the WEDGE – Malawi Project.

Chapter 2 Study Design and Methodology

2.1 Introduction

This chapter presents the design and methodology of the study. It describes the specific techniques and tools used to collect the data and the analysis process. It concludes by highlighting the constraints experienced during the two processes. The following sections describe the methodological process in more detail.

2.2 Data Collection and Analysis Techniques and Tools

Different research techniques and tools were used to collect and analyze data for the partner capacity assessment and the rapid appraisal.

2.2.1 Review of Literature

The entry point for the study was a literature review to enhance the researchers understanding of the WEDGE Project concept and to collect secondary data on the services provided by public business development institutions and their capacity; the national environment in which women are doing business and the problems they face when starting and growing their businesses and the cultural, traditional and social beliefs that marginalize women to engage in business.

The literature was obtained from various sources including Government ministries and departments, the partners that were assessed and electronic search (See appendix 2 for the list of literature reviewed). Analysis of this data was done using the SWOT (strengths, weaknesses, opportunities and threats) and PESTEL (political, economic, social, technological, environmental and legal) factors tools.

2.2.2 Focus Group Discussions

Focus Group Discussions (FGDs) were the primary source of data for the rapid appraisal. NABW organized and managed the FGDs. The initial plan was to have a maximum of 20 women for each FGD, drawn from different business backgrounds and sectors. However, the actual attendance was 16 women in the southern region, 12 in the center and 20 in the north (Appendices 4a, b & c lists names of women who attended the FGDs in each region). Questions for the FGDs focused on the following main areas: reasons for getting into business, problems faced when starting and expanding a business and the cultural and traditional beliefs that reinforce gender biases against women (See appendix 2 for discussion questions for the FGDs). All FGDs were conducted in Chichewa, the local national language for easy communication and to facilitate participation.

The participants were also asked to provide feedback on the performance of business development institutions such as the Malawi Entrepreneurship Development Institute (MEDI), the Small Enterprise Development Organization in Malawi (SEDOM), the Development of Malawian Traders Trust (DEMAT), and others².

Specifically they were asked to do a SWOT and PESTEL of the organizations. Data from the three FGDs were categorized into thematic areas and collated to check validity and reliability of findings.

2.2.3 The ILO Partner Assessment Tool³

An ILO-WEDGE Partner Capacity Assessment tool examines in detail the following key characteristics of the potential partner institutions: their legal status, governance structures and mechanisms, organizational culture, relevance to the WEDGE mandate, ability to establish, manage and sustain partnerships, ability to plan strategically, effectiveness and efficiency of the organizational structures, quality and quantity of personnel, financial and material management competencies, monitoring and evaluation competencies, technical specialization and outreach and impact. Each one of the parameters outlined above has an allotted score against which the partner institutions were assessed.

² This arrangement allowed for the women to give feedback on the performance of business development organizations

³ The instrument has not been included as it is an internal ILO document; it can, however, be requested from the ILO (simpson@ilo.org).

Nineteen potential WEDGE partners comprising of Government and parastatal organizations, business workers and employers' organizations and the banking sector were assessed. Key people interviewed in these institutions were at least three senior officers. However, in most cases it was not possible to get all three despite sending invitations for their participation in advance.

2.3 Data Collaboration and Analysis

The bulk of the data collected was qualitative. All data collected using the different techniques and instruments was cleaned and categorized according to source and thematic areas arising from the objectives of the study and research questions. Data from each source were then triangulated to check consistency and contradictions and test issues of validity and reliability of the findings.

2.3.1 Validation Workshop

A draft report of the findings was presented at a day's workshop to 50 key stakeholders who participated in the study to further validate the findings. This process was crucial because comments received were used to refine this final report.

2.4 Constraints and Limitations of the Study

There were a number of constraints that had a bearing on the findings of the study. These included:

- Limited time for the study: Time for the whole exercise was reduced making it impossible to meet with some key informants particularly board members and all organizations as originally planned. However, the validation workshop helped to fill some of the information gaps.
- Inappropriateness of the Partner Capacity Assessment Tool for other organizations: - This tool is designed mainly for use with for civil society organizations not Government ministries and departments. It therefore became necessary to adapt its use to the ministries and departments.
- Participation of wrong informants at FGDS: - It was not possible for the consultant to vet the women who were invited by NABW for the FGDS. As a result some of the women who attended the FGDS had micro-businesses rather than more growth oriented businesses as required by the brief.
- Lack of reliable and accessible literature specific to women entrepreneurs in Malawi: This situation meant that there was inadequate secondary

data to help with triangulation of findings to check reliability and validity of data collected through other sources.

In spite of these constraints and limitations, the findings contained in this report represent a true picture of the capacity of potential partners and the status of women entrepreneurs in Malawi based on the data that was collected.

Chapter 3 The Capacity Of Potential Project Partners

3.1 Introduction

This chapter presents a report on the findings of the capacity assessment of potential project partners for the WEDGE Project. It discusses the potential of 16 partners to implement the projects activities and sustain women entrepreneurship development (WED) activities after the expiry of the project based on the key characteristics that the assessment focused on (See section 2.2.3 for a list of the key characteristics). In order to be systematic and objective, the partners were grouped into five categories as follows:

- Category 1: Government Ministries comprising: Ministries of Labour, Industry and Trade and Gender, Children and Community Development
- Category 2: Business development services providers comprising of: MEDI, DEMAT, SEDOM and MEPEC
- Category 3: Business associations comprising: Malawi Confederation of Chambers of Commerce and Industry (MCCCI), NABW, Indigenous Business Association in Malawi (IBAM)
- Category 4: Other member based organizations relevant to the ILO's mandate: FEDOMA, ECAM and MCTU
- Category 5: Private sector micro-financing institutions.

The following sections describe each category in more detail.

3.2 Government Ministries

The three Government Ministries mentioned above were chosen because of their affinity to the WEDGE Project in terms of entrepreneurship development. Among others, they develop the policy environment for enterprise development, and linkages to

business development institutions such as the Malawi Investment Promotion Agency (MIPA), the Commonwealth Secretariat and other institutions. In addition, they facilitate participation in national, regional and international trade fairs. Presented below are the results of the capacity assessment⁴.

3.2.1 History and Reputation

The findings of the research indicated that, on the whole, Government ministries have a good reputation in Malawi. They are considered reliable, trustworthy, effective and successful. Given that they are public institutions, their legal status is not questioned in this research. The political orientation or affiliation of the Ministries is transparent because political leadership is democratically elected. The public servants in the Ministries are, in principle, employed on merit⁵.

3.2.2 Governance

Governance organs include parliament, the National Audit Office and office of the Ombudsman among others. These are democratic organs established to ensure that ministries and other public institutions are accountable and transparent in their dealings. Cabinet and Parliament both meet regularly. At the helm of each ministry is a minister who is a politician, a Member of Parliament and the Cabinet. Represented groups such as women and children and the general public contribute to the

national development strategy and management of the ministries through their representatives. No single group dominates in the management of the ministries. Ministers work on advice from ministry officials. This implies officials are heard. The ministers steer the course of their ministries and take full responsibility for the decisions that they make. The assessment established that the governance of the three ministries conforms to international best practices in public sector governance practices.

3.2.3 Organizational Culture

The modus operandi in these ministries is fairly standard and applies to all ministries and departments. The Public Finance, Public Procurement and Audit Acts and other standard operating procedures in human resource management are well grounded. The visions and mandates of the three ministries are clear. They have strategic plans to guide their programmes. The Programmes⁶ and activities are documented.

3.2.4 Relevance of the Partner to the Wedge Mandate

The first part of the assessment looked at whether the visions, mandates, objectives and policies of the ministries were congruent with those of the WEDGE Projects.

As shown in table 1 above, the Ministry of Gender, Child and Community Development is the most

Table 1: Relevance of partner mandate

| Parameter | Ministry of Trade | Ministry of Labour | Ministry of Women and Gender |
|--|--|----------------------|------------------------------|
| Congruent: vision mission goals objectives policies | Not quite Not quite Not quite Not quite | No No No No | Yes Yes Yes Yes |
| Congruence of Activities | Somehow | No | Yes |
| Congruency of Gender proportion of target groups | No | No | Yes |
| Congruency on targeting people with disability | No | Somehow | Somehow |
| Unique Contribution to the WEDGE projects | Yes | Yes | Yes |

⁴ By mandate, The ILO works with the Ministry of Labour, employers organization and trade unions

⁵ It became necessary to adapt a number of parameters in the questionnaire in order to use it for the Ministries

⁶ By policy, sector strategic Plans are linked to the Malawi Growth Development Strategy (MGDS) and also to the Millennium Development Goals (MDGs)

relevant to the WEDGE Project. However, the other two institutions cannot be marginalized. The Ministry of Labour is an ILO constituent and provides expertise in labour and employment creation. The Ministry of Industry and Commerce has expertise in private sector development and in particular, the development of cooperative societies which could be exploited to the advantage of the WEDGE Project. It is recommended therefore that WEDGE should work with the three ministries as its partners so that it can benefit from the expertise. The Ministry of Gender, Child and Community Development should be the lead partner in matters dealing with gender policy and policies related to women generally.

The Ministry of Trade and Industry should be a partner on matters dealing with enterprise development and the Ministry of Labour should be a partner on issues to do with employment.

Table 2: Partnership management

| Target Group | Ministry of Industry | Ministry of Labour | Women And Gender |
|---------------------|----------------------|--------------------|------------------|
| Women Entrepreneurs | Some how | No | Yes |
| HIV/AIDS | Yes | Yes | Yes |
| Disability | No | No | Yes |

of the special target groups. In addition, all three ministries have partnership agreements with their development partners and there is ample evidence that they support these agreements. It is an important principle within Government to commit itself to a partnership by allocating some resources in one way or another. However, all three ministries indicated that they have limited financial resources.

3.2.6 Strategic Planning

The Government of Malawi has the Malawi Growth and Development Strategy (MGDS) as its main short term national development strategy. The three ministries have strategic plans that are linked to the MGDS. They demonstrated use of strategic planning which takes into account institutional goals and objectives as well as contextual factors. The three ministries have the ability to develop, implement and document effective development methodologies and are generally able to translate overall plans into specific work plans for projects and employees.

3.2.5 Partnerships Management

The second part of the assessment looked at the ministries' ability to establish strategic alliances. Results showed that each one of them has solid experience in working with donor partners both multilateral and bilateral. In addition, they have established strategic professional alliances. For example, the Ministry of Labour works with ILO, the Ministry of Gender, Child and Community Development works with United Nations Children's Fund (UNICEF) and the Ministry of Industry and Trade works with the World Trade Center. The ministries also serve specific target groups that are important to the WEDGE Project as shown in table 2 below.

As the table shows, the Ministry of Gender, Child and Community Development and the WEDGE Project share much more in common in terms

3.2.7 Organizational Structure

All three ministries have well delineated structures, defining decision making levels as well as the lines of authority. The roles and responsibilities are well defined, specifying who is accountable to whom and for what. The organizational structures also facilitate effective communication. Where necessary the structures can be re-engineered to accommodate new projects. This is evidenced by the presence of Project Management Units (PMUs)⁷ in the ministries.

3.2.8 Personnel and Management

The three ministries have personnel with the technical competencies that relate to the mandate of their organizations. They are able to prepare project documents and reports in formal English acceptable to international standards. Table 3 shows the existence of competences that are of interest to the WEDGE Project.

The assessment also indicated that management was supportive. It provides for staff development

⁷ PMUs are established to over-see project implementation

Table 3: Personnel and management

| Competencies | Trade | Labour | Gender |
|--|-------|--------|--------|
| Preparation of project document | ✓ | ✓ | ✓ |
| Report Writing English | ✓ | ✓ | ✓ |
| Financial Report | ✓ | ✓ | ✓ |
| Strategic Planning | ✓ | ✓ | ✓ |
| Adopting to changing environment | ✓ | ✓ | ✓ |
| Time management | ✓ | ✓ | ✓ |
| Budget management | ✓ | ✓ | ✓ |
| Technical expertise in gender and disability | - | - | ✓ |
| Monitoring Projects | ✓ | ✓ | ✓ |
| Evaluation of projects | ✓ | ✓ | ✓ |

and regular⁸ training. Performance of staff members is also evaluated. However, none of the three ministries has specific internal policies to ensure the employment of people with disabilities, those living with HIV and AIDS or women.

3.2.9 Financial and Material Resource Management

The public budget is the sole source of income for these ministries. Income from donors also comes through the budget. The finances are managed by qualified accountants. In addition, accounts books are audited regularly by the National Audit Office (NAO). The ministries have adequate equipment and supporting infrastructure such as offices, office equipment and vehicles. However, most offices and infrastructure in these ministries are not disability friendly.

3.2.10 Monitoring and Evaluation

All the ministries know that monitoring and evaluation are important management tools for evidence based decision making. Generally all the ministries are able to monitor and evaluate interventions, obtain baseline information, produce reports and follow-up on the effects and results of their activities. However, the application of monitoring and evaluation (M&E) is at different levels. The ministries also have systems for managing data and information. However, there is a knowledge gap in terms of using collected data

for evidence based decision making. The ministries cannot utilize collected data to their advantage but expressed their willingness to participate in organized consultations, meetings, workshops and research aimed at equipping them with the relevant skills and knowledge. They are willing to develop appropriate M&E mechanisms for partnership programmes.

Outreach and Impact

All the Ministries have offices at the regional and district levels. The Ministry of Gender, Child and Community Development has offices at the sub-district level and therefore able to reach to people at the grass roots level in various areas.

3.2.12 Overall Assessment and Conclusion

The three ministries scored above 50% on the ILO-WEDGE Project partner selection scoring. This score indicates that they have the mandate to partner with the WEDGE Project and have the capacity to push the WEDGE Project agenda forward. Each one of them has a specialization that would be useful. The WEDGE Project should accept the three Ministries as its partners as follows:

- The Ministry of Women and Child Development to be a partner in gender and women issues,
- The Ministry of Industry and Trade to be a partner in private sector and cooperative development with a special focus on women entrepreneurs,

⁸ None of the three Ministries produced a training plan

- The Ministry of Labour as a natural ally to facilitate partnership with Employers Consultative Association of Malawi (ECAM) and Malawi Congress of Trade Unions (MCTU) in job creation.

3.3. Business Development Services (BDS)

In this category, four business development service providers: The Small Enterprise Development Organisation of Malawi (SEDOM), Malawi Entrepreneurs Development Institute (MEDI) and the Development of Malawi Traders' Trust (DEMAT) and the Malawi Export Promotion Council (MEPEC) were assessed. Their services include training, micro-financing, making linkages to markets and providing business advisory services. Presented below are the results of the assessment.

3.3.1 History and Reputation

All the four organizations offer generic business development services with varying emphasis. They have been operational for over ten years, ample evidence that their services are needed. However, participants at the regional focus group discussions observed that the performance of these organizations has declined significantly over the years. They attributed this to reduced funding by Government due to dwindling resources and limited institutional capacity to raise their own resources. Out of the four institutions, MEDI was singled out as being fairly effective and successful in mobilizing their own resources.

3.3.2 Legal Status

Table 4: Partner history

| Institution | Area Of Emphasis |
|-------------|---|
| Demat | Providing training and micro loans. Training is provided before people access loans |
| Sedom | Providing micro-loans and training |
| Mepec | Established to promote exports. Provides training when necessary |
| MEDI | Established to provide entrepreneurship training and development |

All the institutions have functional boards in place. The selection of board members is done by Government on behalf of all Malawians. Specific criteria are used for selecting board members making the whole process transparent. The boards of governance are not dominated by any grouping of people. Board members steer programmes and activities of the organizations and take full responsibilities for the activities. This is evidenced by the fact that they meet regularly to discuss issues pertaining to the mandates and performance of their institutions.

3.3.3 Organizational Culture

The four institutions observed that they are working in a changed environment. They noted that during their formative years, Government was able and willing to give them more resources. This is no longer the case now. Each one of them had a strategic plan to manage their ever changing operational environment. Their visions, missions and objectives are clear and inspiring but there is an overlap resulting in duplication. They accepted

Government which aims at merging them into one institution as a positive move in spite of the likely job losses²⁰. Each one of them has well developed standard operating procedures for human resource and financial management and their procurement is based on the Public Procurement Act. The institutions communication structures are good and they are willing to work with marginalized groups including women, children or people with disability or HIV and AIDS when called to do so.

3.3.4 Relevance of the Partner to the WEDGE Mandate

Their mandates, goals, objectives and policies are not exactly congruent but somehow related to those of the WEDGE Project. The major difference is that these institutions provide generic business development services to everybody while the WEDGE Project intends to provide business development services to women entrepreneurs who are capable of creating decent work for other marginalized people. However, they have expertise in business development which could benefit

WEDGE. In addition, they all have implemented programmes specific to women entrepreneurs in one way or another when called upon to do so.

3.3.5 Establishment of Partnerships and Management

There is ample evidence that these institutions are able to establish partnerships and manage them. In fact, all of them were established through partnerships; MEDI was established with assistance from ILO, SEDOM was established under the auspices of European Union (EU) and MEPEC was established under the auspices of USAID. Beyond their establishment, each one of them has worked with other partners. They are willing and ready to share costs and contribute resources in order to make a partnership work. But like the Government ministries, their resources are limited.

3.3.6 Strategic Planning

All the four institutions have strategic plans which demonstrate an application of strategic approaches

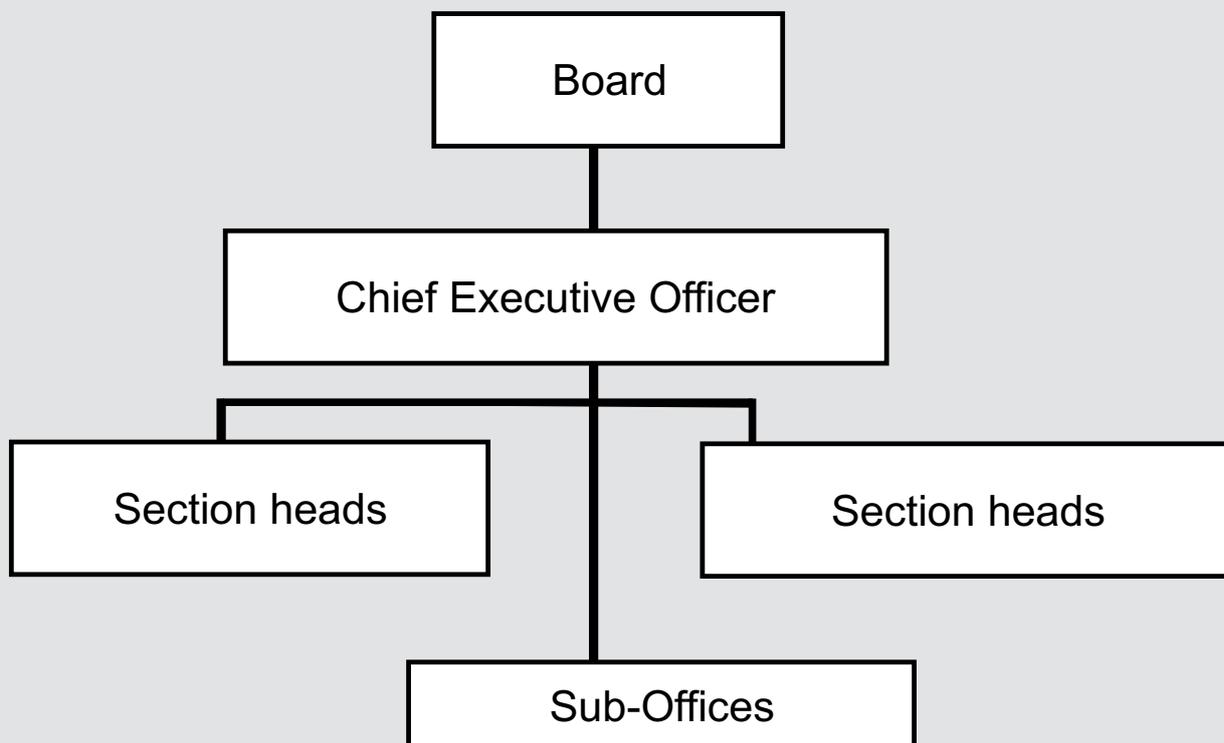
to the design, follow-up and evaluation of programmes and projects. They are able to develop and implement yearly work plans that are broken down to quarterly and monthly work plans. The strategic plans are in a way linked to the MDGS, evidence that they take into account national and contextual factors.

3.3.7 Organizational Structures

Their organizational structures are clear, providing a good framework for decision making. They are very conventional as shown below in figure 1. They have board sub-committees which enhance efficiency and effectiveness of their boards. However, parastatal reforms presented in the 2010/2011 budget meant that MEDI, DEMAT and SEDOM have been dissolved and their functions have merged into a new entity called the Small and Medium Enterprise Board (SMEB). However at time of printing the new SMEB is not yet fully operational.

3.3.8 Personnel and Management

Figure 1: Organizational Structure of parastatal business development service providers



DEMAT and SEDOM have sub-offices in a number of districts.

Personnel, particularly those in the management and professional cadres are employed on the basis of their professional competencies. They are therefore, able to perform most of the tasks

specified as per the mandate of their institutions (See table 5 below).

Staff in these organizations are appraised regularly but staff development and training is constrained

Table 5: Personnel and management

| COMPETENCY | SEDOM | MEDI | DEMAT | MEPEC |
|----------------------------------|-------|------|-------|-------|
| Preparation of Project Documents | ✓ | ✓ | ✓ | ✓ |
| Writing reports in English | ✓ | ✓ | ✓ | ✓ |
| Managing change | ✓ | ✓ | ✓ | ✓ |
| Project Budget Management | ✓ | ✓ | ✓ | ✓ |
| Time Management | ✓ | ✓ | ✓ | ✓ |
| Gender competency | - | - | - | - |
| Disability | - | - | - | - |
| Women | - | - | - | - |
| Member Project | ✓ | ✓ | ✓ | ✓ |
| Project Evaluation | ✓ | ✓ | ✓ | ✓ |

by shortage of resources. Again, one common gap in all the four institutions is the lack of any specific policies or methodologies to include socially marginalized groups.

3.3.9 Financial Management and Financial Resources

The national budget is the main sources of finances. But they also raise finances from their own income generating activities. These activities vary across the four institutions. MEDI seems to secure more income than the other three. All four institutions have sound financial management systems and procedures and are audited regularly. There have qualified officers to manage finances. Their strategies for financial survival are reliable but bear no positive results. All four institutions have buildings, basic facilities and equipment but they are not disability friendly.

3.3.11 Monitoring and Evaluation

The four institutions have some monitoring and evaluation competences. They are also able to collect baseline data pertaining to their activities.

3.3.12 Outreach and Impact

The four institutions have well defined outreach programmes. MEDI dominates as an entrepreneurship training institution. DEMAT and SEDOM focus on micro-financing. MEPEC promotes exporting through trade fairs and other

fora.

3.3.13 Overall Assessment and Conclusions

Overall, all the four institutions have some expertise and competencies that are of interest to the WEDGE Project but they have no programmes specifically designed for women entrepreneurs. On the positive side, the institutions showed some aptitude to come up with tailor-made programmes for women entrepreneurs. On the whole MEDI scored higher than the other three on entrepreneurship development. WEDGE can work with MEDI in entrepreneurship development. Should WEDGE go into micro-loans and financing, SEDOM and DEMAT have well established infrastructures and capacity. MEPEC would facilitate export promotion for women entrepreneurs.

3.4 Business Associations

This category comprised three business associations namely, Malawi Confederation of Chambers of Commerce and Industry (MCCCI), National Association of Business Women (NABW) and the Indigenous Business Association of Malawi (IBAM). Results of the assessment are presented in the following sections below.

3.4.1 History and Reputation

The three institutions are unique because

membership is voluntary. None is a partner of the WEDGE project. Of the three institutions, NABW implements programmes and activities that are closely related to those planned by the WEDGE Project. The other two institutions offer generic business support and development services. All three associations are considered reliable, trustworthy and necessary. They have been able to attract and retain members over long periods of time.

3.4.2 Legal Status

All the three associations are fully registered with the Registrar of Companies and have been operating for over one year. The MCCCCI is exceptional because it is over one hundred and ten years old, making it the oldest business association in Malawi. These institutions do not have any political affiliations. Criteria for membership are defined in their constitutions, making it transparent.

3.4.3 Governance and Management

The associations have functioning boards. The boards for Malawi Confederation of Chambers of Commerce and Industry (MCCCCI) and NABW meet more regularly than IBAM's⁹ board. IBAM has not held any annual general meeting (AGM) while MCCCCI has had more than one hundred AGMs where council members are selected. NABW holds AGMs to elect new board members every five years in a free, transparent and fair manner. And no any one group dominates the board membership. However, none of the institutions mentioned gender balancing in the composition of the board members.

The groups that are represented by the boards are able to contribute to the strategies and management of their association through the AGMs and other specialized consultative meetings. The board members are not full time employees but they provide direction to management. They meet regularly and take active control and full responsibility of the decisions they make. In addition to the boards there are the secretariats which are the executive arms of the institutions. These advise the boards on the directions.

3.3.4 Organizational Culture

MCCCCI and NABW have strategic plans. IBAM does not. Their strategic plans contain visions, missions and mandates which are clear. MCCCCI and NABW have well established secretariats with well established systems and procedures while IBAM is yet to establish its secretariat. The modus operandi for MCCCCI and NABW facilitates accountability to members and clients and availability of information about management and allocation of resources.

NABW has shown that it can react to given situations when it is called upon to support traditionally marginalized groups. It has not concerned itself with women only but also with people with disabilities and those living with HIV and AIDS. In all three associations communication is effective and there is capacity to document and disseminate vital information to their members.

3.4.5 Relevance of Partner to the WEDGE Mandate

The objectives, mission and policies of IBAM and MCCCCI are not obviously congruent with those of the WEDGE Project, however, those of NABW are. NABW aims at addressing the economic rights of women and as pointed earlier, has also taken on other marginalized groups. The programmes and activities implemented by NABW reflect those intended by the WEDGE Project. Programs and activities by IBAM and MCCCCI are generic, targeting entrepreneurs in general. In contrast, NABW stands out again, because it is the biggest business association that targets women entrepreneurs.

3.4.6 Partnership Establishment and Management

All the three associations have capacity to establish strategic alliances. They all have worked with donor partners in some way to enhance the cause of business development. They have signed memoranda of partnership or agreements with their partners which they respect. Based on accounts of the experiences they have with partnerships, the associations are willing to invest as much time as demanded by the partners. In addition, they expressed willingness to provide additional resources to make the partnership work. However, there is a limitation to this offer. Like other institutions discussed earlier, their internally generated resources are limited.

⁹ IBAM is still in its formative stage

3.4.7 Strategic Planning

MCCCI and NABW have strategic plans. They also demonstrated ability to reduce the strategic plans to implementable plans. They can develop, implement and document effective development methodologies. The two institutions showed that planning and evaluation processes are part of their standard operating procedures.

3.4.8 Organizational structure

The organizational structures of these associations are well delineated at governance, management and operational levels. As such roles and responsibilities are very well streamlined defining who is accountable to whom. The organizational structure also provides the framework through which information flows. This enhances transparently and

effectiveness. As pointed out earlier, the MCCCI and NABW have clear organizational structures that facilitate decision making. Their boards are supported by the secretariat. Apart from the major cities, NABW has offices in some districts as well. It, therefore, has more presence at the grassroots level.

3.4.9 Personnel Management and Competencies

MCCCI and NABW have fully functional secretariats with well streamlined personnel. There are managers, professional officers and other supporting personnel. This is different from IBAM which currently does not have a fully functional secretariat. Table 6 gives an analysis of the competencies in these institutions.

Again, management in all three associations is supportive and that staff are appraised and

Table 6: Personnel management and competencies

| COMPETENCY | MCCCI | NABW | IBAM |
|----------------------------------|-------|------|------|
| Preparation of project documents | ✓ | ✓ | – |
| Writing English Reports | ✓ | ✓ | – |
| Financial Reporting | ✓ | ✓ | – |
| Managing Change | ✓ | ✓ | – |
| Budget Management | ✓ | ✓ | – |
| Time Management | ✓ | ✓ | – |
| Gender | ✓ | ✓ | – |
| Disability | ✓ | ✓ | – |
| Women entrepreneurs | ✓ | ✓ | – |
| Project Monetary | ✓ | ✓ | – |
| Project Evaluation | ✓ | ✓ | – |
| | ✓ | ✓ | – |

given training. However, as is the case with other institutions discussed earlier, there are no deliberate policies for recruiting marginalized people such as people with disabilities or those living with HIV and AIDS.

3.4.10 Financial and Material Resources Management

Constitutionally, the three institutions have membership fees as their reliable source of income. The reality, however, gives a different picture. IBAM has not yet started collecting membership fees.

The membership fee for NABW is too low to be a meaningful source of operating finance. This is different from MCCCI which generates significant amounts of money from its members and from the international trade fair, specialized trade fairs and other income generating activities (IGAs)¹⁰.

MCCCI and NABW have qualified finance personnel. In addition, they have effective systems and procedures for managing their finances. Financial audits are carried out regularly. However, the financial survival strategies in the two institutions need further development. The MCCCI

¹⁰ The assessment could not establish the extent to which own resources cover operational costs

and NABW have good offices, equipment and working materials but all three associations do not have disability friendly buildings, equipment and working materials.

3.4.11 Monitoring and Evaluation

MCCCI and NABW have the capacity to monitor and evaluate their interventions. MCCCI has an economist and regional program officers and the same applies for NABW. Both institutions are able to collect baseline data and they produce annual and other reports. They also have systems for managing data collected. The two associations are willing to participate in organized consultations; meetings; workshops; research; monitoring and evaluation; and partnership programmes.

3.4.12 Outreach and Impact

MCCCI and NABW have permanent offices and structures in three major cities. NABW has additional offices and structures in some districts showing that it has capacity to implement activities in several areas at the same time. The two business associations are able to work together, demonstrating their ability to respond to the basic needs of their members.

3.4.13 Overall Assessment and Conclusion

Of the three institutions, NABW has the closest resemblance with the WEDGE Project in terms of the objectives and target audience. It scored highest in the assessment. It could be a reliable partner for the WEDGE Project. Its weakness is on finances. It is unable to generate funds to sustain its programmes thus making it donor dependent. This casts doubts on whether it can sustainably manage project interventions after the project life. MCCCI on the other hand offers broader programmes. It would require serious capacity interventions if it is to assume entrepreneurship development as part of its mandate. IBAM is still in its formative years requiring a lot of institutional capacity building before it becomes fully operational. NABW is, therefore, recommended as the potential partner on women entrepreneurship development.

3.5 Specialized Institutions.

In this category, three specialized institutions namely, the Federation of Disability Organizations in Malawi (FEDOMA), Employers Consultative

Association of Malawi (ECAM) and Employers Malawi Congress of Trade Unions (MCTU) were assessed. These are membership institutions with specific and well defined constituencies.

3.5.1 Partner History and Reputation

None of the three institutions has experience with the WEDGE Project. The assessment however, showed that FEDOMA and MCTU carry activities that are similar to the WEDGE Project. They promote marginalized groups, with FEDOMA advocating for the welfare of women entrepreneurs and MCTU gender desk focusing on the welfare of female employees. All three institutions have worked with the ILO in one way or the other. In fact, ECAM and MCTU are ILO constituents. From a review of ECAM's strategic plan, it is clear that it realizes that promoting entrepreneurship is a strategic move. The reputation of the three institutions with their clients and other key stakeholders is fairly good. The organizations are viewed to be effective and successful though they are inundated with problems.

3.5.2 Legal Status

The three organizations have strong legal status. They are all registered with the Registrar of Companies, the board of Non-Governmental Organizations (NGOs) and Council for Non-Governmental Organizations in Malawi. They all have been operating for over a year, with FEDOMA as the youngest organization of the three. The criteria for membership in these organizations are clearly defined in their constitutions.

3.5.3 Governance

The three institutions have functioning boards that meet regularly. Their AGMs take different forms. For FEDOMA and MCTU they are held every 2 years. ECAM is holds its AGMs annually, but it has not done so for some time now. The selection of board members is done during the AGMs making it transparent.

The groups that are presented contribute to the strategy and management of their organizations through their representatives, the AGM's, and other consultative meetings. They are also free to air their views on any issue at any time. The selection process and criteria for board membership in these institutions provide checks and balances so that the boards are not monopolized by any

particular groups. Management indicated that their board members listen and take advice from them. There is also ample evidence that the boards take responsibility of the decisions they make.

3.5.4 Organizational Culture

The three organizations appreciate that they are working in environments that are prone to changes. Therefore they have strategic plans as tools with which to manage anticipated changes. All three are content with their vision, mandate and mission. They are clear, relevant and inspiring to both their members of staff and membership. In addition, all three organizations have well established systems and procedures that facilitate accountability and transparency. The systems and procedures also facilitate participation in decision making, dissemination of information about management and allocation of resources. In addition, they are able to document events and programmes and share such information with other stakeholders. As specialized institutions, each one of them has very well defined constituencies. FEDOMA and MCTU showed that they are more flexible. They are able to go outside their conventional constituencies to cover other marginalized groups.

3.5.5 Relevance to the WEDGE Mandate

Although the objectives, mission and policies of the three organizations are not congruent with each other, they are somehow related to those of WEDGE. As mentioned earlier, ECAM and MCTU are ILO constituents. MCTU, however, has more resemblance with the WEDGE Project because it has a gender desk and also endeavors to promote creation of enterprises. FEDOMA deals with women with disability, entrepreneurs and those with HIV and AIDS.

3.5.6 Establishment and Management of Partnerships

The three organizations are capable of establishing strategic partnership. All of them have worked with donor partners before and are also members of regional and international bodies. They have signed memoranda of partnerships whose provisions and conditions they subscribe to. They also respect roles and responsibilities that are defined in memoranda of partnerships they subscribe to. They are willing to commit as much resources as demanded by the partner. Specifically, they are willing to share costs and contribute resources such as staff, volunteers,

space and equipment in the interest of partnerships. Like other institutions discussed earlier, their drawback is inadequate resources.

3.5.7 Strategic Planning

The three organizations have strategic plans which reflect institutional aspirations, goals and objectives. They were developed after both internal and external environmental scans and consultations of stakeholders in the context of their situation. This shows that these institutions apply a strategic planning approach to the design, follow-up and evaluation of programmes and projects to make them relevant. The organizations have the ability to develop, implement and document effective development methodologies.

This is evidenced by the number of projects that they have developed and implemented in the past. The organizations are also able to translate their strategic plans into operational plans as shown by the annual quarterly and monthly plans that they have.

3.5.8 Organizational Structure

The three organizations have clear governance structures that facilitate decision making and the flow of information. The stance of their management boards and operatives shows that roles and responsibilities are clarified. Staff know whom they report to and what they are responsible for. Those who were consulted indicated that they had no problems with the flow of information and that communication is effective. The board sub-committees in these organizations impact on the efficiency of the organizations positively.

3.5.9 Personnel Management and Competencies

Management and officers in these institutions are employed on the basis of their professional qualifications, experience and competencies. They therefore, reflect the requirements for their institutions.

Again, staff consulted in these organizations implied that management was supportive. They are appraised and given training. However, none of the three organizations have policies in favour of marginalized groups.

Table 7: Personnel management and competencies

| COMPETENCY | FEDOMA | MCTU | ECAM |
|------------------------|--------|------|------|
| Project Preparation | | ✓ | ✓ |
| English Report Writing | ✓ | ✓ | ✓ |
| Financial Reporting | ✓ | ✓ | ✓ |
| Strategic Planning | ✓ | ✓ | ✓ |
| Management Change | ✓ | ✓ | ✓ |
| Budget Management | ✓ | ✓ | ✓ |
| Time Management | ✓ | ✓ | ✓ |
| Gender | ✓ | ✓ | – |
| Disability | ✓ | – | – |
| Women | ✓ | ✓ | ✓ |
| Monitoring | ✓ | ✓ | ✓ |
| Evaluation | ✓ | ✓ | ✓ |

3.5.10 Financial and Material Resource Management

Membership subscriptions are the most important source of income for the three organizations. This source of income does not generate adequate income for them, making them donor dependent in one way or the other. Other income generating activities such as provision of training programmes do not yielding meaningful income. This shows that their financial survival strategies are not effective. However, all three organizations have good financial management systems with well qualified personnel. Their accounts books are audited annually. All the three organizations have basic infrastructures that enable them to execute their mandates but only FEDOMA has a disability friendly building.

3.5.11 Monitoring and Evaluation

Most of their programmes are donor funded. Monitoring and evaluation of their interventions is a precondition for securing donor funds. Because of such conditions, they have developed the requisite capacity. They have capacity to obtain base line data and follow-up on the effects and results of their activities. They also have systems for managing data and information and are willing to participate in organized consultative meetings; workshops; research; and monitoring and evaluation of partnership programs.

3.5.12 Outreach and Impact

The three organizations have permanent offices and structures through their membership in their

areas of operation. They are able to reach out to a considerable number of their target groups and have capacity to implement different activities concurrently and they are effective in terms of meeting the needs of their members.

3.5.13 Overall Assessment

Each of the three organizations has something to offer to the WEDGE Project. ECAM provides a link with employers while MCTU provides a link with employees. As ILO constituents these two organizations have the remit to support women entrepreneurs in their own right. FEDOMA importantly provides a link with people with disability, a target group highlighted by the WEDGE project.

3.6. Micro-financing Institutions (MFI)

In this category, three micro-financing institutions: NBS Bank- SME and Women’s Unit, FITSE and FINCA were assessed. The following sections present the findings in more detail.

3.6.1 Partner History and Reputation

All the institutions provide generic micro-financing services for business development. They have been operational for over a year, demonstrating that their demand for micro-loans and training. The assessment established that their performance is good but their conditions for women to access loans are not. However, some banks like the NBS can give loans to individuals without collateral. But applicants should have a more than one year experience in business. Other institutions like

FITSE and FINCA insist on accessing loans in groups. They start small loans and increase on good repayment. Repayment is immediate, which is a constraint on women because they are not given grace periods. All the three institutions are considered to be fairly effective and successful despite the adverse economic environment in which they are operating. None of them has worked with the WEDGE Project before.

3.6.2 Legal Status

All the institutions have functional boards in place. The selection of board members is done by the proprietors. Specific criteria are used for selecting board members making the whole process transparent. The represented groups and organizations contribute to the strategy and management of these organizations. The boards are not dominated by any particular group of people. The managers or their representatives who were consulted indicated that they are given chance to be heard by their directors. Board members are indeed steering programmes and activities in these institutions and take full responsibility for their activities. This is evidenced by the fact that they meet regularly to discuss issues pertaining to the mandates and performance of their institutions.

3.6.3 Organizational Culture

All the three institutions indicated that they are working in a changed environment. They also have well developed standard operating procedures for human resource, financial and procurement management to be able to strategically manage their ever changing operational environment. They are closely related in terms of the business development services they offer but there is little dialogue or sharing of experiences among them. Their vision, mission and objectives are clear and inspiring to their members of staff. Communication is said to be effective as evidenced by internal and external, vertical and horizontal lines of communication and authority. However, there was no evidence that the three institutions can respond positively when called upon to defend the positions of marginalized groups including; women, children or people with disability or HIV and AIDS.

3.6.4 Relevance of Partner to the WEDGE Mandate

Although the mandates, goals, objectives and policies of these institutions are not exactly

congruent they are somehow related to those of the WEDGE goals. The major difference is that these institutions provide micro-finances and training as business development services to both men and women without consideration of vulnerability. The WEDGE Project on the other hand, intends to provide business development services to women entrepreneurs capable of creating decent work for other marginalized people. These institutions have expertise in business development which they could offer the WEDGE Project.

3.6.5 Establishment of Partnerships and Management

The institutions showed memoranda of understanding that they have signed in the past as testimony that they are able to establish partnerships and manage them. In fact, all of them were established through partnerships; NBS-SME and women's unit were established with assistance from IFC. FITSE was established under the auspices of World Vision International and FINCA was established by CURE. Beyond their establishment, each one of these institutions has worked with other partners before. The institutions do not have specific mandates to work with marginalized groups. In addition, people with either disability or living with HIV and AIDS are not within their mandates. However, they are willing to work with different target groups.

3.6.6 Strategic Planning

The institutions have strategic plans that are fairly comprehensive, showing that they take into account national and contextual factors. There was also sufficient evidence that these organizations are able to develop and implement yearly work plans that are broken down to quarterly and monthly plans. This demonstrates that planning and evaluation process are part of the organizational systems.

3.6.7 Organizational Structures

Their organizational structure is conventional. They have a board of directors as the governance organ. Their management structure is well streamlined. In terms operational areas, all three organizations have offices in some parts of the country. FITSE operates only in areas where World Vision is operating. Some FITSE offices have one member of staff while the FINCA offices have more officers.

3.6.8 Personnel and Management

Personnel, particularly those in the management and professional cadres are employed on the basis of their professional competencies. They, therefore, are able to perform most of the tasks that reflect the institutional mandates. They are able to assess the suitability of people wanting to access loans,

disburse and follow-up on loans and other finances as demanded by their mandates.

Personnel consulted confirmed that management is supportive and staff are regularly appraised and given training.

None of these organizations have any specific policies for the inclusion of marginalized groups

Table 8: Personnel management

| Competency | FISTE | FINCA | NBSM |
|----------------------------------|-------|-------|------|
| Preparation of project documents | ✓ | ✓ | – |
| Writing English Reports | ✓ | ✓ | – |
| Financial Reporting | ✓ | ✓ | – |
| Managing Change | ✓ | ✓ | – |
| Budget Management | ✓ | ✓ | – |
| Time Management | ✓ | ✓ | – |
| Gender | ✓ | ✓ | – |
| Disability | ✓ | ✓ | – |
| Women entrepreneurs | ✓ | ✓ | – |
| Project Monetary | ✓ | ✓ | – |
| Project Evaluation | ✓ | ✓ | – |
| | ✓ | ✓ | – |

such as women, people with either disability or living with HIV and AIDS.

3.6.9 Financial Management and Financial Resources

The main source of finances for the institutions is the capital provided by shareholders. Over and above the share capital, these institutions have development partners who provide project funds. They all have sound financial management systems and procedures and are audited regularly. They have qualified officers charged with the responsibility of managing finances and their strategies for financial survival are reliable.

Generally the institutions have basic facilities and equipment for performing their jobs. But their buildings are not disability friendly making it difficult such people to find their way to the premises.

3.6.10 Monitoring and Evaluation

The three institutions have some monitoring and evaluation competences. They are also able to collect baseline data pertaining to their activities.

3.6.11 Outreach and Impact

The three institutions have well defined outreach programmes and offices in various parts of the country. In terms of the services that are provided, women who were consulted recommended that the NBS Bank should also consider group lending as an option and expand its services to rural areas where there are no banking facilities.

3.6.12 Overall Assessment

From the above findings, it is clear that most business development service providing institutions have some capacity to deliver some services. They have some expertise and competencies that are of interest to the WEDGE Project and therefore can be worthwhile partners. They, however, lack adequate

financial resources. Overall, however, the WEDGE Project has a wide range of potential partners from whom it can choose. For example, should the WEDGE Project decide to go into the promotion of micro-loans and financing it can consider any of the three institutions: FITSE, FINCA and NBS Bank as potential partners.

3.7 Conclusion

Poverty eradication or economic growth is a priority of the Malawi Government's development agenda. To achieve economic growth, the Government has over the years, developed and implemented many strategies. One such strategy has focused on economic empowerment for the marginalized groups which includes women, children, the aged, those with HIV and AIDS, the rural and urban poor. More importantly, Government has promoted the establishment of business development service providers. This appraisal only assessed sixteen institutions including Government ministries, public and private sector business development institutions as well as institutions focusing on special constituencies. In general, Malawi has the institutional infrastructure for providing business development services but most of the institutions do not have adequate operating capital. This is an area that requires serious attention. In addition, there are some gaps in service delivery such as:

- Accounting and auditing
- Starting and growing business.

There should be deliberate effort to groom some institutions in these areas.

Chapter 4 Rapid Appraisal On The Enabling Environment For Women Entrepreneurs In Malawi

4.1 Introduction

This chapter discusses the macro, meso and micro level environment elements that influence the enabling, or disabling, environment in which women can start and grow their businesses. It also discusses the socio-cultural context (meta level) of the woman entrepreneur in Malawi. It thus gives an overall picture of the socio-economic environment for

women entrepreneurs in Malawi. This chapter also touches on the situation of women with disabilities and those living with HIV and AIDS; however, because of limited existing secondary data these findings are limited to the outcomes of FGDs and discussions with organizations representing these groups of people.

4.2 The Socio-cultural Context: Norms and Attitudes towards Women Entrepreneurs

Cultural beliefs and traditions influence the type of business in which women can engage. An enabling enterprise culture prepares the population as a whole to take advantage of the business opportunity in society and provides supportive measures for entrepreneurs at all levels to realize their potential regardless of sex (Government of Malawi, 2001). The rapid appraisal probed the norms and attitudes that the Malawi society holds in relation to women in business. The following sections discuss the findings in more detail.

4.2.1 Negative Norms and Attitudes

Although, there has been an increase in the number of women going into business since 1994, the appraisal established a number of norms and attitudes that continue to enforce the marginalization of more women in business throughout Malawi. Women's limited access and control over resources such as land and loans, higher risks to contracting HIV and AIDS, men's dominance in the decision making positions in the economic and political sphere, gender based violence against women in income generating activities are all critical barriers to women's empowerment in Malawi (Dan Church Aid Malawi 2009). Rigid values and mindsets of traditional leaders were identified as particular hampering in some cases (ibid). Religious beliefs also reinforce negative attitudes towards women in business (Manda, 2006)¹¹. For devout Christians and Muslims, norms suggest that a virtuous woman is obedient and submissive to the husband. She devotes her time to managing the home and is not the bread winner. Such beliefs dissuade women from either going into or growing their business, opting instead for the traditional occupations that keep them at home. When they engage in business they still tend to confine themselves to cottage industries that keep them close to their family responsibilities: raising chickens and goats, and small scale baking (Chirwa, 2008).

¹¹ ECAM an MSME Survey, October 2007, Blantyre

The women interviewed during the appraisal indicated that men do not adequately support them in their business because they feel threatened by successful women. As a result they easily frustrate their efforts by withdrawing moral or financial support. The women further noted that in recent years, women are increasingly being viewed as witches who practice ritualistic killings in order to be rich. This view is associated with claims of some ritualistic killings in the country¹².

4.2.2 Positive Norms and Attitudes

Malawians realize the importance of SMEs as a path towards income generation and employment creation, utilization of local raw materials, adding value to agricultural produce, equitable distribution of income, enhancement of balanced development, serving as nurseries for large scale enterprises and the promotion of entrepreneurial development and skills training leading to poverty alleviation and development (Gemini Survey 2000). The appraisal established that this realization has led to some positive changes in men's attitudes and norms towards women who want to go into business or those that are in business already. The women interviewed observed that more men are allowing their wives to get loans, open their own accounts, travel long distances to do business and spend long hours away from home. The need to be self-reliant and to eradicate poverty are some of the factors that are influencing the positive shift of cultural paradigms towards supporting women entrepreneurs. These motives are being consolidated by tangible evidences of how successful business women have transformed their lives for the better. Women from NABW emphasized the influence of role models¹³ in their lives. The WEDGE Project could explore ways to help women grow their businesses to greater heights and act as role models for others. The overall strategy should be to build on the positive changes while minimizing the negative ones and push the development of women entrepreneurs further.

4.3 The Individual Entrepreneur and Her Resources

For the WEDGE Project to be responsive and demand driven, it is important to understand the main characteristics of women in business in terms of their assets, forms of capital, skills and experience as well as ownership of natural, physical and social

assets. The rapid appraisal looked into these factors as they influence the status of women entrepreneurs.

4.3.1 The Characteristics of Women Entrepreneurs

One prominent characteristic of the women entrepreneurs that participated in the FGDs was their marginal level of literacy and exposure to business practices. They have limited education and marginal English language proficiency which inhibits them from directly pursuing business because they find it difficult to understand and do some tasks. This is a major impediment to the economic empowerment of women. Most of the women appeared to have been forced into business more by circumstances than the desire to lead a better life or to prosper. They went into business simply as a means of survival depending on their circumstances (See also observations by Manda, 2008). Such an approach limits the scope of growth for a business because the owner is satisfied by mere survival than prosperity. Most women do not prepare adequately. Normally they do not have adequate human or financial capital and hope to obtain all financial capital from banks and other lending institutions¹⁴. The conditions that are imposed by the lending institutions, for example, collateral and years of experience in business frustrate them. It is clear therefore, that training in business and finance management are imperative pre-requisites for potential women entrepreneurs.

4.3.2 Ownership of Natural and Physical Assets to Women Entrepreneurs

As indicated earlier (section 4.2.1) women are also limited in terms of ownership of natural and physical assets. Both natural and physical assets are the prerogatives of men in Malawi (Manda 2008). In Malawi, land is owned by men and physical assets are also registered in the husband's name. The situation is made worse because men do not allow women to use title deeds in their names to get loans because they consider it risky. This is one of the manifestations of gender bias.

4.3.3 Importance of Social Assets

Generally, there is awareness among women about the importance of social assets in form of social networks and support groups. The existence of networks and

¹² In the course of writing this report a prominent business woman and her accomplices were arrested for alleged business related murders. The rapid appraisal did not probe much into this issue.

¹³ See Appendix 8: List of model business women in Malawi

¹⁴ The consultant got the impression that the women who participated in focus group discussions expect the WEDGE Project to provide micro-financing

business contacts helps to enhance interaction of successful entrepreneurs with potential and emerging ones, thereby positively influencing the later to enter business. The appraisal established that women are forming many networks for supporting vulnerable groups and those going into business.

However, it is important to understand that the factors mentioned above will affect women differently depending on their circumstances. The WEDGE Project should consider supporting more in depth research into understanding the personal traits and characteristics of women entrepreneurs that influence their performance in business.

4.4 The Enabling Environment for Enterprise Development and Gender Equality

Malawi has implemented many initiatives aimed at addressing gender imbalances. The rapid appraisal examined the Constitution of the Republic of Malawi, some Acts of Parliament, policies and development strategies in order to establish whether they provide for equality for women generally and specifically for women in business.

4.4.1 The Constitution and Gender Equality

One of the most important initiatives Malawi has implemented as part of the fundamental principles of national policies is the inclusion of provisions that address gender-inequality in the Constitution. Chapter 3 Section 13 (a) provides for gender equality between men and women. Availability of such a provision in a national constitution demonstrates the commitment of the Malawi society to gender equality. The reality, however, is different; there is ample evidence that shows that men and women are treated differently in many respects, indicating a violation of the basic law of the land.

4.4.2 The Constitution: Human Rights and Gender Equality

The sections in Chapter 3 of the Constitution of the Republic of Malawi should be read in conjunction with Chapter 4 which addresses Human Rights issues. Section 24 of Chapter 4 provides for the rights of women to full and equal protection by law, not to be discriminated against on the basis of their gender and to enter contracts, to acquire and maintain rights in property independently or in association with others regardless of their marital status. The section also provides that any law that discriminates against women on the basis of gender or marital status shall be invalid and legislation

shall be passed to eliminate customs that promote discrimination against women particularly practices such as discrimination in work, business and public affairs and deprivation of property by inheritance. Section 29 is even more important for women because it provides that every person shall have the right to freely engage in economic activities, to work and to pursue a livelihood anywhere in Malawi. This is reinforced by provisions in Section 30 (See the 1995 National Constitution of Malawi).

Looking at the experiences of business women discussed in this chapter, Malawi's commitment to gender equality in economic activities well established in the constitution but the reality on the ground is different. The appraisal established that aspiring women entrepreneurs do not know much about their constitutional rights and provisions. Among the women who participated in focus group discussions none cited these rights as a basis for claiming their rights to corrective solutions. The situation is made worse by the fact that the women do not know how and where they can claim their constitutional rights. This is one area the WEDGE Project could play a role. It could facilitate the creation of a strong voice of women in business capable of representing women at the national level.

4.5 Subsidiary Legislation

There are still some laws and Acts of Parliament that are not properly aligned with the provisions in the basic laws of the land. The result is that such laws are not women friendly and work against the Constitution. Some of the laws that work against women in business are discussed in the following sections.

4.5.1 The Public Procurement Act

The Public Procurement Act (2003) is one tool that Government can use to promote SMEs in general and women businesses in particular. Government provides the largest market place in most countries. In fact, article 28 of the Public Procurement Act stipulates Government's commitment to provide maximum opportunities for small and medium sized enterprises to participate as suppliers, contractors, consultants and sub-contractors in public procurement. The intentions of this policy statement are good. But it does not make provisions for specific target groups to benefit from such an arrangement. In India, the Government has used its procurement muscle to promote the welfare of business women and other marginalized groups

4.5.2 The Handicapped Persons Act

The Handicapped Persons Act (1971) established the Malawi Council for the Handicapped (MACOHA) as a Government agency for promoting the welfare of people with disability. Some of the terminologies used in this Act are not acceptable and are outdated because they reinforce stereotypes. For example, the term “handicapped” is unacceptable internationally. The appraisal noted Government efforts to come up with a new law which is intended to replace the Handicapped Persons Act of 1971 (ILO 2006). The new Bill, drafted in 2004 is still waiting for the approval of Government. This Draft Bill includes extensive provisions on employment (article 15) and education (article 9) and also addresses accessibility, transfer and health requirements. However, the appraisal was unable to establish any special provisions for women with disability. The laws are supported by the National Policy on Equalization of opportunities for persons with disabilities. The objective of this policy is to fully integrate people with disabilities in all aspects of life thereby equalizing their opportunities to enhance their dignity and well being so that they have essentials of life (ILO 2006). However, as with the draft new law, the policy also falls short of recognizing the plight of women with disability as being more marginalized than their male counterparts.

The Employment Act 2000 bans discrimination in work places on grounds of disability. The Technical, Entrepreneurship and Vocation Education and Training (TEVET) Act 1999 (Section 4.1.4) provides for one place on the board for a person with disability. Above all, there is a whole Government Ministry that is devoted to the cause of people with disability. Whereas Government has put in place the legal, policy and institutional frameworks the view of people with disabilities, as represented by FEDOMA, is that practically there is very little being done to reduce the marginalization of people with disabilities, particularly women with disabilities. FEDOMA observed that few public buildings including schools are disability friendly. In terms of employment very few people with disabilities are employed in both public and private companies and there are no proactive provisions in loan schemes such as MADEP and OVOP to support people with disabilities. The WEDGE Project could play an important role by supporting efforts to mobilize resources for women with disabilities.

4.5.3 Nationality- Citizenship Act

The Constitution under section 22(IV) provides for equality between women and men as far as nationality is concerned. The appraisal, however, revealed that the Citizenship Act 15.01 still discriminates women on issues of nationality and has not been revised. The UNCT Malawi CEDAW confirms this. For example, Section 9 of the Citizenship Act provides that a woman who acquires another citizenship through marriage shall lose her Malawi citizenship after a year unless she declares her intention to remain a Malawi citizen. No similar provision is made in respect of men who acquire another citizenship through similar circumstances. Section 16 of the same Act provides that any foreign woman who marries a Malawian man must register in order to become a Malawian. No similar provision is made in respect of a man who marries a Malawian woman. These laws are evidence of some bias against women whether in business or not.

4.5.4 Wills and Inheritance Act

The Wills and Inheritance Act which dates back to 1967 is another piece of legislation which discriminates against women with regard to inheritance rights. Under Part V (Section 16) of the Act there are provisions for inheritance of interstate property in certain defined cases. The Act recognizes traditional rules of inheritance. Yet it is a known fact that in Malawi most traditional norms and beliefs work against women. For example, Sub-section 16.5 provides that a widow shall hold her share of the deceased husband’s estate on condition that if she remarries any portion therefore which still subsists at the date of such marriage shall become divisible between her children and the deceased husband’s relations. This is an unfair provision particularly considering that the woman will continue to care for the children after remarrying. The UNCT Malawi CEDAW observes that “The Act lags behind in its provisions; it reflects customs that are gender biased in favour of men and is not in tandem with the Constitution¹⁵ and therefore needs reviewing. In addition, although property dispossession is a crime, the law against such a practice is hardly enforced¹⁶. The Act has since been revised but draft bill has not been passed since 2004.

¹⁵ UNCT Malawi CEDAW unpublished

¹⁶ UNCT Malawi CEDAW unpublished

4.5.5 Prevention of Domestic Violence Act

The rights of women are also being abused by the ever increasing incidences of domestic violence. In recognition of this development Government passed the Prevention of Domestic Violence Act in 2006. The Law is in force but it has a number of weaknesses that need to be addressed. For example, the enforcement mechanisms through the Ministry of Women are not yet in place. However, it should be noted that Government has made some strides in addressing gender based violence. In the period (2002-2006) it was guided by the National Strategy to combat Gender Based Violence and currently the National Response to Gender Based Violence (2007-2011).

4.6 National Development Strategies and Policies

In addition to the constitutional provisions and supporting legislation, the Government of Malawi has implemented some national development strategies and policies that influence the participation of women in business. These strategies and policies are discussed in the subsections below.

4.6.1 Vision 2020

Vision 2020 is the long term development strategy for Malawi. It defines the nation's aspirations for twenty years up to the year 2020. One of these aspirations is "to have a fair and equitable distribution of income and wealth" (Chapter 9). In pursuit of this aspiration, Malawi undertook to reduce disparities in access to land, education, employment and business opportunities between urban and rural people, men and women, people with and without disabilities. Although strategies were put in place to enhancement the welfare of women, the vision did not include any specific strategy to ensure equitable distribution of income in favour of women. This observation holds for the strategy on accelerating enterprise development. Under this strategy, Vision 2020 noted that entrepreneurial training facilities were inadequate and that the demand for credit exceeds its supply. As indicated in chapter 3, to date, even with the increased number of BDS institutions as well as micro-financing institutions, it appears that both the demand for business training and credit surpass their current supply levels.

4.6.2 The Malawi Growth and Development Strategy (MGDS)

Vision 2020 guided the development of shorter term

development strategies: The Poverty Alleviation Programme (PAP), the Poverty Reduction Strategy Paper (PRSP) and the current Malawi Growth and Development Strategy (MGDS). This appraisal focused on the MGDS only. According to the MGDS, gender inequalities are manifest when accessing productive resources, development opportunities and in decision making. The gender index for Malawi is 0.374 ¹⁷(Government of Malawi 2007) indicating that there are big disparities between men and women. The Goal of the Government of Malawi is to mainstream gender issues in the development process through a number of strategies including promoting gender equality through advocacy and breaking the cultural/traditional factors which create and perpetuate gender inequalities.

Under theme five: policies for economic empowerment, the long term goals are to reduce income disparity while increasing employment and income. The medium term outcome of the gender initiatives is that women, youths and people with disabilities will fully participate in economic activities. The weakness is that the MGDS do not spell out in detail how this will be achieved.

4.6.3 National Gender Policy

A National Gender Policy was adopted in 2000 and is aimed at curbing gender imbalances under six themes namely, education and training, reproductive health, food and nutrition security, governance and human rights and poverty eradication and economic empowerment. This policy is unique because it established elaborate implementation machinery which runs from Cabinet to Cabinet sub-committee to Parliament, the Ministry and other organs. This was important because gender is a cross-cutting issue. Each sector was given responsibility over gender issues in order to reflect the cross-cutting nature of the subject. Focal points were established. However, for the WEDGE Project, the policy is rather weak because it does not include Government's perspective with regard to women in business. It refers to economic empowerment of women generally.

4.6.4 Micro and Small Enterprise Policy

The Government of Malawi recognizes the importance of micro and small enterprises in the national agenda to the extent that it developed a policy statement in 2003. In the preamble to the Policy, Government affirms that it "has accorded a high priority to the development of micro, small

¹⁷ MGDS page 1

and medium enterprises in recognition of the critical role they play in employment generation, poverty alleviation, rural development and overall economic development” (Ministry of Commerce and Industry 2003). The objective of the policy statement is to create a conducive environment within which MSEs can operate. This implies the removal of all discriminatory practices against MSEs in order to provide a level playing field. However, the policy statement falls short of recognizing any marginalized groups such as women, people with disabilities or those living with HIV and AIDS in terms of entrepreneurship. Government should review the policy and realign it so that it can be used as a tool for reaching out to the marginalized groups.

4.6.5 The National HIV AND AIDS Policy

HIV and AIDS are the greatest development threat and challenge that Malawi is facing (NAC 2003). The national HIV and AIDS Policy: A Call to Renewed Action (October, 2003) is one of the major pillars of Malawi’s fight against the pandemic. The Policy is very comprehensive and includes strategies for strengthening and sustaining a comprehensive multi-sector response to HIV and AIDS; promotion of HIV and AIDS prevention, treatment, care and support; protection, participation and empowerment of vulnerable groups. It recognizes women as being among the vulnerable groups and provides for strategies to address social practices that reinforce their vulnerability. The paradox for Malawi is that these policy statements are not being implemented fully as a result there is very little impact on the vulnerable. The WEDGE Project could take on this responsibility with others for instance, MBCA or AWISA to promote the cause of the women in business.

4.6.6 The National Investment Policy

Private sector investment is one of the important tools for fighting poverty. The Government of Malawi enacted the Investment Promotion Act in 1991 and established the Malawi Investment Promotion Agency (MIPA) as the main arm of Government for promoting investment in the country. Both the Act and the revised policy are based on similar fundamental principals including investment protection, restrictions and requirements; equality of treatment; access to land and congruency with other policies and strategies. The Investment Policy has also led to the establishment of a number

of institutions and organizations that provide a range of support services to potential investors (Manda, 2008). In addition a number of policies, laws and regulations aimed at promoting enterprise development have been put in place. However, the appraisal established that the policies do not stipulate anything about promoting investment by or in women entrepreneurs.

4.7 Enterprise Level: Starting and Growing an Enterprise

The appraisal established that women face problems when entering, doing and growing their businesses. These problems should be understood against the background of the characteristics of women in business including ownership of business; the roles that women play; sources of capital and level of education (see section 4.3).

4.7.1 Entering into Business

Overbearing economic situations such as loss of employment, persistent poverty in the families and inadequate income to support families are some of the factors that influence women to go into business (Manda, 2006). As pointed out in section 4.3.1, raising capital is one of the major problems women face when entering into business. Most women do not ordinarily have adequate financial resources with which to start a business¹⁸. Where resources are available, husbands are in control and do not want to take risks by giving the money to the wife as seed money for a business (Manda 2006). Additionally, banks and other lending institutions’ conditions for issuing out loans, (See section 4.3.1) and men’s control over land and physical assets (See section 4.3.2) pose more capital related challenges that limit women’s entry into business.

Registering a business is another challenge for rural women who have to travel long distances to the registrar’s office. The marginal levels of education and literacy cited in section 4.3.1 means that many women have difficulties in filling forms to register their business. The problem is compounded by the absence of readily available consultants or business development service providers that understand their specific needs and can assist them. But even if such consultants were available, it would be difficult for women to pay for the service. The result is that women end up being in the informal sector. Manda (2006) writes that only 7% of both men and women

¹⁸ Most women who participated in the FGDs expect the WEDGE Project to provide capital, which it will not be able to do

entrepreneurs opt to go into business because of their professional background and work experience. For those with a basic level of literacy, only hard work, perseverance and natural ability determine their success in business.

4.7.2 Managing Business

Participants in the FGDs indicated that they lacked business management skills. This was exacerbated by their low literacy and limited or no exposure to business management. Most of them are unable to efficiently manage their businesses. They cannot compile or use accounts books. In addition, they cannot plan for the growth of their business and they cannot use ITC to the advantage of their business either.

Furthermore, most women do not know or understand the laws governing business in Malawi. As a result, they are unable to demand their rights or access institutions that can address their complaints. All these factors have a negative impact on their businesses. The WEDGE Project can make a positive contribution to the cause of women by supporting the training of women entrepreneurs. For instance, it can train women to acquire financial management skills and raise their level of understanding of the laws, policies and procedures for business development.

4.7.3 Growing Business

One factor that determines the growth of businesses is the market. The study observed that women lack information about potential markets. They have problems in finding, accessing and growing markets. This problem has been cited many times before (Gemini Survey Report 2000). Mataya (2009) notes that Government provides the largest business market in Malawi through public sector procurement. Section 18 of the Public Procurement Act provides for preferential treatment of SMEs. However, most women are marginalized in public tendering processes. The women who were consulted expressed concern that in most cases, men are the main beneficiaries of public tender awards at all Government levels. This confirms the prevalence of gender biases. The WEDGE Project could put in place interventions that can promote women to become preferred suppliers of services and goods to Government.

4.8 The Enterprise Support Sector

The MESO and MACRO level target groups that the WEDGE Project can partner with comprise mostly institutions that provide BDSs to entrepreneurs but not exclusively to women entrepreneurs. Chapter 3 concluded that, generally, Malawi has the capacity to deliver business development services. However, the appraisal established that BDSs are not responding fully to the business development needs of women. There are service delivery gaps in terms of both quality and quantity.

4.8.1 Public Institutions

Four public BDS's namely: DEMAT; SEDOM, MEDI and MEPEC were assessed to establish their capacity to deliver services and to continue providing services sustainably after the expiry of the Project¹⁹. See section 3.3 for the services they offer. These institutions have varying strengths and weaknesses. SEDOM is primarily a micro-financing institution while DEMAT and MEDI are strong in training delivery. The rapid appraisal and Manda (2006) noted that DEMAT has tended to concentrate its training in poultry farming. MEDI trains people in entrepreneurship generally and in some specialized areas such as carpentry and joinery, motor vehicle mechanics and other areas. The reality, however, is that all these institutions engage in both micro-financing and training as income generating activities for their survival. As indicated in section 3.3, the end result is that there is a lot of duplication and overlap in the services that they provide. Their impact to the economy is also weakening due to reduced levels of Government subventions and their own inability to raise enough resources for service delivery. For initiatives such as One Village One Product (OVOP) and the Malawi Development Fund (MADEF), women were quick to point out that these initiatives were politicized. The women further observed that although Government says a lot about supporting emerging women entrepreneurs to be independent, it has not established a loan fund specifically to support them. Some of the BDS's mentioned above are not even gender sensitive. The result is that women are not benefiting from these initiatives as much as they should.

4.8.2 Business Associations

There are many women centered business groups in the country. However, very few are at the national level. In this regard, NABW stands out. The objective

¹⁹ It should be noted that there are many more public BDS's in Malawi including: MADEF, OVOP, SIDG,

of the national associations is to create one voice for business women to interface with the Government. The rapid appraisal conducted a SWOT analysis of

NABW to establish the extent to which it represents the interest of women. The results are presented in table 9 below.

Table 9: SWOT analysis of the business association

| STRENGTHS | WEAKNESS |
|------------------------------------|--|
| • Presence nationally | • Provides small loans |
| • Providing loans to women | • Bias in giving loan |
| • Training women | • Donor dependency |
| • Ability to speak for women | • No strong income generating activities (IGA) |
| • Teaching about HIV and AIDS | |
| • Secretarial and regional offices | • Weak membership base |

One of the main findings of the appraisal is that the voice of business women in Malawi is very weak. A number of factors have contributed to this. Women who are doing well do not want to join associations such as NABW. They feel they cannot benefit much from such an association. Instead, they join the more affluent Malawi Confederation of Chambers of Commerce and Industry (MCCCI) or professional associations. Fear of unruly competition between women also stops some from joining business associations. The WEDGE Project could work with the business associations in order to create a stronger voice for women in business and a supportive culture for each other.

4.8.3 Finance Institutions

The number of finance institutions in Malawi has grown significantly over the past decade. The sprouting of lending and entrepreneurship training institutions particularly those that have ventured into rural areas have encouraged many people particularly women to go into business (Manda 2008). Due to limited time, the rapid appraisal had opportunity to interface with three micro-financing institutions only: NBS Bank-SME and Women Development Unit (WDU), Finance Trust for the Self Employed (FITSE) and FINCA. The objective was to sample the type of services that they are providing to women and their experiences with women entrepreneurs (See section 3.6 for details on their services and conditions for loan repayment). The finance institutions lack social orientation and understanding of socio-economic needs in rural communities resulting in the exclusion of 53% of the population (Fins scope 2009). Their training focuses more on the management of the loan and not the business. The WEDGE Project could assist in strengthening the capacity of MFIs through the Association of Micro-financing Institutions. This is

particularly critical at this stage when the association is being consolidated.

4.8.4 Sector Based BDS

There are some associations that have realized the importance of promoting business development generally and for women in particular. These include ECAM, MCTU and FEDOMA. However, as indicated in section 4.5.2 vulnerable groups like such as people with disabilities continue to be marginalized when accessing loan facilities from OVOP and MADEP.

4.9 Women Entrepreneurs and HIV and AIDS

There was a high level of awareness among the women interviewed that the HIV pandemic has affected businesses, especially those by women. 12% of the SMEs that were surveyed in 2000 reported being affected by the pandemic (Gemini Survey, 2000). Women are aware that its effects were compounded by the prevalent gender biases. The appraisal established some positive developments aimed at arresting the impact of the HIV pandemic on business. The formation of the Malawi Business Coalition against AIDS (MBCA) brings together all business people to fight against the disease. Industrial businesses have also defined workplace policies and strategies for dealing with the pandemic. The Gesellschaft fur Zussamon Technische Albeit (GTZ)-AWISA Programme focuses on the impact of the pandemic on SMEs.

4.10 Conclusion

The rapid appraisal has not presented an overly positive picture of women entrepreneurship in Malawi. Nevertheless, it has unearthed a number of opportunities that can be exploited by the WEDGE

project to improve the plight of women. The factors that are influencing women to go into business are many and valid. They include economic and social imperatives such as poverty and unemployment. Very few women are going into business for the sake of moving from formal employment.

Some deep rooted religious, cultural traditional norms and attitudes that hinder women from attaining their full potential in business still persist. Gender biases, marginal levels of education and literacy and lack of business managerial skills are affecting women's entry into business, its management and growth. Business development services by public institutions are also shrinking. Overall, however, the future of women entrepreneurship is positive if the measures put in place to minimize the obstacles are reinforced and translated into a practical reality. Such measures include the inclusion of gender sensitive provisions in the Republican Constitution and other subsidiary legislations and policies. Already, statistics show that amidst the hurdles highlighted in this study, there is an increase in the number of women going into business, signifying a positive gradual shift in society's perception of women entrepreneurs.

Chapter 5

Conclusions And Recommendations

5.1 Introduction

This chapter brings together conclusions drawn from the findings and makes recommendations to guide the focus of the WEDGE-Malawi Project. The recommendations are in two parts: the first part focuses on the capacity of potential partners. The second part focuses on the micro, meso and macro target groups that the WEDGE Project should work with to achieve its objectives.

5.2 Conclusions and Recommendations on the Capacity of Potential Partners

The Malawi Government, NGOs and the private sector have established many institutions aimed at promoting business development services in Malawi. Generally, Malawi has the basic institutional capacity to deliver basic DBSs particularly training and micro-financing and an elaborate legal and institutional framework to support business development. However, NABW is the only institution dedicated specifically to providing business development

services to women. Demand for business development services in all corners of the country is growing among women and is currently higher than the supply. In view of these findings, the study makes the following recommendations:

- The WEDGE project should work with NABW as its primary partner in terms of managing the project. However, the Project should invest in capacity building in such areas as planning, training, management, monitoring and evaluation of the project at NABW. Given that NABW is a national institutional the WEDGE Project should support infrastructural development and the acquisition of supporting technologies. A project management unit (PMU) should be placed in NABW with the WEDGE Project providing both technical and financial assistance. The WEDGE Project should also work with MEDI as its principal training partner. In this regard, it should invest in developing the training capacity of MEDI to develop business courses specifically for women. The courses should be at two levels; starting and growing one's business. Complimentary courses in financial and business management should also be developed.

- The WEDGE Project should work with Ministries of Labour, Industry and Trade, and Gender, Child and Community Development on policy matters aimed at: promoting the creation of employment; creation of cooperatives, industry and trade; and promoting gender equality among women entrepreneurs respectively.

- Should the WEDGE Project go into micro-financing, it should explore possibilities of partnering with the NBS Bank because of its flexibility and national wide presence.

- There is a lot of overlap and duplication among the established public business development agencies such as DEMAT, SEDOM, MEDI, MEPEC, MADEV, OVOP and Malawi Rural Finance leading to wastage of resources. The capacity assessment supports moves by Government towards rationalizing the mandates of public business development service institutions. Government should take action now and encourage more coordination and consultations among these institutions.

- The capacity assessment established that most of the institutions provide generic business development services particularly training and micro-finances. The end result is that they may not be as responsive to the needs of some marginalized groups such as women, people with either living with disability or HIVDS. It is recommended that the rationalization exercise mentioned above should aim at establishing some specialized business development institutions.

- Training and micro-financing are the dominant business development services that most institutions are providing. However, training services such as how to start or grow ones' business or on financial management are not readily available. It is recommended that BDSs should start to provide specialized services.

- The WEDGE Project should support women entrepreneurs to develop bankable projects and provide guarantees to financing institutions.

- There are a growing number of non-Governmental organizations (NGOs) that are going into business development. This is further developing the national capacity for business development. But there is no forum to network these business development institutions. The WEDGE project should consider initiating consultations among these institutions for the establishment of such a forum. In addition, the WEDGE Project should assist in the resuscitation of the National Association of Small and Medium Enterprise (NASME).

- Most business development institutions operate from urban areas yet 80% of the SMEs are in the rural areas. There should be a deliberate policy move to encourage business development houses to be established in the rural areas The WEDGE Project can champion the lobbying of such a move with a bias towards organizations supporting the development of women entrepreneurs.

- Due to financial problems, the impact of BDS institutions in terms of the quantity and quality of their services to the public is diminishing. Given the interest that Government has shown in promoting business and gender equality, it should, in collaboration with its development partners strategize on how to build the financial institutional capacity of these business development institutions through appropriate programmes.

5.3 Conclusions and Recommendations on the Choice of Sectors and Geographic Locations

The rapid appraisal observed that since 1994, more and more women are opting to engage in business in all sectors of the economy as an alternative means of survival. However, the appraisal could not clearly identify sectors and geographical locations where women are doing better than others. It is a challenge therefore, to specify sectors and geographical locations for the WEDGE Malawi project.

The increase in numbers of women going into business seem to suggest that although there are still oppressive cultural norms and beliefs that hinder women from entering into business, there is

a gradual but steady paradigm shift supportive of women entrepreneurship. The above observations notwithstanding, the study makes the following recommendations based on the findings of the rapid appraisal:

5.3.1 Micro Level Recommendations

At the micro or individual level, the WEDGE Project should assist women entrepreneurs who:

- Are operating in both urban and rural areas
- Have one to five workers
- Are registered by local authorities
- Have been operating their business for two to five years
- Have accounts that show regular deposits and withdrawals
- Are willing to train in business skills
- Show potential to grow with a minimum turnover of Mk250, 000.

These are considered to be the minimum preconditions for a business initiative that would stand a better chance of success. There should also be deliberate efforts by the WEDGE Project to promote model business women working independently or in cooperatives by recognizing and rewarding their efforts. In this regard, the appraisal recommends that the WEDGE Project should consider working with some of the women who were identified as models (See appendices 7 and 8). Preference should be given to the women who are operating their business in rural areas.

5.3.2 Business Sector Recommendations

According to the women who were consulted, buying and selling of goods and services appears to be the favorite and most successful business. Outside this business, the following sectors could be considered:- hospitality and travel; beverage making; horticulture; floriculture; food processing; private schools; services; dairy and poultry. The Malawi Private Sector Development strategy (2001) also points to these industries as having growth potential. However, factors such as geographic location and potential to grow should be considered.

5.3.3 Recommended Locations

Given that the WEDGE Project has a budget of US\$500,000 it is clear that it cannot cover all the twenty eight districts in the country. To resolve this problem, the study recommends the following locations sampled randomly with no specific criterion:

- Southern region; Nsanje, Neno, Machinga and Zomba

- Central region: Dowa, Ntcheu and Kasungu
 - Northern region: Nkhata Bay and Karonga
- There is need for a baseline survey of the micro, meso and macro potential beneficiaries as well as the sectors and geographic locations before the project is implemented.

Overall, the intentions and objectives of the WEDGE Project in terms of the proposed goals and objectives as well as the scope of its activities were welcomed by the potential beneficiaries. Using information contained in this report ILO should go ahead to finalize the conceptual framework of the Project for Malawi.

APPENDIX 1:

LIST OF LITERATURE REVIEWED

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27. Government of Malawi, *The TEVETA Act 1999*
28. Government of Malawi, *The Wills and Inheritance Act 1967*
29. Government of Malawi, *The Employment Act 2000*
30. UNCT Confidential CEDAW Report, Lilongwe March 2009

APPENDIX 2:

TOOL FOR FOCUS GROUP DISCUSSIONS

1. General Business Questions
 - 1.1 List the businesses that women are doing in Malawi.
 - 1.2 Give reasons why women go into business.
 - 1.3 List the special characteristics of women who go into business
 - 1.4 What factors contribute to the success of women in business
 - 1.5 What are the major problems that inhibit women from being successful in business?
 - 1.6 Are women good business managers?
 - 1.7 What should be done in order to encourage more women to do business?

2. Norms and values
 - 2.1 What do people say about women in Business a =good b =bad
 - 2.2 List specific cultural beliefs that support women in business
 - 2.3 List specific cultural beliefs that do not support women In business
 - 2.4 Is there any specific culture that supports women in business?
 - 2.5 Is there any culture that is out right opposed to women engaging in business activities?
 - 2.6 Is there any specific religion that supports women in business?
 - 2.7 Is there any religion that opposes women entering business?

3. Government initiatives aimed at promoting women to do business
 - 3.1 List the major initiatives that Government has implemented in the last ten years aimed at creating a more enabling environment for women to do business.
 - 3.2 Do you think Government is doing enough to encourage the entry of women in business?
 - 3.3 What else do you think Government should be doing in order to promote the development of business owned by women
 - 3.4 What business supporting services are available from Government?
 - 3.5 Are the services benefiting women?

4. Business Development /Supporting Institutions
 - 4.1 List down some of the business development institutions that you know and the services that they provide
 - 4.2 Have you ever benefited from any one of these institutions
 - 4.3 If yes, which one?
 - 4.4 What development or supporting services did you receive?
 - 4.5 Where you happy with the quality of the services that you received?
 - 4.6 Come up with a SWOT of the Institutions
5. Employers and Workers Organizations
 - 5.1 Which workers or employers organizations do you know?
 - 5.2 Why do you think they should be involved in the development of business by women?
 - 5.3 Do a SWOT of these organizations

6. Women in business with HIV and AIDS
 - 6.1 How do you think HIV and AIDS affects businesses owned by women?
 - 6.2 What do you think needs to be done in order to reduce the impact of HIV and AIDS on women in business?
 - 6.3 Are there any organizations that are supporting women in businesses?
 - 6.4 If yes please mention them.
 - 6.5 What else needs to be done in order to support HIV and AIDS positive women in business?
 - 6.6 Is there adequate legal and policy framework to support women in business?

7. Women in business with Disability
 - 7.1 Do you know any women in business with disability?

- 7.2 What problems that are peculiar to their status confront them as they do business?
- 7.3 What can be done in order to provide support for the development of their businesses?
- 7.4 Is there adequate legal policy to support the development of their businesses?
8. Project Interventions
- 8.1 List the sectors in which women have the greatest potential to grow their businesses.
- 8.2 What should be done in order to further promote the growth of businesses in these areas?
- 8.3 List down the names of successful business women you know, the nature of their businesses and their geographic locations.
- 8.4 List down business cooperatives and associations for women, the nature of their business and geographic location
- 8.5 What do you think they should do in order to promote the development of businesses owned by women?

Thank you very much for your cooperation

APPENDIX 3a:

LIST OF WOMEN ENTREPRENEURS: BLANTYRE

| NO | NAME | POSITION | TYPE OF BUSINESS | CONTACT |
|----|--------------------|------------------------|---|---|
| 1 | Naomi Kuluwani | | Milling and Produce | 0993 371 784/0888 672 669 |
| 2 | Lydia Kawisi | | Lime Making | 0999 202 029 |
| 3 | Beatrice Maelo | | Trading | 0999 674 429 |
| 4 | Roza Joan | | Farming | 0888 423 247 |
| 5 | Natalia Kapalamula | | Trading | 0888 674 764 |
| 6 | Esther Dyetsani | | Saloon and Produce | 0999 215 894 |
| 7 | Nolia Gunde | | Rest house | 0999 230 999 |
| 8 | Rose Mulonde | | Dairy farming | 0888 123 115 |
| 9 | Dyna Sitima | | Farming | 0999 348 239 |
| 10 | A Maere | Acting General Manager | Small Enterprise Development Organization of Malawi | 0888 833 647/ (265) 01 822 929, email: emae-re@sdpn.org.mw |
| 11 | Grace Amri | PPD Coordinator | MCCCI | 0888 366 261/ (265) 05971 146 Email:ppdforum@mccci.org,gamri@mccci.org |
| 12 | Ivy Msema | | Manufacturing | 0999 346 713 |
| 13 | Baina Musa | | NAPHAM | 0888 855 873 |
| 14 | Mary Magalasi | | Poultry/Manufacturing | 0999 558 95/01660445 |
| 15 | Flossy Lombola | | Cane furniture, Butchery | 0888 655 683 |
| 16 | Isabel Vlanga | | Produce | 0995 610 194 |
| 17 | Grace Moda | | Restaurant | 0883 277 771/0993 032 085 |
| 18 | Mary Malunga | Executive Director | NABW | |
| 19 | Clara Chikaonda | Accountant | NABW | |
| 20 | Sophie Kuwanje | Project Officer | NABW | 0888 336 722 |

| NO | NAME | POSITION | TYPE OF BUSINESS | CONTACT |
|----|---------------------|--------------------------------|------------------------------|---------------------------|
| 21 | Mrs. Mwale | Executive Director | ECAM | |
| 22 | Mr. J. Mkwaila | Finance Officer | ECAM | |
| 23 | Viginia Nyalo | Accountant | FEDOMA | |
| 24 | Tione Mzilo | Project Officer | FEDOMA | |
| 25 | Lynes Mandiwa | Chairperson | Womens Wing FE-DOMA | |
| 27 | Prince Mdolo | Treasurer General | MCTU | |
| 28 | Paliano Chinguo | Research Officer | MCTU | 0999 934 386 |
| 29 | Mrs. Jessie Chigona | Education & Organizing Officer | MCTU | |
| 37 | Edward Mwale | | NASME | 0999 303 356 |
| 38 | Elizabeth Chikoya | Entrepreneur | NABW | 0999 226 102/0888 546 524 |
| 39 | Rosalia Mtengo | Poultry/Piggery | NABW | 0999 628 112 |
| 40 | Jelita Mulogo | Poultry | NABW | 0884 004 996 |
| 41 | Dora Sapuwa | Poultry | NABW | 0999 422 916 |
| 42 | Winne A.C Byson | Project Officers | NABW | 0888 870 514/0999 870 514 |
| 27 | Maggie Neniwa | Project Officer | DEMAT | |
| 28 | Boniface Mbundungu | | DEMAT | |
| 29 | Mr. George Mwase | | Ministry of Industry & Trade | |

APPENDIX 3b:

LIST OF WOMEN ENTREPRENEURS: LILONGWE

| No | NAME | TYPE OF BUSINESS | LOCATION | CONTACT |
|----|--------------------|----------------------|---|--------------|
| 1 | Jessie Dzanja | Wreath making | NABW-Lilongwe | 0999 754 112 |
| 2 | Ellen Munyo | Fish selling | NABW-Lilongwe | 0999 317 398 |
| 3 | Oliveta Chikufenji | Mwaiwathu maize mill | NABW-Lilongwe | 0995 788 973 |
| 4 | Zenaida Lungu | Mwaiwathu maize mill | NABW-Lilongwe | 0995 313 834 |
| 5 | Beatrice Nulane | Bakery | NABW-Lilongwe | 0995 183 169 |
| 6 | Likuboma | Poultry | NABW-Lilongwe | 0999 464 866 |
| 7 | Grace Msiku | Grocery | Ministry of Finance | |
| 8 | | | Ministry of Economic Planning | |
| 9 | Mr C Chiunda | | Ministry of Women and Child Development | |

APPENDIX 3c:

LIST OF WOMEN ENTREPRENEURS: MZUZU

| NO | NAME | POSITION | TYPE OF BUSINESS | CONTACT |
|----|----------------------|-----------------|-----------------------------------|-------------------------------|
| 1 | Mrs. W. Sibande | | NABW-Mzuzu | 099 9939 842 |
| 2 | M.J Nhlema | | NABW-Mzuzu | 0999 935 615 |
| 3 | Mercy Timba | Director | Mbaweme Women Group- Mzuzu | 0888 364 420 |
| | | | | email:orhpambawem@yahoo.co.uk |
| 4 | Dorothy Chiumia | Treasurer | Mbaweme Women Group- Mzuzu | 0888 572 953 |
| 5 | Beatrice Manda | Secretary | Mbaweme Women Group- Mzuzu | 0888 690 821 |
| 6 | Doreen Chirwa | | Jam/Juice Making | 0884 669 866 |
| 7 | Eless Grace | | Nawira Maize Mill | 0888 530 019 |
| 8 | Lucy Jessie Nyirenda | | Nursery/Piggery/Juice | 0995 708 011 |
| 9 | Minnie Mangochi | | Horticulture/Piggery/Butchery | 0999 935 916 |
| 10 | Mercy Banda | | Piggery | 0999 129 993 |
| 11 | Linely Kamalo | | Piggery | 0888 501 623 |
| 12 | Florence Mhango | | Nursery/Day care/Piggery | 0993 501050 |
| 13 | Cecilia Mambo | | Selling new clothes/RSA | 0888 390 637 |
| 14 | Hlupekile Lupeska | | Juice/floor polish making/ bakery | 0888 392 875 |
| 15 | Mary Chipeta | | Juice/floor polish making | 0999 323 502 |
| 16 | Miriam Ndolo Phiri | | Poultry | 0999 133 245 |
| 17 | Elube Nkhata | | Poultry | 0888 582 670 |
| 18 | Victoria Phiri | | Poultry | 0888 707 227 |
| 19 | Marah Nkhoma | | Poultry | 0995 140 491 |
| 20 | Vaileti Chiumia | | Knitting | 0999 946 144 |
| 21 | Lonely Kalambo | | Poultry | 0888 593 799 |
| 22 | Jane Katsonga | | Poultry | 0999 258 131 |
| 23 | Maggie Nhlema | | Contractor | 0999 356 151 |
| 24 | Flora Mbulu | | Piggery | 0888 895 829 |
| 25 | Joyce Zulu | | Poultry | 0888 548 926 |
| 26 | William Sibande | Project Officer | | 0999 939 842 |

| Level | Sector | Name | Score | Justification | Recommendation |
|-------------------|---------------------------------------|---|---------|--|--|
| 1. Macro level | Government Ministries and Departments | 1.1 Ministry of Women and Child Development | 261/312 | <ul style="list-style-type: none"> • Objectives congruent with the WEDGE Project • Target Groups similar to the WEDGE Project • Structure devolved to grass roots level • Professional staff • Policy expertise | <ul style="list-style-type: none"> • Lead public sector partner • Gender and enterprise development experts • Can deal with women entrepreneurs |
| | | 1.2 Ministry of Industry and Commerce | 242/312 | <ul style="list-style-type: none"> • Expertise in enterprise development • Expertise in cooperative development • Professional staff • Policy expertise | <ul style="list-style-type: none"> • Enterprise development experts • Cooperatives development experts • Needs capacity building to be able to deal with women entrepreneurs |
| | | 1.3 Ministry of Labour | 211/312 | <ul style="list-style-type: none"> • Natural ally for the ILO • Expertise in job creation • Labour policy expertise | <ul style="list-style-type: none"> • Employment creation experts • Linkage to employers • Linkage to employees • Needs capacity to deal with women |
| 1. Meso level | Public Business Promotion Enterprises | 2.1 MEDI | 213/312 | <ul style="list-style-type: none"> • Well established • Well qualified business development experts • Strong financial base | <ul style="list-style-type: none"> • Business skills development experts • Business management skills experts • Entrepreneurs development experts • Can deal with women entrepreneurs • Partner and lead training institution |
| | | 2.2 SEDOM | 198/312 | <ul style="list-style-type: none"> • Well established • Well qualified business development experts • Micro financing experts • National presence • Weak financial base | <ul style="list-style-type: none"> • Micro financing experts • Business development experts • Currently not suitable as partner |
| | | 2.3 DEMAT | 195/312 | <ul style="list-style-type: none"> • Well established • Well qualified business development experts • Micro financing experts • National presence • Weak financial base | <ul style="list-style-type: none"> • Micro financing experts • Business development experts • Currently not suitable as partner |
| | | 2.5 MEPEC | 185/312 | <ul style="list-style-type: none"> • Well established • Well qualified export promotion experts • National presence • Weak financial base • Narrow band of expertise | <ul style="list-style-type: none"> • Export promotion experts • Currently not suitable as partner |
| | | | | | |

| | | | | | | |
|------------------|-----------------------|---------------------------|------------|--|---|--|
| 2. Meso level | Business Associations | 4.1 NABW Blantyre | 245/312 | <ul style="list-style-type: none"> • Congruent objectives with WEDGE • Well established national network • Expertise in women entrepreneurship • Interest in gender, disability and HIV • Professional staff members • Weak financial base | <ul style="list-style-type: none"> • Women entrepreneurs experts and lead project contact institution • Very suitable as a partner • Would require capacity building as a lead partner | |
| | | 5.1 MCCCCI | 198/312 | <ul style="list-style-type: none"> • Well established • Good national presence • Rather generic business development skills | <ul style="list-style-type: none"> • Not suitable as a partner | |
| | | 5.2 NASME | - | | <ul style="list-style-type: none"> • Dormant –not suitable to be a partner | |
| | | 5.3 IBAM | 75/312 | <ul style="list-style-type: none"> • In formative stage therefore not fully functional | <ul style="list-style-type: none"> • Not suitable to be a partner | |
| | | Employers Association | ECAM | 135/312 | <ul style="list-style-type: none"> • Well established • Weak national presence • Weak financial base | <ul style="list-style-type: none"> • Conduit to employers • The gender desk needs capacity building in order to deal with women entrepreneurs |
| | | Employees Association | MCTU | 201/312 | <ul style="list-style-type: none"> • Well established • Fair national presence • Interest in gender • Interest in HIV • Weak financial base | <ul style="list-style-type: none"> • Conduit to employees • Needs capacity building before being taken as a partner |
| | | People with disability | 3.3 FEDOMA | 213/312 | <ul style="list-style-type: none"> • Well established • Fair national presence • Interest in gender • Interest in HIV • Interest in disability | <ul style="list-style-type: none"> • Women with disability experts • Needs capacity building in dealing with women entrepreneurs • Lead institution for dealing with people with disability |
| | | Banks and micro financing | 6.1 FITSE | | <ul style="list-style-type: none"> • Well established • Fair national presence • Interest in gender • Interest in HIV • Interest in disability | <ul style="list-style-type: none"> • Did not respond |
| | | | 6.2 NBS | | <ul style="list-style-type: none"> • Well established • Fair national presence • Interest in gender • Interest in HIV • Interest in disability | <ul style="list-style-type: none"> • Did not respond |
| | | | 6.3 FINCA | | <ul style="list-style-type: none"> • Well established • Fair national presence • Interest in gender • Interest in HIV • Interest in disability | <ul style="list-style-type: none"> • Did not respond |
| 3. Meso level | Cooperatives | See Appendix 5 | | | | |
| | Model business women | See Appendix 6 | | | | |

APPENDIX 5:

LIST OF WOMEN MEMBER COOPERATIVES

| NAME OF COOPERATIVE | DISTRICT | ADDRESS |
|------------------------------|---------------|---|
| Chimbiya Poultry Farmers | Dedza | Chimbiya T/Centre |
| Edingeni COMSIP | Mzimba | P.A. M'mbelwa, Mzimba |
| Mwayiwathu Tomato Processing | Bembeke-Dedza | C/O Box 49 Dedza |
| Tithokoze Lime Makers | Blantyre | C/O Box 2 Lirangwe |
| Mtoto Poultry Farmers | Nkhata Bay | |
| Mbawemi Poultry farmers | Mzuzu | C/O Box 686 Mzuzu |
| Wanangwa Producers | Mzuzu | Box 2003 Luwanga Mzuzu |
| Ekaiweni | Mzuzu | Box 70 Ekwendeni |
| Zatonse Women Dairy | Tholo | Pliji Vge T/A Chimaliro |
| Nandao COMSIP | Thyolo | C/O Box 17 Thekerani |
| Sakata Greencare COMSIP | Zomba | C/O Box 6 Sakata Domasi |
| Mlambe COMSIP | Zomba | C/O Box 1016 Zomba |
| Tayamba Women | Lilongwe | C/O Chitedze LEA School Box 158 Lilongwe |

APPENDIX 6:

LIST OF MODEL BUSINESS WOMEN IN MALAWI

| NO | NAME | TYPE OF BUSINESS | LOCATION | CONTACT |
|----|--------------------------|---------------------------------|-----------------------------|--------------------------|
| 1 | Jessica Banda | Jessica Creation | Nathenje | 09 99 381 090 |
| 2 | Mrs. Ntonya | Mum's Bakery | Area 47 Lilongwe | 09 99 226 102 |
| 3 | Mrs. Aisha Makawa | Alexander Hotels | | 01840243, 08 88820889 |
| 4 | Mrs. Maliro | Bio clinical partners | Lilongwe | 01871109, 0888877288 |
| 5 | Mrs. Banda | Heritage Trio Investments | Ginnery Corner, Blantyre | 0999955147 |
| 6 | Mrs. Kholomana Unyolo | Nali Limited | | 0999932489 |
| 7 | Mrs. Phiri | HTC Supplies Ltd | Lilongwe | 01 753 160 |
| 8 | Mrs. Mary Nyirongo | Spend Wise | Lilongwe | 0999 838 341 |
| 9 | Mrs. Kanthukiza | Yami Enterprises | | 09 99464307 |
| 10 | Mrs. Raman | North End Motors | Lilongwe | 01727157 |
| 11 | Mrs. Jean Mathanga | Gasomu Traders | Lilongwe | 01 773 562 |
| 12 | Mrs. Wezi Munthali | Wema Timbers Enterprise | Mzuzu | 0993554033 |
| 13 | Mrs. Irene Wiriam | Idea Shop | Blantyre | 0888652339 |
| 14 | Mrs. Ester Chioko | Exclusive Choice | | 08 88 825558 |
| 15 | Mrs. Rose Biwick | | Blantyre | |
| 16 | Mrs. V. Kambewa | Body Map Creations | Lilongwe | |
| 17 | Miss Mankhwala | Ntonya International Schools | Blantyre | |
| 18 | Bishop Pindani | Top Advertising | Blantyre | |
| 19 | Mrs. Kumbatira | Bio-Clinic | Blantyre/Lilongwe | |
| 20 | Mrs. Martha Duya | Titia | Blantyre | |
| 21 | Cecilia Bharralf | Malanda Trading | Blantyre | |
| 22 | Mrs. Nhlema | Transport | Blantyre | |
| 23 | Chinsinsi Chigowa | Women's Forum | Mwanza | 0999 498 675 |
| 24 | Miriam Munthali | Paradiso House | Area 23 Lilongwe | 088 44 25 999 |

An Analysis Of Women Entrepreneurs And The Malawian Small Enterprise Development Policy

Judith Kamoto, 2011

Acronyms

| | |
|--------|---|
| AGOA | Africa Growth Opportunity Act |
| AIDS | Acquired Immune Deficiency Syndrome |
| BDSP | Business Development Services Programme |
| CAMA | Consumer Association of Malawi |
| EPZ | Export Processing Zones |
| GOWE | Growth Oriented Women Entrepreneurs |
| HIV | Human Immunodeficiency Virus |
| ICT | Information and Communication Technologies |
| MBS | Malawi Bureau of Standards |
| MEDI | Malawi Entrepreneurship Development Institute |
| MGDS | Malawi Growth and Development Strategy |
| MGCCD | Ministry of Gender, Children and Community Development |
| MIT | Ministry of Industry and Trade |
| MIRTDC | Malawi Industrial Research and Technology Development Council |
| MSME | Micro Small and Medium enterprises |
| NASME | National Association of Small and Medium Enterprises |
| NABW | National Association of Business Women |
| NGO | Non Governmental Organisation |
| OVOP | One Village One Product |
| SADC | Southern African Development Community |
| SBDC | Small Business Development Centres |
| SME | Small and Medium Enterprises |
| TOR | Terms of reference |
| UNDP | United Nations Development Programme |
| WEDGE | Women Entrepreneurship Development and Gender Equality |
| WTO | World Trade Organisation |

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Executive Summary

This work was conducted under the Women Entrepreneurship Development and Gender Equality (WEDGE) Project-Malawi which is part of a three-year Southern African (Mozambique, South Africa, Malawi & Lesotho) project funded by the Norwegian Agency for Development Cooperation. The project aims at economically empowering Growth Oriented Women Entrepreneurs (GOWEs) to grow their businesses and create employment and contributing to gender equality in Malawi.

In order to improve the policy environment in Malawi to become more supportive and enabling for women entrepreneurship development, WEDGE Malawi project in collaboration with Ministry of Gender, Children and Community Development and Ministry of Industry and Trade sought to review the SME policy to foster a more enabling environment for women entrepreneurship development. The ultimate aim was to provide recommendations and technical assistance to help the Ministry of Industry and Trade improve the SME Policy for the support and promotion of women entrepreneurship development.

The report provides a summary and synthesis of the policy analysis and presents a series of recommendations designed to guide the revision of the country's SME policy with a gender lens. It is anticipated that the revised framework will inform policymakers in order to ensure that businesswomen in Malawi are able to expand opportunities to participate in, benefit from, and contribute to the economic growth of the country. The policy analysis was guided by a literature which is centred on policy analysis, policy development processes and gender mainstreaming.

To facilitate the policy analysis, various documents were reviewed, including the SME policy itself (the other documents are presented in the reference section of the report). Specific secondary data and information on women's economic empowerment and enterprise development was sought and examined. Building on the assessment of secondary data, primary data was collected using a checklist for key informants (see annex 2) through consultations with key organizations and individuals. A series of round-table discussions were undertaken with staff in the MIT and MGCCD, which were designed to allow participants the opportunity to raise the issues they believe are relevant to the promotion of

women's economic empowerment through enterprise development in Malawi.

In 1995, the Government of Malawi with financial support made available from UNDP contracted MIRTDC to develop policy for micro and small enterprises (SMEs). The aim for developing the policy was to coordinate the activities of small and medium entrepreneurs in a more coordinated manner in order for SMEs to overcome problems such as limited access to credit; lack of clear policies supporting and guiding the promotion of SMEs; limited access to raw materials and inputs and limited access to markets, just to mention a few problems, that were identified. The Malawi SME draft policy was put to practice in 1998. However, as can be seen from the list of problems above, the policy was silent on gender issues; the gender disparities that exist in accessing business opportunities between men, women and youth, including disabled people are not mentioned. The 1998 SME policy is due for review. As such the Government of Malawi has requested inputs from the WEDGE project through the MIT to review the SME policy in the context of gender issues. In addition, the MIT has engaged consultants to review the SME policy in general with support from the Commonwealth.

While it is well recognized that small and medium size enterprises (SMEs) and micro-enterprises play a central role in employment promotion and economic growth, there is need to recognize that it is a sector in which many women earn their livelihood, with women's entrepreneurship increasing rapidly in the world today (L Mayoux, 2001)

For a long time, the micro and small scale trade / petty trading has been mainly women's business in Malawi. However, the more formalized businesses get, the fewer women appear to be involved. While we find a high percentage of female-operated enterprises in the micro and home industry sector, the share of women owners decreases as enterprises grow in scale and capital intensity. Several factors account for this trend among women entrepreneurs including competition from well established male-dominated enterprises, lack of accurate information, market support and finance for expansion, risk-taking propensity, domestic commitments and stereotyping among others.

Kantor (2001) asserts that many women support themselves and their families through the income they receive from their entrepreneurial activities, making supporting women's entrepreneurship important to family well-being. Recent reviews of gender and economic growth in Africa show businesswomen

are disproportionately disadvantaged by business registration procedures, limited access to finance and obstacles to property ownership (Ellis et al., 2006, Ellis et al., 2007).

It is against this background that any policy that aims at promoting SME's needs to specifically touch on the gender dimensions of enterprise development. In addition, the policy should focus on other disadvantaged groups, such as the disabled, People living with HIV and AIDS and other vulnerable groups in society. This is important because these groups lack resources to get to service providers and are often a forgotten group in development. Therefore they need special attention.

A number of the Malawi SME policy sections were reviewed with a gender lens and specific recommendations have been made, in a number of areas. The findings show that The Malawi SME policy has a number of areas that are ambiguous. The policy does not provide a vision and mission. However, it provides for an objective, which is "to create a conducive environment within which SMEs can thrive". The policy therefore attempts to remove constraints which have hitherto constrained the growth of SMEs. The policy however does not quantify this objective and neither does it specify a time frame for implementation of the policy. However, the policy proposes the development of a strategy to operationalize the policy in terms of institutional responsibilities. The objective does not provide guidelines on how specific business needs of different gender groups such as women, the youth and the disabled will be addressed. The detailed analysis, recommendations and new proposed areas are in section 8 of the document.

In conclusion, the policy does recognise the importance of SMEs to the economy of the country. It also provides some important specific policy areas that need to be addressed. The policy, however, does not recognise gender issues, hence the need to mainstream in the policy. The policy does not raise specific strategic options to be taken in order to promote SME sector especially increasing participation of women and other gender groups e.g. boys and girls.

It is also noted that the policy does not have a timeframe. For example, if we want business incubators as proposed in this report, it is not clear when they will be needed, and therefore the time frame will have to be incorporated into the policy. In addition, it should indicate the roles of key players

(e.g. who will provide business incubators). Thus each policy statement should have an action period and a set of responsible stakeholders.

In view of the foregoing gaps in the Malawi SME policy, the following recommendations have been generated:

Recommendations on Policy Objectives

The policy objective should address the issues of women economic empowerment that include employment creation, income generation, participation of all genders and disadvantaged groups. In addition, the policy objectives should cover policy directions towards:

- Removal of all barriers which promote unequal access and control over economic resources in enterprise, industry and trade.
- Ensuring women's easy access to economic and productive resources such as finance, markets, land and information.
- Ensuring gender equality in all enterprise, industry and trade and administrative structures, including boards, councils and missions.
- Making sure that Malawian women's views contribute equally to the reform of trade, investment and enterprise development.

Recommendations on Fiscal Policy

The policy should provide specific strategies that will improve the tax system to encourage equal participation of both men and women. The existing tax policy administration will need to be reviewed so as to simplify procedures and increase levels of participation of MSMEs. In addition, the following activities need to be highlighted in the policy:

- Train and sensitize women on the importance of paying taxes and advocate for fair taxations on production equipment.
- Engage other stakeholders, Ministry of Finance, MRA, and others on fair taxation, exemptions, relief on tax for women businesses conducted in groups.
- Encourage women's business associations at different levels to provide guarantee for loans for women-owned MSME's, to mobilise technical and financial support from state budget and banking institutions to strengthen credit and savings programs managed by women.

Recommendations on Monetary and Banking

- The Government of Malawi must ensure that Gender mainstreaming is enhanced in all monetary and banking initiatives. Since women are especially disadvantaged, special programmes for women and disadvantaged groups will need to be designed to promote their successful involvement in SMEs.

- The Government should continue lobbying for change in education training curriculum to include entrepreneurial skills in schools in order to inculcate entrepreneurship culture as early as in primary education.

- The Government should provide platforms which will allow women to obtain soft loans which do not require collateral. Alternative forms of collateral should be looked at to allow women entrepreneurs' to access monetary from banks.

- Socially excluded groups should lobby for government commitment to helping MSMEs especially women through financial and infrastructural support.

- Socially excluded groups should lobby organizations that title business property to consider women, the youth and disadvantaged groups, so that they can use such property for collateral.

- Advocacy for Chichewa forms in Banking Halls for all banking transactions so that women, in micro and small businesses of whom the majority are illiterate can transact with banks on their own.

Recommendations on Trade and Industry matters

- The Government of Malawi should sensitise all stakeholders in trade and industry to recognise the role that women in SMEs play in the economy of the country. Special programmes should be designed to get information across to the general public so that they can know the trade opportunities that are available and how they can actually take advantage of such opportunities.

- The Government and relevant parastatals should provide specific strategies that can address the needs of women entrepreneurs' separate from male entrepreneurs' and the youth. For instance, in the area of tendering, special effort should go to making the tendering process easier and available to all SMEs in all gender categories.

- The Government should provide platforms for women to network and successfully tender for businesses. They should be a deliberate policy in place that target women to access the information on tenders and the tendering process

- Provide training to women to compete favourably with men and other large established enterprises in trade and industry matters.

- The Government should provide platforms to share information on how SMEs across all gender groups can take advantage of trade opportunities

either individually or collectively (in associations and cooperatives)

- In addition, government should provide platforms (such as radio and TV programmes) to women and youth to air their grievances on trade and industry matters.

- Parastatals and business development service providers enhance the quality of service (i.e. provision of training, information and internal and external business trips for exposure) to women from micro to medium levels of entrepreneurship to enable growth of women enterprises.

- The Government should advocate for Chichewa forms in immigration departments to allow women with low education to undertake cross border trade for their businesses to grow.

- The Government should provide for a sharing cost arrangement with women entrepreneurs on certain activities such as trade fairs to promote ownership of business endeavours and activities.

- The Government, Malawi chambers of commerce and Industry and business associations should create awareness on value of exhibiting products to trade fairs to women so that they can appreciate the services that can be obtained such as the chances to be linked to potential buyers and having sustained markets for their products.

- The Government should support Business Growth Schemes and put measures/conditions that will encourage women to sustain markets for their products.

- The Civil society organisations (e.g. NGO gender network) and government should campaign for husbands to take part in businesses undertaken by their wives and train them to buy in their support, through identification of channels to reach out to many men (husbands) e.g. using group or individual approaches.

Recommendations on Quality and Standards

- The government should encourage women in SMEs to adopt quality standards. The SME Policy must encourage an increase in quality standards of the products and services provided by SMEs. The Malawi Bureau of Standards (MBS) should engage women in SMEs because of the important role that women play in SMEs. Women in SMEs should be assisted to improve standards so that they can be accredited to MBS. This is important because standards assure better quality, health, safety, and help to increase productivity. Health and safety issues are a way of life.

- The SME Policy should raise the awareness on quality issues and consider the establishment of

a financial facility to facilitate SME access to testing, standardization including ISO 9000 standards, and quality assurance.

Recommendations on Information base

- The Government should facilitate and support programmes aimed at increasing access and acquisition of information that is relevant for women's SMEs development. In addition government should ensure that SME operators in all gender categories and at all levels have access to information at affordable costs.
- The Government should improve the MSMEs environment through national MSME Survey which can focus on structure of MSMEs, contribution of SMEs to GDP and provision of gender disaggregated data for type of businesses by entrepreneurs. This will widen the business information base.
- The Government should also put mechanisms that will encourage use of information technology, e.g. E. commerce. The provision of training in ICT can be gender sensitive to encourage women economic growth.
- The Government should also establish a data bank for SMEs and a directory of service providers through ICT technology.
- The Government should provide Platforms for sharing information (Radio TV programmes, leaflets) with special focus on women, youth and all disadvantaged groups.

Recommendations on access to raw materials, markets, technology and infrastructure development.

- Business development service providers should enhance the knowledge base and technical knowhow of women-owned enterprises through training and education, advisory services through a diversity of modules and differentiated cost structure to promote appropriate technology.
- The Government should facilitate undertaking of a value chain analysis for all products in MSMEs at planning stage before women can take them on board as their enterprises.
- The Government should facilitate provision of markets, access to raw materials, technology and infrastructure to women in business
- The Government should facilitate establishment of business incubators with a special emphasis on women entrepreneurs should be enhanced. This where new business ideas can be developed, encouraged, and resources be made available. In so doing, quality products and services can be attained.
- A number of recommendations have also been made on proposed areas that the SME policy should focus on (e.g. Business training and Business Advisory Services; Rural industrialisation; Networking, Sector coordination, Private /public partnerships; HIV and AIDs, Environmental issues and Women and youth issues) and recommendations for each area has been provided with a focus on women issues.

1. INTRODUCTION

This work was conducted under the Women Entrepreneurship Development and Gender Equality (WEDGE) Project-Malawi which is part of a three-year Southern African (Mozambique, South Africa, Malawi & Lesotho) project funded by the Norwegian government. The project aims at economically empowering Growth Oriented Women Entrepreneurs (GOWEs) to grow their businesses and create employment and contributing to gender equality in Malawi.

While developing knowledge, advocacy and services, the project will achieve its objectives through:

- Improving the policy environment to become more supportive to the growth of women owned businesses.
- building the capacity of Business Development Service Providers (BDSP) and financial institutions to meet the needs of women entrepreneurs
- Improving the capacity of the women entrepreneurs for growth, more productivity and creation of decent employment in their businesses.

In line with the objectives of the government of Malawi, WEDGE Project-Malawi aims to support policy environments that are conducive to the economic empowerment of women.

In order to improve the policy environment in Malawi to become more supportive and enabling for women entrepreneurship development, WEDGE Malawi project in collaboration with Ministry of Gender, Children and Community Development and Ministry of Industry and Trade sought to analyse the SME policy in order to identify gaps that need to be filled so that the policy fosters a more enabling environment for women entrepreneurship development. The ultimate aim was to provide recommendations to help the Ministry of Industry and Trade improve the SME Policy for the support and promotion of women entrepreneurship development.

The SME policy review was necessitated after a review of the institutional capacity for women's entrepreneurship development and a review of policies impacting on women entrepreneurs. The results of the two reviews were validated by stakeholders in January 2010. Amongst the stakeholders who validated the research were the Ministry of Gender, Children and Community Development, Ministry of Industry and Trade and respective institutions

involved in the development of Small and Medium Enterprises (SMEs). The two ministries mentioned above are key stakeholders in promoting an enabling policy environment for women entrepreneurs to start and grow their businesses. Specifically, the Ministry of Gender, Children and Community Development alongside other relevant ministries has the responsibility for the implementation of the national gender policy and strategy which encourages micro entrepreneurship at grassroots level.

As such this report details the results of a detailed review of the Malawi SME policy, undertaken to foster a more enabling environment for women entrepreneurship development. The report provides a summary and synthesis of the policy analysis and presents a series of recommendations designed to incorporate gender issues. It is anticipated that the revised framework will ensure that businesswomen in Malawi are able to expand opportunities to participate in, benefit from, and contribute to the economic growth of the country.

2. OBJECTIVES OF THE STUDY AND LITERATURE REVIEWED

The overall objective of the study is to provide recommendations for adapting the national Small and Medium Enterprises (SME) Policy to become more enabling for women's entrepreneurship development and increasing engagement of Women Entrepreneur Associations in policy dialogue. The study was guided by Terms of Reference (ToRs) provided by the client (see annex 1).

The literature which guided the work is centred on policy analysis, policy development processes and gender mainstreaming. The objective of any policy analysis is to identify, analyze and recommend policy options and strategies that would achieve specific goals for policy makers (Babu and Sanyal, 2009). However, policy makers need to select the best option for intervention from a range of choices that are politically feasible and economically viable. A thorough analysis of SME policies with a gender lens will provide the much needed information for improving the SME policy and Women entrepreneurship development.

First a Policy is defined as a 'course of action designed to achieve particular goals or targets'. Public policy is made by government to achieve particular national

outcomes. Private organizations or communities may also form their own policy to achieve defined goals. Policies do not just exist, they are formulated in a number of ways. Policy formulation has traditionally been viewed as a linear process; civil servants, who report to a designated head or body of people, set formal policy and institutions through a rational decision making process. However, policies and institutions do not exist independently of people. Inevitably, they are shaped by the views of policy makers, and by groups of people that are affected by policy outcomes. The processes of reform are thus rarely the products of rational decision making, but of history, politics, decision-making and negotiation by different stakeholders.

Policy and institutional reform processes are commonly:

- **Incremental**, in that small improvements are made to existing policy.
- **Influenced by previous policy practice.** New policy typically reflects the norms and standards established by previous policy. Policy narratives or paradigms (perceived facts about the ways things happen) play a strong role in shaping future policy. Radical policy reforms are hard to achieve as they often represent new and alien concepts and ideals.
- **Shaped by a wide range of stakeholders.** Policy and institutions define the opportunities for organizations and for wider society, and organizations of all sizes desiring favourable outcomes for themselves or their constituents will seek to influence them. A combination of lobbying, persuasion or influence may be employed in an attempt to shape policy. Organizations may form 'actor networks' with other organizations sharing a similar vision to reinforce policy norms or narratives. This means that policy-making and the resulting institutions are typically the product of negotiation between competing interest groups.
- **Political.** Bureaucrats are not neutral formulators of policy. They have their own personal and political agendas to negotiate and will set policy in ways that will satisfy their personal political ambitions (DFID 2003).

DFID (2003) provides the stages of the policy development process as follows:

- **Problem definition/Issue identification**

In this stage the public becomes aware of an issue of concern and due to demands by certain groups on

the issue is defined as a problem requiring action. This stage involves understanding the problem, issues or concern which forms policy agenda.

- **Policy Formulation/Creation, Analysis and Decision**

This is where discussion of options and possible solutions and adoption of new or amendments of existing policy. The process is ideally consultative, involving public policymakers, the private sector and representatives of the general public. Intend and intended impacts are analysed

- **Implementation and Coordination**

This is an essential stage where decisions determining effectiveness are determined. Different approaches are used including advocacy, private and public partnerships, implementation strategies. Coordinating policy implementation is important to facilitate consistency with government's overall strategy, priorities and objectives. Communication across departments is very important for consistency in the actions being proposed and taken.

- **Evaluation, Restatement of Policy and/or Policy Termination**

After a policy is implemented, it is important to evaluate its effectiveness. Policy research and analysis are strategies to evaluate whether the policy is meeting its original intents and if there are any unintended outcomes. Evaluation, and monitoring the effectiveness and consequences of the policy are important in order to consider how it is operating and whether it is achieving the desired results.

In addition to considering literature to policy development processes, gender mainstreaming was also considered to inform the processes of engendering the SME policy. Gender mainstreaming is a process of consistently incorporating a sensitivity to gender differences/inequalities into the analysis, formulation and monitoring of strategies and activities that can address and help reduce inequalities between women and men. Mainstreaming addresses the practical and strategic gender needs of men, and women, boys and girls by incorporating gender issues in all aspects of development including decision making structures and planning process such as policy making, budgeting, programming, implementation, monitoring and evaluation at all levels and in all sectors and organizations. The process of gender mainstreaming thus requires the questioning of the stereotyped views of the roles played by males and females in society. This can be done by incorporating gender sensitive

concerns when formulating development policies, designing programmes, planning and implementing programme and monitoring and evaluating benefits and outcomes (GoM 2008).

3. METHODOLOGY

To facilitate the policy analysis, various documents were reviewed, including the SME policy itself. Specific secondary data and information on women's economic empowerment and enterprise development was sought and examined. Building on the assessment of secondary data, primary data was collected using a checklist for key informants (see annex 2) through consultations with key organisations and individuals. This involved direct consultations with a list of stakeholders (see annex 3) which included women in business, financial institutions, business associations and a series of round-table discussions with staff in the MOIT and MGCCD, designed to allow participants the opportunity to raise the issues they believe are relevant to the promotion of women's economic empowerment through enterprise development in Malawi.

The purpose of the consultations was to obtain the views of key stakeholders regarding the issues affecting women's economic empowerment and enterprise development, identifying the capacity gaps existing in the partner organizations and elicit views on how gender issues could be effectively covered in the SME policy for the country. Key stakeholders included NABW, Financial institutions (New Building Society (NBS), Malawi Savings Bank (MSB) and Malawi Rural Finance Company (MRFC), women entrepreneurs, Ministry of Gender, Children and Community Development and Ministry of Industry and Trade.

The major limitation to the research methodology was that the stakeholder consultations relied wholly on the participants in the urban centres, thus excluding the rural views.

4. MALAWI SME POLICY DEVELOPMENT PROCESS

As stated above, in the literature section, the Malawi policy development process had an entry point. In 1995, the Government of Malawi embarked on a process of policy review. The aim for developing the policy was to promote development of small and medium enterprises in a more coordinated manner and overcome the problems that were identified. The

policy document (not yet endorsed by Government) noted the following problems and needs facing SMEs:

- Limited access to credit
- Lack of clear policies supporting and guiding the promotion of SMEs
- Limited access to raw materials and inputs
- Limited access to markets
- Lack of entrepreneurship and management skills
- Lack of access to land, business premises, and common facility workshops
- Competition and lack of collaboration among SME support institutions
- Unfavourable fiscal and taxation policies
- Export markets constraints
- Lack of access to qualified staff to assist SMEs with business planning and appraisal
- Lack of access to information on investment opportunities
- Lack of knowledge on taxation systems
- Lack of access to technology
- Lack of understanding and necessary support in quality and standardization
- High cost of raw materials and inputs
- Lack of technical skills
- High production costs
- Lack of knowledge of existing policies
- Lack of incentives

5. RATIONALE FOR MAINSTREAMING GENDER IN THE SME POLICY

As can be seen from the list of problems above, gender issues are silent; the gender disparities that exist in accessing business opportunities between men, women and the youth, including disabled people and people living with HIV/AIDS (PLHIV) are not mentioned. While it is well recognized that Small and medium size enterprises (SMEs) and micro-enterprises play a central role in employment promotion and economic growth, there is need to recognize that it is a sector in which many women earn their livelihood, with women's entrepreneurship increasing rapidly in the world today.

For a long time in Malawi, the micro and small scale trade/ petty trading has been mainly women's business. However, the more formalized businesses get, the fewer women appear to be involved. Women entrepreneurs in SMEs attributed this to a number of challenges which include: However, women in SMEs

also face a number of challenges, which include: Expending capital generated from businesses for home consumption at expense of business because of family basic needs and irresponsible husbands who leave the duty to look after family affairs to women because they have started a business; Restriction on mobility of women entrepreneurs by their families; the many taxes to operate /run business premises e.g. market charges, rentals and city rates. Limited access to information on business property for rent, these business premises are run by men and they take advantage of women to charge highly. Limited access to information on business issues in Malawi e.g. information on trade fair is easily accessed by those women belonging to associations/ organization; lack of information on tendering process and supply of goods to Government institutions. Lack of linkages within and among women groups doing different businesses, as such they cannot rely on each other to purchase, sell and transport business goods within and outside the country and Inability of women to access credit with National Bank of Malawi and Standard Bank and other Micro Financial Institutions without presence of husband and collateral such as deed for house, just to mention a few.

These challenges have also been noted elsewhere in the world. In Indonesia, (Shamsul Alam and Anwar Ullah, 2006) reported that there is a high percentage of female-operated enterprises in the micro and home industry sector, however the share of women owners decreases drastically as enterprises grow in scale and capital intensity. Several factors have been attributed for this trend among women entrepreneurs including competition from well established male-dominated enterprises, lack of accurate information, market support, and finance for expansion, risk-taking propensity, and domestic commitments and stereotyping among others.

Kantor (2001) asserts that many women support themselves and their families through the income they receive from their entrepreneurial activities, making supporting women's entrepreneurship important to family well-being. Mayoux (2001) argues that the development of women's enterprise contributes to:

- Economic growth: because of women's increasing prominence in the small-scale sector. Increasing the profits and efficiency of women's enterprises is therefore essential to growth within the small-scale sector and the economy as a whole.
- Poverty alleviation and employment creation: because women are generally poorer than men, spend more of their income on their families,

and operate more labour-intensive enterprises using female labour.

- Economic, social and political empowerment for women themselves through increasing women's access to and control over incomes and working conditions. This then gives them greater power to negotiate wider economic, social and political changes in gender inequality.

It is also worthy recognizing that many of the constraints to the growth of MSMEs 'do not affect men's and women's businesses in the same way, since men-owned and women-owned businesses do not operate in the same sectors or locations, or have equal access, control, and use of the same resources and marketing outlets' (Esim, 2001, p. 9). Esim (2001) further indicates how little of the current market development approaches have been successfully applied to women's enterprise promotion. She supports the proposal by Mayoux (1995) that there are two approaches to achieving women's business growth: a market approach, which aims to assist individual women entrepreneurs in increasing their incomes and expanding their businesses; and an empowerment approach which aims not only to increase the incomes, but also the bargaining power of producers.

Recent reviews of gender and economic growth in Africa show businesswomen are disproportionately disadvantaged by business registration procedures, limited access to finance and obstacles to property ownership (Ellis et al., 2006, Ellis et al., 2007).

It is against this background that any policy that aims at promoting SMEs needs to specifically touch on the gender dimensions of enterprise development.

In addition, the policy also needs to focus on other disadvantaged groups, such as the disabled, PLHIV and other vulnerable groups in society.

6. THE IMPORTANCE OF SME TO THE ECONOMY

In Malawi, it is now increasingly recognized that the Small and Medium Enterprises (SMEs) play a crucial role in employment creation and income generation. This is clearly stated in the Government's over-arching policy: the Malawi Growth and Development Strategy Paper (MGDS), which spells out Government's development agenda. In the past Government's commitment to the sector was expressed in the Statement of Development

Policies (DEVPOL) 1987-96. However, despite these pronouncements Government did not have any policy on the sector. It took a lot of effort to initiate the process which finally culminated in the current document. In this respect the Government has come up with a SME policy which is awaiting cabinet approval. The present draft form of the paper reflects final consensus of all the stakeholders in the sector.

SMEs all over the world and in Malawi in particular have several advantages. They can be easily established since their requirements in terms of capital; technology, management and even utilities are not as demanding as it is the case for large enterprises. These enterprises can also be established in rural settings and thus add value to the agro products and at the same time facilitate the dispersal of enterprises. Indeed SMEs are closely associated with more equitable distribution of income and thus important as regards poverty alleviation. At the same time, SMEs serve as a training ground for emerging entrepreneurs.

In Malawi, the full potential of the SME sector has yet to be tapped due to the existence of a number of constraints hampering the development of the sector. They include: undeveloped infrastructure, poor business development services, limited access of SMEs to finance, ineffective and poorly coordinated institutional support, a persistent culture that has not recognised the value of entrepreneurial initiative in improving the lives of the people. Other factors include complex, bureaucratic and costly legal, regulatory and administrative environment where SMEs are at a greater disadvantage than their counterparts that are larger in size. The high cost of compliance to regulations may discourage potential entrepreneurs from formally setting up their businesses, while driving some existing enterprises out of business and those working for them into unemployment. Also due to insufficient competition and inadequate information on the credit markets of Malawi, banks are discouraged and not willing to lend to SMEs. In addition, SMEs have lower demand for business development services such as training, counseling, advising and consultancy due to cost considerations and lack of knowledge about the benefits of external services in improving competitiveness. It should however be pointed out efforts are being made by the government to review the legal frameworks related to SME service provision.

The importance that SMEs play to the growth of the economy cannot be over-emphasized. However data

on the SME sector are rather sketchy and unreliable. In recognition of the importance of SME sector, the Government has implemented a policy and a number of programmes to support the development of the sector. However it is important that this policy be engendered to be more helpful to the entire society of Malawi, hence the analysis that follow in the next section.

7. THE MALAWI SME POLICY

The Malawi SME policy (see annex 3) was developed in 1998 and it is currently under revision by the Ministry of Industry and Trade in consultation with stakeholders. The SME policy deconstructs SME nomenclature to mean micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). There is no universally accepted definition of SME. Different countries use various measures of size depending on their level of development. The commonly used yardsticks are total number of employees, total investment and sales turnover. In the context of Malawi, micro enterprises are those engaging up to 4 people, in most cases family members or with a turnover amounting up to MK120, 000.00. The majority of micro enterprises fall under the informal sector. Small enterprises are undertakings engaging between 6 and 120 employees or with turnover from MK120, 001.00 to 4 million. Medium enterprises employ between 21 and 100 people or a turnover above 4 million to 10 million. This is illustrated in the table below:

| Category | Employment | Turnover (MK) |
|-------------|------------|-------------------------------|
| Micro | 1-4 | Up to 120,000.00 |
| Small | 6-20 | 120,001.00 to 4 million |
| Medium | 21-100 | Above 4 million to 10 million |
| Large above | 101 | Above 10 million |

8. ANALYSIS OF SPECIFIC SECTIONS OF THE EXISTING MALAWIAN SME POLICY

8.1 The Objectives of the Policy

The Malawi SME policy has a number of gender gaps which are not reflected in its objective. The objective is to create a conducive environment within which SMEs can thrive. The policy therefore attempts to remove constraints which have hitherto constrained the growth of SMEs. The policy however does not quantify this objective and neither does it specify a time frame for implementation of the policy. However, the policy proposes the development of a strategy to operationalize the policy in terms of institutional responsibilities. This objective does not provide guidelines on how specific business needs of different gender groups such as women, the youth and the disabled will be addressed.

Recommendations

It is therefore recommended that the policy objective should address the issues of women economic empowerment that include employment creation, income generation, participation of all genders and disadvantaged groups. In addition, the policy objectives should cover policy directions towards:

- Removal of all barriers which promote unequal access and control over economic resources in enterprise, industry and trade.
- Ensuring women's and all disadvantaged groups easy access to economic and productive resources such as finance, markets, land and information.
- Ensuring gender equality in all enterprise, industry and trade and administrative structures, including boards, councils and missions.
- Making sure that Malawian women's views contribute equally to the reform of trade, investment and enterprise development.

8.2 Fiscal Policy

The SME policy provides for fiscal policy direction, it indicates the importance of having knowledge of the prevailing tax system and why SMEs have to pay taxes and how to benefit from various tax incentives. It also states the constraints of the tariff structure. The policy statements however, do not fully cover the constraints. For example, to get a tax

paper income tax number, business promoters must register with the Malawi Revenue Authority by filing the memorandum and articles of association, the certificate of incorporation (copy), and an application letter or completed application for registration form, including the accounting date, the name of a public officer, and the nature of the business. While these are necessary procedures, it sometimes takes unnecessarily long time to get through and in turn delays and/or discourages potential entrepreneurs, especially women. Women get discouraged and give up because of the rigorous and long bureaucratic procedure which takes them away from home and from their community for a long time. To get registered, prospective entrepreneurs require extensive paperwork and inputs from professionals such as accountants or lawyers. Many of these professionals cannot easily be afforded by small scale entrepreneurs, let alone women, the youth, the disabled and the illiterate members of society.

Recommendation

The policy should provide specific strategies that will improve the tax system to encourage equal participation of both men and women. The existing tax policy administration will need to be reviewed so as to simplify procedures and increase levels of participation of MSMEs. In addition, the following activities need to be highlighted in the policy:

- Train and sensitize women on the importance of paying taxes and advocate for fair taxations on production equipment.
- Engage other stakeholders, Ministry of Finance, MRA, and others on fair taxation, exemptions, relief on tax for women businesses conducted in groups.
- Encourage women's business associations at different levels to provide guarantee for loans for women-owned MSME's, to mobilise technical and financial support from state budget and banking institutions to strengthen credit and savings programs managed by women.

8.3 Monetary and Banking Policy

The policy also provides for a monetary and banking policy due to experiences that entrepreneurs' face to access credit facilities with financial institutions, e.g. demands for conventional forms of collateral, lack of equity funds, the apparent risk associated with MSMEs, high costs of administering loans to the sector and lack of information on their performance.

Policy statement 5.1 which envisaged the establishment of the credit guarantee scheme in favour of MSEs was a step in the right direction. However, consultations with stakeholders (MIT and MGCCD) revealed that the credit guarantee scheme is no longer operational due to increased number of defaulters. This means that policy strategies were not put in place to ensure a successful implementation of the scheme.

In addition, the policy does not take into account the needs of different gender groupings so that women and the youth can also be specifically recognised. Women still face problems to access business loans because most times they do not own property and therefore they have no collateral to show or present.

It is also notable in the policy that it recognises the importance of venture capital funds, higher purchase schemes for acquisition of plant and machinery; encouraging financial institutions to establish branches in district head quarters and easy access to Forex by MSEs. While these are steps in the right direction, the policy needs to put a time frame for the specific strategic activities that will lead to the actual realisation of the policy statements. In this case all stakeholders, such as financial institutions, the private sector, public institutions, business associations and cooperatives will need to be sensitised so that they can recognise the opportunities offered by the Government policy.

The establishment of branches in district head quarters by financial institutions need to be encouraged. It is notable that some banks are already operating at district level. More commercial banks need to be encouraged to ensure easy access to financial services. This will also ensure that many rural businesses, especially those by women will have access to the products that banks offer.

Recommendations

- The Government must ensure that gender mainstreaming is enhanced in all monetary and banking initiatives. Since women are especially disadvantaged, special programmes for women and disadvantaged groups will need to be designed to promote their successful involvement in SMEs.
- The Government should continue lobbying for change in education training curriculum to include entrepreneurial skills in schools in order to inculcate entrepreneurship culture as early as in primary education.
- The Government should provide platforms

which will allow women to obtain soft loans which do not require collateral. Alternative forms of collateral should be looked at to allow women entrepreneurs' to access monetary from banks.

- The government should be committed to helping MSMEs especially women through financial and infrastructural support.
- The Government should lobby organization that title business property to consider women, the youth and disadvantaged groups, so that they can use such property for collateral.
- The Government should advocate for Chichewa forms in Banking Halls for all banking transactions so that women, in micro and small businesses of whom the majority are illiterate can transact with banks on their own.

8.4 Trade and Industry Matters

The Policy recognises that most MSMEs are not aware of the policy environment in which they operate. This fact was also echoed by women entrepreneurs' in micro and small enterprises who conceded that they do not know where to get information on trade and industry matters. The policy does not provide specific strategies to increase awareness and to deal with any trade and industry obstacles that impinge on SMEs owned by different gender groupings.

It has also been noted that there is a missing "middle" in MSME's. Most women are in micro and small enterprises and the medium entrepreneurs are missing. This means that women businesses are not growing, especially those in agro and rural based enterprises. There is need for special attention to these enterprises so that the challenges of remoteness faced by women entrepreneurs and marginalisation in all its forms, including lack of information on how to do business at all stages of the value chain are addressed.

Forward and backward linkages will need to be emphasised among the SMEs in all sectors of the economy so that the trade policy can be meaningful to SMEs.

Recommendations

- The Government should sensitise all stakeholders in trade and industry to recognise the role that women in SMEs play in the economy of the country. Special programmes should be designed to get information across to the whole Malawi population so that they can know the trade opportunities that are available and how they can actually take advantage of such opportunities. This sensitisation could be in the form of leaflets, radio

programmes, Radio giggles, Television programmes, specially designed workshops for SMEs that involve both men and women, including the youth and the disabled.

- The government should provide specific strategies that can address the needs of women entrepreneurs' separate from male entrepreneurs' and the youth. For instance, in the area of tendering, special effort should go to making the tendering process easier and available to all SMEs in all gender categories.
- The Government should provide platforms for women to network and successfully tender for businesses. They should be a deliberate policy in place that target women to access the information on tenders and the tendering process
- The Government should provide training to women to compete favourably with men and other large established enterprises in trade and industry matters.
- The Government should provide platforms to share information on how SMEs across all gender groups can take advantage of trade opportunities either individually or collectively (in associations and cooperatives).
- In addition, The Government should provide platforms (such as radio and TV programmes) to women and youth to air their grievances on trade and industry matters.
- Parastatals and other business development service providers need to enhance the quality of service (i.e. provision of training, information and internal and external business trips for exposure) to women from micro to medium levels of entrepreneurship to enable growth of women enterprises.
- The Government should advocate for Chichewa forms in immigration departments to allow women with low education to undertake cross border trade for their businesses to grow.
- The government should provide for a sharing cost arrangement with women entrepreneurs on certain activities such as trade fairs to promote ownership of business endeavours and activities.
- The Government and Business Associations should create awareness on value of exhibiting products to trade fairs to women so that they can appreciate the services that can be obtained such as the chances to be linked to potential buyers and having sustained markets for their products.
- The Government should support Business Growth Schemes and put measures/conditions that will encourage women to sustain markets for their products.
- The civil society organisations (e.g. NGO gender network) and government should campaign

for husbands to take part in businesses undertaken by their wives and train them to buy in their support, through identification of channels to reach out to many men (husbands) e.g. using group or individual approaches.

8.5 Registration and Licensing

The policy provides for decentralisation of registration of business at district level and also adjustments for age registration to 18. Efforts are underway to revise the Policy and the Companies Act so that these provisions can be implemented. However, currently most SMEs operate without registration. In addition, the policy does not clearly summarise the bureaucratic and legal hurdles an entrepreneur must overcome in order to incorporate and register a new firm, along with their associated time and set-up costs. It does not fully examine the procedures, time and cost involved in launching a commercial or industrial firm and how this affects different gender groupings.

In other instances, Licences to export goods, for example, timber, are obtained from a specific department, in this case Forestry where the product is coming from. However, a licence for exporting Agro based products is obtained through the Ministry of Industry and Trade.

Recommendations

The Government should continue with the efforts of simplifying business registration and licensing procedures through decentralisation structures. In addition government should computerise the system of registration so that it's less costly to one seeking registration. The computerised system should provide information which is disaggregated by gender categories and vulnerable groups. Currently, business registration and licensing is done in Blantyre and it's de-motivating for women who leave their families behind. The process itself is demoralising as women are asked to search for files themselves.

Government should lobby for increased staffing in business registration institutions, staffing should be increased and gender mainstreamed so that the activity can be rolled out to the districts successfully. Such recruitment should be coupled with sufficient and relevant training so that the decentralisation of business registration procedures should be effective and efficient.

8.6 Quality and Standards

The Malawi SME policy provides for support to be given for production of high standards goods and that the general public should be aware of these standards. The policy however, does not indicate specific strategic activities, other than quality sensitisation to promote production of high quality products and services. Product and service quality is the pinnacle of business success in a competitive world. The exposure of many Malawians to good quality imports presents a very big challenge to local businesses, especially SMEs as consumers are now getting more cautious about what they should buy. The Malawi Bureau of Standards (MBS) is a key stakeholder in this issue and should seek to make the standards easily available to the SMEs. Failing to do this will allow foreign products to be dumped into the country and this will stifle infant industries, in the country.

Recommendations

The government should encourage women in SMEs to adopt quality standards.

- The SME Policy must encourage an increase in quality standards of the products and services provided by SMEs. SMEs do not take notice of the national standards and regulations or apply them in a consistent fashion. Local manufacturers have not adapted yet to the increased competition on quality that has occurred due to trade liberalization. As the market becomes more demand-driven, quality control will become vital element for the SMEs in order to meet the rising expectations of local and international consumers.
- The Malawi Bureau of Standards (MBS) should engage women in SMEs because of the important role that women play in SMEs. Women in SMEs should be assisted to improve standards so that they can be accredited to MBS. This is important because standards assure better quality, health, safety, and help to increase productivity. Health and safety issues are a way of life.
- SME Policy should raise the awareness on quality issues and consider the establishment of a financial facility to facilitate SME access to testing, standardization including ISO 9000 standards, and quality assurance.
- Establishment of business incubators with a special emphasis on women entrepreneurs should be enhanced where new business ideas can be developed, encouraged, and resources be made available. In so doing, quality products and services can be attained.

8.7 Information Base

The policy provides for issues relating to information centres both at Ministry and district level. This was due to difficulties in accessing data on MSME sector in Malawi. In addition there was no information at enterprise level. However the policy does not provide for strategies that will allow acquisition of information.

Recommendations

The Government should facilitate and support programmes aimed at increasing access and acquisition of information that is relevant for SMEs development.

- The Government should ensure that SME operators in all gender categories and at all levels have access to information at affordable costs.
- The Government should improve the MSMEs environment through national MSME Survey which can focus on structure of MSMEs, contribution of SMEs to GDP and provision of gender disaggregated data for type of businesses by entrepreneurs. This will widen the business information base.
- The Government should also put mechanisms that will encourage use of information technology, e.g. E. commerce. The provision of training in ICT can be gender sensitive to encourage women economic growth.
- The Government should also establish a data bank for SMEs and a directory of service providers through ICT technology.
- The Government should provide platforms for sharing information (Radio, TV programmes and leaflets) with special focus on women, youth and all disadvantaged groups.

8.8 Access to raw materials and markets, technology, infrastructure development and institutional framework

The policy provides for these specific areas and the policy statement adequately addresses the issues. However the strategies are missing.

Recommendations

- The government and all concerned stakeholders in SMEs education should enhance the knowledge base and technical knowhow of women-owned enterprises through training and education, advisory services through a diversity of modules and

differentiated cost structure to promote appropriate technology.

- The government should facilitate undertaking of a value chain analysis for all products in MSMEs at planning stage before women can take them on board as their enterprises.
- The government should facilitate provision of markets, access to raw materials, technology and infrastructure to women in business.

9. GENERAL RECOMMENDATIONS

For SMEs to contribute to economic growth of the country there is need to consider other areas in the SME policy. These include:

9.1 Advancing opportunities for women and Youth

This section refers to the role of SME Policy as a tool to advance affirmative-action measures that could target special categories of entrepreneurs who, for historical, cultural or economic reasons have been more disenfranchised than others.

In terms of gender, the Government of Malawi is formally committed to the principle of equality and is a signatory of the UN-CEDAW. For example, the Government has made a specific commitment to address the four areas included in the Beijing Platform of Action including, Gender equality, women's economic empowerment and poverty eradication. However, gender inequality is still significant and pervasive in the country. Women contribute disproportionately to production and reproduction and are largely disenfranchised in terms of ownership and control over production and participation in decision making structures. The most significant aspect of gender disadvantage in Malawi is women's lack of ownership of productive assets. The disadvantage is embedded in customary law relating to marriage, payment of bride wealth, division of property on divorce or widowhood and the inheritance of property. Within this framework, women have a subordinate role with regard to decision-making at national and household level; access to and control to resources such as land, credit, information, education and training; control over labour product and assets; and legal status within society. In addressing these gender-based constraints, Malawian policy makers need to be creative enough to devise instruments that facilitate access to technologies that are best suited for women. It should do more than just include provisions on

behalf of women in an SME Policy document. Building on the experience developed in the United States and other countries, it could set a trend to address the overall discrimination faced by women in the society at large.

The problems of the youth at large, although of a different nature from those faced by adult women, also deserve special attention within the framework of affirmative action measures. SME Policy, in this respect, could contribute to improve the opportunities for young men and women to engage in business activities and generate sustainable income. There is a direct correlation between being young and running an informal enterprise (Calcopietro and Massawe 1999). Hence, the aspects of SME Policy aimed at removing barriers to allow informal sector operators to join the mainstream economy should be primarily geared to address the needs of the youth. It is therefore recommended that:

Recommendations

As in the US Small Business Act, as reformed in April 1999, Malawian SME Policy could make provisions to:

- Vigorously promote the legitimate interests of SME concerns owned and controlled by women;
- Remove, insofar as possible, the discriminatory barriers that are encountered by women in accessing capital and other factors of production; and
- Require that the Government engage in a systematic and sustained effort to identify, define and analyse those discriminatory barriers facing women and that such effort directly involve the participation of women business owners in the public/private sector partnership.
- The Government should support and encourage youth groups and networks to increase their capacity in SMEs as lobbying bodies on behalf of the youth. Coaching young entrepreneurs to become successful business persons will undoubtedly have a direct impact on the reduction of the size of the informal sector and on the increase in the number of sustainable SMEs.
- In addition, government should remove business barriers by mainstreaming gender in the SME policy and provide a section for gender and disadvantaged groups as earlier stated.

9.2 Business training and Business advisory services

SMEs operators in Malawi have low business skills and lack adequate appreciation for the importance of business education. Business training institutions though available and offer training, the costs involved are unaffordable to potential beneficiaries.

- The recommendation is that Government should enhance the capacity of institutions providing business training to SMEs to make them attractive.
- Facilitate building of capacity in business management skills across all gender groups.
- The Government should continue to engage with institutions providing businesses training to tailor make programmes for start ups and seasoned SME operators. In addition Government should encourage universities to establish Business Schools. The schools should provide services ranging from free counseling to individual businesses in financial management, marketing, technical problems and in investment decisions.
- Malawi Universities could initiate pilot projects aimed at promoting support services for SMEs. This could be achieved through identification of funds for MSME support, for example, through institutions such as the Common Wealth Secretariat; WEDGE and others to support women beneficiaries.
- Government should enable growth of SMEs by providing Business Advisory Services to women entrepreneurs through Business Centres in each district. In addition, government should create regional associations and Chamber of Commerce's in each district who can offer business advisory services. The centres should be encouraged to introduce business coaching where successful women entrepreneurs can coach and motivate others as business models.

9.3 Entrepreneurship development

The education system in the country is not designed to promote entrepreneurship culture. The system tends to create employment seekers rather than job creators.

Recommendations

- It is recommended that government should provide training that is conducive to development of entrepreneurship culture.
- Review school curricula to accommodate entrepreneurship development and facilitate entrepreneurship development programmes for selected gender groups.

9.4 Rural industrialization

Malawi being an agro based economy; small and medium industries have a critical role to play to achieving the goal of economic growth. This is because SME technologies tend to be simple, affordable and manageable and thus appropriate to rural areas where agriculture takes place.

Recommendations

- It is recommended that the Government should strengthen and enhance the already existing manufacturing enterprises, with a special focus on women entrepreneurs who are in majority in rural areas so as to add value to products through already existing OVOP initiatives.
- The Government should facilitate establishment of industrial clusters at all levels in the country and facilitate transfer of technology and updating existing ones.

9.5 HIV/AIDS

Many studies in Malawi and various government documents have indicated that HIV/AIDS scourge remains one of the key challenges for the country as a whole. While various programmes are being implemented to mitigate the impact of the disease, the SME policy does not address this issue at all. It should however be emphasised that HIV/AIDS does affect labour productivity, access to productive assets, access to finance and increases the number of orphans and widows that need special help in the area of SMEs for their survival. In this regard the policy should have taken note of these issues and make deliberate strategic recommendations to provide guidance on how the government and all development partners can promote self reliance of those infected and affected through SMEs.

Recommendations

- It is therefore recommended that government should continue to implement programmes that check the spread of HIV/AIDS amongst SME operators. Efforts by the National Aids Commission and NGOs should be extended to go beyond awareness and treatment, but should also include deliberate interventions that can help families and individuals across all gender groups that are infected and affected by the scourge to be targeted for entrepreneurship capacity building and easy access to start-up capital.
- All government, NGOs and private organisations that implement HIV/AIDS programmes

should provide measures to eliminate stigmatization of women, men, boys and girls living with HIV so as to achieve equity in access to productive assets, finance, and employment and in any business skills training.

- The Government should incorporate HIV/AIDS issues in the SMEs policy.

9.6 Sector coordination

Effective implementation of any policy depends on clarity on assigning responsibilities and roles to different stakeholders. SMEs cuts across institutional mandates of various government sectors, NGOs and the private sector and therefore coordination is critical. The policy does not provide for coordination with other sectors or private entities. In practice it happens but with a policy guideline, implementation will be smooth and this will promote accountability.

Recommendations

- The Government should provide platforms for stakeholder participation, from the grassroots to policy level. The platforms provided should encourage participation of women from different institutions involved.
- The Government should provide adequate financial and human resources towards promotion of women issues in SMEs.
- Stakeholders from different sectors should be able to collaborate and develop projects that put women in clusters so that they can develop their capacity in identifying businesses in their area.
- A consultative committee in the MGCCD and MIT should be encouraged to meet periodically to discuss issues of MSM entrepreneurs to avoid duplication of efforts and resources. The comparative advantage of each Ministry should be assessed in provision of services to women in SMEs.

9.7 Environmental Considerations, Complying with Environmental Regulations

Latest developments in environmental issues constrain development of SMEs in terms of legal requirements and compliance regulations. Although the World Trade Organisation (WTO) has no specific agreement on the environment, there is increasing pressure by environmentalists on WTO to take proactive measures to protect the environment. International trade in critical areas may be undermined in the guise of environment if such issues find place and are emphasised in WTO. More and more, countries with severe legislation that protect some species are

banning imports from countries that heavily rely on those exports.

Recommendations

- SME Policy must ensure that SMEs involving all gender categories engage in production of goods that comply with international regulations in terms of protection of the environment.
- Additionally, in order to promote environmentally sustainable development, government must encourage the expansion of business initiatives that also contribute to improving environmental conditions at a local level.
- The Government must make provisions to launch awareness campaigns about the goodness of local produce in selected international markets that pay special consideration to the organic content of agricultural products. Malawian rural SMEs could greatly benefit from the opening of niches for local organic products in highly demanding international markets.
- The Government must encourage measures aimed at ensuring that women in SMEs increase their competitiveness under the new WTO regulations. The WTO regime will benefit those countries that demonstrate that the Government and the private sector are in permanent dialogue to determine how and what should be negotiated at multilateral negotiations to the best of their advantage. As such Government should create an SME Forum with a good representation of both women and men (e.g. 50/50) at national level for international negotiations. Subsequently, joint actions at SADC level may follow to ensure that Malawian interests are defended with a stronger voice in international negotiations.

9.8 A Public/Private Partnership Approach:

This should be encouraged by providing policy statements that promote such initiatives. The private sector will need to establish strategic partnerships with the public sector in a comprehensive effort to promote the development of SMEs through practical interventions. Financial and material resources should be mobilized to support women MSME development, including establishing a package of market-oriented business development services; supporting vertical and horizontal business linkages between large and medium firms with women MSMEs, including strengthening of 'win-win' and sustained sub-contracting arrangements.

Recommendations

- The Government should facilitate initiation of dialogue between the public and private sectors on key issues relating to proven methodologies in the provision of market oriented entrepreneurship training and business development services to women entrepreneurs. This will be with a view to designing new effective strategies with a high orientation towards the private sector users, including women MSMEs.
- The Government should facilitate introduction of deliberate annual awards for women and young entrepreneurs and those MSMEs exhibiting outstanding innovation qualities through public and private sector partnerships.

9.9 Networking

Business networking is a very valuable tool in achieving successful entrepreneurship. Business networking is a marketing method by which business opportunities are created through networks of like-minded business people. There are several prominent business networking organizations in the world today that create models of networking activity that, when followed, allow the business person to build new business relationship and generate business opportunities at the same time.

Women in MSME need to be networked to raw material suppliers, financiers, potential customers, fellow entrepreneurs and policy makers in order to keep abreast with latest developments in the ever-changing environment. Malawian women are particularly weak at networking and will need to be encouraged to work in groups like business cooperatives and associations to make them visible. As an example, a business network may agree to meet weekly or monthly with the purpose of exchanging business leads and referrals with fellow members. To complement this activity, members often meet outside this circle, on their own time, and build their own “one-to-one” relationship with the fellow member.

Networking should be encouraged at all levels. Business associations should not compete but complement each other, especially those dealing with women. Business networking can be conducted in a local business community, or on a larger scale via the Internet. Business networking websites have grown over recent years due to the internet ability to connect people from all over the world.

In addition to networking, clustering can also be promoted among companies and institutions dealing with women entrepreneurs. Clusters are

geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete. Business clusters should be an important agenda for governments, companies, and other institutions as they can facilitate new ideas and ways of doing things, creating momentum, productively tackle obstacles and barriers, and open up new and successful commercial opportunities.

Recommendations

- Encourage networking among women entrepreneurs and women business associations at the national, regional and international level.
- Strengthening social provisioning schemes in health, childcare and other forms of family support to ease women’s double burden.
- Establish mechanism for joint actions and cooperation by women, men boys and girls in MSMEs within business clusters (e.g., bulk marketing, raw material procurement, and establishing linkages with training and capacity building programmes, etc.).
- Develop sustainable and appropriate management structures for clustered units (women only, vulnerable groups, and the youth) in particular geographical areas, in collaboration with local authorities and other key stakeholders.
- Redevelop website at the MIT which should flush out issues of women in business ventures. The websites could also provide profiles of businesses undertaken by women. The website can also be a source of information for profiles on financial services that target women. Once business centres are established in each district, internet and mobile phones services can be used to support women in SMEs to access the electronic services.

9.10 Monitoring and Evaluation

Monitoring and Evaluation activities are necessary to check progress and performance of activities in the SME sector. The results of all SME activities needs to be properly monitored and assessed to avoid repetition /duplication so that knowledge and information is built on from past experience and lessons learned in other contexts. This calls for an establishment of a well designed monitoring and evaluation system, with an accessible database maintained at the MIT. This will guide the establishment and empowerment of a focal point at departmental level aiming at ensuring its role as facilitator of SMEs development through proper support measures. The MIT must

commit to continue learning from monitoring and evaluation best practices developed in other countries and suitable to be adapted to Malawi. This could be endeavoured through desk research, fact-finding missions, joint pilot projects and bilateral as well as multilateral support from foreign SME support institutions.

Recommendations

- The MIT should conduct an evaluation of the organisations who receive financial support for projects in SMEs in support for all gender categories and vulnerable groups from the public sector and donors at the end of each financial year. The evaluation should be conducted by an appointed agency under the SME Department supervision.
- Monitoring and evaluation for each SME project's funding should be based on agreed Terms of Reference and a Memorandum of Understanding. In addition, it should be based on an input/output basis, and based on mutually agreed and objectively verifiable indicators. Recipients of financial support should be under contractual obligation to utilise the funds strictly within the framework of the respective programmes.
- The MIT should introduce an annual national conference/forum on SMEs. This will act as a platform to monitor and evaluate progress on SME activities among all stakeholders in the country.
- The MIT should prepare an Annual Review on SMEs in Malawi to be presented every year at the SME conference/forum and then forwarded to cabinet and parliament. This document should outline progress made over the year in the different problem areas and with all the support programmes. It should also set benchmarks and try to quantify macro trends. The first review should also contain a summary of the National Conference on SMEs.

10. Conclusion

The policy does recognise the importance of SMEs to the economy of the country. It also provides specific policy areas as stated in the report. However, specific policy strategies are not provided for and gender issues, particularly women's issues in SMEs have not been highlighted in the policy. The policy does not raise specific strategic options to be taken in order to promote the SME sector especially increasing participation of women and other gender groups e.g. boys and girls. The absence of women's issues necessitated mainstreaming of gender and women's issues in the SME policy.

It has also been noted that the policy does not provide for an action plan which will indicate the activities, responsible parties and a timeframe. For example, the recommendation on lobbying for fair taxation for women in SMEs through the Ministry of Finance and Malawi Revenue Authority, could be shown in the action plan as an activity, when this can be achieved and indicate the roles of the MIT, Malawi Revenue Authority and Ministry of Finance. Thus where necessary each policy statement could have an action period and responsible stakeholder.

Literature review and interviews with women in SMEs has shown that women dominate the SMEs sector. There are involved in petty trading and slowly graduate into micro to small entrepreneurs. However, women in SMEs also face a number of challenges, which include: Expending capital generated from businesses for home consumption at expense of business because of family basic needs and irresponsible husbands who leave the duty to look after family affairs to women because they have started a business; Restriction on mobility of women entrepreneurs by their families; the many taxes to operate /run business premises e.g. market charges, rentals and city rates. Limited access to information on business property for rent, these business premises are run by men and they take advantage of women to charge highly. Lack of linkages within and among women groups doing different businesses, as such they cannot rely on each other to purchase, sell and transport business goods within and outside the country and Inability of women to access credit with National Bank of Malawi and Standard Bank and other Micro Financial Institutions without presence of husband and collateral such as deed for house, just to mention a few.

It has also been noted that the SME policy does not address issues of other vulnerable groups (e.g. PLHIV, orphaned children and the disabled) at all. It should however be emphasised that being vulnerable due to various reasons does affect labour productivity, access to productive assets, access to finance in the area of SMEs for their survival. In this regard the policy should have taken note of these issues and make deliberate strategic recommendations to provide guidance on how the government, NGOs, the private sector and all development partners can promote self reliance of vulnerable groups in society through SMEs.

In order to overcome these challenges, women's issues have been mainstreamed in the policy through a number of recommendations suggested for inclusion in the SME policy. If the specific recommendations for each subsection of the policy can be taken on board and implemented then most of the challenges highlighted above can be addressed. It has also been recommended that the policy should focus on a number of areas (Business training and Business Advisory Services; Rural industrialisation; Networking, Sector coordination, HIV and AIDs, Environmental issues and women and youth issues) and recommendations for each area has been provided with a focus on women issues and other vulnerable groups in society (e.g. PLHIV, disabled people and the youth).

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ANNEX 1 TERMS OF REFERENCE POLICY ANALYSIS EXPERT

Women's Entrepreneurship Development and Gender Equality- Malawi Project

Background:

Women Entrepreneurship Development and Gender equality (WEDGE) Project-Malawi is part of a three-year Southern African (Mozambique, South Africa, Malawi & Lesotho) project funded by the Norwegian government. The project aims at economically empowering Growth Oriented Women Entrepreneurs (GOWEs) to grow their businesses and create employment and contributing to gender equality in Malawi.

While developing knowledge, advocacy and services, the project will achieve the above objectives through:

- Improving the policy environment to become more supportive to the growth of women owned businesses.
- Building the capacity of Business Development Service Providers (BDSP) and financial institutions to meet the needs of women entrepreneurs
- Improving the capacity of the women entrepreneurs for growth, more productivity and creation of decent employment in their businesses.

In Malawi a review of institutional capacity for women's entrepreneurship development and a review of policies impacting on women entrepreneurs was validated by stakeholders in January 2010. Amongst the stakeholders who validated the research were the Ministry of Gender, Children and Community Development, the Ministry of Labour, Ministry of Industry and Trade and respective institutions involved in the development of Small and Medium Enterprises (SMEs). The three ministries mentioned above are key stakeholders in promoting an enabling policy environment for women entrepreneurs to start and grow their businesses.

In line with the objectives of the government of Malawi, WEDGE project aims to support policy environments that are conducive to the economic empowerment of women. Specifically, the Ministry of Gender, Children and Community Development alongside other relevant ministries has the responsibility for the implementation of the national gender policy and strategy.

In order to improve the policy environment in Malawi to become more supportive and enabling for women entrepreneurship development, WEDGE Malawi project in collaboration with Ministry of

Gender, Children and Community Development and Ministry of Industry and Trade seeks to review the SME policy to foster a more enabling environment for women entrepreneurship development. The ultimate aim is to provide recommendations and technical assistance to help the Ministry of Industry and Trade improve the SME Policy for the support and promotion of women entrepreneurship development.

Tasks:

In this context, WEDGE Project seeks to hire an expert Gender mainstreaming in order to:

- 1.0 Establish the SME policy review framework, criteria and methodology.
- 2.0 Using participatory techniques: Identify capacity gaps within Ministry of Gender, Children and Community Development, and Ministry of Industry and Trade in the mainstreaming gender and economic empowerment of women among other ministries and parastatals.
- 3.0 Using participatory techniques: Develop an action plan to build capacity within Ministry of Gender, Children and Community Development, and Ministry of Industry and Trade to consistently support mainstreaming the economic empowerment of women among other ministries and parastatals.
- 4.0 Examine additional sources of information regarding national women economic empowerment provided by the WEDGE project, Ministry of Gender, Children and Community Development, and Ministry of Industry and Trade.
- 5.0 With the advice of relevant 'experts' make an appraisal and critical analysis with a view to constitutional, legislative and policy change regarding the gender in SME Development frameworks and policies and make recommendations. With a particular focus on changes that can be implemented by Dec 2011.

Deliverables:

- 1.0 An inception report demonstrating understanding of the assignment presented to the task force.
- 2.0 Report with recommendation on identified capacity gaps within the Ministry of Gender, Children and Community Development, and Ministry of Industry and Trade
- 3.0 Presentation of report on capacity gaps to the Ministry of Gender, Children and Community Development, and Ministry of Industry and Trade
- 4.0 A practical action plan for addressing the capacity gaps identified within the Ministry of

Gender, Children and Community Development, and Ministry of Industry and Trade

5.0 Presentation of report on policy review to the adhoc committee on collaboration for policy level change for promoting women entrepreneurs in Malawi.

6.0 Final report for the SME policy review.

Qualifications

Advanced university degree (Masters Level or equivalent) in policy analysis or planning. Previous experience in review or formulation of policy frameworks related to women economic empowerment and gender mainstreaming, preferably in the Sub Saharan Region. Strong knowledge of legal frameworks. Knowledge and experience in gender issues will be an asset.

Languages

Excellent knowledge of English (written and spoken).

Project Cost

The ILO's WEDGE Project will meet the direct and relevant costs of the review within current budget allocations.

Duration: November 2010-January 2011

ANNEX 2: Key Informant Checklist

1. Does the organization work with Female and Male Operated Small enterprises (FAMOS) as clients and beneficiaries?
2. Are the organisations activities and services appropriate for both Female and Male Operated Small enterprises?
3. Does the approach target and reach both Female and Male Operated Small enterprises?
4. Are the organisation and its procedures adapted and focused for servicing FAMOS?
5. Does the organisation have sufficient resources for working with FAMOS?
6. Do the organisation's strategies, plans and objectives highlight its work with FAMOS?
7. What do entrepreneurs need to participate in SME?
8. What is the best way to offer individual/group services to women entrepreneurs?
9. What are the most important services offered to Micro, Small and Medium entrepreneurs
10. How can we make SMEs grow? How can we make women entrepreneurs grow?
11. How can women entrepreneurship be made known to the public?
12. How can enterprises know about usefulness of the Ministry services?
13. How can enterprises know the way to access SME services offered by the Ministry?
14. How can the Ministry make the access to its SME services easy?
15. Where are women issues in policies? Which policies and institutions are relevant to women's priorities?
16. In what way are existing institutions and policies enabling or disabling to Women in SMEs sector?
17. What policy and institutional environment would be most conducive to assisting women and men to achieve growth in their businesses?
18. What key constraints need to be removed or mitigated?
19. What procedures and mechanisms are appropriate to securing the best chance for policy reform?
20. What are the main SMEs risks in Malawi?
21. In a few words how would you describe the profile and role of the organisation when it comes to SMEs in Malawi? Please, provide an overview of SMEs related activities the organisation is involved with or is planning in Malawi?
22. How does the organisation assess the vulnerability of women engaged in SMEs? What are the key factors causing the vulnerability? Are these issues included in your policy, strategies and programmes?
23. What are the capacity gaps in the organization in mainstreaming gender issues in SMEs?
24. If the organization obtained funds of, for example USD 3.0 million for SMEs, what would be the three top priority activities to be funded? Who will be the target group on the gender ladder of women, men, boys and girls? On what basis is a prioritization done?
25. What are the main gaps in your organisation for addressing women's economic empowerment in SMEs?
26. Have you developed any appropriate responses to these gaps? How can the gaps be closed?
27. Does the organization get any support for mainstreaming gender in SMEs activities?
28. Where does the organisation get the support for gender mainstreaming? Technical skills available within the organisation? How have these been used?
29. Does the organisation have access to tools and guidelines for gender mainstreaming? And have these tools been applied? What types of tools could be relevant to have?
30. Any other issues



GOVERNMENT OF MALAWI
Ministry of Trade and Private Sector Development

**MICRO AND SMALL ENTERPRISE POLICY
STATEMENT**

October 1998

FOREWORD

Malawi has accorded a high priority to the development of micro, small and medium enterprises in recognition of the crucial role they play in employment generation, poverty alleviation rural development, and overall economic development. A continued active role of government has been affirmed and that this should primarily be through the creation of an enabling environment that combines minimum regulation with maximum openness and provides equal incentives for all enterprises.

The agenda to eradicate poverty in Malawi has to have a major component on the support to the people to enable produce much more than they are currently producing. There is indeed abundant evidence that given appropriate skills, appropriate production systems, access to credit and finance, and access to raw materials and other inputs, people are able to help themselves and raise their standards of living. At the more advanced level of enterprise development adequate support will also be provided to enable such enterprises to become innovative and to attain international competitiveness. With the necessary support formal small and medium enterprises have shown that they can meet the challenges to operate in the international markets.

The policy that has been developed aims at ensuring that Malawi can have a healthy economic environment for all enterprises to realize their potential. This will ensure that all factors affecting MSMEs operations and their competitiveness are addressed and that adequate support is available to overcome all such constraints. This implies the removal of all discriminatory practices against MSMEs in order to provide a "level playing field" as an essential policy intervention.

The government is committed to the implementation of effective support programmes for the development of MSMEs. Government will endeavour to design programmes that fully incorporate the need for services to be demand-led, business-like, sustainable, and that they are outcome and outreach oriented. The Ministry calls on the support of all donors and cooperating partners to provide financial and technical assistance in the implementation of the policies and strategies to maximize their potential to contribute to economic development.

***Hon. Kaliyoma Phumisa M.P.
Minister of Commerce and Industry***

1.0 **INTRODUCTION**

Since independence, in 1964, the Government of Malawi concentrated its efforts on the development of the large scale enterprise sector. However, during the late 1970's and early 1980's Government embarked on several initiatives in support of the micro and small enterprise (MSE) sector including the establishment of several support institutions. It is now recognized that the potential of the MSE sector has not been fully exploited due to the absence of a concise policy to guide the development and promotion of the sector. It is against this background that MSME policy has been developed.

The MSE sector offers a lot of scope for the development of the country. Some of the potential benefits that would accrue to the economy are: the creation of employment at significantly low cost; utilization of local raw materials to add value to agriculture produce; equitable distribution of income; enhancement of balanced development; serving as nurseries for medium and large scale enterprises; and promotion of entrepreneurial development and skills training. thus it is central to the Poverty Alleviation Programme.

The MSE Policy Statement covers the following strategic issues; definition of enterprise size; fiscal policy; monetary and banking policy; trade and industry matters; access to raw materials and markets; infrastructure development; and institutional framework and support services.

2.0 **OBJECTIVE OF THE MICRO AND SMALL ENTERPRISE POLICY**

The MSEs in Malawi have hitherto been operating in an unfriendly environment. The objective of the policy statement therefore, is to create a conducive climate within which MSEs can thrive.

3.0 **DEFINITION OF ENTERPRISE SIZE**

The official definition of enterprise size which came into effect in 1992 is based on three parameters, namely, capital investment, number of employees and turnover. It is prudent to use parameters that are not easily affected by macro economic factors. For instance, capital investment as a parameter based on

historical costs changes over time and therefore renders the definition out of date. In this regard, the definition of enterprise size shall be based on two parameters only, namely, employment and turnover as follows:-

| Employment | | Turnover (MK) |
|-------------|----------|-------------------------------|
| Micro | 1 - 4 | Up to 120,000.00 |
| Small | 6 - 20 | 120,001 to 4 million |
| Medium | 21 - 100 | Above 4 million to 10 million |
| Large Above | 100 | Above 10 million |

4.0 FISCAL POLICY

Background

MSEs lack knowledge and understanding of the prevailing tax system. As a result they do not appreciate why they have to pay taxes and how to benefit from various tax incentives.

Fiscal data on MSEs is not available in a desegregated from making it difficult to extract information from the same with respect to the performance of the sector.

The development of the MSME sector is threatened by initial high investment, and production costs due to the tariff structure. This creates barriers to new entrants and renders existing enterprises uncompetitive.

STATEMENTS OF POLICY

GOVERNMENT SHALL:

- 4.1 Embark on a comprehensive sensitisation programme on the tax system;
- 4.2 Ensure that data relating to the MSE sector is recorded in a segregated manner; and

- 4.3 Ensure that MSEs enjoy duty free importation of capital equipment and machinery, raw materials, spare parts and other inputs.

5.0 **MONETARY AND BANKING POLICY**

Background

The MSE sector in Malawi is experiencing limited access to credit facilities for a number of reasons. Major reasons are, demands by financial institutions for conventional forms of collateral, lack of equity funds, the apparent risk associated with MSEs, high costs of administering loans to the sector and lack of information on their performance.

STATEMENTS OF POLICY

GOVERNMENT SHALL

- 5.1 Establish a credit guarantee scheme in favour of MSEs;
- 5.2 Encourage financial institution to lend through groups;
- 5.3 Encourage establishment of venture capital funds;
- 5.4 Promote establishment of higher purchase schemes for acquisition of plant and machinery;
- 5.5 Encourage financial institutions to establish branches at district headquarters; and
- 5.6 Ensure that financial institutions maintain separate records relating MSEs such as loans and foreign exchange transactions.

6.0 **TRADE AND INDUSTRY MATTERS**

6.1 KNOWLEDGE OF EXISTING POLICIES AND REGULATIONS

Background

Most MSEs are not aware of the policy environment in which they

operate including rules and regulations that affect their activities.

STATEMENT OF POLICY

GOVERNMENT SHALL:

6.1.1 Ensure that MSEs are sensitised in trade and industry matters.

6.2 **QUALITY AND STANDARDS**

Background

The Majority of MSEs have limited knowledge on quality and standards requirements.

STATEMENTS OF POLICY

GOVERNMENT SHALL:

6.2.1 Implement a comprehensive quality awareness programme; and

6.2.2 Establish mechanisms to assist MSEs to produce high quality goods

6.3 **REGISTRATION AND LICENSING**

Background

Registration of business in Malawi is centralised at the Register General's Office in Blantyre making it difficult for MSEs, most of which are in rural areas, to register.

The Business Licensing Act (1961) provides for a minimum age of 21 whereas the Malawi Constitution stipulates 18 as the minimum age for voting purposes.

STATEMENTS OF POLICY

GOVERNMENT SHALL:

- 6.3.1 Decentralise the registration of businesses to district headquarters; and
- 6.3.2 Adjust the minimum age for business licensing purposes from 21 to 18.

6.4 INFORMATION BASE

Background

Data on MSE sector in Malawi is scanty, scattered, and outdated making it difficult to find information on which to base policy decisions.

At enterprise level, there is no information available on: investment opportunities, sources of finance and technical assistance among other due to absence of one stop service centres (information booth) in the district which can serve as focal point for dissemination of information.

STATEMENT OF POLICY

GOVERNMENT SHALL:

- 6.4.1 Establish an Information Centre in the Ministry of Commerce and Industry
- 6.4.2 Establish One Stop Service Centres in all district offices of the Ministry of Commerce and Industry.

7.0 ACCESS TO RAW MATERIALS AND MARKETS

Background

Government recognizes the need to improve MSEs access to raw materials and inputs as evidenced by the introduction, on pilot basis, of the Bulk Purchase and Distribution of Raw Materials (BUPAD) Scheme.

The MSEs are faced with the problem of a limited market for a number of reasons: low purchasing power particularly in the rural areas; stiff competition with medium and large scale enterprises; tendency to import at the expense of locally produced products; and government procurement practices.

They also experience difficulties in accessing foreign markets because of the following: complex export documentation; inability to supply large orders due to fragmented production units; and no availability of pre-and post-export financing schemes.

STATEMENTS OF POLICY

GOVERNMENT SHALL:

- 7.1 Review the BUPAD Scheme with a view to improving MSMEs access to raw materials and inputs;
- 7.2 Encourage sub-contracting arrangements between MSEs on the one hand and medium and large scale enterprises on the other;
- 7.3 promote the spirit of buying locally produced goods;
- 7.4 Review its procurement policy and practices in support of the Government Preferential Purchase Programme (GPPP);
- 7.5 Promote the establishment of Trading Houses to act as intermediaries between MSEs and the market;
- 7.6 Promote the establishment of Export Production Villages (EPVs);
- 7.7 Ensure that MSEs are aware of regulations and procedures governing bilateral and multilateral Trade Agreements between Malawi and its partners; and
- 7.8 Encourage the setting up of pre- and post-shipment financing schemes.

8.0 TECHNOLOGY

Background

Government is convinced of the important role that technology plays in the development of a country as evidenced by the development of the National Science and Technology Policy.

However, it is recognized that MSEs access to technology in Malawi is limited due to the following reasons: information on technologies available within the country and from outside sources is scattered in institutions supporting MSEs and those developing and disseminating technologies; tendency by lending institutions to finance the provision of working capital at the expense of technology acquisition; limited skills of staff of institutions engaged in technology development and dissemination.

STATEMENTS OF POLICY

GOVERNMENT SHALL

- 8.1 Promote the establishment of a technology information centre accessible to MSEs.
- 8.2 Encourage the establishment of a Technology Development Fund.
- 8.3 Strengthen the capacities of institutions involved in technology development.
- 8.4 Implement the National Science and Technology Policy.
- 8.5 Provide incentives to promote the use and or manufacture of technologies that utilise renewable energy.

9.0 INFRASTRUCTURE DEVELOPMENT

Background

Lack of proper infrastructure is one of the major problems affecting the development of the small enterprise sector in Malawi. Problems and needs of the sector in this respect encompass, lack of production premises, serviced pilots befitting MSE enterprises sizes, poor road infrastructure in the rural areas, lack of common services facilities among others.

STATEMENTS OF POLICY

GOVERNMENT SHALL

- 9.1 Encourage the development of mini industrial zones fully serviced with electricity, water, telephones and access roads; sheds factory shells; and common service facility workshops for use by MSMEs in the districts nationwide
- 9.2 Allow MSEs to operate from residential premises provided that their operations do not pose a threat to environment including undue nuisance such noise and foul odour.
- 9.3 In collaboration with Local Authorities declare specific streets as vending zones and provide the necessary infrastructure.

10.0 **INSTITUTIONAL FRAMEWORK**

Government realises the important role that an entrepreneurship culture plays in stimulating economic development.

Accordingly over a number of years the Government has nearly single-handed established a number of MSE support institutions providing various services.

This creates financial burden on the part of Government. Besides the proliferation of support institutions in some cases has lead to duplication of efforts and unhealthy competition. This warrants proper coordination to reduce wastage of scare resources and enhance efficiency and effectiveness in the delivery of services.

STATEMENTS OF POLICY

GOVERNMENT SHALL

- 10.1 Strengthen the Ministry of Commerce and Industry to enable it provide leadership policy formulation capabilities;
- 10.2 Establish a Small Enterprise Development Council
- 10.3 Streamline the functions and Strengthen capacities of MSE support institutions;

- 10.4 Encourage NGOs to participate in the activities of the sector;
- 10.5 Encourage support institutions to strive for self-sustenance;
- 10.6 Encourage the participation of the private sector and donors in supporting the development of the sector; and
- 10.7 Ensure that entrepreneurship training is incorporated into the education system.

Ministry of Trade and Private Sector Development
P.O. Box 30366
LILONGWE 3

ANNEX 4: LIST OF STAKEHOLDERS INTERVIEWED

| Name | Designation | Organisation |
|------------------------|--|--|
| Mr George Mwase | Assistant Director | Ministry of Industry and Trade |
| Mrs Nancy Mpita | Enterprise Development Officer | Ministry of Industry and Trade |
| Mr Alexander Mtsendero | Enterprise Development Officer | Ministry of Industry and Trade |
| Mr Chezani Otoniele | Trade Officer | Ministry of Industry and Trade |
| Mr J Mapira | Enterprise Development Officer | Ministry of Industry and Trade |
| Mr Simwaka | Senior Community Development Officer | Ministry of Gender, Children and Community Development |
| Mrs A Namagonya | Principal Gender Officer | Ministry of Gender, Children and Community Development |
| Mrs C Sawasawa | Deputy Director, Community Development | Ministry of Gender, Children and Community Development |
| Mr Mwandira | Principal Community Development Officer | Ministry of Gender, Children and Community Development |
| Mr Kachingwe | Principal Gender and Development Officer | Ministry of Gender, Children and Community Development |
| Mrs Mtukuso | Community Development Officer | Ministry of Gender, Children and Community Development |
| Mr Kabvuguma | Human Resources and Management Officer | Ministry of Gender, Children and Community Development |
| Mr Msefula | Director, Community Development | Ministry of Gender, Children and Community Development |
| Mr Mkamanga | Director, Gender Affairs | Ministry of Gender, Children and Community Development |
| Mrs D Munyenembe | Community Development Assistant | Ministry of Gender, Children and Community Development |
| Mr Chabuka | Chief, Gender and Development Officer | Ministry of Gender, Children and Community Development |
| Mrs J Kalimbira | Finance officer | Malawi Rural Finance Company |
| Mr Jamal Daud | Credit and Finance Officer | Malawi Savings Bank |
| Mr Chiwe Tsoka | Credit and Finance Officer | NBS Bank |

Barriers To Accessing Business Finance By Women Entrepreneurs In Malawi

IDM consulting and Associates, 2011

JULY 2011

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Acronyms

| | |
|----------|---|
| ADB | African Development Bank |
| AIDS | Acquired Immuno-Deficiency Syndrome |
| BESTAP | Business Environment Strengthening Technical Assistance Project |
| BUGS | Business Growth Scheme |
| CGS | Credit Guarantee Scheme |
| DEMAT | Development of Malawian Entrepreneurs Trust |
| DFID | Department for International Development |
| EAP | Economic Activities Programme |
| EC | European Commission |
| FMB | First Merchant Bank |
| GoM | Government of Malawi |
| GOWEs | Growth Oriented Women Entrepreneurs |
| HIPC | Highly Indebted Poor Countries |
| HIV | Human Immuno-Virus |
| IDA | International Development Assistance |
| ILO | International Labour Organization |
| MARDEF | Malawi Rural Development Fund |
| MCCCI | Malawi Confederation of Chambers of Commerce and Industry |
| MEDI | Malawi Entrepreneurs Development Institute |
| MEPC | Malawi Export Promotion Council |
| MFI | Micro Finance Institution |
| MGDS | Malawi Growth and Development Strategy |
| MIPA | Malawi Investment Promotion Agency |
| MIRTDC | Malawi Industrial Research and Technology Development Centre |
| MK | Malawi Kwacha |
| MoGCCD | Ministry of Gender, Children and Community Development |
| MoIT | Ministry of Industry and Trade |
| MPRSP | Malawi Poverty Reduction Strategy Paper |
| MSB | Malawi Savings Bank |
| MSMEs | Micro, Small and Medium Enterprises |
| NABW | National Association of Business Women |
| NASME | National Association of Small and Medium Entrepreneurs |
| NBM | National Bank of Malawi |
| NBS | New Building Society |
| ODA | Overseas Development Assistance |
| PMERA | Promotion of Micro Enterprises in Rural Areas |
| PSD | Private Sector Development |
| PSIP | Public Sector Investment Programme |
| RBM | Reserve Bank of Malawi |
| SADC | Southern Africa Development Community |
| SB | Standard Bank |
| SDIG | Skills Development and Income Generation |
| SEDOM | Small Enterprise Development Organisation |
| SMEF | Small Enterprise Fund |
| SMEs | Small and Medium Enterprises |
| ToRs | Terms of Reference |
| TWEA | Training Women in Economic Activities |
| UNDP | United Nations Development Programme |
| US\$ | United States Dollar |
| WEDGE-SA | Women's Entrepreneurship Development Gender Equality in Southern Africa |
| WID | Women in Development |
| WWB | Women's World Banking |
| YEDEF | Youth Enterprise Development Fund |

Executive Summary

This report highlights the motivating factors influencing and barriers affecting women in accessing business finance. This study is derived from the fact that women entrepreneurship could be the key to unlocking economic growth for Malawi if better and more targeted support is made available to them. The study was commissioned under Women's Entrepreneurship Development and Gender Equality in Southern Africa (WEDGE-SA) project. WWEDGE-SA is promoting women's entrepreneurship and supporting women entrepreneurs to create decent employment, achieve women's empowerment and gender equality, and work toward poverty reduction within Malawi. The projects overall objective is to create an enabling national environment for the promotion of women's entrepreneurship development and gender equality to support poverty reduction and job creation initiatives in Malawi.

The purpose of this assignment was to research the motivators and barriers to business financial access for women owned businesses in Malawi. It is anticipated that the outcome of the research will be to further direct WEDGE-SA project activities to encourage women owned businesses to access business finance to grow their businesses and provide recommendations to assist government programs to become more sensitive and open to support women entrepreneurs to access business finance for the growth of their businesses.

This study is about Growth Oriented Women Entrepreneurs (GOWEs) and targeted institutions that serve them and not necessarily those that mostly target micro-entrepreneurs. The scope of work targeted urban areas and NOT rural areas because there are limited GOWES in the rural that match the sample characteristics of the project target groups. In addition the size of the sample was determined by level of resources availed which was low for a larger sample size.

The study techniques involved the representatives of different stakeholders mainly at Government, financial service providers and women entrepreneurs themselves. This entailed under-

taking semi-structured In-depth interviews with various stakeholders as key informants as well as use of secondary data and literature review. The study targeted a survey of 20 women owned private enterprises, several representatives from MoIT and MoGCCD and 3 FIs.

Key Findings

On average the respondents have been in business on average for five years since registration with authorities and registration has been with Registrar of Businesses. The type of business for most respondents is partnerships (65%) and sole proprietorship (35%). The average initial capital injection is MK400000 (US\$2631.6) which ranged from MK100,000 (US\$657.9) to MK1,500,000 (US\$9868.40). The average annual turnover ranged from MK1,500,000 (US\$9868.40) to MK36,000,000 (US\$236,842). The main motivating factors that inspire women entrepreneurs in seeking business finance are:

- a) Economic situations and pressures: with liberalization, increasingly there is recognition and feeling by everyone that they go into business and contribute to family to diversify sources of income to absorb economic pressure.
- b) Personal interests of women: Most women have passion for what they are doing and are persistent in their pursuits.
- c) Improve service delivery: Some of the respondents underscored the motivation of bringing efficiency and quality to their business as driver to seek more financial support (55%).
- d) Opportunities to grow their business: There are always opportunities existing in the environment which remain untapped.
- e) Business experiences regarding financial constraints: Financial constraints to grow the business inspire the prospects of seeking additional capital injection.

In terms of barriers, there are numerous constraints relating to accessing business finance as follows:

- a) SME ideas are not taken seriously: There is limited convergence in terms understanding and knowledge of what the SMEs aim at and what the banks deem as viable.
- b) Lack of knowledge on business registration:

Due to limited knowledge on implications for registration of businesses, most women delegate registration to their spouses hence ownership of such businesses eludes them or end up being partnerships.

- c) Collateral demand by banks: Women are less likely to own property, adding to the difficulties faced in using existing capital as collateral. Women do not have right to title deeds of family properties since properties are registered in men's names.
- d) Use of banking jargon scares away prospective women borrowers: The requirement of providing preliminary documentation such as cash flows and other prerequisite financial statements are too much for an upcoming entrepreneur seeking to get established.
- e) Limited skills and knowledge of FIs about SMEs: Financial institutions do not have skills and knowledge on the financial requirements of the SMEs.
- f) Higher level of limited business skills and business administration: Most women entrepreneurs have limited capacities to run their businesses professionally in terms of understanding customers and customer base, research, proper and meticulous record keeping.
- g) Limited and weak women business associations: There are limited and weak structured and functional business associations.

regard to policy, there are various policy instruments in place that affect the development of the SMEs in general and women entrepreneurs in particular, namely:

- a) Government of Malawi has opened up to many players with the deregulation of Banking Act.
- b) Existing SME policy is deemed inadequate in the current business environment and needs to be updated in order to remain dynamic.
- c) There are law reforms in the offing such as allowing use of chattels and other movable property as collateral. Microfinance Act is part of the endeavour to deepen and regulate environment for the benefit of the SMEs.
- d) Demand for registration of businesses to have physical addresses is making financial institutions feel safe although at the peril of SMEs.
- e) There is no directory of women owned business and this is compounded by the limited and weak women business associations.

In conclusion, SMEs in general and women entrepreneurs in particular have a limited access to business finance as well credit facilities as financial in-

stitutions demand conventional forms of collateral. The demand for security as well as accompanying rigorous application process eludes the ability and motivation of most women entrepreneurs to access business finance vital for their businesses' vibrancy. Financial institutions consider SMEs as high risk causing high transactions cost. A majority of the women entrepreneurs acknowledge having limited knowledge on quality and standards requirements. Data on the SME sector is scanty, scattered and outdated making it difficult to find information on which to base policy decisions. This is compounded by the fact that for most individual females score lower in key attributes such as education, formal employment, and being head of households which in turn are key in accessing formal finance.

The preceding situation has been aggravated by factors inherent in women entrepreneurs, lapses in government policy to regulate and enable smooth functioning of SMEs and financial institutions being non-responsive to SMEs' plight as potential clientele base for them. Thus the interventions will entail addressing the various layers of key stakeholders with fundamental role in the continuum of SMEs operations.

Based on the findings and analysis, the following recommendations are drawn at Government and Financial institution levels.

- a) Government
 - Government should develop sustainable more friendly women empowerment efforts for women entrepreneurs.
 - Government should develop "trading houses" as business premises on subsidized rental for women to broker the demand for physical address which most women entrepreneurs fail to meet loan requirements as they run mobile businesses.
 - There should be a systematic inventory of SMEs in order to keep track of them including regular reviews and updates of such inventories.
 - Government should encourage the formation of strong Women Entrepreneurs Associations as vibrant platforms for championing the interests of women in business
- b) Financial institutions
 - Banks should broker financial literacy services to SMEs
 - Financial institutions need to have skills and products that prepare, develop and nurture women SMEs as savers

- Financial institutions should embrace a function of mentoring practice to oversee the

business including restructuring what the business plans to implement.

1.0 Background

Women entrepreneurship could be the key to unlocking economic growth for Malawi if better and more targeted support is made available to them. Improving female levels of self-employment is imperative and interventions aimed at increasing female participation in the SME sector are an important strategy for economic development in the Malawian context. The Women's Entrepreneurship Development and Gender Equality in Southern Africa (WEDGE-SA) project is promoting women's entrepreneurship and supporting women entrepreneurs to create decent employment, achieve women's empowerment and gender equality, and work toward poverty reduction within Malawi. The projects overall objective is to create an enabling national environment for the promotion of women's entrepreneurship development and gender equality to support poverty reduction and job creation initiatives in Malawi.

The financial environment has the potential to impact significantly on the capacity of women to start, formalize and grow viable enterprises. Many women enterprises remain informal, small, less-productive and engaged in indecent job creation owing to barriers in access to business finance. Limited access by most of the rural population to productive assets, including land, modern technology, and financial capital, suggests that any further contribution by agriculture to income and employment is rapidly approaching its limits. Off-farm alternatives are indispensable.

The Women's Entrepreneurship Development and Gender Equality in Southern Africa (WEDGE-SA) project is promoting women's entrepreneurship and supporting women entrepreneurs to create decent employment, achieve women's empowerment and gender equality, and work toward poverty reduction within Malawi. The project's overall objective is to create an enabling national environment for the promotion of women's entrepreneurship development and gender equality to support poverty reduction and job creation initiatives in Malawi.

1.1 Objectives of the research

The purpose of this assignment was to research the motivators and barriers to business financial access for women owned businesses in Malawi.

1.2 Outcomes

It is anticipated that the outcome of the research will be to further direct Women's Entrepreneurship Development and Gender Equality in Southern Africa (WEDGE-SA) project activities to:

- Encourage women owned businesses to access business finance to grow their businesses.
- Provide recommendations to assist government programs to become more sensitive and open to support women entrepreneurs to access business finance for the growth of their businesses.

2.0 Conceptual framework

At the national level in its efforts to contain poverty Malawi developed various policy documents and instruments which include the Vision 2020 (2000), the Malawi Poverty Reduction Strategy Paper (MPRSP) (2002) and from 2006 the Malawi Growth and Development Strategy (MGDS) was put in place as an overarching policy document. The Public Sector Investment Programme (PSIP) represents the reference points for development planning and investment in the country. The PSIP provides a framework for planning and scheduling investment projects in the light of long-term Government objectives and short-term macroeconomic constraints. In this context, it is used as a screening mechanism for verifying that projects conform to Government priorities and that design standards are followed to aid the efficient and cost effective achievement of objectives. Hence, as a programming tool, PSIP facilitates the scheduling of investments for consistency with overall and sectoral expenditure ceilings as well as absorptive capacity within each sector.

Under its various trade liberalization programs, Malawi has put considerable emphasis on the private sector as the engine for growth and development. However, despite a reformed policy environment, private enterprises, especially those of small and medium size, find it difficult to take advantage of the new opportunities. The constraints include: unpredictable macroeconomic environment; lack of working capital and medium-term finance; restrictive hiring and firing regulations; increased competition from cheap imports; inadequate telecommunications infrastructure; a legal, regulatory, and judicial environment that is slow, costly and

uncertain; limited market opportunities; high levels of taxation; and inadequate access to reliable power and water.

Limited access by most of the rural population to productive assets, including land, modern technology, and financial capital, suggests that any further contribution by agriculture to income and employment is rapidly approaching its limits. Off-farm alternatives are indispensable.

A key obstacle to the growth of small and medium scale enterprises (SMEs) globally is the challenge in accessing capital for their businesses. This obstacle to growth seems to affect women owned SMEs even more as there is limited data and information regarding the business potential of women entrepreneurs. Current existing data about women entrepreneurs is mostly based on microfinance, a very specific market segment which does not necessarily reflect how women entrepreneurs behave in the SME market, where commercial banks typically focus. Recognizing the need to have clear data on the women owned SME sector, ILO initiated barriers to access business finance baseline data collection.

The significance of the WEDGE-SA derives from the fact that a number of hurdles affect the status of women from different fronts. For example, although job opportunities open up, but women often remain trapped in insecure, low-paid positions. Women are also disproportionately represented in part-time, seasonal and short-term informal jobs and therefore are deprived of job security and benefits. Occupations continue to be gender-specific, and female dominated positions tend to be characterized by inferior status, lower pay and poorer working conditions. Although well-educated women have advanced and the share of women managers is increasing, most women remain in low-status, less valued jobs and face greater barriers to higher level positions. As a result, women have greater difficulty translating their labour into paid work and their paid work into higher, more secure incomes.

Thus to ensure long-term improvement of status of women entails improved access to business finance. Malawi has a blossoming financial system consisting of a central bank, 11 commercial banks, 1 development finance institution, one saving institution, five leasing companies, one finance company, several insurance companies, and a number of pension funds. The Reserve Bank of Malawi (RBM) is responsible for ensuring monetary stability, maintaining a sound financial system, managing foreign exchange, serving as lender of last resort to the

banking system, and acting as advisor to the government on monetary affairs. The RBM regulates and supervises the activities of banks and financial institutions, and is responsible for the processing of their applications for licenses and registration.

Albeit diverse financial system, cost of finance remains high mainly as a result of lack of competition among financial institutions. Most of the established institutions in the financial sector in Malawi are tied directly or indirectly to Government or state-owned enterprises. As a result, the financial sector is highly concentrated, resulting in high margins and lack of competition in the range of services and financial instruments offered. Banks and development finance institutions exhibit a preference for lending to larger and more established institutions. In recent years, there has been an evolution of credit schemes tailored to small and micro enterprises, but these charge concessional rates of interest that have distorted the market. Although these institutions have brought relief to some profitable businesses, many have encouraged business ventures that would not be sustainable if commercial rates of interest were charged.

There is a whole range of complex procedures and collateral or equity requirement from banks. Formal financial institutions require that the borrower pledges tangible immovable assets, such as land, as security for the loan. These are assets which most SMEs by their very nature, do not have. If they have land, it might not be secured through formal ownership title. As a result, banks will not accept such land as security. Equity contribution ranges from 20 to 35 percent of total project or loan requirement.

2.1 Government of Malawi efforts in support of SMEs

Government of the Republic of Malawi (GoM) recognizes the vital role that the Private Sector plays in the socio-economic development of the country in particular the important role which small and medium enterprises (SME) play in the economic development of the country. Government commitment towards the development of the SME sector has been seen through a number of national initiatives since 1990s. The following are some of efforts made by the Government in support of the SME sector:

- a) The Government created a number of SME support institutions which include the Malawi Industrial Research and Technology Development

Centre (MIRTDC), the Development of Malawian Entrepreneurs Trust (DEMAT), the Small Enterprise Development Organisation (SEDOM), Malawi Entrepreneurs Development Institute (MEDI), Malawi Export Promotion Council and the Malawi Investment Promotion Agency (MIPA).

b) The Government supported the establishment of SME support institutions in the private sector including several non-governmental organisations (NGO) such as the National Association of Small and Medium Enterprises (NASME) under the Chamber of Commerce and Industry, National Association of Business Women (NABW), Malawi Union of Savings and Cooperatives (MUSCO), Malawi Rural Finance (MRFC), and several skills training centres under NGOs.

c) Establishment of SME financing windows in lending institutions such as the defunct Malawi Development Corporation (MDC), SEDOM, Investment and Development Fund (INDEFUND), etc.

d) The Government of Malawi/UNDP established the 5th Country Programme (1992-1996) to support SMEs in credit, technology, policy issues, marketing, training, etc.

e) The Government established the Enterprise Development and Employment Creation Programme (1997-2001) to facilitate the development of the SME sector.

f) The Government established the Small Enterprise Development Programme and the Small Scale Industrial Unit (SSIU) in the Ministry of Commerce and Industry.

d) The Government established the Small and Medium Enterprise Fund (SMEF) to finance SME activities.

As regards women, Government has made various efforts to support women entrepreneurs particularly at micro-levels. This has remained the springboard to launch women empowerment which has seen the thriving of growth oriented women entrepreneurs (GOWEs). This drive has mainly been through MoIT and MoGCCD as elaborated below.

2.1.1 Ministry of Industry and Trade

In the late 1990s, the Government implemented the Women in Development programmes. From 1993 to 1997, Government implemented Small Enterprise Development Programme through MoIT which had a credit component packaged as credit guarantee scheme (CGS). This programme's target clientele was such that 60% of the clients were women. A successor programme, Enterprise Development and Employment Creation Programme, followed imple-

mented from 1997 to 2002. With support from United Nations Development Programme (UNDP), Government facilitated the creation of PRIDE Malawi in 1998.

Through the Ministry of Industry and Trade (MoIT), Government has led the role in the development of a policy and institutional framework for Private Sector Development (PSD) as well as dealing with some of the identified constraints that deter its development and growth. Within the same context of private sector development, the GoM received a grant from the International Development Association (IDA) of the World Bank and the European Commission (EC) to finance activities of the Business Environment Strengthening Technical Assistance Project (BESTAP) to assist MoIT to achieve its goals. The Business Growth Scheme (BUGS) was set up to facilitate the maximum possible growth and increase productivity within private sector firms by offering the following services to private sector firms in Malawi:

(a) Direct technical assistance: This includes the use of a simple business diagnostic aimed at assisting the interested firm identify key business growth constraints, opportunities available, possible solutions, and, thereby start to develop a business growth plan.

(b) Matching grant assistance: Where more specialized help is required, to address specific needs in a given firm's growth plan, BUGS provides 50% matching grants, of up to a maximum of US\$50,000. Matching grants to assist firms engage consultancy services and other Business Development Services aimed at overcoming business growth constraints. For example, activities supported include; preparation of business plans, improvements in product quality and quality controls; product design; advertising planning; market research; business related training, setting up proper business records including book-keeping and accounting systems.

(c) Grants for on site-HIV/AIDS counselling and testing: Under this grant support, the Scheme offers financial assistance to those enterprises that are willing to encourage their employees undertake voluntary HIV/AIDS counselling and testing. This is aimed at fighting the spread of HIV/AIDS, mitigating its impact on a firm's productivity and its personnel, and, to also eliminate the related stigma at the workplaces.

The BUGS began operations in May 2008 and has to date made significant progress in assisting Micro, Small and Medium Enterprises, MSMEs across the country.

2.1.2 Ministry of Gender, Children and Community Development

MoGCCD has been involved in economic empowerment of the community, particularly women as early as the 1970. That originated from the Home Craft Programme in the Ministry. As the women displayed their products, it was felt necessary to sell them as well as a way of generating income other than just making them for family use. Thus there was a shift from mere emphasis on welfare approach to one which encompassed income generation. Home craft activities alone could not suffice to generate all the income. Hence, diversification crept in through different projects as follows.

Promotion of Micro-Enterprises in Rural Areas (PMERA): The project was implemented in Mangochi, Nkhotakota and Rumphu in the early 1990s with funding from the German Government through GTZ. The project mobilized communities into savings and credit clubs whereby it was promoting savings within groups which were lent out to individuals at prescribed interest and repayment period. The project had a credit component under a Credit Guarantee Scheme (CGS) which was supported by GTZ and was operated through Standard Bank. Once clubs had demonstrated acquisition of knowledge and skills in credit matters, they were free to access loans from Standard Bank to support their bigger businesses. Besides the executive committees, the clubs had a loan committee which took care of loan/credit issues. The repayment rates in all the three projects were very good.

Training Women in Economic Activities (TWEA): TWEA was implemented in Thyolo, Zomba, Kasungu, Mchinji and Nkhata Bay districts with funding from the British Government through ODA/DFID. Its emphasis was on savings mobilization. This entailed intensive capacity building in business and credit management in the project districts involving members of staff as well as the target beneficiaries. The project did not have a credit fund. The expectation was that once groups had acquired skills in savings mobilization through intra-group lending, they would be linked to financing institutions. However, the FI were not readily available or were not willing to lend to such women as they did not have collateral.

Women in Development (WID): The project was implemented in Chikwawa, Mwanza, Machinga, Salima, Dowa, Ntchisi Chitipa and Karonga. The Ministry implemented the project through a Project

Management Unit with funding from African Development Bank (ADB). The project worked through groups where emphasis was on capacity building in group dynamics and business management. It also emphasized on savings mobilization. It had a credit component which was operated through Malawi Savings Bank. Five million Malawi Kwacha worth of loans were disbursed but the repayment was very poor.

Economic Activities Programme (EAP): The programme was implemented in the mid 1990s after the Ministry realized that the previous project approach was not very helpful as it was targeting a few districts while leaving out others. Besides, the project approach meant that resources were scattered, thus economies of scale could not be exploited. Against this background, the EAP was conceived. The programme was funded by the German Government through GTZ and the British Government through DFID. Since the programme was born from PMERW and TWEA efforts, initially, the programme targeted the districts that implemented the two projects namely: Mangochi, Nkhotakota, Rumphu, Thyolo, Zomba, Kasungu, Mchinji and Nkhata Bay. Its emphasis was on capacity building which was derived from the TWEA Project, but it did not have a credit component so it depended on linking the beneficiaries to FI. The expectation was that resources would be identified to roll out to the rest of the districts, which did not happen since donors did not show interest in the initiative apart from DFID and GTZ.

There has also been a training component through the Economic Activities Programme (2000-2004) which was supported by Department for International Development (DFID) of the UK and GTZ. The capacity building offered by the programme enabled them to do well especially in loan repayment. Districts such as Kasungu, Thyolo, Mangochi and Mulanje performed particularly well. Between 1996-2000, through ministry of Gender Children and community Development, Government implemented Population, Health and Nutrition Project (PHN) to reach women in the districts. This was also done through a CGS operated through National Bank of Malawi. Unfortunately, due to high non-repayment rates, the project collapsed. There was a follow-up project (2002-2004) through the similar mechanism of CGS but in collaboration with Standard Bank (SB) and Malawi Savings Bank (MSB). This benefited from resources from Highly Indebted Poor Countries (HIPC) funds. This collapsed mainly

because of political interference in the administration of the project including the funds.

Currently MoGCCD is implementing the Economic Empowerment Programme but without any donor support. However, efforts are being made to sell the programme to donors.

Skills Development and Income Generation Project (SDIG): The project succeeded the WID/ADB Project and it was implemented in the 8 districts that WID/ADB. It emphasized savings mobilization and also had a credit component which was operated through PRIDE Malawi. It was also implemented through a PMU. The project operated from 2003 to 2009.

2.1.3 Policy

In terms of policy environment, there have been various programmes. Economic Activities Programme instilled capacity development among entrepreneurs. The Malawi Confederation of Chambers of Commerce and Industry (MCCCI)'s role has also been galvanized by supporting SMEs in expanding their exposure to international markets through participation in trade fairs locally and internationally. This has entailed for example, supporting Women in Business Fairs in the SADC for GOWEs by supporting transport and allowances and escorts to accompany groups of business women to such fora.

Through Small Enterprise Fund (SMEF), the Reserve Bank of Malawi supported SEDOM, DEMATT, INDE Fund, Women's World Banking (WWB), National Association of Business Women (NABW), and National Association of Small and Medium Entrepreneurs (NASME). The majority of beneficiaries of these institutions were women.

Other current Government efforts in supporting SMEs include Malawi Rural Development Fund (MARDEF) and Youth Enterprise Development Fund (YEDEF).

In terms of Technology policy for SME sector, Malawi does not have explicit technology policies addressing the needs of the SME sector. However, the country has provided support through funding of operations, equipment and machinery, and provision of business premises to institutions whose sectoral policies support the SME sector. Such institutions included MIRTDC, MEDI, DEMAT, SEDOM, etc.

Technology policy instruments that exist have been formulated and made available across the industrial sector. Due to lack of explicit policies targeting the SME sector, the trend is that the SME sector competes with the Large Scale Enterprises (LSEs) in sourcing funding, investment opportunities, production, markets, technology acquisitions, land acquisition, licensing, etc., thereby strengthening industrial competition rather than collaboration and integration. Due to lack of adequate capacity and capability, most SMEs become uncompetitive and the trend is that the majority of SMEs invest in trading rather than in manufacturing. This situation is unfavourable for sustained national development and economic growth.

Despite the unwavering level of effort to uplift SMEs, the major setbacks lie in policy contradiction and political interferences in the initiatives that seek to empower women entrepreneurs.

3.0 Scope of the work

In terms of time and geographical boundaries of the study, the study spanned urban women small and medium entrepreneurs comprising the WEDGE target group as mentioned under 4.1.2. This study is about Growth Oriented Women Entrepreneurs (GOWEs) and targeted institutions that serve them and not necessarily those that mostly target micro-entrepreneurs.

There are variations in definition of SMEs between Government and Business Development Service providers and financial institutions.

The scope of work targeted urban areas and NOT rural areas because there are limited GOWES in the rural that match the sample characteristics of the project target groups.

In addition the size of the sample was determined by level of resources availed which was low for a larger sample size.

4.0 Methodology

4.1 Methodological Approach

4.1.1 Study Approach

In recognition of the broad spectrum of stakeholders in the financial sector as well as those of the MGDS as the overarching national policy instrument, the study employed a variety of techniques, which were principally participatory in nature, to collect data and analyze and assess the key factors

that enhance or hinder access to business finance for women entrepreneurs. The techniques involved the representatives of different stakeholders mainly at Government, financial service providers and women entrepreneurs themselves. This entailed undertaking semi-structured In-depth interviews with various stakeholders as key informants as well as use of secondary data and literature review.

Thus the study targeted a survey of 20 women owned private enterprises, several representatives from MoIT and MoGCCD and 3 FIs (See Annex 2). The enterprises were of various types. They included Guard Services, Hardware and General Supplies, Fashion Shops, Bookshop, Printing and Stationery, Boutique, Pharmacies, Clinic, Service Stations, Lodge, Butchery, Transport and Processing.

The purpose of the survey was two-fold. Firstly, to assess the motivators and barriers facing different types of women entrepreneurs as well as financial institutions in order to encourage women owned businesses to access business finance to grow their businesses. Secondly, to provide recommendations to assist government programs to become more sensitive and open to support women entrepreneurs to access business finance for the growth of their businesses.

This assessment involved both the identification and ranking of the motivators and constraints using a checklist that guided data collection (Annex 3). The first part sought to gain a better understanding of the environment in which the entrepreneurs operate from the owner's perspective. The entrepreneurs were asked to identify the motivators and impediments to access business finance and better use of its productive capacity. This enabled the survey team and the entrepreneur to establish a good rapport and a broader perspective within which the detailed questions could be understood. Subsequently entrepreneurs were asked to rank the motivators and constraints they initially identified and each was discussed in more detail. Because of the need to gather information on key motivational and impeding factors, the aspects known best to upper management, interviews were scheduled whenever possible with the proprietors.

4.1.2 Description of the sample

The survey was conducted on a purposeful selected sample of 20 women entrepreneurs that were identified through interface with key financial service providers, namely, National Bank of Malawi (NBM),

New Building Society (NBS), and First Merchant Bank (FMB) in consultation with the project holders. This was augmented by key informant interviews with players in the financial service providers as indicated in stakeholders map in Annex 4. Because of the nature of the survey, which required considerable cooperation on the part of proprietors, it was not possible to choose the sample randomly. For enterprises to participate in this survey, they were first in the category of medium or small enterprises. The following were the eligible factors for selection:

- Minimum of 2 years doing business
- Minimum turnover of US\$6,667 equivalent to MK1,000,000 at exchange rate of US\$1 : MK150 (as at whichi date)
- Registered in some for a minimum of 1 year with Registrar of Businesses, Ministry of Trade or Local Council
- At least 50% ownership or management by a woman

Furthermore, the limited resources available for the survey meant that it had to be exploratory rather than definitive with respect to its statistical reliability.

4.1.3 Stakeholder Map

This was the envisaged stakeholders map for the study. There is limited clarity in terms of defining who does what precisely in term of facilitating access to business finance. The selection of stakeholders to be consulted had been motivated by the desire to balance up geographical and sectoral representation at SME scale at national levels. Subsequently, the sampled financial service providers had been matched by the "must visit" list by nature of the products they have for SMEs. As for the Government, this had been guided by the "must be visited sectors" list as well as the background documentation which highlighted the relevant sectors as significant in the programme. The list was as below:

- Financial service providers: The team visited selected financial institutions mainly commercial banks - NBM, NBS, and FMB. Microfinance institutions were not considered because often GOWES do not use them.
- Government of Malawi: The team envisages consultations with Ministry of Trade and Industry and Ministry of Gender, Community and Child Development.
- Selected enterprises based on defined criteria in Lilongwe and Mzuzu

4.1.4 Research Procedures

The research involved the following steps:

- Conducted preliminary interviews with government officials, business people, and representatives of the financial service providers to gather primary data
- Reviewed literature in relation to business finance at national level
- Analysis of data collected and preparation of interim and final reports
- Frequent consultations made with Study Focal Point to assure relevance and usefulness of survey results to national policy.

4.1.5 Risks and potential shortcomings

There is general tendency often times to delegate staff to address consultants while the core people central to the programme are assigned other tasks which equally results in getting limited perspectives about the programme contributions. However during data collection, the study did not encounter this as intended stakeholders' representatives were actually met although there was some degree of limited availability of possible contacts in some stakeholders.

To deal with the prospect of inadequate response rate, the study ensured broad spectrum of stakeholders to be consulted. In addition, as much as possible, advance confirmation was made with key people from the sampled stakeholders. Overall the study kept a focus on the GOWE target group to effectively manage the scope.

4.2 Analytical approaches

The data collection tools to be used in the study generated data mainly in qualitative form. Literature provided most of the quantitative data. Qualitative data included the responses of structured survey questions and interviews with key informants in sampled institutions and sectors consulted across the terrain of financial services providers.

Therefore, the data analysis was done at various levels. Data collected through key interviews was analyzed, critiqued, processed and summarized based on key domains/issues which were established during literature review, the field survey, and interview notes. Thus for analysis and presentation of findings from the study, the team used a mixture of synthesis, elements of storytelling, content analysis, pattern analysis, and key word analysis.

5.0 FINDINGS AND DISCUSSIONS

5.1 Introduction

The sections that follow present findings and analysis of the existing situation in the programme impact district by specific study issues based on the objectives as spelt out in the terms of reference (Annex 1) for this study. The analysis takes into account views of women entrepreneurs themselves, financial institutions as services providers and government representatives. The findings are organized in relation to objectives and envisaged outputs as espoused in the ToRs; they are a representation of the input of key informants and women entrepreneurs as well as researchers' analysis augmented by the literature review in the course of the study.

5.2 General Aspects

On average the respondents have been in business on average for five years since registration with authorities and registration has been with Registrar of Businesses. The type of business for most respondents is sole proprietorship (35%) and partnerships (65%). The average initial capital injection is MK400000 (US\$2631.6) which ranged from MK100,000 (US\$657.9) to MK1,500,000 (US\$9868.40). The average annual turnover ranged from MK1,500,000 (US\$9868.40) to MK36,000,000 (US\$236,842).

5.3 Motivators inspiring women entrepreneurs to access business finance

There are various factors that were cited by respondents as inspiring to them in seeking business finance, namely in order of significance as expressed by respondents:

f) Economic situations and pressures: with liberalization, increasingly there is recognition and feeling by everyone that they go into business and contribute to family to diversify sources of income to absorb economic pressure. As a case in point some respondents pointed out that 'man' alone cannot bear the situation hence the coming in of women entrepreneurs to augment the efforts of husbands (80%).

g) Personal interests of women: Most women have passion for what they are doing and are persistent in their pursuits. They are hard working and work with a vision with great passion (60%).

h) Improve service delivery: Some of the respondents underscored the motivation of bringing

efficiency and quality to their business as driver to seek more financial support (55%).

i) Opportunities to grow their business: There are always opportunities existing in the environment which remain untapped encouragement from society to grab the opportunities become impetus for them to grow their ventures (35%).

j) Business experiences regarding financial constraints: Financial constraints to grow the business inspire the prospects of seeking additional capital injection (20%).

5.3.1 Factors affecting motivations/catalysts

Size is one single factor that was identified as critical in the catalysts for seeking business finance as it relates to level of competition to be edged off. Expertise of the owners/entrepreneurs was deemed key in order to keep abreast with the trends in the type of business run.

5.4 Barriers facing women entrepreneurs in accessing business finance

Women entrepreneurs are faced with numerous constraints relating to accessing business finance. The following are the dominant ones.

i) SME ideas are not taken seriously: There is limited convergence in terms understanding and knowledge of what the SMEs aim at and what the banks deem as viable. Commercial banks are aware of criticisms levelled against them for not supporting budding entrepreneurs despite SMEs having formulated sound business proposals. The SMEs most often get frustrated by hostile reception they get once they present their business proposals to financial institutions. One entrepreneur remarked, "...often when ideas are taken to the banks, just because you are a small fish, the reception is not good...You can almost read the mind of the bank officer saying this guy is wasting my time..." Sometimes even the cash flows demanded are not necessarily the real stuff on the ground as it does not match the truth about the product on the market. Several studies have suggested that it is both more difficult for women to raise recurrent finance for business ownership and that women encounter credibility problems when dealing with bankers .

j) Lack of knowledge on business registration: Due to limited knowledge on implications for registration of businesses, most women delegate registration to their spouses hence ownership of such businesses eludes them or end up being partnerships. Thus for identification purposes, the financial

institution requires third party assurance hence the registered owner has to sign for the facility. This was confirmed by one of the bank official consulted. The same applies for security as in c) below.

k) Collateral demand by banks: Women are less likely to own property, adding to the difficulties faced in using existing capital as collateral. Women do not have right to title deeds of family properties since properties are registered in men's names. In addition, most women are generally cautious to take risks. Among institutional factors explaining skewed gender differences in access to business finance are property right restrictions for women. Such restrictions include requirements for married couples to obtain their spouse's signature and approval for all banking transactions . Women can also be affected by a husband's adverse credit history, which might require his wife to repay the debt or be denied credit. However, it is common that most properties are owned by men.

l) Market niche is generally small: Market for most SMEs is not cosmopolitan and hence tends to shy away from quality to quantity. This limited market has implications in terms of servicing loans as entrepreneurs tend to delve into other sources of income to service the loans such as rent and drawings from other lines of petty businesses. This has the net effect of eroding the savings portfolio of the entrepreneur.

m) Use of banking jargon scares away prospective women borrowers: The requirement of providing preliminary documentation such as cash flows and other prerequisite financial statements are too much for an upcoming entrepreneur seeking to get established.

n) Limited skills and knowledge of FIs about SMEs: Financial institutions do not have skills and knowledge on the financial requirements of the SMEs.

o) Ethics peculiar to certain businesses not amenable to business culture: Some policies of financial institutions are deemed alien as they are not compatible with existing market environment. For example, businesses such as running clinics are regulated by institutions and statues that are least understood by banks to the extent that issues presented from that perspective are far more detached from banking contexts. Similar citations have been made of sprouting tourist lodge businesses.

p) Venturing out alone in unfamiliar territory: there is generally clouding and dominance in given business trades as most entrepreneurs lack creativity to develop their unique niche.

q) Higher level of limited business skills and business administration: Most women entrepreneurs have limited capacities to run their businesses professionally in terms of understanding customers and customer base, research, proper and meticulous record keeping, principle of business being separate from self, and distinction of profit from expense. These aspects are thoroughly grounded in basic financial literacy. This compounded by poor presentation skills and approaches where they 'pretend to look humble in describing their businesses'. This derives from a number of factors such as high illiteracy, limited educational background, experience and exposure in business circles all of which work against them. These factors compound the difficulty of making presentations of plans/documents to validate evidence of their businesses.

r) Lack of track records of SMEs transactions with the bank: Regular bank transactions (payments and deposits) count towards the history of the business accounts which banks consider as one of the aspects that strengthen client vibrancy. However, most entrepreneurs do not necessarily use their accounts consistently for their business transactions.

s) Limited and weak women business associations: Women's business networking is key in building business relationships. Associations are viable platforms for women entrepreneurs to better understand and draw upon the issues of demonstration of commitment, trust building, reciprocity, information sharing and cooperation which lead to the building of social capital, in order to maximise the effectiveness of their business network activity. However, in Malawi, there are limited and weak structured and functional business associations.

t) Rigorous and protracted processes of secur-

ing a property for collateral: For a property to be secured as collateral it takes too long especially as it involves third parties mainly Government in the Department of Lands and Housing. As a case in point, between November and December 2010, the responsible authority in Lands, the Lands Commissioner travelled and this resulted in a backlog of applications. Apart from bearing the associated costs of the application, this had the effect of further delaying the entire loan application process. This is certainly not in tandem with the commercial objective of the financial institutions as well as the loan applicant. This manifests the cost of security versus commercial expediency rating to zero because of government bureaucracy. In simple terms, the undue long process of developing charge over property results in loss of business income.

The study established that the processing time for first loan applications from application to approval/disbursement ranged from 1 month to 4 months. Subsequent repeat loan applications have taken between 4 days to one and half months.

u) Lack of business premises to operate from: Rent constitutes a significant running cost for most businesses and yet banks require that loan applicants should have physical address for their operations.

5.4.1 Evidence and illustration of an array of barriers at work

As a result of intertwine of these preceding factors, the study attempted to show some empirical evidence to support the emerging picture as impact of sets of barriers.

BOX 1: From one of the commercial bank's branch, for the past 12 months (July 2010-June 2011) they had received about 250 applications from SMEs. The following is the analysis:

225 men and women accessed the loans representing 90%

Of the above only 20 SMES were run by women representing about 9% of the successful applicants

Range that men accessed was between MK500,000 to MK100,000,000 while women accessed between MK500,000 and MK5,000,000.

Of the 25 rejected applicants 20 were men representing 9% of men applicants while 5 were women SMEs applicants representing 20% of women applicants.

The main reason for rejection of application ranged from low account turnovers to lack of tangible security.

The analysis to the above statistics means women are more risk averse or have little knowledge of finances or are still not independent of their husbands. Most of those Women SMES were either widows or children who have inherited the husband or father's estates.

SMEs are businesses, according to the bank classification, which borrow up MK100m and employ up 250 staff

BOX 2: One of the banks gave the following information:

| GENDER | AVERAGE LOAN (MK) | PERCENTAGE |
|--------|-------------------|------------|
| Women | 501,770 | 34% |
| Men | 556,779 | 66% |

Reasons for rejection included in that order of significance (a) Lack of Security, (b) Low profits made relative to the required minimum benchmark by the bank, (c) Sometimes failure to have complete registrations like business Licenses (e.g. a butchery without food license and Timber business without timber selling license, etc.), and (d) Inconsistent ownership documents. For instance, woman registering their business in the name of the husband which de jure requires FI recommend to the woman applicant to change the application in favour of the one whose documents shows owns the business.

5.5 Gaps in convergence between women entrepreneurs and financial institutions

There are various factors at play which separate understanding between SMEs in general and women entrepreneurs per se and financial institutions. Some of these include:

- a) Financial institutions fear SMEs as very risky. This stems from different factors. Financial institutions do not understand women and they have not created structures to support women mainly due to apathy over the years. However, there is rudimentary effort in this regard from one of the commercial banks, namely, NBS which has been supporting women-owned SMEs in the last two years.
- b) Women are taken as weak characters. There is the tendency to underrate the capacity of a woman to do something and this misconception is deep rooted. A woman is not supposed to be a household head hence business is supposed to be a man's game. Yet the reality is that if a woman sets a goal, she sets aim at it unwaveringly.
- c) Women have been treated as ineligible entities in as far as ownership and control of property and resources is concerned.
- d) Rigidities of the financial institutions in terms of collateral issues. Financial institutions defend their position by alleging that the law does not allow them to support SMEs. One of the major commercial banks, NBM, recently defended its position by explaining that as a registered bank, it is ordinarily not allowed by its licence to engage in the provision of start-up or seed capital except probably in exceptional circumstances when there is appropriate security.
- e) Lack of assertiveness and self-esteem: There is a syndrome of women not believing in themselves. Women do not have the confidence that they can access loans due to a number of factors. They are mostly endowed with low basic education which limits their business and financial literacy.

- f) Banks lack track records of most SMEs. This was acknowledged by one of banking captains in admitting that currently there is no reliable data on SMEs .

5.6 Perceptions about Government relating to SMEs

There are various perceptions held by women SMEs about Government. Some of them include the following:

- a) There has been no deliberate policy to promote entrepreneur culture in Malawi. There is limited explicit entrepreneur culture across the fabric of society. Thus the business acumen is weak and most people do business by default more than by design since the enabling environment is weak and hostile. This is manifested in the fact that the National Budget is fundamentally a social budget that treats the rest of the sectors as secondary and periphery to the national agenda despite pronouncements such as 'private sector is the engine of growth'.
- b) Supportive programmes emerging: BUGS programme is an indication that government is moving in the right direction in supporting SMEs although the 50% contribution for capacity building is relatively higher for the upcoming SMEs. In addition, BUGS needs to go more women through increased publicity to sensitize them to tap into it.
- c) Reduced central bank rates: Central Bank lending interest rates to commercial banks have gone down over the past years although this has not necessarily been extended to the consumers by financial institutions
- d) High taxes: Taxes are too high for most enterprises which affect prices. The tax regimes need to accommodate the emerging nature of most businesses.
- e) No deliberate pro-women policies: It was reported that there are no policies in place that deliberately accommodate women as special groups in SME spectrum. For example, there is no special consideration for women in general mainstream

businesses unlike in construction sector where there is some preferential consideration by Roads Authority.

5.7 Government Policy

There are various policy instruments in place that affect the development of the SMEs in general and women entrepreneurs in particular, namely:

f) Government of Malawi has opened up to many players with the deregulation of Banking Act. For example, the Reserve Bank of Malawi (RBM) has granted NBM licence for Bank Assurance which is for insurance purposes on behalf of the loan applicant automatically imbedded in the application process.

g) Existing SME policy is deemed inadequate in the current business environment and needs to be updated in order to remain dynamic.

h) There are law reforms in the offing such as allowing use of chattels and other movable property as collateral. Microfinance Act is part of the endeavour to deepen and regulate environment for the benefit of the SMEs. This derives from the fact that the Act will empower Micro Finance Institutions (MFI) to be able to access deposits from the public which will be available to be accessed as further loans thereby increasing their loan portfolios hence increased client reach as well. In addition, there are bankers' forums that have been introduced which are meant to increase interface between financial institutions and SMEs.

i) SMEs are able to source and supply business deals/orders from Government Departments which is an indirect support to SMEs. (However there is a potential risk that this may be thwarted by the centralization of procurement that Government intends to implement soon.)

j) Demand for registration of businesses to have physical addresses is making financial institutions feel safe as this avails the prospect locate and undertake financial intelligence to trace clients. However this requirement disadvantages SMEs as most of them do not have business premises to operate from.

k) RBM limits expansion or growth of FIs based on their asset base in the balance sheet not exceeding a certain threshold which deprives customers in potential areas of easy access to services as FIs become restricted in establishing service centres especially that provide easy reach among rural and remote areas.

l) There is no directory of women owned business and this is compounded by the limited and weak women business associations.

6.0 Conclusions and Recommendations

SMEs in general and women entrepreneurs in particular have a limited access to business finance as well credit facilities as financial institutions demand conventional forms of collateral. The demand for security as well as accompanying rigorous applica

6.1 Conclusions

SMEs in general and women entrepreneurs in particular have a limited access to business finance as well credit facilities as financial institutions demand conventional forms of collateral. The demand for security as well as accompanying rigorous application process eludes the ability and motivation of most women entrepreneurs to access business finance vital for their businesses' vibrancy. Financial institutions such as banks consider SMEs as high risk causing high transactions cost of administering loans and there is limited or lack of information on the performance of the sector.

A majority of the women entrepreneurs acknowledge having limited knowledge on quality and standards requirements. That data on the SME sector is scanty, scattered and outdated making it difficult to find information on which to base policy decisions in support of women per se. The women SMEs are faced with the problem of a limited market. Their products face stiff competition from the large-scale enterprises and in recent years there is even stiffer competition from cheap imports arising from the trade liberalization as pursued by the government. While imports easily find their way into the Malawi market, the SMEs experience difficulties in accessing foreign markets because of complicated export documentation, inability to supply large orders due to fragmented production units, lack of information and non-availability of pre- and post-export financing schemes. Additionally, compliance with quality and standards is a problem.

This is compounded by the fact that for most individual females score lower in key attributes such as education, formal employment, and being head of households which in turn are key in accessing formal finance. There is also evidence of discrimination against women's marital status where single and widows are even more discriminated against in accessing business finance.

The preceding situation has been aggravated by factors inherent in women entrepreneurs, lapses in

government policy to regulate and enable smooth functioning of SMEs and financial institutions being non-responsive to SMEs' plight as potential clientele base for them. SME sector and women, in particular, are critical potential market for FIs hence they should be tapped and supported to become viable and reliable clients that effectively contribute to the economic development of this country.

Thus the interventions will entail addressing the various layers of key stakeholders with fundamental role in the continuum of SMEs operations.

For policy implications women appear to be disadvantaged in access to financial services but key reasons seem outside the financial system anchored in gender stereotyping grounded in tradition and belief systems. Policies to expand access to finance for women should focus on those dimensions determining selection and exclusion of women entrepreneurs especially on the participation to demand the services.

6.2 Recommendations

Based on the findings and analysis, the following recommendations are drawn at Government and Financial institution levels.

c) Government

- Government should develop sustainable more friendly women empowerment efforts for women entrepreneurs. This should entail facilitating creation of credit guarantee programmes that support women as special groups, reinforcing advocacy for enhanced women economic empowerment, and facilitating development of programmes that advocate for women in business
- Critical third parties such as Government need to have an alternative officer such as deputy Commissioner of Lands for endorsements to enable continued provision of critical services required in for example developing a charge over property.
- Government should develop "trading houses" as business premises on subsidized rental for women to broker the demand for physical ad-

dress which most women entrepreneurs fail to meet loan requirements as they run mobile businesses.

- There should be a systematic inventory of SMEs in order to keep track of them including regular reviews and updates of such inventories.
- There is need for tailor-made programmes that develop women through proper training in technical and financial skills to reinforce their business management acumen in discrete groups with similar characteristics. This should entail acknowledgement of different classes of SMEs hence even interventions of short-, medium-, and long-term development process should bear that in mind and not embracing one-size-fits-all blanket approach.
- Government should encourage the formation of strong Women Entrepreneurs Associations as vibrant platforms for championing the interests of women in business

d) Financial institutions

- Banks should broker financial literacy services to SMEs
- Financial institutions need to have skills and products that prepare, develop and nurture women SMEs as savers
- Based on the experiences of working with successful women entrepreneurs these financial institutions need to develop innovative packages targeted at empowering women entrepreneurs. They should also create more competitive avenues for women to access finance.
- Financial institutions should embrace flexibility in dealing with women entrepreneurs for example, by incorporating a phased processes include adequate grace period for consolidation of businesses before commencement of repayments. This should also underscore the need to learn to judge businesses based on performance and NOT necessarily on the person running it.
- Financial institutions should embrace a function of mentoring practice to oversee the business including restructuring what the business plans to implement. This could be through an SME section charged with responsibility for diagnosis of each of the businesses engaged with so that as it unfolds the banks can provide adequate direction based on sound advice.

ANNEX 1: Terms of Reference

Women's Entrepreneurship Development and Gender Equality- Malawi Project

Terms of Reference for:
Research Work – Outcome 1.4 of the Work plan:
Constraints and motivators to Financial Access
among women entrepreneurs in Malawi.

Language: English

| | |
|----------------------------|--|
| Project Funder | Norad |
| Reference | 006 |
| Geographic Coverage | Malawi |
| Duration | 15th November 2010 to 30th March 2011. |
| Queries | Document requests, queries and finished proposals should be sent to: Charles Nangwale at charlesnangwale@yahoo.co.uk |

1.0 Project Background

The small business sector plays a crucial role in economic development of Malawi and is identified as a key tool for economic growth, job creation and poverty alleviation. The global recession holds significant challenges and opportunities for small entrepreneurs in general and even more so when reviewed from a gender perspective. Women generally lack the necessary resources for starting and developing their own businesses and due to gender based barriers, Malawian women entrepreneurs still remain on the periphery of the national economy. Some of the chief barriers to promoting women in business include cultural and societal problems, the psychological impact of cultural norms, employment legislation and policy, lack of information, training, finance, markets, technology and business infrastructure, absence of vehicles for skills development and capacity building, fragmented approaches to identifying issues and developing strategy to influence policy affecting business and government interventions.

Women entrepreneurship could be the key to unlocking economic growth for Malawi if better and more targeted support is made available to them. Improving female levels of self-employment is imperative and interventions aimed at increasing female participation in the SME sector are an important strategy for economic development in the Malawian context. The Women's Entrepreneurship Development and Gender Equality in Southern Africa (WEDGE-SA) project is promoting women's entrepreneurship and supporting women

entrepreneurs to create decent employment, achieve women's empowerment and gender equality, and work toward poverty reduction within Malawi. The projects overall objective is to create an enabling national environment for the promotion of women's entrepreneurship development and gender equality to support poverty reduction and job creation initiatives in Malawi.

The project approach is twofold: It seeks to redress existing gender imbalances in enterprise development through approaches and activities aimed specifically at women, and to ensure that all ILO's small enterprise initiatives are gender sensitive. The project will strengthen the national institutional capacity of the Government of Malawi to redress existing gender imbalances in enterprise development through approaches and activities aimed specifically at women and small enterprise initiatives that are gender sensitive. The strategy seeks to reduce the vulnerability of women's enterprises (including barriers faced by women with disabilities and women living with HIV) relating to working conditions; safety and health at work; social protection; lack of organization, representation and voice; business registration, access to appropriate financial services; and all forms of gender-based discrimination.

In line with the ILO's women's entrepreneurship development strategy document, the project intends to place a particular emphasis on women entrepreneurs whose businesses have growth potential as a more strategic way to create sustainable jobs and decent work. Enabling more women to pursue enterprise growth through a more favourable sup-

port environment generates employment, empowers women and brings social and economic benefits to women and to society at large. The WEDGE project follows a development and rights-based approach which aims to satisfy the practical needs of women entrepreneurs, to remove the socio-cultural, legal and political barriers for women entrepreneurship and to advocate for an enabling environment for business development and gender equality.

The financial environment has the potential to impact significantly on the capacity of women to start, formalize and grow viable enterprises. Many women enterprises remain informal, small, less productive and engaged in indecent job creation owing to barriers in access to business finance.

3.0 Tasks, Timelines and Budget

| NO | ACTIVITY | TIMELINE | RESPONSIBILITY |
|-------|--|-------------------------------------|----------------|
| 1 | Research Study | 15th November to 17th December 2010 | Consultant |
| 2 | Support 2 financial institutions centres to develop action plans | By 15th January 2010. | NABW |
| 3 | Edit and Publishing report | By 30th January 2011 | NABW |
| 4 | Support financial institutions to address gender barriers to Wes financial access. | By 30th March 2011. | NABW |
| Total | | | |

2.0 Purpose of Assignment

The purpose of this assignment is to research the motivators and barriers to business financial access for women owned businesses in Malawi. The outcome of the research is to further direct WEDGE project activities to:

- c) Encourage women owned businesses to access business finance to grow their businesses.
- d) Provide recommendations to assist government programs to become more sensitive and open to support women entrepreneurs to access business finance for the growth of their businesses.

ANNEX 2: List of People Consulted

Lilongwe

- (1) Elifa Mwalwanda T/A Vigilance Guard Services
- (2) Bridget Khundi T/A Pruwencia Hardware and General Dealers
- (3) Annie Nahawa Malota T/A AMENART General Dealers
- (4) Getrude Chikombole T/A Ruddies Gear
- (5) Lucy Nyirongo T/A Lucy Items
- (6) Mrs Munthali T/A Faroots Enterprises
- (7) Mrs Phiri T/A HTC Suppliers
- (8) Mrs Nyirenda T/A Maneno Enterprises
- (9) Mrs Nyangulu T/A Kamphambe Investments
- (10) Mrs Salimu T/A Alpha Printers

- (11) Mrs Chiwaya T/A TRMC Boutique

Mzuzu

- (12) Mrs Mwangonde T/A Mzuzu Pharmacies
- (13) Dr Msache T/A Msache Clinic
- (14) Mrs Mtonga T/A Mbacha Filling Station
- (15) Miss Mfune T/A Kisa Beauty and Gifts Shop
- (16) Mrs Gwamba T/A Lufusa Divine Lodge
- (17) Mrs Nhlema T/A Northern Honey Processors
- (18) Mrs Karim T/A C&M Halaal Meats
- (19) Ms Chitete T/A Tafika Tobacco Graders
- (20) Mrs Mphande T/A Wongani Supplies

Key informants

- (21) Jellings Chiumia - Account Relationship Manager, NBM, Lilongwe
- (22) L. Chisi - Regional Manager, FMB, North
- (23) Davie Bonongwe - Business Banking Consultant, NBM, Capital City
- (24) Compstone Soko - Loan Officer, NBS, Lilongwe
- (25) E Munthali - Account Relationship Manager, NBM, Mzuzu
- (26) G Mwase - Ministry of Trade and Industry

ANNEX 3: Checklist - Key research questions

This study will seek to answer the following key research questions, as espoused by the consultants' understanding to augment the definitions in the ToRs with some modifications depending on the revealed practical motivators and barriers faced by women entrepreneurs:

- What are the **motivators** that inspire women entrepreneurs to accessing business finance for their enterprises?
- Do these **catalysts vary** according to size, quality and expertise of owner/entrepreneur, sector of activity, age of enterprise, level of success? How can these catalysts be harnessed to support and inspire more women entrepreneurs in the short, medium, and long-term?
- What do women and banks see as the enabling factors government have in place for women to access finance?
- What are the **barriers** facing women entrepreneurs with regard to accessing business finance for their enterprises?
- What problems or reasons do FI's give for not lending to women?
- How do **entrepreneurs perceive** the government? Does the perception vary according to size or activity of the enterprise? Are government agencies more involved in the daily operations of enterprises? If so, which ones? What are the mandates of these agencies? How do they translate in the field? How can the relationship between enterprises and government be improved to promote business and encourage women empowerment?

- What are the **attitudes, knowledge and practices (KAP)** towards women entrepreneurs by financial institutions? An attempt was made to include the quantitative data such as how many women are getting what size of loans and be able to cross tabulate this with the women entrepreneurs and their situation.

ANNEX 4: Stakeholder Map

- **Financial** service providers: The team visited selected financial institutions mainly commercial banks - NBM, NBS, and FMB. Microfinance institutions were not considered because often GOWES do not use them.
- **Government of Malawi:** The team had consultations with Ministry of Trade and Industry and Ministry of Gender, Community and Child Development.
- **Selected enterprises based on defined criteria in Lilongwe and Mzuzu**

ANNEX 5: References

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Motivators For Business Women Registration In Malawi

Brussels Mughogho & Richmond Msowoya, 2011

Acronyms

| | |
|----------------|---|
| ECAM : | Employers Consultative Council of Malawi |
| FGDs: | Focus Group Discussions |
| GoM: | Government of Malawi |
| GOWES: | Growth Oriented Women Entrepreneurs. |
| ILO: | International Labour Organization |
| IWM: | Interaction with Markets |
| MCTU: | Malawi Congress of Trade Union, |
| MGCCD: | Ministry of Gender, Children & Community Development |
| MSMEs: | Entrepreneurship and Small Business Management |
| NABW: | National Association for Business Women |
| NGO: | Nongovernmental Organization |
| SME: | Small and Medium Enterprise |
| ToRs: | Terms of Reference |
| WEDGE-SA: | Women's Entrepreneurship Development and Gender Equality in Southern Africa |
| WWDs: | Women with Disabilities |
| DIWODE | Disabled Women in Development |
| FEDOMA | Federation of Disability Organizations in Malawi. |
| NORAD | Norwegian Agency for Development Cooperation |
| HIV | Human Immune Virus |
| US\$ | United States dollar |
| MK | Malawi Kwacha |
| FGD | Focus Group Discussions. |
| MRA | Malawi Revenue Authority |
| SS-Sample size | Sample Size |
| SPSS | Statistical Package for Social Sciences |
| OVOP | One Village One Product |
| PAYE | Pay as You Earn |

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Acknowledgements

The study team is indebted to Malawi Revenue Authority, Office of the Director of Public Procurement, ILO, NABW, DIWODE, FEDOMA, GOWEs, Ministry of Labour, Employers Consultative Council of Malawi (ECAM), Malawi Congress of Trade Union (MCTU), Ministry of Gender, Children & Community Development (MGCCD), Ministry of Industry & Trade - SME Department fellow consultants contracted for different projects and the ILO team in South Africa for their varied contributions that made the development of this report a reality. The principal authors for this report were Brussels Mughogho and Richmond Msowoya. We would also like to commend NORAD for its determination in ensuring that business women in Malawi were accorded the right opportunities in business

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Executive Summary

The legal and regulatory environment has the potential to impact significantly on the capacity of women to register their enterprises. Many women enterprises remain informal, unlicensed and unregistered with representative organizations because of the barriers (actual and perceived) to the business registration and membership benefits.

Often the government and other policy makers and service providers do not recognize these representative organizations (or their members). Being unrepresented or underrepresented, therefore, is likely to hinder them in developing their businesses as the women entrepreneurs have reduced access to services, networks, advocacy opportunities, innovation and market information.

The study revealed that in Malawi, there were several factors that motivated women to register their businesses. The factors included tax evasion, small sizes of their business, low literacy levels, lack of knowledge or sensitization, role modeling,

business summits and networks, education and work experiences, visits by high profile government officials, awards and trade exhibitions, unemployment, and easy access to capital. Despite these motivations, there were many constraints that hindered women from registering their businesses namely, lack of entrepreneurship culture and knowledge, cultural obstacles, lack of access to capital, business environment, centralization of the registration process, mobility and Infrastructure, and long procedure of business registration.

The regulatory framework and environment provided equal opportunities (was conducive) for registration of business enterprises for women in Malawi. However, some legal structures such as business registration process posed a challenge as it took longer periods to complete, and worse still remained centralized. The ability of women to formalize and grow their businesses, to create jobs, and to enhance productivity was hampered with the legal structures associated with the registration process.

Chapter One

1.0 Introduction

ILO initiated the Women's Entrepreneurship Development and Gender Equality in Southern Africa (WEDGE-SA) project which is aimed at promoting women's entrepreneurship and supporting women entrepreneurs to create decent employment, achieve women's empowerment and gender equality, and work toward poverty reduction within Malawi. The project's overall objective was to create an enabling national environment for the promotion of women's entrepreneurship development and gender equality to support poverty reduction and job creation initiatives in Malawi.

The project approach is twofold: It seeks to redress existing gender imbalances in enterprise development through approaches and activities aimed specifically at women, and to ensure that all ILO's small enterprise initiatives are gender sensitive. The project will strengthen the national institutional capacity of the Government of Malawi to redress existing gender imbalances in enterprise development through approaches and activities aimed specifically at women and small enterprise initiatives that are gender sensitive. The strategy seeks to reduce the vulnerability of women's enterprises (including barriers faced by women with disabilities and women living with HIV relating to working conditions; safety and health at work; social protection; lack of organization, representation and voice; business registration, access to appropriate financial services; and all forms of gender-based discrimination).

In line with the ILO's women's entrepreneurship development strategy document, the project intends to place a particular emphasis on women entrepreneurs whose businesses have growth potential as a more strategic way to create sustainable jobs and decent work. Enabling more women to pursue enterprise growth through a more favourable support environment generates employment, empowers women and brings social and economic benefits to women and to society at large. The WEDGE project follows a development and rights-based approach which aims to satisfy the practical needs of women entrepreneurs, to remove the socio-cultural, legal and political barriers for women entrepreneurship and to advocate for an enabling environment for business development and gender equality.

1.1 Statement of the Problem

The legal and regulatory environment has the potential to impact significantly on the capacity of women to register and grow viable enterprises. Many women enterprises remain informal, and unregistered with representative organizations because of the barriers (actual and perceived) to business registration.

The purpose of the assignment was to research the motivators and potential barriers for women owned business to formally register their businesses and member based industry organizations in Malawi. The outcomes of the research were to further direct WEDGE project activities to:

- a) encourage women owned businesses to become formally registered with government and industry member based organizations that are responsible for setting and controlling standards which will result in increased networks, effective and efficient operations, market intelligence, market access and services.
- b) Provide recommendations to assist government programs to become more sensitive and open to support unregistered business and the organizations that represent these businesses and identify constraints that have an influence in women not registering their businesses.

To achieve these objectives, this assessment explored the motivators (both actual and potential) and potential barriers for women owned business to formally register their businesses and member based industry organizations in Malawi. The criteria for selection of GOWES, as identified by the project included:

- Women businesses registered with a minimum of two years of doing business
- Those with a minimum turnover of US\$ 6,667 equivalent to MK 1,000,000 at the exchange rate of US\$ 1: MK 150.
- Women businesses registered in some way for a minimum of one year. This business may be registered with the registrar of businesses, Ministry of Trade or district assembly.
- Containing at least 50% ownership or management by a woman

The report outlines the study approaches used to successfully carry out the research exercise. The report outlines the applied methodologies undertaken including stakeholder identification and analysis, participatory methodologies, consultation processes, data analysis and data aggregation.

1.2 Outputs or Results of the Study

The report presents findings of the research as per Terms of Reference (TORs). It contains an executive summary accompanied with targeted recommendations including the following:

- Motivators (actual and potential) for women owned business to formally register their businesses and member based industry organizations in Malawi.
- Actual and potential barriers for women owned business to formally register their businesses and member based industry organizations in Malawi.
- Recommendations to assist government programs to become more sensitive and open to support unregistered business and the organizations that represent these businesses.
- Constraints that have an influence in women not registering their businesses.

1.3 Initial Activities Undertaken

In formulating this report, the team reviewed a large number of WEDGE Reports, ILO Reports and Policies, Malawi Government Policy documents regarding entrepreneurship and business registration, Ministry of Economic Planning and Development Reports, Ministry of Labour Employment Reports, Journals, Research Studies on Women Entrepreneurship, motivators, and potential barriers for women owned business to formally register their businesses. Further documents included progress reports from NABW, projects for women with disabilities, and surveys among others. The team also reviewed some documents relating to policies, legislation, development strategies, and programmes of ILO in relation to Malawi government. This aspect entailed getting a clear understanding of the mandate, mission, goals and strategies and priorities of Government of Malawi.

Chapter Two

2.0 Literature Reviews

2.1 Business Registration

USAID Report (2005) gives a clear distinction between business licensing and registration in the context that “business registration” means the process of giving legal recognition to enterprises, and “licensing” means sector specific approval to engage in regulated activities.

Business registration gives businesses formal status

and formal operation in the marketplace. In the narrowest sense, the establishment of a business is limited to registering or incorporating a new company with the registration office (public, private or a public private entity), in order to create a legal entity (De Sa (2005). In practice, however, most governments require additional formalities to start a business beyond simple registration.

Cristow (2009) asserts that a functioning business registration system is now viewed as an important regulatory requirement of any economy, and a predictable, transparent, and modern business registration system is acknowledged to help promote private sector growth and job generation. He further suggests that the use of information technology can facilitate the simplification of registration procedures and consolidation of steps in the registration process; however, recognition of an electronic signature is required to make e-registries equal to other solutions. An electronic registry is a prerequisite for an efficient information service.

World Bank Report (2006) highlights that registration can involve a number of procedures, including: the bureaucracy involved in registering a business as a key barrier to formalization. Indeed, being registered is, in some definitions, what separates the informal economy from the formal.

World Bank Report (2006) further underline that business registration is more than just another administrative procedure to complete. It is the gateway through which businesses enter, and thereafter contribute to, the formal economy. Taking that step has consequences for businesses:

- It gives them rights to services, fair treatment under law, and (for many) limited liability.
- It gives them obligations to pay taxes, provide information, and play by the rules.
- It gives them opportunities to grow through better access to finance, potential clients, and public goods and services

2.2 Advantages of Business Registration

World Bank Report (2006) underscore that efficient business registration is important from an economy wide perspective as follows;

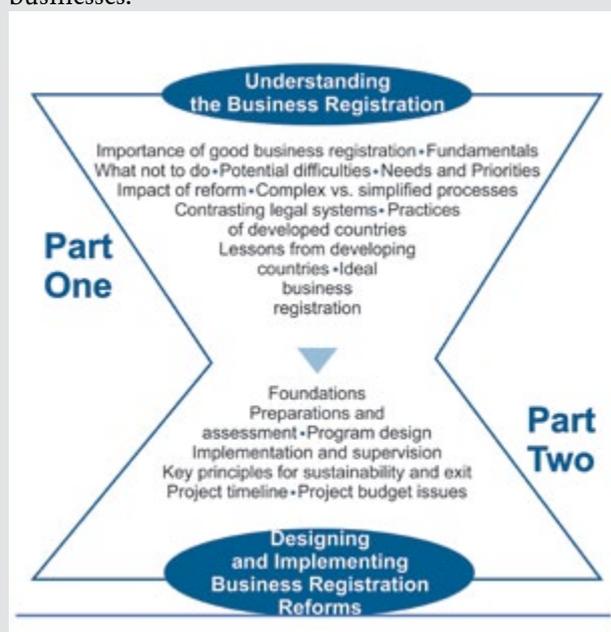
- Successful legal entities tend to outlive their founders and can continue to contribute to the economy over generations—without each generation’s having to build (a capital stock, for example) from scratch.

- Resources come together as shareholders join forces in establishing a company's capital and capabilities.
- Limited liability reduces the risks of doing business by giving companies and individuals the freedom to innovate and experiment without large negative consequences. They may undertake experiments that the state might not deem prudent.
- Registered businesses have access to services (provided by public courts or private commercial banks, for example) not available to unregistered businesses.

2.3 Business Registration Reforms

There is ample evidence that simplifying the procedures to start a business can help increase business registrations. Cristow (2009) argues that reforms were essential to review the old registration systems in order to establish and operate an effective physical and online one-stop shop for business registration. Such systems are partially self-sustainable, reduce the time and cost of business registration.

Cristow (2009), De Sa (2005) and World Bank Report (2006) propose that business-registration reforms must be tailored to each country (see Figure 1). Hence, in designing such reform program, it is essential to take into account the circumstances and priorities of different countries. It is envisaged that formalization of the economy should suggest simple solutions that address the needs and aspirations of individual entrepreneurs spread out across the country than high-tech solutions that appeal to larger or foreign businesses.



Source: World Bank Report (2006)

2.4 Regulatory Barriers

Bardasi, Blackden and Guzman (2005) underline that the ability of women to formalize and grow their businesses, to create jobs, and to enhance productivity is hampered where legal and institutional barriers exist that affect men's and women's enterprises differently. USAID Report (2005) on reforms agree that that burdensome regulations affecting business were clearly a significant barrier to formality. Various studies have identified burdensome and costly government regulations as the most significant determinant of informality. Many businesses remain informal in order to avoid burdensome regulations.

Doing Business Report (2011) data suggests that reforms to reduce the number of procedures and the time to register a business would have the highest payoff. Simplified procedures will in particular benefit small businesses.

Bardasi, Blackden and Guzman (2005) further argue that the existence of gender related barriers can thwart the economic potential of women as entrepreneurs and workers, and such barriers have an adverse impact on enterprise development, productivity, and competitiveness in Africa. Consequently, addressing gender-specific barriers to registration and leveraging the full participation of both men and women in the development of Africa's private sector together represent a significant opportunity to unleash Africa's productive potential and to strengthen economic growth.

2.5 Administrative Barriers

USAID Report (2005) defines administrative barriers as the bureaucratic requirements that flow from regulations, their implementation and enforcement. It asserts that a regulation may be well designed, proportionate and efficient, but its true effect on enterprises comes from the way in which it is administered. This suggests that administrative barriers are the hassle that dissuades informal enterprises from wanting to interact with government officials. USAID Report (2005) summarizes the following administrative barriers;

- Excessive paperwork.
- Civil service inefficiency leading to delays in decision-making.
- Low levels of civil service capacity, i.e. poor skills levels so that mistakes are made, and too few people and access points providing services.

- Inaccessibility, as when there is too little delegation to the front-line and decisions have to be referred up the management chain.
- General bureaucratic obstruction (perhaps stemming from inherent distrust of the private sector by officials, contributing to delays).
- Abuse of position (linked to corruption).

USAID Report (2005) suggests the following best practices in reducing barriers to formalization;

- Support broad programs of regulatory reform to simplify new and existing laws and make the business climate more hospitable to formal enterprise.
- Simplify official administration for businesses. Review and reduce paperwork.
- Design measures to create a business-friendly culture in government and improve the quality, quantity and accessibility of services.
- Consider service charters and one-stop-shops for business.
- Simplify tax administration: consider single taxes for MSMEs.
- Avoid retroactive taxation for enterprises that formalize.
- Share information on what tax revenues are used for, and how businesses will benefit

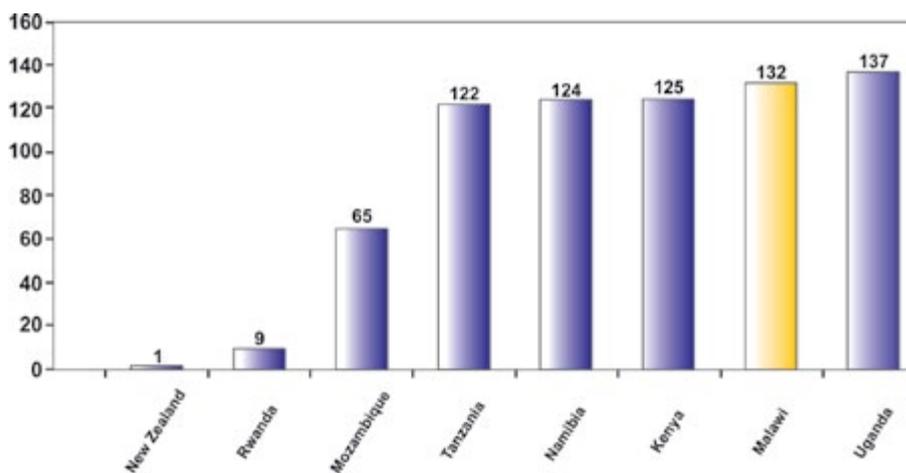
from enhanced services.

- Rationalize business registration and licensing regimes, and separate the one from the other. Use IT to streamline the process and share information.
- Separate the function of revenue generation from business registration.
- Restrict licensing to those activities where it is justified on health, safety, environmental, consumer protection or other grounds.
- Reduce registration fees and statutory requirements, e.g. for fixed premises, capital.
- Identify areas for labor law reform, protecting essential rights while making it easier to hire and fire workers and to employ on flexible contracts.
- Make it easier to register producer associations so that the benefits of formalization can be made available to groups comprising individuals who would not separately have made the effort to formalize.

2.6 Business Environment in Malawi

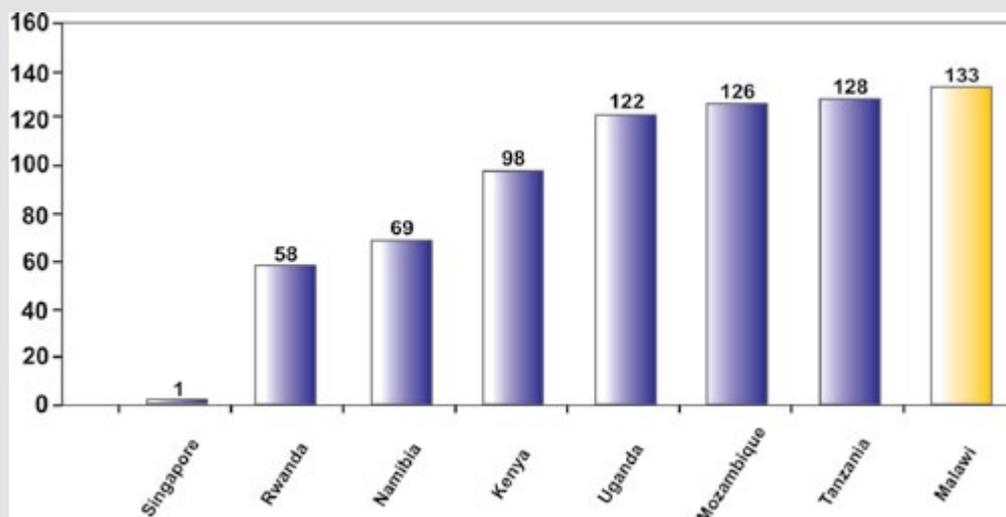
Malawi is ranked 133 out of 183 economies and the country is ranked 132 overall for registering a business while Singapore is the top ranked economy (IFC Report, 2011). Table 2, Figure 1 and 2 summarize the above accentuation.

Figure 1: Registering a Business-Global Rank



Source: IFC Report (2011)

Figure 2: Ease of doing Business –Global Rank



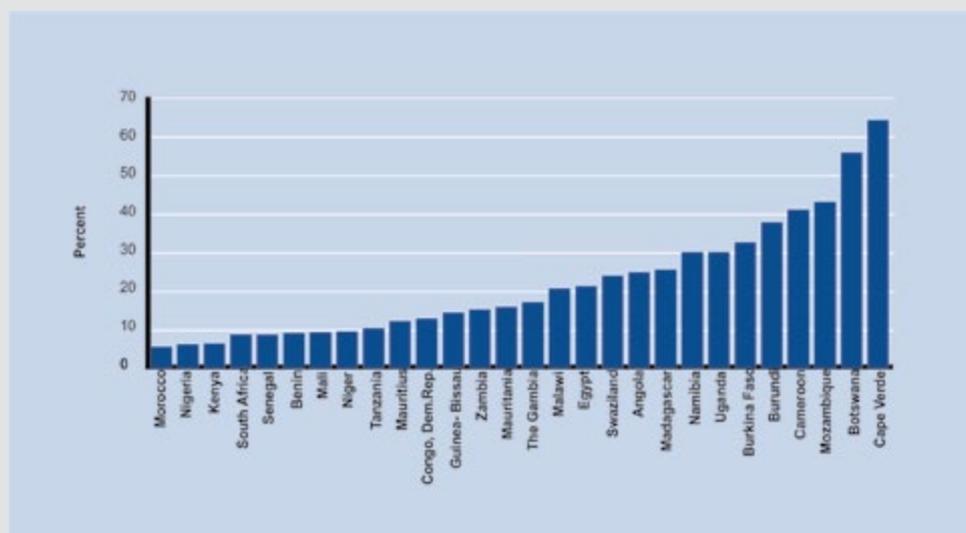
Source: IFC Report (2011).

Table 2: Malawi’s ranking in Doing Business 2011

| Malawi’s ranking in Doing Business 2011 | |
|---|---------------------|
| Rank | Doing Business 2011 |
| Ease of Doing Business | 133 |
| Starting a Business | 132 |
| Dealing with Construction Permits | 174 |
| Registering Property | 81 |
| Getting Credit | 116 |
| Protecting Investors | 74 |
| Paying Taxes | 25 |
| Trading Across Borders | 173 |
| Enforcing Contracts | 121 |
| Closing a Business | 126 |

Source: IFC Report (2011).

Fig 3: Percentage of enterprises owned by women in selected African countries



Source: World Bank Enterprise Surveys, 2002–2006

Although firms that were wholly female-owned were a minority of all enterprises (between 25 to 35 per cent), women’s participation in business ownership was much wider.

Chapter Three

3.0 Approaches and Methodologies

In order to conduct this assignment, the consulting team adopted a consultative approach consistent with the understanding of the terms of reference. The study was executed in a manner that adequately took into account policies, legislation, mandate, strategies and programmes on women entrepreneurship.

In order to meet the objectives of the research study in a coherent and comprehensive manner, the team employed six interrelated and logically sequenced steps involving four main phases as summarized in Figure 4 below.

Figure 4: Six interrelated and logically sequenced steps



3.2 Desk Research

The main task in this step was to seek a comprehensive and clear picture of the background and current situation regarding constraints and motivators of business registration for women entrepreneurs. During this sub-phase the following were realized.

- There was review of policies, legislation, development strategies, and programmes of ILO in relation to Malawi government.

3.1 Inception Phase

3.1.1 Mobilization and Planning

The inception phase involved planning and communicating assignment objectives and arrangements to enable the Consulting Team carry the work successfully. During this phase, the Consulting Team met with key representatives from in order to agree on the approaches, logistics as well as review the terms of reference in relation to key issues, assumptions and risks.

The consulting team used this phase to identify key participants and agreed on mode of consultation, namely; key informants interviews and focus group discussions. Focus group discussions and key informant interviews were key methodologies executed as they brought different perspectives. The team collected relevant legislative, policy and strategy documents, and reports and designed information-collection tools and processes.

- The team further reviewed programme information to explore in detail the constraints faced by women entrepreneurs on the ground.

3.3 Information Gathering, Review, and Analysis

During this phase, data was collected for in-depth analysis using methods, tools and processes agreed in the Inception Phase. The information collection processes was a combination of structured inter-

views and completion of questionnaires as well as focus group discussions.

3.3.1 Primary data collection:

Primary data was collected from key informant interviews, questionnaires, and FGD. Before winding up fieldwork in the research sites, the teams conducted an exit conference solely to debrief participants on the findings from FGDs, KIIs, observations and even literature review so as to have their probably final input.

3.3.2 Participants:

The followings individuals and groups were consulted during the study to gather information on the topic understudy;

- NABW executive members
- NABW beneficiaries
- Federation of Disability in Malawi(FEDOMA) Members
- Disabled Women in Development (DI WODE) Members and staff
- Women Entrepreneurs in Blantyre and Lilongwe
- Ministry of Gender and Community Services key officials
- The Registrar General’s staff members
- Malawi Revenue Authority (MRA) staff members.
- Ministry of Trade and Development of ficials
- Ministry of Labour officials
- Malawi Congress of Trade Union members
- Employers Consultative Council of Malawi (ECAM)
- Blantyre, Lilongwe and Mzuzu City Assemblies.
- Office of the Director of Public Procurement staff members
- 16 women Entrepreneurs in Blantyre and 14 in Lilongwe

3.4 Sampling Design and Sample size

Sampling was done in a manner that ensured adequate representativeness. The team was against selecting the sample purely on the basis of administrative convenience, personal preference, vaguely substantiated “expert” judgment, or its supposed evocative power, to avoid the appearance or suspicion of bias - a sign of serious failure in research.

3.4.1 Sample Size

Optimum sample size for the entire study was 267 participants, computed using the following valid statistical formula:

$$SS = \frac{Z^2 (p) * (1-p)}{C^2}$$

Where z was the z-value that yielded the desired degree of confidence (1.96 for 95% confidence level); p was estimate of the proportion as expressed as a decimal (0.5 used for sample size needed); and c was the absolute allowable size of the error-confidence interval expressed as a decimal (e.g., .04 = ±4).

Using the formula above:

$$Ss = \frac{1.962 \times 0.5 \times (1-0.5)}{0.06 \times 0.06} = 266.77$$

= **267participants**

To give an allowance for refusal rate, 270 participants were selected by systematic sampling. However, only 155 clients responded and participated in the study. Hence, individuals, who gave verbal and written consent, were interviewed for the study.

3.4.2 Tools for Data Collection

The assessment employed both qualitative and quantitative techniques to collect data using both secondary and primary sources. In certain cases, same data was collected from various sources for the purposes of triangulation

3.5 Data Analysis and Techniques

Data collected by a standardized questionnaire was checked and verified before the coding process. Data entry and processing was done through the application of the Statistical Package for Social Sciences (SPSS) and Microsoft Excel for data presentation.

3.5.1 Quantitative Analysis

3.5.1.1 Descriptive statistic tools:

These were used to analyze the results and included frequencies, percentages, as well as statistical graphs and charts.

3.5.2 Qualitative Analysis

Descriptive statements were used to substantiate quantitative data particularly from the data obtained from interviews with key informants, and group discussions.

3.6 Preparation and Presentation of the Draft Report

3.6.1 Preparation of Draft Report

The team prepared a draft report which would consequently be presented for further inputs and amendments to the issues addressed in the topic understudy. Feedback would be included into the final report that would be presented to ILO reflecting all comments received.

3.7 Limitations of the Study

There were a number of constraints that had a bearing on the findings of the study. These included;

- Dearth of literature on business registration
- Limited time for the study-Time for the whole exercise was limited such that it was impossible to meet with some key informants as originally planned.
- Commitment of key informants-Some key informants were so committed that they kept postponing the interview until the time elapsed.

In spite of these constraints and limitations, the findings contained in this report represent a true reflection of the motivators and constraints for women to register their businesses in Malawi.

Chapter Four

4.0 Findings and Discussions

4.1 Motivation for Business Women Registration

4.1.1 Business Ownership

Registration of businesses by women was considered as an important aspect of ownership. Business registration validated ownership and made them

proud owners. All profits transacted during business operations legally became personal earnings and this gave them strong incentives to succeed. Other women cited that registering their businesses offered confidence in a business by suppliers and customers.

4.1.2 Security

Women who registered their businesses cited security as a motivating factor. Women who did not register their businesses were at risk of having their businesses taken over by relatives in case their spouses' died. Registering provided them with legal ownership and security from such circumstances. The other aspect of security entailed accessing loans through banks. Businesses that were not registered had fewer opportunities of accessing loans due to lack of trust and security. Hence, banks or institutions were reluctant to grant loan schemes to women running such businesses.

4.1.3 Role modeling

The urge to explore inner talents and the desire to do something creative played a role in influencing women register their businesses especially those who wanted to be role models. They believed that achievements attained would play crucial role in influencing some women's decision to register or formalize their businesses. The job satisfaction obtained and keenness in utilizing business knowledge further strengthened the decision made. Women who wanted to be role models were also driven by the desire for greater life flexibility, and seeking challenges. Innovativeness, risk taking propensity, flexibility and perseverance were noted to have significant influence on such women entrepreneurs.

4.1.4 Business Summits and Networks

The Ministry of Industry and Trade, NABW and Disabled Women in Development (DIWODE) supported women to attend summits in various countries to learn how other women proactively engaged in business entrepreneurship and formalized their businesses. This was made possible through networking with international institutions that promoted women entrepreneurship. Exposure of women from such summits motivated them to registering their businesses.

This demonstrated that there was greater influence exerted by social networks on the registration of

businesses by women. An example was membership with NABW, DIWODE and affiliation with the Ministry of Industry and Trade. Business summits enhanced their motivations through sharing ideas during meetings on how to register and expand their businesses.

4.1.5 Education and Work Experiences

Work experience and education was one of the motivators for women to formalize their established businesses in Malawi. Education and work experience were regarded as one of the factors that led to formalization of business as women had knowledge on the importance of registering and growing SMEs and MSMEs. Formal education was one component of human capital which made accumulation of knowledge by women entrepreneurs possible by providing them with useful insights on the need for business registration. Formal education helped such women recognize new opportunities and assemble resources for registering businesses.

4.1.6 Visits by high profile government officials

Visits made by high profile government officials in both rural and urban areas to encourage women who formalize their already established businesses including new startups also motivated others to follow in the same footsteps. Registered businesses were supported with networks to financial resources including capacity building in order to grow their businesses. The government also promoted such women to form associations in order to serve as effective partners in a continuing policy dialogue and in the co-ordination of capacity building activities. Women were also encouraged through the One Village One Product (OVOP) scheme that promoted value addition with support from government.

4.1.7 Awards and Trade Exhibitions

Most women who participated in trade fare exhibitions through membership organizations were highly motivated to register their own business after seeing other women from other countries progressing through registered business ventures. Others were further motivated by awards fellow women won during such trade fare exhibitions. Hence, out of twenty seven people the Ministry of Trade and Industry supported to participate at the 2010 trade fare, 90% were women entrepreneurs. They noted that businesses that were formally

registered received greater recognition from government, private sectors and Non Governmental organizations.

4.1.8 Unemployment

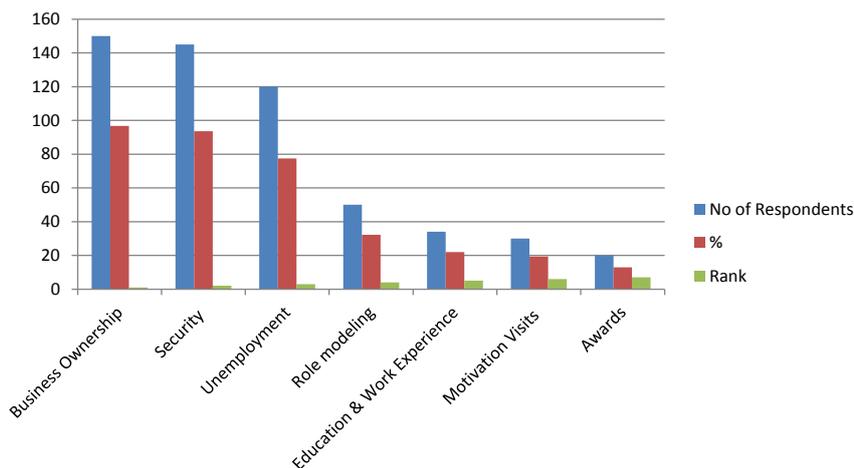
Some women were discriminated against in the labor market due to cultural and social influences. Due to the unfavorable job market for women, this resulted in some women seeking entrepreneurial alternatives and registering their businesses. Being self-employed by registering their businesses, women entrepreneurs were able to use their past experience and training to prove their ability and control over their own destiny. Worse still, women with disabilities were highly stigmatized at work places despite possessing the requisite qualifications as they were viewed as incapable of executing job assignments. Hence, most of them opted for business entrepreneurship and formalized their businesses in order to gain recognition from authorities that they were capable despite having disabilities.

4.1.9 Easy Access to capital

Some women had easy access to financial resources because they either had networks or their spouses provided them with capital and motivated them to register their businesses. They noted that formalization of their businesses also provided them with opportunities to have further access to additional financial capital from banks and other financial services to grow their businesses.

| Motivators | No of Respondents | % | Rank |
|-----------------------------|-------------------|----|------|
| Business Ownership | 170 | 83 | 1 |
| Security | 155 | 76 | 2 |
| Unemployment | 130 | 63 | 3 |
| Role modeling | 50 | 24 | 4 |
| Education & Work Experience | 34 | 17 | 5 |
| Motivation Visits | 30 | 15 | 6 |
| Awards | 20 | 10 | 7 |

Figure 5: Motivators to Business Registration



4.2 Constraints for Business Women Registration

4.2.1 Lack of Knowledge

Knowledge of business registration was not embedded in some women despite having financial resources and already established businesses. Hence, their businesses remained small and informal. Some women were not sure as to whether their business might grow if formally registered. Women were sometimes afraid of taxes for businesses that realized small profit margins. This handicapped them from accessing various services such as capacity building, financial resources, and other incentives that would have helped grow and formalize their businesses.

4.2.2 Cultural Obstacles

Women often experienced gender inequalities and were discouraged to register their business as they were perceived to fail even after registration. Others were discouraged that they would not access any additional benefits for registering their businesses because of their gender affiliation. The customary law condoned gender stereotypes, unequal division of gender roles and creation of male and female images that women should remain submissive to men.

However, Malawi has a constitutional framework that addressed discrimination against women. However, some spouses demanded that women register their businesses in the husband's name. This was aggravated with the lack of policies that ensured gender sensitivity in the business registration process.

4.2.3 Sizes of Businesses

Most women had inadequate financial resources that would help them grow their businesses. Hence, Women Entrepreneurs running small businesses were afraid that formalizing their businesses would mean a lot of expenses on taxes and remaining informal helped them to run away from such burden of taxes.

4.2.4 Business Environment

Much as the business environment was conducive for women entrepreneurs in Malawi, registering a business remained a tedious process requiring 10 procedures at a cost of 108.4% of income per capita compared to an average of 8.4 procedures and 92.1% of income per capita for Southern Africa.

4.2.5 Centralization of the registration process

Centralization of the registration process was another challenge that hindered women from formally registering their business. There was need to decentralize the process by district to make the registration process easily accessible and enable most women register their businesses in Malawi. Currently, women had to travel to Blantyre from various district points to register or formalize their businesses. Worse still, few decentralized locations such as Mzuzu relied on Blantyre (Head Office) to complete the entire registration process. Hence, it took a month after submission of application forms before the process of registration commenced.

4.2.6 Mobility and Infrastructure

The office of the Registrar General was in accessible for women with disabilities making it difficult for them to go and register their businesses. This resulted in most women with disabilities operating their businesses informally.

4.2.7 Long Procedure of Business Registration

The long procedure for business registration (See Annex 5) coupled with lack of information on the registration process in Malawi discouraged women from formally registering their businesses.

The procedures for individuals to set up their businesses in Malawi included;

1. Searching for a business name.
2. Submitting an application for the Certificate of Incorporation to the Registrar General in the Ministry of Justice.
3. Filing a name for payment of income tax with Malawi revenue Authority
4. Obtaining a seal
5. Submitting an application form to receive a license from the Ministry of Trade and Industry and in respect to food and liquor license from the

Blantyre City Assembly

6. Inspecting the precincts of the city by the inspectors
 7. Obtaining license from the Ministry of Trade and Industry by paying fees to the Director of finance office.
 8. An application to file for registration at the work place
 9. Inspection of the venue once again by the Occupational Safety, Health and Welfare Department
 10. Getting enrolled with the Malawi Revenue Authority for PAYE and fringe benefits tax
- The minimum time required for each procedure was one day. Preferential treatment did not work while obtaining certificates but acceleration of each procedure was possible through money. Costs were calculated from the company law, the commercial code, and fee schedules. The paid-in minimum capital requirement was the amount of money that an aspiring entrepreneur had to pay before she embarked on her business. Therefore, business registration by women in Malawi entailed a lot of procedures that discouraged women from formalizing their businesses.

Table 4: Standardized Company

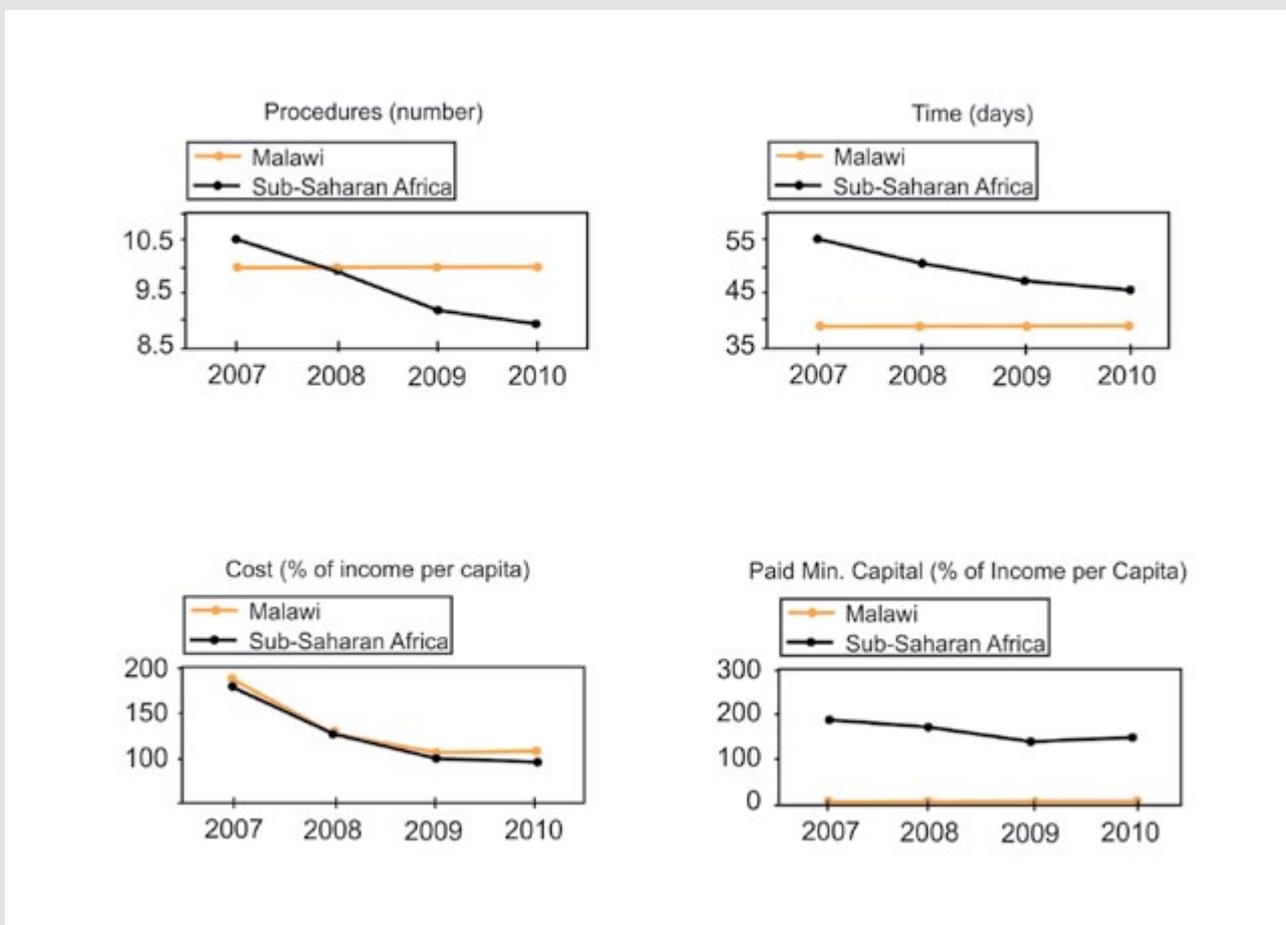


Figure 7: Number of days to formalize business

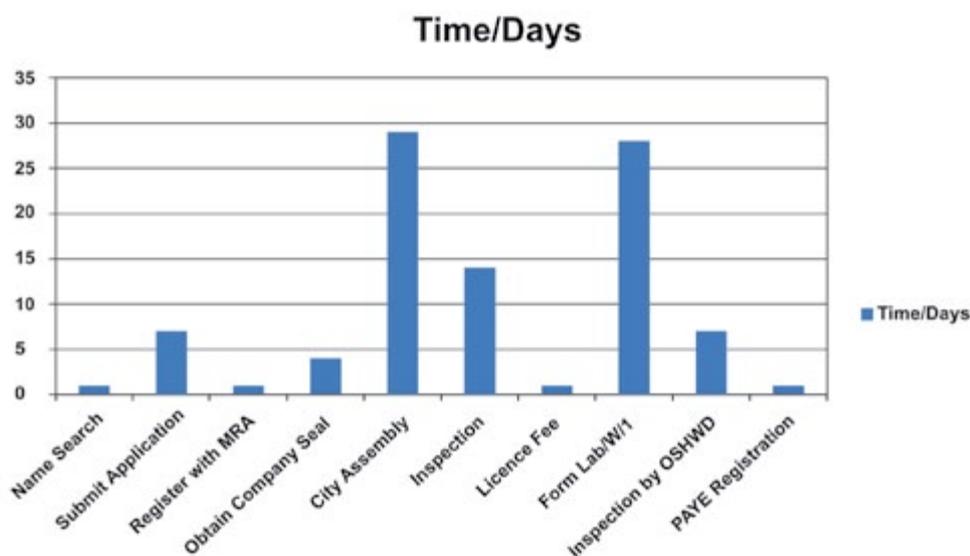
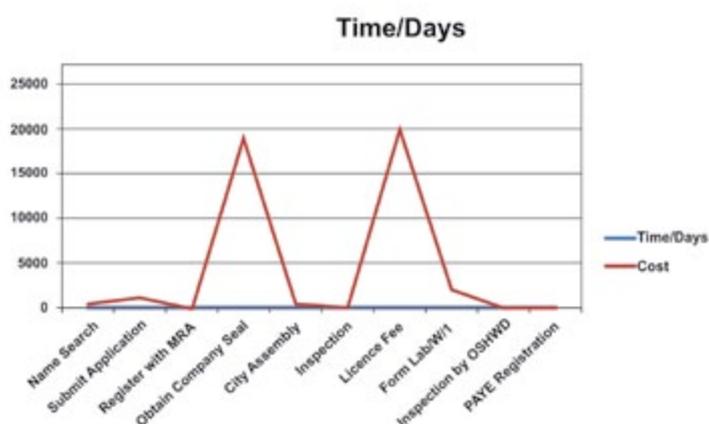


Figure 8: Cost implications of business formalization in Malawi



As depicted in Figure 7 and 8, some potential and full time women entrepreneurs were discouraged to register their businesses because of the time-consuming registration procedures. Hence, they deliberately remained in the informal sector and missed business opportunities in order to stay “invisible” for the public sector. In the informal sector, their access to credit and other financial services, business development services, and government bidding were restricted. These bottlenecks further restricted

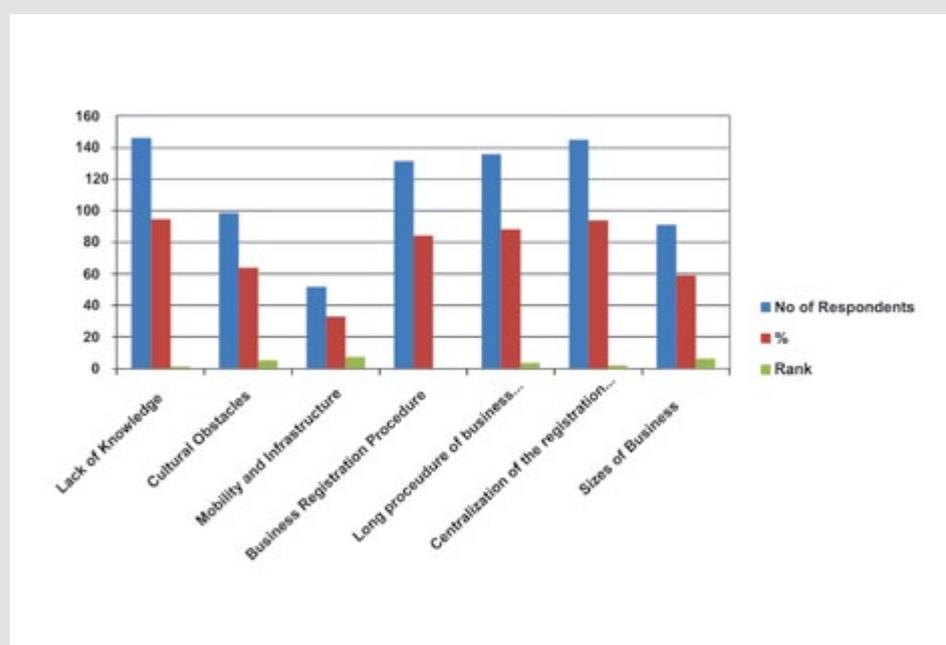
the potential of informal enterprises by women to grow, invest and create productive employment. At the same time, a high degree of informality implied that public revenues from corporate, income and value-added taxes were lost.

Table 5 and Figure 9 below summarize the constraints facing women to formalize their businesses in Malawi.

Table 6: Constraints of Business Registration for Women in Malawi

| Constraints | No of Respondents | % | Rank |
|--------------------------------------|-------------------|----|------|
| Access to Finance | 198 | 97 | 2 |
| Business Environment | 98 | 48 | 6 |
| Mobility and Infrastructure | 51 | 25 | 7 |
| Business Registration Procedure | 183 | 88 | 3 |
| Gender Entrepreneurship Policies | 135 | 66 | 4 |
| Cultural Obstacles | 201 | 99 | 1 |
| Entrepreneurship Culture & Knowledge | 112 | 55 | 5 |

Figure 9: Constraints of Business Registration for Women in Malawi



Chapter Five

5.0 Conclusions and Recommendations

5.1 Introduction

This chapter brings together conclusions drawn from the findings and makes recommendations to guide the focus of the ILO WEDGE project in Malawi. The recommendations provide insights on

the direction the project would take to improve its effectiveness and provide direction at policy level.

5.2 Conclusions

There were several factors that motivated women in Malawi to register their businesses. The factors included small sizes of their business, low literacy levels, lack of knowledge or sensitization, role modeling, business summits and networks, education and work experiences, visits by high profile government officials, awards and trade exhibitions,

unemployment, and easy access to capital. Despite the motivation, there were many constraints that hindered women from registering their businesses namely, lack of knowledge, cultural obstacles, centralization of the registration process, mobility and Infrastructure, centralization of the registration process, sizes of business and long procedure of business registration.

The regulatory framework and environment provided equal opportunities (was conducive) for registration of business by women in Malawi. However, some legal structures such as business registration process posed a challenge as it took longer periods to complete, and worse still remained centralized. The ability of women to formalize and grow their businesses, to create jobs, and to enhance productivity was hampered with the legal structures associated with the registration process.

5.3 Recommendations

In view of these findings unearthed in the findings and discussions chapter, the team makes the following recommendations;

- There was need to revise the regulations that lengthened the process of business registration including decentralization of the registration process.
- GoM should modernize the registration process by adopting the use of online registration which would reduce the registration cost, registration time and the consolidation of tax, and any other registration into a single application. It is important that a unified registry database was created, a time limit was introduced for registration, and the minimum capital requirement was cut by a reasonable percentage.
- Policy makers should introduce a deliberate policy that was sensitive to women in providing a favorable environment of business registration to encourage women's participation in entrepreneurship.
- There was need for intensive sensitization on the importance of business registration in order to provide guidance and relevance of business formalization.
- Establish SME windows in banks to ensure that women were highly supported with financial resources and encouraged to formalize their business.
- Banks should create products and services that were friendly to women entrepreneurs to enhance them register their businesses.
- The Ministry of Trade should establish a

specific department that was specialized at handling issues of women SMEs to ensure that they were provided with adequate knowledge, skills and capacity to register their businesses.

- There was need to have a production space inform of business infrastructure to facilitate adequate financing and other resources and ensure that businesses run by women were formalized.
- There was need to decentralize the Registrar's office by creating district trade offices for business registration from various country points rather than using the central office.

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ANNEX 1: List of respondents

| NO. | TARGET GROUP | ORGANISATION | Key Contact & Details |
|-----|--|--|---|
| 1 | ILO Constituents | Ministry of Labour | Mr. Mwasikakata |
| | | Employers Consultative Council of Malawi (ECAM) | The Executive Director Email: ecam@ecammw.com |
| | | Malawi Congress of Trade Union (MCTU) | Maxwel Mkwezalamba |
| 2 | Relevant Ministries | Ministry of Gender, Children & Community Development (MGCCD) | |
| | | Ministry of Industry & Trade - SME Department | Mr. George Mwase |
| 3 | Registration Entities | Registrar of Businesses | |
| | | Blantyre, Lilongwe and Mzuzu City Assemblies. | Casterns Liyawo |
| | | Malawi Revenue Authority | Cirus Gwaza |
| | | Office of the Director of Public Procurement | Charles Khombeni |
| 4 | Growth Oriented Women Entrepreneurs | 16 women in Blantyre and 14 in Lilongwe | Mrs. Mary Nyirongo-0999838341 and Miss Mankwala-Ntonya International Schools. |
| 5 | Advocacy Networks | NABW | |
| 6 | Organisations for People with Disabilities | DIWODE, FEDOMA | Sigere Kesasi and Mussa Chiwaula Emails: sigere.kasasi@hotmail.com and fedoma@sdpn.org.mw |

ANNEX 2 : ILO Key Informant Interview-Check-list

ILO, WEDGE, GOVERNMENT MINISTRIES AND CIVIL SOCIETY GROUPS IN LILONGWE AND BLANTYRE.

SOCIO-DEMOGRAPHIC INFORMATION

Name of Respondent: _____

Age of Respondent: _____

Sex: Male [] Female []

Date of Interview: ___/___/_____

Enumerator Name: _____

Checked by/Name of Supervisor: _____

**PLEASE GET CONSENT BEFORE YOU START FILLING
IN THE QUESTIONNAIRE**

Hello, my name is _____. We are currently conducting a study on constraints and motivators for business Women registration in Malawi. You have been randomly chosen to participate in this study.

The survey is a confidential exercise and your name will not be disclosed anywhere. Please feel free to answer these questions.

A. ROLE AND RESPONSIBILITIES

1. What is your role in women entrepreneurship empowerment in Malawi?
2. What are your responsibilities in ensuring that women business entrepreneurship is promoted?
3. How do you help women entrepreneurs in setting up their businesses in Malawi?
4. What do you think are opportunities available for women entrepreneurs in Malawi?
5. What are some of the strategies developed by your institution to help promote the empowerment and business registration of women entrepreneurs in Malawi?

B. REGULATORY ENVIRONMENT

6. Do regulations support the formal business registration of women in Malawi?
7. How does the business registration policy take into cognizance gender dynamics in Malawi? (probe for participation of women in business etc)
8. How do you think the policy would be improved? If necessary.
9. What institution mechanisms are available to ensure that business registration by women is effectively supported?
10. Are the legal structures conducive to women who set up their own businesses?
11. How effective are government institutions in promoting women entrepreneurship?
12. Do macroeconomic policies support the establishment of business for women?

C. MOTIVATION FOR BUSINESS REGISTRATION

13. What do you think motivates women to formally register their businesses in Malawi?
14. Are they provided with equal opportunities on the play field when running their formally registered businesses?
15. Do NGOs support women who establish businesses in Malawi? Explain.
16. Does the private sector provide an equal level playing ground between men and women entrepreneurs?
17. Are donors and membership organizations supportive of women who set up their businesses in Malawi? Explain.
18. Is the environment conducive in the provision of grants, loans, equity and credit guarantees for women in Malawi? Explain.

D. CONSTRAINTS

19. What do you think are factors that hinder women from formally registering their businesses compared to men?
20. What are the available threats for continuity of established business for women?
21. What is the impact of gender issues on women who would like to register their businesses in Malawi?
22. What do you think are the gaps and overlaps in the provision of business services for women in Malawi?

A. RECOMMENDATIONS

23. What would you like incorporated in the policy to ensure that formal registration of business for women was conducive?
24. How can the government become more sensitive and open in its programs in ensuring that it provided adequate support to unregistered business for women?
25. What mechanisms have you put in place to ensure that the constraints that hinder women from registering their businesses are corrected?

26. What strategies have you put in place or are devising to ensure that there is improved access to finance (including microfinance) by women entrepreneurs in Malawi?

ANNEX 3 : Focus Group Discussion (FGDs) Guide

NABW, Partners and Women Entrepreneurs

Introduction

Hello, our names are _____ . We are currently conducting a research study on motivators and potential barriers for women owned business to formally register their businesses and member based industry organizations in Malawi thereby developing and implementing them. You have been randomly chosen to participate in this study.

The study is a confidential exercise and your name will not be disclosed anywhere. Please feel free to answer these questions as they will help in improving project performance or execution.

Regulatory Environment

Do regulations support the formal business registration of women in Malawi?
What are the processes and procedures for formal business registration for women in Malawi?
How do you think the policy would be improved? If necessary.
Are business licenses easily accessed by men and women who register their businesses?
Are the legal structures conducive to women who set up their own businesses?
How effective are government institutions in promoting women entrepreneurship?

Motivation for Business Registration

What motivates women to formally register their businesses?
How do women who set up their businesses inspire others?
Does NGOs support women who establish businesses in Malawi? Explain.

Constraints

Do you notice any barriers or constraints in the registration policy or process especially for women to formally register their businesses?
Do you meet any challenges when registering your business in Malawi?
What do you think are factors that hinder women from formally registering their businesses compared to men?
Do women have limited opportunities in business registration?

Recommendations

What would you like to be done to ensure that the government simplified the formal registration process of business by women?
What support mechanism should the government put in place to ensure that it supports formally registered and unregistered businesses by women?
What would you like incorporated in the policy to ensure that formal registration of business for women was conducive?
How can the government become more sensitive and open in its programs in ensuring that it provided adequate support to unregistered business for women?

THANKS

This is the end of our interview with you. Thank you very much for answering my questions. Your answers will be most helpful. If you have questions about any of the topics we discussed, I would be happy to try to answer them now.

ANNEX 4: Interview Guidelines

1.0 Introduction

Interviews are particularly useful for getting the story behind a participant's experiences. The interviewers will pursue in-depth information around a topic. The interviewers will clearly articulate the issues to be addressed using the questionnaires developed. This will help them to keep clear focus on the intent of each question.

2.0 Preparation for Interview

- Settings will have little or no distraction. Areas of the interviewee preference will be adopted.
- The purpose of the interview will be explained before conducting the session.
- Terms of confidentiality will be addressed. If their comments are to be used as quotes, their written permission to do so will be obtained.
- Duration of the interview will be indicated
- Contact details will be provided if they want to get in touch with interviewers later if they want to get feedback when appropriate.

2.1 Types of Interviews

The group will concentrate on use:

Informal, closed, standardized, open ended and general questions will be asked during key informant interviews and focus group discussions.

3.0 Sequence of Questions

- Questions will ensure that respondents get involved in the interview as soon as possible.
- Before asking about controversial matters (such as feelings and conclusions), facts will be first asked. With this approach, respondents can more easily engage in the interview before warming up to more personal matters.
- Allow respondents to provide any other information they prefer to add and their impressions of the interview.

4.0 Wording of Questions

- Wording question contained in FGD will be open-ended.
- Questions will be as neutral as possible to avoid wording that might influence answers, e.g., evocative, judgmental wording.

5.0 Conducting Interview

- One question at a time will be asked.
- Interviewers will remain as neutral as possible. That is, they will not show strong emotional reactions to their responses.
- Responses will be encouraged with occasional nods of the head, "uh huh"s, etc.
- Interviewers will provide transition between subjects.

6.0 Immediately After Interview

- Any observations made during the interview will be written down.

ANNEX 5: Procedure for Business Registration

Table 4: Standardized Company

Legal Form: Private Limited Liability Company

City: Blantyre and Lilongwe

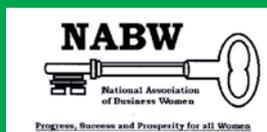
| No. | Procedure | Time to Complete | Associated Costs |
|-----|---|--|--|
| 1 | Initiate a company name search. Submit a name application to the Registrar General either in person, which takes a few hours, or by completing a form and submitting it to the Registrar General. | 1 day | MWK 500 |
| 2 | Submit application for a Certificate of Incorporation to the Registrar General, Ministry of Justice. The law provides standard articles of association. The procedure can be done by mail. By law, registration has to be completed in a maximum delay of 21 days. | 3-7 days if done in person, 14 days by mail. | MWK 1,000 + MWK 100 for first MWK 1,000 of capital, and MWK 15 for every MWK 2,000 or part of capital thereafter |
| 3 | Register for payment of income tax with the Malawi Revenue Authority (MRA). Company promoters must register with the MRA by filing the memorandum and articles of association, the certificate of incorporation (copy), and an application letter or completed application for registration form, including the accounting date, the name of a public officer, and the nature of the business. The Malawi government then issues a taxpayer income tax number. | 1 day if application is hand delivered | no charge |
| 4 | Obtain a company seal Making a seal may take up to a week. Costs depend on the length of the name of the company and the size of the seal. | 3-4 days | MWK 19,000 |
| *5 | File an application form to obtain a license from the City Assembly Under the Business Licensing Act, wholesalers must apply for a wholesaler's license; and retailers, for a retailer's license. For industrial activities, relevant fees, procedures, and licensing requirements depend on the manufactured goods. Licenses are thus administered by the corresponding ministry. By law, the licensing authority must post notices of application for wholesaler or retailer license for review for 21 days outside the licensing authority's offices. The Department of Planning checks whether the premises location and business use was consistent with the city code. | 29 days including time of publication, simultaneous with procedure 4 | MWK 400 Blantyre City Assembly |
| *6 | Inspection of premises for the issue of the license The inspectors differ by type of business, but typically, include fire, the environment, and health and hygiene. Scheduling of inspections depends on the nature of the business and the locality. With increasing distance from the inspectors' offices, the company experiences delays owing to transport constraints, so some companies offer their own transport. | 14 days, simultaneous with procedure 5 | no charge |
| *7 | Pay license fee upon approval of license and obtain license On approval, the license is issued in a couple of days and mailed to the entrepreneur. | 1 day, simultaneous with procedure 5 | 20000 |
| *8 | Apply for a registration of the workplace Promoters must file Form Lab/W/1 (application for registration of workplace), with the Occupational Safety, Health, and Welfare Department of the Ministry of Labor. Fee schedule for workplace registration: - Fewer than 20 employees: MWK 1,000. - 21 to 50 employees: MWK 3,000. - 51 to 200 employees: MWK 5,000. - 201 to 500 employees: MWK 10,000. - More than 500 employees: MWK 15,000. | 28 days, simultaneous with procedure 5 | MWK 1,000, depends on the number of employees |
| *9 | Inspection of premises by the Occupational Safety, Health, and Welfare Department(OSHWD) | 7 days, simultaneous with procedure 5 | no charge |
| *10 | Register for PAYE and fringe benefit tax with the Malawi Revenue Authority by mail Promoters must file Form P1 (PAYE) and Form FBT1 (fringe benefit tax). On registering for pay-as-you-earn (PAYE) tax, applicants are provided with the following forms: WTF1 (withholding tax certificate); WTF2 (summary of withholding tax); P9 (PAYE certificate of total emoluments and tax deducted); P10 (advice of employees tax deduction certificates issued); P12 (PAYE monthly deduction payment form; and P16 (reconciliation of the number of tax deduction certificates and schedule of tax deductions to be sent to the Inspector of Taxes). | 1 day (simultaneous with previous procedure) | no charge |

* Takes place simultaneously with another procedure.

This above process was confirmed by African Development Bank (AFDB Report 2011) findings that validated the constraints of business registration in Malawi as depicted in Table 5 below and Figure 6. The above procedure was an improvement from previous procedures as the item of dealing with licenses indicates improvement by six positive digits.

As part of the WEDGE-Malawi Project four separate pieces of research were commissioned and written by consultants to assist the project team in implementation of the project between 2009 and 2012. This report consists of a compilation of these four reports with the aim of furthering the knowledge base on women entrepreneurs in Malawi. This research can be utilized by policy makers and business development service providers to better understand the operational and legislative environment for women entrepreneurs in Malawi.

The responsibility for the opinions expressed in these pieces of research rests solely with their authors and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.



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