

Inside this issue

- Page 1 - Welcome to **B&D**
- Page 2 - Spotlight on Micro Finance
- Page 3 - What is Carbon Offsetting?
- Page 4 - Business Development Services

B&D the e-zine that looks at business in the context of development.

WELCOME TO **B&D**

Welcome to the first issue of **B&D**. **B&D** is an e-zine (electronic magazine) for business and development professionals, to help raise their organization's profile, share best practices, learn of new industry standards and innovate new ways of methodology and partnership co-operation. **B&D** is a forum for communicating with stakeholders in organizations, ranging from donor, NGO, government, private sector, industry rating and consultancy; but all with the common goal of improving business conditions and achieving a business mindset, through business consulting, business planning and business training, at all levels, from micro to international business. **B&D** aims to help "Develop a global partnership for development", the eighth Millennium Development Goal (MDG), but specifically with private sector business, in all its various forms as its core theme.

On the face of it, private sector business and international development have little in common. However, in recent years the importance of incorporating business models and business planning has been increasingly understood, especially in terms of achieving financial sustainability, both at the individual and organizational levels. This in some part can be attributed to the rise in awareness of microfinance and other economic programs, such as Income Generating Activities / Micro Ventures and Village Savings and Loans, and increasingly support for the SME sector (see page 4) which all look at addressing the wider development issues, through the medium of business.



A micro finance group holding a repayment meeting in Nkhotakota, Malawi

With NGOs aiming for long term financial sustainability, they are increasingly employing those professionals with a commercial business and or industry specific backgrounds i.e. MFI. As well as NGOs themselves becoming more business focused, it is important to pass the business "mindset" on to the beneficiaries. Sometimes, NGOs have the capacity to do this, at other times there is need for partnership or outside expertise - this is where **B&D** comes in, an e-zine that shares experiences, and build networks and partnerships.

CONTRIBUTE TO **B&D**

B&D will only be successful (in its objective) if it can bring readers together, to encourage knowledge generation and the sharing of information. Are you a consultant, NGO, network of members etc and wanting to: increase your profile, find partners, recruit new staff, advertise products, promote a conference, or other activities, which you want to tell other professionals and organizations about? Now is your chance, as in **B&D** there will be interviews, organizational profiles, industry specific information and reference points. Perhaps you want to instigate a discussion, launch a new website forum, or give feedback on the articles in this issue - (future issues will have a "letters to the editor" section), **B&D** is here to share.

B&D is also looking for volunteers to help with collecting information, writing articles, increasing readership, developing a website etc. If you are interested in either volunteering your services, or would like to be featured in the next issue, please contact the editor:

Email: banddezine@gmail.com Phone +265(0)8191247

SPOTLIGHT ON MICRO FINANCE

Microfinance is one of the “buzz” words currently in development; yet though it is bandied around quite a lot, relatively few people understand all that is involved. Microfinance is relatively new to both Malawi and development in general. It originated in Bangladesh in the 70’s, by the Nobel prize winner Muhammad Yunus through the now well known Grameen Bank. However, it is only in the last decade (or even 5 years) that it has got wider recognition, and is now being implemented by commercial banks as well as NGOs. As the name implies, microfinance is primarily about giving micro loans and increasingly a wide range of financial services i.e. insurance, market information etc to those clients who otherwise would not be able to access credit (predominantly those living in rural areas). The three core objectives of microfinance are:

1. Eradicate extreme poverty through micro enterprise. Poverty can be summarised as a lack of disposable income or buying power. Microfinance seeks to address this by facilitating micro credit (which isn’t available through the traditional banking sector) to micro-entrepreneurs. Businesses can only grow through investment (in the business). However, due to a lack of business management skills and the daily realities of living in a developing country, micro entrepreneurs often don’t have that money available (to reinvest in the business) but use it for family necessities. Hence, by providing micro credit, ideally in conjunction with simplified business management training, the process of business growth (leading to employment, higher wages and greater disposable income etc) will be “kick started”.

2. Graduate micro enterprises to the “formal” SME sector. With the need for a strong SME sector to create a vibrant economy, what can be done to fill the “missing middle”, i.e. between micro and international business? One answer is microfinance, which targets the micro business sector. When micro businesses “graduate” to SME status, there will be resulting benefits to the micro entrepreneurs and their dependants, and to the population at large, through increased employment and taxes for the government to spend on health, education and infrastructure etc.

3. Female empowerment. Women in many cultures are often repressed, have lower levels of education, literacy and earning power; yet they will often be the main focus for the fortunes of the family. If women are given the opportunity to have an equal standing, especially income generation, then experience indicates that the family, local society etc will benefit disproportionately to the investment / empowerment. For these reasons, microfinance generally (though not exclusively) has women as the majority beneficiaries. Research shows that women are also less likely to default (on loan repayment) than men, which is vital for the financial sustainability of the MFI.

There are
over 175
million micro
finance
clients
worldwide!

DOROTEYA DAMON - A MICRO FINANCE CLIENT



Doroteya’s old and new house!

Income before first loan: **MK1,500 (\$10.00)**
Income now: MK2,500 (\$16.67)
Original loan size: MK6,000 (\$40.00)
Current loan: MK60,000 (\$400.00)
Original Savings: MK3,000 (\$20.00)
Current Savings: MK5,000 (\$33.34)

Number of dependents: 2

Number of orphans: 3

Business : Selling Tobacco

Doroteya took her first loan from Micro Loan Foundation (a Malawian based MFI) in 2003 and has now gone through 10 loan cycles. With the loans she has increased her range of business ventures, and with the profits she can look after her own children, as well as the orphans of her relatives. She has expanded her business to buying tobacco and selling maize (from her recently purchased land), as well as building a cement and aluminium house.

What was your quality of life like before becoming an MLF client? Before getting my first loan, I lived in a poor house and had a poor diet, I wasn’t able to support my family financially and my business was small.

What is your quality of life like now you are a businesswoman? I’m able to clothe, feed and educate my 3 orphans, as well as save money and build a new cement house – I’m very happy.

How do you feel to be a businesswoman? By being a business woman, I have gained new skills and have started other new businesses such as buying a plot of land to grow maize. Without the extra money, I would not be able to support my family which is very important.

What plans do you have for the future? I would like to use my savings so that I can become financially independent and help my business grow further, whilst still supporting my family.

For further information on Micro Loan Foundation visit www.microloanfoundation.org.uk

WHAT IS CARBON OFFSETTING?

Manmade emissions of carbon enter the atmosphere as carbon dioxide CO₂ and Methane CH₄. Increased levels of carbon in the atmosphere have complex impacts on the climate. CO₂ and CH₄ cause warming through the 'green house effect', which is when the sun's energy is trapped by the earth's atmosphere and raises the overall temperature of the planet. The impact varies in the different regions (of the world) from changes in temperature, onset of seasons, increased frequency and severity of storms and droughts. The impacts appear to be becoming more severe. One way of slowing the rate of environmental change is through carbon offsetting, which targets the cause of climate change - too much carbon in atmosphere - and not just the symptoms.

Over the last 200 years the concentration of atmospheric carbon has increased from 280 to 340 parts per million.

What is carbon offsetting? It's when businesses pay for projects, which absorb their excess (above set international agreed limits) of carbon. These can take many forms: investing in sustainable energy projects, sequestering carbon or investing in cleaner technology.

Why do businesses carbon offset? There are three core benefits for a business to carbon offset: 1) Allows the business to still grow. 2) Short term least expensive option - though not long term (better to invest in clean technology). 3) Good for Corporate Social Responsibility.

How does planting trees assist the situation? Trees absorb CO₂ into wood, fruit (sugars and oils), foliage and protein; thus taking carbon out of the atmosphere and reducing the concentration (parts per million) of carbon dioxide – the root cause of the greenhouse effect.

How can this help in development context? By financially modelling the lifetime of a project i.e. profit and loss, cash flow and balance sheet, it is possible to decide what money is needed when, what is the total cost of a project in terms of NGO management, training, M&E etc and what % can be given to the implementers i.e. farmers (who plant trees), thus raising their income.

In summary - Carbon offsetting helps businesses to keep inside their legal limits, without adversely affecting their core business. Though profitability will be affected, many companies now actively have CSR programs, which can absorb this additional cost. Public and employee relations will improve, whilst at the same time leading to potential new market opportunities, i.e. mobile phones in Africa. Implementing NGOs can now design a long term business plan, which is not solely dependant on donor funding. This will lead to greater sustainability, as it is possible to make longer term plans, knowing that there are already funds. This will also encourage synergies with other NGOs i.e. environmental, renewable energy and micro- finance. At the grass roots level, the farmer will be receiving an additional income for a job they are already doing, and depending on the project, have cleaner renewable energy - a **win win situation!**

HESTIAN RURAL INNOVATION DEVELOPMENT

HRID is a private limited company (by guarantee) in Malawi. The company was formed to create a specific entity to lead a biomass energy conservation drive in Malawi and has evolved from pioneering work promoted by ProBEC, Total Land Care, ARET, and other important actors. HRID's primary objective is to reduce deforestation and greenhouse gas emissions in Malawi, through rebuilding traditional small-scale tobacco curing barns in a manner that greatly reduces the amount of non-renewable biomass (wood) used to fuel tobacco curing. With a more efficient barn, farmers can reduce wood-fuel costs by up to US\$200 p.a. and can increase quality / price by 28% and yields by 11%. As tobacco is the number one exported commodity of Malawi, this technology has two key benefits:



HRID's tobacco curing
Rocket Barn

1. To promote biomass conservation and deforestation, and promote the sustainable use of natural resources with all the associated benefits.
2. Promote sustainable livelihoods for women and men in rural communities in Malawi, through increasing their profit margins. This will increase their disposable income, which can be spent in other areas of the economy – therefore encouraging macro economic growth.

HRID's activities are part of a project that has achieved Gold Standard 'carbon credit' project applicant status and is likely to generate carbon credits. The carbon credits gained from the fuel efficient barns form a central part of the business strategy to expand both the number of fuel efficient products (that they supply), as well as operating on a regional basis. Currently, HRID are in the process of rolling out their second key product - fuel-efficient stoves. Both of these socio-technological interventions can reduce national wood-fuel demand by 1.5% p.a. (average taken over a 7 year period) and lead to avoided deforestation, with the many associated public benefits.

For more information on HRID contact: **Maya Khonje email: hestianrural@gmail.com phone +265(0)9 383457**

PRIVATE SECTOR DEVELOPMENT - BUGS

The Ministry of Industry and Trade (MoIT) within the Government of Malawi (GoM) has initiated the Business Environment Strengthening Technical Assistance Project (BESTAP) to help with Private Sector Development. This is an International Development Association (IDA) of the World Bank and European Commission (EC) funded project. Within BESTAP is the Business Unit Growth Scheme (BUGS), which has the objective of facilitating the maximum growth in the private sector by offering:



1) Direct technical assistance. BUGS support will start with a detailed business diagnostic and offer direct mentoring and general business consulting to help businesses identify key growth constraints, opportunities available, possible solutions, and, develop and implement an agreed business growth plan within each firm.

2) Matching grant assistance. Where more specialized help is required, BUGS will provide a 50% matching grants, of up to a maximum of US\$ 50,000 to part-fund the use of outside expert consultants:

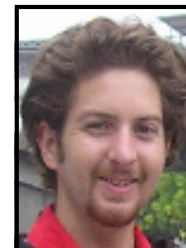
- Preparation of business plans for the purpose of seeking financial support
- Assistance in choosing the right technology/machinery
- Undertaking market research or developing marketing strategies
- Feasibility studies to enter into new markets and products
- Setting up appropriate management, book-keeping and accounting systems
- Product quality improvement and quality control,
- Certification and compliance to norms and regulations
- Specific related business trainings

3) Grants for on site - HIV/AIDS counselling and testing. BUGS will also offer financial assistance to those enterprises that seek to use services of an outside specialist to conduct on-site voluntary HIV/AIDS counselling and testing. This is aimed at fighting the spread of HIV, reducing on the impact of the disease on a firm's productivity and its personnel, and also eliminating the related stigma at the workplaces. The intention is that BUGS-supported firms will increase their annual turnover at a rate at least one-fifth faster than non-supported firms, over the same time period.

For further information contact: **Robert KyuKyu** , e-mail bugscheme@yahoo.com phone: **+265 (0)1831901/910**

PERSON FOCUS - WWW.BUSINESSFORALL.ORG

Chris Statham is the lead consultant at Business For All (BFA), a (BUGS registered) consultancy (based in Malawi), that specializes in providing (business) consultancy, planning and training solutions to: MFIs, NGOs and the private sector - and whose website, will initially be hosting **B&D**.



What is your background? I worked in London for 3 years in the marketing /commercial departments of multi national companies, and 3 years in Ireland doing sales for a SME business. I saw the relationship big businesses have with their customers and employees and how this leads to business growth, and also the daily realities of a small family business.

What is your business philosophy? The priority of all successful businesses, from selling tomatoes to pharmaceuticals, is understanding the customers' needs. Without customers you have no sales, therefore no income and no business - simple as that! Customers / sales have to be the priority; but it is also very important to know all your costs and how money goes out of the business i.e. are you making a profit or a loss, and planning the cash flow.

What do you do, when you first meet a client? It is important when working with a client, that they understand the need to; 1) first analyze their current situation, 2) think what needs to be done, before making 3) a plan and 4) carrying out the actions (of the plan). The client should then 5) analyze the success of those actions, and also where the business has moved on i.e. where there are new opportunities - it should be a continuous learning circle.

What projects are you currently working on? I have recently coordinated a Social Performance Assessment for an MFI. SPA are setting new M&E standards in microfinance, so it was very interesting to be involved. I'm also working on a number of business plans for private sector businesses, which are getting 50% grants from BUGS (to pay for my consultancy services).

What are your future plans? There are a lot of business opportunities in Malawi and that's why I'm very excited about BUGS facilitating private sector growth. I would like to be involved in opening a number of Business Development Services (BDS) centres (around the country), to bring affordable business consultancy, training and planning to all levels of entrepreneur, from micro to international businesses.

For further information: **email: cstatham77@gmail.com phone: +265(0)8191247**

INFORMATION

The Editor
Business and Development Newsletter
PO Box 401
Kasungu
Malawi
Phone: +265(0)8191247
E-mail: banddeazine@gmail.com

www.businessforall.org/bd-ezine