

Development in Malawi - A Personal Perspective



By

**Chris Statham BSc
Consultant**

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INTRODUCTION

Notes to the reader:

Some Background

I have come from a commercial background, and worked in marketing and business development in the UK and Ireland for 7 years (after gaining a marketing degree) before arriving in Malawi, at the beginning of March 2007. By my nature and private sector working experience, I am very much results driven. In the private sector, if you don't have sales (and I was a salesman in a small family business in Ireland for 3.5 years), you don't have a business, it's as simple as that! That is also my general philosophy i.e. that if something is to be done, it should be done for a reason and with the right motivations and resources you should get the expected results.

In Malawi, I worked in a MFI (Micro Finance Institution) in Kasungu (central Malawi) for 5 months as a consultant. I analysed the organisation as a whole, the impact microfinance had on the beneficiaries' lives, and designed a trainer of trainers manual, from the basics of business, to developing a business plan for a commercial loan, to be used firstly by loan officers, but ultimately designed for the loan officers to train the final beneficiaries. After working at the MFI, I moved to Lilongwe (the capital) where I worked as an independent consultant for 3 months, doing some work for NGOs (Non Governmental Organisations), private sector business and selling my training materials.

The Articles

There are four short articles, which were written independently and can stand alone, though naturally, as there is a certain amount of coverage of same topics, there is some cross referencing. This is not researched piece and does not claim to be so. Nor is this an essay with conclusions (unless inherent and unspoken in my words) or summaries. Instead, this is taken from my own reflections and experiences as an outsider, as well as talking to colleagues and friends about their experiences and views on all matters.

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Though this article is about Malawi, I would imagine it could apply equally to any number of other countries, and I only write about Malawi specifically, as that is where I lived and worked for 8 months and hence where I have most of my experience. I have tried to be as objective and analytical as possible, to represent how the situation is, though I am the first to admit that when talking about such a wide range of topics with such intertwining connections and relationships, it would be nigh impossible to know everything about everything and so at times you may feel that my assumptions are at times generalised and somewhat cynical; this maybe a fair accusation, and that is why I have included a little of my background, so you can understand from what perspective I see the world!

However, as per the title, this is my personal perspective and how I see the current myriad situations in Malawi; I would be interested to hear yours views, either on Malawi or these articles!

Chris

cstatham77@gmail.com

www.businessforall.org

NGOs and Development Sustainability in Malawi

The role of any development organisation from government, NGO or the not for profit private sector, will now have to a greater or lesser degree, some element of one or more of the 8 Millennium Development Goals (MDGs) as part of their mission and objectives.

1. Eradicate extreme poverty
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, Malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

This can be broadly sub divided into three main areas: Health, Education and sustainability. Sustainability covers areas such as: food security, the environment, improving infrastructure and strengthening the business environment. Whilst no country (not even developed ones) would refuse resource assistance for either health or education, as there is almost always scarcity of these resources, the issues surrounding development sustainability assistance is more complicated, and to a certain extent controversial.

On first inspection, why would giving assistance in terms of monetary and human (professional experience) be controversial? If there is a co-ordinated approach and good communication between all players and stakeholders, then one would have thought that any development assistance would be well received? However, there is strong argument, between NGOs, Government, media and the people of Malawi, about whether development aid is in fact “holding back” natural development progress in Malawi! To look into this issue, I will first look at what the problems are and how they are being measured, and then look at the argument, that it would be better for development agencies to leave Malawi and for the country to progress at its own speed.

The first thing to note is the word “if” at the beginning of the second sentence in the previous paragraph. “If” might be one of the shortest words in a dictionary, but given context and in this case talking about co-ordination and communication, is (in this instance) one of the biggest, as there seems currently to be little central co-ordination or communication between government, NGOs and other players. The results (or lack of) speak for themselves. The fact that Malawi has been receiving assistance since independence in 1964, with seemingly little progress, the question must be asked, what has happened to the money and how has it been spent?

The second thing to note, is that much of what is said especially too popular media and at local events by government and politicians could be called political rhetoric! Although not on the same scale as what Robert Mugabe in Zimbabwe espouses, there still seems in some quarters a feeling that if it wasn't for colonialisation and after independence “meddling” by foreigners, then Malawi would not be in the situation it now finds itself in. Though this might have one or two points which back up its argument (which will be looked at later) it is impossible to say what would or wouldn't have happened without foreign aid. To say that it has all been bad and unhelpful, is a gross generalisation and primarily said (in my opinion) as a form of rabble rousing for the majority, relatively uneducated

(especially rural) majority. Politicians and those in positions of power and influence are savvy enough to know what needs to be said to their supporters, whilst at the same time knowing what the real situation is.

An example of this (political rhetoric) is the practicalities for getting the right documentation i.e. visas, business registration etc. for a foreigner to set up a business. One would have expected that the government would do all in their power to encourage foreign investment at all levels, especially in the SME (Small Medium Enterprise) sector (see business sector article and benefits of a strong SME sector) and make it relatively simple. However, there are in fact plenty of hoops to jump through, not least to show that there is investment of at least \$50,000; this is a lot of money in any country. With costs of rent, bills, wages etc being relatively low and the business owner not necessarily wanting (or needing) to invest in capital or property i.e. if they are a consultant or offering a service type business, why this figure has been set, (especially considering it is very difficult to get this size of loan from banks in Malawi) is somewhat confusing. For international businesses, the size of investment and human resources needed to complete all necessary steps is not a problem, but for a SME business it is! Previously, although this was the official rule, often a blind eye was turned in the administration of granting permits. However, in recent months this has gone up the political and thence media scale. The reason (and which is purely political) is that there are complaints that Indian and Chinese entrepreneurs are “taking jobs and money” away from Malawi. This is nonsense, as there is nothing stopping Malawians importing / exporting with Indians and Chinese and making those business relationships, but they aren't. The government claims, that they are reinforcing the \$50,000 rule so that it shows foreign investors are making a long term commitment; rather than what it is actually doing, i.e. making it harder for foreigners to invest in Malawi! Even if the profits made are sent back to the business owners country of origin (which is the main charge) the business is still providing employment, increasing competition (which is always good for the consumer) and the inevitable spending of disposable income in Malawi – there are no downsides, other than the psychological one i.e. that it is foreigners rather than Malawians who are making business.

The third point to note, is the difference between the aftermaths of a crisis situation i.e. flood, famine, cyclone, civil war etc, and where NGOs are greatly needed in all areas, (arguably) especially food and water security, and long term sustainability. Malawi fortunately has not suffered extreme natural disasters and has a relatively stable and democratic political system, so when talking about aid development in the context of Malawi, it will more normally be in terms of long term sustainability, rather than short term crisis aid.

If talking about long term sustainability (assuming that health, education and crisis aid is welcomed), what are the reasons and arguments against intervention? Undoubtedly many individuals (especially volunteers) have good motives and are willing to give their time, energy and experience to help in the best way they see fit. But if the management at all levels i.e. in the field, NGO management, district and central government are not supportive, making the right strategic decisions, communicating with all stakeholders (including feedback) or co-ordinating with other players so as to have a common approach across the sector / industry / development need, then the results will not be maximised.

Economic indicators that would show overall improvement in the livelihood and welfare of Malawian people would include: everyone being able to earn over the \$1 a day threshold of extreme poverty, low rates of unemployment and inflation (and interest rates), good access to credit, food, health and education, and a growing SME sector, the bedrock of any successful economy (see article on SME sector in Malawi). In the wider macro economy, there would be increased exports and the ability to import where product, means of production and raw materials are not available, which would help

produce goods and or services within Malawi, which could then be exported (or consumed in Malawi, rather than import substitute products). If all these indicators were present then there would lead be an overall increase in GDP and a strong and stable currency and economy. Though in recent years (especially since 2004 when a new government was formed) there have been encouraging signs, though much still needs to be done.

Therefore, if these indicators are not being met, then what are NGOs, development agencies and government doing, or not as the case maybe? One of the key problems is the structure of most NGOs, which are not sustainable in themselves, in the “true” meaning of the word, and this in turns creates instability.

One of the key problems all NGOs face is funding, or lack thereof. Without funding, there is no money for projects, or administration / management. As the vast majority of NGOs do not create their own finances, unless they carry out commercial activities to become financially sustainable such as microfinance institutions (see microfinance article), or have commercial outlets (for complete or partial financial sustainability) i.e. Oxfam’s retail shops, or generate other types of sales i.e. free trade coffee to third parties i.e. supermarkets or agro-processors, then there is a large amount of instability in the management of the NGO’s project, at the local, country and headquarter level. Due to the uncertainty of where funding is coming from to pay for country projects, the projects have a necessity to be planned on a relatively short term basis, with appropriate short term goals, objectives and targets. It would be unwise to have a 15 year project and appropriate goals, if funding was only available for 3 years of intervention! With the ability of only being able to fund projects for a relatively short amount of time (3 years is essentially only going to be for two seasons) it is difficult to have long term impact. It is possible to put in some infrastructure i.e. irrigation systems, water pumps etc and give specific technical training. However, and this is where the crux of many of the long term sustainability problems lie, the lack of “business planning” is often the main reason why projects do not continue (in the long term) after direct NGO intervention. With all the technical training in the world, and resources in the form of seed, water pumps, harvesting mechanisms etc if at the end of the day, the beneficiary(s) are losing, rather than making money, what is the point of them carrying on?

Business planning does not have to be complicated, but the basics of accounting for what you have spent, what you have done with money from sales and taking into consideration any logistical implications i.e. seasonality of product, getting supplies, selling to consumers etc, would go a long way to make many interventions more sustainable. Though this may sound easy in theory, there is one major flaw to it – a lack of personnel with relevant business experience (see also business sector in Malawi article). Without the personnel to do the appropriate training, then what (or not) is going to help the beneficiaries “turn a buck”. From my experience, NGOs are very good at looking at the technical side of things, i.e. do the technical training, and can provide good amounts of resources (when they have the funding) but when it comes to the business side of things, it seems to be more common to ask for someone with general management experience, or someone who is an economist / agro economist. Though these are important, it is a different skill set to being able to make a business plan. In fact, a business plan should be the first step in project design (once needs have been assessed) as if there is not long term commercial viability i.e. for a fruit juice co-operative, then what (other than for social reasons) is the point of intervention? Though this maybe a generalisation (as many of the arguments in the articles are) in some cases, there seems to be almost a cynical air when there is intervention. Beneficiaries are happy to receive the resources for these short term interventions, but they “know” that if the project fails, that in a few years time, another NGO will start a new project and thus start a cycle of intervention, and use of scarce resources with little in terms of long term results or sustainability. If this is the case, which logic would accept, as these “cycles” have been happening for

40 years or so, admittedly maybe not in quite this simplistic fashion (especially during the years of President Banda which finished in 1994) then there can definitely be a case for arguing that long term development has hindered rather than helped. If there had been no interventions by NGOs, then this expectation of aid / help would not have been fostered and perhaps true entrepreneurial and business “spirit” would have prevailed?

One of the central questions surrounding the development issue is the difference between giving a gift of money or resources, as opposed to a loan. As an analogy; if you received \$100 as a Christmas present, you might buy a CD, some clothes and then maybe go for a few drinks. You are free and able to do what you want with your money, with no consequence or need to repay. However, if you got a loan of \$100 from a bank, you would have to be more circumspect on how you spent it, as you would have to repay \$110 (\$100 + interest). This accountability / responsibility question, can be equally applied in the development context, i.e. if there are no consequences (as is sometimes the case) then what reasons are there to spend wisely and make the most of the investment?

Other than the structure and funding issues that surround NGOs, which effects the way that they operate, it is also important to understand their “mandate”. In general, NGO interventions are designed for the short term (as previously explained) and they need to account for how they spend the money (on a balance sheet) and the short term measurable impact that they have i.e. an increase in harvest yield. This though is very different from the long term sustainability of the project, which by its very nature would require long term monitoring and evaluation i.e. an impact assessment / analysis; as already explained, this long term planning is often difficult due to funding issues. This maybe a controversial point of view and many NGOs may disagree (and some are truly aiming for long term sustainability) but many seem to be in a mindset of, *“we have this funding, we need to spend it and justify our spending with a report to the donors showing what we have done with their money, because if we don’t spend it, we wont get any more, and if there is no more funding, there is no more project or jobs!”* Due to this mindset, many NGOs act independently, not least because at times they are often in competition for finite resources, especially funding. This could be one of the reasons why there seems to be a lack of coordination between NGOs. In the private sector, it is very much a question of strategic partnerships with key suppliers and customers and in some instances even competition; by working together, it is in everyone’s best interest. This should theoretically be even more applicable to NGOs, as they all have a similar goal i.e. reduce environmental impact, ensure food security, make micro credit available etc, and there would seem to be some obvious synergies, i.e. a food security NGO could work with an environmental NGO in training (of beneficiaries) and project design, then at the appropriate stage, involve an MFI. The MFI could provide credit and possibly business guidance (though relatively few MFIs actively act as business mentors at the moment) once the other two organisations have finished with their specific interventions. Through this approach, although the food security and environmental NGOs might only have funding for three years, due to their intervention and working in partnership with the MFI, they have ensured long term sustainability, which is their ultimate goal. This though for unknown reasons, doesn’t seem to be currently happening? Whether it should be government or district coordinated, or even NGOs working in a closer networks and collaboration I can’t say, though undoubtedly it should and needs to happen, at a variety of different levels.

As in any organisation, there are as many different motivations and reasons (for working in that organisation) as there are people. To say that you are only working in an organisation that has objectives and goals to help others, (apart from a few altruistic exceptions) is only half the story. Of course, that is definitely a strong motivation, but there are also professional and cultural challenges, working in environments and building relationships and partnerships with people and organisations that

aren't found as often in other working cultures, but which motivate people to work in the NGO environment. The above motivations maybe similar for both Malawians and foreigners, but there are also a number of different motivations. For foreign workers, there is also a sense of adventure, it is possible to see wildlife and go on excursions on weekends / holidays which are not available in their home countries, they are often in senior managerial positions, which given their experience they might not have the same opportunities in their own countries, the potential for being proactive and starting new initiatives is high and of course money. Though many are volunteers, either having none or low allowances, others (who are on contract) have high wages and allowances, with a large disposable income and relatively not much to spend it on (due to low cost of living) they can put a large amount into savings. Working in an NGO in a foreign field definitely has its attractions; so also for Malawians.

One of the most repeated arguments for stopping NGO work, is that it takes professionals, especially teachers (due to their English speaking ability) out of their normal environment (in some cases to less skilled roles i.e. drivers) and thus creating shortages, in much needed positions. This is generally not denied, due to the necessity of educated professionals in the NGO structure. It can be understood on the personal level why a former teacher might change to becoming a driver, community worker etc; simply, the wages will be considerably higher and thus they will be more able to provide for their family. This is a complicated situation, as in an ideal world, the NGO is creating new job opportunities and wealth whilst the government would have surplus teachers to fill any void. However the world is not perfect and instead it becomes a political point!

The other main (human resource) argument for stopping NGOs having intervention is that it curtails advancement of Malawians into positions of seniority. Though this "argument" may have some validity in certain organisations, as a general rule, it is normally due to a lack of experience by Malawians in certain roles, that foreign workers in both NGO and private sector cover, for instance marketing managers (see Business sector article). In my view it should be the person with the most experience and ability, irrespective of nationality that gets the job, but with the proviso (that if a foreigner is in the role), that there is mentoring for someone else (Malawian) to eventually replace them; this in fact is often the case.

The last main argument against NGO intervention is that it breeds a culture of "dependence" and "allowances"; this is the one thing that most Malawians (even if they might not want to admit to) and outsiders can agree on. Malawi is dependant on foreign aid, there can be no argument about that; 80% of money coming into Malawi is donor aid! Allowances are a way of life, just about no one will do anything without an allowance, whether that is to pay for lunch, travel or a hotel, which is reasonable and understandable, to not going to meetings unless there is free coffee and cakes, which isn't! With wages low, especially in the public sector, it is understandable, that when there is a margin (on allowances) to be made (in addition to salary) then it will be taken, and this is the same the world over, but to make it part of the culture and not hold meetings, conferences etc. without them, results in decision making become very ponderous, and this is one of the major factors why decision making at all levels, is not as efficient as it should be. This can be partly blamed on NGOs, but government at all levels is a bigger culprit and in many cases, there is abuse of this system. Knowing how to reverse this "work culture" is a difficult, though important issue that needs to be addressed from the highest levels down.

This next paragraph, I will act as the "Devil's Advocate" and ask / suggest some controversial and probably unpopular thoughts and questions, but I think it is important to ask anyway, as it is vitally important to understand the motivations of individuals, as this is the key to the development issue. Individuals are the people who can make a difference and are the decision makers, and as such are the

people who have the biggest effect and influence over a large majority of the population. Who would benefit from Malawi progressing faster and having a stronger economy? On the macro economic view, everyone would (see business sector article). There would be more jobs, and equally importantly more tax for the government, to spend as it sees fit and in the best interests of the public. However, that takes a long time and a big change in working culture. If that were to happen, NGOs would eventually “do themselves out of a job” (in Malawi at least) and although that is written (in very different words) in many mission statements, is essentially what would come to pass. For the foreigners, I’m sure they could find similar work in other places in the world, but for Malawians, what happens to their jobs and livelihoods if they are suddenly unemployed? What would happen to the huge variety of allowances which are available to public sector workers, funded on the back of UN, EU, World Bank etc funds? I’m not suggesting that there is conscious thought along these lines, or being hypocritical and that my own motivations are always whiter than white, but as with other things, it is something that needs to be thought of “in the mix” of the development question and especially when going higher up the managerial “food chain”, where the decisions which can have the most impact are taken. Many individuals benefit from the current development status quo, from government down, and may have an amount of self interest to keep the situation as it is!?!

So what do NGOs do and what is their role in development in Malawi. Though their motives and that of their staff maybe honourable, the execution of long term sustainability (for a variety of reasons) can be questioned; does this though mean that NGOs should leave Malawi to their own devices? This is a very complicated question with an equally complicated answer. On the one hand, in areas of health and education, I’m sure the Malawian government is happy to get as much assistance as is available. Likewise, if and when there are crises situations i.e. lack of harvest due to excessive rains and flooding (which is steadily getting worse each year due to deforestation) or even a lack of rains, as there were between 2002-2006, then NGOs are vital to provide emergency aid, but what about the current situation and long term sustainability? If there is better co-ordination and communication, between NGOs and government (in both directions) then in both the short and long term there will be benefits. But if there is not better coordination, should the government ask NGOs to leave? The simple answer is no, but maybe not for the obvious reasons. Assuming, the effectiveness of NGOs is not changed, (and this is a critical and perhaps unfair assessment) and NGOs did leave, the money and training which they put into various projects, will be effected, but perhaps this will encourage better entrepreneurship and efficiency at all levels, so it is not for this reason why NGOs shouldn’t leave. But rather, it would be bad (for the wider economy) if NGOs were to leave, due to the reduction in disposable income.

NGOs provide one of the few employment opportunities for many Malawians, and if you also include public sector jobs funded through donor aid, then they make a large percentage of total employment in Malawi. As a general rule, the salaries within NGOs (at all levels) are considerably higher than what could be earned in equivalent public sector jobs, which staff would have to apply for (if there were no NGOs). There are also some organisations which actively look at funding other Malawians businesses on a sub contracting basis i.e. DFID (UK Department For International Development). Additionally, foreigners both on contract and volunteers (who work for the NGOs) bring foreign currency into the country / spend their salaries in Malawi. In this way, development can be said to be an industry and it is vital that the disposable income that it generates, stays so that it supports the wider economy. Employees need somewhere to live, food to eat, petrol for cars etc. and for this they go to local entrepreneurs / businesses whether that is someone renting a room or setting up a restaurant. Without the disposable income (generated by “development industry”) there would not be much money generated to purchase from the SME businesses, and from there, no “trickle down” effect i.e. a

restaurant has to buy vegetables from the market (thus supporting those micro businesses), employ staff (increasing disposable income) need a premises (support construction industry).

There maybe flaws in the current structure of development in Malawi, especially in relation to collaboration and communication between all players. However, there is undoubtedly a large resource which could be maximised and it is the challenge of all players to realise the opportunities and come up with answers that would benefit the wider economy and population. It is ironic, that not having a vibrant SME private sector is the root cause of many problems, and that indirect development money i.e. disposable income, is in fact supporting what SME sector there is. If for political reasons, the intervention of NGOs is lessened, it would have far reaching and disastrous effects for the SME sector, and this in turn would make the overall development situation considerably worse.

Chris Statham

Consultant

February 2008

cstatham77@gmail.com

The Business Sector in Malawi

Business in Malawi is almost a contradiction in terms. 80% of money that comes into Malawi, is in the form of donor aid! Malawi has virtually no exports and the only one on a true international stage is tobacco, though that is mainly controlled by South African owned businesses, as are many other international businesses. To my knowledge there aren't any truly Malawian international businesses. The closest that you would get is Malawian airlines. Things seem to be changing slowly, as commodity markets (ACE - Agricultural Commodity Exchange and MACE – Malawi Agricultural Commodity Exchange) are starting to appear, but again it is generally a few traders and larger organisations i.e. NASFAM (National Small Holders Farmers Association) who are buying from the small holder farmer and selling on the international markets. This is very much at an early stage and considering 85% of the population live in rural areas, with a large majority working / living predominantly as subsistence (rather than commercial) farmers, this is better than nothing and is a start in the right direction of introducing business principles to Malawi.

All strong economies have a vibrant SME sector, and governments generally do what they can to support business start up, by making grants available, formation of mentor / advice services, tax breaks, reduction of red tape etc. The reason for the need of a strong SME sector is that it increases choice for the customer, and by having more competition the whole business process becomes more efficient and thus businesses become more competitive. This in turn increases sales (of locally produced products) and in the long term, means lower unemployment and more tax (both direct i.e. income tax and indirect i.e. VAT) for the government.

Small businesses are also essential for supplying larger businesses and which can lead to an upward spiral in business and economic growth. For example: A small business (company A) manufactures nuts and bolts and sells these to a construction vehicle manufacturer (company B). A road construction company (company C) buys vehicles from the construction vehicle manufacturer (company B), they also buy dynamite (from company D) and company D who supplies the dynamite, packages the dynamite in boxes held together by the nuts and bolts from company A.

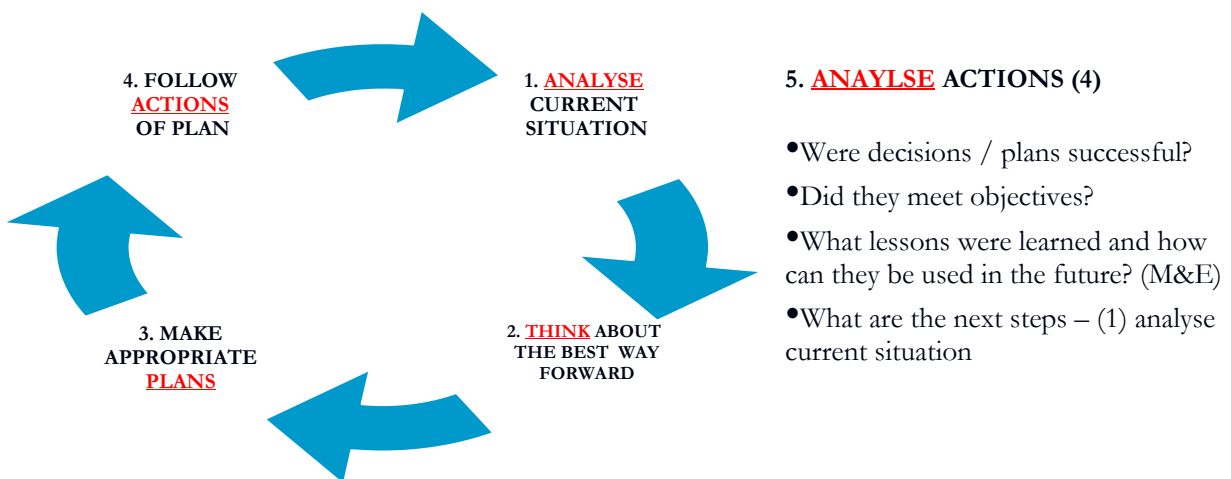
As can be seen from this simple example, with out company A supplying nuts and bolts, then the other companies would have difficulty in their own business. Each business employs people and their salaries are split between tax that goes to the government and disposable income. The disposable income will be spent on utilities, mortgage / rent, and FMCG (fast moving consumer goods). At each of the places where the consumer spends their disposable income, it helps provide employment to other employees and hence continues the circle and builds an economy. Without an SME sector, the opposite is the case i.e. large unemployment, low amount of disposable income, small revenues in both direct and indirect tax for the government (which means the government has less money to spend on health, education, infrastructure etc) and a weak economy. Because of low sales revenues, businesses will often put their prices up (revenue = sales x price) to increase their profits (profit = revenue – costs) but with prices and hence also costs increasing at every level, no one wins and there is inflation which becomes a problem in itself. When prices increase in the internal market, it has a double negative impact in the overall economy; for an example I will take a Malawian trading Zambia. If the price of Malawian goods increases, then people in Zambia will buy Zambian goods rather than the relatively expensive exported Malawian goods, thus reducing Malawian export sales. In Malawi, it will now be relatively cheaper to import Zambian goods, than buy locally made Malawian goods, thus also reducing internal (in Malawi) sales of a company. With all this in mind, it is clear to see why a strong SME sector is important in the wider development context, as with a stronger economy other development

issues (health, education, food security etc) will be addressed, whilst also reducing poverty and increasing GDP. The government will have more money to improve welfare in the country, and the population will have greater choice in their buying habits. This is very important in relation to Malawi where food security is a major issue. Getting away from subsistence farming (which is always vulnerable to drought, disease, failing markets etc.) and changing the attitude of farmers to see themselves as business farmers (and in themselves become SME businesses), rather than subsistence farmers, will give them more disposable income which they can spend on buying food, rather than having to solely rely on growing their own food. In the long run, this whole process will increase efficiency at all levels of the agriculture food and business chains.

There are a number of positive side effects from a strong economy (in both general and development terms), the question therefore has to be asked A) what are the current problems and inhibiting factors within Malawi that are restricting the SME sector (also known as the “missing middle”) and B) what can be done to help change the current situation.

Many of the current problems could start to be addressed by having more business professionals, specifically with those who have commercial experience. Business is not complicated, like science. In its most simply form, it’s knowing how to make a profit i.e. for sales to be higher than costs. But a business professional knows the questions to ask when thinking about how to increase sales, take advantage of new opportunities and reduce costs. In the same way that a business person has the mindset of looking for new sales etc a teacher knows the question to ask their pupils or a doctor their patient. Whereas someone without a business, teaching or medical background might ask 10 questions, a business professional, teacher, doctor will ask 100 questions in their respective field. This is very important when thinking about designing business plans, marketing strategies etc, and hence why experience, especially commercial experience (how to increase sales and reduce costs) is so important.

As well as knowing the questions to ask, it is also important to follow the same logical framework when coming across new situations – this is known as the learning circle – see below.



Unfortunately in Malawi, because there is a weak economy with a limited business environment, there simply are not many people with commercial business experience. Those companies where you might expect to find this experience i.e. international businesses quite often have international staff, often from South Africa or to a lesser degree Kenya (or at least with international experience) in senior management positions, and as such, in corporate business these professionals might go to other (or their

home) countries if and when opportunities arise. This in turn means that the number of Malawians, living in Malawi and who have international / corporate business experience is limited.

At this point I will differentiate between those who have business experience and commercial experience. As important as HR, Accounts, Logistics, IT (and to a lesser degree marketing) are in any company, without sales (and money coming into a business) there would simply be no departments / jobs, as there would be no money to pay for the accountants, computer programmers, personnel managers etc! As an analogy: HR, Accounts, Logistics and IT departments can be seen as the limbs of a company, there are very necessary for the body to work at maximum efficiency, but without them it is not terminal. Marketing is the brain of the company, as it coordinates all the other parts of the body and as such, is vital for the body to function properly and efficiently and in a co-ordinated manner. But still without a brain, a body can just about survive, as long as it has a heart. The sales department is the heart of any business; it provides oxygen / money to the brain and the limbs! If the heart stops working / sales being made, the body / company dies! The company will still have the costs, but not the sales to cover them. However, even when a company has good sales, but bad financial management, i.e. when the management do not understand all the associated costs and hence not make a profit (profit = sales – costs) the company can still fail. Hence the need for experienced professionals who can manage the finances of a company effectively i.e. either increase sales or reduce costs, so that there are no problems concerning profits, or importantly cash flow, which is a main reason for company failure.

Without business professionals (specifically commercial) at a premium, and with relatively little training specifically in commercial activities at either university or business colleges (which generally concentrate more on accounting and business administration, HR etc), the focus for change will have to come from government and NGOs.

Other than a lack of specific business and commercial experience, below are the other main problems for Malawi's faltering SME sector.

- Availability of business specific / commercial training
- Business planning and design of business plans – especially financial planning
- Access to finance
- Market research –
 - Understanding all associated costs of business, especially concerning logistical implications
 - Procurement – getting 3 quotes and using overall best supplier
 - Who direct and indirect competitors are
 - Who are the customers / need for different marketing strategies for a retailer to a wholesaler
- Product quality (especially for export) need to consult Malawi Bureau of Standards
- Formalising contracts focusing on quality, quantity, consistency of supply and price
- How to design a marketing strategy / marketing mix
- Packaging - availability and quality of supply for fundamental products i.e. glass / plastic bottles for fruit juices, honey, peanut butter etc. very important if wanting to export!
- Reaching necessary quality (Malawi Bureau of Standards) and Health and Safety standards – especially important if wanting to export
- Ethical considerations when talking about Fair Trade i.e. HIV / AIDS awareness training and fair labour conditions, which also very important when discussing export business
- Setting; goals, objectives, targets and measurements – Monitoring and Evaluation
- Procurement and availability of specific machinery for the means of production

Knowing what the problems are is one thing, knowing how to find solutions to these problems is another! The first step will have to be a coordinated approach between those who have the experience and those that can make institutional changes to make business set-up and running easier for entrepreneurs.

Below is a list of those individuals and organisations that would be good to have in a working group, to look at how and where changes should be made and thus help facilitate SME sector growth.

- Ministry Trade and Industry / Enterprise
- SME business owner
- Private sector national business
- Private sector multi national business
- MCCI (Malawi Chamber of Commerce and Industry)
- Micro Finance Institutions / Micro Finance Network / DMS (Deepening Microfinance Sector)
- A National Bank
- Individuals currently in NGOs but from strong business / commercial background
- Consultant - specialising in private sector business
- BCAB (Business Coalition against Corruption) or ACB (Anti Corruption Bureau)

By working with those who have the experience and learning from their experiences and digging into their well of knowledge, contacts and networks, it will be possible to start addressing some of the current problems within the Malawian SME sector. By addressing these fundamental problems, it will then be easier for entrepreneurs to do business more efficiently and thus start to build a sustainable SME sector in Malawi. This will have the knock on benefits also for government i.e. as increase in taxes, which they can use to improve health, education and infrastructure etc. Thus, from addressing the problems within the business sector, development issues will also be positively affected.

Chris Statham

Consultant
February 2008
cstatham77@gmail.com

The Role of Microfinance

International development is not a new concept! The theoretical purpose of colonization was originally to help those less developed countries grow economically, and then help them to gain Independence; they would then trade on "a level playing field" and the world as a whole would prosper; that at least was the theory.

After the Second World War, firstly Asian and then African countries gained independence. No countries initially acted as replacement "benefactors" to them, to help pay for the up keep and maintenance of public buildings, roads and railways; so they had to look elsewhere for economic support. The first countries to give "aid" were the communist countries of Russia and China as they wanted to increase their area of influence. The aid given was generally in two forms, either armaments for those countries with new power but no army, or economic aid i.e. loans for funding prestigious national projects. One famous example of which was the TAZARA (Tanzania to Zambia) railway line which ran between Dar es Salaam and Kipiri. The Western democracies did not want to lose their influence in Africa to communist ideology, so they changed their attitudes to Aid and Development. The emphasis of the Aid and development has had three clear stages. Firstly, money was loaned straight to the government. This however failed, as much of the money went into the hands of corrupt administrators; whilst at the same time, increasing national debt. Next, companies were asked to invest in Public Private Partnerships to build an infrastructure, whether it was new telephone networks, better roads, railways or air travel. Now though, the strategy is for long term sustainability, in some case it is to facilitate the education of children, who will be tomorrow's businessmen and politicians. Other NGOs look at issues surrounding the environment or food security. However, what underpins the success or failure of many projects, and development in general, is the success or failure of the economy and as discussed earlier, the SME sector in particular. Perhaps, the reason for the relatively little success in bringing Africa out of the economic malaise for the last 50 years or so has been because there hasn't been a concerted effort looking at the SME sector. Naturally, there is need for good infrastructure and communications to support an economy, but it is from the bottom up, rather than top down that the SME sector works, and therefore access to credit, business planning skills, technical training etc will be of most benefit in helping bridge the gap of getting micro businesses up to an SME level, which in turn should create more business opportunities (in both directions) and thus create an upwards business and economic spiral.

With the need for a strong SME sector to create a vibrant economy, what can be done to fill the "missing middle" i.e. get the many micro unregistered, untaxed and unregulated businesses into the more formal SME sector? One answer is microfinance, which specifically targets the micro business sector and which is just about the only development methodology, often in conjunction with free trade and or commodity (stock) exchange principles, which sees development through business, as the option with the most potential to answer the wider development questions and issues. Female empowerment is a key development issue (see gender equality article), and microfinance generally (though not exclusively) has women as the beneficiaries. Feedback suggests that through financial independence "facilitated" by microfinance, female empowerment (especially in the home environment) has been greatly enhanced.

Microfinance is relatively new for 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. As the name implies, microfinance is about giving micro loans to those who otherwise

would not be able to access credit through the traditional banks. Banks do not give micro loans for a good reason; it would be unprofitable i.e. the need for human resources and administration would be too high to make a profit, even with high interest rates. The question then is asked, why don't banks give out bigger loans, thus making it profitable for them? In the first instance, a micro business owner, for example, someone who sells vegetables in the local market, does not need a \$1000 plus loan, they might just need \$50 to make the small investment, which would make the big difference to their business. Secondly, there is no universal national identification (in Malawi) i.e. passport, driving license, social security number. Therefore, someone could take a loan, move to another district and change their name. For this reason, when banks do give out loans (of any size) they often ask for large amount of security (especially if business plans are weak, which they often are due to lack of business training availability) and which in itself becomes a barrier to receiving a loan. Therefore what do MFIs do differently to banks?

All MFIs have different goals and as such have different processes and procedures. Some require security, others have minimum loans sizes. Each will provide a variety of training, some procedural and some business specific. They will all charge relatively high interest rates (compared to banks and Western norms) with an industry average about 30%, over a typical 4 month loan period. However, the one thing that the majority of MFIs have in common is the principle of collective responsibility amongst their beneficiaries and which is key to long term sustainability. Although an individual will ask for a loan, they will be part of a wider group of typically between 15 – 20 members and it is to this group that the cheque is given (before further distribution) and it is the group, who have to make the weekly, fortnightly or monthly repayments and not the individual. In this way it is possible for the loan officer to effectively get 20 repayments in one meeting, rather than having to go to 20 individual meetings and it is this scaling up, which makes the micro finance model work. With this collective responsibility, it is still possible for an individual to get their loan and run away to another village or just not make repayment (for any number of reasons), but when this happens the rest of the group have to still pay the whole amount. Therefore, there is much discussion before a group is started about who the members should be. It is important to understand the collective responsibility of the group to the MFI, as well as the individual's responsibility to the group. They are not being given a gift of money (as per some NGOs) but are held accountable for their decisions. If the beneficiaries decide to spend their loan unwisely, they still have to make the repayment, which might cause problems in the family environment, or if they fail repayment, they would most likely be ostracised from the loan group and possible village. How the money is used, the need for repayment and personal accountability with potential repercussions (for non payment) is the key difference between microfinance and other forms of development, and a strong motivating factor in the individual decision making process.

Though my experience (in Malawi) was in an MFI, I do not want to appear as an advocate (though I am) but to give a brief introduction as to where micro finance sits in the wider economy, and thence (as per previous articles) the importance of the economy to the whole development discussion. Central to the success of microfinance, is the collective and individual responsibility and accountability.

Ask yourself, what would you do differently with \$100 birthday present, compared to a \$100 loan from a bank?

Chris Statham

Consultant
February 2008
cstatham77@gmail.com

Gender Inequality - Women, Girlfriends and “Booze Dens”

As in many areas of the world where there isn't gender equality, in Malawi it is an almost accepted part of culture that Malawian men, as well as having their wife or girlfriend, is also likely to have a mistress, second girlfriend or alternatively go with prostitutes, who they've meet at the local bars. To a certain extent, the wives and girlfriends seem to have a resigned air about this situation, as there is little that they can do, due to their lack of financial independence (and often education), which in itself, is much of the root cause of many issues within the development context.

Employment at all levels of business in Malawi is hard to come by (see article The Business Sector in Malawi) due to there being little in the way of a functioning and sustainable SME sector. As such, there are only two routes into employment, either be self employed, generally in the unregulated micro business sector (see Microfinance article) or by one of the few major employers in Malawi (for both male and female potential employees) i.e. by one of the few international or national businesses, a government department, or an NGO.

As with everywhere in the world, to be employed in these large organizations, the candidates need to have good qualifications and relevant work experience. Access to education, especially tertiary, is not free or easily accessible for the majority of the population (85% of whom live in rural areas). The five universities and only located in the three regional cities i.e. Lilongwe (central region), Blantyre (southern region) and Mzuzu (northern region). There are business colleges located in these cities, as well as some of the bomas (district administrative main towns i.e. Kasungu). By the nature of having to pay for tertiary (as well as secondary) education, opportunities for further study and professional qualifications is only available to a select few, and who are often the children of parents who work in the above mentioned major employers. Therefore, to get employment and hence financial independence is beyond the means of the majority of Malawians. They need the financial means to support their further education, be able to access universities and have the mental aptitude to complete their courses. As can be imagined, with all these factors combined, only a small number of individuals (both male and female) are in a position at the end of their studies to be employable by government departments, businesses or NGOs. Added to this mix, is the gender issue and the traditional role girls are expected to play within the family environment, which in many ways is training them for their expected future roles of woman and motherhood.

The woman is “queen” of the family. She is primarily responsible for the upbringing of the children, the provision of food on the table and all household chores. The man, though having little direct influence on what happens in the daily household routines, is generally required (and expected) to bring the money into the house, to pay for the food, education, clothing, health etc. Although these are stereotypes, especially in rural areas, these are the predominant activities for both sexes. This being the case, girls from an early age are often not given access to a full education, either due to monetary considerations, or because there aren't the expectations (or even necessity) in the family, that she will get adequate school qualifications, that will prepare her (if financial resources are available) to participate in tertiary education. This in many cases has lead to a generational vicious circle, where it is difficult for women to have equality in society in general and especially in their own household. With the husband bringing in an income, and the wife having no income, qualifications or easy access to employment, the husband has the “power” within the family unit, with the wife being able to do little about the situation if there are marital problems i.e. infidelity. With gender inequality, and the husband holding the “purse strings”, he is able to do as he wishes and spend “his” money as he sees fit.

To further understand the Malawian context, it is to be remembered that in general there is a “live for the day” outlook on life. Due to natural disasters i.e. flooding, draught, famine, mudslides as well as disease, especially malaria and increasingly HIV/AIDS, coupled with poor nutrition, health care and a lack of a “welfare state”, hardship in general and more pertinently death in the family, is an unfortunately common occurrence and a reality to life for the vast majority of Malawians, especially so for those who live in rural areas and who are more reliant on agriculture (a large majority are subsistence farmers); compounding these woes, is the low access to health provision. As health care is not free, even if someone is sick and has access to a hospital, medical centre or visiting doctor, they might not have the funds to get the required treatment – note that many NGOs are involved in the provision of free health care treatment. With this background, it is understandable why people “live for the day” rather than make plans for the future, as per the Western World custom and expectations. Therefore when men get the money, which for the majority is at harvest time, (April – July) they generally spend it relatively quickly. This is in part to there being little culture of money saving, but is also coupled to the lack of access to financial institutions (see article about Microfinance). With their disposable income, some money will be spent on buying seed, fertilizer, chemicals etc for the following season, some for household provisions, food, clothing, educational needs etc and the rest is often spent at the local bars, “booze dens” and occasional nightclubs. The reason why remaining disposable income is spent at bars, is that there are very few other options for night time “entertainment”. There are no cinemas, theatres, bowling alleys etc, few evening social clubs and it is not safe to even walk, or go for a jog, play football etc after dark. At home, there are no DVD players, TVs or Play Stations to watch or play. The bars offer: alcohol, pool, sometimes a TV showing sport, music, friends and available girls.

Bars and nightclubs are not the same as in the western world, or where there is gender and financial equality; I will take the UK as an example. Any man or woman (over the age of 18) is allowed to go into the pub / bar / nightclub irrespective of gender, race, colour, ethnicity, nationality or religion (if alcohol is allowed) etc. An average bar on a Friday or Saturday night will be evenly split, between men and women; it should be noted that some bars are predominantly, though not exclusively male (apart from a very few exceptions due to membership rules) i.e. sports bars and trade union / work social bars. Women in every sense are on equal terms. If they want to chat up / flirt / kiss (or more) with a male stranger, they are just as able and free to do so as men. If they want to sit in a group of female only friends and not talk to any men all night, that is their right; there are no obligations or expectations. This is almost the polar opposite to bars in Malawi. Though it is a generalization, bars are only frequented by drunken men and prostitutes, or women who are looking for a wealthy man to “look after them” buy them presents, pay for a visit to the hairdresser etc in return for sleeping with them. The “bar girls”, though not prostitutes in the traditional sense i.e. agreeing a fee before sleeping with the man, there is only a thin line, with expectations and obligations (though often not said) on both sides! As the man has the money, and there is a “macho” and promiscuous culture, they are in a stronger position. With women (in general) having few other “employment” opportunities, or receiving an income to support themselves, the culture of “being a girlfriend” is relatively common (often out of financial necessity) either on a one night basis, or over a longer period of time.

Though the wife or “official girlfriend” might know of their husband’s or boyfriend’s infidelity, they are often in a no win situation, as to leave their partner (especially for mothers) will put their own welfare and that of their children in jeopardy, due to the impending lack of income. Additionally, where a large majority of the population is Christian, and regular churchgoers, the prospect or talk of divorce (especially in village setting) is taboo. The woman often has little choice, other than to accept the status quo, however unagreeable it might be!

In the UK, a woman can go to the bar with their husband or boyfriend and thus stop the infidelity at source. However, “good women” (in Malawi) very rarely drink, let alone go to a bar. By drinking, or even just visiting a bar (however innocently) they are tarring themselves with the same brush as the “bar girls” and prostitutes, and thus do not go; this has resulted in a self-perpetuating situation. If a man did want to meet a “good girl”, he would be unlikely to meet one in a bar (as could happen in the UK). Thus at the end of a night, there is always a possibility of going with one of the “bar girls” and further confirming the realization of this vicious circle.

A combination of: gender inequality, low employment opportunities, living for the moment (rather than planning for the future), the cultural roles of men and women, money (or lack thereof), macho culture, alcohol and a self-perpetuating bar culture, has led to a culture of where it is acceptable (especially amongst male friends) and common, to go with a “bar girl” or prostitute, and this is particularly worrying when taken into context the prevalence of HIV / AIDS and STI infections. Indeed it is often the case, that the husband will infect his wife with STIs after having unprotected sex with a prostitute or “bar” girl.

Although, in an ideal world, it would be possible to change the “bar culture”, in the short term this is unrealistic. The question should also be asked, is it right to try and change a part of culture, or work within the confines that a certain culture holds? The answer to this difficult question, is twofold. Firstly is the need to raise awareness of risky sexual practices and behavior that currently takes place i.e. not wearing of condoms during sex. If people are going to have sex with multiple partners, then it is better to inform and promote preventative measures (especially at source i.e. in the bars) than not address the issues. This will hopefully have the result in attitudinal and importantly behavioral changes, whilst at the same time reducing taboo, misunderstanding and misconceptions. Secondly, is the empowerment of women especially in the home. If women are aware of their husband’s infidelity, but have greater parity in the home environment, they would be in a position to better protect themselves. Financial independence is a key step in female empowerment, and micro finance helps in that regard (see microfinance article).

Though this methodology would theoretically help the problem of sexually transmitted infections, there is one major reason why this does not seem to be currently happening, namely those in decision-making positions rarely visit such establishments, and as such may not be so aware of the current problems or potential opportunities to address them! As mentioned previously, women of good repute, would not be found in the local bars and it is more likely that men in senior positions would be (more likely) found in bars of more up-market hotels or restaurants, due to image and the negative connotations that would be associated with going to a local bar (outside of the home village setting) and also where their peers would go for relaxation and a drink. Thus the problem and one potential way to tackle it, is unknown or at least not fully understood (especially in the urban environment), by those who have the power and influence to make change.

The “local bar” culture and traditional roles of men and women, combined with low understanding and education of all the issues surrounding Sexual Reproductive Health has created an environment where STIs and HIV/AIDS has become common in the general heterosexual population, as opposed to the western “most at risk groups” i.e. men having sex with men, injecting drug users, and casual sex workers etc. This could be one of the core reasons for the rapid increase in reported incidences of infection, and which is now one of the main areas of donor aid and causes for concern. In a cruel irony, it is the most economically productive members of society i.e. 20-40 years of age, who are also the most at risk. Thus, it is easy to understand why women’s empowerment has been highlighted as one of the 8 Millennium Development Goals.

In itself, it is not only proper and right that women should have the same opportunities as men, but due to the inequality at the moment there are far reaching side effects which impact on the country as a whole. If the resulting infection of HIV/AIDS is not curtailed, economic and health models predict that overtime it will inevitably lead to a “failed state”.

Therefore, in a development context, the questions that need to be asked are:

- What can be done to increase gender equality, especially in the traditional roles of men and women in the household?
- How to increase employment and business opportunities to help foster a culture of planning and sustainability (see Business in Malawi article)?
- How to increase financial independence for women (see Microfinance article)?
- How to improve education of Sexual Reproductive Health and to target the most “at risk” groups and wider population?

Therefore, when talking about gender equality, it is important to look at all aspects of culture and society to understand all the issues and put them into context. It is not possible to have a “silver bullet” that will address all problems at the same time, i.e. gender equality, financial parity between the sexes or at least financial independence for women, education, food security and health, especially STI and HIV/AIDS infections. However, with a co-coordinated approach, between business, government and NGOs and addressing all problems together (rather than each challenge separately) then it will be more likely and with a greater chance of success, to find the solutions for all the problems.

Chris Statham

Consultant

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cstatham77@gmail.com