



MICRO, SMALL AND MEDIUM ENTERPRISE POLICY

MINISTRY OF INDUSTRY, TRADE AND TOURISM

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LILONGWE

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Foreword

The Micro, Small and Medium Enterprises (MSME) Policy is a medium- term development instrument for Malawi. The policy seeks to build on the SME Policy that was approved by Cabinet in 1998. Despite the implementation of the 1998 SME Policy, MSME growth and development remained volatile in part due to regulatory and institutional weaknesses; policy inconsistencies; poor coordination of business development service providers; and rapid changes in the business environment both locally and internationally. These necessitated the review of the 1998 SME policy. There was a need to have a policy with clear implementation plan and means of monitoring its implementation which the former did not have.

MSMEs continue to face challenges which hinder their development and growth and consequently their contribution to economic growth. It is important to have Government led interventions and support mechanism to strengthen the MSME sector. This Policy, therefore, seeks to address the challenges faced by the MSME sector. The Policy has identified a set of priority areas necessary for realising the sector's competitiveness thereby contributing to increased income, job creation, economic inclusion and poverty alleviation.

The Policy will be implemented in line with the Vision 2020, Malawi Growth and Development Strategy (MGDS II), National Export Strategy (2013-2021), National Industrial Policy and National Trade Policy.

This Policy manifests the Government's commitment to supporting the needs of micro, small and medium enterprises which are crucial to eradication of poverty. The Policy, therefore, is meant to guide government and private sector interventions in enterprise development as a springboard for the economic advancement of the country. It is the expectation of the Government that this Policy will achieve its objectives and see more MSMEs grow, develop and take their place in the mainstream of economic development.

Hon. Francis Kasaila, M.P.

MINISTER FOR INDUSTRY, TRADE AND TOURISM

Preface

The Micro, Small and Medium Enterprise (MSME) Policy aims to create a modern and effective framework that will guide the development of vibrant, competitive and sustainable MSMEs in Malawi. It is a successor to the Small and Medium Enterprise (SME) Policy, first approved in 1998.

The Policy is based on a thorough analysis of the MSME sector in Malawi conducted in 2011 and 2012, including a series of broad and in-depth consultations with key stakeholders including Government Ministries, Departments and Parastatals, Business Associations, Civil Society Organizations, Development and Cooperating Partners, and entrepreneurs across the country. It is also based on a comprehensive review of Government, private sector and development partner initiatives, and an examination of the latest MSME policies in a number of developing countries within the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) regions.

The MSME Policy is aligned to the country's major medium- and long-term policy and strategic initiatives, including the Malawi Vision 2020 and the Malawi Growth and Development Strategy (MGDS III) in achieving sustained and inclusive growth. The Policy is also aligned to the Sustainable Development Goals (SDGs) particularly Goal 1: Ending of poverty; Goal 8: promote sustained, inclusive and sustainable economic growth and Goal 12: Sustainable consumption and production patterns. The policy is further aligned to efforts of the AU Agenda 2063 of sustainable and inclusive growth, SADC and COMESA industrialization strategy and market integration efforts.

The policy has been designed to provide opportunities to MSMEs in areas of accessing markets, affordable finance, business support services and other support services. It is expected that when the Policy is successfully implemented, a more competitive and diversified MSME sector will be developed. It is, therefore, my sincere hope that this Policy marks a new chapter for the growth of the micro, small and medium enterprise sector and national economic transformation in Malawi.

Ken Ndala, PhD

SECRETARY FOR INDUSTRY, TRADE AND TOURISM

Abbreviations and acronyms

AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ASWAp	Agriculture Sector Wide Approach
BDS	Business Development Services
BESTAP	Business Environment Strengthening Technical Assistance Project
BMAs	Business Membership Associations
CJCSP	Competitiveness and Job Creation Support Project
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organisations
DEMAT	Development of Malawian Enterprises Trust
GOM	Government of Malawi
ICT	Information and Communication Technology
ID	Identity Document
LGA	Local Government Authority
MBS	Malawi Bureau of Standards
M&E	Monitoring and Evaluation
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MEDI	Malawi Entrepreneurs Development Institute
MEPC	Malawi Export Promotion Council
MGDS	Malawi Growth and Development Strategy
MIPA	Malawi Investment Promotion Agency
MITC	Malawi Investment and Trade Centre
MIRTDC	Malawi Industrial Research and Technology Development Centre
MoAIWD	Ministry of Agriculture, Irrigation and Water Development
MoFEPD	Ministry of Finance, Economic Planning and Development
MoGCDSW	Ministry of Gender, Children, Disability and Social Welfare
MoITT	Ministry of Industry, Trade and Tourism
MoLYMD	Ministry of Labour, Youth and Manpower Development

MSME	Micro, Small and Medium Enterprises
NES	National Export Strategy
NGOs	Non-Governmental Organisations
ODPP	Office of the Director of Public Procurement
OPC	Office of the President and Cabinet
PSD	Private Sector Development
SADC	Southern Africa Development Community
SDGs	Sustainable Development Goals
SEDOM	Small Enterprises Development Organisation of Malawi
SMEDI	Small and Medium Enterprises Development Institute
TEVETA	Technical Education, Vocational and Entrepreneurship Training Authority

Glossary of Terms

Business Development Services: Services that improve the performance of an enterprise, its access to markets, and its ability to compete and includes an array of business services such as training, consultancy, marketing, information, technology development and transfer, and business linkage promotion.

Business Development Service Provider: Any individual, group of individuals or institution, public or private, offering non-financial services intended to improve the performance and competitiveness of a business.

Business Membership Association: Organizations founded and funded by businesses who are also its members to promote their interests.

Enterprise: An undertaking or a business concern, whether formal or informal, engaged in production of goods or provision of services.

Financial services: Include credit, grants, investment management and other services by banks, credit unions and other financial institutions.

Horizontal chain linkages: Relationships among firms at the same stage of the value chain that involve interdependence, trust and resource pooling in order to jointly accomplish common goals.

Manufacturing Enterprises: Enterprises that add value to basic raw material to produce an enhanced product.

MSMEs: Enterprises that have been defined according to number of employees, annual turnover and value of variable assets specified under Annex 3 of this policy.

Vertical chain linkages: Relationships among firms at different stages of the value chain that involve interdependence and resource pooling in order to jointly accomplish common goals.

1. INTRODUCTION

1.1 Overview

This MSME Policy seeks to support the development of a vibrant local entrepreneurship and improve MSMEs' competitiveness. It also seeks to address the key shortcomings of the previous policy, including the lack of measurable targets, monitoring and evaluation criteria and limited policy integration. The MSME Policy recognises that government should create an enabling environment that combines minimum regulation with maximum openness and provides equitable incentives for all enterprises. To achieve this objective, specific measures have been spelt out in the MSME policy.

The Policy has been developed taking into account multiple challenges facing MSMEs and opportunities for them to contribute to the national economy. The Policy takes into consideration the institutional changes that occurred in the period 2012 – 2014, which resulted in the disbanding of Development of Malawian Enterprises Trust (DEMAT), Small Enterprises Development Organisation of Malawi (SEDOM) and Malawi Entrepreneurs Development Institute (MEDI), and the emergence of the Small and Medium Enterprises Development Institute (SMEDI). The merger was undertaken to eliminate overlaps in delivery of MSME support services and to bring in efficiency and effectiveness in promoting the development of MSMEs. The Policy also takes cognizance of the role of other newly established organisations such as the Malawi Investment and Trade Centre (MITC) and existing institutions, both state and non-state.

The Policy further recognizes that a large proportion of MSMEs, in Malawi, operates in the informal sector and, therefore, the need for formalization of the MSMEs if the economic benefits of the MSMEs growth are to be maximised.

The Policy takes cognizant that there is no universal definition of MSMEs. Each country has developed its own definition to fit its context and economic circumstances. Malawi's definition of MSMEs is based on three variable criteria namely employment; annual turnover; and viable assets. The detailed definition of MSMEs as directed by this policy is under Annex 3.

1.2 Background

Developing the MSME sector is one of the top priorities of the Government of Malawi stemming from their significant role in job creation, economic inclusion and addressing rural and urban poverty. The Government of Malawi is keen on developing private sector led growth through enabling environment for fast growing innovative small enterprises.

The MSME sector in Malawi has the potential to promote indigenous entrepreneurship. In ideal environment, it can absorb labour, transfer modern technological skills, foster innovation and enhance international competitiveness. Successful MSMEs have the potential to uplift women, youth and marginalized groups from poverty.

According to 2012 MSME survey findings, there are 987, 480 MSMEs in Malawi. The sector employs about one million people, generating an income of MK326 billion annually, and is significant contributor to Malawi's economy. However, the majority of MSMEs in Malawi are very small with 59 percent being individual entrepreneurs who do not employ other people, while the remaining 41 percent of businesses create employment; most MSMEs (80percent) are in micro businesses. The majority of MSMEs (87 percent) are retailers. The remaining 13 percent of MSMEs render services such as professional services (accountants, lawyers, consultants) and skilled services (hair salon, plumbing and mechanics). There is marked 'Missing Middle' of firms between the micro and large.

The survey further finds that the majority of MSMEs (85 percent) are located in rural areas. Given the fact that the majority of MSMEs are micro businesses, the net profit of many businesses is relatively low with 35 percent of MSMEs making K1, 100 to K25,000 a month. MSMEs mainly operate either from a trading centre/market (42 percent) or from home (42percent). Many of those businesses are in the growth phase (3-5 years of existence). This phase of business requires special attention with regards to expansion and support. The large majority of MSMEs trade informally (91percent), being neither registered nor licensed.

Due to Malawi's predominantly rural based population, most MSMEs in Malawi are linked to agriculture. This is especially the case for women managed enterprises, though it also applies to men. MSMEs employ slightly over one million people with women owning 46 percent of the enterprises as compared to men who own 54 percent (FinScope, 2012). Businesses are established mostly as a result of a lack of alternative employment, rather than as a response to opportunities in times of economic growth. Many such businesses have a short lifespan, with little prospect for growth, and thus do not benefit from economies of scale or experience accumulated over time.

The 2012 MSME survey further established that 59 percent of MSMEs were excluded from financial services, as opposed to 31 percent that are formally served by some sort of financial system, with the balance relying on informal financial services. Only 22 percent are banked. Over three quarters do not borrow funds, primarily because of reluctance by commercial banks to provide loans as MSMEs are considered to be highly risky. Access to financial services is also limited due to high interest rates (over 38 percent). Of those who borrow, informal credit systems tend to be the primary source of credit. The Survey also found out that financial exclusion decreases as the size and formality of the business increases. Women were also more likely to be excluded from formal financial services than men.

The main bottlenecks that MSMEs are, therefore, facing in Malawi include weak institutional and regulatory framework, limited access to credit, limited access to business development

services, limited market access, inability to meet product quality and standards and unreliable and costly business infrastructure services.

In support of the MSME sector, Government of Malawi (GoM) has established a number of statutory and other institutions to provide support services. These include: the Malawi Investment and Trade Centre (MITC) which promotes investments and facilitates export products and services; the Small and Medium Enterprise Institute (SMEDI) which provides business development support services such as business trainings, linkages to markets and financial institutions and business advisory services; the Malawi Bureau of Standards (MBS) which promotes standards and quality and implementation of Malawi Standards through conformity assessments; and the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) which promotes and regulates sustainable provision of quality technical, entrepreneurial and vocational education and trainings.

Apart from government supported services, there are other kinds of business development services, such as those provided by Civil Society Organisations (CSOs)/Non-Governmental Organisations (NGOs) and the private sector which support the MSME sector.

1.3 Linkages to other relevant existing Policies

This policy is linked to the broader development goals for Malawi as stated in the country's Vision 2020 and the Malawi Growth and Development Strategy (MGDS III). Specifically the policy is responding to the priority area of achieving sustainable economic growth as articulated in the MGDS III. It is also in line with other sub-sectoral policies and strategies such as the National Export Strategy which is a prioritised road map for developing Malawi's productive base to allow for both export competitiveness and economic empowerment; the Trade Policy which aims at driving structural transformation of the productive sector through supporting and managing integration in regional and global markets as well as value chains with the ambition of increasing exports; the National Industrial Policy which aims at altering GDP growth path resulting from ensuring the industrialization and structural transformation

of the Malawian economy; the National Youth Policy which seeks to empower the youth to cope with the social, cultural, economic and political challenges the country is facing; the Microfinance Policy which seeks to promote the development of a sustainable microfinance industry which provides credit, savings opportunities and other financial services to low-income people; the National Agriculture Policy which aims at achieving agricultural transformation that will result in significant growth of the agricultural sector, expanding incomes for farming households, improved food and nutrition security for all Malawians; and Buy Malawi Strategy which aims at encouraging production and consumption of locally produced goods and services.

At regional and international levels, the Policy is aligned with Sustainable Development Goals (SDGs) particularly Goal 1, ending of poverty; Goal 8, promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all and Goal 12, sustainable consumption and production patterns. The policy is also aligned to efforts of the AU Agenda 2063 of sustainable and inclusive growth, the SADC and COMESA agenda of regional industrialisation and on market integration efforts.

1.4 Statement of Problem

The MSME sector in Malawi is underdeveloped and uncompetitive. Many studies have identified a range of challenges to the growth of the MSME sector in Malawi. The 2011 Government of Malawi supported Private Sector Development Programme report; the 2009 the Business Environment Strengthening Technical Assistance Project (BESTAP) Annual Report; and the 2012 Finscope survey identified the following broad challenges to the MSME growth: weak institutional and regulatory framework; limited access to capital and high cost of capital for MSMEs; weak support institutions; limited access to markets; limited access to information; unreliable and costly business infrastructure services; inability by MSMEs to meet product quality and standards; and low levels of skills and weak culture of entrepreneurship amongst indigenous Malawians.

Despite implementation of the 1998 SME Policy and resulting interventions, MSME growth remained volatile. The 1998 SME Policy failed to fully address challenges facing the MSME sector due to lack of clear implementation plan; lack of measurable targets and monitoring and evaluation criteria; limited policy coherence; silence of youth and gender issues; and weak resource mobilization to support policy implementation.

1.5 Rationale

The Government of Malawi recognizes that MSME sector is critical for job creation, economic inclusion, increased incomes of people and poverty alleviation. The MSME sector in Malawi has the potential to promote indigenous entrepreneurship. In an ideal environment, it can absorb labour, transfer modern technological skills, foster innovation and enhance international competitiveness.

The majority of MSMEs in Malawi are agriculture-related micro enterprises operating on small pieces of land. Many MSMEs are in rural areas, family-run, operating only on part-time basis outside of the agricultural production cycle, and are largely stagnant. They arise mostly from a decline in formal employment and other incomes, rather than a response of opportunities in times of economic growth. Many such businesses lack longevity, and thus do not benefit from economies of scale and experience accumulated over time.

The development of the MSME Policy has taken place against the background of the challenges that the MSMEs face which include: institutional and regulatory weaknesses, policy inconsistencies, poor coordination of Business Development Service providers, lack of harmonization of stakeholder priorities and rapid business environment changes both at local and international levels. These challenges have resulted in low growth and development of MSMEs in the country. A clear and comprehensive policy guidance for MSMEs will ensure the development of a more competitive and diversified MSME sector

thereby increasing incomes, and creation of decent jobs for many people including youth and women.

Because of the challenges cited, there is need for a policy that supports MSME growth; fosters coherence in policies and integration of MSME interventions; enhances inclusive private sector development and smooth functioning of value chains; Strengthens the MSME support system and business infrastructure; and mainstreams sectoral (cross cutting) issues that affect the MSME sector including climate change, gender, youth and HIV/AIDS.

2. BROAD POLICY DIRECTIONS

2.1 Policy Goal

The goal of the MSME Policy is to attain an open, supportive and sustainable policy environment necessary for rapid national economic growth.

2.2 Policy outcome

The MSMEs policy outcomes are:

- Increased productivity and growth of MSMEs.
- Increased value addition.
- Economic empowerment of Malawians.
- Enhanced economic inclusion.
- Enhanced policy coherence.
- Enhanced competitiveness of MSMEs.

2.3 Policy Objective

The objective of the MSME policy is to address key constraints that inhibit the competitiveness and growth of the MSME sector. The specific objectives are as follows:

- i. To create a conducive legal, regulatory and institutional framework for MSMEs development;
- ii. To facilitate MSMEs access to finance;
- iii. To develop sustainable markets in support of MSME growth;
- iv. To develop and strengthen entrepreneurial culture;
- v. To bridge the business information and skills gap for MSMEs;
- vi. To promote innovation and value addition;
- vii. To provide business infrastructure for MSMEs;
- viii. To foster inter-business relationships; and

ix. To enhance equal participation in MSME activities.

2.4 Guiding Principles

In pursuit of developing a vibrant and competitive MSME sector, the following policy principles shall apply:-

i. Market approach

Use of free and fair investment and trade practices driven by market principles.

ii. Fair treatment

Government agencies shall serve the MSME and the entire private sector with fairness, dignity, efficiency and effectiveness.

iii. Responsibility

While being driven by the profit motive, MSMEs shall do so with due responsibility and sensitivity to government policies and applicable laws.

iv. Good governance and transparency

Government and MSMEs and all stakeholders shall apply good governance and transparency principles.

v. Consistency with other policies and laws

Government shall endeavour to maintain consistency of its policies and laws for promotion of the private sector development in general and the MSME sector in particular.

vi. Partnership and networks

All stakeholders shall promote positive partnership in furtherance of national development and cooperating in broad-based MSME development networks with a view to forge synergy from all major interventions.

vii. Sustainability

All measures applying to the promotion of MSMEs shall safeguard the conservation and sustainability of the environment.

3. POLICY PRIORITY AREAS

The MSME Policy has identified nine policy priority areas:

- 1) Legal, regulatory and institutional environment for MSME growth;
- 2) Access to finance;
- 3) Access to markets;
- 4) Entrepreneurship development;
- 5) Business information and skills;
- 6) Operation of value chains;
- 7) Business infrastructure;
- 8) MSME networks and clusters; and
- 9) Cross-cutting issues.

3.1 Policy Priority Area 1: Legal, regulatory and institutional environment for MSME development

Extensive evidence demonstrates that an appropriate legal and regulatory environment that supports the private sector and in particular MSMEs is the single most important element of a country's economic growth strategy. An enabling environment requires elimination of the policy, legislative and regulatory obstacles that inhibit growth of enterprises and raise the cost of doing business.

Successful implementation of the MSME policy requires greater coherence across all key government departments; close and better coordination and collaboration between government and donor agencies engaged in MSME development initiatives, and deeper engagement with the private sector, non-state actors and MSMEs themselves. Sectoral policies and strategies also need to be aligned or synchronized with the MSME development agenda in order to achieve the desirable outcomes.

3.1.1 Specific Objective

To create a conducive legal, regulatory and institutional framework for MSMEs development

3.1.2 Policy statements and strategies

The Policy will:

(a) Review and amend all sectoral laws that inhibit the MSME sector development, growth and formalisation, develop new ones that promote and support MSMEs through;

- (i) Reviewing, implementing and enforcing friendly laws and regulations to strengthen the legal environment of MSMEs.
- (ii) Supporting the implementation of public procurement and asset disposal law;
- (iii) Supporting Local Government Authorities (LGA) to review legislation, regulations, including by-laws to increase access to affordable land and business infrastructure by MSMEs, including access to well-regulated rented business shelter;
- (iv) Developing and maintaining an up-to-date database on the MSME sector;
- (v) Strengthening governance structures for Business Membership Associations (BMAs) and advocacy groups ; and
- (vi) Enacting the MSME law.

(b) Enhance policy coherence through:

- (i) Collaborate with other Ministries to review sectoral policies that inhibit MSME sector;
- (ii) Strengthening capacity of the Ministry responsible for MSMEs and sectoral Ministries (e.g., Agriculture, Youth development, Gender) to implement the MSME policy;
- (iii) Harmonising and aligning MSME development initiatives across its relevant Ministries, Departments and Agencies;
- (iv) Raising awareness to public and private sectors to implement the MSME policy;
- (v) Enhancing an MSME policy implementation and progress reporting;

- (vi) Mobilising Development Partners, Private sector and Civil society to align their development agenda and priorities with the MSME Policy goals and objectives; and
- (vii) Strengthening regular policy level dialogue and action oriented technical working groups, involving other Ministries and Departments, the Private sector, Development Partners and Non-governmental Organisations.

3.2 Policy Priority Area 2: Access to finance

Limited long term financing and high interest rates on short term loans offered by microfinance institutions have been a constraint to MSMEs. Improving MSMEs access to finance and finding solutions to unlock resources is crucial for the sector's growth and development.

Research suggests that financial products available to MSMEs fail to recognise that a great many MSMEs are in the start-up phase and hence heavily undercapitalised. Loan repayment terms are short-term, while MSMEs need long-term finance and working capital. Banks offer standard terms and conditions, leaving little chance of refinancing if repayment problems arise. The mismatch leads to early foreclosures.

3.2.1 Specific Objective

To facilitate MSMEs access to finance

3.2.2 Policy statement and strategies

The Policy will:

(a) Promote innovative financial products to support MSMEs through:

- (i) Encouraging development of venture capital, community banks, MSME Revolving Fund, Financial Innovation Challenge Fund, export guarantee scheme, insurance services, Credit Guarantee Scheme including stronger Micro Finance Institutions;

- (ii) Establishing an appropriate MSME financing Facility;
- (iii) Strengthening the Credit Reference Bureaus and promote use of credit reference system;
- (iv) Encouraging financial service providers to use collateral registry; and
- (v) Encouraging banks, financial institutions, leasing companies to scale-up lending window by having special MSME desk to facilitate access to credit.

3.3 Policy Priority Area 3: Access to markets

Limited market access is one of fundamental barriers to Malawi's attempts to boost MSMEs. Access to markets, both domestic and international, helps to determine the longevity of MSMEs. There is need to identify ways to assist MSMEs gain access into various markets and form part of a broader supply chain.

Quality and standards are crucial to MSMEs in order to access markets especially those MSMEs that are involved in value addition. It is, therefore, important that the capacities are built for MSMEs on quality and standards to enhance market accessibility of products.

3.3.1 Specific objective

To develop sustainable markets in support of MSME growth

3.3.2 Policy statements and strategies

The Policy will:

(a) Promote development of inclusive markets, focusing on marketing capacity building in peri-urban, rural areas and the informal sector through

- (i) Ensuring firm-to-firm linkages, sub-contracting, franchising, licensing, joint ventures and other forms of business linkages are fostered;
- (ii) Ensuring provision of effective market access services including local product branding;
- (iii) Ensuring provision of export promotion support services for MSMEs;

- (iv) Developing supplier programme to integrate small businesses into supply chain;
- (v) Enhancing the buy Malawi Strategy; and
- (vi) Ensuring empowerment of MSMEs through public procurement.

(b) Promote supportive standards, quality assurance, accreditation, metrology systems for MSMEs through:

- (i) Development of capacity of MSMEs to meet product quality standards and consistent supply;
- (ii) Creating quality consciousness and awareness in MSMEs and consumers; and
- (iii) Strengthening MBS to support MSMEs on quality and standards compliance.

3.4 Policy Priority Area 4: Entrepreneurship development

Malawi is characterised by a weak entrepreneurial culture. This is due to some of the traditions, perceptions, and values which have tended to create a culture that is anti-entrepreneurial. The education system has also tended to create employment seekers rather than job creators. The need for entrepreneurship development aimed at creating conducive environment for young entrepreneurs to access relevant entrepreneurial skills, knowledge, values and attitudes is critical.

3.4.1 Specific Objective

To build and strengthen entrepreneurial culture

3.4.2 Policy statement and strategies

The Policy will:

(a) Promote development of entrepreneurship through:

- (i) Introducing entrepreneurship curriculum in primary, secondary and tertiary education institutions;

- (ii) Developing tailor made MSME entrepreneurship programmes for start- ups, existing entrepreneurs and nursing programmes for struggling MSME businesses;
- (iii) Inculcating values and attitudes that are conducive to development of entrepreneurship;
- (iv) Promoting rewarding of excellence and innovations.
- (v) Promoting the financing of special technical programmes to provide effective training to BDS providers and MSMEs;
- (vi) Alignment of BDS programmes to MSME needs for synergy to achieve impact;
- (vii) Promoting coordination of BDS providers;
- (viii) Encouraging entry by private sector service providers into the BDS market;
- (ix) Creating awareness of BDS providers to MSMEs;
- (x) Promoting coaching, mentoring and counselling of young entrepreneurs, including use of role models;
- (xi) Facilitating the establishment of specialized business incubators and centers of business excellence in designated clusters and other locations; and
- (xii) Establishing a national database of service providers and entrepreneurial training institutions and programmes.

3.5 Policy Priority Area 5: Business information and skills

Information gaps are one of the greatest obstacles to enterprise development. Limited access to appropriate business information limits utilisation of opportunities and decision making by MSMEs. Few MSMEs know about export opportunities and procedures.

In the MSME sector, skills gap is enormous. According to the 2012 Finscope Survey, only 4 percent of surveyed MSMEs received formal skills training. This skills gap is central to MSME inability to access markets, information, finance, inputs and technology.

Most training institutions including technical colleges do not have sufficient, experienced entrepreneurship trainers and entrepreneurship is not sufficiently taught in schools to prepare the trainees to start their own businesses after graduating from the training institutions. In rural areas, not enough training in business, management and financial literacy skills is provided, with poor knowledge of available opportunities or the benefits of such skills by many rural entrepreneurs.

3.5.1 Specific Objective

To bridge the business information and skills gap for MSMEs

3.5.2 Policy statement and strategies

The Policy will:

(a) Promote access to business information and development of skills of MSMEs

through:

- (i) Promoting financing of research and development (R & D) and innovation programmes of industrial research institutions (e.g. MIRTDC), universities and other institutions that provide skills and information to MSMEs ;
- (ii) Establishing a web-based national database and knowledge portal to provide up-to date information to MSMEs, involving non-state organisations in tracking change;
- (iii) Promoting use of ICTs in remote and peripheral areas; and
- (iv) Developing the capacity of institutions offering trainings to MSMEs.

3.6 Policy Priority Area 6: Operation of value chains

Development of value chains and facilitation of innovative behaviour of small scale entrepreneurs, from the generation and nurturing of business ideas, to sourcing of raw materials, production management and improved mechanisms of delivering services, through to marketing are key elements for MSME to secure sustained incomes. Promoting value added enterprises through building a culture of innovation and entrepreneurship is key

to increasing economic productivity and stimulating an economically empowered middle class. Increased access to appropriate and affordable modern technology is central to creating competitiveness of MSMEs.

3.6.1 Specific objective

To promote innovation and value addition

3.6.2 Policy statements and strategies

The Policy will:

(a) Promote value chains and value addition through:

- (i) Establishing innovation challenge facilities to promote business-to-business linkages;
- (ii) Providing technical and economic support services for value chain development;
- (iii) Strengthening of vertical and horizontal chain linkages between firms;
- (iv) Incentivizing large firms which participate effectively in linkages with small firms;
- (v) Strengthening high potential value chains in export promotion and import substitution;
- (vi) Institutionalizing coordination and participation in dialogue on local economic development and private sector development;
- (vii) Aligning capacity building of local enterprise development institutions to MSME sector requirements;
- (viii) Facilitating process re-engineering to improve productivity of MSMEs;
- (ix) Promoting adoption of value addition technologies; and
- (x) Developing value chain strategy.

(b) Promote the acquisition and adoption of appropriate and affordable modern technology through:

- I. Strengthening linkages between MSMEs and technology providers;
- II. Strengthening MSME technology transfer programmes;
- III. Recognizing and rewarding of innovative and technology led MSMEs; and
- IV. Support research and development institutions to develop MSME oriented technologies.

3.7 Policy Priority Area 7: Business infrastructure

One of the major challenges faced by the MSMEs in Malawi is unreliable and costly business infrastructure services. Developing and strengthening infrastructure that is required to create an enabling environment to support the growth of MSMEs is one of the Government's strategic focus.

Rural industrialization through value addition is envisaged to unlock multiple business opportunities to MSMEs by bringing on the market value added goods and services thereby creating jobs and incomes and facilitating vertical integration. However, lack of appropriate business supportive infrastructure such as factory shells, industrial parks, artisanal shades constrain MSME engagement in rural industrialization.

3.7.1 Specific objective

To provide business infrastructure for MSMEs

3.7.2 Policy statement and strategies

The Policy will:

(a) provide business infrastructure through:

- (i) Developing and improving business infrastructure facilities for MSMEs such as factory shells, industrial parks, business incubators, warehouses, artisan shelters and exhibition centres;

- (ii) Establishing MSME support structures in all key Local Government Authorities;
- (iii) Supporting development and maintenance of rural business infrastructure;
- (iv) Promoting the use of ICT for MSME growth and development;
- (v) Supporting implementation of the rural electrification and rural industrialisation programme; and
- (vi) Encouraging LGAs to allocate specially designated serviced land with potential commercial and industrial development for MSME growth.

3.8 Policy Priority Area 8: MSME networks and clusters

MSME networks are necessary tools for MSMEs survival and staying competitive. Networking forms a social capital which facilitates the flow of information among network members. Networks and clusters have proved to be particularly useful in value chain development, competitiveness improvement and to the overall establishment of MSMEs. MSMEs organised into networks and clusters find it easier to coordinate their production, marketing plans and business strategies with higher potential to access more competitive markets than scattered individual entrepreneurs.

3.9.1 Specific objective

To foster inter-business relationships

3.9.2 Policy statement and strategies

The Policy will:

(a) Foster development of MSME networks and clusters through:

- (i) Formation of Business Membership Association;
- (ii) Raising awareness to LGAs and other stakeholders on cluster concept;
- (iii) Identify and Establish high growth MSME clusters; and
- (iv) Facilitating MSME forums and exhibitions.

3.9 Policy Priority Area 9: Cross-cutting issues

Youth, women and vulnerable groups including people living with disabilities, have limited access to economic activities. As such, women, youth and vulnerable groups are unable to

effectively contribute to MSME growth. Closing gender gap and addressing the social-economic barriers faced by the youth has the potential to boost the productive base of the economy. Environmentally sound infrastructure and production methods in industry can significantly reduce environmental degradation. Mainstreaming environment and climate change can lead to innovation and green industries that deliver environmental goods and services. Committing to sustainable production patterns makes business sense; it reduces the waste of costly resources and contributes to increased competitiveness.

3.10.1 Specific Objective

To enhance equal participation in MSME activities

3.10.2 Policy statements and strategies

The policy will:

(a) Mainstream cross-cutting issues into MSMEs programme implementation through:

- (i) Removal of barriers to equal access of business ownership between women and men and people with disabilities;
- (ii) Designing of financial products for women, youth and other disadvantaged groups;
- (iii) Encouraging banks, BDS providers and government agencies to mainstream youth and gender issues in their products and services;
- (iv) Developing a comprehensive coordination plan on handling cross-cutting issues such as gender, HIV/AIDS, youth and other marginalized groups by MSME support institutions;
- (v) Promoting the conservation of environment among MSMEs;
- (vi) Promoting the creation of green enterprises;
- (vii) Creating awareness to SMEs on green growth opportunities;
- (viii) Promoting environmental friendly cleaner production technologies and practices; and
- (ix) Creating awareness on HIV/AIDS related matters amongst MSME operators.

4. IMPLEMENTATION ARRANGEMENTS

4.1 Institutional Arrangements

The Government of Malawi recognizes the importance of stakeholder involvement and engagement in implementation of the Policy. The stakeholders include both from the public and the private sectors as well as business membership associations, development and cooperating partners, NGOs and the civil society. The Ministry of Industry, Trade and Tourism, as a policy holder, shall play a coordinating role in collaboration with other Government Ministries and Departments such as the Ministry responsible for Agriculture, Irrigation and Water Development in development of agri-business; the Ministry responsible for Gender, Children, Disability and Social Welfare in gender mainstreaming in MSME enterprise programmes; the Ministry responsible for Labour, Youth, Sports and Manpower Development in mainstreaming youth in MSME enterprise programmes and skills development; the Office of Director of Public Procurement in supporting preferential arrangements for market access for MSMEs; the Ministry responsible for Finance, Economic Planning and Development in resource mobilization, data collection and monitoring and evaluation; the Ministry responsible for Local Government and Rural Development in integration in rural industrialization; Statutory Corporations, Trusts and Boards in MSME business support services; civil society organisations and national Assembly in ensuring accountability; the private sector in facilitating market opportunities and the Development Cooperating Partners in aligning their support in the sector

The policy will ensure adequate coordination and linkages with other key national and sectoral policies with a view to achieving development synergy which is central to increasing prospects for higher impact of the policy.

As part of the implementation mechanism, the Department responsible for MSMEs in the Ministry of Industry, Trade and Tourism will spearhead implementation of MSME policy. Specific roles will be carried out by supporting agencies. These are MBS, MITC, TEVETA, SMEDI and academic, technical and research institutions.

4.2 Implementation Plan

Implementation of this plan is based on a multi-sectoral approach. Various players - central ministries, line ministries, public agencies, including Local Government Authorities – will take a lead role in implementing their respective tasks. The private sector, including MSME beneficiaries and their representative associations, non-government organisations, and community based organisations are expected to play a proactive role in the policy by participating in the implementation of the interventions stipulated in the policy and Implementation Plan. An MSME Implementation Plan shall outline details that support implementation of the MSME Policy.

5. MONITORING AND EVALUATION

A monitoring system to generate data and provide feedback will be developed. Monitoring will be done on an on-going basis while evaluation shall be done periodically to assess to what extent, and under what circumstances the goals and objectives of the policy have been achieved.

The overall coordination of national monitoring and evaluation is placed in the Ministry responsible Finance, Economic Planning and Development, in collaboration with the Office of the President and Cabinet (OPC). The Monitoring and Evaluation (M&E) System for MSME Policy shall be aligned to the National M&E system and shall be coordinated by the Ministry of Industry and Trade and Tourism, with the support of the OPC.

Periodic independent external monitoring and evaluation will be undertaken through a multi-stakeholder forum, which includes representatives of MSMEs, in collaboration with international cooperation partners, the National Assembly and other national stakeholders. This process shall be linked to regular on-going monitoring and evaluation of the implementation of the various components of the MSME Policy. A joint multi-stakeholder monitoring steering team shall be established and key MSME findings, recommendations and reports submitted to the responsible government ministry and OPC before convening National Conferences will be held biennially. The MSME Steering Committee and or its delegated independent MSME experts shall make presentations to inform on development of MSMEs progress according to the implementation plan.

5.1 Means of Monitoring

A detailed monitoring and evaluation plan which includes time frames, indicators and means of verification will be used. The activities in the implementation plan will form part of the work plans for various stakeholders including the Ministry of Industry, Trade and Tourism.

The Ministry will, on a continuous basis, monitor work plans and produce quarterly and periodic reports on implementation progress on key MSME indicators.

5.2 Review of Policy

This policy is subject to review. The Ministry of Industry, Trade and Tourism or the responsible Government Ministry shall take the lead in enabling this policy to be reviewed after every five years to take into account the lessons learnt during implementation, and best practices in MSME development. The review of the Micro, Small and Medium Enterprises Policy will be a consultative process involving all stakeholders.

ANNEX 1: IMPLEMENTATION PLAN

Policy Priority Area 1:- Legal, regulatory and institutional environment for MSME development			
Policy Statement 1: Review and amend all sectoral laws that inhibit the MSME sector development, growth and formalization, develop new ones that promote and support MSMEs			
Objective	Strategy	Responsibility	Timeframe
To create a conducive legal, regulatory and institutional framework for MSMEs development	Review, implement and enforce friendly laws and regulations to strengthen the legal environment of MSMEs.	Ministry of Industry, Trade and Tourism, Ministry of Justice and Constitutional Affairs	2019-2021
	Support the implementation and enforcement of public procurement and asset disposal law	Ministry of Industry, Trade and Tourism, ODPP	2020-2023
	Enact Laws and promulgate regulations and support Local Government Authorities (LGAs) to review and develop by-laws to increase access to land and business infrastructure by MSMEs, including access to well-regulated rented business shelter.	Ministry of Industry Trade and Tourism, Ministry of Lands, Housing and Urban Development, Ministry Local Government and Rural Development, Ministry of Justice and Constitutional Affairs, LGAs, ODPP	2019-2023
	Develop and maintain an up-to-date database on the MSME sector.	Ministry of Industry, Trade and Tourism, LGAs and MSMEs	2019-2023

		Support Institutions	
	Streamline administrative procedures on doing business in Malawi.	Ministry of Industry, Trade and Tourism, Line Ministries and Departments	2018-2022
	Strengthen governance structures for Business Membership Associations (BMAs) and advocacy groups	Ministry of Industry, Trade and Tourism	2018-2022
Policy Statement 2 : Enhance policy coherence			
	Strengthen capacity of the Ministry responsible for MSMEs and sectoral Ministries (e.g., Agriculture, Youth development, Gender) to implement the MSME policy;	Ministry of Industry, Trade and Tourism, Ministry of Agriculture, Irrigation and Water Development, Ministry of Labour, youth, Sports and Manpower Development, Ministry of Gender, Children, Disability and Social Welfare and Ministry of Local Government and Rural Development	2018-2022
	Collaborate with other Ministries to review sectoral policies that inhibit MSME sector,	OPC Ministry of Industry, Trade and Tourism	2019-2023
	Raise awareness to public and private sectors to	Ministry of Industry, Trade and	2019-2023

	implement the MSME policy	Tourism SMEDI, MCCCCI, SME Associations	
	Enhance an MSME policy implementation and progress reporting	Ministry of Industry, Trade and Tourism	2019-2020
	Mobilize development partners, private sector and civil society to align their development agenda and priorities with the MSME Policy goals and objectives.	Ministry of Industry, Trade and Tourism Ministry of Finance, Economic Planning and Development Donors Forum, CONGOMA	2019-2022
	Strengthen regular policy level dialogue and action oriented technical working groups, involving other Ministries and Departments, the private sector, development partners and non-governmental organisations	Ministry of Industry, Trade and Tourism,	2019-2023
Policy Priority Area 2: Access to finance			
Policy Statement 1: Promote innovative financial products to support MSMEs			
Objective	Strategy	Responsibility	Timeframe
To facilitate MSMEs access to finance	Encourage development of venture capital, community banks, MSME Revolving Fund, Financial Innovation Challenge Fund, export guarantee scheme, insurance services, Credit Guarantee Scheme including stronger Micro	Ministry of Industry, Trade and Tourism, Ministry of Finance, Economic Planning, Development partners, RBM,	2019-2023

	Finance Institutions	NGOs	
	Facilitate establishment of appropriate MSME financing Facilities	Ministry of Finance, Economic Planning and Development, RBM, Ministry of Industry, Trade and Tourism	2019-2023
	Strengthen the Credit Reference Bureaus and promote use of credit reference system.	Reserve Bank of Malawi, Ministry of Finance, Economic Planning and Development,	2019-2023
	Encourage financial service providers to use collateral registry.	Ministry of Finance, Economic Planning and Development, Reserve Bank of Malawi, Ministry of Industry, Trade and Tourism, Credit Reference Bureaus, MITC, MCCI	2019-2023
	Encourage banks, financial institutions, leasing companies to scale-up lending window by having special MSME desk to facilitate access to credit.	Ministry of Finance, Economic Planning and Development, RBM, Ministry of Industry, Trade and Tourism, Commercial Banks	2019-2023
Policy Priority Area 3: Access to markets			
Policy Statement 1: Promote development of inclusive markets, focusing on marketing capacity building in peri-urban, rural areas and the informal sector			
Objective	Strategy	Responsibility	Timeframe

To develop sustainable markets in support of MSME growth	Ensure firm-to-firm linkages, sub-contracting, franchising, licensing, joint ventures and other forms of business linkages are fostered.	Ministry of Industry of Trade, SMEDI, MITC.	2019-2023
	Ensure provision of effective market access services including local product branding.	Ministry of Industry, Trade and Tourism /SMEDI/MITC/NGOs	2019-2023
	Ensure provision of export promotion support services for MSMEs.	Ministry of Industry, Trade and Tourism, SMEDI, MITC	2019-20223
	Develop supplier programme to integrate small businesses into supply chain;	Ministry of Industry, Trade and Tourism, SMEDI, MITC, SME Associations	2019-2023
	Enhance the buy Malawi Strategy	Ministry of Industry, Trade and Tourism, OPC, MITC	2019-2023
	Ensure empowerment of MSMEs through public procurement.	Ministry of Industry, Trade and Tourism, ODPP	2019-2023
	Develop capacity of MSMEs to meet product	Ministry of Industry, Trade and	2019-2023

	quality standards and consistent supply	Tourism, MBS, SMEDI and MITC	
	Create quality consciousness and awareness in MSMEs and consumers.	Ministry of Industry, Trade and Tourism, SMEDI, MITC, MBS, and MCCCCI	2019-2023
	Strengthen MBS to support MSMEs on quality and standards compliance	Ministry of Industry, Trade and Tourism, Ministry of Finance, MBS	2019-2023
Policy Priority Area 4: Entrepreneurship development			
Policy Statement 1: Promote development of entrepreneurship			
Objective	Strategy	Responsibility	Timeframe
To build and strengthen entrepreneurial culture.	Introduce entrepreneurship curriculum in primary, secondary and tertiary education institutions.	Ministry of Education, Science and Technology, Universities, TEVETA	2019-2023
	Develop tailor made MSME entrepreneurship programmes for start-ups, existing entrepreneurs and nursing programmes for struggling MSME businesses.	Ministry of Industry, Trade and Tourism, SMEDI, CSOs	2020-2023

	Inculcate values and attitudes that are conducive to development of entrepreneurship	Ministry of Industry, Trade and Tourism, SMEDI, Education Institutions, TEVETA, Ministry of Labour, Youths, Sports, and Manpower Development.	2019-2023
	Promote rewarding of excellence and innovations	Ministry of Industry, Trade and Tourism, SMEDI, Local Councils, Universities	2019-2023
	Promote the financing of special technical programmes to provide effective training to BDS providers and MSMEs	Ministry of Industry, Trade and Tourism	2019-2023
	Align BDS programmes to MSME needs for synergy to achieve impact.	Ministry of Industry, Trade and Tourism, SMEDI	2020-2023
	Promote coordination of BDS providers	Ministry of Industry, Trade and Tourism, SMEDI, NGOs, SME Associations, MITC, Private BDS players	2019-2023
	Encourage entry by private sector service providers into the BDS market;	Ministry of Industry, Trade and Tourism	2019-2023

	Create awareness of BDS providers to MSMEs for service provision.	Ministry of Industry, Trade and Tourism	2019-2022
	Promote coaching, mentoring and counselling of young entrepreneurs, including use of role models.	Ministry of Industry, Trade and Tourism, NGOs, Donors, MSME Associations, SMEDI	2019-2022
	Facilitate the establishment of specialized business incubators and centers of business excellence in designated clusters and other locations	Ministry of Industry, Trade and Tourism, SMEDI, Ministry of Labour, Youth, Sports and Manpower Development	2019—2023
	Establish a national database of service providers and entrepreneurial training institutions and programmes.	Ministry of Industry, Trade and Tourism, SMEDI and TEVETA	2019-2023
Policy Priority Area 5: Business information and skills			
Policy Statement 1 : Promote access to business information and development of skills of MSMEs			
Objective	Strategy	Responsibility	Timeframe
To bridge the business information and skills gap for MSMEs.	Promote financing of research and development (R & D) and innovation programmes of industrial research institutions (e.g. MIRTDC), universities and other institutions that provide skills and information to MSMEs	Ministry of Industry, Trade and Tourism, Ministry of Finance and Economic Development, Private sector	2019-2023

	Establish a web-based national database and knowledge portal to provide up-to date information to MSMEs, involving non-state organizations in tracking change.	Ministry of Industry, Trade and Tourism, SMEDI, NSO	2019-2023
	Promote use of ICTs in remote and peripheral areas.	Ministry of Information and Communication Technology, Ministry of Industry, Trade and Tourism, SMEDI	2019 -2023
	Develop the capacity of institutions offering trainings to MSMEs.	Ministry of Industry, Trade and Tourism and SMEDI.	2019-2023
Policy Priority Area 6: Operation of value chains			
Policy Statement 1 : Promote value chains and value addition			
Objective	Strategy	Responsibility	Timeframe
To promote innovation and value addition.	Establish innovation challenge facilities to promote business-to-business linkages.	Ministry of Industry, Trade and Tourism SMEDI/Development Partners	2019-2023
	Provide technical and economic support services for value chain development.	Ministry of Industry, Trade and Tourism, Utility companies, CSOs, Line ministries	2019-2023
	Strengthening of vertical and horizontal chain linkages between firms	Ministry of Industry, Trade and Tourism, MITC, SMEDI and	2019-2023

		NGOs	
	Incentivize large firms which participate effectively in linkages with small firms	Ministry of Industry, Trade and Tourism, Ministry of Finance, Economic planning and Development,	2019-2023
	Strengthen high potential value chains in export promotion and import substitution.	Ministry of Industry, Trade and Tourism, SMEDI, MITC, MBS	2019-2023
	Institutionalize coordination and participation in dialogue on local economic development and private sector development	Ministry of Industry, Trade and Tourism, LGAs, MCCCCI	2019-2022
	Align capacity building of local enterprise development institutions to MSME sector requirements.	Ministry of Industry, Trade and Tourism, SMEDI, MITC	2019-2023
	Facilitate process re-engineering to improve productivity of MSMEs.	SMEDI, MBS, National Productivity Centre	2019-2023
	Promote adoption of value addition technologies	Ministry of Industry, Trade and Tourism, SMEDI, MITC and Industrial Research Center	2019-2023
	Develop value chain strategy	Ministry of Industry, Trade and Tourism	2019-2021
	Develop value addition strategy	Ministry of Industry, Trade and	2019-2021

		Tourism	
Policy Statement 2: Promote the acquisition and adoption of appropriate and affordable modern technology			
	Strengthening linkages between MSMEs and technology providers	Ministry of Industry, Trade and Tourism, SMEDI, NGOs	2019-2023
	Strengthening MSME technology transfer programmes	Ministry of Industry, Trade and Tourism, SMEDI, NGOs, Development Partners	2019-2023
	Recognizing and rewarding innovative and technology led MSMEs	Ministry of Industry, Trade and Tourism, SMEDI, R & D institutions, SME Associations	2019-2023
	Support research and development institutions to develop MSME oriented technologies	Ministry of Industry, Industry and Industry, SMEDI, NGOs, development partners	2019-2022
Policy Priority Area 7: Business infrastructure			
Policy Statement 1: Ensure availability of business infrastructure			
Objective	Strategy	Responsibility	Timeframe
To provide business infrastructure for MSMEs	Develop and improve business infrastructure for MSMEs such as factory shells, industrial parks, business incubators, warehouses, artisan shelters and exhibition centres	Local government Authorities, Ministry of Industry, Trade and Tourism, Development partners, NGOs	2019-2023

	Establish MSME support structures in all key Local Government Authorities	Local government authority, Ministry of Industry, Trade and Tourism	2019-2023
	Promote the use of ICT for MSME growth and development	Ministry of Industry, Trade and Tourism, Ministry of Information, SMEDI	2019-2023
	Support implementation of the rural electrification and rural industrialization programme.	Ministry of Natural resources, Energy and Mining	2019-2023
	Encourage LGAs to allocate specially designated serviced land with potential commercial and industrial development for MSME growth	Local government Authorities, Ministry of Industry, Trade and Tourism, Ministry of Lands, Housing and Urban Development	2019-2022
Policy Priority Area 8: MSME networks and clusters			

Policy Statement 1 : Foster development of MSME networks and clusters			
Objective	Strategy	Responsibility	Timeframe
To foster inter-business relationships	Encourage formation of Business Membership Association.	Ministry of Industry, Trade and Tourism	2019-2023
	Raise awareness to LGAs and other stakeholders on cluster concept	Local government Authorities, Ministry of Industry, Trade and Tourism	2019-2023
	Identify and Establish high growth MSME clusters	Ministry of Industry, Trade and Tourism, Local government Authorities, SMEDI, Development Partners, BMAs and NGOs	
	Facilitate MSME forums and exhibitions.	Ministry of Industry, Trade and Tourism, SMEDI, BMAs and MCCI	2019-2023
Policy Priority Area 10: Cross-cutting issues			
Policy Statement 1: Mainstream cross-cutting issues into MSMEs programme implementation			
Objective	Strategy	Responsibility	Timeframe
To enhance equal	Removal of barriers to equal access of business	Ministry of Industry, Trade and	2019-2023

participation in MSME activities.	ownership between women and men and people with disabilities.	Tourism, Ministry of Gender, Children, Disability and Social welfare	
	Design of financial products for women, youth and other disadvantaged groups;	Financial institutions	2019-2023
	Encourage banks, BDS providers and government agencies to mainstream youth and gender issues in their products and services	Ministry of Gender, Children, Disability and Social welfare	2019-2023
	Develop a comprehensive coordination plan on handling cross-cutting issues such as gender, HIV/AIDS, youth and other marginalized groups by MSME support institutions.	Ministry of Gender, Children, Disability and Social welfare, Ministry of Industry, Trade and Tourism, Ministry of Labour, Youth, Sports and Manpower Development, SMEDI, Local government Authorities	2019-2023
	Promote the conservation of environment among MSMEs.	Ministry of Industry, Trade and Tourism, Ministry of Natural Resources	2019-2023
	Promote the creation of green enterprises	Ministry of Natural resources, Energy and Mining, Ministry of industry, Trade and Tourism, SMEDI	2019-2023

	Create awareness to MSMEs on green growth opportunities	Ministry of Natural Resources, Energy and Mines, Ministry of industry, Trade and Tourism, SMEDI	2019-2023
	Promote environmentally friendly cleaner production technologies and practices.	Ministry of Natural Resources, Energy and Mines, Ministry of industry, Trade and Tourism, SMEDI	2019-2023
	Create awareness on HIV/AIDS related matters amongst MSME operators	Ministry of Health	2019-2023

ANNEX 2. MONITORING AND EVALUATION PLAN

Policy Priority Area 1: Promote an enabling Institutional, legal and regulatory framework for MSMEs						
Outcome 1: • Enhanced policy coherence						
Specific Objective	Outputs	Performance Indicators	Target	Baseline	Source of Verification	Assumptions (A)/ Risks (R)
To create a conducive legal, institutional and regulatory framework for MSMEs	MSME Act	1. Number of Bills passed	1	0	Gazette	R: Unforeseen delays in the process of enacting the Law
		2. Number of sectoral policies reviewed	2	0	Reports on Reviews of sectoral policies	
	By-laws impinging on MSMEs growth developed and reviewed	Number of LGAs with their by-laws reviewed or developed	10	0	Reports on Reviews	A1: LGAs prioritize and promote MSMEs development A2Support and commitment to reforms by Local Authorities
	Electronic MSME sector database developed and	Number of Electronic MSME databases	1	0	Database reports	

	updated					
	Governance structures for Business Membership Associations (BMAs) strengthened	Percentage of BMAs supported (trained, mentored and supervised)	70%	0	Reports	A: Willingness of BMAs to be trained R: Resistance to change by BMAs
	Allocation of public procurement to MSMES improved	Percentage of public procurement offered to MSMEs	30%	0	ODDP Reports, Procurement Plans	A: Stakeholder commitment to implement the act
	MSME Communication Plan developed and incorporated in the MoITT Communication Strategy	Communication plan in place	1 by 2018	0	MoITT Communication strategy	A: Stakeholder collaboration
	MSME Policy Resource Mobilization Plan developed	Number of Project proposals	2	0	Resource Mobilization Strategy	A: Stakeholder collaboration
	Capacity of MSME Policy implementing institutions strengthened	1. Number of staff trained 2. Number of institutions	30 5	4	Training reports; quarterly monitoring reports	R: Wrong targeting of trainees; staff retention

		supported with equipment		4		
Improved policy coordination and implementation	1. National Inter-Ministerial Coordinating (NIMC) committee on MSMEs in place 2. Public-Private policy dialogue on MSMEs (SME Forum) held	1. NIMC established by end of 2018	1	0	Reports and ToRs	A: Stakeholder collaboration
		2. Number of NIMC meetings per year	2	0	Reports	
		3. Number of policy discussion events/ forums per year	3	0	Reports	
Priority Area 2: Increase access to finance						
Outcome 2: Increased productivity and growth of MSMEs						
Specific Objective	Outputs	Performance Indicators	Target	Baseline	Source of Verification	Assumptions/ Risks
To facilitate MSMEs access to investment	Financing Products	1. Number of financing products	1	-	Financial Reports from MoFEPD, RBM,	A: Availability of venture capitalists

finance	(Venture capital Community banks, MSME Revolving Fund, Financial Innovation Challenge Fund, Technology transfer and development fund, export guarantee scheme, insurance services, Credit Guarantee Scheme including stronger Micro Finance Institutions) established and strengthened	(Community banks, MSME Revolving Fund, Financial Innovation Challenge Fund, Technology transfer and development fund, export guarantee scheme, insurance services, Credit Guarantee Scheme including stronger Micro Finance Institutions) strengthened	3			
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	Access to financial products by MSMEs improved	Percentage of MSME benefiting due to the increase in the number of Financial initiatives	40%	30%	Financial reports, FINSCOPE reports	A: Financial discipline by MSMEs A: Positive perception of MSMEs by financial institutions A: R: High default rate by MSMEs
	Use of credit referencing (CR) promoted among FIs	Percentage of Banks registered with the CR system Percentage of MFIs Banks registered with the CR system	100% 90%	100% 50%	Reports; MoFEPD, RBM, Malawi Microfinance Network (MAMN), Bankers Association of Malawi (BAM)	A: Willingness of financial institutions to share information
Policy priority Area 3: Access to markets						
Outcome 3: Economic empowerment of Malawians						
Specific	Outputs	Performance	Target	Baseline	Source of	Assumptions/ Risks

Objective		Indicators			Verification	
To build sustainable markets in support of MSME development and growth	Increased market access for MSME Products	<p>1. Number of new international markets identified (country based or product based)</p> <p>2.) Percentage increase in real value of exports by MSMEs</p> <p>1.) Number of MSMEs supported in local and international trade fairs (product, technology exhibitions)</p>	<p>2</p> <p>5 %</p> <p>40</p>	<p>5</p> <p>-</p> <p>20</p>	<p>Reports; MITC and MoITT</p> <p>MRA, NSO</p> <p>MOITT, SMEDI, MITC, Business associations.</p>	<p>A: There will be market research undertaken;</p> <p>A: Availability of comprehensive information on MSMEs</p> <p>R: Deliberate technical barriers by some countries</p> <p>A: Availability of capacity in supporting institutions</p>

		2.) Number of MSME products supported with branding services per year	20	5	Reports; MITC, SMEDI, MoITT MBS,	A: Stakeholder collaboration and commitment
		3.) Number of SMEs trained in export procedures and export marketing annually	60	40	Reports; MoITT,	
	Business linkages fostered	Number of business linkages brokered per year	35	15	Progress reports; MoITT, MITC, MoAFS, SMEDI	A: Stakeholder collaboration
	Buy Malawi Strategy enhanced	Number of MSMEs attaining Buy Malawi Strategy membership per year	10	0	BMS reports	A: MSMEs have capacity to participate
	MSMEs capacity to	1.) Number of	250	80	Training reports	A: Stakeholder collaboration

	meet product quality and standards compliance developed	MSMEs trained in product quality and standards compliance 2.) Number of MSMEs supported with quality and standards infrastructure	50	10	Reports	
	Participation of MSMEs in public procurement increased	Percentage/Share of MSMEs participating in public procurement	30	-	Progress Reports: ODPP	
Policy priority Area 4: Entrepreneurship development						
Outcome 4: Economic empowerment of Malawians						
Specific Objective	Outputs	Performance Indicators	Target	Baseline	Source of Verification	Assumptions/ Risks
To build and strengthen entrepreneuria	Business incubation centres	Number of business	3	2	Reports	A: Stakeholder collaboration A Understanding of

I and business advisory services culture	established	incubation centers				incubation concept by stakeholders
	Tailor made technical programmes of SMEDI; MBS; MITC; TEVET and academic, research institutions targeting MSMEs developed and financed	Number of new tailor-made technical programmes developed and financed	4	4	Project reports; from institutions	A: Stakeholder support
	Joint annual reviews of public and private business development services providers and programmes conducted	Number of review meetings per year	1	0	Annual review reports	A: Stakeholder collaboration

	Young entrepreneurs mentored including the use of role models	1.) Number of new youth mentorship programmes operationalized. 2.) Number of youth entrepreneurs mentoring and coaching events organized per year	3 2	5 2	Reports Reports	A: Stakeholder collaboration R: Willingness of youths to participate in such programs
	Rewarding of excellence and innovations promoted	Number of events to reward excellence and innovations organized per year	1	0	Reports	A: Stakeholder collaboration
	BDS accreditation system developed and operational	BDS Accreditation system in place	1	0 0	System reports Annual Accreditation list	A: Willingness by BDS providers to comply
	Entrepreneursh	Number of	15	3	Curriculum	A: Stakeholder buy-in

	ip curriculum introduced in schools	institutions with subjects/courses in entrepreneurship			reports; Education institutions	
	Awareness of BDS providers to MSMEs created	1. Number of awareness regional campaigns conducted per year. 2. BDS directory updated and published	3 1	0 1	Reports Reports	A: Stakeholder collaboration
Policy Priority Area 5: Business information and skills						
Outcome 5: Increased productivity and growth of MSMEs						
Specific Objective	Outputs	Performance Indicators	Target	Baseline	Source of Verification	Assumptions/ Risks
To bridge the business information and knowledge gap for MSMEs and enterprise development	Research & Development (R&D) and innovation programme of industrial research institutions,	Number of institutions/programmes supported	5	0	Reports: Training institutions	A: Relevance of the training to the demand required

	universities and emerging entrepreneurs promoted					
	Web-based national database and knowledge portal established.	Number of web-based national database and knowledge portal	1	0	Progress reports: MoITT	
	Use of ICTs in remote and peripheral areas promoted	Number of sensitization campaigns (Radio, TV, Community meetings, Newspaper, IEC materials)	15	0	Progress Reports	A: Stakeholder collaboration
	Capacity of institutions offering trainings to MSMEs developed	Number of Institutions supported/capacitated	3	2	Reports: MoITT	
Policy priority Area 6: Operation of value chains						

Outcome 6: increased value addition						
Specific Objective	Outputs	Performance Indicators	Target (Annual/Quarter)	Baseline	Source of Verification	Assumptions/ Risks
To promote productivity improvement and innovation of MSMEs	Capacity built in enterprise development institutions aligned to MSME sector requirements.	Number of institutions assessed per year	4	0	Assessment reports	R: Resistance to change
		2. Number of MSMEs staff in enterprise development institutions trained in business process re-engineering	25	0	Training reports	A: Stakeholder collaboration
	Vertical and horizontal chain linkages between firms established	Number of Vertical and horizontal chain linkages established per year	30	15	Monitoring and Evaluation reports	A: Stakeholder collaboration
	High potential value chains in export promotion and import substitution strengthened	Number of new locally produced brands (within documented high potential value chains) available on the domestic market per year	10 2	5	Inspection reports	A: Stakeholder collaboration

		Number of high potential value chains supported		4	Reports	
	Business Process re-engineering of MSMEs supported	Number of MSMEs supported per year	20	0	Reports	A: Stakeholder collaboration
	Adoption of value addition technologies facilitated	1. Number of value addition technologies facilitated for adoption per year 2. Number of MSMEs that adopted the value addition technologies facilitated	4 100	2 120	Reports: MoITT, Industrial Research Centre, SMEDI, Universities Reports	A: Stakeholder collaboration
	Value chain Strategy developed	Value Chain Strategy in place	1	0	Reports	A: Stakeholder collaboration
	Value addition Strategy developed	Value addition Strategy in place	1	0	Reports	A: Stakeholder collaboration
	Linkages between	Number of MSMEs linked to	10	0	Reports	A: Stakeholder collaboration

	MSMEs and technology providers facilitated	technology providers per year				
	Innovative and technology led MSMEs recognized and rewarded	Number of innovative and technology led MSMEs recognized and rewarded	10	-	Progress Report: MITT, SMEDI, SMEDI Association, R & D institutions	
Policy Priority Area 7: Business infrastructure						
Outcome 7: Economic empowerment of Malawians						
Specific Objective	Outputs	Performance Indicators	Target	Baseline	Source of Verification	Assumptions/ Risks
To provide business infrastructure for MSMEs	MSMEs support structures established in key LGAs	Number of LGAs with Business support units	8	4: Mangochi, Phalombe, Mzimba and Ntchisi (piloted by LDF)	LGA reports	A: Stakeholder collaboration
	Business infrastructure facilities for	1. Number of Regional Exhibition Centers established	4	0	Reports: LGAs	A: Stakeholder collaboration

	MSMEs developed	2. Number of working spaces structures established	8	10		
		3. Number of warehouses established	2	40		
		4. Number of artisan shelters established	3	3		
		5. Number of industrial parks established	1	0		

	Rural infrastructures rehabilitated or / developed	1.Number of new growth centres established and facilities maintained 2. Number of Trading centers electrified	5 200	- 300	Ministry of local government report; Ministry of Energy and Mining	Continued donors support for rural growth center programme and MAREP
	Use of ICT for MSME growth and development promoted	Number of ICT sensitization campaigns (Radio, TV, Community meetings, Newspaper, IEC materials)	10	-	Progress Reports	

	Specially designated serviced land with potential for commercial and industrial development allocated to MSME by LGAs	Number of LGAs	10	0	Reports: LGA, MoITT, Min of Lands	
Policy priority Area 8: MSME networks and clusters						
Outcome 8: Enhanced competitiveness of MSMEs						
Specific Objective	Outputs	Performance Indicators	Target (Annual/Quarter)	Baseline	Data Source (Means of Verification)	Assumptions/ Risks
To foster inter-business relationships	Business Membership Associations formed	Number of BMAs formed	3	10	Reports: MoITT	
	Awareness on cluster concept to LGAs and other stakeholders	Number of LGAs and stakeholders sensitization meetings/workshops	10	0	Workshop reports: MoITT	R: Resistance to change by LGAs

	enhanced					
	Business project profiles for investment by the private sector and MSMEs generated	Number of project profiles generated per year	2	0	Annual monitoring reports	A: Capacity to develop project profiles by LGAs
	MSME forums and exhibitions facilitated.	Number of MSMEs forum and exhibitions facilitated	10	1	Reports: MoITT, SMEDI, BMS, MCCI	
Policy priority Area 9: Cross-cutting issues						
Outcome 9: Enhanced economic inclusion						
Specific Objective	Outputs	Performance Indicators	Target	Baseline	Source of Verification	Assumptions/ Risks
To enhance equal participation in MSME activities	Increase in the number of businesses owned by women	Percentage of businesses owned by women	50%	46%	Survey reports	A: Willingness by women to start businesses
	Comprehensive	Coordination Plan	1	0		

	Coordination Plan for handling cross-cutting issues such as Gender, HIV/AIDS, youth, people with disabilities and other disadvantaged groups developed and implemented	in Place				
	Awareness on HIV and AIDS, Gender, Youth, people with disabilities and other related matters amongst MSMEs enhanced	Communication Strategy in place	1	0		
	Climate change	Environmental	1	0	EIA Reports	A: capacity to undertake

	and environmental issues mainstreamed in MSMEs policy implementation	protection plan in place				EIA available
	Creation of green enterprises promoted	Number of green enterprises created	15	0	Reports: MoITT	A: Willingness by SMEs to venture into green enterprises
	Awareness to MSMEs on green growth opportunities enhanced	Number of awareness campaigns per year		0	Reports	
	Environmentally friendly cleaner production technologies and practices promoted	Number of promotion events per year	2	0	Reports	

ANNEX 3: DEFINING MSMEs

There is no universal definition of micro, small and medium-size enterprises. Each country has developed its own definition to fit its context and economic circumstances.

The purpose of the definition is to provide an instrument for targeting of policy, provision of national statistics, of MSMEs, a basis for directing State support for MSMEs and targeting a broader range of policy measures.

A recent attempt at defining MSMEs in Malawi, based on the 2012 micro, small and medium enterprises survey categorization, which largely makes reference to employment figures and to some extent, revenue criterion, was found to be inconclusive. Table 1 below which Malawi has adopted provides MSMEs definition based on criteria that refers to three key variables namely: employment size, annual turnover, and assets value. The critical assumptions upon which the cut-off points of the MSMEs categories have been determined are explained in the footnotes. The definition is expected to be reviewed after 5 years, by which time the country’s economy is expected to have improved, with projected positive shifts in development indicators, including GDP per capita.

Table 1: Definition of MSMEs in Malawi			
Enterprise Size	Employment No. of employees	Annual turnover (in Malawi Kwacha)	Maximum assets (exclude land and building – for manufacturing enterprises)
Micro	1 – 4	Up to K5,000,000.00	K1,000,000.00
Small	5 – 20	Above K5,000,000 - K50,000,000.00	K20,000,000.00
Medium	21 – 99	Above K50,000,000 - K500,000,000.00	K250,000,000.00

Important Note: In this definition **any two** of the criteria can be used to determine whether the enterprise is micro, small or medium sized.

Employment size

The employment criteria is the principal parameter to be used in the definition, because Malawi's economy is labour-intensive, being agro-based, with over 75 percent of the population employed in the agricultural sector.

The range specified is based on comparative statistics from other South and Eastern African countries, and African Development Bank definitions. Given the stage of development of the Malawi economy, and low World Development Indicators rankings, any company that employs up to 99 employees is deemed to be in the MSME category. Note: This criterion may not apply for high tech enterprises, with annual revenue and value of assets being the key variables applied in such cases. The definition excludes seasonal workers.

Annual turnover

The annual revenue categorisation in Malawian Kwacha uses 2015 as the base year, and might need to be reviewed over time with changes in the foreign exchange rate. For MSMEs, authoritative literature indicates that, annual revenue can be calculated from a huge range of 10 – 10,000 times mean per capita gross national income. The range specified is based on the reality of Malawi's economic development indicators, the anticipated changes in the Malawi Kwacha in relation to major currencies, and the need for the policy to be inclusive by targeting all enterprises within specific priority sectors, for example non-farm enterprises, agro industries, manufacturing and value chains exhibiting high growth potential.

Maximum assets (excluding land and building) for Manufacturing Enterprises

The maximum assets criterion is only applicable for manufacturing firms. Asset accumulation is central for dynamic manufacturing enterprises, especially in high growth sub-sectors. The estimated asset value by enterprise size (manufacturing) is indicative and may also be used as a proxy to measure whether the enterprise is micro, small or medium sized. However, this can be used as a guideline, rather than as prescriptive. This criterion also applies to high tech businesses; employment criterion can be downplayed.