

MALAWI

BANKER

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

VOL 26 / 2021

WHO RUNS THE
ECONOMY?

UNPACKING
MALAWI'S GROWTH
ENABLERS

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MAIIC MANAGING DIRECTOR **TAZ CHAPONDA**

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Advocating mindset change for economic emancipation

Mindset change does not find itself on the list of Malawi's enablers by chance; it is like the fountain of tears we need to wash down the cog of resistance to, of all things, progressive change.

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Who runs the economy?

Since 1964 when Malawi attained political independence, politicians have come and gone promising Malawians all sorts of things but Malawi has remained trapped among the world's least developed countries.



2021 Bankers of Malawi Sports Day- Pictorial Focus

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EDITOR'S NOTE

Summer is here again, with all its excitement.

And it is with gratitude that we bring to you the 26th edition of the Malawi Banker Magazine to complement your seasonal reading list.

At the onset, we would like to express gratitude to you, our valued reader and all partners, for the unwavering support. Having the Malawi Banker Magazine among your reading options keeps us going.

This edition coincides with a time the Covid pandemic pressure is easing, a situation that gives hope that the future holds the best.

Impact of the pandemic on the economy and businesses is real. Most sectors caught the cold and output was squeezed.

But with the vaccination drive in place, coupled with other measures deployed by countries and global institutions to contain the pandemic, we can say with certainty that the economy is on the path to recovery.

Hence, this edition is anchored on optimism.

We, among other things, project hastened recovery and sustainable economic growth for Malawi in the foreseeable future, based on the recently launched Malawi 2063—a long term national economic development blueprint.

Thematic therein is to change the development narrative from attempts towards 'poverty eradication' to 'wealth creation for all.'

But to get there, the country still needs a paradigm shift; a change of mindset and the way of doing things.

Also, Malawi needs to rediscover key pillars for sustainable economic development if the aspiration of becoming a middle-income economy by 2063 is to be attained.

Revitalising the agriculture sector—the economy's



backbone—while investing heavily in complementary sectors including mining and tourism is the way to go.

With a recently launched 2020 Poverty Report by the National Statistical Office indicating that poverty levels eased, albeit marginally, between 2016 and 2020, it would be easy to conclude the future looks bright.

But what would it take for Malawi to attain the glory which framers of the Malawi 2063 aspire?

Read through and enjoy!

Paul Kamanga
EDITOR-IN-CHIEF

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ON THE COVER



→ Malawi Banker Magazine engages the **Managing Director for MAIIC Mr. Taz Chaponda** on the company's success story towards business investment



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As countries, world over, continue to commit towards not only devising ways of living with the Covid pandemic, but more importantly, taming its further spread, we can say with certainty that the future is no longer as bleak.

Prospects are good with signs of economies recovering in sight, albeit, in a slightly distant future. Thanks to the massive roll out of vaccination and other intensified efforts towards containing the contagion.

In the past two years, the pandemic wreaked havoc on world economies, putting several almost on their knees, as at least all sectors feeding therein caught the cold.

Banks were not spared amid their resilience.

A slowdown in economic activity heavily shook the credit market, leading to a dwindled loans uptake by both corporate and individual clients, coupled with a surge in non-performing loans.

However, the banking sector remained not only resilient but also afloat having a diversified products range and its apt use of technology, bringing about convenience to a market where the traditional brick and mortar system, like in most public places, became almost a no go zone due to the partial lockdown.

As at the half-year period ended June 30 2021, most local banks were poised to have registered higher post-tax profit than at the same time last year.

This is news worth celebrating. It signals recovery offers renewed strength.

The resilient performance of the banking sector is a foundation worth building upon. It is a key step towards further growth, not only of the sector, but also the economy at large.

The banking sector reiterates its steadfast commitment towards remaining a key feeder into almost all the other sectors towards propelling sustainable economic growth.

Lately, banks have intensified effort towards reaching out to the unbanked



TIME TO SOAR HIGHER

populace through the national financial inclusion agenda.

Everyone will be brought into the equation, this we can say with confidence. It is, but just a matter of time.

Apart from expanding footprints countrywide, commercial banks have integrated their services with mobile phone network providers as a catalyst to reaching out to as many Malawians as possible, even in places where we are not physically present.

This auger well with dreams and

aspirations embedded in the recently launched long-term national development blueprint, the Malawi 2063, which aspires to put up an enabling environment for creating wealth for all.

Once everyone is incorporated into the equation and equipped with relevant knowledge and information, then the ground would be levelled for equal opportunities.

We will not relent until this is attained.

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The President's Message

How time flies. Already, it has been two years since I ascended to the helm of the Bankers Association of Malawi as president.

And as they say, nothing lasts forever. It is time to pass on the mantle.

I write this message with mixed feelings; firstly, excited over the milestones we have attained this far, while also anticipating greater strides ahead.

One key thing we have seen over the years is the revamping of the Banker Magazine, and its effectiveness in reaching out to stakeholders at all levels.

More importantly, through the magazine, the banking sector players have time and again, joined in the national economic development discourse, projecting the sector as a force to reckon with.

Truth be told, the sector has been susceptible to myriad shocks, both domestic and exogenous. But it has remained resilient.

With pangs of Covid pandemic, for instance, hitting almost all sectors of the economy harder since 2019, one cannot rule out the possible havoc the contagion might have wreaked on the financial sector, which essentially is at the pinnacle of feeding into all other industries.

However, banks remained afloat. Almost all commercial banks maintained their profitability trail, year-on-year, thanks to diversified products and services base and efficient use of technology.

The positive trajectory in the banking sector gives the industry not only a special prowess but also a competitive edge.

The performance, collectively, creates a discourse within the business spectrum, not only on the practicality of attaining such meaningful profitability amid the prevalent woes, but rather on the modality.

In this edition of the Banker Magazine, we therefore discuss the banking sector's resilience in recent past years, and its role in contributing towards national economic development.

Themed 'Coining New Economic Growth Drivers for Sustainable Development', we also discuss how

systematically Malawi could be positioned to tap into the vast opportunities available for sustainable economic growth.

In the past year, Malawi has been vying with some war-torn countries in the world's poorest countries' category in terms of per capita income, albeit enjoying sustainable peace and tranquility. Statistics show that between 1994 and 2019, Malawi's annual real economic growth rates averaged 4.3 percent, within a striking distance of the country's population growth rate, pegged at 3 percent annually.

Several economic development blueprints such as the Vision 2020 were drawn and launched to at least help Malawi tilt towards becoming a lower middle-income economy. Alas, the country remains far from attaining it as 50.7 percent of its population still live below the poverty line of \$1.90 per day while 25 percent are living in extreme poverty.

Of particular interest, however, is the review findings of Vision 2020 which also exposed Malawi's inability to achieve a middle income status with a per capita income of \$1,000 (about

\$780,000) per year as aspired by Vision 2020.

According to current international thresholds, a lower-middle-income country is defined by its per capita income ranging between \$1,006 to \$3,975 while an upper-middle-income country has its per capita income falling within a bracket of \$3,976 to \$12,275.

With a new long term development blueprint, the Malawi 2063, in place, the country should take a new approach towards attaining sustainable economic growth. One fundamental pillar in the newly drafted blueprint is the need to change the economic growth narrative, from 'Poverty Reduction' to 'Wealth Creation for All.'

This, however, requires hard work and a multi-sectoral approach. More importantly, it would also take a shift in perception, approach to business and mindset change.

This edition, therefore, attempts to discuss necessary parameters needed if the country is to attain its aspirations of Creating Wealth for All and more importantly, changes needed towards attaining sustainable economic growth.

Enjoy!



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BROADER ACCESS TO FINANCE

• As MAIIC bridges financing gap

The Malawi Agricultural and Industrial Investment Corporation (MAIIC) plc is a non-deposit taking national development finance institution established to be the leading enabler of high impact economic development in Malawi. MAIIC's main objective is to fill the long-term financing gap in the country by crowding-in investment from domestic and international financial institutions and investors. Malawi Banker caught up with MAIIC Managing Director Taz Chaponda for an insight into the firm's operations and scope of business.

Firstly, give us a brief synopsis of MAIIC; what is its core business?

The Malawi Agricultural and Industrial Investment Corporation plc is a non-deposit taking national development finance institution (DFI) established to be the leading enabler of high impact economic development in Malawi.

The firm has been in operation since 2019; how has it fared this far?

In the short space of two years, MAIIC has made a strong start with relatively limited funds. Our Board has approved 21 projects and we will have disbursed about K4.9 billion to clients by end November 2021. But since we leverage our funds through co-financing with banks and other DFIs, this represents about MK8 billion worth of investments that has been catalysed by MAIIC.

The firm has come in the equation at a time access to finance, especially among Small and Medium Enterprises, remains a challenge; what do you make of the situation?

Indeed, financing SMEs in Malawi is difficult due to the high failure rate in this sector. There are of course many SMEs that are doing good business, but there are an equal number that are struggling to cover expenses in a sustainable manner. What we are doing at MAIIC is to provide a mix of technical and business support, together with financing to those that qualify and show real commitment.

How systematically positioned is MAIIC, as an investment window, to help address the challenge of low access to capital and finance for local businesses?

MAIIC has a big role to play in easing access to finance for

local business. One window available for local business is the World Bank supported project called Financial Inclusion and Entrepreneurship Scaling (FinES). This is a loan to MAIIC administered through the Reserve Bank of Malawi. It provides funds to support local business up to \$30,000 equivalent per company as long as they fulfill the requirements. In addition, MAIIC is providing a partial credit guarantee facility (PCG) to Commercial Banks to support their lending to local businesses. There is a PCG window under FinES for \$2 million and another PCG facility for \$3million under the Agricultural Commercialization Project (AGCOM). MAIIC is the fund manager for both PCG windows allowing it to partner with Commercial Banks.

How does MAIIC mobilise the resources it channels to businesses; who are its key funders or stakeholders?

In the first instance, we rely on funds from our shareholders, who provided the initial seed capital for the business. But we have also raised lines of credit from international financial institutions and regional DFIs. These credit lines will support our investments while we bring on board new investors. A third way we invest on individual projects is co-investing with other institutional investors.

Which particular sectors of the economy do you target to invest in and why?

MAIIC has a broad mandate to support a range of sectors including agriculture, agribusiness, ICT, manufacturing, renewable energy, transport and logistics, amongst others. However, the main focus to date has been to support agro-processing though we are now looking to step up investments in infrastructure.

What would you include as the landmark initiatives and projects you have bankrolled and what impact have they had?

In the past two years, we have approved 21 projects. Notable highlights include a new hotel in Mponela, a new school, a modern solar power facility in Liwonde, a crocodile farm that will export skins to Italy, and many agribusiness projects (seed production, cassava processing, cheesemaking plant, dairy processing, etc.). In addition, to reach cooperatives and farmer groups we provided wholesale funding to microfinance institutions.



We are very proud to be a local development finance institution, that can work with various partners to develop the country. This is our passion: to contribute to growing local business and new industries in Malawi.



How can firms tap from the resources pool; what are the requirements?

The requirements differ depending on the sector and the size of the credit facility. However, in general terms, we need to see a solid business plan, underpinned by credible market demand for the product/ service, a competent management team, and some form of collateral. In short, we need to see strong commitment from the business owner demonstrating their ability to run the operations and to find a credible market.

According to the published financial report for the year ended December 31 2020, the firm posted a K280 million profit after posting a K431 million loss in 2019. What explains the performance?

During 2019, our first year of operations, we incurred a loss mainly due to pre-incorporation expenses related to setting up the company. By 2020, we started investing our capital. These initial investments together with strategic management of our cash balances allowed us to table a notable profit in 2020. Showing a profit within two years is testament to the effective management of costs and prudent deployment of cash.

Is MAIIC a profit-making organisation?

We seek to cover all operating costs as well as making a reasonable return for shareholders. This is important for the sustainability of our operations, and to attract capital from new investors. But most important to MAIIC is making a social impact through our business investments. In other words, we are supporting business growth, forging

business linkages across agricultural value chains and creating jobs.

What does the future hold?

The future is quite exciting because we are getting into new sectors and industries such as the banana crop in agriculture, and renewable energy and logistics on infrastructure. This will be made possible with the additional capital we are raising on the regional and international markets. We are optimistic that both local and international investors will see the good progress we have made in just two years and will help to strengthen our capital base.

Any final words?

We are very proud to be a local development finance institution, that can work with various partners to develop the country. This is our passion: to contribute to growing local business and new industries in Malawi.



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THE MALAWI AGRICULTURAL AND INDUSTRIAL INVESTMENT CORPORATION PLC (MAIIC)

MAIIC BOARD AS OF 31 JULY 2021

CORPORATE GOVERNANCE FRAMEWORK

About MAIIC

MAIIC plc is a non-deposit taking national development finance institution (DFI) established to be the leading enabler of high impact economic development in Malawi. MAIIC aims to fill the long-term financing gap in the country by crowding-in investment from domestic and international financial institutions and investors.

MAIIC was incorporated on 23 November 2018 as a public limited liability company under the Companies Act of 2013 and operates under the regulatory supervision of the Reserve Bank of Malawi (RBM). Seed capital for MAIIC's establishment was provided by the Government of Malawi, that holds 20% of the company's share capital. The rest of MAIIC's share capital is held by the private sector, currently led by CDH Investment Bank Limited. More shareholders are expected to invest as the company is on a capital raising drive.

CORPORATE VISION

To be the leading enabler of high impact economic development in Malawi.

CORPORATE MISSION

To drive private sector led economic development through the mobilization of finance, skills, and technology for sustainable wealth creation.

CORE VALUES

- Inclusiveness
- Integrity
- Professionalism
- Transparency

MAIIC's value proposition is three-fold:

1. Filling the long-term funding gap for SMEs and large transformative projects
2. Providing financial institutions and investors with a vehicle through which to gain exposure to a diverse portfolio of high impact investment opportunities, and
3. Spearheading private sector development. MAIIC's product offering includes long term lending, equity, convertible debt, project preparation, technical assistance, partial credit guarantees and wholesale lending.

Corporate Governance Framework

MAIIC prides itself in having a strong governance framework led by an independent Board of Directors predominantly drawn from the private sector.

The MAIIC Board comprises of a minimum of nine and a maximum of thirteen directors representing four classes of shareholders as follows:

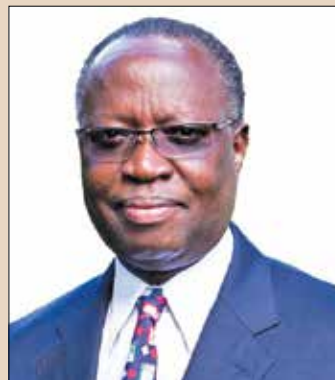
- **Class A Shareholders:** Local funds, financial institutions, public limited companies, private limited companies, and companies limited by guarantee.

- **Class B shareholders:** The Government or its duly nominated or designated state-owned enterprises.
- **Class C shareholders:** International financial institutions, corporations, and foreign investors.
- **Class D shareholders:** private individuals.

Other than directors representing the four classes of shareholders, the Board includes a minimum of two independent directors. Chairing the Board and all sub-committees is restricted to directors representing class A, C and D shareholders.

The Board takes ultimate responsibility for the company's strategic direction including management of risk. The Chairman appoints Board members to separate Board sub-committees to assist in discharging its duties. The sub-committees are chaired by non-executive directors to maintain, as best-practice requires, independence and objectivity.

The Board has the following committees: Credit and Investment Committee; Finance and Audit Committee; Risk and Compliance Committee; and Nominations, Appointments, and Remuneration Committee.



Director Charles Chuka



Director Dr Rex Harawa



Director Chauncy Simwaka



Director Donbell Mandala



Director Etness Chanza



Director Efford Goneka



Director Rachael Kawawa



Managing Director Taz Chaponda

DIRECTOR	BOARD POSITION	EXPERIENCE & QUALIFICATIONS
Mr. Charles Chuka	Non-Executive Director representing CDH Investment Bank Ltd. (Chairperson)	The late Charles Chuka served as Chairman of MAIIC from December 2019 to August 2021. At the time of his passing, he was still Chair of the Board. He was former Governor of the Reserve Bank of Malawi. He held a Master of Philosophy in Monetary Economics from the University of Glasgow and a Bachelor of Social Science in Economics and Sociology from the University of Malawi.
Mr. Chauncy Simwaka	Non-Executive Director representing the Government of Malawi	Secretary to the Treasury. Holds a Masters' degree in Economics from the University of Wales, a Postgraduate Diploma in Development Economics from the University of Bradford, and a Bachelor of Social Science (Economics) from the University of Malawi.
Chief Executive Officer of the Malawi Investment and Trade Centre (MITC)	Non-Executive Director representing the Government of Malawi	Currently vacant
Mr. Donbell Mandala	Independent Non-Executive Director	Chief Executive Officer for NICO General Insurance Company Limited. He is a Chartered Insurer and holds a Bachelor of Accountancy Degree from the University of Malawi, an Advanced Diploma in Insurance (ACII-UK) and an MBA from ESAMI.
Dr Rex Harawa	Independent Non-Executive Director	Has extensive professional experience as an Audit and Advisory Partner at KPMG Malawi and AMG Global. Holds a PhD in Finance and Economics from the State University of New York; an MA in Finance and Economics from London School of Economics and Political Science; and a Bachelor of Social Science in Economics from the University of Malawi.
Mrs. Etness Chanza	Independent Non-Executive Director	Legal consultant and part-time lecturer at the University of Malawi and the Malawi Institute of Legal Education. Formerly Head of Legal, Compliance & Company Secretary for Standard Bank Plc. Holds a Master of Science in Finance and Financial Law from the University of London and a Bachelor of Laws (Honours) from the University of Malawi. She is also an Associate of the Chartered Governance Institute.
Mrs. Rachael Kawawa	Independent Non-Executive Director	Former Chief Risk Officer at Nedbank Malawi. Holds an MBA from ESAMI Business School, a Bachelor of Commerce (Business Administration) and a Diploma in Business Studies from the University of Malawi
Mr. Efford Goneka	Independent Non-Executive Director	Former Chief Executive Officer at the Export Development Fund and former Director of Research and Statistics at the Reserve Bank of Malawi. Holds a Master of Philosophy in Monetary Economics from University of Glasgow and a Bachelor of Social Science and Economics from the University of Malawi
Mr. Tazona Chaponda	Managing Director	Development Economist with extensive experience across Sub-Saharan Africa. Formerly a public Financial Management Specialist at the International Monetary Fund in Washington and a partner at Genesis Analytics, South Africa. He holds Economics Degrees from Harvard University and the University of Oxford and an MBA from INSEAD.

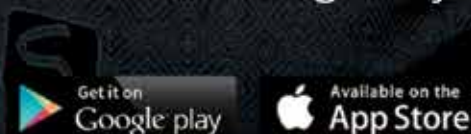


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STANDARD BANK'S **UNAYO** MAKES FINANCIAL INCLUSION REAL

Standard Bank's digital financial services platform, Unayo has come to connect businesses, customers and communities and provide a unified hub for economic activity, Chief Executive Philip Madinga has said.

Speaking in Lilongwe at the launch of the platform on September 15, 2021, Madinga said Unayo will facilitate ease of transaction when paying for goods and services, money transfers and disbursements.

"Unayo is a revolutionary services platform that enables us solve a wide range of problems faced by communities when handling their financial needs. By its very name Unayo is Swahili for "You Have It", or Ulinayo in vernacular. The word also applies in Sena, one of Malawi's ethnic languages. The solution literally puts the power in Malawians' hands to improve their financial wellbeing and embrace them in a growing and thriving economic ecosystem," he said.

The CE further said the innovation aims at redefining the banking sector by creating new frontiers to serve Malawians better and wider but also connect the various ecosystems in the country.

Deputy Governor of Reserve Bank of Malawi Grant Kabango applauded Standard Bank for introducing the innovation in Malawi, noting it would pull millions of the unbanked into the mainstream of financial inclusion.

"Despite recent shifts towards digital banking, penetration still remains low. You can imagine that out of 19 million Malawians only around 2 million have access to banking services. We are therefore convinced that Unayo has come to help in reversing that anomaly by taking banking straight



Chief Executive Officer - Philip Madinga

to the people and doing so through modern means," said Kabango.

Unayo is already operational in a number of African countries.

The Standard Bank group, Africa's largest by assets estimates that up to 90 percent of Africa's smart payments will be conducted on the Unayo platform and that the ingenuity had facilitated over 60,000 payments customer-initiated transaction at the end of the first quarter of 2021.

"Anyone with a cell phone number, agnostic of the mobile network operator, and handset technology,

can receive value through the use of the Unayo solution and become part of the financial world," said Wally Fisher, the Head of Unayo at the Standard Bank group.

In Malawi where mobile phone companies TNM, Airtel and Access share over 9 million customers, Standard Bank is optimistic of connecting the remainder to mainstream financial inclusion using Unayo. Malawi has over 19 million people.

"Unayo presents the realistic opportunity of closing the void, and achieving financial inclusion targets



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faster and in real terms. No one should be left behind when it comes to accessing banking services either as a merchant or customer or beneficiary," said Madinga.

Unayo's registration has dual account utilization either as merchant or customer designed for day-to-day banking services. Merchants and customers can transact with everyone in Malawi from any mobile network.

The platform allows customers to move money using Cash-In and Cash-Outs, and pay friends, family and merchants, and Electronic Money Transfers, among others.

Unayo facilitates ease of transacting when paying for goods and services, money transfers and disbursements. As it is not dependent on smart phone technology it holds the unrivalled potential to unlock much-needed economic transactional activity and prosperity on the continent.

Malawian communities are often underserved when it comes to catering to their financial needs. Much of that is linked to barriers associated with income, access to branch services and technology as well as the cost of transactions.

Unayo overcomes these hurdles by enabling fully KYC compliant on-boarding and activating mechanisms for external funding (via donors and producers) to be injected into the ecosystem, allowing people from anywhere and all walks of life to participate.

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PUSHING FINANCIAL INCLUSION AGENDA THROUGH INTEGRATION



TARGETED—Malawians in the remotest areas

Not so long ago, a bank account created a socio-economic divide. Opening an account with a commercial bank meant one was financially included. And the rest remained out of the equation.

Not anymore, anyway.

Today, technology, precisely the mobile phone is seen as a magic wand, as it is aiding more people to accessing financial services with ease and convenience.

Commercial banks are leveraging on this too. They have partnered mobile phone services providers to reach out to customers, especially in the

remotest areas, where the traditional brick and mortar system is not present.

And mobile money is becoming the norm.

"Today I can send and receive money on my phone, instantly, to and from anywhere across the country, at any time," says Prichard Chiphanda, an agro-dealer in Chiwole Village, Traditional Authority Kwataine, in Ntcheu District.

He says not so long ago, it could take him walking several miles to Mphate-the nearest trading centre-to access banking services.

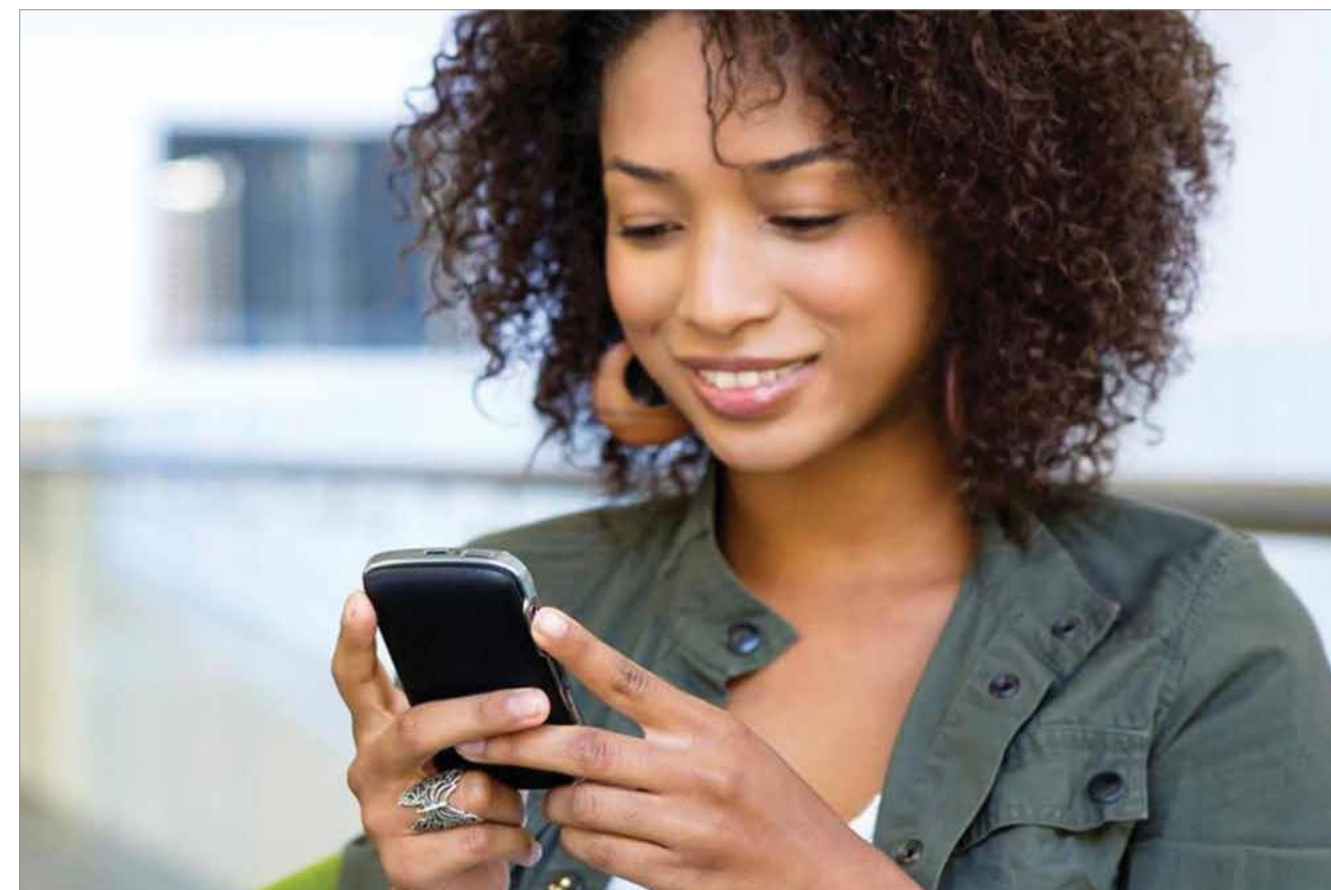
"But times have changed. Many people within our vicinity have mobile phones with instant access to banking

services. Even some with no accounts, they receive money and access other bank-related services through mobile aphone or banking agents who are almost all over now," Chiphanda says.

The narrative augers well with the government's financial inclusion agenda to the width and breadth of the country.

Key in the Malawi 2063-a long term national economic development blueprint launched recently-is changing the economic development narrative of 'poverty eradication' to 'creating wealth for all.'

It takes drastic measures to first, bring everyone in the financial equation by creating awareness and then, taking



GAME CHANGER—Mobile money services

the financial services to where they are. And integration of the banking, ICT and mobile phone services has worked wonders towards attaining the latter.

Speaking recently in Lilongwe, at the launch of Standard Bank's Unayo service, Reserve Bank of Malawi (RBM) Deputy Governor Grant Kabango said the central bank sees new innovations on the market as enablers to improve financial access and experience by Malawians.

"The central bank places a lot of interest on issues around Financial Inclusion. We believe that every Malawian must have an opportunity to access quality banking and financial services from wherever they are," Kabango said.

At the end of 2020 for instance, Malawi had 233,813 internet bank subscribers, 1,011,954 mobile banking subscribers, and 7,574,506 mobile money subscribers.

According to the RBM National Payment Systems report, the number of registered subscribers for non-bank mobile money services was at 9.3 million in the second quarter of 2021 while mobile

banking subscribers was at 1.12 million.

And to see a further growth in the number, the central bank says is working towards implementing regulation mandating business operators to adopt at least one digital financial services channel.

The regulation seeks to provide convenience to customers willing to pay for goods and services digitally.

For this to be attained, commercial banks would have to remain in the fore as offering financial services remains their core business.

Bankers Association of Malawi (BAM)-an umbrella body for commercial banks in the country-feels Malawi is taking giant leaps towards financial inclusion.

BAM Chief Executive Officer Lyness Nkungula said banks had reported an increased uptake of digital financial services.

"We need to move with time. Digital platforms are convenient and safer than cash or cheque where signatories could easily be forged," she added.

To show commitment towards

digitalising the economy, the Ministry of Finance said, from September 2021, it would no longer be issuing cheques to its clients, but rather the Accountant General's Department will be processing payments using Electronic Funds Transfers.

The move has been hailed by the ICT association of Malawi, saying it sets the tone on best modalities for financial transaction.

Ictam President Bram Fudzulani said the move would allow the country to begin moving towards a more technology-based economy.

"It is not like we are reinventing the wheel but we are catching up with what the rest of the world has been doing and it brings in issues of efficiency and transparency because, when you are pushing paperwork, there is a lot of people involved and along the way people will start committing corrupt practices," Fudzulani said.

Experts say full embracing of the digital payment ecosystem would help address poverty and drive inclusive growth.

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With **KWANELE NGWENYA** Outgoing BAM President

Kwanele Ngwenya, Chief Executive Officer of NBS Bank, leaves the mantle as Bankers of Malawi (BAM) President after serving for three years. In this interview with the Banker Magazine, Ngwenya chronicles his journey at the helm of the association. Excerpts

First and foremost, what does BAM presidency entail; talking of the duties, roles and responsibilities?

The office of BAM Presidency provides Strategic leadership to the Bankers Association of Malawi and Southern African Development Community (Sadc) Banking Association.

How would you rate your term in office?

My term in office was a challenging but a very successful one. Covid has brought a number of challenges to the industry. Banks are at the front-line of the economic disruption brought about by the Covid pandemic. It is essential for banks to strengthen their operational resilience and business continuity planning to weather this storm. Throughout my tenure, meetings have been held to make sure that we built that resilience and we survive the storm. I am glad to report that we have taken Covid as a catalyst to transform bank payment operations and thankfully, Malawian banks are resilient to date.

What major milestones would you account for?

We have successfully engaged different stakeholders on matters of policy, maintained our presence at Sadc Bankers Association Committee, but most importantly we have revived the Banker Magazine.

Anything you wish could have been attained within the banking sector during your term in office but has not been?

We can certainly raise the bar on public relations through the Secretariat. BAM should be a household name and the first point of call when it comes to economic issues. I believe that we can also continue to create networks with key stakeholders as this has worked well so far and needs to be enhanced.

Almost all banks remained afloat in terms of Liquidity Reserves Requirement as is set by the regulator, the Reserve Bank of Malawi (RBM); comparatively, what does this portray of the banking sector?

All the banks have business risk management profiles that have helped them sail through the troubled waters since last year. The diversification of products and technology has helped to intensify the resilience that banks have. Digitisation and synergies have been key in their success stories.

The RBM, as lender of last resort, has on a number of times, in the past months, maintained its policy rate at 12.20 percent, what do you make of this?

This is a good move as anything in adverse will not be good for the economy. Government agenda on financial

inclusion can only be attained if we have banking products that are accessible by all. I am sure with passage of time the rates will remain favourable which will result in financial equity that we all long for. This decision will enhance economic recovery and job creation.

But we noted also that rate of non-performing loans remaining relatively high. Why?

We are coming from a good background where we managed to reduce the non-performing loan ratio to the required rate of 5 percent. This is the



ratio of the amount of nonperforming loans in a bank's loan portfolio to the total amount of outstanding loans the bank holds. However, the emergency of Covid has rendered some customers vulnerable leading to failure to honour their obligation. We believe that when the dust is settled, the economy will recover quickly so that life is normal again.

The assertion out there remains that cost of borrowing in Malawi remains high, to an extent that others rate it as exorbitant or prohibitive; what is your take?

Interest rates encompass a number of factors and there are a number of players who contribute to interest rate i.e. the Central Bank that states the policy rate, and micro economic fundamentals, then we have government who influences the rates through its appetite to borrow, cost of doing business in Malawi and the customer himself (his ability to pay on time. So banks take all these factors to come up with risk based pricing for customers.

What could be done to ensure that interest rate goes further down in the possible near future?

I would say that let Market forces determine the interest rates.

What does the performance and positioning of the financial sector reflect on the local economy?

Banks will help the rebound of the economy. Every economy will need Banks to work with Government, Central Banks and policy makers in order to ensure a timely economic recovery. Malawi will not be an exception to this.

Overall, what is your assessment of the economy?

The Covid pandemic is expected to remain the major risk to economic growth in 2021, although the outlook is more positive for 2021 compared to 2020. The Government projected a domestic GDP growth rate of 3.5 percent for 2021, supported by an expected increase in agriculture output due to the normal rains that this country received in the 2020/2021 agricultural season and the impact of the Affordable Inputs

Program (AIP). Growth will also be enhanced by the on-going Government infrastructure development projects in the road, energy and agriculture sectors, as well as the Covid vaccine which is expected to spur business and economic confidence. The World Bank and the IMF project a real GDP growth rate of 3.3 percent and 2.2 percent, respectively, for Malawi in 2021. So we still have a future to look forward to.

Forward looking, what does the future hold?

With the coming in of the vaccines, the economy should start picking up as borders and economies open up once again. Covid might be here to stay and we need to live with it and carry on with business as usual. The policies on exports should be enhanced as we need forex but also to open up to other economies. Being an importing country

is a vulnerable position to be in as we are always susceptible to imported inflation that cause the interest rates and other parameters to go up. We need a currency that competes favourably on the international market.

Last, but not least, what message do you have for the incoming BAM President?

The task of being BAM President is huge and sometimes demanding but you always have the support of other Council members and the Secretariat. The focus is always uplifting the image of banks in the country, as well as collaborating on ways that Banking services can be delivered and additionally to be a platform for close engagement with all the stakeholders.

I wish the incoming President the best of luck and I am there to offer support when needed.



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Launched on July 2, 2021 in Dowa by Vice President Dr Saulos Chilima, TNM's Mudzi Wathu initiative presents a paradigm shift in the approach towards building crowd capital for community development—add mobile phone technology—and let the people take part.

Under the initiative, TNM Plc proposes to deploy mobile phone technology to ignite participatory rural development. This is how it will work; for every K100 that partners spend using the mobile phone network platform, TNM will give back K1 or 1% per area. Communities will choose their own development priorities, and TNM will contribute 1 percent of the net revenue per year. The revenue will be aggregated and verified using TNM's customer database.

It is envisaged that Mudzi Wathu will go a long way to complement TNM's impeccable history of doing good in society through corporate social responsibility and sponsorships.

TNM Plc Chief Executive Arnold Mb-wana says Mudzi Wathu (#Umodzi Umodzi Unamanga Mtolo) aims to increase availability of mobile telecommunication network services nationally, with a deliberate focus on rural areas.

"Mudzi Wathu aims to apply mobile technology as the catalyst for economic development. This initiative is a continuation of TNM's commitment to accelerate network penetration nationwide, ensuring that people in both rural and urban areas enjoy seamless connectivity at the same time," he said.

As part of the initiative, TNM is launching an offer of low-cost 2G-enabled handsets available in flexible instalments with an initial deposit of K3,000. The phones will provide voice (GSM), SMS, limited internet and mobile money (Mpamba) among other services.

"The underlying philosophy is to connect every Malawian and apply mobile technology as a means for fulfilling people's development dreams regardless of geographical position or endowment," said Mbwana.

MUDZI WATHU: USING MOBILE NETWORK TO REBUILD COMMUNITIES



WAY TO GO: Vice President Dr Saulos Klaus Chilima (right) commended TNM for pioneering efforts aimed at contributing to the country's economic growth

Vice President Dr Saulos Klaus Chilima commended TNM for pioneering efforts aimed at contributing to the country's economic growth using mobile technology, and for introducing a participatory rural development model which he said demonstrated TNM's commitment towards responsible business practice.

He said studies have shown that an increase in mobile network penetration of 10 percent could have a resultant GDP growth of 4 percent, a target he challenged TNM to achieve as Malawi remained a virgin territory for telecommunications coverage.

"Malawi still lags behind at less than 50% in terms of mobile phone penetration, compared to most countries which are above 90%. This leaves room for growth and an opportunity for TNM to challenge the market. In as far as increasing penetration is concerned, Mudzi Wathu presents that opportunity for TNM to grow as a business and in return to help increase government's tax revenue," he said.

To reciprocate TNM's gesture,

government plans to review the corresponding regulatory and tax framework with the objective of supporting mobile telecommunication and ICT operators to contribute effectively to development and the information economy.

"As government, we will review the regulatory and tax framework to ensure that it supports the vision of companies like TNM. We will also borrow a leaf from the approach TNM has taken to ensure that we embed these ideas in our development agenda," said Chilima.

He noted that the initiative would act as medium to complement government efforts to give communities sustainable development projects.

"Through this initiative, TNM will deploy its technological capabilities to contribute towards the vision of Malawi attaining the middle-income status by 2063," said the Vice President.

Mudzi Wathu will directly impact all TNM customers and their respective communities across the country.



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COLLECTIVE EFFORT TOWARDS ECONOMIC DEVELOPMENT

BY GODFREY MAOTCHA,
CONTRIBUTOR



EXCEPTIONAL—Corporate members showcase their products at the Sadc summit recently

Eneless Maliro is Coordinator of Tingathe Women's Group based in Kawale, a suburb in Lilongwe, Malawi's capital.

It is a grouping of more than three hundred women from Kawale, Areas 22 and 24 Tingathe grows crops along some wetlands in the city's suburb.

Maliro says she has reaped the most of being a member of the cooperative.

"We share ideas on how to do business, something which cannot be done when you are operating alone," she says.

Tingathe Women's Group is one of

the country's corporatives formed to spearhead business partnerships and achieve one goal; economic prosperity for members and contribute towards national economic development.

Apart from farming, the group also set up a village bank where members deposit savings and obtain loans at a lower interest rate.

Another group of men and women in Madisi, an area in the central region district of Dowa, teamed up to produce agriculture products like sunflower cooking oil.

Development experts world

over have explored the essence of building partnerships for economic development.

In the 21st century, it is difficult to ensure progress without the reliance on each other at national and individual level.

Alison Gold writing in 'Community Investments,' a publication of the Federal Reserve Bank of San Francisco stresses the need for partnerships to cultivate a culture of trust.

"If members of a cross-sector partnership do not believe in the reliability, truth, ability, or strength of their

→



FIT FOR EXPORT MARKET—Some local products

“ We need other human beings for us to be human. No human being is brought into this world fully formed.”

instruments that facilitate trade among countries including those that enable easy movement of goods and services among the member countries.

Speaking at the Sadc Heads of State summit in Lilongwe recently, President Lazarus Chakwera urged member states to work together to spur economic growth and counter the Covid pandemic.

He advocates the ease of doing business in the among members states.

The Ministry of Trade has in its files the National Export Strategy which among other things promotes partnerships in achieving economic development.

The document highlights the need for players in the various sectors including tourism, agriculture and mining for instance to work together.

Development partners have also used collective efforts to pool resources into the Agriculture Sector wide Approach (Aswap) and the Tilitonse Fund for instance.

As Archbishop Desmond Tutu said "we need other human beings for us to be human. No human being is brought into this world fully formed."

There is no economic progress which can be achieved without a collective responsibility.

partners as well as the partnership itself, it is very difficult to achieve the partnership's intended goals," Alison says.

Another key component of working in partnerships is to develop mechanisms for problem solving.

Synthesis Agriculture is a Malawian company that contracts farmers in groups and train them to produce various crops like watermelons on contract.

Over 2000 farmers countrywide have benefited from the initiative.

Synthesis Agriculture Director of

Programmes and Marketing Mphatso Chiyembekeza says having farmers operating in groups helps in attaining mass output.

The United Nations Development Goals (MDGs) put partnerships at the centre of achieving global economic development.

At state level, Malawi is a member of the Southern African Development Community (Sadc) and the Common Market for the East and Southern Africa (Comesa), which among other things promote trade and economic growth.

These regional blocs have

2021 BANKERS ASSOCIATION OF MALAWI SPORTS DAY PICTORIAL FOCUS



On Saturday, September 25 2021, the Bankers Association of Malawi hosted its sports day in Blantyre. Vice President Saulos Chilima graced the occasion. The Malawi Banker Magazine team was there and here are some of the auspicious moments captured:

1. FOR A NOBLE CAUSE—Chilima (centre) and Bankers Association of Malawi Exco members graced the occasion
2. TIME FOR ACTION—Part of the netball action
3. COMPETITIVE—FCB Basketball Team in a tight race with Ecobank team
4. JOYOUS—RBM Netball Team celebrate their triumph
5. AND THE WINNER IS—Overall winners, NBS Bank team on cloud nine
6. ON TARGET—NBS Football Team player captured while attacking
7. CONGRATULATIONS—Chilima gives an award to overall winners
8. TRIUMPHANT—Lady-golfers winner Diana Kambale
9. GRACED THE OCCASION—RBM Governor Wilson Banda
10. THIS IS HOW WE DO IT—Chilima tees-off
11. Thumbs up—Bankers Association of Malawi Vice President Macfussy Kawawa hands over a trophy to best cyclist

Photographs: Earthquake Images

DEMYSTIFYING FINANCIAL MARKETS

BY KINGSLEY JASSI



HUB OF TRADING—Malawi Stock Exchange

Imagine funds lying untapped when numerous businesses and public infrastructure projects suffer dearth in investment financing. This could be the scenario in Malawi, a country whose economy has been sluggish as industries struggle to propel economic growth.

The World Bank's paper titled Mobilizing Long-term Finance for Infrastructure estimates that Malawi needs about \$660 million annually to address the infrastructure gap for the next 15 years, particularly in transport, water, housing and energy sectors.

This poses a challenge as government's annual revenue is actually less

than \$1.5 billion, leaving deficits closing on to \$1 billion.

What does the country's financial market have to offer?

This could be the question whose answer might actually provide solutions to the financing gap that also rocks the private sector that suffers growth constraints on account of capital limitations.

However, the country may be sitting on the financing way-out as both private and public sectors gasp for financial injections.

One source of financing whose potential is apparently underestimated by the public is one of the key capital markets players, the Malawi Stock

Exchange (MSE).

Offering both the equity and bond markets, the MSE is one platform where to raise capital but, apparently, has not been fully utilised due to myriad reasons but chief is lack of awareness.

According to MSE Chief Executive Officer, John Kamanga, the corporate world, which needs to access the capital more for the country's industrialisation drive, has two windows on the MSE.

"If they cannot raise money through equity holding by the public they can actually raise capital on the bonds market," Kamanga explains.

And to show availability of resources in abundance, government has replied to the bond market as seen by among



KAMANGA—Firms can also raise capital from the stock market



BUILT WITH PENSION FUNDS—The Area 18 Interchange

others, the construction of the country's first interchange which has changed the capital city's landscape.

On the corporate side, My Bucks Bank is a living testimony of how capital can be raised from the bond market to finance commercial ventures in the country.

Raising K12 billion, the bank had issued one of the few corporate bonds on the MSE and, probably, managed to finance its current fast growth momentum.

"That has given confidence to other private sector players as they now realise they can also raise capital from the stock market and finance their

investments," Kamanga says.

My Bucks Bank may have such a sweet story to tell about the bonds market, but such stories are not many in the corporate world which is generally oblivious of the capital financing opportunities the market offers.

However, while the private sector struggles to shake off this hesitancy, government is silently mopping the available resources on the market, having issued bonds that amount to over K300 billion.

"So far, I would say government through the central bank have actually raised money in excess of K300 billion from the bonds market which is

a signal that the potential is there and with the fact that government is there benefiting, why not the private sector," Kamanga wondered.

Now, the government has recently issued a K20 billion 10-year infrastructure bond—a first step towards raising K1 trillion to finance the prioritised infrastructure projects.

Reserve Bank of Malawi (RBM) is optimistic government will manage to raise the needed resources given the market prospects, in terms of available resources.

In the meantime, Lilongwe city is poised to have a modern road network with the expected construction of two expressways, spreading six lanes to ease the growing traffic congestion. Thanks to the second infrastructure bond by Road Funds Administration.

Apart from the bonds, some companies are busking in the glory of easy capital access through the equity market like how Airtel Malawi had its Initial Purchase Offer (IPO) which was oversubscribed, hence raising the much needed capital.

What seemed as a gamble for investors in Airtel shares at a market that was so new to many, has substantially paid off, actually, gaining share value from the initial K12.90 to the current K40 and both the company and the investors reaped from market.

While the bonds and equity markets show their significance in the financial sector, availing the much needed resources, banks are also playing a crucial role as seen in the current Covid situation, contrary to the common belief that banks are short-handed.

The 2020 RBM Financial Stability Report shows that seven banks, out of eight, perceived increases in demand for loans to the SMEs and big corporations in this Covid era, apparently to have lifeline financing.

"The perceived increase in loans demand by SMEs was mainly attributed to replenishment of working capital eroded due to subdued economic activity following Covid pandemic, trade financing, stable macroeconomic and political environment and prospects for economic recovery as business develop adaptation skills and experience in

containing Covid-19," reads the central bank's report.

In 2020 the banking sector registered an increase in gross loans and leases by 10.9 percent to K724.6 billion and in securities and investments by 2.7 percent to K891.9 billion, showing some significant contribution towards national financing needs.

In the area of long term financing, the pension industry is fast growing as the key solution having accumulated assets in excess of K1 trillion at the turn of 2021, representing 11 percent growth.

Investment assets constituted the majority of total pension assets at 95.5 percent mainly in listed equity at 49.2 percent followed by government debt at 35.2 percent while fixed deposits, private debt, property and other assets represented the remaining 15.6 percent.

With these available resources, even some State Owned Enterprises like Electricity Supply Corporation of Malawi (Escom) see potential source of financing in huge projects that are being hatched.

Escom intends to tap from the pension funds buffer to finance the

ambitious plans to construct a 20 storey headquarters that is poised to change the skyline of Blantyre city.

Perhaps that project, when it materialises, will convince the last doubting Thomas on the significance and growth the country's financial market has attained in supporting the country's economic transformation.

Otherwise, the substantive evidence already lays bare in form of infrastructure projects, trade facilitation, digital money transfers, venture capital and many others.

UNPACKING MW'S GROWTH ENABLERS

BY STAFF WRITER



LAUNCHED THE AMBITIOUS MALAWI 2063—President Chakwera

Malawi's economic development process has not been rosy since time immemorial. This cannot be disputed and does not require rocket science to prove.

Despite numerous and tireless efforts, the country keeps on limping and wobbling. Economic advices from think-tanks and economic experts, let alone international development partners that have had potential to economically transform the nation have for so long landed on deaf ears.

Others have analogised the country as a bucket of water with a hole or outlet beneath it which makes it impossible for necessary advices from a diverse of people and institutions to fill the bucket to the brim as such advices leak and spillover instead. It is a sad tale.

Understanding the past

For a long time, Malawi's development efforts have focused on poverty reduction and are largely driven by development aid.

The country's economic growth on one hand has largely been supported by the agriculture sector, characterised mainly by the production of maize as a staple food crop and a few key cash crops such as tobacco, the main source of our foreign exchange earnings.

Unfortunately, these crops are highly susceptible to regulatory, environmental and global economic shocks. They are always at the mercy of exogenous shocks, year in and year out.

No wonder, annual real Gross Domestic Product (GDP) growth rate at an average of 4.1 percent in the past decade, has been slow and lags far behind the regional and global trends.

A six percent growth rate is what Malawi's past development blue-prints have been dreaming or aspiring but that remains an illusion almost every year.

Malawi's sole dependence on a few basket of crops cannot sustain the socio-economic development Malawi desires. Sadly, on one hand, Malawi's population growth has been exponentially growing with a fertility rate of 4.4 births per woman in 2018 and an age dependency ratio as a proportion of working-age population reported at 85.6 percent in 2019.



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As a consequence, the country's per capita income has remained low; averaging \$502 over the past decade, way below the envisioned \$1000 in the expired Vision 2020, which many experts say was a fiasco.

Ambitious vision, bad implementation

In 1998, Malawi embarked on an ambitious development journey to graduate to a middle-income country with a per capita income of at least \$1,036 by the year 2020, a cut-off point for the Vision 2020 blue-print which is Malawi's first long-term national development strategy. However, that was not possible.

Sitting down today, Malawi's per capita income is only at around \$603 as of end 2020 from \$228 in 1996.

This is not worth smiling considering that such a increase is on account of the recent rebasing of GDP by the National Statistical Office (NSO) which saw nominal GDP increasing to \$10.9 billion in 2020 from about \$8 billion in 2019.

To achieve a middle-income status, Malawi economy needed to have grown at an annual average rate of seven percent. Very ambitious target indeed.

The country's growth, however, has been volatile, ranging from as low as -7.3 percent in the aftermath of the 2001 drought and famine to as high as 9.7 percent in 2007, mostly due to the fiscal space created by full debt forgiveness under the Highly Indebted Poor Countries (HIPC) Debt Relief initiative.

Thus, the harsh reality is that between 1998 and 2019, the country failed to attain the minimum economic growth threshold required to achieve the goal of Vision 2020.

Many also contend that the financing of the key priorities in the medium-term development strategies was limited given the misalignment of the plans with the annual national budgets.

Besides, vision 2020 also suffered political interference partly due to the absence of an independent implementation monitoring agency.

The desolate song doesn't end there as poor governance also resulted in the loss of at least 30 percent of the national budget to fraud and corruption and a lack of political will to enforce



REQUIRES MASSIVE INVESTMENT—Infrastructure development

alignment of national budgets and medium-term plans to the national vision also choked the national dream.

Internal shocks were also to blame largely linked to climate change that brought devastating floods and droughts, which crippled agricultural output—the country's most important source of economic growth.

The game changer that is Malawi 2063

Fast forward to the January 19, 2021, after the heartbreak that was Vision 2020, Malawians gave themselves a second chance with the launch of Malawi 2063 in which the country aspires to be an upper middle-income nation 42 years from now. Malawi's sixth president Lazarus Chakwera launched the new blue-print with pomp and funfair.

With that dream, annual earnings for each Malawian or gross national income (GNI) per capita could rise to between \$3 956 (K3.5 million) and \$12 235 (K10 million), which is the range the World Bank places upper middle-income economies

The Vision 2063 document says to become an upper middle income

country, Malawi's investment in both the public and private sectors has to be high enough to allow the country to grow by at least six percent annually.

The new development master plan aims to transform Malawi into a wealthy and self-reliant industrialised 'upper middle-income country' by the year 2063, and projects that if the economy grows at an annual average rate of six percent, Malawi could attain the low middle-income status by 2030 with \$1006 and \$3 955 earnings per person range.

Nurturing seven growth enablers

Unlike Vision 2020, Malawi 2063 aspires to foster youth-centric "inclusive wealth creation and self-reliance". It aims to propel the domestic economy to an industrialised upper middle-income country by 2063 as highlighted before.

It vividly says the income status shall be inclusive for all citizenry to enjoy a good quality life.

This will be possible through key three pillars and seven growth enablers. The document identifies agriculture productivity and commercialisation,

industrialisation and urbanization as the three anchoring pillars which have to be interlinked with the seven enablers namely, mindset change, effective governance systems and institutions, enhanced public sector performance, private sector dynamism, human capital development, economic infrastructure and environmental sustainability.

Mindset is the backbone of the vision. The vision recognizes that the attainment of all ambitious development aspirations will require the cultivation of a new way of thinking and doing things. The vision also acknowledges the importance of mindset change at the individual, community and national level to instill a culture of self-reliance towards our inclusive wealth creation agenda.

Experts also generally agree to this notion.

Audrey Mwala, founder of Sycamore Credit and Sycamore Consult says: "What I can tell you is that on that whole Malawi 2063, the most and foremost important thing is mindset change. It doesn't matter how much money you are going to give a certain ministry, or a

certain government organisation to implement the vision. Unless the mindset remains the same, it will be the same and it will just be expenditure."

She adds: "So the document itself is a very important document and if you ask me whether we are going to realize the vision or not, now it is going to depend on implementation."

Sycamore consult is a consulting firm registered in Malawi to provide expert business and project solutions to government, private sector as well as non-governmental organizations (NGOs).

According to Mwala, private sector players are crucial to the new vision and are tools to implement that vision, reflecting that vision 2020 had failed to yield results.

Another economist Gowokani Chijere-Chirwa agrees with Mwala, stressing that all along, the country has been dealt a heavy blow, hugely as a result of poor mindset and lack of integrity among most civil servants.

According to Chijere-Chirwa, embracing and implementing the three pillars of the vision as well as the seven enablers to the letter could easily transform Malawi and help the country develop in all important aspects.

Speaking during a recent CEOs conference in Lilongwe, Philip Madinga, who is chief executive for Standard Bank said Malawi should learn from Asia if it is to develop easily and quickly.

Madinga provided practical examples. He said Singapore, for example, was born out of Malaysian federation and amid "konfrontasi" (or confrontation) with Indonesia. The Indonesia-Malaysia confrontation or Borneo confrontation was a violent conflict from 1963-66 that stemmed from Indonesia's opposition to the creation of Malaysia. After Indonesian dictator Sukarno lost power in October 1965, the dispute ended peacefully and the nation of Malaysia was born.

Madinga also said Vietnam made better development choices while Japan embraced a lot of innovation so as Malaysia which he said managed well diversity and instilled good governance structures.

In his touching mindset lecture delivered in Lilongwe on October 29, 2020, Vice President Saulosi Chilima who is

synonymous to a champion of mindset change in modern Malawi, challenged Malawians on the need to change their mindset, as a precursor to personal development, national development and the smooth implementation of public sector reforms which he himself is overseeing as a Minister of Economic Planning and Development and Public Sector Reforms.

Said Chilima: "We have become a nation too obsessed with trivia. We no longer get interested in life changing discussions. We are now a cartoon nation. We need to change this."

His thinking was echoed by his boss, Chakwera on January 19, 2021 during the launch of the Malawi 2063.

Chakwera lamented that Malawians waste too much time on trivia and idleness; waste too much money on entitlements and consumption; waste too much land on crops for subsistence living in an annual cycle of poverty and dependency; waste too much aid on sustaining the careers and livelihoods of foreigners whose very professions depend on the very same poor Malawians.

Said the President: "We waste too many public offices on people who sit around adding no value to our quest for good government; we waste too many foreign embassy jobs on people who are nothing more than diplomatic tourists; we waste too much public discourse on politics of division, one-up-man-ship, fault-finding, slander, and misinformation; we waste too much of our minds and thoughts on gossip and frivolous tales about other people's private affairs; we waste too much of our business activities on get-rich-quick schemes that fuel the greed and corruption now strangling the government's entire procurement system with overpriced goods and under-delivered services."

Justifying his accusation, Chakwera said: "For example, our development budget is always criminally low compared to our recurrent budget, as is our investment in strengthening governance institutions. This is because in our warped thinking, investing heavily in development and governance feels like a waste of money, while spending public funds on ourselves does not."



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STRIDES TOWARDS AGRI-COMMERCIALISATION

BY STAFF REPORTER



WAY TO GO—Mechanised farming

Strides towards agri commercialisation By Staff Reporter Since 2018, Malawi has been on the drive to transform the agricultural smallholder sub-sector from subsistence to commercial orientation by graduating 650 000 farmers within six years through the Agriculture Commercialisation (Agcom) Project.

To bring the dream to reality, government contracted a \$95 million (about K78 billion) World Bank credit facility for the project to be implemented from 2018 to 2023.

Out of the \$95 million, \$30 million (about K25 billion) is matching grants for farmers where they contribute 30 percent of their initial capital while 70 percent is provided by the project.

The remaining \$65 million (about K48

billion) is for project operations and infrastructure development such as irrigation schemes, roads to connect farmers to markets and in some instances, providing electricity for farmer group's need to run value addition machinery.

The shift from subsistence farming to commercial agriculture is a critical investment area of the Malawi 2063, the national vision which aims to move the country to upper middle-income status, and supported by the current World Bank Country Partnership Framework.

Agcom National Coordinator Ted Nankhumwa says the project has received 75 concepts that will be developed into full proposals and that by December this year, they anticipate to have 100 productive alliance agreements to beat the target of 175 by 2021.

He, however, decries the slow uptake by producer organisations which he says is due to a lack of technical expertise to present viable funding proposals.

"We are not impressed with progress simply because we started late, the speed with which producer organisations are matching us, the 30 percent is slow," he says.

Nankumwa is confident that the project will deliver by 2023.

To attain the feet, he says they have recruited brokers to help farmers in preparing viable proposals to increase uptake of the funds to



TARGETED—Small scale farmers



FOR AGRICULTURE SECTOR TRANSFORMATIVE POLICIES—Nankhumwa

ensure that come 2023, the funds will be injected in the agriculture sector.

Agcom is targeting all viable value chains in crops such as soya beans, beans, groundnuts, rice, tea, coffee, bananas, mangoes, chillies, tomatoes and vegetables; livestock and fisheries.

The project is working with producer organisations that have formed productive alliances with off-takers through a commercial agreement and to date, over 42 producer organisations have been approved for the matching grants awards.

The project also has the contingency emergency component,

which is rehabilitating irrigation schemes across the country to ensure rain-fed agriculture is complemented by irrigation.

World Bank Country Manager Hugh Riddell is positive on the progress made, observing that some agriculture producer organisations are making investments through the matching grants and others are already recording encouraging results.

"We, therefore, further expect improvements in the business environment for the overall agricultural and food sector in Malawi and such results will benefit other farmers beyond those supported by the Agcom project," he says.

One of Mangochi beneficiary organisations, Fishland Ladies treasurer Martha Chikwezga says Agcom has transformed their business as they are now able to do value-addition to fish targeting major retail outlets.

Against the steady progress being made, studies are pointing to a bleak picture about the future of smallholder farmers in Malawi.

According to the Agriculture Policy Research in Africa (Apra) studies on the political economy of agricultural value chains and commercialisation experiences of smallholder farmers, the majority of smallholder farmers are being displaced by emerging urban middle-class farmers, who are buying and consolidating land, especially in rural districts.

Apra also observes that majority of these farmers are either hanging in or dropping out of agriculture, and rarely engage with markets on a sustainable commercial basis.

An analysis of the studies, written by Professor Blessings Chinsinga and five others, observes that land available to smallholder farmers is steadily diminishing.

According to the analysis, 76 percent of smallholder farmers work on less than a hectare and about 30 per cent work on less than half a hectare with low agricultural productivity levels despite

"Smallholder farmer productivity is stagnating due to the dominance of subsidies, largely propelled by electoral political considerations by successive governments since the late 1990s," reads the analysis in part.

The analysis warns that the future of smallholder farmers will largely depend on the robustness of policy measures that can be put in place, indicating, it was difficult to imagine the future of Malawi's agriculture without smallholder farmers.

Minister of Agriculture Lobin Lowe has since asked policymakers to pursue policies and strategies that will help to address challenges the agriculture sector is facing and help develop resilience.

He says his ministry is eager to pursue policies that focus on transforming smallholder farming, observing that climate change is affecting contributions of the agricultural sector towards Malawi's development agenda, adding.

The economy of Malawi is predominantly agriculture based. Agriculture accounts for 30 percent of Gross Domestic Product and generates over 80 percent of national export earnings. The agriculture sector employs 64 percent of the country's workforce and contributes to food and nutrition security.

ADVOCATING MINDSET CHANGE FOR ECONOMIC EMANCIPATION

BY STAFF WRITER



ONCE DELIVERED A LECTURE ON MINDSET CHANGE—Vice President Saulos Chilima

Mindset change does not find itself on the list of Malawi's enablers by chance; it is like the fountain of tears we need to wash down the cog of resistance to, of all things, progressive change.

British poet Michael Gillingham might not have had Malawi in mind when, in 1902, he defined 'mindset change' as "one's ability to abandon staple food". Of course, there was, at the time, no direct relationship between mindset change and food.

And, even today, the Cambridge Dictionary defines mindset change as "a person's way of thinking and their opinions: to have a different/the same mindset". It adds that a word that is synonymous with mindset change is "mentality". What Gillingham meant, though, is that rigidity manifests more clearly on issues of food than anything else.

In Malawi's case, maize, which is the staple food, has become synonymous with food.

Ministry of Agriculture statistics indicate that, out of the 80 percent of people that make up the population of smallholder farmers in the country, three-quarters are involved in maize production one way or another.

These, according to World Bank statistics, also form a greater part of the 70 percent population that lives below the international poverty line.

Such people inevitably find themselves on cash transfer and farm subsidy programme lists to satisfy their food—read, maize—needs.

To engrave the idea that maize is food, for example, in the 2020-21 agricultural season, each of the 3.7 million targeted beneficiaries received a 50-kilogramme (kg) bag of maize and NPK fertiliser and another of Urea and either 5kg bag of maize seed or 7kg bag of sorghum and other seeds.

This year, the number of beneficiaries was attempted to be trimmed to 2.8 million due to rising costs of fertiliser on the international scene. And, to support consumption—largely of maize—despite facing financial challenges, the government is set to spend K142 billion on the Affordable Input Programme (AIP), down from K160 billion.

The situation with fertiliser prices could become worse, according to the Reserve Bank of Malawi which, in its Monetary Policy Report for



To embrace mindset change, Malawians must start by embracing other types of foods than maize, and even extend their appetite for a good diet to livestock.

July 2021, clearly indicates that fertiliser prices are likely to rise during the second half of 2021, which will result in worsening terms of trade in the short to medium term.

Considering that, save for the tobacco-selling season, when foreign exchange becomes handy, food choice rigidity fuels Malawi's forex reserve position because the last half of the year also marks the lean season, when Malawi imports the mass of agriculture inputs such as fertiliser in readiness for the next growing season.

It is clear that the country spends a fortune on inputs to feed the nation's sense of rigidity in terms of food.

To embrace mindset change, Malawians must start by embracing other types of foods than maize, and even extend their appetite for a good diet to livestock. What people in the Shire Valley districts of Nsanje and Chikwawa have done, by turning down AIP maize and opting for sorghum and livestock under instead, is commendable.

This is the real meaning of mindset change, vindicating Gillingham's otherwise out-of-its-time definition of mindset change.

Fortunately for Malawi, from now up to 2063, there is a blueprint that will guide the country's development path, be it in the short, medium and long terms. This is the Malawi 2063. Actually, mindset change is first on the list of

Malawi (Mw) 2063 enablers.

The Mw2063 enablers start by acknowledging that; "we recognise that the attainment of our ambitious development aspirations will require the cultivation of a new way of thinking and doing things. We acknowledge the importance of mindset change at the individual, community and national level to instil a culture of self-reliance towards our inclusive wealth creation agenda".

If further recognises the key role that culture and traditions play in shaping citizens' minds.

"We shall, therefore, promote and preserve cultural values that encourage hard-work, self-belief and other positive ethical, moral and social norms which will support our inclusive wealth creation and self-reliance Vision. An inclusively wealthy and self-reliant Malawi demands the commitment of a transformed inward-looking citizenry that actively and positively contributes to national development.... We recognise that the attainment of our ambitious development aspirations will require the cultivation of a new way of thinking and doing things," the development blueprint indicates.

Interestingly, food options fall under cultural aspects, which means it is not far off the mark to equate mindset change to food consumption.

Naturally, when Malawians embrace other diets, apart from maize-based ones, importing costs on such commodities as fertiliser will be reduced, thereby leaving the country with enough money to invest in life-transforming economic development activities.

Having enough money at hand will mean reduced dependency on handouts from development partners, punitive loans from banks and Bretton Woods institutions.

It will also ensure that there is enough money for savings and use in both personal, community and national development endeavours, thereby reducing cases of materialism through funds accumulated through corrupt means.

Mw2063 puts this in context: "We



BREAKING THE STAPLE FOOD TRADITION—Cassava farmers

believe that our economic emancipation shall be galvanised by our collective efforts. We are determined to secure a prosperous future for our children and their children. As Malawians, we denounce our hitherto attitude of dependency on donors and handouts, materialism and self-accumulation through corrupt practice."

At the core of Malawi's mindset goal is the idea to promote "collective consciousness of the nation through initiatives that recognise, award and reward achievers and excellence".

When people are awarded for a job well done, they feel motivated and are likely to do more things for the public good, which leads to the economic prosperity of all, as opposed to the corrupt individual who focuses on the self.

However, economic development does not happen in a vacuum. There must be other enablers of economic development, one of which being infrastructure.

Framers of Mw2063 have, therefore, been more strategic by including the pillar of "economic infrastructure", which, unlike the unpredictability of

money, is fixed.

Fixed assets equal sustainable development. That is why property evaluators do not say, for example, that such, such a bank is the biggest in the country, continent or globe in terms of fixed assets for nothing. Fixed assets give value to individuals, institutions and nations.

In the case of Malawi, economic infrastructure includes facilities that enable the production of energy, Information, Communication and Technology (ICT) materials, roads, railways, water infrastructures and airports, to be operationalised by the three interlinked pillars of agriculture productivity and commercialisation, industrialisation and urbanisation.

However, reaching the desired state of development will not be akin to a walk in the park. Mainly, because challenges abound; challenges that must be addressed in the short to medium term.

"There are a number of challenges that have constrained progress in infrastructure development in Malawi, the largest being lack of access to long-term development financing.

The impact of an under-developed economic infrastructure, among other factors, is manifested in a number of challenges the country experiences in the energy, water, ICT and transport sectors.

"These include: limited and intermittent power supply; unreliable and unaffordable ICT services, with low ICT penetration and technology adoption; underdeveloped transport network that fails to connect the rural masses to markets, and the country to regional and international markets at low cost; and erratic water supply for both domestic and commercial use," Mw2063 indicates.

In conclusion, for Malawi to embrace mindset change, its leaders must encourage citizens to move out of their comfort zone, starting with diet, and ensure that infrastructure that will facilitate economic development is put in place. This is the panacea to sustainable development. Failure to do so will mean the gulf between the haves and have-nots will remain unabridged.



Dr. Hastings Kamuzu Banda



Dr. Bakili Muluzi



Prof. Bingu wa Mutharika



Dr. Joyce Banda



Prof. Arthur Peter Mutharika



Dr. Lazarus McCarthy Chakwera

BEEN AT THE HELM—Malawi presidents since 1964

WHO RUNS THE ECONOMY?



ften times, there has been some level of excitement when the country is approaching presidential elections.

During this time, politicians crisscross the country making all sorts of promises, trying to entice the citizenry to vote for them and not the competition.

In recent years, promises such as revamping the economy, jump-starting the industry and creating the much-needed jobs have dominated the lists of things that politicians have used to entice voters.

Since 1964 when Malawi attained political independence, politicians have come and gone promising Malawians all sorts of things but Malawi has remained trapped among the world's least developed countries.

From the days of Hastings Kamuzu Banda; Bakli Muluzi, Bingu wa Mutharika, Joyce Banda, Peter Mutharika and to now Lazarus Chakwera, one thing has been very common; the lives of Malawians have remained miserable.

Ironically, Malawi has remained poor despite the country enjoying peace and tranquility throughout the years.

It is said that in 1964 when Malawi attained political independence, Malawi was economically ahead of China on per capita income basis but as of today, Malawi is looking up to China for financial handouts.





CRITICAL—Education sector

→ Centre for Social Concern (CfSC) Executive Director, Father James Ngahy, says it is extremely hard to understand why Malawi continues to compete with war ravaged countries for the title of world's poorest country.

Ngahy says it is shocking to note that despite that Malawi has never been to war, its citizens continue to wallow in abject poverty.

He said over the years Malawi been spending trillions of taxpayers' money in national budgets and has received billions of kwacha in development assistance but that her people remain in a sorry state.

This then raises the question, to what extent can a political leader influence economic development? Does leadership matter?

In a paper titled Do Leaders Matter? National Leadership and Growth Since World War II published in February 2005 in the Quarterly Journal of Economics, Benjamin f. Jones and Benjamin a. Olken examined the impact of changes in political leadership to the country's economic fortunes.

Their analysis used deaths of leaders while in office as a source of exogenous variation in leadership, and asks whether these plausibly exogenous leadership transitions

are associated with shifts in country growth rates.

"We find robust evidence that leaders matter for growth. The results suggest that the effects of individual leaders are strongest in autocratic settings where there are fewer constraints on a leader's power.

"Leaders also appear to affect policy outcomes, particularly monetary policy. The results suggest that individual leaders can play crucial roles in shaping the growth of nations," they argue.

Africa is never short of leaders who changed the economic fortunes of their nations. Names such as Paul Kagame of Rwanda and the late John Pombe Magufuli of Tanzania quickly come to one's mind.

Magufuli's results-oriented actions were framed as applicable to other African countries – a dose of what the continent needed to deal with its governance issues.

Among others, Magufuli, on the very first day of his presidency, sent a stark message that he would not tolerate the country's chronic absenteeism in its civil service, when he visited the finance ministry offices, asking for the whereabouts of those not at work.

He also purged thousands of

so-called "ghost workers" – essentially non-existent employees – from the public payroll, and fired officials considered corrupt or under-performing, in public. Sometimes this was even done live on television.

University of Malawi Political Economist, Blessings Chinsinga says Malawi has had three episodes of political independence starting with the formal independence in July 1964, transition to multiparty democracy in May 1994, and recently through the historical Court verdicts on the disputed May 21 2019 elections.

He says the sad thing is that all these potentially critical junctures to pave the way for economic prosperity for have been messed up by greedy politicians.

Chinsinga says the opportunity to lead by political parties has not been harnessed as an occasion to put together an economic system that works for us all but rather as an opportunity for those at the helm of government to accumulate as much as possible.

"While politicians preach about prosperity for all while outside government, they are very reluctant to take radical and tough decisions that would bring about the transformation we desire all in the interest of self-preservation.

"Unless we have a leadership prepared to act in a business un usual fashion and a citizenry prepared to push for change and ready to make sacrifices that would make change possible our independence will remain meaningless beyond the nominal political sense! The paradox is that we have been peaceful and stable as a nation but we have nothing to show for it. What have done with our peace?

But President Lazarus Chakwera believes the problem with Malawi is not the politician but the rotten civil service.

Chakwera says the sick public service is the sole reason why when Malawians vote for change, no change comes.

According to Chakwera, the laissez-faire attitude in the civil service is deep rooted that anyone working to change it is seen as "munthu ovuta or munthu odzimva".

"This attitude is frankly



NURSES—Pushing for better pay and work conditions

→ counter-productive and sick. The truth is that our approach to public service delivery over the last 26 years has been inefficient and ineffective, driven by rent-seeking activities more than nation-building ones.

"The blame for these dysfunctions in our public sector belongs to all of us, and so the responsibility to fix it must also rest on all of us," he said.

The Malawi Leader believes transforming Malawi into a wealthy and self-reliant nation is possible if all Malawians can play a part.

According to Chakwera, there is too much wastefulness in management of national affairs which needs to be urgently addressed.

"We waste too much time on trivia and idleness; we waste too much money on entitlements and consumption; we waste too much land on crops for subsistence living in an annual cycle of poverty and dependency; we waste too much aid on sustaining the careers and livelihoods of foreigners whose very professions depend on us remaining in abject poverty." "We waste too many

→ **"We waste too much of our minds and thoughts on gossip and frivolous tales about other people's private affairs; we waste too much of our business activities on get-rich-quick schemes that fuel the greed and corruption now strangling the government's entire procurement system ..."**

public offices on people who sit around adding no value to our quest for good government; we waste too many foreign embassy jobs on people who are nothing more than diplomatic tourists; we waste too much public discourse on politics of division, one-up-man-ship, fault-finding, slander, and misinformation.

"We waste too much of our minds and thoughts on gossip and frivolous tales about other people's private affairs; we waste too much of our business activities on get-rich-quick

schemes that fuel the greed and corruption now strangling the government's entire procurement system with overpriced goods and under delivered services," Chakwera said.

Whatever the case, what the citizenry wants when they usher in a new government is to see things improving for the better.

Countries in the globe are now in a race out of poverty. Malawi cannot afford to be at the tail end of the race.



INVESTMENT BANK

DIVERSIFY YOUR INVESTMENT AVENUES!



By CHARITY KAMAMKHUZA,
Economic Analyst

Disclaimer: The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of CDH Investment Bank

Several investment alternatives exist in Malawi. One can either buy a car, a house, put money in an interest-bearing account with any one of the banks, buy shares, buy Treasury Bills or bonds or indeed assign the services of a fund manager who will select investments on your behalf based on your risk appetite. Having an investment allows a person to either make more money through an investment return or preserve value of the investment, all depending on the risk appetite of the investor and liquidity requirements.

We discuss some of the different ways that you can invest your money and explore the key issues to consider when making an investment decision.

What is investing?

In simple terms, investing involves the purchase of an asset with the aim of preserving the value of money or making more money or creating wealth through regular income that the asset generates or by profiting from the sale of the asset.

Investing should not be confused with saving which really is just putting away an amount of money for future use, whereas investing is allowing the money you put away in an asset to possibly generate more wealth.

Why should you invest money?

In today's dynamic world, working alone may not be enough for one to live a comfortable life and prepare for retirement or future expenditure. In fact, one thing COVID-19 has taught us is that an event can easily happen that negatively affects our employment or business. In this uncertain world, it is wise to have more than one source of income.

Ordinary savings may not be adequate to guarantee continued financial security. Idle money gets eroded with inflation or loses value over time. We all have known of assets, which we could have bought for K1 million in 2010 that have since gone up in price today.



Wise investment provides an opportunity for one to diversify their ways of creating wealth, as well as ensure that their savings are actually gaining value with time, so that they are able to meet their future financial goals.

Investment avenues in Malawi

There is a wide range of investment avenues in Malawi. Choosing which one really depends on one's financial goals, risks and expected returns associated with the particular investment, as well as their investment horizon. We discuss some of them below.

Short term investments

The umbrella term is money market investments. Usually the time horizon is less than one year. As such, the risks and returns associated with short-term investments are usually lower compared to long-term investments.

Savings accounts

These are ordinary accounts offered by commercial banks where you can make money deposits and withdraws any time. Banks usually offer a small interest rate on balances in the account at some specific periods.

Term/fixed deposits

Fixed deposits are one of the most popular investment avenues in Malawi. They are mostly offered by banks and involve locking in a sum of money for a specific period.

They carry a fixed rate of return and thus are considered low risk.

Recurring deposits

Recurring deposits allow an investor to invest a specific sum in periodic instalments. You can make the investment with a bank or an asset manager. They are also low-risk and provide guaranteed returns.

Treasury Bills

Treasury Bills are short-term debt securities issued by the Government. Investing in Treasury bills means lending to the Government for a fixed return over a specified period: 91 days, 182 days or 364 days. The Government rarely defaults, and so Treasury bills are considered very low risk. You can buy Treasury bills through a bank, asset manager, or discount house.

Commercial papers

These are short term unsecured debt securities issued by public or private companies through banks or asset managers. Investing in a commercial paper is lending directly to a company. You get a fixed or variable return either periodically or upon maturity of the asset. The asset carries a higher risk compared to other money market instruments and so offers better returns.

Long term investments

Investments with a longer maturity period are usually high rewarding, although they come with a greater amount of risk compared to short term investments.

Treasury Notes and Bonds

These are debt securities issued by the Government with longer maturity period, from 2 years. An investor buys the Treasury note/bond at a discount to the face value of the note. They receive the face value on maturity of the security and in between they receive fixed periodic interests called coupons. Among long term securities, Treasury notes/bonds are considered the lowest risk. Purchase is through a bank, asset manager, discount house, or stock-broker. Notes and bonds can be traded on the secondary market.

Promissory Notes

These are debt securities issued by Government or corporations with a written promise to pay a stated sum to a specified bearer at a specified date or on demand. The investor buys the promissory note at a discount. Purchases are through a bank. Government promissory notes are less risky compared to corporate promissory notes. Just like Treasury notes and bonds, promissory notes can be traded on the secondary market.

Corporate notes/bonds

These are like Treasury notes, except they are issued by public and private companies. The rate of interest earned by the investor can be fixed or variable depending on the structure.

Stocks/shares/equities of listed companies

Investing in shares means buying part ownership of a company listed on the stock exchange. The investor earns a return in form of dividends (part of the company's profits) and/or capital gains, being the difference between the purchase value and the amount received upon selling the shares. Shares carry a great risk because share prices are volatile but can be high rewarding depending on the performance of the company. Publicly listed stocks can be traded at a gain.

Private equity

This involves buying part ownership of a company that is not listed on a stock exchange. Like listed equity, the investor earns returns through dividends and capital gains upon sale of the investment. However, because the company is not listed, private equities are less liquid. They are good for investors with a long investing horizon.

Mutual funds

Investing in mutual funds involves making



a lump sum deposit or a series of periodic deposits in a vehicle that pools money from different investors and channels this into diversified assets such as stocks and fixed-income securities. The returns you receive mostly depends on the performance of the underlying assets. Mutual funds are usually offered by asset managers.

Retirement annuities

Through regular investments, you can build a corpus that can provide you with a regular pension after retirement. Investors can also withdraw from the fund partially after retirement. Investment is through asset managers.

The above list is not exhaustive. There are various other investment avenues in Malawi.

Involving a financial advisor

Investing can be very rewarding, but it also involves some risk. One can easily lose money in the process of investing. That is why it is advisable to involve a professional financial advisor in your investing journey. A good financial advisor will help you make the right investment decisions that will suit your unique needs.

Furthermore, by engaging an advisor, the investor can understand other key issues such as taxes and charges involved when undertaking such investments.

CDHIB does not only offer an array of investment products, it also has well experienced personnel who will guide you through your investing journey. Our target is serious and discerning investors, indi-

vidual or corporate, with clear investment goals they wish to achieve in the short, medium or long term.

CDHIB is a leading investment bank in Malawi. CDHIB's unique service proposition is investment banking and corporate financial advisory service to its clients in a way not offered in the Malawi financial sector. It is a deposit-taking investment bank out of which it makes loans and advances. We offer personalized financial services to clients who wish to grow their investments and businesses.

Our point of differentiation lies in our commitment to an on-going client-adviser relationship and delivery of tailor-made financial solutions that are unique in the Malawian financial services sector. CDHIB is a subsidiary of Continental Holdings Limited, a fast growing financial services group. Other companies within the group include Continental Asset Management Limited, Continental Asset Management Nominees Limited, Continental Capital Limited, Continental Properties Limited and CDH Commodities Limited

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Contributing to sustainable food surpluses in Malawi

Establishing Malawi as a production and export hub

Chris Giannakis, Co-founder, Meridian Group



Investing in bigger and better

Building on the legacy of the Malawi Fertilizer Company, the Meridian Group's Liwonde Fertilizer Terminal – a US\$10m infrastructure investment, is the most advanced fertilizer blending plant in Malawi. It is also the largest.

With 15 000 square metres under roof, a storage capacity of 40 000 metric tonnes and a daily blending capacity of 2 000 metric tonnes, the terminal's annual production capacity is 360 000 metric tonnes. One million bags of fertiliser will be packaged here every year.

The terminal's world-class sustainable energy plan – a 320 kW photovoltaic solution with a 550kva generator and 654 kWh storage installed by NEC, a Fortune 500 company. The Liwonde Fertilizer Terminal is grid independent and generates 100% of the power required to run the plant.

Tailor-made, quality blending

The terminal's sophisticated technology enables the mixing of complex blends using up to nine raw materials in a single blend to create regional and crop-specific fertilizer mixes that address the specific requirements of local smallholder and commercial farmers.

Having access to specialist advice and the right fertilizer mix in customer-friendly, affordable quantities will help to build a more productive, sustainable farming sector and food security in the long term.

Linking Malawi to the world

Linked by a 1.8 km purpose-built railway to the Liwonde Station, the terminal is directly connected to the deep-sea port of Nacala in Mozambique, one of the best natural harbours on the East African coast. Meridian's US\$2.6m rail and port expansion investments ensure for Malawi and Eastern Zambia beyond, a reliable rail link, a more efficient supply chain that drives shorter lead times and enables exposure to international markets.

Supporting Malawi's people

Whether providing employment opportunities or supporting local farmers, the Liwonde Fertilizer Terminal will enable skills development and knowledge sharing. Its presence will enhance the businesses of local industries and service providers and increase tax income to the benefit of the country. ●

The Liwonde Fertilizer Terminal on the Nacala Corridor connects Malawi to the world.



A LEADER'S ROLE IN DIGITAL TRANSFORMATION – **THE INFINITE GAME**



Chris Chirwa
Chief Information Officer,
CDH Investment Bank



The level of a leader's involvement in digital transformation is believed to be one of the most critical factors for a successful implementation of digital transformation. It has been stated in so many publications and articles that one of the reasons digital transformations fail, and so many other changes, is lack of a leader's ownership.

Most of the times leaders are too busy to worry about the future organization because they are too occupied with the demands of their current targets and deliverables. In such situations they resort to delegation to a trusted champion. However, in most of such instances the leader over-delegates and he takes off his eyes on the bigger picture. Soon or later, the whole transformation initiative turns into a blame game as it veers off from the expected deliverables. At this point it is usually too late to salvage anything which leads into a failed initiative. On the other hand, some leaders realize

that digital transformation is currently a popular governance pillar, and they are full of rhetoric to pacify their board of directors, while they buy time.

Delegation in its own is not a problem, however, most leaders delegate both responsibility and accountability. If a leader is not available to define the direction and engage in tracking progress, then it means he has delegated both the responsibility and accountability. The leader should always understand that the success and failure of the delegated person still lies on his shoulders. Hence, the need to be close to the process and to provide guidance regularly. As simple as this sounds, it is a task which requires a lot of perpetual effort, focus and discipline.

Related to total delegation without accountability is separation of business strategy and digital transformation. The radical and efficient approach is to ensure that the business strategy and digital transformation should be inseparable. This is a departure to the

classical approach where the corporate strategy was the sacred and confidential document which was only shared and known to a few selected employees. Subservient to this were several versions of other strategies feeding into the same. Over time this has proven to be too hard to track. Most organizations have taken the opportunity with the coming in of Covid to ensure that digital transformation has a seat at the corporate strategy table. The pandemic has disrupted the way we do business and has also exposed on how unprepared organizations were for such a major change and shift in the technology environment.

Let me not be under the presumption that there is one context of digital transformation. For the avoidance of doubt and in the context of this article, let me attempt to present an all-encompassing understanding of digital transformation. Digital transformation consists of business technology projects revolving around being customer



driven. It requires cross-cutting departmental change as well as the implementation of digital technologies, digitization (changing from analog to digital i.e., replacing paper documents with a digital paperless software) and digitalization (the process of employing digital technologies to transform business processes). Digital transformation initiatives include digitization and digitalization projects and require corporate mindset change. Several organizations are at different levels of their digital needs, hence difficult to have a one-size-fits-all definition.

Leaders should understand (which I am sure is obvious to all) that the core reason for digital transformation is to ensure that the customer is served well, efficiently, and that they have an excellent customer experience. In my opinion, the rest of the reasons come secondary. Of course, every company would like to maximize shareholder investment, but at what cost? Not at the cost of the organization's sustainability and staff welfare.

Leaders need to understand what their customers want in line with their business model. Most leaders believe that they understand what their customers want by conducting desk research. The only viable way to understand what the customers want is to engage them and collect their feedback. With the use of analytics leaders will be able to analyze the collected data to determine the customer segments and the gaps which exist which should be explored if they make business sense. When this process

is carried out leaders must be open minded because the results might inform to changing the business model which most shareholders are rigid to consider. Each organization must ask themselves the question, "what business are we in?". Sometimes technology changes will require a change in the business model because customer behaviors also change in relation to technological innovations.

Let me present the change of business models by using a few examples for your appreciation. An interesting shift is the change in the business model of delivering music in CDs which later evolved into delivering music through online downloads and streaming. There were companies which based their strategies on the physical music deliveries, and they eventually went out of business. Further to this, the music artists immediately changed their models as well. Initially the musicians used to make more of their revenues through CD sales and they shifted to holding live concepts.

Apple shifted their business model (or rather expanded) from just selling the hardware devices to selling subscriptions for services such as iTunes and Apple Pay. This resulted in a shift in revenue sources for Apple, fast-tracking their business model adoption.

Another example of a business model shift are the newspapers. Their strength is in writing, investigation, credibility, readers' trust, and reporting. And they didn't have to abandon that aspect. But realizing the shift in the technology landscape they started

offering the same newspaper content online, of course at a cheaper cost to the customers and more efficiently.

The other shift in a business model might be as subtle as a change in the pricing model, where customers are given an option to use a product or service on rental instead of total ownership. This is referred to as selling a product as a service.

What is clear in all the business model shifts is the fact that all the organizations are transforming basing on the strengths of their organizations and all the changes are intentional.

Following the understanding of the customer demands and needs, the leader must ensure that there is a clear strategic blueprint and roadmap to guide the business strategy and digital transformation. This set of documents are the ones to be shared and delegated to the champions for implementation, with regular reviews by the digital owner who in this case is the topmost senior executive in any organization. However, this is not the difficult part of the digital transformation journey.

The leader must provide the right environment and direction perpetually for digital transformation to thrive. The leader must understand that digital transformation benefits might take time to be realized, months, even years. The leader must further realize that digital transformation is an infinite game and not a finite one. I like how one of my favorite writers and speakers (Simon Sinek) puts it. He states that there is no such thing as winning business, there can be wins inside a business. He states that too many leaders don't know the game they are playing. They talk about being number one, being the best, beating their competition. He further states that when leaders play a finite mindset in the infinite game, over the course of time, they will see a decline in trust, cooperation, and innovation. Eventually, the organization will run out of the will or the resources to stay in the game.

History usually repeats itself in the disruptive nature of emerging innovations in the past. Organizations need to continuously be innovating. Leaders should always have the sobering reminder that even the strongest of companies can fall if they don't transform. If companies are to be truly innovative, its leaders must bet the business every few years – by going into areas that will eventually transform their business models for the future.



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