



Growing Sustainable Business in Malawi

End of Project Evaluation

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This evaluation report forms part of the UNDP's requirement for technical assessment of GSB end-of project's impact, sustainability and scalability. It also provides a base of evidence for underpinning substantive matters such as project formulation and implementation, institutional capacity and organizational structures, accountability and transparency in services delivery processes.

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Value added from this evaluation will help in sharing of what is learned from such investments, and the development of more efficient and effective allocation strategies for consideration of future UNDP programmes. Moreover, it will serve the purpose of possibly developing a successor programme.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	I
PART I INTRODUCTION, CONTEXTUAL FACTORS AND EVALUATION METHODOLOGY	1
1.1 INTRODUCTION	1
1.1.1 Background	1
1.1.2 Project Scope	1
1.1.3 Project Goal	2
1.1.4 Purpose of the Report	2
1.1.5 Structure of the Report	2
1.1.6 Key Audiences	3
1.1.7 Scope of UNDP's support to GSB Malawi	3
1.2 GSB PROJECT IN MALAWI: IN-COUNTRY OPERATING ENVIRONMENT- KEY CONTEXTUAL FACTORS	3
1.2.1 Socio-Economic Factors	3
1.2.2 Private Sector Development & Linkages with National Policies	4
1.2.3 Investment Climate	6
1.2.4 Doing Business Survey	6
1.2.5 Financial Sector	8
1.2.6 Global Economic Crises and its Impact	8
1.2.7 Development Assistance and Donor Coordination	9
1.3 EVALUATION METHODOLOGY	9
1.3.1 Objective and Purpose of Evaluation	9
1.3.2 Evaluation Framework	10
1.3.3 Evaluation Methodology	10
1.3.4 Field Visits	11
1.3.5 Limitations	11
PART II EVALUATION FINDINGS AND ANALYSES	12
2.1 OVERVIEW OF EVALUATION CRITERIA	12
2.1.1 Relevance	12
2.1.2 Efficiency and effectiveness	13
2.1.3 Impact and sustainability	13
2.2 THEMATIC APPROACH	14
2.3 PROGRAMME AREAS	15
2.4 PROGRAMME MANAGEMENT	20
2.5 PARTNERSHIP APPROACH	22
PART III CONCLUSIONS, RECOMMENDATIONS AND THE WAY FORWARD	29
3.1 CONCLUSIONS	29
3.2 LESSONS LEARNED	29
3.3 RECOMMENDATIONS	34
ANNEX A – TERMS OF REFERENCE	36
ANNEX B – GROWING SUSTAINABLE BUSINESS END OF PROJECT EVALUATION FRAMEWORK	37
ANNEX C – LIST OF PERSONS CONTACTED	45
ANNEX D – SYNOPSIS OF GSB INVESTMENT PROJECTS	47

ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
BESTAP	Business Environment Strengthening Technical Assistance Project
ESCOM	Electricity Supply Commission of Malawi
GDP	Gross Domestic Product
GoM	Government of Malawi
ICA	Investment Climate Assessment
ICT	Information Communication Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MBS	Malawi Bureau of Standards
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MEPC	Malawi Export Promotion Council
MGDS	Malawi Growth Development Strategy
MIPA	Malawi Investment Promotion Council
MIT	Ministry of Industry and Trade
MITC	Malawi Investment and Trade Centre
MoF	Ministry of Finance
MRA	Malawi Revenue Authority
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
MSME	Micro Small and Medium Enterprise
PIU	Project Implementation Unit
PPD	Public Private Dialogue
PPP	Public Private Partnership
PSD	Private Sector Development
PSDRP	Private Sector Development Strategy
SME	Small and Medium Enterprise
SWAp	Sector Wide Approach
TOR	Terms of Reference

EXECUTIVE SUMMARY

The Growing Sustainable Business (GSB) project in Malawi consists of two main components namely, Facilitating Pro-poor Investment to the Country; and Building Capacity at the Malawi Investment Promotion Agency (MIPA). The first component is handled by the GSB Brokers with responsibility for identifying pro-poor investment opportunities, developing projects, and marketing of the projects to both local and international investors and potential partners. The second component, 'Building of Capacity at MIPA' seeks to strengthen MIPA's capacity to attract and facilitate investment. This is done through development of various outreach activities and materials for promoting the country, and development of various forms of information databases required by investors as well as for investment promotion needs. This component also includes development of company profiles and business plans, and carrying out of industrial audits and facilitation of industrial linkages between large and small companies.

As a part of "Industrial Assessment and Industrial Linkages" activity within MIPA's capacity development, the GSB programme also focused on MSME development which is aimed at building the capacity of local entrepreneurs in Malawi through enhancing production processes at firm level by introducing efficiencies in the production and marketing chains. Various initiatives including training, business development services, project visits and extension activities were undertaken towards MSME development. Additionally, the GSB team undertook an in-depth Malawi Country analysis in 2007 which identified potential sectoral opportunities, and later in 2008 targeted assessments of four industrial sectors (light engineering, furniture, food processing and garment industries).

The implementation of GSB in Malawi commenced in January 2007. Following the Mid-Term Evaluation in 2007, and based on its recommendation, the programme was extended for an additional one year to December, 2008. The programme is currently in its third phase of implementation (Jan '09- Dec '09). The purpose of the End of Programme Evaluation can be summarized as follows:

- To analyze the extent to which MIPA and the United Nations Development Program (UNDP) strategically positioned themselves to respond to sustainable economic development through private sector led growth as acknowledged in the Malawi Growth and Development Strategy (MGDS) and respond to priority goals and objectives as stipulated in the MDGs;
- To review and evaluate consistency of programme outcomes with the programme level objectives, results and activities;
- To provide assessment of development results so as to present major findings, draw important lessons, and provide clear, forward looking recommendations for pragmatic strategies during the next course of actions.

The GSB project in Malawi has received approximately US\$ one million¹ from UNDP, Malawi during the period of three years (2007 -2009).

¹ The exact amount of money spent on various GSB project components was being compiled but not provided to the evaluator during the mission.

The end of project evaluation commenced with documentation review followed by a field visit for the period December 1-11, 2009. The evaluator met more than 25 representatives comprising of Malawian GSB partners, Government officials, Commercial Banks, Private Sector, Civil Society and Non-governmental Organizations (NGOs), Donors including multilateral agencies like World Bank, and African Development Bank. The evaluator also met key beneficiaries of GSB project, namely the various women and community groups in different districts of Malawi including Millennium Village Development Project.

KEY FINDINGS

Relevance: Overall, most stakeholders indicate that GSB is working in areas that are important and useful to them. They also suggest that GSB's **inclusive market development** through a stronger focus on facilitating strategic partnerships of **integrated value-chains** and **pro-poor investments** for goods and services approach adds value. Relevance thus relates not only to the substance of GSB's work but, importantly, also to the modalities chosen in implementing its work.

Efficiency and Effectiveness: A large proportion of the feedback received from stakeholders relates to how GSB is carrying out its work. To the extent that GSB is addressing the right issues, does it apply appropriate modalities to deliver its work? Is it doing things right? Though some GSB partners are appreciative of its performance in many areas, but are also critical that it is not doing enough and have suggestions as to how efficiency and effectiveness can be improved which are captured in the lessons learned and the way forward sections of this report .

Impact: Most stakeholders are able to indicate the activities that GSB implements but find it more difficult to highlight their impact. In view of delayed implementation of investment projects and high staff turnover, the project's impact is also affected by external factors such as the enabling business environment and reforms, institutional capacities and prevailing macro/micro economic conditions to cite a few.

Sustainability: GSB's impact poses a major challenge. With regard to sustainability The GSB initiative to house the programme within MIPA was to ensure sustainability. However the GSB programme was never fully operationalised nor institutionalised within MIPA. There are no MIPA counterparts to understudy international brokers (particularly in the area of business of brokering). On the contrary, the appointment of a national broker outside the MIPA staff structure does not contribute towards sustainability but actually defeats the very principles of institutional capacity building. Should the GSB program be closed, there is no mechanism to sustain GSB within MIPA. Additionally there is no direct funding provided by the Government of Malawi to MIPA nor any internal budgetary allocations within MIPA² to continue GSB after the programme ends.

² MIPA has however given in-kind support like counterpart staff (but due to internal issues they were disengaged, while others left MIPA without replacements) and office space.

In other words GSB programme does not have any clear exit strategy though initially during the project's inception it was anticipated that MIPA and the Export Promotion Council would merge at some point and the newly formed agency would receive a better resource from the Government, as well from World Bank (BESTAP) to continue the GSB work without UNDP support. However this merger had never taken place and the GSB project, which has been overwhelmed with its core functions, has not given much attention to the sustainability of the programme.

Thematic and Programmatic Approach: Most of the respondents were quite appreciative of GSB's role as broker and developing partnerships. However, its role in MSME development needs to be further examined as it neither has the necessary expertise nor the capacities in the areas of policy development, technical assistance and finance. GSB has contributed significantly in MIPAs image building and providing technical assistance in certain departments (IT, Planning and Research, and Finance) but failed in its core function of developing capacities in brokering as well ensuring continuity of all its interventions and technical support provided over the three year period.

Project Management: The management of GSB project in Malawi is comprised of a Project Steering Committee (PSC) and Technical team (International Broker, UNVs as technical experts, short term consultants and National Broker). While the UNDP Country Office (UNDP CO) provided administrative and budgetary support, GSB Headquarters provided technical backstopping from New York.

- i) *PSC:* Since its inception the PSC has met 11 times until June 2009. The meetings were sparsely attended by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) with no other representation from private sector or civil society. Except for one project most of the investment project proposals were approved by the PSC. However the monitoring mechanism by PSC lacked any concrete follow-ups. Recently, however, the PSC has raised issues concerning delay in the implementation of approved projects but no practical guidance was given to address issues or overcome challenges faced by the target beneficiaries.
- ii) *Technical Staff:* Though the project started quite well in 2007, its implementation in 2008 was haphazard due to staff turnover and delayed appointment of new staff. In 2009, all GSB activities were managed by two (local and international) brokers. GSB has been designed as a light-touch initiative with minimum staff structure. This can become a weakness and Brokers time and efforts get diluted.
- iii) *UNDP Country Office:* The GSB project in Malawi initially started as a 6-12 month pilot phase and it continued to be extended as a "pilot phase" on an annual basis for two additional years. This uncertainty and short duration extensions has caused more damage than good to the project. Due to uncertainty on the project extension coupled with delayed funding, the implementing agency and GSB's staff were kept "guessing" which affected the productivity and activities of the project as well as the staff turn-over mentioned above.
- iv) *GSB Headquarters:* Though training and briefing of GSB brokers by the Headquarters team would have been an ideal "immersion" into the project's mainstream, this was not done, resulting in GSB brokers basically working independently with guides and manuals as reference. Under challenging circumstances brokers create a "bridge" between different categories of players and

brought them together around specific projects. However some in the private sector, key partners for markets, indicated the lack of “neutrality” of the brokers who were more focussed on MOUs and involved in negotiations to benefit the other party without having the technical knowledge of the business operations and the difficult environment businesses operate. At the least GSB while holding pro-poor as a core value should not be perceived as anti-private sector.

CONCLUSIONS

The overall conclusion of the evaluation is that the GSB project in Malawi is a “work in progress”. The project has undertaken a range of activities that could have a positive influence over a period of time but at the present stage it shows only traces of potential impact.

The climate for private sector development in Malawi is changing slowly as the Government is in the process of creating a more conducive environment with a plethora of policies and strategies. However there is much more to be done particularly for MSME development (policy, strategies, financing, developing capacities of service providers, technical assistance to develop competitiveness and productivity among others).

Lessons Learned: Strengths and Weakness

- a) The GSB’s focus and approach is well embedded within the MGDS, UNDAF and CPAP outcomes, all of which emphasize poverty reduction through sustainable economic growth in Malawi.
- b) The analysis of GSB project portfolios clearly indicate focus in sectors with significant potential for pro-poor and development impact, i.e. the sectors in which the poor are strongly represented as entrepreneurs, employees and services/goods recipients. The main sectors are agriculture, food-processing and access to goods/ services and financial services. This is a positive finding, showing that GSB projects are indeed pro-poor.
- c) Building partnership involves significant efforts and more so to bring together various stakeholders with different ideologies and agendas. GSB project had worked successfully to meet its objectives by developing partnerships with all stakeholders. However, it is important for **GSB to draw a line and not to get into the “business of business”**. There has been a kind of “dependency syndrome” and perception among some stakeholders that GSB being an UNDP project will be able provide all kind of support.
- d) GSB puts considerable emphasis on sharing its experiences; it has not necessarily been consistent in identifying, measuring and analysing results generated through its projects. A number of factors contribute to this. First, lack of an overall results framework for the project that makes it unclear what results are being targeted. Second, the projects, while **providing extensive information on activities undertaken during the year, have limited reporting on actual results achieved**- beyond these activities
- e) **The monitoring and evaluation framework** for GSB pipeline projects needs to be further strengthened. The current mechanism of reporting to PSC, GSB Headquarters, CO does provide some basic information but collection and analysis of baseline data for each GSB pipeline project needs to be further improved, clear targets and target indicators

from the start of each GSB pipeline project should be defined in order to allow for monitoring of project progress and measuring its results³. The common standards/framework for monitoring and evaluation should be developed for GSB as a whole.

- f) The GSB service offer in **developing and/or completing value chains** has proven to be particularly useful and should be strengthened in the future broader UNDP project. GSB is well positioned to provide ‘the missing links’ between small-scale producers and larger buyers or producers
- g) GSB needs to spend more time and resources in developing **new and innovative project ideas/concepts**. GSB needs to develop this niche and should develop a “business lab” in collaboration with local universities, research institutes and private sector.
- h) In recent years, the interest among donors in private sector development in Malawi has increased – a positive trend especially after the establishment of the PSD donor working group and sector wide approach working groups. It is important for GSB to establish a right chord with donors by clearly showing the projects’ complementarity and value addition to the existing and potential programmes of the donors.

THE WAY FORWARD

The GSB project in Malawi stands at the crossroads. There is recognition of its relevance and value addition but a need is felt by all stakeholders to reposition and repackage GSB, in order to take the engagement to the next level to create better conditions in the market which are not unique to one market actor or one lead company.

Recommendations

- a) The present form of GSB project in Malawi- as a stand-alone project- may be phased out within 3 to 6 months. Should UNDP embark on a successor programme, GSB can be merged within the value chain and inclusive markets component of the proposed programme that focuses on MSME development in Malawi
- b) UNDP in consultation with the Government of Malawi initiate at the earliest opportunity the formulation of a new MSME development programme document that focuses among others, on:
 - MSME policy and strategy
 - Training and institutional capacity building of service providers
 - Access to affordable finance through alternative financial portfolios (e.g. development finance through development bank, credit guarantee and leasing programme for small and micro business, value chain finance, etc)

³ Though GSB has developed some baseline information on individual projects, however for the second component on capacity building of MIPA, there has been no comprehensive institutional assessment at the project inception particularly in the technical service delivery areas of investment promotion and facilitation, with regard to management, human resources, governance, IT, finance. GSB project has attempted to address some of the institutional weaknesses but due to internal issues it was unable to institutionalise its initiatives and hence it is difficult to assess at the end of project which systems have improved or need further improvement.

- Strengthening competitiveness and productivity with appropriate technology and quality standards
 - Export promotion and import substitution by developing sector focused value chain with inclusive markets
- c) UNDP Malawi could streamline and harmonize some of its current projects in the areas of financial inclusion and literacy, livelihoods and poverty reduction, local economic development, SME training and youth programmes. The new MSME development programme can be within an integrated programme incorporating the existing initiatives of Livelihoods, Education, Environment and Economic Empowerment Programme (LEEPP). Each of these initiatives can be focused projects within a broader LEEPP programme.
 - d) The new MSME development project under LEEPP should focus not only on sustainable businesses but also green businesses with gender focus and could be a joint programme in collaboration with other UN agencies such as ILO, UNIDO, ITC etc.
 - e) The institutional framework for implementing the new MSME development project should be designed in consultation with the Government and other stakeholders particularly due to the fact that MIPA is in the process of being re-structured.
 - f) The project steering committee for the proposed new programme should have a wider representation from private sector, small businesses, sectoral associations, NGOs, academia, financial institutions as well as senior government officials.
 - g) As Malawi has a huge informal sector, there is an urgent need to address this issue as well for sustainable and equitable economic growth. Business formalization normally consists of reducing the cost of establishing a business or simplifying the process of registering them. The focus of this traditional approach has been to make business formal but lacked tools to use law to empower them. *Legal empowerment of informal businesses* is however developed on the premise that the law has a set of legal tools and institutions, and if made accessible to these “extra legal” or informal businesses, it will not only simplify the establishing process and reduce cost but also considerably enhance business opportunities; create decent jobs; make credit, capital and markets accessible and affordable, and most importantly make businesses visible with a legal identity. UNDP has the necessary expertise to address this issue and can work within the broader MSME and GSB programme.
 - h) UNDP’s new successor programme should incorporate a clear performance measurement framework and appropriate monitoring and evaluation mechanism with clear benchmarks to measure results and progress at both projects/ programme level. For example, if the overall objective is to create jobs, promote FDI or expand businesses through finding them sources of technical, financial and management advice, indicators should be tracked for these, not just the number of potential projects reviewed.

PART I
INTRODUCTION, CONTEXTUAL FACTORS
AND EVALUATION METHODOLOGY

1.1 INTRODUCTION

1.1.1 Background

Growing Sustainable Business (GSB) for Poverty Reduction is a global initiative of the United Nations Development Programme (UNDP) that facilitates business-led solutions to poverty in order to advance the Millennium Development Goals (MDGs). GSB brokers' pro-poor investments focus on developing and sustaining access by the low-income and socially excluded population to affordable goods and services, and to employment and livelihood opportunities - through job creation and small enterprise development. GSB investment projects align the commercial benefits of business partners with local economic development needs and are carried out in multi-stakeholder partnerships. The investment projects are in sectors which are the drivers of economic growth and which have direct impact on poverty reduction and sustainable development.

The GSB programme is currently operating in Africa, Central America, Asia, and Eastern Europe. GSB global works with more than 50 local and international private sector partners, ranging from medium-sized companies to multinationals in 50 projects in the following sectors: agriculture, energy, water, telecommunications, financial services and manufacturing.

UNDP's Growing Sustainable Business Malawi (GSBM) Programme has an additional mandate of supporting the Malawi Investment Promotion Agency (MIPA) in its efforts to reform and improve the enabling environment for business activity, in particular by cultivating investment opportunities and by attracting potential investors, as well as providing the Government with hands-on examples from pro-poor and sustainable business investments to inspire future change. The GSBM, therefore supports two mutually complementary activities namely capacity development of MIPA and brokering specific investment opportunities.

By supporting MIPA, the GSBM programme is distinct from neighbouring GSB counterparts as for the first time it has been placed directly in a government investment promotion agency. The strategic placement of GSB at the MIPA is to enable the programme to leverage MIPA's resources and support in attracting pro-poor investment to the country. In addition, it will also ensure the sustainability of the GSB programme through knowledge transfer and on-the-job-training.

1.1.2 Project Scope

The GSB project scope covers the whole country with primary focus in areas which have potential for local economic development to increase sustainable livelihoods of target groups such as women, small farmers and communities which have high incidence of poverty.

1.1.3 Project Goal

The goals of GSBM are to:

- Facilitate and establish business-led, enterprise solutions to poverty reduction which accelerate and sustain access by the poor to needed goods and services, and /or employment.
- Ensure that MIPA has the capacity to generate self-sustaining business in Malawi which will contribute to the economic and sectoral growth strategies of the Malawi Growth and Development Strategy (MGDS).

The GSB programme therefore consists of two components namely, Facilitating Pro-poor Investment to the Country; and Building Capacity at MIPA. The first component is handled by the GSB Broker with responsibility for identifying pro-poor investment opportunities, developing projects, and marketing of the projects to both local and international investors. The second component, 'Building of Capacity at MIPA' seeks to strengthen MIPA's capacity to attract and facilitate investment. This is done through development of various outreach activities and materials for promoting the country, and development of various forms of information databases required by investors as well as for investment promotion needs. This component also includes development of company profiles and business plans, and carrying out of industrial audits and facilitation of industrial linkages between large and small companies.

1.1.4 Purpose of the Report

The GSB Malawi programme implementation commenced in January 2007. Following the Mid-Term Evaluation recommendation, the programme was extended for an additional one year to December, 2008. The programme is currently in its third phase of implementation (Jan '09- Dec '09). The purpose of the End of Programme Evaluation can be summarized as follows:

- To analyze the extent to which MIPA and UNDP strategically positioned themselves to respond to sustainable economic development through private sector led growth as acknowledged in the Malawi Growth and Development Strategy (MGDS) and respond to priority goals and objectives as stipulated in the MGDS
- To review and evaluate consistency of programme outcomes with the programme level objectives, results and activities;
- To provide assessment of development results so as to present major findings, draw important lessons, and provide clear, forward looking recommendations for pragmatic strategies during the next course of actions.

1.1.5 Structure of the Report

The Report is divided into the following three main Parts:

PART 1: Introduction, Contextual Factors and Evaluation Methodology

PART 2: Evaluation Findings and Analyses

PART 3: Recommendations and Way Forward

1.1.6 Key Audiences

In addition to UNDP, the primary institutional stakeholders for this evaluation are the Malawian partners responsible for implementation of the Program and GSB team in Malawi and New York Headquarters. UNDP relies on evaluations to promote more effective and efficient international development programming, and to enhance its capacities to demonstrate accountability and transparency to partners and donors. Evaluation results will contribute to UNDP's Planning, Reporting and Accountability Structure. Making the Evaluation Abstract accessible on UNDP's Corporate Memory System and the Executive Summary available on the GSB website will promote institutional learning. The sharing of results will inform other key stakeholders and donors about what was achieved by and learned from the program.

1.1.7 Scope of UNDP's support to GSB Malawi

The GSB programme in Malawi has received approximately US\$ one million⁴ from UNDP, Malawi for a period of three years (2007 -2009) for the following inputs:

- Technical Assistance (International Broker, National Broker)
- MIPA Capacity Development (outreach activities, data base development and promotional activities, etc.)
- Industrial assessments and feasibility studies
- Training and Workshops
- Program Management, Monitoring and Evaluation

1.2 GSB Project in Malawi: In-Country Operating Environment- Key Contextual Factors

1.2.1 Socio-Economic Factors

Malawi has a relatively small economy. Its Gross Domestic Product is around US\$3.5 billion and the average income per capita is US\$250⁵. In the last 3- 4 years Malawi has been averaging growth rates around 7.5% compared to below three percent in previous years. This is mainly because of improved macro-economic management, favourable weather conditions and a supportive donor environment. In fact, in 2008 the economy grew by 9.7 percent and growth is projected at 6.9 percent in 2009. Inflation has been in single digits since 2007 and was 8.7 percent in May 2009. Interest rates have declined from 40% in 2003/4 to the current 15-20% percent.

According to the 2008 census Malawi's population is 13.1 million. The poverty headcount was measured at 40 percent by the 2007 Welfare Monitoring Survey released in August 2008. Although at current rates of progress, Malawi may achieve half of the MDGs by 2015 (gender equality, under-five mortality, combating HIV/AIDS and other diseases, and developing global

⁴ The exact amount of money spent on various GSB project components was being compiled but not provided to the evaluator during the mission

⁵ The World Bank, Malawi Country brief, June 2009

(<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MALAWIEXTN>)

partnership for development), a number of social indicators still remain very poor such as 50 percent of under-five children are stunted⁶.

Agriculture is the mainstay of the economy, but is very vulnerable to weather shocks. Although it contributes 35 percent of GDP compared to 46 percent by services and 19 percent by industry, the sector accounts for more than 80 percent of Malawi's export earnings, and supports 85 percent of the population. Smallholders make up about three quarters of agricultural production and are mostly engaged in rain-fed maize production. Land distribution is unequal, with more than 40 percent of smallholder households cultivating less than 0.5 hectares. The country's export trade is dominated by tobacco, tea, cotton, coffee, and sugar. Tobacco earned Malawi \$472million in the 2007/08 season⁷.

Malawi has significant potential in the mining sector and the country has started to focus on its contribution to economy. Several applications (local and foreign) for rights to explore minerals are increasing; a uranium mine is now operational at Kayelekera in the northern part of the country. Uranium is expected to contribute over US\$200million annually or 25 percent, to Malawi's export earnings annually. The World Bank is currently assisting a Government review the mineral sector as a potential source of economic growth and development in Malawi⁸.

Malawi is heavily dependent on imports. In 2006, total exports were valued at US\$668.2 million while total imports were US\$1,210.2 million, resulting in a trade deficit of US\$542.0 million. Malawi's principal imports include fertilizers, petroleum products, semi-manufactured goods, consumer goods, and transportation equipment. In 2006, 50 percent of total imports were derived from South Africa, Zambia, and Mozambique.⁹

1.2.2 Private Sector Development & Linkages with National Policies

The private sector in Malawi is dominated by a few large companies engaged in production of tea, tobacco marketing, sugar, and consumer products. Industry is largely oligopolistic. The private sector is also characterized by a "missing middle" with comparatively few small and medium enterprises (SMEs) in between the larger multinationals and huge number of micro and informal sector enterprises. Manufacturing is small, accounting for only 8 percent of GDP (2008), and inward-oriented as only 14 percent of manufacturing is exported¹⁰. The industrial sector has been declining over the last decade, with its contribution to GDP falling from 32 percent in 1992 to 15.0 percent in 2008. At 22 percent of GDP, Malawi's investment levels are amongst the lowest in the SADC¹¹.

⁶ Ibid

⁷ Ibid

⁸ Ibid

⁹ GSB Malawi Country Analysis, 2007

¹⁰ Ministry of Development Planning and Cooperation Annual Economic Report (2009) and IMF staff paper (September 2008)

¹¹ Ministry of Industry and Trade, PSD Strategy paper, 2009

The World Bank's Investment Climate Assessment in 2007¹² identified various regulatory and structural constraints to private sector development in Malawi including finance constraints (both access and cost), physical infrastructure (electricity and transportation), taxes (rates more than administration), crime/corruption, and quality of human capital. In view of the constraints facing the private sector, government has developed a new Private Sector Development Policy¹³ (2009) with a view to increase investment, improve productivity, and enhance competitiveness of the private sector, both in the domestic and international arenas. The main focus of PSD Policy is “to develop and promote an economic environment which is conducive to the growth of businesses of all sizes, which provides prosperity and job opportunities, and helps Malawi achieve her shared vision of transforming from a predominantly consuming and importing country to a predominantly manufacturing and exporting one”¹⁴.

The new PSD policy is derived from and responds to the political and socio-underpinnings of Malawi Government Policies, Vision 2020 of 1998, and the Malawi Growth and Development Strategy (MGDS) of 2006. Vision 2020 envisages that by 2020 Malawi shall be a technologically driven middle-income economy. The MGDS is the overarching operational medium term strategy for Malawi designed to attain the Vision, with a focus on sustainable growth; infrastructure and industrial development; and the creation of wealth and employment. The Government also undertakes to create an enabling environment for private sector participation.

As private sector development is a cross-cutting issue yet existing policy responses have been largely sectoral and fragmented. Most policies¹⁵, while recognizing the private sector as either the regulated or key role player in policy implementation and service delivery, lacked the means of enabling the private sector to respond appropriately. However, the MGDS now provide a clear responsibility for the achievement of social outcomes and poverty reduction on raising the rate of economic growth. The private sector has been highlighted in the MGDS document¹⁶ as the engine of economic growth and private sector development issues can be seen right through the text:

“improve the enabling environment for private sector-led economic growth” (theme 1, sub-theme 2)
“improve the performance of the private sector in accessing international markets” (theme 1, sub-theme 4);
“improve the performance of Malawi’s priority sectors” (theme 1, sub-theme 1); and,
“improve the entrepreneurial environment for indigenous Malawians” (theme 1, sub-theme 5).

In addition, many of the themes listed within the MGDS outside of the sustainable economic growth theme have a direct impact on the private sector, even though these themes might not be explicitly labelled as being related to the private sector. For example, the private sector needs a healthy and educated workforce (theme 3 – social development) in order to improve skills and

¹² World Bank, “Investment Climate Assessment”, 2007

¹³ Private Sector Development Policy, Ministry of Industry and Trade, August 2009

¹⁴ *ibid*

¹⁵ Some of the policies include the National Tourism Policy, Malawi National Transport Policy (2004), Malawi National ICT for Development Policy (2007), National Water Policy, Agriculture Policy

¹⁶ Malawi Growth and Development Strategy: from poverty to prosperity, 2006-2011

raise productivity. Similarly, some of the impediments to improved competitiveness concern the high cost of transport and the high cost and unreliability of utilities (energy, water supply and telecommunications), (theme 4 – infrastructure). Finally, and perhaps most importantly, the private sector needs stable macro-economic management, the full protection of property rights and fair extension of the rule of law (theme 5 – good governance) in order to prosper.

1.2.3 Investment Climate

In its continuing effort to develop the private sector as a catalyst for economic development and the reduction of poverty, the Government of Malawi is actively engaged in updating and reformulating the investment framework through a new National Investment Policy (NIP)¹⁷. The draft NIP, though it is yet to be passed through the Parliament, aims to “transform Malawi into a prime investment location within the region, adopting best practice incentives to invest, on a level playing field for all” and support the drive of moving Malawi from being a “predominantly importing and consuming economy to an a predominantly producing and exporting economy”. The NIP also includes outreach objectives that are designed to re-position Malawi within the regional and international business sectors and to foster an open environment in which investors can more easily identify opportunities, examine their prospects and collaboratively design enterprises that will benefit all players.

Foreign Direct Investments (FDI) in Malawi has been mixed. In 2006 it was US\$185.28 million while it dropped to USD 92 million in 2007 and rose again to USD 143.2 million in 2008. The bulk of FDI pledges, approximately 73 percent, were in the mining sector, while manufacturing received only 23 percent. Asia leads as the main source of foreign direct investment into Malawi in 2008 with 27 new companies. Local companies also invested in the economy (17 new companies) followed by South Africa, Tanzania and Zimbabwe.

1.2.4 Doing Business Survey

The private sector in Malawi has demonstrated significant resilience to operate amidst a challenging environment, which is plagued with over regulated laws and cumbersome procedures, non-availability of skilled labour, high cost of doing business, high shortage of raw materials, unpredictable utilities, non-availability of finance and credit, while government policies are still in the process of evolving, among other factors prevailing in the country.

To put things in perspective on the environment within which private sector operates in Malawi, the recent World Bank’s Doing Business 2009 Report ranked Malawi 134 out of 181 economies of the world. The following indicators on the ease of doing business give further insight of private sector operations in Malawi.

¹⁷ Draft National investment Policy, Ministry of Industry and Trade, March 2009. “Malawi’s investment rules and incentives are currently antiquated and behind international best practice which were enacted as the Investment Promotion Act in 1991 and established MIPA

Doing Business 2009 Report	Indexes
Ease of Doing Business	134 (out of 181 countries)
Starting a Business (procedures)	10
Time to Start Business (Number of days)	39
Cost to Start Business (% of income per capita)	125.9%
Procedures to deal with construction permits	18
Time to get construction permits (days)	213
Registering Property (procedures)	5
Time to Register Property (days)	88
Protecting Investors (0-10)	5.30
Payment of Taxes (no. Per year)	19
Time to Pay Taxes (hours per year)	292
Total Tax Rate (% of Profit)	31.40
Trading Across Borders (Documents)	12
Time to Export (no of days)	45
Cost to Export (US\$ per container)	1671.00
No. Of documents to Import	10
Time to import (days)	54
Cost to Import (USD)	\$2,550
Enforcing Contractors (procedures)	42
Time to Enforce Contracts (days)	432
Cost to Enforce Contract (% of claim)	142.40
Closing a Business (time in years)	2.6
Cost of Insolvency (% of Estate)	30%
Recovery rate (cents on the dollar)	15.10
Total Number of Reforms	0
Doing Business 2009 Report	Malawi's ranking (out of 181 countries)
Overall	131
Starting a business	124
Dealing with Construction Permits	155
Employing workers	86
Registering a property	100
Getting credit	84
Protecting investors	70
Paying taxes	60
Trading across borders	169
Enforcing contracts	140
Closing a business	137

1.2.5 Financial Sector

The financial sector in Malawi is largely designed to support the corporate sector and so far has offered inadequate support to the development of the SME sector. Traditionally, Microfinance Institutions (MFIs) in Malawi service the bottom level of the business sector (i.e. micro-enterprises), while the commercial banks focus on government bonds and corporate financing (i.e. top level of the business sector), both leaving the SME sector (the middle level) under-served¹⁸. This constitutes the theory of the ‘missing middle’ in Malawi’s financial sector, where by the middle class level of the financial system clientele i.e. the SME sector is not supported financially and thereby fails to develop and integrate itself fully in the economy.

According to MIPA-GSB study “Malawi’s narrow corporate market is over-banked by the commercial banks, and the micro enterprises over-served by MFIs with existing MFIs having little financial capacity to support the transformation of their micro enterprise clients from a micro level to an SME level”¹⁹. This is a clear indication of the vast opportunities available in Malawi’s SME sector and is slowly necessitating that commercial banks diversify and explore these opportunities: they are building up knowledge and experience within the SME sector especially focusing on the specific requirements of SME financing.

Malawi’s financial sector is currently undergoing a significant reform programme aimed at building a more inclusive financial sector, liberalising and modernising the financial system and opening-up the sector to new entrants. This has resulted in an increase in the number of commercial banks from two to nine, the number of microfinance institutions/lenders to fifteen, market-based interest rates, unrestricted access to financing facilities for both local and foreign investors and a managed floating exchange rate. Exporters are also allowed to operate foreign currency denominated accounts in authorised banks, though there is a 40 percent conversion requirement on receipt of proceeds. Liberalisation of the capital account is planned within the next three years.

These financial reforms have also led to the development of the capital market; and the establishment of two discount houses, a number of investment banks, and the Malawi Stock Exchange; and the introduction of the Reserve Bank of Malawi Bills. The development of a more conducive financial services market has been encouraged with the recent drafting of new legislation and accompanying regulations to encompass commercial banks, microfinance institutions, financial cooperatives, and insurance and pension companies.

1.2.6 Global Economic Crises and its Impact

The impact of the financial crisis on Malawi has so far been limited. The financial sector is small and less sophisticated, with two (out of nine) commercial banks dominating the banking sector. Foreign direct and portfolio investment levels are very small. However, most commercial banks have reported difficulties accessing foreign credit lines. Further, exchange rate movements in the west are having a negative impact on some foreign aid inflows to Malawi. In the medium to long

¹⁸ MIPA-GSB, “Feasibility Study: SME Financing and Skills Development” February, 2008.

¹⁹ *ibid*

term, the second round effects of the financial crisis could have a significant negative impact on Malawi through its impact on commodity exports and remittances. Malawi's productive sector could be severely affected through reduced demand for the country's exports, mainly tobacco, sugar, and tea. These exports are particularly vulnerable because the EU and the U.S. are the principal destinations. Further, Malawi receives significant amounts of remittances from abroad (around four percent of GDP). Therefore, a slowdown in the world's economy is likely to have a significant negative impact on Malawi's current account.

1.2.7 Development Assistance and Donor Coordination

Malawi has relatively fewer donors compared to her neighbours. However, few as they are, they still contribute about 40 percent to Malawi's annual budget. Overall, the main donors in Malawi are DFID, EC, World Bank, African Development Bank, Norway, and USAID. These account for over 90 percent of Malawi's development assistance. Other donors include the traditional UN institutions (notably UNDP, UNICEF, WHO, and WFP), JICA, and GTZ.

Donors in Malawi are increasingly becoming more harmonized in the provision of their development assistance. To date, there is pooled funding for sector wide approaches (SWAs) in health and HIV/AIDS. Efforts are also underway to develop SWAs in Education, Agriculture, and Water. General budget support is also provided in a harmonized way through the Common Approach to Budget Support (CABS) group. The CABS currently consists of DFID, EC, Norway, and the African Development Bank. The World Bank, IMF, UNDP, and Germany are observer members. The Government of Malawi is increasingly taking the lead in coordinating donor support. As part of the Malawi Growth and Development Strategy process, the Government has developed a Development Assistance Strategy (DAS) which is a coordination plan aimed at improving the effectiveness of aid inflows to Malawi and defining what Government and Development Partners have to do to implement the Paris Declaration on Aid Effectiveness that was signed in March 2005. The DAS sets out principles, roles, and structures, and has an action plan and a monitoring framework. In pursuance of the aid effectiveness objectives of the DAS, the Government in March 2007 led a Joint Country Program Review (JCPR) process which involved all donors in Malawi. In 2008, in line with DAS the donors and Government established sector working groups whose responsibilities include guiding prioritization of donor aid at sector level.

Malawi reached the HIPC Initiative Completion Point in August 2006 and subsequently qualified for the Multilateral Debt Relief Initiative (MDRI). Malawi also qualified for the Compact Stage of the Millennium Challenge Account (MCA) in December 2007, and is in the process of developing a proposal for a five-year program. Malawi has also been the first country to benefit from the IMF's Exogenous Shock Facility (ESF) which was approved in December 2008.

1.3 EVALUATION METHODOLOGY

1.3.1 Objective and Purpose of Evaluation

The key objective of this end of programme evaluation is to review the progress of GSB Malawi project since its inception in January 2007, determine how it has evolved, and identify any issues

or lessons learned, practical measures that can be taken following the conclusion and recommendations of this evaluation.

This evaluation is carried out in accordance with the UNDPs Evaluation Guidelines and the rationale for end of programme evaluation hinges on the fact that this is a requirement for technical assessment of programme impact, sustainability and scalability. Moreover, it will serve the purpose of possibly developing a successor program; Additionally, it provides a base of evidence for underpinning substantive matters such as programme formulation and implementation, institutional capacity and organizational structures, accountability and transparency in services delivery processes.

1.3.2 Evaluation Framework

The evaluation framework is the key element of this report, as it systemizes the methodology, identifying the issues to be addressed, sub-questions that provide elaboration; and the performance indicators, sources of information and method of information collection for each issue. The evaluation issues reflect what was set out in the TORs (Annex A), but have been simplified and re-organized. The evaluation framework is provided in Annex B.

1.3.3 Evaluation Methodology

The methodology adopted for this evaluation is designed to meet the requirements and expectations set out in the TORs for this assignment. The evaluation framework formed the key element of the work plan. The evaluation comprised of:

- Familiarization of the GSB project in Malawi
- Preparation of the evaluation work plan
- A literature and documentation review of materials available online and in Malawi
- Project Site Visits
- Key informant interviews with Malawian partners and officials, representatives of other donor agencies, thematic experts, and UNDP/GSB Managers
- Where possible focus group sessions or interviews with a sample of beneficiaries, including women

The evaluator for the *efficacy* analysis, assessed whether the program is meeting its developmental objectives (or can be expected to reach its developmental objectives by the end of the program) by reviewing the program plans, performance measurement framework, and reports to ascertain:

- Progress made towards the achievement of results at the output and outcome levels
- Level of actual versus intended results
- If there is shared responsibility and accountability for results
- Whether there is active participation of local country partners and beneficiaries in the design, implementation, monitoring and periodical evaluation of the Program
- If there is an appropriate level of coordination between the various stakeholders
- If coordination with other donors is adequate
- If local partners have the appropriate authority and tools that are required to make decisions and take actions

For *efficiency* analysis, the evaluator briefly analyzed program schedules and budgets to ascertain whether the program is achieving its objectives on schedule and within budget generally, and answer the following principal evaluation questions:

- Are resources and services delivered in a manner that effectively responds to conditions, including risks, needs, opportunities or problems?
- Has the Performance Measurement Framework been applied during Program implementation?

Finally, for *Sustainability Analysis* the evaluator examined whether the results/benefits achieved by the Program are likely to continue after UNDP's involvement ends.

- Is there demonstrated partner and local commitment to Programme activities, to the attainment of results and the methods chosen to achieve them?

1.3.4 Field Visits

During the period December 1-11, 2009, the evaluator met more than 25 representatives comprising of Malawian GSB partners, Government officials, Commercial Banks, Private Sector, Civil Society and NGOs, Donors, World Bank, and African Development Bank. The evaluator also met key beneficiaries of GSBM programme, namely the various women and community groups in different districts of Malawi including Millennium Village Development Project during field visits. (Annex C- List of persons contacted).

The field visits were well coordinated by the UNDP Country Office in Lilongwe to make best use of the limited time available, including arranging meetings with key contact points of government ministries, donors, private sector and potential beneficiaries. The field mission was supported by both local and international brokers who also provided background materials and documents on GSB's activities and accomplishments and the cooperation with the GSB team has been good, and interaction has been marked by a strong degree of candour.

1.3.5 Limitations

Due to limited time during the field visit to Malawi, the evaluator had to depend on the meetings arranged by the local UNDP office. Most of the respondents were selected by the UNDP office, though some additional meetings particularly with the GSB clients were arranged at the request of the evaluator. The evaluator depended on the GSB's progress report information and success stories matrix with a couple of on the spot verifications. Triangulation was used to verify and validate the findings.

PART II

EVALUATION FINDINGS AND ANALYSES

This section provides an overall analysis of the key findings, as contained in the evaluation framework in Annex B. The terms of reference call for an assessment of the relevance, efficiency, effectiveness, impact and sustainability of different aspects of GSB's work. Given the broad scope and the short timeframe of the undertaking, the evaluation focused primarily on reviewing a range of key aspects of GSB's thematic and programmatic work. In analysing these aspects, the evaluator seeks to apply those evaluation criteria that are most germane to the issue in question. The observations that can be made in this regard appear below.

2.1 OVERVIEW OF EVALUATION CRITERIA

2.1.1 Relevance

The opinions of stakeholders²⁰ vary on the degree of relevance of GSB. All issue areas addressed by GSB are, undeniably, of MDG relevance. As such, GSB's stakeholders present their views on, and experiences in, strengthening policies and strategies in all of these areas and seek assistance from multilateral and bilateral organizations and local agencies in strengthening related development policies and strategies. What, therefore, does GSB provide that other organizations and programmes do not provide? Are there issue areas that only GSB can cover? Are there products and services that GSB is in a better position to deliver than others? In delivering such products and services, does GSB use approaches that differ from those of others and thus add value?

Overall, most stakeholders indicate that GSB is working in areas that are important and useful to them. They also suggest that GSB's inclusive market development through a stronger focus on facilitating strategic partnerships of integrated value-chains and pro-poor investments for goods and services approach adds value. Relevance thus relates not only to the substance of GSB's work but, importantly, also to the modalities chosen in implementing its work.

With regard to GSB's relevance, the feedback received from donors, multilateral agencies financial institutions and civil society was also quite positive and they were of the opinion that it complemented their respective programmes particularly in the field of livelihoods, community and sector focused income generating activities as well as enterprise development.

All stakeholders indicated that the GSB programme could become more relevant to Malawi provided a conducive enabling environment for private sector exists particularly with regard to SME Policy and strategy, SME financing with a continued focus on value chain and inclusive market development.

²⁰ Stakeholders include both direct and indirect beneficiaries of GSB, private sector, government ministries, donor agencies, financial institutions, Civil Society, NGOs, etc

2.1.2 Efficiency and effectiveness

A large proportion of the feedback received from stakeholders relates to how GSB is carrying out its work. To the extent that GSB is addressing the right issues, does it apply appropriate modalities to deliver its work? Is it doing things right?

Much of the data obtained on issues such as implementation modalities, cooperation arrangements with partners, the intergovernmental and donor machinery, local developmental and financial institutions, viability and resources relates to efficiency and effectiveness.

Some GSB partners are appreciative of its performance in many areas, but are also critical that it is not doing enough and have suggestions as to how efficiency and effectiveness can be improved. In fact, with more than a one million USD spent on this programme over a three year period²¹, questions can be asked on whether the initiative has been cost effective and provided a good return for value of investment for each of the two key streams of GSB services (namely brokering and MIPA capacity building). How long will it take to find any tangible benefits?

2.1.3 Impact and sustainability

In their responses, most stakeholders are able to indicate what activities GSB implements but find it more difficult to highlight their impact. The question of GSB's impact poses major challenges, not least since it refers the evaluator back to the question of what GSB really intends to achieve. Ultimately, GSB's strategic frameworks indicate that the programme aims to build sustainable capacities at the national level by brokering strategic partnerships and pursue investment opportunities that enable the private sector to engage in pro-poor investment projects that are commercially attractive and address the local development needs. This, however, depends significantly on many factors that are outside the programme such as enabling business environment and reforms, institutional capacities and prevailing macro/micro economic conditions to cite a few.

At which point, therefore, can GSB's impact be ascertained? While project specific- progress reports have, in the past, yielded some information on particular initiatives, the overall programmatic impact in Malawi has been difficult to capture.

The GSB initiative to house the programme within MIPA was to ensure sustainability. However the GSB programme was never fully operationalised nor institutionalised within MIPA. There are no MIPA counterparts to understudy international brokers (particularly in the area of business of brokering). On the contrary, the appointment of a national broker outside the MIPA staff structure does not contribute towards sustainability but actually defeats the very principles of institutional capacity building. Should the GSB program be closed, there is no mechanism to sustain GSB within MIPA. Additionally there is no funding provided by the Government of Malawi to MIPA nor any internal budgetary allocations within MIPA to continue GSB after the programme ends. In other words GSB programme does not have any clear exit strategy though initially during the project's inception it was anticipated that MIPA and the Export Promotion Council would merge at some point and the newly formed agency would receive a better resource from the Government, as well from

²¹ The exact amount spent on each component of GSB was not available during evaluation.

World Bank (BESTAP) to continue the GSB work without UNDP support. However this merger had never taken place and the project, which has been overwhelmed with its core functions, has not given much attention to the sustainability of the programme.

2.2 THEMATIC APPROACH

The GSB program's thematic approach revolves around: "Poverty Reduction", "Advancement of MDGs", "Enterprise Solutions for poor to access needed goods and services", and "employment and livelihoods opportunities."

GSB therefore, engages the private sector in innovative partnerships, often around new business models, to accelerate progress towards the MDGs. It also leverages UNDP's unique capacity to create a neutral "space" at country level where information can be shared, issues raised, and appropriate local partners brought together to address a specific problem. The GSB further facilitates "enterprise solutions", where profit and incentives justify real investment and where financial sustainability is embedded in the design.

The GSB thematic approach is well embedded within the MGDS, UNDAF and CPAP which basically focus on economic growth and poverty reduction in Malawi.

Malawi Growth and Development Strategy (MGDS) 2006-11

"improve the enabling environment for private sector-led economic growth" (theme 1, sub-theme 2);
"improve the performance of the private sector in accessing international markets" (theme 1, sub-theme 4);
"improve the performance of Malawi's priority sectors" (theme 1, sub-theme 1); and,
"improve the entrepreneurial environment for indigenous Malawians" (theme 1, sub-theme 5).

UNDAF Outcome(s):

Sustainable economic development through private sector led growth in priority sector(s) acknowledged in the MGDS; National employment and income generation increased by 2011 to achieve full and productive employment and decent work for all.

Expected CP Outcome(s):

Enhanced partnerships which enable the private sector to engage with the Government, the donor community and investment partners to achieve pro-poor economic growth and contribute to the MDGs; enhanced capacity of local entrepreneurs in managing and growing their businesses.

Expected CP Output(s):

1. *International level*: Improved acknowledgment of Malawi as an attractive Investment location on the global marketplace; 2. *National level*: enhanced direct and indirect employment opportunities, improved access by the poor to needed services and goods; reinforced value chains; strengthened local entrepreneurship and increased revenue stream for local enterprises and producers; improved access to local, regional and International markets; increased access to finance; 3. *Internal level*: improved MIPA project management and implementation

2.3 PROGRAMME AREAS

The GSB programme in Malawi consists of two main components namely:

- a) **GSB Brokering** component facilitates pro-poor investment to the country: This component is handled by the GSB Brokers with the responsibility of identifying pro-poor investment opportunities and partners, project development, and marketing of the projects to both local and international investors
- b) **Building Capacity at MIPA.** The second component seeks to strengthen MIPA's capacity to attract and facilitate investment. This is done through development of various outreach activities and materials for promoting the country, and development of various forms of information databases required by investors as well as for investment promotion needs. This component also includes development of company profiles and business plans, and carrying out of industrial audits and facilitation of industrial linkages between large and small companies.
- c) The GSB programme in Malawi had started to focus additionally on SME development particularly in the fields of entrepreneurship development, financing, technical assistance, product development and market identification.

Most of the respondents were quite appreciate of GSB's role as broker and developing partnerships. However, its role in SME development needs to be further examined as it neither has the necessary expertise nor the capacities in the areas of policy development, technical assistance and finance. It would be feasible for GSB to partner with other UN agencies (ILO, UNIDO, ITC, etc), Donor agencies (USAID, DFID, SIDA, etc), NGOs (CARE, World Vision, etc) and financial institutions (World Bank, IFC, ADB, etc.)

GSB has contributed significantly in MIPAs image building and providing technical assistance in certain departments (IT, Planning and Research, and Finance) but failed in its core function of developing capacities in brokering as well ensuring continuity of all its interventions and technical support provided over the three year period.

Component 1: GSB Brokering

Results at the Outcome/Output Level

Outcomes	Output Indicators	Projects' Achievements	Observations
Facilitate business-led enterprise solutions to poverty in advancement of the Millennium Development Goals and contribute to MGDS of sustainable	a) Number of investments that have helped poor to access (a) needed goods and services and (b) provided employment and livelihoods opportunities.	a) Ten pro-poor investment projects identified, proposals prepared and potential investors identified (List attached in Table 1) (Note: 7 projects were approved in 2009 by PSC)	Though significant efforts were put in by GSB Team, this outcome has not been met due to factors beyond GSB's mandate as such as enabling business environment and reforms, institutional capacities and prevailing macro/micro economic conditions to cite a few. However, the assessment criteria adopted for GSB's Ten Brokerage

Outcomes	Output Indicators	Projects' Achievements	Observations
economic growth through brokerage for pro poor investments	<p>b) No. of pro-poor investment brokerage investments identified & launched</p> <p>c) Estimated impact (no. Of jobs created, size of investments, increased access to services)</p>	<p>b) Two projects are at different stages of implementation while others are being re-examined for its feasibility and viability (See Table 1)</p> <p>c) Around 120 women are likely to benefit in the value chain project</p> <p>d) some villages including Millennium Village project got much needed access to goods and services</p>	<p>projects clearly attempts to achieve the project outcome, which is to:</p> <ul style="list-style-type: none"> • contribute to the achievement of one or more Millennium Development Goals (<i>Contribute to the MDGs, primarily Goal No. 1: halving poverty in Malawi by 2015</i>) • be in line with the national development priorities, as expressed in the MGDS (<i>Contribute to Poverty reduction through Sustainable Investment by the Private Sector</i>) • have simultaneously a relevant and significant (pro-poor) development impact, and commercial sustainability in the medium- to long-term • relate to corporate core business and be led by market demand • be in line with the principles of the Global Compact in the areas of human rights, labour standards and the environment. • develops business models that serve the interests of the poor, either as consumers, employees or entrepreneurs • creates wealth through employment or entrepreneurial activities, particularly in disadvantaged areas or segments of the population; • delivers goods and services to the poor at affordable rates; • is based on a multi-stakeholder partnership model; • creates linkages between local SMEs and other business partners; • creates linkages between local and foreign businesses, including technology and skills transfer • is replicable and scalable
Component 2: Building Capacity of MIPA			
Enhanced capacity of MIPA to promote and attract sustainable trade and investments	<p>a) Improved acknowledgment of Malawi as an attractive Investment location on the global marketplace.</p> <p>b) Improved MIPA</p>	<p>Data Base of MIPA Facilitated Companies Compilation of pictures and profiles of companies</p> <p>Development of Customized</p>	<p>a) During the three phases of GSB project significant resources (financial & human) were invested “on” & in” MIPA.</p> <ul style="list-style-type: none"> • “<i>Investment on MIPA</i>” included information materials and promotional systems & tools, investors guide with potential

Outcomes	Output Indicators	Projects' Achievements	Observations
	<p>project management and implementation</p> <p>c) Developed MIPA's capacity in feasibility studies, business plans, company profiles, and promotion material</p> <p>d) Developed innovative business models, brokered partnerships between key stakeholders on selective projects, and assisted in marketing those projects to both local and international investors</p>	<p>Promotional Materials & Advertising</p> <p>Radio, Print and Bill Board Ads, Marketing Themes, Trade & Investors Magazine, Media Releases, Promotional Calendars, Wallets/ Folders, Complimentary Slips, Diary promotion brochure, Investors Guide to Malawi,</p> <p>Communication and Outreach</p> <p>Regular Updates on MIPA website on national issues. Investment process and procedures. Internet subscriptions.</p> <p>Investment Promotion Events</p> <p>London Investment Forums, Agro Industry Forum 2008, Tanzania, China Trade & Investment Forum, Malawi 20th International Trade Fair, Commonwealth Business Council. Millennium Cities Initiative Day, Investment Mapping</p> <p>Training of Project Staff</p> <p>Website designing in Malawi, Intl. Training in Information Systems Development in Tanzania, Intl. Training in Managing & Audit Function in Swaziland, Intl. Training in Managing Electronic Records</p> <p>Procurement of Office Furniture</p> <p>Including 2 desk top</p>	<p>opportunities, investment mapping & image building as investor friendly organisation</p> <ul style="list-style-type: none"> • <i>"investment in MIPA"</i> included capacity development with three technical staff, training of its staff in different departments (IT, Accounts, Planning & Research), equipping MIPA with hardware computers/laptops & furniture, software <p>b) One of the most tangible achievement in MIPA's capacity development is: the winning of Ai Africa Investment Award as the Investment Promotion Agency of the year for 2008 The award was based on five criteria namely:- Investments including value of projects brought in through the networks of the IPA; Information on how investment has increased over the past three years through the efforts of the IPA; Efforts to promote FDI, communication and promotional activities; activities working with governments and agencies to reduce bureaucracy and facilitate investment process for foreign investors, i.e. achievement of the idea of the "one stop shop"; and how submissions for investment projects are followed up and investors are guided through the investment process. (<i>Notably, all communication, marketing, advertising, and promotional activities, as well as webhosting and updating has been implemented under the GSB project</i>).</p> <p>c) Through the Industrial Assessments exercise, the GSB project has allowed MIPA to reach and assist the local small scale investors operating in various parts of the country.</p> <p>d) Due to non allocation of internal resources most of the GSB activities were heavily dependent on UNDP funding and delay in funds transfer from UNDP results in slowing down of critical activities.</p> <p>e) A visit to MIPA website http://www.malawi-invest.net/ during last week of December 2009 shows only information, events and achievements of</p>

Outcomes	Output Indicators	Projects' Achievements	Observations
		computers and one lap top.	<p>2008. The website indicates updated on Sept 2009 but does not have any substantive and latest 2009 information from an investors perspective.</p> <p>f) There is a possibility of significant UNDPs investment on MIPA's capacity development "melting away" due to lack of clear exit strategy and internal issues affecting the sustainability of the GSB programme.</p> <p>g) Appointment of national broker outside the MIPA staff structure does not contribute towards sustainability. Should the GSB program be closed, there is no mechanism to sustain GSB within MIPA. Additionally there is no funding provided by the Government of Malawi to MIPA to continue GSB after the programme ends.</p> <p>h) For too long the "talk" of MIPA restructuring has done more damage to the institution.</p>

Among the various GSB initiatives, adding market value for Malawi's premium coffee is recognized as one of the success stories. A case study of the project is presented below:

GSB Malawi: Making the Difference - Adding Value Chain and Supply Chain through Partnerships

The Challenge: Malawi has both the climate and altitude to produce high-quality coffee; however most of the country's coffee is exported as ungraded green beans and the overall production is relatively small resulting in lack of recognition in the world coffee markets. Additionally the local demand for coffee is poor mainly because most Malawians favour drinking tea above coffee and many preferred instant coffee, which is relatively cheaper. GSB explored options aimed at increasing the income of coffee farmers in Malawi, through two distinct strategies: increasing export opportunities of graded or premium green coffee beans to American and European markets and developing the local market for roasted premium coffee.

The GSB Solution: GSB identified and attracted partners that were willing to invest in setting up an export network for Malawi roasted and branded coffee. In 2007 GSB in cooperation with USAID and CAMAL sent coffee samples to 75 coffee importers worldwide and processed the feedback. The overall rating for Mzuzu small holders association and Chiponga was rated in the premium coffee segment.

Three importers expressed interest in buying coffee from Mzuzu and a few northern estates. These importers were connected to the relevant contact persons to negotiate directly, which led to Mzuzu to sell a large part of its production to Peet's Coffee (USA).

GSB's Achievements:

GSB role: Facilitated market study and fair trade activities

GSB Business Model: New Malawi premium coffee brand for fair-trade export

Investment: Investment in high yield coffee trees

Business result: 20% premium on price, Nine 18-ton containers exported to Peet's Coffee, USA in 2008

Development results: Increased income for 3,200 poor farmers (1,000 USD per year).

Current Status: GSB is supporting the Union to facilitate securing of funding for the Microfinance fund in order to meet members' requirements. GSB is also facilitating access to the UNCDF fund which is a part of financial inclusion in Malawi (FIMA), a project which aims at giving loan and capacity building funds to Microfinance Institutions.



GSB SME Component

As a part of "Industrial Assessment and Industrial Linkages" activity within MIPA's capacity development, the GSB programme focused on MSME development which is aimed at building the capacity of local entrepreneurs in Malawi through enhancing production processes at firm level by introducing efficiencies in the production and marketing chains. Various initiatives including training, business development services, project visits and extension activities were undertaken towards MSME development. Additionally, the GSB team undertook an in-depth Malawi Country analysis in 2007 which identified potential sectoral opportunities, and later in 2008 targeted assessments of four industrial sectors (light engineering, furniture, food processing and garment industries).

The capacity building element under this activity is to enable MIPA undertake the assessments on a continuous basis. The GSB team also organised in-house staff training course for undertaking industrial assessments and conducted monitoring/follow-up visits to assess whether the companies had implemented the recommendations that were made in the assessment stage.

Observations: Whilst it is important to develop MSME sector in Malawi, it is not clear whether the GSB brokers have the necessary technical expertise and capacity to provide the wide range of

services that is required in this sector. After the departure of UNVs working in this field the brokers work spread thin to continue this activity resulting in diversion of focus from core business²². Additionally, quite a few institutions and donors are actively involved in various spheres of MSME development. MIPA's focus is to facilitate investments (domestic and international) but to undertake MSME business development and extension services results in duplicating of initiatives and diversion of limited resources.

2.4 PROGRAMME MANAGEMENT

The management of GSB project in Malawi is comprised of a Project Steering Committee (PSC) and Technical team (International Broker, UNVs as technical experts, short term consultants and National Broker). While UNDP Country Office provided administrative and budgetary support, GSB Headquarters provided technical backstopping from New York.

Project Steering Committee (PSC)

The PSC was formed to guide the project implementation. The committee conducts its meetings once every quarter and basically provides leadership to the overall implementation of the project, approves project action plans, makes decisions on the implementation of specific projects, and is responsible for the recruitment of project experts. The committee is chaired by the Ministry of Industry, Trade and Private Sector Development and is comprised of: the UNDP CO, MIPA, the Ministry of Economic Planning and Development, the Ministry of Finance, the Malawi Confederation of Chambers of Commerce and Industry (MICCI), the National Action Group, and the GSB local representative.

Since its inception the PSC has met 11 times until June 2009. The meetings were sparsely attended by MICCI with no other representation from private sector or civil society. Except for one project (Bowler Bottled Water) most of the project proposals were approved by the PSC. However the monitoring mechanism by PSC lacked any concrete follow-ups. Recently, however, PSC has raised issues concerning delay in the implementation of approved projects but no practical guidance was given to address issues or overcome challenges faced by the target beneficiaries.

Technical Personnel

In the first year of project implementation, three technical staff were recruited to facilitate the implementation of the project. These comprised of a GSB Broker; two United Nations Volunteers (UNVs) one responsible for project development and focusing on assisting MIPA in developing feasibility studies, business plans, company profiles, and promotion materials, and the other UNV responsible for business development focusing on assisting MIPA in carrying out industrial audits and facilitating industrial linkages between large companies and Small and Medium Enterprises (SMEs).

²² MIPA allocated one counterpart for brokering component and two counterparts for SME component's business development activities for the strategic growth sectors- renewable energy and tourism. However, due to internal issues these counterparts were later withdrawn or left MIPA resulting in disruption of activities.

The Project Development Analyst left the project upon completion of the first phase of the project that ended in December 2007. The GSB Broker also ended his assignment in June 2008. Two new Brokers were later recruited in September 2008, one local and the other international. The local broker reported for work in September 2008 and the new international broker started work in January 2009.

Though the project started quite well in 2007, its implementation in 2008 was haphazard due to staff turnover and delayed appointment of new staff. In 2009, all GSB activities were managed by local and international brokers.

Role of GSB Headquarters

The GSB headquarters team in New York provided technical back stopping to GSB Malawi project mainly in the form knowledge sharing, operational manuals and guides, reviewing and approving projects identified by the GSB national team.

Though training and briefing of GSB brokers by the Headquarters team would have been an ideal “immersion” into the project’s mainstream, this was not done, resulting in GSB brokers basically working independently with guides and manuals as reference. Under challenging circumstances brokers create a “bridge” between different categories of players and bring them together around specific projects. However some in the private sector, key partners for markets, indicated the lack of “neutrality” of the brokers who were more focussed on MOUs and involved in negotiations to benefit the other party without having the technical knowledge of the business operations and the difficult environment businesses operate. The brokers while upholding the core value of being pro poor should not be perceived as anti-private sector. The target beneficiaries (the poor), on the other hand, support the concept but feel frustrated by the delays in actual implementation mainly due to lack of funding and non-availability of affordable credit.

UNDP Country Office (CO)

Apart from providing administrative and funding support to the project, the CO in consultation with the PSC is involved in the recruitment of brokers and technical staff. The CO also acts as the secretariat for PSC²³ and as a directorate for procurement to meet the needs of the GSB project.

- (a) The GSB progress reports submitted to the PSC, however, indicate that there have been significant delays in funding by CO. The report²⁴ states that “Delayed funding affected the operations of the project. Normally, UNDP does not release funds on time at the beginning of the year. The first funding for 2008 was disbursed towards the end of March 2008. Hence implementation of the activities started in April 2008. The second disbursement for July-September 2008 was released in September. MIPA is still implementing the activities from this funding.”
- (b) In 2009, GSB project continued to face the problem of delayed funding resulting in delayed activities. This could have been avoided, had the project include the commitment

²³ UNDP and Government of Malawi Prodoc- Building Capacity to Grow Sustainable Business, 2007

²⁴ End of Year Report, 2008, MIPA sec 3.2

of counterpart funding (at least partial) and budgetary support by the Government or Implementing agency towards its continuity and sustainability.

2.5 PARTNERSHIP APPROACH

The challenge of implementing the MDGs by 2015 brings into sharp focus the need to engage a wide range of actors from all sectors specifically the business sector. The GSB team in Malawi has done reasonably good work towards developing partnerships, not only with the private sector but also with other stakeholders (civil society, government ministries and agencies, donors and financial institutions). Its effort to actively engage with the private sector donor group has allowed it to establish linkages with other donors' programmes in PSD and livelihoods including micro finance and MSME business development services and training

The GSB project in Malawi has broadly facilitated three types of partnerships (though only two projects have operationlised others are in various stages of dialogues and partnerships see Table1 at the end of this section for details):

Pilot Projects with Lead Companies

Based on successful business models and a 'proof of concept' for innovative new technologies that will ensure sustainable market-driven solutions, GSB team had approached local Mobile Telephone Company to extend ICT services in the rural areas²⁵ through the kiosks which will be operated as independent business outlets. A pilot project using various successful models around the globe is being explored before it is replicated or implemented.

Public Private Dialogues (PPD)

The objective for this approach is to facilitate innovative multi-stakeholder dialogues to identify constraints, opportunities and build consensus for commitments and joint action for systemic market impact. Several private sector companies, sectoral associations and NGOs were approached by the GSB team to encourage these dialogues and most of the brokerage component of the GSB in Malawi falls within this category.

Public Private Partnerships (PPP)

The capacity building of MIPA and making it work with various target groups can be broadly classified within this category but potential exist to promote closer and integrated collaboration between public and private sector partners to support local economic development and investments targeting a defined geographic region or sector. It typically involves the allocation of tasks, obligations, risks and incentives among partners.

However more needs to be done in Malawi to stimulate the sustainable economic growth and development necessary to meet the MDGs. In fact there needs to be on-going engagement and dialogues with the private sector, NGOs and various sectoral associations. Additionally, there is a need to build greater awareness and capacity within business and government on the issues at

²⁵ ICT services to rural areas including mobile banking for promoting micro finance have become quite popular around the world particularly in countries where in the cost of communications are high.

stake, the business case for engagement and the tools for engagement. GSB alone cannot undertake this mammoth task. The present approach by the Government to appoint sector wide approach working committees should give private sector a bigger role to meet the challenges.

TABLE 1 Summary of GSB Brokering Component
(Refer to Annex D for Synopsis of Investment Proposals)

Company (Activity)	Anticipated No. of Beneficiaries	Phase in Project Cycle					Observations
		Early Discussion / Pre-feasibility	Feasibility is being assessed	Preparation for Implementation	In Implementation	Implemented	
Warm Heart Food Company (Cassava Starch Processing Facility)	5,000 smallholder farmers - additional revenue between US\$ 800 and US\$1,200 per hectare of cassava grown			X			As the original project proposal was not viable; the total investment was revised to US\$4.5m from initial US\$12m. The project (if necessary) will be scaled up after year three of operation. The project promoters were linked by GSB with the BUGS scheme. The Business Plan was sent to Standard Bank of Malawi. GSB organized a roundtable with the project promoters and with Standard Bank, which has approved to fund the project. An MOU was prepared and signed. <i>The promoters are exploring firm commitments from potential buyers in South Africa before making any substantial investments.</i>
Maldeco Fisheries (Cage Fish Farming)	1,000 fish farmers, with provision of sustainable source of nutrition and increased income		X				The original design of the project has been modified. The Malawi College of Fisheries in Mangochi has been identified as new lead partner for project implementation. Five Groups of fish farmers have been identified and mobilized for phase 1 of the project. The college of Fisheries is responsible for training fish farmers (in fish management and cage construction), constructing and sinking the cage and facilitating the raising of fish in the cage by the farmers. Maldeco is responsible for providing fingerlings and fish feed to the farmers and providing a market for part of the product. The project architecture has changed in order to guarantee sustainability (the farmers build the cage instead of procuring the cage) and to increase the gross margin per farmer. An MOU was prepared and is to be signed. The budget for the training and cage construction was agreed on with the College of

							Fisheries. The training, cage construction and sinking is planned in early 2010. <i>Securing funding is major issue. GSB team is exploring with various financial institutions including Malawi's largest corporate house Press Trust which is interested in establishing a Revolving Trust Fund to help projects with "seed capital".</i>
Mzuzu Coffee Planters Union <i>(Domestic Coffee Market)</i>	4,000 smallholder farmers associated to 5 cooperatives			X			GSB is collaborating with the Mzuzu Coffee Planters Union to increase its capacity in access to finance. GSB is supporting the Union to facilitate securing of funding for the Microfinance fund in order to meet members' requirements. The brokers are facilitating access to the UNCDF fund part of financial inclusion in Malawi (FIMA), a project which aims at giving loan and capacity building funds to Microfinance Institutions. GSB together with FIMA is planning to organize training for the Union's five cooperatives on proposal preparation. <i>The Union is yet to get funding but exploring options from various institutions.</i>
Zain <i>(ICT for rural areas (VPOs))</i>	Total number of direct beneficiaries (VPOs – Village Phone Operators) and indirect (rural households) is being defined & assessed		X				Discussions with Zain Malawi were revived during 2009. Zain has since provided GSB with three Sim Payphone Booths that will be installed in three rural locations identified by GSB which will be a 3 month pilot project and to scale up later if business model used by Zain is viable. These booths will be managed by women groups. GSB is conducting market survey to ascertain viability of the booths. An MOU was prepared and is yet to be signed. <i>Once Zain Malawi finalizes its option of intervention in rural areas, GSB team will coordinate with various NGOs and women groups for training and micro finance.</i>
Universal Industries <i>(Cassava Processing)</i>	2,028 smallholder farmers (associated to MEDI) 1,250 smallholder farmers associated to... ..NASFAM 1,400 smallholder farmers associated to MVP				X		GSB is partnering with Universal Industries for providing a consistent market to cassava small holder farmers. GSB has identified four partners for project implementation purposes (MEDI, NASFAM, Environment Africa, and Millennium Villages Zomba). GSB is implementing the project with Malawi Entrepreneurs Institute Development (MEDI) which has been advocating earlier for growing of cassava for starch and other products under the Kellogg Foundation Project. However, farmers that grew cassava were unable to sell to the factories resulting in cassava being

						<p>unsold for over two years due to lack of market. On the other hand, Universal Industries requires over 1500 tons of cassava for its cassava processing plant therefore GSB has linked the 2028 farmers associated to MEDI to the company.</p> <p>GSB organized a roundtable session with 12 farmer representatives of 6 cooperatives, Management of Universal for price negotiations. Prices have been agreed between the parties. A contract with the farmers was prepared. GSB has also linked the following to the company:</p> <ul style="list-style-type: none"> - Environment Africa is an NGO that operates in Salima and works with smallholder cassava farmers. <i>The NGO's farmers and the company are yet to agree on prices. 50 farmers are involved.</i> - National Smallholder Farmers Association of Malawi (NASFAM). <i>The organization's farmers and the company are yet to agree on prices. 1250 farmers are involved.</i> - Millennium Villages Project in Zomba. <i>MVP's farmers and the company are yet to agree on price. 1140 farmers are involved.</i> <p>An MOU was prepared and signed.</p> <p>FAO has also been engaged for capacity building of small holder farmers. GSB is also in the phase of procuring 2 cassava chip makers in support of the processing efforts of the farmers.</p> <p><i>The project is in the final stages of implementation.</i></p>
<p>Unilever</p> <p><i>(Women Direct-to-Home Distribution)</i></p>	5,000 women associated to MVP and CISP				X	<p>GSB has partnered with Unilever on the Women Direct to Home Distribution project. The business model of the project is by moving from mass distribution models to direct-to-home sales through women in "difficult to reach" rural markets. Selling Unilever brands is therefore providing women with an increase in disposable income and growth in entrepreneurial skills. GSB has identified two partners (CISP and MVP) for the pilot phase. CISP, an International NGO has selected women from its loan and savings groups in the peri urban areas of the city of Lilongwe. Millennium Villages Project in Zomba has also been identified and is participating in the project by engaging women groups involved in income generating activities. Unilever has defined an incentive system whereby</p>

							<p>sales targets are set, products' or cash bonuses are provided to the women. The pilot project started in October 2009 with training of the women in basic business management by the participating NGO and Millennium Villages. Unilever trained the women in Sales Promotion and Marketing. Meanwhile, women groups have started selling the company's products. <i>The project is in Phase 1 of implementation with nearly 60 women benefitting in the programme. Second batches of another 60 women were trained for the next phase.</i></p>
<p>Dairibord Malawi <i>(Tomato Juice and Puree Processing)</i></p>	<p>1,000 tomato producers involved associated to MMCT</p>		X				<p>GSB has identified Mulanje Mountain Conservation Trust (MMCT), an NGO in Mulanje that organises smallholder farmers in Associations and encourage them to engage in commercial farming (1,000 farmers involved) which includes tomatoes but the farmers don't have reliable market. GSB is also collaborating with the extension officers of the Ministry of Agriculture.</p> <p>GSB organized a roundtable with all stakeholders to define their respective roles and responsibility of partners and for price negotiations. MMCT is planning to improve irrigation systems and construct green houses for tomato growers. Prior to the Roundtable session a visit to Mulanje Peak factory was organized with all the stakeholders involved, primarily to provide an understanding to the smallholder farmers of the functioning of a processing plant and costs of production for tomato end products.</p> <p>The relationship between the farmers and the company is yet to be formalised in form of contract farming. In collaboration with the Mulanje Agriculture office, GSB is negotiating the final price and developing a comprehensive plan for a long term agreement with the company. An MOU was prepared and signed. <i>Dairiboard and farmers are unable to reach an agreement on the final procurement price.</i></p>
<p>Village Hands Limited <i>(Fruit Juice)</i></p>	<p>1,500 beneficiaries (villagers) 30 direct employees</p>			X			<p>Village Hands Ltd (VAL) was a project originally funded by GTZ to train poor people in juice making and bee keeping. After GTZ phased out, VAL was formed by local farmers that have been producing juice from wild fruits like baobab and it also buys raw materials from the villagers. The VAL's juice has been certified by</p>

<i>Processing)</i>							Malawi Bureau of Standards and is being sold in all supermarkets in the country. The company is unable to satisfy demand due to lack of funds. GSB submitted an application to the Global Environmental Facility (GEF) Small Grants Programme. The Steering Committee met in October and rejected the project. An MOU was prepared and signed. <i>The company is yet to secure funding.</i>
CCODE <i>(Community Entrepreneurship Centre)</i>	420 direct beneficiaries (participating entrepreneurs) 620 indirect beneficiaries (suppliers)			X			CCODE's project envisages to establish an Art and Craft Centre in Lilongwe. The project has a capacity development component (enhancing craft making capacity) and a direct / indirect employment component. The centre will act as both a Production and Market Centre. GSB has been meeting potential partners for the project including UN Habitat and an NGO called SWAM which has expressed interest to partner with CCODE on this project. The SWAM converts waste into products such as curios, among other projects. These products will be sold at the Centre. It is likely to have a coffee shop which GSB intends to meet Mzuzu Coffee Planters Union to look at possibility of the union running the coffee shop. CCODE is preparing a business plan for possible funding and is in the phase of securing land. It is also preparing to register the project as a company. An MOU was prepared and signed. <i>Project is yet to secure funding</i>
Mangochi Dairy <i>(Milk Processing Facility)</i>	Total number of direct and indirect beneficiaries is being defined due to a review of the business proposal		X				GSB supported the project promoters with Business Advisory Services. The project proposal was submitted to PTA and IFC but failed to be funded. The Business Plan was reviewed and submitted to Standard Bank which has expressed an initial interest in the project. GSB is to organize a roundtable with the project promoters and Standard Bank. An MOU was prepared and signed. <i>The project is being assessed for funding.</i>

Source: Progress Reports submitted by GSB and field visits.

PART III

CONCLUSIONS, RECOMMENDATIONS AND THE WAY FORWARD

3.1 Conclusions

The overall conclusion of the evaluation is that the GSB project in Malawi is a “work in progress”. The project has undertaken a range of activities that could have a positive influence over a period of time but at the present stage it shows only traces of potential impact.

The climate for private sector development in Malawi is changing slowly as the Government is in the process of creating a more conducive environment with a plethora of policies and strategies. However there is much more to be done particularly for MSME development (policy, strategies, financing, developing capacities of service providers, technical assistance to develop competitiveness and productivity among others).

Since the GSB project has relevance to Malawi’s economic development landscape, it would be appropriate to extrapolate from lessons learned to maximize on its strength and address the weakness to move forward within a comprehensive integrated programme that encompasses overall MSME development, local economic development, financial inclusion as well as other cross cutting themes of sustainable livelihoods, gender, youth and environment.

3.2 Lessons Learned

a) Focus

The GSB’s focus and approach is well embedded within the MGDS, UNDAF and CPAP outcomes, all of which emphasize poverty reduction through sustainable economic growth in Malawi. To this end, the GSB has been engaging the private sector in innovative partnerships, often around new business models, to accelerate progress towards the MDGs. It has also leveraged UNDP’s unique capacity to create a neutral “space” at country level where information can be shared, issues raised, and appropriate local stakeholders brought together to address specific problems.

Additionally the assessment criteria adopted by GSB for selection of the various investment projects clearly demonstrates the fact that it strives towards poverty reduction, livelihoods and income generation. Furthermore these investment projects are in sectors which are the drivers of economic growth and which have a direct impact on poverty reduction and sustainable development. The GSB further facilitates “enterprise solutions” where profit and incentives justify real investment and where financial sustainability is embedded in the design.

The analysis of GSB project portfolios clearly indicate **a growing focus in sectors with significant potential for pro-poor and development impact**, i.e. the sectors in which the poor are strongly represented as entrepreneurs, employees and services/goods recipients. The main

sectors are agriculture, food-processing and access to goods/ services and financial services. This is a positive finding, showing that GSB projects are indeed pro-poor.

b) Partnerships are difficult to develop: dependencies are not

Building partnership involves significant efforts and more so to bring together various stakeholders with different ideologies and agendas. GSB project had worked successfully to meet its objectives by developing partnerships with all stakeholders, thanks to the GSB's excellent public relationship, communications strategy and personal contacts. However, it is important for **GSB to draw a line and not to get into the "business of business"**. There has been a kind of "dependency syndrome" and perception among some stakeholders that GSB being an UNDP project will be able provide all kind of support. It is important for GSB to clearly state right from the beginning "what it can do" and "what it cannot do". Memorandums of Understanding (MOUs) are useful instruments towards developing the commitments from all parties towards the implementation of a project but the focus should go beyond MOUs to develop strong healthy relationships which not only have mutual benefits but also a passion towards sustainable economic growth and development. In addition, consideration should be given to using other agreement mechanisms that are common in the business for profit market place in order to ease the transition to other private sector support mechanisms.

c) What gets measured can be better managed

Brokering component proposals and SME component training/workshops have shown quite an ambitious numbers in terms of potential beneficiaries, incomes for livelihoods and likely investments being made by the private sector (e.g. In the Unilever project, the proposal states that it will help 5,000 women *(but in actual fact during the first phase of its implementation only 60 women (additional 60 women were being trained) were involved after nearly one year of the project proposal approval. Instead the project could have staggered the number of potential beneficiaries in phases)*. However, due to late implementation of projects, it is quite difficult to measure the actual impact of GSB in Malawi in this evaluation. Even the capacity building component of MIPA does not clearly spell out its accomplishments in terms of FDIs and actual investments being implemented through GSB initiatives. For example there is no clear indication of actual investment flows and projects implemented due to participation in various international investment shows. Additionally there is no clear performance measurement framework that outlines the stages of implementation. The GSB reports broadly to PSC on the status of various investment projects as "in implementation" or "preparation for implementation".

In other words, GSB puts considerable emphasis on sharing its experiences; it has not necessarily been consistent in identifying, measuring and analysing results generated through its projects. A number of factors contribute to this. First, lack of an overall results framework for the project that makes it unclear what results are being targeted. Second, the projects, while **providing extensive information on activities undertaken during the year, have limited reporting on actual results achieved-** beyond these activities.

However, in order to develop efficiency and transparency of GSB Projects, there is a need to develop proper measurement tools and analysis that establish clear and consistent benchmarks. Key information gathered must be rapidly analysed to help create, or refresh, business action plans or next steps for action. Finally the progress generated by those actions must help both GSB and its stakeholders to move forward in the various stages of project cycle.

The monitoring and evaluation framework for GSB pipeline projects needs to be further strengthened. The current mechanism of reporting to PSC, GSB Headquarters, CO does provide some basic information but collection and analysis of baseline data for each GSB pipeline project needs to be further improved, clear targets and target indicators from the start of each GSB pipeline project should be defined in order to allow for monitoring of project progress and measuring its results²⁶. The common standards/ framework for monitoring and evaluation should be developed for GSB as a whole

d) GSB's Value Proposition and Service Offer

The GSB project has over all demonstrated that it could be a useful and valid service offer to the stakeholders but can provide much more value added if it becomes part of a wider MSME development programme. The project also provides the following:

- GSB has proven to be a **neutral platform** between companies (except in few cases due to wrong perceptions) and other stakeholders. UNDP's neutrality and convening power have been underlined by the stakeholders as a valuable contribution to establishing trust amongst different partners and to developing projects
- The GSB service offer in **developing and/or completing value chains** has proven to be particularly useful and should be strengthened in the future broader UNDP project. GSB is well positioned to provide 'the missing links' between small-scale producers and larger buyers or producers. In couple of cases GSB builds on the existing initiatives by other donors and international organisations that have established relationships/projects with smallholders (e.g. Village Hands Limited).
- GSB's co-funding of **feasibility studies/market research** demonstrates a commitment and serves as a show of faith and seriousness in a project. However, this service line was under-utilised and only few co-funded studies were organised by using UNDP's resources. This should be taken into consideration for future GSB project budgeting within a wider project as well as positioning of this particular service offer. Clear guidelines need to be developed for such studies/research including a nominal contribution from the private sector.
- GSB needs to spend more time and resources in developing **new and innovative project ideas/concepts**. GSB needs to develop this niche and should develop a "business lab" in collaboration with local universities, research institutes and private sector.

²⁶ Though GSB has developed some baseline information on individual projects, however for the second component on capacity building of MIPA, there has been no comprehensive institutional assessment at the project inception particularly in the technical service delivery areas of investment promotion and facilitation, with regard to management, human resources, governance, IT, finance. GSB project has attempted to address some of the institutional weaknesses but due to internal issues it was unable to institutionalise its initiatives and hence it is difficult to assess at the end of project which systems have improved or need further improvement.

- GSB has proven itself more effective at working with **domestic companies** rather than MNCs, helping them to develop market linkages as well as new products and service

e) Coherence among UNDP programmes

The GSB program has been attempting to build greater coherence with other compatible initiatives within the UNDP's Country Office (CO) programme. There has been limited success. While other initiatives have been informed of GSB's goals and activities, little effort has been made to integrate them as a coordinated and cohesive multi faceted national programme. Some of the other UNDP CO programmes in Malawi include:

- Sustainable Social and Economic Empowerment for Poverty Reduction
- Integrated Youth Development Programme
- Financial Inclusion in Malawi
- Local Economic Development
- Other cross-cutting programmes on Livelihoods, Gender and Environment.

f) Policy coherence at national level

The Government of Malawi, in recent years have been developing various policy frameworks for sustainable development and economic growth which includes Private Sector Development Policy and Strategy, Investment Policy. These policies are new and are in the process of implementation. There has been no GSB's role in policy inputs but UNDP CO can play a facilitating role to develop a process for MSME policy and strategy (there is an old policy that needs to be revisited). As GSB focuses on pro-poor investments, timing is right for Malawi to embark on a needs based MSME policy and strategy.

Meanwhile, UNDP CO has also developed a concept note on a broader PSD programme jointly with African Development Bank. The concept is currently being reviewed by the MoIT. The CO has also submitted PSD proposal to ONE UN Fund.

g) GSB operations and Management

The GSB project in Malawi initially started as a 6-12 month pilot phase and was continued to be extended as "pilot phase" on annual basis for two additional years. This uncertainty and short duration extensions has caused more damage than good to the project. The CO should have taken a firm decision either to discontinue or establish a proper project with 3 to 4 years life span. Due to uncertainty on the project extension coupled with delayed funding, the implementing agency as well as GSB's staff was kept "guessing" which affected the productivity and activities of the project.

The overall governance and supervision of GSB is vested with the Project Steering Committee (PSC) for policy directions. The PSC has a majority of government ministries, departments and agencies with just one representative each from private sector and civil society. There is a need to have a more balanced composition of members representing various private sector bodies and

associations, academia, women groups and civil society as well as few active donors. In view of cross cutting themes of GSB, it should become more proactive in various sector wide approach working groups and other national forums to advocate GSB's value addition and areas of potential collaboration.

h) Targeted interventions

GSB should **not engage with small-scale early-stage initiatives** Even if such initiatives have poverty reduction impact, the experience shows that they require long time and significant level of resources (technical and financial) and assistance, including business advice, to bring them to fruition and have results. GSB with its light touch approach and organisational structure is not in a position to provide or bridge all the relevant assistance needed, within the typical timeframe and budget of a GSB program. (e.g some projects within SME component)

GSB has been designed as a light-touch initiative with minimum staff structure. This can become a weakness and Brokers time and efforts get diluted. Instead GSB can be of significant value addition within a broader MSME development programme

i) Extent of Local Ownership

The GSB project has invested heavily “on” and “in” the local implementing agency (MIPA) to develop capacities but the project, since its inception, had inherent weakness in its design and implementation on sustainability and transferring of ownership. There is a possibility of UNDP's investment “melting away” due to no clear exit strategy. In fact, should the GSB program be closed, there is no mechanism to sustain GSB within MIPA. Additionally there is no funding provided by the Government of Malawi to MIPA to continue GSB after the programme ends.

j) Donor Coordination

In recent years, the interest among donors in private sector development in Malawi has increased – a positive trend especially after the establishment of the PSD donor working group and sector wide approach working groups in 2009. These working groups provide an opportunity to GSB for greater coordination among donors along with greater complementarity. However, while information sharing is a good starting point, experience shows that advances in coordination are blocked by a series of factors including the following: pressure to disburse funds by some donors, resulting in practices that are not supported by the broader donor group; an unwillingness to be open in the project design; rules and regulations of donors including their priorities and foreign policies towards aid; lack of clarity within the host government regarding the policy direction. Donor coordination and harmonization also takes a significant amount of field staff time and this must be factored into country office or program staff schedules.

It is important for GSB to establish a right chord with donors by clearly showing the projects' complementarity and value addition to the existing and potential programmes of the donors.

The Way Forward

The GSB project in Malawi stands at crossroads. There is recognition of its relevance and value addition but a need is felt by all stakeholders to reposition and repackage GSB, in order to take the engagement to the next level to create better conditions in the market which are not unique to one market actor or one lead company. Specific attention need to be given to the benefits, inclusion and the development of local micro, small- and medium-sized enterprises (MSMEs). This stimulation of a wider market change - adapted to the in-country context and market specifics - also catalyses more systemic change and impact. Being aware of the length required for such change, it is envisioned that GSB becomes a more integrated part of the various Country Office programming with stronger technical assistance capacities.

3.3 Recommendations

- i) The present form of GSB Malawi- as a standalone project- may be phased out within 3 to 6 months. Should UNDP embark on a successor programme, GSB can be merged within the value chain and inclusive markets component of the proposed programme that focuses on MSME development in Malawi
- j) UNDP in consultation with the Government of Malawi initiate at the earliest opportunity the formulation of a new MSME development programme document that focuses among others, on:
 - MSME policy and strategy
 - Training and institutional capacity building of service providers
 - Access to affordable finance through alternative financial portfolios (e.g. development finance through development bank, credit guarantee and leasing programme for small and micro business, value chain finance, etc)
 - Strengthening competitiveness and productivity with appropriate technology and quality standards
 - Export promotion and import substitution by developing sector focused value chain with inclusive markets
- k) UNDP Malawi could streamline and harmonize some of its current projects in the areas of financial inclusion and literacy, livelihoods and poverty reduction, local economic development, SME training and youth programmes. The new MSME development programme can be within an integrated programme incorporating the existing initiatives of Livelihoods, Education, Environment and Economic Empowerment Programme (LEEPP). Each of these initiatives can be focused projects within a broader LEEPP programme.
- l) The new MSME development should focus not only on sustainable businesses but also green businesses with gender focus and could be a joint programme in collaboration with other UN agencies such as ILO, UNIDO, UNCDF, ITC etc.
- m) The institutional framework for implementing the new MSME development programme should be designed in consultation with the Government and other stakeholders particularly due to the fact that MIPA is in the process of being re-structured.

- n) The project steering committee for the proposed new programme should have a wider representation from private sector, small businesses, NGOs, academia, financial institutions as well as senior government officials.
- o) As Malawi has a huge informal sector, there is an urgent need to address this issue as well for sustainable and equitable economic growth. Business formalization normally consists of reducing cost of establishing a business or simplifying process of registering them. The focus of this traditional approach has been to make business formal but lacked tools to use law to empower them. *Legal empowerment of informal businesses* is however developed on the premise that the law has a set of legal tools and institutions, and if made accessible to these “extra legal” or informal businesses, it will not only simplify the establishing process and reduce cost but also considerably enhance business opportunities; create decent jobs; make credit, capital and markets accessible and affordable, and most importantly make businesses visible with a legal identity. UNDP has the necessary expertise to address this issue and can work within the broader MSME and GSB programme.
- p) UNDP’s new successor programme should incorporate a clear performance measurement framework and appropriate monitoring and evaluation mechanism with clear benchmarks to measure results and progress at both projects/ programme level. For example, if the overall objective is to create jobs, promote FDI or expand businesses through finding them sources of technical, financial and management advice, indicators should be tracked for these, not just the number of potential projects reviewed.

ANNEX A – TERMS OF REFERENCE

The scope of this evaluation calls for critical review and understanding of the Programme content and its implementation modalities, linkages and relationship among various partners at corporate and donor level. Moreover, one has to take a critical look at the pilot phase (also baring in mind the lengthy process of engaging the private sector to implement pro-poor investment projects) and the impact areas' peculiar features in terms of impact on local development and companies' previous experiences in participating on similar private sector interventions.

Hence, the specific tasks of the Consultant shall include, but not be limited to, the following:

- Review and evaluate consistency of Programme outcomes (both intended and unintended);
- Assess and evaluate progress towards achieving the goals and purpose of the Programme, as well as the inputs and outputs and financial management;
- Assess all the Programme components and evaluate the level of efficiency in implementation through uncovering the extent to which specific objectives are achieved within the context of the allocated financial and other resources, their relative importance, geographical extent, time frame, the quality of private sector engagement, and the timeliness of the intervention as well as utilisation of the Programme resources
- Assess and describe complementarity as expressed through linkages between the work at the national and local levels (vertical) and across sectors and programmes (horizontal) as well as among various partners and operational units;
- Review and evaluate institutional, technical, managerial, financial and environmental sustainability taking into account existing organizational structures, procedures, and professional cadre within institutions;
- Assess the degree of sustainability and what will happen when UNDP support will be phased out;
- Review and evaluate the impact of the Programme on the intended beneficiaries;
- Analyze and present major findings, draw important lessons, and provide clear, forward looking recommendations for pragmatic strategies during the next course of actions;
- Provide a description of major constraints for the effective implementation of the programme;
- Provide recommendations regarding future UNDP support to GSB and the cooperation between UNDP and MIPA;
- Review the advantages and effectiveness of GSB being located within MIPA and its specific contribution for institutional capacity building and impact in promoting pro-poor investment policies and practices;
- Describe and evaluate national and local level support and ownership of the Programme and coordination among partners in planning, implementation, monitoring and supervision processes;
- Analyze the extent to which MIPA and UNDP strategically positioned themselves to respond to national needs and priority goals and objectives in the overall development context through this programme

ANNEX B – Growing Sustainable Business End of Project EVALUATION FRAMEWORK

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
1) Relevance	Is the program responsive to Malawi development challenges, priorities and objectives?	YES	Are national and local policies and strategies supportive of the Program? How is the program responsive to Malawi's priorities?	- GSB project fits into national priorities and strategies.
	Does the program address the real needs of targeted beneficiaries?	YES	Does the intervention make sense in terms of the conditions, needs and problems that it is intended to address?	- Very practical hands-on intervention providing solutions and addressing needs.
			Is the design (as defined in the Project Document and the Implementation Plan) appropriate, and is it based on a sound understanding of the local context?	- Project Design suits the local context and needs
			Is the intervention still relevant to the needs of the targeted beneficiaries and local partners?	-YES. The project is quite relevant and useful.
			Are beneficiaries clearly identified and are they targeted for benefits throughout implementation?	- YES. The project has clearly identified target beneficiaries.
	Does the program support UNDP's policies and priorities?	YES	Do the results contribute to UNDP's overall goals of poverty reduction and sustainable development?	- YES. It is anticipated that GSB will create jobs and generate, income and create wealth which will help in reducing poverty as well as create sustainable development

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
2) Equality between men and women	To what extent has equality between men and women been addressed in the GSB Program?	Gender has been GSB's one of the key focus areas.	What progress has been achieved generally in equality between men and women with partner institutions with respect to the following : <ul style="list-style-type: none"> • Shift to equality between men and women focus • Supportive institutional policy framework • Institutional enabling environment • Institutional momentum and commitment • Gender balance/Employment equity 	- Majority (75%) of the target beneficiaries of GSB project have been women. GSB has not been actively involved in any national policy framework. GSB's implementing agency has been supportive of gender issues.
			To what extent do women and men have equal access to, and can derive benefits from this program?	In fact, target beneficiaries are mostly women from Investment proposals.
			Is there evidence of advancements in women's equal participation as decision-makers, increased women's political rights generally including adequate representation and empowerment?	There is awareness and commitment to incorporate gender concerns in the operational structures and practices.
			What progress generally was made by partners towards the achievement of results at the output and outcome levels for women?	Significant numbers of women are likely to benefit from GSB once investment proposals are fully operationalised.
			What is the quality generally of monitoring for equality between men and women results	There is no monitoring mechanism but usually it is covered in the proposals.
3) Efficacy	What are the development Results and Success Factors?	As investment proposals are at various stages of implementation. It is difficult to	Is there evidence of improved capabilities of local counterparts to deliver quality services to the local and international businesses? Of increased capacity of partners to deliver services to their members and diversify service lines?	MIPA's performance and capabilities were enhanced with the technical support but not likely to sustain once GSB project is withdrawn.

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
		capture over all development results and impact.	Are there improved revenue streams, in both cases?	<p>No clear revenue streams. No budgetary support from government/ MIPA.</p> <p>New policies are being introduced which may likely include restructuring of MIPA</p> <p>Partners are supportive of GSB initiatives. There is a need for a broader programme on MSME development to make GSB more effective.</p> <p>It is too early to assess any unintended results</p> <p>Yes, GSB's two brokering projects are in early stages of implementation and have shown evidence of skills development and economic empowerment.</p>
			Were/are the pilot projects contributing to attainment of results (i.e. are they a useful mechanism towards achieving program results and how so)?	
			Is there evidence of policy and regulatory impact or micro-macro linkages?	
			What is the level of actual versus intended results with respect to advocacy? Are the partners happy to go with the flow of both program activities and national policies and regulation? Or are the partners increasingly proactive in their engagement with government and other stakeholders? In short, do the partners drive the agenda?	
			Are there any unintended results that can be attributed to the Program?	
			Is there evidence generally of enhanced skills, improved economic means and prospects, capacities for being self-sustaining, empowerment, and self-awareness?	
	To what extent have partnerships and/ or linkages between institutions and organizations been encouraged and		Is there active participation of partners and beneficiaries, including women, in the design, implementation, monitoring and evaluation of the Program?	<p>Beneficiaries are involved in implementation and evaluation but not in design.</p> <p>Yes partners have shared responsibility</p>
			Within the partnership or linkages that are facilitated, is there shared responsibility and accountability for decisions and results? Is there a sufficient level of trust and respect	

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
	supported?		<p>between the partners?</p> <p>Is there an appropriate level of coordination between the various stakeholders?</p> <p>Do Malawi partners have the appropriate authority and tools required to make decisions and take actions?</p> <p>In this program, how strong is the partnership-ownership linkage for sustainability of improvements to local government?</p> <p>Are management structures effective in responding to ongoing challenges and in promoting creativity and innovation?</p>	<p>through MOUs.</p> <p>GSB has initiated dialogues and networking among stakeholders.</p> <p>Yes to limited extent MIPA can take decisions on day to day management</p> <p>Sustainability issues are weak due to weak project design on exit strategy. With MIPA in the process of being restructured, it is not clear on the GSB's role and position</p>
4) Efficiency	Are the resources and services provided by UNDP designed to effectively respond to the needs and address the problems identified in the design?	UNDP Resources are quite sufficient to meet GSB's project activities. However delayed funding had hampered the progress of activities.	<p>What are the strengths and weaknesses of management structures?</p> <p>Are human, financial and physical resources used appropriately and financial information accurately and adequately maintained? Are the variances justified?</p> <p>Is there an adequate level of management personnel and resources in place for effective management and monitoring of the Program?</p> <p>Has the Program identified and is it making effective use of UNDP areas of competitive advantage? What has been the added value of using a Malawian executing agency?</p>	<p>- The PSC comprises majority of Govt. Ministries and agencies and only one private sector representative. No practical guidance given to address delay in project implementation.</p> <p>- Delayed appointment of brokers and other technical staff affected activities in 2008.</p> <p>- Due to no MIPA/ Govt. Funding the project may not continue once UNDP funding dries up.</p>

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
			Are resources and services delivered in a manner that effectively responds to conditions, including risks, needs, opportunities or problems?	<p>- UNDP's competitive advantage has helped GSB immensely.</p> <p>- There have been occasions where MIPA had not fully utilised UNDP's funds.</p> <p>- GSB has coordinated well with donors and local stakeholders. It is sharing knowledge and experiences at the newly formed working groups.</p> <p>Based on the GSB and MIPA's reporting system to UNDP there seems to be transparency in financial matters. However, MIPA has been pointing in the delay on information from UNDP.</p> <p>Yes. In recent times there has been increase sharing of information and knowledge.</p> <p>- No. The project provided extensive information on activities undertaken during the year, have limited reporting on actual results achieved.</p> <p>- The project identified the real issues (mainly financing) affecting the</p>
			Is the program well coordinated with other donors? Is this coordination based on a high level of knowledge of what other interveners are doing in difficult contexts such as Malawi? Does the program know and take into account their views on key aspects such as the absorptive capacity of partners?	
	Are the accounting and financial systems adequate for effective program management?	YES. MIPA and UNDP exchange financial reporting in the PSC meetings.	What evidence is there of prudence and probity being appropriately exercised? Is there adequate transparency at all levels?	
			Is there effective sharing of information? Is knowledge management effective, in the sense that the partners actively engage in knowledge production, sharing, and practice derived from knowledge? How prevalent is the KAP results chain: knowledge → attitude → practice?	
	Are there appropriate and adequate information systems in place to identify emerging risk, developing issues, and program	No. There is a need for performance measurement framework as well as proper Monitoring and Evaluation	Has the Performance Measurement Framework been applied during Program implementation? What have the partners contributed?	
			<p>Number and nature of systems in place</p> <p>Evidence that systems function and are used effectively</p> <p>Evidence of timeliness of using information to manage</p>	

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
	performance levels?	Mechanism with clear benchmarks	effectively, appropriateness of actions taken	<p>implementation progress but it was mostly due to external factors and beyond its control.</p> <p>- UNDP is keen to address these issues at appropriate forums as well planning to harmonize some of its own country programming initiatives.</p> <p>- There is a need to have a broader joint programme involving other UN agencies and GoM to create a conducive enabling environment for MSME development.</p> <p>- Need to mobilise additional resources as well as re-adjust the current stand alone projects within UNDP that could very well be merged.</p> <p>- Though there is considerable support for GSB initiatives at the local level but there needs for much more commitment demonstrated by the GoM and MIPA in terms of financial budgetary support for continuity after UNDP's exit.</p>
	Has the Program anticipated and responded to risks identified during design or which have arisen subsequently during implementation?	Most of the risks arose during implementation.	Is there evidence of the success of systems in responding to change? Of the application of lessons?	
			Did UNDP anticipate and respond to change based on adequate information?	
			Is the relationship between costs and results generally reasonable?	
	Are resource levels adequate?	May not be adequate for the revised successor programme	Are the expected results achievable with the level of UNDP and Malawi resources available for implementation?	
			Is there demonstrated local commitment to Program activities, to the attainment of results and the methods chosen to achieve them?	
			Does this translate into a proactive program of activities driven by the partners?	
5) Sustainability	Extent of local ownership	No	Is there a commitment on the part of local partners to provide the necessary and timely level of human resources and financial support to maintain benefits/results?	- Not clear at this stage. As the GSB project has not been fully operationalised and institutionalised within MIPA, there is a possibility of

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
	Commitment of adequate resources	No	Is there adequate institutional capacity of local or national partners to maintain results?	<p>UNDP's investment "melting away" after its exit.</p> <p>- New policies are being evolved by the GoM to create conducive environment.</p> <p>- UNDP is quite supportive for new approach to build upon the strengths of GSB as well as addressing the project's weakness.</p> <p>- Pilot phase of any project should be between 6- 12 months. CO should have taken a decision to continue the project as a 3-4 years based on pilot phase performance. Extending the project for short duration has not done good to the project's overall performance.</p>
	Institutional capacity building	Yes	Is the policy and regulatory environment conducive to maintaining results?	
	Conduciveness of international/ national environment (e. g. domestic policies)		To what extent did UNDP develop, encourage and support new approaches and practices?	
	How did UNDP programming contribute to the sustainability of results?	The project design had no clear exit strategy	What has been learned from program implementation to date that could strengthen the program's capacity to respond to its development challenges, priorities and objectives?	
6) Lessons Learned	What (if any) main implementation and policy issues need to be brought to the attention of the partners, Governments and/or UNDP?	There is a need for more conducive enabling environment especially for MSME development with focus on Policy & strategy, financing and credit, technical	What methods are successful?	<p>- On-going engagement and dialogue with all stakeholders and donors</p> <p>- Implementing agency should be involved right from the design of the project. MIPA has been "told on what has been done" rather than "how it has been done"</p> <p>- Major constraint of Investment proposals of GSB has been financing.</p>
			What needs to be done to further achieve/enrich the program objectives?	
			What are the core constraints to realizing such development cooperation opportunities? How should these constraints be overcome?	

Issues	Sub-Questions	Evaluation Comments	Performance Indicators – Variables to be Considered	Evaluation Findings
		<p>assistance.</p> <p>- There is need for stronger local ownership for the successor programme both in kind and budgetary support.</p> <p>- There is a need to have a joint programme involving various UN agencies and Donors</p>	<p>What changes (if any) to present strategies and practices are recommended?</p> <p>What should be future UNDP support to Malawi GSB?</p> <p>Subjects/themes</p> <p>Geographic focus</p> <p>Macro-meso-micro level of intervention</p> <p>Balance between UNDP support agency/ Malawi partner</p> <p>Coordination with other donors</p>	<p>There is a need to be involved in policy matters affecting the project.</p> <p>- The local PSC should have balanced membership from all sections of society in particular private sector, NGOs and academia.</p> <p>- Based on needs assessment and GoM, UNDAF, CPAP priorities and outcomes, the successor programme should focus smart interventions which have positive impact on poverty reduction and livelihoods. Working with other donors with similar priorities will be added advantage.</p>

ANNEX C – LIST OF PERSONS CONTACTED

UNDP Malawi

Mr. Richard Dictus	Resident Representative/RC
Mr. Ram Shankar	Dy. Resident Representative (Programmes)
Dr Agnes Chimbri	Assistant Resident Representative
Mr. Timothy Shawa	Programme Analyst, MDG
Ms Susan Mkandawire	Procurement Assistant

GSB Team in Malawi

Cinzia Tecce	International Broker
Jewel Ndalama	National Broker

GSB Team Headquarters

Mr. Casper Sonesson	Deputy Director, Private Sector Division
Ms. Srijana Rana	Policy Specialist- Integrated Value Chains

Financial Institutions

Mr. Brian Mtonya	World Bank
Mr Kumbukani Kuntiya	ITC Consultant, International Finance Corporation
Mr Jonathan Banda	Investment Officer, African Development Bank
Mr Thandazo Moyo	Manager, Standard Bank

Private Sector

Mr. Guy Pickering	Cassava Starch Factory
Mr. Bigboy Makoloma	Zain Malawi
Mr. Elias Dziko	Zain Malawi
Mr. Peter Njikho	CAMAL Coffee Association
Mr. Chancellor Kaferapanjira	Chief Executive, MCCCCI
Mr. Hope Chavula	PPD Economist, MCCCCI
Mr. Mazaza J Masiye	Customer Development, UNILEVER
Ms. Wongani L Chirwa	Customer Marketing, UNILEVER
Mr. Navin Kumar	Universal Farming & Milling
Theodora Nyamandi	Managing Director, Dairibord Malawi Limited
D. Zuzanani	Village Hands Limited-Neno

Civil Society & NGOs

Mr. Clement Chilungulo	Executive Secretary, Press Trust
Mr. Gibson Ngalamira	Operations Manager, Press Trust
Mr. Joshua Varela	General Manager, NASFAM
Mr. Roberto Barbagli	Country Representative, CISP
Mr. Sanjay Awasthi	Country Director, Oxfam
Mr. Jason Agar	Kadale Consultants

Mr. William P Mwale
Mr Mathew Ziba

NASME in Mchinj
Millennium Villages Project

Government Ministries / Agencies

Mr. George W Mwase
Mr. Felix Kadewere
Ms. Ester Mwimba
Mr Daud
Mr.J.R. Kaphweleza Banda
Ms. Matilda Palamuleni
Mr. Mike Misomali

Asst. Director of Enterprise, MoIT, GoM
Private Sector Reform Specialist, MoIT, GoM
Director, Private Sector Division
SME Development, MoIT, GoM
Acting General Manager,MIPA
Planning & Research Executive, MIPA
Entrepreneurship Trainer, MEDI

Donors

Mr. Temwa Gondwe
Mr. Alan Munday

European Union
European Union

Focus Group Meetings with following Groups

Millennium Village Project, Zomba
Naomis Masautuso Village, Mchinji

UNILEVER, Direct to Home Distribution Group
NASME Group

ANNEX D – SYNOPSIS OF GSB INVESTMENT PROJECTS²⁷

Projects approved in 2007-2008

1. Cassava Starch

A market test to assess the viability of the project was rolled out. Following the revisit of the project's viability it was scaled down, and a new business plan for the project was prepared. The total investment for the revised project amounts to US\$4.5m from initial US\$12m. The GSB organized a roundtable with the project promoters and with the potential financier Standard Bank of Malawi. The Bank together with GSB visited the project assets (Brownfield facility and cassava fields) to assess the collateral of the promoters. The Bank has resolved to fund the project. An MOU was prepared and signed.

PRESENT STATUS: The promoters are exploring firm commitments from potential buyers in South Africa before making any substantial investments

2. Cage Fish Farming

The set up of the project has been slightly modified from the original business plan. The Malawi College of Fisheries in Mangochi will be responsible for training the fish farmers, making and sinking the cage and facilitating the raising of fish in the cage by the farmers. Maldeco will be responsible for providing fingerlings and fish feed to the farmers. The company will also be responsible for marketing of the fish. The project architecture has changed in order to guarantee sustainability and to increase the gross margin per farmer. An MOU was prepared and is to be signed.

According to GSB reports “the main challenge facing this project is that Maldeco is not interested to get loans to buy the cages but the farmers themselves should get such loans. Each cage costs about MK4,000,000 (US\$28,169) which the farmers cannot afford. Hence, the most ideal way is to secure grants/ soft loans for the farmers to buy the cages. Each cage yields 20 tons of fish per year and is sold at MK560 (US\$3.94) per kg giving a gross income of MK11,200,000 (US\$78,873) per year. The advantage of cages is that they can last for more than ten years giving the farmers a sustainable source of income. Some farmers have shown interest in the project and may form groups. These groups will be linked to fisheries department for training. The project is yet to be implemented and GSB is following it up with Maldeco .

PRESENT STATUS: Securing funding is major issue. GSB team is exploring with various financial institutions including Malawi's largest corporate house Press Trust which is interested in establishing a Revolving Trust Fund to help projects with “seed capital”.

²⁷ Synopsis is an extract from

3. Malawi/Mzuzu premium coffee

Under this project, there are two sub-projects whose respective promoters are Coffee Association of Malawi (CAMAL) and Mzuzu Coffee Planters Union.

- i) CAMAL Malawi/Mzuzu Premium Coffee
- ii) Mzuzu Coffee Planters Union

GSB is in partnering with the Mzuzu Coffee Planters Union. This is a cooperative of smallholder farmers based in Mzuzu, the Northern part of Malawi. The cooperative processes Mzuzu Coffee.

The Union is endowed with a microfinance fund for input loans to the 4000 members which is currently is unable to meet the demand for loans. GSB is supporting the Union to securing funding for the Microfinance fund in order to meet members' requirements. The brokers are facilitating access to the UNCDF fund part of financial inclusion in Malawi (FIMA), a project which aims at giving loan and capacity building funds to Microfinance Institutions. The Union has agreed to apply for funds. GSB is facilitating the proposal preparation and submission through the organization of a preliminary training session for the Union's five independent cooperatives.

PRESENT STATUS: The Union is yet to get funding exploring options from various institutions

4. ICT for rural areas

Talks with Zain Malawi (a mobile telephone co.) were revived after change in management. IFC has engaged an ICT Consultant with whom GSB is liaising to identify areas of cooperation. It is expected that GSB will organize women groups to participate in the project through NGOs after the signing of MOU.

PRESENT STATUS: Once Zain Malawi finalizes its option of intervention in rural areas, GSB team will coordinate with various NGOs and women groups for training and micro finance.

(Projects approved in 2009)

5. MANGOCHI DAIRY - Milk Processing Facility

Mangochi Dairy Products (MDP) is planning for sustainable production and distribution of milk and dairy products catered for both rural and urban communities of Malawi in order to improve nutrition and food security (current consumption of milk in Malawi is estimated at 5 liters/year per person); consequently, MDP has embarked on a project to:

1. address the current national shortage of milk and dairy products; and

2. assist in addressing malnutrition among infants and pregnant women.

GSB advised promoters of the project to implement in phases by revising the Business Plan. This has been done and a business plan has been submitted to standard Bank. Earlier on, GSB submitted the project's initial Business Plan to IFC and Press Trust. An MOU was prepared and signed.

PRESENT STATUS: The project is waiting for funding

6. VILLAGE HANDS LIMITED - Fruit Juice Processing

Village Hands is a company that evolved from a project funded by GTZ to train poor people in juice making and bee keeping. The project phased out and a company was formed that has been producing juice from wild fruits like baobab. The company's juice has been certified by Malawi Bureau of Standards and is being sold in all supermarkets in the country. The company is unable to satisfy demand due to lack of funds. There has been enquiries from outside the country like France. Shareholders of the company are villagers who receive dividends at the end of the year. The company also buys raw materials from the villagers.

GSB has held a series of meetings with the company and the major problem is lack of funding for improvement of production process. It is hoped that once machinery has been procured, production will improve thereby satisfying demand. So far, GSB has submitted an application to Project Steering Committee of the UN Global Environment Facility (GEF) Small Grants Programme. An MOU was prepared and signed.

PRESENT STATUS: The Company is yet to secure funding

7. UNIVERSAL INDUSTRIES - Cassava Processing

The project objective is to develop an economically viable and growth oriented business for Universal Industries, a confectionary making company, and at the same time provide a fair and equitable return to the primary producers or smallholder farmers of cassava, through the manufacture of starch and glucose from cassava for both local sales (substituting imports) and by export sales (earning foreign exchange).

Universal Industries uses semi processed cassava (cassava chips) to produce cassava starch which is used in making confectionaries. The company requires significant quantity of semi processed cassava while there are only a few suppliers. Small farmers have a unique market opportunity for the semi processed produce.

GSB has linked Malawi Entrepreneurs Institute Development (MEDI), a statutory organisation to the company. MEDI has been advocating the growing of cassava for starch and other products under Kellogg Foundation Project. The project has funded four rural cassava factories in the rural areas of Lilongwe district. The main problem faced by these factories is lack of market for starch while farmers had abundant stocks of cassava due to lack of market. On the other hand,

Universal Industries requires over 1500 tons of cassava for its cassava processing plant. GSB linked the farmers to the company and organized a roundtable session with 12 farmer representatives of 6 cooperatives and the management of Universal Industries for price negotiations. Prices have been agreed between the parties and there is a likelihood of Universal purchasing cassava from farmers soon. An MOU to this effect is also signed. More than 2000 farmers are involved in this project.

Additionally GSB has also linked an NGO, Environment Africa to the company. The NGO operates in Salima and works with smallholder cassava farmers. The NGO's farmers and the company are yet to agree on prices. 50 farmers are involved. Similarly GSB has also linked Universal also with National Smallholder Farmers Association of Malawi (NASFAM). The organization's farmers and the company are yet to agree on prices. Around 1250 farmers are involved in this project

GSB has linked Universal also with Millennium Villages Project in Zomba. MVP's farmers and the company are yet to agree on price. 1140 farmers are involved. An MOU was prepared and signed.

PRESENT STATUS: The project is in the final stages of implementation

8. DAIRIBORD MALAWI - Tomato Juice and Puree Processing

The project plans to increasing the production capacity of Tomato Juice and Puree Production at Dairibord Malawi's current agro-processing facility. The project establishes linkages between farmers and Dairibord Malawi that mostly utilizes agricultural produce as raw materials.

GSB has identified Mulanje Mountain Conservation Trust (MMCT), an NGO in Mulanje working to conserve and enhance the natural beauty of Mulanje Mountain. the NGO organises smallholder farmers in Associations and encourage them to engage in commercial farming which includes tomatoes but farmers don't have reliable market. GSB has linked the farmers and MCTF to Dairibord and organized a roundtable with all stakeholders with regard to their respective roles and responsibility. MMCT is assisting in improving irrigation systems to implement green houses for tomato growers.

GSB also organised a visit to Mulanje Peak factory primarily to provide an understanding to the smallholder farmers on the functioning of a processing plant, awareness on various steps of the value chain and costs of production for tomatoes end products.

The relationship between the farmers and the company is to be formalised in form of contract farming. Under the Agriculture office in the district GSB is negotiating the final price and developing a comprehensive plan for a long term agreement with the company. An MOU was prepared and signed.

PRESENT STATUS: Dairibord and farmers are unable to reach an agreement on the procurement price.

9. CCODE - Community Entrepreneurship Centre

This project is being promoted by an NGO called Centre for Community Organisation and Development (CCODE). The organisation gives loans to the poor in the semi urban areas to build low cost houses. So far, over 600 houses have been built in the three regions of the country. CCODE also identifies and develop skills and competencies among its clients that can be further developed.

CCODE's project plans to set up an Art and Craft Centre in Lilongwe where its clients will be learning various trades and make products that can be sold at the same centre. The centre will act as both a Production and Market Centre.

GSB is meeting potential partners for the project (which includes UN Habitat). So far, an NGO called SWAM has expressed interest to partner with CCODE on this project. The NGO converts waste into products such as curios, among other projects. These products will be sold at the Centre. It will have a coffee shop, so GSB intends to meet Mzuzu Coffee Planters Union to look at possibility of the union running the coffee shop at the Centre as it already has plan to have coffee centres in the cities of the country. CCODE, the promoter of the project is preparing a business plan that will be presented to banks for possible funding. It is also preparing to register the project as a company. An MOU was prepared and signed.

PRESENT STATUS: Project is yet to secure funding.

10. UNILEVER - Women Direct-to-Home Distribution

Unilever is a multi-national company manufacturing international brands of hygiene and toiletries products. The business innovation of the project is to embark on mass distribution model of direct-to-home sales through women in "difficult to reach" markets. Selling Unilever brands will therefore provide women with an increase in disposable income and a profitable business opportunity.

GSB has identified CISP, an International NGO to participate in the project. The NGO has women loan and savings groups in the peri urban areas of the city of Lilongwe. Millennium Villages Project in Zomba has also been identified and will also participate in the project by engaging women groups involved in income generating activities. Under CISP, the women are expected to use their savings to be ordering Unilever products from distributors and sell them on door to door basis while Millennium women groups have already been linked to a microfinance Bank, Opportunity International Bank. Unilever has defined an incentive system whereby sales targets will be set, achievement of which products' or cash bonuses will be provided to the women.

The pilot project started on October 5, 2009 with training of the women in Basic Business Management by the participating NGO and 19 October 2009 at Millennium Village. Unilever will train the women in sales promotion and marketing. An MOU has been signed.

PRESENT STATUS: The project is in Phase 1 of implementation with nearly 60 women benefitting in the programme. A second batch of another 60 women has been trained for the next phase.

GSB Investor Outreach Project

Moto products Limited submitted a Chili Processing project to Malawi Investment Promotion Agency two years back to secure funding either for loan or as a joint venture. GSB took the initiative to assist this project. In a meeting with National Smallholder Farmers Association of Malawi (NASFAM) to discuss cassava and other projects, it was learnt that Nasfam was in the process of identifying a partner to venture into Chili Processing provided that partner has secured reliable market for the processed chili. GSB linked Nasfam with Moto Products which had secured market in South Africa but was lacking funding.

PRESENT STATUS: The project is yet to secure funding.