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Founding Partners



Reaping the Potential of Entrepreneurship for a Climate-Smart Inclusive Green Economy in Malawi

Policy Pathways for Eco-Inclusive Enterprise Support

Input Paper for Policy Prototyping Lab Malawi, April 2019



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Executive Summary

The transition to a green, inclusive, and climate-smart Malawi requires collaborative efforts from the public sector, civil society, and the private sector. Micro, small, and medium-sized enterprises (MSMEs) are important drivers of growth in Malawi, making cross-sector partnerships critical to co-creating an enabling environment for enterprises with inclusive and climate-smart business models.

Malawi's long-term development objectives are outlined in *Vision 2020*, and operationalised by the *Malawi Growth and Development Strategy*. The strategy aims to transition Malawi to a productive, competitive, and resilient nation through sustainable agriculture and economic growth, energy, industrial and infrastructure development, while addressing water resource issues, climate change, environmental management, and population challenges¹. These national long-term objectives translate international goals such as the UN Sustainable Development Goals, and climate goals outlined in the Paris Agreement into national strategies for development. Small and growing enterprises are essential contributors to these goals. They contribute about half of Malawi's GDP and are particularly significant for Malawi's agriculture sector, and therefore food security. SMEs are further essential to job creation, the inclusion of marginalised communities into the formal economy, and the generation of sustainable GDP growth. In Malawi, the SME sector employs 1.7 million people².

With these ambitious development goals and the significant potential of SMEs to contribute to the achievement of these goals, it is fundamental that small and growing businesses are supported through coordinated and inclusive mechanisms that help them build and scale their operations. Only a thriving SME sector can significantly contribute to national and international development goals. Currently, the performance and productivity of SMEs, however, is undermined by an inefficient and under-developed electricity system, unsustainable agricultural practices, and other related problems which undermine their productivity and income generation. The current situation points to an unfulfilled potential for SMEs to contribute to Malawi's sustainable development goals, and the need for the development of a more enabling environment in which they can grow.

Several overarching challenges have been identified in the Malawian policy landscape that hinder eco-inclusive small and growing enterprises in particular to launch and scale. These include access to finance, access to information and markets, a lack of specialised knowledge to improve their business, and a lack of opportunities to refine and scale the business model, among others. To address some of these overarching challenges, and sectors that have a significant potential to contribute to the green economy, SEED's Policy Prototyping Labs will focus on waste management, sustainable agriculture, and renewable energy. Participants of the labs will co-create specific solutions to improve access to finance for affordable clean energy solutions; reduce the vulnerability of small and growing businesses to climate events; increase awareness and advocacy for community-driven, closed-loop waste management, and support access to markets and business development opportunities for SMMEs and cooperatives.

The gap between expected SME contribution to sustainable development and climate goals and the current challenges in the SME ecosystem represents a significant opportunity for supporting the growth of *small and growing eco-inclusive enterprises*. Eco-inclusive, climate-smart enterprises have the potential to transform key economic sectors such as waste management, agriculture, and energy sectors into green sectors through integrating sustainable practices and the creation of green jobs. These eco-inclusive enterprises can also secure social justice by including marginalised communities along their value chains as suppliers, distributors and customers, and by creating jobs and skills development opportunities for the latter³. Supporting eco-inclusive enterprises, and catalysing their social, environmental and economic impact potentials by creating an enabling environment for them to build and scale their solutions and drive the transition to a climate-smart, resilient, fair, and inclusive green economy in Malawi.

1 Government of Malawi. 2017. The Malawi Growth and Development Strategy (MGDS) III (2017-2022). Building a Productive, Competitive and Resilient Nation (p. xvi). Malawi Ministry of Finance, Economic Planning and Development

2 FinMark. 2012. FinScope MSME Survey Malawi 2012. Accessed at: http://www.finmark.org.za/wp-content/uploads/2016/01/FSMalawiMSME_Rep2012FNL1.pdf

3 Kate Raworth, Sarah Wykes and Steve Bass. 2014. Securing social justice in green economies: A review and ten considerations for policymakers. IIED Issue Paper. IIED, London. Accessed at: <http://pubs.iied.org/pdfs/16578IIED.pdf>

1 Introduction and Aims of Input Paper

After five years of supporting eco-inclusive enterprises in Malawi, SEED launches its Policy Prototyping Programme, a one-year programme that facilitates collaboration between policy-makers, financial institutions, sector experts, researchers and eco-inclusive enterprises to prototype policy instruments to create an enabling environment for eco-inclusive SMEs in Malawi.

This input paper provides a snapshot of the ecosystem in which eco-inclusive small and growing enterprises operate. By identifying areas where further support is needed, this paper serves as an input to the SEED Policy Prototyping Programme, in which stakeholders across sectors collaborate to co-create policy instruments designed to build a more enabling ecosystem for eco-inclusive entrepreneurs.

The aims of this paper are therefore:

- To set the stage for an informed discussion and hands-on support instrument prototyping in the SEED Policy Prototyping Labs by sharing perspectives of eco-inclusive enterprise support with policy-makers, sector experts, financial institutions, non-governmental organisations (NGOs), Business Development Support (BDS) providers and other ecosystem stakeholders
- To characterise and map categories of actors ('ecosystem builders') within the entrepreneurial ecosystem of climate-smart small and growing enterprises
- To outline key challenges and barriers faced by eco-inclusive entrepreneurs when growing and scaling their enterprises
- To lay the foundation for the design of tailored support approaches for eco-inclusive climate smart enterprises, based on a collaborative ecosystem approach



- SEED supports the growth of small and growing enterprises that deliver social, environmental, and economic returns
- *SEED's work is based on the understanding that the promotion of social and environmental entrepreneurship on a local level is pivotal for sustainable development* and poverty reduction, and therefore has the potential to improve livelihoods, protect the environment, and create a more inclusive society
- SEED translates over fifteen years of experience working with eco-inclusive SMEs to support investors and policy-makers to establish ecosystems that are conducive to the growth and upscaling of eco-inclusive small and growing enterprises

SEED Policy Prototyping Programme 2019 in Malawi

- Promotes innovative solutions tackling challenges facing eco-inclusive enterprises in Malawi
- Multi-sectoral & multi-stakeholder approach
- Explores the regional and national replication of best practices
- Uses local expertise to prototype tailored policy instruments
- Supports Malawi's sustainable development path

2 The Future of Eco-Inclusive Entrepreneurship in Malawi: Driving Green and Inclusive Economies

2.1 Eco-inclusive Entrepreneurship in National Agendas and International Frameworks

Eco-inclusive enterprises

are enterprises which are ecological and inclusive from the outset:

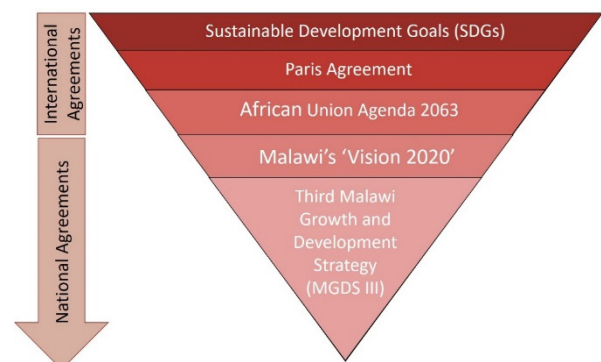
ecological by implementing sustainable production methods; contributing to resource efficiency, waste reduction, or biodiversity conservation; and helping to mitigate or adapt to climate change;

inclusive by creating local jobs, in particular for often deprived populations such as youth, women and low-income households, and through integrating these people into their enterprise's local and global value chains as suppliers, distributors and customers.

There is a significant opportunity for eco-inclusive enterprises to contribute to national and international agendas and goals of inclusive economic growth and job creation as well as agendas for climate change adaptation and mitigation. The specific goals and challenges that eco-inclusive enterprises contribute to depends on the integration of international goals in the national policy landscape, and an enabling environment for small and growing enterprises to build and scale their activities.

In the context of the **Sustainable Development Goals (SDGs)**, a global agenda for inclusive and equitable growth, the government of Malawi has to address its key social and environmental development challenges, using the international framework as a guide to setting goals¹. In 2015, the **Paris Agreement** was internationally adopted to combat climate change and to accelerate the actions and investments needed for a sustainable low carbon future. In line with international agreements such as the SDGs, the Paris Agreement and the African Union Agenda 2063, Malawi's national long-term development aspirations are articulated in the **"Vision 2020"**, which aligns the

government development strategy with these international agendas to transition Malawi to be environmentally sustainable, culturally vibrant, technology-driven, and self-reliant, with effective provision of social services and equal opportunities for all². The Vision 2020 is implemented through a series of growth and development strategies, which build on each other to further each goal outlined. The current and **third Malawi Growth and Development Strategy (MGDS III)** was called into action as the final medium-term national development strategy that will take Malawi to the achievement of Vision 2020. The objective of the strategy is to move Malawi to a productive, competitive, and resilient nation through sustainable agriculture and economic growth, energy, industrial and infrastructure development, while addressing water, climate change, environmental management, and population challenges.³



Overview of the international and national development frameworks

MGDS III emphasises the role of the private sector to invest in economic and social sectors to generate growth and create wealth⁴. The importance of entrepreneurship in contributing to the long-term development vision has been highlighted at the national policy level through the introduction of the **Private Sector Development Policy** in 2009. Among other interventions,

¹ UNECE (no date). Review of the International Best Practice in SME State Support. Available from: www.unece.org/

² National Economic Council of Malawi. 1998. National long-term development perspective for Malawi. Available from: www.sdn.org.mw/

³ Government of Malawi. 2017. The Malawi Growth and Development Strategy (MGDS III) (2017-2022). Building a Productive, Competitive and Resilient Nation (p. xvi). Malawi Ministry of Finance, Economic Planning and Development

⁴ *Ibid.* P. 90.

the government strives to improve the policy framework for SMEs to help create an enabling environment for further growth of the sector. The government is currently developing a **MSME Policy**, which will guide future policy interventions in the sector.

Despite the link between entrepreneurship and economic growth and wealth creation, eco-inclusive entrepreneurship is not yet seen as a vehicle for **green and inclusive growth** in Malawi. This has implications in the types of businesses that are supported, and whether eco-inclusive SMEs are included in implementation plans for climate change and inclusive growth.

The proliferation of eco-inclusive enterprises in Malawi has great potential to assist in mitigating the risks of environmental degradation and addressing social needs, thereby contributing to green and inclusive growth. Social needs that need to be addressed include the high poverty rate (50.7 %), insufficient energy supply, high transportation costs, skills shortage, insufficient financial resources, a narrow export base, high illiteracy, dependence on agriculture, and an HIV/AIDs pandemic⁵. Because of the country's vulnerability to climate change, there is an urgent need to undertake interventions to enhance the resilience of productive sectors. An innovative and well-supported eco-inclusive business sector has the potential to assist in adapting to climate change, and to achieve goals set out in the Vision 2020, SDGs, MGDS III, and other national agendas such as the **Malawi Poverty Reduction Strategy** and **Malawi Economic Growth Strategy**. Eco-inclusive and social enterprises have been recognised as an important contributor to the achievement of the SDGs, to which Malawi is committed⁶. Small and growing enterprises do not feature strongly in the translations of these international agendas at a national level, leaving a significant opportunity for their potential to be further leveraged, such as in the areas of climate change mitigation and adaptation. Investments into climate change adaptation were identified as the most effective strategy for strengthening and building resilience in the agriculture sector⁷. The key role that climate change adaptation plays in Malawi's national agenda is emphasised in the **National Climate Change Management Policy** and **Malawi's Intended Nationally Determined Contribution (INDC)** to the UNFCCC Secretariat⁸.

5 UNDP. 2015. Malawi National Human Development Report. Available from: www.mw.undp.org/

6 Social Enterprise UK. 2015. 'Think Global Trade Social'. Accessed at: https://www.britishcouncil.org/sites/default/files/seuk_british_council_think_global_report.pdf

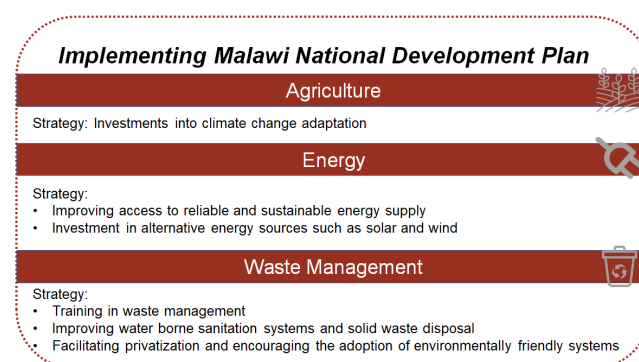
7 Government of Malawi. 2017. The Malawi Growth and Development Strategy (MGDS) III (2017-2022). Building a Productive, Competitive and Resilient Nation. Malawi Ministry of Finance, Economic Planning and Development

8 Malawi's Intended Nationally Determined Contribution (INDC).⁹ Accessed at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Malawi%20First/MALAWI%20INDC%20SUBMITTED%20TO%20UNFCCC%20REV.pdf>

2.2 Sectoral Contributions of Eco-inclusive Small and Growing Enterprises

Eco-inclusive enterprises have the potential to contribute significantly to multiple economic sectors, including agriculture, energy, and waste management. Malawi is reliant on an un-diversified agricultural sector (over 80% of exports), that is particularly vulnerable to the impact of environmental and climatic forces. In addition, most of Malawi's energy supply comes from biomass, most of which is sourced unsustainably, thereby resulting in widespread deforestation. At a sectoral level, the largest emitters of greenhouse gases are forestry and land-use, agriculture and energy respectively¹¹. The country also struggles to meet its energy demand, leading to government aims to bring the country onto a renewable energy path. Furthermore, as the population rate continues to increase and urbanise, the Malawian government struggles to cope with waste management challenges. There is no efficient or consistent waste disposal system in place, the government lacks the resources to process the high amount of waste, and waste is not yet seen as a valuable resource for the circular economy.

Due to these sectoral challenges, green economy initiatives in Malawi focus on the key sectors of forestry, agriculture, energy, and waste⁹. Small and growing enterprises have a key role in the development of green practices and jobs within these sectors, offering an opportunity for eco-inclusive businesses to drive the transition to a green economy. Eco-inclusive enterprises can promote sustainable agricultural practices and climate-smart technologies, they can develop and apply innovative waste management systems, they can provide waste disposal and recycling services, and they can promote sustainable energy production and the use of renewable energy technologies.



Overview of national development implementation strategies for the agriculture, energy and waste management sector as green economy sectors in Malawi

9 Ibid.

2.2.1 Malawi's Agriculture Sector & the Role of SMEs

Malawi's agriculture sector accounts for around 28% of GDP and contributes over 80% of the country's national export earnings. Approximately 64.1% of the country's workforce is employed by the sector, and SMEs and smallholder farmers are the driving force of sector development. The sector further significantly contributes to poverty reduction, food security and nutrition¹⁰. Given the important contribution of SMEs to the sector (about 30%), the relevance of SMEs to combat climatic disasters such as drought, floods or other climate-change related extreme weather events increases even further.

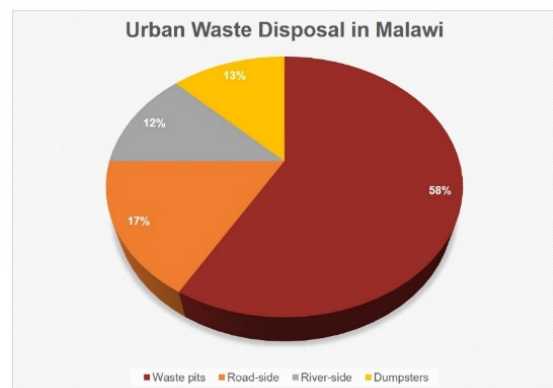
Currently, the sector's productive capacity is undermined by climate change events such as droughts and flooding, as well as production inefficiencies such as post-harvest losses, lack of agriculture diversification, low irrigation development, small landholding sizes, and underdeveloped market systems.

Turning the country's agriculture sector into a robust growth sector is a major development target for Malawi. To achieve this, the country has been overhauling and developing new agriculture sector policies, such as the **National Agriculture Policy**, which aims to enforce sustainable irrigation development, mechanization of agriculture, and market development, among other aspects, which will improve the sustainable management of agricultural resources, increase income of producers through enhanced productivity and ultimately fight the persistence of poverty, particularly in rural areas¹¹.

The government's goal is to achieve sustainable agricultural transformation that is adaptive to climate change and enhances ecosystem services¹². Agribusiness development is one of the nation's development goals and SMEs - as main contributors to the sector - play a vital role in developing agribusinesses opportunities and contributing to the sustainable development of the sector through applying sustainable, productivity enhancing technologies, and innovative diversification strategies.

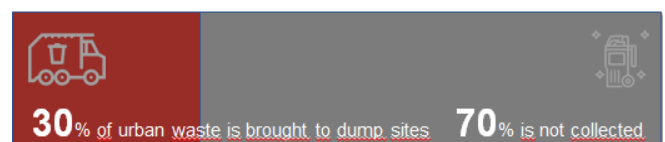
2.2.2 Malawi's Waste Management Sector & the Role of SMEs

With an urbanization rate of about 8%, cities in Malawi are challenged with the high influx of migrants from rural areas in search of employment. Urbanisation brings with it the challenge of waste accumulation, while there are only limited public resources to manage the waste. Major cities produce a high amount of solid waste, of which only a very small percentage is processed or treated.



Source: Manda, M.A.Z. (2009). Water and Sanitation in Urban Malawi: Can the Millennium Development Goals Be Met? A Study of Informal Settlements in Three Cities; International Institute for Environment and Development (IIED): London, UK.

The city of Lilongwe, for example, produces more than 100 tons of solid waste every day, most of which comes from residential areas. According to the city assembly statistics, only 30% of the refuse is collected and brought to dump sites. A total of 10% of the generated waste was found to be plastic, which translates to huge amounts of plastic material dumped into the environment daily. Blantyre city produces 300 tons of waste per day, of which only 28% is collected by the municipality. Since cities struggle to offer sufficient and appropriate waste management services, residents and companies litter streets and public areas, and illegally dump waste in inappropriate places or burn them, thus creating harmful smoke emissions.



To address waste management challenges, the Malawian government sets out a regulatory framework in the **National Environmental Policy**. Identified waste management strategies include training, improving water borne sanitation systems and solid waste disposal using appropriate technology, facilitating privatization and encouraging the adoption of environmentally friendly systems. Few initiatives, however, tackle the entire value chain of waste management. Along the waste and recycling value chain, various opportunities to establish new eco-inclu-

¹⁰ Government of Malawi 2017. The Malawi Growth and Development Strategy (MGDS) III (2017-2022). Building a Productive, Competitive and Resilient Nation (p. 32). Malawi Ministry of Finance, Economic Planning and Development.

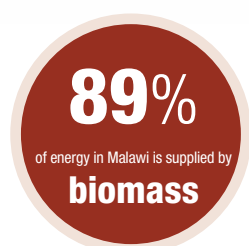
¹¹ Malawi Ministry of Agriculture and Food Security. 2010. Malawi National Agriculture Policy. Accessed at: <http://extwprlegs1.fao.org/docs/pdf/mlw141073.pdf>

¹² Government of Malawi 2017. The Malawi Growth and Development Strategy (MGDS) III (2017-2022). Building a Productive, Competitive and Resilient Nation (p. 33). Malawi Ministry of Finance, Economic Planning and Development.

sive enterprises arise, from the recovery of resources to the use of these recycled materials in local manufacturing processes. SMEs are of high importance as they can provide direct waste collection services and proper re-processing of collected waste.

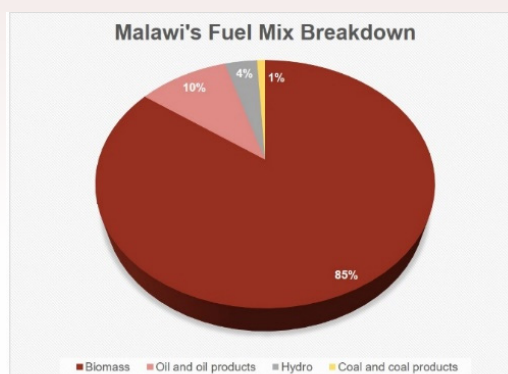
To address the value chain of waste management, Malawi could take inspiration from Zambia, where the government has been addressing its waste management issues for many years. In 2004, the National Solid Waste Management Strategy was introduced and today, waste is recognized as a resource for further use, resulting in significant employment creation in this sector. The Zambian Environmental Management Authority set up in 2011 remains committed to providing regulatory guidance in the waste sector.

2.2.3 Malawi's Energy Sector & the Role of SMEs

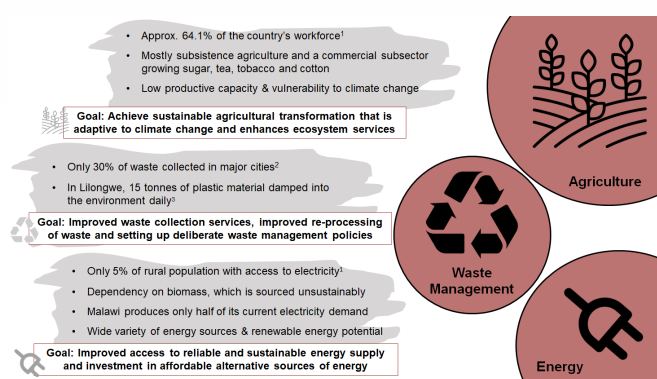


Malawi is endowed with a wide variety of energy sources including coal, wood, solar, hydro and wind. Despite alternatives, Malawi depends largely on biomass as its major source of energy. Biomass (firewood, charcoal, agricultural and industrial waste) produces 89% of all energy, while electricity contributes just 3% of Malawi's energy. Biomass is usually sourced unsustainably, resulting in wide-scale deforestation. Malawi produces only half of its current electricity demand, most of which is generated from hydro. Due to the deficit in energy production, Malawi has recently started to import electricity from Zambia in order to reduce electricity blackouts.

In 2017, the government released its first **Renewable Energy Strategy**, which aims to promote grid-scale renewables, clean mini-grid systems, off-grid solar, and bioenergy. By 2020, the government wants to source 7% of primary energy from renewables¹³. SMEs can significantly support government efforts through the development of scalable clean technologies such as clean cook stoves, off-grid technologies or sustainable solid biofuels including charcoal and briquettes, and innovative business models that reach marginalised populations with these products.



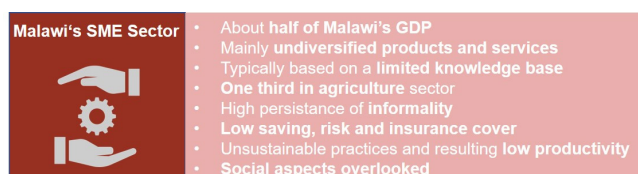
Source: Hivos, Malawi: Energy Profile (2015), Available at: https://www.hivos.org/sites/default/files/malawi_profile.pdf



Key characteristics of Malawi's agriculture, energy and waste management sector

2.3 Profile of Small and Growing Enterprises in Malawi

Malawi is estimated to have about 760,000 small business owners, with SMEs accounting for 38% of the country's working age labour force¹⁴. In reality, a few large companies still dominate the economy, and small businesses typically remain in the informal sector. Malawian SMEs offer mainly undiversified products and services, with business models which are typically built on a limited knowledge base.



While most SMEs are linked to the agriculture sector, approximately 23% are involved in general trading and vending.

¹³ IRENA. 2010. Renewable Energy Country Profiles for Africa (p. 61). Accessed at: <https://www.irena.org/publications/2011/Nov/Renewable-Energy-Country-Profiles-for-Africa-November-2011-edition>

¹⁴ FinMark. 2012. FinScope MSME Survey Malawi 2012. Accessed at: http://www.finmark.org.za/wp-content/uploads/2016/01/FSMalawiMSME_Rep2012FN1.pdf

The 2012 Malawi financial scoping survey of SMEs launched by the Ministry of Industry and Trade shows that small business owners in Malawi are relatively young with an average age of 31 years, with 70% of them having just primary education. 54% of SME-owners are males, while 46% are females. Only 16% have chosen to access financial loans from banks because they are wary of their ability to repay the loan. The largest source of credit for small businesses is therefore immediate circles of friends and family, followed by village banks or through group microfinance loans. Business owners mainly borrow to pay back debts and less frequently to grow the business. More than half of all small business owners do not have or use savings products or services, and risk and insurance cover is very uncommon among SMEs.

Given the lack of access to finance and offer of undiversified products and services, SMEs face difficulties scaling their businesses, testing innovative products or ideas, and marketing their services as contributors to the green economy.

Malawi: Economic, financial and entrepreneurship overview

Indicator	Malawi	Ø SADC
GDP (current US\$) ¹	US\$ 6.3 billion	US\$ 43 billion
GDP per capita (current US\$) ¹	US\$ 486	US\$ 3,635
GDP real growth rate ¹	4%	4.63%
Unemployment rate ²	21%	
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population) ³	71.4%	--
Corruption Perception Index ³	32/100	39/100
Labour force by sector ⁴	90% in Agriculture 10% in other sectors	
Informal employment as a % of total employment ⁵	88.7%	
Youth unemployment rate ⁴	23%	11.5%
Total entrepreneurial activity (TEA) ⁶	28%	
TEA Innovation Rate ⁶	28.2%	21.6%
High Job Creation Expectation Rate ⁶	0.8%	14.7%
Contribution of SMEs to GDP (in %)	>50%	
Number of small business owners	760,000	
Employment in the SME sector	1.7 million people	
Share of SMEs (% of Malawi's total working age population)	38%	
Estimated percentage of female entrepreneurs ⁷	46%	
Overall ease of doing business (out of 189 countries) ⁸	133rd	
Starting a business (out of 189 countries)	150th	
Account at a formal financial institution (% age 15+) ⁹	16.14%	30%
Prime interest rate ¹⁰	45%	

Sources: 1) World Bank Indicators, 2017; 2) National Statistics Office Malawi (NSO), 2013; 3) Transparency International, 2017; 4) Central Intelligence Agency, 2015; 5) NSO, 2013 and SADC, 2011; 6) Refers to proportion of working age population involved in entrepreneurial activities; Global Entrepreneurship Monitor, 2013; 7) FinMark, 2014; 8) Malawi Investment and Trade Center; 9) The World Bank (2017); 10) CIA World Factbook.

2.4 Showcasing Eco-Inclusive Entrepreneurship in Malawi

The profile of Malawian SMEs indicates that many SMEs offer undiversified products and services, however, there are several examples of small and growing enterprises that have developed and scaled successful eco-inclusive entrepreneurship models. Some of these enterprises have been supported by SEED to leverage their growth potential and scale their impacts in the Malawian green economy. The below examples offer an insight into the kinds of products and services these enterprises offer, how they integrate environmental and social impacts into their core business models, and how they overcame challenges to scale with support of ecosystem stakeholders.



Honey Product Industry

Eco-inclusive Enterprises in the Agriculture Sector

Honey Product Industry (HPI) creates a value chain around organically produced honey through an innovative micro-franchise model, offering young adults in rural areas employment opportunities and improving smallholder farmers' resilience and access to markets as well as promoting biodiversity conservation. HPI's model addresses challenges in the agriculture sector in Malawi by offering smallholder farmers an alternative source of income when yields of rain-fed agriculture are low. HPI involves low-income and historically marginalised groups as consumers, producers and distributors, thereby creating social, economic, and environmental impacts.

HPI received a SEED Africa Award in 2014, and participated in the SEED Catalyser Programme to develop their idea and test it in the market. This opened doors for more partnership and support opportunities. HPI has worked with partners such as IFAD under the Rural Livelihoods Economic Enhancement Programme, which assisted in setting up the aggregation centres and franchises. Recently, HPI was awarded a grant by UNDP under the Growth Accelerator Programme to support the expansion of the enterprise.

Currently, one major challenge for the enterprise is to guarantee a reliable access to honey due to deforestation. HPI therefore encourages tree planting activities, which are directly linked to the supply chain, but struggles to find financing for this activity.



People of the Sun

Eco-inclusive Enterprises in the Waste Sector

Malawi's artisans have a centuries-old craft tradition using natural resources and generations of indigenous knowledge. Key challenges for these artisans is translating these traditions into modern designs, accessing a platform to sell their products, and the knowledge and funds to set themselves up as formal enterprises. To address this gap, People of the Sun has developed an inclusive value chain that generates social benefits for marginalised local artisans and links their innovative products to the market. The enterprise supports low-income artisans with capacity building trainings to build sustainable businesses, which will raise their income and standard of living. By providing a market to artisans and selling their homeware products made from recycled materials, the enterprise promotes the reduction of waste from paper, cardboard and glass, while creating awareness on the value of recycling.

This enterprise has partnered with various stakeholders, ranging from national and international organisations, investors, research institutes, suppliers, governmental bodies, NGOs, other social and environmental enterprises. One such partner is Mango Club, an enterprise composed of over 40 weavers. The club has a trading relationship with People of the Sun and also receives regular business support. Another partner is Bangwe Carvers, a micro-enterprise composed of six artisans selling to People of the Sun and receiving support in a similar agreement to Mango Club. Due to the success of the business, People of the Sun is currently replicating its business model to work with artisan crafters in Nepal.



Kumudzi Kuwale

Eco-inclusive Enterprises in the Energy Sector

Kumudzi Kuwale created new ways of looking at off-grid solar energy solutions as a sustainable, more flexible and less costly alternative for electrification than regular grid extension. The enterprise promotes a full set of energy services and electrical installations that is unique within Malawi while offering vocational skills training and employment. In doing so, the business offers a product that addresses one of the key problems in Malawi – a lack of access to sustainable electricity. The solution targets groups excluded from grid energy, such as the rural poor.

In 2014, Kumudzi Kuwale won a SEED Africa Award for promoting clean energy in Malawi. Kumudzi Kuwale was recently subcontracted to supply and install a large-scale 80kW solar energy farm close to the Malawian/Zambian border as part of the Increasing Access to Decentralised Energy in Malawi project by Community Energy Malawi, financed by GEF / UNDP and the Government of Malawi. Through this partnership, Kumudzi was able to further develop its business model. Recently, the enterprise was awarded a cash prize through the Energy and Environment Partnership Africa, which provides Kumudzi with capital to expand and scale up the existing business to build more than 300 charging stations in poor villages within the next two years. In the near future, Kumudzi Kuwale is planning to partner with SunnyMoney, one of their beacon suppliers, to start a pilot project that will improve the currently installed charging stations. The main challenge for the enterprise thus far has been a lack of capital to scale up the existing business to a more mature level.

3 Analysis of Business Conditions for Eco-Inclusive Enterprises: An Ecosystem Framework Approach

NB: Based on anecdotal evidence and specific examples and analyses from SEED

Key Ecosystem Stakeholders in Eco-inclusive Entrepreneurship

Every entrepreneur operates within an ecosystem that determines the access to talent, finance, and markets that they need to grow their businesses. This means that ecosystem stakeholders are critical to constructing an enabling environment that is conducive to the success of eco-inclusive SMEs. The collaborative efforts of multiple stakeholders within this ecosystem are central to multiplying opportunities for eco-inclusive enterprise success in Malawi.

3.1 Towards a Categorisation of Ecosystem Stakeholders



In coordination, these categories of actors possess tremendous potential to ensure that eco-inclusive enterprises receive the necessary finance, business development support, and physical and knowledge infrastructure to realise their social, economic and environmental objectives. A clear challenge in this ecosystem framework for eco-inclusive entrepreneurship in Malawi is the high number of stakeholders and different and overlapping initiatives, leading to an issue of coordination and collaboration between the stakeholders and policy initiatives.

3.2 Existing Policy Initiatives and Instruments

The Malawi Growth and Development Strategy (MGDS) III (2017-2022), and Vision 2020, both identify the role of the private sector to invest in both economic and social sectors to generate growth and create wealth in Malawi. The MGDS III, however, does not explicitly state the role of SMEs, or eco-inclusive SMEs. MGDS III supports Malawi's commitments to global initiatives, including the Paris Climate Agreement (signed in 2016) and the United Nations' Sustainable Development Goals (SDGs), as mentioned in earlier sections. Various policy instruments have been adopted to shape the agriculture, waste management and energy sectors' future development and enable the successful development of SMEs, in particular eco-inclusive enterprises. Currently, the government is developing a policy for the SME sector.

Overarching National Policy Instruments Relevant for Eco-Inclusive Enterprises in Malawi:

- Constitution of Malawi (1994)** is the foundation of Malawi's policy landscape and the commitment to sustainable development and an inclusive society. This guides the development of further plans and agendas and is the basis for social action. The Constitution highlights the need for "environmental protection and the sustainable development of natural resources" and inclusive growth.¹
- Vision 2020 (2000)** is Malawi's long-term vision setting out the framework for sustainable, climate-smart and inclusive development. The goals set out translate into policy objectives through further frameworks and policies, guiding the direction and priorities of the sector. The vision states that by 2020, the country is environmentally sustainable and inclusive with equal opportunities for all. Developing the manufacturing, mining and agriculture sector in a sustainable way is a key priority due to the vast economic and environmental challenges facing Malawi, such as climate change. The development of the financial sector is also a key priority. The Vision 2020 outlines the potential for SMEs to contribute to economic growth and wealth creation, and states that developing entrepreneurial skills is one of the main aspects for sustainable economic development and a vibrant business culture.²
- Malawi Growth and Development Strategy (MGDS) III (2017-2022)** is Malawi's medium-term developmental plan for sustainable development, which sets out how the Vision 2020 will be implemented. Priority focus areas include agriculture, water development and climate change management, skills development as well as sustainable energy. Investments in climate change adaptation were identified as the most effective strategy in the context of the national challenges in the agriculture sector. The strategy prioritises improving the environment for investment and private sector development, particularly in the area of clean energy in underserved rural and urban communities⁵. The goals and strategies affect climate-smart eco-inclusive small and growing enterprises as it sets out specific priorities for the next years and directs public and private sector effort towards these goals.
- National Climate Change Management Policy (2016)** and **Environmental Management Act (2017)** are guiding policy documents to address climate change. The documents outline a common vision for Malawi's climate change adaptation efforts, as well as the role of ecosystem stakeholders in contributing to the outcomes. The role of the private sector is to promote climate change adaptation, mitigation, technology transfer, capacity building and climate financing for sustainable livelihoods through Green Economy measures such as investing in cleaner technologies and the provision of green jobs³. This gives eco-inclusive enterprises an idea of where efforts could be directed and how their activities can be linked to Malawi's climate goals.
- Malawi's Intended Nationally Determined Contribution** defines actions that the country plans to undertake to in order to reduce emissions and adverse climate change impacts. Malawi's INDC is focused on both adaptation and mitigation strategies. Emission reduction efforts will concentrate in the key sectors of forestry, agriculture, energy, and waste. Adaptation efforts will prioritise agriculture, water, human health, and wildlife, among others⁴. The INDC is an example of where the environmental impacts of small and growing eco-inclusive enterprises can link to international agendas for climate action and support Malawi in meeting its commitments.

1 Government of Malawi. 1994. Constitution of Malawi (p. 4). Accessed at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---ilo_aids/documents/legaldocument/wcms_125533.pdf

2 Malawi National Economic Council. 2000. Vision 2020. Accessed at: <https://cepa.rmportal.net/Library/government-publications/Vision%202020-%20The%20National%20Long%20Term%20Development%20Perspective%20for%20Malawi.pdf/view>

3 Malawi Ministry of Natural Resources, Energy and Mining Environmental Affairs Department. 2016. National Climate Change Management Policy. Accessed at: <https://reliefweb.int/sites/reliefweb.int/files/resources/NCCM-Policy-Final-06-11-2016.pdf>

4 Republic of Malawi (no date). Intended Nationally Determined Contributions. Accessed at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Malawi%20First/MALAWI%20INDC%20SUBMITTED%20TO%20UNFCCC%20REV.pdf>

Policy Instruments Relevant for Cooperatives and SMEs in Malawi:

- *Private Sector Development Policy (2009)* highlights the government's goal to actively promote investment through upgrading infrastructure, capacity building for SMEs and improving access to finance.
- *MSME Policy (2012)*: Malawi has accorded a high priority to the development of the SME sector. A new policy is currently developed by the Ministry of Industry and Trade, which will guide future sectoral development and replace the MSME Policy of 2012.
- *Co-operative Societies Act (1997, amended in 2004)* sets out registration procedures for cooperative societies.

Sectoral Policies Relevant for Eco-Inclusive Enterprises in Malawi:

Sustainable Agriculture:

- *National Agriculture Policy (NAP) (2016)* stresses the government's goal of transitioning rain-fed subsistence farming to a sustainable agriculture sector. With support from the World Bank and other donors, the Malawi government has been developing the national agricultural policy to refocus smallholder subsistence farming towards commercial approaches to help sustain growth in the agriculture sector.
- *National Seed Policy (1993)*: The quality of seed is an important factor to realize crop production and productivity growth in the agriculture sector. Malawi is currently operating under the National Seed Policy of 1993 and without a current strategy. A revised seed policy has been developed with the help of the World Bank and is going through final approval stages.

Waste Management:

- *National Environmental Policy (revised 2004)* provided policy guidance and direction to manage the environment, natural resources and climate change. It is currently the only policy addressing waste management across sectors. Among other aspects, the policy encourages proper waste disposal, recycling of materials and privatisation of waste management.
- *Infection Control and Waste Management Plan for Malawi (2016)*: With the objective of combating diseases and health-related challenges, the plan contains specific guidelines for health care waste management.

Clean Energy:

- *Malawi Energy Policy (2018)* states that industrial and socio-economic development of the country depends on access to modern, reliable and sufficient energy. Due to the importance of the development of the energy sector, the Energy Policy of 2003 was recently revised to drive forward implementation of the policy. It maps out strategies for increasing access to renewable energy-based applications in the country.
- *Renewable Energy Strategy (2017)* sets out a detailed set of priorities and actions to achieve the following vision for renewable energy in Malawi: universal access to renewable electricity (with a focus on grid scale power, clean energy mini-grids and off-grid power), and a sustainable bioenergy sector (including clean cookstoves, solid biofuels, biogas).

Funding Schemes Relevant for Eco-Inclusive Enterprises in Malawi:

- *Business Partners International Malawi SME Fund* provides financing, specialist sectoral knowledge and technical assistance support to viable local SMEs. Investors include several international donors and supported by national organisations such as SMEDI.
- *Malawi Environmental Endowment Trust (MEET)* is a non-profit organisation established as a sustainable funding mechanism to ease the problem of late and limited funding. Through the management of a grant facility, the Trust supports priority environmental activities developed in cooperation with the country's development partners. Projects typically focus on afforestation, soil and water conservation, environmental health and waste management, renewable energy, natural resource-based enterprise, and climate change.
- *The Malawi Innovation Challenge Fund (MICF)* provides grant finance for innovative projects proposed by the private sector active in Malawi's agricultural, manufacturing and logistics sectors. Supported by several international donors, the fund is designed to be a responsive mechanism that is not overly bureaucratic and understands the needs of the private sector.
- *Sustainable Agricultural Production Programme (2011-2020)* financed by IFAD supports smallholder farmers through the provision of technical and financial support to increase crop yields, including basic inputs such as seed and fertilizer.

- **Malawi Renewable Energy Acceleration Programme (MREAP)** is funded by the Scottish Government: The currently implemented ‘Community Energy Development Programme’ accelerates the growth of community and renewable energy development in Malawi through multiple, targeted and coordinated activities. Activities include capacity building, installation of renewable energy systems and technical support for clean energy service development.

3.3 Shortcomings of Existing Instruments

Despite existing strategies and initiatives by ecosystem stakeholders to drive inclusive and green growth, eco-inclusive enterprises continue to face multiple barriers to success. In Malawi, coordinated action is required by all relevant stakeholders to assist existing eco-inclusive enterprises, inspire innovative eco-inclusive business models, and to ensure that these SMEs can effectively perform and compete with larger enterprises in the sector.

While national development agendas set out ambitious goals for sustainable growth and inclusion, policy implementation is yet to produce meaningful results in Malawi because of policy inconsistencies, ineffective design of policies, and the absence of a consensus among key stakeholders on the principles to guide the implementation. Furthermore, poor coordination and collaboration between sectors and public authorities complicate the implementation of policies⁵.

The most pressing challenge for SMEs in Malawi is the “unsupportive legal and regulatory frameworks especially with respect to facilitating access to finance, unfriendly monetary and fiscal policies as well as lack of reliable instruments for enforcement of contracts and related collateral obligations”⁶. Current initiatives look to minimise interest rates to improve access to finance among SMEs. This solves, however, only part of the problem, as most SMEs are considered too risky to access commercial loans. Existing financial products still target larger corporations, and access to finance for SMEs remains challenging. According to the latest SME Survey carried out by FinScope in 2012, other common challenges for the launch and scale of eco-inclusive small and growing enterprises are a lack of skills and information on export markets and procedures, ineffective networks, and the small size of enterprises limiting

their ability to meet export orders and demands⁷.

Questions then arise of what role small and growing enterprises can take in the climate change adaptation strategies, what kind of environment they need to build and grow their businesses, and which business models are viable and could lead to enterprise growth. For example, an enterprise with a focus on clean energy products for marginalized communities needs to understand what kind of business model is viable and scalable, and how to access support opportunities, including access to information, capacity building as well as financial support to contribute to climate change goals. This enterprise is also a key stakeholder in providing input to policy practitioners to identify areas for further support, and how small and growing enterprises fit into the green economy landscape in Malawi.

⁵ MK, Hussein. 2018. The Challenges Facing Development Policy and Projects Implementation in Malawi (p. 355). University of Malawi. Accessed at: http://ulspace.ul.ac.za/bitstream/handle/10386/2241/hussein_challenges_2018.pdf?sequence=1&isAllowed=y

⁶ Zidana, Richard. 2015. Small and Medium Enterprises (SMEs) Financing and Economic Growth in Malawi: Measuring the Impact between 1981 and 2014 (p. 2).

Based on SEED Malawi's experience.

⁷ FinMark. 2012. FinScope MSME Survey Malawi 2012 (p. 10).

4 Points of Intervention Through the Policy Prototyping Programme

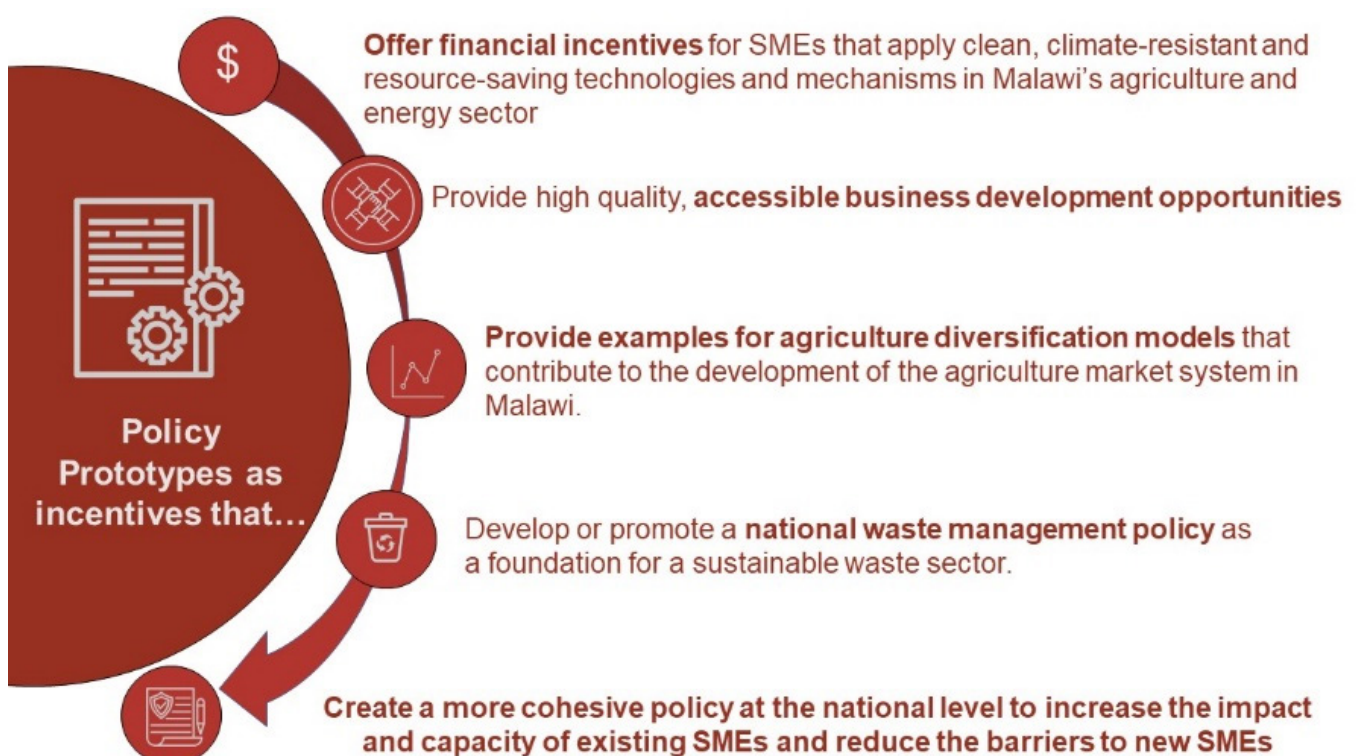
The Policy Prototyping Process

The policy prototyping process offers an opportunity for key ecosystem stakeholders to address gaps in the implementation, relevance, awareness, and integration of the Malawian policy landscape as it relates to the growth of eco-inclusive SMEs. By collaborating to develop prototypes that bring in relevant stakeholders and source feedback from SMEs and SME support organisations, as well as policy practitioners, Lab participants play a key role in shaping the policy landscape in Malawi and creating a more enabling environment for SMEs to survive and thrive.

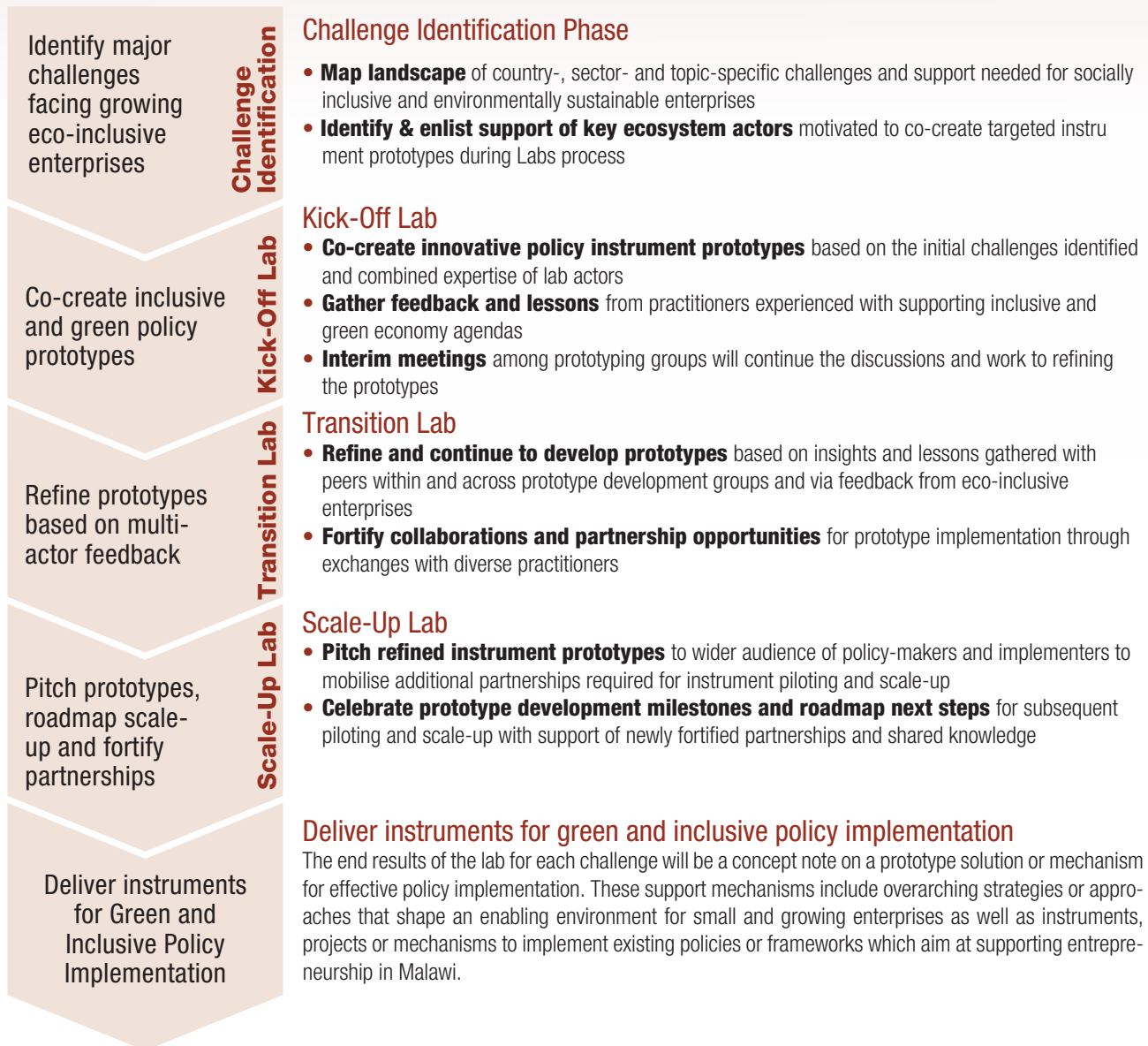
The design of innovative tools or frameworks can offer products or incentives that:

- Create a more cohesive policy at the national level to increase the impact of existing enterprises and to increase the capacity and reduce the barriers to new SMEs, especially rural-based SMEs.

- Offer financial incentives for the application of clean, climate-resistant and resource-saving technologies and mechanisms in Malawi's agriculture and energy sector to spur direct growth opportunities for eco-inclusive SMEs and address some of Malawi's most pressing challenges.
- Provide implementation-ready examples for agriculture diversification models that contribute to the development of the agriculture market system in Malawi.
- Develop or promote a national waste management policy as a foundation for a sustainable waste sector.
- Provide high quality, accessible business development opportunities to entrepreneurs and the wider business community.



The Labs process takes place over several months and consists of the following steps:



5 Framing the Challenges: Scaling Up Eco-Inclusive Innovation

Enterprises in Malawi continue to face major challenges, despite the efforts of multiple stakeholders and ecosystem actors. These range from a lack of access to appropriate financing for their business, difficulties in accessing markets due to their exclusion from sector value chains, a lack of demand and awareness of climate-smart products and services, to regulatory and administrative burdens that impose additional costs on the enterprise. Small and growing businesses must also build technical and entrepreneurial skills to scale their enterprise. Challenges are cross-cutting, and affect small and growing businesses in different ways, depending on the sector, the location and size of the enterprise. Within these overarching challenges, eco-inclusive small and growing enterprise face a complex set of specific challenges that need to be overcome, some of which are addressed below. These challenges serve as the basis for understanding and starting point for conversations in the Kick-Off Lab.

5.1 Lack of access to affordable financing for off-grid renewable energy solutions - Hosted by Community Energy Malawi



Over 15 million people in Malawi live out of reach of the main electricity grid, with the vast majority having no access to electricity at all¹. Despite the government's efforts to extend and modernise the grid, it is acknowledged that for some time to come, new generation grid extensions will not reach the entire population, while mini-grids are still in their infancy and will not be an option for most Malawians in the short term. Despite this, renewable energy can still play a role in off-grid locations, providing safe, secure and effective energy to meet the needs of Malawians excluded from the electricity grid.

Lack of access to energy affects SMEs in several ways and ultimately diminishes their productivity and income. At the same time, SMEs are important providers of off-grid renewable energy solutions such as solar lighting. Leveraging their growth addresses the issue of securing energy supply to allow communities to increase their living standard. Household solar products offer the best potential for rapidly increasing access to modern energy services in Malawi. Alternative methods of lighting such as kerosene, candles and torches provide low-quality light are damaging to health, are dangerous, and more expensive than modern electric lighting. These products, however, have yet to gain a significant market share in Malawi. Nonetheless, technological advances bring increased quality and lower prices for

these products, which - when coupled with innovative business models that ensure last mile delivery – constitute great opportunities for private sector growth in the off-grid lighting and charging market in Malawi.

Improved access to finance is needed all along the supply chain of off-grid solar solutions. With only a few distribution centres across the country and quality products still being considered expensive for the target market, efforts in this area need to focus on supporting retail outlets to include solar products, providing capacity building for financing, and developing market planning and consumer awareness.

Community Energy Malawi is a membership-based organisation which has been supporting sustainable energy solutions since 2011 through the Community Energy Development Programme (CEDP). As Challenge Host, they will work with Policy Prototyping Lab participants to develop affordable financing options for off-grid solar lighting solutions.



¹ Government of Malawi 2017. Malawi Renewable Energy Strategy (p. 31).

5.1.1 Existing policy frameworks and stakeholders

Important legislation when developing and financing solar off-grid solutions are policies related to renewable energy which set compliance standards and set technical requirements for the products. Stakeholders such as the Department for Renewable Energy and the Malawi Energy Regulatory Authority are involved in the compliance of small and growing businesses to these regulations. In providing financing options for off-grid solutions, financial institutions or international donors are important stakeholders.

5.1.2 The Opportunity

Developing solutions for this challenge has tremendous potential to address the issue of access to energy for many Malawian communities. Solutions will not only help eco-inclusive enterprises to bring climate-smart technologies and innovations to the market, but will also have great effect on the economic productivity of such communities. Furthermore, solutions will help to mainstream green solutions in sustainable growth and contribute to Malawi's sustainable development and climate goals.

Existing Policy Frameworks 	Relevant Stakeholders 
<ul style="list-style-type: none"> • National Energy Policy 2018 • Malawi Renewable Energy Strategy (MRES) • Market Rules for the Malawi Electricity Market • Malawi Grid Code • Policies on Mini-Grids in Malawi • Legal and Regulatory Framework for Mini Grids • Tariff Framework for Mini Grids in Malawi 	<ul style="list-style-type: none"> • Department of Renewable Energy • Malawi Energy Regulatory Authority • Community Energy Malawi • Renewable Energy Industries Association of Malawi • Malawi University of Science and Technology • Financial Institutions

5.2 Climate vulnerability in the agriculture sector - Hosted by Microinsurance Ltd (formerly MicroEnsure)



Most Malawian SMEs are in the agribusiness sector, and therefore play a significant role in economic growth, food security and social inclusion in Malawi. Fluctuating temperatures and rainfall, however, threaten the productivity of these small agribusinesses and expose them to risks. Small-scale agribusinesses remain highly vulnerable to the impacts of climate change with few attractive insurance options available to protect them from such shocks. These challenges drain potential income from farmers and are exacerbated by the increasing occurrence of weather-related shocks and a lack of farm assets that can be used as collateral to respond to these shocks.

Weather shocks can destroy expected returns from harvests and trap farmers and households in cycles of poverty. Weather-related risks and the potential loss of crop also limit the willingness of farmers to invest in advanced technology and resources to increase their productivity and produce higher value crops. Without insurance, farmers dedicate numerous resources to rebuild their assets following losses. Insuring smallholder farmers and small agribusinesses against weather-related risks would increase their resilience to these shocks and ensure that capital is available to invest in more sustainable and climate-resilient production measures. A climate resilient agriculture sector depends on insurance solutions which are targeted at small-scale agribusinesses and account for their unique risk profiles while enabling the further adoption of climate-smart agricultural practices.

In Malawi, insurance companies are regulated by the Reserve Bank of Malawi, which treats micro-insurance providers as equal to larger insurance companies. This makes it difficult for micro-insurance providers to compete on the market. This challenge is exacerbated by a lack of public and farmer awareness of the purpose and benefits of agriculture insurance.

There is currently a need for tailored policy support allowing micro-insurance providers to offer specialised products for SMEs.

This challenge is hosted by MicroInsurance Ltd, which works on the design of insurance products which are offered to insurance companies and microfinance institutions.



5.2.1. Existing policy frameworks and stakeholders

Existing policy frameworks and stakeholders related to this challenge include the Ministry of Agriculture, Irrigation and Water Development, which set out the National Agriculture Policy. Other key stakeholders include the Reserve Bank of Malawi, and micro-insurance providers (e.g. MicroInsurance Ltd), which are central in providing insurance schemes.

In recent years, the government tried to provide agricultural micro-insurance via the African Risk Capacity Scheme. The initiative failed, however, due to a lack of uptake among smallholder farmers and small agribusinesses. Agricultural unions and cooperatives (e.g. Farmers Union of Malawi), as well as organisations that provide insurance support and information (e.g. MicroInsurance Ltd, Commercial Agriculture for Smallholders and Agribusiness) are therefore important stakeholders in raising awareness of the benefits of weather-related insurance, and encouraging uptake among smallholder farmers and agribusinesses.

5.2.2 The Opportunity

The prototype group engaging with this challenge will have the opportunity to address Malawi's vulnerability to climate shocks in the dominant agriculture sector, as well as related food insecurity and rural poverty challenges.

Existing Policy Frameworks 	Relevant Stakeholders 
<ul style="list-style-type: none"> National Agriculture Policy 2016 National Drought Insurance Agriculture Insurance (such as Weather-Index based Crop Insurance or Drought Insurance) 	<ul style="list-style-type: none"> Ministry of Agriculture, Irrigation and Water Development Reserve Bank of Malawi Microinsurance providers (such as Greenwing Capital) and microfinance institutions MicroInsurance Ltd Farmers Union of Malawi Commercial Agriculture for Smallholders and Agribusiness Other organisations active in awareness raising

5.3 Lack of market access and business development support for agribusinesses - Hosted by Malawi Federation of Cooperatives (MAFECO)



Small-scale agribusinesses in Malawi face a number of challenges including low productive capacity and a low knowledge base resulting in unsustainable agricultural practices, a lack of market access, and exclusion from agricultural value chains. Joining an agricultural cooperative can help smallholder farmers increase their access to markets and improve their negotiating power. It can also increase their access to business development services and other productive assets to capture greater value from the sale of their products. Cooperatives aim to increase member's production and incomes by better linking them with finance, agricultural inputs, information, and output. Agricultural cooperatives also enable farmers to improve product and service quality and reduce risks. They also empower their members economically and socially by involving them in decision-making processes that enable them to become more resilient to economic and environmental shocks.

In Malawi, the policy landscape lacks regulation and support bodies for such agricultural cooperatives, making their survival difficult. Government support currently lacks targeted training for cooperatives. Policy-makers should be encouraged to catalyse existing promoters, financial services and other initiatives to strengthen support mechanisms. A regulation body to support agricultural associations is needed to organise support initiatives and allow existing cooperatives to benefit from the latter.

The Challenge Host addressing business development support solutions for agribusinesses through cooperatives is the Malawi Federation of Cooperatives (MAFECO) which promotes Group Savings and Loans, Savings and Credit Groups (microloans), in particular for Malawi's agribusinesses and farmer cooperatives.

5.3.1. Existing policy frameworks and stakeholders

Currently, existing policy frameworks are not adequate for the creation and training of cooperatives. The Malawi Cooperatives Act requires ten members to form a cooperative, a number which is too low to be effective. Further, the Ministry of Industry, Trade and Tourism offers only limited support to train established cooperatives (five days in total). The government perceives their role as a regulator rather than as a training provider. There are several independent activities in this area from stakeholders such as the Farmers Union of Malawi, which is active in policy advocacy, GIZ, and the National Associations Body for Agriculture. The Ministry of Industry, Trade and Tourism also regulates the Financial Services Act, which requires 300 people to form a Savings and Credit Cooperative Organizations (SACCO) which have similar capacity building needs as cooperatives. The Reserve Bank of Malawi is already in contact with SACCOs groups requiring training. Training opportunities provided by existing promoters, donors and government partners should be targeted towards enhancing the capacity building of cooperatives.

5.3.2 The Opportunity

Addressing this challenge helps to unlock the path for small and growing agribusinesses to gain increased market access and to achieve sustainable growth. Eco-inclusive enterprises in the agriculture sector in particular require targeted capacity development which helps them to mainstream their climate-smart solutions.

Existing Policy Frameworks 	Relevant Stakeholders 
<ul style="list-style-type: none"> • National Agriculture Policy 2016 • Financial Services Act • Cooperatives Act 	<ul style="list-style-type: none"> • Ministry of Industry, Trade and Tourism • National Associations Body for Agriculture • Farmers Union of Malawi • Commercial Agriculture for Smallholders and Agribusiness • Malawi Union of Savings and Credit Cooperatives (MUSCCO) • Business development support organisations offering capacity building for cooperatives • GIZ

5.4 Building markets for community-driven, closed-loop waste management. Hosted by International Conservation and Clean Up Management Malawi (ICCM)



There are significant opportunities for the collection of waste and for the development of a thriving circular economy – especially in Lilongwe and Blantyre – where large amounts of waste are being produced. Much of this waste is plastic, which can be segregated and re-used. Small and growing waste management enterprises, however, lack information on how to segregate waste, how to identify reusable waste, and how to properly dispose of hazardous waste. The waste pickers do not have access to adequate protective wear, which poses a serious health risk.

The producers of waste also lack awareness on how to segregate and reuse waste. There needs to be increased activities in waste management and collection, such as more drop-off points, and awareness of waste management challenges to improve the system of waste management in these cities. By building stronger markets and support systems, where waste management enterprises can test innovative business models and invest in building their knowledge and machinery to collect and manage waste, and where waste producers are aware of the value of waste as a resource, a community-driven, closed-loop waste management system can be achieved.

5.4.1. Existing policy frameworks and stakeholders

The government of Malawi has existing frameworks targeting waste management, including the National Environment Policy (revised in 2004), and the Infection Control and Waste Management Plan for Malawi (2016). There needs to be more awareness work about the intended effects of these policies, as well as a mind-set change at a community level for implementation of the waste management plans.

The Infection Control and Waste Management Plan (2016) fo-

cuses on how to manage hazardous and health waste, and therefore is specific to a certain sector, and does not have an overall plan for waste segregation and the circular economy.

At the moment, there are several organisations working on waste management in Malawi, including international organisations and donors such as ICLEI, One World International, and the UNDP, as well as local city councils and civil society organisations. At a national level, the Ministry for Natural Resources is responsible for planning waste management activities. Coordination between these stakeholders, however, is not clear, leading to conflicts in policies and activities that could be avoided through more opportunities for coordination and collaboration.

5.4.2 The Opportunity

Strengthening markets for waste management entrepreneurs and building awareness around waste as a resource will create incentives for waste innovators to invest in machinery and capital and to test creative business models in the sector. By linking markets and creating an innovative waste management sector, a case can be made to improve support at a policy level and to engage local government stakeholders and NGOs as partners.

Existing Policy Frameworks 	Relevant Stakeholders 
<ul style="list-style-type: none"> National Environmental Policy Infection Control and Waste Management Plan (2016) 	<ul style="list-style-type: none"> City Councils (Lilongwe and Blantyre included) Civil society (ICCM, One World International) International organisations and donors (UN, World Bank) Religious organisations and community organisations Waste management enterprises Ministry of Natural Resources National Climate Change Programme

6 A Call to Action: Co-creating a More Enabling Ecosystem

Eco-inclusive enterprises are central for global sustainable development initiatives due to their resource-efficient and socially inclusive value chains and low-carbon products and services, which help communities adapt to and mitigate the impacts of climate change. Through cooperation, ecosystem builders – key stakeholders from the private, public, and social sectors – possess tremendous potential to ensure that eco-inclusive enterprises receive the necessary support to realise their social, economic and environmental potential and drive the global transition to an inclusive, green economy. Collaborative action is required to overcome challenges facing eco-inclusive small and growing enterprises in Malawi.

The Policy Prototyping Labs operationalise collaborative action for a more enabling ecosystem by:

- Creating a community of both green economy practitioners and SME policy practitioners to ensure integration of small and growing enterprises in development policies (such as MGDS III and the National Climate Change Management Policy) as well as the opportunity for growth in the green economy in SME-focused policies (such as the upcoming MSME Policy).
- Clarifying the profile of SMEs in national growth and development plans and the role of SMEs in contributing to climate-smart and inclusive growth
- Driving private sector cooperation in climate change adaptation strategies and activities beyond big business to include the small and growing enterprise community, in particular small-scale agribusinesses
- Assessing coordination mechanisms between policy implementers and addressing paths for a smoother eco-inclusive enterprise journey

Imprint

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About SEED



SEED
 promoting entrepreneurship
 for sustainable development



SEED is a global partnership for action on sustainable development and the green economy. Founded by the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and IUCN (International Union for Conservation of Nature) at the 2002 World Summit on Sustainable Development in Johannesburg, SEED supports innovative small scale and locally driven enterprises around the globe which integrate social and environmental benefits into their business model. SEED is hosted by adelphi research gGmbH, based in Berlin, Germany. adelphi research is a leading think tank for policy analysis and strategy consulting. The institution offers creative solutions and services regarding global environment and development challenges for policy, business, and civil society communities.



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