

Malawi: Promotion of Agricultural Finance

The access of farms and agri-based enterprises in rural areas to financial services adapted to their business models is improved.

The challenge

In Malawi, one of the world's poorest countries, the agricultural sector employs 85% of its population and only accounts for 26% of economic output. About 60% of the farms cultivate areas around one hectare and have low degrees of commercialization. In addition, over 75% of the country's population has no access to formal banking services. This hinders farmers to invest in agricultural production, processing and marketing to further develop their business.

The rural environment in which most agricultural activities are carried out has many specific features that the traditional financial system does not take sufficiently into account. Banks are rarely present in rural areas and perceive the expansion of their services in the agricultural sector as risky and expensive.

To put Malawi's agricultural potential into use, an important factor is the sufficient capitalization of farms and agri-based enterprises. This requires financial services that are geared towards financing productivity and enhancing investments along the agricultural supply chain.

Our approach

The project is currently being implemented in Benin, Burkina Faso, Cameroon, Malawi, Mali, Nigeria, Togo and Zambia. All country packages benefit from the global project approach and the exchange of experiences.



Project name	Promotion of agricultural finance for agri-based enterprises in rural areas
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Implementing organisation	Gesellschaft für Internationale Zusammenarbeit (GIZ)
Project region	Primary districts: Chitipa, Karonga, Rumphi, Nkhata-Bay & Mzimba in the North; Dedza, Dowa, Salima, Nkhotakota & Kasungu in the Centre; and Thyolo, Mulanje & Chiradzulu in the South Secondary districts: Mchinji, Lilongwe & Ntcheu in the Centre; and Balaka, Machinga & Zomba in the South.
Political partner	Ministry for Industry and Trade (MoIT)
Duration	01.2020 – 02.2026
Financial volume	up to 6.5 Mio. EUR



Special initiative One World – No Hunger:

The project is part of the BMZ special initiative One world – No Hunger. Through the projects in this special initiative, BMZ is helping to promote rural development that helps preserve the natural livelihoods of the rural population and makes them more resilient to the consequences of climate change and crises. Within this context, an additional sum of more than EUR 500 million has been earmarked for projects carried out by GIZ and other implementing organisations annually since 2015. With sustainable agriculture as a basis, the initiative creates routes out of malnutrition and undernourishment and greater prosperity in rural areas.



Photo left: A fish farmer harvesting fish from a pond © GIZ / AgFin Mw photo database

Photo right: A rice farmer attending to his rice farm © GIZ / AgFin Mw photo database



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Photo left: A groundnut processor, processing his groundnuts into peanut © GIZ / AgFin Mw photo database

Photo right: A farmer making a cash deposit at a SACCO © GIZ / AgFin Mw photo database

The country package aims to improve the access to financial services adapted to the business models of farms and agri-based enterprises in rural areas in selected regions of Malawi. Therefore, the project works in three fields of action:

- (1) **Knowledge products:** The project adapts existing and develops new analysis tools and training materials to enhance the economic and financial expertise of farms and agri-based enterprises and the agricultural know-how of partner financial institutions.
- (2) **Support of farmers and agri-based rural enterprises:** By tailor-made trainings and advice, the project increases the competences of small-scale farmers, farmer organizations and agri-based enterprises in dealing with financial services and assessing potential investment opportunities.
- (3) **Support of financial institutions:** The project supports selected partner financial institutions in providing demand-oriented financial services for the agricultural sector.

Results in figures ...

Until the end of the project, all project partners aim to achieve the following results:

- (1) **15.000 farmers and 200 managers** of agri-based rural enterprises (thereof 35% women, 20% youth) use adapted financial services offered by the supported financial institutions.

- (2) **9,000 farmers and 130 managers** of agri-based rural enterprises (thereof 35% women and 20% youth) have used one or more financial services after participating in a skills development measure.
- (3) **12 adapted financial services, of which 6 with digital applications** will be integrated into the supported financial institutions' portfolio and thereby are available to the farms and agri-based enterprises.
- (4) **2 sectoral associations, (semi-)governmental agricultural support institutions ("institutions") and/or training institutions** have adopted one or more knowledge products developed by the project for competence or capacity development on the demand or supply.

... and in stories

The project has through different levels of trainings, sensitised financial institutions field staff and decision makers to engage in strategic and responsible financing of agricultural value chain actors.

The analysis of profitable business models and their financing needs will enable financial institutions to develop adapted financial products for their clients in the agricultural sector.

The project has adapted the "Agricultural Business Analysis and Investment Training (AgBAIT)" to suit a Malawian farmer and MSME and the Farmer Financial Cycle training to build farmers capacity in managing their personal and farm business finances and access financial services. With AgBAIT, participants enhance their financial and communication skills and gain knowledge on how to plan and execute profitable and productivity-enhancing investment decisions.

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