



microloan
foundation

Malawi
December 2022

MicroLoan Foundation Malawi is a subsidiary of MicroLoan Foundation UK, registered charity number 1104287 (England and Wales); SC041941 (Scotland)

MicroLoan Foundation Malawi

MicroLoan Foundation Malawi (MLF Malawi) has been delivering financial services to women in rural communities since 2002, and was the first country of operations for MicroLoan Foundation.

Malawi ranks 169 in the Human Development Index, reflecting the depth of poverty that clients face.

MLF Malawi provides loans and ongoing business and financial literacy training to clients across its 22 branches and eight satellites. With a large proportion of clients engaging in farming, MLF Malawi also offers agricultural and irrigation loans.

The loan book outstanding at the end of Q4 2022 was MWK 4,583,964 (US\$ 4,583,964) and MLF Malawi had a total of 40,813 active clients.



Leadership Team

Davison Rakasi

Chief Executive Officer Malawi

Davison is an accomplished executive with over 15 years' experience in banking and microfinance. Davison is currently the Chief Executive Officer at MicroLoan Foundation Malawi. Prior to joining MicroLoan Foundation, Davison worked as Interim CEO at a microfinance organisation after gaining significant exposure to operations, technology deployment, sales & marketing, strategy development, and project management in his previous role as Chief Operations Officer. Davison holds a BSc in Accounting and an MBA from Malawi Institute of Management.

Randall Williams

Technical Advisor

Randall Williams was the CEO for MLF Malawi from 2020-2022. In this role he was responsible for leading the implementation processes of the organisation's strategies aimed at achieving their goals.

With over 18 years of leadership experience in banking, mobile payments and programme development, Randall brought a wealth of knowledge and expertise to the role.

Joseph Kaipa

Deputy CEO and Chief Operations Officer

Joseph Kaipa joined MLF Malawi in 2008 as a Loan Officer. In 2017, he was appointed as Chief Operations Officer. Joseph has been instrumental in the growth of MLF's operations across Malawi and more recently in overseeing the company's thrust towards operational sustainability. Joseph holds a BBA in Strategic Management from Columbia Commonwealth University and a Diploma in Community Development from ABMA. In 2019 he completed an executive development course at the University of Cape Town and in 2018 he completed the Rural and Agriculture finance program with Boulder Institute of Microfinance.

Social Performance Management

MLF Malawi works towards achieving a long-term outcome that permits poor rural women to cope better with the challenges and stresses they face. Their Social Performance Management model is often cited as an example of best practice, and is recognised by TrueLift, a global initiative pushing for accountability and learning in pro-poor programmes. At year end 2022, 98% of MLF Malawi clients reported an improved quality of life. 95% reported feeling more self-confident after joining a loan group, and 86% reported improved skills managing budgets and finances.

Key Products and Services

£ Four - six month business loan

This product has a flat interest rate of 6% per month. It is designed to support women intending to start small businesses or to provide additional capital to those that are already in business. No collateral is required.



Eight month agriculture loan: rice

The eight month agriculture loan is mostly used by the Nkhotakota branch for clients who grow rice. It takes longer to grow, yield, process and sell rice than crops like maize and soya. It has a grace period of four months and four bullet payments with a 5% interest rate.



Irrigation loan

The irrigation loan runs for seven months with an interest rate of 6%. It has a grace period of four months and finishes with three bullet payments. The loan is intended for clients, primarily in Ntcheu, Dowa and Ntchisi, who grow cash crops such as Irish potatoes all year round.



Cheka seed product

This product is for clients in Ntchisi who are members of a co-operative known as Cheka, which is involved in the seed multiplication of soy bean and groundnuts. The loan term is seven months and the interest rate is 6%. The loan repayment is done in one bulk payment at the end of the seven months once the yield has been processed and sold to the buyer.



Seven month agriculture loan: soya and maize

This agricultural loan is offered to clients who grow crops such as maize and soya beans during the rainy season and take business loans during the dry season. Soya rotates well with maize and offers nutritional value to women and their families. Seven month agricultural loans have a 5.5% interest rate per month.



FInES agriculture and business loan

For repeat/existing clients, this loan product has an interest rate of 4% with a 2.5% up front fee. The loan term for FInES business is four to six months and for agriculture it is eight months.

Savings

In addition to loans, MLF Malawi facilitates savings among clients. As a non-deposit taking organisation, clients are linked to third party providers for savings accounts. Savings are withdrawn at any time, with consent from the group.



Financial literacy and business training

MLF Malawi offer pre and post loan disbursement training modules which aim to help clients understand the purpose of the loans and ensure they are equipped to run and manage their businesses. Training modules include: market research, profit analysis, budgeting and the importance of savings. All training is taught through song, dance and role play due to high illiteracy rates.



Customer Hotline

This is to provide clients with ongoing support on any operational issues. It is monitored monthly to analyse any common issues coming from clients.

Operational highlights as of 31st December 2022



Source: MicroLoan Performance Report

MLF Malawi News

Macroeconomic situation

The combined effects of natural disasters, acute foreign exchange shortages, global fuel shortages, disruptions to electricity and high rate of inflation, mean Malawi continues to face an economic slowdown, according to the latest World Bank's Malawi Economic Monitor report (MEM). Malawi's inflation rate for December 2022 eased by only 0.4 percentage points to 25.4% from 25.8% the previous month due to a slight easing in food prices.

ESG compliant loan product

MLF Malawi has secured Technical Assistance funding from The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) through the Water and Energy for Food (WE4F) initiative. WE4F is focused on environmentally sustainable innovations aiming to improve energy and water efficiency in the agricultural sector. The project started in September with the objective of developing an individual loan product that is Environmental, Social and Governance (ESG) compliant. By developing an ESG compliant individual loan product based on the needs of smallholder farmers and microentrepreneurs with growth ambitions, the measure will have a positive impact not just on the farmers themselves but wider agricultural value chains on both supply and demand side.

New CEO recruited

We are very pleased to share that MLF Malawi has recruited a new CEO. Davison Rakasi began his new role on 1st November 2022. Davison is an accomplished executive with over 15 years' experience in Banking and Microfinance. Before joining MicroLoan Foundation, Davison worked as Interim CEO of VisionFund Malawi after gaining significant exposure to operations, technology deployment, sales & marketing, strategy development, and project management in his previous role as Chief Operations Officer.

Key Partnerships

The Grameen Foundation contributes to the fight against poverty and exclusion through microcredit and equity investments in companies with high social impact in developing countries. A new financing agreement had been made between MLF Malawi and Grameen of 600,000 Euros and the drawdown falls on the 3rd of February 2023. The loan will mature on 15th of December 2025 with by annual repayments falling on 15th of June and December each year. The first repayment will fall due on the 15th of June 2023.

The Financial Inclusion and Entrepreneurship Scaling (FinES) Project is a multi-year World Bank funded initiative which provides affordable wholesale financing to financial intermediaries (banks, MFIs, SACCOs, and MAIIC) in Malawi. This funding is then channelled to MSMEs at concessionary rates thereby increasing their access to financial services. MLF Malawi accessed a total of MK2,500,000,000 in 2022 and the funds have been fully utilized. A new application has been submitted amounting to MK5,000,000,000 for 2023 and is expected to be approved by March.

Smallholder Safety Net Upscaling Programme (SSNUP) is a 10-year programme which aims to strengthen the safety nets of 10 million smallholder households in Africa, Latin America and Asia through technical assistance and investment in agricultural value chains, resulting in an improved well-being of 50 million low-income people. They have granted MLF Malawi a 258,000 Euro technical assistance grant to increase the productivity and resilience of smallholder farmers. The project will develop agricultural loan products and an automated credit scoring system, it will also support the integration of mobile money services and the optimisation of procedures. SSNUP is funded by the governments of Luxembourg, Switzerland and Liechtenstein and coordinated by ADA and supported by Grameen Credit Agricole Foundation.

Global Partnerships is an impact-first investment fund manager dedicated to expanding opportunity for people living in poverty. Total loan facility of USD750,000 was accessed which was to be disbursed in two tranches of USD375,000.00, first tranche was received in Dec 2021, the second was expected in 2022 but was not disbursed due foreign currency challenges that affected capacity of MLF Malawi to repay on time, the agreement expires in June 2024. The purpose is to finance MLF Malawi's loan portfolio and capital needs on based on MLF Malawi's business plan, provided that the loan must be used in support for services and products for people living in poverty. Global Partnership remains committed to supporting MLF Malawi as long as there are mechanisms of ensuring that repayments and done on time as per the agreed schedule.

FDH Bank is a diversified investments and financial solutions centre. MLF Malawi received MK 250,000 from FDH at 18% per annum. Currently, the facility is expiring on the 31st of January 2024 and has an outstanding Balance of MK129,618,941 as well as an overdraft facility of MK100,000,000 which is expiring on the 31st of January 2023 and has been renewed.

Water and Energy for Food (WE4F) is a joint international initiative of the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Union (EU), the Ministry of Foreign Affairs of the Government of the Netherlands, Sweden through the Swedish International Development Cooperation Agency (Sida), and the U.S. Agency for International Development (USAID). WE4F aims to support the growth of small and medium-sized enterprises (SMEs) in the water, energy and food sectors. WE4F and MicroLoan are embarking on an innovative project to design and develop an ESG compliant loan product for female small-holder farmers in Malawi.

Key Partnerships

ADA is a Luxembourgish NGO supporting microfinance institutions with access to technical assistance and funding opportunities. In 2021 they supported MLF Malawi with Technical Assistance funding for two projects to strengthen internal processes and digitalisation.

Lendwithcare is a microfinance organisation that solicits individual or group loans for people across the world from the general public through their online fundraising platforms. It is a partner that has been working with MLF Malawi since 2014. The agreement between MLF Malawi and Lendwithcare is based on MLF Malawi showcasing entrepreneur profiles of farmers on Lendwithcare website and the LWC fundraises on behalf of MLF Malawi. The maximum amount that can be raised for Malawi is USD40,000 a month with 0% interest rate. The repayment is based on repayments made by clients who accessed based on the schedule they have with MLF Malawi. This is an open-ended agreement and MLF Malawi was able to access a total of USD457,620 in 2022.

KIVA is an international nonprofit with a mission to expand financial access to help underserved communities thrive. They have been working with MLF Malawi since 2015. Kiva supports MFIs that work with poor rural people. Kiva advanced a credit facility of USD250,000 to support post Covid recovery of the institution and its clients. MLF Malawi has an outstanding amount of USD36,000 of the loan which is expected to be paid off this year.

If you would like any further detail about the information included in this document please contact MicroLoan Foundation's Group Chief Executive Officer, Medha Wilson.

Email: medha.wilson@mlf.org.uk
Phone number: +44 (0)20 8827 1688