

# Private Sector Development in Rural Areas

## German Development Cooperation in Malawi

### The challenge

Malawi's economy remains heavily dependent on agriculture and a small services sector, particularly tourism. Key exports include tobacco, tea, and sugar, while Micro, Small and Medium Enterprises (MSME) form the backbone of the economy. However, private sector growth is constrained by foreign exchange shortages, high inflation, and limited access to finance. Tourism offers significant potential but struggles with infrastructure gaps, weak investment coordination, and regulatory challenges. The financial sector remains underdeveloped, with high borrowing costs and limited tailored products for MSMEs. Climate change exacerbates existing economic vulnerabilities, impacting agriculture, tourism, and infrastructure.

### Our approach

Private Sector Development in Rural Areas has been a focal area of Malawi-German cooperation since 2014. It is guided by the country's Vision "Malawi 2063", its first implementation Plan MIP-1 and the ATM (Agriculture, Tourism and Mining) strategy. The support provided through the Programme "More Income and Employment in Rural Areas (MIERA)" aims at income and employment creation, especially for smallholder farmers, women and youths. MIERA focuses on the development of MSME's in the agricultural, tourism and the eco-friendly construction materials industry. Prioritizing climate adaptation—through climate-smart agriculture, renewable energy, and business resilience strategies—drives innovation, create jobs, and support long-term economic stability.

To enhance competitiveness and market opportunities, MIERA operates in four major fields.

1. Promotion of inclusive business growth, service provision and stakeholder dialogue:  
MIERA supports committed companies to scale up business opportunities that are beneficial for both the producers (i.e. smallholder farmers) and the companies. Businesses in the start-up phase are supported to strengthen their business skills and formalize their operations. Service providers and

### Funds for Private Sector Development in Malawi (excluding global and regional programmes)

Volume of ongoing programmes:	EUR 7 million (technical cooperation) EUR 21 million (financial cooperation)
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In addition, Germany is a large contributor to Private Sector Development through its financial contributions to the European Union, World Bank, African Development Bank and the United Nations.

umbrella bodies, like sector associations, are supported by MIERA to increase their service offers such as training and information services, advocacy and lobbying. The programme also supports dialogue and networking platforms to improve cooperation and framework conditions.

2. Improving the business environment for MSMEs and strengthening public-private dialogue:  
The program collaborates with key government institutions and business associations to develop and implement policies that foster private sector growth. A practical example is MIERA's support for the revision of Malawi's Cooperative Policy, which enhances the legal and institutional framework for cooperatives. By facilitating consultations between government, cooperatives, and financial institutions, the policy aims to improve access to finance and strengthen governance structures, enabling cooperatives to operate more effectively and sustainably.
3. Improving access to finance for SMEs:
  - a. MIERA co-finances the Growth Accelerator (GA), a funding mechanism implemented by UNDP. The GA is a competitive and transparent program that provides matching grant finance to small companies in the advanced start-up phase. In addition to the matching grant, these companies receive comprehensive business development support. The funding is targeted at entrepreneurs who create jobs and tackle the

left: Gule Wamkulu display in German Development Cooperation funded Ampitheatre in Gwirize.

Photo: @Elizabeth Bailie

right: German Development Cooperation and Malawian business Going Green support farmers in beekeeping and honey making through an integrated development partnership with the private sector.

Photo: @Design&Printing



country's challenges with innovative and sustainable solutions, particularly in the social and environmental sectors.

- b. MIERA supports the Green Economic Transition Facility (GETF), another financial initiative implemented by UNDP. The GETF provides matching grant funding to encourage private sector investment in green business solutions. This funding aims to promote inclusive and innovative green business practices, including products, services, production, processing, and distribution, that are commercially viable and poised for profitability, with a focus on benefiting the poor, women, and youth. By financing SMEs, the GETF contributes to increasing employment and income in rural areas of Malawi, particularly for disadvantaged populations. Additionally, the GETF offers voluntary and demand-based technical assistance (TA), including business development support.

Closely linked to Private Sector Development in Rural Areas are three global or regional projects. The Sustainable Aquatic Foods project works on developing the aquaculture value chain in Malawi. The regional WE4D programme aims to improve women's employment opportunities, especially in green sectors and in companies and value chains that are driving the green transformation on the African continent. The Promotion of Agricultural Finance for Agri-based Enterprises in Rural Areas in Malawi (Ag-Fin) aims to improve access to tailored financial services for agricultural enterprises and agri-based businesses in selected rural regions of Malawi. Strengthening digital financial services, expanding affordable credit options, and improving financial literacy are essential to fostering business growth and investment.

## The benefits

Since 2014 MIERA, together with its partners, has reached more than 60,000 rural households and MSMEs, engaging them more actively in value addition and improving reliability and volume of their income. Several thousand jobs have been created and major hindrances to business growth have been abolished.

More than 100 businesses in agribusiness, tourism and eco-friendly construction materials have been trained and coached through the SME-loop training concept, implemented by Malawian institutions and innovation hubs. The innovation ecosystem in Malawi has been strengthened to grow and support a structured incubation approach. More than 150.000 Euros of private capital were leveraged through public-private partnerships, supporting smallholder farmers in integrated supply chains.

Top: *ECOGEN biogas solutions supported under Growth Accelerator*

Bottom: *Private kitchen using biogas from the ECOGEN system.*

Photos © M. Bright 2023



With MIERA's financial contribution to the UNDP-implemented Growth Accelerator (GA) and Green Economic Transition Facility (GETF), a total of six competitive rounds have been launched, reaching 59 private enterprises. These initiatives have financed business models focused on developing a smallholder supply chain, mechanising processes to increase production capacity and promoting import substitution. Across the GA portfolio, 538 jobs have been created, and 5,913 households have experienced a 20% increase in income as a result of GA projects. Additionally, 44,322 consumers have benefited from enhanced and/or new products and services that address their basic human needs.

The programme further introduced a carbon credit financed credit-facility together with the German NGO atmosfair for entrepreneurs in the Vertical-Shaft-Brick-Kiln (VSBK) technology in Malawi. The VSBK produces high quality bricks, drastically reducing the energy required for firing and replacing firewood by waste materials from the agricultural sector. So far, 2 entrepreneurs have received finance for the construction of a VSBK and 4 more are in negotiations.



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German Development Cooperation supported businesses in cassava value addition.