



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Affaires étrangères
et européennes

Direction de la coopération
au développement et
de l'action humanitaire



YOUTHSTART GLOBAL

INCEPTION PHASE — YOUTH ECONOMIC OPPORTUNITIES ECOSYSTEM ANALYSIS

MALAWI COUNTRY REPORT

DECEMBER 2016



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DEFINITIONS, ABBREVIATIONS AND ACRONYMS

The Government of Malawi defines ‘youth’ as persons aged 10 to 35. However, the YouthStart Global programme uses the United Nations definition, which is persons aged 15 to 24. Where relevant, other definitions used by different stakeholders are made explicit in the report.

Currency equivalents of Malawi kwacha amounts are given in United States dollars using an approximate rate of 712.50 Malawi kwacha to 1 United States dollar.* Please note, however, that there have been considerable currency fluctuations over the course of this report’s preparation.

FSP	financial service provider
MK	Malawi kwacha*
MSME	micro, small and medium enterprise
NBFI	non-bank financial institution
NGO	non-governmental organization
TEVETA	Technical, Entrepreneurial and Vocational Education and Training Authority
TVET	Technical and Vocational Education and Training
UNCDF	United Nations Capital Development Fund
UNESCO	United Nations Educational, Scientific and Cultural Organization
US\$	United States dollar*
VSLA	village savings and loan association
YDEF or YEDEF	Youth Development Fund
YSG	YouthStart Global

ACKNOWLEDGEMENTS

This report was commissioned by the United Nations Capital Development Fund (UNCDF) YouthStart Global programme and was drafted by Shalmalee Ghate and by David Kruijff. The field research was conducted with multiple tools and templates developed by Dalberg Development Advisors for UNCDF under the inception phase of YouthStart Global. The report relies on the input of a broad range of stakeholders in the youth economic opportunities ecosystem in Malawi who shared their views and suggestions for the preparation of this report. The authors wish to thank interview participants from the Government of Malawi, youth serving organizations, private sector firms, financial service providers, non-governmental organizations and the international donor community as well as youth focus-group participants who generously contributed their time and assistance. Finally, the authors also express their sincere appreciation to Isabelle Légaré, for her input to the policy section.

* Currency symbols and exchange rate: UNCDF uses the currency symbol ‘US\$’ or just ‘\$’ for the United States dollar and ‘MK’ for the Malawi kwacha. The exchange rate used in the report was from www.oanda.com on 1 November 2016.

EXECUTIVE SUMMARY

The Malawian economy is largely dependent on its agricultural sector, both for achieving economic growth and employment. The sector is largely rain fed with little diversity: the primary food crop is maize and the primary cash crop, accounting for 70% of all export earnings, is tobacco.¹ Poor weather conditions and macroeconomic volatility have immediate consequences for Malawian economic performance. As the World Bank notes, 'gross domestic product (GDP) growth in 2016 is estimated at 2.6%. In 2015, Malawi recorded a GDP growth rate of just 2.8%, as a result of both adverse weather conditions and macroeconomic instability.'² In turn, the African Development Bank observes that 'population growth of 2.8% a year will require consistent economic growth to reduce poverty and improve progress towards the Sustainable Development Goals.'³ Unfortunately, reduced GDP growth and high inflation in 2015 continued to undermine Malawian prospects for economic growth and poverty reduction.

The Malawian population grew to over 17 million in 2010 from 3 million in 1950.⁴ By 2050, it is projected to reach 50 million.⁵ Malawi has a young population; its median age is 17 years.⁶ Increasing population has expanded the demand for employment creation, which is little to non-existent in Malawi. All of these challenges have culminated in creating roughly 7.5% unemployment in the country, 13.5% amongst youth.⁷ However, the unemployment rate does not necessarily capture the full reality because any person who has worked for an hour the previous week is considered 'employed' by the Government.⁸ Yet, more often than not, these people are unable to earn a livelihood for themselves and do not fall under the umbrella of formal employment. Therefore, the need to create current and future employment is at the heart of the country's development policies. Unfortunately, according to a 2013 report by the National Statistical Office and International Labour Organization, only 11.3% of the total working population had formal employment.⁹ The figures for those under 35 are worse: over 70% of youth are either unemployed; working in low-quality, irregular, low-wage jobs, often in the informal economy; or neither in the labour force nor in education or training.¹⁰ And, **the country has one of the highest rates of working poverty globally, which stands at around 60% on US\$1.25 per day.**¹¹

1 Malawi, Revenue Authority, *Exporters' Guide* (Lilongwe, 2016).

2 World Bank, 'Malawi Economic Monitor: Analysis Predicts Continued Weak Growth in 2016 Amid Low Agricultural Production,' 29 June 2016. Available from <http://www.worldbank.org/en/country/malawi/publication/malawi-economic-monitor-analysis-predicts-continued-weak-growth-in-2016-amid-low-agricultural-production>

3 African Development Bank, 'Malawi Economic Outlook.' Available from <http://www.afdb.org/en/countries/southern-africa/malawi/malawi-economic-outlook/> (accessed December 2016).

4 World Bank, 'Malawi.' Available from <http://data.worldbank.org/country/malawi> (accessed December 2016).

5 Department of Economic and Social Affairs: Population Division, 'World Population Prospects: The 2010 Revision' (New York, United Nations, 2011).

6 Richard Mussa, 'Labour market transitions of young women and men in Malawi: Results of the 2014 school-to-work transition survey,' in *Work4Youth*, No. 35 (Geneva, International Labour Organization, April 2016).

7 World Bank, 'Malawi.'

8 Dick Durevall and Richard Mussa, *Employment Diagnostic Analysis on Malawi* (Geneva, International Labour Organization, June 2010).

9 Malawi, National Statistical Office, 'Malawi Labour Force Survey 2013: Key Findings Report' (Zomba, April 2014).

10 World Bank, 'Malawi.'

11 Food and Agriculture Organization, 'Quick overview of the Decent Rural Employment situation in Malawi,' (n.p. n.d.). Available from http://www.fao.org/fileadmin/user_upload/fao_ilo/pdf/Other_docs/MW_ICA_2_pager_final.pdf (accessed December 2016).

Youth unemployment and related problems have not gone unnoticed. Yet, there remains a lack of comprehensive labour market information, information to inform relevant and well-targeted policies and projects, and information on the part of young people themselves about what is available to help them make the most of their economic potential.

This report is a synthesis of an assessment undertaken on the current landscape of economic opportunities and challenges for youth in Malawi and the existing interventions to address them. In addition to extensive desk research and analysis, the study involved multiple stakeholder interviews and focus-group discussions.

KEY FINDINGS

Finding 1: The labour market is extremely demand constrained, which means that entrepreneurship and self-employment need to be a viable option for youth:

- Over 70% of youth in Malawi are either unemployed, working unemployed or under-employed, primarily in the informal sector.
- Poor labour market opportunities have resulted in the prevalence of informal sector work, involuntary part-time work and involuntary work across a number of sectors so as to supplement income sources.
- Most youth in Malawi seek employment; few start their own business. This preference seems to be a result of various constraints limiting youth from venturing into entrepreneurial activities.

Finding 2: Access to finance is a constraint to growing youth enterprises. Although financial service providers recognize that youth are an important segment to serve, there are some regulatory and practical challenges to doing so:

- Youth-targeted financial products are almost non-existent in the country.
- Lending to youth is considered to be extremely risky.
- On the supply side, low usage of financial services is often because financial service providers lack the institutional capacity to provide relevant, affordable and accessible products and are further limited by the regulatory environment.
- On the demand side, due to low levels of financial literacy, many rural populations and youth are not able to lobby for suitable financial products nor are they able to properly take advantage of those that are available.

Finding 3: Four sectors appear to offer the most promising economic opportunities for youth employment and entrepreneurship:

- **Agriculture** remains the backbone of the Malawian economy and has transformative potential if agricultural value chains can be exploited, better linkages fostered and better information disseminated to boost productivity in the sector.
- **Manufacturing and construction** have potential with a growing population, an increase in urbanization and foreign direct investment.
- **Mining** can serve as a very important sector for the Malawian economy since it has the potential to effectively diversify the income sources of the country. However, in order for youth to fully benefit from opportunities in this sector, policies and a regulatory framework that ensures transparency, respect for the environment, good labour practices **and community engagement** should be enforced.
- **Tourism** is projected to grow considerably in coming years and is linked to growing opportunities in the **hospitality industry**.

Finding 4: There are a number of effective governmental and non-governmental programmes focused on expanding youth economic opportunities in Malawi, with the following caveats:

- They need to **scale up and partner** to achieve widespread impact.
- There is low awareness about these interventions, especially within the target group.
- Impact of these interventions is often limited by noticeable gaps in beneficiaries (geographical/gender), in financing and in business development support services.

INTRODUCTION AND CONTEXT

United Nations Capital Development Fund (UNCDF) has a unique financial mandate within the United Nations system as well as a proven track record and expertise in inclusive finance and local development finance, with a primary focus on least developed countries. **In 2010, UNCDF in partnership with The MasterCard Foundation launched the YouthStart programme,** Building Youth Inclusive Financial Sectors in Sub-Saharan Africa, as a regional pilot.

For six years, the YouthStart programme worked with ten financial service providers (FSPs) in eight countries to provide access to savings to over 726,000 youth, access to loans to 124,500 young entrepreneurs, as well as financial literacy and other complementary non-financial services to almost 750,000 youth. UNCDF has learned from the different approaches used in the regional pilot that financial inclusion can help address the youth employment challenge but also found that, to have a greater and long-lasting impact on youth, the YouthStart programme must seek a more concrete link between financial inclusion and the creation of economic opportunities for youth. Indeed, while young people need access to relevant and affordable financial services, they also require access to entrepreneurship training, mentoring, apprenticeships and other relevant non-financial services that can support their transition from school to work at the right time and that allow them to secure and sustain decent jobs and/or start and sustain successful enterprises.

UNCDF aims to leverage the lessons learned and best practices from the regional pilot for its new programme, YouthStart Global (YSG). YSG will be implemented in three phases: 1) inception phase that entails an analysis of youth economic opportunities in 10 to 15 countries, 2) first phase that consists of selecting the right partners to work in 5 to 8 countries, and 3) second phase that involves supporting selected partners to develop, test and scale up relevant, accessible and affordable services to youth.

This report is the key output of an assessment in Malawi, as part of the YSG inception phase. The assessment was conducted in three stages—as outlined in the Methodology section below: 1) literature review, structuring, and design of research questions and tools, 2) data collection and analysis during a three-month field visit and 3) final synthesis of findings for the present report.

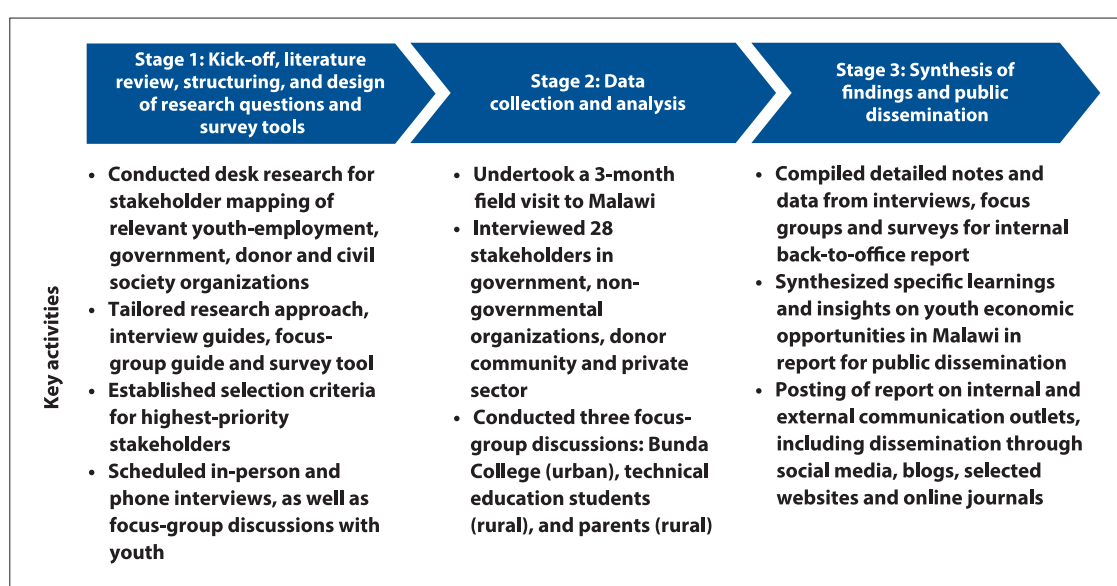
The report aims to capture a picture of the youth economic opportunities ecosystem in Malawi by 1) providing an economic overview of the employment challenge and demand for financial services as well as a comprehensive analysis of the demand for and supply of labour and 2) identifying high-potential opportunities for youth (Chapter 1). It also provides an overview and map of the current youth intervention landscape and the supply of financial services, and an assessment of key gaps not addressed by current measures (Chapter 2). Finally, the report sorts through the key gaps identified and addresses the way forward (Conclusion).

METHODOLOGY

Figure I outlines the methodology for this assessment of youth economic opportunities in Malawi, which was undertaken in three stages: 1) literature review, structuring, and design of research questions and tools, 2) data collection and analysis and 3) final synthesis of findings for the present report. This report is the product of a number of activities including desk research, stakeholder interviews and focus-group discussions.

Figure I

Study methodology



The research was structured across three principal elements:

- 1. Demand-side analysis** sought to understand, from the perspective of youth, the principal concerns, challenges and aspirations with regard to seizing economic opportunities in Malawi. Focus-group discussions with youth were the primary instrument for collecting data for this analysis, supplemented by secondary research and interviews with relevant stakeholders.
- 2. Supply-side analysis** focused on support for youth to create economic opportunities (e.g., vocational and technical training, access to finance):
 - A landscaping assessment comprised of interviews with key implementing stakeholders such as youth serving organizations, non-governmental organizations (NGOs), government agencies and donors as well as a gap analysis of programmatic opportunities based on needs identified by youth and stakeholders.
 - A macroeconomic assessment of high-potential sectors of economic opportunities for youth. This synthesis included quantitative growth and employment data and qualitative insights from stakeholder interviews.
- 3. Policy and regulatory environment assessments** were driven by desk research covering national policy documents and external research reports on policies, as well as interviews with government and non-government stakeholders.

CHAPTER ONE

YOUTH ECONOMIC OPPORTUNITIES AND CHALLENGES



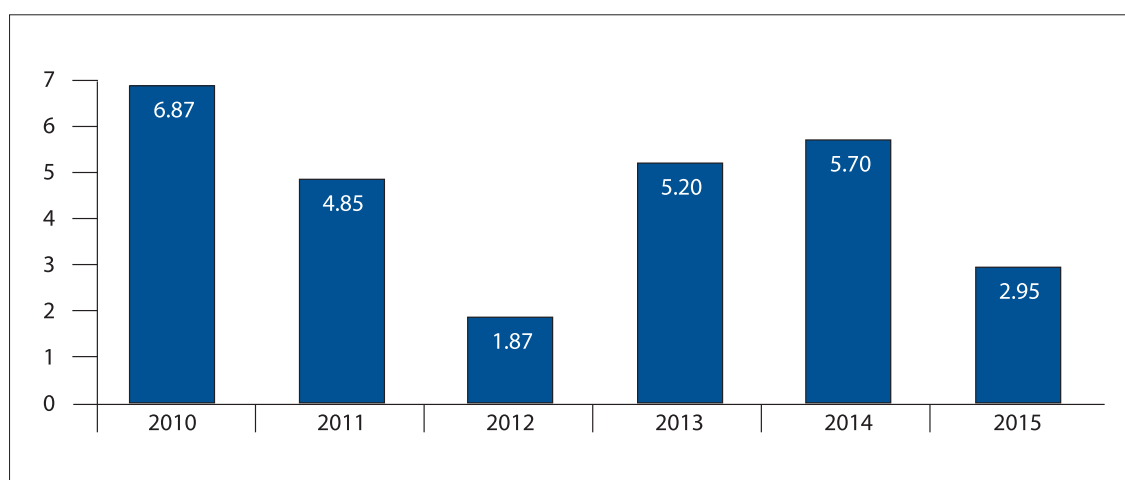
SECTION 1 – ECONOMIC OVERVIEW AND YOUTH UNEMPLOYMENT CHALLENGE

Malawi is a small, landlocked country in southeast Africa. It is bordered by Mozambique to the south, Zambia to the west and United Republic of Tanzania to the northeast. The country has no direct access to the ocean, with the nearest port (Beira, Mozambique) located nearly 950 km away by road from Malawi's capital of Lilongwe. This distance, along with poor infrastructure, adds significant cost to Malawian products, making them less competitive in the international marketplace. Malawi is also one of the most densely populated countries in the world, recording about 138 individuals per square km in 2013.¹² For an agriculture-based economy like Malawi, such high population density poses tremendous stress on land, resulting in smaller farm sizes, lower agriculture wages and higher demand for off-farm income avenues, which often tend to have a tight threshold.¹³

As Making Access Possible¹⁴ reports, 'Malawi has a Gross Domestic Product (GDP) of US\$4.3 billion, amounting to US\$780 per capita (PPP). On this measure it is the poorest country of its neighbours and the third poorest country in the world. The average economic growth rate over the last 10 years has been 5%. However, this rate has been volatile, due to the large impact external shocks regularly have on the local economy.'¹⁵ See figure II for exact GDP growth rate figures.

Figure II

Gross domestic product annual growth rate (%)



Source of data: World Bank, 'GDP growth (annual %): Malawi.' Available from <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2015&locations=MW&start=1961&view=chart> (accessed December 2016).

12 World Bank, 'World DataBank: Malawi.' Available from <http://databank.worldbank.org/Data/Home.aspx> (accessed December 2016).

13 Jacob Ricker-Gilbert, Charles Jumbe and Jordan Chamberlin, 'How does population density influence agricultural intensification and productivity? Evidence from Malawi,' *Food Policy*, vol. 48, pp. 114–128 (n.p., Elsevier, 26 March 2014).

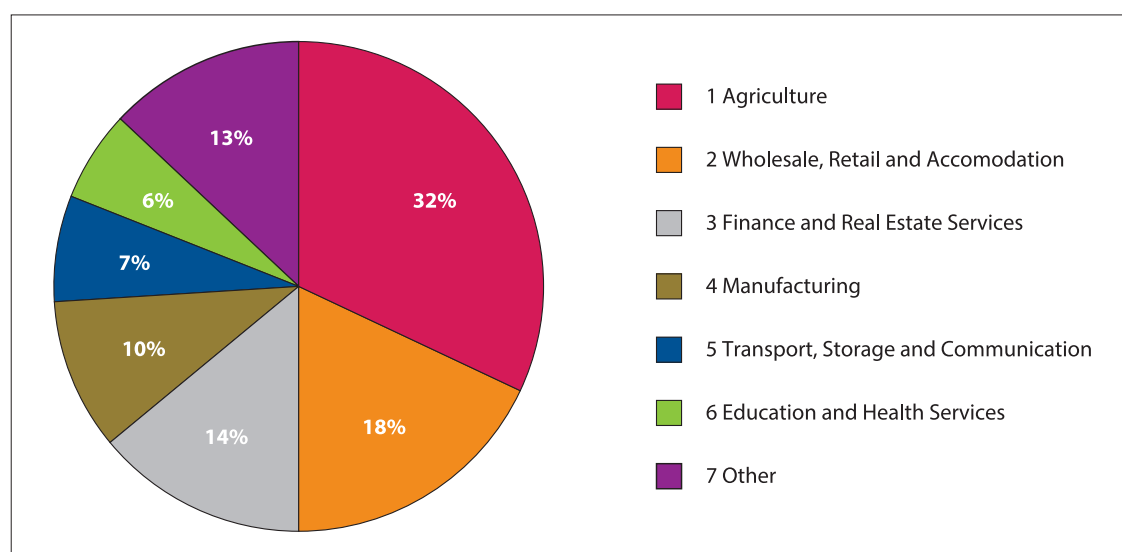
14 Making Access Possible is a diagnostic and programmatic framework to support expanding access to financial services for individuals and micro and small businesses.

15 UNCDF MAP Malawi, Country Diagnostic Report. 2015, p. 7.

Agriculture is the biggest contributor to the Malawian economy, accounting for 32% of total GDP.¹⁶ Droughts and floods can have devastating effects for millions of Malawians, ‘since 86% of the population are engaged in farming for food security.’¹⁷ Furthermore, the importance of agricultural produce for exports implies that low crop yields resulting from adverse weather conditions will depress export revenues and therefore economic growth. Tobacco production contributes to about 70% of Malawian exports. Similarly, external price setting on agricultural produce inappropriate for the Malawian context has the potential to have disproportional distortional effects because of the large share of the sector in the economy.

Mining is an upcoming sector as it has potential for strong growth due to oil discovery. As a Making Access Possible report indicates, ‘the overall contribution of the mining sector remains limited at 1% of GDP. However, the sector has been growing significant[ly] over the last few years albeit from a small base. The main mining commodities [sic] is Uranium, accounting for the largest share of the value of mining output in Malawi.’¹⁸ The other sectors that play major roles are wholesale and retail trade (18%), financial and real estate services (14%) and manufacturing (10%).¹⁹ Figure III provides a detailed breakdown of GDP by sector.

Figure III
Gross domestic product by sector origin



Source of data: Malawi, Ministry of Finance, Economic Planning and Development, *Annual Economic Report 2014* (Lilongwe, n.d.).

16 UNCDF MAP Malawi, Country Diagnostic Report.

17 Ibid, p. 8.

18 Ibid.

19 Ibid.

Inflation is high, even for regional standards. As the World Bank reports, 'inflation is expected to remain elevated in 2016 ... The average rate of inflation is projected to stand at 20.8% for 2016 as a whole. By the end of 2015, the average annual headline inflation rate stood at 21.9%.²⁰ The basket that makes up the CPI consists of 50% food and non-alcoholic beverages, while the other major categories are housing, water and electricity (15%) and transportation (7%).²¹ The large share of food in the CPI basket implies that the inflation rate is very sensitive to adverse weather conditions, which affect its production.²²

The FY2015/2016 fiscal deficit is expected to hit 5.9% of GDP, in comparison to the FY2014/2015 deficit of 5.4%.²³ The Government must improve on revenue collections and scrutinize budget expenditures that are exposed to foreign exchange movements, as the continued depreciation of the Malawi kwacha (MK) is also creating major challenges to the economy. Simultaneously, the trade deficit has been increasing every year. To tackle this issue, the Government needs to focus its attention on increasing and diversifying the country's exports, which are currently reliant on tobacco. Diversification of the export sector is not an easy step for a country like Malawi, where poor infrastructure and exceedingly high transportation costs present a barrier to the country playing a competitive role in the international market.²⁴

The World Bank suggests recovery is possible in 2017, provided the following:

Continued fiscal restraint and an effective response to the challenges resulting from a second year of low economic growth and high levels of food insecurity. By addressing the underlying causes of both non-food and food inflation, interest rates may begin to fall to levels that would begin to restore business confidence. This would lead to increased private sector investment and job creation, both of which Malawi desperately needs.²⁵

Unemployment stands at roughly 7.5% overall, 13.5% amongst youth. In reality, however, unemployment is much higher, especially within the youth segment. People who are underemployed are not registered as unemployed, and there are many who do not earn enough to be free of hunger and to meet other basic needs. Few economic opportunities combined with marked seasonality of rain-fed agriculture lead to labour shortages during critical phases of the cropping season, with underemployment for the rest of the year.²⁶ Over 70% of Malawians aged 15–29 are employed in the informal sector, and **the country has one of the highest rates of working poverty globally, which stands at around 60% on \$1.25 per day.**

20 World Bank, 'Malawi Economic Monitor: Analysis Predicts Continued Weak Growth in 2016 Amid Low Agricultural Production.'

21 World Bank, 'Absorbing shocks, building resilience,' Malawi Economic Monitor (Lilongwe, May 2016).

22 World Bank, 'Malawi Economic Monitor: Analysis Predicts Continued Weak Growth in 2016 Amid Low Agricultural Production.'

23 Ibid.

24 World Bank, 'Emerging Stronger,' Malawi Economic Monitor (Lilongwe, October 2016).

25 World Bank, 'Malawi Economic Monitor: Analysis Predicts Continued Weak Growth in 2016 Amid Low Agricultural Production.'

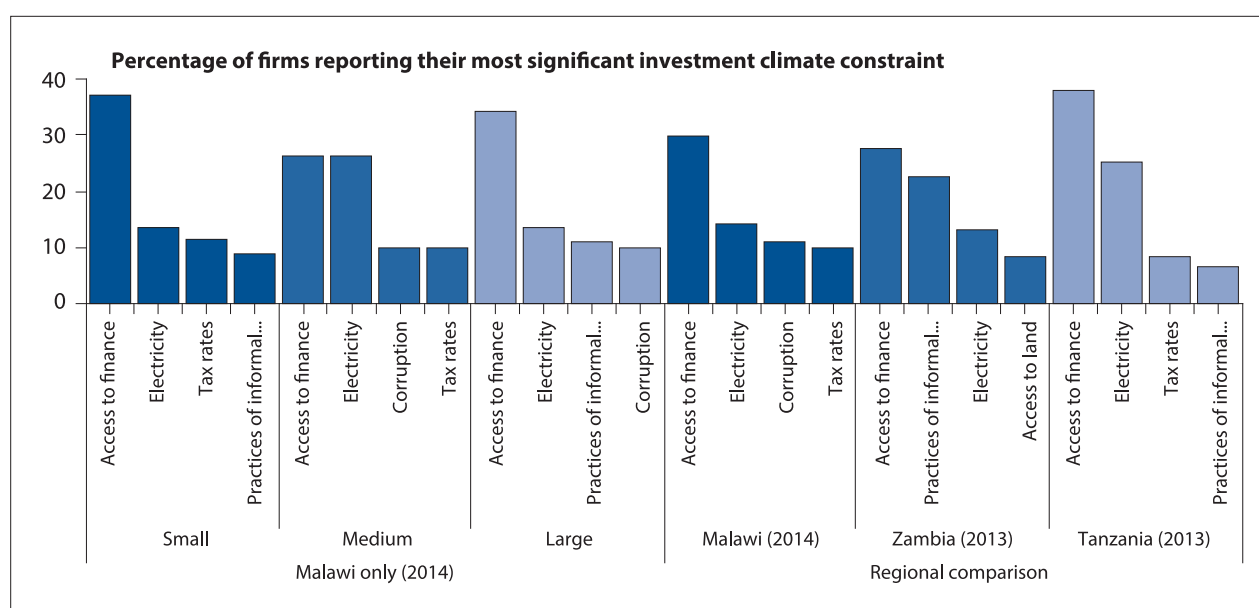
26 Rural Poverty Portal, 'Malawi.' Available from <https://www.ruralpovertyportal.org/country/home/tags/malawi> (accessed December 2016).

Rural poverty is endemic and persistent. The most common livelihood activities are subsistence farming and working as an agricultural labourer. This situation creates dependency on rain-fed agriculture, which is highly prone to price and weather shocks, for a large portion of the rural population. Therefore, as a micro-economic strategy to mitigate the impact of these shocks, individuals and households seek to diversify into non-farm activities, particularly self-employment in microenterprises or off-farm wage labour in the informal sector. A large number of households depend on remittances, pensions and other public transfers or benefits (e.g., nutrition programmes and cash transfers) to meet their most basic needs and to invest in health and education.²⁷

Private enterprises (whatever their size) play a key role in poverty mitigation strategies at the household level. While micro, small and medium enterprises face several obstacles to realize their full potential, there may be systemic constraints holding back their development over the longer term. In two nationally representative enterprise surveys conducted in 2008 and in 2014, limited access to finance was consistently mentioned as the main obstacle to realization of full business potential (see figure IV).²⁸ Unreliability of the electricity supply and the country's tax system are persistently identified as significant constraints as well, with corruption also being identified as increasingly significant.

Figure IV

Main constraints faced by businesses



Source: Figure from World Bank, 'Emerging Stronger,' Malawi Economic Monitor, fig. 21, p. 23 (Lilongwe, October 2016). Reprinted by permission.
Original source cited: World Bank Enterprise Surveys

27 World Bank, 'Emerging Stronger.'

28 World Bank Enterprise Surveys, 'Malawi (2014).' Available from <http://www.enterprisesurveys.org/data/exploreeconomies/2014/malawi> (accessed December 2016).

SECTION 2 – OVERVIEW OF YOUTH POLICY LANDSCAPE

While the Government of Malawi does not have a specific policy on youth employment or entrepreneurship, it has a number of policies influencing the ecosystem of youth economic opportunities. Below is an overview of some of the key policies in this sector.

- **National Youth Policy** (2013), Ministry of Youth and Sports (now under the Ministry of Labour, Youth, Sports and Manpower Development):²⁹ After pressure from the Youth Consultative Forum, a confederation of youth organizations in Malawi, for the Malawian Government to update its 1996 youth policy, consultations were held across the country in order to produce the 2013 National Youth Policy. The updated policy defines youth as individuals between the ages of 10 and 35, noting that ‘the definition of youth has continuously changed variably in response to political, economic and social perspectives.’³⁰ The policy aims to ‘create an enabling environment for all young people to develop to their full potential in order to contribute significantly to personal and sustainable national development.’³¹ This solid policy seeks to do so through the following nine objectives:
 - a. Guide policy makers on issues relating to young people;
 - b. Mainstream youth development agenda in all national development programmes;
 - c. Provide guidance on minimum standards for the design of programmes for youth;
 - d. Guide the adequate allocation and prudent use of resources (financial, human and material) to youth programmes;
 - e. Provide guidance for the protection of young people;
 - f. Advocate for the active participation of young people in the formulation of legislation and policies affecting the youth at all levels;
 - g. Mainstream gender equity and equality in all youth programmes;
 - h. Provide guidelines for monitoring and evaluation of youth programmes and ensuring youth are included as active participants; and
 - i. Provide for the establishment of multi-sectoral and multi-disciplinary institutional framework for coordination and implementation of youth programmes.³²

29 Malawi, Ministry of Youth and Sports, *National Youth Policy* (Lilongwe, August 2013). Available from http://www.youthpolicy.org/national/Malawi_2013_National_Youth_Policy.pdf

30 Ibid, p. 2.

31 Ibid, p. 4.

32 Ibid, p. 5.

Under the priority area of fostering youth economic empowerment, which the policy casts as a right, the document includes recommendations covering an entire range of issues in a very comprehensive manner. These recommendations include the following:

1. Technical, Vocational and Entrepreneurship training facilities for the youth are promoted and supported;
2. The establishment of community-based skills training programmes for the youths including village polytechnics, business incubation and youth multi-purpose skills training centres is promoted;
3. Strategies aimed at establishing, promoting and supporting agricultural youth clubs and cooperatives linked to the private sector are established;
4. The youth are mobilised and motivated to take part in agricultural activities by providing incentives to attract young people to go for agricultural training at all levels of the country's education system; primary, secondary, tertiary and vocational schools;
5. Where necessary incentives such as tax exemptions on agricultural tools and machinery to be considered where youth are to benefit;
6. Modernization of agriculture through the incorporation of ICT and other modern technologies and tools to make agriculture attractive to the youth is deliberately encouraged;
7. Access to productive agricultural land in adequate proportion and other factors of production for the youth who fail to access these resources due to culture, gender and / or other socio-economic factors is facilitated;
8. The promotion, provision and dissemination of youth tailored information and provision of support for advanced training targeting out of school youth for increased agricultural production, agro-processing and marketing is facilitated;
9. An enabling environment for Public Private Partnership for youth development including the provision of technical training to youth is created;
10. Support for the scale up of the national internship and mentorship programmes to facilitate youth to enter the labour market in rural and urban areas is promoted;
11. Special self employment training programmes for young people with disabilities are provided;
12. The establishment of a Youth Development Fund to foster a dynamic climate for youth entrepreneurs to access credit is facilitated;
13. Youth-friendly rules and regulations are in place for the informal sector to create more employment opportunities for young people;
14. Macroeconomic policies that focus on job creation particularly for youth and for young women are developed;
15. Strategies that ensure youth involvement in public works and major infrastructure development programmes [are] promoted;

16. Measures to regulate and provide a conducive business environment in the informal economy to prevent unfair labour practices where the majority of youth work are developed;
17. Greater linkages between the labour market and the education and training system to ensure that curricula are aligned to the needs of the labour market and that youth are being trained in fields where employment opportunities are available or are growing are fostered; and
18. Incentive schemes for employers to invest in the skills development and on the job training for employed and unemployed youth are instituted.³³

The policy also includes coordination provisions that leverage existing structures such as the Youth Technical Committees, an interagency coordination structure at the district level that reports to the Ministry. The Ministry serves as the secretariat and convenes all youth policy coordination meetings.

It proved to be quite difficult to find information on the progress of implementing this policy. However, interestingly enough, this policy called for the creation of a centralized information sharing system for youth opportunities, including in the employment sector. United Nations Population Fund and the Malawi Ministry of Labour, Youth, Sports and Manpower Development are currently working on the establishment of this innovative system, which is called Youth and Sports Management Information System.

- **National Strategy for Financial Inclusion** (2010–2014), Ministry of Finance (now the Ministry of Finance, Economic Planning and Development):³⁴ This policy considers financial inclusion ‘an essential instrument for increasing agricultural productivity and production, starting or expanding micro and small enterprises, creating employment, increasing household income and smooth[ing] consumption, among others. It is also essential for meeting objectives of government’s development strategies. Expanding and improving the quality of financial inclusion is also an important tool for achieving the Millennium Development Goals (MDGs).’³⁵ In addition, it identifies youth as a priority target group and calls for financial products and services to be developed and offered in a way that addresses ‘the working and investment capital needed by clients and should match with the financial needs of smallholder farmers, micro and small enterprise operators, the youth, women and disadvantaged groups.’³⁶

33 Ibid, p. 12.

34 Malawi, Ministry of Finance, *The Malawi National Strategy for Financial Inclusion (2010–2014)* (Lilongwe, January 2010).

35 Ibid, p. 8.

36 Ibid, p. 19.

Importantly, this policy includes an entire section dedicated to the development of a financial literacy policy and related programme. The policy notes that such an intervention 'would involve a series of capacity building activities focused at increasing knowledge of financial concepts, skills and attitudes amongst the poor and translating this knowledge into behaviors that result in good financial outcomes for finance providers and users of inclusive financial services.'³⁷ While the Financial Literacy Policy hasn't been officially launched yet, the Reserve Bank of Malawi (the country's central bank) already appointed a Chief Examiner on Consumer Protection and Financial Literacy.³⁸ Official announcements reveal that the policy is near completion and that it will be organized around these four actions: 'financial education in educational establishments; financial education via partnerships; financial education via the mass media; and financial education via religious and local leaders. Annexed to the strategy to aid in implementation are a monitoring and evaluation tool; an information, education and communication strategy; an action plan; and a resource mobilization plan.'³⁹ The team behind the policy is already quite active, as evidenced by team members holding several consultations and workshops on the topic.⁴⁰ An element of success in their interventions is the heavy involvement of media partners. For example, 'a workshop aimed at training media practitioners on how they can incorporate financial literacy messages in their day to day programming' was recently held in the capital.⁴¹ Malawi also has a National Financial Literacy Week as well as a newsletter focusing on this issue published by the Reserve Bank of Malawi.⁴² The first edition was published in June 2016, coinciding with the National Financial Literacy Week. In terms of building the financial literacy of youth, the newsletter notes that, for the 2015/2016 school year, the Malawian Government:

Integrated financial education into the Malawi National Secondary School Education curricula. ... The key messages revolve around sound personal and household finance management such as budgeting, saving and investing. The curricula also aim to bring awareness on financial products and services offered by financial institutions. ... Plans to introduce financial literacy clubs in secondary schools to make financial education familiar are also ripe. The clubs will assist to improve student understanding of good personal and household finance management and enable them [to] make informed financial decisions-both now and in [the] future.⁴³

37 Ibid, p. 21.

38 Earlene Chimoyo, 'Financial Literacy Ideal For Malawi Economy Authorities say,' 24 May 2016. Available from <http://www.capitalradiomalawi.com/news/item/6265-financial-literacy-ideal-for-malawi-economy-authorities-say>

39 Reserve Bank of Malawi, *National Financial Literacy Newsletter*, vol. 1, No. 1, p. 6 (Blantyre, June 2016). Available from <https://www.rbm.mw/Home/GetContentFile/?ContentID=7903>

40 Chimoyo, 'Financial Literacy Ideal For Malawi Economy Authorities say.'

41 Phillip Dzikananga, 'Reserve Bank of Malawi to launch financial literacy strategy,' 20 May 2016. Available from <http://www.nyasatimes.com/reserve-bank-of-malawi-to-launch-financial-literacy-strategy/#sthash.1hBgmK8E.dpuf>

42 Reserve Bank of Malawi, *National Financial Literacy Newsletter*.

43 Ibid.

Finally, it is interesting to note that Malawi ratified the Maya Declaration on Financial Inclusion in 2011, being amongst the first countries to do so.⁴⁴

- **Micro, Small and Medium Enterprises (MSME) Policy Strategy** (2012–2017), Ministry of Trade and Industry:⁴⁵ Under the title ‘Enabling Enterprise Growth in Malawi,’ this policy recognizes the following:

The MSME sector has the potential to promote indigenous entrepreneurship. In an ideal environment, it can absorb labour, transfer modern technological skills, foster innovation and enhance international competitiveness. Successful MSMEs have the potential to uplift women, the youth and marginalised groups from poverty. The role of MSMEs is particularly important for Malawi, with its relatively undiversified, resource-poor economy and the need to promote exports.⁴⁶

The policy clearly identifies youth as a priority target group and states that ‘lack of specific policies aimed at women and the youth [and] limited access to credit and business development services’ are major obstacles to the MSME sector reaching its full potential.⁴⁷ To tackle this issue, the policy calls for microfinance institutions and other financial product and service providers to ‘develop innovative financial instruments that target and benefit women and youth specifically, and find alternatives to prevailing collateral requirements. Longer repayment periods should be considered.’⁴⁸ Starting in 2016, MSME access to funding and improvement of the business environment represent the top two priorities of the International Finance Corporation/World Bank Group in Malawi.⁴⁹

As noted in several reports and interviews with stakeholders, the culture of entrepreneurship in Malawi needs to be substantially supported (more on that later). The MSME policy recognizes this need and includes several measures to address it. Measures include the following: entrepreneurship education to be incorporated into the curricula of primary, secondary and tertiary education; short-term courses (including in national languages) to be offered in sectors with strong growth potential; and mentorships and guidance for youth receiving start-up loans.⁵⁰ On the topic of start-up loans, the policy calls for the creation of a Financial Innovation Fund that would ‘incentivise commercial banks to come

44 Alliance for Financial Inclusion, ‘Maya Declaration on Financial Inclusion’ (n.p., 2011).

45 Malawi, Ministry of Trade and Industry, *Micro, Small and Medium Enterprises (MSME) Policy Strategy for the Republic of Malawi: Enabling Enterprise Growth in Malawi 2012–2017* (Lilongwe, August 2012). Available from <https://info.undp.org/docs/pdc/Documents/MWI/MALAWI%20MSME%20POLICY%20AND%20STRATEGY%20FINAL%20DRAFT%20AUGUST%202012.pdf>

46 Ibid, p. 10.

47 Ibid, p. 11.

48 Ibid, p. 18.

49 World Bank, ‘Malawi Overview: Strategy.’ Available from <http://www.worldbank.org/en/country/malawi/overview#2> (accessed December 2016).

50 Malawi, Ministry of Trade and Industry, *Micro, Small and Medium Enterprises (MSME) Policy Strategy*.

up with innovat[iv]e solutions for the provision of loans to the MSME sector, in particular to businesses owned by youth and women.⁵¹ The policy also briefly mentions a number of funds (existing or new) to support entrepreneurs, including young ones. One of these funds is the Youth Enterprise Development Fund (YEDEF or YDEF), which aims to help set up small businesses by providing financial support.⁵² Since it is a 'revolving fund,' its success is therefore dependent on timely repayments of the loans by borrowers.⁵³ This fund was managed by the Malawi Enterprise Development Fund, which recently had financial troubles due to a high level of loan defaulters, especially with YEDEF/YDEF. Hopes are that, with internal reorganization and a rebranding exercise, the funds will perform much better. However, it is clear that proper support of young entrepreneurs would be a key factor in business success and therefore rates of loan repayment.

- **National Education Sector Plan** (2008–2017), Ministry of Education, Science and Technology:⁵⁴ While Malawi had a separate Technical and Vocational Education and Training (TVET) Policy from 1998 to 2008, since then TVET policy directions are outlined in the National Education Sector Plan. However, the TVET system is managed by the Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA), a private-public partnership that aims to facilitate the 'provision of technical education and vocational education and training opportunities, integration of formal and informal sectors so as to satisfy demands of the labour market for employees with relevant skills, regulating the training market so that training providers meet the minimum standards for quality and the promotion of entrepreneurial skills and values.'⁵⁵

It is interesting that the word 'entrepreneurial' features in the title of this agency; it is unique and definitely hits the right note in term of the challenges faced by the TVET system. Under the TVET chapter, the plan mentions that 'technical and vocational training and education should benefit both in and out-of-school youth' and that 'the training and education at this level should be aligned with the labour market demands.'⁵⁶ At the time the plan was published in 2008, the Government's assessment of the TVET system was quite negative. Amongst other critiques, it noted the following:

51 Ibid, p. 25.

52 Malawi Enterprise Development Fund, 'Youth Loans Making a Difference in Most Parts of Malawi.' Available from <http://www.medf.mw/index.php/news/34-youth-loans-making-a-difference-in-most-parts-of-malawi> (accessed December 2016).

53 Ibid.

54 Malawi, Ministry of Education, Science and Technology, *National Education Sector Plan 2008–2017* (Lilongwe, June 2008). Available from <http://www.sdn.org.mw/Education2010/FinalNesp.pdf>

55 UNESCO-UNEVOC Network Portal, 'Technical, Entrepreneurial and Vocational, Education and Training Authority (TEVETA): About the Centre.' Available from <http://www.unevoc.unesco.org/go.php?q=UNEVOC+Network+-+Centre&id=787#centre> (accessed December 2016).

56 Malawi, Ministry of Education, Science and Technology, *National Education Sector Plan*, p. 21.

Unsystematic management and operation of the technical and vocational training has led to inadequate funding, lack of prioritization and poor link with TEVETA. All this has in turn resulted in institutions having obsolete and inadequate equipment and low funding allocation. ... there is no appropriate machinery (governance and management) ensuring that the funds remitted are channelled for the needs in the colleges. The consequence of poor funding has been continuous use of an outdated curriculum.⁵⁷

In addition, the plan mentions 'inadequate infrastructure which leads to reduced intake thereby failing to satisfy the increasing demand for places. In addition the colleges were built with a bias for more male boarders than female therefore denying the nation an opportunity for gender equity.'⁵⁸ To remedy this situation, the plan calls for a comprehensive list of measures organized around three pillars: governance and management; quality and relevance; and access and equity.⁵⁹ In 2009, United Nations Educational, Scientific and Cultural Organization (UNESCO) was mobilized by the Malawian Government to assess the TVET system and suggest corrective measures via the project Better Education for Africa's Rise.⁶⁰ Several international partners were also involved. Per a 2010 assessment by UNESCO, some improvements could be seen, especially in terms of the competency framework used to develop courses; however, the report brought attention to several deep-seated issues, including the continuing operational governance question.⁶¹

While the TVET system has several challenges, two innovative and sound practices should be underscored. First, there is a National Trade Test, which can be described as the following:

Three-level qualification system which ... consists of both a theoretical and practical component, although emphasis is on practical skills. There is an open admission to the test, i.e. candidates do not need to have attended a training programme to sit the test. A combination of external candidates, who may have, for example, acquired their skills in the informal sector, and candidates following training courses in public or private TEVET institutions sit the test. The NTT [National Trade Test] has 28 prescribed trades.⁶²

57 Ibid.

58 Ibid, p. 22.

59 Ibid.

60 UNESCO, 'Technical Vocational Education and Training (TVET): The BEAR Project–Malawi.' Available from <http://www.unesco.org/new/en/education/themes/education-building-blocks/technical-vocational-education-and-training-tvet/the-bear-project/malawi/> (accessed December 2016).

61 UNESCO, Education Sector, *TVET Policy Review: Malawi* (Paris, 2010).

62 UNESCO, 'World TVET Database – Country Profiles: Malawi.' Available from <http://www.unevoc.unesco.org/go.php?q=World+TVET+Database&ct=MWI> (accessed December 2016).

This system allows informally trained workers to have their skills officially recognized, and therefore to have access to better employment within their trade sector. Second, in 2008, TEVETA started collecting a TVET Levy to improve the system's funding and therefore its relevance, quality and reach. The TVET Levy aims to 'fund approved technical education and training programmes in Malawi, special programmes to support the technical education and training system and user-free subsidization through scholarships, grants and loans. The levy is also used to fund incentives to employers to directly invest in technical education and training, an endowment fund to support technical education and training, and government and management structures of the technical education and training system.'⁶³ Between 2008 and 2015, the TVET Levy was not operationalized properly and several opportunities were lost. Some say that several companies disregarded their responsibilities to pay the Levy because they felt the TVET system was not efficient, especially from an internal governance perspective.⁶⁴ In 2015, after years of work to address issues related to TEVETA governance, a new Levy programme was launched with enhanced control measures.⁶⁵ Hopefully, this new Levy will help the TVET system address its funding issues that are affecting the quality of its products and its efficiency.

- **Financial inclusion:** In principle, the Malawian regulatory framework is supportive of financial inclusion as it allows for the following: a tiered approach to compliance with regulation for anti-money laundering and combating the financing of terrorism, agent and mobile banking, and the ability of microfinance providers to take deposits. Further, the financial inclusion policy of the Reserve Bank of Malawi is concerned with initiatives that promote responsible finance, consumer protection issues and the establishment of a credit bureau. A number of gaps, however, create inefficiencies and uncertainties for both providers and consumers. The main issues hampering a wider, more efficient and cheaper supply of financial services to the poor include the following:⁶⁶
 1. Lack of a functioning population register or national ID. As a Making Access Possible report notes, 'the lack of a national ID makes it very difficult and expensive to meet KYC (Know Your Customer) requirements for new customers and to keep track of existing clients, particularly in the event of non-repayment of loans.'⁶⁷ Aside from know-your-customer compliance, it is also difficult for FSPs to comply with the regulation for anti-money laundering and combating the financing of terrorism. FSPs must find solutions, such as upgrading their systems with biometric readers, that often prove expensive. These costs are eventually passed on to their clients.
 2. Lack of digital transaction legislation. There is no comprehensive framework for digital financial transactions, which means that formal paper documents are still required and digital services are blocked from realizing their full potential.

63 Malawi Revenue Authority, 'Tevet Levy,' last updated 6 April 2016. Available from <http://www.mra.mw/large-tax-office/tevet-levy>

64 UNESCO, *TVET Policy Review: Malawi*, p. 32.

65 Malawi Revenue Authority, 'Tevet Levy.'

66 UNCDF MAP Malawi, Country Diagnostic Report. 2015, pp. 30-34.

67 Ibid, p. 30.

3. Delay in enactment of the National Payments Systems Bill, drafted in 2014. The major drawback is that the National Switch cannot yet operate effectively, since 'banks are not required to make use of it or allow other banks' customers to use their physical payments infrastructure.'⁶⁸

While Malawi can count on a few sound policies related to youth issues, challenges at the levels of funding and operationalization exist. The overall economic situation in Malawi is still quite difficult, even after some recovery measures implemented since 2012.

According to the 2016 Youth Development Index, the situation of youth in Malawi is quite dire, though youth nonetheless benefited from some improvements in recent years:

- The country has an overall rank of 162 out of 183 countries.
- Despite that ranking, Malawi was amongst five countries with the largest overall gains in the index between 2010 and 2015.
- In terms of youth employment opportunities only, Malawi ranks 131 out of 183 countries.⁶⁹

What is interesting is that Malawi places amongst the top 10 countries when it comes to civic participation.⁷⁰ Malawian youth are clearly ready to contribute to their country's development; however, structural and financial challenges are preventing them from fully contributing from an economic development perspective.

In addition to these issues, one can see the following obstacles to the country's efforts to progress toward higher rates of youth employment:

- **There is financial/fiscal weakness and economic instability.** According to the World Bank, weak fiscal discipline and large fiscal deficit are the most significant contributors to macroeconomic instability in Malawi.⁷¹ In addition, 'rising cost of servicing debt, increasing wage demands [and] the high cost of often inefficient subsidy schemes' are contributing to this dire situation.⁷² The World Bank also states that 'with limited scope for on-budget foreign financing at levels previously available to the Government, the authorities continue to borrow heavily from domestic sources to close the gap. This creates the risk of pushing up inflation and lending rates, crowding out private sector investment and constraining economic growth.'⁷³ This situation means that 'restoring confidence will require deeper

68 Ibid, p. 31.

69 Commonwealth Secretariat, *Global Youth Development Index and Report* (London, 2016). Note: Source is the same for all three bullets.

70 Health and education contribute to lowering the overall rank of Malawi.

71 World Bank, 'Malawi Economic Monitor: Adjusting in Turbulent Times - Fact Sheet,' 19 October 2015. Available from <http://www.worldbank.org/en/country/malawi/brief/malawi-economic-monitor-adjusting-to-turbulent-times-fact-sheet>

72 Ibid, p. 1.

73 Ibid.

public financial management reforms to improve accountability and transparency in the management of public funds.⁷⁴ There has been a recent shortage of foreign currency as well, which severely affected Malawi in 2011 and 2012 and which still has ripple effects on today's economy.⁷⁵ The overall situation affects everyone in the country; however, it especially affects youth looking for employment or for start-up capital. Without major improvements on that front, interventions regarding youth economic opportunities might not have the impact sought.

- **There are shortcomings in the technical and vocational training system.** In recent years, the Government of Malawi has made a lot of effort to improve internal governance, oversight and funding of the TVET system. However, actual output or delivery of courses under the TVET system is not yet up to par with national needs. Attention now needs to be placed on proper collection and use of the Levy, sound financial management and efficient operationalization of the policy.
- **The entrepreneurship culture in Malawi is a double-edge sword.** According to a 2014 survey of 131 countries regarding entrepreneurial intent conducted by the research firm Gallup, Malawi is the country in Africa where citizens are most likely to start a first business. Adults who did not already own an enterprise were asked if they intended to start one in the following year: 57% of those interviewed in Malawi answered yes, which is the highest rate in all of Africa and almost 10% more than the next most entrepreneurial country (i.e., Côte d'Ivoire, with 48%).⁷⁶ While one could see this finding as a sign of a healthy entrepreneurial culture in Malawi, the numbers might reveal, as Gallup noted, that this entrepreneurial spirit was 'born out of necessity rather than opportunity.'⁷⁷ Malawi does not have the tools necessary to support such a high number of MSMEs created each year. This situation is clearly related to the high level of loan defaults experienced by YEDEF/ YDEF and the Malawi Enterprise Development Fund, as mentioned above. While Malawi is ahead of several neighbouring countries in terms of policies governing financial literacy and financial inclusion, it does not have a solid business development and mentoring system to help raise the success rates of all the MSMEs created.

74 African Development Bank, 'Malawi Economic Outlook.'

75 Patrick McGroarty, 'Currency Woes Curb Business in Malawi: Falling Tobacco Prices Add to Once-Hot Economy's Slowing,' 4 April 2012. Available from <http://www.wsj.com/articles/SB10001424052702304072004577323693850777570>

76 Bob Tortora, 'Training, Money Barriers to Starting a Business in Africa,' 4 August 2014. Available from <http://www.gallup.com/poll/174314/training-money-barriers-starting-business-africa.aspx>

77 Lee Mwititi, 'Malawians are the most entrepreneurial Africans, study finds, but hold your cheers,' 3 October 2014. Available from <http://mgafrica.com/article/2014-10-02-malawians-are-the-most-entrepreneurial-africans-study-finds-but-is-it-really-a-good-thing>

- **The legal and regulatory framework in Malawi is generally favourable for youth financial services, but a tiered know-your-customer regime is needed.** While youth must be 18 years old to obtain a loan from a bank or open a savings account, this minimum age requirement is waived for youth under 18 years of age who are married or who have a registered business.⁷⁸ Considering that the majority of poor and of youth do not have a national ID or other valid identity papers, a tiered know-your-customer regime would be very beneficial.⁷⁹
- **There is a need to identify sub-categories of youth.** The National Youth Policy sees youth as individuals ranging from 10 to 35 years old. This definition is quite unique as very few countries and international organizations include individuals below the age of 14 or 15 in the category of 'youth.' While individuals from 10 to 35 years old might share some challenges, there are massive differences between the reality and needs of a 10-year-old when compared to those of a 35-year-old. It is clear that any country can choose to define youth as it wishes; however, Malawi might want to consider identifying sub-categories of youth should it want to maintain its 10–35-years-old definition. For example, sub-categories could be 10–14, 15–24, 25–29 and 30–35. Such a change would also help in the collection and analysis of data as most international organizations working on youth empowerment and employment use either the 15–24 or 15–29 categories. In terms of programming, nuances would be needed. Indeed, initiatives targeting 10–14-year-olds should focus on encouraging them to stay in school and prepare for their transition into further studies or the marketplace at a later stage.
- **Finally, there are two especially harrowing challenges faced by the youngest Malawians: child labour and early marriages.** Several international organizations have sounded the alarm regarding the level and the forms of child labour in Malawi.⁸⁰ The agricultural sector (cotton, sugar, tobacco) is where this issue can mostly be seen.⁸¹ Any form of intervention in the agricultural sector to foster youth employment or entrepreneurship will need to include measures to ensure that children are not involved. The second issue of early marriages is quite worrying as 'Malawi has one of the highest rates of child marriage in the world, with approximately 1 in 2 girls married by the age of 18 ... Child marriage is also closely linked to poverty, as often in rural areas girls will be married off very young to improve a family's financial status.'⁸² Interventions in rural areas need to pay extra attention to gender equity and develop measures to reach out to younger women.

78 Danielle Hopkins and Maria Perdomo, *Listening to Youth: Market Research to Design Financial and Non-Financial Services for Youth in Sub-Saharan Africa* (New York, UNCDF, 2011).

79 A tiered system that seeks to implement flexible account-opening requirements for low- and medium-value account holders subject to caps and transactions restrictions.

80 International Labour Organization, United States Agency for International Development, etc.

81 United States, Department of Labor, 'Child Labor and Forced Labor Report: Malawi.' Available from <https://www.dol.gov/agencies/ilab/resources/reports/child-labor/malawi> (accessed December 2016).

82 Girls Not Brides, 'Child marriage around the world: Malawi.' Available from <http://www.girlsnotbrides.org/child-marriage/malawi/#stats-references> (accessed December 2016).

SECTION 3 – OVERVIEW OF THE DEMAND FOR FINANCIAL SERVICES

Despite recent progress, financial inclusion in Malawi remains relatively shallow and shows the lowest level of formal financial penetration in the region. Compared to many other countries in sub-Saharan Africa, the Malawian population has very low income levels, resides primarily in rural areas (85%),⁸³ relies on subsistence farming for survival, has very low general education levels and financial literacy, and deals with poor infrastructure and mobile network coverage and penetration. Despite all efforts and modern technology available, financial inclusion remains a challenge in Malawi. The adult population is not a homogenous group; circumstances and related needs differ across various segments of the population. **It is therefore essential to segment the population. Once the different socio-economic segments of the society are clear, it will be possible to understand their diverse needs.**

SEGMENTATION BY OCCUPATION

Based on information from a 2014 FinScope Consumer Survey, the population can be segmented by main source of income (see figure V).⁸⁴ Making Access Possible further explains these segments:

- The largest income source is farming (2.6 million people). Farmers, especially in monetary terms, are less well off than in other target markets and primarily use informal providers.
- MSMEs (1.2 million), which are critical for the country's growth, are the second wealthiest target market and comprise one sixth of the population. Usage of formal credit is, however, very limited as they source their capital needs from family members or suppliers.
- Salary earners (560,000) are the wealthiest and best-served segment in the market, living primarily in urban areas.
- There is a large group of dependants (1.3 million) who rely on family members or friends for their income. The urbanization trend implies that remittances (domestic or international) will become more important.
- People engaged in piecework/*ganyu* (2.1 million) have very limited interaction with the formal financial sector. Their income is low and often in kind since they reside in rural areas.⁸⁵

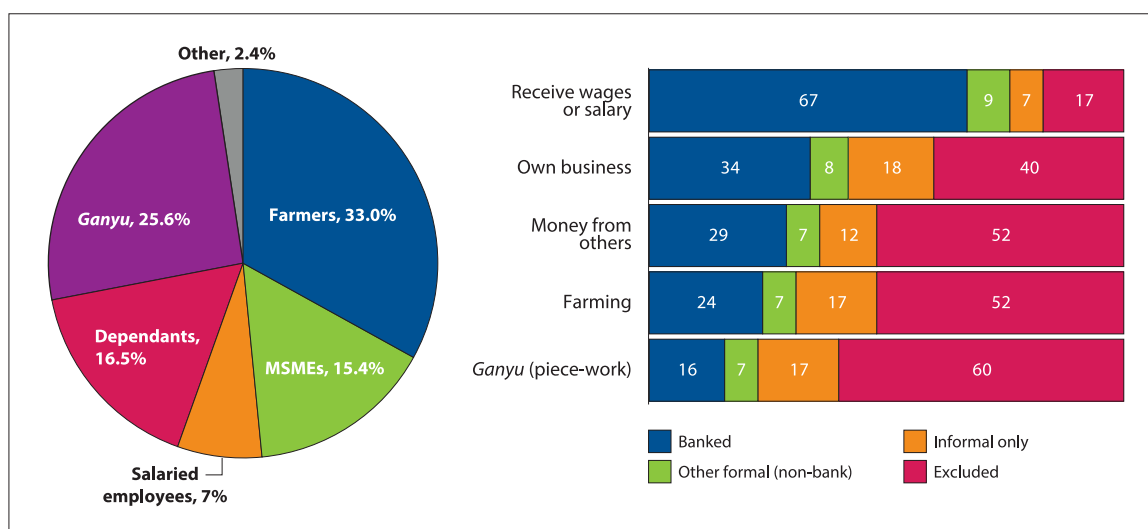
83 UNCDF MAP Malawi, Country Diagnostic Report.

84 FinScope Malawi, 'FinScope Consumer Survey 2014,' p. 6 (Johannesburg, FinMark Trust, 2014).

85 UNCDF MAP Malawi, Country Diagnostic Report. *Note:* Source is the same for the entire set of bullets.

Figure V

Population segments by source of income



Source of pie chart: UNCDF MAP Malawi, Country Diagnostic Report. 2015, Fig. 20, p. 51.

Source of bar graph: FinScope Malawi, 'FinScope Consumer Survey 2014,' p. 6 (Johannesburg, FinMark Trust, 2014).

Both reprinted by permission.

SOCIAL CONTEXT

The figures above show that the poorest strata of the population also represent the majority. In addition, FinScope data indicate that two strata (farmers and pieceworkers) have grown proportionally faster than the other strata defined above. Both are, on average, poorer and more rural than the overall population, with the lowest level of education. It is important to note, however, that in the richest strata (salaried employees), approximately 50% of adults still earn less than \$1.25 a day.⁸⁶ Malawi is poor, and table 1 is reflective of that.

Table 1

Basic indicators by target population segments

	Farmers	MSMEs	Salaried employees	Dependants	Ganyu
Percentage of adults	33%	15%	7%	17%	26%
Percentage rural	95%	68%	49%	65%	93%
Average monthly income (US\$)	29	46	68	34	13
Percentage on US\$1.25 per day	84%	73%	50%	82%	92%
Percentage with > 1 income source	58%	45%	32%	46%	38%
Average education level	Primary	Primary	Secondary	Primary	Primary
Percentage with mobile phone	67%	79%	88%	75%	57%

Source: UNCDF MAP Malawi, Country Diagnostic Report. 2015.

Although only 33% of the adult population is classified as a farmer, 88% of the population farms to supplement income, which indicates a general lack of economic opportunities. This circumstance also causes remittance flows from rural to urban areas as many city dwellers also need to supplement their income.

Community and family support are important societal aspects, given widespread poverty, and Malawians tend to rely on informal community savings groups. For many rural adults, informal savings and/or credit through savings groups are the only financial products they use. Additionally, 24% of adults with bank accounts also use savings groups, implying formally banked adults still place high value on using their community networks.

Due to population growth in rural areas, landholding sizes have declined from 0.4 hectares per capita in 1970 to 0.23 hectares today. For a society that is primarily engaged in farming activities as a primary or secondary source of income, this decline means Malawians either need to boost their productivity per hectare (requiring training and access to capital) or find other sources of income, which will likely increase urbanization of the younger generation and consequently increase the demand for remittances and other account services.

The majority of adults (85%) live in rural areas, which are characterized by poor infrastructure. Public transportation costs time and money, increasing the demand for financial touch points closer to home through a combination of reliable agents and mobile banking. Table 2 presents the key needs of the different population segments.

Table 2

Key needs by target population segments

Target segment	Size (millions)	Key needs
Farmers	2.6	(Underserved due to distance from financial services) <ul style="list-style-type: none"> • In particular, capital up front for inputs • Consumption smoothing of seasonal income • Proximity of reliable financial touch points
<i>Ganyu</i>	2.1	<ul style="list-style-type: none"> • Payment services for receiving assistance from the Government or family • Consumption smoothing of irregular income
Dependants	1.3	<ul style="list-style-type: none"> • Cheap, reliable payment channel (for remittance receivers)
MSMEs	1.2	<ul style="list-style-type: none"> • Portfolio of financial services, primarily credit • Different kinds of interventions based on MSME type
Salaried employees	0.6	<ul style="list-style-type: none"> • Depth rather than breadth focus • Bank account as channel to distribute other financial services • Potentially, long-term savings and insurance products

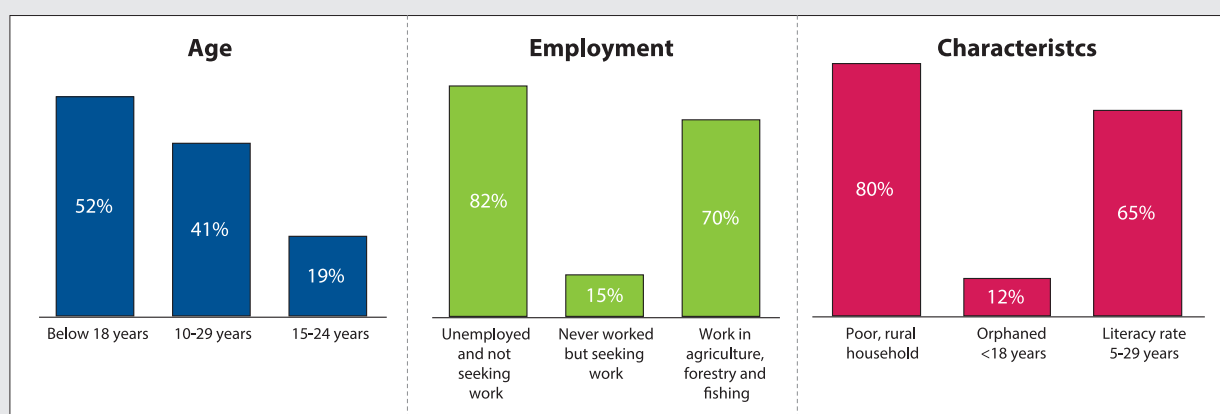
Source: UNCDF MAP Malawi, Country Diagnostic Report. 2015.

YOUTH CONTEXT

There are no available data on the specific financial service demands of Malawian youth, which is unfortunate considering that two out of every three people in Malawi are under 25 years of age. According to a 2011 UNCDF report, about 70% of economically active youth work in agriculture, forestry and fishing, which is characterized by cheap and unproductive labour.⁸⁷ With about 130,000 youth entrants to the labour market annually, Malawi faces a serious youth unemployment problem.⁸⁸ One of the most cited obstacles from youth who want to start their own business is the inability to source start-up capital. See box 1 for more information on youth in Malawi.

Box 1

Youth context in Malawi



In Malawi, 52% of people are below 18 years old, while 41% are 10–29 and 19% are 15–24. Eighty-two percent of youth are unemployed and not seeking work, and 15% have never worked but are seeking work. Of economically active youth, 70% work in agriculture, forestry and fishing. About 80% of youth live in rural areas and come from poor households, while over 12% of children under 18 are orphans. The literacy rate for children and youth aged 5–29 is just under 65%. Youth thus face multiple challenges, including low literacy rates, a tendency to drop out of school, insufficient preparation for skilled jobs and a lack of safe alternatives, and girls face the added pressure of restrictive cultural norms—all resulting in unsafe behaviours like drugs and prostitution.

Source: Danielle Hopkins and Maria Perdomo, *Listening to Youth: Market Research to Design Financial and Non-Financial Services for Youth in Sub-Saharan Africa* (New York, UNCDF, 2011).

⁸⁷ Hopkins and Perdomo, *Listening to Youth*.

⁸⁸ Food and Agriculture Organization, 'Quick overview of the Decent Rural Employment situation in Malawi.'

Despite the lack of information on youth demand, several initiatives globally supported by UNCDF and The MasterCard Foundation as well as programmes led by Save the Children have proven that youth desire financial services and are able to save and to manage loans. One UNCDF partner, Opportunity International Bank Malawi, offers youth loans and savings. Research from Opportunity International Bank Malawi confirms that youth can save, and it reveals that the main sources of income for 12–17-year-olds are parents, guardians and relatives while sources of income for 18–24-year-olds are casual labour and small businesses. The research further reveals that youth store most of their savings in homemade boxes; in holes in the ground; under pillows or mattresses; or, in wallets, purses, socks or pockets (some boys make special pockets in their trousers). They also save with relatives or with local business people. However, their money is often stolen from hiding places. When they save their money with local business people, they sometimes pay up to 20% for safekeeping fees. Expenses also vary according to gender, with girls (18–24) tending to spend their money on necessities like food, clothes, education and business. Table 3 is an overview of the youth portfolio of this FSP as of December 2014.

Table 3

Opportunity International Bank Malawi youth portfolio

	Number	Volume
Total savings accounts	707 567	\$25 928 311
Youth savings accounts	29 727	\$375 687
Total loans outstanding	48 032	\$14 950 578
Youth loans outstanding	1 422	\$85 118

Source: David Kruijff and Maria Perdomo, 'Building the business case for youth financial services: Further insights from the YouthStart programme (New York, UNCDF, October 2015).

Targeted financial education with accompanying products have together proven to be very beneficial for youth.⁸⁹ In a global programme led by Save the Children and The MasterCard Foundation, research showed that youth not only can and will save but that the opportunity to open a savings account combined with basic financial literacy training increased their knowledge on responsible savings behaviour and had a positive impact on educational attitudes and outcomes, as participants demonstrated a higher sense of security of educational aspirations.⁹⁰

89 Hopkins and Perdomo, *Listening to Youth*.

90 Gina Chowa and others, 'The Ghana Experiment: Overview of Findings,' in *YouthSave 2010-2015: Findings from a Global Financial Inclusion Partnership* (n.p., YouthSave Initiative, October 2015).

SECTION 4 – ASSESSMENT OF THE DEMAND FOR AND SUPPLY OF LABOUR

Compared to low-income neighbouring countries like Zambia, the youth unemployment rate of Malawi is not very high (24.6% versus 13.5%, respectively).⁹¹ However, this finding does not mean that youth are engaged in activities that allow them to meet their basic needs. In fact, **Malawi boasts the largest underemployment figures of the region.** The population census in Malawi considers someone to be employed even when the person has worked for only an hour the previous week.⁹² Moreover, the wage rate in Malawi for existing jobs is extremely low; according to a 2008 survey, **more than half of the working population earned less than MK 5,000 (\$36) per month in cash income, and 30% earned less than MK 2,500 (\$18) per month.**⁹³ The agricultural sector does not paint a better picture as most of the young farmers in Malawi are involved in subsistence farming on very small plots. The real youth unemployment rate is hence far larger than the government statistics indicate.

DEMAND SIDE

About 46% of the Malawian population is younger than 15 years old and about 20% is between 15 and 24 years.⁹⁴ Some 60% of Malawians live on less than \$1.25 a day. **Such a high proportion of the population being comprised of youth, most of whom live under the poverty line, automatically creates a proportionally large demand for labour.** As a Food and Agriculture Organization assessment explains, ‘agriculture is the main sector for youth employment in rural areas (88%), employing 81% of young male workers and 91% of young female workers at a national level. Underemployment is especially prevalent in the agricultural sector and in rural areas, and working poverty is high ... also due to low wages—the minimum wage is less than \$1.00 a day.’⁹⁵ It continues,

One of the main bottlenecks for translating growth into adequate employment creation is on the demand side, with the formal sector of the economy able to create only 30,000 positions a year while there are 130,000 new entrants. Furthermore a large amount of Malawi’s agriculture is based on tobacco and other seasonal crops, which generates mostly short-term, seasonal jobs. Shortage of skilled workers represents another serious obstacle to obtain better paid jobs, with nearly two-thirds of youth job seekers having no educational qualifications at all. With a ratio of 35 per 100,000 inhabitants, Malawi has one of the lowest technical education outcomes in the SADC [Southern African Development Community] region.⁹⁶

91 World Bank, ‘Malawi.’

92 Durevall and Mussa, *Employment Diagnostic Analysis on Malawi*.

93 Ibid.

94 World Bank, ‘Reproductive Health at a Glance: Malawi’ (n.p., April 2011).

95 Food and Agriculture Organization, ‘Quick overview of the Decent Rural Employment situation in Malawi,’ p. 2.

96 Ibid.

In order to accommodate the growing number of youth entering the labour market, immediate **steps have to be taken to create jobs through private and public sectors as well as to support youth to become employers themselves.** Nevertheless, many obstacle including finance, skill gaps and lack of knowledge limit youth from venturing into entrepreneurial activities.

SUPPLY SIDE

While there is a limited supply of youth employment opportunities, there are also major obstacles for ensuring that youth are sufficiently prepared to access existing opportunities. These obstacles include lack of training as well as insufficient motivation or awareness amongst young people to pursue their interests, to access jobs and to develop capabilities.

MOTIVATION AND AWARENESS

Malawian youth are highly motivated to work towards earning a comfortable livelihood for themselves. Yet, **most young people have very low awareness of available opportunities.** Several focus-group discussions illustrated the limited knowledge that youth have about how to secure employment or start other income-generating activities.⁹⁷ They lack information on government and NGO programmes that target people from their age group. Moreover, youth (both rural and urban) have the perception that financial services are not geared towards serving them. Other focus-group discussions in partnership with CARE, however, revealed higher youth membership (in savings groups) once youth were actively targeted and educated on the benefits of participation.⁹⁸ Youth members mentioned that group savings have not only encouraged savings behaviour but also enabled them to access loans to start small-scale businesses.

SKILLS DEVELOPMENT

Education and skill gaps are another pressing barrier to employing youth in Malawi. According to 2014 research by fhi 360/Education Policy and Data Center, Malawi has an estimated 4.5 million pupils enrolled in primary and secondary education, of which 83% are enrolled in primary education.⁹⁹ Their data further reveal that approximately 5% of youth have no formal education and 57% have at most incomplete primary education. The fhi 360 figures result in a total of 62% of 15–24-year-olds not having completed primary education in Malawi. Unfortunately, secondary education curricula in Malawi provide few skills to match the labour market needs. The fee-free policy and the shortage of teachers seem to be some of the main reasons behind the decline of the quality of education.¹⁰⁰

97 Focus-group discussions held at Bunda College and the Achieving Reduction of Child Labour in Support of Education service centre outlet, June–August 2015.

98 Focus-group discussions held with village agents of CARE VSLA programme, June–August 2015.

99 fhi 360/Education Policy and Data Center, 'Malawi: National Education Profile 2014 Update' (n.p., n.d.). Available from http://www.epdc.org/sites/default/files/documents/EPDC%20NEP_Malawi.pdf (accessed December 2016).

100 Durevall and Mussa, *Employment Diagnostic Analysis on Malawi*.

TVET training centres that aim to address the large skill gap are growing in number. The Ministry of Labour, Youth, Sports and Manpower Development is currently planning to build **one community technical college in every district of Malawi**, 11 of which have already been completed. TVET education has its shortcomings as well, as most of the centres have poor infrastructure, equipment, accessibility and teacher training programmes.¹⁰¹

To address the issue of accessibility, the International Labour Organization has been partnering with the private sector in Malawi to build service centre outlets in rural areas that aim to provide technical education to those who are identified as child labourers. **An unresolved issue, however, is that many remain unemployed due to lack of start-up capital to put the skills into practice.** NGOs working with youth in the field of skill development have voiced similar concerns. TVET institutions also face challenges in terms of resources. During a meeting with ActionAid International, the same concerns were raised related to budget constraints affecting the time available for youth training and directly impacting overall effectiveness.

// Increased number of students want to learn welding, but we do not have the funds to purchase the equipment.

— Achieving Reduction of Child Labour in Support of Education service centre outlet focus-group participant, June–August 2015

ACCESS TO JOBS

There are very few jobs in the formal sector, and access to such jobs is limited. The lack of relevant work experience and the lack of the right connections are mentioned as high barriers to obtaining a job, even by university graduates. The selection process is not transparent, which further demotivates youth aspiring to secure employment upon completion of their education. Finally, many youth are wary of the costs related to a job search, specifically high communication, transport and accommodation costs. As a result, many take up internship positions that are usually unpaid or underpaid, which in the long run builds up frustration amongst youth.

The alternative, starting a business or some sort of activity to earn a livelihood, is not easy since youth have very limited access to start-up capital. Most TVET graduates find it difficult to buy the equipment or other materials necessary to put their skills to practice. Discussions with youth and NGOs revealed that **distance to FSPs, lack of youth-friendly products and very high interest rates on loans were the top three problems that prevented youth from venturing into entrepreneurial activities.**

101 Ibid.

// Our college facilitates summer internships,
which is not sufficient to get a job. //

— Bunda College focus-group participant,
June–August 2015

CONTINUOUS FOLLOW-UP

There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises after various training and mentorship programmes. Once youth access economic opportunities, there are few formal structures or programmes in place to support their professional growth (i.e., ongoing skills development, professional coaching and mentoring, linkages to professional networks, and career guidance and counselling). Employers can play an important role by facilitating career and skill development from the onset by committing to the training and career guidance of new entrants to the workforce. Support structures for young entrepreneurs are limited and, if available, tend to accompany youth only up until business launch. Mentoring and technical assistance are crucial in the business incubation period when enterprises are the most fragile.

// Youth need support even after the
business launch. They need help managing
growth as well as the unexpected. //

— NGO representative, June–August 2015

MATCHING OF DEMAND AND SUPPLY

Matching interventions, which facilitate the connection between labour demand and supply, are few and far between in Malawi. There is a clear need for the Government and NGOs to support youth in their job search through active labour market policies, by assisting job seekers to find vacancies through employment service centres or career advisory services for students. Not only do more of these services need to be offered, but there needs to be efficient coordination between those who are supplying the labour (e.g., training institutions or universities) and those who require the labour (i.e., private sector). When asked about the career guidance services at Bunda College, students **unanimously** said that such services were not available but highly needed. These services would have a multiplier effect from new market entrants motivating and educating those still in college on securing information about the market and available openings.

// We have never heard about career counselling, but would jump on such opportunities when made available.

— Bunda College focus-group participant,
June–August 2015

//

SECTION 5 – HIGH-POTENTIAL OPPORTUNITIES FOR YOUTH

The African Development Bank Group reports that real GDP growth in Malawi was an estimated 2.95% in 2015, which was a decline from 5.70% in 2014.¹⁰² Unfavourable weather conditions resulted in a 2.3% slowdown in agricultural sector growth. Reduced demand affected the wholesale, retail and manufacturing sectors. Fortunately, the information and communication sector showed resiliency, with 9% growth. The growth was partly driven by the rapid expansion in mobile phone services and network coverage, which also is very promising for financial inclusion. Economic growth is expected to rebound to 4% in 2016, perhaps almost reaching 5% in 2017, with agriculture being the main propeller. Despite its vulnerability, the agricultural sector remains the number one employer of youth in Malawi. Employment further up the value chain from production, like in **agro-processing, agribusiness and manufacturing**, in particular offers immense opportunities for youth given the dependence of Malawi on agriculture and export services. In addition, **construction, mining and tourism** are potential sectors of interest to youth. Table 4 summarizes high-potential opportunities for youth, which are discussed in greater detail in the sub-sections that follow. These results are based on desk research, and outcomes of stakeholder meetings and focus-group discussions.

Table 4
Youth opportunities by sector

	Opportunities for youth	Size of demand	Barriers to entry	Youth interest
Agriculture	Small-scale agro-processing: cash crops, vegetables, fruits, fish, dairy			
	Agribusiness: warehouse providers, distributors, graders, sorters, fertilizer providers, input providers, retailers			
	Livestock raising and horticulture			
Manufacturing and construction	Manufacturing: textiles, plastic, steel, brickmaking, packaging			
	Construction artisans: welding, plumbing, carpentry, bricklaying			
	Construction technicians			
Mining	Artisanal and small-scale mining			
	Mine workers			
Tourism	Food and hospitality			
	Other services			

Legend	
	Most significant Least significant

Source: Desk research, stakeholder meetings, focus-group interview outcomes and survey outcomes.

102 African Development Bank, 'Malawi Economic Outlook.' Note: Source is the same for all statistics cited in this paragraph.

I. OPPORTUNITIES IN AGRICULTURE AND AGRICULTURAL VALUE CHAINS

Agriculture accounts for about **80% of Malawian export** revenue, most of which comes from tobacco, tea, sugar and coffee; in fact, **tobacco alone accounts for about 70%** of total agricultural exports. This level of reliance on one product makes the country highly vulnerable to external shocks. Despite attempts to diversify the food and export basket of Malawi, most of the country is still reliant on maize and tobacco as key food and cash crops.¹⁰³ Even though agricultural production has significantly increased over time, the increase is mainly found in tobacco production, while smallholder farm productivity has been stagnant since the 1990s. If farmers are given the necessary assistance to increase productivity of their farms, the sector will be able to **create many employment opportunities while also significantly boosting the economy of Malawi.**

Agro-processing remains vastly unexplored in the country. Currently, most agricultural products are being exported as raw or semi-processed products. Malawi stands to greatly benefit from strengthening of the overall manufacturing sector, which is considered to be a priority for job creation under the National Export Strategy 2013–2018:¹⁰⁴

- Supporting the manufacturing sector is important to diversifying the country's exports and to transforming Malawi into an exporting country.
- Since the country is heavily reliant on agriculture, agro-processing will be a smoother transition towards diversifying the economy.
- Feasibility relies on providing access to skill-building programmes and financial services for start-ups.

Table 5 summarizes the specific employment opportunities within the agriculture sector accessible to youth.

103 Hardwick Tchale and John Keyser, 'Quantitative Value Chain Analysis: An Application to Malawi,' Policy Research Working Paper, No. 5242 (Washington, DC, World Bank, March 2010).

104 Malawi, Ministry of Industry and Trade, *Malawi National Export Strategy 2013–2018* (Lilongwe, December 2012).

Table 5

Opportunities in agriculture

Employment activities	Description	Analysis
Opportunity 1: Small-scale agro-processing	<p>Most profitable: soybean, oil seed, pigeon pea, fruit juice, tomato, fish and dairy</p> <p>Example: Fruit juices are being imported from South Africa despite the highly fertile land in Malawi that is suitable for fruit cultivation. Processing fruit domestically would significantly cut the cost of the end product and also create many employment opportunities.</p>	<ul style="list-style-type: none"> • Very strong demand: There is huge demand for locally processed end products as most of them are currently being imported into the country. According to stakeholders, there is tremendous potential for young people to enter this sector.
		<ul style="list-style-type: none"> • Medium to high entry barriers: Access to finance is the biggest constraint. Skills and knowledge can be acquired through various agricultural skill-building programmes available. If provided with requisite skills and knowledge about the market, there will be very low entry barriers as most youth are already involved with agriculture and understand the basics of agricultural production.
		<ul style="list-style-type: none"> • Medium to high youth interest: Rural youth are more interested in agro-processing compared to urban youth. Overall, youth tend to want to move away from agriculture. But, high profit margins and opportunities to make money are still an attraction.
Opportunity 2: Livestock raising and horticulture	<p>Most profitable: pigs, chickens and cows</p> <p>Various fruits and vegetables, including tomatoes, apples and oranges, are being imported despite the fertile land available that would allow farmers to produce them within the country.^a</p>	<ul style="list-style-type: none"> • High demand: Current annual demand for fruits and vegetables is estimated at 88,200–117,600 tons. Production within the country comes nowhere close to meeting demand.
		<ul style="list-style-type: none"> • Low entry barriers: Skill training must be provided to farmers in order for them to be involved in scientific methods of growing vegetables, fruits and flowers. As a majority of the country is involved in agriculture, the transition from traditional methods to modern methods of growing will be an easier one.
		<ul style="list-style-type: none"> • Low youth interest: Youth are attracted by the market opportunity and potential high returns. However, they generally aspire to move away from farming.



^a Richard N. Kuchule, Teddies O. Nakhumwa and Hardwick Tchale, 'Promotion of horticulture: National horticulture development strategy for Malawi' (Lilongwe, Bunda College of Agriculture, 2002).

II. OPPORTUNITIES IN MANUFACTURING AND CONSTRUCTION

As the United Nations Development Programme explains, ‘The Government of Malawi developed and launched the National Export Strategy (NES) in December 2012 with the primary objective of boosting and promoting exports of the country’s prioritised productive sectors,’ including the manufacturing sector, ‘which include[s] sub-sectors like Beverages, Agro-Processing, Plastics and Packaging and Assembly. The NES is a clearly prioritized roadmap for building Malawi’s productive-base.’¹⁰⁵ The Programme goes on to say, the strategy is ‘central to accomplishing Malawi’s desired move into exporting of high value-added goods and services and to reducing the country’s reliance on the export of raw or semi-raw commodities. It is worth noting that **the manufacturing sector in Malawi accounted for only 10% of GDP in 2011**, relying mainly on the processing of agricultural commodities.’¹⁰⁶ This renewed focus is likely to stimulate demand for jobs.

Only about **23% of the construction industry is held by domestic players**, an industry that contributes about 2% of GDP.¹⁰⁷ Over the years, the construction industry has been steadily growing, supporting the increase of employment opportunities in the country. **The Government’s focus on infrastructure development will continue to drive demand in the sector and is one of the nine key areas under the Malawi Growth and Development Strategy II (2011–2016).**¹⁰⁸ In addition, foreign governments and international organizations, including the European Union, Japan International Cooperation Agency and Norwegian Agency for Development Cooperation, have also been heavily investing in infrastructure development and capacity-building. The Chinese Government has been involved in the construction of roads, bridges, a stadium as well as energy and other infrastructure projects, creating significant opportunities for employment.

Construction is labour intensive and hence has the potential to create many jobs. Increased numbers of TVET and skill-building programmes across the country are preparing Malawian youth to seize this opportunity. Jobs in the construction sector seem to attract much of the rural population. In fact, through the focus-group discussions, it was seen that carpentry, welding and other kinds of artisanal construction activities were more popular amongst rural youth than urban youth.

Table 6 summarizes the specific employment opportunities in manufacturing and construction accessible to youth.

105 United Nations Development Programme, ‘Procurement Notice 30583.’ Available from http://procurement-notices.undp.org/view_notice.cfm?notice_id=30583 (accessed December 2016).

106 Ibid.

107 Malawi, *National Construction Industry Policy* (Lilongwe, April 2015).

108 Malawi, Ministry of Finance and Development Planning, *Malawi Growth and Development Strategy II 2011–2016* (Lilongwe, 2011).

Table 6

Opportunities in manufacturing and construction

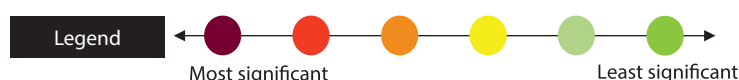
Employment activities	Description	Analysis
Opportunity 1: Manufacturing	Most profitable: brick manufacturing, textiles, plastic production and steel production	<ul style="list-style-type: none"> • High demand: There are very few players in the market, which provides great opportunities for youth to enter it.
		<ul style="list-style-type: none"> • High entry barriers: Access to capital is the biggest barrier. Setting up a manufacturing unit is capital intensive.
		<ul style="list-style-type: none"> • High youth interest: About half of the focus-group interviewees said they are “very interested.” But, they also mentioned that they had no information as to how to go about it.
Opportunity 2: Construction artisans	Construction offers opportunities for employment as well as entrepreneurship as part of a cooperative. Activities in high demand: bricklayers, carpenters, welders, plumbers and pipefitters, floor layers and tile setters	<ul style="list-style-type: none"> • Medium to high demand: With increased investments in infrastructure-building projects, there is also increased demand for labour. In fact, the construction sector is one of the main drivers of the economy along with agriculture and manufacturing.^a
		<ul style="list-style-type: none"> • Low to medium entry barriers: “Construction is one of the easiest sectors to enter,” said one stakeholder during discussions of high-opportunity sectors for youth. Various skill-building programmes provide youth with the necessary technical education, and very little capital is required for youth to buy equipment to put their skills into practice.
		<ul style="list-style-type: none"> • Very high youth interest: Youth are highly interested in entering this sector, especially youth from rural areas who have not been able to attend school for higher education. A large number of employment opportunities seems to be the driving factor behind the high level of interest.

^a AfDB/OECD/UNDP, *African Economic Outlook 2015: Regional development and spatial inclusion* (n.p., 2015).

Table 6

Opportunities in manufacturing and construction

Employment activities	Description	Analysis
Opportunity 3: Construction technicians	Civil engineering, electrical engineering, technician supervisor	<ul style="list-style-type: none"> • Medium to high demand: With increased investments in infrastructure-building projects, there is also increased demand for labour. In fact, the construction sector is one of the main drivers of the economy along with agriculture and manufacturing.^b
		<ul style="list-style-type: none"> • Medium to high entry barriers: Being a construction technician requires higher education, which is often not affordable to youth.
		<ul style="list-style-type: none"> • High youth interest: Both urban and rural youth are highly interested in entering this sector. A large number of employment opportunities seems to be the driving factor behind the high level of interest.



^b Ibid.

III. OPPORTUNITIES IN MINING

Malawi is gifted with a variety of natural resources such as gemstones, dimension stones, coal, gold, clay, limestone, uranium and bauxite, most of which are being mined by informal-sector small-scale miners and artisans.¹⁰⁹ Currently, not much of the sector is being explored and most of the profits in mining are being lost due to rudimentary methods of mining that, if addressed, could allow for significant youth employment and sustainable economic development. The Government is committed to exploring the mining sector to diversify the exports of the country. To attract youth to the formal sector of mining, the Government has been working on implementing the **National Artisanal and Small Scale Mining Policy (2014)**, which aims to promote and support small-scale miners in the formal sector.¹¹⁰ In addition, the Government is planning to create many jobs in the sector by attracting foreign direct investment.

Table 7 summarizes the specific employment opportunities in mining accessible to youth.

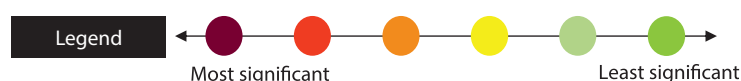
¹⁰⁹ Malawi, Ministry of Natural Resources, Energy and Mining, *National Artisanal and Small Scale Mining Policy* (Lilongwe, 2014).

¹¹⁰ Ibid.

Table 7

Opportunities in mining

Employment activities	Description	Analysis
Opportunity 1: Artisanal and small-scale mining	The sector offers opportunities for artisanal, small-scale miners as well as cooperatives, specifically for the following: limestone, gemstone, graphite and gypsum.	<ul style="list-style-type: none"> • Medium to high demand: Minerals always add value and demand to the market. However, most of the artisanal, small-scale miners tend to work in the informal sector. If youth can join cooperatives, they will be able to tap into a much bigger market for the extractives and get a greater share of the value added.
		<ul style="list-style-type: none"> • Medium to high entry barriers: While small-scale mining might not require much skill, value addition cannot be done without adequate knowledge as well as access to equipment and technology.
		<ul style="list-style-type: none"> • Low youth interest: A lack of information largely explains low levels of interest amongst youth. While many in the focus groups have heard of mining activity in Malawi, none of them knew how they could be a part of the sector themselves.
Opportunity 2: Mine workers for large companies	Youth can also look for employment with large mining companies. With an investment-friendly policy framework implemented by the Government to attract large-scale investors, employment opportunities are expected to grow at a steady pace. Minerals of interest to large mining companies are uranium and bauxite as well as the possibility of oil and gas.	<ul style="list-style-type: none"> • Medium to high demand: Minerals always add value and demand to the market. Large companies can invest in mining projects and access bigger markets. So far, value addition before export is a widely unexplored sector in the Malawian context, which has high potential to succeed.
		<ul style="list-style-type: none"> • Medium to high entry barriers: One of the main barriers is the lack of a good policy environment to attract foreign direct investment. However, the National Artisanal and Small Scale Mining Policy and other such frameworks should be able to rectify this gap in the near future.
		<ul style="list-style-type: none"> • Low youth interest: A lack of information largely explains low levels of interest amongst youth. While many in the focus groups have heard of mining activity in Malawi, none of them knew how they could be a part of the sector themselves.



IV. OPPORTUNITIES IN TOURISM

Malawi is gifted with beautiful topography, favourable climate and biodiversity. All of these factors make the country a perfect tourist destination. The Government of Malawi is now looking to tap into this opportunity to diversify and develop the economy and **increase the contribution of tourism to GDP from just under 8% to 15% by 2020.**¹¹¹ Under the Tourism Development Plan 2020, the Government has planned a 100% job increase, to 140,000 in the sector by 2020.¹¹² These goals seem realizable, due to the general increase in the number of travellers coming into Malawi every year.¹¹³ Meeting their growing needs would require many more young people to step into the sector. Also, there is tremendous opportunity for youth to find or create employment.

Table 8 summarizes the specific employment opportunities in tourism accessible to youth.

Table 8

Opportunities in tourism

Employment activities	Description	Analysis
Opportunity 1: Food and hospitality	Tour guides, bed and breakfast staff, chefs, drivers, management staff, cleaners, waiters, servers, receptionists, etc.	<ul style="list-style-type: none"> • High demand: Malawi has only a few hotels that meet high standards of hospitality service. But, the demand for such accommodation is increasing every year, especially with the growing number of people travelling to the country. While Blantyre and Lilongwe offer some options to travellers, they are not up to international standards.^a
		<ul style="list-style-type: none"> • Low entry barriers: Literacy and basic numeracy is necessary. Competency in English is usually required. Soft skills are key. Most of the other skills can be obtained on the job.
		<ul style="list-style-type: none"> • Medium youth interest: About half of youth focus-group participants reported that they were “very interested” or “somewhat interested” in the sector. Interest was highest amongst females.

^a Department of Research and Information, ‘Tourism Report: The business hotel industry in select East and West African countries’ (Sandton, Industrial Development Corporation of South Africa, May 2012).

111 Association for the Promotion of Tourism to Africa, ‘Malawi: 2020 Tourism Development Plan completed.’ Available from <https://apta.biz/blog/2015/05/18/malawi-2020-tourism-development-plan-completed/> (accessed December 2016).

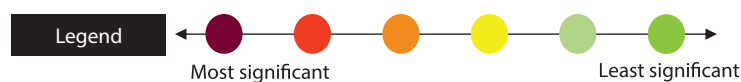
112 Ibid.

113 Alice Magombo, ‘The Development of Tourism and the Accommodation Sector in Malawi Since Independence,’ Master of Arts research report, University of the Witwatersrand, October 2011.

Table 8

Opportunities in tourism

Employment activities	Description	Analysis
Opportunity 2: Other services	Transportation services, information centres, retailers, local arts and crafts, merchants, etc.	<ul style="list-style-type: none"> • High demand: Currently, Malawi offers very limited options in terms of public transportation, information on touristic activities or even services related to local arts and culture. There is huge potential for youth to fill this gap in the market.
		<ul style="list-style-type: none"> • Low to medium entry barriers: Literacy and basic numeracy is necessary. Competency in English is usually required. Soft skills are key. Most of the other skills can be obtained on the job.
		<ul style="list-style-type: none"> • Medium youth interest: About half of youth focus-group participants reported that they were “very interested” or “somewhat interested” in the sector. Interest was highest amongst females.



CHAPTER TWO

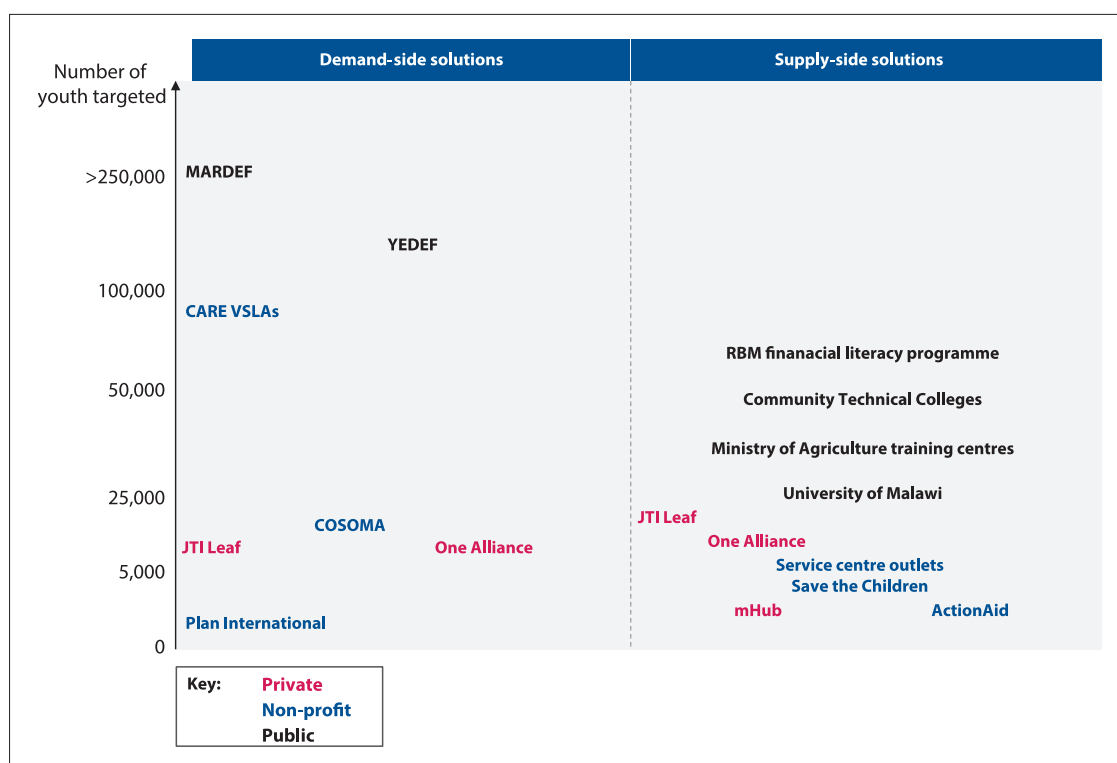
A young Black man is shown from the chest up, sitting and leaning forward with his arms crossed. He is smiling and looking towards the right. He is wearing a white t-shirt and blue jeans. The background is a solid light blue. The image is framed by large, vibrant pink geometric shapes that create a modern, abstract border. Overlaid on the right side of the image is the chapter title in large, bold, white capital letters.

CURRENT INTERVENTION LANDSCAPE AND IMPLICATIONS ON THE WAY FORWARD FOR YOUTHSTART GLOBAL

SECTION 1 – OVERVIEW OF YOUTH EMPLOYMENT INITIATIVES AND KEY GAPS

Tackling unemployment in Malawi is one of the main goals and a key component of engagement for local and international actors in the youth development space. Figure VI maps interventions in Malawi by both scale and category.

Figure VI
Youth employment players by scale and category



Sources: Desk research and primary data

Note: Scale was based on stakeholder interview outcomes.

Acronyms: COSOMA, Copyright Society of Malawi; JTI, Japan Tobacco International; MARDEF, Malawi Rural Development Fund; RBM, Reserve Bank of Malawi; VSLAs, village savings and loans associations; YEDEF, Youth Development Fund

Figure VI highlights that existing programmes generally have not reached scale and that youth in Malawi have been marginalized for a long time. Nevertheless, the Government has increasingly been active in the youth economic ecosystem in recent years. Today, youth employment and empowerment is one of the key agendas of the Government—the President of Malawi has even been appointed as **Youth Champion by United Nations Population Fund**. In Malawi, the larger-scale interventions are public initiatives.

On the supply side, interventions are dominated by the formal education system (e.g., TVET and public universities). NGO-run programmes such as Save the Children, ActionAid International and service centre outlets operate on a smaller scale. Similarly, on the demand side, public interventions have aimed to target bigger segments of the population with fewer NGO interventions. Involvement of the private sector is far less, with the exception of a few tobacco companies providing technical education to farmers on modern methods of agriculture. This noticeable shortfall in private sector initiatives creates large room for improvement as the involvement of private sector players often contributes to positive employment outcomes.

Overall, the number of interventions are balanced between the demand and supply sides. However, the **failure of larger public sector interventions on the demand side (e.g., YEDEF and Malawi Rural Development Fund) to reach target groups has created significant imbalances on the ground.** Thus, there is a clear need for more demand-side interventions to be able to match the supply-side interventions. Figure VII maps demand-side and supply-side youth employment interventions in Malawi by geography.

Figure VII
Youth employment players by geography

	Demand-side solutions	Supply-side solutions
Urban	COSOMA	University of Malawi
Both	JTI Leaf Alliance One Tobacco Malawi Microfinance Network	Community Technical Colleges JTI Leaf RBM financial literacy programme
Rural	CARE VSLAs Plan International	Ministry of Agriculture training centres Service centre outlets Save the Children ActionAid

Key:

Private

Non-profit

Public

Note: Determinations were based on stakeholder interview outcomes.
Acronyms: COSOMA, Copyright Society of Malawi; JTI, Japan Tobacco International; RBM, Reserve Bank of Malawi; VSLAs, village savings and loans associations

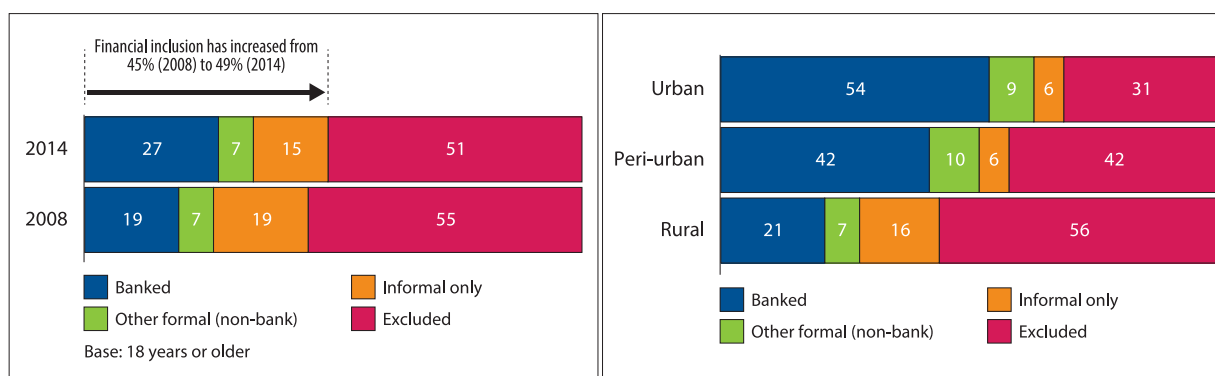
Even though demand-side interventions seem to be present in rural areas (e.g., CARE village savings and loans associations [VSLAs], Plan international), **it was clear from focus groups with CARE village agents that the number of youth participating in the VSLA programmes is very low.** Figure VII also illustrates that there are very few supply-side interventions in rural areas. While urban areas seem to have sufficient supply-side interventions, there are very few demand-side interventions targeting urban youth. **Overall, it is clear that more demand-side interventions are needed in both rural and urban areas and supply-side interventions need to focus more on rural youth.**

SECTION 2 – OVERVIEW OF THE SUPPLY OF FINANCIAL SERVICES AND KEY GAPS

Malawi has improved financial access over the last few years. According to a 2014 FinScope Consumer Survey, access to formal and informal financial services increased from 45% of adults in 2008 to 54% in 2014, though services remain concentrated in urban areas.¹¹⁴ In terms of gender access, 55% of men were financially included, compared with 51% of women. Individuals at the bottom of the income distribution range or in rural areas were the most financially excluded. In particular, 50% of adults in rural areas did not have access to formal or informal financial services. See figure VIII for more details.

Figure VIII

Financial inclusion indicators



Source: Bar graphs from FinScope Malawi, 'FinScope Consumer Survey 2014,' p. 6. (Johannesburg, FinMark Trust, 2014). Reprinted by permission.

Despite the advances made, there is a **considerable way to go to match average financial inclusion rates of other sub-Saharan countries and regional peers**. Like in many peer countries, access to financial services is concentrated in urban areas. Progress is being limited by structural barriers such as persistent high inflation, weak infrastructure (physical and telecom), low levels of literacy/education, weak legal infrastructure and identification systems, widespread dependence on subsistence farming by the rural population for survival, etc. Malawi is one of the poorest countries in the world, which has direct consequences for enabling access to finance. **The business case is a challenge:** 60% of Malawians live on less than \$1.25 a day, while 85% of adults live in rural areas and 88% depend on farming to provide or supplement their income.

Further developing and promoting mobile banking, especially in rural areas, will offer opportunities to greatly improve access to financial services. The Government of Malawi is laying a good foundation for advancing financial inclusion. Important steps have been made in recent years that indicate that **the country is embracing the concept of mobile banking**; as the International Monetary Fund explains, these steps include ‘implementation of an interlinked national payment system infrastructure that include[s] a National Switch to facilitate integration of payment systems in the future; adoption in 2011 of mobile payment systems guidelines to enable non-banks to offer mobile money services; [and] introduction of Agent banking in 2012 and provision of permission to banks to implement agent networks.’¹¹⁵

Another sign of the Government’s intention to tackle low levels of financial inclusion, specifically access to credit, is the **Reserve Bank of Malawi initiative to introduce the Personal Property Security Act (2013)**, creating a collateral registry to provide a basic framework to enable FSPs to accept movable assets for financing.¹¹⁶

Commercial banks dominate the financial system in Malawi, but with a focus on credit (not transactions) for revenue. Banks provide 92% of total credit and hold 89% of total deposits.¹¹⁷ As Making Access Possible notes, distribution channels of banks are ‘very limited, even in urban areas, which drives up the effective cost of access. There are 2.5 ATMs and 1.6 bank branches per 100,000 people’ and, as of 2014, only a recorded 35 mobile money users per 1,000 adults. Further, ‘high infrastructure costs, low fee revenue on transactions and a lack of interoperability has limited banks’ incentives to expand their distribution footprint.’ The National Switch can help drive banks to reach more customers.

The microfinance sector is sub-divided into two main categories, namely non-bank financial institutions (NBFIs) and financial cooperatives (savings and credit co-operatives). NBFIs offer a variety of credit-based products, which is their main business driver. New policy directives, which were issued in 2014, enforced liquidity, provisioning and capital adequacy requirements for NBFIs, which not only increased their institutional strength but also allowed them to collect deposits. The 46 savings and credit cooperatives are under prudential supervision performed jointly by the Reserve Bank of Malawi and the Malawi Union of Saving and Credit Cooperatives.¹¹⁸ Although regarded as informal, VSLAs have been very successful in meeting the savings needs of many. Due to the high cost of credit (often over 70% effective per annum), Making Access Possible explains that savings are critical ‘to smooth consumption, mitigate risk or build capital for investment (housing or business). VSLAs (Village Savings and Loan Associations) have had the greatest success,’ growing by over 1 million adults between 2008 and 2014.¹¹⁹

115 International Monetary Fund, ‘Malawi: Selected Issues,’ IMF Country Report, No. 15/346, p. 29 (Washington, DC, December 2015).

116 Malawi, Personal Property Security Act, No. 8 (19 April 2013). Available from <https://stlrp.files.wordpress.com/2014/02/personal-property-security-act.pdf>

117 UNCDF MAP Malawi, Country Diagnostic Report. *Note:* Source is the same for all statistics and quoted text (p. xvi) in this paragraph.

118 International Monetary Fund, ‘Malawi: Selected Issues.’

119 UNCDF MAP Malawi, Country Diagnostic Report. 2015, p. xvii.

The market in Malawi is limited for formal providers given the cost of doing business with the majority of the population, particularly considering the lack of infrastructure in non-urban areas. The majority of adults use informal financial providers. Not only are they more cost effective, but they often better meet the needs of Malawians. There is a strong reliance on cash (23% of adults indicate that they save in cash at home¹²⁰), though progress is slowly being made. While in 2013 just 0.3% of payments were made digitally, in 2015 already 3.5% of adults were using mobile money and some 4% of all payments in volume were made digitally (primarily by businesses).¹²¹

Despite the good intentions of regulators, the reality on the ground dictates the speed of progress. Mobile money was first introduced in Malawi in 2012, and it now has over 1.1 million subscribers (14% of adults).¹²² Although mobile money addresses a previously unmet need for low-cost, low-value, secure payments, and also extends the reach of formal provision, growth in uptake has slowed and only 20%–25% of subscribers are active users. **This finding indicates that mobile money—limited by infrastructure constraints, agent liquidity issues and a struggling business case—is not yet fulfilling its potential.** As Making Access Possible notes, ‘improving the payment eco-system is required to overcome the proximity barrier to financial inclusion and address affordability concerns across financial services.’

Aside from strengthening the supply of financial services in a manner that is conducive to the environment of Malawi, authorities, the donor community as well as the private sector need to realize that financial literacy levels are very low. This situation does not necessarily mean that the (rural) population is financially incapable, but it does mean that it will prove more difficult to engage with the population via formal institutions and modern technology. Increasing financial literacy through well-coordinated programmes will have a catalytic effect on all other financial inclusion efforts. Table 9 provides more detail on financial inclusion in different population segments vis-à-vis different financial products.

120 FinScope Malawi, ‘FinScope Consumer Survey 2014.’

121 Bankable Frontier Associates with Jamie Zimmerman, *Country Diagnostic: Malawi* (n.p., Better Than Cash Alliance, March 2015).

122 UNCDF MAP Malawi, Country Diagnostic Report. *Note:* Source is the same for all statistics and quoted text (p. xvii) in this paragraph.

Table 9

Financial inclusion rates by population segment and product

		Farmers	MSMEs	Salaried employees	Dependants	Ganyu
Credit	Formal	4%	6%	8%	1%	1%
	Informal	15%	17%	20%	10%	14%
	Family, friends or self	9%	12%	13%	11%	10%
	Excluded	72%	65%	59%	78%	75%
Payments	Formal	23%	33%	70%	28%	12%
	Informal	3%	3%	3%	3%	1%
	Family, friends or self	12%	11%	5%	16%	11%
	Excluded	62%	53%	22%	53%	76%
Insurance	Formal	1%	1%	11%	2%	1%
	Informal	-	-	-	-	-
	Family, friends or self	-	-	-	-	-
	Excluded	99%	99%	89%	98%	99%
Savings	Formal	12%	19%	49%	12%	5%
	Informal	13%	2%	11%	8%	14%
	Family, friends or self	14%	20%	10%	16%	14%
	Excluded	61%	59%	30%	64%	67%

Source: UNCDF MAP Malawi, Country Diagnostic Report. 2015.

Table 10 shares data from the World Bank Global Findex on youth (aged 15–24) in Malawi. The data reveal that there is still a significant gap between youth access relative to adult access when looking at account services, which is problematic considering that 2 out of 3 youth in Malawi is below 25 years old.

Table 10

Youth access data

Percentage of youth aged 15–24	2011	2014
Have account at a financial institution	10.3	10.2
Borrowed from a financial institution	4.5	5.0
Have mobile account	-	2.4
Have health insurance	-	-

Source: World Bank, 'Global Findex (Global Financial Inclusion Database).' Available from http://databank.worldbank.org/data/reports.aspx?source=1228#selectedDimension_DBList (accessed December 2016).

Given the consumer profile and needs, as outlined in section 3, as well as the available providers and the constraints of working in Malawi, Making Access Possible identifies the following five key priorities as having the largest impact on Malawian financial inclusion objectives:

1. Expanding the reach of payments (3.5 million adults)
2. Leveraging VSLAs to enable savings (5.8 million adults)
3. Targeted finance for MSMEs and farmers (100,000 MSMEs and 130,000 farmers)
4. Niche insurance opportunities to reduce vulnerability (60,000 adults)
5. Effective consumer empowerment and education¹²³

The above priorities are definitely not the only needs for increasing financial inclusion in Malawi, but they are the ones with the most urgent need and likelihood of success. The reach of formal FSPs is largely restricted to urban areas, excluding the majority of the population due to the high costs of banking in rural areas. The high cost of credit (largely due to external factors like inflation and poor infrastructure) combined with the very limited economic opportunities necessitate a prioritization of payments and savings. Savings are used to smooth consumption, mitigate against risk and access a capital sum to be used to pay for education or invest in business or farming. Further activities are focused on niche areas, like targeted MSME or farmer credit, and specific insurance initiatives.

123 UNCDF MAP Malawi, Country Diagnostic Report. 2015, p. 262.

SECTION 3 – KEY GAPS UNADDRESSED BY CURRENT INTERVENTIONS WITHIN HIGH-POTENTIAL OPPORTUNITIES

Existing programmes are not fully covering the different elements required for youth to access high-potential opportunities. Some of the key gaps across most programmes that remain are **start-up capital, skill training, business support and mentorship, and mindset change** (see table 11).

Table 11
Opportunities, challenges and interventions

Opportunities for youth	Access to finance	Skill-building	Mentorship	Gender	Policy
AGRICULTURE—Small-scale agro-processing: cash crops, vegetables, fruits, fish, dairy					
AGRICULTURE—Small-scale agribusiness: warehouse providers, distributors, graders, sorters, fertilizer providers, input providers, retailers					
AGRICULTURE—Livestock raising and horticulture					
MANUFACTURING—Textiles, plastic, steel, brickmaking, packaging					
CONSTRUCTION—Artisans: welding, plumbing, carpentry, bricklaying					
CONSTRUCTION—Technicians: engineers and other technical experts					
MINING—Artisanal and small-scale mining					
MINING—Mine workers					
TOURISM—Food and hospitality					
TOURISM—Other services					

Legend

Most significant Least significant

Sources: Desk research and interviews

ACCESS TO FINANCE

Accessing start-up capital is one of the most prominent and consistent challenges limiting youths' ability to successfully start a business. A lack of funds in general also impedes youth from efficiently seeking employment. As for the latter, job seekers incur real costs (e.g., transport, accommodation, communication) as well as opportunity costs. These costs can make it difficult for youth to efficiently match their skills and preferences to the jobs at hand. The challenges youth face in accessing finance include the following:

- Lack of financial literacy
- Lack of information about financial systems
- Lack of collateral
- Very high interest rates
- Lack of access to FSPs due to poor geographic spread
- Short repayment periods
- Lack of financial products targeted at youth

The aforementioned factors hinder youths' ability to kick start their life and earn a good livelihood.

SKILL-BUILDING

Youth lack adequate skills, technical knowledge and business expertise to be employed or to be employers. The challenges youth face in skill-building include the following:

- Lack of information or knowledge about skills needed or their potential benefits
- Lack of access to TVET institutes
- Poor quality of the training
- Mismatch between training and labour market needs
- Lack of linkages to markets

Poor geographic spread of skill-building programmes makes it difficult for youth to access such services to empower themselves, particularly for youth in rural areas.

MENTORSHIP

A large number of programmes provide youth with capital and skills but without mentorship or business support. Once a loan is provided, there are very few steps taken to ensure that it is being used for the right purposes. Services that provide business mentorship, access to knowledge about markets, and linkages to suppliers or end users is also limited.

GENDER

Young women do not have equal access to certain jobs in sectors that receive support for enhancing youth employment. Sectors such as construction, agribusiness and mining tend to discriminate against women. Various interventions in the youth economic opportunities ecosystem have found it difficult to mitigate the deep-rooted gender barriers both in rural and urban areas.

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Specific gaps within high-potential opportunities in small-scale agri-business

Table 12c

Specific gaps within high-potential opportunities in livestock raising and horticulture

Gap size	Specific challenges	Potential implications for YouthStart Global
Opportunities in agriculture: (3) livestock raising and horticulture		
Access to finance	<ul style="list-style-type: none"> Lack of capital to purchase initial batch of animals Lack of capital to invest in modern technology for rearing/cultivating 	<ul style="list-style-type: none"> Encourage formation of cooperatives to pool technical know-how and capital Encourage savings groups to lend to initiatives within their communities Develop equipment-sharing model for horticulture Partner with vocational training programmes to provide knowledge and financial support to beginners Provide technical assistance to link producers with markets Encourage formation of groups for collective bargaining and/or transport to main markets
Skill-building	<ul style="list-style-type: none"> Lack of information about modern methods and technological practices in agriculture Lack of linkages to markets Lack of knowledge on demand 	
Mentorship	<ul style="list-style-type: none"> Lack of support to link farmers with markets Farmers usually exploited by middlemen; no support to empower farmers to help them escape exploitation 	
Gender	<ul style="list-style-type: none"> Both male and female segments of youth interested in partaking 	
Policy	<ul style="list-style-type: none"> No demo centres to illustrate best practices 	



Specific gaps within high-potential opportunities in manufacturing

Table 12e

Specific gaps within high-potential opportunities as construction artisans

Gap size	Specific challenges	Potential implications for YouthStart Global
Opportunities in construction: (1) artisans		
Access to finance	<ul style="list-style-type: none"> Lack of capital for artisans to start their own enterprise when they complete vocational training 	<ul style="list-style-type: none"> Develop micro-leasing products or asset finance for construction tools/ machinery
Skill-building	<ul style="list-style-type: none"> Lack of sufficient equipment and often underfunding at skill-training centres Some skill-training programmes too short due to lack of resources Mismatch between skill in demand and skill training offered by training centres Most learning on the job 	<ul style="list-style-type: none"> Connect students at vocational training centres with FSPs at the beginning of the skill-training programme so they can access loans upon completion Provide employers with incentives to create apprenticeships Encourage women to enter the sector through scholarships and fellowships
Mentorship	<ul style="list-style-type: none"> Upon completion of training, difficulty for youth to find jobs due to lack of market awareness Lack of awareness by youth about which skills are in demand and how to go about putting their skills to use 	<ul style="list-style-type: none"> Encourage training centres to design certifications to increase the reputation and job prospectus of trainees Design programmes to connect alumni of TVET institutions who now have jobs
Gender	<ul style="list-style-type: none"> Limited participation of women in the sector 	<ul style="list-style-type: none"> Encourage formation of cooperatives so youth can share know-how, ease access to group-lending facilities and pool savings
Policy	<ul style="list-style-type: none"> Geographical reach of TVET schools mostly limited to urban areas 	<ul style="list-style-type: none"> Encourage vocational training centres to incorporate financial literacy into their curricula Encourage savings groups to lend to cooperatives of construction artisans Incentivize the Government to increase access to TVET centres, especially in rural areas Design programmes to assist training centres in connecting students to employment opportunities upon completion of courses



Table 12f

Specific gaps within high-potential opportunities as construction technicians

Gap size	Specific challenges	Potential implications for YouthStart Global
Opportunities in construction: (2) technicians		
Access to finance	<ul style="list-style-type: none"> • Lack of access to sufficient and affordable capital • Lack of sufficient funds to afford education • Loan repayment periods too short 	<ul style="list-style-type: none"> • Partner with the Government to develop technical education courses for engineering • Encourage construction projects to develop apprenticeships • Incentivize women to enter the sector through scholarships and fellowships • Partner with FSPs to develop education loan products that are youth friendly • Encourage private sector to provide education loans and scholarships based on a contract to work for the company after completion • Partner with the Government to design policies to encourage local investors to enter the sector
Skill-building	<ul style="list-style-type: none"> • Lack of infrastructure in universities • Lack of universities offering engineering programme (under the umbrella of University of Malawi, only the Polytechnic provides technical education at the engineering level) 	
Mentorship	<ul style="list-style-type: none"> • Limited presence of local construction companies in the market • Need for guidance and mentorship for students graduating from the Polytechnic to obtain employment 	
Gender	<ul style="list-style-type: none"> • Limited engagement of women in the sector 	
Policy	<ul style="list-style-type: none"> • Most construction projects tendered to foreign investors 	



Table 12g

Specific gaps within high-potential opportunities in artisanal and small-scale mining

Gap size	Specific challenges	Potential implications for YouthStart Global
Opportunities in mining: (1) artisanal and small-scale mining		
Skill-building	<ul style="list-style-type: none"> • Lack of information about markets and their linkages • Lack of knowledge and understanding about value addition • Most small-scale mining activities informal; lack of knowledge about benefits and methods of formalizing the activity 	<ul style="list-style-type: none"> • Partner with Ministry of Natural Resources, Energy and Environment to design education programmes about opportunities in mining • Develop loan products for artisanal miners • Partner with educational institutions to conduct information sessions about opportunities in mining • Encourage formation of cooperatives to access group savings and loan products • Promote vocational programmes to support youth interested in the sector • Work with the Government to develop strategies to attract domestic investors • Work with the Government to promote formal mining cooperatives of artisanal and small-scale miners • Implication related to mining for YSG: no involvement
Mentorship	<ul style="list-style-type: none"> • Need for guidance and support to encourage value addition • Need for mentorship in forming cooperatives to access bigger markets • Need for mentorship to access value chains 	
Gender	<ul style="list-style-type: none"> • Preference by women to not work in the sector as it is too labour intensive/physically demanding, although traditionally both work in the sector 	
Policy	<ul style="list-style-type: none"> • Large risk of environmental damage • Large risk of damaging local communities • Stronger policies required as well as their enforcement • Most small-scale mining conducted in informal sector • Lack of workshops about opportunities for youth in mining 	



Table 12h

Specific gaps within high-potential opportunities as mine workers

Gap size	Specific challenges	Potential implications for YouthStart Global
Opportunities in mining: (2) mine workers		
Skill-building	<ul style="list-style-type: none"> • Lack of information about the sector • Lack of educational and skill-training programmes focusing on mining • Lack of knowledge about available jobs in the industry 	<ul style="list-style-type: none"> • Partner with the Government to develop policies to encourage foreign direct investment, which in turn will create job opportunities • Partner with Ministry of Natural Resources, Energy and Environment to design education programmes about opportunities in mining • Work with the Government to incentivize investors to invest in the sector • Encourage domestic investors to enter the sector • Work with the Government to invest more in research and exploration of natural resource deposits • Conduct informational programme in urban and rural areas about opportunities in mining
Mentorship	<ul style="list-style-type: none"> • Need for mentorship in order to access available opportunities for employment 	
Gender	<ul style="list-style-type: none"> • Preference by women to not work in the sector as it is too labour intensive/physically demanding, although traditionally both work in the sector 	
Policy	<ul style="list-style-type: none"> • Very few foreign investors investing in the sector despite its high potential 	





Specific gaps within high-potential opportunities in food and hospitality

Gap size	Specific challenges	Potential implications for YouthStart Global
Opportunities in tourism: (1) food and hospitality		
Access to finance	<ul style="list-style-type: none"> Though costs of obtaining skills in the industry low since mostly soft skills required, possible challenge in achieving basic working proficiency in English Possible need for some capital in the form of savings for job search 	<ul style="list-style-type: none"> Work with the Government to promote tourism, especially along the lake Conduct information sessions about opportunities in the industry Work with the Government to design policies to attract investments in the industry Design short-term courses on English for rural youth Promote the formation of cooperative societies to enable youth to access group loans and savings
Skill-building	<ul style="list-style-type: none"> Very few courses offering hospitality programmes Lack of working level proficiency in English amongst rural youth 	
Mentorship	<ul style="list-style-type: none"> Lack of awareness amongst youth about potential opportunities in the sector 	
Gender	<ul style="list-style-type: none"> Both men and women almost equally involved in the sector, yet women showing higher preference to work in this sector 	
Policy	<ul style="list-style-type: none"> Very few investors showing interest in developing the sector 	



Specific gaps within high-potential opportunities in other tourism service providers

CONCLUSION

MOVING FORWARD



Overall, the labour market in Malawi is heavily demand constrained, and entrepreneurship is necessary in order to create more jobs and opportunities for youth. There are not enough new jobs to satisfy a growing labour force, and there is limited capital to stimulate entrepreneurship. A large proportion of the population being comprised of youth (51%), most of whom live under the poverty line, automatically creates a proportionally large demand for labour.¹²⁴ As a Food and Agriculture Organization assessment explains, 'agriculture is the main sector for youth employment in rural areas (88%).'¹²⁵ However, outside of the cropping season, the sector is characterized by large underemployment and related working poverty. In addition, the Food and Agriculture Organization assessment points out that 'one of the main bottlenecks for translating growth into adequate employment creation is on the demand side, with the formal sector of the economy able to create only 30,000 positions a year while there are 130,000 new entrants.'¹²⁶ Another major bottleneck for generating entrepreneurship is the unavailability of financing for (start-up) businesses for young entrepreneurs, due to lack of collateral, experience, official documents, etc.

A lack of capital is not the only constraint. The vast majority of new entrants to the labour market either possess very few skills or the incorrect skills to match labour market needs, producing a large demand for targeted technical and vocational education. There is a clear need to support youth in their job searches and to establish matching interventions that facilitate the connection between labour demand and supply.

Despite its vulnerability, the **agricultural sector** remains the number one employer of youth in Malawi. Agro-processing, agribusiness and manufacturing, which are all further up the supply chain, offer immense opportunities for youth employment in the country given the dependence of Malawi on agriculture and export services. Other high-potential sectors in which youth are interested include the following:

Manufacturing and construction – Construction is labour intensive and the sector has been steadily growing, which will continue considering the Government's focus on infrastructure development under the Malawi Growth and Development Strategy II. Manufacturing (with sub-sectors like beverages, plastics, agro-processing, and packaging and assembly) is also promoted by the Government through its National Export Strategy, with the primary objective of boosting and promoting processed (rather than raw) exports of the country's prioritized productive sectors.

Mining – The country has an abundance of natural resources. To attract youth to the formal sector of mining, the Government has been working on the implementation of the National Artisanal and Small Scale Mining Policy, which aims to promote and support small-scale miners in the formal sector. The policy itself would need to be strengthened and clauses ensuring community participation, environmental protection and other corporate social responsibility measures would need to be fortified. Until some major changes take place YSG will not promote activities in this sector.

124 World Bank, 'Malawi.'

125 Food and Agriculture Organization, 'Quick overview of the Decent Rural Employment situation in Malawi,' p. 2.

126 Ibid.

Tourism – Malawi is a beautiful country, and the Government intends to increase the contribution of tourism to GDP from just under 8% to 15% by 2020 under the Tourism Development Plan 2020.

There are, however, several obstacles that need to be tackled even though the Government is promoting the above sectors as having the potential to generate youth employment and entrepreneurship. This research has identified the following entry barriers as the most common: access to capital for small-scale agro-processing and manufacturing; gaps between skill requirements and what is taught in most curricula for more skilled construction work (artisans and technicians); access to capital and knowledge for artisanal mining; and a good policy framework for large-scale mining. For entrepreneurship across all sectors, there is also a clear need for business coaching for young entrepreneurs. Finally, financial literacy is very low, which can complicate financial inclusion and entrepreneurial initiatives.

For any initiative to reach scale, these obstacles must be acknowledged in the conceptualization phase. Existing programmes generally have not reached sufficient scale, youth in Malawi (especially rural youth) have been marginalized for a long time, and real unemployment is a major concern. FSPs also have to step up to the plate. Despite the large youth cohort in Malawi, very few FSPs offer meaningful youth products on a substantial scale. Integrating youth into the financial sector at an early age has proven beneficial for youths' overall development and perspectives on life. And, on a more practical note, saving for a period of time with an FSP increases the likelihood of youth obtaining a loan for productive purposes.

This report is a key input of the YSG inception phase. From here, the first phase will consist of convening the necessary partnerships between actors in the youth economic opportunities ecosystem for each intervention. Specifically, it will involve building the capacity of partners to develop high-quality proposals, conducting required due diligence, convening another stakeholder meeting and finally securing the Government's endorsement.

Once the first phase is complete, the second phase will involve awarding grants to intervention consortia, supporting and monitoring selected partners in implementation, as well as capturing and disseminating knowledge acquired in this process.



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