



## Malawi

**Situation:** According to the [Grameen Foundation](#), Malawi, home to approximately 13.9 million people, is a landlocked country in southeastern Africa. It is among the world's least developed and most densely populated countries. The economy is heavily based in agriculture, with a largely rural population.

- Average income per capita is US\$250.
- Nearly half of Malawi's population struggles to live on less than \$1 a day
- 50 percent of children under-five are stunted
- 35 percent of Malawians suffer chronic malnutrition
- When comparing Gross Domestic Product (GDP), Malawi ranks 132 out of 178 countries.

Underserved community members from the Nkhata Bay village in Malawi have been able to secure microfinance services, but have faced two main challenges. First, they have incurred punitive interest rates charged by local moneylenders and microfinance institutions (MFIs). Second, MFIs placed their priorities and self interests ahead of the villagers' interests. For example, they forced villagers to purchase chicks and start a poultry farm and poultry business, even though chicks are prone to catching flu, diseases and dying from other medical related issues. Similarly, starting a poultry farm is both capital and labor intensive that is not affordable by those at the economic base of the pyramid.

**Action:** Initial projects encouraged by MFIs seem to have been doomed from their initial conception because they were not based on the demands and leadership of the community. What an MFI considers a viable livelihood and way of living in one community or village cannot be simply planted, like a hybrid seed, into a new environment and be expected to take root. A better design for a project would be based on some kind of expressed need or demand from a population. The ESB Group invited villagers of the Nkhata Bay to the decision table and asked them about their personal vision and ideas when exploring courses of action. At the same time, by taking an equity stake "ownership" in their business, The ESB Group offered consulting and advisory support services over the course of 12 months.

**Social Impact and Result:** Nkhata Bay villagers used their farm to grow and produce fresh mangoes and fruits on the road side. This was beneficial for two reasons. First, as a labor intensive engagement, the group was able to employ villagers. Similarly, a less capital intensive engagement was more affordable and less taxing on the BoP entrepreneurs. Second, based on the formula "**Return = Margin X Velocity**", villagers applied theory into practice. Although margins are lower, higher turnover allows for higher profitability margins. Nkhata Bay villagers are expected to generate a profit by June 30, 2010.

