SPEARHEADING PRIVATE SECTOR DEVELOPMENT

MAIIC
Malawi Agricultural & Industrial Investment Corporation plc

BACKGROUND

The plan to establish a national development finance institution (DFI) has been under consideration for some years in Malawi. A feasibility study commissioned by the Government of Malawi (GoM) in 2013 showed that there was a great need for the establishment of a development financial institution in Malawi. It was confirmed that there were significant financing gaps particularly in the areas of infrastructure development and small and medium enterprises.

The findings of this study have been confirmed by a recent feasibility study which was conducted in 2018 which estimate the financing gap in private sector to be around $4 billion. Following the updated feasibility report, GoM decided to pioneer the establishment of an autonomous, sustainable and private sector-led development finance entity in line with the Malawi Growth and Development Strategy (MDGS) III which was officially launched on 13th March 2018. It is intended that the entity, working collaboratively with the existing banks and financial institutions, will be a source of capital for the underserved key sectors of the economy thereby accelerating the country's economic growth and development.

In view of this development, GoM and CDH Investment Bank (CDHIB) entered into a Memorandum of Understanding on 3rd May 2018 to lead the implementation of this project, with full recognition and agreement that the entity shall be a vehicle for mobilizing local and international financial resources to catalyze agricultural and industrial development.

The establishment of MAIIC will be a ground-breaking partnership between Government, the private sector and international investors to play a leading role as a catalyst for socio-economic development, job and wealth creation in Malawi. Operating as a sustainable and commercially-driven entity, MAIIC will have an independent board of directors, the majority of whom will be from private sector. GoM will limit its shareholding in the institution to 20 percent when it is fully capitalized by the private sector.

INSTITUTIONAL MANDATE

MAIIC has the following strategic themes to achieve its mandate:

- To mobilize financial and other resources for investment in commercially viable projects, businesses, agriculture and industries (existing and new) aligned with national development priorities.
- To be a catalyst for the creation and development of competitive, commercially sustainable industries to make Malawi a more production and export oriented economy.
- To support commercially viable in the public and private sectors of the economy to consolidate and promote growth, productivity, employment, wealth creation and broad-based economic development.
- To co-operate with other institutions and organizations (public, national, international or multinational including governments) that are interested in the socio-economic development of Malawi to complement financing to sectors under-served by the banking industry.
- To enhance capacity in domestic firms to enable them to improve their performance and compete favorably with their peers in the region and international markets.
- To invest in commercially viable industry-enabling infrastructure either alone or in association with various partners, both local and international.
- To deepen the utilization of domestic financial resources and attract foreign capital to enhance the resource envelope as a driver for investment in targeted industries and projects.

CORPORATE VISION

To be the leading enabler of high impact economic development in Malawi.

CORPORATE MISSION

To drive private sector led economic development through the mobilization of finance, skills, and technology for sustainable wealth creation.

CORE VALUES

- Inclusiveness
- Integrity
- Professionalism
- Transparency

VALUE PROPOSITION

MAIIC will offer a unique value proposition as follows:

An enabler of development

MAIIC has a specific development focus. It is mandated to support commercially viable investments in the public and private sectors of the economy to consolidate and promote growth, productivity, employment, wealth creation and broad-based economic development.

A partner for co-financing

MAIIC is designed to mobilize financial and other resources for investment in commercially viable projects, businesses, agriculture and industries (existing and new) that aligned with national development priorities. Integral to its approach is to complement and "crowd in" other financial intermediaries by providing appropriate financial and non-financial instruments.

An Intermediary of international development finance

Multilateral and bilateral DFIs often use national DFIs as financial intermediaries for long-term finance, as well as for the allocation and disbursement of development grants. MAIIC is ideally placed to fulfil this role within Malawi.

A promoter of viable Investment

MAIIC is specifically geared towards supporting underserved industries as well as nascent industries/firms until they mature or generate a track record that render them eligible for financing by commercial banks and other financiers.

A risk mitigation vehicle

MAIIC is designed to identify, manage, mitigate risks to enable the private sector financial institutions to finance projects and new businesses. This enables it to be a catalyst for the creation and development of competitive and commercially sustainable industries.

MAIIC's linkages to MDGS III

MAIIC will be a key financing and support vehicle for commercially viable projects and businesses that would pursue opportunities in key priority sectors of the MGDS III to create sustainable wealth. The MGDS III highlights a renewed commitment towards building a thriving and sustainable economy, eradicating poverty and ensuring alignment with other long term socio-economic development initiatives, including the 2030 Agenda on Sustainable Development Goals (SDGs), and the African Union Agenda 2063.

MAIIC's product and service portfolio

In line with its mandate and in collaboration with existing banks and cooperating financial partners, MAIIC will be proactive and innovative in developing products and services that drive private sector development as follows:

PRODUCT	KEY FEATURES	PRODUCT	KEY FEATURES
Wholesale lending	• Concessional debt funding to MFIs for on lending to SMEs • Increases MAIIC's reach through leveraging MFI infrastructure and client base	Loans	• Long term financing (5 – 7 years) • Concessional Loans (FInES) • Infrastructure • Development loans
Partial credit guarantees	• Guarantee provided to Commercial banks up to 50-70% of loan where the client has a collateral shortfall.	Equity	• Holding of minority stake in funded companies • Sit on the Board of the company • Exit period of 5 – 7 years • At the time of exit, to conduct business valuation
Mega Farms	• Establishment of Mega Farms in line with Malawi Government agenda by providing concessional loans to farmers	Quasi – Equity / Convertible debt	• Exit period of 5 – 7 years

Corporate governance structure

MAIIC will be a private sector-led and governed entity with a strong corporate governance framework. To safeguard this, the GoM has Committed to holding only 20% Shareholding in MAIIC and represented by only two directors on the board of directors. In addition, the entity's board members will be selected based on relevant competencies including relevant qualifications and experience.

Operating model

MAIIC will deliver its products and Services in collaboration with the existing financial institutions namely banks, microfinance institution and other development finance institutions. Thus, it will initially adopt a lean, hybrid management structure, which combine outsourced elements with an internal capacity that will be developed incrementally. Later, MAIIC will evolve to bring most functions in-house and adopt an organizational structure based on its growth needs. This flexible operating model aligns well with its role as a key bridge in Building partnerships between the Public and private sectors.

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