Impact of COVID-19 and the Russia-Ukraine Crisis on Micro Small and Medium-Sized Enterprises (MSMEs) in Malawi

United Nations Economic Commission for Africa
Sub-Regional Office for Southern Africa

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<tr>
<td>AfCFTA</td>
<td>African Continental Free Trade Area</td>
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<tr>
<td>AIP</td>
<td>Affordable Inputs Programme</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<tr>
<td>COVID-19</td>
<td>Coronavirus disease 2019</td>
</tr>
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<td>CSMBA</td>
<td>Chamber for Small and Medium Business Associations</td>
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<tr>
<td>FARMSE</td>
<td>Financial Access for Rural Markets, Smallholders and Enterprises</td>
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<td>FINES</td>
<td>Financial Inclusion and Entrepreneurship Scaling</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<tr>
<td>MOIT</td>
<td>Ministry of Industry and Trade</td>
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<td>MSME</td>
<td>Micro small and medium enterprise</td>
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<td>NCPRP</td>
<td>National COVID-19 Prevention and Recovery Plan</td>
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<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
</tr>
<tr>
<td>SARS-COV 2</td>
<td>Severe Acute Respiratory Syndrome Corona Virus 2</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SERP</td>
<td>Social Economic Recovery Plan</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
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<tr>
<td>SMEDI</td>
<td>Small and Medium Enterprises Development Institute</td>
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<tr>
<td>ECA SRO-SA</td>
<td>Sub regional office for Southern Africa</td>
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<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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<td>WHO</td>
<td>World Health Organisation</td>
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ACKNOWLEDGEMENTS

This country report is a deliverable of the project titled “Global initiative towards post-Covid-19 resurgence of the MSME Sector”, or the MSME Surge project that was funded by the United Nations (UN) Development Account (DA) 13th tranche from 2020 to 2022. The project brought together the United Nations Conference on Trade and Development (UNCTAD), the UN Department of Economic and Social Affairs (DESA) and the five UN Regional Economic Commissions including the United Nations Economic Commission for Africa (ECA), through its Sub-regional Office for Southern Africa (SRO-SA) based in Lusaka, Zambia.

The country report for Malawi was authored by Charles Mwatsika, ECA SRO-SA consultant who led the conduct of the survey in Malawi, with a team of enumerators, working under the overall coordination of Mads Knudsen, lead ECA SRO-SA international consultant, from Vanguard Economics Ltd. The report was prepared under the direct supervision of Bineswaree Bolaky, Economic Affairs Officer, ECA SRO-SA working under the overall guidance of Isatou Gaye, Chief, Sub-regional Initiatives Section, ECA SRO-SA.

This country report is one of 11 country reports assessing the impact of Covid-19 and the Ukraine crisis across the member states of ECA SRO-SA which comprise of Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. The report is a collaboration between ECA SRO-SA, the SADC Business Council and the Malawi Chamber of Small and Medium Business Association. Special thanks are expressed to Peter Varndell, Chief Executive Officer, SADC Business Council and his team, and James Chiutsi, Chief Executive Officer, Malawi Chamber of Small and Medium Business Association for their support and guidance on this initiative. The draft country report was presented and discussed at the Regional Meeting on Technology and Innovation for MSMEs in Southern Africa, 21-23 June 2023 in Cape Town, South Africa, organised by the ECA SRO-SA and the SADC Business Council. The meeting was attended by senior government officials and private sector associations of ECA SRO-SA member states.

Special thanks are extended to Wiskes Nkombezi, the Director of SMEs and Cooperatives in the Ministry of Industry and Trade for his input and comments.
EXECUTIVE SUMMARY

The study was undertaken to assess the impact of COVID-19 (the pandemic) and the Russia-Ukraine crisis on MSMEs in Malawi, the role regional integration plays in post pandemic recovery, and how technology and innovation are being leveraged by MSMEs to address the impacts of the pandemic and the Russia-Ukraine crisis.

The basis of the study is a survey of 503 MSMEs which was conducted from 14th November to 22nd November 2022 across the three regions covering all the 28 districts and the cities of Blantyre, Lilongwe, Mzuzu, and Zomba. The 503 businesses were selected randomly to participate in a telephone survey where 107 businesses were closed at the time of the survey, and 396 businesses are operational. Most of the businesses are micro and small, operate in the service sector, and equally owned by men, women, the youth and the elderly. Over a quarter of the businesses were established in the last three years.

A key finding is that both COVID-19 and the Russia-Ukraine crisis negatively affected businesses of all sectors, sizes, and age. Businesses in industry were the worst affected compared to businesses in services and agriculture. Additionally, COVID-19 had more of a negative impact on businesses than the Russia-Ukraine crisis.

Overall, revenue and staff growth diminished during the pandemic in 2020 compared to 2022 during the Russia-Ukraine crisis. The increase in inflation, prices of fertilizer and inputs is strongly attributed to the Russia-Ukraine crisis, although it is compounded by the devaluation of the Malawian Kwacha during the same period. A quarter of businesses did not take any measures to respond to the pandemic but most decreased production in response to the crisis.

The Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) remain the two best known trading blocs. However, overall, regional integration is currently playing a negligible role in post pandemic recovery of the MSME sector in Malawi. There is no trade between the businesses interviewed and the rest of Africa, Europe, Asia and Oceania, North America, and South America. Only 4% of the businesses studied engage in export trade within SADC and especially with South Africa, Mozambique, Zambia, and Zimbabwe. That means the MSME sector in Malawi is not exploiting opportunities from regional integration.

There are hurdles to overcome regarding knowledge about export markets, access to export markets, customs duty and regulations, high transportation costs, and the businesses capabilities to produce for export markets.

The African Continental Free Trade Area (AfCFTA) is the least known of the trade agreements to which Malawi is a signatory. Nonetheless most businesses perceive that it would have positive impact on businesses. The Common Market for Eastern and Southern Africa (COMESA) and Southern Africa Development Community (SADC) remain the two most known trading blocs.

Finally, on the use of technology and innovation in response to the impact of COVID-19, the study finds that technology is least used among the micro and small businesses in Malawi. Most of the businesses surveyed did not use technology or innovations in their response to the impact of COVID-19. For the few businesses which used technology in their day-to-day operations, WhatsApp and Facebook are the commonly used tools for marketing and selling. Businesses are of the view that access to finance, improved telecommunication services, reduced internet costs, and capacity building in developing and using innovations would enhance adoption and use of technology among businesses in the MSME sector.
The study therefore recommends supporting productive and competitive businesses and building capacity of the MSME sector to produce products for the export markets. Improving access to capital, uninterrupted electricity supply, and stabilising the Malawian Kwacha would enhance performance of the MSME sector. There is a requirement for a platform to disseminate information and studies about existing opportunities in regional markets and Africa to enhance integration of MSME sector.
1. INTRODUCTION

This is a study report for Malawi on the impacts of the Coronavirus disease 2019 (COVID-19) and the Russia-Ukraine crisis on the micro, small and medium sized enterprises (MSME) sector.

1.1 Background of the study

On 30 January 2020, the World Health Organisation (WHO) declared COVID-19 a global public health emergency of international concern (WHO, 2020). COVID-19 has had adverse effects on the African continent and in particular, MSMEs.

A rapid online survey in 2020 found that 80% of responding firms indicated being significantly affected by COVID-19. The proportion was relatively uniform across the size of enterprises and kind of businesses (UNECA and IEC Ltd, 2020). The rate of capacity utilisation ranged from 30-40% for small enterprises to 50-60% for large enterprises. This however varied depending on the sector in which the business operated. Manufacturing, travel/hospitality, and transportation services operated at their lowest capacities. Lack of cash flow was the number one challenge for MSMEs, and over half of the respondents felt their governments’ responses to COVID-19 were unsatisfactory (UNECA and IEC Ltd, 2020).

Subsequently, the United Nations, including the United Nations Economic Commission for Africa (ECA), through its Sub-regional Office for Southern Africa (SRO-SA) implemented the project: “The Global initiative towards post COVID-19 MSME sector”, which intended to develop and implement capacity building tools for governments and MSMEs. The objective was to facilitate resurgence and strengthen resilience of MSMEs in developing countries, and economies in transition. Furthermore, it aimed to mitigate the economic and social impact of COVID-19 and facilitate the contribution of MSMEs to the implementation of Sustainable Development Goals (SDGs).

Under this project, ECA SRO-SA had commissioned a survey report across 11 countries in the Southern African region in 2022. The objective was to produce a set of 11 country-level reports and a regional report synthesizing the findings of the country reports in order to assess the impacts of COVID-19 and the Ukraine crisis on MSMEs in individual Southern African Development Community (SADC) member states.

This report presents findings from Malawi on the impact of the ongoing twin-crisis on MSMEs; COVID-19 as well as the impact of and the Russia-Ukraine crisis. Furthermore, it presents a discussion on how technology and innovation is being used by MSMEs in the country, and the role that regional integration can play in facilitating MSMEs during the crisis. Finally, it provides policy advice for a way forward as MSMEs and the economies at large recover.

Further to this report on Malawi, ECA SRO-SA will publish country reports from the other 10 countries in total as well as a synthesised regional report.

1.2 Research methodology

The study was undertaken in Malawi across the three regions, covering all the 28 districts and the cities of Blantyre, Lilongwe, Mzuzu and Zomba. There are approximately 1.6 million MSMEs in Malawi (Finscope, 2019). Therefore, a group of 384 enterprises was the required study sample for the 95% confidence level, calculated as \( n = \frac{z^2\sigma^2}{E^2} \), where \( E = 0.05 \) (margin of error), \( z = 1.96 \) (confidence level), and \( \sigma = 0.05 \) (variance) (Saunders et al., 2016).
A sampling frame of 11,466 enterprises was populated from the databases of Malawi’s Chamber for Small and Medium Business Associations (CSMBA), the Ministry of Industry and Trade (MOIT), and the Small and Medium Enterprises Development Institute (SMEDI). Systematic random sampling was conducted to pick the actual study sample using a 1/10 sampling fraction. The first enterprise included in the study sample was randomly selected among the first 10 listed enterprises. The 4th enterprise was selected and every 10th enterprise from the 4th enterprise was included in the study sample.

The questionnaire for the study was developed by ECA SRO-SA and was administered through a telephone survey by the national consultant, supported by five enumerators (Appendix 1).

The telephone survey was undertaken from 14 November to 25 November 2022. Two days of training were conducted for the enumerators to familiarise themselves with the study, its objectives, and how to conduct the telephone interviews using the online questionnaire. Live trial data collection exercises were undertaken to test the questionnaire and detect any challenges to the data collection exercise. It was observed that the questionnaire was long, and the slow and intermittent internet connection lengthened the interview time per respondent. It was difficult to keep a respondent on the telephone for over 2 hours. As such where internet connection was very slow or was lost mid-interview, the enumerators continued the interview using a copy of questionnaire and fed into the online questionnaire when internet connection was restored or better.

The study interviewed business owners and/or managers, from whom demographic details of businesses were collected. It measured performance of businesses in capacity utilisation, staffing levels, sales turnover, and international trade. It further assessed challenges MSMEs face, the impact of COVID-19 and the Russia-Ukraine crisis on MSMEs, and the MSMEs’ responses. It finally assessed the use of technology and innovation among MSMEs during the COVID-19 pandemic and the Russia-Ukraine crisis, and knowledge and utilisation of regional integration frameworks among MSMEs in Malawi. The study interviewed business owners and/or managers.

All ethical considerations were observed when seeking informed consent to participate, and respondents were advised that they were free to withdraw their participation if they were not comfortable with the interview proceedings.

A limitation noted of the study is the homogeneous nature of the dataset of businesses that was compiled from CSMBA, MOIT and SMEDI, which nonetheless reflects the actual type of businesses in Malawi.

In the next section Malawi’s country context is presented followed by the profile of the surveyed MSMEs in section 3. Section 4 presents the impact on MSMEs sales and staff numbers, section 5 presents the current challenges faced by MSMEs, and section 6 presents the impact and response to COVID-19. Section 7 presents the impact and response to the Russia-Ukraine crisis, section 8 presents challenges and opportunities in technology uptake, and section 9 presents the challenges and opportunities in international trade and regional integration. Section 10 presents the outlook for the future and requests from businesses, and section 11 concludes and presents the recommendations.
2. MALAWI – COUNTRY CONTEXT

The following is the economic context of Malawi and the government’s response to COVID-19 pandemic.

Key findings:

- COVID-19 interrupted Malawi’s growth path and the economy has been on a lower growth trajectory since. The economy saw a brief respite in 2021 as the economy reopened, only to see the growth slowdown in 2022 as the global economy was hit by the Russia-Ukraine crisis (Figure 2.1).
- Overall growth is mostly driven by the services sector, which constitute more than half of the economy (Figure 2.2 and 2.3).
- On the other hand, most of the population remains dependent on agriculture, which employs 76.4% of the labor force (Figure 2.7).
- Malawi’s chronic trade deficit was widening in the years preceding the pandemic. As global supply chains broke down, imports declined rapidly. On the other hand, exports started to improve due to increased demand for agricultural products such as tea, coffee, and soybeans (Figure 2.6).
- Inflation had been kept at single digits during the pandemic. However, in May 2022, the Reserve Bank of Malawi devalued the currency in order to boost foreign reserves (Forex). This resulted in a rapid spike in the inflation rate as prices of imported goods increased (Figure 2.4 and 2.5).
- Malawi’s MSME sector is dominated by relatively young micro-businesses (Figure 2.8 and 2.9).

2.1 Economic Context

Malawi’s Gross Domestic Product (GDP) which is 11.55 billion USD (current prices), grew at the average annual rate of 4% between 2015 and 2019 (Figure 2.1). Following the COVID-19 pandemic, the annual GDP growth rate declined to 0.9% in 2020. COVID-19 preventive measures, which included restrictions on travel and suspension of international travel, disrupted supply chains of raw materials and products. This affected most economic sectors including wholesale and retail, transport services, manufacturing, food and accommodation, and education.

The economy rebounded and grew by 2.2% in 2021. This growth followed the relaxation of COVID-19 preventive measures. The government allowed both domestic and international economic activities to resume, and this boosted growth in sectors that were affected by the pandemic (Government of Malawi, 2022). Malawi’s economic recovery was essentially driven by the service, agriculture, and industry sectors (Figure 2.2). The service industry, as in previous years, is the key contributor to GDP growth in 2021 (Figure 2.3). Additionally, activities which stimulated the recovery included maintenance works on hydro-electric power plants, improvements in energy production, favorable weather, and the Affordable Inputs Programme (AIP). The AIP significantly increased crop production as a substantial number of farming households were able to access quality seeds and fertilizer (Government of Malawi, 2022).

An uptick in economic growth in 2021 allowed for an optimistic upward projection of a GDP growth of 4.1% in 2022. This was based on expected growth in education, accommodation and food, transport, construction, and wholesale and retail sectors as the threat of COVID-19 continued to recede (Government of Malawi, 2022).
However, as the global economies opened up, international commodity prices including oil prices increased. This resulted in significant upward adjustments in domestic fuel pump prices between March and October 2021 which heightened non-food inflation. The Russia-Ukraine crisis which started in February 2022 disturbed the economy further with increases in prices as well as scarcity of fuel and fertilizer. In May 2022, the Reserve Bank of Malawi responded with the devaluation of the Malawi Kwacha and a return to a free float currency regime in order to increase the diminished country’s foreign currency reserves (Figure 2.4). As a result, inflation grew substantially between January and October 2022 (Figure 2.5) and eventually the country registered a 0.9% growth in GDP in 2022. It is worth noting that the GDP growth rates achieved before the COVID-19 pandemic were still below the government’s targeted average of 6.2%. This means the country was unable to achieve meaningful economic development even before the pandemic.

Traditionally, Malawi has a high trade deficit. Its economy depends on production and export of raw agricultural products which include tobacco, tea, sugar, cotton, coffee, and edible nuts (Government of Malawi, 2022). However, imports exceeded exports.

The manufacturing industry is small and highly dependent on imported raw materials and inputs. This is reflected in the value of imports being driven by fertilizer, machinery, petroleum products, pharmaceutical products, printed books and other products of the printing industry, vehicles, and plastics.

As a result, imports account for a larger share of GDP than exports thereby representing a trade deficit (Figure 2.6). The country had a 42% increase in traditional exports of tobacco, tea, sugar, and edible nuts in 2021 because of increased demand in international markets when international trade reopened. However, imports slowed down because of shortages of Forex and increases in fuel prices which resulted in high transportation costs and overall costs of imports. Therefore, the increase in imports value was due to a rise in world oil and fertilizer prices which maintained a trade deficit.

The MSME sector employs 24% of the total labour force and contributes 39 percent of the country’s GDP (Finscope, 2019).

**Table 1: Definition of the MSME sector in Malawi**

<table>
<thead>
<tr>
<th>Enterprise size</th>
<th>Number of employees</th>
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<tr>
<td>Micro</td>
<td>1 – 4</td>
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<tr>
<td>Small</td>
<td>5 – 20</td>
</tr>
<tr>
<td>Medium</td>
<td>21 – 100</td>
</tr>
<tr>
<td>Large</td>
<td>100+</td>
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*Source: Government of Malawi (2012)*

It is important to note that most of the population is nonetheless employed in agriculture (Figure 2.7). The MSME sector is also negatively affected by the large informal sector and lack of focus on manufacturing.

Over 89% of the MSMEs in Malawi are sole proprietorships without formal structures of management and only 3.8% of the MSMEs are in manufacturing. The majority of MSMEs are in wholesale and retail trade and two thirds of approximately 1.6 million MSMEs in Malawi are micro enterprises (Finscope, 2019) (Figure 2.8).
The performance of the MSME sector in Malawi is affected by several constraints. The macroeconomic performance of the country is poor with high inflation, high interest rates, unfavourable foreign exchange rates, and frequent shortage of foreign currency. Reliance on imported raw materials and inputs therefore adversely affected the recovery of MSMEs in 2021 and 2022, especially with the scarcity of foreign currency and devaluation of the Malawian Kwacha. Overall, the high cost of raw materials and inputs, difficulty in accessing foreign currency, and increases in prices of fuel and utilities (electricity and water) substantially increased the operational costs of MSMEs in Malawi.

2.2 COVID-19 and Government response

The first cases of COVID-19 in Malawi were confirmed on 2 April 2020 with a partial lockdown declared on 4 April 2020 (Thula et al., 2020). The government declared a state of national disaster on 20 May 2020 and implemented the National COVID-19 Prevention and Recovery Plan (NCPRP). The NCPRP included short term measures intended to alleviate the immediate impact of the pandemic through restrictions on travel, closure of borders, limiting numbers in public gatherings, and encouraging social distancing, wearing of masks and regular washing, and sanitizing of hands using soap and sanitizer (Government of Malawi, 2021a).

Further, the government developed the Malawi COVID-19 Socio-economic Recovery Plan for the period of 2021 to 2023 (SERP 2021-2023) as part of the Malawi 2063 - First 10-year Year Implementation Plan (MIP-1) to guide recovery from the effects of COVID-19. SERP 2021-2023 focuses on building resilient and sustainable health care, education, and social protection systems, a resilient economy and labour market, and an enabling macroeconomic policy environment (Government of Malawi, 2021a). One of the aims of the government was to scale up fiscal and monetary stimulants towards the productive sectors of the economy especially the MSME sector which was severely affected.

As such, with credit from the International Development Association (IDA), the government instituted the Financial Inclusion and Entrepreneurship Scaling (FINES) project through the Reserve Bank of Malawi. The project’s aim was to increase access to financial services, promote entrepreneurship and capabilities of MSMEs including addressing the impacts of COVID-19. The FINES project increased the supply of wholesale finance to the project’s financial institutions which scaled lending of low interest loans to MSMEs as well as to support start-ups. The project is also training MSMEs with high growth potential, particularly women-owned enterprises, in entrepreneurship and financial literacy, and facilitating their accesses to market opportunities. Additionally, the FINES project is financing the use of digital financial services in the MSME sector by creating online platforms and payments systems to support e-commerce in Malawi.

Notably, the FINES project is supplemented by training and information dissemination workshops under the Agricultural Commercialisation Projects I and II. These include workshops to sensitize MSMEs on the AfCFTA and other trade agreements signed by government.

As the government implemented the FINES project, it did not institute additional measures to support MSMEs during the Russia-Ukraine crisis. Whilst COVID-19 affected the production capabilities of MSMEs, the Russia-Ukraine crisis is perceived to affect the consumption side, with inflationary pressures of which MSMEs can exploit with adequate support.

Currently, the government is working on programmes to establish rural industrialisation wherewith Special Economic Zones (SEZ) are being created across the country to provide space for MSMEs and to enable them to integrate into regional value chains.
The SEZs will focus on areas highlighted in the Malawi National Export Strategy II (Government of Malawi, 2021b) with the aim of unlocking the potential of MSMEs in the country and making them more resilient to shocks in the future.
Malawi’s GDP, which is at 116.5 billion USS (current prices), has annually been growing at the rate of 4%. Both COVID-19 and the Russia-Ukraine crisis have had substantial impact on Malawi’s economy. The services sector, which accounts for 55% of the GDP, has been driving the growth of the economy.

In May 2022, the Reserve Bank devalued the currency and returned to a free float currency regime in order to increase dwindling foreign reserve holdings.

More than two thirds of the MSMEs in Malawi are micro enterprises. Most businesses were established within the last 10 years.
3. PROFILE OF SURVEYED MSMEs

The sample is representative of the known MSME population in terms of business size, age, sector, geographic location, ownership, and level of formality.

The survey comprises 503 responding MSMEs of which 78.3% were operational at the time of the survey. MSMEs located in urban areas constituted 60% of the respondents (Figure 3.1). There are more businesses in the southern and central regions of Malawi (Finscope, 2019) reflective of the distribution of the sample. Malawi has high start-up rates and high discontinuation of business rates (Daliious et al., 2012) which are demonstrated in the study by the 28.6% of businesses aged up to 3 years (new businesses) (Figure 3.2) and 21% of non-operational (discontinued) businesses.

Most businesses studied were formal (Figure 3.2.1), and micro (0-4 employees) (Figure 3.2.3). 73.6% of the businesses earned less than US$5,000 per year (Figures 3.2.5). Although there were more formal businesses in the study, the majority of businesses operated without formal structures of management, and this affected the organization and performance of the businesses. It is important to state that formality refers to registration with the local authority.

On the size of businesses, the study reflects well the findings of previous studies by Finscope (2019) and Mwatsika (2021). There is a higher prevalence of micro and small businesses in the country when size is measured either by the number of employees or revenue. In Malawi, a micro business employs 1-4 people or generates US$0-5,000 in revenue per annum whereas a small business employs 5-20 people or generates US$6,000-50,000 in revenue per annum.

The majority of businesses studied were in the service sector (Figure 3.2.4). According to Finscope (2019), 69% of MSMEs in Malawi are in wholesale and retail trade, and only 3.8% are in manufacturing. Therefore, there are more businesses involved in the import of merchandise and raw materials than there are businesses involved in the export of products, particularly raw agricultural products. This is reflected in the sample where most businesses either import only or do not engage in international trade (Figure 3.2.7).

On the nationality of owners of business (Figure 3.3.1), most businesses studied were owned by Malawians. However, there are businesses in cities, in wholesale and retail trade and other sectors which are owned by other nationalities. It is possible that foreign owned businesses have lower tendency to be registered with business associations which would bring unintended bias towards indigenous businesses in MSME development programmes run by business associations and other institutions in the country.

It is noted that men and women in both age groups (youth and non-youth) equally undertake business (Figure 3.3.2, Figure 3.3.3), the majority of whom are sole owners (Figure 3.3.4). The 86% prevalence of sole proprietors in Malawi is also presented by Finscope (2019, p.31). However, most operate without management structures, and rarely file tax returns. They are a less productive type of ownership of business compared to limited liability (Mwatsika, 2021).

In conclusion, the demographics represent the common types of businesses in Malawi which are micro to small, sole proprietorship businesses, predominantly operating in the services sector, and import oriented.
3. PROFILE OF SURVEYED MSMEs

503 businesses were surveyed and most are from the Southern Province. 77% of these enterprises are operational, of which 60% are in urban areas.

Figure 3.1: Enterprise location
- 121 North
- 170 Central
- 212 South

Operational 396
Non-operational 107

Total businesses surveyed 503

Figure 3.2: Operational enterprise demographics

- The majority of businesses are formal, micro (0-4 employees), and in the service sector.
- 73.8% of businesses earn less than $5,000 USD per year.

Figure 3.2.1: Formal vs. informal business
- 77% Formal business
- 23% Informal business

Figure 3.2.2: Enterprise registered with association
- 59.1% of the businesses are part of a member association

Figure 3.2.3: Size of enterprise by employees
- Micro (0-9): 95.7%
- Small (10-20): 3.5%
- Medium (21-100): 0.5%
- Large (100+): 0.3%

Figure 3.2.4: Sectors
- Agriculture: 45.3%
- Industry: 28.1%
- Services: 26.8%

Figure 3.2.5: Annual turnover 2021 (USD)
- 73.6% 0-5k
- 21.4% 5-25k
- 1.8% 25-50k
- 1.6% 50-100k
- 1.6% >100k

Figure 3.2.6: Age of firm
- 3.3% <1 year
- 17.9% 1-3 years
- 25.5% 4-5 years
- 28.8% 6-10 years
- 24.5% >10 years

The majority of businesses were established within the last ten years.

Figure 3.3: Owner demographics

- Enterprises are predominantly owned by Malawians and equally owned by women, men, young and old. The vast majority of owners are sole proprietors.

Figure 3.3.1: Nationality of owners
- Fully (99.8%) owned by nationals
- Less than 50% owned by nationals 0.2%

Figure 3.3.2 Gender of owners
- Enterprises owned by men 56%
- Enterprises owned by women 45%

Figure 3.3.3: Age of owners
- Enterprises owned by youth 47%
- Enterprises owned by non-youth 53%

Figure 3.3.4: Type of ownership
- Sole owners: 86.3%
- Co-owner: 9.1%
- MD/CEO: 2.7%
- Manager: 1.6%
- Board member: 0.25%
- Associate: 0.25%

3.2.7 International traders

- Exports & imports: 8%
- Does not trade: 47%
- Import only: 41%
- Export only: 4%

Most enterprises import more than they export.
4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS

Key Findings:

- Sales revenue amongst responding MSMEs followed a similar pattern as the GDP growth pattern. In 2020, there was a decline of 18% in median revenues amongst responding businesses followed by a 14% recovery uptick in 2021, only to see another decline of 13% in 2022 (Figure 4.1.1).
- Industrial businesses were most severely hit and saw declines in all years (Figure 4.1.2), with micro businesses less severely hit when compared with small and medium sized businesses.
- Trading businesses were generally more severely hit and saw more fluctuations than non-trading businesses (Figure 4.1.4).
- Exporters suffered more than importers from the COVID-19 impact in 2021. On the other hand, by 2022 exporters saw growth of 25%, whereas importers saw no growth.
- Fluctuations in part-time staff were significantly higher than in full-time staff. This tendency continued through the pandemic years, and in 2022, part-time staff numbers decreased by 16%, whereas full-time employment increased by 0.4% (Figure 4.2.1).
- Whereas exporters were more severely hit in 2020, by 2022 they had a higher growth in staff numbers.

To analyze the impact of COVID-19 and the Russia-Ukraine crisis on businesses in Malawi, the study measured annual sales of businesses and employment levels for the period from 2019 to 2022. Revenue and staff growth was calculated to analyze overall growth, growth by sector, type of business operations, size of business, and age of business.

The findings show that there was a decrease in overall revenue growth in 2020. In 2021, revenue growth picked up only to substantially decrease again in 2022 (Figure 4.1.1). Similarly, in 2020 businesses laid off both permanent and part-time staff. In 2021, growth in numbers of permanent staff marginally increased only to decrease again in 2022. Part time employees were laid off at a higher rate than full time employees over the period, especially in 2022 (Figure 4.2.1).

The decrease in revenue and staff growth in 2020 is attributed to COVID-19 preventive measures, especially travel restrictions which disrupted both demand and supply chains, all else equal. The uptick in revenue and staff growth in 2021 followed relaxation of COVID-19 restrictions and recovery in international and domestic trade. However, the drop in revenue and staff growth in 2022 can be attributed to the Russia-Ukraine crisis and the government’s response, devaluing the Malawi Kwacha, and a return to the free float currency regime.

These events triggered an increase in the price of fuel, and fertilizer, the scarcity of foreign currency, non-food inflation, and an increase in the price of commodities. The combined effect was an increase in production costs, disruption of consumer demand, decrease in sales and the eventual downsizing of businesses’ workforce. Based on the changes in overall revenue and staff growth between 2019 and 2022, it is observed that overall COVID-19 had a more negative impact than the Russia-Ukraine crisis on the performance of businesses.

When revenue and staff growth was compared among sectors, the agriculture, industry, and services sectors experienced substantial decreases in revenue in 2020, and 2022. In 2021, the agriculture and services sectors had a substantial increase in revenue (Figure 4.1.2).
In terms of staff growth, all sectors laid off staff. Industry utilized more part time staff in 2020 as such a recourse could provide flexibility with the disruptions of the pandemic. Staff growth in all sectors remained relatively low in 2022 (Figure 4.2.3).

Comparatively, the services and agriculture sectors performed better than the industry sector in terms of revenue growth. Agriculture benefited from the Affordable Input Programme (AIP) and favorable weather in 2021. Industry was the worst affected due to high dependence on imports of fuel, raw materials, and inputs for production.

When revenue and staff growth was compared among types of business operations, the results showed that in 2020 all businesses, those that export only, import only, both export and import, and those that do not undertake international trading, experienced decline in revenue especially those that export only as international trading was closed (Figure 4.1.4). Jobs were cut in businesses of all types of trading operations. Importing businesses significantly cut down the number of part-time and permanent employees compared to export only businesses or businesses that do not undertake international trade (Figure 4.2.2).

When the economy rebounded in 2021, all businesses enjoyed revenue growth especially those that both export and import. However, only exporting businesses maintained revenue growth in 2022, and ultimately performed better than the other sectors. As the international markets rebounded, the demand for agricultural exports, especially tea, coffee, and soybean, remained steady while import only entities continued to experience challenges with Forex availability and high costs of imports due to increases in fuel prices and transportation costs. So overall, businesses that export performed better. Additionally, as the Russia-Ukraine crisis continues, businesses that export are comparatively performing better than businesses that import only or do not undertake international trade.

When revenue growth is compared among businesses of different sizes and age levels, the findings show that micro, small and medium businesses experienced lack of revenue growth in 2020 and 2022. Businesses of all sizes experienced revenue growth when the economy rebounded in 2021 (Figure 4.1.3) although micro businesses performed better compared to small and medium businesses. Businesses at all age levels experienced the same pattern in revenue growth (Figure 4.1.5) where businesses of up to 10 years of age performed better than those above 10 years of age.

In conclusion, COVID-19 and the Russia-Ukraine crisis affected businesses in all sectors, and of all sizes and age levels, particularly regarding their revenue and staff growth. Exporting businesses, however, were mostly affected by COVID-19 due to the decrease in international trade was closed. However, despite the Russia-Ukraine crisis, demand for raw agricultural products such as soybeans remained steady in international markets. For all other businesses their performance will continue to be negatively affected by the high costs of production due to the rebound in the prices of fuel and raw materials, and inflation due to devaluation of the Malawi Kwacha and scarcity of foreign currency.
4.1 Median Revenue Growth

Figure 4.1.1: Overall revenue growth
Businesses saw a substantial decrease in sales revenue both in 2020 and 2022, which can be attributed to the impact of COVID and the Russia-Ukraine crisis.

Figure 4.1.2: By sector
Businesses in the services sector performed better compared to those in other sectors.

Figure 4.1.3: By size of business
Micro enterprises performed better compared to SMEs.

Figure 4.1.4: By international traders
In 2020 exporters were more affected than non-trading and importers.

Figure 4.1.5: By age of firm
Mature enterprises and startups were relatively impacted.
4.2 AVERAGE GROWTH CHANGES FOR STAFF

Figure 4.2.1: Overall staff growth

Part-time employees were laid off at a higher rate than full-time employees on average, especially in 2022. When compared to previous years, the COVID-19 in 2020 had a significant impact on permanent employees.

Figure 4.2.2: By international traders

In 2022, importing businesses significantly cut off the number of permanent employees and increased the number of part-time employees.

Figure 4.2.3: By sector

In 2022, the services sector was more affected for part-time workers, whereas agriculture was less affected for full-time workers.
5. CURRENT CHALLENGES OF MSMEs

Key findings:

- The main challenges reported by MSMEs were accessing capital, price of inputs, and low demand for goods and services (Figure 5.1.). These challenges were also prevalent for MSMEs prior to the pandemic.
- Service firms reported more challenges than other sectors (Figure 5.3.). Additionally, importers and non-traders reported more challenges than exporters (Figure 5.4).
- Importers mainly faced higher prices of inputs, whereas non-traders faced low demand for their goods and services (Figure 5.4).

Respondents were requested to present three main challenges affecting their businesses. The study found that accessing capital, price of inputs, and low demand for goods and services were the main challenges businesses faced (Figure 5.1). Accessing capital was a commonly stated challenge by micro and small businesses in Malawi. They are considered high risk and unprofitable by banks, and most do not have collateral to secure debt capital.

When the challenges are analyzed by sector, size of business, and type of trade operations, it is noted that the main challenges are more prevalent in the service sector, and micro businesses that import only or do not undertake international trade (Figure 5.3, Figure 5.4, and Figure 5.5). These are also the businesses which are severely affected by the effects of COVID-19 and the Russia-Ukraine crisis. Nonetheless, respondents perceive that accessing capital has been a challenge since 2020 and do not attribute it to the Russia-Ukraine crisis but acknowledge the challenge has worsened since 2020 (Figure 6.6).

Non-food inflation due to the increase in fuel prices attributed to the Russia-Ukraine crisis combined with currency devaluation increased the prices of imported raw materials, inputs, and goods. This resulted in high costs of production and prices leading to decreased demand for various goods and services as the economy experienced continued reduced disposable income as a result of the COVID-19 pandemic.

It is noted that agriculture, and industry especially those businesses that export only, and are more prevalent in the small and medium size category, did not experience many of the main challenges. Government projects such as Financial Access for Rural Markets, Smallholders and Enterprises (FARMSE) supported by the International Fund for Agricultural Development (IFAD) have been supporting businesses in agriculture with access to capital and markets.

There are also export credit facilities in commercial banks which essentially target exporting businesses with capital and export facilitation. It is because of the main challenges expressed in the study that the Reserve Bank of Malawi with credit support from the International Development Association/World Bank, rolled out the Financial Inclusion and Entrepreneurship Scaling (FINES) project in 2022 which provides the MSME sector in Malawi with access to low interest capital.

Nonetheless, the main challenge of access to capital will continue to be critical to MSMEs while the other key challenges of price of inputs, and low demand for goods and services will even out with economic recovery and individual business response strategies.
5. CHALLENGES

Figure 5.1: Challenges faced by businesses

Accessing capital, low demand for goods and services and price of inputs are the main three challenges that surveyed business face:

- Accessing capital: 46%
- Price of inputs: 45.2%
- Low demand for goods and services: 29.8%
- No challenges at the moment: 10.9%
- Inflation: 9.8%
- High interest rates: 7.8%
- Access to skilled labor: 7.1%
- Hard to get imported goods: 5.1%
- Foreign currency is expensive: 4.8%
- High taxes: 4.3%
- Undue involvement from government officials: 3.8%
- Technical constraints: 3.8%
- Regulations: 2.5%

Figure 5.2: Why non-operating business closed

Lack of profitability, working capital and demand are the main hurdles that propelled 107 business to close:

- No profit: 26%
- Lack of working capital: 21%
- Lack of demand: 17%
- Personal reasons: 14%
- Technical reason: 11%
- Other reasons: 4%
- Transportation: 4%
- Lack of inputs: 3%

Figure 5.3: Main challenges by sector

The main challenges are more prevalent in the services sector compared to the agriculture and industry sector.

Figure 5.4: Main challenges by traders

Price of inputs affects importers whereas low demand for goods and services affect those who do not trade.

Figure 5.5: Main challenges by size of business

A large proportion of micro businesses encounter accessing capital and price of inputs more than SMEs.
6. IMPACT AND RESPONSE TO COVID-19

Key findings:

- The COVID-19 pandemic had tapered off by 2022, but it remains significant. Whereas 68.9% of businesses reported they had been severely affected by the pandemic in 2020, by 2022 this had dropped to 55.9% (Figure 6.1).
- Exporters were worst hit by the pandemic in 2020 (Figures 6.3).
- Overall, businesses sales, exports, and profits were hit in 2020 (Figure 6.4).
- About one quarter of businesses did not respond to the pandemic, and another quarter responded by lowering their production. About 9.5% laid off staff and 7.9% stopped operating entirely (Figure 6.5).

Respondents were requested to present their perceptions on the severity of the impact of COVID-19, the aspects of business most impacted, and how they responded to the pandemic. The findings show that most businesses were negatively impacted by the pandemic (Figure 6.1). Although some businesses perceived that the impact of COVID-19 receded in 2022, the majority still perceived the negative impacts of COVID-19 existed. The operations of businesses of all sizes and types of trade were negatively affected by COVID-19 in Malawi (Figure 6.2 and Figure 6.3). The aspects of business most affected include imports, ability to pay back loans and stock of finished goods (Figure 6.4). This reflects the effects of restrictive measures imposed on travel which disrupted demand and supply chains, lowered production, and overall business performance.

Analysis of how businesses responded to COVID-19 shows that over a quarter of businesses did not take any measures (Figure 6.5). This reflects a lack of business management skills that would equip businesses to respond to changes in the business environment. Lowering of production was the other common response but this could have been an automatic response since demand for goods and services was disrupted.
6. IMPACT OF COVID-19

Figure 6.1: Extent of COVID-19 Impact
Most enterprises were negatively impacted by the pandemic.

- 68.9% Negative Impact
- 24.3% No Impact
- 6.6% Positive Impact

Figure 6.2: Impact by size of business
SMEs experienced more negative effects.

- Micro: 60% Negative impact, 29% No impact, 11% Positive impact
- Small & Medium: 71% Negative impact, 23% No impact, 6% Positive impact

Figure 6.3: Impact on international traders
Those who trade were more affected than non-trading businesses.

- Import only: 70% Negative impact, 21% No impact, 9% Positive impact
- Export only: 79% Negative impact, 3% No impact, 8% Positive impact
- Both export & import: 78% Negative impact, 3% No impact, 9% Positive impact
- Doesn’t trade: 46% Negative impact, 9% No impact, 45% Positive impact

Figure 6.4: Aspects of business affected by COVID
Sales and net profits are the most affected business aspects.

- Exports: 6% Lower, 20% No change, 24% Higher
- Imports: 35% Lower, 19% No change, 19% Higher
- Ability to pay back loans: 15% Lower, 19% No change, 36% Higher
- Ability to pay for inputs and variable expenses: 34% Lower, 15% No change, 38% Higher
- Ability to pay salaries: 38% Lower, 28% No change, 25% Higher
- Access to supplies: 28% Lower, 27% No change, 26% Higher
- Stock of finished goods: 37% Lower, 23% No change, 40% Higher
- Number of clients: 35% Lower, 13% No change, 26% Higher
- Production level: 30% Lower, 25% No change, 32% Higher
- Number of staff: 36% Lower, 31% No change, 34% Higher
- Net profits: 60% Lower, 1% No change, 37% Higher
- Sales: 52% Lower, 3% No change, 43% Higher

Figure 6.5: How businesses responded to COVID
A quarter of the enterprises did not take any measures to respond to the pandemic.

- No Response: 26.6%
- Lowering production: 17.6%
- Laying off staff: 7.9%
- Stopped operations: 6.6%
- Deferring planned investments: 5.7%
- New customers/going to market strategy: 4.5%
- Taken new loans to bridge the crisis: 4.3%
- Focused more on domestic market: 4.3%
- Found new domestic suppliers: 3.7%
- Others: 8.9%

Figure 6.6: Whether main challenges that businesses face have worsened since 2020
More than three fourths of the businesses who faced low demand for goods and services believe that the challenge has worsened since 2020.

- Accessing Capital: 74%
- Low demand for goods and services: 75%
- Price of inputs: 43%
7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS

Key findings:

▪ The Russia-Ukraine crisis affected just under half of the responding MSMEs (Figure 7.1).
▪ Businesses that trade were more severely hit than non-trading businesses (Figure 7.3).
▪ COVID-19 impacted most businesses sales and their exports (Figure 7.4).
▪ The most common response to the Russia-Ukraine crisis was to lower production (43.3%) (Figure 7.5).
▪ About two thirds of businesses attributed their current main challenges to the Russia-Ukraine crisis (Figure 7.6).

Respondents were requested to rate how the Russia-Ukraine crisis impacted their businesses, the aspects of the business which were impacted, and how they responded to the crisis. The results show that businesses were not equally impacted by the Russia-Ukraine crisis with a third of businesses substantially impacted negatively by the crisis (Figure 7.1).

Micro and small to medium businesses were equally impacted by the crisis. It is observed that businesses which export and import, export only and those that do not undertake trading were more impacted by the Russia-Ukraine crisis than those that import only (Figure 7.2 and Figure 7.3).

The businesses which import may not have been affected by the crisis because businesses in Malawi predominantly import from SADC member states specifically South Africa, Mozambique, Zambia, and Zimbabwe, as well as India, China and the European Union. The key challenges therefore faced by import business emanated from economic responses such as devaluation of the currency, scarcity of foreign currency, and tariffs adjustments.

Examples of businesses which both export and import or export only and are affected by the crisis are those that import fertilizer or export oil seeds to the crisis zone.

Businesses highlighted several aspects of their work which were negatively impacted by the Russia-Ukraine crisis and sales is one of them (Figure 7.4). It is noted that most businesses responded to the crisis by decreasing production (Figure 7.5).

Overall, the main challenge businesses faced is related to the crisis as the price of inputs has worsened since February 2022 (Figure 7.6). It is observed from the findings that businesses perceive COVID-19 to have had a more negative impact in 2022 than the Russia-Ukraine crisis.
7. IMPACT OF THE RUSSIA-UKRAINE CRISIS

Figure 7.1: Extent of the Russia-Ukraine Crisis
A third of enterprises were substantially impacted by the crisis. Half did not experience any impact.

Figure 7.2: Impact by size of business
Both micro and SMEs were equally impacted.

Figure 7.3: Impact on international traders
Most importers reported no impact of the Russia-Ukraine crisis on their businesses while those who do not trade were more impacted.

Figure 7.4: Aspects of business affected by the Russia-Ukraine Crisis
Sales is one of the most affected business aspect. Around a quarter of businesses reported positive impact on several aspects.

Figure 7.5: How businesses responded to the Russia-Ukraine crisis
Most enterprises responded to the crisis by decreasing production.

Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis
The majority of businesses believe that the main challenges they face are related to the crisis.

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<td>Imports</td>
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<tr>
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<td>14%</td>
<td>46%</td>
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<tr>
<td>Ability to pay salaries</td>
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<tr>
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<td>Low demand for goods and services</td>
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<td>68%</td>
<td>38%</td>
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The majority of businesses believe that the main challenges they face are related to the crisis.
8. CHALLENGES AND OPPORTUNITIES IN TECHNOLOGY UPTAKE

Key findings:

- Only 10% of responding businesses adopted new digital tools in response to COVID-19. Amongst those who did, 42.9% started using online media, 32.1% started using specialized apps, and 19% had adopted new digital platforms (Figure 8.1).
- 54% of businesses saw an increase in digital sales during COVID-19 (Figure 8.4).
- The two most popular digital marketing tools were WhatsApp (33.9%) and Facebook (24.8%). About 22.3% did not use any social media platforms (Figure 8.2).
- 9.8% of businesses generated more than half of their sales through digital marketing tools, whereas 37.8% did not know how much of their sales derived from digital tools. Close to half of the MSMEs believed that digital tools generate less than 25% of their total sales (Figure 8.3).
- Over a third of the businesses believed that financial support would be the best way to increase their use of digital tools (Figure 8.5).

Respondents were requested to provide the areas in which their businesses started using or increased the use of technology in response to the COVID-19 pandemic. The findings show that only 10% of the businesses resorted to new tools and processes during the pandemic; they mainly adopted the use of online media and digital platforms (Figure 8.1).

These tools were mainly used for supply chain management, marketing, and communication with employees, and the two most popular social media platforms used by businesses for marketing were WhatsApp and Facebook (Figure 8.2). For 47.5% of the businesses that used technology, social media accounted for 11% to 25% of sales. (Figure 8.3). Over half of the businesses that used technology perceive that their use has increased since COVID-19 whereas 45% perceive that there is no change in the way they use technology since COVID-19.

When asked about the support the government can provide to businesses regarding investing in technology and innovations, over 50% of the respondents mentioned financial support, access to information about technology and innovation, and access to affordable internet (Figure 8.5).

The findings revealed that technology is least used among the micro and small businesses in Malawi, and that it does not play any role in response to the impacts of COVID-19 on the MSME sector. WhatsApp and Facebook were however the most used tools for selling and marketing.

It is therefore necessary to analyze the nature of business activities undertaken among MSMEs, the structure of markets, and how technology applications can be enhanced to improve business operations and performance in domestic and regional markets. This knowledge would support projects like the Financial Inclusion and Entrepreneurship Scaling (FINES) which aims to enhance the use of digital platforms among MSMEs in the country.
Figure 8.1: Whether businesses resorted to new tools and processes as a result of COVID-19

Only 10% of enterprises resorted to new tools and processes due to COVID-19. Companies mainly adopted the use of digital platforms.

Tools and processes introduced

- Online media: 42.9%
- Specialised apps: 32.1%
- Digital platforms: 19%
- Increased the use of internet: 2.4%
- Entering new markets: 2.4%
- New products: 1.2%

Figure 8.2: Social media used for marketing

The two most popular social media platforms used by businesses for marketing are Whatsapp and Facebook:

- Whatsapp: 33.9%
- Facebook: 24.8%
- Twitter: 22.3%
- TikTok: 4.8%
- Other: 4.3%
- None: 3.8%

Figure 8.3: Share of sales from digital tools

Social media accounts for 11% to 25% of sales for half of businesses.

- Less than 10%: 4.9%
- Between 11%-25%: 4.9%
- Between 26%-50%: 9.8%
- More than 50%: 4.9%
- Don’t know: 37.8%

Figure 8.4: Impact of COVID-19 on sales from digital platforms

As a result of COVID, more than 50% of businesses have seen an increase in sales from digital platforms.

- 45% No change
- 22% Increased a lot
- 1% Decreased a little
- 32% Increased a little

Figure 8.5: Support needed to invest in innovation and new technologies

A third of companies need financial support to invest in new technology.

- Financial support: 36.6%
- Not applicable: 18.9%
- Access to information: 9.7%
- Access to affordable internet: 9.2%
- Capacity building: 6.1%
- New markets: 4.7%
- Access to markets: 3.9%
- Improve regulations & processes: 3.4%
- Others: 2.7%
- Improve e-commerce: 2.6%
- Access to electricity: 2.1%
9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION

Key findings:

- According to the respondents, the main challenges to exporters were finance (23.2%), tariffs (16.9%), transportation costs (18.2%), and lack of market knowledge (15.6%) (Figure 9.1).
- Only 7% of the respondents knew of the AfCFTA (Figure 9.5). Most non-traders and exports only businesses were unaware of the AfCFTA. In contrast, 83.4% of the imports only businesses were aware of the AfCFTA and its potential, with 46.7% of importers planning to take advantage of it.

Respondents were asked if their businesses were involved in international trade, and the hurdles they faced in relation to exporting and importing. They were further questioned about their knowledge of trade agreements to which the Government of Malawi is a signatory of, the African Continental Free Trade Area (AfCFTA), and what government can do to improve business’s ability to export and import.

The results show that over half of the businesses studied did not undertake international trading. A quarter of the businesses import only and very few businesses export. Import and export trade by the few businesses was undertaken mostly with countries in the SADC Regional Economic Community and little with the rest of Africa. There is no trade or a very negligible amount of trade between the businesses that were interviewed and Europe, Asia and Oceania, North America, and South America. Within SADC, there is zero or negligible trade between the businesses that were interviewed with countries such as Angola, Botswana, Eswatini, Lesotho, Madagascar, Mauritius, and Namibia. The import and export trade undertaken with South Africa, Mozambique, Zambia, and Zimbabwe is by businesses importing finished goods and intermediate goods.

Lack of finance, high customs tariffs, high transport costs, and lack of export market knowledge were the main reasons preventing businesses surveyed from exporting (Figure 9.1) whereas lack of market knowledge, technology, high transport costs, lack of finance, and customs tariffs were some of the main challenges hindering businesses from importing (Figure 9.3).

Respondents perceived that monetary incentives such as tax reduction and access to finance could help businesses to export (Figure 9.2), and reduction of taxes and customs duty, and improving regulation could help businesses to import (Figure 9.4). Reducing customs duty, easing import and export regulations, providing access to capital and export markets, and reducing transportation costs were therefore the key suggestions to government to improve business’s ability to export and/or import.

Regarding knowledge about trade agreements to which the Government of Malawi is a signatory of, the findings show that the African Continental Free Trade Area (AfCFTA) Agreement is the least known trade agreement (Figure 9.5). The Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) were the two well-known trading blocs among the businesses studied. There was low awareness of AfCFTA especially among businesses that export only, and those that do not engage in international trade (Figure 9.6). However, most respondents perceived that the AfCFTA would have a positive impact on business. It was perceived that the AfCFTA would improve access to investment, new markets, suppliers, and inputs, and provide opportunities to use technology. Increased competition was the major challenge foreseen by respondents with the AfCFTA.
Based on the findings, regional integration is deemed to have large potential for supporting MSME growth but is playing a negligible role in post COVID-19 recovery among the micro and small businesses in Malawi. There are hurdles to overcome regarding knowledge about export markets and access to them, customs duty and regulations, high transport costs, and businesses capability to produce for export markets.
9. IMPORT AND EXPORT CHALLENGES

Figure 9.1: Export challenges
Lack of enough finance, high custom tariffs, and market knowledge are the main reasons preventing businesses from exporting.

Figure 9.2: What could be done to improve exports
Monetary incentives like tax reduction and access to finance were among the top suggestions to improve exporting.

Figure 9.3: Import challenges
Regulations and technology are the main hurdles hindering businesses from importing.

Figure 9.4: What could be done to improve imports
Enterprises suggested tax and custom duty reduction and improving the regulation as main aspects to improve importing.

Figure 9.5: Proportions of enterprises who know trade agreements
Less than 10% of enterprises are not aware of the AFCFTA.

Figure 9.6: How traders perceive AFCFTA
Low awareness is especially among non-traders and exporters.
10. OUTLOOK FOR THE FUTURE AND REQUESTS FROM BUSINESSES

Key findings:

- The responding businesses were generally more optimistic about the future than they were pessimistic.
- Their main request to policymakers was to find ways to ease access to finance.

The respondents were asked to provide a forecast of their financial position in the next six months. The findings showed optimism by over half of the businesses that their financial situation would be better in six months whereas some expected no change and others perceived it would be worse (Figure 10.1).

Businesses perceived that the business environment would improve if the government solved the prevailing economic challenges in the country. If the government could solve economic challenges (reduce inflation and stabilize the Malawi Kwacha), provide uninterrupted electricity supply, stabilize fuel supply, and provide access to low interest loans then businesses performance would improve (Figure 10.2).

Some businesses perceived that capacity building in entrepreneurship skills and infrastructure development would also go a long way to improving their performance and the business environment. Nonetheless, access to finance is the main area of support that businesses desire. It is noteworthy that the FINES project by the Government of Malawi is providing access to low interest loans, scaling MSMEs entrepreneurship skills and developing digital platforms to enhance MSMEs performance. The project commenced in 2022 with credit support from the International Development Association of the World Bank to help MSMEs to respond to the effects of COVID-19.
10. OUTLOOK FOR THE FUTURE

Figure 10.1: Forecast for financial situation
Most entrepreneurs are optimistic about the future of their businesses

- Much worse than today: 9.8%
- A bit worse than today: 19.9%
- The same as today: 15.9%
- A bit better than today: 38.9%
- Much better than today: 15.4%

Figure 10.2: Area of support needed
Access to finance is the main area of support that enterprises desire

- Access to finance: 26%
- Regulation: 12%
- Market linkages: 9%
- Electricity provision: 9%
- Training: 9%
- Price reduction: 9%
- Infrastructure: 6%
- Government support: 5%
- Stabilize the fuel crisis situation: 5%
- Improve economic condition: 4%
- Stabilize national currency: 2%
- Access to inputs: 2%
- Communication: 2%
- Other: 1%
11. CONCLUSIONS AND RECOMMENDATIONS

This study was undertaken to assess the impact of COVID-19 and the Russia-Ukraine crisis on the MSME sector in Malawi, the role regional integration plays in post pandemic recovery, and how technology and innovation are being used by MSMEs to address the impacts of the pandemic and the Russia-Ukraine crisis.

The findings show that both COVID-19 and the Russia-Ukraine crisis had a negative impact on the businesses studied. COVID-19 negatively impacted businesses more than the Russia-Ukraine crisis. Nonetheless, most of the challenges which negatively affected business performance in the country prevailed long before COVID-19, which made the situation worse. The Russia-Ukraine crisis is strongly linked to inflation and an increase in the price of fertilizer and inputs which has affected prices and demand for goods and services.

The findings indicate that regional integration is playing a negligible role in post pandemic recovery of the MSME sector. There is negligible or no trade between businesses studied and other regions, and a small number of businesses export among those studied. Although COMESA and SADC are well known trading blocs, businesses in Malawi commonly trade with only South Africa, Mozambique, Zambia, and Zimbabwe. The AfCFTA is the least known of the trade agreements.

Some of the issues highlighted regarding enhancing import and export trade among the businesses included providing knowledge about export markets, facilitating access to export markets, reducing customs duty, improving customs regulations, reducing transportation costs, and building businesses’ capabilities to produce for export markets.

Lastly, the findings reveal that technology and innovation are the least used among the MSMEs in the country to address the impacts of COVID-19. Nonetheless, WhatsApp and Facebook were the most commonly used tools for marketing and selling among the few businesses which used technology. Businesses perceived that access to finance, improved telecommunication services, reduced internet costs, and capacity building in developing and using innovations would enhance their adoption of technology and innovations.

It is therefore concluded that COVID-19 and the Russia-Ukraine crisis negatively impacted businesses in Malawi, and that regional integration is currently playing a negligible role in post pandemic recovery of the MSME sector. Technology and innovation are also least used to address the impacts of COVID-19 and the Russia-Ukraine crisis.

The following are therefore the recommendations based on the findings of the study.

1 To support productive businesses

The micro and small businesses category comprises the majority of the businesses studied. Most of the businesses in this category record low performances in revenue and staff growth. There is a need to support productive and competitive micro and small businesses which can grow into medium and large enterprises and contribute towards job creation and economic growth.

2 To build capacity of MSMEs to produce for export markets

Lack of capacity to produce for export markets, and access to regional markets are some of hurdles that prevent businesses from participating in export trade. Capacity building in skills to do with development of new goods and services, new sources of supply of raw materials, new methods of production, new markets, and new ways of organizing in response to changes in the operating environment would improve adoption of technologies, innovation, and participation in regional markets.
3 To solve the outstanding economic challenges in Malawi

Economic challenges existed way before the COVID-19 pandemic and Russia-Ukraine crisis. Key challenges for attention have been identified through various platforms and this study. The most significant on the list is access to capital, uninterrupted electricity supply, reduction of inflation, and stabilization of the Malawian Kwacha. Finding long-term solutions would improve the business environment and performance of the MSME sector.

4 To provide information on opportunities in regional and international markets

Lack of access to international markets and information on export markets have been highlighted as some of the challenges hindering participation in export trade. Most MSMEs in Malawi would not have the capacity to undertake the necessary scoping of regional markets. It would therefore be helpful if there was a platform that disseminates information and studies about existing opportunities in regional markets and Africa.
REFERENCES


ANNEXES

Appendix 1: Survey Questionnaire

Introduction and consent to interview

a. Yes □
   b. No □

A. Respondent Demographics

A1. Current role in the business (tick those that apply)

   a. Sole owner □
   b. Co-owner □
   c. Board member □
   d. Managing Director/CEO □
   e. Manager □
   f. Staff □
   g. Other __________________________

B. Enterprise/Firm Characteristics

1.1 Name and start year

B1. Country of the Survey
   a. Malawi

B2. Name of the Enterprise/Firm
   a. __________________________

B3. In what year did the Enterprise/Firm start operating in the Malawi?
   a. __________________________

1.2 Location

B4. Does the Enterprise/Firm have global Headquarters in Malawi?
   a. Yes □
   b. No □

B5. If no to B4, in which country is the Headquarters located?
   a. Country ______________________

B6. If yes to B4, does the Enterprise/Firm have establishments in other countries?
   a. Yes □
   b. No □

B7. If yes to B6, please list the countries in which the Enterprise/Firm has establishments

   a. Country a ______________________
   b. Country b ______________________
   c. Country c ______________________
   d. Other countries ______________________

B8. Province of the national enterprise Headquarters

   a. Blantyre □
   b. Lilongwe □
   c. Mzuzu □
   d. Other: ______________________
B9. Location of the national enterprise Headquarters
   a. Rural
   b. Urban

1.3 Main economic activity

B10. Main Economic Activity of the Enterprise/Firm (select as applicable)
   a. Agriculture, forestry and fishing (A)
   b. Mining and quarrying (B)
   c. Manufacturing (D)
   d. Construction (F)
   e. Wholesale and retail trade (G)
   f. Transport and storage (H)
   g. Accommodation and food services (I)
   h. Information and communication (J)
   i. Financial and insurance activities (K)
   j. Real estate activities (L)
   k. Professional, scientific and technical (M)
   l. Human health and social work activities (Q)
   m. Arts, entertainment and recreation (R)

B11. Description of economic activity (describe what your enterprise does)
   a. ____________________________

1.4 Business registration

B12. Business registration
   a. Sole proprietorship
   b. Private company limited by shares
   c. Publicly traded company (Ltd)
   d. Cooperative
   e. Limited by guarantee
   f. NGO
   g. Not registered (informal)
   h. Other__________________________

B13. Is the Enterprise/Firm a member of a business association?
   a. Yes
   b. No

B14. If yes, which ones?
   a. Malawi Confederation of Chambers of Commerce and Industry
   b. Chambers for Small and Medium Business Associations
   c. National Association of Small and Medium Enterprises
   d. Small and Medium Enterprises Association
   e. Other (specify)__________________________
1.5 Ownership

B15. What is the gender of owners?
   a. Fully owned by women (100%)
   b. More than 50% owned by women
   c. Less than 50% owned by women
   d. Fully owned by men (100%)

B16. What is the nationality of owners?
   a. Fully owned by nationals (100%)
   b. More than 50% owned by nationals
   c. Less than 50% owned by nationals
   d. Fully owned by foreigners (100%)

B17. If any foreign owners, list their nationality
   a. ________________________________
   b. ________________________________

C. Enterprise/Firm Performance

1.6 Capacity utilization

C1. Are you currently producing at full capacity
   a. Yes
   b. No

C2. If no to C2, what level of capacity are you currently operating at?
   a. Less than 50%
   b. 50-60%
   c. 61-70%
   d. 71-80%
   e. 81-90%
   f. 91-100%
   g. Don’t know

1.7 Staffing

C3. Number of employees in the beginning of July 2022:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour______________________

C4. Number of employees in the beginning of July 2021:
   a. Permanent employees______________
   b. Part-time employees______________
   c. Casual Labour_____________________

C5. Number of employees in the beginning of July 2020:
   a. Permanent employees______________
   b. Part-time employees______________
   c. Casual Labour______________________
C6. Number of employees in the beginning of July 2019:
   a. Permanent employees________________
   b. Part-time employees_________________
   c. Casual Labour____________________

C7. Do you currently have any plans for increasing or decreasing staff numbers in the coming 6 months?
   a. Significantly increase 
   b. Moderately increase 
   c. No change planned 
   d. Moderately decrease 
   e. Significantly decrease 

1.8   Sales turnover

C8. In what currency do you report sales:
   a. Malawian Kwacha
   b. USD
   c. Other: (specify)_____________________

C9. Estimated sales turnover for the financial year ending in the following years:
   a. 2022 (expected)____________________
   b. 2021_____________________________
   c. 2020_____________________________
   d. 2019_____________________________

1.9   International trade

C10. Does this Enterprise/Firm export, import or both?
   a. Both exports and imports
   b. Export only
   c. Import only (skip to C15)
   d. Firm does not import nor export
   e. Don’t know

C11. In what currency do you report export sales:
   a. Malawian Kwacha
   b. USD
   c. Other: (specify)_____________________

C12. Estimated exports for financial years ending in the following years
   a. 2022 (expected)____________________
   b. 2021_____________________________
   c. 2020_____________________________
   d. 2019_____________________________
C13. Over the past year, which countries did the enterprise export to?
   a. Southern Africa  
   b. Rest of Africa  
   c. Europe  
   d. Asia & Oceania  
   e. North America  
   f. South America  

C14. If “a.” to 0, to which countries? (Tick those that apply)
   a. Angola  
   b. Botswana  
   c. Eswatini  
   d. Lesotho  
   e. Malawi  
   f. Mauritius  
   g. Mozambique  
   h. Namibia  
   i. South Africa  
   j. Zambia  
   k. Zimbabwe  

C15. Over the past year, which countries did the enterprise import from?
   a. Southern Africa  
   b. Rest of Africa  
   c. Europe  
   d. Asia & Oceania  
   e. North America  
   f. South America  

C16. Over the past year, what type of imports did the enterprise buy from foreign suppliers?
   a. Intermediate goods  
   b. Finished goods  
   c. Services  
   d. Others: (specify)__________________  

D. Business Challenges and Policy Response  
1.10 Challenges in general  

D1. What are currently the main challenges for the business? (tick the 3 most relevant)
   a. Low demand for goods and services  
   b. Accessing capital  
   c. High interest rates  
   d. Devalued currency  
   e. Price of inputs  
   f. Supply chain disruptions  
   g. Regulations  
   h. Corruption  
   i. Access to skilled labour  
   j. High taxes
For each selected, specify the issue (loop):

D2. If challenge a selected:
   a. Specify______________________________________

D3. If challenge b selected:
   a. Specify______________________________________

D4. If challenge c selected:
   a. Specify______________________________________

D5. If challenge d selected:
   a. Specify______________________________________

D6. If challenge e selected:
   a. Specify______________________________________

D7. If challenge f selected:
   a. Specify______________________________________

D8. If challenge g selected:
   a. Specify______________________________________

D9. If challenge h selected:
   a. Specify______________________________________

D10. If challenge i selected:
    a. Specify______________________________________

D11. If challenge j selected:
     a. Specify______________________________________

D12. If challenge k selected:
    a. Specify______________________________________

1.11 Impact of Covid-19 pandemic 2020-2022

    a. Highly positive impact  
    b. Moderately positive impact  
    c. No impact  
    d. Moderately negative impact  
    e. Highly negative impact
D14. What was the impact on your business in the following parameters? (Tick your rating)

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Very High</th>
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<td>c. Number of employed staff</td>
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<td>d. Production level</td>
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<td>f. Stock of finished goods</td>
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<td>g. Access to supplies to operate the business</td>
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<td>h. Ability to pay salaries</td>
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<td>i. Ability to pay for inputs and variable expenses</td>
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<td>j. Ability to pay back loans</td>
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<td>k. Imports</td>
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</table>

D15. If positive impact (a or b to D13), in what way did the pandemic have a positive impact on your business?

   a. Increased profit margins from higher prices
   b. Less competition in the market
   c. Improved access to skilled labour
   d. Increased use of technology
   e. Increased use of local raw materials
   f. Other: (specify)_________________________

D16. How did your business respond to the pandemic 2020-22? (select those that apply)

   a. Stopped operating
   b. Stopped paying staff
   c. Laying off staff
   d. Lowering production
   e. Found new domestic suppliers
   f. Found new foreign suppliers
   g. Invested in new technologies
   h. Taken new loans to bridge the crisis
   i. Started working more online and from home
   j. Increased e-commerce focus/capabilities
   k. Deferring planned investments
   l. Found new external markets
   m. Focused more on domestic market
   n. New customer/go to market strategy
   o. Created new organizational structure
   p. Other: (specify)_________________________

D17. Since the outbreak of COVID-19 in 2020, has this establishment benefited from support measures issued in response to the crisis?

   a. Yes
   b. No
D18. If no to 17, what of the following options best describe the reason why this establishment did not receive any national or local government measures issued in response to the crisis?

a. We were not aware
b. Too difficult to apply
c. We were not eligible
d. We applied but did not receive it
e. Corruption is preventing us to access
f. Other: (specify) __________________________

D19. If yes to D177, what kind of support? (tick those that apply)

a. Cash transfer
b. Deferral of rent, mortgage or utilities
c. Deferral of credit payments
d. Suspension of interest payments
e. Rollover of debt
f. Access to new credit
g. Loans with subsidized interest rates
h. Fiscal exemptions or reductions
i. Tax deferral
j. Wage subsidies
k. Suspension of membership fees
l. Personal Protection Equipment (PPE)
m. Hand washing stations or hand sanitizer
n. Health and Safety guidelines on social distancing in the workplace

D20. Who provided the support?

a. Landlord
b. Commercial bank
c. The Government
d. Family
e. Suppliers
f. Buyers
g. Business Association
h. Other: (specify) __________________________

D21. To what extent was the support useful for the business?

a. Very useful
b. Useful
c. Not very useful
d. No effect
e. Negative effect

D22. By mid-2022, to what extent was the business still impacted by the Covid-19 pandemic?

a. Now a highly negative impact
b. Now a moderately negative impact
c. No impact any more
1.12 Impact of Russia-Ukraine war since February 2022

D23. How is the Russia-Ukraine war since February 24th impacting your business?
   a. Highly negative impact
   b. Moderate negative impact
   c. No impact
   d. Moderate positive impact
   e. Highly positive impact

D24. What was the impact on your business in the following parameters? (Tick your rating)

   a. Sales
   b. Exports
   c. Number of employed staff
   d. Production level
   e. Number of clients/contracts
   f. Stock of finished goods
   g. Access to supplies to operate the business
   h. Ability to pay salaries
   i. Ability to pay for inputs and variable expenses
   j. Ability to pay back loans
   k. Imports

D25. If positive impact (a or b to D13), in what way did the Ukraine crisis have a positive impact on your business?
   a. Increased profit margins from higher prices
   b. Less competition in the market
   c. Improved access to skilled labour
   d. Increased use of technology
   e. Increased use of local raw materials
   f. Other (specify) ____________________________

D26. How did your business respond to the Ukraine crisis? (select those that apply)
   a. Stopped operating
   b. Stopped paying staff
   c. Laying off staff
   d. Lowering production
   e. Found new domestic suppliers
   f. Found new foreign suppliers
   g. Invested in new technologies
   h. Taken new loans to bridge the crisis
   i. Started working more online and from home
   j. Increased e-commerce focus/capabilities
k. Deferring planned investments
l. Found new external markets
m. Focused more on domestic market
n. New customer/go to market strategy
o. Created new organizational structure
p. Other: (specify)_________________________

D27. Since the Ukraine crisis, has this establishment benefited from additional support measures beyond those issued in response to the crisis?
  a. Yes
  b. No

D28. If no to D17, what of the follow options best describe the reason why this establishment did not receive any national or local government measures issued in response to the Ukraine crisis?
  a. We were not aware
  b. Too difficult to apply
  c. We were not eligible
  d. We applied but did not receive it
  e. Corruption is preventing us to access
  f. Other: (specify)_________________________

D29. If yes to D17, what kind of support? (tick those that apply)
  a. Cash transfer
  b. Deferral of rent, mortgage or utilities
  c. Deferral of credit payments
  d. Suspension of interest payments
  e. Rollover of debt
  f. Access to new credit
  g. Loans with subsidized interest rates
  h. Fiscal exemptions or reductions
  i. Tax deferral
  j. Wage subsidies
  k. Suspension of membership fees
  l. In-kind contribution of inputs/raw materials
  m. Other: (specify)_________________________

D30. Who provided the support?
  a. Landlord
  b. Commercial bank
  c. The Government
  d. Family
  e. Suppliers
  f. Buyers
  g. Business Association
  h. Other: (specify)_________________________
D31. To what extent was the support useful for the business?
   a. Very useful
   b. Useful
   c. Not very useful
   d. No effect
   e. Negative effect

1.13 Desired Policy response

D32. To what extent do you think the current Government policies are positive for the business environment in Malawi?
   a. Extremely positive
   b. Very positive
   c. Moderately positive
   d. Moderately negative
   e. Very negative
   f. Extremely negative

D33. What measures would be needed to improve the business environment in the current situation? (pick maximum 2)
   a. Prefer as little government interventions as possible
   b. Loan guarantee facilities
   c. Trade agreements with improved market access
   d. Tax deferral
   e. Wage subsidies
   f. Subsidies on inputs
   g. Cash transfers
   h. Other: (specify)__________________________

E. Trade Agreements

E1. Does the Ukraine crisis have any impact on your ability to trade?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E2. As of today, does the Covid-19 pandemic still impact your ability to trade internationally?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E3. What hurdles are you currently facing related to exporting?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
E4. In your view, what could government do to improve your ability to export?
   a. Specify_____________________________

E5. What hurdles are you currently facing related to importing?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
   d. Not competitive in foreign markets
   e. Technology
   f. High transport costs
   g. Corruption
   h. Lack of knowledge how to import
   i. Home market is large enough
   j. Other (specify)_____________________

E6. In your view, what could government do to improve your ability to import?
   a. Specify_____________________________

E7. To your knowledge, which of these trade agreements is your country signatory to?
   a. AfCFTA
   b. SADC
   c. COMESA
   d. AGOA
   e. Others (specify)_____________________

E8. In your perception, what is the main objective of the AfCFTA?
   a. Specify_____________________________

E9. Are you planning to take advantage of new opportunities in AfCFTA?
   a. Yes
   b. No

E10. What will be the impact of AfCFTA on your business?
    a. Very positive impact
    b. Positive impact
    c. No impact
    d. Negative impact
    e. Very negative impact

E11. If positive impact, how does the business benefit? (tick maximum 2)
a. New market access on the company  
   b. Improved access to suppliers and inputs  
   c. Improved access to skilled labour  
   d. Improved access to investing in other countries  
   e. Opportunities for using new technology  
   f. Improved access to investment into the business due to a larger market  
   g. Others (specify)__________________________

E12. If negative impact, how is the business impacted? (tick)  
   a. Increased competition in our home market  
   b. Others (specify)__________________________

E.13. What do you think will be the top 3 most significant challenges for your enterprise to be able to trade under the AfCFTA and benefit?  
   a. Specify_______________________________  
   b. Specify_______________________________  
   c. Specify_______________________________

F. Use of Technology

F1. For which of the following business functions has this establishment started using or increased the use of internet, online social media, specialized Apps or digital platforms in response to COVID-19 outbreak? Choose all options that apply  
   a. Communicating with employees  
   b. Communication with clients and suppliers  
   c. Supply chain management  
   d. Marketing  
   e. Sales and bookings  
   f. Payment methods  
   g. Service delivery  
   h. Other: (specify)__________________________

F2. Has the use of technology in the business increased or decreased in response to Covid-19?  
   a. Increased a lot  
   b. Increased a little  
   c. No change as a result of Covid-19  
   d. Decreased a little  
   e. Decreased a lot

F3. Does your business use any of the following to market your business or sell your products or services?  
   a. A website  
   b. Facebook  
   c. An online shop  
   d. Youtube  
   e. Instagram
f. Whatsapp

g. Twitter

h. None of the above

i. Other (specify)__________________________

F4. If any to the above, what is the share of sales generated using the external digital platforms? 

   a. Less than 10%
   b. Between 11%-25%
   c. Between 26%-50%
   d. More than 50%
   e. Don’t know

F5. Has the focus on using digital platforms for sales increased or decreased as a result of Covid-19?

   a. Increased a lot
   b. Increased a little
   c. No change
   d. Decreased a little
   e. Decreased a lot

F6. In the year ahead, do you plan to invest in new technologies for your business operations or sales?

   a. Yes
   b. No

F7. If yes, in what?

   a. Specify_____________________________

F8. What is the motivation for investing?

   a. Demanded by clients
   b. Responding to competitors
   c. To lower costs
   d. To access new markets
   e. Others (specify)__________________________

F9. If No, why not?

   a. Too expensive
   b. Don’t know what to invest in
   c. Cannot find a product/supplier
   d. No need

F10. What kind of support would you need from Government in order to invest in new technologies?

   a. Specify_____________________________