



INVESTMENT BANK

# Invitation for Expression of Interest (EOI) - Updating feasibility study report for the establishment of a Development Finance Institution (DFI) in Malawi

## 1. BACKGROUND

- 1.1 In 2013, the Government of Malawi (GoM) through the Ministry of Finance, Economic Planning and Development ("MoFED") under the Financial Sector Assistance Project ("FSTAP") mandated a team of consultants to conduct a feasibility study ("Feasibility Study") for the establishment of a development finance institution (DFI) in Malawi. Specifically, the study sought to provide answers to two key questions:  
(a) IS a DFI in Malawi relevant?  
(b) What form should the DFI be established to ensure it is successful and remains sustainable?
- 1.2 The Feasibility Study report dated 16<sup>th</sup> December 2013 showed among other things, that great need existed for establishment of a development financial institution as there were significant gaps in the supply of and demand for financial services across a number of the Malawi economic sectors particularly in finance for infrastructure and for small and medium enterprises ("SMEs") and start-ups thereby dwarfing the economic growth Malawi could attain.
- 1.3 One of the key recommendations of the study was that the DFI should be established as a public limited company authorised under the Companies Act. Once the DFI has been established and attained the required level of credibility and track record to attract private investment, the initial investors should gradually dilute and invite the public to subscribe for shares.
- 1.4 It is, therefore, important to update the feasibility study to afford new insights since 2013 and so close the knowledge gaps in relation to the initial findings. It is anticipated that the knowledge generated from the research would set the stage and map the way forward for the establishment of this entity in Malawi.
- 1.5 The Government of Malawi (GoM) and CDH Investment Bank (CDHIB) on 3<sup>rd</sup> May 2018 signed a Memorandum of Understanding (MoU) to establish a private sector-led development financial institution in Malawi. In the view of the GoM and CDHIB the gap in financial services that was identified by the 2013 feasibility study still exists particularly in the area of long term finance.

## 2. ABOUT CDH INVESTMENT BANK

CDHIB is a subsidiary of Continental Holdings Limited. Other companies within the group include Continental Asset Management Limited, Continental Asset Management Nominees Limited, Continental Capital Limited, Continental Properties Limited and CDH Capital Rwanda.  
(For more details please consult our website [www.cdh-malawi.com](http://www.cdh-malawi.com)).

## 3. BROAD MANDATE OF THE ENTITY

The Project Steering Committee is created and appointed to establish and operationalize a development financial institution in Malawi within a period of 8 calendar months from the date of signature (i.e. 3<sup>rd</sup> May 2018) of Memorandum of Understanding between the Government of Malawi ("GoM") and CDH Investment Bank (CDHIB). The proposed broad mandate of the institution is to:

- Mobilize capital for commercially-viable and sustainable industries, opportunities and projects aligned with the MGDS III priorities, to invest and leverage financial resources to establish new industrial, agricultural and services sector businesses and to rehabilitate existing industrial, agricultural and services sectors businesses.
- Be a catalyst for the creation and development of competitive and commercially sustainable industries to make Malawi a more productive and export-oriented economy.
- Co-operate with other institutions and organisations (public or private, national or international) that are interested in the economic and social development of Malawi.
- Mobilize financial and human resources to facilitate investment into existing and new industries.
- Support commercially viable investments in public and private sectors to consolidate growth, productivity, employment, wealth creation and broad-based economic empowerment.
- Enhance capacity in domestic firms so as to enable them to compete with their peers in regional and international markets.

- Work with various partners, both local, including government and international to develop industry-enabling infrastructure.
- Deepen the utilization of domestic financial resources and attract foreign capital to enhance the resource envelop as a driver for investment in targeted industries and projects.
- Undertake such other activities and provide such other services as it may consider incidental or conducive to the attainment of its mandate sustainably.

## 4. OBJECTIVES OF THE STUDY

The objective of the study is to update the 2013 FSTAP feasibility study for the establishment of a DFI in Malawi which will lead to the development of the strategic and business plan of the entity.

The specific objectives of the study include the following:

- Provide an updated assessment of demand for commercially oriented development funding and products in various economic sectors and industries;
- Provide an updated assessment of the demand for long-term finance in the country. This includes defining the target market and ascertaining the need for a DFI that shall target its financial products and other potential support services at the identified gap;
- Determine the levels of capitalisation and the financial structure that the DFI should adopt in order to meet the assessed demand;
- Investigate factors affecting the financial sector and private sector participation in development projects;
- Explore the existing incentives or disincentives for participation by the private sector in development initiatives.

## 5. THE SCOPE OF WORK FOR THE STUDY

- Assessing the role of DFIs  
The study should provide a clear definition of a DFI and roles played by DFIs in general and the specific various roles a DFI could play in Malawi. The successful consultants should provide examples of successful DFIs in the world, with a focus on Africa. In this regard, the study will examine the failures and success factors for a DFI, and include a discussion of the enabling environment that is key for the ability of the DFI to fulfill its mandate and remain sustainable.
- Reassessing the gaps in the financial sector  
The study will, among other things, identify a clear gap in the Malawi financial sector to be filled by the envisaged DFI. This analysis should include a reassessment of why the existing financial institutions in Malawi cannot meet the identified gaps. The consultants will be expected to undertake a multi-sectoral approach and methodology comprising stakeholder consultations, desk review of Malawi's economic and financial sector and analysis of existing information. The study report should also include a detailed supply side analysis of Malawi's financial sector encompassing the types and roles of institutions operating in the country. The demand side analysis will look at the estimated demand for financing in Malawi and the factors affecting the demand for finance in Malawi.
- Reassessing the focus of the DFI  
Based on the identified gaps, the study should clearly explain the target market and scope of products or services for the DFI. The study should also recommend the target operating model, including the interest rates, charges, tenors, collateral and product limits.
- Structure and ownership of the proposed DFI  
The issues to be considered in this section include an analytical discussion of the proposed ownership structure, initial capitalisation, legal form, organizational and operational structure, governance systems, proposed credentials or attributes for the management team and recruitment strategy.
- Distribution mechanism and sources of funding  
The study should clearly stipulate the distribution mechanism of financing and the sources of financing for the DFI, including but not limited to lines of credit, co-financing arrangements, third party funding and grants, geographical coverage of activities and investment guidelines.
- Key performance indicators  
The objectives of the DFI must be relevant to the country's overarching development strategy and be not only

measurable but also achievable with the DFI's control. In this regard, informed by research, the study should discuss and outline the key performance indicators of the DFI, both short-term and long-term.

- Risk management guidelines and regulatory framework  
The study should outline and recommend a risk management framework, which begins with proper governance systems explained in Section 5.4. In line with modern risk practices in the world and region, the consultants should clearly explain how risks can be identified, assessed, monitored, reported, mitigated and escalated to the relevant authorities both regulatory and internal. The study should further provide an overview of the domestic and international regulatory framework within which the DFI will operate as the existing financial institutions in Malawi do.

## 6. EXPECTED OUTCOMES OF THE STUDY

- The study is expected to yield a report and a presentation summarizing the key findings and messages of relevance to the establishment of a DFI in Malawi.
- The final deliverables will be decided in consultation with selected consultants upon commencement of the work.
- The information provided will assist to develop the business plan.

## 7. EXPERIENCE REQUIRED

The team of experts or consultants should meet the following criteria:

- Ability to engage in multi stakeholder consultations with key stakeholders relevant in the establishment of the entity.
- Proven relevant experience in communicating high-level research output to policy makers or practitioners for impact.
- A deep understanding of the theoretical and technical issues relating to the financial sector in Malawi.
- Proven understanding of the economic issues in Malawi, including the country's priority goals contained in various policy instruments such as the Malawi Growth and development strategy (MGDS III), the National Export Strategy (NES), Malawi National Transport Master Plan (MNTMP), National Industrial Policy (NIP) National Agricultural Policy (NAP) Private Sector Development Policy just to mention a few.
- Experience of working for a DFI in the Sub-Saharan Africa region.
- Ability to meet the project schedule.
- Understanding of the project.

## 8. TIME FRAME

The work is expected to take 60 days, starting on 1<sup>st</sup> July 2018 and reaching completion by the 31<sup>st</sup> August 2018.

## 9. ADDRESS AND SUBMISSION OF EOI

- Prospective consultants should state why they are interested in the assignment and state why they are suitable for the research work and how they would approach the task at hand.
- All expressions of interest should be clearly marked "Updating feasibility study report for the establishment of a development finance institution (DFI) in Malawi" and sent **NO LATER THAN 17:00 hours Malawi time on Friday, 15<sup>th</sup> June 2018 to:**

**The Chairperson  
Internal Procurement Committee  
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- Successful consultants will be notified by Monday, 25<sup>th</sup> June 2018.

**For more information and questions about the study, please contact  
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