



ECONOMICS ASSOCIATION OF MALAWI

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2015 ECAMA COMMUNIQUE

Theme: Agriculture Transformation and Value Chain Development for Sustainable Economic Growth

1. Introduction

The 2015 Economics Association of Malawi Annual Conference was held on 12th and 13th November 2015 at Sunbird Nkopola Lodge in Mangochi. It was officially opened by His Excellency the President of the Republic of Malawi Professor Peter Arthur Mutharika.

Present at the conference was the Vice President of the Republic of Malawi Dr.Saulos Chilima, Cabinet Ministers, Senior Heads of Government, Members of the diplomatic coup, Heads of International organizations including the IMF and World Bank, senior members of the private sector, members of the academia, economists and business people.

The conference was financed by the following institutions UNDP, UN Women, Oxfam, Press Trust, Malawi Government, FMB, FDH, NBM, Standard Bank, MERA, MACRA, MBC, MRA, The Nation Publications, The Times Group, Nico General, MIM, AHL Group. We are very grateful for their support:

2. 2015 Resolutions

2.1 The Agricultural sector requires transformation because it is inefficient, technologically backward and it is not in line with the vision of the country: of becoming a predominantly exporting country. The conference is requesting an urgent consultative meeting involving key players to holistically review the agricultural

sector. Some of the stakeholders are as follows: Ministry of Agriculture, Ministry of Land, Ministry of Trade and Industries, Ministry of Justice, CSOs (Oxfam and UN Women), Donor community, Ministry of Finance and the academia. The areas of focus should be as follows: efficiencies of subsidies, land use and land allocation, irrigation and mechanization, role of women, budget implications and legal implications;

- 2.2 The Malawi Revenue Authority and Reserve Bank of Malawi should strengthen their role of collecting and tracking export proceeds. Currently the agricultural sector is characterized by informal and unstructured markets, with few or inadequate regulations and monitoring. There are leakages in taxation of some export crops, mostly in unregulated markets. A significant percent of export proceeds are not remitted back to Malawi. This requires urgent attention by a deliberate regulation that focuses on structured markets for exports of strategic crops;
- 2.3 There must be a shift in Government policy towards medium and large scale mechanization and irrigated agriculture. Currently, policy interventions are skewed towards smallholder and non-commercial farming mostly focusing on social security and political interests with limited farmer organization and commodity aggregation programs. This has been a drain of resources as most farmers produce inefficiently;
- 2.4 The land laws require urgent review to make available land to investors who can venture into large scale agriculture. The current scenario where smallholder farmers are unwilling to part their land to potential and large investors is counterproductive. We recommend re-mapping and reallocation of all idle land and estates to available investors. Where the legal framework is weak, appropriate land bill should be passed to ensure that all idle estates (land) are reallocated to productive users;
- 2.5 Deliberate policies must be implemented to promote agriculture commodity exchanges in order to provide almost guaranteed markets to farmers, and to link farmers to international markets. This will eliminate the role being played by middlemen, which in our view, are exploiting farmers;

- 2.6 The cost of borrowing in Malawi is too exorbitant. The recommendation is that government should work with commercial banks on an arrangement that will ensure that large and organized farmers (especially exporters) access to subsidized financing. To achieve this, we recommend reintroduction of farmers clubs and cooperatives. Furthermore, we recommend establishment of an agricultural development bank that will focus on promoting export oriented organized firms in agro-based country;
- 2.7 There is urgent need to revamp the agricultural extension and research services in order to promote use of modern farming methods based on up to date research and technology. We request adequate funding for this area;
- 2.8 We recommend serious investment in large solar schemes for purposes of irrigation in irrigation schemes. Where the production schemes are meant for the export market or strategic food production, incentives in form of subsidies on solar equipment should be encouraged. This will cut down on cost of running the irrigation schemes on ESCOM bills;
- 2.9 Review utilization of the budget vote on agriculture. The bulk of it should go towards irrigation, irrigation infrastructure development, building of dams and extension services, not travel and allowances;
- 2.10 Government must review the mandates of Ministry of Agriculture and the mandate of the Ministry of Industry and Trade to ensure policy consistency on agriculture transformation and export promotion. These key ministries seem to work in isolation, and in contradiction;
- 2.11 The role of Government should be spelt out clearly especially on export promotion. Guarantees should be provided to agricultural firms that are export oriented for soft financing and on good terms. There is need to remove all controls or bans on export of some commodities, especially on crops that we can produce and export competitively, and also promote exports through structured markets;
- 2.12 The Government must strengthen capacity of National Statistical Office, and Ministry of Agriculture to ensure that the two institutions can provide reliable and up to date market information, especially on crop estimates. In a related development the Ministry of Industry and Trade, through Malawi Investment and Trade Centre

- (MITC) must provide timely and relevant information on market prospects to ensure that farmers have up to date and accurate information about markets;
- 2.13 Improve women's ownership, access, and control of land. Government should ensure a robust gender- responsive land policy; legal and regulatory framework is in place, to fast track finalization of the Land laws, to ensure women's land tenure rights and security. In this regard, women cooperatives should be encouraged, with focus on block land allocation to such groups and dedicated financing options that target strategic export crop;
- 2.14 Encourage and promote farmers to work in groups/blocks, cooperatives, especially women. For groups that are organized, provide advice and resources in the following areas (a) guide on which crops have ready markets, (b) link them to markets and market information e.g. ADMARC or Commodity exchanges in order to eliminate middle men, (c) provide extension services, (d) upgrade them from subsistence farming to commercial farming by providing them with mechanized equipment as opposed to the hoe. For export production, provide the groups with financial subsidies through guaranteed bank facilities.
- 2.16 We recommend programs that will change mindset of citizens from small scale subsistent farming to medium and large scale farming. FISP funds should be diverted from subsistent farming towards subsidizing organized medium scale farming. There should be a deliberate intervention by Government to change the thinking that agriculture is a social or political service. It is a business;
- 2.17 Enforce and speed up implementation of the national ID system. This is critical for identification of bona fide Malawians when it comes to subsidies, and also for financial inclusion;
- 2.18 Abolish the system of allowances in the public sector. Replace it with revised better market determined salaries. All trips should be fully funded and payment made direct to suppliers. This is an area of massive waste;
- 2.19 We recommend that within a period of 3 years, Government should work to exit FISP implementation in its current form. Reallocate the funds to targeted commercial production. The current system has failed the country due to some inherent inefficiencies.

- 2.20 We recommend immediate audit of the Other Recurrent Transactions (ORT) aiming at reducing the ORT bill by 40%. Areas of waste must be eliminated. The areas of waste include travel (both local and international), accommodation costs, travel allowances, fuel allowances, fleet management, procurement (usually prices are inflated over 3 times), and wages (including ghost workers);
- 2.21 Parastatals should be self-sustaining and maintain only parastatals that have capacity to generate income to finance their own operations without Government subventions. Non performing parastatals must be held accountable. Fold up non performing ones or privatize to bring the needed efficiency.
- 2.22 We recommend removal of subsidies on consumption. In place promote subsidies on production. For example, eliminate subsidies on university education, health and consumption agriculture where Government pays for citizen who are otherwise capable;
- 2.23 Review public works programs in their current form. Proposal is that the program be targeted at growing of commercial crop and not just social services that do not have tangible economic benefit i.e. we recommend productive public works programs;
- 2.24 In the budgeting, change ratio of development to recurrent expenditure from the current 30:70 ratio to 60:40 ratio. This is to promote development as opposed to normal expenditure;
- 2.27 Manage the Parliamentary sittings period. They are mostly too long and costly. There is just too much idle time during the sittings. There is business as usual approach in that arm of government;
- 2.28 RBM to pursue and implement other monetary policy options of managing inflation and not just by use of interest rate management i.e. high bank rate. In addition, the RBM should work with the commercial banks to minimize the huge margin between lending and savings rates. Lending rates should not be too wide from the Policy rate. It makes the policy rate appear redundant.

Signed



Edward Chilima
Executive Director



Henry Kachaje
President