



The 2017 ANNUAL ECONOMICS ASSOCIATION OF MALAWI (ECAMA) CONFERENCE

COMMUNIQUE

**NKOPOLA LODGE, MANGOCHI, MALAWI
9TH-10TH NOVEMBER, 2017**

Theme: Rethinking the Pillars and Structures for Malawi's Transformative and Inclusive Economic Development

1. Introduction

The 2017 Economics Association of Malawi Annual Conference was held on 9th and 10th November 2017 at Sunbird Nkopola Lodge in Mangochi. The conference was officially opened by the Deputy Governor, Economics and Regulations, Reserve Bank of Malawi, Dr. Grant P. Kabango. In attendance were officials from the World Bank, IMF Resident Representative, officials from the Reserve Bank of Malawi, officials from Malawi Confederation of Chambers of Commerce and Industry (MCCCI), government officials from Ministry of Finance, Economic Planning and Development and other ministries, captains of the private sector, academicians, civil society leaders, international delegates, economists from various sectors of the economy and the media.

ECAMA is grateful to the following institutions that financed the conference: Standard Bank, Toyota Malawi, Malawi Confederation of Chambers of Commerce and Industry (MCCCI) and Whistle Blower Limited.

The deliberations of the conference on this year's theme were largely informed by the following key presentations:

- a. The Role of Geography & Institutions in Transformation
- b. Reflections and Thoughts on Development Planning in Malawi
- c. Switching Gears: How to Turn Malawi's Economic Fortunes at this Juncture
- d. Malawi Investment Climate Assessment: A Review of Challenges Faced by the Private Sector in Malawi
- e. Private Sector: Still Malawi's Engine for Economic Growth?
- f. Malawi Growth and Development Strategy III: Key Highlights
- g. Investment-Led Economic Growth: Produce Our Way to Prosperity

2. Resolutions of the conference

Following deliberations of the conference, it was clear that there are a number of bottlenecks hindering the country from attaining transformative and inclusive economic development. Against this background, the conference made the following resolutions:

2.1 The **Agricultural sector** needs transformation to fully contribute to the country's economic development. Currently, agriculture accounts for about 30.0 percent of GDP, employs around 64.0 percent of the labourforce and contributes about 75.0 percent of the country's total exports. It was noted that Malawi is heavily reliant on rain-fed agriculture, tobacco as the main cash crop and peasant farming. Hence agricultural output is low, volatile and suffers from various shocks such as adverse weather and price volatility. The maize shortages were bemoaned as no country can progress unless it can feed itself. The conference called for the need to re-engineer Agriculture in the country. **Firstly, it was stressed that there is a need to move away from peasant agriculture to small, medium and large scale mechanised farming. Secondly, the sector needs to make irrigation development a priority to overcome challenges of low productivity and climate change effects. Thirdly, it is high time that Malawi stops its over-reliance on tobacco as a key cash crop.** There is need to borrow lessons from tobacco on how it was institutionalised and identify other key crops that can complement it and in the long-run replace tobacco as main cash crop.

Further the conference stressed the need to deal with the tradition of equating agriculture to maize/food production. Maize being the country's staple food has been at the center of political economy such that its availability is crucial for scoring political points. **Members also stressed that it is high time as a country that we review the efficacy of Farm Input Subsidy Program (FISP), otherwise the resources may need to be channeled to other more productive areas. Finally, it is important for the sector to develop the entire value chain from production, value addition/agro-processing and marketing to ensure that farmers get a good return on their produce.** The conference noted the need to holistically review the agricultural sector policies and some of the key stakeholders include: Ministry of Agriculture, Ministry of Land, Ministry of Industry, Trade and Tourism, Ministry of Justice, Civil Society Organisations (CSOs), Donor Community, Ministry of Finance and the Academia;

2.2 Malawi lacks strong and visionary **leadership** that can stir sustainable economic development. Poor leadership in the country is manifested when change in government regime is usually followed by a change in focus on development/economic planning goals. This tendency negatively affects long-term development planning as new development strategies are drawn before full implementation of previous ones. What should be national agendas are implemented as political agendas and attributed to a specific group of people thereby removing the sense of ownership from the general public. Going forward, Malawi can develop **firstly, if leaders are visionary and focus on long-term development plans with well-defined and identifiable rolling investment plans. And secondly, the citizens need to organise themselves and take collective action to hold their leaders accountable to implement long-term development policies.**

2.3 **Education** allows people to attain necessary skills that in turn raise productivity for the economy, enhance economic and social progress as well as improve income distribution. Despite the key role that education plays in economic growth, education levels, access to education and quality of education

in Malawi remain low. Learners are still learning under trees due to acute shortages of school infrastructure and in some areas schools are not accessible during certain periods such as the rainy season. Even though primary education has been free since 1994, only 65.6 percent of the adult population (aged 15 years and above) in Malawi are able to read and write. For adult men, the literacy rate is 73.0 percent and for women it is 59.0 percent. **In order to achieve inclusive economic growth, it was stressed that attainment of universal education at least up-to secondary school level will go a long way not only in improving literacy levels but also enhancing economic productivity.** It is therefore recommended that authorities review the existing education policy and come up with holistic education policy that will promote education at all levels i.e. primary, secondary, and tertiary levels. Investment in education infrastructure is also required. Key stakeholders for education sector for policy review are: Ministry of Education, Science and Technology, Ministry of Finance, Economic Planning and Development, Ministry of Justice and Constitutional Affairs, CSOs and Donor Community;

2.4 The conference noted the need to address **health sector** challenges in order to achieve transformative and inclusive growth for Malawi. The country is still struggling to reduce communicable and infectious diseases, mortality rate remains a problem as 58 per every 1,000 children under 5 years are dying, children under 5 years are being stunted as child malnutrition is over 45.0 percent for the age group and life expectancy is lower at 53 years against the global average of 71 years. This development is partly a reflection of drug and medical staff shortages as well as health infrastructure inadequacies in the country. **The conference recommended that government i.e. Ministry of Health, Ministry of Finance, Economic Planning and Development, CSOs in consultation with development partners need to come up with holistic policy approach to address the existing health infrastructure shortages, medical staff/manpower mismatches, drug shortages and mainstreaming nutrition to deal with nutrition challenges. In addition, members resolved that there is a need to establish a Cancer Centre and a State of the Art referral hospital to save large foreign exchange outlays incurred on foreign referrals;**

2.5 Institutions - institutions are the rules of the game- and how these rules are being followed through will determine policy implementation and their outcomes. Members bemoaned poor quality of institutions (poor governance) in the country as characterized by lack of national ethos or patriotism, poor work ethics, poor public resource management, recruitment that is not entirely based on the principles of meritocracy and increased corruption. More precisely, it was noted that judicial system is acutely weak, executive arm of government is more powerful compared to other arms of the government and economic institutions are weak to drive economic growth. **Members stressed that for Malawi to develop, there is a need for collective efforts to revive the judicial system, allow key economic institutions such RBM, MRA and Ministry of Finance to be more autonomous, and executive arm of government needs to break the political dominance that stifles efficient operation and autonomy of other arms of government (Judiciary and Legislature). Citizens** need re-orientation in order to have trust in the country's institutions. Meanwhile, **politicians** need to break from their past and current patterns of patronage politics in order to support more inclusive and sustainable growth. And finally, **donors** need to provide their assistance in ways that would help to strengthen institutions in the country. Key stakeholders crucial for strengthening institutions include: Ministry of Justice and Constitutional Affairs, Legislature, Office of the President and Cabinet, Ministry of Local Government and Local development, CSOs and Donor Community.

2.6 Civil service remains the biggest employer and very crucial for economic development. The conference noted that for Malawi to develop it needs to have vibrant and meritocratic civil service. However, the civil service fails to uphold meritocratic principles in promoting civil servants to senior positions of influence. Consequently, the country fails to benefit from nation-wide intellect and talent. **The conference stressed the need to revive civil service and move away from rewards system of political patronage as well as clan based recruitment as it retards productivity and development of the nation to performance based recruitment.**

2.7 **Private sector** was also identified as a key pillar that Malawi needs to harness to achieve sustainable and inclusive growth. It was noted that Malawi's private sector is shrinking and has of late been negatively affected by: high cost of finance, electricity power outages, corruption, non-effective tax rates, high inflation rates, and poor infrastructure services. **In order to revitalize the private sector, the conference stressed on the need to "listen to what the private sector say" and address the bottlenecks that impinge the sector.** It remains imperative for government authorities i.e. Ministry of Finance, Economic Planning and Development, Ministry of Industry, Trade and Tourism together with the Donor Community to come up with deliberate policies that are going to boost the sector. **As a suggestion the conference resolved to advise government to take advantage of the many existing professional bodies such as ECAMA, Marketers Association, Association of Engineers, Institute of Chartered Accountants in Malawi (ICAM) and other professional bodies to harness ideas specific to sectors.** This in turn also would aid in building a spirit of national service.

2.8 **Energy-** persistent electricity power outages are affecting productivity in the country. Members noted that for Malawi to achieve sustainable economic growth there is a need to have a vibrant energy sector. The installed capacity of electricity generation is at 351.0 megawatts and currently has declined to less than half of total installed capacity, of which 70 megawatts is dedicated to essential services such as referral hospitals and water boards and the remainder is meant for industrial production and domestic use. Arguably, the current level of electricity generation is not adequate to support meaningful private sector growth. **It is therefore imperative for government to put in place long-term policies and strategies that will address the prevailing power supply challenges and even plan for the future energy demand.** The government does not necessarily have to invest heavily in the sector because the private sector can ably invest in it. The Government i.e. Ministry of Natural Resources, Energy and Mining, Ministry of Justice and Constitutional Affairs, Ministry of Finance, Economic Planning and Development, Ministry of Industry, Trade and Tourism, Malawi Energy Regulatory Authority (MERA), CSOs, Private Sector and Donor Community such as Millennium

Challenge Account (MCA) need to work together to create an enabling environment for private sector to invest in the energy sector;

2.9 Cost of finance in Malawi remains too high and prohibitive for borrowers. Base lending rate has declined to 27.6 percent as of November 2017 from 36.3 percent in the same month last year, however at this level lending rates remain high. Malawi Investment Assessment Climate survey (2015) by World Bank revealed that most respondents indicated that cost of finance is the main factor affecting private sector investment. **The conference recommended that government i.e. Ministry of Finance, Economic Planning and Development and the Reserve Bank of Malawi should continue with some of the recent reforms – credit reference bureaus (CRBs), collateral, and warehouse receipts systems, improved payment infrastructure and innovations in electronic payments. Secondly, there is a need to develop financial market such that it should be able to offer long term financial products that can finance long term development projects. In addition to Export Development Fund (EDF), RBM should consider coming up with other development funds (such as agriculture development fund, mortgage development fund, and among others) aimed at addressing financing needs in specific sectors.** RBM needs to expedite the establishment of the Development Bank as this is expected to address some long-term financing gaps. Members noted that sustained macroeconomic stability as characterized by low inflation, interest rates and stable exchange rate will remain important in addressing cost of financing;

2.10 Corruption in Malawi remains a significant impediment for transformative and inclusive growth. Corruption has far reaching impact on public and private sector growth. With high levels of corruption largely manifested by rampant abuse of public resources it is difficult for a country to raise enough revenue/tax to finance health, education, legal institutions and police; in the end it is difficult to achieve long term development goals. In terms of private sector, corruption is seen as a key bottle neck to doing business in Malawi, for instance the private sector is still struggling with getting permits for construction, electricity connection, obtaining import licenses and acquiring land for new investment. **Firstly, it was noted that government institutions need to implement the**

reforms that are being drafted to ensure transparency and accountability of public funds. Secondly, it was recommended that in order to ensure highly sound public financial management system and processes there is a need to improve the IFMIS infrastructure, and the reductions of cash transactions in favor of e-payments for government services. Finally, it also suggested to improve the provision of services that facilitate business automation of government systems such as licensing and business permit systems will go a long way in reducing corruption and improve ease of doing business;

2.11 Members also noted that the **tourism sector** represents another avenue that could spur growth for Malawi. However, the conference noted that the sector remains largely underdeveloped and that it is not very feasible to sell Malawi as a tourist destination in its current state. **The conference recommended that Government i.e. Ministry of Industry, Trade and Tourism, Ministry of Finance, Economic Planning and Development and the Private Sector to come up with deliberate policies to promote the tourism sector in Malawi;**

2.12 Members noted that **transport infrastructure** acuity continues to negatively impact the country's economic growth to an extent that it has negative effects on the general public access to social services such as schools, health facilities; negatively affects ease of doing business by private sector and also generally impedes private sector development due to high transportation costs. Members noted that government put in place very good development plans, however prioritization given limited resources and implementation remain key challenges in achieving long-term development for the country. The conference noted with concern that government did not consult all key stakeholders before having the MGDS III finally approved, as such there were sentiments that the document lacks prioritization of key areas and is not very different from its predecessor development strategy, MGDS II. **The conference recommended that government should prioritise transport infrastructure development as outlined in the Malawi Growth and Development Strategy (MGDS) III.** Further it is recommended to government to consider revamping rail transportation as it remains the most viable option for the country in as far as reduction of transportation costs for both public and private sectors is concerned;

2.13 The conference noted that about 82.0 percent of the population is 40 years of age and below, meaning that the **youth** represents a hidden potential that can support the country's growth. Despite Malawi's lack of mineral resource endowment, the country can use its youthful labourforce as impetus for growth. **One way to do that is for government to implement policies that empower the youths such as introduction of community colleges would empower the youths through skills development. Secondly, Malawi can benefit from its growing and youthful population through export of skilled labour to developed economies and in turn receive remittances which would help to reduce foreign exchange financing gaps;**

2.14 The conference noted that Malawi needs to cultivate **culture and religion** that will support growth. Members bemoaned the culture of clan based thinking which perpetrates tribalism and nepotism as such the country fails to benefit from the national wide best talents required for development. The conference also noted that Malawians waste more time than necessary on attending some cultural and social gatherings such as funeral and weddings instead of engaging in productive activities. In addition, it was noted that as God fearing nation as enshrined in the Vision 2020, Malawi's religion is to some extent acting as a hindrance to growth as some religious beliefs in the country do not demand hard work. **It was therefore stressed that it is high time that Malawi embraces the cultural and religious beliefs that will promote hard work and recognize best talent to support economic growth.**

Signed

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Chikumbutso Kalilombe
President

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Maleka Thula
Executive Director