



THE 2013 ANNUAL ECONOMIC CONFERENCE

COMMUNIQUE

NKOPOLA LODGE, MANGOCHI, MALAWI
6TH SEPTEMBER, 2013

A. PREAMBLE

1. The 2013 Annual Economic Conference of the **Economics Association of Malawi (ECAMA)** was held at Nkopola Lodge in Mangochi, Malawi from 5th to 6th September, 2013 under the theme: **"Achieving Efficiency in the Economy: the Role of the Public Sector" – on the backdrop of strengthening and accelerating Malawi's development agenda.**
2. The Conference was officially opened by **Her Excellency, Dr. Joyce Banda, President of the Republic of Malawi** on 5th September, 2013.
3. In **attendance** were Cabinet Ministers, Principal Secretaries, Directors, Senior Government Officials, Heads of diplomatic missions, Members of Parliament, captains of the private sector, academicians, civil society leaders, religious leaders, international delegates, economists from various sectors of the economy and the media.

B. OBJECTIVES

4. The **objectives** of the conference were:
 - i. To build on discussions from the 2012 ECAMA Conference with regard to promoting efficiency in the economy through a productive public sector;
 - ii. To analyze how the public sector reforms can be more efficient and effective in promoting strong and sustainable economic growth.

- iii. To understand the historical perspective of the public sector reform functionality;
 - iv. To draw on best practices from Rwanda's public sector reforms; and
 - v. To provide advice to Government on immediate and required interventions for a more efficient, responsive and transformative public sector in policy implementation and its operations – more specifically the civil service.
5. In discussing the theme of the Conference, the following **common references** guided the discussions:
- (i) Appraising generation of reforms (1964 to 1979 – nationalization; 1980 to 1993 – structural adjustment programs; 1994 to 2000 – democratization and liberalization; 2005 to 2012 – development/growth policies and economic reforms);
 - (ii) Balancing politics and public service practice, and ensuring a productive interface between a professional public service and political appointees for continuity in public service delivery beyond a Government's term of office;
 - (iii) Analyzing the costs of not reforming the public sector and how the public sector can be more productive, responsive and accountable to support Malawi's development agenda for sustainable economic growth;
 - (iv) Exploring means and ways of attaining accelerated, productive and efficient public service delivery.

C. SUMMARY OF DELIBERATIONS

6. OBSERVATIONS

The Conference **assessed the status of Public Sector Reforms** in Malawi, with the aim of identifying means to have a more efficient, responsive, transparent and accountable public service to support the country's current economic recovery and growth momentum. It, therefore, provided an opportunity for **sharing critical lessons and identifying best practices** to make the public sector more efficient in Malawi.

The Conference **noted** that:

- 6.1 In the case of Rwanda, a success story in public sector reforms, key pillars have been a **strong leadership** pursuing a long-term shared vision; **inclusive governance** with a strong emphasis on gender and power sharing; **home grown solutions** using both

conventional and non-conventional systems; and a **resilient people** – people who not only want to see and feel real change but also to become self reliant. These have been supported by **effective control of corruption** through asset declaration by all senior government officials, from the President to all senior public servants; **improving doing business** through public sector reforms that create conducive investment climate; **aid effectiveness** through ownership of development agenda by Government; pursuing **home grown solutions** through enhancing a culture of competition, innovation, responsibility and ownership; and **accountable governance** using a Governance Score Card along eight indicators: rule of law; political rights and civil liberties, control of corruption and accountability, security and safety, participation and inclusiveness, quality of services, economic and corporate governance, and investing in people. The Rwanda Governance Board undertakes periodic reviews of all public agencies and ranks them based on their score for public scrutiny.

- 6.2 Generally, in the case of Malawi, it is clear that **politics matters, and 'good politics' matters most**: there is a degree of disconnect between the agenda of the Government of the day and the agenda of the public sector, especially the civil service, with regard to the **pace and sense of urgency** in policy implementation, the latter being overly bureaucratic, which breeds corrupt tendencies. This has necessitated the political leadership to create parallel structures (duplication) to cut the red tape in search of quick results and impacts.
- 6.3 Over the years, a number of reforms have taken place: the disconnect and lack of commitment to a shared reform agenda hinges on “**what motivates reforms**”, “**what sustains momentum for reforms**” and little appreciation of “**economic costs and benefits of reforms**”.
- 6.4 For instance, the cost of a non-reforming agriculture sector is the continued reliance on rain-fed farming and its **resultant persistent hunger which causes wide spread malnutrition**; the cost of a non-reforming education sector is the continued production of skills that don't match industry and economy needs, with **more unemployable job seekers than job creators (entrepreneurs)**; and the cost of non-reforming energy sector is continued **blackouts and running businesses on generators**, leading to low industrial productivity and economic growth, among others.

- 6.5 Key to moving Malawi development agenda forward is having a vision that promotes a **shared agenda** and a **shared responsibility/ownership/commitment** at all political-socio levels including the civil service and parastatals.
- 6.6 Public Institutions have been established and most have the right structures in place. **The gap is not so much in lack of policies and laws or institutions, as in lack of effective institutions for sustained policy implementation** (Also noted at ECAMA 2012 Conference).
- 6.7 The **public sector is not accountable to its citizenry for successes and failures** of policy implementation or non-implementation for that matter, and likewise, there is **inadequate critical mass of inquisitive citizenry** that can demand public accountability. The lack of awareness on public sector policy reforms undermines full support from citizens in the country's development agenda (Also noted at ECAMA 2012).
- 6.8 **A more efficient and responsive public sector enhances private sector operations**; a business enabling environment is created, predictability enhanced, bottlenecks and costs of doing business are minimized, and a robust formal sector is established to the benefit of Government for its own revenue generation.
- 6.9 The Conference acknowledged that achieving efficiency in the economy through a productive public sector requires addressing a number of difficult challenges albeit necessary; from **tackling behavioral change, attitude, and organizational culture throughout the public sector**, to promoting a shared agenda, effective political and civil service leadership, and public sector governance.

7. **WHAT ARE THE CHALLENGES FACING THE PUBLIC SECTOR?**

The Conference noted the following as **deterrents to efficient public sector performance in Malawi**:

- 7.1 **Tribalism and regionalism within the civil service is a real problem** that is not talked about but must be dealt with and eliminated. The public sector should not be managed on neo-patrimonialism lines but rather on merit (Also noted at ECAMA 2012 conference). Essentially it **translates to a struggle for public resources** along tribal and regional groupings.
- 7.2 There seems to be a few benefitting from the current status of a poor performing public sector through corruption and rent

seeking thus **those in positions currently are 'comfortable' and 'not questioned'**. This reinforces resistance to effectively implement public sector reforms.

- 7.3 There is high levels of corruption: On the 2012 **Corruption Index** compiled by Transparency International (Malawi ranked 88 out of 174 economies), Malawi's most corrupt Institutions are noted to be, first, **the Police**, and **second, Civil Servants**. This is alarming and erodes citizens, development partners and business confidence. Part of this high corruption is explained by the ineffectiveness of the Asset Declaration Act as well as inefficiency of the public sector bureaucracy. **ECAMA noted that Her Excellency, Dr. Joyce Banda, has directed that the Asset Declaration Act be reviewed with immediate effect**, to not only include all senior officers in the public sector but also how the officers can account for asset accumulation to the general public during and after their term of office.
- 7.4 Human resources management in the civil service is weak: There is neither **the right numbers, right mindset** nor **the right incentives for high performance**. Performance based assessments although introduced for key personnel in ministries, departments and agencies need to be sensitized, owned and its value appreciated by all. Successes rather than failures should be rewarded; failures rather than successes should be sanctioned.

D. GOING FORWARD

8. RECOMMENDATIONS

Malawi will celebrate its 50th independence anniversary in 2014. This is a historical moment and an opportunity for dialogue and reflection on the achievements and challenges in the past 50 years and the way forward to accelerate development. Public service is the basic means through which government achieves its development goals. On the basis of challenges and the need for improved public service delivery, the ECAMA 2013 Conference made the following **recommendations**:

- 8.1 The Public sector in Malawi should be guided by **a home grown shared national agenda that transcends political boundaries, ensures efficiency and commitment to deliver quality services to all stakeholders**. The Ministry of Economic Planning and Development must **be empowered** to ensure that Malawi has a shared long-term national agenda that is insulated from political changes and manipulation. This could be achieved by **legislating** the national development agenda. This is

expected to create a conducive environment for effective public sector reforms that will bring the much needed efficiency in the economy.

- 8.2 Going forward, public sector reforms must include deliberate interventions that foster a culture of **high productivity, efficiency, accountability, self reliance and respect of rule of law**. ECAMA noted that government has introduced Organisation Performance Agreements (OPAs) to enhance efficiency in the public sector. Further to that, the Office of the President and Cabinet (OPC) should ensure that OPAs have clear **standards and targets that have resources allocated against them, rewards and sanctions** that are publicized and known by all citizens to ensure accountability.
- 8.3 There is need for Government through the Public Sector Reform Unit to **sanction an independent cost-benefit analysis and impact evaluation** of all reforms being implemented (preferably before implementation starts) so as to appreciate both intended and unintended impacts before scaling up: For example, as part of public sector reform, the transport sector was liberalized - the benefits of liberalization of this sector have been (i) increased accessibility to markets and (ii) competitiveness in pricing. However, this has led to a rapid increase in the number of vehicles being imported into the country amidst a bad road network. And consequently, an increase in the number of accidents, a high cost of vehicle maintenance and high production costs of goods and services.
- 8.4 The Ministry of Information should endeavor to develop a **communication/awareness strategy** to inform the citizenry on a shared national agenda and the associated public sector reforms (Also made at ECAMA 2012 Conference). All Controlling Officers for Ministries, Chief Executive Officers of parastatal organisations and Heads of government agencies **should account for their reforms, including what is working and what is not working and why** through an open forum to allow questions from and evaluation by the citizens. Ideally, there is need to engage in constant dialogue regarding Malawi's developmental agenda.
- 8.5 The Office of the President and Cabinet (OPC) has to assert its mandate on public sector reforms for **a more efficient public service**. This will require an overhaul; not just filling in gaps but also removing excess; implementing a meritorious appointment and promotion system; ensuring sectoral reforms are responsive and efficient. Case in point include the need to balance the

number of Principal Secretaries with the number of Ministries; Streamlining the number of parastatal organisations; Rationalizing the size of public fleet; Harmonizing sectoral reforms, among others.

- 8.6 There is need to institute reforms in the Ministry of Education to ensure a **link between labor market demand and educational priorities/competencies** -- graduates should have a reasonable chance to find a job, at the same time, graduates should be job creators, not just job seekers. This calls for an urgent reform of the vocational and entrepreneurship training system **to increase enrollment** for those who do not make it into universities **through increased vocational facilities and trainers**. A strong vocational and entrepreneur class is key to job creation and growth of a vibrant middle income group.
- 8.7 There is need to sustain implementation of reforms and initiatives in the Ministry of Agriculture (like the Green Belt Initiative) to ensure that the abundant **water resource Malawi is endowed with is harnessed into an economic good** through **serious investment in irrigation** for national food self sufficiency and exports. This will ensure that the agriculture sector is not dependent on rain-fed farming, can graduate from subsistence to commercial which can attract the youth and help check on undesirable rural-urban migration.
- 8.8 There is need for the National Assembly to **build capacity and strengthen the Parliamentary Standing Orders to give more powers to the Parliamentary Committees** for monitoring implementation of public sector reforms and to provide necessary oversight on performance. The recommendations of Parliamentary Committees should be made public so that the citizens can make informed decisions when demanding accountability and redress.
- 8.9 There is need for the Ministry of Finance, Ministry of Economic Planning and Development, Auditor General and the Reserve Bank of Malawi to strengthen coordination and interface between monetary and fiscal policy reforms. Notably, **the need for monthly substantive review of the performance of the economy in both monetary and fiscal policy is called for, whose outcomes are shared to the public**. The functional economic management meeting should look at the interface between Monetary policy implementation, Fiscal policy implementation, Revenue collection, Expenditure Statements –

as well as fidelity of the Integrated Financial Management Information System (IFMIS).

- 8.10 ECAMA, in collaboration with the Public Sector Reforms Unit and Development Partners, should take the challenge of doing a **cost benefit analysis (and lack of) reforms in the public sector** and slow service delivery in Malawi. In addition, ECAMA could also undertake an analysis of **the cost of corruption in Malawi** and how it affects efficiency in the economy.

**Made by Participants to the 2013 ECAMA Economic Conference
Nkopola Lodge in Mangochi
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