

Identifying Opportunities For Dynamic Inclusive Growth For Malawi

Andrew Kumbatira

ECONOMICS ASSOCIATION OF MALAWI

SUN 'N' SAND HOLIDAY RESORT, MANGOCHI

NOVEMBER 19, 2020

Outline

- ❑ Introduction
- ❑ Pillars and structures for Malawi's inclusive Devpt
- ❑ Conclusion

Introduction

- This presentation is inspired by resolutions of the ECAMA Annual Conference of 2017.

“Rethinking the Pillars and Structures for Malawi’s Transformative and Inclusive Economic Development.”

- The conference identified **key** pillars for Malawi’s inclusive devpt.
 - ✓ Agricultural transformation (**National Transformation 2063 pillar**)
 - ✓ Education and skills development (**MGDS III KPA**)
 - ✓ Energy and industrial devpt (**MGDS III KPA**)
 - ✓ ICT and infrastructure devpt (**MGDS III KPA**)
 - ✓ Private sector driven-devpt (**National transformation enabler**)

Agricultural transformation

- ❑ Agriculture account for over 25% of Malawi's GDP (**GoM, 2019 Annual Economic Report**), employs about 64.0% workforce (**2018 PHC report**), and constitutes close to 80% of the country's total exports (**GoM, 2019 Annual Economic Report**).
- ❑ **Challenges:** heavy reliance on rain-fed agriculture, peasant farming, over reliance on tobacco as main cash crop, limited and weak structured markets (except for tobacco), over-emphasis on survival-oriented crops, under-emphasis on cash crops, limited attention to livelihoods and fisheries.
- ❑ **Opportunities**
 - ✓ Mechanization of agriculture
 - ✓ Identification of complements of tobacco as main cash crop (including horticultural and flowers)
 - ✓ Irrigation development (out of 408,000 ha, land potential for irrigation, only about 1200 ha are developed)
 - ✓ Agro-processing
 - ✓ Review agricultural sector policies and some of the key stakeholders
 - ✓ Strong domestic and external demand for livestock and fisheries products

Energy & Industrial Development

- ❑ Malawi's electricity access is estimated at 11%, installed capacity at 365MW, demand at 440MW (**World Bank, 2019**).
- ❑ Power supply is vulnerable to hydrological variability, weak financial position of the utility.. (**World Bank, 2019**)
- ❑ A correlation exists between energy and economic development.
see Abosedra S, Shahbaz M, & Sbia R, 2015.
- ❑ **Opportunities**
 - ✓ Need to improve security and reliability of energy supply systems.
 - ✓ Create an enabling environment for the private sector to invest in the energy sector (projects like Kammwamba coal powered plant (300MW)
 - ✓ Govt must put in place long term policies that will address power supply challenges and plan for future energy demand.
 - ✓ Independent Power Producers (IPP) is key.
 - ✓ New energy technology on the markets (e.g. waste energy, solar energy)

Education and Skills Development

- ❑ Literacy levels remain low in Malawi (adult literacy rate stands at 65.6%, adult men (73%), adult women (59%), poor education infrastructure (learners still learning under trees).
- ❑ 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.
- ❑ **Opportunities**
 - ✓ Attainment of universal education at least up-to secondary school level is key in improving literacy levels but also enhancing economic productivity.
 - ✓ Govt must review existing educational policies and come up with a holistic policy that will promote education at all levels.
 - ✓ High interest of devpt partners to support education
 - ✓ Policy framework to benefit from diaspora (e.g. Malawi Diaspora Engagement Policy)

ICT and Infrastructure

- ❑ Malawi's transport system currently includes about 15,451,797 kilometers of roads, 810 kilometers of railway track, 4 major lake harbors and 5 commercial airports. As a landlocked country, Malawi depends on her road and rail systems and those of the neighboring states for the transportation of the bulk of her exports and imports to sea ports.
- ❑ **Challenges** - high transportation cost, unstable internet.
- ❑ **Opportunities**
 - ✓ Government should prioritize transport infrastructure development.
 - ✓ Revamping of rail transport.
 - ✓ Need to improve air transport.
 - ✓ Need to implement policies that empower the youth such as introduction of community colleges.
 - ✓ Need to provide appropriate training to the teachers on the use of ICT.
 - ✓ Predominantly youthful population with high drive to learn and use ICT.
 - ✓ Global economic pattern driven by technology

Private sector driven Econ. Devpt

- ❑ The private sector is key for the country to achieve sustainable and inclusive economic devpt.
- ❑ **Observation:** private sector in Malawi has been shrinking and is negatively affected by high cost of finance, frequent power outages, non-effective tax rates, high inflation rates etc.
- ❑ **Opportunities**
 - ✓ Govt must take advantage of existing professional bodies such as ECAMA, ICAM, BAM Association of Engineers etc. to harness ideas specific to sectors.
 - ✓ Govt commitment to have pvt sector-led economic growth.
 - ✓ Emerging sources of investment finance (MAIIC, AGCOM, NEEF)
 - ✓ Investment promotion reforms (e.g. OSSC at MITC, Annual Investment Forum)

Conclusion

- ✓ Economic growth ought to be dynamic and inclusive.
- ✓ Addressing bottlenecks in agriculture, education, energy, ICT and infrastructure devpt, is key to unlock Malawi's dynamic and inclusive growth.
- ✓ Private sector led devpt is a national transformation enabler but it requires govt commitment.
- ✓ Malawi need to leverage on its youthful population to drive growth.

THANK YOU!!!!!!