

DRAFT KEYNOTE SPEECH BY
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ECONOMIC ASSOCIATION OF MALAWI CONFERENCE IN MANGOCHI
19TH to 21ST NOVEMBER 2020

Salutation

I wish to thank ECAMA for giving me this opportunity to make a keynote address and share my perspectives and insights on COVID-19 socioeconomic shocks and Post-COVID-19 recovery in the medium to long term.

Before I begin, it would be remiss of me not to mention that this is the first time I will speak at the ECAMA conference. I therefore feel honored to share my perspectives with you.

What are expected impacts of COVID 19 globally and Africa?

Following the diagnosis of the first infections at the end of 2019, COVID-19 has continued to spread across the world. According to data from WHO, as of 18th November 2020, there are 56, 012,018 cases, with 39, 025,013 recoveries (69.8percent), and close to 1,345,032 fatalities (2.4 percent) across the world.

Compared with Sub-Saharan Africa, cumulative COVID-19 cases as of the same date stand at 1,404,421 with 1,218,847 recoveries (87 percent) and only 31,790 deaths (2.2 percent).

The situation in Malawi mirrors the Sub-Saharan scenario with cumulative cases at 5,971 and 5402 recoveries (90.4 percent) with 185 fatalities (3.2 percent).

The global pandemic is affecting a broad range of economic and trade activities, from services generally to tourism and hospitality, medical supplies, and financial markets to energy, transportation, food, and a range of social activities, to name a few.

The global economy has been in a recession for a better part of 2020 mostly due to direct and indirect effects of the crisis for example on supply and demand shocks, commodity slump, fall in tourism arrivals to mention a few. As we know, IMF forecasts minus 4.9 % growth for 2020. In Africa, the AfDB forecasts African economy to contract 3.4 % in 2020. Similarly, United Nations Economic Commission for Africa (UNECA) estimated that, in a worst-case scenario, Africa's economy could contract by up to 2.5% in 2020.

What are the key findings of the socioeconomic impact study?

Low knowledge on COVID-19

During the early months of COVID 19 in Malawi, UNDP conducted a quick socioeconomic impact assessment of COVID-19 in Malawi. Among the key findings was low knowledge on COVID-19. Malawians knew about the existence of the COVID-19 pandemic but lack comprehensive knowledge about signs and symptoms, transmission methods, and prevention methods. It is clear that the level of knowledge in Malawi was not adequate to control COVID-19 effectively. Having good knowledge of the disease, its symptoms, and prevention methods is very important and must be pursued vigilantly. This is especially important as we should expect the second wave to come to Malawi just like other countries that are going through them as we talk.

Economic contraction and loss of business income

The study also noted that the Malawi economy as in some sub Saharan countries was contracting.

The slowdown in economic activities was estimated to reduce GDP growth from the estimated 5.5 percent to minus 0.3 percent in 2020. The greatest output losses were in the wholesale and retail (MK29.60 billion) and manufacturing (MK28.92 billion) sectors. The lowest losses are expected in the agricultural sector (MK2.72 billion). The total estimated GDP loss was MK86 billion representing 6.5 percent of expected GDP.

The study also noted an increase in fiscal deficit due to increased need to spend, mainly on public health and social protection, while domestic revenue is expected to reduce by 19 percent, and thus leading to public debt concerns.

The study also reported a substantial loss of income due to business disruptions and job losses. About 58 percent had their income decreased, 39 percent had their income remain the same. Adding to that, it is by now a common knowledge that remittances are going down, and most probably FDIs as well. While we are doing our best to mobilize global support for socio economic recovery from COVID 19, prospects for ODA is not rosy either.

Challenges in social protection

Along with economic impacts, COVID 19 has revealed that the current system of social protection may not be flexible enough to quickly respond to risks and vulnerabilities faced by Malawians from time to time. The study noted at time that the system was slow in kicking in necessary support to the affected months into the pandemic.

While the direct causal relationship could not be established in the report, the increase of gender-based violence and child abuses cases also merit serious attention, as COVID 19 plays to the existing weakness and past development failures in all aspects of our society.

Lastly but not least, COVID 19 had further impact on the long-term human capital development of Malawi. National Planning Commission has estimated the social cost of closing schools for a nine-month period at around \$5.2 billion over the next 50 years.

What are key perspectives for the socioeconomic response to COVID 19 (5 pillars), what do they mean concretely in Malawi's context?

Against these backdrops, the socioeconomic response to COVID-19 in Malawi requires a systematic and dynamic approach to inform long term strategies for recovery and transformation.

To facilitate this discussion, the United Nations came up with the UN global framework for the socio-economic response that defines five pillars which could inform the recovery plan for the country namely: **P1-Health first; P2- Social protection and basic services; P3 - Economic response and recovery; P4- Macroeconomic Response and Multilateral Cooperation; and P5- Social Cohesion and Community Resilience.**

- How can we ensure that health system continue to function even during the pandemic?
- How can we ensure that the most vulnerable are protected and Malawians can continue to receive essential services, including health but also education?
- How can we protect enterprises and jobs, especially MSMEs? How can we preserve entrepreneurship and innovation for the future of Malawi's economy?
- When the outlook for remittances, ODA and FDIs are not bright, and when we are spending more than what we earn, how can we stabilize finance and economy, and create enough fiscal space to enable Malawi to make targeted and strategic investment to improve people's lives and create windows for future growth?

- How can we promote effective social dialogue and more cohesive society, and empower communities to take initiatives to protect, defend and improve their lives?
- And across all pillars, how can we set development trajectory on a new footing, through tapping into Malawi's talents, promoting innovation and entrepreneurship, digital economy, green-growth, as well as power of women and youth?

The merit of these pillars is that they enable us to explore the interlinkage among many elements and disciplines to come up with more integrated and dynamic response, and share our experience with the global community, as well as reaching out to them for help. Malawi's economists have critical role to play in advancing the discussion by Malawians, for Malawians, and of Malawians.

What chances does COVID 19 offer for Malawi? How can we turn the crisis into opportunities?

While we discuss "Recovery" from COVID 19, we always must have our future in mind and turn this crisis into a golden opportunity of transforming Malawi. Across the globe, the COVID 19 pandemic has rolled back progresses we have achieved over the years, with millions of people sliding back to poverty, and highlighted development failures which have been overlooked and/or underestimated over years. On the other hand, the pandemic is opening up whole new potentials to drive development.

- **Digital technology** is erasing the physical handicap of distance and exponentially widening the scope and space of innovation. Innovation is no longer an option but the must strategy for adaptation, survival, and economic growth. We must realize that while economies are shrinking, not all companies are failing. Amazon, Netflix, Sony, as well as some home delivery services, are some of the well-known examples of companies making record profits as they adapt to new

demands of people around the world through digital technologies. Digital technologies are also helping increase transparency and traceability. We all know that if we stop illicit financial flows out of Africa, the gain will be at least equal to or even more than all ODA Africa is getting. UNDP has supported National ID, the only successful initiative in Africa. It is helping stamping out ghost civil servants, ghost farmers, ghost pensioners. It is helping introducing more transparency in financial transactions and social transfer. It is helping financial investigation authority to fight illicit financial flows. In addition, I understand that overwhelming majority of Africa's pensions funds are not allowed to invest in Africa. Not only mobilizing more resources, how can we stop leaks, use resources more effectively, and hold each other accountable so that Africa's money works for Africa's development?

- **Innovation is not only about digital technology.** It is about a new mindset, how we think, how we explore and how we connect with each other. UNDP is supporting Malawi Innovation Challenge Fund, Growth Accelerator and other initiatives so that we support entrepreneurs and youth to turn their innovative business ideas into business and jobs. Most of ideas come from our daily lives, mushrooms, Yogurts, vegetables, wood furniture, as well as access to finance. Observing those initiatives and the energy of entrepreneurs and youth, I am convinced that Malawi has a lot to build on, but people are not aware of them, nor are they talking about them. Malawi needs a mindset change, looking at what it has, and thinking how they can work together better and more creatively to make full use of what we have, both visible and invisible.
- **Green Growth:** For example, one of those things Malawi “has” is beautiful natural landscape, relatively good weather, as well as the 4th largest freshwater lake. In addition to the decentralized energy access through e.g. solar and mini grids, it has a rich potential for tourism. UNDP supported MICF (Malawi Innovation Challenge Fund) recently launched a tourism window to reinvigorate and support

suffering local tourism industry, while encouraging new ways of doing business. We received the overwhelming response and the independent selection process is currently progressing. Not only building resiliencies for the impact of climate change, being “green” can create new economy and jobs while safeguarding our environment. In the long term also, against the backdrop of climate change, freshwater is as rare commodity as oil, and in the long run can become even more precious strategic commodity than oil. People may be able to live without/less oil very soon, but we cannot live without fresh water. How can we preserve our environment and tap into it as a source of economic growth as well as job and income generation?

- **Women and youth:** This is not new but COVID 19 highlighted the critical role women and youth play. In holding our society together. Further, I recall that UNDP undertook a study on women’s economic empowerment in Africa a few years ago. It suggested that Africa as a whole is losing 1.6% of GDP growth by NOT mainstreaming women in economy. Women’s empowerment is not only a matter of human rights, but also an economic necessity. If women are fully empowered, I am sure Africa would have withstood the COVID 19 shocks much better socially and economically. A few days ago, at the occasion of UN at 75 years, I attended a discussion session with students from 8 universities in Malawi, and was very encouraged to see them articulating issues and aspirations for their future Malawi. How can we engage youth in future discussion and ensure that they are better integrated in shaping the future of Malawi?

Looking through these perspectives, you will notice that Malawi has already lots of things to capture new opportunities. Traditional narrative focused on deficiencies, failures and why things cannot be done, must change. We now need a new narrative and new mindset for all Malawians, starting from what Malawi has, what Malawi has achieved, and how Malawi will transform itself, to share the common long-term goal emerging from inclusive and informed dialogue.

What is the role of economists and ECAMA in putting Malawi in a new development trajectory and establishing a new development narrative?

Against these backdrops, my expectation for ECAMA and its members are clear and does not need too elaborate explanations.

I would like to challenge ECAMA to go beyond resiliency, which is the capacity to withstand shocks and recover from them, but to turn this into a golden opportunity to build a new narrative for Malawi, and motivate Malawians toward shared goals with shared responsibilities for shared prosperity.

As I took the helm of UNDP last year, I adopted a new slogan of UNDP Malawi “Less Talk, More Walk, Less Preaching, More Solutions, Less Self-Serving, More Serving others”, to make it clear why UNDP is here. While this is the spirit of new UNDP, the responsibility of those who are in the leadership and influencer positions are truly critical in positioning Malawi on a new footing at this unprecedented time of global challenge and transformation. If they are not breaking new grounds, establishing new narratives, challenging themselves, and engaging with the reality of the real people, Malawi can stay in the “business as usual”, and as a result, could be further left behind. If they do the opposite, our times may be the chance in lifetime for Malawi to put itself on the new footing, and with the hard-work and sacrifice of all Malawians as a team, to put Malawi on the new trajectory for sustained and inclusive development.

We are very happy that we are already supporting NPC’s leadership in promoting collective reflections, with a view to coming up with the socio-economic recovery plan from COVID 19 in the near future. However, our reflections must not stop with “Recovery”. As the world is changing in fundamental manners, we are rapidly approaching a time where human beings are changing the world rapidly, not just adapting to it. The capacity of continuous reflection, fine tuning and adjustments is needed more than ever for us collectively to stay the course. Change is the only constant in our world, and we just have no other option but to embrace it.

Economists have an advantage, of looking things from Macro, Micro and many other lenses. Good economists can also translate their analysis into set of practical policies and recommendations. I am originally from Japan and one of the famous economists in Japan was Mr. Shimomura, who was the architect of the plan of the Japanese government in 1960's to double the national income, or in then Prime Minister Ikeda's words "double your salary", in 10 years. Indeed, Japan at the time overachieved that target. Economists with one foot in their sound analysis, forward looking perspectives, and policy advise, and another foot in reality and people's minds, can change a country.

Be it COVID 19 Recovery Plan, Investment policy, Industry policy, Trade Policy, Climate Change Insurance, Universal Minimum Income, ambitious and proactive contribution by economists are more than ever needed. Malawi must go beyond resiliencies, and to open the new horizon for post "COVID 19" reality.

Conclusion

In conclusion, let me reiterate that change and adaptation are not options. We need to build better and deliver better. We need all hands-on deck to overcome the negative impacts of COVID-19 in Malawi and more importantly, to place Malawi in the new COVID 19 world and stay ahead of the curve. I salute the work of ECAMA in this critical juncture, and I wish you good deliberation for today, tomorrow and beyond. Thank you