



THE 2021 ECAMA ANNUAL CONFERENCE

Communique

1. The 2021 ECAMA Annual Economic Conference was held from 11th to 12th November 2021, at Sunbird Nkopola Lodge in Mangochi under the theme: 'Industrialization and Trade Development for Sustainable Economic Growth and Job Creation'. The conference's theme was chosen in accordance with Malawi 2063's second pillar. Industrialization has shown to be an effective strategy for long-term economic growth and development.

2. Discussions at the Conference were done under four sub themes, namely; *Agriculture Commercialization and Value Addition, Industry Prioritization Analysis for Malawi, Building Resilient Industries amidst Covid-19 and Digitalization for Economic Growth and Job Creation.*

3. The opening ceremony of the Conference was graced by His Excellency Dr. Lazarus McCarthy Chakwera, The President of the Republic of Malawi, who was accompanied by The First Lady, Her Excellency Madame Monica Chakwera.

4. Also in attendance were: The Vice President, Right Honourable Dr. Saulos Klaus Chilima, who is also the Minister of Economic Planning and Development and Public Sector Reforms; The Principal Secretary in the Ministry of Economic Planning and Development, Professor Winford Masanjala; and The Governor of the Reserve Bank of Malawi, Dr. Wilson T. Banda, who is also the Chairperson of the Board of Trustees of ECAMA.

5. Participants were drawn from the ECAMA membership, the Government, the private sector, state owned enterprises, civil society organizations, the academia, local and international non-governmental organizations and development partners.

6. In His opening address His Excellency Dr. Lazarus McCarthy Chakwera acknowledged the challenges facing the economy which he indicated to have emanated from three decades of bad governance, cycles of natural disasters occasioned by the impact of climate change, months of political instability and the COVID-19 pandemic.

7. The President underscored the need for widespread citizen involvement in finding solutions towards governance maladministration, economic unproductivity, systemic corruption and global inequalities. He challenged the gathering and economists in the country to come up with practical solutions to the economic malaise that has inflicted the country.

8. In His keynote address to the Conference, the Vice President Right Honourable Dr. Saulos Klaus Chilima observed that there are policy issues that Malawi has to deal with and ensure that the financial sector plays its role in promoting industrial development. He pointed out that over the years, the interest spread has continued to widen.

9. The participants noted that commercial banks have been making supernormal profits from short-term government securities, while shying away from long-term investments in the real sector, including industrial development.

10. The Vice President further noted that whenever the monetary authorities adjust the policy rate, banks respond by lowering deposit rates more than the lending rate. The Vice President directed the monetary authorities to use either moral suasion or regulation to ensure that banks

reduce their lending rates to support industrialization. He said that if this fails, then legislation should be used to cap the interest spread.

11. The Conference acknowledged the importance of affordable credit to spur industrialization in the country. It was agreed that the issue of interest rates needed further analysis and discussion. The issue of interest capping also needed further discussion and studies so as to draw lessons from countries that have adopted it.

12. The Conference observed that previous attempts to analyze the pros and cons of interest capping were biased and only included countries where it had flopped. It was agreed that any new analysis should be balanced by also including countries where interest capping is working.

13. On the sub theme of agriculture commercialization and value addition participants discussed a number of issues ranging from external and internal policies and regulations which affects the production and trade in the country's crops, land management, markets and access to finance. In a nutshell, the following was noted:

i. International laws and regulations on the supply chain bordering on child labor, human rights and modern-day slavery affect the international trade for Malawi's agricultural exports. Therefore, Malawi should put in place regulations that mandate adoption of general due diligence to make sure that the value chains in the country comply with these requirements so that the markets are not lost. Contract farming is one way of ensuring a more traceable supply chain.

ii. Tobacco remains one of the key cash crops for the country with established value chain and market systems, as such diversification should not mean moving away from tobacco. There is need to clear negative perceptions surrounding the future of the crop. The tobacco sector should comply with the international laws and regulatory requirements as outlined in 13(i) and in addition satisfy environmental, social, and governance requirements. These compliance issues have been mistaken as anti-smoking campaign.

iii. Malawi is experiencing much higher levels of undocumented urbanization compared to other i. African countries, with most of the urbanization taking place in small rural cities. This presents an opportunity to transform rural livelihoods. The growth of urban centers creates demand for agricultural products from the surrounding rural areas and if harnessed, this could improve the lives of the people in rural areas.

iv. Commercial agriculture viability in the country is affected by high energy costs, high corporate taxes for commercial agriculture companies, land encroachment, illegal mining, limited value addition and deteriorating soil nutrition. The fertilizers which are applied are not made for the soil of each particular area.

v. The proposed amendment to the Land Act could have negative impact on commercial agriculture.

14. The Conference concurred that there was need to complement

tobacco as a foreign exchange earner by building value chains and establishing structured markets for the other crops.

15. The groundnuts value chain was identified as one of the areas with economic potential. To assist in its takeoff, the country should consider: setting a target to increase production to, say, 1 million metric tonnes in five years and implementing measures to achieve the target; establishing a semi-structured market for groundnuts; setting up a groundnuts council and negotiating tariffs with China and other export destinations; and ensuring the predictability of export regulations.

16. On industry prioritization analysis for Malawi the Conference reiterated the need to speed up the creation of Special Economic Zones based on geographical locations rather than following government administrative locations so as to minimize deadweight loss.

17. The Conference noted that the country's overdependence on subsistence agriculture and heavy import culture is hurting the economy, therefore emphasized the need to invest more resources in commercial farming and promote import substitution by imposing tax on imported goods that could be produced locally.

The tax regime should discourage importation of products which could be manufactured locally and promote imports of machinery and inputs to be used for local production. This would help in creating employment and safeguarding the country's meagre foreign exchange reserves.

18. The agriculture sector is still the mainstay of the economy and efforts to industrialize the economy should prioritise initiatives in this sector. The Conference considered the role of cooperatives in agriculture commercialization. The country should consider mobilizing small-scale farmers and entrepreneurs into cooperatives, where members could buy shares and use the money to invest in machinery for value addition of their own agricultural produce. Ownership of the means of production would ensure that the exploitation of farmers by traders is reduced.

19. Availability of affordable financing is necessary to drive the industrialization process. The National Economic Empowerment Fund (NEEF) was created to economically empower ordinary and under-served Malawians (particularly women, youth and persons with disability) through the provision

of quality, affordable and sustainable microfinance services for improved livelihoods. The objective of the Affordable Input Programme (AIP) is also to serve Malawians who cannot afford to purchase farm inputs at commercial prices. In both initiatives, there is the missing middle which is key in building a critical mass of entrepreneurs and capitalists who are necessary to achieve industrialization. There is need to create development financial institutions to build and catalyze the missing middle.

20. The Conference encouraged the Government to take a leading role in the industrialization drive and not leave it in the hands of the private sector alone. The Government was challenged to embark on building a strong entrepreneurship drive by creating young entrepreneurs. Government must be willing to finance ideas and not only businesses by supporting start-ups and MSMEs and creating an enabling environment for these to flourish.

21. Under the third subtheme of building resilient industries amidst COVID-19, many of the lessons were drawn from the financial sector. The Conference noted that the financial sector remained resilient in the face of one of the most severe shocks in modern history, the COVID-19 pandemic, which increased unemployment and operating costs and reduced economic activity. The financial sector was able to remain resilient during the pandemic due to several factors, including financial sector regulation and capital adequacy requirements. The Conference was given areas that can aid other sectors in achieving institutional resilience such as:

- i. Financial resilience - by having enough capital to act a buffer,
- ii. Organisational resilience - by having proper governance structures, and
- iii. Operational resilience - by having structures for business continuity.

22. Under the final subtheme of digitalization for economic growth and job creation, the Conference noted that there is a big digital divide and both Government and private sector have a role to play in ensuring affordable data.

23. The digitalization strategy framework has three components namely, digital core, digital services and digital solutions which Malawi needs to invest in. Participants held the view that Malawi should follow the African Union digitalization framework that looks at Infrastructure, Policy, Legal and Regulation, Skills or Capacity, Security, Strategy and Vision, Management and Innovation in order to improve the local digital landscape.

Lauryn Nyasulu
PRESIDENT

Frank Chikuta
EXECUTIVE DIRECTOR

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