



Standard Bank

STANDARD BANK PLC LEADERS FORUM

“RoadMap to Malawi’s Growth.”

Tuesday, 12th December 2023
Bingu International Conference Centre (BICC), Lilongwe

BACKGROUND

The Standard Bank Leaders Forum is a high-level platform that takes the format of a round-table discussion on economic development issues affecting Malawi. The forum, now in its second year, is designed to spark conversations on matters that shape national economic policy and the business environment. It aims to provide solutions to challenges affecting economic growth and national development. Inspired by Standard Bank’s brand purpose; “Malawi is Our Home, We Drive Her Growth”, the goal is to create a platform for mutual engagement with key stakeholders in government, private sector, development partner community, the public and the Bank’s customers.

INTRODUCTION

The second Standard Bank Leaders Forum took place on December 12, 2023, at the Bingu International Conference Centre (BICC) in Lilongwe under the theme; “**RoadMap to Malawi’s growth**”

The forum concluded with high-level commitments to restore the country’s macroeconomic stability and put fundamentals back on the track of recovery. It also resolved to follow through these commitments and use them as building blocks for dialogue in the next **100 days** when Malawi will be preparing her crucial 2024/25 National Budget.

The forum attracted over 30 high-level delegates representing the government, private sector, donor and development agencies. To underline the government’s commitment to the deliberations, both the Minister of Finance and Economic Affairs, Honorable Simplex Chithyola and the Minister of Trade and Industry, Honorable Sosten Gwengwe were in attendance. Other notable delegates included Commissioner General of the Malawi Revenue Authority (MRA) Mr John Bizwick, Director General of the National Planning Commission Dr Thomas Munthali, the Head of Delegation of the European Union (EU) Ambassador Rune Skinnebach, the African Development Bank’s Country Manager Mr. Macmillan Anyanwu and Old Mutual Group Chief Executive Mrs Edith Jiya.

Acknowledging the importance of this High-Level Roundtable, the delegates unanimously agreed to cooperate with Standard Bank and other key stakeholders in continued dialogue post this Roundtable discussion. Noting the recent approval by International Monetary Fund (IMF) of the Country’s Extended Credit Facility (ECF) as a key barometer that will give confidence to all key players and potentially enable the recovery of Malawi’s economy.

In setting the scene, Phillip Madinga, Chief Executive Standard Bank Plc, outlined the spirit of dialogue and open discussion in order for delegates to collectively think through how to spur up economic recovery and growth. Madinga cited the negative impact of combined shocks to the economy, macroeconomic instability characterised by devaluation of Kwacha and high interest rates, debt distress, the dollar crunch leading to shortages of essential imports, widening trade deficit and lack of accountability and governance as some of the challenges. On the positive side, however, Madinga singled out the recently approved budget support under the IMF’s ECF and World Bank’s ‘Reforms and Recovery’ programs, new austerity measures by government, Malawi’s young population and the key pillars and priorities contained in the country’s vision **MW2063**, and prevailing opportunities contained in Malawi Implementation Plan 1 of the MW2063.

Speaking on behalf of the Public/Private Dialogue Forum (PPD), Old Mutual Group Chief Executive Edith Jiya, who is also the Public Private Dialogue convener, indicated that the following key issues require urgent attention from a private sector:

- An effective forex liquidity management framework
- Setting up of minimum crop prices
- Urgent revision of the minimum wage following devaluation
- Responsive and consistent regulatory policy environment
- Flexibility in construction industry contracts
- Narrowing the trade imbalance with a focus on improving FX supplies.

Jiya further urged stakeholders to be bold in taking future strategic and collective action as well as learning from past failures with regards to economic planning and management.

The Head of Delegation of the European Union (EU) Ambassador Rune Skinnebach said Malawi faces a litmus test to adhere to the conditions of the new IMF ECF program in the shortest possible time as the country’s tripartite general elections loom in 2025. He further indicated that as development partners, they believe that Malawi needs assistance and support but at the same time needs to identify and pick the low hanging fruits and quick wins across the public and private sector for recovery and growth to be realized.

Public Sector Commitments

Addressing the delegates, both the Minister of Finance & Economic Affairs and the Minister Trade & Industry reiterated the government’s recent stand and commitment to encourage

and stick to reforms in order to usher in fiscal discipline and reinstating the private sector as the engine of economic growth.

The Finance Minister Honourable Simplex Chithyola highlighted the stabilization of government debt, containment of money supply and rebuilding of the foreign exchange reserves as some of the measures to support Treasury's Recover, Develop and Protect (RDP) Plan, that has been designed to address shortages of Forex, Fuel, Food and Fertilizer (the 4Fs).

Both Ministers commended the leaders dialogue session as it provided a platform for players to exchange ideas on how they can collectively unhook Malawi from a perpetual low equilibrium. The Ministers also outlined several initiatives underway by government aimed at restoring the capacity of private sector to contribute growth meaningfully. These include boosting the legislative and policy framework for small and medium businesses, secondary cooperatives, the establishment of exports and special economic zones, and the anti-smuggling campaign.

KEY DISCUSSION POINTS & PROPOSED ACTION ITEMS

I. SAFEGUARDING THE ECF & ENSURING EFFECTIVE ACCOUNTABILITY

- The new IMF ECF program is an opportunity to rebuild, change and transform Malawi's fortunes.
- The ECF is a very critical component in Malawi's efforts at addressing economic instability as it unlocks budgetary support from multilateral institutions such as the World Bank, African Development Bank (AfDB) and the European Union, among others. The program also sends very strong positive signals to markets.
- Government must stick to austerity measures required to sustain and keep on track the ECF implementation conditionalities. More accountability must be demanded in the public sector.
- It was unanimously agreed that there is need for an effective performance management system which must be used to hold MDAs and everyone in Public Sector accountable. It was therefore agreed that a clear accountability framework with clear timelines must be developed or revived immediately.

II. IMPROVE FOREX SUPPLY

- Stakeholders want to see more stability in the supply of foreign currency in the market to cool off demand curve.
- There is need for timely interrogation of the foreign currency policy.
- Steady availability of foreign currency will speed up economic recovery and growth by boosting agriculture production, infrastructure development and job creation.

III. EXCHANGE RATE MANAGEMENT: ALLOW MALAWI KWACHA TO FLOAT

- The Malawi Kwacha must be floated and not fixed i.e. to allow its price to be market determined. This would boost confidence in the market, especially for exporters and those embarking in foreign currency generation activities as well as foreign direct investment.
- A market-determined rate of exchange is more desirable than a fixed regime and Malawi has achieved relative economic growth during periods when the Malawi Kwacha floats freely.
- Prior to the 44% devaluation, the Malawi Kwacha was artificially overvalued which affected the country's trade competitiveness and negatively affected exporters.
- Malawi needs a flexible FX Liquidity Management Framework to prioritize private sector needs and kill off speculation which is triggered by parallel market FX traders.

IV. FOCUS ON AGRICULTURE

- Malawi needs a clear roadmap on how to turn the concept of megafarms into reality to increase agricultural exports.
- Demand for non-traditional agriculture commodities such as groundnuts, soya, sweet beans and pulses is growing in far Eastern Asian markets and offers an opportunity to diversify from tobacco. There is need to investigate what needs to be done to maximize the potential returns in these crops.
- Strategically exploit the upcoming Malawi Groundnuts Fair planned for 18th April 2024 with the intent of exposing the sector to potential investors, value chain suppliers, and commodity buyers.

- Banks must come together to provide catalytic financing to boost investment in the sector as well as scale up investment in irrigation and related technologies in order to achieve Malawi's commercialization goals in the agriculture sector.
- Revisit the Affordable Input Program (AIP) Strategy and approach, if the country is to achieve the agricultural productivity and commercialization turnaround proposed. There is need for clarity on the roadmap with clear and actionable timelines.
- Consider undertaking field studies to learn & develop strategies from neighboring countries on how best to commercialize the sector e.g. In Kenya to see how IFAD is partnering with Equity Bank in driving the agriculture agenda.

V. ELEVATE THE DISCUSSION AROUND GROWTH AND EXPORTS

- The private sector needs to work closely with government and agencies in the development of the country's trade value chain.
- Government needs to provide clarity on export licensing as a way of unlocking bottlenecks regarding exporting goods out of Malawi. The Ministry of Trade & Industry to streamline the issuance of exporting licenses and support small medium enterprises with the skill set on how to best export.
- Private and public sector to convene a coordinated session for policy makers in attendance.
- Banks in partnership with authorities (Trade & Industry Ministry, MRA and RBM) to design instruments to track export proceedings.
- Bank lending policies must be designed to support MW2063 priorities that enable growth and export generation.

VI. INDUSTRIALISATION AND INDUSTRIAL REVOLUTION

- There is need for the Malawi Revenue Authority (MRA) and government Ministries & Departmental Agencies (MDAs) to support and promote private sector growth as well as direct inward foreign investment, making it attractive or competitive to do business in Malawi.
- There is need to continue the efforts toward developing the manufacturing industry and increase local production, while being vigilant in the fight against counterfeit products and smuggling of the same.
- Banks need to continue giving access to finance for acquisition of machinery production for small and medium size enterprises for import substitution.
- There is need to address the Power/Energy gap for the country to support industrialization.

VII. TOURISM AND MINING DEVELOPMENT

- Tourism is part of the government's ATM strategy which focuses on promoting Agriculture, Tourism and Mining (ATM) as alternative sources of foreign currency generation and receipts.
- There is need to review the Tourism Legislation as Malawi's tourism regulatory framework is outdated and needs urgent review.
- There is need to urgently uphold the presidential directive to resolve the Visa issues that have yet to be acted upon. Malawi's Visa regime is in urgent need of reform; Visa restrictions make the country uncompetitive and unattractive to international arrivals who see our Visa fees at USD50 per person as expensive compared to neighboring countries whose fees are lower but also provide multiple entries. The Presidential directive issued a year ago to remove Visa requirements for visitors coming to Malawi needs to be implemented immediately.
- Review airlines route prioritization to make it easier and cost effective for international tourists to come to Malawi.
- Intensify destination marketing efforts to attract more long-haul foreign tourism as the major driver for forex inflows into the country. There is need for further diversify tourism attractions from the lake into new areas such as ethnic Culture.
- There is need to urgently conclude several Mining Development Agreements (MDA). It was noted that mining could be a quick win in terms of foreign generation for the country.

VIII. INDEPENDENCE OF RESERVE BANK OF MALAWI (RBM)

- It was agreed that in order to ensure effective monetary policy for the country, there is need for the Reserve Bank of Malawi to be a lot more independent in implementation of various monetary policies in line with it's mandate.

- It was agreed that Government must work towards ensuring a much more independent RBM especially as the country implements its economic recovery and growth plan.

CONCLUSION

There is need for concerted effort by all players in order to get Malawi back to a growth trajectory. This can only be achieved through effective collaboration and coordination across board while building on existing frameworks and structures to build on action-oriented executions.

Delegates were also challenged to continue reflecting on the lessons learnt from the 2012 downturn, which had similar adverse economic implications to Malawi and her people. It is only through collaboration that we can collectively resolve Malawi's economic challenges and get it on a path to recovery, growth and prosperity.

Standard Bank Plc will convene a follow up session early in 2024.