

ACTION MATRIX
ACTION PLAN FOR IMPROVING COMPETITIVENESS OF THE MALAWI ECONOMY
AND ITS INTEGRATION INTO THE GLOBAL ECONOMY

Opportunity or Barrier	Action(s)	Support Measures	Responsible Agencies	Time Frame
I. MACROECONOMIC AND SOCIAL STABILITY—PREREQUISITE FOR SUSTAINABLE GROWTH AND POVERTY REDUCTION				
<p>Macroeconomic instability and volatile exchange rates inhibit investment and business</p>	<p>1. Adhere more strictly to fiscal targets as a part of a macroeconomic framework.</p> <ul style="list-style-type: none"> • Implement effective expenditure control mechanisms • Improve parastatal finances, accelerate privatization program. • Make explicit budgetary provisions for emergency food relief and institutional reforms to ensure that food security is addressed without unplanned budgetary demands <p>2. Further stabilize real exchange rate by consistent adherence to the monetary and fiscal targets set in the macro framework and develop a more active nominal exchange rate policy to avoid sharp short-run fluctuations (this will require a higher level of international reserves).</p>	<p>Technical assistance</p>	<p>Ministry of Finance</p> <p>Central Bank of Malawi</p>	<p>Commence immediately</p>

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Social stability is an essential precursor to an environment in which economic growth and development can be pursued.	Implement a set of safety net programs (as per the MRSP) to provide supplemental employment, improved food security, and transfers to the most vulnerable population groups. Pursuing this will require refinement of the poverty focus of public works, development of appropriate systems for targeting of crop pack distribution, etc.	Technical assistance in design implementation, M&E and donor resource allocations	Various ministries, NGOS, etc.	Intensify ongoing efforts and avoid only a crisis management mode of action
II. TRANSPORTATION —CRITICAL FOR INCREASING TRADE VALUE AND THE INCOMES OF THE POOR				
High cost of transport remains a major constraint to trade, growth and poverty alleviation.	<p>1. Work with the government of Mozambique to improve the Nacala corridor. Urgently assist in fixing the 77 km stretch that is damaged.</p> <p>Work on the port's security and capacity</p> <p>Assess opportunities and create an action plan with the Nacala secretariat</p> <p>Study options for rail extension to Lusaka</p> <p>2. Address the issue of the domestic trucking cartel. Ensure access for foreign truckers to Malawi traffic in order to bring internal transport costs more in line with regional norms.</p>	<p>The Malawi-Mozambique bi-lateral trade agreement has been signed, not yet implemented.</p> <p>Engage Nacala Port Authority Northern province</p> <p>Need for monitoring unit, PPIAF funding in place</p> <p>Technical assistance to assess costs, benefits, and distributional dimensions of a policy change. Ensure reciprocal treatment for Malawian truckers in other regional countries.</p>	<p>Ministry of Transport; Transport Operators Assoc.</p> <p>Nacale secretariat, ask for update</p> <p>MRA with Nacala secretariat and PPIAF</p> <p>Ministry of Transport</p>	<p>Q4 2004</p> <p>Q2 2004</p> <p>Q2 2004</p> <p>Q3 2004</p> <p>Complete analysis by Q3 2004</p>

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	<p>Look for means of equitable liberalization of the internal transport market.</p> <p>3. Re-assess tax structure on transport equipment and services with a view toward lowering costs and increasing competitiveness.</p> <p>Tax committee to examine tax structure in transport</p> <p>4. Review existing restrictions on air transport landing rights and existing landing and associated fees with a view toward increasing services and lowering costs.</p> <p>Implement 'Open skies' agreement Yamassoukra Declaration that Malawi is party to</p> <p>5. Explore opportunities for improved freight transport management involving more back-hauling and thus reduced regional freight rates.</p> <p>6. Lake transport: opportunity needs to be developed to enhance domestic trade and increase the freedom of movement for and of people and goods</p>	<p>More analysis needed</p> <p>Technical assistance to assess fiscal costs, sectoral benefits, and distributional dimensions of policy changes.</p> <p>Technical assistance for comparative country analysis of air transport policies and landing fees and other charges.</p> <p>Technical assistance to analyze the scope of the problem and opportunities and to recommend institutional arrangements for improved information sharing and coordination.</p>	<p>Tax Working Group of Growth Strategy</p> <p>MEPD, Ministry of Transport and Public Works, MCI</p>	<p>Q3 2004</p> <p>Q4 2004</p> <p>Q3 2004</p> <p>Q3 2004</p> <p>Q4 2004</p> <p>Q4 2004</p>

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	<p>7. Mtwara corridor (part of Mozambique-Malawi-Zambia growth triangle)</p> <p>8. Strengthen public and private sector partnerships and create entrance opportunities for private sector</p> <p>9. A separate Infrastructure Strategy should be drawn out of the Growth Strategy and further developed</p> <p>10. District Assemblies to plan and manage feeder roads and enhance public/private sector partnerships for feeder roads</p>	<p>Update on Spatial Development Initiative driven by RSA Department of Transport.</p> <p>Strengthen Public Private partnerships and link with regional PPP initiatives</p> <p>Produce Exhaustive Framework on transport initiatives to assist Malawi in seeking support for financing and technical assistance</p> <p>Dialogue with MASAF, District Assemblies and Ministry of Transport and Public Works</p> <p>Dialogue with MASAF, DA and Ministry of Transport and Public Works</p>	<p>Infrastructure TWG; Ministry of Transport and Public Works</p> <p>Infrastructure TWG has commenced</p> <p>MASAF, DA, Ministry of Transport and Public Works</p> <p>Infrastructure TWG/MEPD</p> <p>Working group</p>	<p>Q3 2004</p> <p>Ongoing</p> <p>Q4 2004</p> <p>Ongoing (from district to district)</p>

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III. EXPORT SECTOR-SPECIFIC MEASURES				
Tobacco				
Lack of collective strategic vision on the prospects and national development role of the industry	Formulation of tobacco sub-sector strategy	Facilitation of public-private collaborative effort	Working party involving major stakeholders	Strategy prepared by Q1 2004
Weak governance structure inhibits policy formation and effective regulation of the tobacco industry	<p>Restructure the board of the TCC to render it autonomous of vested interests</p> <p>Strengthen TCC's analytical, monitoring, and market intelligence capacities</p> <p>Restructure TAMA as an association representing and supporting commercial agriculture (not tobacco-specific)</p> <p>Revamp grower registration system to increase transparency and reduce evasion of taxes, levies and loan payments</p>	<p>Short-term technical assistance to advise restructuring, capacity building, and on necessary TCC levy to finance needed capacity</p> <p>Short-term technical assistance to advise on restructuring</p> <p>Advice on new process and system for tobacco grower registration</p>	MOAI, TCC	<p>Q4 2004</p> <p>Q3 2004</p> <p>Q2 2004</p> <p>Q3 2004</p>
Opportunity to improve the efficiency and equity of tobacco marketing arrangements	Remove 7 percent withholding tax from smallholders	No support necessary. MRA and AHL can manage	MRA, AHL, NAG	Implemented

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	Negotiate reduced AHL auctioning fees	Advise on comparable and appropriate fee structures	MOAI, TCC, NAG	Implemented
	Implement a transparent and non-discriminatory 'designated buyer' system plus permit contract farming in tobacco		NAG	Q3 2004
	Develop 'code of practice' + performance monitoring system for satellite depots	Technical assistance to help develop code and monitoring system	MOAI, TCC, TAMA, NASFAM	Q3 2004
Sugar				
Uncertain policy environment constrains further investment in production and processing capacity	Develop a sugar sector policy and strategy		MOAI, MOCI, sugar working group	Completed by October 2003.
	Remove 7 percent withholding tax from smallholders	Sugar working group to negotiate	Sugar working group, NAG	
Groundnuts and Spices				
Low productivity and inconsistent quality limit the realization of export potential for groundnuts, other legumes, and various spices—all widely produced by	Improve the availability of quality seed and of technical information to farmers. Direct public sector activity or financing may be needed for foundation seed multiplication for legumes. Farmer advisory services can be	Technical support to the industry associations, including Legume Association and PAMA	MOAI, MBS, private companies, and NGOs	Ongoing activity to be intensified perhaps through SADP or various on-going private

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smallholders	<p>coordinated by industry associations in collaboration with MOAI.</p> <p>Apply international standards and develop necessary quality control systems. Develop industry “code of practice” which incorporates these standards</p>			sector development programs
<p><u>Tea</u></p> <p>Uncertainty regarding the future viability and competitiveness of the tea industry</p>	<p>Assess the impact of the recent (January 2003) revision of electricity rates on the viability of irrigation in tea production. Make additional revisions if necessary.</p> <p>Ensure that the management of STA/MATECO is professional and independent from political interference; and strengthen the smallholder production support capacities of the organization</p> <p>Develop a successor scheme to the Stabex program to assist tea growers to replant and shift further to clonal varieties</p> <p>Design and implement a ‘code of practice’ to enable the industry to comply with the technical and social standards being set by the Tea Sourcing Partnership</p> <p>Remove 7 percent withholding tax from smallholders</p>	<p>Assessment of financial implications, costs and benefits</p> <p>Technical assistance for the Smallholder Tea Trust</p> <p>Effort being initiated by the Tea Association</p> <p>Technical assistance to design code</p>	<p>MOAI, Smallholder Tea Trust, Tea Association</p> <p>MOAI, NAG, Tea Association of Malawi</p>	<p>Q3 2004</p> <p>Q3 2004</p> <p>Q3 2004</p> <p>Q4 2004</p> <p>Q3 2004</p>

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<p><u>Cotton</u></p> <p>Very low productivity and declining quality, low ginnery capacity utilization, and uncoordinated interventions inhibit growth and income generation</p>	<p>Through the planned Cotton Council, create and implement a focused program of cotton R&D, farmer advisory services, farmer group development, and industry quality standards and monitoring.</p>	<p>Financial and technical assistance to the Council to be phased out after two years</p>	<p>Cotton Council, MOAI, private ginning companies</p>	<p>Q2 2005</p>
<p><u>Textiles and Clothing</u></p> <p>Generally unrealized opportunity for garment exports to the United States under the AGOA initiative</p>	<p>Evaluate the implications of AGOA post 2004 rule of origin requirements for the Malawi garment industry, in particular in relation to its sourcing of cloth and accessories. Develop negotiating strategy with government and regional counterparts in preparation for successor AGOA programs.</p> <p>Intensify efforts to encourage FDI in the garments sector</p> <p>Facilitate the strengthening of the Garment and Textile Manufacturers Association in order to address emergent industry problems and improve public/private sector consultations</p> <p>Strengthen the capacities for product design and development among SME garment companies</p>	<p>Technical assistance in developing AGOA related strategy</p> <p>Investment targeting program</p> <p>Technical assistance in developing a GTMA Secretariat and action program</p> <p>Training program or secondment of retired international garment</p>	<p>MOCI, Trade associations</p> <p>MIPA; MOCI</p> <p>MOCI, Chamber of Commerce and Industry</p> <p>MOCI</p>	<p>Q2 2004</p> <p>Intensify on-going activity</p> <p>Q3 2004</p> <p>Q1 2005</p>

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		executives		
Weak performance and uncertainty surrounding DWS inhibits textile exports as well as forward and backward linkages	Accelerate the process of privatizing DWS and if necessary during an interim period put in place a management contract	No support necessary	Privatization Commission	Implemented
<u>Food Products</u> Generally unrealized opportunities to penetrate the South African market for higher value-added food products	Encourage joint venture investments and other strategic marketing arrangements	Possible support for investor targeting, match-maker, marketing strategy development	MIPA, MEPC, MOCI. Cooperation with members of the National Action Group (NAG)	Q4 2005
IV. Customs Reform and Other Institutional Capacity				
Trade Finance	Facilitate establishment of a trade finance scheme	Solicit/identify start up capital from donors	Reserve Bank of Malawi, Min. of Finance, MCCI, MEPC, commercial banks, financial institutions	Q1 2005
Transit issues Transit fees	Enforce compliance mechanism for harmonised transit fees	Technical assistance	MRA, Min. of Transport and Public Works	Q3 2004

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Custom procedures and documentation	Streamline customs documentation especially for MSMEs	Technical assistance and train MSMEs	MRA, MC&I, MEPC	Ongoing
Insurance and transit bond	Establish system similar to COMESA yellow card		Insurance association of Malawi, Min. of Transport, MRA	Q3 2004
Border post operating hours	Harmonize border operating hours with neighbors	Financial assistance (esp. for infrastructure)	MRA, Min. of Home Affairs	Q4 2004
	Infrastructure development e.g., electricity, telephone and roads		Clearing agencies	Ongoing
Capacity of immigration personnel	Need for standard pay system. Administration needs computerizing	Technical assistance needed	Reserve Bank of Malawi	Q4 2005
Regional Trade Payment system	A speedy and standardised payment system needed	Reserve Bank of Malawi, dialogue with sister central banks	RBM	Immediately
More fully harmonize with regional systems and procedures	Benchmark current status of harmonization with regional initiatives and develop program for further implementation	Technical Assistance and possible need for additional equipment and staff training	MRA	Q4 2004
Phase out of PSI procedures and implementation of WTO Customs Valuation Agreement have not received sufficient management attention	Senior managers workshop to assess the implications of, and plan for, the retirement of PSI services and the full implementation of WTO Valuation	Technical Assistance from Customs Specialist	MRA	Ongoing as part of CUSP and ASYCUDA programs.

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	<p>Development of plan for sequencing the retirement of PSI services</p> <p>Customs and staff to be trained prior to retirement of PSI services and introduce post-importation clearance</p>			Q2 2004
Compliance with Customs regulations is lacking	Set up Customs Commercial Investigation, Intelligence and Post Clearance Audit Units (to be conjoined with the Tax Audit and Investigation Directorate of MRA). This will entail (i) identifying resource requirements, (ii) writing position profiles, (iii) recruiting/training personnel, and (iv) supervising start-up operations	Technical Assistance from Customs Specialist	MRA	Q1 2005.
Ineffective implementation of duty drawback schemes	<p>Strengthen institutional capacity to administer drawback program</p> <p>Speed up establishment/implementation of the drawback fund</p>	Technical Assistance from Customs Specialist	MRA/Ministry of Finance	Q3 2004
Lack of confidence in the integrity of the organisation	<p>WCO workshop on Integrity</p> <p>Develop and implement an integrity strategy following the principles of the WCO's Arusha Declaration</p> <p>Create clear perception: conduct workshops, hold road shows and create civic education program to and for the public</p>	WCO Technical Assistance	MRA	Q4 2004

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<p>Opportunity for standards harmonization and regional collaboration in ensuring standards compliance.</p>	<p>Support Malawi's participation in SADC and COMESA regional standards and technical regulations initiatives</p> <p>Procure equipment to speed up testing services</p>	<p>Technical assistance from international standards bodies (ISO, FAO, etc) and possibly matching grants for the private sector. Legal support to adopt international or regional standards</p>	<p>MBS, MOCI private industry</p>	<p>Ongoing</p>
<p>V. Trade Policy</p>				
<p>Weak analytical capacity for trade policy analysis and implementation. Improve capacity for negotiating at the WTO and in regional and bilateral agreements</p>	<ol style="list-style-type: none"> 1. Strengthen institutional structure for formulation and implementation of trade policy and insure that sufficient human resources are trained and deployed. 2. Improve understanding of the WTO within the government and private sector. 3. Improve understanding of SADC, COMESA, and AGOA within the public and private sector 4. Improve negotiating skills with respect to ongoing bilateral, regional, and multilateral trade liberalization. 5. Improve inter-ministerial coordination 	<p>Technical assistance/training</p>	<p>Ministry of Commerce and Trade and other trade-related Ministries</p>	<p>On-going especially under ATPP program</p>

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Overlapping regional trade integration efforts create confusion among policymakers and the business community	<p>Conduct economic assessment of the opportunities for increasing the economic benefits from regional integration.</p> <p>Encourage dialogue between SADC and COMESA members on a process of rationalization of the integration process</p>	Technical assistance.	Ministry of Commerce and Trade and other trade-related Ministries	Ongoing under ATTP
Regional integration efforts continue to evolve and to alter the business environment	Assess opportunities and risks from negotiations of US-SACU FTA and other initiatives	Technical Assistance	MOCI and other relevant Ministries	Ongoing
Lack of coordination between institutions and stakeholders is hampering progress and creating duplication of effort.	Improve liaison with private sector advisory groups such as the National Action Group and the National Steering Committee on Trade Policy	Support private sector secretariat and workshops to promote dialog between stakeholders.	Ministry of Commerce and Trade and other trade-related Ministries	Immediately