Government of Malawi

TEN-YEAR (2003-2013)

COMPREHENSIVE REVIEW OF THE ALMATY PROGRAMME OF ACTION (APoA)

MALAWI REPORT

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Table of Contents

List of Acronyms

AfDB	African Development Bank
APoA	Almaty Programme of Action
ASYCUDA	Automated SYstem for CUstoms DAta
BESTAP	Business Environment Strengthening and Technical Assistance Project
BOOT	Built Own Operate Transfer
CFC	Chlorofluorocarbons
COMESA	Common Market for Eastern and Southern Africa
DDA	Doha Development Agenda
EIF	Enhanced Integrated Framework
EMP	Environmental Management Plans
EU	European Union
FISP	Farm Input Subsidy Programme
FY	Financial Year
GDP	Gross Domestic Product
GoM	Government of Malawi
HIPC	Highly Indebted Poor Countries
HIV and AIDS	Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome
Km	Kilometer
LDCs	Least Developed Countries
MAF	Millennium Development Goals Acceleration Framework

MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEPC	Malawi Export Promotion Council
MEPD	Ministry of Economic Planning and Development
MGDS	Malawi Growth and Development Strategy
MITC	Malawi Investment and Trade Centre
MK	Malawi Kwacha
MOI	Memorandum of Intent
MPRSP	Malawi Poverty Reduction Strategy Paper
MRA	Malawi Revenue Authority
MSB	Malawi Savings Bank
NSO	National Statistics Office
PPP	Public Private Partnership
RoO	Rules of Origin
SADC	Southern African Development Community
SARS	South African Revenue Service
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TPR	Trade Policy Review
TRIPS	Trade Related Aspects of Intellectual Property Rights
TSIP	Transport Sector Investment Plan
UNECA	United Nations Economic Commission for Africa

US$	United States Dollar
WTO	World Trade Organisation

1.0 Introduction

Malawi is a landlocked country in Southern Africa. It is bordered by Mozambique to the East, South and South West, Zambia to the West and North West and Tanzania to the North and North East. Malawi has a population of approximately 13.1 million in 2008, and a population growth rate of 2.8% per annum (GoM, 2008).

Being a landlocked country, Malawi relies on the relatively long land routes to the sea. The road to the port of Durban, South Africa, is some 2300km; the road to the port of Dar es Salaam is about 1500km; while the road to Beira and the railway to Nacala Port is some 800km away. This and other factors make international trade very expensive. Hindrances to trade flows typically relate to capacity and infrastructure constraints and official procedures, especially at borders, and the fact that cargo and transport services have to adapt different sets of administrative, policy, legal, commercial and other conditions prevailing in neighbouring countries.

Since the launch of the Almaty Programme of Action in 2003, Malawi continues to face a number of challenges in international trade including high transport costs, inadequate infrastructure, delays at border posts, and obsolete equipment. The main challenge facing the sector is high transport costs of landed imports which stand at 56% for imports and 30% for exports. These costs continue to grow at 7% to 8% annually and compromise the competitive edge for Malawian products on the international market through increased costs of imports. Table 1 below summarizes the distances to the nearest sea ports by road and rail.

Table 1: Distances to Lilongwe/Blantyre from main ports/corridors

Corridor/Destination	**Point of Origin**	**Distance (Km)**	**Transport Mode**
Durban	Blantyre	2,340	Road
	Lilongwe	2,650	Road
Dar-es-Salaam	Lilongwe	1,687	Road
	Blantyre	1,978	Road
Beira	Blantyre	825	Road
	Lilongwe	1,096	Road
Nacala	Blantyre	989	Rail
	Lilongwe	799	Rail
Beira	Blantyre	575	Rail
	Lilongwe	951	Rail

Source: Ministry of Transport and Public Works

Although the Nacala Corridor is shortest distance to the port as shown in Table 1, it handles only 18% of the freight because of the poor infrastructure along the corridor. The other freight is handled by Beira (41%), Durban (33%) and Dar es Salaam (8%) ports.

There have been efforts to develop the Shire-Zambezi Waterway which would enable Malawi access the sea through the Port of Chinde in Mozambique which is only 238km away from Nsanje an inland port in Malawi. Studies have shown that this route would reduce transport cost by over 60% thereby making Malawian products competitive on the international market.

2.0 The National Development Planning Process

In Malawi, the development planning process is done at three different levels namely long term, medium term and short term. Currently, the long term development plan is the Vision 2020. The medium term policies span 3 to 5 years while the short term policies range from one to two years. The Vision 2020 remains the main guiding policy for Malawi since its launch in 1998 and is expected to expire in the year 2020. It defines national goals, policies and strategies to be achieve by all Malawians by the year 2020. The main objective of the Vision 2020 is to help the government, the private sector, Development Partners and other key stakeholders set out on development path agreed by all Malawians. The aspirations of Malawians, as stipulated in the Vision 2020 were that *"by the year 2020, Malawi, as a God fearing nation, will be secure, democratically mature, environmentally sustainable, self-reliant with equal opportunities for and active participation by all, having social services, vibrant cultural and religious values and a technologically driven middle-income economy"*. The Vision 2020 envisaged development of an export oriented economy. Thus, trade facilitation being a major hindrance to the development of international trade prior to the launch of APoA, the Vision 2020 implicitly promoted improvement of trade facilitation.

In order to operationalize the Vision 2020, Malawi has developed three medium term development policies namely: the Malawi Poverty Reduction Strategy Paper (MPRSP); the Malawi Growth and Development Strategy (MGDS); and the Malawi growth and Development Strategy II (MGDS II). During implementation of these development policies, the Almaty Programme of Action (APoA) was central to the development planning process. Activities outlined in the Almaty Programme of Action were mainstreamed in the programmes of key stakeholders to ensure that their annual budgets were inclusive. The budgeting process in Malawi follows clear guidelines that emanate from the medium term development strategy. This is done to ensure that the budget is an effective tool of implementing the development policy and the long term vision for the country. Thus, the budget for implementing the APoA was part of a broader budget for implementing sectors.

2.1 Malawi Poverty Reduction Strategy Paper – MPRSP (2002-2005)

In May 2002, Government launched the MPRSP which presented a first attempt to translate long-term vision into medium term focused action plans. The MPRSP became the overarching medium term strategy of the Government for reducing poverty in the country. The goal of the MPRS was to achieve "sustainable poverty reduction through empowerment of the poor".

The MPRS was built around four strategic pillars namely: sustainable pro-poor growth; human capital development; improving the quality of life of the most vulnerable; and good governance. In addition, it had four key cross cutting issues namely: HIV and AIDS, gender, environment, science and technology. The implementation period for the MPRSP was three years ending in the 2002 to 2005 fiscal years.

In the second half of 2005, the MPRSP was reviewed to draw lessons from its implementation. The lessons and the findings of this review informed the strategic direction of the MGDS (2006-2011). The notable achievement of the MPRSP was the decline in poverty levels from 54.1 percent in 2000 to 52.4 percent after 2005. Also important was the fact that Ministries and Departments implemented their activities in line with the MPRS framework.

2.2 Malawi Growth and Development Strategy – MGDS (2006-2011)

The MGDS was designed as the overarching operational medium-term strategy for Malawi to attain the nation's Vision 2020 and the Millennium Development Goals (MDGs) for the period 2006 to 2011. The main aim of the MGDS was to create wealth through sustainable economic growth and infrastructure development as a means of achieving poverty reduction. It presented a policy framework that balanced issues related to both economic growth and social development.

To ascertain immediate economic benefits for the people of Malawi, the MGDS focused on the following six key priority areas: Agriculture and Food Security; Irrigation and Water Development; Transport Infrastructure Development; Energy Generation and Supply; Integrated Rural Development; and Prevention and Management of Nutrition Disorders, HIV and AIDS.

These key priority areas were also expected to accelerate the attainment of the MDGs in the areas of health, education, gender, environment, and governance.

2.3 Malawi Growth and Development Strategy II (MGDS II - 2011 to 2017)

The MGDS II was developed as a successor strategy to the MGDS. Lessons from the annual reviews of the MGDS informed the strategic direction of the new strategy. MGDS II has nine key priority areas namely: Agriculture and Food Security; Energy, Industrial Development, Mining and Tourism; Transport Infrastructure; Education, Science and Technology; Public Health, Sanitation, Malaria and HIV and AIDS Management; Integrated Rural Development; Green Belt Irrigation and Water Development; Child Development, Youth Development and Empowerment; and Climate Change, Natural Resources and Environmental Management.

The MGDS II recognizes Government's commitment to several global agreements and declarations including the MDGs, and the Plan of Implementation of the World Summit on Sustainable Development. Government through the MGDS II is committed to the MDGs as internationally agreed targets for eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV and AIDS, malaria and other diseases; ensuring environment sustainability; and developing global partnership for development.

3.0 Socio-Economic and Environmental Developments

The economy of Malawi is dependent on agriculture. The sector remains the country's main foreign exchange earner with tobacco, sugar, tea, coffee and cotton as major export products followed by manufacturing and tourism. The country's dependence on this sector renders its economy vulnerable to shocks hence the need to diversify. In recent years, efforts have been made to diversify the economy to other sectors such as mining, tourism and service sectors. Consequently, the contribution of other sectors including mining to GDP has increased over the years with agriculture declining from about 38 percent in 1994 to about 29 percent in 2013.

The introduction of the Farm Input Subsidy Programme (FISP) to smallholder farmers in the year 2005/06 growing season demonstrated the importance and value of investing in food crops as a step towards sustained economic growth and poverty reduction. Maize production increased from 1.22 million metric tons in 2005 to 3.7 million metric tons in 2013. This helped to reduce the number of Malawians at risk of hunger and contributed to the decline in poverty levels between 2005 and 2010.

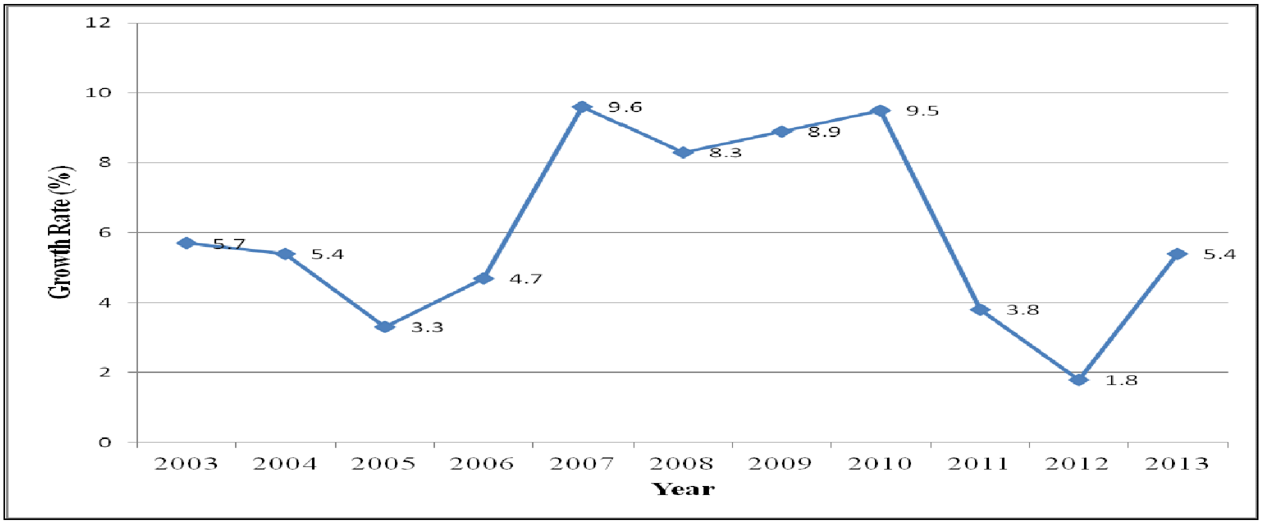
The natural resources and environmental management sector registered remarkable progress in a number of areas including compliance with the Environmental Management Plans (EMP) of development projects and programs; setting standards on pollution control and waste management; increased public awareness on environment and natural resources management; increased land area under industrial plantations; improved protection of river catchment areas, increased land area under industrial plantations from 1609 hectares in 2005 to 5784 hectares in 2010; reduced tonnage of ozone depleting substances such as chlorofluorocarbons (CFC) from 5.9 tonnes in 2005 to almost zero in 2010; and increased customary land area planted with trees from 77,810 hectares in 2005 with 194,524,672 trees to 187,791 hectares with about 275 million trees planted in 2010.

3.1 Trends in GDP Growth

Since the launch of the Almaty Programme of Action (APoA), the Malawi economy has registered mixed growth. As shown in Figure 1 below, the Malawi economy declined from 5.7% in 2003 3.3% in 2005 before rebounding to 4.7% in 2006. This decline was mainly as a result of drought in 2005 which negatively affected the agriculture sector. The best economic performance in the period under review was between 2006 and 2007 when the economy jumped from 4.7% to 9.6%. The main contributing factor was a good agricultural season coupled with debt cancellation in 2006. Between 2007 and 2010, GDP growth averaged 9% mainly due to continued favorable agricultural season, donor support and the Farm Input Subsidy Programme (FISP)[1]. The economy experienced serious economic challenges in 2011 and 2012 which resulted to poor GDP growth of about 3.8% and 1.8% in 2011 and 2012 respectively. The challenges included the critical shortage of foreign exchange which culminated in shortage of fuel and inability of industries to import raw materials. In 2013, the economy picked up and grew by 5.4% after implementing some policy changes including the devaluation of the Malawi Kwacha (MK)[2].

[1] FISP was introduced in 2006. Under this programme, Government provided cheap agricultural inputs to resource poor smallholder farmers.
[2] Malawi Kwacha (MK) is the currency for Malawi. Currently, US$1=K540. In May 2012, Government devalued the Kwacha by almost 50 per cent.

Figure 1: Malawi's GDP Growth (2003-2013)



Source: MEPD, NSO

3.2 Attainment of the Millennium Development Goals (MDGs)

The country has made some progress on all its targets and is on track to attain four of the eight MDGs targets by the year 2015. On eradicating extreme poverty and hunger, the poverty headcount has declined from 53.9 percent in 2000 to 50.7 percent in 2013 while the proportion of population below minimum level of dietary energy consumption has improved from about 23.6 percent in 2000 to 24.5 percent in 2013. Under universal primary education, there has been an increase in primary school net enrolment from 78 percent in 2000 to 85 percent in 2013 while youth literacy rate has increased from 68.1 percent in 2000 to about 76.9 percent in 2000. Progress has also been made on gender equality and empowerment of women. The ratio of girls to boys in primary school has increased from 0.91 in 2000 to 1.01 in 2013. The proportion of seats held by women in Parliament has significantly improved from 9.3 percent in 2000 to 22 percent in 2013.

In addition, progress has also been made on reducing child mortality and improving maternal health. Infant mortality rate has declined from 103 deaths per 1,000 live births in 2000 to 66 per 1,000 live births in 2013, while under-five mortality rate has declined from 189 deaths per 1,000 live births in 2000 to 122 deaths per 1,000 live births in 2013. Maternal mortality rate has declined from 1120 births per 100,000 live births in 2000 to 675 births per 100,000 live births in 2013. The HIV prevalence rate among pregnant women aged 15 to 24 years has declined from about 24.1 percent in 2000 to 10.6 percent in 2013, while deaths associated with tuberculosis cases has declined from 22 percent in 2000 to 7 percent in 2013.

Although progress has been made in all the goals, Malawi is still lagging behind in achieving targets in four goals, namely; eradicate extreme poverty and hunger; improve maternal health; achieve universal primary education; and promote gender equality and women empowerment. After realising that four out of the eight will not be attained by 2015, the government of Malawi developed MDGs Acceleration Framework (MAF) Plan. This acceleration framework plan was developed to ensure that those goals that are lagging behind are accelerated so that they are achieved by 2015 and where that will not be possible, to lay a strong foundation for further efforts to achieve the key development goals of the country.

4.0 Fundamental Transit Policy Issues

The Government of Malawi has made efforts to improve the regulatory framework in Malawi and this has included the enactment of the Public Private Partnership (PPP) Policy and Act (approved by Cabinet in May 2011) to allow the participation of the private sector in the provision of infrastructure and services. Additionally, there has been a review of the transport policy to take into account issues of private sector participation and corridors development among others.

Malawi is also a member of the COMESA and SADC. In between 2000 and 2013, Malawi has agreed with other countries to harmonize standards and charges to facilitate cross border travel. In the transport sector, Malawi has harmonized road user charges, vehicle dimensions, Gross Vehicle Mass among others. Malawi is part of the committee on cross border management. This has resulted in the reduction of delays for travel across countries.

In order to facilitate cross border trade and travel, the Government of Malawi has bilateral agreements on air, road, marine and rail with other regional countries such as Zambia, Zimbabwe, South Africa, Mozambique and Tanzania. These bilateral agreements have been reviewed to match with emerging issues and regional standards. Malawi has been frequently holding bilateral meetings with other countries to facilitate trade and transport. Through bilateral meetings, Malawi and Zambia have extended border opening hours at Mchinji and Mwami border posts from 12 hours of operation to 24 hours. Through the same bilateral meetings, Malawi and Mozambique have extended the operating hours at Mwanza and Zobue border posts to 15hours. Meanwhile, Malawi and Mozambique are discussing the possibility of extending the opening hours further to 24 hours at Mwanza and Zobue border posts. Discussions are also at an advanced stage between Malawi and Tanzania to extend the operating hours at Songwe and Kisumulu border posts respectively.

The African Development Bank is assisting Malawi, Mozambique and Zambia through the SADC Secretariat by financing a feasibility study for the development of One Stop Border Post between Malawi and Zambia at Mchinji/Mwami and between Malawi and Mozambique at Chiponde/Mandimba.

Progress has been made in terms of reducing crossing times at Songwe and Mwanza borders with assistance from the Southern Africa Trade Hub. Through a project known as Cross border management, which focuses on improving border efficiency with the aim of reducing time and cost of goods crossing the borders, the transit times on the borders were reduced as shown in the Table 1 below.

Table 2: Changes in crossing times between 2011 and 2013

		2011	**2013**	**% reduction**
Mwanza border	Exports	3hrs 35 min	2hrs 14min	38
	Imports	6hrs 35min	4hrs 56min	25
Songwe border	Exports	4hrs 49min	2hrs 40min	40
	Imports	15hrs 45min	5hrs 56min	63

Source: Ministry of Transport and Public Works

Meanwhile, border operations assessment is being done at Mchinji and Dedza borders with the aim of reducing crossing times.

5.0 Infrastructure Development

There have been improvements in transport infrastructure since 2003. This has involved the following:

(i) Road subsector- construction, rehabilitation and maintenance of major trunk roads.
(ii) Marine - rehabilitation of ports.

(iii) Air sub sector- rehabilitation of airport runway, terminal buildings and equipment at Chileka and Kamuzu International airports.

(iv) Rail-rehabilitation of the rail infrastructure

In undertaking the various transport projects, the Government of Malawi has been receiving financial and technical assistance from several donors such as European Union, World Bank, African Development Bank, Japanese International Development Agency, Kuwait Fund, Saudi Fund among others. In terms of the road network, much progress has been registered from the Year 2000 to the Year 2012 as can be seen from the Table 3 below.

In view of the high transport costs which stand at 56% for imports and 30% for exports, the Government of Malawi in 2005 developed a proposal on the development of the Shire-Zambezi Waterway Project. The project aims at re-opening the Shire and Zambezi rivers for navigation which would reduce the distance to the port thereby reducing transport costs. The distance along the Shire-Zambezi Waterway is 238Km which is from Nsanje to the port of Chinde on the Indian Ocean.

Table 3: Road network composition

Surface type	**2000**		**2012**	
	Km	%	Km	%
Paved	2553.51	20	4,312	28
Unpaved	9,681.32	80	11,139	72
Total	**12,234.83**	**100**	**15,451**	**100**

Source: Ministry of Transport and Public Works

A Memorandum of Understanding was signed among Malawi, Mozambique and Zambia for the development of the Shire-Zambezi Waterway. Meanwhile, the SADC Secretariat is in the process of procuring a consultant to do a Feasibility study on the water way with funding from the African Development Bank.

In terms of the involvement of the private sector in the transport sector, much progress has been made as follows:

(i) Rail sub-sector: the private sector (Central East African Railways Limited) has a concession agreement signed with the Government of Malawi in 1999 to operate the rail transport services for 30 years. Previously, the rail line was operated by a government parastatal, Malawi Railways Limited. Additionally, one private sector player (VALE Logistics) signed a concession agreement under Build Own Operate Transfer (BOOT) basis with the Government of Malawi in 2011 for the construction of 136 Km new railway and associated infrastructure.

(ii) Marine sub-sector: The Government of Malawi in 2002 concessioned out the operation of Lake Services to the private sector player (Malawi Shipping Company) for a period of 30 years. Additionally, the Government has also concessioned the operation and management of ports to the private sector (Malawi Ports Company).

(iii)Air sub-sector: In 2013, the Government has identified a strategic equity partner in the national airline in 2013 to provide air services

6.0 International Trade and Trade Facilitation

Malawi is an import-dependent economy, and exchange rate policy is crucial. Due to a multiplicity of factors (e.g., dependence on imported raw materials, intermediate inputs and final consumer goods; currency over-valuation; a narrow export base), Malawi's trade balance is almost perpetually negative (Table 4). This situation directly reflects in the country's balance of payments (BOP) position (Table 5).

Table 4: External Trade Position (US$ million) 2002-2011

Category	**Year**									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total imports	699.7	786.6	932.1	1183.4	1210.2	968.4	1494.3	1571.5	1881.3	2109.1
Total exports	409.8	530.3	483.5	503.5	668.3	787.2	953.9	1189.4	1076.4	1427.0
Trade balance	-290.0	-256.3	-449.1	-679.9	-542.0	-183.8	-543.6	-384.8	-810.0	-689.3

Source: GoM, Annual Economic Report, various issues.

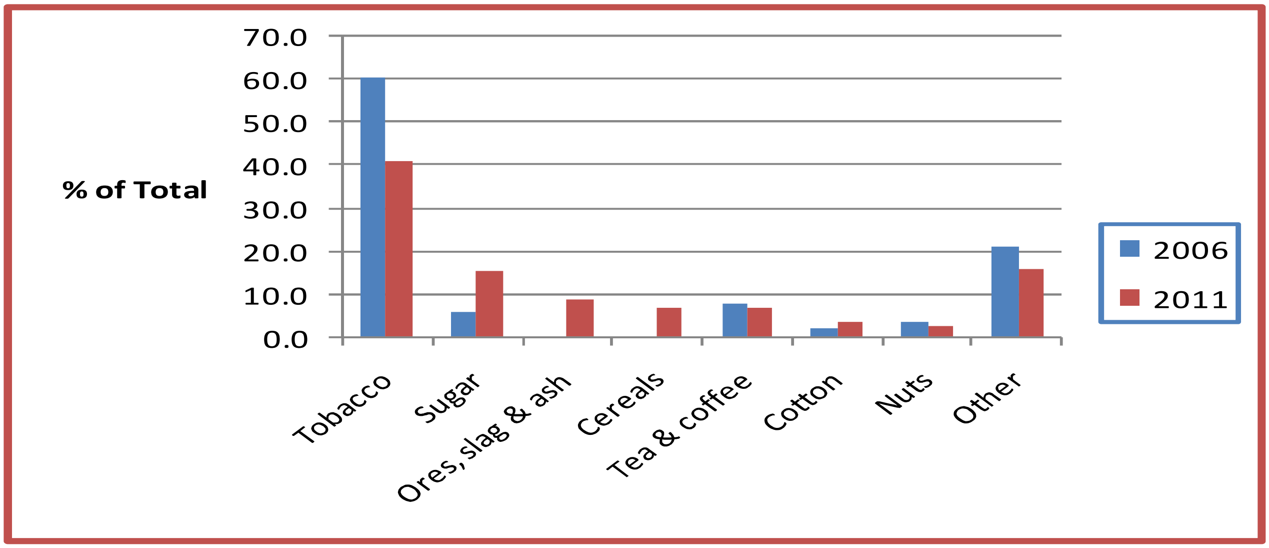
Table 5: Malawi's Balance of Payments Summary (US$ million)

Category	**Year**									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Balance before debt relief	77.0	-55.2	-62.2	-105.4	-166.9	-32.3	-41.7	-153.8	149.0	-108.7
Debt relief	106.2	-7.6	-15.1	-45.6	-57.2	-31.2	-41.7	-153.8	149.0	-108.7

Source: GoM, Annual Economic Report, various issues.

Tobacco is by far Malawi's most important export, although its role has been registering a decline in recent years (Figure 2). Thus, while tobacco exports accounted for 60.3 % of total exports in 2008, this declined to 41.0% in 2011. Other important exports include sugar, cereals, tea, coffee, and cotton. This has been the situation for the past decade. However, recently, ores slag and ash have become important (8.7% of 2011 exports) due to uranium mining, while the significance of tea and coffee is on a decline.

Figure 2: Malawi Exports 2006 and 2011



Source: GoM, Annual Economic Report, various issues

On the other hand, the country's imports tend to be dominated by necessities. Fertilizers were most dominant, and accounted for 14.4% of the total import bill in 2010, followed by petroleum products (14.0%) and medicines (7.1%). Significant amount of the import bill is also attributable to machinery, plant and laboratory equipment.

Malawi's main export markets in 2010 were Belgium (16.7%), Egypt (8.3%) and South Africa (7.6%). The key sources of imports were South Africa (29.5%), Mozambique (6.1%), China (5.9%) and India (5.4%). Although the significance of South Africa as an import source remains stable, the rest of Malawi's trading partners are less permanent. For instance, Canada was the largest importer from Malawi in 2011, followed by Zimbabwe and South Africa. South Africa is Malawi's single most important trading partner, accounting for 22.8% of total trade (i.e., the sum of imports and exports) in 2011, while Mozambique is a distant second at 5.4%. This picture doesn't seem to be very different from what it was in 2003 when the Almaty Programme of Action (APoA) was being conceived and 2013 the year implementation of APoA was completed.

7.0 Efforts to Reduce Trade and Transport Costs

7.1 The status of trade laws

The Government of Malawi, with funding from the World Bank and the EU, implemented the Business Environment Strengthening Technical Assistance Project (BESTAP). This project was launched in 2007 and implementation finished in 2012. The project goal was to enhance capacity development and investment climate reforms so as to accelerate economic growth. Specific attention was in the areas of business laws alignment to international best-practice; modernization of the land and business registries, as well as automation of temporary employment and business residency permits. The project's specific target was to raise the country's Doing Business ranking from 132 in 2008-09 to 100 by 2012. However, the actual ranking has, in fact, deteriorated during the project's life as it stood at 173 out of 183 countries in 2012.

In 2008, BESTAP carried out a comprehensive diagnostic exercise on the prioritisation of economic laws, in order to guide the review process by the GoM's Ministry of Justice. Some 36 Acts or Bills which have an economic impact in the business field were examined, and 42 laws were ultimately prioritised. Table 6 below presents the status of selected legislation of relevance to trade facilitation highlighted in this report

Table 6: Status of selected trade facilitation legislation

Legislation	Status
Anti-dumping, counterveling & safeguard measures legislation	Being drafted[3]
Capital Market Development Act 1990	Now supplemented by the Securities Act 2010
Citizenship Act 1966	Not yet under review
Cooperative Societies Act	Now supplemented by the Financial Cooperatives Act 2010
Companies Act	Currently under review
Customs and Excise Act Cap 42:01 of 1969[4]	Not yet under review, but frequently amended
Exchange Control Act 1984	Under review
Financial Services Act 2011	Newly enacted in 2011
Food law	Currently under review
Immigration Act 1964	Not yet under review
Insurance Act 2010	Newly enacted in 2010
Intellectual Property legislation	Mostly outdated and unconsolidated laws
Patents Act	Currently under review
Reserve Bank of Malawi Act 2011 - review	Reviewed in 2011
Trade Marks Act 1989	Reviewed

[3] Currently, anti-dumping legislation is in the Customs and Excise Act
[4] Last amended in 1989.

Many laws of relevance to trade are out of date and not WTO compliant. However, some progress has recently been made to address the existing legislative gaps thereby reduce the trade costs.

7.2 Documentation and Procedures

In Malawi, traders are required to fill some documentation if they are to import or export commodities. One of the challenges has been lack of information on the documents to be filled. Over the past decade, there have been efforts to disseminate information on the required documents. For example, the Malawi Export Promotion Council (MEPC), now part of the Malawi Investment and Trade Centre (MITC)[5], included some listings of documentation requirements for exports in three of their publications, namely The Malawi Exporter's Handbook of 2009; The Malawi Products Handbook of 2008; and Trade Secrets published in 2006. At the moment, there is still need to publish information on the required documentation in order to reduce transaction costs for traders. Thus, the MITC should create a biannual periodical that will contain standard trade documentation and procedures, in addition to disseminating critical information to importers and exporters. The information that can be included in this periodical may relate to (a) the structure of and changes to trade and other taxes and incentives, including those announced in proposed and revised budget statements of the GoM; (b) existing and new market opportunities; and (c) calendars of events relevant to the trade community.

Government of Malawi has also undertaken some efforts to reduce the time traders were taking to make payments for trade-related taxes. Prior to 2010, payments involved travelling to Malawi Revenue Authority (MRA) offices, which involved negotiating long queues. Significant improvement has been made by the opening of Malawi Savings Bank (MSB) agencies at border posts since 2010. However, in the absence of single windows for trade facilitation, the payment of other trade fees and charges remains a hustle.

7.3 Inter-State Coordination

Inter-state coordination involving Malawi remains a trade facilitation challenge. Areas of concern include, short and differential border post operating hours and duplication of clearing procedures. Although improvements have been registered recently in terms of harmonisation of border post operating times, operating hours are generally short - the longest officially being

[5] MITC was formed in 2012 after merging the Malawi Export Promotion Council (MEPC) and the Malawi Investment Promotion Agency (MIPA). This merger is expected to further reduce trade costs because it will be functioning as a one-stop shop for investors.

those for Mwanza - Zobue. Table 7 below shows the operating hours based on official times for customs and immigration officials. In general, border posts are operational all days of the week, including on public holidays.

Transporters are forced to plan on the basis of these operating hours, usually causing unnecessary delays especially where posts close too early (e.g., Songwe - Kasumulu). Even where opening hours for customs and immigration officers are synchronised and relatively longer (e.g., Mwanza - Zobue), the fact that some agencies involved in the clearance of goods remain aligned to the normal operating times of their headquarters inland creates potential delays. There are also reports of extended lunch breaks of up to 3 hours by some key officials on the Mozambican side.

Table 7: Border post operating hours

Borders	Opening Times	Closing Times
Songwe Kasumulu	06:00 07:00	18:00 18:00
Mwanza Zobue	06:00 06:00	21:00 21:00
Dedza Calomue	06:00 06:00	18:00 18:00
Mchinji Mwami	06:00 06:00	18:00 18:00
Source: UNECA's Malawi Trade Facilitation Report (2012)		

Harmonisation of operating hours between adjacent border posts and, more importantly, ensuring that posts can be open over long enough periods of time (but depending on traffic volume) deserves attention. Notwithstanding human resource and other capacity constraints, a move towards 24 hour border posts was considered by many as one in the right direction, especially for heavy traffic border posts such as Mwanza - Zobue.

One-stop border posts are also an initiative receiving due attention, and can resolve a common problem associated with goods in transit: the requirement to clear consignments on both sides of each border, which unduly increases hassles, transit times and costs. One-stop border posts typically address this through mutual recognition of documentation by the two countries, hence avoiding the need for each to issue their own set of documents. It also requires network interface of the customs systems of the two countries, so that electronic export and import entries by customs officials of one country can be picked and recognised by their counterparts in another country, and vice versa.[6] As a result, transporters are only required to clear on one side of the border.

An attempt was made to establish a one-stop border post between Malawi and Mozambique at Dedza - Calomue Border. A Memorandum of Intent (MOI) in this regard was signed between the tax authorities of the two countries in Maputo in August 2008, but the initiative was not implemented due to inadequate further cooperation between the two countries[7]. Proposals to establish such posts at Mwanza - Zobue Border and Muloza - Milanje border with Japanese assistance are being considered, and a memorandum of understanding between Malawi and Mozambique was allegedly drafted in April 2012. Similarly, the African Development Bank (AfDB) was targeting the Mchinji - Mwami Border between Malawi and Zambia, and efforts have also been made to establish this at Songwe - Kasumulu Border.

While one-stop border posts may resolve inter-state border coordination problems in relation to adjacent border posts, greater regional coordination would be a more desirable approach to addressing challenges associated with trade between countries that do not share border lines. For instance, while MRA does not accept electronically transmitted RoO certificates, the South African Revenue Service (SARS) does not accept a document physically carried by the transporter as they require it to be sent by fax or email. The inconveniences caused to traders due to such lack of synchronization in procedures can be avoided by the adoption and implementation of regional conventions. The evidence suggests that most countries in the region depart from such conventions with impunity even where they exist. There is also need to move towards e-governance as a means of deepening regional integration.

7.4 Access to the Sea

Access to the sea remains a major challenge to Malawi's trade facilitation initiatives. This locates the urgency of the need to address this lasting challenge. Three key options are receiving due attention by the GoM namely: the Shire-Zambezi Waterway Project, the Nacala Railway Project and the Ntwara Development Corridor. Malawi's policy in this regard recognizes the need to offer options to importers and exporters.

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[6] A functional one-stop shop was operational at the Chirundu Border between Zambia and Zimbabwe.
[7] A draft agreement was prepared by Malawi and sent to Mozambique in 2011, but no response was provided.

7.4.1 The Shire-Zambezi Waterway Project

The Shire-Zambezi Waterway project was conceived in 2004 as a GoM initiative aimed at re-opening the Shire and Zambezi Rivers for navigation, to provide an alternative and cheaper trade route to the sea for Malawi, Zambia, Mozambique and the DR Congo. The benefits of this initiative are also expected to extend to Zimbabwe which is equally land-locked and endorses it. Through river widening and deepening, the project would create a 238 km waterway from an inland port in Nsanje in Malawi to the Indian Ocean port of Chinde in Mozambique. A pre-feasibility study funded by the EU was conducted in 2006, and proved that the two rivers are navigable.

7.4.2 The Nacala Railway Project

Increased coal mining activities at Moatize, (near Tete in Mozambique) by the Brazilian mining company Vale Logistics Limited has renewed demand for an effectual Nacala Railway route. Unlike Beira, Nacala has the capacity to handle large vessels, and presents an effective short-term solution to the problem. In this regard, a Malawi Railway Corridor Agreement was signed between the GoM and Vale in 2011, in which the GoM grants Vale a concession of 30 years (renewable for another 20 years) to build, own and operate extensions to the Nacala railway line, as well as to rehabilitate existing infrastructure.

Vale will build a 191 km rail line between Tete and Lirangwe in Malawi, rehabilitate the existing line from Nkaya to Nacala, and construct a facility for the shipment of 30 million tonnes of coal annually through the port of Nacala, for the next 50 years. Once completed by 2014, it is expected that 12 trains each pulling up to 120 wagons will run in each direction per day, of which 2 will carry Malawian cargo and one will be a passenger train. Thus, this project offers a feasible solution to some of Malawi's transportation challenges in the short-run. However, there are indications that the Central East Africa Railways currently operating the railway system in Malawi faces challenges to sustain operations.

7.4.3 The Mtwara Development Corridor Project

The Mtwara Development Corridor Project extends from Mtwara Port in Tanzania and covers Tanzania, Mozambique, Malawi and Zambia. The Mtwara Development Corridor's transport infrastructure, currently under development, includes Mtwara Port; a road network from Mtwara to Mbamba Bay, and the ports of Mbamba Bay, Nkhata Bay and Metangula on Lake Malawi. Malawi needs to operate a heavy capacity ferry to carry trucks across the Lake Malawi ports, to rehabilitation the Lake Malawi ports of Mbamba Bay and Nkhata Bay, and to upgrade or construct the road from Nkhata Bay to the Lundazi Border with Zambia (GoM, 2012).

Apart from broadening her transport options, Malawi's cooperation in this project is consistent with the country's policy objectives of achieving greater regional integration and implementing regional solutions to the problems that land-locked countries face.

8.0 Domestic transportation issues

Issues also exist in terms of domestic transportation. Although the quality of the domestic road and rail infrastructure is not among Malawi's highest ranking challenges, air transport infrastructure is a serious limitation. The GoM has, in recent years, increased investment in the transport sector, including renovation of the major international airport in Lilongwe. The approval of the Transport Sector Investment Plan (TSIP) in 2012 is anticipated to step up these efforts.

Too many road blocks are also cited as a concern among road transporters, especially on the Northern Corridor. An estimated 6 road blocks exist between Songwe Border and Karonga Boma, a distance of only 45 km. Similarly, too many road blocks are mounted on the rest of this route to Lilongwe. Due to low compliance by some importers and transporters on this route, MRA sometimes has required that consignments inspected and cleared at the Songwe Border be off-loaded in Mzuzu for re-inspection[8]. The Ministry of Transport and Public Works also complains about the lack of a consultation before new road blocks are installed by the Police and MRA, especially because complaints by transporters in this regard tend to be directed towards this ministry. Revenue collection tends to be the major motivation for installing too many road blocks for both the Police and MRA, somewhat defeating the role of roads as trade facilitation tools. It is also the case that each of the different agencies usually has their own road blocks.

[8] Under the selectivity criteria module in ASYCUDA, imports are categorised as high-risk, medium-risk and low-risk. High-risk importers tend to be subjected to more rigorous inspection, while frequent and high volume importers tend to be subjected to post-clearance audit. MRA informs that post-clearance audits tend to be very necessary on imports through Songwe due to their nature.

9.0 Participation in the multilateral trading system

Malawi is one of the founding members of the World Trade Organisation (WTO) and is currently participating in the Doha Development Agenda (DDA) negotiations alongside other least developed and Africa countries, and has taken clear positions on several issues. Among other desires, Malawi seeks the elimination of trade-distorting support and export subsidies in the cotton sector; improving and strengthening of differential and special treatment for developing and least developed countries; and substantial amounts of technical assistance and capacity building through Aid-for-Trade and the Enhanced Integrated Framework.

In their first Trade Policy Review (TPR) for Malawi, conducted in 2001, the WTO indentified some institutional capacity constraints and other difficulties that Malawi faced in implementing WTO arrangements, such as alignment of national laws, rules and regulations to WTO requirements; notification requirements; and training of officials on WTO matters.

The second TPR (WTO, 2010) noted that these difficulties were still valid, and that the country had concerns in the implementation of WTO agreements in such areas as customs valuation, safeguards, countervailing measures, SPS, TBT and Trade Related Aspects of Intellectual Property Rights (TRIPS).

One of the major aspects of Malawi's involvement in the multilateral trading negotiations is that the country has benefited through increased technical assistance and aid flows. WTO has encouraged developed countries to increase assistance to least developed countries in addressing trade facilitation challenges. As a result, developed countries' commitments in this regard have been stepped up in recent years. WTO's own technical assistance has focused on enhancing the understanding of WTO matters by government officials. Malawi is currently benefiting from the Enhanced Integration Framework (EIF) whose objective is to promote the integration of LDCs into the global economy, and to promote trade mainstreaming in national development strategies.

10.0 International Support Measures

Malawi received significant debt cancellations under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) in 2006 when the outstanding external debt stock was reduced from US$2.97 billion as of end 2005 to US$0.52 billion in August 2006. This debt relief led to increased fiscal space arising from the debt service savings, thus permitting increased Government spending on priority areas. The debt relief led to improved debt indicators thereby increasing the scope for the Government to acquire more external aid in the form of concessional loans.

While donors withdrew aid in 2003 and 2011, aid disbursement in the period under review remained stable. Traditional donors continued to provide the majority of the aid support with EU contributing the largest disbursements in 2009/10 Fiscal Year (FY) followed by World Bank and DfID. Other key donors were USAID, Norway and AfDB. During the same period, new donors like the Peoples Republic of China and the Republic of India began to play an increasingly important role under the South-South Cooperation. During the same period, aid predictability was high but undermined by a couple of key donors with aid disbursement modalities shifting from Pooled Sector Support to General Budget Support. Budget Support increased to 30 percent in 2009/10 FY from 21 percent in 2008/09 FY of total donor receipts by Government while Pooled Sector Support declined from 24 percent in 2008/09 FY to 17 percent in 2009/10 FY.

11.0 Challenges and Lessons Learned

Although Malawi has improved the welfare of its citizens in the period under review, the country continues to face a number of challenges. These include insufficient energy generation and supply; high transportation costs; inadequate skilled human resource; inadequate financial resources; inadequate export diversification; high illiteracy levels; high population growth rate; over dependence on rain-fed agriculture and HIV and AIDS pandemic.

Lessons from the implementation of the APoA included: successful implementation of any development strategy requires commitment from all stakeholders; a strong indicator framework is critical for measuring progress towards defined goals, outcomes and targets; availability of data is crucial for monitoring progress of APoA implementation; strengthened human and financial capacity is crucial for successful implementation of international agreements; mainstreaming of APoA activities to the national development strategy is critical to the attainment of international commitments; and alignment of donor support to the national development strategy is critical for the implementation of national and international commitments.

12.0 The Way Forward

The Almaty Programme of Action (APoA), has helped to improve trade facilitation in Malawi. However, there are a number of issues that need to be addressed including synchronizing border post operating hours with neighbouring countries. Apart from increasing its interest in regional initiatives regarding the harmonization of trade facilitation procedures, Malawi should also promote establishment of one-stop border posts with neighbouring countries. It would also be helpful if Malawi pursued various options to the problems associated with being a land-locked country including the Shire-Zambezi Waterway Project, the Nacala Railway Rehabilitation Project and the Ntwara Development Corridor as they are likely to broaden trade routes and enhance trade facilitation.