



NATIONAL EXPORT STRATEGY II

2021-2026



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ACRONYMS AND ABBREVIATIONS

ADMARC	Agriculture Development and Marketing Corporation
ACP	African Pacific and Caribbean
ADL	Airport Development Limited
AER	Annual Economic Report, Ministry of Finance
AfCFTA	African Continental Free Trade Area
AfT	Aid for Trade
AGOA	African Growth and Opportunity Act
BoP	Balance of Payments
BREXIT	British Exit
BRICs	Brazil, Russia, India, China
COMESA	Common Market for Eastern and Southern Africa
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DFQF	Duty Free and Quota Free
DPs	Development Partners
EBA	Everything But Arms
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
ERP	Economic Recovery Plan
ESCOM	Electricity Supply Commission of Malawi
EGENCO	Electricity Generation Company
ESA	Eastern and Southern Africa
EU	European Union
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
GATS	General Agreement on Trade and Services
GI	Geographical Indication
GSP	Generalized Scheme of Preferences
GVC	Global Value Chain
HDI	Human Development Index
IMF	International Monetary Fund
IoT	Internet of Things
ITA	International Trade Administration
ITC	International Trade Centre

KPI	Key Performance Indicator
KRA	Key Result Area
KSF	Key Support Framework
LDCs	Least Developed Countries
MAS	Malawi Attractiveness Scoreboard
MBS	Metropolitan Business Solutions
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MDA	Ministry, Department & Agency
MDGS	Malawi Growth and Development Strategy
MEDF	Malawi Export Development Fund
MDF	Malawi Defense Force
MEDI	Malawi Export Development Institute
MERA	Malawi Energy Regulatory Authority
MFN	Most Favoured Nation
MITC	Malawi Investment and Trade Centre
MITEX	Malawi International Trade Expo
MIU	Market Intelligence Unit
MNC	Multinational Corporation
MoEPD &PSR	Ministry of Economic Planning and Development and Public Sector reforms
MoEST	Ministry of Education Science and Technology
MoFAIC	Ministry of Foreign Affairs and International Cooperation
MoF	Ministry of Finance
MoI	Ministry of Industry
MoFAIC	Ministry of Foreign Affairs and International Cooperation
MoJ	Ministry of Justice
MoM	Ministry of Mining
MoT	Ministry of Trade
MRA	Malawi Revenue Authority
MSMEs	Micro, Small and Medium Enterprises
MWETI	Malawi Extractive Transparency Initiative
NABW	National Association of Business Women
NASME	National Association of Small and Medium Enterprises
NEEF	National Economic Empowerment Fund Ltd

NES	National Export Strategy
NETF	National Export Task Force
NOCMA	National Oil Company of Malawi,
NPC	National Planning Commission
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measures
OPC	Office of President and Cabinet
OROP	One-Region-One-Product
OSBP	One Stop Border Post
PTA	Preferential Trade Area
RBM	Reserve Bank of Malawi
RISDP	Regional Indicative Strategic Development Plan
RoO	Rules of Origin
RVCs	Regional Value Chains
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Relevant and Timely
SMEDI	Small and Medium Enterprise Development Institution
SSA	Sub-Saharan Africa
STR	Simplified Trade Regime
SWG	Sector Working Group
TEVET	Technical and Vocational Training
TEVETA	Technical, Entrepreneurship, Vocational Education and Training Authority
TFTA	Tripartite Free Trade Area
TPO	Trade Promotion Organisation
TIPO	Trade and Investment Promotion Organisation
TIPSWAp	Trade, Industry and Private Sector Development Wide Approach
TNA	Training Needs Analysis
TSIs	Trade Support Institutions
TOC	Theory of Change
TWG	Technical Working Groups
UN	United Nations
COMTRADE	United Nations International Trade Statistics Database
UNCTAD	United Nations Conference on Trade and Development

UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
US	United States of America
USAID	United States Agency for International Development
UNITSD	United Nations International Trade Statistics Database
USTR	United States Trade Representative
VSS	Voluntary Sustainability Standards
WTO	World Trade Organisation

FOREWORD BY THE HEAD OF STATE



Malawi has just set out its desires and aspirations for an Inclusively Wealthy and Self-Reliant Nation in the new vision, Malawi 2063. However, wealth creation cannot be meaningful without improving productivity and marketability of a nation. Similarly, it is difficult to achieve self-reliance while Malawi continues to accumulate a huge trade deficit. This emphasizes on the importance of building Malawi's productive base to achieve industrialization through a prioritized export agenda. The National Export Strategy II has therefore been designed as a vehicle to achieve Malawi's new aspirations through industrialization and private sector dynamism where manufacturing of value-added goods and services is set to create more wealth through income and employment generation.

The National Export Strategy II has been developed at a time when Malawi is operating in a fast-globalising world economy characterised by cut-throat competition for market share, technological advances, on-going trade disputes, Brexit, faster regional integration in Africa, and more particularly, the Coronavirus (COVID-19) pandemic. At the domestic scene, Malawi is experiencing a persistently negative balance of trade for over the last two decades. The renewed political stability and economic dynamism brought about by the Tonse Alliance administration is therefore an opportunity for Malawi, and the private sector in particular. This strategic context in which the NES II has been developed offers opportunities to Malawi to leapfrog from factor driven to efficiency driven phase of development by increasing agriculture production and agro-processing, venturing into export-oriented manufacturing industries, producing value-added services and minerals. This requires Malawi to readjust its development paths through its export agenda to achieve its aspirations in 2063.

My Government is therefore fully committed to provide the necessary support for the successful implementation of the NES II.

As such, the National Export Strategy II outlines the support programmes that the Government needs to put in place to enhance the competitiveness of the Malawian industry, its firms, its products and its entrepreneurs, to compete at the regional and international fronts, so as to capitalise on opportunities arising thereon. My Government is therefore fully committed to provide the necessary support for the successful implementation of the NES II through provision of conducive business environment. I therefore call upon Development Partners, Private Sector, Civil Society, Farmer Organizations, Small and Medium Enterprises including women and youth groups to embrace their role in the implementation process.

It is my sincere hope that implementation of this strategy will not be overshadowed by the missed opportunities of the NES I, but will rather learn from its weaknesses, build on its strengths and create the much needed momentum to drive this Country's export agenda in the next five years. The effort and cooperation that prevailed during implementation of the NES I should be scaled up for the growth of the prioritized sectors and therefore a better Malawi that will be enjoyed by all. Malawi wokomera tonse ndiwotheka.

May God bless Malawi.

Dr Lazarus McCarthy Chakwera
President of the Republic of Malawi

PREFACE BY MINISTER OF TRADE



The second Malawi Export Strategy will be implemented from 2021 to 2026 as a Successor Strategy to the National Export Strategy I. The National Export Strategy I (NES I), which was implemented from 2013 to 2018, provided a prioritized road map for developing Malawi's productive base to allow for both export competitiveness and economic empowerment. It set out to raise exports as a share of imports from 51.5 percent in 2010 to 75.7% in 2017. However, upon expiry of the strategy in 2018, exports as a share of imports stood at 32.6%, which was well below the 2010 baseline. Malawi's trade deficit hanged at US\$1.8 billion, 25.5% of GDP, a 63% rise from 2010's US\$1.1 billion in trade deficit. Exports stood at around US\$0.9 billion, representing 12.5% of GDP against the 22% captured in 2010. As for imports, they stood at US\$2.7 billion representing 38.2% of GDP, a slight drop from the 43% of GDP they captured in 2010. This snap preview, shows that there was no drastic growth in exports as expected, and imports slightly went down. This necessitated the development of this National Export Strategy II (NES II).

The NES II has been developed following extensive stakeholder consultations both on the review of NES I and the design of the Successor Strategy. Without completely departing from its predecessor, the NES II has identified agriculture, manufacturing, value added services and mining as the priority areas with good growth prospects to unlock Malawi's full export potential. The NES II has further optimised market outreach through consolidation, expansion and diversification of

It is my hope that through the implementation of this strategy in the next five years, Malawi will achieve export-led growth

markets, with special focus on maximizing untapped potential in both existing and new markets. While the strategic drive of NES I was to encourage import-substitution industrialisation, which did not materialize, the strategic orientation of NES II is primarily export-oriented growth, built around capacity building of enterprises, optimizing value addition on local resources, and maximizing regional and global Value Chains.

value addition on local resources, and maximizing regional and global Value Chains.

The premise on which the NES II has been developed is that, as a Nation, Malawi already exports goods and services, and has abundant land for increasing agriculture production. Therefore, NES II seeks to increase what the country is already exporting by expanding production and market outreach, while at the same time developing new high value products and services from the products that Malawi is already producing for the domestic market, by making them export ready. Furthermore, NES II has been developed to create an enabling business environment for economic players in the prioritised value chains mentioned above. Women, youths and other vulnerable groups are therefore encouraged to take advantage of the opportunities provided for in this strategy, to get creative and unleash their innovative capabilities in order to claim their space on the international market with high quality "Made in Malawi" products and services.

My Ministry will lead the implementation of the strategy by coordinating all sector players. I therefore appeal to all Development Partners, Private Sector, Civil Society, Farmer Organizations, Small and Medium Enterprise to participate fully in the implementation and all potential investors to exploit the opportunities that will exist through the implementation of NES II. It is my hope that through the implementation of this strategy in the next five years, Malawi will achieve export-led growth and become a Competitive, Compliant, Diversified and Sustainable Sourcing Destination for goods and services for the Regional and Global marketplace.

God bless us all.



Hon. Sosten Gwengwe, M.P.
Minister of Trade

ACKNOWLEDGEMENTS



The National Export Strategy 2021-2026 for Malawi was developed by the Ministry of Trade in collaboration with the Ministry of Industry, with technical and financial assistance from the Commonwealth Secretariat. The strategy was formulated with technical expertise from a consulting firm, CITC Ltd, from Mauritius, through extensive stakeholder consultation process that included all the stakeholders from public, private and civil society and academia amongst others; and peer-reviewed by CITC Ltd experts with support from a dedicated group of officers within the Ministries of Trade and Industry.

The Ministry therefore wishes to use this opportunity to sincerely thank the Commonwealth Secretariat, which supported the development of the National Export Strategy II, and specifically, Ms. Olayinka Bandle, the Project Coordinator and Adviser in the Trade Competitiveness Section, Trade, Oceans and Natural Resources Directorate of the Commonwealth Secretariat, whose valuable inputs and guidance were incorporated in the strategy. The Ministry would also like to express gratitude to the CITC Ltd, the Consultancy Technical Team that provided the back office and research support for the Strategy which was composed of Dev Chamroo (Team Leader), Dr Mohamed Abou-liana, Ashween Bunwaree, Veepin Bhowon and Neelum Chamroo.

The Ministry further wishes to place on record the leadership of the Minister of Trade, Hon. Sosten Alfred Gwengwe and recognize the support of the former Ministry of Industry and Trade (MoIT), led by Dr Ken Ndala, Principal Secretary and his Team comprising of Mr. Francis Zhuwao, Director of Planning, for his oversight, Mr. Cuthbert Wadonda Chirwa, Chief Economist, for coordinating the project, and the entire Department of Planning for its dedication, technical cadre as well as making necessary logistical arrangements for consultations, information gathering and workshops. Sincere thanks should also go to the Senior Management of the Ministries of Industry and Trade including the Secretary for Industry, Mr Peter Simbani for their valuable contributions.

Special thanks for all the contributions received from key institutions and stakeholders in the design and development of the strategy, more particularly, the Director General of the National Planning Commission (NPC), Dr Thomas Munthali and his Top Management, and the senior personnel from the Reserve Bank of Malawi (RBM), the Malawi Investment and Trade Centre (MITC), the Malawi Bureau of Standards (MBS), the Malawi Confederation of Chambers of Commerce and Industry (MCCCI), the Ministry of Agriculture, Ministry of Economic Planning and Development and Public Sector Reforms

(MoEPD&PSR), Office of President and Cabinet (OPC), Ministry of Labour, Small and Medium Enterprise Development Institute (SMEDI), Ministry of Foreign Affairs, Ministry of Lands, Ministry of Finance, Ministry of Tourism, Wildlife and Culture, Ministry of Information, the Malawi Revenue Authority (MRA), TEVETA, the Export Development Fund (EDF), the Malawi Stock Exchange, National Association of Smallholder

Farmers of Malawi (NASFAM), the National Association of Small and Medium Enterprises (NASME), Federation of National Association of Business Women (NABW), the Co-Chairpersons of the different Technical Working Groups (TWGs) of TIPSWAp.

Special thanks also go to large number of economic operators and the Development Partners present in Malawi, who provided constructive and meaningful contributions at the different stages in the preparation of the NES II document. Of particular importance to mention is the Enhanced Integrated Framework (EIF) Project supported by the World Trade Organization (WTO) and coordinated by the Director of Trade in the Ministry of Trade, Ms. Charity Musonzo, which provided financial support for various tasks leading to the development and finalization of the strategy.

Lastly, the Ministry is hopeful that the spirit that was demonstrated during the development process of the strategy will thrive during its implementation for efficient and effective delivery of the National Export Strategy goals and objectives.

Special thanks for all the contributions received from key institutions and stakeholders in the design and development of the strategy



Christina Zakeyo
Principal Secretary for Trade

EXECUTIVE SUMMARY

The Government of Malawi secured technical and financial assistance from the Commonwealth Secretariat to review its First National Export Strategy -NES I (2013-2018), and design and develop a successor strategy for the period 2021-2026 (NES II). The Review was effectively completed and its Report validated. The NES II is set to be an evolutive strategy that will build upon the achievements of NES I. The vision of the NES II is to "Make Malawi a Competitive, Compliant, Diversified and Sustainable Sourcing Destination for goods and services for the Regional and Global marketplace, and to increase exports as a percentage of GDP from 14.6% to 20%". Its objectives are to: increase the contribution of exports to the economic and social transformation of Malawi, promote diversification of products and markets, enhance the international competitiveness of Malawi's industries, enterprises and products in order that they can compete and win at regional and global marketplace, and build policy coherence and institutional alignment to make exports happen from Malawi.

Context

NES II is set in a dynamic and turbulent backdrop characterized by; renewed political stability and economic dynamism with the election of a new President of the Republic and a new administration, missed opportunity of the predecessor NES, a fast globalizing world economy, advent of disruptive technological advances, geopolitical ramifications with the ongoing trade war between the US and China, Brexit, and faster regional integration with the African Continental Free Trade Area, heightened commitment to Agenda 2030 - Sustainable Development Goals and the COVID-19 pandemic. Each of these issues by itself is a game-changer and is transforming the global landscape for business, more particularly for international trade. The NES II ambitions to consolidate expand and diversify exports of goods and services from Malawi in both value and volume terms, and in terms of market outreach.

Methodology

The methodological approach underpinning the design of the NES II relied on comprehensive consultations and collaborations with key stakeholders from the public and private sectors, extensive research and benchmark, and

advanced analytics and simulation. The NES II is informed by and aligned to past, present and future national and sectoral strategies, plans and policies. The Strategy is also mindful to Malawi's regional, multilateral, and international commitments.

Situational Diagnostics

Exports are important catalyst and driver of economic development that create jobs which help alleviate poverty, generate foreign exchange earnings, mobilize investments, including FDI, promote industrial diversification, strengthen cluster development and business linkages, promote transfer of technology, encourage domestic entrepreneurship development, strengthen the formal sector, and improve the brand equity of the country. However, Malawi has experienced a chronic negative balance of trade over the last decades, with exports trailing imports. Malawi has a very narrow export basket with a few traditional products (tobacco, sugar, tea, coffee, cotton, and a few food crops accounting for over 80% of total exports. Similarly, Malawi's exports are concentrated to a few markets in the region and in the European Union.

Malawi is a land-linked country of 19 million people in south-eastern Africa, bordered by the Lake Malawi on the east, Tanzania to the north, Zambia to the west and Mozambique to the east, south and west. Malawi is one of the 47 Least Developed Countries that has enjoyed positive and stable economic growth over the last decade. The services sector accounted for 57.7% of GDP in 2019, agriculture sector contributed 27.1%, the manufacturing 9.1%, and mining contributed 0.8 % of GDP. The contribution of agriculture to GDP has declined slightly while that of manufacturing remained constant compared to previous years' performance.

Malawi is a relatively small trading nation, with trade in goods and services representing 58% of GDP and of which trade in services accounted for 6.7% of GDP. Exports of goods in 2019 were USD 912,983 thousand, and exports of services stood at USD 179,001 thousand, On the other hand imports of goods were USD 2,941.148 thousand and that of services USD 335,127 thousand, representing a trade deficit of USD 2,184, 291. Going forward, the perspective does not look any better, despite the sustained efforts of the government to promote an export-led

growth strategy through generous incentives and the preferential market access to the EU under EBA, the USA under AGOA, to the regional markets under COMESA and SADC, and GSP preferences from several developed economies. The NES I review revealed several structural and systemic challenges facing Malawi, which will continue to impede growth of exports in the short and medium terms. The structural challenges include, among others: small domestic market, low level of economic transformation and sophistication, unbalanced growth, inadequate infrastructure, challenging business environment, small private sector, and over reliance on aids and development partners.

The systemic challenges include poor governance structure, lack of policy coherence and institutional alignment, lack of collaborative approach, absence of effective resource mobilization, absence of monitoring and evaluation, access to finance, technology and markets, among others. These challenges largely contributed to the failure of NES I which failed to deliver on its promises. Nevertheless, there are some positive results from the NES I, and on which the successor strategy will build upon.

The situation analysis brought to the forefront the Strengths, Weaknesses, Opportunities and Threats of Malawi.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▪ Economic & Social stability ▪ Strong export track record ▪ A range of supporting institutions & programmes ▪ Support of Development Partners & Donor Agencies ▪ A dynamic private sector ▪ Educated, English speaking competitive labour force ▪ Extensive network of preferential trade agreements ▪ Access to regional markets ▪ A dynamic SME sectors ▪ High local content industries 	<ul style="list-style-type: none"> ▪ Narrow products basket ▪ Low competitiveness ▪ Lack of resources ▪ Small domestic market ▪ Labour market rigidity - skills mismatch ▪ Access to credit & finance ▪ Difficult business environment ▪ High transaction costs of doing business ▪ Deficient infrastructure ▪ Low service deliveries ▪ Lack of institutional alignment ▪ Vulnerability to vagaries of nature ▪ Unpredictable policy measures ▪ Unreliable power supply ▪ Border Issues ▪ Lack of trained labour ▪ Lack of market and product intelligence ▪ Nascent private sector ▪ High level of corruption ▪ Red tape and bureaucracy
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▪ Strong demand for un-processed raw materials for exports ▪ Technological advancement - Industry 4.0, Internet of things ▪ E-Commerce and digitalisation of trade ▪ Entry into force of AfCFTA ▪ RVC & GVC opportunities ▪ Underutilised preferential market access to opportunities ▪ Regional and Global Value Chains optimisation 	<ul style="list-style-type: none"> ▪ Vulnerability to changes in the external environment ▪ Trade protectionism (compliance to stricter and newer standards and norms), ▪ Potential loss of preferential market access ▪ Stronger and newer sources of competition ▪ Break-down of trade agenda ▪ Natural hazards ▪ Loss of development aid

Key Beneficiaries

The key beneficiaries of the NES II will be the exporters' community of Malawi, including informal exporters, first-time exporters, occasional exporters, regular exporters and the global exporters, the Trade and Industry Support Institutions of the public and private sector, and the Government, its ministries and agencies. The Strategy will have a special attention to MSMEs, women and youth entrepreneurs, and small-scale farmers.

The NES II

The NES II defines a set of goals, objectives and actions that must be implemented in a timely manner in order to consolidate, expand, and diversify exports from Malawi in terms of product and market outreach consequently unlocking Malawi's full export potential. It also outlines the support programmes that the Government of Malawi needs to put in place to build the competitiveness of the Malawian industry, its firms, its products and its entrepreneurs, to play and win at the regional and international levels

For the strategy to be successfully implemented there is need for a certain set of conditions to be present and assembled. To this end, the strategy has identified enablers that qualify as pre-requisites for making sustained exports from Malawi a reality and points out cross-cutting issues which have to be addressed. Some of the identified enablers include infrastructure development, transport and logistics, access to land, energy, skills development, access to finance, access to markets and digital transformation.

Cross-cutting issues with potential of impeding or catalysing exports growth and developments singled out include issues of promotion of inclusive, balanced, and sustainable development taking into account environmental, equity, and equality issues, strengthening of competitiveness and productivity, enhancing digital preparedness, facilitation of access to

business information and intelligence, developing skills and competencies, building collaborative partnership, and mobilisation of quality investment.

For this to happen, the Government of Malawi should provide adequate resources, conducive ecosystem, supporting services, and visionary leadership to the local domestic exporters' community to make export happen from Malawi. The time- frame of the NES II is the period 2021-2026.

The Architecture

The architecture of NES II comprises six mutually reinforcing components, namely, the Vision Statement, the Strategic Goals, the Strategic Objectives, the expected deliverables (Outcomes), the Action Plan, the Implementation Mechanism, which covers the resource mobilisation as well as Monitoring and Evaluation.

The Vision Statement of NES II is "to make Malawi a Competitive, Compliant, Diversified and Sustained sourcing destination for quality goods and services for the regional and global marketplace, and to increase exports from 14.6% to 20% of GDP by 2026".

The Four Strategic Goals underpinning the NES II are:

- (i) To increase exports of "Made in Malawi" goods and services to the regional and global marketplace;
- (ii) To reinforce export readiness and international competitiveness of Malawi's industries, enterprises and products;
- (iii) To enhance domestic business and investment environment for sustained inclusive, balanced and sustainable economic development and growth;
- (iv) To improve effectiveness and efficiency of the implementation mechanism

For the strategy to be successfully implemented there is need for a certain set of conditions to be present and assembled.

Strategic Objectives

Each strategic goal is associated with a set of objectives to achieve the set Vision of the strategy. The Strategic objectives underpinning each strategic goal are:

STRATEGIC GOAL 1: TO INCREASE EXPORTS OF "MADE IN MALAWI" PRODUCTS AND SERVICES TO THE REGIONAL AND GLOBAL MARKETPLACE	
STRATEGIC OBJECTIVES	
1.1	Consolidate, expand & diversify markets for "Made in Malawi" products
1.2	Increase export performance in value and volume terms
1.3	Strengthen the attractiveness of Malawi as a sourcing destination – The Brand Malawi
1.4	Promote export of services
1.5	Provide access to updated market information & intelligence
STRATEGIC GOAL 2: TO REINFORCE EXPORT READINESS AND INTERNATIONAL COMPETITIVENESS OF MALAWI'S INDUSTRIES, ENTERPRISES AND PRODUCTS	
STRATEGIC OBJECTIVES	
2.1	Make domestic oriented firms and products export ready
2.2	Make Enterprises and products of Malawi compliant to regional and international standards
2.3	Reinforce the competitiveness of clusters or industry sector
2.4	Establish an ecosystem which is conducive for the development of export oriented services activities
STRATEGIC GOAL 3: TO ENHANCE BUSINESS AND INVESTMENT ENVIRONMENT FOR SUSTAINED, INCLUSIVE, BALANCED AND SUSTAINABLE ECONOMIC DEVELOPMENT AND GROWTH	
STRATEGIC OBJECTIVES	
3.1	Make trading across borders simple, fast and cheap
3.2	Improve Business environment for trade
3.3	Strengthen Export Facilitation
3.4	Strengthen Policy advocacy and Economic diplomacy
3.5	Promote inclusive growth with respect to: Gender Equality; Youth Entrepreneurs; Micro and Small Enterprises
3.6	Set up a robust Exporter Aftercare service
3.7	Reinforce Regional integration
3.8	Build Strong digital capabilities
STRATEGIC GOAL 4: TO IMPROVE EFFECTIVENESS AND EFFICIENCY OF NES II IMPLEMENTATION MECHANISM	
STRATEGIC OBJECTIVES	
4.1	Establish a strong institutional framework for implementation of NES II
4.2	Establish strong partnership between public and private stakeholders
4.3	Resources are mobilised for implementation of NES II
4.4	Establish a robust monitoring and evaluation framework and risk management plan

Priority Products

The NES II has identified the following products and services as having good opportunities and high potential to succeed in the regional and international markets.

Priority Sector	Priority Product
Agriculture, including forestry and fishing	Traditional export products, Food crop and value-added horticulture, Livestock and fisheries, Industrial Hemp and Medical Cannabis
Manufacturing	Agro-processing, Plastic and plastic products; Pharmaceuticals; Wood and wooden products; Textiles and apparel
Mining	Uranium; Gemstone; Rare earth elements; Phosphate; Coal
Services	Tourism; ICT; Creative Industries; Professional services

Priority Markets

The NES II will focus on the following markets, which present good opportunities to products and services made in Malawi.

- Neighbouring countries (South Africa, Mozambique, Zambia, Tanzania)
- Regional market of COMESA and SADC (Kenya, Egypt, Zimbabwe)
- European Union (Belgium, The Netherlands, Germany)
- The USA
- The Russian Federation
- The Middle East (UAE)
- Asian markets (China, India, Singapore, Japan)
- Emerging markets (Canada, Australia, Switzerland)

Crosscutting issues

The NES II will also address the following Crosscutting issues:

- Promoting inclusive, balance and sustainable development
- Creating enabling economic ecosystem
- Strengthening competitiveness and productivity
- Facilitating access to business information and intelligence
- Developing skills and competencies
- Building collaborative partnership
- Mobilizing quality investment, including FDI

Critical Challenges

The critical challenges facing the NES II may impede the successful implementation of the Strategy and limit the outcomes thereof. The challenges can be categorised as the Border-in issues, the Border Issues, the Border-out Issues, and the Development Issues.

BORDER-IN ISSUES/BEHIND THE BORDER ISSUES (supply-side):	BORDER-OUT ISSUES/BEYOND THE BORDER ISSUES (demand-side):
<ul style="list-style-type: none"> ▪ Narrow export basket with over prevalence of low-value added agriculture and agro-processed products ▪ High cost of doing business (high business registration costs, high costs of factors of production, high cost and unstable supply of energy) ▪ Low productivity & competitiveness and low R&D and innovation ▪ Poor logistics and trade infrastructure (high cost of storage, conditioning, transport) ▪ High post-harvest losses ▪ Low compliance to product technical standards, norms, and certification ▪ Difficult access to credit and finance, including access to foreign currency ▪ Limited access to updated trade information and market intelligence to enable improved business decision making ▪ Poor quality of packaging and labelling for exports ▪ Low optimization of regional and global value-chains ▪ Export restriction on products subject to Export permits under the Controls of Goods Act-Cap 18.08 including rice, maize, maize meal, raw hard round wood timbers, live poultry including day-old chicks, hides and skins in processed and non-process form) 	<ul style="list-style-type: none"> ▪ Limited market outreach and market penetration (high concentration of exports to few countries) ▪ Limited extent of marketing and sales support to MSMEs (occasional, first-time, and informal exporters) in foreign markets ▪ Difficulties in searching for international buyers (importers) and securing an order ▪ High fees and charges on imports ▪ Challenging payment terms and securing payment ▪ Restrictive trade regulations with regard to non-tariff measures (NTMs) and non-tariff barriers (NTBs), compliance to product standards and conformity assessments and norms SPS & technical standards, complicated administrative procedures, import license, rules of origin criteria, quota restrictions, among others i.e. quota on exports of sugar to the USA, FDA standards ▪ Challenging logistics support to move merchandise from the landed port to the importer(s) in Africa ▪ Political and social unrest in export markets ▪ Limited presence of commercial-diplomatic assets in key markets ▪ Limited Brand visibility of Malawi as a Sourcing Destination
BORDER ISSUES/AT THE BORDER ISSUES (business environment):	DEVELOPMENT ISSUES:
<ul style="list-style-type: none"> ▪ Low trade facilitation services with regard to co-operation of border agencies, both internal agencies as well as agencies across the border ▪ High cost of cross-border trade (border compliance, storage/quarantine, multiple fees, service charges for fumigation/phytosanitary inspections) ▪ Long time taken for customs clearance of goods both at importing into as well as at export from Malawi (processing of documents, physical inspections) ▪ High cost of transport and logistics ▪ Inefficient border infrastructure, long waiting times for truck hauling across the borders, double physical inspection ▪ High border related corruption and smuggling ▪ Delays and lengthy customs and administrative procedures ▪ Prevalence of larceny and pilferage 	<ul style="list-style-type: none"> ▪ Effective inclusive growth (gender equality and support to MMSMEs and youth entrepreneurs) ▪ Sustained growth for sustainable development ▪ Balanced development agenda ▪ Poverty alleviation and employment (Low industrialization and clustering) ▪ Irreversible commitment to Regional integration

Key Result Areas

The NES aims to increase exports as a percentage of GDP from 14.6 in 2018 to 20% in 2026. To achieve these key outcomes, the Strategy should deliver on a series of intermediate level outcomes, and milestones during the implementation period. The Key Result Areas are the result indicators that the Strategy achieve. These KRAs are:

Key Result Areas	
<p>KRA1: Enhanced export performance of traditional and non-traditional products</p> <p>KRA2: Increased exports into existing markets and entry into new markets</p> <p>KRA3: Trade deficit is reduced</p> <p>KRA4: Competitiveness and compliance improved</p> <p>KRA5: Economic diversity and product development enhanced</p> <p>KRA6: Export readiness built</p> <p>KRA7: Improved business environment</p> <p>KRA8: Efficient and effective infrastructure facilities</p>	<p>KRA9: Resourced mobilized</p> <p>KRA10: Collaborative partnership enhanced</p> <p>KRA11: Diplomatic and Diaspora assets optimized</p> <p>KRA12: Network of Trade agreement expanded</p> <p>KRA13: Decentralized and balanced development</p> <p>KRA14: Inclusive Growth</p> <p>KRA15: Robust National Branding</p> <p>KRA16: Investment mobilized into export-oriented activities</p>

Each KRA is assigned a development value that the Strategy should deliver on.

Implementation Plan

The Implementation Plan comprises a series of well-crafted activities which if implemented should lead to achieving the objectives, which in turn will impact the goal. The NES II Implementation Plan comprises activities to be implemented under three timeframes: Short-term (1-2 years), Medium term (3-4 years), and long term (5th year and beyond).

The Implementation Plan also outlines:

- The specific tasks to be performed and by whom (responsibility allocation)
- The time frame for the implementation, and
- The resource allocation

Managing the Implementation of the Strategy

The strategy defines the scope of the implementation mechanism of the Strategy with regards to:

- Resource mobilization: Financial resources. The Budget for operationalizing the NES II is USD 37.9 million for the period 2021 - 2026.

This excludes the administrative costs. The Strategy proposes a blending approach to finance for the implementation of the NES II, with contributions from the Government, the beneficiaries in the form of fee-paying services, and Aid for Trade funding from Development Partners and Donor Agencies.

- Highly qualified and trained personnel will be mobilised to implement the Strategy. This may require some changes to the organizational structure of the implementing agencies, more particularly the Ministry of Trade, Ministry of Industry and MITC.
- The Strategy Implementation Mechanism will clearly establish the line of authority and the line of reporting. The implementation framework will be as follows:

- a. **Inter-Ministerial Committee on Trade, Industry and Private Sector Development** – A high level Inter-Ministerial Committee chaired by any Minister other than Minister of Trade will be established by the Government through OPC and membership will comprise of relevant sectoral Ministers:

- Minister responsible for Trade;
- Ministry responsible for Industry;
- Minister responsible for Agriculture;
- Minister responsible for Transport;
- Minister responsible for Finance;
- Minister responsible for Lands;
- Minister responsible for Energy;
- Minister responsible for Mining; and
- Minister responsible for Economic Planning, Development, and Public Sector Reforms.

A high level Inter-Ministerial Committee chaired by any Minister other than Minister of Trade will be established by the Government through OPC and membership will comprise of relevant sectoral Ministers:

b. National Export Task Force (NETF) – This role will be undertaken by the Trade, Industry and Private Sector Development Sector Wide Approach Sector Working Group (TIPSWAp SWG), which is the apex coordinating body of NES II. The SWG will be co-chaired by the Principal Secretary, Ministry responsible for Trade, Principal Secretary Ministry responsible for Agriculture, and the MCCCCI, and comprise of high-level representations of each stakeholder group from the public and private sectors. The SWG will review and approve the Programme of Works to be developed by the implementing agencies, the Technical Working Groups (TWGs), and Technical Committees. The SWG will provide administrative and secretariat service to the Inter-Ministerial Committee.

c. The NES Secretariat – The existing TIPSWAp Secretariat, will be further reinforced to support both the Inter-Ministerial Committee as well as the SWG. The NES Secretariat will be the liaison between the SWG and the NES

implementing agencies. The secretariat will comprise of the Ministry responsible for Trade, Ministry responsible for Industry and MITC. This Secretariat will be responsible for: Ensuring that there is appropriate follow up on prioritized actions that emerge through the SWG, implementing agencies, TWGs and Technical Committees; Resource mobilisation by securing funding from development partners and donor agencies in support of the NES II; Assisting with and coordinating analytical work or research done by members of the TWGs; Ensuring that the relevant organisations and representatives of sufficient seniority are adequately informed and involved in the work; Consolidating work plans; Convening meetings of the various bodies under the framework and setting their agendas; Liaising with key stakeholders to ensure participation; Ensuring timely reporting; Preparing quarterly reports for dissemination to sector stakeholders; and Ensuring effective monitoring and evaluation of the NES II implementation with particular focus on expected deliverables, time lines and milestones, resource utilization, and remedial actions.

D. Technical Working Groups (TWGs) – The TWGs are technical stakeholders representation bodies instituted to drive crosscutting action plans and priority area strategies through developing and implementing the Programme of Works for the NES II. The NES II proposes 6 TWGs, namely, Export Promotion, Export Development, Export Facilitation, Services, International Trade & Investment Cooperation, and Policy and Programming.

E. Implementing Agency – The Ministry responsible for Trade will be the lead institution for the implementation of the NES II and will report to the SWG. However, MoT will closely collaborate with all relevant inter-governmental ministries and agencies, and private sector institutions to ensure smooth implementation of NES II Implementation Plan. MoT will build capacity for MITC for the implementation of future Export Strategies.

F. Technical Committees – These are focused committees to advise the implementing agencies on particular aspects of the NES II that require additional technical expertise. These will be established by the implementing agencies and will be chaired by the private sector. These committees will report to the implementing agencies and respective TWGs.

Conclusions

NES I was a comprehensive, albeit overly ambitious Strategy. However, it did not deliver on its expectations, as over the NES I strategy period (2013 – 2018) exports from Malawi declined and imports increased, thus widening the trade deficit further. Additionally, Malawi's market outreach also declined in terms of number of products exported and number of markets serviced. The main causes of the non-performance of NES I were both endogenous and exogenous.

Increasing exports is one of the most preferred policy options of governments.

Exports play a prominent role in the development agenda of a country as it creates jobs, generates foreign exchange earnings, mobilizes investments, including FDI, accelerates technology transfer and innovation, build industry linkages, promotes industrial diversification, strengthens domestic entrepreneurship development, including women and youth entrepreneurs, and growth of MSMEs. Most countries around the world have adopted export-powered development policies and established export promotion agencies with a clear mandate and appropriate resources to help internationalize its products and services.

International trade remains a fiercely competitive business.

To succeed in a foreign market, the product must not only be competitive and comply with local terms and conditions. It must also compete with suppliers of the same or similar product(s) from the rest of the world, and the more so, from low cost producing countries like India, Brazil, Vietnam, Bangladesh, on the one hand, and from more technologically advanced countries like USA, EU, Canada, Japan, Australia, among others, on the other hand. Besides price competitiveness, the product has to face rising NTBs and TBTs in terms

of compliance to quality standards and norms, labour laws, environment protection measures and Corporate Social Responsibilities. Besides the product competitiveness, it is also important to build the competitiveness of the entrepreneurs, the enterprise, the industry, or sector as well as national competitiveness.

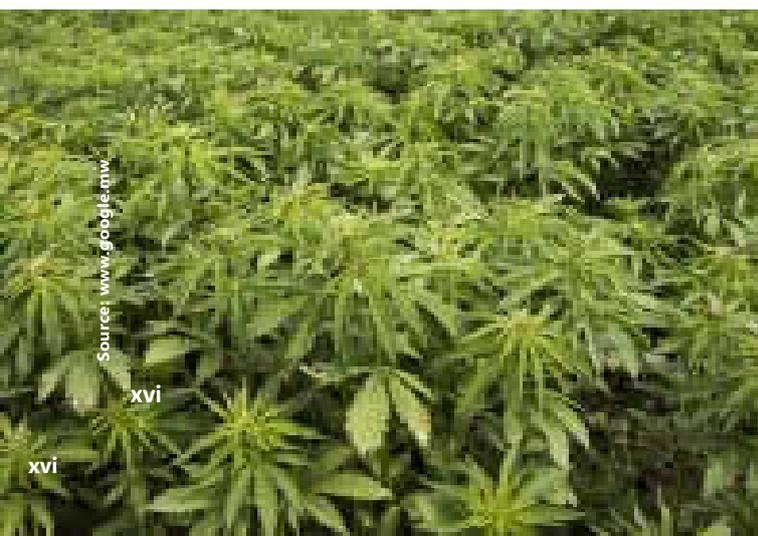
Priority marketing is becoming increasingly important for Malawi, mainly with neighbouring countries, namely Mozambique, Tanzania, South Africa, Zambia, and Zimbabwe. Moreover, the regional markets of COMESA and SADC also offer promising opportunities for exports from Malawi.

The uncertainties of Covid-19 could have crippling effects on global businesses as the pace, scale and strength of economic recovery remain uncertain. Malawi will equally be impacted by this pandemic.

Technological advances may offer Malawi an opportunity to leapfrog in its development trajectory from the present factor-driven stage to an efficiency-driven phase of development

Untapped Export Potential. Evidence show that Malawi can substantially increase its export performance by optimising the untapped export potential in its traditional, non-traditional, and emerging markets. The market outreach of 'Made in Malawi' products (product and market coverage) is not fully optimized.

The Brand image of Malawi as a reliable and profitable Sourcing Destination is yet to be established, except for its tobacco, sugar and tea and coffee in a few traditional markets. Aggressive promotion can greatly improve Malawi's brand equity as the recent promotion actions in Japan and China has helped improve Malawi's visibility on these markets and initial responses are more than satisfactory and promising.



Renewed political stability, with the historical re-run of the presidential election in June 2020. The new administration under President Dr. Lazarus McCarthy Chakwera has placed economic and social development at the top of its agenda. Dedicated Ministries have been set up to drive the Trade and Industry portfolios.

Recommendations

Make Export a national development agenda with oversight from the highest quarters and close intergovernmental coordination. Given the cross-sectoral dimension of NES II, it is critical to have a national approach to export promotion and export development through an Inter-Ministerial Coordination Framework, with a clear mandate and governance structure and that reports to the Cabinet. It is proposed to establish an Inter-Ministerial Export Council, chaired by the Ministers of Trade and Industry and comprising a Representative of the President's Office and Ministers in charge of Agriculture, Finance, Foreign Affairs, ICT, Women and Youth Empowerment. The Council will be supported by the NES Secretariat, which shall in turn liaise with the Export Promotion Agency. Such an intergovernmental framework will ensure close policy coherence and build stronger institutional alignment to avoid duplication and gaps in service delivery.

Take concerted and bold actions to address the challenges impeding exports to happen from Malawi. There is an urgency to create an enabling ecosystem conducive for the development and expansion of the private sector, which is called upon to become the growth engine driving sustained, inclusive, balanced and sustainable development of Malawi. Issues to be addressed include competitiveness, access to updated market information and intelligence, export readiness, skills mismatch, compliance to quality standards, norms, barriers to trade, infrastructure and logistics, export promotion and export development and export facilitation.

Adopt a systematic and targeted approach, prioritizing selected products and markets based on their export potential. To optimise benefits from international trade Malawi should adopt a targeted product and market approach with a view to export more of available products and services into markets that hold the best opportunity and promise. MITC, through its MIU and in collaboration with the Ministry

responsible for Trade, should be able to identify all emerging opportunities at the regional and international markets, to prepare Malawian exporters to fully take advantage of these new opportunities, ahead of its competitors.

Promote inclusive, balanced, and sustainable growth. In keeping with its regional and international commitments, Malawi is de facto obliged to pursue a development agenda that fosters inclusive growth, with specific focus on gender equality and women empowerment to successfully integrate international trade space. The same is also true for Youth entrepreneurs and MSMEs. It is proposed to craft and implement specific support services and facilities to help this category of exporters to participate fully and meaningfully in international trade. Such actions should include addressing issues regarding access to finance and export credit, access to technology, access to markets, capacity building and product development services. Malawi should also integrate environment friendly policies and balance geographical development of Malawi into its growth equation.

Reinforce Economic diplomacy. Diplomatic assets in foreign countries are of vital importance to developing business linkages, networking and B2B match making. Malawi should optimise its existing diplomatic existing assets and to reinforce where such assets are not available by appointing Trade Advisers/Trade Attachés to provide hands-on assistance to Malawian exporters willing to penetrate foreign markets. All information and market intelligence collected by Malawi foreign offices should be disseminated to exporters and potential exporters through a secured medium (personalised mails, password-protected access to the Trade Portal). Additionally, Malawi should extend its network of bilateral trade and investment agreements with emerging countries that hold good promise for "Made in Malawi" products and services. Global expos, offer an ideal opportunity to make Malawi known as a potential sourcing and investment destination, in this emerging sub-region. Malawi's participation should therefore be meticulously prepared and executed.

Public-Private sector dialogue. It is important to involve the private sector (economic operators and institutions/associations) in the implementation of NES II, with particular focus on policy dialogue, trade negotiations and



promotion activities. The private sector stakeholders can thus bring their expertise and know-how to help guide the public sector.

Geographical Indication (GI). Malawi should capitalise on the attributes of the Northern region to develop appropriate GI for products originating in the North, (Mzuzu honey, Mzuzu tea and Mzuzu coffee), Kilombero Rice and the Chambo fish from the Lake Malawi.

Mobilise quality investments, including FDI, into export-orient enterprises. Investment and exports are two sides of the same coin and complement each other perfectly. It is proposed to mobilise investments, including attracting and facilitating FDI into activities which have been identified to have export potential. Such investments can be greenfield investment, joint ventures, or expansion of existing projects. Very often major importers end up setting up their own production facilities in sourcing countries. Thus, local entrepreneurs should be encouraged, and existing investors should be nurtured to expand and diversify their investments, premised on a well-crafted "investor aftercare strategy". Furthermore, foreign investors should be identified and attracted to invest in export-oriented activities in Malawi. To properly address

issues and opportunities related to mobilizing higher levels of investments, including FDI, it is proposed that Malawi develops and implements a new National Investment Strategy. Technical assistance could be solicited from development partners for such an initiative.

Effective implementation of the Strategy. To realise the full benefits of the Strategy, it is imperative that the Strategy and its Action Plan should be effectively and efficiently implemented. It is also proposed to review the NES II implementation mechanism after its first year to ensure its effectiveness, and to make necessary changes where needed.

Establish a robust Monitoring and Evaluation, and Risk Management Framework. As the strategy is rolled out for implementation, its various components, more particularly the set goals, objectives and deliverables should be closely monitored and measured and updated to respond to changing conditions by taking timely corrective actions. It is proposed to conduct annual in-house appraisals and an external mid-term review in year 3 (2023). A final full-term review should also be conducted at the end of the Strategy period (2026).

**To realise the full benefits of the Strategy,
it is imperative that the Strategy and its
Action Plan should be effectively and
efficiently implemented.**

MAP OF MALAWI

Figure 1: Map of Malawi



Source: Worldometer

SECTION I

1.0 BACKGROUND AND CONTEXT

1.1 The Background

Malawi completed its first National Export Strategy (NES I), for the period 2013 to 2018, aiming at forging **“a dynamic and competitive export sector to match rising import trends by building and diversifying the productive base of the economy”**. The Government of Malawi (GoM), through the former Ministry of Industry, Trade and Tourism (MoITT), sought and secured technical and financial assistance from the Commonwealth Secretariat to review the NES I and develop a Successor National Export Strategy for Malawi for the period 2021-2026 (NES II).

A comprehensive review of NES I, was a prerequisite to developing this successor strategy and was undertaken from November 2018 to June 2019. The overarching objective of the review was to understand the extent to which the NES I deliverables were achieved, collate lessons learnt from the implementation of the Strategy, identify challenges or missed opportunities in the operationalisation of the NES I Action Plan, and establish the achievements that should be grandfathered in this NES II.

NES I was thus, assessed with specific regard to its set objectives, expected deliverables, and outcomes achieved, in the context of the dynamic economic and geopolitical realities which have evolved since 2013. The review was premised on statistical and qualitative analyses of Malawi's trade performance based on information provided by the authorities in Malawi, analysis of trade data from the International Trade Centre (ITC), United States Trade Representative (USTR) and the United Nations International Trade Statistics Database (UN Comtrade). Extensive stakeholders' consultations in the style of one-to-one meetings, focused group meetings and national workshops were also conducted to understand the impact of NES I on the economy in general and the sectors in particular. The results of the review were validated at a National Stakeholders' Workshop in Lilongwe in June, 2019.

The review informed the Government of Malawi in the development of this second National Export Strategy for the period 2021-2026. The underlying philosophy of NES II remains the same as its predecessor: To substantially increase the exports of goods and services from Malawi. The successor strategy is evolutionary and builds on the achievements of NES I.

As outlined in the Terms of References (TORs) of the assignment, the following are the objectives of NESII:

- To increase the contribution of exports to the economic and social transformation of Malawi by focusing on employment creation, foreign exchange earnings, technology transfer, strengthening business and industrial linkages, and ensuring sustained, inclusive, balanced and sustainable development.
- To increase the value and diversification of exports, contributing to a more diversified export earnings base.
- To enhance the competitiveness of Malawi's exports through developing supply side capabilities; improving the quality of the business operating environment; reducing the cost of doing business; and enhancing demand side conditions through improved marketing support and branding.
- To enhance coherence of export support policies, improve institutional coordination and strengthen the capacity for export support institutions to effectively provide adequate services to the export sector, increasing exporters' competitiveness in global markets.

1.2 The Context -The Successor Strategy

The successor strategy to NES I is set in the dynamic and turbulent backdrop characterised by (i) renewed political stability and economic dynamism following the presidential election re-run in June 2020 and the taking of office of the New Administration of Tonse Alliance, (ii) missed opportunity of NES I, (iii) a fast globalising world

economy characterised by cut-throat competition for market share, (iv) advent of disruptive technological advances, (v) on-going trade dispute between the USA and China, (vi) Brexit, (vii) faster regional integration in Africa, (viii) heightened commitment to Sustainable Development Goals, and (ix) more particularly, the Coronavirus (COVID-19) pandemic. The COVID-19 pandemic has created a New Normal characterised by significant changes in human behaviour, business and industry landscape, distribution and logistics, work ethics, government administration, international travel, geopolitical repositioning, among others. Worst, this is only the beginning of the revolutionary transformation with deep implications for business in general and international trade in particular.

Each of these elements is a game-changer, with substantial impact on international business, in general, and, on exports in particular. At the domestic level, the trade flows of Malawi remain skewed in favour of higher imports. Malawi continues to experience a persistently negative balance of trade for over the last two decades. In fact, Malawi's trade deficit has effectively worsened over the NES I period. Exports declined in value terms and Malawi is exporting fewer products and to a lower number of markets.

The conception, design, and development of the successor NES of Malawi is premised on a comprehensive Review of the NES I, extensive stakeholders' consultations, in-depth analysis of statistics and data, thorough review of Malawi's economic policy documents, strategies and plans, and a synthesis and comparative analysis of peer economies. The review also examined Malawi's NES I operating system, resource mobilisation plan and its governance structure.

The successor strategy to NES I is set in the dynamic and turbulent backdrop characterised by (i) renewed political stability and economic dynamism following the presidential election re-run in June 2020 and the taking of office of the New Administration...

The essence of the review was to identify what needs to be retained and what needs to be changed for Malawi to be competitive and to remain relevant to regional and global markets.

1.2.1 The Scope of NES II

The NES II is informed and guided by Malawi's frontline National and Sectoral Strategies and Plans, including the perspectives of the new vision, Malawi 2063, MGDS III and more importantly, stakeholders' viewpoints. The scope of the Malawi National Export Strategy II (NES II), 2021–2026 is to, *inter alia*,

- 1) Provide a shared national vision for a National Export Strategy and an economic development agenda,
- 2) Address trade opportunities and challenges,
- 3) Unravel new value chain opportunities,
- 4) Increase policy coherence and convergence,
- 5) Build institutional alignment and inter-agency cooperation,
- 6) Outline a roadmap for key sectors with export development potential,
- 7) Identify and address cross-cutting issues impeding development of exports, and
- 8) Establish more formal linkages between trade and other developmental dimensions, namely investment, inclusive and sustainable growth, economic diplomacy, among others.



Olayinka Bandeke from Commonwealth Secretariat

Going forward, the NES II endeavours to identify creative territories in terms of new ways and means for developing and promoting exports from Malawi with emphasis on:

- a) Trade in Goods – exports of merchandises comprising both traditional and non-traditional exports to existing and emerging regional and international markets;
- b) Trade in Services – exports of services,
- c) E-Commerce and E-governance – the former describes the buying and selling of products and services digitally, and the latter relates to delivery of government services to citizens and businesses via the electronic medium; and
- d) Cross-cutting issues that have direct bearing on economic development and which must be put in place.

1.2.2 The Purpose

The purpose of NES II is to consolidate, expand and diversify exports of goods and services from Malawi in both value and volume terms. The Strategy will include concrete proposals to respond to the needs identified by the stakeholders, in general, and that of the business community, in particular. It will have a particular focus on the COVID-19 pandemic and its implications on export trade. It will identify products which have strong potential for export growth and markets (regional and international) which present the most promising opportunities. The strategy will also identify and address cross-cutting issues, with particular focus on policy, institutional, administrative, and funding preconditions, towards creating an enabling ecosystem conducive for the development and growth of exports from Malawi.

The purpose of NES II is to consolidate, expand and diversify exports of goods and services from Malawi in both value and volume terms.

The Strategy recommends concrete and tested measures to boost exports of goods and services from Malawi. The most preferred route to boosting exports is by consolidating Malawi's share of its traditional export markets, increased penetration into new markets, and increased the range of exported products and services from Malawi.

1.2.3 NES II: The Technical Approach and Methodology

The National Export Strategy (NES II) and its ensuing Action Plan, for the period 2021 - 2026, were premised on key lessons from the NES I, drawing lessons from its challenges and building on its achievements, extensive analysis of available information and intelligence, comprehensive consultations with key stakeholders from the public and private sectors, major Development Partners (DPs) in Malawi, and, extensive benchmarking of performing export-oriented economies.

The preparation of NES II was informed by past, present and planned strategic orientations and headline policies of the Government of Malawi, more precisely the following: Malawi 2063 (strategic orientation); Malawi Vision 2020; Malawi Growth and Development Strategies (MGDS) I, II & III (2017-2022); National Trade Policy 2017-2021; National Industrial Policy 2017-2021; National Agriculture Policy 2017/18-2022/23; Malawi AGOA Response Strategy 2018; National Tourism Policy; National Transport Master Plan; National Gender Policy 2015; National Employment and Labour Policy; National Strategy for Financial Inclusion 2010-2014; Malawi Financial Sector Development Strategy II 2017-2022; Micro, Small and Medium Enterprises Survey 2019; Malawi Diaspora Engagement Policy (2017), Malawi Foreign Policy, and Market Analysis Report on PRIDE 2019.

Additionally, the strategy was informed by Malawi's regional and international commitments, with particular focus on: WTO commitments on trade in goods and services; UN Sustainable Development Goals (SDGs) - Agenda 2030; African Union Agenda 2063; SADC Regional Indicative Strategic Development Plan (Revised RISDP); SADC Regional Agriculture Policy; SADC Regional Industrialisation Agenda; and COMESA Industrial Strategy 2017-2026.

Extensive consultations were conducted with key public and private stakeholders,



Cross section of participants to one of the consultative meetings towards development of NES II

development partners, and economic operators. The consultations were structured around key informant interviews, visits to economic operators, focused group meetings, and regional and national consultation and validation workshops. Additionally, a team of experts attended one of the SWG meeting in Lilongwe, as observer. The Team had structured meetings with the Chairpersons of four out of six TWGs in Lilongwe and Blantyre and held a series of key informant interviews with officers from Trade Support Institutions (TSIs), development partners, as well as private sector economic operators.

The consultations were conducted in seven sessions, viz:

- a) Kick off meetings in Lilongwe and Blantyre (27-30 November, 2018)
- b) Experts visits to Lilongwe and Blantyre (2-6 April, 2019)
- c) National Validation Workshop of NES I Review Report in Lilongwe (24 June, 2019)
- d) National Consultation Workshops in Lilongwe (2 days) and Blantyre (1 day) (30 September-4 October, 2019);
- e) Follow-up one to one meetings, in

Lilongwe, post the National Consultation Workshop (30 September-10 October, 2019);

- f) Validation workshop by the Technical Taskforce of the SWG held in Salima (March 2020)
- g) National Validation Workshop by video conference (28 July, 2020); and
- h) High level Consultation with the Minister of Trade (19 October, 2020).
- i) High Level consultation meeting on the Final Draft Strategy with PS's of the key NES II implementing Ministries (19 May, 2021)
- j) TIPSWAp Sector Working Group Consultation meeting on the endorsement of the Final Draft Strategy (28 June, 2021).

A synchronised 3-D (Diagnose, Design and Deploy) model was used to develop the Strategy, which will be further enhanced with a Monitoring and Evaluation Framework to measure progress towards achieving the set policy objectives and planned results of the Strategy as well as for any risk management.

The 3-D model below offers the logical framework for the strategy design and development:

Table 1: 3-D model

The 3-D model	
DIAGNOSE	
a)	Prioritization of sectors/cross-cutting issues and the engagement of stakeholders will be conducted in close collaboration of Ministry of Industry and Trade, the six TWGs, leading trade support institutions and key economic operators;
b)	Propose Action Plans for each priority sector and cross-cutting issues, ownership/implementing agency, resource requirements, expected timeline, risks, shall be firmed up through consultations.
c)	Draft NES and its Action Plan will be presented for validation at a National Workshop of same at a national consultative symposium.
d)	Incorporate valuable feedback and suggestions into the final Strategy and Action Plans
e)	The Final NES II document and Action Plan received by government

NES II will be mindful of the changes ushered by the COVID-19 pandemic and its implications for business, more particularly, export business from Malawi.

DESIGN	
a)	Prioritization of sectors/cross-cutting issues and the engagement of stakeholders will be conducted in close collaboration of Ministry of Industry and Trade, the six TWGs, leading trade support institutions and key economic operators;
b)	Propose Action Plans for each priority sector and cross-cutting issues, ownership/implementing agency, resource requirements, expected timeline, risks, shall be firmed up through consultations.
c)	Draft NES and its Action Plan will be presented for validation at a National Workshop of same at a national consultative symposium.
d)	Incorporate valuable feedback and suggestions into the final Strategy and Action Plans
e)	The Final NES II document and Action Plan received by government
DEPLOY	
a)	Detailed action matrix to support NES II implementation will be developed by working closely with key implementing agencies
b)	An annualized implementation plan for 2021 - 2022 will also be submitted
c)	Presentation of draft implementation plan to stakeholders at a national consultative symposium
d)	A mechanism to monitor the implementation of the strategy, including templates to be used by implementing agencies
e)	Final Implementation Plan
f)	Capacity building of the NES II implementing agency (optional)

Source: CITC

1.2.4 Structure of the NES II

The Strategy is structured in four sections as follows:

Section I covers two chapters and presents in Chapter 1, the background and context, and in Chapter 2, a general outline of the Malawian economy, Malawi's trade performance, the challenges, an assessment of NES I and a SWOT analysis. This section also sets the scene for the design of NES II, its rationale and the proposed methodology for the design and development, including a benchmarking of export promotion in similar land linked countries.

Section II presents in Chapter 3, the strategic orientation for the design of NES II, with specific

regard to product, market prioritisation and highlights the main cross-cutting issues.

Section III presents in Chapter 4, the strategic framework of NES II and defines the vision, the strategic goals, strategic objectives, the key results areas and key performance indicators.

Section IV covers two chapters. Chapter 5 presents a five-year Action Plan 2021-2026, and Chapter 6, the Implementation Framework of the Strategy, including the Resource mobilisation plan and the Result Chain Framework with focus on Log frame matrix and a Theory of Change. The concluding Chapter 7 presents the Conclusions and sets out the Recommendations for NES II.

2.0 INTRODUCTION

Exports play an important role in the development and growth of any economy and pursuing an export-led growth is one of the preferred policy options of many governments to spur economic growth. They generate much needed foreign exchange earnings, create jobs, mobilize investments, including foreign direct investment (FDI), promote industrial diversification, strengthen cluster development and business linkages, promote technology transfer and innovation, encourage domestic entrepreneurship development, strengthen the formal sector, and improve the brand equity of the country, amongst other benefits. Exports are critical for Malawi to reduce its chronic balance of trade deficit, empower the large number of farming communities, with special attention to small land holders, spur industrialisation and industrial diversification, accelerate technology transfer, improve beneficiation of local resources, and strengthen domestic entrepreneurship, more particularly Micro, Small and Medium Enterprises (MSMEs), including women and youth entrepreneurs, and small-scale farmers. The Government of Malawi has been consistent in its effort to promote export-led industrialisation by offering generous fiscal and non-fiscal incentives for exporting from Malawi. Industrialisation is again taking centre stage as one of the three pillars for the Malawi 2063.

The Malawi National Export Strategy (2021-2026) - NES II, is set in the background of over two decades of negative balance of trade, overdependence on the exports of a few unprocessed or little processed commodities, of which tobacco alone accounts for 54.9% of total exports. Other leading exports products for 2019 comprise sugars and sugar confectionery (9.4%); tea, coffee, mate and spices (9.2%); oil seeds and oleaginous fruits (6.7%); and vegetables, roots and tubers (4.4%), to mention the main exports from Malawi. Malawi's exports are also concentrated to the regional eastern and southern African markets (SADC & COMESA) (36%), followed by a small number of countries within the European Union (EU 28) (32%), Asia

(6%), and the United States of America (5%). The UK accounted for 3% of Malawi's exports in 2019.

NES II will be mindful of the changes ushered by the COVID-19 pandemic and its implications for business, more particularly, export business from Malawi. The pandemic and its lockdowns and restrictions have re-casted business priorities, with rising interest in "produce and consume local", fast digitalisation of trade with e-commerce, new ways of working and workplaces, advent of technology, inspiring leadership, and new business models.

2.1 The Economy

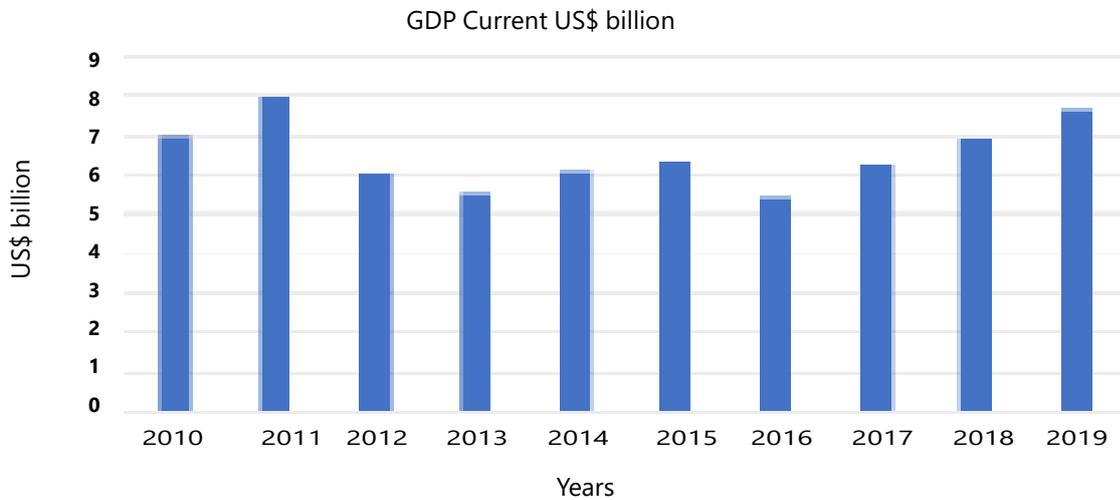
Malawi is a land linked country in south-eastern Africa, bordered by Tanzania to the north, Zambia to the west, and Mozambique to the east, south and west. It spans over 118,484 Km² representing 0.40 % of Africa's land mass but is bigger than Belgium, Luxembourg, The Netherlands, and Switzerland put together. Malawi has a population of around 18.6 million people (2019) and is one of the most densely populated countries in Africa. Presently over 83% Malawians live in rural areas. Malawi was ranked 5th in the world (in 2018) with the highest population living in rural areas. However, the country is fast urbanising. Approximately 50.7% of the population still lives under the poverty line of below USD 1 a day and about 25% of the population living in abject poverty. Malawi is one of the 47 Least Developed Countries (LDCs) on the United Nations (UN) list and is classified 19th LDC as per the Human Development Index (HDI 2020) with a score of 0.477. Malawi remains one of the poorest countries in the world, with a GDP per capita of USD 442 (World Bank - October 2020). As per the World Bank (October 2020), the Gross Domestic Product (GDP) of Malawi was USD 7.7 billion.

According to the Annual Economic Report 2020, Ministry of Finance, Economic Planning and Development, Malawi's GDP for 2019, at current prices, was 6,041,499 million MWK, compared to 5,258,631 million MWK for 2018.

The Malawi National Export Strategy (2021-2026) - NES II, is set in the background of over two decades of negative balance of trade, overdependence on the exports of a few unprocessed or little processed commodities, of which tobacco alone accounts for 54.9% of total exports.

The figure below provides an overview of Malawi's economic growth trajectory over the last 10 years in USD terms.

Figure 2: GDP for last 10 years



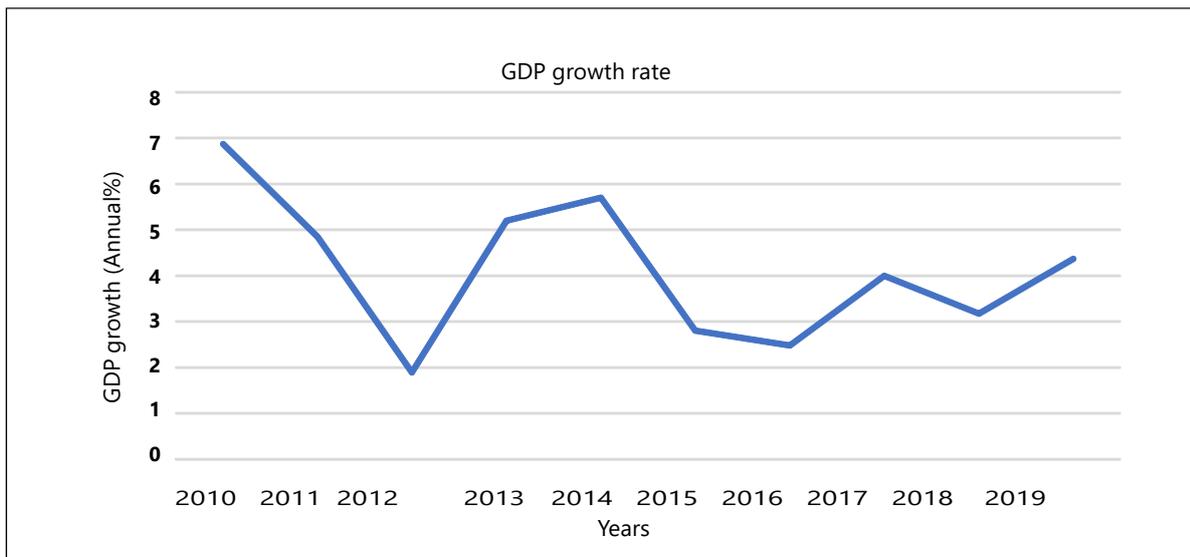
Source: World Bank (October 2020)

It is important to emphasise that Malawi has, over the last decade, enjoyed sustained economic growth, successfully weathering many economic crises, maintaining an economic growth rate higher than the average world GDP growth (<2%). It remains at par with Africa's economic outlook, averaging 4% annual growth. Malawi's GDP growth peaked in 2009 to decline thereafter, flooring to less than 2% in 2012. The

economy has since rebounded on the strength of continued political and social stability, good governance, and prudent economic management.

However, the prospects for the coming years remain uncertain mainly due to the negative impacts of Covid-19 pandemic. The figure below provides a snapshot of Malawi's growth performance over the last decade.

Figure 3: Malawi GDP annual growth rate



Source: World Bank (October 2020)



2.2 Sectoral Contribution to GDP

Malawi's is a small open economy and is largely services-oriented, with services accounting for 55.7% of Malawi's GDP in 2019, (Annual Economic Report 2020). The other major contributors to GDP are: (i) Agriculture representing 27.1% of GDP, and (ii) Manufacturing sector contributing 9.1% to GDP, and other activities (taxes-subsidies) accounting for 7.3% of GDP.

The services sectors of Malawi comprises (projection at Constant 2010 prices): Wholesale and retail trade (15.9), Real estate (7.5%), Financial and insurance activities (5.4%), Information & Communication (4.7%), construction 2.9%, Accommodation and food services (2.14%), Transport and logistics (2.7%), Education (2.9%), Health and social works activities (2.9%), Professional and administrative services (0.3%), and other Services (5.1%).

Agriculture remains the cornerstone of Malawi's economy, with more than 83% of its people living in the rural area and engaged in agriculture and agriculture-related activities. Agriculture, forestry and fishing contribute 27.1% to GDP, comprising crop and animal production (18.7%) and forestry and logging (6.7%), and fishing and aquaculture (1.2%). The main agricultural commodities include (i) cash crops like tobacco, sugar, tea, coffee and cotton, (ii) food crops like maize, rice, sorghum, cassava, nuts, bananas, potatoes, peas, beans, yams, mangoes, tomatoes, chillies, among others, (iii) livestock and poultry and (iv) fisheries. However, agriculture, being mostly rain-fed, remains vulnerable to the vagaries of nature (drought,

floods, cyclones), to regular commodity price fluctuations, and a wide range of external shocks (trade disputes, wars, terrorism, market failures in partner countries, competition), amongst other uncertainties.

The manufacturing sector contributes 9.1% to GDP. The main industries of Malawi are tobacco and cigarette production, tea and coffee, cane sugar and sugar confectionaries, and a varied range of agro-processed products including oil seeds and residues and waste of food industries, spirits, and beverages.

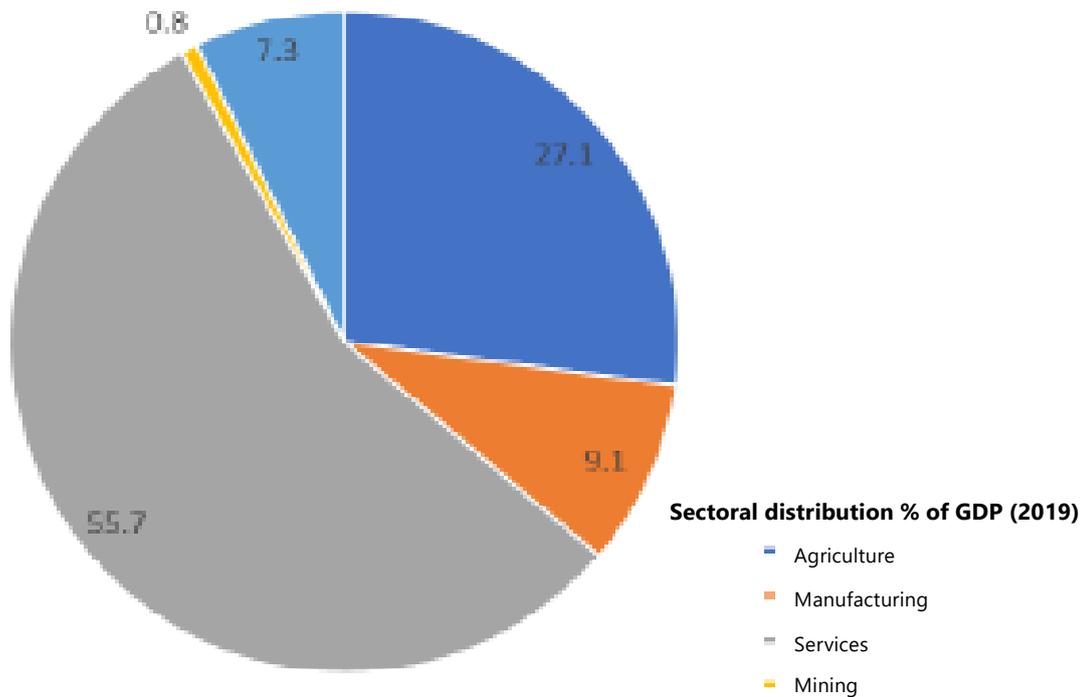
Other activities in the manufacturing sector include, textile and clothing, pharmaceuticals, wooden products (fibreboard and plywood), footwear, sacks & bags, packaging materials, leather, hides and skins, construction materials.

Industrialisation was identified as an engine of growth in the Malawi 2063. However, the manufacturing sector's contribution to GDP and employment creation has remained weak and is declining.

Nevertheless, the Government of Malawi (GOM) is committed to achieving economic growth through industrialisation and structural transformation of the economy. The emphasis is on the diversification of the industrial base through beneficiation (value-addition on domestic resources), optimisation of Regional Value Chains (RVCs) and Global Value Chains (GVCs). Malawi wishes to optimise the preferential market access opportunities that "Made in Malawi" products enjoy in several important regional and global marketplace.

The figure below provides an outline of the sectoral distribution of the Malawian economy as at 2019 (constant prices 2010).

Figure 4: Sectoral distribution of the economy



Source: Constructed using data from the Annual Economic Report 2020 – MoFEDP

Note:

1. It is projected that the contribution of agriculture, manufacturing and services sectors to GDP will remain stable with little changes in 2020 -2021.
2. Malawi is a Factor Driven Economy (an economy heavily dependent on its labour and natural resources for development). Higher development matrix includes Efficiency Driven Economies and Innovation Driven Economies.
3. Malawi’s economy, in every sector, is mainly dominated by a few large companies, mostly foreign owned and controlled mostly by Multinational Corporations (MNCs). However, an increasing number of medium sized domestic enterprises are entering the farm/factory to consumer/export value chains.
4. The space and scope for micro and small enterprises, including women and youth entrepreneurs, to enter global trade is still limited. This target group operates mostly in the informal cross-border trade.

2.3 Malawi’s Trade Performance

Malawi is a relatively small trading nation, with trade in goods and services representing 58% of GDP, in 2019 (GDP=USD 7,67 billion). In 2019, exports of goods and services as a percentage of GDP were 14.2% and imports of goods and services as percentage of GDP were 42.7%. Total exports of merchandise from Malawi to the world, in 2019, were USD 912,983 thousand, while total imports were USD 2,941,148 thousand, Thus representing trade deficit of USD 2,028,165 thousand.

Trade in services for the same year registered a deficit of USD 156,126 thousand of which services export was USD 179,001 thousand and services import was USD 335,127 thousand respectively. Exports of services accounted for only 16.4% of total exports of goods and services. Exports of goods and services contribute only USD 58.30 per head, while imports represent USD 174.93 per capita. The table below provides an overview of the trade performance of Malawi for the period 2012-2019.

Table 2: Trade performance of Malawi for the period 2012–2019

US\$ '000	2012	2013	2014	2015	2016	2017	2018	2019
Export of Goods	1,286,728	1,181,511	1,432,127	1,106,631	1,035,099	889,126	879,825	912,983
Export of services	105,267	111,025	109,398	116,352	113,928	143,528	167,739	179,001
Total exports	1,391,995	1,292,536	1,541,525	1,222,983	1,149,027	1,032,654	1,047,564	1,091,984
Import of goods	2,674,844	2,783,972	2,801,281	2,348,475	2,231,866	2,562,126	2,707,070	2,941,148
Import of services	227,444	245,082	268,765	329,281	249,070	294,190	325,184	335,127
Total imports	2,902,288	3,029,054	3,070,046	2,677,756	2,480,936	2,856,316	3,032,254	3,276,275
Trade Deficit	-1,510,293	-1,736,518	-1,528,521	-1,454,773	-1,331,909	-1,823,662	-1,984,690	-2,184,291

Source: Calculation using ITC data (October 2020)

Note:

1. The chronic trade deficit of Malawi is mainly due to its exports trend failing to match its imports trend.
2. Total imports remain high but have increased but marginally by only 13% from 2012 to 2019. However, exports have declined continuously.
3. Total exports in 2019 represented only 78% of its performance in 2012.
4. Contribution of export of services to GDP (2.3%) and to total exports of goods and services (16.4%) remains low.
5. The peak export performance of 2014 was mainly due to bumper exports of:
 - a) Cane sugar to Italy, Portugal, UK, Belgium, and Uganda
 - b) Black tea to UK and Poland
 - c) Cotton, not carded/combed to UK and Portugal
 - d) Peas, dried & shelled to Zimbabwe and UK
 - e) Maize seed for sowing to Zimbabwe and Uganda

Exports have always been and remain a priority for Malawi. The Government is deeply engaged in developing an export-led growth economy and has continuously enhanced its support through well-structured fiscal and non-fiscal incentives to registered exporters. The table provides an overview of GOM’s initiatives to developing exports from Malawi.

Table 3: Fiscal & Non-fiscal incentives to develop exports from Malawi

Fiscal Incentives	Non-Fiscal Incentives
<ul style="list-style-type: none"> ▪ Annual allowance on qualifying assets on a decreasing balance basis ranging from 2.5% for commercial buildings costing more than MWK 100 million to 33.3% on trucks and tractors ▪ Initial allowance on capital expenditure during the year of acquisition between 10% on industrial building and 33.3% for farm fencing ▪ Investment allowance to manufacturer equal to 100% of the cost of new and unused industrial plant and machinery and 40% on the cost of used industrial building, plants, and machinery ▪ Transport tax allowance of 25% on international transport costs (cif) ▪ Export allowance: <ol style="list-style-type: none"> a) 22% tax allowance on export proceeds excluding unmanufactured tobacco, tea, coffee, and cane sugar; b) No duties and VAT on imports of capital equipment used mainly in the manufacture of exports; <ol style="list-style-type: none"> (i) Duty drawback on imported raw materials including packaging materials made locally for manufactures in bond; 	<ul style="list-style-type: none"> ▪ Merger of the Malawi Investment Promotion Agency and the Malawi Export Promotion Council to created Malawi Investment and Trade Centre to offer an integrated and holistic support, in 2011, to the business community ▪ Strong commitment to regional integration. Membership to both COMESA and SADC RECs and adherence to the COMESA-EAC-SADC TFA, and the AfCFTA ▪ Ratification of the Bali Trade Facilitation Agreement ▪ Establishment of the National Trade Facilitation Action Plan to making trading across borders easy, transparent, faster and cheaper, setting of One Stop Border Post (OSBP), launching of the National Single Window (NSW) initiative ▪ Establishment of the Export Development Fund ▪ Efforts to improve the overall business climate for doing business in and from Malawi ▪ The National Export Strategy 2013-2018 and the Malawi AGOA Response Strategy 2018 ▪ Trade support institutions and programmes: Malawi Standards Bureau, Malawi Agriculture and industrial Investment Co-operation, export readiness capacity building training, assistance to MSMEs, among others.

<p>(ii) No excise taxes and VAT on purchases of raw materials and packaging materials made in the country for manufacturing in bond</p> <ul style="list-style-type: none"> ▪ Additional incentives under the Export Processing Zones (EPZ) Act of 1995, namely: <ul style="list-style-type: none"> - No withholding tax on dividends - No duty or capital requirement on capital equipment and raw materials - No excise taxes on purchases of raw materials and packaging materials made in Malawi - No VAT on inputs and export produce/manufacture 	
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Source: Info collected from GOM documents

2.3.1 Main Exports from Malawi

The export basket of Malawi is narrow and concentrated in a few products, mostly agricultural and agro-processed products: tobacco, tea, sugar and coffee, cotton, edible nuts, oil seeds and residue. Exports of agriculture and agro-processing accounted for over 80% of total exports and of which tobacco alone contributed 55% in 2019.

The table below provides overview of the top 10 exports products from Malawi.

Table 4: Malawi's key export products (2019)

SN	Chapter	Product Description	Value in USD'000	% in total Exports
1	24	Tobacco and manufactured substitute, of which <ul style="list-style-type: none"> • Unmanufactured tobacco, tobacco refuse • Manufactured tobacco & tobacco substitutes 	501,449 498,465 2,984	55
2	17	Sugars and Sugars Confectionery <ul style="list-style-type: none"> • Cane or beet sugar and chemically pure sucrose, in solid form • Sugar confectionery not containing cocoa, incl. white chocolate 	85,506 85,419 87	9
3	09	Coffee, tea, mate and spices <ul style="list-style-type: none"> • Tea, whether or not flavoured • Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes ... • Other Coffee products 	83,713 80,097 2,711 906	9
4	12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds, and fruit; industrial or medicinal ... <ul style="list-style-type: none"> • Groundnuts, whether or not shelled or broken (excluding roasted or otherwise cooked) • Soya beans, whether or not broken • Other Oil Seeds products 	61,246 40,282 17,368 3,596	7
5	07	Edible vegetables and certain roots and tubers <ul style="list-style-type: none"> • Dried leguminous vegetables, shelled, whether or not skinned or split • Other Vegetables products 	39,934 39,633 299	4

SN	Chapter	Product Description	Value in USD'000	% in total Exports
6	08	Edible fruit and nuts; peel of citrus fruit or melons <ul style="list-style-type: none"> • Other nuts, fresh or dried, whether or not shelled or peeled (excluding coconuts, Brazil nuts ... • Dates, figs, pineapples, avocados, guavas, mangoes, and mangosteens, fresh or dried 	32,019 31,168 851	4
7	23	Residues and waste from the food industries; prepared animal fodder <ul style="list-style-type: none"> • Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ... • Other Residue Products 	26,155 21,783 4,372	3
8	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof <ul style="list-style-type: none"> • Automatic data-processing machines • Parts suitable for use solely • Self-propelled bulldozers, • Manufacture of products from these materials, ... • Other Machinery products 	10,863 2,760 1,305 1,252 1,224 4321	1
9	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof <ul style="list-style-type: none"> • Special purpose motor vehicles (other than those principally designed for the transport of ... • Motor vehicles for the transport of goods, incl. chassis with engine and cab • Motor cars and other motor vehicles principally designed for the transport of persons, incl. ... • Other Vehicles product 	8,730 4,362 1,801 1,568 998	1
10	44	Wood and articles of wood: wood charcoals <ul style="list-style-type: none"> • Fibreboard of wood or other ligneous materials • Plywood, veneered panel, and similar laminated wood • Other wood products 	7,948 4,580 1,998 1,370	1
11	52	Cotton <ul style="list-style-type: none"> • Cotton, neither carded nor combed • Woven fabrics of cotton, containing $\geq 85\%$ cotton by weight and weighing $\leq 200 \text{ g/m}^2$ 	4534 4503 31	1
		Other than top 11 exports	50,887	6
		TOTAL	912,983	100

Source: ITC Trade Map (October 2020)

Note:

1. Malawi is primarily an exporter of agricultural and agro-processed goods.
2. Tobacco alone accounts for 55% of total exports.
3. The tobacco, tea, coffee, and cane sugar products account for over 70% of total exports.
4. Emerging export products include oil seeds and oleaginous fruits, edible fruits and vegetables, and residues & waste from the food industries.
5. The top 10 export products account over 94% of total exports from Malawi.

Box 1: Types of Exporters

Types of Exporters In any country there are different types of exporters, operating at different levels of maturity and sophistication, and market outreach. While some concentrate on the regional markets, other target the international markets, any some servicing both the regional and international markets. Additional some operate informal cross-border trade. In Malawi, there are five types of exporters.

GLOBAL EXPORTER	Firms work primarily for export markets, exporting one or few products to several customers world wide. This is usually a large scale company and the firm is not interested in the local market
REGULAR EXPORTER	Firms are successful on the local market and regularly export to one or few client(s). Firms are medium to large scale operator and interested to become global exporter
OCCASIONAL EXPORTER	Firms/Entrepreneurs are successful on the local market and occasionally do exports, either through referrals or through promotions
FIRST-TIME EXPORTER	Firms/Entrepreneurs that are successful on the domestic market and have managed to do one export order, either by accident or by referral. Firm is not fully export ready
INFORMAL CROSS-BORDEWR TRADERS (crossing the borders to buy and sell products)	Traders/Entrepreneurs who carry the products across the border to sell

Source: Developed by CITC using stakeholders' view

2.3.2 Main Imports into Malawi

Malawi is a net importer country and suffers from chronic trade imbalance, to the scale of an import to export ratio of more than 3:1 in 2019. Malawi's main imports were fuels, fertilisers, machinery and equipment, vehicles, electrical and electronic products, pharmaceuticals and a whole range of consumer goods.

The table below provides an overview of Malawi's top imports in 2019.

Table 5: Top ten imported products in Malawi in 2019

SN	Chapter	Product Description	Value in USD'000	% in total imports
1	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	293,759	10.0
2	49	Printed books, newspapers, pictures, and other products of the printing industry; manuscripts, . . .	282,319	9.6
3	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	237,324	8.1
4	27	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral . . .	232,006	7.9
5	31	Fertilizers	214,892	7.3
6	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	214,766	7.3
7	30	Pharmaceutical products	176,279	6.0
8	73	Articles of iron or steel	130,513	4.4
9	39	Plastics and articles thereof	115,690	3.9
10	72	Iron and steel	74,573	2.5
Other than top 10 imported products			969,027	33.0
TOTAL			2,941,148	100

Source: ITC Trade Map (October 2020)

Note:

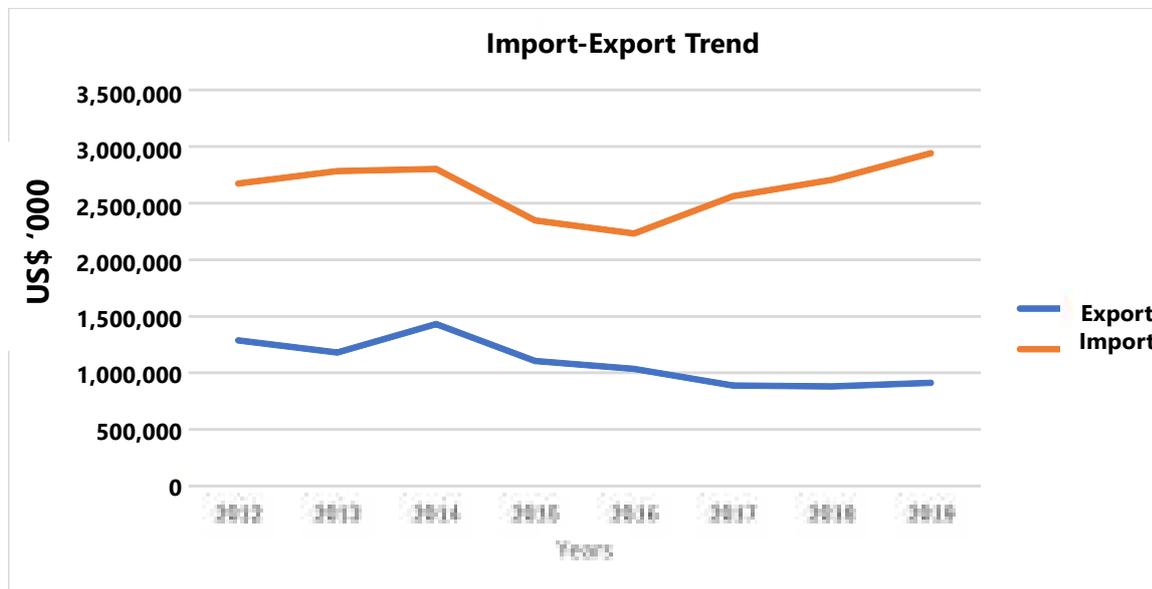
1. Imports into Malawi remain higher than its exports.
2. According to UNECA, Malawi is the smallest net importer of basic food for the period 2016 – 2018.

2.3.3 Chronic Trade Imbalance

Malawi has experienced structural chronic trade imbalance, over the last two decades, with imports outstripping exports and the trade gap between exports and imports of goods has continued to increase. In 2019, the trade deficit represented 200% of exports value. The trade gap and the public debt to exports continue to grow.

The figure below depicts the growing trade imbalance of Malawi for the period 2011–2019.

Figure 5: Import-Export trends of Malawi from 2011 to 2019



Source: Constructed from ITC Trade Map data

Note:

1. The public debt to export ratio measures a country’s independent sustainability and its capacity to cover trade imbalance.
2. The debt to export ratio is used to calculate a country’s total amount of debt in comparison to its total amount of exports.
3. Malawi has a high public debt to export ratio of 4:1 . Total public debt in 2018 was USD 4,133 million and total exports were USD 1,037 million.
3. Malawi’s public debt in 2018 amounted to USD 4,133 million, representing 56.8% of GDP or USD 228 per inhabitant (population in 2018).
4. A high public debt to export ratio can be bridged by external borrowing, fiscal readjustment through economic authority measures, or aid for trade.

2.3.4 Malawi Trading Partners

2.3.4.1 Malawi's Sourcing Destinations

Malawi sources its imports mostly from Asia (China and India), the region (COMESA & SADC), the EU (EU 28) and the Middle East. The table below provides an overview of the top ten sourcing destinations for imports into Malawi.

Table 6: Malawi's top ten suppliers of goods (2019)

SN	Sourcing Destination	Import Value (USD '000)	Share of market (%)
1	China	541249	18
2	South Africa	490925	17
3	United Arab Emirates	279130	9
4	India	256707	9
5	United Kingdom	224219	8
6	Zambia	105277	4
7	Japan	101197	3
8	Kuwait	86511	3
9	Norway	83840	3
10	Tanzania, United Republic of	62768	2
	Rest of the World	709,325	24
Total imports		2,941,148	100

Source: ITC Trade Map (October 2020)

2.3.4.2 Malawi's export destinations

The export markets for "Made in Malawi" products are highly concentrated, within two regions, namely COMESA and SADC region (36%), and European Union (32%) taking the lion's share of Malawi's exports. Other emerging markets including Asia (China, 4%), the USA (5 the Russian Federation, and India). The table below provides an overview of the top 10 exports markets of Malawi.

Table 7: Top 10 export markets of Malawi (2019)

	Export Destination	Export Value (USD '000)	Share of market (%)
1	Belgium	151,139	17
2	Kenya	67,869	7
3	Egypt	65,729	7
4	South Africa	61,349	7
5	United States of America	49,912	5
6	Netherlands	36,156	4
7	China	35,293	4
8	Russian Federation	32,911	4
9	Tanzania, United Republic of	31,902	3
10	Zambia	31,094	3
	Rest of the World	349,629	38
TOTAL		912,983	100

Source: ITC Trade Map (October 2020)

Note:

1. Malawi, in 2019, serviced 21 countries of EU (28) member States. However, Belgium remains the single most important export market in the EU for Malawi, accounting 16.6% of total exports, followed by The Netherlands (4%), Germany (2.8%) and the UK (3.1%).
2. The UK withdrew from the European Union and considered a third country as of 1 February 2020.
3. Currently, the EU will comprise 27 countries -known as EU 27.
4. In Africa, the main export markets for Malawi are Kenya (7.4%), Egypt (7.2%), South Africa (6.7%). Other substantial regional markets include Tanzania, Zambia, Zimbabwe and Mozambique.
5. Malawi's trading relation with the region is characterized with trade surpluses with Egypt, Kenya, Rwanda and sustained trade deficit with South Africa, Zambia, Tanzania.

2.3.5 Malawi's Trade Preferences

Malawi is deeply integrated into the world market through its comprehensive network of bilateral, regional, and multilateral trade agreements. Malawi presently has a network of 32 preferential trade agreements, most of which are in force. The comprehensive list of Malawi's trade agreements is provided in the supplementary document 'NES II Annexures' under Annex 2.

"Made in Malawi" products enjoy preferential market access, predominantly Duty Free and Quota Free (DFQF) into (i) the European Union (EU) under the Everything But Arms (EBA) Initiative (ii) the United States of America (USA) under the Africa Growth and Opportunity Act (AGOA), (iii) the African sub-continent, mainly through its membership to the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). Malawi also benefits from preferential market access under Generalised Scheme of Preferences (GSP) and as a LDC from

several countries. These main trade agreements are:

2.3.5.1 The European Union Generalised Scheme of Preferences (EU-GSP)

The EU-GSP, applicable since 1 January 2014, offers non-reciprocal trade preferences to different group of countries under three arrangements of the scheme, namely: The GSP Scheme; The GSP+ Scheme, and The Everything but Arms scheme

Malawi is a beneficiary of the EU-GSP under the Everything but Arms (EBA) Scheme, under which scheme beneficiary countries (UN 49 LDCs, 2 of which have effectively graduated out of LDC) have full duty free and quota free access for all products except arms and ammunitions. EU is a main trading partner of Malawi. Prior, to opting for the EBA, Malawi was a beneficiary under the Lomé Convention and its successor Cotonou Agreement. The latter was set to expire in February 2020 and was extended to December 2020.

Made in Malawi" products enjoy preferential market access, predominantly Duty Free and Quota Free (DFQF) into (i) the European Union (EU) under the Everything But Arms (EBA) Initiative (ii) the United States of America (USA) under the Africa Growth and Opportunity Act (AGOA), (iii) the African sub-continent, mainly through its membership to the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

Note:

1. Most countries of the ACP have opted to enter into reciprocal Economic Partnership Agreement (EPA) with the EU post the Cotonou Agreement, which ended in December 2020. EU has put in place such agreements with the (i) the Cariforum-EU-EPA (Caribbean), (ii) the Pacific EU-EPA, (iii) the Eastern and Southern Africa-ESA-EU-EPA, (iv) the SADC-EU-EPA, and (v) the EU- West Africa-EPA, (vi) the Central Africa-EU-EPA, and (vii) the East African Community EAC-EU-EPA.
2. The EU-EPA offers market access that is significantly better than the GSP, whereby the EU will open its market completely from day one to EPA partner countries, while the other parties will remove import tariffs, only partially, over a 20-year transition period. Additionally, with every EPA the EU provides Aid for Trade (AfT) to the EPA Member States.
3. EBA beneficiaries cannot avail of the Extended Cumulation and Cumulation with Norway, Switzerland, and Turkey provisions.
4. The EPA is permanent with no end date, while the GSP is subject to periodic reviews and extensions.
5. The UK exited the EU as from 1 February 2020 with a transition period till 31 December 2020. There UK will determine its own market access policies post Brexit.



2.3.5.2 The African Growth and Opportunity Act – AGOA

The African Growth and Opportunity Act (AGOA) is a non-reciprocal unilateral trade preference program by the United States (US), enacted on 18 May 2000, and has been renewed four times and amended six times. The latest renewal was in 2015 for a period of ten (10) years up to September 2026. AGOA provides preferential market access, duty free access, into the US for products originating from eligible Sub-Saharan African (SSA) countries. The combined AGOA – GSP Program offers preferential market to over 6400 product lines from the 36 eligible SSAs. Malawi has been an AGOA beneficiary country since the start of AGOA on 2nd October 2000.

However, compared to its other peer Sub Saharan African (SSA) countries, Malawi is a relatively smaller exporter to the USA. Exports from Malawi to the USA in 2019 were USD 92,5 million compared to USD 56.6 million in 2018, representing an increase of 63.3%. However, the full potential of AGOA opportunities to Malawi is yet to be optimized. In this regard, Malawi is implementing its National AGOA Response Strategy (2018) to boost exports of “Made in Malawi” products to the US. The five products having the greatest potential for exports to the USA under AGOA and the US-GSP, as identified by the AGOA Response Strategy are: Macadamia nuts, Handicrafts, Honey, Mangoes, and Tea.

Note:

1. AGOA is a unilateral trade preference and is subject to annual (as well as out of cycle) review by the US President to determine the continued eligibility of beneficiaries, subject to the exporter country establishing or making continual progress towards the following:
2. Market -based economies,
3. The rule of law, political pluralism,
4. Elimination of barriers to US trade and investment,
5. Economic policies to reduce poverty, increase availability of healthcare and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs,
6. A system to combat corruption and bribery
7. Protection of internationally recognized worker rights, including the right of association, among others,
8. Does not engage in activities that undermine US national security or foreign policy interests, and
9. Does not engage in gross violations of internationally recognized human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities.
10. The US President may grant or withdraw AGOA/GSP benefits.
11. Beneficiary countries have no recourse to dispute settlement under the Act.

2.3.5.3 Southern African Development Community – SADC

The Southern African Development Community (SADC) was launched in August 1992 as the successor to the Southern African Development Coordinating Conference (SADCC), established on 1 April 1980. SADC is presently a regional grouping of 16 countries of southern Africa, of which thirteen (13) countries have liberalized their inter-member trade under the SADC-FTA. Only Angola, Democratic Republic of Congo and Comoros have yet to join the SADC-FTA.

SADC has a population of over 352 360 million people, a total GDP of USD 621 694 billion and a global trade in excess of USD 376 billion (2018). Intra-SADC trade was 16.9% of total SADC trade. Malawi is one of the founding members of SADC and is also a member of the SADC-FTA. Several SADC Member States are leading trade partners of Malawi, with South Africa and Tanzania in the lead role.

2.3.5.4 Common Market for Eastern and Southern Africa – COMESA

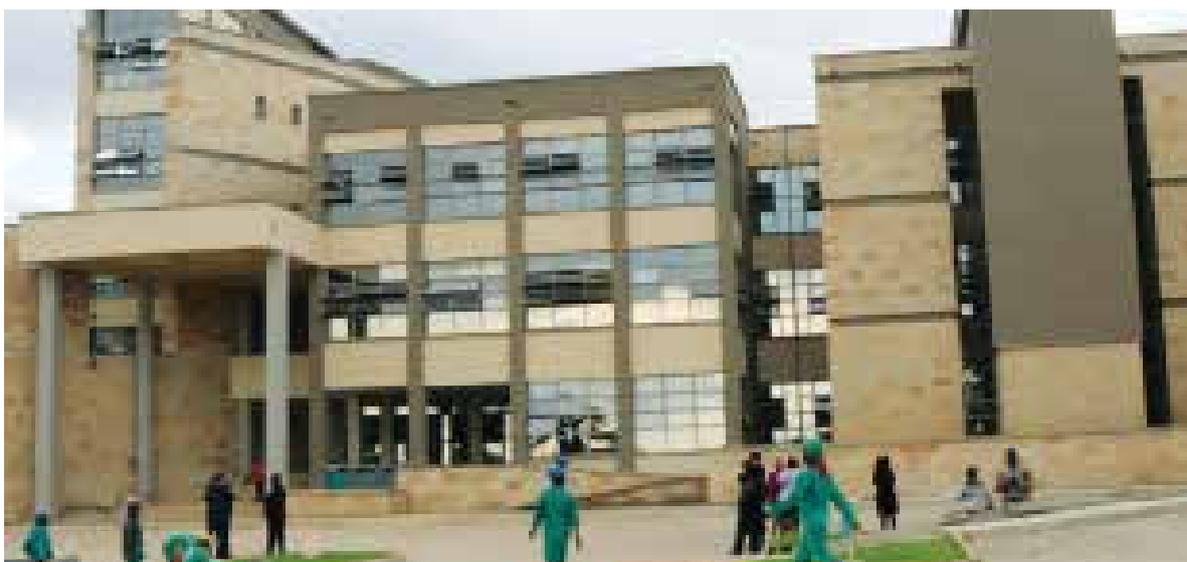
The Common Market for Eastern and Southern

Africa (COMESA) was launched in December 1994 as a successor to the former Preferential Trade Area (PTA), which was established in 1981. COMESA is a regional grouping of 21 countries and has a population of over 540 million people, a combined GDP of USD 714 billion and global trade in goods worth USD 235 billion. Intra-COMESA trade was 9.6% in 2018. The COMESA FTA was achieved on 31 October 2000. However, presently only 11 Member States have joined the COMESA FTA. Malawi is one of the FTA Member States. Leading trading partners in COMESA include Kenya, Egypt, and Zambia.

2.3.5.5 Other Market Access Preferences

Malawi is also a beneficiary of preferential market access under three distinct schemes:

1. Generalised Scheme of Preferences offered by four (4) developed countries,
2. Market preferences to LDCs offered by nineteen (19) countries, and
3. Bilateral Trade Agreements with four (4) countries.



Malawi Bureau of Standards laboratories in Blantyre, products of NES 1

Note:

1. SADC Members States are Angola, Botswana, Comoros, Democratic Republic of Congo (DRC), Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia, and Zimbabwe.
2. Angola, DRC and Comoros are not yet member of the SADC FTA.
3. COMESA Member States are Burundi, Comoros, DRC, Djibouti, Egypt, Eswatini, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia, and Zimbabwe.

2.3.6 Rules of Origin under different Trade Agreements

Rules of Origin (RoO) are the set of local processing requirements which must be fulfilled in order to confer originating status to a product in the exporting country so as to qualify for preferential market access into the importing country under a Trade Agreement. In most cases

these preferential market accesses provide for Duty Free and Quota Free (DFQF) treatment, or partial tariffs into the eligible market(s). The RoO defines the criteria that an exporter needs to satisfy to obtain a Certificate of Origin. The Rules of Origin Criterion under each of the four major trade agreements that Malawi is a party to is given in the supplementary reference document 'NES II Annexures' under Annex 3.

Note:

1. Malawi is a member of SADC and COMESA FTAs.
2. Malawi is a member of COMESA-ESA-SADC Tripartite FTA.
3. Malawi signed but not yet ratified the AfCFTA.
4. Malawi benefits from preferential market access under GSP into 4 markets.
5. Malawi has a network of bilateral trade agreement with 4 countries.
6. Malawi benefits from non-reciprocal and unilateral market access for LDCs from 19 countries.

2.3.7 Market and Product Diversification

Malawi's market diversification agenda remains subdued and non-aggressive. The number of export markets successfully serviced by Malawi has remained stable, just like the sources of

imports. In 2012, Made in Malawi products were on the shelves of 109 countries compared to 112 markets in 2019. The table below summarises the number of trading partners of Malawi from 2012 to 2019.

Table 8: Number of trading partners of Malawi from 2012 to 2019

	2012	2013	2014	2015	2016	2017	2018
Export Markets	109	107	105	107	103	110	106
Import Markets	131	134	122	123	135	137	139

Source: Calculated from ITC data (October 2020)

Malawi's exports, in terms of products, are highly concentrated on a few main products, with agriculture and agro-processing accounting for over 85% of total exports of which tobacco alone accounts for 55% of total exports in 2019. Exports of tobacco from Malawi remain semi-processed and low value-added (HS 2401). Over the period 2012 and 2019, the number of product categories exported from Malawi has

remained stable at around 80 product categories, except for a peak of 84 product categories exported in 2017. Similarly, the number of imported products into Malawi has also remained unaffected at 96 products in 2012, 2014, 2017 and 2019. The table below summarises the number of products Malawi traded in from 2012 to 2019.

Table 9: Number of export/import products Malawi deals in

	2012	2013	2014	2015	2016	2017	2018	2019
No. Export Products	79	80	83	81	75	84	81	79
No. Import Products	96	94	96	95	94	96	94	96

Source: calculated from ITC data (October 2020)

Note:

1. The extent of market and product diversification has remained low for Malawi's exports.
2. Malawi has not fully captured the main benefits of its bilateral, regional and multilateral trade agreements. Both the export basket as well as the export destinations have remained concentrated on a few product categories and a few export markets.

Over the period 2012 and 2019, the number of product categories exported from Malawi has remained stable at around 80 product categories, except for a peak of 84 product categories exported in 2017.

2.3.8 Trade in Services

Malawi is slowly but surely emerging as a services exporting economy, albeit in a very modest way. Export of services has increased by more than 70 % between 2012 and 2019, from USD 105 million in 2012 to USD 179 million in 2019. Export of services contributed 2% to GDP in 2019 and represented 18% of total export of goods and only 19% of total exports of goods

and services. The main foreign exchange earner for the services sector is tourism. In 2018, the number of tourist arrivals in Malawi was 871,000 representing an increase of 4.06% over 2017 arrivals. This sector, however, is the most affected by the COVID-19 pandemic and its travel restrictions. The table below shows the export and import performance of the services sector of Malawi.

Table 10: Trade in services

Year/ USD '000	2012	2013	2014	2015	2016	2017	2018	2019
Total Exports	105,267	111,025	109,398	116,365	113,928	143,528	167,739	179,001
Total	227,444	245,082	268,765	329,307	249,070	294,190	325,184	335,127
Imports Balance of trade	-122,177	-134,057	-159,367	-212,942	-135,142	-150,662	-157,445	-156,126

Source: ITC data (October 2020)

Note:

1. Services provide the basic infrastructure on which trade in goods rely upon and are key enablers supply of services and Value-Chain development.
2. The range of services exported from Malawi is limited, with tourism taking the lion's share
3. Several GOM Policies, Strategies and Plan have prioritized services as a growth sector, with tourism, ICT and financial services as priority sub-sectors. Other services sub-sectors which may hold good export potentials for Malawi are: Creative industry and Professional services. However, for these sub-sectors to emerge as game changers, the appropriate ecosystem should be created first, in terms of legal, regulatory, administrative, and institutional frameworks, the opportunities promoted and investors mobilised.

2.3.9 Other Macro-Economic Variables

The performance of other key macro-economic variables remains stable and the outlook is positive, namely:

2.3.9.1 Inflation

The inflation rate (annual average) has been declining over the recent years from 11.5% in 2017, to 9.2% in 2018 and 9.4% in 2019. The IMF forecasts the rate to decline further to 7.6% in 2020 mainly due to macroeconomic stability, improved agricultural production and a stable exchange rate.

2.3.9.2 Unemployment

The total labour force of Malawi in 2019 was 8,079,230, representing 43.4% of a total population of 18,628,747. At its current growth rate, it is projected that the total population of Malawi will reach +43 million by 2050. The

prevailing unemployment rates are relatively low for Malawi with total unemployment at 5.7% in 2019 which is down by 0.1% from 2018. Youth unemployment was 7.5% in 2019, down by 0.08% compared to 2018. On the other hand, unemployment rates for female workers increased slightly by 0.04% in 2019 to 6.6% and that of male workers by 0.01% to 4.73% in 2019.

It is projected that the total population of Malawi will reach +43 million by 2050. The prevailing unemployment rates are relatively low for Malawi with unemployment at 5.7% in 2019 which is down by 0.1% from 2018.

However, the unemployment figures in absolute terms continue to increase over the 2011 to 2019 period. The table below provides an overview of the pathway of increasing unemployment in Malawi.

Table 11: Evolution of unemployment in Malawi

Malawi's unemployment									
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number in '000	369.1	382.4	396.9	405.5	415.4	425	431.7	438.4	456.7

Source: ILO Stats (October 2020)

2.3.9.3 Foreign Direct Investment

Foreign direct investment (FDI) plays a catalytic role in driving economic growth and development of an economy. As such every country, developed, developing as well as economies in transition strives to retain and attract as much FDI as it can. The Malawi Trade and Investment Centre (MTIC) is entrusted with the responsibility to mobilise higher levels of investments in Malawi, more importantly quality FDI, into priority sectors of the economy.

FDI inflows into Malawi have been erratic, rising

from USD 129 million in 2011 to peak in 2015 at USD 510 million. Thereafter FDI inflows declined for 2 continuous years in 2016 and 2017. However, in 2019, Malawi saw its FDI inflows rise to USD 98 million, which represented a 4% decrease compared to 2018. FDI inflows in 2018 represented 1.3% of GDP, or only USD 5.3 per capita. Interestingly, the outward investment from Malawi also increased from USD 5.7 million in 2018 to USD 6.4 million in 2019.

The table below provides an overview of FDI inflows into Malawi for the period 2011 to 2019.

Table 12: FDI inflows into Malawi

Malawi's - Foreign Direct Investment Inflows								
Year	2011	2012	2013	2014	2015	2016	2017	2018
FDI US\$ Million	129	130	89	387	510	116	90	102

Source: World Investment Reports 2017 & 2020

Note:

1. FDI is an important determinant of export performance as FDI mobilizes required resources towards strengthening and building the supply side capability of a country for exports.
2. FDI can also act as a substitute for trade when it develops import substitution capabilities.
3. International Trade and Investment (FDI) are two sides of the same coin and are interlinked. At times trade leads to investment and at other times investment stimulates growth of trade. Trade and investment are mutually reinforcing.

2.3.9.4 Malawi's Business Environment

Malawi is committed to creating an enabling business environment conducive for trade, investment and entrepreneurship development. In this perspective, Malawi has implemented several bold reforms that are contributing to improving Malawi's ranking in the World Bank Ease of Doing Business 2020 Report. Malawi was ranked 109 out of 190 economies, its best score ever. Records show that Malawi has been steadily

but surely improving its business environment from 171st out of 189 countries in 2014 to 109th position in 2020, with a Doing Business score of 60.9 out of 100. However, Malawi's overall performance improved marginally by only 2 positions in 2020 compared to its 2019 performance.

Nonetheless, doing business in Malawi is still a challenge. The legal, regulatory, administrative and institutional ecosystem is weak. There is a

Malawi is committed to creating an enabling business environment conducive for trade, investment and entrepreneurship development.

need for Malawi to continue and accelerate its reform agenda to make doing business in Malawi simple, clear, transparent, equitable, rule/guideline-based and with information easily available. Additionally, Malawi should also

improve its overall competitiveness and ranking in other global indices. The table below provides a recap of Malawi's performance in the World Bank Ease of Doing Business Reports from 2011 to 2020.

Table 13: Malawi's performance in the Doing Business Report

Malawi's ranking in Ease Doing Business Index										
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
No of countries	183	182	185	189	189	189	190	190	190	190
Rank	141	145	157	171	164	141	133	110	111	109

Source: World Bank- Ease of Doing Business Reports (2011-2020)

At the Indicator level, it can be observed, from the table below, that Malawi is among the top ranked countries for "Getting Credit" at 11th position worldwide. Similarly, the performance of Malawi in the "Protecting the Minority Investor's and "Registering Property" Indicators remain decent at 79th and 90th respectively in the 2020 Report. However, Malawi's performance in "Getting Electricity" at 171 out of 190 offers ample policy space for improvement.

Overall Malawi's performance is in line with its

initial projection to place Malawi within the top 100 economies by 2022. This target can easily be achieved within the given timeframe. However, benchmarked against the best performers in Africa, namely Mauritius (13th), Rwanda (38th), Kenya (56th), South Africa (84th) and against the top performers in 2020, more particularly Togo (improvement of 40 positions in one year), and Nigeria (15 positions), the score of Malawi is under par. It is interesting to note that Malawi recorded 0 reforms in 2020. The details of the indicator rankings for Ease of Doing Business in the 2020 Report are given below:

Table 14: Details of indicator rankings for Ease of Doing Business Report 2020

Indicator	Malawi Ranking 2020 Total Score: 60.4 out of 100	Indicator Score (0-100)
Starting a business	153	77.9
Dealing with construction permits	128	63.1
Getting electricity	171	45.4
Registering property	90	64.9
Getting credit	11	90.0
Protecting minority investors	79	58.0
Paying Taxes	135	62.4
Trading across borders	127	65.3
Enforcing contracts	149	47.4
Resolving insolvency	134	34.9

Source: Ease of Doing Business Report 2020

**Note:**

1. Malawi has continuously improved its global ranking in Ease of Doing Business from 171 in 2014 to 109 in 2020, improving its ranking by +2 positions in 2020 compared to 2019
2. Malawi is among one of the top reformed countries in the Getting Credit indicator standing at 11th out of 190 countries in 2020
3. Malawi is among the top 100 economies in only 3 indicators (Getting Credit, Protecting Minority Rights and Registering Property)
4. The overall average indicator score for Malawi in the 10 indicators is 60.93 out of 100
5. Malawi is ranked 12th among African countries (out of 54 countries)
6. The best performers are Togo (+40 positions, Senegal (+18 positions), Nigeria and Zimbabwe (+15 positions), Cote d'Ivoire (+12 positions), Uganda and Niger (+11 positions). The two biggest losers are Lesotho (-16 positions) and Djibouti (-13 positions)

Malawi has continuously improved its global ranking in Ease of Doing Business from 171 in 2014 to 109 in 2020, improving its ranking by +2 positions in 2020 compared to 2019

2.4 New Challenges – Global Shifts

The world economy, in general, and international trade, in particular, are undergoing unprecedented changes due to the COVID-19 pandemic, globalisation, technological advances, rapid changing business environment and the emergence of a host of new issues affecting international trade.

These changes include:

- The Coronavirus (COVID-19) pandemic, Rapid technological advancements (Industry 4.0, Robotic, 3D printing, Artificial Intelligence (AI), Internet of Things (IOT), Blockchain, Fintech, Augmented and Virtual reality, digitalisation of trade (e-commerce, e-payment, and mobile money) to name a few,
- Rise of populism and protectionism (trade disputes between USA and China, USA, and the EU),
- Dynamism in regional integration (African Continental Free Trade Area (AfCFTA)), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP-11), the EU-Canada Comprehensive Economic and Trade Agreements, COMESA-EAC-SADC Tripartite Free Trade Area (TFTA), and Brexit,
- Rising importance of Sustainable Development Goals into the mainstream trade agenda, climate change and greener economies, and the growing importance of MSMEs, including youth and women entrepreneurship), amidst a dynamic multilateral context.

These changes are individually and collectively all potentially disruptive and will significantly impact on the flows of global trade and investments. Most are game-changers. The

United Nations Conference on Trade and Development (UNCTAD) in its Trade and Development Report Update of March that the Covid-19 pandemic alone could slow down the global economy sharply by USD 1 to 2 trillion, lower global trade significantly and reduce global FDI flows by -13% to -15%. It is predicted that the hardest hit will be the developing countries at -16%. However, the negative impact could be higher if the pandemic is not urgently contained and the national shutdowns and curfews are prolonged.

The impact shall be felt in all spheres of the economy, and more particularly in the hospitality, tourism and travel industry, health and wellness, production and consumption, distribution and logistics, stock and securities markets, power, and energy, to name a few. Interestingly, some positive news on a slow economic upturn is coming from China, India. However, the spectre of a third wave affecting other countries and continents still hangs like the sword of Damocles. The implications of this third wave can be very detrimental, the more so for vulnerable economies.

The United Nations Economic Commission for Africa (UNECA) predicts that Africa's growth rate may drop from 3.2% to 1.8% (representing a loss of USD 29 billion as at March 2020) and the full impact may be much higher. It is also believed that the impacts will be particularly severe on smaller economies and harsher on land linked countries. It is forecasted that the impact of Covid-19 on the world's 47 Least Developed Countries could be disastrous, more particularly on those economies reliant on exports of commodities/raw materials, due to drastic fall in commodity prices. The Report assumes that exports from Malawi will decline substantially in 2020 because of the negative impact of COVID-19 and ramp up rapidly to recover towards its 2018 export performance (USD 1.037 billion) in 2021. Thereafter, exports should grow steadily. However, the pace and strength of

The world economy, in general, and international trade, in particular, are undergoing unprecedented changes due to the COVID-19 pandemic, globalisation, technological advances, rapid changing business environment and the emergence of a host of new issues affecting international trade.

recovery is yet to be quantified. According to the Chief Economist of OECD, "The normal economy is never coming back". Every country will have to implement its own post Covid-19 recovery strategy and plan.

Similarly, the fast advent of technology into the production and distribution value chain, referred to as "Industry 4.0" or the "Fourth Industrial Revolution" is also potentially disruptive and threatening. The industry 4.0 paradigm presents both opportunities and challenges to the developed and developing countries alike. It integrates digital tools like big data, cloud computing, robotics, 3D printing, augmented/virtual reality, among other technological advancements into the manufacturing and distribution of goods and services. Many developed countries are accelerating the adoption of Industry 4.0 into their industries to improve their competitiveness. China, in particular, is even leading OECD member states in a number of sectors, from bullet trains to hydro-electric dams, 5G and AI. Other developing countries, more particularly other members of BRICS (Brazil, Russia, India, and South Africa), are already preparing to follow suit. Industry 4.0 will help the developing countries leapfrog the technology acquisition and adoption process in building resilience and competitiveness.

However, such a move requires a higher state of preparedness in terms of manpower and skills, information, and communication technology (ICT), funding and political will and commitment. Countries like Malawi can effectively benefit from such technological advances, more particularly in consolidating and strengthening its traditional industries namely sugar, tea, coffee, and tobacco, to making them globally

Many developed countries are accelerating the adoption of Industry 4.0 into their industries to improve their competitiveness.

competitive, to start with. These could then be extended to other emerging industries, keeping in mind the labour trade-off that it may entail. Adopting Industry 4.0 may displace some menial jobs and may in return create higher valued jobs.

While the full impact of the above game-changers has not yet been fully estimated, (nor is the purpose of this strategy) nonetheless, there is universal recognition that the impact will be realistically important at the national, regional and international levels. These developments will create challenges as well as opportunities for all countries, depending on a country's level of preparedness and the resources it can mobilise. These changes will also impact the economy of Malawi, more importantly, Malawi's trade with the rest of the world. The Government of Malawi will be called upon to make informed policy decisions so as to minimise the challenges and optimise the opportunities presented to Malawi.

Over and above the problems associated with COVID-19 and technological advancements Malawi faces its own set of inherent challenges, which are both structural and systemic in nature. The NES I Review which has been presented as a supplementary document clearly established that these challenges were the main causes impeding exports and investments from happening in Malawi.



The table below provides an overview of these challenges facing Malawi and which were validated at the NES I Validation Workshop. The stakeholders unanimously agreed that if these challenges are not addressed effectively and timely, they may seriously compromise the success of NES II.

Table 15: Challenges facing Malawi

STRUCTURAL CHALLENGES	SYSTEMIC CHALLENGES
Tyranny of Geographic; Malawi is small economy with an internal market of 18 million people. Malawi is a landlinked country that depends on other countries for trade (both import and export)	Organisational set-up and its poor governance structures for the implementation of the NES
Low level of economic transformation with over reliance on the agriculture sector, which remains vulnerable to extreme weather conditions and external market conditions	Lack of institutional alignment between public and private sector stakeholders and the extent of inter-Ministry and inter-Agency collaboration and partnership. The Government Effectiveness score of Malawi was -0.73 in the scale of -2.50 to 2.50 and was ranked 149 th out of 193 countries by the World Bank. Yemen has the worst score of -2.24 and Singapore the best at 2.23. In Africa, Mauritius has the best score at 43 rd position.
Unbalanced growth with predominance of the rural areas	Limited Resource mobilisation both in terms of financial and human resources for the implementation of NES I
Weak macro-economic indicators, high debt, chronic trade deficit, low levels of savings and investments	Absence of a dedicated agency designated and capacitated to implement the NES I. MITC played a secondary role.
Lack of efficient and competitive infrastructure in terms of road and rail network, power and energy, access to water	Multiple and disparate export strategies developed in parallel by different ministries and agencies. However, the level of implementation remains low.
Supply side constraints in terms of production capacity, product diversity and compliance to international standards, norms, and quality requirements. Farming and production are predominantly fragmented and unorganized.	Low level of private sector involvement in the implementation of the strategy. The level of motivation in and commitment to NES I had waned over the years.
Rigid labour market with regard to availability of skills and competencies to match industry demand. Labour productivity remains low.	Absence of a strong of communication strategy to promote Malawi as a reliable, compliant, and competitive Export Destination. Moreover, the successes of NES I were poorly communicated.
Difficult business environment with regard to legal, regulatory, and institutional frameworks, unattractive investment incentives, corruption, among others which impact on to ease of doing business, cost of doing business, trading across-borders, access to property, and competitiveness of Made in Malawi products	Absence of effective Monitoring and evaluation and timely remedial actions for NES I. The Regulatory Quality Index for Malawi was -0.67 points in the scale of -2.50 (weak) to 2.50 Strong). Malawi was ranked 143 rd out of 193 countries surveyed by the World Bank. Singapore was the best ranked with a score of 2.21 and North Korea the worst with a score of -2.34. Mauritius was Africa's front runner in this indicator at 35 th position worldwide.

STRUCTURAL CHALLENGES	SYSTEMIC CHALLENGES
Dynamism of the private sector and level of entrepreneurship development with specific regard to MSMEs, youth and women entrepreneurs and small farmers	Access to finance and cost of finance, more particularly trade finance
Over reliance on aids and development partners and donor agencies	Difficult doing business environment. In the Transparency International Corruption Perception Index, Malawi has a score of 31 point out of 100 points in 2019, one point lower than 2018. Denmark has the highest score of 87 points and Somalia the lowest with 9 points. In Africa Seychelles has the best score of 27 points.
Exchange rate misalignment against major currencies, with the value of US dollar appreciating against the Malawian Kwacha	
Large informal sector and parallel economy activities. The informal sector of Malawi accounts for more than 30% of GDP	Poor border monitoring that allows illegal entry of imported products from and through neighbouring countries. This poses threat to local commerce, and more importantly development of local industries
Large gender disparity with 84 % of women entrepreneurs operating in the micro enterprises segment, mostly in the informal sector. Less than 15% operate in the small enterprises segment and only 1% in the medium enterprise's category	

Source: National NES I Review validation workshop

Note:			
Definition of MSME: Malawi uses a three-indicator based definition of Micro, Small and Medium Enterprises (MSMEs)			
	Employment	Annual Turnover	Value of Assets
Micro	1 - 4	≤ MK 5 million	≤ MK 1 million
Small	5 - 20	≤ MK 50 million	≤ MK 20 million
Medium	21 - 99	≤ MK 500 million	≤ 250 millions

Source: MSMEs Policy

2.5 National Export Strategy I (2013-2018) – A Review

The Government of Malawi developed its first National Export Strategy (NES I) 2013-2018 in the backdrop of a protracted worsening of the country's balance of trade deficit for more than two decades, mainly due to sustained decline in exports and constant increase in imports. In 2011 Malawi's imports of goods were USD 2.4 billion, while total exports of goods were only USD 1.4 billion, representing a trade deficit of USD 1 billion. Exports in 2011 represented 58.3% of imports and a mere 12.6% of GDP at current prices. The NES I was, thus a response strategy to recalibrate the economy to

redress the increasing trade deficit through higher exports, on the one hand, and to lower imports, on the other hand, through an aggressive import substitution strategy. The NES I came at the right time, to piggyback on and to support the Malawi's Development Agenda (2012-2016) as set out in the Malawi Growth and Development Strategy II (MGDS II) and the Malawi Economic Recovery Plan (ERP) 2012.

The findings unequivocally support that the NES I was an excellently designed strategy. However, the expected results and targets were overly ambitious and its implementation was a failure on most fronts. In fact, the impact of NES I is not visible on Malawi's



MCHINJI-ONE-STOP-BORDER-POST: One of the products of First National Export Strategy

economy except for a few notable achievements, more particularly:

- The consolidation of agro-processing activities, with the strengthening of the oil seed and residues and waste from the food industries sector;
- The emergence of MSMEs, including women and youth entrepreneurs, mostly operating in the informal sector. These entrepreneurs are well integrated in the national production to market value chains. More and more of these economic operators are now venturing into the regional markets (SADC and COMESA) using both formal as well as informal ways to trade across borders. A few have even succeeded in penetrating non-traditional markets;
- Malawi's accession to the Bali Trade Facilitation Agreement with the digitalisation of customs procedures and the launch of preparations for the setting up a National Single Window (NSW);
- The implementation of an AGOA Response Strategy - 2018;
- The strengthening of the services sector, albeit timidly;
- Launch of the "Buy Malawi" initiative; and
- Setting up implementation framework of the Trade, Industry, Private Sector Development Sector as a Sector Wide Approach, TIPSWAp.
- The setting up of the Malawi Bureau of Standards (MBS);
- The setting up of Export Development Fund (EDF) to provide trade financing to support exports from Malawi;
- The improvement in Malawi's ranking in the World Bank Ease of Doing Business Report;

Note:

1. A corollary to the NES I is the strengthening of the "Buy Malawi" initiative supported by UNDP. The 'Buy Malawi Strategy' was launched on 18 March 2016 by the former President of the Republic of Malawi, HE Professor. Peter Mutharika under the responsibility of the MoT. The twin objectives of the strategy are: (i) reducing trade deficit (import substitution), and (ii) promote entrepreneurship development. The strategy aligns with one of the key priorities of MGDS III and Malawi's commitments to SDGs 8, 9 and 12.
2. A dedicated Secretariat drives the implementation of the Buy Malawi Strategy. A logo has been created and the tag line is "Buy Malawian Build Malawi". A website supports the "Buy Malawi Strategy".

The Outcomes

The assessment confirmed that most of the expected outcomes of NES I remain outstanding. An assessment has exposed that some indicators have even worsened over the NES I

implementation period. The table below provides an overview of the extent of departure between expected deliverables and results realised as of December 2018.

Table 16: NES I Performance Matrix (Base year 2011)

Expected Outcome	Pre-NES I Status	NES I Target	Outcome/ Results (2018)	Observations
Long-term export trend to match the long-term import trend (exports as a share of imports)	51.5%	Exports as a share of import to improve to 75.5% in 2017	35% in 2017 & 32.5% in 2018	Target not achieved
Increased rate of growth of exports from 9% to 13% per year from 2013 – 2017	9%	13% annually	1.0% in 2018	Target not achieved
Empower Malawians by stimulating the growth and development of MSMEs, farmer organisations, cooperatives, women and youth entrepreneurs	Number (in 2011) of: 1.Women entrepreneurs= na 2.Youth entrepreneurs= na	Not established	Number (in 2018) of: 1.Women entrepreneurs = 559,447 2.Youth entrepreneurs= 479,549	Positive outcome
Facilitate access to both domestic and international markets	<ul style="list-style-type: none"> Number of products exported in 2012 = 79 Number of export market serviced = 109 	<ul style="list-style-type: none"> Increase number of products exported and markets serviced 	<ol style="list-style-type: none"> Exports have declined continuously, except for in 2014 Launch and implementation of the Buy Malawi Initiative Number of products exported in 2018 = 80 Number of markets serviced in 2018 = 78 	Target not achieved
Develop 3 priority clusters: <ul style="list-style-type: none"> Oil seed Sugar Cane products Manufacturing 	Export in 2011 <ul style="list-style-type: none"> Oil seed: 6.3% Sugar Cane products: 6.3% Manufacturing: 2.3% 	Export growth targets: <ul style="list-style-type: none"> Oil seeds: 13% Sugar cane products: 15% Manufacturing: 18% 	Export growth achieved (2017) <ul style="list-style-type: none"> Oil seeds: 1.9% Sugar Cane: 1.4% Manufacturing: 6.9% 	Target not achieved, except for manufacturing

Expected Outcome	Pre-NES I Status	NES I Target	Outcome/ Results (2018)	Observations
Support existing export clusters: <ul style="list-style-type: none"> Tobacco Mining Tea Coffee 	Exports in 2011: <ul style="list-style-type: none"> Tobacco: US\$ 562,269,000 Mining: US\$ 126,481 Tea: US\$ 86,768 Coffee: US\$ 6,286 Cotton: US\$ 49,626 	Not established	Exports in 2018 (USD'000): <ul style="list-style-type: none"> Tobacco: US\$ 493,150 Mining: US\$ 17 Tea: US\$ 87,924 Coffee: US\$ 1,687 Cotton: US\$ 6,278 	Under par performance at all levels
Strengthen the development of the services sector: <ul style="list-style-type: none"> Tourism 	Number of tourist arrival 2011: 767,000	Not established	Number of tourist arrival 2018: 871,000	Positive outcome
Improve the business environment	Doing Business ranking 2011: 145 th	Not established (Malawi aspires to be among the top 100 economies)	2020 Report: 109 th out of 190 economies	Target may be achieved

Source: NES I and various Reports, ITC Trade Map

The Review confirmed that the most important target of NES I, that of increasing exports as a share of imports to 75% in 2017, was grossly missed. The resultant exports were only 35% of imports. The trend has further deteriorated to 32.5% of imports in 2018. The poor performance of exports from Malawi may be attributed to several endogenous and exogenous factors, including: poor implementation, increased global competition, inadequate resources were mobilisation (funds and human resources), lack of export readiness, supply side constraints, access to finance, under-developed infrastructure, high cost of doing business, lack of market information, failing to understand the market requirements, absence of market penetration activities, non-compliance to international standards and norms, weak institutional support, difficult business climate, non-optimisation of trade preferences, among

other challenges. More importantly, many planned actions of NES I were not implemented or are at best, still work in progress. The institutional arrangements for the implementation, monitoring and evaluation of the Strategy exhibited limitations. The NES Review Report is provided as a separate document for circulation along with the Strategy

2.6 Malawi - Attractiveness Scoreboard

The Malawi Attractiveness Scoreboard (MAS) presents a picture of Malawi's Strengths and Weaknesses after the first NES (as at 2019), and the Opportunities and Threats (SWOT) Malawi faces going forward post NES I in the implementation of its NES II.

The matrix that follows presents an overview of the prevailing SWOT of Malawi, as validated by the key stakeholders.

Malawi has strong potential to develop several export-oriented products to service its preferential markets. Literature and empirical studies have revealed that exporters and countries alike use a set of given criteria to select or prioritise products for exports

Box 2: The SWOT matrix of Malawi

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Economic & Social stability • Strong export track record • A range of supporting institutions & programmes • Support of Development Partners & Donor Agencies • A dynamic private sector • Educated, English speaking competitive labour force • Extensive network of preferential trade agreements • Access to regional markets • A dynamic SME sectors • High local content industries 	<ul style="list-style-type: none"> • Narrow products basket • Low competitiveness • Lack of resources • Small domestic market • Labour market rigidity - skills mismatch • Access to credit & finance • Difficult business environment • High transaction costs of doing business • Deficient infrastructure • Low service deliveries • Lack of institutional alignment • Vulnerability to vagaries of nature • Unpredictable policy measures • Border Issues • Lack of trained labour • Lack of market and product intelligence • Nascent private sector • High level of corruption • Red tape and bureaucracy
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Strong demand for un-processed raw materials for exports • Technological advancement - Industry 4.0, Internet of things • E-Commerce and digitalisation of trade • Entry into force of AfCFTA • RVC & GVC opportunities • Underutilised preferential market access to opportunities • Regional and Global Value Chains optimisation 	<ul style="list-style-type: none"> • Vulnerability to changes in the external environment • Trade protectionism (compliance to stricter and newer standards and norms), • Potential loss of preferential market access • Stronger and newer sources of competition • Break-down of trade agenda • Natural hazards • Loss of development aid

Source: NES I Review Report

2.7 The Wayforward: The National Export Strategy II: 2021-2026

Going forward towards building a resilient and competitive Malawian export industry will call for a concerted and well-coordinated national approach with strong government involvement at the highest level. This successor strategy will be premised on sustainable collaboration and cooperation between the public and private

sectors, wholesome capacity building at the national, industry, enterprises and entrepreneurship levels, and decisive and targeted promotion actions on regional and international marketplace for "Made in Malawi" products and services. It is time to recover every inch of market space lost and to expand Malawi's footprint on the regional and global marketplace.

The basic premise of the Malawi NES Successor Strategy is to consolidate, expand and diversify Malawi's market share in the regional and international marketplace. The prerequisites of NES II are: (i) an enabling ecosystem conducive for developing exports from Malawi (legal, regulatory and institutional), (ii) policy coherence and institutional alignment, (iii) better understanding of the requirements and needs of the importer(s) in search of a Sourcing Destination, (iv) export readiness of Malawian entrepreneurs, enterprises, industry and the country as a whole, (v) compliance with international standards, norms and quality requirements, (vi) resources sustainability, among others. More importantly, there is a need for a robust implementation framework and a strong Brand Image of Malawi, as a reliable, viable, welcoming and competitive sourcing and investment destination.

2.7.1 Key Assumptions

The NES II is built on the essence of NES I, capturing and nurturing its achievements and addressing its shortcomings. More importantly, the successor strategy is aligned to Malawi's higher domestic priorities and its regional and international commitments. The underlying assumptions of NES II are:

1. A substantial decline in exports in 2020 because of the negative impact of COVID-19. For the purpose of this Strategy, 2020 would be a missed year in terms of exports from Malawi;
2. Rapid revamping up in exports in 2021 to regain its 2019 export performance in 2021;
3. Steady growth in exports of both goods and services as from 2021 onwards;
4. Strong commitment from the authorities to provide leadership, resources and to ensure timely implementation, including structured monitoring and evaluation;
5. Strong policy coherence with regard to Malawi's higher national priorities encapsulated in its numerous development strategies, plans and policy documents;
6. Strong institutional alignment between public and private sector stakeholders to avoid disparate, uncoordinated and duplication of actions in "silos" by different ministries, agencies and organisations. Trade issues in particular and economic affairs in general should transcend inter-ministerial settings;
7. NES II should be built on ground realities with specific regard to the capacity of the economy and that of the private sector to meet the requirements of the importers, in terms of quantity and quality and compliance to standards and norms. National, Regional and Global Value Chains should be optimised;
8. The new Strategy should be home-grown, developed through a process of extensive consultations and benchmarked against peer exporting economies;
9. A robust implementation framework, with a duly mandated and empowered authority to drive the NES. Such a structure should be appropriately staffed, adequately resourced and with a strong governance structure;
10. Higher levels of investments should be mobilised into priority areas with focus on building export-oriented manufacturing and services activities. This should include mobilising domestic investment, investments from the Malawian diaspora and attracting strategic foreign direct investment;
11. The prevailing business environment be further enhanced by introducing bold economic reforms to improve its legal, regulatory, institutional frameworks and by building the capacity to achieve higher skills and knowledge;
12. The support of Development Partners and donor agencies to national development of Malawi and the NES II in particular;
13. A high-profile Official Launch and a sustained communication strategy to popularise the strategy and its actions to all the sectors and actors in the economy; and
14. Strong commitment from the authorities to address issues for the key enablers such as energy, transport infrastructure, access to skills, access to markets, access to finance and ICT.

2.7.2 The Rationale of NES II

Pursuing an export-driven strategy remains one of the preferred policy options of many governments, the world over, to build a vibrant, robust and sustained economic growth, in line with the remarkable successes achieved by export-driven economies, namely: the Asian Tigers (Taiwan, Hong Kong, South Korea, Singapore), China, and African countries, for example, South Africa, Mauritius, Cote d'Ivoire and Kenya. Increasing exports have also been a long-time priority of the Government of Malawi to address the widening trade gap and to spur sustainable economic growth and development to improve the general standards of living of the Malawians.

NES II, fundamentally, aims to accelerate the internationalisation of goods and services from Malawi and to mobilise higher levels of quality investments into local value-added and export-oriented industries. The priority of NES II would be to reverse the declining export trend by consolidating Malawi's export capacity and expanding its export basket as well as its export destinations.

Notwithstanding the impact of Covid-19, the vision of NES II is to increase exports contribution to GDP from 14.6% in 2018, at constant prices 2018, to 20% in 2026, controlling for a missed year of exports for 2020. This will require increasing Malawi's exports of goods and services from USD 1,037,500 thousand in 2018 (base year for NES II) to at least USD 1,330,250 thousand by 2026, representing an increase of 28.2 over the last five years of NES II (2021 to 2026). This will be tantamount to consistently delivering an average annualised export growth of +5.6 % over the 2021-2026 period from 1% registered in 2018. However, the virus is unpredictable with regard to how long it will continue to affect the globe and how deep its manifested effects will be, the authorities should create a pro-export business environment and assemble the required ecosystem for a rapid post Covid-19 recovery in export momentum the remainder of 2021.

Given Malawi's track record, achieving such a target would be a challenge, but not impossible, due to existing opportunities for Malawi on both the regional and international markets. However, the mission has to be delivered in the backdrop of deep transformative changes that the world is experiencing and in the face of looming uncertainties, the latter being more disruptive than the former. The negative impact of the

COVID-19 pandemic on global trade is yet to be determined. In this case, it will also affect the export performance of Malawi.

2.7.3 NES II - Key Beneficiaries

The NES II is set to impact a wide range of stakeholders in Malawi. The main beneficiaries will be the exporting community of Malawi, public and private sector Trade and Investment Support Institutions (TISIs), and the Government of Malawi. Specifically, the following are the beneficiaries of the NES II:

Exporters' Community.

This target group will comprise all the five categories of exporters, namely:

- Global exporters
- Regular exporters
- Occasional exporters
- First-time exporters
- Informal cross-border traders, including MSMEs, women and youth entrepreneurs

Additionally, the NES II will also support all aspiring exporters and small farmers interested to penetrate export markets.

Trade and Investment Support Institutions.

The beneficiary TISIs will comprise both public and private organisations/institutions, mainly:

- Malawi Trade and Investment Centre
- Malawi Bureau of Standards
- Chambers of Commerce and Industry
- Associations of Industries, Cooperatives

Government Ministries.

The Strategy will also benefit key ministries in designing and implementing national and sectoral policies and negotiating bilateral and multilateral trade and investment agreements. These will include, inter alia:

- Ministry of Industry
- Ministry of Foreign Affairs
- Ministry of Agriculture
- Ministry of Finance
- Ministry of Gender, Community Development and Social Welfare
- Ministry of Transport and Public Works
- Ministry of Lands
- Ministry of Mining, among others.

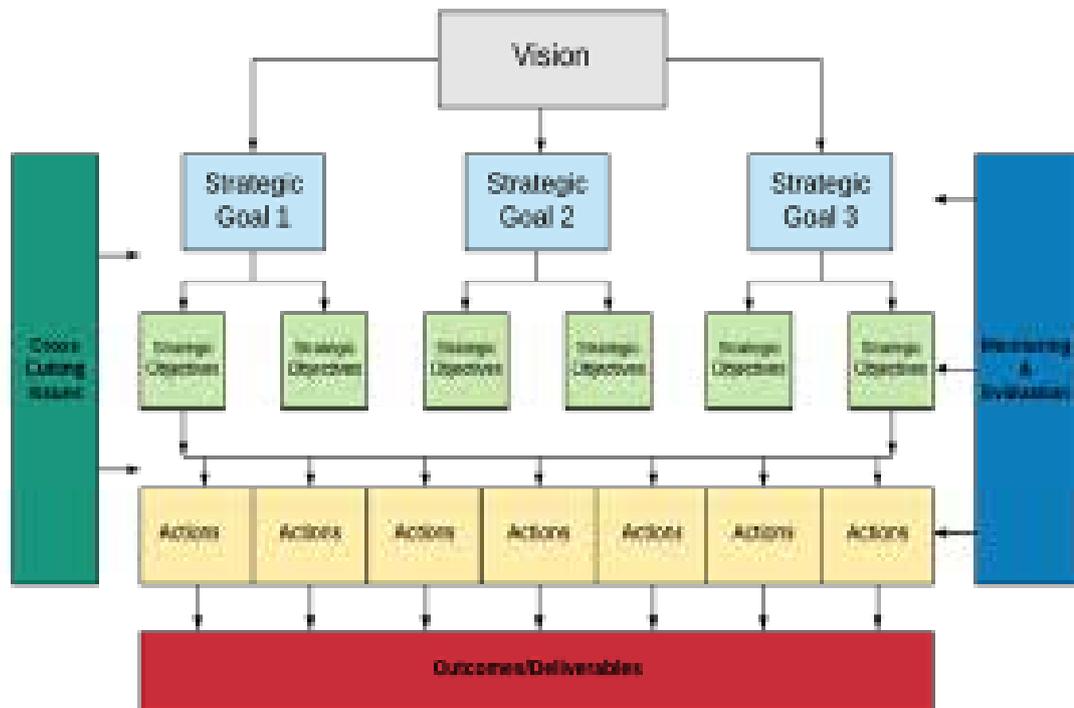
2.7.4 NES II – Architecture

The NES II Strategy’s Framework comprises six components, namely:

- The Vision
- The Strategic Goals
- The Strategic Objectives
- The Key Support Framework and Key Result Areas: Outcomes/Deliverables
- The Actions/Outputs
- The Implementation Framework

The figure below provides the NES II strategy architecture.

Figure 6: The NES II Strategy Framework



Source: CITC

2.7.4.1 The Vision

The Vision of the National Export Strategy II is to:

“Make Malawi a Competitive, Compliant, Diversified and Sustainable Sourcing Destination for goods and services for the Regional and Global marketplace, and to increase exports as a percentage of GDP from 14.6% to 20%”.

Such an “Export First” Strategy aims to sustainably increase exports of “Made in Malawi” products and services, into existing markets and entry into new markets premised on tailor made Product and Market Strategies. The NES II aims to “unlock Malawi’s full export potential” and to contribute towards achieving Malawi’s 2063 vision - “An Inclusively Wealthy and Self-Reliant Nation”.

2.7.4.2 NES II - Strategic Goals and Objectives

The NES II is premised on four mutually reinforcing Strategic Goals to achieve its stated Vision. Each Strategic Goal will serve to achieve a set of Strategic Objectives.

Box 3: Strategic Goals & Objectives

STRATEGIC GOAL 1: TO INCREASE EXPORTS OF “MADE IN MALAWI” PRODUCTS AND SERVICES TO THE REGIONAL AND GLOBAL MARKETPLACE	
STRATEGIC OBJECTIVES	
1.1	Consolidate, expand & diversify markets for “Made in Malawi” products
1.2	Increase export performance in value and volume terms
1.3	Strengthen the attractiveness of Malawi as a sourcing destination – The Brand Malawi
1.4	Promote export of services
1.5	Provide access to updated market information & intelligence
STRATEGIC GOAL 2: TO REINFORCE EXPORT READINESS AND INTERNATIONAL COMPETITIVENESS OF MALAWI’S INDUSTRIES, ENTERPRISES AND PRODUCTS	
STRATEGIC OBJECTIVES	
2.1	Make domestic oriented firms and products export ready
2.2	Make Enterprises and products of Malawi compliant to regional and international standards
2.3	Reinforce the competitiveness of clusters or industry sector
2.4	Establish an ecosystem which is conducive for the development of export-oriented services activities

A. Strategic Goals

- There are four strategic goals which are:
 - To increase Exports of "Made in Malawi" Products and Services to the Regional and Global Marketplace;
 - To reinforce export readiness and international competitiveness of Malawi's industries, enterprises and products;
 - To enhance domestic business and investment environment for sustained, inclusive, balanced and sustainable economic development and growth; and,
 - To improve effectiveness and efficiency of NES II implementation mechanism.

B. Strategic Objectives

Strategic objectives aim to achieve outcome measures by a set date. In this case, by 2026 NES II will achieve outcome measures that include: (i) time (reduce time), (ii) numeric counts (increase or decrease the numbers/counts), (iii) costs (decrease cost), (iv) processes (decrease the number of processes), (v) percentage (increase or decrease percentage value). More importantly, the objectives need to be Specific, Measurable, Achievable, Relevant and Timely (SMART) and related to the Strategic Goals. Each of the four Strategic Goal is underpinned by a set of strategic objectives. The NES II strategic objectives are:

STRATEGIC GOAL 3: TO ENHANCE BUSINESS AND INVESTMENT ENVIRONMENT FOR SUSTAINED, INCLUSIVE, BALANCED AND SUSTAINABLE ECONOMIC DEVELOPMENT AND GROWTH	
STRATEGIC OBJECTIVES	
3.1	Make trading across borders simple, fast and cheap
3.2	Improve Business environment for trade
3.3	Strengthen Export Facilitation
3.4	Strengthen Policy advocacy and Economic diplomacy
3.5	Promote inclusive growth with respect to: <ul style="list-style-type: none"> • Gender Equality • Youth Entrepreneurs • Micro and Small Enterprises
3.6	Set up a robust Exporter Aftercare service
3.7	Reinforce Regional integration
3.8	Build Strong digital capabilities
STRATEGIC GOAL 4: TO IMPROVE EFFECTIVENESS AND EFFICIENCY OF NES II IMPLEMENTATION MECHANISM	
STRATEGIC OBJECTIVES	
4.1	Establish a strong institutional framework for implementation of NES II
4.2	Establish strong partnership between public and private stakeholders
4.3	Resources are mobilised for implementation of NES II
4.4	Establish a robust monitoring and evaluation framework and risk management plan

A structured NES II Implementation Management Framework was worked out and encompasses both the policy and implementation structures and details the various units and mechanism for implementation. The detailed structure is provided in the section 6.2. of this strategy.

2.8 Best Practices in Export Promotion

International trade is fiercely competitive and very dynamic, with national, regional and global markets changing constantly. For any country to compete and win in international trade, it must first withstand competition from existing players, and be mindful of future sources of competition, which can be from neighbouring countries, from other developing countries, and from developed countries.

Every country aims at consolidating its acquis, to expand its market share in its existing markets, and more importantly to diversify its market outreach to venture into new territories. In this respect, each exporting country tries to create the appropriate ecosystem with regard to legal, institutional, and administrative frameworks and build the competitiveness of its companies and products to compete and

win in this competitive game. The rules of the game remain the same for Malawi, which also aims at increasing its exports by an average of 5.6% every year to the regional and world market.

Export Promotion, in general, is the responsibility of the government that plans, organises, and implements promotion activities to internationalise products and services from its country. Different countries deploy different mediums and methods of promoting exports.

The institutional framework and support for promoting exports varies between countries. These may comprise, inter-alia:

- A dedicated Department or Division of a Ministry, usually the Ministry responsible for Trade. The Department/Division is headed by a Director and is staffed with civil servants from the line Ministry;
- A dedicated public funded para-public agency that acts as the focal Trade Promotion Organisation (TPO) and that operates under the aegis of the Ministry responsible for trade and industry. These are independent bodies created by

enactment and have clearly defined mandates. These agencies are governed by a Board of Directors, all appointed by the government/Minister. The staff are recruited from public and the private sector. Nevertheless, most of them remain under the direct control of the parent Ministry; or

- A dedicated publicly funded Trade and Investment Promotion Agency, which is the focal point for all investment and export promotion for the country. Such agencies also operate under the aegis of a line 2.8.1

Ministry but are governed by a Board of Directors, appointed by the Government/Minister. The personnel are recruited primarily from the private sector and overseas. These agencies also report directly to their line ministries, with a few reporting directly to the Head of State of Government.

The scope of work of a TPO, depends on its mandate, leadership, resources available and technical capability. The table below provides a holistic framework of services offered by a performing TPO:

Export Promotion – comprises all actions in order to position a country’s goods and services in the right foreign markets so as to generate sustainable exports in a relatively short term;

Export Development – comprises all initiatives aimed at building and strengthening the export readiness and capabilities of exporting enterprises, the products and the entrepreneurs to compete and win in foreign markets in the medium to long term;

Export Facilitation – comprises all support services to the exporter to make the movement of goods (both imports and exports) across-borders smoother, simpler, hassle-free, cheaper, faster and equitable;

Export Policy Advocacy – comprises actions to continuously improve the trade policies and regulations by mobilising support and lobbying in favour of pro-export policies and actions;

Exporter Aftercare – comprises actions at building strong customer loyalty and fidelity through structured support services to existing clients (business information service, assistance to find solutions to customers problems or pains - a “customer first approach”);

Destination Branding – relates to building a robust brand image of an exporting country as a reliable, safe and viable export destination so that international buyers/importers recognise their brand identity

Benchmark- Export Promotion in Eastern and Southern Africa landlinked countries

Malawi is not the only landlinked country in Eastern and Southern Africa. There are eight (8) other countries which are also landlinked or landlocked. Some of these countries have, besides their National Trade Promotion Agency (TPO), several sector-specific export promotion agencies (for financial services, tourism, ICT,

agriculture, creative industry, minerals, among others). Furthermore, some countries also have over and above their National Export Strategy, market specific and sector specific export strategies. The table below provides an overview of the export performance and institutional framework of the nine landlinked countries in Eastern and Southern Africa in 2018.

Malawi is not the only landlinked country in Eastern and Southern Africa. There are eight (8) other countries which are also landlinked or landlocked. Some of these countries have, besides their National Trade Promotion Agency (TPO), several sector-specific export promotion agencies (for financial services, tourism, ICT, agriculture, creative industry, minerals, among others).

Table 17: Benchmark of export promotion in Eastern & Southern African land linked countries

Country	Exports of goods (2018)	Main Export Products	Number of products exported	Main Export Destination	Number of markets serviced	Trade Promotion Agency	Responsible Ministry	Export Promotion Strategy
Malawi	Exports: 912,983 (USD, 000) Increase from 2018: 2%	Tobacco, Sugar, Coffee & Tea	79	Belgium, Kenya, Egypt	106	Malawi Trade and Investment Centre-(MTIC)	Ministry of Industry and Trade	NES 2013 - 2018 AGOA Response Strategy 2018
Botswana	Exports: 5,238,079 (USD 000) Decrease from 2018: 8%	Natural or cultured pearls, Electrical machinery and equipment, Meat and edible meat offal	96	India, Belgium, UAE	86	Botswana Investment and Trade Centre – (BITC)	Ministry of Trade and Industry	NES 2006-2009 National AGOA Strategy 2017
Burundi	Exports: 180,772 (USD, 000) Increase from 2018: 1%	Natural or cultured pearls, Coffee, Tea, spices, Ores, slag and ash	72	United Arab Emirates, Democratic Republic of Congo, Pakistan	66	Burundi Investment Promotion Agency (API)	Ministry of Finance, Budget, and Privatization	National Export Strategy 2014 National AGOA Strategy 2014
Eswatini	Exports: 2,001,762 (USD, 000) Increase from 2018: 4%	Essential oils and resinoids, Sugars and sugar confectionery, chemical products	89	South Africa, Kenya, Nigeria	93	Eswatini Investment Promotion Authority (EIPA)	Ministry of Commerce, Industry and Trade	-
Ethiopia	Exports: 2,785,856 (USD, 000) Increase from 2018: 29%	Coffee, tea, maté and spices, Oil seeds and oleaginous fruits	88	China, Saudi Arabia, USA	146	Ethiopian Export Promotion Agency (EEPA)	Ministry of Trade and Industry	Export Promotion Strategy 1998 NES 2001 National AGOA Strategy 2016
Lesotho	Exports: 645,750 (USD, 000) Decrease from 2018: 6%	Articles of apparel..., Articles of apparel ...not knitted or crocheted, Natural or cultured pearls, . . .	79	USA, South Africa, Belgium	56	Lesotho National Development Corporation	Ministry of Trade and Industry, Cooperatives and Marketing	Lesotho AGOA Response Strategy 2016
Rwanda	Export: 1,161,751 (USD, 000) Increase from 2018: 7%	Natural or cultured pearls, Coffee, mineral fuels	87	Congo, UAE, Uganda	109	Rwanda Development Board (RDB)	President's Office	Rwanda National AGOA Strategy NES I & NES II
Uganda	Exports: 3,087,274 (USD, 000), Increase from 2017: 6%	Coffee, Tea, Natural or cultured pearls, Cereals	90	Kenya, United Arab Emirates, Sudan	136	Uganda Export Promotion Council (UEPC)	Ministry of Trade, Industry and Cooperatives	National Exports Development Strategy
Zambia	Export: 6,962,507 (USD, 000) Decrease from 2018: 13%	Copper, precious metals, Salt	91	Switzerland, China, Democratic Republic of Congo	116	Zambia Development Agency (ZDA)	Ministry of Commerce Trade and Industry	NES 2018, National AGOA Strategy 2018-2025, National Trade Policy and Export Strategy 2019
Zimbabwe	Export: 4,279,384 (USD 000) Increase from 2018: 3%	Pearls, Tobacco, Ores	89	South Africa, United Arab Emirates, Mozambique	84	ZimTrade	Ministry of Industry and Commerce	NES 2006-2010, NES 2017-2021

Source: CITC- Country benchmarking

Note:

1. All countries improved their export performance in 2018, except Malawi, which recorded (-1%) growth. Lesotho recorded a 91% increase in its exports, while most of the others registered over 10% growth² Burundi registered the lowest value of exports of USD 169,071 thousand trailing just behind Malawi at USD 879,975 thousand
2. Burundi serviced the least number of export markets in 2018 (71 markets), behind Malawi with 81 markets.
3. Botswana catered for the highest number of markets with 94 markets
Most of countries are exporting agriculture and agro-processed products, except Lesotho, which exports mainly manufactured products (articles of apparel)

Note:

The enactment of the Investment and Export Promotion Act 2012 created the framework for the setting up of the Malawi Investment and Trade Centre, which merged the services of the Malawi Export Promotion Council and the Malawi Investment Promotion Agency Thus, MITC is a Trade and Investment promotion Organisation (TIPO). The Act is being reviewed to enhance MITC's scope of work and outreach as the National Focal Point for export and investment promotion.

SECTION II

3.0 NES II - STRATEGIC ORIENTATION

While the strategic thrust of NES I was to encourage import-substitution industrialisation, which did not materialize, the strategic orientation of NES II will be primarily export-oriented growth, built around capacity building of enterprises, optimizing beneficiation of local resources, and maximizing Regional and Global Value Chains. There are ample opportunities for Malawi to innovate, deepen its capabilities, reinforce its regional and international connections, continue to support a private sector led growth agenda, and stay relevant to the regional and global markets. The underlying precondition is to strengthen enterprise capabilities so that Malawian companies can participate, without inhibition, in regional and global trade.

As government does not export, companies do, the National Export Strategy II outlines the support programmes that the Government of Malawi needs to put in place to build the competitiveness of the Malawian industry, its firms, its products and its entrepreneurs, to play and win at the regional and international levels. The NES II will be delivered by the GOM in collaboration with key stakeholders from the public and private sectors, and with the support of Development Partners and Donor Agencies (DPs & DAs).

3.1 NES II – Picking the Winners - Analysis

It is a common fact that a country does not and cannot export all the products it produces to all the countries in the world. It can at the very best export only some products to some countries. The question is: Who decides which products and which markets to choose?]

Given the competitive and dynamic nature of the global economy and international business, where nothing is constant but change, and where everything is inter-connected and inter-dependent, there exists no formula or method which can exactly pick winners for any country, in terms of products and markets. No one or government can be sure which industries will perish and which will flourish in the future. Different economic and statistical models are at best non-deterministic and can provide the best-

case scenario in terms of market opportunities, based on market trends and built-up capacities, *ceteris paribus*. The results of these modelling however, often provide policy guidance to countries towards building their future supply side capabilities and to create the enabling ecosystem to better integrate into regional and international markets.

In the case of Malawi, rich literature exists on industry and market prioritization in most of the economic development strategies, plans and policies. Recently, the International Trade Centre (ITC) and USAID had also done independent in-depth modelling to identify products and markets that offer the best opportunities to Malawi. Additionally, on the local front several entities have also conducted similar exercises. More importantly, the Malawi 2063 provides strategic future orientation of Malawi economy within the 2063 horizon. The Malawi 2063 Vision is "An Inclusively Wealthy and Self-Reliant Nation".

The three pillars of the Malawi 2063 are:

- 1 Agriculture Productivity and Commercialization;
- 2 Industrialisation (including mining); and
- 3 Urbanisation, including tourism.

The underlying "enablers" of Malawi2063 are (i) Environmental sustainability, (ii) Economic infrastructure, (iii) Private sector dynamism, (iv) Enhanced public sector performance, (v) Effective governance systems and institutions (including active citizen engagement), and (vi) Mindset change (including positive value system).

NES II uses established methodologies and its advanced analytics for the selection of Priority Products and Priority Markets, which have the highest potential for exports from Malawi for the next five years. These include (i) ITC's Export Potential Mapping, a tool that can help identify products and markets with export potential as well as opportunities for export diversification, and (ii) International Trade Administration (ITA) legacy analytics, "How to identify markets for

your company's products". The selection of "winners" for NES II is based on the following analyses:

1. Past export trends from Malawi over the eight years period (2011-2019);
2. Priorities of the Government as identified in frontline strategies, policies, and plans;
3. Priorities identified by recent studies and institutions;
4. Stakeholders' viewpoints on priority listing taking into consideration present and future supply capability. The list was approved at the Consultation Workshop;
5. Export potential mapping using ITC-Trade Opportunity Map and UN COMTRADE trade statistics to identify priority products and niche target markets; and
6. Competitor mapping for Malawi's exports at the regional as well as international levels;
7. Appreciation of domestic value-chain; and
8. In-depth market analysis.

Note:

1. The export potential is calculated for products presenting the highest export potential, computed at product level, defined by 4-6 digits HS classification.
2. The analysis holds the supply capacity of Malawi and that of its competitor's constant over the strategy period.
3. The analysis focuses on exports from Malawi and assumes that the demand for Made in Malawi products will not fall below its present level.

Detailed results of the analysis are presented in the National Export Strategy II Annexures document as follows: Annex 4 - Analysis of Market prioritisation, Annex 5 - Analysis of Product prioritisation, Annex 6 - Export Potential Mapping for Malawi, Annex 7 - Analysis of Market opportunities under AfCFTA, Annex 8 - Analysis of Market demand for products of Malawi, Annex 9 - Analysis of Competitiveness Mapping, and, Annex 10 - Value Chain Analysis. The findings form the basis for the prioritization of sectors, products, and markets for the NES II, as outlined in the sections that follow.

3.2 NES II Priorities – Product and Market Opportunity Mapping

3.2.1 NES II: The Priority Products

Selecting priority sectors and products for promotion is always a challenge because opportunities are constantly changing, more so, in an integrated global market. Additionally, other countries are probably already engaged in the selected sectors and may possess definite comparative or competitive advantages thereon. Nevertheless, in some sectors Malawi has acquired and developed in-depth know-how, at par with the best in the class in the region, namely in tobacco, cane sugar, coffee, and tea. In other emerging sub-sectors, Malawi is fast

Malawi has strong potential to develop several export-oriented products to service its preferential markets. Literature and empirical studies have revealed that exporters and countries alike use a set of given criteria to select or prioritise products for exports

picking up speed and building competitiveness, namely in oil seeds, legumes, and edible nuts. Moreover, Malawi has strong potential to develop several export-oriented products to service its preferential markets. Literature and empirical studies have revealed that exporters and countries alike use a set of given criteria to select or prioritise products for exports.

These criteria are presented in the figure below:

Figure 7: Criteria for selection of products for exports



Source: CITC

The NES II uses a hierarchical approach in selecting its priority export sectors, based on its supply side capabilities, its comparative and competitive advantages, and market opportunities, with focus on:

In the short term, to upscale its exports by optimising installed and latent production capacities, more importantly:

- a) Expand supply of products which are already being exported to service existing as well as new markets;
- b) Develop products which are presently being manufactured for the domestic market to become export ready to service existing and new markets, starting with regional markets before reaching out to the international markets.

In the medium to long term, to develop new products and services for exports premised on diversification; namely

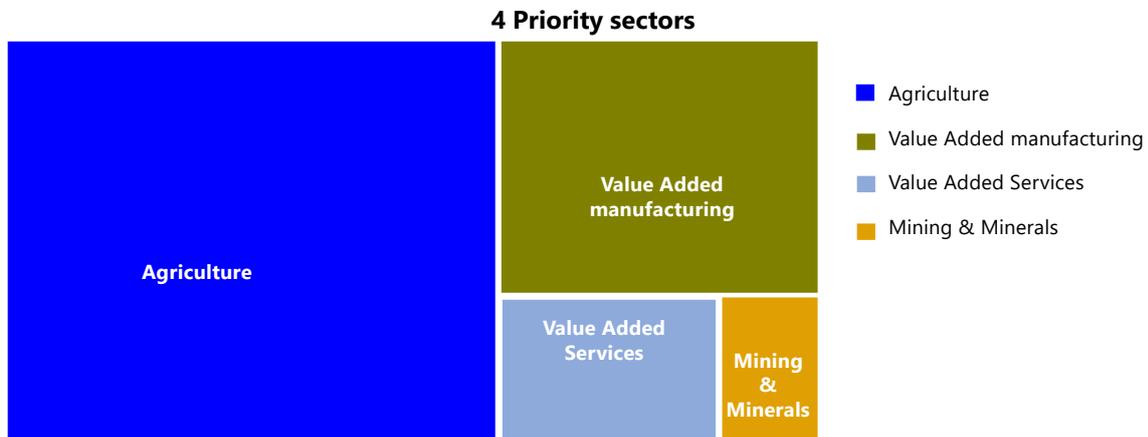
- a) Diversify into new products and services for import substitution and more importantly for exports. The marketing outreach should be to maximise opportunities in Malawi's existing markets and to penetrate new markets. Focus should be on optimising Regional and Global Value Chains to produce products incorporating materials from the region and the world over; and
- b) Set the ecosystem for emergence of new products and services, presently not on the radar for development (medical devices, precision engineering, biotechnology, gemstones and jewellery, automotive parts and components, bioinformatics, Research & Design Centres, to name a few). Experiences from other countries support that the runway for the take-off of any new industry, from the conception to realisation stages, is between 5 to 10 years.

The NES II uses a hierarchical approach in selecting its priority export sectors, based on its supply side capabilities, its comparative and competitive advantages, and market opportunities

Based on the extensive consultations with key stakeholders and comprehensive research, and analysis of data, and past performance the following sectors have been identified as having good growth prospects to catalyse exports from Malawi over the NES II period 2021-2026.

These are:

Figure 8: 4 Priority sectors of exports



Source: Prepared using multi-dimensional data

3.2.1.1 Agricultural Products

Agriculture is the backbone of Malawi and is central to the lives of Malawians. The agriculture sector also comprises forestry, livestock, and fishing activities. The sector contributes 27.1% to GDP, employs over 71% of the total workforce, accounts for over 80% of total exports from Malawi of which tobacco alone accounts for over 55%, followed by cane sugar, tea and coffee. This sector is a catalyst for inclusive growth and encourages women engagement in the economy, amongst other attributes. However, Malawi’s share of the regional and global markets for agricultural and agro-allied products remains low and under-par compared to other developing countries.

The sector holds huge untapped potential for beneficiation, product diversification, market diversification, and to address Malawi’s trade deficit by reducing imports of agricultural products and increasing exports from Malawi. Preliminary market study indicates broader opportunities and demand for Malawian agricultural and agro-processed products in both the regional and international markets, with promising prospects from Asia, more particularly from India, China, Japan, and Singapore.

The table below provides an overview of products that have export potential in the agriculture sector.

Table 18: Priority Export Products for the Agriculture Sector

Sub-sector	Priority Products
Traditional Export products	<ul style="list-style-type: none"> Tobacco, Sugar, Coffee, Tea, Cotton
Food Crop	<ul style="list-style-type: none"> Edible nuts: shelled, unshelled, (ground nuts, macadamia, cashew nuts), Legumes: dried, shelled, skinned, split (Kidney beans, pigeon peas, chick-peas, cow peas), Oilseeds (soya, sunflower, cotton, ground nuts), Fruits and vegetables (Mangoes), Maize seeds for sowing, High-value horticulture (berries, chillies, vanilla, spices)
Livestock & Fisheries	<ul style="list-style-type: none"> Meat & Poultry, Fish (fresh, chilled, processed, live and ornamental fish)
New Crop	<ul style="list-style-type: none"> Industrial Hemp and Medical cannabis

Source: Constructed by CITC

Note:

1. Malawi is one of the top 10 tobacco producing countries in the world.
2. Tobacco is by far the largest export product contributing 56% to total exports and will continue to be an important industry for Malawi for many years to come
3. The world market for tobacco (Ch 24) has remained stagnant since 2013 at around USD 60 billion.
4. Total annual cigarette consumption is around 5 trillion sticks, of which China alone consumes 2.3 trillion sticks per year. Indonesia and Russia are the second and third most important cigarette consuming countries. The legal global tobacco market is worth USD 814 billion (2018) and is expected to reach a USD 1 trillion by 2026.
5. The demand for tobacco and nicotine products is shifting due to health and societal issues, and stricter government control. The market for tobacco is expected to remain depressed, growing marginally each year.
6. The scope of increasing exports of tobacco from Malawi is not promising.
7. The plant life-cycle between planting and ready for harvest vary for each agriculture product (Tea: 2-3 years, Sugar cane: 14-18 months, Coffee: 3-4 years, Cotton: 6-8 months, tobacco: 4-6 months, Hemp: 3-4 months, Groundnuts: 90-150 days, Macadamia: 5-10 years)

(A) A new opportunity: Trade in Cannabidiol (CBD)

Malawi has recently joined the league of restricted countries that have legalized the farming and exports of cannabis (hemp) for industrial and medicinal use, more precisely cannabidiol (CBD). The leading players are China, Canada, France, Netherlands, Russia, Poland, USA, Germany and Romania, Israel, among others. In the region Lesotho, Rwanda, South Africa, Zambia, and Zimbabwe also have similar legal provisions and several more countries are seriously looking at it. The GoM is presently putting in place the regulatory and administrative frameworks to optimise the benefits from this new business opportunity in compliance with international standards and norms.

The main hemp products are (i) hemp seeds (ii) hemp seed oil, (iii) hemp fibre, and (iv) CBD oil. The market segments for industrial hemp are

food and beverages, personal care & cosmetics products, textiles, pharmaceuticals, paper, rope, and plastics. The global market for cannabis (industrial hemp or medical hemp) is growing rapidly with over 50 countries in the world having legalized marijuana in some form for medical use. The global market was USD 4.6 billion in 2019 and is projected to reach USD 26.6 billion by 2026, growing at CAGR 34% annually. Capturing even a modest share of 0.01% of the global market may bring in USD 260 million to Malawi. As this is a new industry, GoM must ensure that the right parameters and safeguards are put in place to offer maximum opportunities to Malawian entrepreneurs and to comply with international standards and norms for the CBD trade.

According to the Global Industrial Hemp Market Analysis and Trends – Industry Forecast, the industrial market comprises major players as Hempco (Canada), Ecofibre (Australia), Hemp Inc. (USA), GenCanna (US), HempFlax BV



(Netherlands), Konoplex Group (Russia), Hemp Oil Canada, BAFA (Germany), Hemp Poland, Dun Agro (Netherlands), Colorado Hemp Works (USA), Canah International (Romania), South Hemp Techno (Italy), Plains Industrial Processing (Canada), and MH Medical Hemp (Germany).

(B) Export oriented agriculture: The way forward

The development of a strong export-led agricultural sector in Malawi calls for an unfailing engagement of both the public and private sectors towards building an enabling eco-system conducive for domestic and foreign investment. The pre-conditions are:

- a) Value Chain development;
- b) A large-scale dissemination of productivity-increasing technology and inputs, plus input intensity and capital intensity;
- c) Liberalization of inputs market, with duty free imports of seeds, fertilizers, agricultural machinery, and equipment;
- d) Innovative finance, with special attention to export financing;
- e) Reliable and efficient infrastructure (irrigation, storage, transport, power & energy);
- f) Information and advisory services;
- g) Strong industry-alliances in the style of co-operatives, farmers' associations;

- h) The development of input and output markets structures and incentives that allow the full realization of the value of increased production;
- i) A well-functioning and vibrant private sector that can manage and allocate skills and capital to scale emergent success and drive long-term sustainable agribusiness growth;
- j) Effective and efficient institutional support;
- k) Pro-investment incentives;
- l) Wholesome capacity building, including training for export readiness;
- m) Aggressive promotion (export and investment);
- n) Land reforms;
- o) Improve production of agro raw materials for processing;
- p) Research & Development, and Innovation;
- q) Development of clusters.

Unlocking Malawi's full export potential of agriculture and agro-processing industry, to the scale required to cover for the domestic consumption and to capture export opportunities, will be dependent on harnessing the industry specific enablers, which are the prerequisites that should be assembled.

The box below describes the enablers for growth.

Box 4: Set of enablers for the development and growth of the agricultural sector

- a) Increase productivity by catalysing the development of effective input distribution systems and enhance labour capability to reduce post-harvest waste and loss;
- b) Realize the value of increased production by facilitating increased investment into output markets and supporting market incentives for value addition;
- c) Increase investment into enabling infrastructure, both hard infrastructure (such as roads, energy, and water) as well as soft infrastructure (especially ICT, which can have positive effects);
- d) Create an enabling agribusiness environment with appropriate policies and regulation;
- e) Catalyse flows of capital (especially commercial lending and private investment) to scale agribusinesses;
- f) Ensure that transformation delivers on broad-based needs of citizens, by ensuring inclusivity, sustainability, and effective nutrition beyond what the market may deliver otherwise;
- g) Coordinate activities to kick start transformation, align activities and investments of different actors, and where necessary guide initial activities to the point where private sector actors can be crowded in.

Source: adapted from African Development Bank, *Feed Africa – Strategy for Agricultural Transformation in Africa – Fortune Business Insights*



3.2.1.2 Manufacturing

Manufacturing is defined as the process of transforming raw materials into more value-added products, either into semi-finished (intermediary products) or finished products (ready to be used by the final consumer). The manufacturing sector generates strong spillovers to the rest of the economy, more particularly to create large number of jobs, attracts FDI, promotes technology transfer and innovation, promotes industry linkages, develops domestic entrepreneurship, and generates foreign exchanges. However, the contribution of manufacturing to GDP in Malawi is low, not exceeding 10% in 2019.

In fact, one school of thought measures the economic strength of a country by the level of

development of its manufacturing industries. As such, every country tries to diversify its economic base by developing and strengthening its manufacturing sector. Malawi has the potential to effectively develop a strong manufacturing base, with specific focus on moving up the value chain from being an exporter of unprocessed produce to an exporter of semi-finished products for the transformation industry overseas, as well as a producer and exporter of finished goods for consumption by the final consumers. These include foodstuffs and beverages, textiles and wearing apparel, plastics and related products, wooden products, pharmaceuticals, leather, and leather products, amongst others. The table below provides an overview of manufacturing activities that can be successfully developed for the export markets.

Table 19: Priority for manufacturing activities

Sub-Sector	Priority Products
Agro-processing	Black tea in bulk, Vegetable oils and residues and waste of food industries (oilseed cake), Cane sugar and sugar-based products, Spirits and Beverages, Honey
Plastic and plastic products	Sacks & bags (Packaging materials)
Pharmaceuticals	Paracetamol, Antibiotics, Vitamins and food supplements, Anti-malaria drugs, Syrups, liquid preparations, and saline, Carbon dioxide, Veterinary products
Wood and Wooden products	Fibreboard and plywood, Carton & boxes
Textiles and apparel	Yarns, fabrics, and Readymade garments
Leather and Leather Products	Finished leather, foot wear and other leather goods (any other leather products apart from footwear bags, belts, wallets)

Source: Constructed by CITC

Note:

Exports may be increased from existing agro-processed products through local content and local value-added processing. In the case of sugar, packaging ready for retail could be entertained in Malawi. Similarly for tea, exporting in bulk could give way to retail packaging ready for shelf, will bring premium pricing.

3.2.1.3 Services

Services are economic activities that facilitate the production and distribution of goods and services to happen in all spheres of life including inter-alia:

- Government services (military, education, judicial, police and fire, administration, etc)
- Business services (distribution and logistics, wholesaling, retailing, consulting, advertising, auditing, etc)
- Manufacturing services (R&D, technology & innovation, shipping & freight, human resources management, finance & accounting, repair and maintenance, quality, standards & norms)
- Financial services (banking, insurance, leasing, wealth management, etc)
- Infrastructure services (communications, transport, utilities, maintenance, etc)

- Tourism & hospitality (hotel, restaurant, airlines, travel agency, insurance, HR, etc)
- Personal services (healthcare and wellness, legal, accountancy, consultancy, etc)
- Computer and computer related services (IT, ICT, telephony, e-commerce, etc)
- Creative industries (craftsmen, artists, etc)
- Professional services.

Trade in services thus involves the exchange or sale of services between residents of one country and residents of other countries. Under the General Agreement on Trade and Services (GATS), services, like goods, are traded between countries, in four different ways, known as the four (4) modes of supply of services. The four modes of supply are given below:

Box 5: Four modes of supply of services

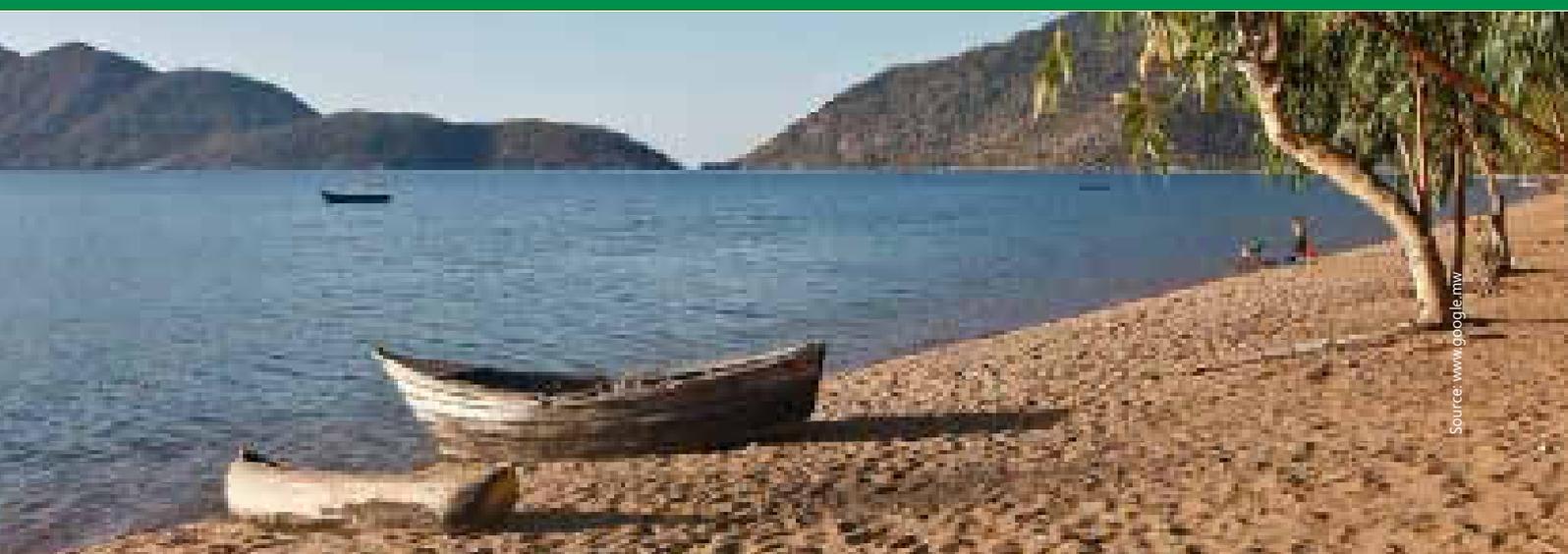
Trade in Services: Four Modes of supply	
Modes of Supply	Description
Mode 1: Cross-border trade	Where services are supplied from the territory of one country into the territory of any other country without physical movement of neither the buyer nor the seller, e.g. architectural design, fashion design, call centre, IT support, remote working
Mode 2: Consumption abroad	Where services are supplied in the territory of one country to consumers of another country, e.g. tourism abroad, medical and education services
Mode 3: Commercial presence	Where services are supplied through any type of business or professional establishment in the other country, e.g. franchising outlet, branch of a bank
Mode 4: Movement of natural persons	Where a service supplier who is a natural person travels to the other country to provide his/her services, e.g. independent professions, international consultants, foreign doctors travelling to other countries

Source: WTO definition

Malawi has a large pool of young English-speaking population in the 15-24years old segment, with more women than men. The youth unemployment rate of 7.5%² (in 2019) offers opportunities to mobilise domestic and FDI into developing industries and services that meet the aspirations of the young and educated population. This scenario is fitting for the

development of value-added services sector, more particularly tourism and hospitality, ICT, financial services, creative industries, etc. The services sector has a higher propensity to create much-needed jobs and to promote youth entrepreneurs. The following priority services sub-sectors have been identified as possessing the greatest opportunity for Malawi to develop value-added export-oriented services.

² According to World Bank



Source: www.google.mw

Table 20: Priority for services sector

Sub-Sector	Priority Services
Hospitality and Tourism	Hotel accommodation, Restaurants, Travel & Tours, Ecotourism, Leisure & Entertainment, Creative industry, MICE
ICT & IT Enabled Services (ITES)	Software development, Voice based Business Process Outsourcing (BPO), Non-Voice based BPO, Business Continuity Planning/Disaster Recovery Centres
Creative Industry	Arts and Handicrafts, Advertising and Media, Contents Development
Professional Services	Consultancy services (firms & individuals)

Source: Constructed by CITC

3.2.1.4 Mining and Minerals

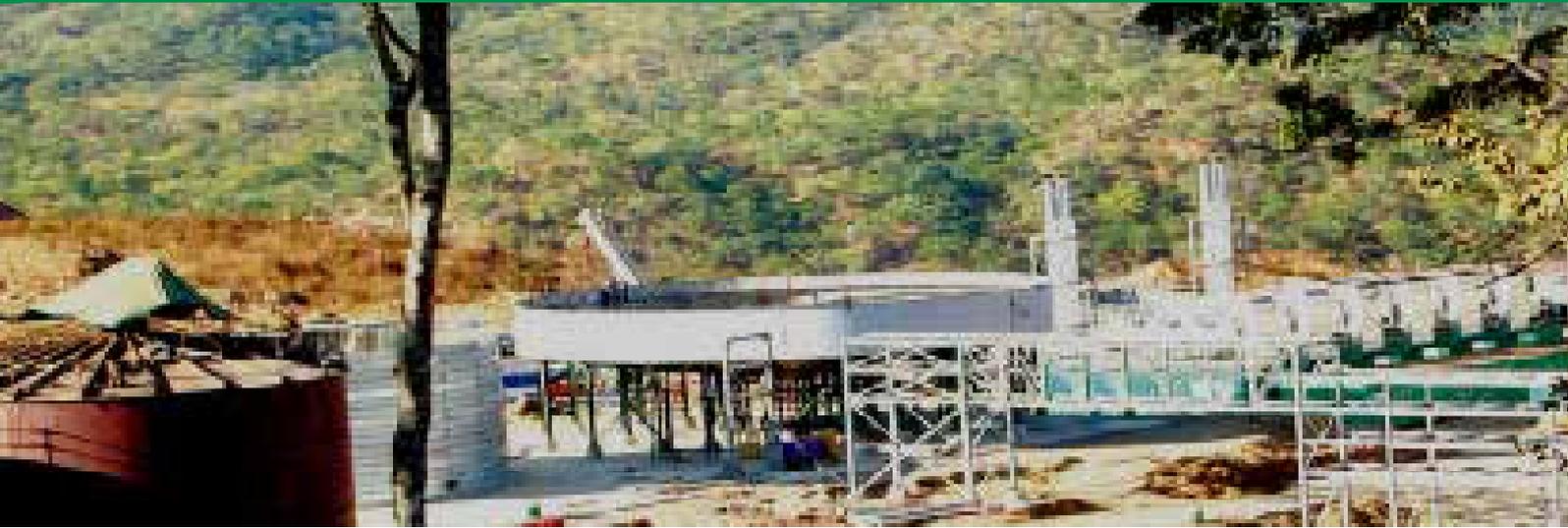
Malawi has a past record in exporting mining and mineral products. This sector has been on the planning radar for decades now and is back on the Malawi 2063 as a priority sector of development. However, given the heavy up-front investment and in the absence of a dedicated investment regime, this sector has not developed sustainably. In fact, the contribution of the mining and mineral sector to GDP has remained low, rising slightly from 1% in 2011 to 2% in 2018. According to the Malawi Extractive Industries Transparency Initiative (MWETI), the extractive industries in 2018 contributed:

- 0.6% to exports
- 0.9% to GDP
- 1.1% to Government revenues
- 0.2% to employment

In the past Malawi had successfully exported coal, ores, slag and ash, uranium, precious and semi-precious stones. Given the heavy upstream investment required and the long gestation period for realisation (survey, exploration, analysis of feasibility, drill testing, building infrastructure, extraction and processing onsite or offsite) the prospects of building up additional export capacity in this sector, within the NES II horizon, are not too positive. Moving forward, Malawi should first create the appropriate ecosystem and value propositions for the development of mining and mineral sector as a mainstream economic activity. The Malawi 2063 has identified mining as a growth sector. Malawi can effectively emerge as a strong exporter of the following mineral products:

Table 21: Mining & Mineral Products

Sub-Sector	Priority Products
Mineral Products	Limestone, Graphite, Galena, Rutile, Gold, Rare Earth Elements, Uranium, Niobium, Tantalum



3.2.2 NES II: The Priority Export Markets

Malawi is overly dependent on a few key traditional markets for its exports. In 2019, Malawi's exports share was as follows:

- Several regional markets (COMESA & SADC), (more importantly South Africa, Kenya, Egypt, Zambia, Mozambique, Tanzania, Zimbabwe) which accounted for 39% of total exports;
- A few EU member States (Belgium, UK, Italy and Germany, The Netherlands) which

accounted for 36.5% of total exports from Malawi;

- A few markets in Asia, traditional and non-traditional, (India, China, Singapore, Japan, South Korea) accounted for 14% of Malawi's exports in 2018. These markets hold substantial potential for market expansion;
- Very little exports to the USA (5% of total exports), under AGOA, GSP and non-preference treatment basis.

The figure below shows the main export destinations of Malawi.

Figure 8: Priority export destinations



Source: ITC data (October 2020)

Thus, the strategic choice for Malawi is to optimise market outreach through **Consolidation, Expansion and Diversification** of markets, with special focus on maximizing untapped potential in both existing and new markets.

In the backdrop of the fast-globalising world market and the advent of digital technology, regional as well as international markets have become fiercely competitive. Firms willing to penetrate and secure or expand their market

share in any foreign country have to carefully identify, assess, and select the right or the most promising markets, as selecting the wrong ones can be disastrous. Once market entry is achieved, the exporter has to be very vigilant and innovative to consolidate and grow its share of the market(s). Venturing into export markets requires thorough understanding of the needs and requirements of the importer(s), careful planning, substantial resource mobilisation, building export readiness and taking calculated risks.

While venturing into newer markets, the exporter should always aim for long term gains rather than one time or short-term quick wins. Priorities should be given to markets with the following features:

- **High income economy in terms of** higher purchasing power of consumers;
- **Larger domestic markets** in terms of domestic consumers, including access to regional markets (FTA, Common Market, Customs Union and Economic Union);
- **Low market entry costs** in terms of customers' brand loyalty, advertising and marketing costs, and economies of scale;
- **Lower restrictions and regulatory** requirements in terms of import permits and licenses, quota restrictions, IPRs, and content requirements;
- **Low compliance** in respect of conformity requirements and NTBs/NTMs;
- **Easily accessible** in terms of connectivity and travelling time to visit buyers and potential buyers;
- **Higher cultural and language affinity** to avoid misunderstanding and confusion in doing business;
- **Lower competition** from domestic and foreign suppliers;
- **Better scope for business expansion** to increase the share of the market;
- **Trade agreements** for duty free and quota free treatment on exports, or preferential market accesses (unilateral, bilateral, and multilateral trade agreements);
- **Quality of institutional support** to provide soft landing in new markets, organise visits and meetings with potential buyers, connecting with buyers (Chambers of Commerce and Industry, Import promotion agencies);
- **Established domestic infrastructure and distribution logistics** for seamless customs clearance, internal transport and contacts with established wholesale and retail distributors;

- **Political and social stability**, where the risks of doing business are low in terms of civil unrest, expropriation without just compensation, trade disrupting Recover lost markets like Canada;

Compared to most developing countries, Malawi is fairly well integrated into the global economy through its network of bilateral, regional, and multilateral trade agreements. Malawi should at the very outset evaluate the rate of preference utilisation, under its different trade agreements. However, given Malawi's geographic limitations as a land linked country, Malawi should:

1. Consolidate its traditional markets;
2. Optimise the opportunities that its neighbouring countries offer, within the last mile radius, more importantly Mozambique, Tanzania, Zambia, Zimbabwe, and South Africa (MTZZS), a market of 193 million people;
3. Maximise the opportunities that SADC and COMESA offer to enter regional markets, particularly the larger markets (Egypt, DRC, Tunisia, Ethiopia, Kenya, Angola);
4. Deepen penetration in the EU markets, targeting the large and stable markets (France, Nordic EU countries and former East European countries that have joined EU);
5. Develop new non-traditional markets in Asia, Russia, Scandinavia, Australia, New Zealand, and the Middle-East;
6. Scout opportunities in other markets in West and North Africa (Nigeria, Morocco) and in, Brazil. sanctions, trade embargoes, risks of non-payment, among others;
7. Leverage the presence of Malawians in the Diaspora in order to identify international export markets in host countries for Malawian goods and services.

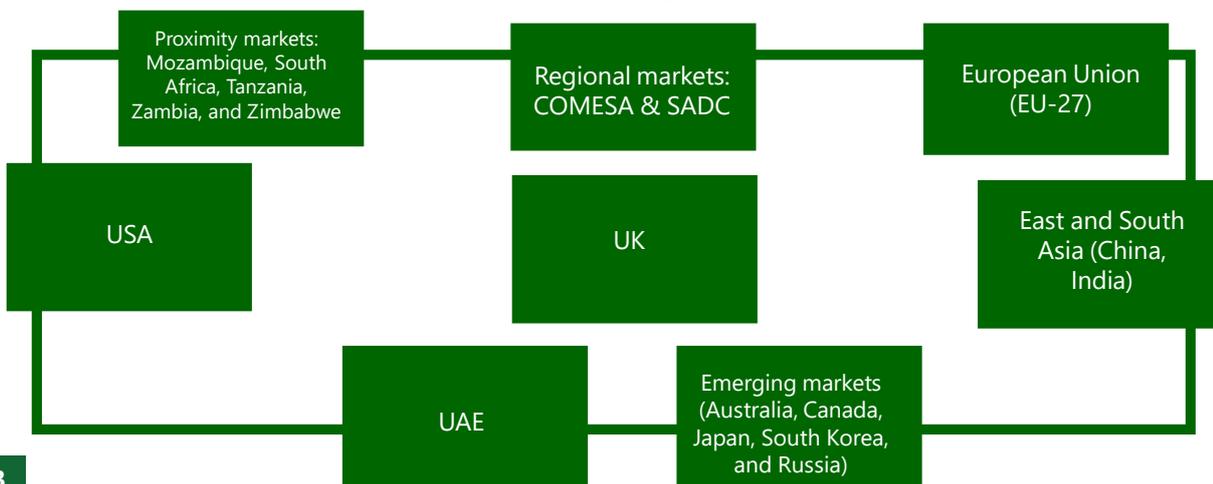
Note:

- Importers, the world over, seek to optimise returns and minimize risks while choosing sourcing destinations. Although price is important, yet it is not the only or most important variable. Importers look at the following critical factors on choosing sourcing destination(s):
- Total landed cost of imports (unit cost, freights, customs duties, brokerage services, fees, export conditioning services, among other costs);
- Capacity and sustainability of supply to meet short notice surge in demand;
- Product quality and regulatory compliance in respect of defects and non-conformity to instructions, quality control, and standards, norms and quality certifications;
- Delivery capability in respect of types of transport, transport infrastructure, and logistics for both import of inputs and export of product - delivery at the port;
- Location, in respect of proximity to markets (distance between importer and exporter, time zone, ease of travel, cultural and language distance, business etiquette);
- Trade agreements in respect of duty benefits (BTA, PTA, FTA, Common market, Customs Union, Economic Union);
- Trade regulations in respect of trade restrictions, trade incentives, documentations required for customs clearance
- Access to finance in respect of credit terms, export guarantee, insurance guarantee so as to lower the cost to the importer;
- Speed to market in respect of the responsiveness of the supplier for quicker response (shorter delivery time and variable quantity requirements);
- Value-added services offered by the exporter to reduce cost, time and convenience to the importer (packaging, labelling, price-tags, bar-codes, ready for shelf, among other services prior to exports);
- Line of communication and IT capabilities to ensure open and real-time dialogue between importer and exporter, supply chain effectiveness, audio-video facilities (internet, video conferencing, Zoom, Skype, WhatsApp, etc.);
- Established brand awareness and lower locational risk of the country or the exporter as a reliable, viable and trusted exporter;
- Regional sourcing hub to facilitate ease of travel of the importer to visit several potential exporters and visits to several countries in one visit;
- Superior customer aftercare and relationship with the supplier to ensure quality service to importers, "making clients your top priority";
- Institutional support to provide anchor service, to advise, connect and follow-up;
- Cultural and language affinity for smoother business dealings without any misunderstandings or confusions.

Using the same methodology as for the selection of NES II priority products, a product-market matrix has been constructed to identify markets that offer the most promising opportunities for

“Made in Malawi” products and services. The figure below shows the priority markets for exports from Malawi under NES II.

Figure 10: Priority markets



3.3 Optimal Product- Market Fit

Establishing an optimum product-market fit for exports from a country is a very difficult and painful exercise because markets are ever-changing and no one can predict the future with certainty in international trade. A “Push” strategy, to force upon customers what you produce, is not a sustainable strategy in the long run. What is more important is to see where your customers are “Pulling” you. It is critical to understand the needs and problems of the customers and how your product (s) can be a solution. More importantly, it is critical to:

- Create a niche in the target market(s) by identifying the hidden needs before your competitors do;
- Continuously improve your product value proposition (innovation,

improvement in quality, compliance, cost reduction, value-added) making your product better than available alternatives;

- Provide excellent customer aftercare to optimise rate of conversion, brand loyalty, and referrals. Listen to your customers, optimise learning, accept open and honest feedback);
- Acquire new customers.

Pairing the identified priority products with the priority markets, NES II proposes the following product – market fit/opportunity map.

The table below provides the product-market opportunity map for Malawi for the 2021-2026 period.

Priority Products	Priority Target Markets
Edible nuts: shelled, unshelled, (ground nuts, macadamia, cashew nuts)	Germany, India, Italy, Japan, Mozambique, Netherlands, South Africa, Tanzania, UK, USA, Zambia, Zimbabwe.
Legumes: dried, shelled, skinned, split (kidney beans, pigeon peas, chick-peas, cow peas)	India, USA, UAE, Tanzania, Zimbabwe, South Africa.
Oilseeds (soya, sunflower, cotton, ground nuts)	Zimbabwe, China, Spain.
Maize seeds for sowing	Tanzania, Zimbabwe, Mozambique, Zambia.
Fruits (Mangoes) & Vegetables	India, UAE, African diaspora
Meat & Poultry (eggs)	Mozambique, Zambia, EU subject to meeting standards requirements.
Fish (fresh, ornamental fish)	Hong Kong, Germany, China.
Industrial Hemp and Medical Cannabis	Canada, UK, South Africa, Germany, USA.
Tobacco	Belgium, Egypt, Germany, USA, China, Russian Federation.
Coffee	USA, Italy, Belgium, Germany.
Cotton	South Africa, India, Bangladesh, Mauritius, China.
Black tea in bulk	South Africa, UK, USA, Kenya, Germany, Japan.
Vegetable oils and residues and waste of food industries (oilseed cake)	Zimbabwe, Tanzania, Mozambique, South Africa, UK, Kenya, Italy.
Cane sugar and sugar products	Kenya, India, South Africa, UK, Mozambique, Tanzania.
Spirits & beverages	Zambia, Tanzania, Mozambique, Uganda.
Honey	USA, EU (subject to satisfying the new EU Regulations of 2019 for import of honey & other apiculture products.
Sacks & bags (for packaging)	South Africa, Zambia, Zimbabwe, Tanzania, Mozambique.
Fibreboard & plywood	Zimbabwe, Tanzania, Zambia.
Yarns & Fabrics	Kenya, Tanzania, Ethiopia.
Readymade garments	South Africa, EU, USA.

Note:**Comparative Advantage Analysis:**

The analysis in the foregoing section demonstrates that Malawi does not have absolute advantage in any of its priority export products, as there are other countries performing better than Malawi.

However, Malawi holds comparative advantages in several of its agricultural and agro-processed produce on the following basis:

- a) Most of Malawi's produces have short cycles and can be scaled up fairly fast as the basic infrastructure and factors are already available;
- b) Proximity to several important regional markets namely Tanzania, Mozambique, Zambia, Zimbabwe, and South Africa;
- c) Membership to Regional Economic Communities (RECs) which offer preferential market access duty free quota free for most of the product lines, subject to satisfying the rules of origin criteria;
- d) Preferential market access to some of the largest and lucrative markets, namely EU under EBA, USA under AGOA, India and China under preferential trade agreements.

3.4 NES II: Cross-Cutting Issues

In building an enabling ecosystem that would promote sustained growth in exports from Malawi, care should be taken to also address a suite of cross-cutting issues which impede or catalyse growth and developments. In fact, there are many opportunities for Malawi to stay connected to and deepen its footprint on the regional and global marketplace.

Some of the most pressing cross-cutting issues are:

- Promoting inclusive, balanced, and sustainable development;
- Creating enabling economic ecosystem;
- Strengthening competitiveness and productivity;
- Enhancing digital preparedness;
- Facilitating access to business information and intelligence;
- Developing skills and competencies;
- Building collaborative partnership; and
- Mobilising quality investment, including FDI.

3.4.1 Promoting Inclusive, Balanced and Sustainable Development**A. Inclusive Growth with focus on women and youth entrepreneurs and Micro, Small and Medium Enterprises (MSMEs)**

International trade is a fiercely competitive economic space, where the strongest and fittest wins, where without the express intervention of the State, women and youth entrepreneurs and the Micro, Small and Medium enterprises are

marginalized. Thus, many governments, the world over, have and are mainstreaming inclusive growth in the development equation in line with regional and international commitments, one of which is the UN Sustainable Development Goals (SDGs). Inclusive growth means closing the inequality gap between women and men, between young and established entrepreneurs and between small and large businesses. Although there are wide differences between the above categories, the challenges they face are very similar. As such the prescribed solutions for one category may also be effective for the other two categories of stakeholders.

The Strategy, thus, addresses the challenges faced by women and youth entrepreneurs in Malawi with a view to mainstreaming their participation in the regional and global value chains, to operate in higher value segments and higher value-added industries so as to meaningfully participate in international trade. Such initiatives empower women to gain from development both at the individual as well enterprise levels. The scene is now set for more women and youth entrepreneurs to assume and assert a greater role in international trade and to win. They should be prepared to be innovative and nimble to optimise all opportunities offered to them.

According to the MSME Survey Malawi 2019 by FinMark Trust, the inequality gap between women and men is particularly profound in Malawi, with 84% of women business owners operating in the Micro enterprises category, mostly in the informal sector, 15% in the Small

enterprises segment and only 1% as Medium enterprises. The contrast is even deeper in the sphere of international business. Women entrepreneurs mostly operate on the domestic market and their footprints are light on export trade. They mostly engaged in informal cross-border trade. Only a handful of them are active

exporters. Women entrepreneurs, in general, and women exporters, in particular, face a host of challenges.

The table below provides a snapshot of problems faced by women and youth entrepreneurs in Malawi.

Table 22: Challenges facing women and youth entrepreneurs in Malawi

Challenges facing Women entrepreneurs, youth entrepreneurs and Micro and Small enterprises
• Low capital base
• Limited access to credit and finance
• Predominantly operating in the informal sector
• Gender based constraints undermining women entrepreneurs access to resources & facilities
• Restricted management skills & capacity
• Inadequate access to information and business networking
• Limited access to technology
• Lack of export Promotion support
• Compliance to market Norms, Standards and Technical requirements
• Access to markets difficult
• Low brand identity
• Non-participation in policy-making
• Limited mobility

Source: NES II Stakeholders' consultations

Women economic empowerment and gender equality are key to achieving equality of opportunities. The rapid technological advancements and the declared government commitments in support of inclusive growth and development provide opportunities to integrate women, youth and MSMEs into mainstream international trade.

Trade acts as a catalyst to enable women entrepreneurs to connect with the regional and international markets and to grow their businesses and improve their standards of living.

B. Sustainable Development

International trade is critical to global economic development. However, it has far-reaching implications on environmental sustainability and governments' international commitments,

Trade acts as a catalyst to enable women entrepreneurs to connect with the regional and international markets and to grow their businesses and improve their standards of living.

namely SDGs, COP 21, Convention on International Trade in Endangered Species, and the Basel Convention on Movement of Hazardous Waste, among a host of pro-sustainability Agreements and Conventions. Malawi should therefore be mindful of negative environmental impact when developing and implementing its industrial development policies with specific regards to:

- Carbon footprints - ozone depleting gas emissions;
- Pollution (air, land, rivers and lakes, plastics, noise);
- Preservation and protection of forests;
- Resource Efficiency and Cleaner Production;
- Plant and animal protection; and
- Preservation of wildlife and dealing in endangered animals or animal parts.

Better protection of environment helps improve the image of the country as a compliant destination for sourcing. Malawi should aggressively promote environmentally friendly industries for sustainable development by encouraging domestic enterprises and attracting

quality FDI to counter the impact of international campaign against tobacco smoking. Timing is opportune and opportunities abound for Malawi to leapfrog into this emerging segment of business with focus on bio-organic foods and beverages, and resource efficiency and cleaner production technologies.

Besides precautionary measures, the Government may also introduce fiscal measures in terms of taxes and rebates for some products, for example policies on carbon emission and import of electric/hybrid vehicles. Such pro-environment measures can be used to attract environment friendly export-oriented industries in Malawi. Thus, environment and trade policy should be mutually supportive.

C. Balanced Development and Growth

Malawi has a bi-polar development with most industries and business established in Blantyre and Lilongwe. Government can use appropriate measures for decentralization in favour of second-tier and third-tier towns for establishment of industries and economic activities. Malawi may emulate the successful experiences from Thailand and Bhutan in developing a "One-Region-One-Product (OROP)" policy to enhance its "one-Village-One-Product" policy. Government can use incentives, public procurement policies as well as infrastructure development to encourage more investments in remote and disadvantaged areas of Malawi for development.

3.4.2 Creating an Enabling Ecosystem

An enabling economic ecosystem comprises the set of legal, regulatory, administrative, and institutional frameworks a country puts in place to promote private businesses, both domestic as well as foreign direct investment. Creating a conducive business environment implies making doing business simple, clear, cheaper, transparent, equitable, rule-based, and consistent. Additionally, information on doing business should be easily available. In this fast-globalizing world economy, every country is aggressively trying to improve its business environment to gain visibility and the attention of investors from the world over.

The World Bank "Ease of Doing Business Report" benchmarks the business environment of 190 countries every year. The Report tracks reforms that countries undertake in 12 indicators.

However, the Ranking in 2020 was based on only 10 indicators, namely starting a business, getting a building permit, obtaining an electricity connection, transferring property, getting access to credit, protecting minority investors, paying taxes, engaging in international trade, enforcing contracts and resolving insolvency. Malawi was ranked 109th in the 2020 Report, 2 positions better than 2019 ranking. On the African continent, Malawi is ranked 10th out of 54 countries. Malawi is committed to further improve its ranking, in the future, in the Doing Business Ranking as well as in other Global Indices. The Doing Business 2021 will not be released as the World Bank is presently revisiting its methodology. Malawi should capitalize on this lull to fast-track its reform agenda.

Despite the commitment and sustained improvement in its ranking, the business environment in Malawi still remains challenging. There is thus, an urgent need to accelerate and deepen Malawi's reform agenda, particularly in starting a business, access to credit and trading across borders, and which have direct bearing on Malawi's trade with the rest of the world.

3.4.3 Strengthening Competitiveness and Productivity

The competitiveness of an economy's exports is in reality the strength of its weakest component in the production to consumption value chain. According to WTO, the cost of doing business in Malawi remains very high, due to significant challenges related to transport, communication, energy, and administration. The cost of doing business in Malawi as per Ease of Doing Business Report as reported in NES II Annexures report document under Annex 11.

Despite proactive actions on several fronts, Malawi's trade facilitation score is low and under-par compared to other peer economies. Table 23 provide an overview of Malawi's performance on the different components of trade facilitation.

According to WTO, the cost of doing business in Malawi remains very high, due to significant challenges related to transport, communication, energy, and administration.

Table 23: Malawi's trade facilitation indicator simulator metric

Malawi Trade Facilitation Indicator Simulator				
Indicator	Scores	Values	Best Practice (Score)	Best Practice (Value)
1 Information availability	17	0.85	33	1.571
2 Involvement of the trade community	8	1.143	13	1.625
3 Advance ruling	0	0	18	1.636
4 Appeal procedures	8	0.889	21	1.615
5 Fees and charges	17	1.214	24	1.714
6 Formalities – documents	2	0.286	15	1.667
7 Formalities – automation	4	0.308	21	1.615
8 Formalities - procedures	29	1.074	53	1.514
9 Internal border agency co-operation	3	0.273	13	1.182
10 External border agency co-operation	2	0.182	13	1.182
11 Governance and impartiality	5	0.625	17	1.889
Malawi Score		6.843		17.211

Source: OECD Trade Facilitation – Policy simulation tools (2019)

Added to these are low productivity, high post-harvest losses, and access to technology. To compete and win in international trade market, requires preparedness and efficiency at all levels of business life cycle, particularly to:

- Provide reliable physical infrastructure to connect Malawi's major production centres/regions and to connect to export destinations through an efficient multi-modal network of quality roads, railways and waterways connectivity, quality industrial zones/ parks for large manufacturing enterprises and industrial units for MSMEs;
- Provide reliable and cost-effective transport, logistics and distribution infrastructure for seamless movement of goods, services, capital, and people. These should include collection points, warehousing and cold storage facilities, ripening chambers, and better cargo handling facilities at the airports and the major borders, in terms of inland container depots (ICDs) or Container freight stations (CFSs), and free port logistics centres at the two airports;
- Access to stable, reliable, and competitive basic public utilities (power and energy, water, and telecommunications). Special attention must be given to renewable energy, resources efficiency and cleaner production;
- Competitive tax structures with specific regard to fiscal incentives and import tariffs on raw materials, machinery and equipment and spare parts;
- Easy and affordable access to credit and trade finance to meet any increase in demand, expansion and modernisation programmes;
- Build resilience through sustainable diversification agenda to guard against unpredictable disruptions in any industry/ sector;
- Strong R&D and innovation agenda, and IPR ecosystem at the national, industry and enterprises levels;
- Adopt a cluster approach to industrialisation to mutualise the strength of competing and collaborating firms within a sector or an industry, so as to generate competitive advantages in terms of better quality, lower cost of production, better utilisation of resources and innovation; and
- Establish appropriate institutional framework for improving competitiveness and productivity in Malawi (Malawi Productivity and Competitiveness Council).

3.4.4 Enhancing Digital Preparedness

The digital economy offers immense opportunities to Malawi both as an industry, on its own standing and more importantly as an "enabler". The COVID 19 pandemic has accelerated the digital transformation and which has opened up new perspectives for trade, communications, logistics, manufacturing, education, and a whole range of government services. Malawi can effectively integrate digital technology in its government administration (e-governance), into its industries to improve productivity and competitiveness and into its export trade through e-commerce. Digitalization will enable farmers to get real-time information on markets, industries to monitor production and improve management, and businesses to monitor orders, production, logistics and sales on real time basis.

E-commerce will enable Malawian exporters, existing as well as potential exporters, but more importantly MSMEs, to undertake direct retail exports to reach regional and global buyers on a B2C basis, leveraging the digital platform for e-marketing and digital-payment. However, digital commerce is not hassle free. It has its own risks and challenges. It is thus, imperative to build the capabilities of local exporters on e-commerce readiness, in digital technologies and international trade, as a priority. The pre-requisites to be assembled are:

- Appropriate legal and regulatory framework for digital commerce;
- Robust IT infrastructure and services for e-Commerce website optimization;
- A directory of exportable products (product catalogue);

- Choice of most suitable e-Commerce sales channel;
- Building of a strong digital brand abroad;
- Establishment of appropriate e-Commerce international trade logistics;
- Skills development; and
- Payment gateways and financing for e-commerce.

In parallel, efforts should be mobilized to promote the introduction of digital technology in the production to consumption value chain. Such an initiative shall improve the productivity of the enterprise, the quality of the product (lower rejects and defect rates), lower the unit costs of production, and by ricochet, improve the competitiveness of the products on the export markets.

Furthermore, Government should explore avenues to graduate its administration services on an e-governance digital platform for application, processing approval and delivery of licenses, permits, clearances, approvals, and public procurement. This will have a positive impact on Malawi's global rankings.

3.4.5 Facilitating Access to Trade Information and Intelligence

To survive in the global marketplace, the exporter must have deep and real time knowledge (information and intelligence) of the markets he/she is operating in or is planning to enter. All decisions must be "informed decisions". One must know the prevailing conditions in the target markets and have intelligence of any forthcoming changes.



Hence, updated economic information and intelligence is essential to businesses, institutions, and policy makers in the context of fast globalisation to stay ahead of the competition. Business information and intelligence will allow exporters and entrepreneurs:

- To understand the prevailing business environment in targeted markets; i.e. to identify the main players, the distribution channels, the sources of competition, legal and regulatory requirements, price structures, payment terms, delivery schedules, amongst others;
- To forecast the evolution of the above factors, including the advent of any disruptive technologies, new sources of competitions, etc.
- To test the foundation and strengths of his/her export strategy.

It is important that the exporter's community has regular access to such updated information to know when to enter or leave a market. However, unfortunately access to such information is expensive and highly technical in nature. Hence the need for MITC to undertake information watch, collect or buy such data and information, analyse it, present it in an acceptable format and disseminate it to its stakeholders, the large business conglomerates, and the micro entrepreneurs alike. Improved access to information will be a prerequisite of future society. Its application will support decision-making by governments, institutions, enterprises, and entrepreneurs. In this regard, establishing and maintaining versatile communication channels between Malawi diplomatic missions and MITC is important to support the function. Furthermore, integrating and leveraging on the presence of Malawians in the Diaspora could also complement economic information.

3.4.6 Develop Skills and Competencies

Skills and competencies are instrumental in building resilient economies and ensuring that a country remains relevant to mainstream international trade. Thus, every country must remain alert to and be ever ready to harness opportunities created by new demands and technology advances, with specific regard to adapting its workforce to new skills requirements. Hence the need for continuous training and re-training at all levels, but more particularly at the domestic enterprise level.

In the case of Malawi, where the majority of the workforce is currently employed in agriculture, it is inevitable that a significant number of workers will sooner than later move out in search of jobs in other sectors. Additionally, there will be new entrants to the labour force every year as a result of Malawi's high population growth (+3%). It is thus, imperative to put in place appropriate Human Resources Development strategies to properly harness Malawi's human capital to boosting its overall competitiveness and developing export-oriented industries that can succeed on the global marketplace. Strong partnerships should be developed between academia and industry in implementing skills accelerators in terms of internships/apprenticeships and on-job training programmes. More importantly, the Technical and Vocational Education and Training (TVET), should be integrated into the education system of Malawi to develop adequate human capital in line with industry and market needs.

3.4.7 Building Collaborative Partnership

The NES II cannot be owned and implemented by a single ministry nor agency. It is a national development initiative, that requires a collaborative approach, with sanction from the highest government hierarchy, leadership from the line Ministry (MoT) which includes active involvement of a designated government agency (MITC). MoT should establish a NES governance structure as well as a framework for the implementation, monitoring and evaluation for strategy. Involvement of MITC on trade promotion and facilitation is very key for the successful NES II implementation. MITC shall develop strong collaborative partnerships with other relevant ministries, public sector agencies, private sector organisations and economic operators and academia for efficient implementation of the NES II.

**Skills and competencies
are instrumental in
building resilient
economies and
ensuring that a country
remains relevant to
mainstream
international trade.**

3.4.8 Mobilising Quality Investment, including FDI

Trade and investment are two sides of the same coin and cannot be dissociated. At times trade creates investment and at other times investment leads to trade. These two instruments of economic development must be harnessed jointly. There is a need to first undertake a comprehensive opportunity mapping of investment opportunities that Malawi offers and to align investment promotion to mobilising quality investments in priority sectors, including attracting and facilitating foreign direct investment (FDI) into the priority sectors. A strong investment base will reinforce the supply capacity to meet domestic demand and more importantly to meet demands from foreign buyers.

In order to attract quality investment, it is important to create an enabling business environment that facilitates the entry, integration, growth, and expansion of foreign investment into the domestic economy. Malawi may effectively use a winning mix of investment policy options to optimise beneficiation, maximize RVCs and GVCs, and mobilise quality investments, both domestic as well as FDI.

It is also imperative that local entrepreneurs are ready and willing to welcome foreign investments in Malawi and to open their businesses to foreign equity participation. More importantly, all existing investors must be properly serviced to encourage them to expand and diversify their businesses in Malawi. This calls for a strong investor aftercare programme.

The investment promotion value chains comprise:

- Comprehensive investment opportunity mapping (per sector, per region);
- Investor targeting (country - industry - entrepreneur or vice versa);
- Investor attraction;
- Investor facilitation;
- Investment approval;
- Investment aftercare;
- Investment policy advocacy; and
- Outward investment.

In light of the dynamic changes at the national, regional, and global levels and the reprioritization of development hierarchy GOM should finalize the development of a new National Investment Strategy, which will lend support to the NES II and the Malawi 2063.

Note:

1. The cross-cutting issues have both developmental and economic bearings
2. Infrastructure, transport, and logistics are critical enablers of international trade
3. Any reduction in costs would improve Malawi's competitiveness and should translate into higher exports
4. The engagement of both public and private sector stakeholders, through appropriate structures, is imperative to achieving the strategy objectives
5. Appropriate institutional framework for competitiveness and productivity is required to catalyse sustained economic growth

3.5 Key Enablers

NES II sets out goals, objectives and actions that must be implemented in a timely manner in order to consolidate, expand, and diversify exports from Malawi in terms of product and market outreach consequently unlocking Malawi's full export potential. For the strategy to be successfully implemented there is need for a certain set of conditions to be present and assembled. These are factors that all exporters and potential exporters, irrespective of their size or products, require to allow them to develop the capacity they need to be able to compete on external markets. The strategy has identified some cross-sector export enablers that are necessary to allow for the development of export capacity in Malawi as well as the

Intervention Areas (IAs). These include: Access to finance; Access to markets; Access to skills; Access to Land; Transport; Energy; and Science, Technology and Innovation (ST&I).

Access to Finance: Malawi has made significant strides towards improving access to finance for the private sector. However, lending risk is still high because of high interest rates and collateral requirements, which keeps many smallholder farmers and MSMEs out of the financial market. Lack of long-term financing in Malawi is a major constraint for smallholder farmers and MSMEs. As such there is need for a holistic approach to improve access to credit, export guarantee and - insurance guarantee.

IA 1: Establishing a bond market (a few large companies are planning to raise money on the bond market);

IA 2: Developing the capacity stock exchange to attract companies to raise finance through the non-bank financial sector;

IA 3: Ensuring fair competition by the banks with respect to the non-bank financial sector;

IA 4: Ensure an effective credit bureau sector – and improving access to information;

IA 5: An effective Registrar of Deeds; and

IA 6: Establishing the venture capital sector.

Access to markets: Malawi benefits from development-focused pro-LDC trade agreements with the EU and USA, such as the African Growth and Opportunity Act (AGOA). Also, the various bilateral and multilateral agreements that Malawi signed with various countries and international organisations including the Africa Continental Free Trade Area offer important opportunities to increase trade and investment. However, made in Malawi products are yet to take their space on the regional and international market. Issues of quality and standards, high transportation costs and non-tariff barriers, among others, are some of the challenges faced by Malawi's exports on the international market.

IA 1: Simplification of tariff scheme for both exports and imported inputs;

IA 2: Investment in trade negotiation capacity;

IA 3: Strengthening of Malawi Bureau of standards;

IA 4: Institutional development, particularly customs and license providing agencies (staff implementation of technology-based systems necessary to reduce transaction costs);

IA 5: Establishment and operationalization of Special Economic Zones (targeting NES II priority clusters).

Access to skills: Limited access to a required prerequisite competencies and skills by both the public and private sectors is Malawi's largest constraint to developing its ability to export. The NES I identified under-investment in Secondary and Technical, Entrepreneurial and Vocational Education and Training (TEVET) education as the major contributing factor. Exporters and potential exporters feel that technical skills are not readily available in the market and that there is inadequate Government funding for technical

schools thereby not producing graduates that are relevant to most value addition sectors. As a result, there is a disconnect between the supply of labour and the industrial demand for labor. Therefore, the NES II will endeavor that the economy has the right skills demanded at different levels (artisans, technicians, experts etc.) and build a cadre of competencies that will be able to produce competitive/innovative products and services.

IA: Increase public investment in Secondary and TVET (Infrastructure, ICT, Human resources)

IA 2: Strengthen the Labour Market Information System (LMIS)

Access to Land: The majority of land for smallholder farming in Malawi is fragmented, making meaningful commercial Agriculture difficult. In addition, most of these fragmented pieces of land are jointly owned with no legal titles. Furthermore, the Land Act (2016) stipulates that the Ministry of Lands shall identify land, designate it for investment purposes, get it published in the government gazette and allocate it to the Malawi Investment and Trade Centre (MITC) which has derivative rights for further allocation to prospective investors. Ideally, Government is supposed to service the land before allocating to investors. However, more often than not, land is offered to investors before servicing, thereby discouraging them. Also, the state of land tenure and land-use conflicts in Malawi, creates conditions that undermine the productive and sustainable use of land resources. Due to rise in demand for land, a lot of misunderstandings over land between locals and investors ensue. Scrupulous traders fuel land grabbing and encroachment. In some cases, local people grab or encroach on land belonging to investors and sell to developers. Conversely, investors may also persuade the locals to sell their land to them at a giveaway price. Land tenure rights that are enforceable, stable, and transparent are essential in conferring security to agricultural investments, which are key in boosting exports. Clear land ownership rights are also important in establishing land market and allowing the use of land as collateral in credit and other financial transactions, thereby increasing access to finance. Recent increases in demand for commercial land has increased land tenure insecurity of poor land users, whose rights to land and natural resources may not be legally recognized.

may be added to the mix of products being produced, manufacturing or cultivated (value added); Introduction of prototype research grants to enhance production of new products and services in the agriculture and economic sectors; Incentivize exporters by creating an

IA 1: Development of a land consolidation strategy for purposes of commercial agriculture;

IA 2: Deliberate policy by government to service land designated for investment purposes before allocating it to MITC;

IA 3: sensitization campaigns on land rights and valuation.

Transport: Currently, Malawi has the highest transport costs in the region ranging from 30% to 100% over the international average (National Transport Master Plan). This high cost of transportation renders Malawi's products uncompetitive on the international markets. The high cost of transportation derives from Malawi's landlinkedness, limited transport infrastructure, continued dependency on road transportation, trade imbalance between exports and imports from Malawi causing lack of back load for haulers, inefficient cross border processes and others. The National Transport Master Plan (NTMP) was developed with the objective to reduce transport costs by shifting cargo from road transportation to rail and inland Water Transport in anticipation of improving the competitiveness of Malawi's products at international markets. The priority of NES II is to identify an optimal corridor for movement of imports and exports.

IA1: Increase investment in transport infrastructure including rail, inland water and road network to facilitate transportation of goods to reduce travel time;

IA 2: Establishment of an enabling legal system for management at the borders, which would establish joint management committees, security arrangements, mutual recognition of controls and others;

IA 3: Establishment of Corridor Management Institutions (CMI) which would monitor the status of physical infrastructure including ports, road network of major corridors and rail, compliance with implementation on corridor agreements on trade and transport facilitation instruments among others;

IA 4: Improving border procedures based on the UN International Convention on Harmonization

of Frontier control of goods (1982) which can contribute to facilitating trade and transportation by limiting the number and extent of controls, using internationally recognized certifications to avoid duplication and organizing priority treatment at the borders, mutual recognition of transport documents.

Access to energy- Investment in energy generation and access is key towards achieving the aspirations of NES II. With regard to electricity, Government has set a target of generating 1,000 Mega Watts by 2025. This will ensure security and reliability of power supply to various sectors that will be producing for exports. While various efforts are being implemented on the supply side, deliberate efforts need to be undertaken to increase electricity access. Government is already implementing the Malawi Rural Electrification Programme which targets expansion of the grid to rural and peri-urban areas. It is also implementing the Malawi Electricity Access Project which will increase both grid connections in urban and peri urban areas. It is expected that universal access to electricity will be achieved by 2030. In order to achieve the universal access to power the transmission and distribution network also requires strengthening and upscaling.

In order to ensure security and seamless supply of petroleum products in the country, Government constructed 3 strategic fuel reserves with a total holding capacity of 60 million litres. However, due to increased demand for petroleum products to be used in transportation, manufacturing, agriculture and mining sectors, additional strategic fuel reserves with a capacity of 60 million litres will be constructed by 2025.

IA 1: diversify electricity generation sources to include solar, wind, thermal and geo-thermal

IA 2: Increase electricity connections

IA 3: Engage in power interconnections with neighbouring countries to enable Malawi participate in power exports and trade



IA 4: increase investment in new infrastructure in order to improve security and regularity of fuel supply

IA 5: De-risking capital investments in the energy sector

IA 6: Expand the power transmission and distribution network

Science, Technology and Innovation (ST&I):

Science, Technology and Innovation (ST&I) which embodies Information Communication Technology (ICT) is a significant enabler of the National Export Strategy II (NES II). NES II emphasizes which technological advancement (progress) driven by the fourth industrial revolution as an opportunity that cannot be overlooked. In Malawi, the ICT intensity as a percentage of GDP is around 4.6 per cent and the ICT sector continues to grow above 5 per cent per annum (AER 2020). ICT among other ST&I tools has the capability to: Influence rapid growth of industries through application of ICTs to support production of goods and services for export use; Stimulate ICT potential in high growth sectors such as agriculture, services, tourism and forestry among others for creating high quality export products; Increase international cooperation in development of ICTs which can be exported as high-tech goods; and Promote exports by fostering e-commerce through facilitation of e-trade and e-services

In Malawi, the manufacturing processes have been characterized as being simple, associated with application of old and obsolete technologies, with insignificant value added. At industrial level, ICT has potential to turn around the archaic obsolete manufacturing processes into modern processes characterized by high technology production methods.

With relatively high levels of e-readiness and availability of legislation for e-transactions enacted by the Government of Malawi, ICT will provide that needed opportunity to achieve objectives of NES II. In particular, the advent of the fourth industrial revolution (4IR paradigm) presents both opportunities and challenges to the attainment of the goals and objectives of NES II through technologies driven by automation such as big data, artificial intelligence (AI) comprising robotics, augmented and virtual reality among others, Internet of Things (IOT), cloud computing, 3D printing and block chain among other technological advancements.

Business research and development is almost insignificant in Malawi as very few companies have invested in business research and development (BERD). Enhancing business research and development can also create high value-added products in all priority sectors of the NES II. Malawian firms need to invest more in business research and development in order to harness more value from ICT technologies that have applications in most sectors of the economy.

IA 1: Investment in infrastructure development for supporting communication systems for managing data in export-oriented interventions.

(This includes: Creation of data infrastructure for managing export database systems and sub-systems, Creation of digital platforms for promoting export products (webinars and online training platforms; Promotion of use of e-transactions and cyber security; Improvement in the reliability and speed of international connectivity, launch of Digital Malawi Initiative for E-Governance; Digitization of Government administration services related to trade and investment (Malawi e-business initiative); Quality investments into the ICT sector (software development, Business Process Outsourcing – voice and non-voice-based activities; Setting up of Data Centres & Disaster Recovery Centres; Establishment of a national database of trade support services)

IA 2: Capacity building initiatives to support producers and exporters so as to increase production of goods and value addition

(Training of experts to undertake research related to the technologies defining the 4IR; Provision of cost-effective quality certification by expanding current internationally-funded training and quality certification programmes and attracting new ones; Training of exporters by use of e-commerce platforms; Promotion of skilling, reskilling and upskilling the populace in wake of the 4IRs to meet the demand for soft skills e.g. data scientist; Sensitisation campaigns on benefits of digital technology in agriculture, manufacturing & service deliveries; Promotion of broader use of ICT in production, SME, agriculture, and exports (as enabler) through awareness campaigns, capacity building and Awards)

IA 3: Allocate adequate resources to the sectors to strengthen and facilitate research and new product development capabilities

(Foster improved direction in carrying out research on new and high-value niche products



Award for the best “Made in Malawi” Export Product of the year selected from the newly developed prototypes exported; cross-cutting strategies and adaptive governance framework; Implementation of targeted, evidence-based policy-interventions through rigorous data collection to be able to feed into international databases of value added trade statistics).

3.6 Dynamic Global Trade Context – The Game Changers

With a fast-globalising world economy characterised by shifting of economic powers from the West to the East, deeper regional integration initiatives, technological advancements, shifting demographics, changing distribution and consumption patterns, and fast digitalising global economy, amongst other uncertainties, the strategic context of international business has changed and is set to remain dynamic. Every country needs to be nimble and proactive to adjust to these changes, in time, so as to capitalise on opportunities arising thereon. However, the situation is a bit more complex for economies dependant on cash crops, which are seasonal and those that require a longer maturity time for harvesting and whose production cannot be increased, at short notice, by readjusting factors of production. Unfortunately, Malawi falls in the latter category of economies.

Furthermore, the world is presently facing the Coronavirus pandemic, which has and will continue to deeply disrupt the global economic order. These changes call for constant vigilance and continuous readjustments of national priorities, reorientation of policies, constant realignment of strategies and action plans, and greater proactivity rather than reactivity, to remain relevant to mainstream economic developments.

Six Game Changers have been identified, viz:

- Coronavirus pandemic;
- Technological advances in the production to consumption value chain that integrate IT and ICT – Internet of Things, Big Data, Cloud

- Computing, Augmented and Virtual Reality, Robotics, 3D printing, Fintech and Block chain, among others;
 - Rise of digital economy (E-Commerce and mobile money);
 - Rising trade uncertainty with looming trade wars and renewed protectionism through (NTBs) and Non-Tariff Measures (NTMs);
 - Rising awareness and compliance to the SDGs (inclusive, sustainable, and balanced growth);
- Entry into force of the Africa Continental Free Trade Agreement (AfCFTA).

The above changes present both challenges as well as opportunities for developed and developing countries alike, to readjust their development trajectories. The technological advances offer opportunities to Malawi to leapfrog from factor driven to efficiency driven phase of development by venturing into value-added industries - mostly in beneficiation (value addition on domestic raw materials and inputs) and development of agriculture and agro-transformation, export-oriented manufacturing industries and value-added services. Opportunities exist to mobilise higher levels of investments from domestic entrepreneurs, including women and youth entrepreneurs, and supported by quality foreign direct investment. The NES II thus shall capitalize on emerging International Business eco-system to offer Malawi a development tool to construct a sustained, inclusive, equitable, balanced, and sustainable economic development agenda, powered by exports. Three policy options are available to Malawi to optimise benefits from the Game Changes, namely:

- (a) Three stage technology & innovation policy;
- (b) Three development stages paradigm; and
- (c) Beneficiation v/s Global value chains.

3.6.1 Industrial Policy Options

3.6.1.1 Principle of the Three Stage Technology and Innovation Policy

Box 6: Definition of snail crawl, leapfrog, Moonshot

Snail Crawl:

This approach adapts a standard growth recipe that includes improving the business environment, restructuring institutions and infrastructure, preserving macro-stability, investing in general education and minimising government interventions. To a large extent, this approach is the lowest gear of a Trade and Industrialisation Policy. Generally, it does not generate high sustained growth, and more commonly it results in relatively low growth. Barely any economies following this path catch up with advanced countries. Instead, these policies mostly fix "government failures" but fail to fix "market failures," especially in the development of sophisticated sectors beyond comparative advantage.

Leapfrog:

The middle gear offers developing countries an opportunity to adopt newer technologies to use their lower wages and resources availability to break into newer industries and markets ahead of well-established economies. Very often, leapfrogging is catalysed through transfer of technology and attracting foreign direct investment in sophisticated industries and/or climbing the quality ladder around existing industries such as commodities (e.g. Malaysia and Chile). This approach may provide relatively high growth leading to middle-income status, but it is unlikely to catapult an economy to high-income status within a couple of generations, that is, within the lifetime of a new entrant to the workforce. The Asian tigers (Hong Kong, Singapore, south Korea, and Taiwan) had implemented similar leapfrogging strategies in the earlier days of their industrialisation. These economies have since graduated into the league of Moon shot economies.

Moon shot:

The Asian miracles are the outcome of this approach to Technology and Innovation Policy (TIP). It consists of the state intervening to fix market failures so that competitive domestic firms in sophisticated industries with frontier technologies can develop. Market failures could stem from firms not fully incorporating productivity gains from entering a sector, or not getting compensated for investment that also benefits other firms. These preclude domestic firms from entering sophisticated sectors. The state's role transcends the standard provision of general infrastructure development, facilitating education and encouraging a favourable business environment. By being proactive, the state could increase the odds of success and create conditions ripe for firms to enter sophisticated sectors, compete domestically and internationally, and cultivate an environment where high growth can be sustained well into the future.

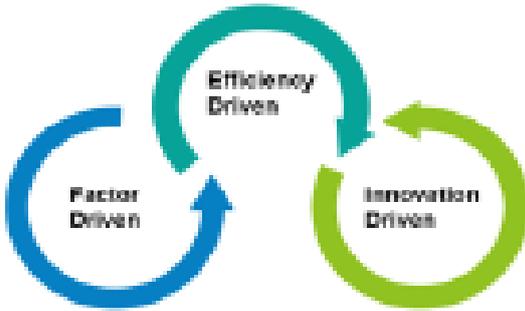
Source: IMF Working Paper, *The Return of the Policy That Shall Not Be Named: Principles of Industrial Policy*, Reda Cherif and Fuad Hasanov (March 2019)



6.1.1.2 World Economic Forum: Three Development Stages

The World Economic Forum in the Global Competitiveness Report 2012-2013 grouped countries in terms of their economic development stages, namely: Factor-driven economies, Efficiency-driven economies, Innovation-driven economies.

Figure 10: Economic development metrics



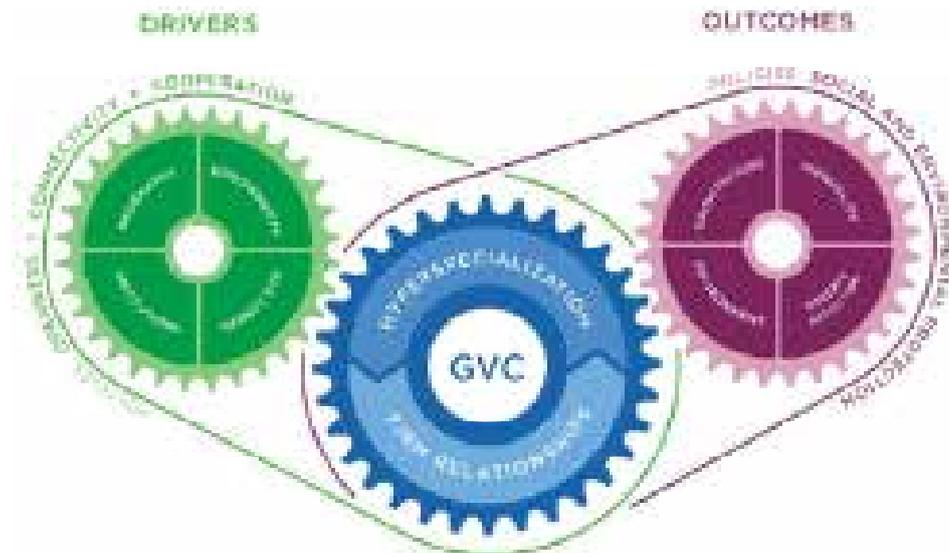
Source: World Economic Forum

6.1.1.3 Beneficiation and Global Value Chain

Countries are often faced with the dilemma of choosing between wholesome beneficiation and open economy, based on Global Value Chains, which includes Regional Value Chains. While beneficiation supports value-addition on domestic resources, GVC purports the fragmentation of production across several countries, whereby a manufacturing country imports raw materials, parts, components and technology from other countries for processing (backward participation) and exports its inputs (in raw, semi-finished as well as finished states) that are incorporated in the exports of other countries. It is an established fact that firms that both export and import are more productive.

The figure below provides an overview of the GVC mechanism.

Figure 11: The GVC mechanism



Source: World Development Report 2020

The GVC theory of development advocates the following advantages of GVCs/RVCs.:

- Accelerate economic growth, raise productivity, create better jobs and reduce poverty, and allow countries to catch-up with developing countries;
- Allow countries to specialise in the production of products and services in which they have or have built comparative and competitive advantages;
- Fast track technology transfer and technology adoption to join the complex supply chain;
- Allow countries to make deeper pro-development economic reforms;
- Accelerate diversification of the economy;
- Allow countries to mobilise higher levels of investment, including FDI;

- Build new domestic production capacities for support/auxiliary industries;
- Deepen regional and international cooperation, and reduce trade conflict with/between trading partners; and
- Facilitate access to broader and sophisticated markets.

The scene is set and the timing opportune for Malawi to take a bold leapfrog and re-dynamize its economy using exports as the engine of growth. This, however, calls for a reengineering of the existing ecosystem: legal, regulatory, administrative, institutional, and entrepreneurial frameworks, production and distribution systems, development policy options and more importantly, a change in mind set. Malawi may adopt a mix of the above strategy options to go forward.

The prerequisites for adopting the Moonshot option are not yet assembled in Malawi, in terms of level of development of support institutions,

human capital and skills set, infrastructure and market and business sophistication. Malawi was ranked 118th out of 129 countries, with a score of 23 points out of 100 points, in the Global Innovation Index, developed by Cornell University, INSEAD and WIPO in 2019. Additionally, no patents were filed by residents of Malawi in 2019. China has the highest number of Patents application with 1,393,815 applications. Egypt is the front runner in Africa with 997 applications for Patents.

The onus is on the Government of Malawi to prioritise its development objectives and make an informed decision on its most preferred policy option, either to leapfrog or moon shoot. For sure, snail crawling is a No-Go option, given the depth and scope of the GOM's ambitions. More importantly, Malawi should avoid premature deindustrialisation (a situation where the contribution of manufacturing to GDP, employment creation and output declines prior to delivering its optimum returns).

Note:

The recipes for success of the Asian Tigers, according Cherif and Hasanov, were:

- (i) Robust state intervention to fix market failures that preclude the emergence of domestic producers in sophisticated industries early on
- (ii) Export orientation rather than substitution industrialisation,
- (iii) The pursuit of fierce competition both abroad and domestically with strict accountability, and
- (iv) Pursuit of higher Ambition, better Accountability, and greater Adaptability.

3.7 Critical Challenges to Increasing Exports from Malawi

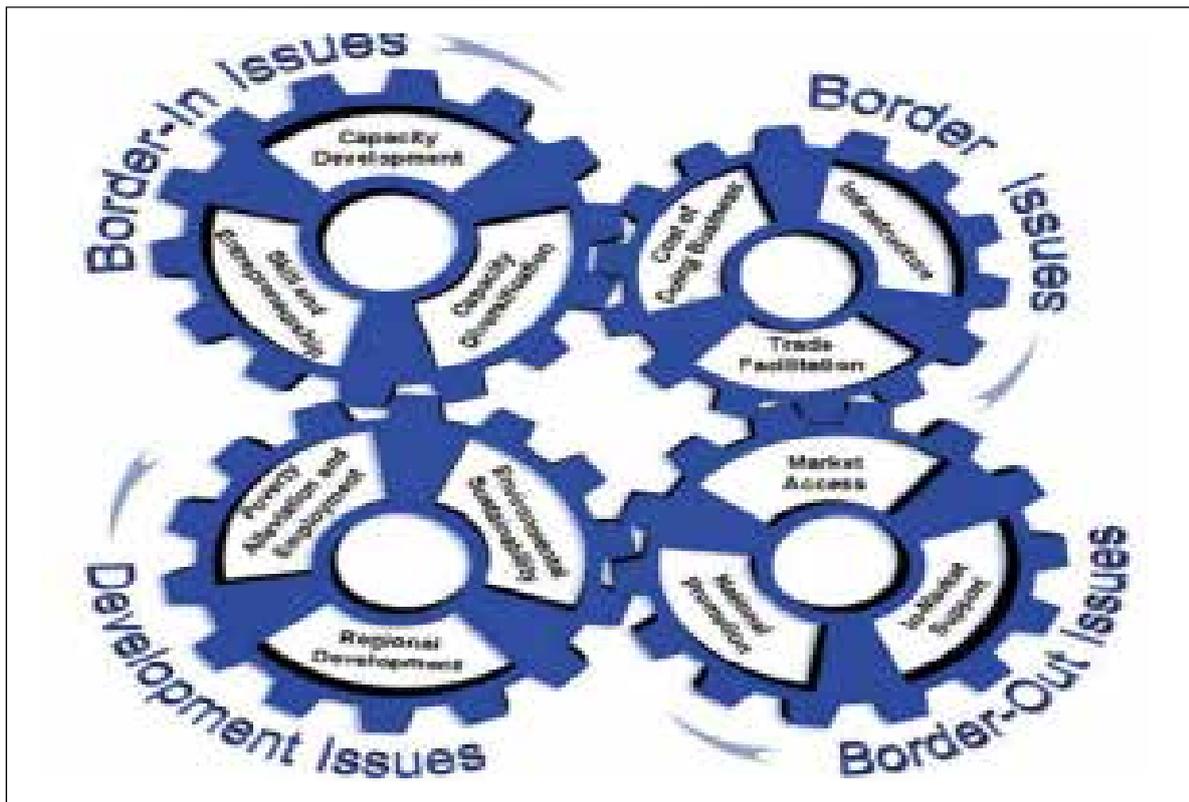
Chapter 2 has identified the competitiveness constraints impeding Malawi to optimise its export potentials. These constraints provide a holistic overview of the key challenges affecting Malawi's supply side, business environment, market acquisition, value-chain optimisation, and entrepreneurship development. These challenges limit the scope and space of Malawi

to emerge as a mainstream exporter nation and are constraining the domestic private sector to become the engine of economic growth and development.

The ensuing "four-gear framework" developed by ITC captures the essence of the main strategic challenges that must be assessed and addressed by NES II over the 2021-2026 period. However, some of these challenges are complex and will need longer term attention.

The onus is on the Government of Malawi to prioritise its development objectives and make an informed decision on its most preferred policy option, either to leapfrog or moon shoot.

Figure 12: Four Gears



Source: ITC

The challenges are:

- (i) Border-In gear looks at the "behind the border issues" or issues within the borders of exporting country - This dimension explores the supply side issues to ensure that products for exports are available in the required quantities and are competitive in terms of price, quality, and consumer interest. This gear also looks at building the export readiness of products and enterprises, and creating new products for exports and developing new exporters;
- (ii) Border gear looks at the "at the border issues" or issues faced at the border (ports, airports, border post) - This dimension deals with issues related to transaction costs related to export procedures, customs procedures, infrastructure bottlenecks, the availability and cost of fundamental services;
- (iii) Border-Out gear looks at "beyond the border issues" or issues in the export markets - This dimension seeks to maximise exports of products and services that already exist in an exporting country by providing marketing and sales services to the exporters' community;
- (iv) Development gear - This dimension explores the development issues related to poverty alleviation; job creation; balanced, sustainable, equitable and inclusive growth.

Border gear looks at the "at the border issues" or issues faced at the border (ports, airports, border post) - This dimension deals with issues related to transaction costs related to export procedures, customs procedures, infrastructure bottlenecks, the availability and cost of fundamental services

The table below provides a snapshot of the "four-gear" strategic challenges for Malawi, and which will be addresses under NES II.

Table 24: Strategic challenges impeding development of exports from Malawi

BORDER-IN ISSUES/BEHIND THE BORDER ISSUES (supply-side):	BORDER-OUT ISSUES/BEYOND THE BORDER ISSUES (demand-side):
<ul style="list-style-type: none"> • Narrow export basket with over prevalence of low-value added agriculture and agro-processed products§ • High cost of doing business (high business registration costs, high costs of factors of production, high cost and unstable supply of energy • Low productivity & competitiveness and low R&D and innovation§ Poor logistics and trade infrastructure (high cost of storage, conditioning, transport)§ High post-harvest losses§ • Low compliance to product technical standards, norms, and certification§ Difficult access to credit and finance, including access to foreign currency • Limited access to updated trade information and market intelligence to enable improved business decision making • Poor quality of packaging and labelling for exports • Low optimization of regional and global value-chains • Export restriction on products subject to Export permits under the Controls of Goods Act-Cap 18:08 including rice, maize, maize meal, raw hard round wood timbers, live poultry including day-old chicks, hides and skins in processed and non-process form) 	<ul style="list-style-type: none"> • Limited market outreach and market penetration (high concentration of exports to few countries)· • Limited extent of marketing and sales support to MSMEs (occasional, first-time, and informal exporters) in foreign markets · • Difficulties in searching for international buyers (importers) and securing an order· • High fees and charges on imports· • Challenging payment terms and securing payment· • Restrictive trade regulations with regard to non-tariff measures (NTMs) and non-tariff barriers (NTBs), compliance to product standards and conformity assessments and norms SPS & technical standards, complicated administrative procedures, import license, rules of origin criteria, quota restrictions, among others i.e. quota on exports of sugar to the USA, FDA standards· • Challenging logistics support to move merchandise from the landed port to the importer(s) in Africa· • Political and social unrest in export markets· • Limited presence of commercial-diplomatic assets in key markets· • Limited Brand visibility of Malawi as a Sourcing Destination
BORDER ISSUES/AT THE BORDER ISSUES (business environment):	DEVELOPMENT ISSUES:
<ul style="list-style-type: none"> • Low trade facilitation services with regard to co-operation of border agencies, both internal agencies as well as agencies across the border§ • High cost of cross-border trade (border compliance, storage/quarantine, multiple fees, service charges for fumigation/phytosanitary inspections • Long time taken for customs clearance of goods both at importing into as well at export from Malawi (processing of documents, physical inspections§ • High cost of transport and logistics Inefficient border infrastructure, long waiting times for truck hauling across the borders, double physical inspection§ • High border related corruption and smuggling • Delays and lengthy customs and administrative procedures§ Prevalence of larceny and pilferage 	<ul style="list-style-type: none"> • Effective inclusive growth (gender equality and support to MSMEs and youth entrepreneurs) • Sustained growth for sustainable development§ • Balanced development agenda§ P o v e r t y alleviationband employment (Low industrialization and clustering) • Irreversible commitment to Regional integration

Source: Stakeholders' consultations

SECTION III

4.0 STRATEGIC FRAMEWORK

The Malawi National Export Strategy (NES II) 2021-2026 outlines the set of short and medium-term export performance goals and objectives that the Government of Malawi wants to achieve by 2026. The NES II defines the roadmap for achieving the goals. More importantly, the NES II focuses on the main services and initiatives that the GoM can and should provide to the exporters' community of Malawi and trade support institutions to increase exports of goods and services in terms of volume, value, product diversity and markets serviced.

Export promotion is primarily a Government driven action, where the government uses exports to stimulate sustainable and inclusive economic growth. Government creates the right ecosystem in terms of trade and industrial policies, negotiates preferential market accesses, overcomes barriers to trade and hurdles to enter new markets, connects to potential buyers, builds export readiness of firms, products and entrepreneurs, provides resources (human resources, financial support and infrastructure), and leads pro-export policy making.

The services and initiatives under NES II shall be delivered by the Government of Malawi, driven by Ministry of Trade, that will provide the policy orientation and oversight in the implementation, coordination and monitoring of the Strategy and its Implementation Plan. The MoT shall closely collaborate with other line ministries that oversee different economic sectors, and key stakeholders namely, government agencies, private sector institutions, economic operators, Development Partners and Donor Agencies. The six critical services underlying the NES II are export promotion, export development, export facilitation, export policy advocacy, exporter aftercare, and destination branding. These critical services define the scope of NES II, its strategic goals and objectives, its outcomes, outputs, and inputs.

Such a holistic approach which aims to win regional and international markets for "Made in Malawi" products and services, shall require a government-wide Top-Down approach to secure the total commitment from all quarters

to ensure that the prerequisites are assembled in terms of enabling ecosystem, resources and initiatives. The high-level coordination and monitoring will happen through a revised TIPSWAp under the overall guidance of the Ministry of Trade.

The premises

The strategic framework of the NES II is premised on three mutually-reinforcing "export tactics" that should unlock the full potential of Malawi's export potential. These export tactics are:

The short-term tactic - covering (Year 1 & 2), aims to foster Malawi's development on the basis of its current comparative advantages and experience by increasing export revenue from products and services successfully being exported from Malawi. This will call for full utilization of existing capacity through reengineering the production processes so as to increase the overall productivity of the enterprises to meet any increase in the demand for products and services successfully supplied by Malawi. The emphasis will be on wholesome export promotion and exporter aftercare.

The medium-term tactic – covering Years 3 to 5 - aims to develop new competitive advantages through export development (product and market development), trade facilitation and policy advocacy to address current challenges impeding exports from Malawi. This is a critical component that will enable Malawi to strengthen its existing comparative advantages and build new competitive advantages to meet any increase in future demand. It will also allow Malawian firms to modernize or expand their production capacities and embark on substantial technology improvement. The emphasis will be more on export development and export facilitation in terms of building export readiness of enterprises, entrepreneurs, and products, and implementing reforms.

The long-term tactic - covering the period Year 5 onwards - aims to ensure sustainability of Malawi's development agenda, beyond the 2026 timeframe. This calls for an all-encompassing overhaul of the ecosystem (legal, regulatory,

institutional, administrative), addressing cross-cutting issues (business environment, entrepreneurship development, competitiveness and productivity, technology and innovation, investment mobilization, among others), diversifying the industrial base, and mobilizing higher levels of domestic investment and FDI into building new capacities to meet long-term increase in demand for new products from existing and new markets. The emphasis will be on export facilitation, policy advocacy, and destination branding.

The result framework of the strategy will be organised around **six core areas namely:**

- Export promotion
- Export Development
- Export Facilitation
- Exporter Aftercare
- Policy Advocacy
- Destination Branding

These core areas will define the scope and depth of the four strategic goals. Each strategic goal is built upon a set of strategic objectives, which in turn are associated with specific action programmes.

4.1 Strategic Goal 1

Strategic goal 1: To increase exports of "Made in Malawi" products and services to the regional and global marketplace

The Strategic Goal 1 strives to reinforce Malawi's export promotion efforts to consolidate its "acquis" (achievements) on existing markets and to open up new opportunities for Malawian exporters at the regional and international levels, with a view to generate sustainable exports in a relatively short time. The NES II endeavours to "unlock Malawi's full export potential" so as to reverse the trend and make exports the engine of growth for a strong, sustainable, inclusive, and balanced economic development.

Promoting exports will be one of the priorities of the Government of Malawi so that by 2026, Malawi's export as a percentage of GDP is increased from 14.5% to 20% at 2018 constant prices, controlling for a lost year of exports in 2020 due to COVID-19. As there is very little that is predictable about the impact of the pandemic on the Malawian economy with

regard to how prolonged it will be and how deep its effects shall be, the NES II aims to achieve an export target of USD 1,271,700,000 (USD 1.271 billion) in 2026, representing 20% of GDP at 2018 constant prices. This will be tantamount to growing exports by 28,2% over the 2021-2026 period, which should translate into realizing an annualized export growth of 5.6% over the five years of the NES II. The Strategy also aims to increase exports to the regional and non-traditional markets by 50% and to enhance Malawi's market outreach by exporting more products into existing and new markets.

In the backdrop of the recent export performance, these targets may look ambitious. They are, however, largely within Malawi's reach and aligned to Malawi's commitment towards the SDGs, more particularly SDG 1, SDG 2, SDG 5, SDG 8, SDG 9, and SDG 12. The list of the 17 SDGs is outlined in NES II Annexures document under Annex 12.

**The NES II endeavours to
"unlocking Malawi's full
export potential" so as to
reverse the trend and
make exports the engine
of growth for a strong,
sustainable, inclusive,
and balanced economic
development.**

4.1.1 SG 1: Strategic Objectives

The strategic objectives underpinning Strategic Goal 1 are to:

Consolidate, expand & diversify markets for "Made in Malawi" products.

NES II will strengthen Malawi's market outreach programme by consolidating and expanding its market share in existing markets (exporting more to existing clients and acquiring new clients) and diversifying exports to new markets both in the region as well as the international marketplace.

Increase export performance in value and volume terms.

NES II will expand exports from Malawi both in

terms of value as well as volume. This will entail providing tailor-made support services to all the exporters (existing and potential) so as to increase value-addition and beneficiation in Malawi as well as improving supply capacity through expansion and modernisation, adoption of new technology and innovation, and additional investments in new production capacities.

Strengthen the attractiveness of Malawi as a sourcing destination -The Brand Malawi.

NES II will revamp the brand equity of Malawi as a reliable, viable, competitive, and compliant sourcing destination for "value-for-money" products and services. The aim is to place Malawi on the radar of sourcing managers and the final customers.

Promote export of value-added services.

NES II will provide a new impetus to the development and exports of services from Malawi beyond the tourism sector. NES II will build the capacity of emerging services sector like ICT, creative industry, and professional services for exports.

Provide access to updated market information & intelligence.

NES II will improve access to trade and market information and intelligence to enable informed policy, strategy and business decision making. This will comprise providing comprehensive and updated information on market requirements, business opportunities, tariffs, rules of origin, non-tariffs measures in different markets, standards and norms, country briefs, trade exhibitions and conferences. Apart from depending on Malawi diplomatic missions, NES II will also leverage Malawians in Diaspora to provide information on various export market opportunities.

4.2 Strategic Goal 2

Strategic Goal 2: To reinforce export readiness and international competitiveness of Malawi's industries, enterprises, and products

The Strategic Goal 2 aims to strengthen export development activities to build the capacities and export readiness of Malawi, its industries, its enterprises, its products and services, and its entrepreneurs, in the medium term. Export Development is a holistic concept and comprises the processes of building export readiness and competitiveness of "Made in Malawi" products

and enterprises to successfully enter or re-enter the global market as a strong competitor. Export Competitiveness refers to the capacity to sell domestically produced goods or services on the global markets, on equal or better terms than one's nearest competitors.

Export Development therefore hinges on five integrated components, namely:

- Developing the acceptance and competitiveness of its offers, of both products and services;
- Building the capacity of the entrepreneur to be export ready;
- Building the export readiness of the enterprise (factories and farms) to be compliant to national, regional, and international norms, standards, and requirements;
- Building the export readiness of the product to be compliant to regional and international standards and norms;
- Reinforcing the competitiveness of the industry or the cluster; and
- Strengthening national competitiveness to ensure that products and services manufactured in Malawi are competitive vis-à-vis its competitors on the export markets.

NES II will improve access to trade and market information and intelligence to enable informed policy, strategy and business decision making. This will comprise providing comprehensive and updated information on market requirements, business opportunities, tariffs, rules of origin, non-tariffs measures in different markets, standards and norms, country briefs, trade exhibitions and conferences.

4.2.1 SG 2: Strategic Objectives

The strategic objectives underpinning Strategic Goal 2 are to:

Make domestic oriented firms and products export ready.

NES II will seek to build the export readiness of enterprises that are not active exporters to participate and win in the regional and international markets. The focus will be on firms servicing the domestic market, MSMEs, informal exporters, aspiring exporters, and small-scale farmers. More importantly NES II will strengthen product development initiatives to meet the needs and requirements of markets and final consumer preferences. It will also plug in with the Malawi National Diaspora Engagement Policy to ensure that Malawians in the Diaspora are able to invest in export industries thereby facilitating a resilient FDI, and general skills and technology transfers.

Make enterprises and products of Malawi compliant to regional and international standards.

NES II will build and improve the compliance of Malawi's export enterprises and products to meet the requirements of different markets and buyers in terms of standards and technical regulations. The Strategy will be mindful of regulations which are based on national and regional standards instead of on international standards. The Strategy will strengthen national and sectoral standards and conformity assessment institutions with specific focus on testing, inspection, certification and accreditation services.

Reinforce the competitiveness of clusters or industry sectors.

NES II will have a holistic approach to building the export readiness of Malawi's enterprises and products by also strengthening the competitiveness of the industry clusters and sectors.

Establish an ecosystem which is conducive for the development of activities that target export-oriented services.

NES II will identify and address cross-cutting issues and enablers, which are the pre-requisites for making sustained exports from Malawi.

NES II will build and improve the compliance of Malawi's export enterprises and products to meet the requirements of different markets and buyers in terms of standards and technical regulations.

4.3 Strategic Goal 3

Strategic Goal 3: To enhance domestic business and investment environment for sustained, inclusive, balanced, and sustainable economic development and growth

The Strategic Goal 3 aims at creating an enabling business environment conducive for cross-border trade and private sector to develop. This goal aims at strengthening the international competitiveness of exporting companies of Malawi. It also aims at addressing cross-cutting issues and key enablers impeding sustained economic growth. Such key enablers include energy, transport infrastructure, ICT, Access to market, access to skills, and access to finance.

As a landlinked country Malawi has to ensure that the supply chain infrastructure and logistics are reliable, affordable, effective, and efficient. This includes moving inputs from farm to factory, importing machinery and equipment and raw materials from other countries, moving products from factory to the nearest ports, and exporting the finished products efficiently, faster, cheaper and without administrative hassles and delays.

To this end, Malawi will have to improve its overall business environment to make doing business with Malawi simple, transparent, rule-based, cost effective and fast. Special emphasis must be placed on facilitating trading across borders through simplification, harmonization and digitalization of processes, formalities and documents for customs and border posts. Additionally, Government should also sharpen its economic diplomacy agenda so as to optimize benefits in targeted markets, and from its existing trade agreements. Opportunities must be explored to expand Malawi's network of trade agreements with countries that offer promising export opportunities.

Key issues to trade facilitation include:

- Rationalization and simplifying customs procedures;
- Effective transit procedures (One Stop Border Post-OSBP);
- Electronic Customs Management Systems - Single Window;
- Effective transit procedures;
- Efficient and effective trade logistics;
- Coordination among border agencies - Interconnectivity of systems and practices;
- Rationalization of export procedures (standards, technical barriers to trade).
- Removal of non-tariff barriers; and
- Risk management.

4.3.1 SG3: Strategic Objectives

The strategic objectives underpinning Strategic Goal 3 are to:

Make trading across borders simple, fast, and cheap.

NES II will address issues impeding cross-border trade with specific regard to speed, costs, and security of international trade (both imports into and exports from Malawi). Particular focus will be on trade facilitation services.

Improve Business environment for trade.

NES II will advocate for sustained actions on reforms to improve the business and investment climate of Malawi. Particular focus will be on criteria and conditions related to international trade and mobilising higher levels of investments, including FDI.

Strengthen Export Facilitation.

NES II will foster stronger pro-exports policies and support services in terms of legal and regulatory provisions, fiscal and non-fiscal

incentives, access to finance, access to land and industrial estates, including Special Economic Zones (SEZs), value chain optimisation, building industry alliances, and infrastructure, and logistics. Particular emphasis will be to support MSMEs and small farmers to participate and win in the regional and international marketplace.

Strengthen Policy advocacy and Economic diplomacy.

NES II will strengthen the platform for structured public-private dialogues and policy advocacy. It will also strengthen inter-ministerial collaboration to optimise all institutional assets, including Malawi's foreign service offices to boost exports from Malawi. The Strategy places strong emphasis on constructive economic diplomacy in favour of market access privileges for "Made in Malawi" products and services. Part of the economic diplomacy will be to leverage Malawians in Diaspora to support export promotion through strategic research and information sharing, and collaboration.

Promote inclusive growth with respect to Gender Equality, Youth Entrepreneurs and Micro and Small Enterprise.

NES II will have a special focus on empowering MSMEs, including women and youth entrepreneurs, and small-scale farmers to actively participate in regional and international trade. This will entail understanding the needs and requirements of these groups and providing tailor-made capacity building and support services.

Set up a robust Exporter Aftercare service.

NES II will foster an innovative approach to client acquisition and retention through a strong and sustained exporter aftercare service.

Reinforce Regional integration.

The fast regional integration of Africa with the entering into force of the AfCFTA presents opportunities to Malawi which is already an active member of COMESA and SADC and a

NES II will foster stronger pro-exports policies and support services in terms of legal and regulatory provisions, fiscal and non-fiscal incentives, access to finance, access to land and industrial estates, including Special Economic Zones (SEZs), value chain optimisation, building industry alliances, and infrastructure, and logistics.

signatory member of the EAC-COMESA-SADC Tripartite Free Trade Area. These initiatives open up new markets to Malawi. The timing is opportune for Malawian exporters to explore business opportunities in other promising markets in Africa. It is important that Malawi ratifies the AfCFTA and the Tripartite agreement so as to benefit accordingly.

Build Strong digital capabilities.

The COVID-19 pandemic has accelerated the digital transformation in all spheres of life, from business to manufacturing, from education to health, from physical shopping to online shopping. To capitalize on these new opportunities, Malawi should upgrade its ICT infrastructure, and build the capacity of enterprises and people to be ready to take advantage of any new business opportunity.

4.4 Strategic Goal 4

Strategic Goal 4: To improve effectiveness and efficiency of NES II Implementation Mechanism

The Strategic Goal 4 aims to build and strengthen the efficiency and effectiveness of the NES II implementation mechanism, with focus on (i) delegation of responsibilities, (ii) collaborative partnership, (iii) resource mobilization, and (iv) a robust monitoring and evaluation framework.

Achieving success in expanding exports from Malawi is dependent on the effectiveness and efficiency of the implementing institution and the governance mechanism to drive the implementation of the NES II strategy and Implementation Plan. Specific focus should be placed on who holds the overall responsibility, who implements, who finances, and who measures, monitors, and evaluates successes or failures.

The Review of the NES I identified poor implementation as the main cause of failure. Malawi cannot and must not repeat the same mistake. Affirmative actions are required on capacitating the Ministry of Trade and MITC to drive the NES II agenda by asserting and assuming full responsibility and accountability of its actions. Robust leadership is required to organize a collaborative approach for NES II's implementation. It is imperative that the Ministry be effective and efficient on all fronts, that is: doing the right things rather than doing things right. Most importantly, it must be accountable for its actions.

4.4.1 SG 4: Strategic Objectives

The strategic objectives underpinning Strategic Goal 4 are:

Establish a strong institutional framework for implementation of NES II.

NES II will propose a new framework for the implementation of NES II. The new platform, derived from TIPSWAp, will be the soft infrastructure which will seamlessly connect policy making with the operationalisation of the Strategy, including Monitoring and Evaluation.

NES II will foster an innovative approach to client acquisition and retention through a strong and sustained exporter aftercare service.

Establish strong partnership between public and private stakeholders.

NES II will aim to build a strong triangular cooperation between the government and its agencies, the private sector, and development partners and donor agencies. The engagement of the private sector and development partners will be the cornerstone of this Strategy.

Mobilise resources for implementation of NES II.

NES II will strongly advocate for blended finance for the implementation of the Strategy and its embedded action plan. Funds are to be mobilised through direct budget support, aid for trade initiatives from development partners and donor agencies, and contributions from beneficiaries.

Establish a robust monitoring and evaluation framework and risk management plan.

NES II will establish a strong framework for continuous monitoring and evaluation of the NES II implementation. To measure progress on the expected deliverables, NES II will use a dual-approach of a Theory of Change and a Log Frame Matrix.

4.2 Key Support Framework – The Assumptions

The success of NES II will depend, largely on the enabling ecosystem, governance structure, the support framework and resources that are

mobilised for the implementation of this strategy. These will form the Key Support Framework (KSF) for NES II. The box below describes these KSFs/Assumptions.

Box 7: NES II Key Support Framework 4.3 Key Result Areas and Key Performance Indicators

Key Support Framework – KSF	
KSF 1	Leadership and support for the Strategy at the highest government level
KSF 2	Degree of policy coherence and institutional alignment on matters relating to industrial development, business climate, trade facilitation, economic diplomacy, and financial constraints, among others
KSF 3	Collaboration and buy-in by the relevant stakeholders and shareholders to this initiative
KSF 4	Effectiveness and efficiency of the NES Implementing mechanism
KSF 5	Level of resource mobilization and patronage from the State, Development Partners and the Private sector

4.3 Key Result Areas and Key Performance Indicators

4.3.1 Key Result Areas

A Key Result Area (KRA) is a development outcome established to achieve the desired objectives of the strategy. The overall target of NES II is to increase exports as a percentage of

GDP to 20%, at 2018 constant prices. This will entail increasing exports annually by a minimum of 5% on the average between 2021 and 2026 by providing a set of carefully crafted outputs.

Sixteen (16) Key Result Areas have been identified to achieve the Vision of NES II. These KRAs are given in the box below.

Box 8: NES II Key Result Areas

NES II - Key Result Areas - KRAs	
KRA 1	Enhanced export performance of traditional and non-traditional products
KRA 2	Increased exports into existing markets and entry into new markets
KRA 3	Trade deficit is reduced
KRA 4	Competitiveness and Compliance improved
KRA 5	Economic diversity and Product development enhanced
KRA 6	Export readiness built
KRA 7	Improved business environment - making trading across borders simpler, faster and cheaper
KRA 8	Efficient and effective infrastructure facilities
KRA 9	Resources mobilised
KRA 10	Collaborative partnership enhanced
KRA 11	Diplomatic and Diaspora assets optimised
KRA 12	Network of Trade Agreements expanded
KRA 13	Decentralised and balanced development
KRA 14	Inclusive Growth promoted with women and youth entrepreneurs empowered to fully participate in international trade
KRA 15	A robust National Branding Framework of Malawi as an attractive sourcing, investment, and tourist destination
KRA 16	Investments and financing mobilised into export-oriented activities

4.4 The Key Performance Indicators – The Outcomes

Key Performance Indicators (KPIs) are reference points to help the implementing authority determine if the outcome metrics set are being achieved. Against the backdrop of the protracted trade imbalance, difficult domestic business climate (Doing Business Report), changing global business environment and the missed opportunities under NES I, Malawi is resolutely engaged in addressing the shortcomings with a renewed interest to boost exports under NES II.

For this to happen, Malawi has to substantially improve its offer and image as a reliable, secure, competitive and compliant Sourcing Destination for quality products

and services. Malawi is thus, condemned to do well, and more importantly, to do better than its competitors and peer economies of the Eastern and Southern Africa. The NES II defines the set of Key Performance Indicators (KPIs) and Outcomes that it must deliver by 2026.

The Key Performance Indicators (KPIs) establish the units of measure and the targets to be achieved through the effective implementation of the Strategy and its Action Plan. A set of KPIs is assigned to each KRA. For deliverable for which base year data/information is not available for 2018, the NES II will set the score at zero (0) for the base year 2018.

The matrix below provides an overview of the set KPIs of the NES II.

Box 9: NES II Key Performance Indicators

		Base year		
KRA 1	Value of export of traditional products	USD	USD'000 590,500	Increase by 25%
	Value of non-traditional products	USD	USD'000289,475	Increase by 50%
	Volume of exports	Kg/Tons	00	10%
KRA 2	Number of export markets serviced	Units	106	125 markets
	Number of new markets acquired	Units	(-4)	20 markets
KRA 3	Size of trade deficit (imports – exports)	USD	USD'000- 1,827,060	Reduce by 10%
KRA 4	Productivity level	Percentage	00	Increase by 0.5%
	Cost of doing business	% of income per capita	32.6	Decrease value by 10%
	Number of quality tests performed in Malawi	Units	00	Increase by 25%
	Number of exporters made compliant to regional and international standards, norms and quality requirements	Units	00	10 companies per year
KRA 5	Number of products made export ready	Units	00	10 per year
	Number of new products exported	Units	00	5 per year
KRA 6	Number of existing exporters trained (continuous capacity building)	Units	00	100 per year
	Number of new exporters created	Units	00	20 per year
	Number of new exporters becoming regular exporters	Units	00	20 per year
KRA 7	Malawi's ranking in international indices (Doing Business)	DB ranking	109	80
KRA 8	Time taken to clear a border post (border compliance)	number of hours	78	48 hours
KRA 9	Time taken for customs clearance (documentary compliance)	number of hours	75	24 hours

	Amount of government funding to export promotion	% of total budget	00	40%
	Amount of development fund/assistance mobilised for the implementation of NES II	% of total budget	00	50%
	Amount of revenue generated	% of total budget	00	10%
KRA 10	Number of partners institutions	Units	00	10
	Number of meetings	Units	00	2 per year
	Level of participation	Hierarchy	-	Director and above
KRA 11	Number of Embassies/High Commissions having Trade Advisors	Units	00	4 more Embassies
	Number of new Trade Advisors appointed	Units	00	1 per year
KRA 12	Number of Trade agreements in operation	Units	32	40
	Number of Trade agreements signed not yet ratified	Units	3	3
	Number of Trade Agreements initiated	Units	1	5
KRA 13	Number of export-oriented enterprises in Malawi	Units	00	+20 every year
KRA 14	Number of women entrepreneurs (own account workers)	Units	559,974	600,000
KRA15	Number of youth entrepreneurs (own account workers)	Units	479,549	550,000
	Number of micro and small enterprises	Units	1,141,784	1,200,000
	Number of positive reviews on the international press	Units	00	4 per year
	Number of hits on the website	Units	00	1000 per year
KRA 16	Number of queries received (online _ physical)	Units	00	100 per year
	Amount of domestic investment (Gross Fixed Capital Formation)	MWK Million	184,694 M	MWK 300,000 M
		USD	USD'000102,000	Doubled by 2026

The Key Performance Indicators (KPIs) establish the units of measure and the targets to be achieved through the effective implementation of the Strategy and its Action Plan.



SECTION IV

5.0 THE IMPLEMENTATION PLAN 2021-2026

The Implementation Plan 2021-2026 comprises a series of focussed actions and activities (outputs) that should or may be undertaken over the next **five years period**, to achieve the goals and objectives underpinning the Strategy. The implementation plan details the projects, programmes, and initiatives to be implemented for each strategic objective. It also provides a tentative scheduling of actions and the estimated financial implications thereof. The Implementation Plan is a separate management document presented in National Export Strategy II Annex 1 and can be rearranged to fit the resource availability in terms of human and financial resources. The overarching aim is to increase exports as a percentage of GDP from 14.6% to 20% of GDP, and to make Malawi a competitive, compliant, and diversified sourcing destination.

The NES II Implementation Plan is thus, made up of a series of well-structured smaller, albeit integrated actions to be executed on multiple fronts, based on a sector wide approach or prescribed implementation structures, and driven by the Ministry of Trade. The plan is synthesized into an Implementation Matrix presented in National Export Strategy II Annex I report which has been circulated as a supplementary document to the strategy.

The NES II Implementation Plan also outlines:

- The specific tasks to be performed and by whom;
- The time Frame, and
- The resource allocation

6.0 MANAGING THE IMPLEMENTATION OF THE STRATEGY

Strategy implementation is key to successfully achieving the set goals, objectives, expected deliverables of any strategy. Implementation translates the strategic plan into real actions that galvanizes the commitment of key stakeholders, more particularly policy makers, implementing agencies, project managers, and development partners into delivering the actions underpinning the strategy. The prerequisites for successful implementation are, inter alia:

- Strong leadership;
- Adequate and timely mobilisation of resources (financial, human, infrastructure and logistics);
- Effective and efficient institutional framework for implementation and Monitoring and Evaluation;
- Robust Monitoring and Evaluation framework; and
- Successful communication strategy.

6.1 Resource Mobilisation

6.1.1 Budget

Effective and timely resource mobilisation is critical for the successful implementation of NES II. Government needs to commit to ensuring that there are sufficient human and financial resources with the key implementing partners of NES II. The action plan identifies institutions which will be responsible for implementation of

certain activities in line with their mandates. It is expected that these institutions will integrate NES II activities in their annual work plans and budgets.

Cognisant of the fact that Government alone cannot finance the strategy, Development Partners and Donor Agencies will have an integral role to play in the implementation of this strategy. Development Partners and Donor Agencies play a pivotal role to support Malawi's development agenda by contributing, through technical, financial, and advisory assistance, to achieve set national developmental goals.

For most countries, development assistance has been the most important resource for development. Malawi has been and is still an important beneficiary of such assistance, from various agencies and partners. There is need for Development Partners under the aegis of Aid for Trade programme to support the implementing agencies to implement key programmes focused on the priority areas of the strategy and components of the action plan.

The total financial implications for the NES II projects 2021-2026, excluding administrative costs, are USD 37,886,000 to be financed by (i) the Government of Malawi, (ii) revenue generated from fee-paying services, and (iii) Development Partners and Donor Agencies. The Government of Malawi shall contribute 40% of the total budget while development partners contribute the remaining 50% and 10% from revenues. The onus will be on the implementing agencies to prepare strong concept-notes to secure technical, financial, and advisory assistance from DPs & DAs.

The table below provides an indicative blending of finance for the implementation of NES II.

Table 25: Proposed budget contribution

Funding Source	Percentage Contribution
GOM (Budgetary contribution)	40
Revenues generated by implementing agencies	10
Development Partners & Donor Agencies	50

The table below a breakdown of costs per strategic goal of NES II. Excluding administrative costs.

Table 26: Summary of budget

Allocation	Amount (USD)
Strategic Goal 1	7,660,000
Strategic Goal 2	13,255,000
Strategic Goal 3	13,631,000
Strategic Goal 4	1,700,000
Miscellaneous	824,000
TOTAL	37,886,000

Source: CITC

Note:
<ol style="list-style-type: none"> 1. Rule of thumb: the ratio of administrative cost to project costs is 60:40 2. Given the preponderant role of Development Partners and Donor Agencies in the implementation of NES II, it is suggested that Malawi comes up with a holistic National Aid for Trade strategy to mobilise development funds.

6.1.2 Human Resources

Adequately trained human resources will be provided for the implementation, and monitoring and evaluation of NES II. The existing organisation structure TIPSWAp secretariat in MoT, Mol and MITC will be reinforced with additional manpower to drive and implement the NES II action plan. The NES II Secretariat will also be further reinforced with trained personnel for effective M&E. Technical expertise, more particularly sectoral expertise will be solicited from the private sector. The private sector will, where applicable, Co-chair the Technical Working Groups and the Technical Committees.

6.2 Institutional Mechanism

NES II will be implemented over the next five years (2021-2026), in the backdrop of renewed political stability and optimism on the internal front, and a period of low global growth, on the external front, as countries struggle to recover from the COVID-19 pandemic. Such a situation calls for strong leadership and solid stakeholder-partnership to implement NES II with specific focus on inter-governmental coordination, and monitoring and evaluation mechanism. A new Trade, Industry and Private Sector Development Sector Wide Approach (TIPSWAp) will be the implementation mechanism of the NES II. The new Implementation mechanism has been aligned to the National Implementation Framework for the implementation of the

Malawi’s Vision 2063 to deliver objectives of Industrialization Pillar and its Enabler of Private Sector Dynamism. The TIPSWAp is a permanent institutionalized structure which was established in 2013 to coordinate the implementation of NES I activities and other related programmes under the Trade, Industry, and Private Sector Development sector.

Although the TIPSWAp made a lot of strides in fostering coordination and cooperation among Government MDA’s, private sector and development partners, the NES I review found that the framework lacked the desired institutional alignment and synchronisation in terms of ownership and accountability. Implementing bodies lacked ownership and responsibility for the success or failure of the Strategy. NES II will therefore remedy this shortcoming by recommending an institutional framework that will ensure effective and efficient implementation of NES II.

The main elements of the new institutional framework for the implementation of NES II are:

6.2.1 Stakeholder representation and dialogue structure

The NES I review emphasized the need for strong and effective collaborative framework between Government MDAs, Private sector, and the donor community. NES II will therefore focus on strengthening the structures instituted in the implementation of NES II. Thus, the Ministry of

Trade (MoT) will be responsible for the overall coordination and leadership of the NES II. The MoT will collaborate closely with the Ministry of Industry to co-own the implementation of NES II.

Key features of the structure are as follows:

A. Inter-Ministerial Committee on Trade, Industry and Private Sector Development -

A high level Inter-Ministerial Committee chaired by any Minister other than Minister of Trade will be established by the Government through OPC and membership will comprise of relevant sectoral Ministers:

- Minister responsible for Trade;
- Minister responsible for Industry;
- Minister of Agriculture;
- Ministry responsible for Foreign Affairs;
- Minister responsible for Transport;
- Minister responsible for Finance;
- Minister responsible for Lands;
- Minister responsible for Energy;
- Minister responsible for Mines; and
- Minister responsible for Economic Planning and Development and Public Sector Reforms

This committee will be responsible for dealing with sectoral issues requiring cabinet intervention as well as assist in lobbying for resources to implement the NES II. The inter-ministerial committee will report to the Cabinet.

A. National Export Task Force (NETF) - This role will be undertaken by the Trade, Industry and Private Sector Development Sector Working Group (TIPSWAp SWG). This is the apex coordinating body of NES II that will be co-chaired by the Principal Secretary, Ministry responsible for Trade, Principal Secretary Ministry responsible for Agriculture and the MCCI, and comprise high-level representations of each stakeholder group from the public and private sectors. The SWG will review and approve the Programme of Works to be developed by the implementing agencies, the Technical Working Groups (TWGs), and Technical Committees. The SWG will provide administrative and secretariat service to the

Inter-Ministerial Committee.

B. The NES Secretariat - The existing TIPSWAp Secretariat, will be further reinforced to support both the Inter-Ministerial Committee as well as the SWG. The NES Secretariat will be the liaison between the SWG and the NES implementing agencies. It will be responsible for: Ensuring that there is appropriate follow up on prioritized actions that emerge through the SWG, implementing agencies, TWG and Technical Committees; Resource mobilisation by securing funding from development partners and donor agencies in support of the NES II; Assisting with and coordinating analytical work or research done by members of the TWGs; Ensuring that the relevant organisations and representatives of sufficient seniority are adequately informed and involved in the work; Consolidating work plans; Convening meetings of the various bodies under the framework and setting their agendas; Liaising with key stakeholders to ensure participation; Ensuring timely reporting; Preparing quarterly reports for dissemination to sector stakeholders; and ensuring effective monitoring and evaluation of the NES II implementation with particular focus on expected deliverables, time lines and milestones, resource utilization, and remedial actions. As such, a full-time NES Secretariat with adequate staff, skills and resources within the Department of Planning in the Ministry of Trade and the Ministry of Industry is critical to NES II's success.

C. Technical Working Groups (TWGs) – The TWGs are technical stakeholder representation bodies instituted to drive crosscutting action plans and priority area strategies through developing and implementing the Programme of Works to implement the NES II. The TWGs report to the SWG and are will be Co-chaired by the Key NES II implementing MDAs and representatives of the private sector. The current composition of TWGs which were instituted to implement the NES I are: Access to Markets; Access to Finance, Inputs, and Information; Access to Skills, Labour and Business Development Services; Oil Seed Products; Sugarcane Products and Manufacturing. Members to the TWG will be appointed by the Minister of Trade on the recommendation of the SWG.

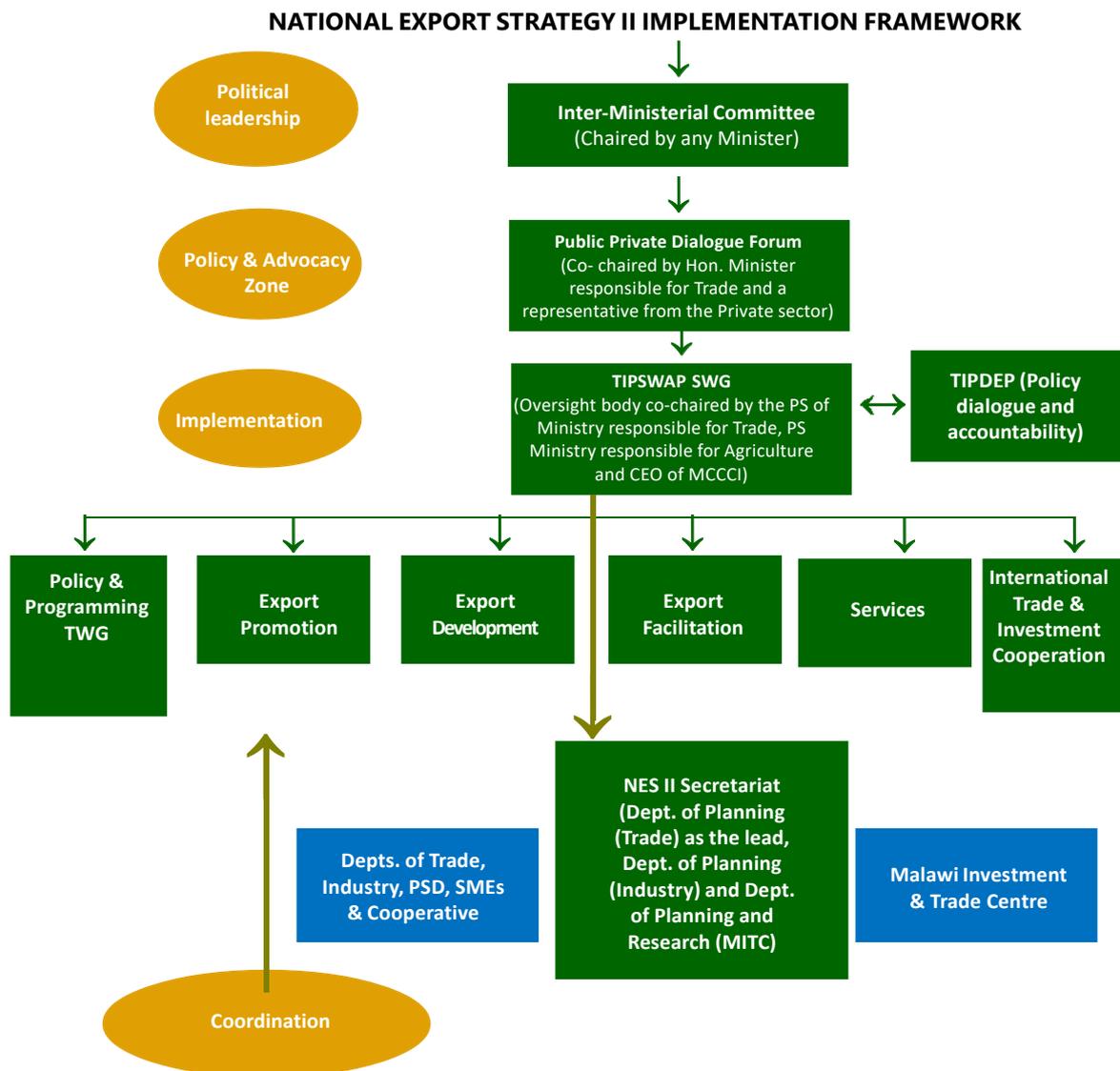
D. Implementing Agency – The Ministry of Trade will be the lead agency for the implementation of the NES II and will report to the SWG. However, MoT will closely collaborate with all relevant inter-governmental ministries and agencies, and private sector institutions to ensure smooth implementation of NES II action plan. MITC within MoT will be a lead agency on trade facilitation and promotion.

E. Technical Committees – These are focused committees to advise the implementing agencies on particular aspects of the NES II that require additional technical expertise. These will be established by the implementing agencies and will be chaired by the private sector. These committees will report to the implementing agencies.

6.3 Link with other Key Stakeholders

The successful implementation of NES II will highly depend on the close collaboration between the Ministry of Trade and key MDAs, namely: the Office of the President and Cabinet, Ministry of Finance, Ministry of Industry, Ministry of Agriculture, Ministry of Economic Planning and Development and Public Sector Reforms, Ministry of Foreign Affairs, Ministry of Transport, Ministry of Lands, Ministry of Energy, Ministry of Mining, National Planning Commission, NCST (National Commission for Science and Technology), EDF, Registrar General, MRA, RBM, and leading private sector institutions and associations. The role of each stakeholder will be clearly defined in the NES II Implementation Plan. The diagram below provides an overview of the proposed implementation Mechanism for NES II.

Figure 13: NES II Implementation Management Framework



6.4 Role of Development Partners and Donor Agencies

Development Partners and Donor Agencies play a pivotal role to support Malawi's development agenda by contributing, through technical, financial, and advisory assistance, to achieve set national developmental goals. For most countries, development assistance has been the most important resource for development. Malawi has been and is still an important beneficiary of such assistance, from various agencies and partners.

Current development partners include:

- Multilateral agencies;
- Inter-government organisations;
- Developed country governments;
- NGOs/non-profit organisations;
- Charities and Trusts; and
- Social enterprises.

For the implementation of NES II, the Government of Malawi can and should make recourse to Development Partners and Donor Agencies, under the aegis of Aid for Trade programme to finance different components of the Strategy and Action Plan. However, it is imperative to build the capacity of the implementing agencies to prepare viable Concept Notes and write-ups for bankable projects so as to solicit assistance from DPs & DAs. Development Partners and Donor Agencies are actively engaged to mobilize resources to address trade-related constraints identified by Least Developed Countries (LDCs), economies in transition, fragile economies, Small Island Developing States (SIDS), land-locked economies, as well as emerging and developing countries. However, DPs & DAs are now very

conscious of the results and real impact of such Aid-for Trade. They are focusing more on supporting economic diversification and empowerment for inclusive and sustainable development.

The NES II is effectively addressing these priorities. Malawi may effectively approach these DPs & DAs for technical, advisory, and financial assistance to successfully implement the NES II. A compendium of relevant Development Partners and Donor Agencies is outlined in Annex 13. Malawian authorities need to contact them directly with well-structured Concept Notes for result-oriented projects.

6.5 Monitoring & Evaluation Framework

The Monitoring and Evaluation (M&E) Framework for the NES II is premised on a summative and formative evaluation approach. Summative to assess if outcomes, outputs, and targets have been achieved, and formative to identify how and why progress, if any, has been made or not made. The focus of the M&E Framework will be to assess the effectiveness of the implementation mechanism and more importantly an assessment of the impact and sustainability of the actions and interventions under the NES II. The Framework will explore, assess, and explain the extent to which observed outcomes are a result of the Strategy and its interventions. The Framework will also help formulate recommendations for future actions. Such a Result Based Management System (RBMS) will support the GoM and its implementing agencies to evidence-based policymaking and management decisions, effective programme and process management, resource optimization, including assistance from DPs & DAs, and on reporting. A comprehensive NES II M&E framework has been detailed along with the Implementation Plan in the National Export Strategy II Annex 1 document.

For the implementation of NES II, the Government of Malawi can and should make recourse to Development Partners and Donor Agencies, under the aegis of Aid for Trade programme to finance different components of the Strategy and Action Plan.

7.0 CONCLUSIONS & RECOMMENDATIONS

7.1 Conclusions

NES I was a comprehensive, albeit overly ambitious Strategy. However, it did not deliver on its expectations, as over the NES I strategy period (2013 – 2018) exports from Malawi declined and imports increased, thus further widening the trade deficit. Additionally, Malawi's market outreach also declined in terms of number of products exported and number of markets serviced. The main causes of the non-performance of NES I were both endogenous and exogenous.

Increasing exports is one of the most preferred policy options for governments.

Exports play a prominent role in the development agenda of a country as it creates jobs, generates foreign exchange earnings, mobilizes investments, including FDI, accelerates technology transfer and innovation, build industry linkages, promotes industrial diversification, strengthens domestic entrepreneurship development, including women and youth entrepreneurs, and growth of MSMEs. Most countries around the world have adopted export-powered development policies and established export promotion agencies with a clear mandate and appropriate resources to help internationalize its products and services.

International trade remains a fiercely competitive business.

To succeed in foreign market the product must not only be competitive and comply with local terms and conditions, it must also compete with suppliers of the same or similar product(s) from the rest of the world, and the more so, from low cost producing countries like India, Brazil, Vietnam, Bangladesh, on the one hand, and from more technologically advanced countries like USA, EU, Canada, Japan, Australia, among others, on the other hand. Besides price competitiveness, the product has to face rising NTBs and TBTs in terms of compliance to quality standards and norms, labour laws, environmental protection measures and Corporate Social Responsibilities. Besides the product competitiveness, it is also important to build the competitiveness of the entrepreneurs, the enterprise, the industry/sector as well as national competitiveness.

Priority marketing is becoming increasingly important for Malawi, mainly with neighbouring countries, namely Mozambique, Tanzania, South

Africa, Zambia, and Zimbabwe. Moreover, the Regional markets of COMESA and SADC also offer promising opportunities for exports from Malawi.

The uncertainties of COVID-19 could have crippling effects on global businesses as the pace, scale and strength of economic recovery remain uncertain. Malawi will equally be impacted by this pandemic.

Technological advances may offer Malawi an opportunity to leapfrog in its development trajectory from the present factor-driven stage to an efficiency-driven phase of development.

Untapped Export Potential. Evidence show that Malawi can substantially increase its export performance by optimising the untapped export potential in its traditional, non-traditional, and emerging markets. The market outreach of 'Made in Malawi' products (product and market coverage) is not fully optimized.

The Brand image of Malawi as a reliable and profitable Sourcing Destination is yet to be established, except for its tobacco, sugar, tea and coffee in a few traditional markets. Aggressive promotion can greatly improve Malawi's brand equity as the recent promotion actions in Japan and China has helped improve Malawi's visibility on these markets and initial responses are more than satisfactory and promising.

Renewed political stability, with the historical re-run of the presidential election in June 2020. The new administration under President Dr. Lazarus McCarthy Chakwera has placed economic and social development at the top of its agenda. Dedicated ministries have been set up to drive the Commerce and Industry portfolios.

7.2 Recommendations

Make Export a national development agenda with oversight from the highest quarters and close intergovernmental coordination.

Given the cross-sectoral dimension of NES II, it is critical to have a national approach to export promotion and export development through an Inter-Ministerial Coordination Framework, with a clear mandate and governance structure that reports to the Council of Ministers. It is proposed to establish an Inter-Ministerial Export Council,

chaired by the Ministers of Trade and Industry and comprising a Representative of the President's Office and Ministers in charge of Agriculture, Finance, Foreign Affairs, ICT, Women and Youth Empowerment. The Council will be supported by the NES Secretariat, which shall in turn liaise with the Export Promotion Agency. Such an intergovernmental framework will ensure close policy coherence and build stronger institutional alignment to avoid duplication and gaps in service delivery.

Take concerted and bold actions to address the challenges impeding exports to happen from Malawi. There is an urgency to create an enabling ecosystem conducive for the development and expansion of the private sector, which is called upon to become the growth engine driving sustained, inclusive, balanced and sustainable development of Malawi. Issues to be addressed include competitiveness, access to updated market information and intelligence, export readiness, skills mismatch, compliance to quality standards, norms, barriers to trade, infrastructure and logistics, export promotion and export development and export facilitation.

Adopt a systematic and targeted approach, prioritizing selected products and markets based on their export potential. To optimise benefits from international trade, Malawi should adopt a targeted product and market approach with a view to exporting more of available products and services into markets that hold the best opportunity and promise. MoT in collaboration with MITC, through its MIU, should be able to identify all emerging opportunities at the regional and international markets, to prepare Malawian exporters to fully take advantage of these new opportunities, ahead of its competitors.

Promote inclusive, balanced, and sustainable growth. In keeping with its regional and international commitments, Malawi is de facto obliged to pursue a development agenda that fosters inclusive growth, with specific focus on gender equality and women empowerment to successfully integrate international trade space. This is also applicable for Youth entrepreneurs and MSMEs. It is proposed to craft and implement specific support services and facilities to help this category of exporters to participate fully and meaningfully in international trade. Such actions should include addressing issues regarding access to finance and export credit, access to technology, access to markets, capacity building and product

development services. Malawi should also integrate environment friendly policies and balance geographical development of Malawi into its growth equation.

Reinforce Economic diplomacy. Malawi's diplomatic missions in foreign countries are of vital importance in facilitating the development of business linkages, networking and B2B match making. Malawi should optimise its existing diplomatic by appointing Trade Advisers/Trade Attachés to provide hands-on assistance to Malawian exporters willing to penetrate foreign markets. All information and market intelligence collected by the missions should be disseminated to exporters and potential exporters through a secured medium (personalised mails, password protected access to the Trade Portal). Additionally, Malawi should extend its network of bilateral trade and investment agreements with emerging countries that hold good promise for "Made in Malawi" products and services. The missions and the Malawi Government should also leverage Malawians in to support Government objectives in promoting Malawi exports. Global expos offer an ideal opportunity to make Malawi known as a potential sourcing and investment destination, in this emerging sub-region. Malawi's participation should therefore be meticulously prepared and executed.

Public-Private sector dialogue. It is important to involve the private sector (economic operators and institutions/associations) in the implementation of NES II, with particular focus on policy dialogue, trade negotiations and promotion activities. The private sector stakeholders can thus bring their expertise and know-how to help guide the public sector.

Geographical Indication (GI). Malawi should capitalise on the attributes of the Mzuzu region to develop appropriate GI for products originating in Mzuzu, namely, Mzuzu honey, Mzuzu tea and Mzuzu coffee, and the Chambo fish from the Lake Malawi as well as Kilombero Rice.

Mobilise quality investments, including FDI, into export-orient enterprises. Investment and exports are two sides of the same coin and complement each other perfectly. It is proposed that MoT should mobilise investments, including attracting and facilitating FDI into activities which have been identified to have export potential. Such investments can be greenfield investment, joint ventures, or expansion of existing projects. Very often major importers end up setting up

their own production facilities in sourcing countries. Thus, local entrepreneurs should be encouraged, and existing investors should be nurtured to expand and diversify their investments, premised on a well-crafted “investor aftercare strategy”. Furthermore, foreign investors should be identified and attracted to invest in export-oriented activities in Malawi. To properly address issues and opportunities related to mobilizing higher levels of investments, including FDI, it is proposed that Malawi develops and implements a new National Investment Strategy. Technical assistance could be solicited from development partners for such an initiative.

Effective implementation of the Strategy. To realise the full benefits of the Strategy, it is imperative that the Strategy and its Action Plan

should be effectively and efficiently implemented. It is also recommended that Government should review the NES II implementation mechanism after its first year to ensure its effectiveness, and to make necessary changes where needed.

Establish a robust Monitoring and Evaluation, and Risk Management Framework. As the strategy is rolled out for implementation, its various components, more particularly the set goals, objectives and deliverables should be closely monitored and measured and updated to respond to changing conditions by taking timely corrective actions. It is recommended that MoT should conduct annual in-house appraisals and an external mid-term review in year 3 (2023). A final full-term review should also be conducted at the end of the Strategy period (2026).



Part of the team that developed NES II

NES II DRAFTING COORDINATION TEAM

PANELISTS AT THE CONSULTATIVE WORKSHOP FOR THE DESIGN OF NES II

Dr. Thomas Munthali – Director General, National Planning Commission
 Dr. Dalitso Kabambe – Former Governor, Reserve Bank of Malawi
 Dr. Betty Chinyamunyamu – Chief Executive Officer, NASFAM
 Dr. Ken Machira – Lecturer in Economics, LUANAR
 Ms. Christina Zakeyo – Principal Secretary, Ministry of Trade
 Mr. Chancellor Kaferapanjira – Chief Executive Officer, MCCC
 Mr. Henry Kachaje – Managing Director, Business Consult Africa
 Mr. Joseph Kumbemba – Former Chief Executive Officer, MITC
 Mr. John Kamanga - Chief Executive Officer, Malawi Stock Exchange

NES II DEVELOPMENT TECHNICAL TEAM

Ms. Christina Zakeyo – Principal Secretary, Ministry of Trade
 Mr. Peter Simbani – Former Principal Secretary, Ministry of Industry
 Dr. Ken Ndala – Former Principal Secretary, Ministry of Trade
 Mr. Kiswell Dakamau - Former Principal Secretary, Ministry of Trade
 Mr. Francis Zhuwao – Former Director of Planning, Ministry of Trade
 Ms. Esther Mwimba – Former Director of Private Sector Development, Ministry of Trade
 Ms. Charity Musonzo – Director of Trade, Ministry of Trade
 Mr. W.D.G Mkombezi – Director of SMEs, Ministry of Industry
 Mr. Clement Phangaphanga – Director of Industry, Ministry of Industry
 Mr. Silas Sindi – Deputy Director of Industry, Ministry of Industry
 Mr. Joseph Kumbemba – Former Director of Trade, Ministry of Trade
 Mr. Felix Kadewere – Director of Planning, MITC
 Ms. Sindi Kibombwe – Director of Trade, MITC
 Ms. Pilira Kafakamoyo – Acting Director of Investment, MITC
 Mr. Mufwa Munthali – Deputy Director (Foreign Trade), Ministry of Trade
 Mr. Davie Chunga – Deputy Director of Planning, Ministry of Trade
 Mr. Diamond Chikhasu – Deputy Director of Investment (Private Sector Reforms), Ministry of Trade
 Mr. George Kanthiti - Deputy Director of Investment (Regulations), Ministry of Trade
 Ms. Jacinta Chipendo – Deputy Director of Corporative, Ministry of Industry
 Ms. Patience Chamkakala – Under Secretary, Ministry of Trade
 Mr. Cuthbert Wadonda Chirwa – Chief Economist, Ministry of Trade
 Mr. Dickson Kazembe – Chief Economist, Ministry of Industry
 Ms. Donatta Chitsonga – Principal Investment Promotion Officer, Ministry of Trade
 Mr. Mayeso Msokera – Principal Trade Officer, Ministry of Trade
 Mr. Kelpas Mvula – Principal Trade Officer, Ministry of Trade
 Ms. Shakira Phiri – Principal Investment Promotion Officer, Ministry of Trade
 Mr. Pempho Mwinjilo – Principal Economist, Ministry of Trade
 Ms. Atupele Luwayo – Principal Economist, Ministry of Lands
 Mr. Feston Chimphamba – Principal Economist, Homeland Security
 Mr. Gift Nkhwimba – Investment Promotion Officer, Ministry of Trade
 Ms. Madalo Wawanya – Economist, Ministry of Industry
 Mr. Justin Allan – Statistician, Ministry of Industry
 Mr. Godwin Nyirongo – Statistician, Ministry of Trade

Mr. Phillip Jones Banda – Economist, Ministry of Trade
 Ms. Regina Kaseka – Economist Intern, Ministry of Industry

NES II DEVELOPMENT MULTI-STAKEHOLDER TECHNICAL TASKFORCE TEAM

Mr. Levi Longwe – Ministry of Industry
 Mr. James Namalima – Ministry of Mines
 Mr. Godfrey Liwewe – Department of Agriculture and Extension Services
 Mr. Chifuniro Kaimapanjira – Export Development Fund
 Mr. Nelson Mzumara – Ministry of Finance
 Mr. Martin L. Chinjala – Ministry of Labour
 Mr. Chimwemwe Safalaoh – Ministry of Labour
 Mr. Allan Jere – Ministry of Economic Planning & Development
 Mr. C. Mwenelupembe – Ministry of Economic Planning & Development
 Mr. Charles Kachelenga – Ministry of Tourism, Wildlife and Culture
 Mr. Noel Nansongole – Ministry of Tourism, Wildlife and Culture
 Mr. Martin Magalasi – Ministry of Tourism, Wildlife and Culture
 Mr. Lusungu Mwaungulu – Ministry of Trade
 Mr. Alexander Mtsendero – Ministry of Industry
 Mr. Ralph Khondiwa – Ministry of Industry
 Mr. Henry Mandere – Ministry of Industry
 Ms. Mary Msiska - Malawi Revenue Authority
 Mr. Gilbert Kachamba - Malawi Revenue Authority
 Ms. Rosemary Wande - Malawi Revenue Authority
 Mr. Joy Hara – Ministry of Education
 Mr. Kondwani Mhone – Ministry of Gender
 Mr. Alex C. Banda – Ministry of Education
 Mr. Laston P. Manja – University of Malawi
 Dr. Gladys Chipungu - Reserve Bank of Malawi
 Ms. Takondwa Chauma - Reserve Bank of Malawi
 Mr. Isaac Masinga - Reserve Bank of Malawi
 Mr. William P. Mwale - NASME
 Mr. Willy Muyila - Malawi Bureau of Standards
 Ms. Gladys Chimpokosera – Ministry of Industry
 Mr. Hope Chavula – National Planning Commission
 Mr. Boyd Mwafulirwa – Ministry of Agriculture
 Mr. Charles Chinkhuntha – Ministry of Agriculture
 Mr. Mundrex Mkamanga – Ministry of Agriculture
 Mr. Wilson Nagoli – Ministry of Agriculture
 Mr. Roman Malumero – TIPDeP
 Mr. Solomon Chirambo – Ministry of Transport
 Mr. Ashraf Banda – Ministry of Lands
 Mr. William Botha – World Bank
 Ms. Beatrice Makwenda – NASFAM
 Mr. Francisco Makwinja – TEVETA

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