



MALAWI AFRICA CONTINENTAL FREE TRADE (AfCFTA) NATIONAL STRATEGY 2021 - 2026



MINISTRY OF TRADE



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Acronyms

AAA	Accra Agenda for Action
ACL	Access Communications Limited
ACP	African Caribbean and Pacific
ADMARC	Agricultural Development and Marketing Corporation
AfCFTA	African Continental Free Trade Area
AML	Anti-Money Laundering
AMU	Arab Maghreb Union
APEI	Accelerated Program for Economic Integration
ARET	Agriculture Research and extension Trust
ATI	Access to Information
AU	African Union
BIAT	Action Plan for Boosting Intra-Africa Trade
BMS	Buy Malawi Strategy
BRICS	Brazil, Russia, India, China and South Africa
CEA	NSO Census of Economic Activities
CEAR	Central East African Railways Company
CFTA	Competition and Fair-Trading Act
CFTC	Competition and Fair-Trading Commission
COGA	Control of Goods Act
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organizations
DHRMD	Director of Human Resources Department
DICS	Department of Immigration and Citizenship Services
EAC	East Africa Community
EAD	Environmental Affairs Department
EASSy	East Africa Submarine System
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EGENCO	Electricity Generation Company
EoDB	Ease of Doing Business
ESCOM	Electricity Supply Corporation of Malawi
ESIA	Environmental and Social Impact Assessment
EU	European Union
EXCO	Executive Committee (of the Board)
FDI	Foreign Direct Investment
FOB	Free on Board
GATS	General Agreement on Trade in Services
GBV	Gender-based Violence
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
GVCs	Global Value-Chains
HRCC	Human Rights Consultative Committee
ICAM	Institute of Chartered Accountants of Malawi
ICT	Information Communication and Technology
ICBT	Informal Cross Border Traders
IEC	Information Education and Communication

IEPA	Investment and Export Promotion Act
IFPRI	International Food Policy Research Institute
IHS	Integrated Household Survey
ILO	International Labour Organization
IMF	International Monetary Fund
IMM	Institute of Marketers Malawi
INGOs	International NGOs
IPPAs	Independent Power Producers' Agreement
IPRs	Intellectual Property Rights
ISIC	International Standard Industrial Classification
KPIs	Key Performance Indicators
MAB	Malawi Accountants Board
MACRA	Malawi Communications Regulatory Authority
MAIWD	Ministry of Agriculture, Irrigation and Water Development
MANA	Malawi News Agency
MBS	Malawi Bureau of Standards
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MCTU	Malawi Congress of Trade Union
MDA	Ministries, Departments and Agencies
MEB	Malawi Engineers Board
MEPD	Ministry of Economic Planning and Development
MERA	Malawi Energy Regulatory Authority
MGDS III	Malawi Growth and Development Strategy (III)
MIE	Malawi Institute of Engineers
MILE	Malawi Institute of Legal Education
MITC	Malawi Investment and Trade Centre
MoAFS	Ministry of Agriculture and Food Security
MoGWCW	Ministry of Gender, Women and Children Welfare
MoT	Ministry of Trade
MoTCCE	Ministry of Tourism, Culture and Civic Education
MPC	Monetary Policy Committee
MPC	Malawi Posts Corporation
MPHC	Malawi Population and Housing Census
MRA	Mutual Recognition Agreement
MRA	Malawi Revenue Authority
MSMEs	Micro, Small and Medium Enterprises
NAPA	National Adaptation Programmes of Action
NAIC	National AfCFTA Implementation Committee
NCHE	National Council for Higher Education
NES II	National Export Strategy II
NFRA	National Food Reserve Agency
NICE	National Initiative for Civic Education
NIP	National Industry Policy
NPL	Non-Performing Loans
NRCM	National Research Council of Malawi
NSES	National Services Export Strategy
NSO	National Statistical Office
NTA	National Transformation Agenda 2063 (MW2063)

NTB	Non-Tariff Barriers
NTMP	National Transport Master Plan
NTP	National Trade Policy
OCL	Open Connect Limited
OPC	Office of the President and Cabinet
OPV	Open Pollinated Variety
P2P	Person-to-Person
PAPSS	Pan-African Payment and Settlement platform
PIACs	Public Internet Access Centres
PPP	Public-Private Partnership
QR	Quantitative Restrictions
RBM	Reserve Bank of Malawi
RCA	Revealed Comparative Advantage
RECs	Regional Economic Communities
RoW	Rest of the World
RTOA	Road Transport Operators Association
RVCs	Regional Value Chains
SADC	Southern Africa Development Community
SAPP	Southern African Power Pool
SDT	Special and Differential Treatment
SEZ	Special Economic Zones
SMEDI	Small and Medium Enterprises Institute
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
SPS	Sanitary and Phytosanitary Standards
STEs	State Trading Enterprises
STR	Simplified Trade Regime
SWGs	Sector Working Groups
TAMA	Tobacco Association of Malawi
TCC	Tobacco Control Commission
TEP	Temporary Employment Permit
TEVETA	Technical, Entrepreneurial and Vocational Education and Training Authority
TFIs	Trade Facilitation Indicators
TFTA	Tripartite Free Trade Area
TIPSWAp	Trade Industry Sector Wide Approach
TMEA	Trademark East Africa
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
VAT	Value Added Tax
VSLAs	Village Saving and Loans Associations
WDI	World Development Indicators
WITS	World Integrated Trade Solution
WTO	World Trade Organisation



Government of Malawi is committed to the long-term vision and 50-year strategy of the African Union “Agenda 2063: The Africa We Want”. The AU Agenda 2063 calls for “a prosperous Africa based on inclusive growth and sustainable development. Malawi is a signatory to and ratified the Agreement establishing the African Continental Free Trade Agreement (AfCFTA) in January 2021.

Malawi launched the country vision Malawi 2063 – Transforming our Nation – in 2020. The vision aspires to foster youth-centric “inclusive wealth creation and self-reliance” nation. It aims to propel our country to an industrialised upper middle-income country by 2063. Malawi vision for African trade is to expand the export market share beyond the current Regional Economic Communities (RECs) markets built on solid manufacturing and services forward and backward linkages of the

priority sectors. The Malawi vision is in line with the African Union Action Plan for Boosting Intra-Africa Trade (BIAT). Malawi trade with Africa constitutes an average of 30 percent in 2019. Malawi goods exports into Africa were estimated at US\$ 331 million and imports valued at US\$ 802 million with a goods trade balance of US\$ - 471 million. Malawi estimates services exports to the world (ITC, 2019) at US \$ 179 million while imports were estimated at US \$ 335.127 million with a services trade balance with the world at US\$ - 156.13 million (of which approximately US\$ -46.84 million deficit with Africa). Therefore, the Malawi AfCFTA National Strategy has to effectively support the implementation of the AfCFTA to double Malawi exports into Africa by 2026.

The Malawi’s AfCFTA National Strategy focus is two-fold; to effectively implement the continental agreement, and secondly contribute to building the Malawian productive base and competitive capacities around Malawi Vision 2063 pillars, namely agricultural productivity and commercialization, and industrialization. Apart from the Vision 2063 focus, my government is continuing the path of reforms in general and creating a conducive environment for business to operate their businesses.

Government would like to thank the African Union, UNECA, the European Union and other development partners, and the private sector for the technical and financial support towards the strategy formulation process. It is my expectation that we all work to deliver on this Strategy for the benefit of Malawians and Africa as a whole.

May God bless Malawi.

Dr Lazarus McCarthy Chakwera
President of the Republic of Malawi

REMARKS BY THE MINISTER OF TRADE



The AfCFTA National Strategy is guided by African Union and Malawi Vision 2063 Agenda which His Excellency Dr Lazarus McCarthy Chakwera recently ratified and launched respectively. My Ministry is therefore set to operationalize these strategic visions in all its policies and strategies.

Recently my Ministry completed the review of the National Export Strategy and developed NES II. Malawi government also recognised the importance of the services sector in the socioeconomic development of this country. It is for this this reason that my Ministry has also developed a new National Services Export Strategy (NSES) for the first time in 2020. The AfCFTA National Strategy has been aligned to the existing policy and strategic documents in Malawi. The AfCFTA National Strategy therefore complements the productive capacity building efforts for goods and services, the cross-cutting issues with a focus on inclusivity, and improvements in the public sector performance through coordination in the implementation of the international agreements, including AfCFTA.

Malawi will seek to sustain and grow SADC and COMESA with South Africa as its main trade

partner. The NES II strategic goal is to double the exports to an average of US\$ 662 million annual exports into Africa. The potential export market gaps to expand into the following countries outside COMESA and SADC is estimated US \$ 1,227.33 million (US \$ 944.1 million for goods and approximately US \$ 283.23 million in the accompanying services). The priority goods are broadly Tobacco, Sugar, Beverages (ethanol), Oilseeds and pulses (Beans), Cereals; Rice, Maize for seed, Fish, Coffee extracts, Wood and Wood Products including value added products. The priority services are Tourism, Telecommunication services, Insurance and financial services, and Business Services (accountants and engineering services).

The Strategy recommends five strategic objectives, namely, 1) Market expansion of targeted goods and services beyond COMESA and SADC, 2) Investment in the labour markets for mobility (career progression and movement of natural persons), 3) ICT adoption to harness private sector innovation, 4) Cost efficiency improvement of SMEs (ICBTs, Women and Youth) operations and identification of AfCFTA market niches, and 5) Institutionalize the TIPSWAP in the implementation of trade and investment agreements in Malawi.

In conclusion, I wish to express my sincere gratitude to United Nations Economic Commission for Africa (UNECA) and European Union for providing financial and technical assistance throughout the strategy formulation process. I therefore call on all stakeholders to actively play their role implementation and monitoring of progress towards our set goals for the nation.

May God Bless Malawi.

**Hon. Sosten Alfred Gwengwe, MP
MINISTER OF TRADE**

ACKNOWLEDGEMENT



The Ministry of Trade sincerely appreciates the support which His Excellency the State President Dr Lazarus McCarthy Chakwera for giving our Ministry a clear direction in our AfCFTA participation. Further, the Minister of Trade, Honourable Sosten Alfred Gwengwe for his relentless engagement with the private sector and other civil society organization is shaping the policies and strategies in the Ministry.

The AfCFTA National Strategy is developed by the Ministry of Trade. The Ministry would like to acknowledge the work of the Project Team, national consultants, individuals, senior private and public sector institutions executives for the support rendered during the development of the Strategy. Despite the Covid-19 difficult working environment, the Consultants were able to engage government officials and key players through electronic and, occasionally, limited face-to-face meetings. The entire formulation process received technical support from UNECA, under its project: 'Deepening Africa's Trade Integration through Effective Implementation of the AfCFTA to support Economic Integration', funded by the European Union.

The Project Team was led by the Principal Secretary for the Ministry of Trade, Mrs Christina Zakeyo Chatima, Deputy Director of Trade, Mr Mufwa Munthali and Assistant Deputy Director of Trade, Mr Diamond Chikhasu. The Project Team also included two national consultants, Mr Nelson Nsiku and Mrs Pilirani Chuma. These received supported from technical experts from UNECA led by Mr Emmanuel Chinyama, Ms Judith AMESO, Mr Batanai Clemence Chikwene, Ms Nadira Bayat, Eden Lakew, Aissatou Diallo, Eliam Kadewele, and Nadia Hasham and Dr. Fanwell Bokosi. Further support was received from Mr. Oswald Chinyamakobvu of the African Union Commission.

The Ministry acknowledges the teamwork, guidance on policy, the overall strategic direction of the document as well as the reflection of the issues emanating from the national-wide consultations. More specifically, UNECA provided the written guidelines of the formulation process but did not limit the Consultants to reflect the stakeholder views. The Project team received and acknowledged very constructive comments that shaped the strategy and quality of the final document.

The following Government Agencies and private sector institutions also provided critical information, the Malawi Revenue Authority, Malawi Investment and Trade Centre, Malawi Bureau of Standards, and Malawi Confederation of Chambers of Commerce and Industry. Numerous private sector players also gave selflessly, information and guidance during the development process of the strategy.

On behalf of Malawi Government, the Ministry of Trade sincerely appreciate the support.

May God Bless Malawi.

Mr Christina Zakeyo Chatima
Principal Secretary - Ministry of Trade

Key Messages

The socioeconomic development of Malawi is anchored on trade and industry policies.

Malawi relies on international trade and imports predominantly value-added goods and services. South Africa is the major trade partner for both goods and services led by their chain stores.

The regulatory institutions require capacity to enforce various standards, quality and competition laws and regulations.

Malawi participation in the AfCFTA risks short-term revenue losses and some dynamic impacts on the structure of the

EXECUTIVE SUMMARY

Malawi vision and medium-term strategic documents are, the Malawi Vision 2063, Malawi Growth and Development Strategy (MGDS III, 2019), National Export Strategy, (NES II, 2020), National Services Export Strategy (NSES, 2020). These are premised on commercialisation of agriculture, industrialisation, and urbanisation. Trade and industry policies anchors their actualization hence the Malawi AfCFTA National Strategy builds on these overarching national documents. Malawi also subscribes to the Southern Africa Development Community (SADC) Industrialization Strategy and Roadmap (2015 – 2063), Common Market for East and Southern Africa (COMESA), and World Bank supported Accelerated Programme for Economic Integration (APEI) seek to promote investment, especially in infrastructure as well as in human capital for trade in services.

Malawi trade openness, expressed as average of total exports and imports as a percentage of GDP, estimated at 61 percent (2019) ranks Malawi 29th out of 55 AU member states. Malawi imports predominantly value-added goods and services as well as capital equipment. According to ITC data, in 2019 Malawi goods exports into Africa were estimated at US\$ 331 million and imports valued at US\$ 802 million with a goods trade balance of US\$ - 471 million. Malawi estimates services exports to the world at US \$ 179 Million (2019) while imports were estimated at US \$ 335.127 million (2019) with a services trade balance with the world at US\$ -156.126 million (2019).

In Malawi, the few dominant firms must be managed for them to help deliver on trade policy and economic development. On the continent, Malawi has competitive advantage in agriculture, low-cost labor and natural endowments unique to the country. Despite the recent Covid-19 shocks, the Malawi economy's resilience is on the strength of agriculture, strategic monetary policy interventions, and availability of vaccines globally. However, there are other constrains to competitiveness, namely, inadequate energy, transport and access to the port and product quality for value added goods. Labor is mostly semi-skilled and unskilled which limits productivity. It is noteworthy that these weaknesses and threats are common for most African countries including several non-tariff barriers.

Reduced tariffs and non-tariff barriers may increase consumer consumption which can create demand for goods and services in Malawi and across Africa. However, there are other risks such as the rules of origin enforcement considering the multiple RECs membership as well as bilateral agreements within Africa and outside the continent.

Key Message

Malawi potential markets for goods and services in Africa (outside SADC and COMESA).

Opportunities and challenges.

The strategic objectives recommended.

The potential export market gaps to expand into the following countries outside COMESA and SADC; Côte d'Ivoire (US\$ 324.1 mn), Nigeria (US\$ 97.7 mn), Algeria (US\$ 95.8 mn), Mali (US\$ 91.7 mn), Morocco (US\$ 89.9 mn), Ghana (US\$ 84.5 mn), Gambia (US\$ 36.2 mn), Senegal (US\$ 59.4 mn), Benin (US\$ 50.1 mn), and Sierra Leone (US\$ 14.6 mn). The target export goods and services are, Tobacco, Sugar, Beverages (ethanol), Oilseeds and pulses (Beans), Cereals; Rice, Maize for seed, Fish, Coffee extracts, Wood and Wood Products, Plastic products, Tourism, Telecommunication services, Insurance and financial services, Business Services; accountants and engineering services.

Apart from the growing African populations and cities, technology advancements, and market integration, Malawi's strengths are in agriculture, selected services, and low minimum wage. Malawi Government has invested in ICT infrastructure to improve access through e-commerce. On the other hand, the real constraints, challenges, and risks comprises logistics especially road transport, warehousing and port access, competition regulation monitoring and enforcement, and rules of origin.

Strategic and Specific Objectives

- 1 Market expansion of targeted goods and services beyond COMESA and SADC.
 - 1.1 Promote investment for diversification and productivity.
 - 1.2 Promoting export readiness in consumer goods and services.
- 2 Investment in skilled and low-cost labour markets for mobility (career progression and movement of natural persons).
 - 2.1 Promote specific skills and entrepreneurship for youth and women.
 - 2.2 Enhance labour market structures and skills niche for Malawians.
- 3 ICT adoption for harness private sector innovation and efficiency.
 - 3.1 Promote digital skills and software development at workplace.
 - 3.2 Leverage new ICT technologies and infrastructure in domestic commodity markets and services distribution sector.
 - 3.3 Enhance market intelligence access.
- 4 Cost efficiency improvement of SMEs (ICBTs, Women and Youth) operations and identification of AfCFTA market niches.
 - 4.1 Promote gender balance and youth mainstreaming in trade and business establishments.
 - 4.2 Strengthen the capacity of export support institutions for women and youth.
- 5 Institutionalize the TIPSWAp in the implementation of trade and investment agreements in Malawi.
 - 5.1 Effective management of trade and investment agreements implementation in Malawi.

Section I. Introduction

Malawi is located in the Southeastern Africa with a total area of 118,484 sq km (land: 94,080 sq km¹, water: 24,404 sq km)². Malawi population was estimated at 17,563,800 (2018) according to the National Statistical Office (NSO)³ and is projected at 21,196,629 (July 2020 est.⁴). The country is one of the most densely populated countries in Africa estimated at 157 per sq km and ranks number 10 in Africa (2019 population⁵ estimates) and agriculture driven (Box 1). The youth and children under 30 years of age constitutes about 71.7 percent of the population which is a huge dependency burden on the 24.2 percent of the working age (30 – 64 years) according to IHS, 2020. An estimated 51 percent of the total working age population is female, and half the total working age population is living in urban areas⁶.

Box 1: Malawi - Agriculture Driven Economy

The total agricultural land comprises 59.2 percent (2011 est.)⁷, forest area is 34 percent (2011 est.) and land for other uses is estimated 6.8 percent (2011 est.). Irrigation potential of 407,862 hectares of land and currently 136,043.12 hectares (1,360.43 sq.km) has been developed so far (DoI, 2020)⁸ up from 740 sq. km (2012 est.). In 2019, total land cultivated was 5,612,239 hectares according to Ministry of Agriculture, Irrigation and Water Development (MAIWD). Out of the 59.2 percent total agricultural land, other perennial crops use 1.4 percent while permanent pasture covers 19.6 percent. The population living in rural areas is estimated over 84.4 percent (52 percent of the total rural population were females)⁹. Malawi Gross Domestic Product (GDP) was estimated USD 8.2 billion (2019) according to Annual Economic Report, 2019¹⁰ and GDP per capita was estimated USD 440.50.

The services sector contributed 38.6 percent compared to agriculture, mining and quarrying and manufacturing combined which contributed 39 percent to the gross domestic product (GDP)¹¹ in 2019. This service-oriented structural transformation impacts negatively and positively on de-industrialization, income distribution, quality of jobs and general social welfare in Malawi depending on the specific services.

¹ National Statistical Office

http://www.nsomalawi.mw/index.php?option=com_content&view=article&id=109&Itemid=96 refer to Malawi Data Portal <https://malawi.opendataforafrica.org/apps/atlas> land area, sq. km: 94,280 (2014)

² CIA Factbook, Malawi, https://www.cia.gov/library/publications/the-world-factbook/geos/print_mi.html seen on 10th November 2020, FAOSTAT, 2017 on <http://www.fao.org/faostat/en/#country/130>

³ NSO, National Population and Housing Census, 2018, Zomba

⁴ CIA Factbook, Malawi, https://www.cia.gov/library/publications/the-world-factbook/geos/print_mi.html seen on 10th November 2020.

⁵ Africa population calculated based on World Population Review, <https://worldpopulationreview.com/countries> seen on 10th November 2020, and NSO Population and Housing Census (2018)

⁶ NSO (2020), Fifth Integrated Household Survey, Zomba

⁷ Based on 2011 estimates, annual cultivable arable land estimated at 38.2 percent representing between 3.6 – 3.8 million hectares.

⁸ DoI (2020), seen on Department of Irrigation website, <http://doi.gov.mw/index.php/department-strategic-objectives/>

⁹ NSO (2020), Fifth Integrated Household Survey, Zomba

¹⁰ Ministry of Finance, Economic Planning and Development (MoFEPD)

¹¹ According to the Annual Economic Report (2019), services comprising, Wholesale and retail trade, Transportation and storage, Accommodation and food services, Information and communication, Financial and insurance services, Real estate activities, and Professional and support services

I.1. National Strategy Background and Justification

The African Union “Agenda 2063: The Africa We Want” is a comprehensive long-term vision and 50-year strategy for the development of Africa. Agenda 2063 calls for “a prosperous Africa based on inclusive growth and sustainable development”. Further, an Agreement establishing the African Continental Free Trade Agreement (AfCFTA) was signed by 44 African countries (with Malawi signing alongside others) in Kigali, Rwanda on 21st March 2018 perfectly locks-in the aspirations of the African Union (AU). The AfCFTA entered into force on 30th May 2019 after the requisite 22 ratifications were obtained. In this regard the Malawi’s AfCFTA national strategy is based on an understanding of the African Continental Free Trade Area (AfCFTA) and regional economic agreements’ potential gains (Box 2 below), challenges, as well as key national and sectoral strategies.

Box 2: The AfCFTA and the Regional Economic Integration Context¹²

Economic Commission for Africa (ECA)’s modelling work indicates that Malawi (along with Ethiopia, Madagascar, and Zimbabwe) will see change of between 14 percent and 26 percent in their intra-African exports by 2040. At sector level, intra-African exports in agriculture and food are expected to increase in countries including Malawi (30 percent increase). In terms of welfare, Africa’s welfare is estimated to increase from between 0.34 percent and 0.45 percent by 2040, depending on the level of ambition of liberalization. Some countries, including Malawi, will likely gain more, especially since their overall exports would likely increase considerably more than their overall imports following reforms under the AfCFTA.

The Africa Economic Outlook report in 2019 suggests that eliminating the current African average applied bilateral tariffs would increase intra-Africa trade by up to 15 percent, but only if rules of origin are simple and transparent. On rules of origin, the report suggests that regional economic community (REC) member countries should move to a single value-added rule, for example, 40 percent of value added from within the REC – with a more lenient threshold for less developed countries. Most Malawian exports use at least one major ingredient sourced locally and regional raw materials (for example imports clinker which is 70 percent of cement mostly from Zambia and Egypt, plastics ingredients are imported from South Africa which comprise 90 percent of the finished plastic). The data from MRA (2020) complemented by business consultations collaborate in terms of the proportion of regionally and locally sourced ingredients which is estimated 79 percent. Therefore, Malawi should ask for more ambitious level of local or regional content – much higher than COMESA to at least 50 percent (note: the sugar sector can go as high as 100 percent on local or African content) under the AfCFTA to encourage industrialization in Africa. AfCFTA member states should also exempt shipment sizes below \$1,000 (note that in COMESA the Simplified Trade Regime (STR) threshold is up to \$ 2,000) to encourage cross-border trade for SMEs.

¹² In a World Bank study, 2020, The African Continental Free Trade Area Economic and Distributional Effects, International Bank for Reconstruction and Development / The World Bank 1818 H Street NW, Washington, DC 20433, an in-depth impact analyses of among many other authors, Chauvin, Depetris Nicolas, M. Priscila Ramos, and Guido Porto. 2016. “Trade, Growth, and Welfare Impacts of the CFTA in Africa.” Working paper, International Household Survey Network. http://hesso.tind.io/record/2006/files/Depetris-Chauvin_2017_trade_growth_welfare.pdf, and Vanzetti, David, Ralf Peters, and Christian Knebel. 2018. “Non-Tariff Measures: Lifting CFTA and ACP Trade to the Next Level.” UNCTAD Research Paper No. 14, United Nations Conference on Trade and Development, Geneva. http://unctad.org/en/PublicationsLibrary/ser-rp-2017d14_en.pdf paint a picture of positive gains given right adjustments in tariffs and non-tariff barriers.

On services, the Malawi National Services Export Strategy (NSES, 2020) observes, APEI members agreed to promote trade in services mainly through liberalizing selected services and facilitating the movement of businesspeople across borders. While NSES prioritizes tourism exports, Malawi has potential in insurance and financial services, telecommunication services and other business services such as accounting and engineering services.

As of April 2021, 36 countries have ratified the Treaty and Malawi deposited the instruments of ratification in January 2021 becoming the 34th country to ratify the AfCFTA. The AfCFTA Protocol on Goods seeks to enhance competitiveness at the industry and enterprise level to deepen economic efficiency and linkages, improve social welfare, progressively eliminate trade barriers, increase trade and investment. On the other hand, the Protocol on Trade in Services targets the creation of competition in services through enhanced efforts at reducing business costs and allocation of resources supporting trade; to enhance competitiveness of services through economies of scale, reduced business costs, enhanced continental market access and an improved allocation of resources including the development of trade-related infrastructure, and to pursue services trade liberalisation in line with Article V of the WTO GATS.

I.2. Objective of the AfCFTA National Strategy

The overarching objective of the AfCFTA National Strategy is to effectively support the implementation of the AfCFTA to double Malawi exports into Africa by 2026. The strategic objectives below contribute to the AU BIAT and Malawi 2063 Vision.

1. Market expansion of targeted goods and services beyond COMESA and SADC.
2. Investment in skilled and low-cost labour markets for mobility (career progression and movement of natural persons).
3. ICT adoption for harness private sector innovation and efficiency.
4. Cost efficiency improvement of SMEs (ICBTs, Women and Youth) operations and identification of AfCFTA market niches.
5. Institutionalize the TIPSWAp in the implementation of trade and investment agreements in Malawi.

I.3. Methodology

The approach adopted as a methodology was a participatory and inclusive process, under strong national leadership of the MoT while engaging other national stakeholders from policy making entities, private sector, civil society organizations (CSOs), the academia and the development partners through national donor forum. The full list of active stakeholders was obtained from MoT, MITC, MRA and RBM based on actual goods imports and exports trade data between 2016 and 2020, register and websites. The primary data comprised random snowballing sample of 35 from the stakeholder for goods and 31 stakeholders for services. The geographic locations covered all regions of Malawi, reaching out to largescale businesses, and Small and Medium Enterprises (SMEs) (including women and youth businesses). The substantial part of the data and information search was done through the desk-top (desk research). Secondary data/information was obtained from the AfCFTA main text, publications, government strategies, regional and international documentations on trade in goods and services. The consultation process began in November 2020 and final national validation workshops held in June 2021 owing to Covid-19 restrictions.

I.3.1 Organization of the strategy document

The strategy below is structured as follows; introduction section provides the background and justification, overall objectives, methodology and overview of the AfCFTA. The macroeconomic diagnosis is narrowed down to trade, production, and competitiveness analysis. In the AfCFTA situational analysis, the document highlights potential market opportunities and challenges, their impacts, and risks. More focus is placed on production and trade opportunities between Malawi and the African market to estimate the gaps. Cross cutting issues covers four areas, AfCFTA inclusivity (issues of gender equality and youth empowerment), environment, ICT, and urbanization. In the final analysis, the strategic interventions comprising recommendations from stakeholders and major strategic national documents are presented together with the implementation frameworks.

I.4. Overview of AfCFTA

1.4.1 AfCFTA objectives and scope

The overarching goal of the AfCFTA is to create a liberalized continental market for goods and services, facilitated by movement of persons with a view to better integrate African economies, in support of the continent's development Agendas. Its general and specific objectives are provided in Table 1.

Table 1 : General and Specific Objectives of the AfCFTA

General Objectives	
1	Create a single market for goods, services, facilitated by movement of persons in order to deepen economic integration
2	Create a liberalized market for goods and services through successive rounds of negotiations
3	Contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and RECs
4	Lay the foundation for the establishment of a Continental Customs Union at a later stage
5	Promote and attain sustainable and inclusive socioeconomic development, gender equality and structural transformation of state parties
6	Enhance competitiveness of the economies of State Parties within the continent
7	Promote industrial development through diversification and regional value chain development, agricultural development, and food security
8	Resolve the challenges of multiple and overlapping membership and expedite the regional and continental integration process
Specific Objectives	
1	Progressively eliminate tariffs and non-tariff barriers to trade in goods
2	Progressively liberalize trade in services
3	Cooperate on investment, intellectual property rights and competition policy
4	Cooperate on all trade related policies
5	Cooperate on customs matters and the implementation of trade facilitation measures
6	Establish a mechanism for the settlement of disputes concerning their rights and obligations
7	Establish and maintain an institutional framework for the implementation and administration of the AfCFTA

Source: AfCFTA Agreement, Article 3 and Article 4

The scope of the AfCFTA covers, in phase I, the protocols on trade in goods and services and dispute settlement. Phase II is dedicated to investment, competition policy and intellectual property rights matters, expected to be completed by June 2021 while phase III covering e-commerce is planned to be completed by December 2021 (Table 2).

Table 2 : AfCFTA Architecture and Key Features

Framework of the Agreement Establishing the African Continental Free Trade Area	Protocol on Trade in Goods	Annex 1: Schedules of Tariff Concessions	Elimination of duties and quantitative restrictions on imports
		Annex 2: Rules of Origin	Imports shall be treated no less favourably than domestic products
		Annex 3: Customs Cooperation and Mutual Administrative Assistance	Cooperation of customs authorities. Technical assistance, capacity-building, and cooperation
		Annex 4: Trade Facilitation	Logistics and efficient management of cross-border processes
		Annex 5: Non-Tariff Barriers	Reporting, monitoring and elimination of non-tariff barriers
		Annex 6: technical Barriers to Trade	Cooperation in the development and harmonisation of standards, conformity assessment, technical regulation, metrology, and accreditation.
		Annex 7: Sanitary and Phytosanitary Measures	Cooperation on development and implementation of sanitary and phytosanitary measures/regulations
		Annex 8: Transit	Facilitation of movement of goods through third party territories.
		Annex 9: Trade Remedies	Trade remedies, protections for infant industries and general exceptions
	Protocol on Trade in Services	Schedules of Specific Commitments	Transparency of service regulations
		MFN Exemption	Mutual recognition of standards, licensing and certification of services suppliers
		Annex on Air Transport	Progressive liberalization of services sectors
			Service suppliers shall be treated no less favourably than domestic suppliers in liberalized sectors
			Provision for general and security exceptions
	Protocol on Dispute Settlement	Annex 1: Working Procedures of the Panel	Rule-based Avenue for the resolution of any disputes that may arise between State Parties in the application of the AfCFTA Agreement
		Annex 2: Expert Review Groups	
		Annex 3: Code of conduct for Arbitrators and Panellists	

	Protocol on Intellectual Property Rights (IPRs)	To be concluded in 2021
	Protocol on Competition Policy	
	Protocol on Investment	
	Protocol on e-commerce	

Source: ATPC

The modalities of tariffs liberalization under the AfCFTA requires that 90 percent of tariff lines will be fully liberalized over a 10-year period for Least Developed Countries (LDCs) and over a 5-year period for non-LDCs. Up to 7 percent of tariff lines ascribed to sensitive products will be fully liberalized over a 13-year period for LDCs and over a 10-year period for non-LDCs. The remaining 3 percent of tariff lines – not accounting for more than 10 percent of total trade – can be excluded from tariff liberalization.¹³ The scope of the Protocol on Trade in Services under the AfCFTA, distinguishes between 4-modes of supplying services (see Table 3). Five sectors have been identified as priority sectors for the negotiations: business services (including professional services), communication, financial, tourism and transport services. Negotiations around other services sector will be conducted at a later stage.

Table 3: Modes of supply of services

Mode 1: Cross-border trade	Service flows that move from the territory of one State party to the Agreement into the territory of another state party	Example: Banking or accounting services provided from a country A via digital tools to residents in country B
Mode 2: Consumption abroad	Service consumer moves into another State party's territory to obtain a service	Example: Tourist from country A traveling to country B to enjoy hospitality services
Mode 3: Commercial presence	Service supplier of one State party establishing territorial presence through ownership or lease of premises in another State party's territory to provide a service	Example: Service provided in country A by domestic subsidiary of foreign hotel chain headquartered in country B
Mode 4: Presence of natural persons ¹⁴	Consists of a person of one State party entering the territory of another State party to supply a service	Accountants, doctors, or teachers from a country A entering to a country B to supply their services.

Source: Adapted from WTO GATS.

¹³The application of tariff liberalization in a customs union (e.g., ECOWAS) with LDC and non-LDC members remains still outstanding at the time this document was drafted.

¹⁴ Malawi's schedule of specific commitments at the WTO, dated 30 August 1995;

- The mode 4 market access limitation in the horizontal section of the schedule is as follows:
 - "Unbounded except for measures concerning the entry and temporary stay of natural persons employed in management and expert jobs for the implementation of foreign investment.
 - The employment of such persons shall be agreed upon by the contracting parties and approved by the Ministry of Home Affairs"
- The mode 3 limitation on national treatment in the horizontal section of the schedule is as follows:
 - "With permission from the Reserve Bank of Malawi, a foreign-controlled business can obtain loans or overdrafts of up to one third of the value of its paid-up capital"
- The mode 4 national treatment limitation in the horizontal section of the schedule is as follows:
 - "Unbounded except for measures concerning the categories of persons referred to in the market access column"

Operational instruments of the AfCFTA: The operational phase of the AfCFTA will be governed by five operational instruments detailed in Table 4. ¹⁵ Malawi will operationalize from 1st July 2021. ¹⁶

Table 4 : Operational instruments of the AfCFTA in brief

Instruments	Brief description
Rules of origin (RoO)	Criteria which confer to a specific product “an economic nationality”. AfCFTA RoO determine the minimum level of processing of a product on the continent so that it benefits advantages provided by the Agreement
Online Tariff Negotiation Portal	This tool includes list of products from each State party that will be open to liberalization, in accordance with the tariff liberalization schedule of the AfCFTA.
Non-Tariff Barriers (NTB) mechanism	Online mechanism for reporting, monitoring and elimination of NTBs under the AfCFTA. The tool is accessible via https://tradebarriers.africa/
Pan-African Payment and Settlement platform (PAPSS)	Digital payment system that will help companies to clear and settle intra-African trade transactions for goods and services in their local currencies
African Trade Observatory	Online platform that collects, process and analyze intra-Africa trade data and other related information.

¹⁵ See <https://au.int/en/articles/operational-phase-african-continental-free-trade-area-launched>

¹⁶ Trading under the AfCFTA Agreement was due to commence on 1st July 2020 for countries that had deposited their instruments of ratification. The date for operationalisation was postponed to 1st January 2021 and Malawi gazetted the revised tariff book for AfCFTA.

Section II. Diagnostic of Macroeconomic, Trade, Production and Competitiveness Frameworks

II.1 Overall Macroeconomic Policy Framework

Macroeconomic Policy Framework in Malawi is anchored on coherent the continental, regional and national policies, and strategies. Malawi launched the National Transformation Agenda 2063 (MW2063), a successor to the Vision 2020, main aspirations is to build “An Inclusively Wealthy and Self-reliant Nation”. The Malawi vision is premised on three overarching and interdependent objectives: commercialisation of agriculture, industrialisation, and urbanisation. The vision fully subscribes to the regional integration agenda and the AfCFTA. The medium-term strategic document is the Malawi Growth and Development Strategy (MGDS III) for the period of 2017-2022 and it is premised on a macroeconomic policy framework that targets single-digit inflation and an average growth rate of at least 7 percent during the implementation period with an ambitious 2 percentage point increase from the predecessor MGDS¹⁷.

More recent strategies including the National Export Strategy, NES II (2020) and the National Services Export Strategy, NSES (2020) builds on the National Trade Policy (2016). Malawi also subscribes to the Southern Africa Development Community (SADC) Industrialization Strategy and Roadmap (2015 – 2063) fits in with the National Industrial Policy (NIP, 2014). These strategies are anchored on three pillars namely, industrialization, competitiveness, and regional integration. Malawi is a member of COMESA and World Bank supported Accelerated Programme for Economic Integration (APEI)¹⁸. The national and Regional Economic Communities (RECs) key element for development is investment in infrastructure as well as in human capital despite the Covid-19 pandemic (refer to Box 3).

Box 3 : Covid-19 Pandemic Preliminary Impact Assessment and Interventions

Covid-19 presents a new challenge that will have lasting economic and social impact albeit there are signs that the economy and country is slowly getting back on track. The International Food Policy Research Institute (IFPRI) estimated national GDP losses of 11.6 percent due to the first two months of social distancing, and 22.3 percent under a hypothetical 21-day urban lockdown. The equivalents in terms of GDP losses were estimated approximately US\$26 million and US\$49 million per week, respectively, pushing between 1.1 and 2.2 million people temporarily into poverty under the two scenarios. In 2020, due to the COVID-19 pandemic, Malawi's financial situation deteriorated, as balance of payment and fiscal needs increased amid declining revenues. In response to the health crisis, the authorities adopted measures including strengthening the health care system, stepping up social spending, ensuring food security, and easing liquidity constraints in the banking system (IMF, 2020). Public deficit increased from 6.9 percent GDP in 2019 to 8.3 percent GDP in 2020 and is expected to reach 13 percent GDP in 2022 (Coface, grants included). Consequently, public debt also increased, from 63.4 percent GDP in 2019 to 70.7 percent GDP in 2020 (IMF). It is expected to further increase to 75.1 percent GDP in 2021 and 74.9 percent GDP in 2022 (IMF, 2020), but the country benefited from increased foreign aid and debt service suspension. Inflation remained stable at 9.3 percent in 2020 and is expected to slightly increase to 9.5 percent in 2021 before declining to 7.7 percent in 2022 (IMF). The government's priority is to support economic recovery while preserving macroeconomic stability.

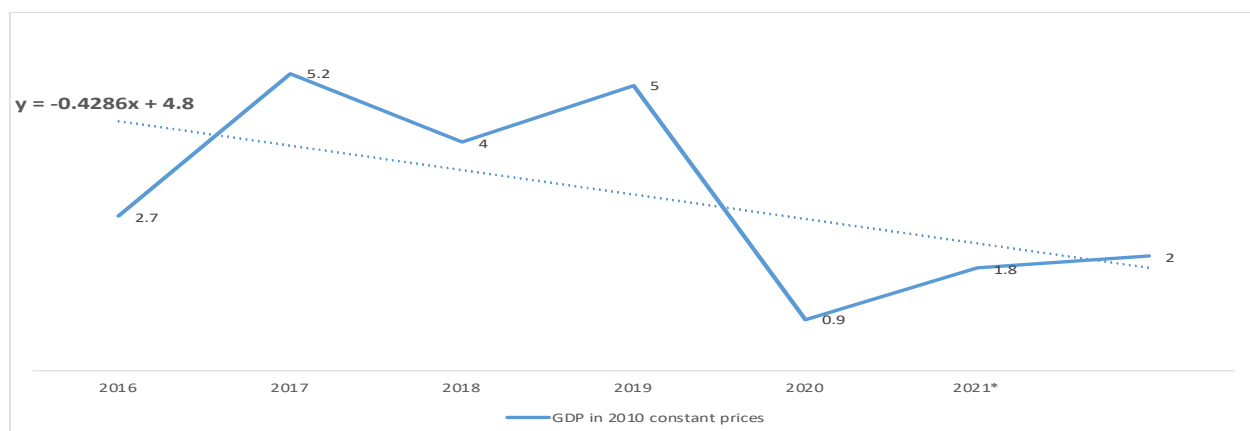
¹⁷ MGDS II target was 6 percent and actual growth rate over the five-year period averaged 5 percent.

¹⁸ APEI five countries are Malawi, Mauritius, Mozambique, Seychelles, and Zambia.

II.2 Recent Macroeconomic Performance

The GDP growth rate averaged 3.9 percent per annum over the 2014 – 2020 period¹⁹ (see Figure 1) but due to Covid-19, the 2016 – 2022f GDP growth rate average will fall to 3 percent²⁰. Malawi is among the top 20 in terms of economic growth in Africa (WDI, 2019). The economy is poised to go back up as vaccines becomes available and agriculture performance looks strong in the 2020/21 season. On the fiscal side, tax revenue reductions are expected due to Covid-19 pandemic while government still has obligations to increase expenditure on health, economic and other social policy responses. Domestic debt, therefore, is expected to increase to an estimated at MWK 2.37 trillion (June 2020) according to Ministry of Economic Planning and Development (refer to Box 3 above for more forecasts).

Figure 1: Real GDP Growth Rates (%)



Source: Source: Reserve Bank of Malawi, National Statistics Office, Ministry of Finance and Development Planning, Standard Bank (2020).

The fiscal pressures will increase due to informal trading activities with incidences of smuggling and illicit trade flows²¹ especially in beverages²², fish, sugar, and cement industries reported. In Malawi, trade protectionism is a challenging task because it requires adequate safeguards and enforcement at border and behind borders. An alternative approach is the implementation of international agreements so that Malawi can enforce compliance on the part of originating countries.

II.2.1. Socioeconomic Development Trends

¹⁹ Ministry Finance, Economic Planning and Development (2020).

²⁰ According to IMF estimates, GDP growth should pick up to 2.5 percent in 2021 and 6.5 percent in 2022, subject to the post-pandemic global economic recovery.

²¹ Sugar and sugar products attract between 15 and 30 percent duty, beer duty rate 30 percent.

²² <https://www.mra.mw/news/mra-destroys-600-cases-of-illegal-chibuku-super-beer> posted on 22 September 2020.

According to United Nations HDR 2019, Malawi was ranked 172 on the 189 country HDI ranking, and the degree of inequality (Gini coefficient)²³ is slightly lower in 2017 (at 0.423) compared to 2011 (at 0.452). Any future strategic interventions, including the AfCFTA implementation strategy, needs to recognize the income distribution inequality fact across the board which is more pronounced among women and youth. School enrolment shows that at primary level, 50 percent are female learners compared to 48 percent at secondary school level. Malawi's literacy level increased from 62.14 percent (2015) to 65.4 percent (2020) for ages 5 years and above. Malawi prevalence of HIV, total (percent of population ages 15 - 49) is estimated at 8.9 percent is relatively good but not comparable to East and Southern Africa countries average estimated at 6.7 percent (2019), in West and Central Africa estimated at 1.4 percent and less than 0.1 percent in North Africa (2019)²⁴.

Malawi ranks 18 and 19 out of 55 African countries in terms of the share of agriculture and services of the economy, respectively. The share of the labour force employed in agriculture is estimated at 84.7 percent (NSO IHS, 2020, MEPD, 2019). Agriculture is the also the driver of manufacturing, mainly through provision of raw material such as tobacco, tea, and sugar as well as the related services. Agriculture accounts for about one-third of GDP (estimated 27.1 percent, Annual Economic Report, 2019, MEPD) and 80 percent of export revenues (tobacco alone accounts for more than 40 percent). However, Malawi is looking to diversify away from tobacco to other cash crops. Meanwhile, services sector contribution to GDP is estimated 38.6 percent on the account of wholesale and retail trade – predominantly imported since manufacturing (industry and mining and quarrying) contributes about 12 percent.

In terms of investment, on average top African country gross capital formation (percentage of GDP average from 2009 -19) has 38.8 percent compared to 13.66 percent for Malawi. Within Malawi, foreign direct investment, net inflows (percent of GDP) is only at 3.45 compared to gross fixed capital formation, i.e., private sector investment (percent of GDP) at 6.73 (2019). This means that domestic investment and savings, i.e., Private Public Partnerships ought to be prioritized. Consequently, the productive base is low with Malawi ranked 128th out of 141 countries in the Global Competitiveness Index 4.0 (2019) and ranks 28 out 38 among African countries ranked.

II.2.2. Monetary and Fiscal Policy Management

The Monetary Policy Committee (MPC) of the Reserve Bank of Malawi (RBM) at its fourth meeting of 2020 held on 5th and 6th November, decided to reduce the Policy rate by 150 basis points to 12.0 percent. The bank also reduced Liquidity Reserve ratio to 5 percent from 7.5 percent during the same committee meeting to release primary liquidity of about MK 12 billion to the banking system. The action increased availability of loanable funds to cushion liquidity constraints in the economy due to Covid-19. Further, RBM announced agreements with commercial banks and Micro-Finance Institutions regarding a three-month moratorium on interest and principal repayments for all loans contracted by MSMEs. According to some retail banks, the effect of RBM's intervention had, at the time, resulted still in several defaults from customers who were not aware of the time limitation in the interest moratorium and continued to default their payments. According to Mybucks

²³ A Gini coefficient of 0 indicates perfect equality, where everybody consumes the same amount of goods and services. A coefficient of 1, on the other hand, would indicate perfect inequality, where everything would be consumed by only one household. In practice, the Gini coefficient tends to range between 0.25 and 0.65. Source: IFPRI Key Facts Series: Malawi Inequality, February 2019

²⁴ Source <https://www.avert.org/professionals/hiv-around-world>

Corporation, a retail bank which entered the market in 2018, the effect of RBM's intervention has, to date, resulted still in several defaults from customers who were not aware of the time limitation in the interest moratorium and continued to default their payments. SMEs are the hardest hit by the effects of the corona virus on businesses and some banks at the time predicted over 45 percent default rate for small to medium enterprise loan portfolio²⁵. One bank had written off loans amounting to K4,548m during the period 2020-2021 stating that the economic downturn due to Covid-19 exacerbated the customers default position a majority of which were SMEs²⁶. However, Non-Performing Loans (NPL) ratio only rose slightly from 6.3 percent in December 2019 to 6.6 in June 2020. For the microfinance sector NPLs increased significantly to 15.5 percent as of June 2020, up from a modest 4.3 per cent in December 2019, and far above the regulatory benchmark of 5.0 percent. Malawi NPLs ratio stood at 6.2 percent in December 2020, compared with the ratio of 6.2 percent in the previous quarter. The NPLs ratio reached an all-time high of 18.8 percent in September 2017 and a record low of 3.1 percent in June 2009²⁷. The Malawi real effective exchange rate index (2010 = 100)²⁸ is at 75.45 (2015-19 average). In summary, the combination of the Covid-19 pandemic and some long-running fiscal, monetary policy pressures (basically the policy rate is on temporary hold) will result in the private sector being crowded out. This crowd out effect is driven by the growing domestic debt and balance of payment challenges in Malawi.

II.2.3 Production and Trade framework

II.2.3.1. Trade and Industrial Policy Review

The Malawi National Trade Policy (2016) applicable priorities still face market access issues in the broader African market. Stakeholder consultations highlighted non-tariff barriers such as import or export controls, restrictive rules of origin, trade facilitation that comprise behind the border measures (including internal charges and taxes). For instance, applicable VAT in Africa varies from 20 to 0 percent which affects individual country's competitiveness depending on the applicable rates. However, some countries like the Central African Republic have a reduced rate of 5 percent on wheat flour, milk, frozen fish, and refined oils. Exports and international transport services are zero-rated. Essential goods, medical services, sales of gold and diamonds are exempt from VAT. In agriculture related goods and services, behind the border measures remain the main risk (refer to Table 10 below). For trade in services, real barriers are evident in both professional services, semi-skilled and unskilled service providers. The recent NES II review and consultations consistently raise the issue of market information (or intelligence), diversification and regulatory requirements and enforcement.

Despite these policy gaps, Malawi's market access for goods in the continental free trade area, on the principle of MFN, is expected to increase as well as the APEI commitments on services, SADC²⁹

²⁵ Nonetheless, MyBucks Banking Corporation Malawi has made a 53 per cent profit after-tax (K2.2 billion as at 31st December 2020) and its credit impairments were -174% below prior year due to decline of the non-performing loan book and concentrated efforts in loan recoveries. The decline in credit impairments was due to the Bank's focus on robust credit risk management seen at <https://allafrica.com/stories/202104070442.html> on 6th April 2021.

²⁶ National Bank of Malawi Plc 2020-2021 Annual Financial Statements.

²⁷ Source: World Bank Malawi Office, Malawi Economic Monitor, December 2020 and CEIC, CEIC Data, Hong Kong seen on <https://www.ceicdata.com/en/indicator/malawi/non-performing-loans-ratio>

²⁸ The real effective exchange rate measures the value of a currency against a basket of other currencies; it considers changes in relative prices and shows what can actually be bought.

²⁹ SADC Protocol on the Facilitation of Movement of Persons and SADC Industrialization Strategy 2015 - 2063

and COMESA³⁰. However, on policy implementation, large scale companies in Malawi feel the competition and industrial policy and regulatory framework does not adequately deal with the protection of infant industries, dumping, smuggling, counterfeits, and intra-industry competition. For instance, there has been an outstanding Illovo Sugar Ltd issue within the sector requiring the Competition and Fair-Trading Commission (CFTC) to ensure fair-playing field. More work is expected to promote competition within the sectors as well as Malawi versus other African countries.

Access and cost of obtaining relevant documentation and certification for exports and imports remain a challenge despite some improvements in ICT. While it is mandatory to register a business for all sorts of certificates³¹, the documentation process which can be managed under a single system to ease trade costs is costly and demands time. Three-quarters of the businesses visited noted that the licensing regime as problematic resulting in delays and prone to corruption due to the multiplicity of applications and permits³². Some businesses such as DHL resorted to handle some of the documentation process on behalf of clients in bulk because individual SMEs find it expensive to drive outside city centres to research stations to obtain permits or certificates. During the trade interviews (through one-on-one Focus Group Discussion - FGD or zoom meetings by cluster), stakeholders recommended urgent action on the establishment of the National Single Window at strategic Malawian borders as one way to speed up documentation. Malawi imports predominantly value-added goods (semi-processed raw materials and finished products) and capital equipment as well as services. Inconsistencies in the tariff application, such as the case of VAT on edible oils, is seen to affect competition. The recent study³³ on the impact assessment of full liberalization observed that, generally, AfCFTA will lock-in Malawi's trade reforms, and ensure that trade and tariff policy reversals are avoided. The effect of Malawi trade policy is evident (trends in Figure 2) where the applied tariff decline reflects real Malawi's commitment to implement RECs agreements. The Malawi weighted mean applied tariff³⁴ has been gradually reducing until 2016 (down to 4.7 percent according to World Bank, WDI calculations compared to African average tariffs at 6.1 percent, but with high variation across countries and sectors) Based on Malawi MRA (2020) data, weighted mean applied tariff in Figure 2 further went down to 2.3 percent³⁵ while the percentage of zero-rated tariff lines reduced from 80 percent (2016) to 75.6 percent in 2020.

³⁰ COMESA Protocol on the Free Movement of Persons Labour Services.

³¹ MRA Registration, VAT Registration Certificate, MITC Certificate, Food Licence, MBS Certificate, City/Council. Each of the regulatory bodies issue a certificate as a licence to operate. In some cases, one institution issues more than one certificate annually, and under different departments. Further, there are special permits to buy or sale certain goods and services. For instance, the city or district council issues a food certificate apart from licence to trade. Department of Crops requires that each trader or buyer should renew their permits each year indicating the quantities planned to be procured.

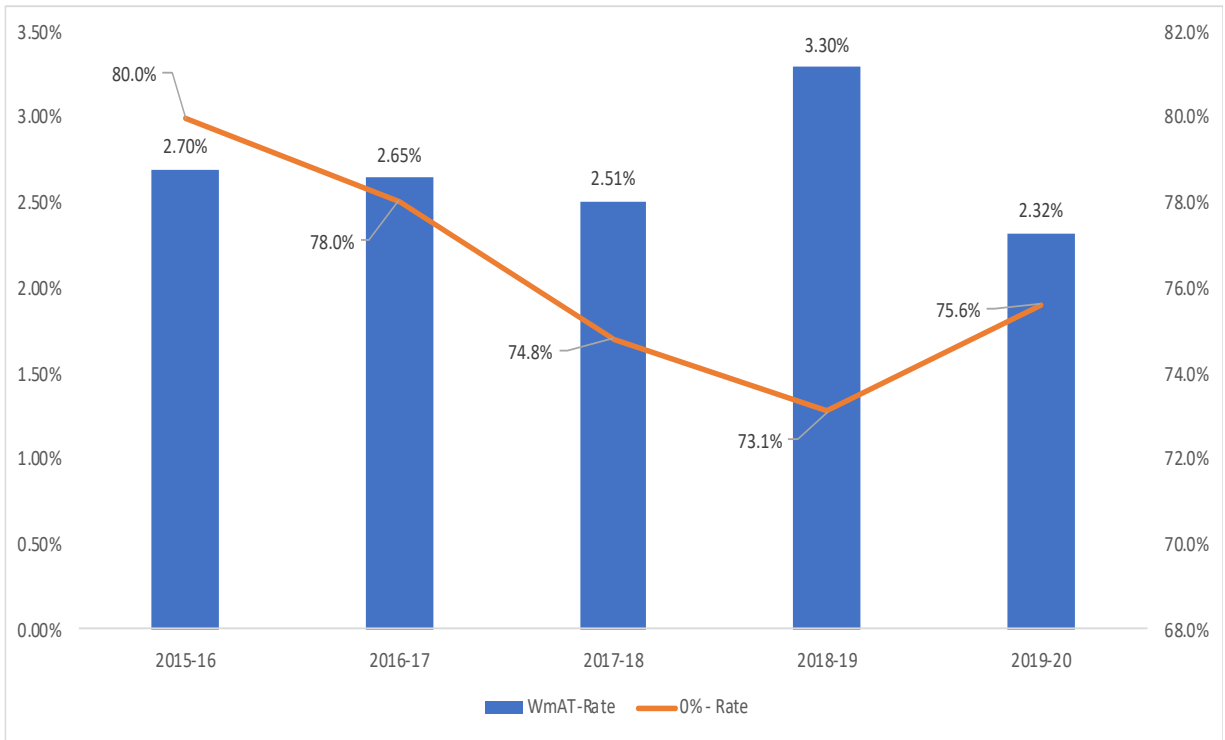
³² An estimate for total cost for a business to operate is MWK 1,306,667 in licenses and permits alone.

³³ Tekere, M., 2020, Impact Assessment of Full Trade Liberalisation with South Africa, Africa Continental Free Trade Area and the COMESA/EAC/SADC/Tripartite Free Trade Area on Revenue, Industry and Malawi's Economy, Lilongwe.

³⁴ Weighted mean applied tariff is the average of effectively applied rates weighted by the product import shares corresponding to each partner country.

³⁵ Source: Calculations Based on MRA 2020 Raw Data and WDI.

Figure 2: Malawi Weighted Mean Applied Tariff



Both the Industrial and Trade policies continue to face constraints in the investment frameworks linked to the macroeconomic challenges and management capacity. While some recommendations for policy and regulatory including incentives regimes review have been made, some short-term gains can come from management capacity improvements, such as implementation of IPPAs in the energy sector. Further, skills limitations directly and indirectly constraining exports mostly related to technical productive sectors in agriculture, manufacturing, and services areas.

The AfCFTA puts emphasis on cross-cutting themes and inclusivity. Malawi national policies for trade and industry priorities Cross Border Trade (CBT) particularly women and the youths to address procedural challenges at the border linked to SADC and COMESA trading regimes. Despite proactive initiatives to promote SMEs through trainings in quality and other export capacity building measures, the sure way to leapfrog exports by SMEs is to promote supply chains linkages. This will address logistical as well as access to information.

II.3. Recent trends in the production and trade in goods and services

II.3.1. Goods and Services Trade Performance

Malawi trade openness trends have winners and losers to an extent that by 2012 Malawi began to set its priorities on export trade because of an “unsustainable structural trade deficit”³⁶

³⁶ MoT (2012), Malawi National Export Strategy I Main Document, p.6, Lilongwe

Table 5: Malawi Goods Trade (with Africa)

US\$ '000	2015	2016	2017	2018	2019
Export of Goods	422,280	350,018	296,965	317,233	331,472
Import of goods	786,756	761,922	758,137	809,057	802,657
Trade Balance	-364,476	-411,904	-461,172	-491,824	-471,185

Source: ITC Trade Map Data 2020

Trade in goods and services represents 69.51 percent of GDP³⁷ (WDI, 2015-19 average). Total exports of merchandise from Malawi to the Africa was USD 331,472,000 (2019) which constitutes 36.31 percent of what Malawi exports to the rest of the world, while total imports were USD 802,657,000 which is 27.3 percent of total imports from the rest of the world. Goods trade balance (deficit) of USD - 471,185,000 (ITC, 2019) was reported (see Table 5).

Table 6: Malawi Goods Trade Balance (RECs)

US\$'000	2017	2018	2019
COMESA	(75,585)	7,399	9,087
SADC	(492,131)	(525,188)	(573,607)
ECOWAS	2,136	2,821	1,730

Malawi has huge trade deficit with SADC (Table 6) resulting from South Africa dominance in SADC. South Africa is the most stable export destination over the past five years while Egypt and Kenya are growing markets for Malawi. The top 10 export sectors

are tobacco, oilseeds (69 percent of exports is oilcake in the residues HS 23, shelled groundnuts comprise 55 percent of the HS 12 oilseeds grains (and yet peanut butter demand in Malawi rose to Mk 9 billion in 2018/19) while soya bean seed for sowing is 32 percent of exports. Demand for crude oil in Malawi is approaching Mk 50 billion annually while South Africa is efficiently producing soya beans than Malawi. Although demand for crude oil can also be met with increased cotton output whose lint is needed for making yarn, Malawi cotton production is on the decline owing to increased price competition of lint. Demand for South Africa brand "Sun foil" is average Mk 1 billion annually in Malawi. Further demand for laundry soap noodles for soap industry in Malawi as well as detergents is estimated Mk 25 billion annually or more with an additional Mk 2 billion for bath soap of which can leverage from value addition using essential oils made in Malawi, tea – basically 92 percent black fermented tea (but the category includes coffee and spices). Pepper makes 2 percent of total spices exports. Raw sugar comprises 92 percent of all sugar exports and beverages (reported under liqueurs and cordials) make 82 percent of the beverages exports and ethyl alcohol makes 11 percent. Malawi demand for glycerine is average Mk 3 billion annually, and hand sanitizer would average Mk 3 billion as well. The plastics industry has a diverse finished product lines mainly for household articles and agricultural packaging materials (Malawi has revealed comparative advantage in HS 63 with bags and sacks potential in West, Central and North Africa, and black sheets in SADC market). About 61 percent of footwear exports under HS 64 are footwear with rubber or plastic soles. On the other hand, demand for shoes in Malawi is an annual Mk 3 billion market fulfilled by imports. Wood and articles of wood comprise 44 percent fibreboard "MDF", 35 percent laminated wood and annual domestic demand of gap filled by imports of Mk 2 billion annually of furniture. Malawi also has a revealed comparative advantage in explosives (HS 36 and basically matches for setting fire) which can compete in the AfCFTA excluding Sierra Leone which also has an advantage. The wood category includes rubber albeit ranked 13 out of top 20 exports albeit can also form part of plastics for making of shoe soles. The legumes or pulses mainly kidney beans comprise 51 percent of pulses exports (albeit still requires

³⁷ Estimated Malawi GDP = USD 7,065 billion (or USD 7.5 billion at current prices)

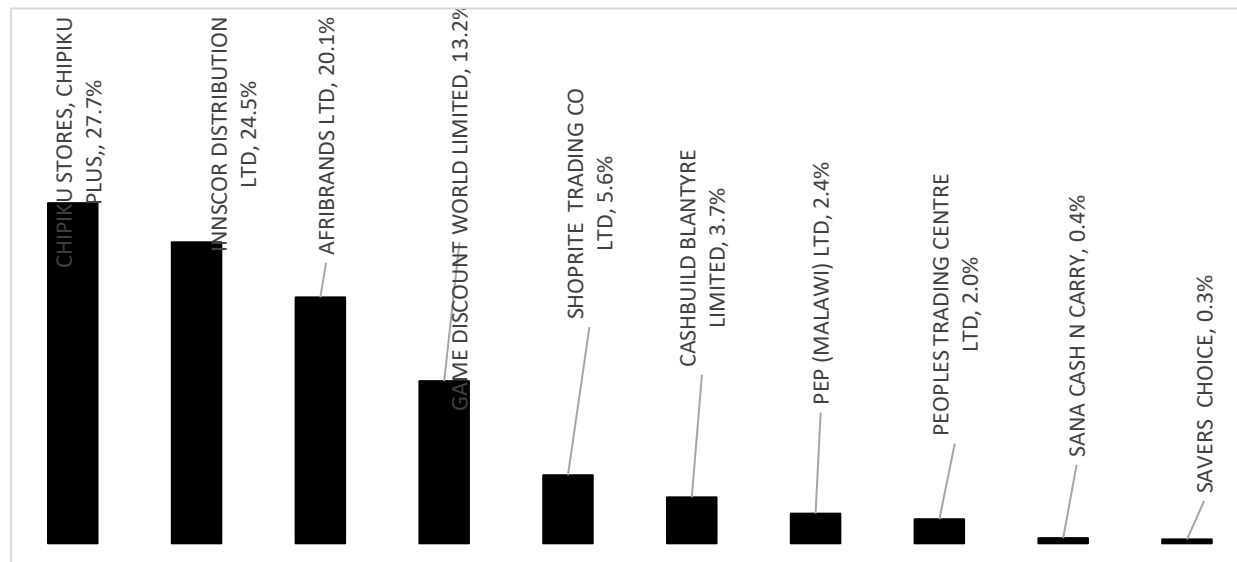
improvements in yield), and other edible preparations under section 21 of HS code can complement soya products manufactured including new products coming out of major players like Seba Products and Sun-gold Ltd ready for distribution in the SADC and COMESA region (TradeMap and MRA Data (2020))³⁸. Malawi has huge potential in poultry industry owing to agricultural production in cereals and oilseeds for feed. SMEs are also activity building the natural honey value chain with ease of selling in smaller volumes across Africa. Apart from the export mandate schedule in Annex C where maize is listed, maize seed for sowing is basing Malawi's strength comprising 90 percent of maize export annually, the following commodities also require permits to export, sorghum, raw round hardwood timbers, and cotton lint and seed (ideally the cotton ranks number 19 in exports estimated at Mk 2billion annually). However, fabric and related products such as Chitenje is a massive ICBT line of business with an average local demand in Malawi of Mk 4.5 billion annually and has a huge capacity to create jobs for women across the whole value chain. Sanitary pads alone have domestic demand of Mk 5 billion fulfilled by imports). Other items requiring export permits are, implements of war (other than arms and ammunition), atomic energy materials of strategic value, and items of primary strategic significance used in the production of arms and ammunition and other implements of war, including the following, Beryllium; (c) tantalum (d) uranium (e) lithium (f) columbite Cobalt; (g) thorium (h) germanium; (j) titanium;(k) nickel; and any materials containing such metals, gemstones in the unmanufactured state, scrap metal, hides and skins in processed and non-processed form, and petroleum products.

In terms of imports, South Africa has steadily been increasing their exports into Malawi over the past five years representing 57.72 percent of total imports (2015-19 average). The next biggest import destination in Africa is Zambia followed by Tanzania and Mozambique which border Malawi and informal cross border trading (ICBT) is very common. Of the top 20 importers in FY 2019-20 (Figure 3 below), two top retail chains are South African chain stores and one Malawian chain store. Other wholesale and retail distributors are mainly into hardware and cement imports.

However, 60 percent of imports are manufacturing companies importing raw materials ranging from packaging (plastic) to ingredients into food processing, iron and steel, and cement manufacturing. The composition of Malawi top 10 imports is, in order of average values, machinery (agricultural mostly), fuels (about 68 percent diesel and petrol, coal and bitumen), plastics (for raw materials, 56 percent and the rest for household use), tobacco (unmanufactured almost 95 percent, and cigarettes on average Mk 2 billion annually), motor vehicles and parts, cement and stones averaging Mk 35 billion per annum (finished cement 50 percent, clinker and limes 22 percent, and salts 22 percent), fertilizer (Urea comprise 40 percent of imports), iron and steel albeit Malawi has recently seen an increase in recycling of scrap metal and expects an increase owing to electricity stabilization, printing (85 percent printed money/currency), maize and wheat (88 percent maize for foods, 10 percent maize for sowing, while domestic demand for wheat is an annual Mk 35 billion) (ITC TradeMap, 2015-2019 average, and MRA Data (2020)).

³⁸ Oilseeds (grains and food industries residues) together make 20.7 percent of exports into African markets – COMESA and SADC region mostly. Yet The proportion of exports is greater than tobacco signalling a strong potential, for Malawi, to diversify away from tobacco.

Figure 3: Top 10 Distributors of Consumer Goods in Malawi (2019/20)



The following require permits for imports, plastic products (< 60 microns), cement, coarse and table salts, processed maize meal with or without additives, laundry bar soap and powdered detergent (loosely packaged detergent powdered soap weighing more than 15kg), beverages (bottled water, liquor in sachets, canned and bottled alcoholic drinks exceeding three case, canned, glass and plastic bottled non-alcoholic drinks exceeding three cases, refined and crude cooking oil, cane sugar, fish (whether frozen, dried or live and eggs and spawn thereof), second hand clothes exceeding one bale, underwear (pants, bras) - strictly not to be imported, second hand items ((a) kitchen utensils, (b) refrigerators), wild animals, wild animal trophies and wild animal products, meat (a) bovine and (b) swine), live poultry (day old chicks, undressed and dressed poultry, table eggs, fresh milk, fruit and vegetables (fresh and preserved)³⁹, and grain of any variety such as rice, barley, beans and groundnuts in all forms including meals, flours and residues., ball point pens, and matches.

Among the sample businesses visited, 50 percent know who and what is imported into Malawi according to their sector while another 40 percent are not aware of who and how some goods come into the local market. The businesses consulted reported that nearly 73 percent of the imports come through formal channels and the rest (27 percent) find their way through informal channels – smuggling or border control avoidance. The distribution sector has facilitated most imports and exports. However, the challenges of smuggled goods and weaknesses in border controls may put even more stress on Malawi from even wider AfCFTA.

On the other hand, services trade balance with the rest of the world (RoW), at current prices, has been persistently negative, averaging – US\$ 113 million annually between 2015 and 2019 (see Table 7). The potential in professional services is depicted in NSO records that estimate 45 percent of the 60,000 foreign nationals living in Malawi come from African countries and 90 percent of which are employed in Malawi working as skilled and non-skilled workers.

³⁹ lettuce, cabbage, cauliflower, rape, turnips, fresh beans, fresh peas, green pepper, fresh chilies, garlic, onions, carrots, beetroot, radishes, tomatoes, egg plants, Irish/sweet potatoes, bananas, mangoes, pineapples.

Table 7: Malawi Services Trade (RoW)

Service Sector (\$ '000)	2015	2016	2017	2018	2019
Total Exports (AfCFTA -Phase 1 services)	114,386	125,554	158,089	185,341	215,479
Total Imports (AfCFTA – Phase 1 services)	265,699	213,884	257,718	290,299	337,314
Trade Balance	(151,313)	(88,330)	(99,629)	(104,958)	(121,835)
Transport Services	(30,514)	(28,908)	(32,000)	(31,179)	(47,395)
Tourism and Travel Services	(51,473)	(46,082)	(55,237)	(59,128)	(64,010)
Financial Services	(26,060)	(529)	5,495	5,584	9,606
Communication Services	(4,577)	18,140	21,484	24,301	23,209
Professional Services	(38,689)	(30,951)	(39,371)	(44,536)	(33,639)
Source: ITC Trade Map Data, 2020					

In contrast, Malawians who emigrated are estimated at over 250,000 (2018)⁴⁰ being a conservative number because many are working without registering with authorities or professional bodies. This explains the fact that personal remittances formally recorded are less than 1 percent of the GDP. The NSO indicates that Malawians emigrated to Zambia, Zimbabwe, Mozambique, Tanzania, other African Countries with the majority being in South Africa looking for employment. Some Malawian companies in the financial sector, ICT and construction industry have successfully established commercial presence within SADC and COMESA regions under mode 3 exports. Other priority services sectors, communication, and financial services, show a strong trade balance in the recent years while Malawi is a net transport importer⁴¹.

II.3.2. Competitiveness analysis within AfCFTA perspective

Malawi is ranked 25 out of the 55 African countries in terms of the ease of doing business (ranking of only African countries based on EoDB Report, 2019). This ranking can improve through policy management. Malawi has policies, regulations (including an incentive framework) and legislations to promote fair and competitive trade and investment. Among other key institutions that regulate trade are MITC and Competition and Fair-Trading Commission (CFTC)⁴². In our consultations, there have been accusations and counteractions between regulators and private sector on the extent of execution of their respective mandate. However, the broader national goal of improving level of productivity still requires continuous improvement of service delivery capabilities through deeper and transparent monitoring. The shortcomings of management to execute their mandate does not negate the existing instruments at their disposal nor the need to improve them. One of the innovative options is to complement their efforts through empowerment of private sector organizations, civil society organizations and professional bodies which actively contribute to monitor and enhance transparency in the implementation of national policies.

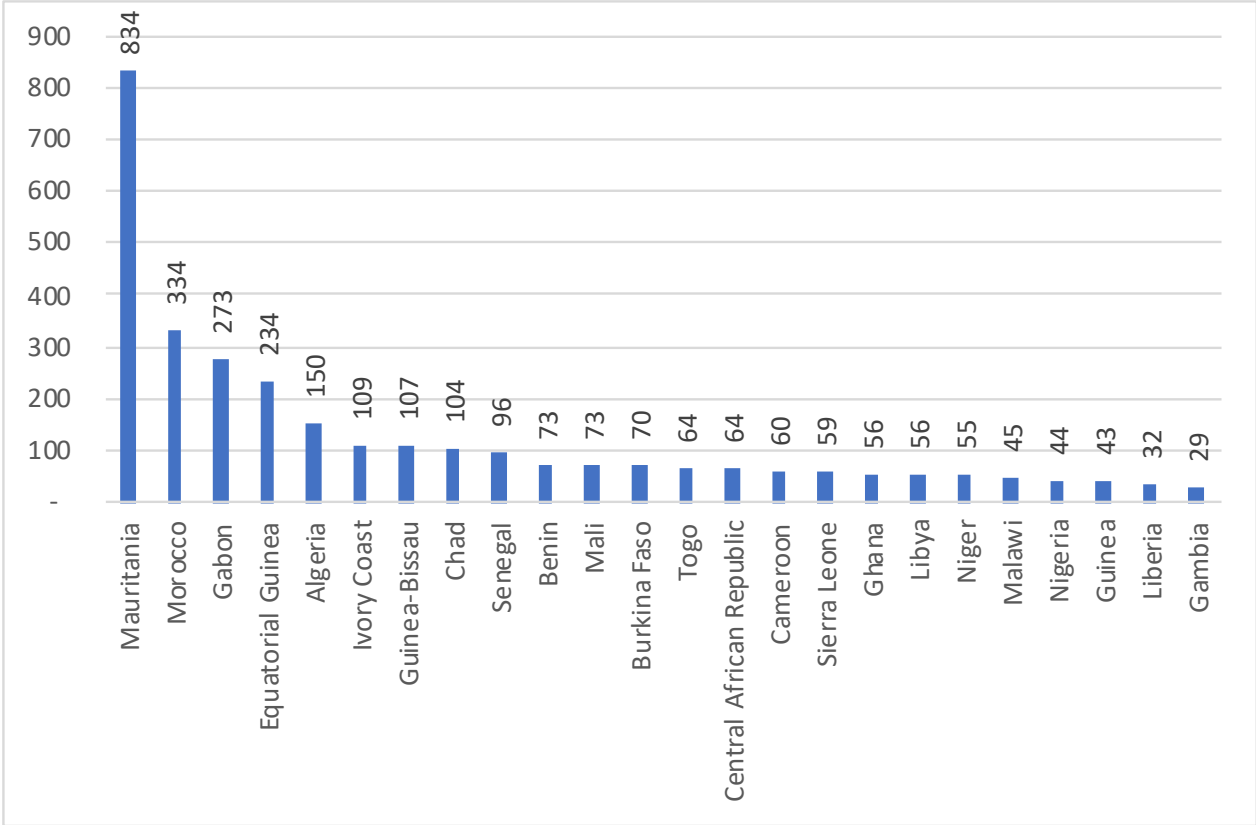
⁴⁰ NSO, 2018 National Population and Housing Census Report, Zomba

⁴¹ NSO and related regulatory bodies need to consolidate their reporting to various local and international bodies using; agreed data collection methodology and reporting mandate for foreign trade. Currently, NSO reports for national accounts annually and services forms part of national economic report.

⁴² The Consumer Protection Act is implemented under the CFTC until such a time when its own Council is established. Currently, the main guiding legislation is the Competition and Fair-Trading Act (CFTA) which regulates the market especially against cartelistic and monopolistic practices. Within the limited resources available, the CFTC has enforced over-pricing practices on sale of Personal Protective Wear, approved mergers and acquisitions and enhanced awareness among consumers.

In the manufacturing sector 48.7 percent of the enterprises in Malawi, according to the first NSO Census of Economic Activities (CEA) 2016-17, comprise 3 or less firms in the sub-sector which would often take more than 55 percent of domestic market share. Management of dominant firms in the context of AfCFTA is a critical strategic trade policy measure, at least when it comes to the use of sensitive and exclusion list provisions in the AfCFTA. More specifically, Malawi competitiveness lies in efficiency of such dominant producers and there is need to establish transparent cost structures to promote Malawi – Africa trade and benefit consumers. Market dominance tendencies are emerging in various sectors of the economy to attempt reaching economies of scale considering sensitive net margins to accommodate shocks.

Figure 4: Selected African Countries Minimum Wage (\$ per month)



Source: Mywage, 2020 seen at <https://mywage.org/malawi/salary/minimum-wages>

Further, low-cost labor (depicted in Figure 4) is one of Malawi’s strengths relatively. The Government of Malawi has minimum rates for casual (unskilled, MWK 35,000 per month, FY 2020/21) workers and semi-skilled workers which are available from the Ministry of Labour. In Malawi, unskilled labour is plentiful while skilled and semi-skilled labour is scarce to the extent that private sector often highlights skills-mismatch issues.

The current labor structure, however, offers an opportunity to enhance tailor-made training innovations. For instance, some private sector stakeholders proposed Agronomy School under Illovo Sugar Ltd and TEVETA (AGRI-TEVET) exploring opportunities under the fisheries sector. Nonetheless, Malawi minimum wage legislation is de facto a defensive strategy on one hand and an offensive strategy for movement of

natural persons within the AfCFTA (competing on labor cost only with Nigeria, Guinea, Liberia, and Gambia) in the new market. Otherwise, the risk of labor movement from West or North Africa to Malawi is minimal. This observation reinforces the NSO patterns of movement of natural persons into SADC in the ratio of 1:4 with foreign national entering to Malawians leaving Malawi.

Malawian exports are largely raw materials and intermediate goods. The product features have a gap in terms of the over-reliance of plastics for packaging, owing to a strong plastic manufacturing industry. The complementing demand for plastic comes from the agricultural production in terms of sacks for post-harvest management. However, this contrasts with high-value products which targets sophisticated high-end consumers – most of them are increasingly becoming environmentally conscious. For example, the tobacco industry has been fighting non-tobacco materials – mainly plastics – as a quality control measure in response to its market. Malawi, however, is making steady progress in paper-based packing especially boxes and cartons⁴³.

Geographical positioning of the whole of African market and the various bilateral agreements individual member states has with non-African states (such as the European Union, and Brazil, Russia, India, China, and South Africa known as BRICS) is a competition real challenge. Enterprises that can measure up to innovation as well as value addition have higher survival chances on export market in view of the competition on the continent. However, innovations require a robust legislation for intellectual property protection. The current Malawi legislation is outdated albeit the membership to World Intellectual Property Organization (WIPO) which guarantees universal protection of innovations may be the fallback. Intellectual property protection negotiations form part from services sector in phase II. Nonetheless, issues of protection also cover the seed sector (such as the Open Pollinated Varieties for Maize, which is known as OPV maize, the Chambo fish – Tilapia only found in Lake Malawi, and Kilombero rice varieties) which, according to stakeholders, is already foreseeing market access challenges in the AfCFTA. The problems remain on the old laws' inability to protect uniquely modern innovations which may be exploited by foreign actors in Africa and Malawi. In the services sector, due to the lack of formal recognition of professional bodies such as marketers, ICT practitioners and real estate agents, violations of intellectual property rights do go unchecked particularly for individuals or small enterprises who may not have the muscle to take and sustain legal action to enforce their rights.

Energy, specifically electricity, is a critical competitiveness issue for Malawi compete with the entire African region, and yet Malawi's generation capacity is 0.8 percent that of South Africa for example. The MGDS III and Malawi Energy Policy (2019) both emphasize the need to attract investors through the Independent Power Producers' Agreement (IPPAs) in energy market and increase generation, maintenance of distribution, and access as part of improving business environment. Malawi needs to connect to Southern African Power Pool (SAPP), invest in generation and improve regulations to attract investment. Apart from energy supply and cost per unit, transportation cost, is another related factor affecting productivity and competitiveness. Among other drivers, transport costs are attributed to fuel distribution infrastructure which consists of levies, over-dependence on use of road and not-so-much use of rail systems. The pricing of fuel, an automatic fuel pricing mechanism⁴⁴ which adds 45 percent of the pump price, remains under the control of the Government of Malawi through the Malawi Energy Regulatory Authority (MERA) which issues licenses for energy undertakings. The short-term

⁴³ Fish packaging represents 30 percent of costs. Malawi does not make this type of packing materials yet.

⁴⁴ The mechanism sets price ceilings and calls for price adjustment if landed costs in local currency vary by more than 5 percent. For changes smaller than 5 percent, a price stabilization fund is used to compensate importers for losses, as necessary. An energy pricing committee meets at the beginning of each month to review price and currency movements, but the committee may hold an emergency meeting between scheduled meetings in the event of sharp currency depreciation.

competitiveness solution is a review of levies with a view to harmonize across various sectors. The Road Transport Operators Association (RTOA) also attributed to high cost of road transport to access to finance compared to the regional transporters who access equipment at competitive rates than Malawian banks offer. The private sector also bemoans high costs of transport, apart from taxation, as affecting unit costs and therefore competitiveness. Further on logistics, despite significant gains in the road infrastructure development in Malawi, the road network requires unlocking its full potential through linking with regional rail networks of Beira-Bangula, and Blantyre – Nacala. Key stakeholders have emphasized the importance of the increased utilization of the Nacala route and port facilities for both out-bound goods and in-bound goods such as fuels and fertilizers. Apart from privately-owned warehousing facilities which are across the country, Agricultural Development and Marketing Corporation (ADMARC), has some underutilized facilities lying idle⁴⁵ and basically being run-down around the country. This makes out-bound logistics even more competitive to find among local hauliers. These need to be unlocked with the rural road network which can be advantageous for Malawi for aggregation, post-harvest management, logistics and rural job creation.

⁴⁵ Some stakeholders reported that some public warehouses – mostly those in the rural areas – which are often idle could cost nearly US\$ 10 per cubic metre compared to private storage spaces costs between US\$ 1 to 5 per cubic metre.

Section III. AfCFTA Situational Analysis, Market Opportunities and Potential Challenges

III.1. AfCFTA impacts and related potential risks

Intra-Africa trade is highly concentrated, with 1 percent of tariff lines accounting for 74 percent of imports in an average African country according to a World Bank study⁴⁶. Thus, some of the most onerous and protectionist tariffs may be maintained even if countries liberalize most tariff lines and ease immigration fetters for entry of skilled and unskilled workers from within Africa. The same a World Bank study observes that 1) by eliminating all the applied tariffs, the African continent would register an annual increase in trade of up to \$ 3.6 billion, 2) Labour (skilled and unskilled) demand will sharply increase in countries like Kenya, South Africa, and Nigeria, 3) In Malawi, Burkina Faso, Mozambique, and Rwanda would register a reduction in welfare in medium and long run when agriculture tariffs are eliminated⁴⁷. Currently, Malawi's single largest source of imports is South Africa⁴⁸ accounting for 57.72 percent of (2015-19 average, and 69.5 percent in 2020) Malawi's total imports from Africa. EU study in October 2019 using TRIST simulation⁴⁹ concluded that should Malawi adopt a full liberalisation of import regime (or a customs trading agreement, in this case AfCFTA) for products from the entire Africa including South Africa, there will be huge implications on revenue (customs revenue will reduce – and similarly the base to charge excise and VAT will be low at the border), industry (in terms of competition), consumer welfare (may improve on account of lower prices), and increase in imports (since consumers will buy more). If Malawi maintains the bilateral agreement with South Africa as AfCFTA enters into force, the impact of AfCFTA excluding South Africa is marginal⁵⁰. For instance, the EU study estimates that total revenue will fall by US\$ 11 million (2018 data)⁵¹ or 5.2 percent of total revenue loss under full tariff elimination in favour of South Africa. The same study also observes that full liberalization for South Africa will create the largest increase in imports of over US\$ 4 million while full liberalization under AfCFTA for all AU member states without South Africa will see a very small increase in Malawi's imports US\$ 4,579.

The same reasoning was pursued using MRA data of 2020 simply extrapolating using excel simulation in Table 8 below suggests that Malawi-South Africa trade (especially import) regime need not go below 12.5 percent tariff rates in product of agricultural origin (edible preparations, cereals, preparations of vegetables and fruits, cocoa preparations), rubber products, beverages and spirits, ceramic products, clothing textiles, footwear, furniture, and toys, among others. This creates an implementation and monitoring complication.

⁴⁶ The World Bank, 2020, The African Continental Free Trade Area Economic and Distributional Effects, Washington, DC 20433

⁴⁷ The World Bank, 2020, , The African Continental Free Trade Area Economic and Distributional Effects, Washington, DC 20433 “quoting studies by Chauvin, Depetris Nicolas, M. Priscila Ramos, and Guido Porto. 2016, and Vanzetti, David, Ralf Peters, and Christian Knebel, 2018”.

⁴⁸ Malawi is yet to fully liberalise its import regime for South Africa – which is also its main import partner a CFTA which includes South Africa – is expected to have important implication for Malawi. Imports from South Africa that attract high tariffs above 10 percent include product of agricultural origin (edible preparations, cereals, preparations of vegetables and fruits, cocoa preparations), rubber products beverages, and spirits ceramic products, clothing textiles, footwear furniture and toys among others.

⁴⁹ The TRIST simulation uses the following default elasticity; exports substitution (1.5), domestic substitution (1.00, and demand effect (0.5). The elasticities values are based on previous studies by World Bank and the simulations are undertaken at tariff line level.

⁵⁰ Tekere, M., 2020, Impact Assessment of Full Trade Liberalisation with South Africa, Africa Continental Free Trade Area and the COMESA/EAC/SADC/Tripartite Free Trade Area on Revenue, Industry and Malawi's Economy, Lilongwe.

⁵¹ Approx. MWK 8 billion at exchange rate US \$1 = 750

Table 8: Revenue Loss (Africa Imports)

Full Liberalization	Tariff Mean= 12.5%		Tariff Mean= 0%	
	AfCFTA (+ SA)	AfCFTA (-SA)	AfCFTA (+ SA)	AfCFTA (-SA)
Total Tax Revenues on Imports	US\$	US\$	US\$	US\$
Total tax revenue pre	117,208,645	35,514,052	114,864,472	35,514,052
Total tax revenue post	107,255,714	35,034,198	104,073,493	34,838,731
Change in total tax revenue	(9,952,931)	(479,854)	(10,790,978)	(675,321)
% change in total tax revenue	-8.49%	-1.35%	-9.39%	-1.90%

Source: Calculations based on MRA data (2018-20)

The most important impact is fiscal revenue that comes with the reduction in trade tariffs stemming from the AfCFTA agreement which would affect tax revenues through three channels. First, a direct reduction in tax revenue is to be expected from the removal of tariffs on intra-continental imports. Since Malawi's average tariff is already low, the potential risk in this case is low for imports from Africa excluding South Africa. Table 8 simulates cutting all tariffs greater 12.5 percent by 100 percent, the revenue loss (based on actual imports⁵²) is estimated US \$10 million (and US\$ 11 million if average tariff is reduced to zero assuming no exclusions). However, if South African trade agreement is maintained then revenue loss is marginally around US\$ 500, 000 (on average). However, those tax revenues are likely to be recouped on increased economic activity over the medium to longer term.

Second, trade diversion owing to lower tariffs would also reduce revenues (effective FOB base would be reduced – assuming VAT mechanisms are effective). Consumer goods and intermediate goods into industry would become cheaper but trade will be diverted to low-cost producer countries. In Malawi, a few agricultural products would be threatened. High revenue sensitive products and strategic industries products need to be placed under the exclusion list of AfCFTA. There is need for legal and institutional capacity building to implement trade remedies and deal with instances of unfair competition from imports that may threaten local industry. Further, some SMEs and support institutions on export market readiness is required. Malawi needs to continue improving its quality infrastructure in terms of increasing accreditations of its testing and certification services to support export certification in selected products with export potential. More specifically, the MSME sector awareness to embrace quality and standards.

Thirdly, lower prices may translate into higher consumption and consumer variety. Government would also raise revenue because of increased imports and income (and higher GDP) assuming consumption taxes are effectively administered. Importantly, the third channel would reflect the AfCFTA impact not only of tariff removal but also of NTB removal. This implies that the AfCFTA agreement implementation will have to carefully handle the rules of origin considering various economic partnership agreements between African countries and regions outside Africa such as EU, BRICS, and others where real challenges is sectors like poultry and fish directly affect intra-African trade.

Apart from revenue and rules of origin impacts, employment and wages in some countries could fall. Employment effects on movement of natural persons as well as domestic labor market do have positive

⁵² Note: data from MRA not fully cleaned for once-off imports, special imports (including those into bonded warehouses).

and negative impacts; production of labour-intensive goods is likely to shift to participating nations that have lower labour costs (Figure 4 above) while economic activities that require skilled labor are likely to shift towards where there is abundant skilled labor. Malawi may depend on movement of natural persons to such countries that have higher demand of labour. The risk for Malawi is further deterioration of the manufacturing sector with migration of skilled labour. There are two-fold risks concerning employment (movement of natural persons and domestic labor), first, Malawi may continue growing services sector wholesale and retail sub-sector dominated. The GDP growth for Malawi may not grow fast enough because the wages for the wholesale and retail sub-sector (whether within African or Malawi according to NSO data) are low and therefore their disposable income is low (and savings potential compromised). The second risk is the social instability in the countries receiving (especially unskilled) skilled labour. The picture may differ slightly in services sector where the abundance of low and semi-skilled labour is a major input such as tourism and construction services which can become Malawi's comparative advantage.

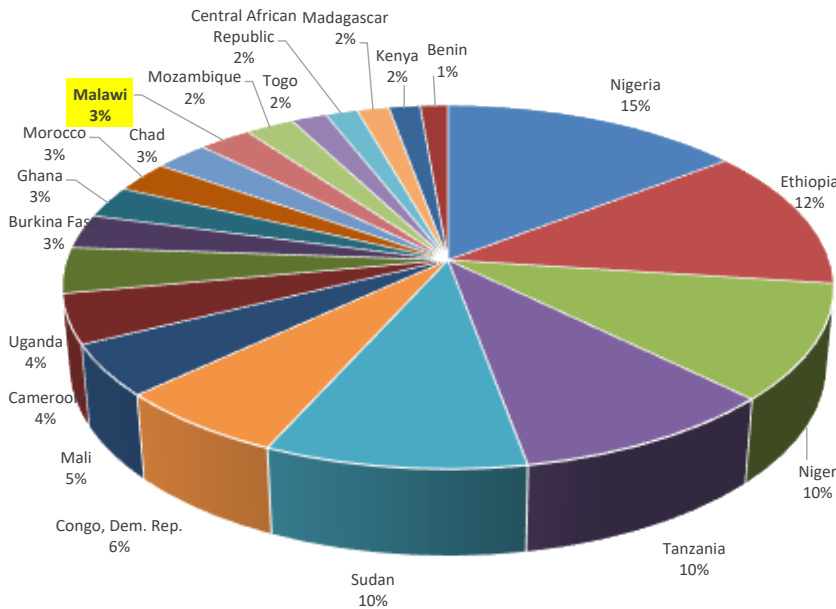
III.2. Identification and prioritization of production and trade opportunities under the AfCFTA

The potential competing countries within COMESA in the entire AfCFTA market area are included in Figure 5 based on supply analyses (arable land allocation and their share of agriculture in the economy – weighted)⁵³. Currently Malawi is at 80 percent capacity of the total agricultural land (which is equivalent of 47.4 percent of total Malawi land). Real options in diversification, expanding output and productivity remain in substituting tobacco land use with oilseeds, essential oils and coffee plantations as well as increase the pace at which land is put under irrigation. Further, under the commercialization drive, Malawi needs to increase the proportion of estate sector irrigation to at least 55 percent, introduce individual commercial farmers irrigation proportion to at least 10 percent and the remaining 35 percent for smallholder irrigation (cooperatives, associations, or individuals). A new IFPRI study identifies sustainable and profitable irrigated area growth of 3 percent per year across the region, with fastest growth occurring in Central Africa, balancing slower growth in Eastern Africa. Across dryland regions, the IFPRI study shows, the potential for irrigation expansion is largest in West Africa, which accounts for about 50 percent of the irrigation potential in dryland areas in Africa south of the Sahara. This is followed by East and Southern Africa, each with more than 20 percent of total potential. The potential in Central Africa is smallest because this sub-region has limited dryland areas. For individual countries, the potential is largest in Nigeria, followed by Tanzania, Kenya, and Malawi. Across the region's dryland areas, up to 14 million hectares could sustainably and profitably be converted into irrigated areas.

Malawi productive capacities stem from the agriculture sector which feeds agro-processing activities in producing tobacco and cigarette, tea and coffee, cane sugar and sugar confectionaries, pulses and seeds packaging, oil seeds and residues and waste of food industries, spirits, and beverages. The manufacturing sector main industries include, plastics (sacks and bags, packaging materials), pharmaceuticals (including essential oils - HS30), wooden products (fibreboards, plywood, and furniture), poultry products (birds' eggs in shell), rubber, seed for sowing, leather, raw hides and skins, and cotton. However, there are potential capacities in fish (HS 03) and cereals.

⁵³ The main methodology for the identification and prioritization is a systematic screening process.

Figure 5: Weighted Share of Agriculture in the Economy



On the demand side, the leading markets in West, Central and Northern Africa which present trade opportunities owing to their rate of urbanization, GDP per capita PPP, and openness are; the top ten countries for Malawi to consider (by Country, and US\$’mn Export Potential⁵⁴) are; Côte d'Ivoire (324.1), Nigeria (97.7), Algeria (95.8), Mali (91.7), Morocco (89.9), Ghana (84.5), Gambia (36.2), Senegal (59.4), Benin (50.1), and Sierra Leone (14.6) with only Mali and Morocco being the only two with whom Malawi may compete in their own country (refer Figure 5) which has supply capacity.

Source: WDI, 2019

According to ITC TradeMap export potential analysis, products with greatest export potential from Malawi to Africa are Raw cane sugar, Black tea packings >3kg, and Oilcake of soya-bean oil. Malawi has the highest supply capacity in legumes (dried and shelled). Cane or beet sugar and chemically pure sucrose is the product that faces the strongest demand potential in Africa. Raw cane sugar shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US \$46.6 mn⁵⁵.

Malawi is likely to face competition because of the composition of goods, proximity, language, and capital formation. Unlike in the SADC and COMESA areas, the language is a real threat to market entry and sustainability. NES II p.116 identifies the African list of potential markets for Malawi, which are, Morocco, Algeria, Nigeria, Tunisia, Ghana, Togo, Ivory Coast, Liberia, Senegal, and Cameroon⁵⁶. The NES II has also identified from the COMESA and SADC member states based on the export (including the Malawi – South Africa bilateral agreement). These markets are, Egypt, Uganda, Kenya, Tanzania, Ethiopia, Mauritius, South Africa, Mozambique, Zambia, and Zimbabwe. Kenya shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth US \$54.8 million. For the countries outside COMESA and SADC, Malawi’s main products include cereals (maize for sowing (seed), wood and rubber, pulses, fruits and nuts, oilseed cakes, unmanufactured tobacco (HS 2401) going into further processing in most Africa countries. However, tobacco has the largest revealed comparative advantage (RCA) in Mauritania and followed by Guinea and Sierra Leone (UNCTADStats,

⁵⁴ Based on ITC Trade Map – Export Potential Map, 2020

⁵⁵ All companies need in-depth market research/intelligence for their goods or services. Illovo Sugar for example, plans to expand into SADC and COMESA with an additional 160,000 MT immediately. For North, Central and West Africa, Yr.1 Target 80,000 MT, in 2 Yrs additional 100,000 MT, by Yr5 an additional 90,000 MT, and Yr 7+ an additional 210,000 all things equal.

⁵⁶ Note difference in the approach, one from the market side and our approach from the productive capacity side.

2020, WITS data, World Bank 2019). The sub-section below analyses goods and services with greatest trade potential to guide government implementation of AfCFTA. The export approach is two-prong, expand the existing markets and products ranges whether raw material or finished goods and services. Second part applies to established markets requiring value added goods and services in medium to long term. Some market-specific studies are recommended to understand non-tariff barriers and risks. For instances, some countries in Africa have persistent non-tariff barriers such as overtaxing of goods, random checkpoints along corridors, highway robbers, terrorism, and landlocked with the poor infrastructures.

The Ministry of Trade developed the National Export Strategy for Services (NSES) in 2020 to promote the export of services. The strategy signifies the importance of services on economic development for Malawi on account the growing share of global trade flows leaning on new technologies and internationalization of firms. Not only do economies derive the bulk of their employment and income from the service sector, but also many of services such as the financial, telecommunications and transport are vital intermediate inputs for other sectors if accessed at competitive prices. The best guarantee of competitive services is an open economy for trade and investment. Malawi has relatively lower labour costs that could significantly benefit the service sector. Table 7 suggests services trade deficit albeit not in the magnitude of goods trade and reveals growing performance in financial services and communication services exports.

III.3 AfCFTA institutional, regulatory and policy gap analysis

Table 9: Framework for AfCFTA institutional, regulatory and policy gaps analysis.

Institutional, regulatory and policy issues	AfCFTA provisions	Is it covered (partially or fully) by any national policy, regulatory and institutional arrangements? (Y/N) – If yes specify which one.	Main gap/degree of coherence/incoherence	Proposed areas/interventions to close the gaps, if any.
Institutional	Malawi has the PPD Forum – the equivalent of the National AfCFTA Implementation Committee (NAIC)	Yes. Partially. The national trade policy, NES II and other sectoral strategies which are implementing international agreements.	i) Existing NTFC equivalent does not have mandate to deal with AfCFTA issues and indeed legally to bind Government to implement.	I) National AfCFTA Implementation Committee (NAIC) falls in TIPSWAp framework Figure 7. NAIC mandate fits in MITC and II) Build capacity of MITC
	Executive Council	No	This terminology is not common even in the domestic institutions. The key question is; who chooses the Council? What are the criteria?	The AfCFTA needs to clarify the composition, criteria, and mandate for choosing.

Institutional, regulatory and policy issues	AfCFTA provisions	Is it covered (partially or fully) by any national policy, regulatory and institutional arrangements? (Y/N) – If yes specify which one.	Main gap/degree of coherence/incoherence	Proposed areas/interventions to close the gaps, if any.
	Committee of senior trade officials	Yes/No. In Malawi, the two RECs, SADC focal point is Ministry of Foreign Affairs, while COMESA the focal point is Ministry of Trade.	The precision with which “... Senior trade officials are stated in the AfCFTA does not give room for national constitutions nor public sector management systems. In any event, it becomes difficult for coordination at national level of diverse international agreements – from trade to environment to security without Foreign Affairs.	This needs careful review from the legal experts in terms of the domestication of the agreements.
	Article 9(2) State parties to establish judicial arbitral and administrative tribunal for resolution of trade related disputes. The Guidelines propose the establishment of a National Committee of the Implementation of the AfCFTA.	Yes, fully covered: The NSES is proposes the establishment of a Cabinet Committee on Export Promotion. Additionally, while Malawi’s National Trade Policy provides that the National Working Group on Trade and the Inter-Ministerial Committee on Trade will promote trade activities in Malawi.	Although none of the Committee’s mentioned in the National Trade Policy have the mandate to implement the AfCFTA, the scope of their mandate can be widened to include AfCFTA.	Amend the terms of reference for the existing Committees to include the implementation of the AfCFTA. It is advisable that the Government should avoid multiple committees undertaking similar activities with no palpable results.
	Establishment of a special court for	Partially covered, the Civil Procedure Rules	There may be a skills gap within the judicially to	Embolden the judicially to refer for arbitration matters

Institutional, regulatory and policy issues	AfCFTA provisions	Is it covered (partially or fully) by any national policy, regulatory and institutional arrangements? (Y/N) – If yes specify which one.	Main gap/degree of coherence/incoherence	Proposed areas/interventions to close the gaps, if any.
	disposal of trade disputes	of 2017 recognize the High Court Commercial Division as a special court for hearing commercial disputes which includes but are not limited to trade matters.	address technical trade matters. The AfCFTA emphasizes arbitration for dispute resolution which is against the standard practice of litigation in Malawi which is adversarial and prone to delays unlike Arbitration.	of trade disputes to encourage reconciliation and not litigation.
Regulatory	Special and Differential Treatment & Art.24.: Infant Industries & Art. 25: STEs	No. Partially – in various investment incentives schemes. No	In Malawi, the Control of Goods Act has both technical and political connotations when goods are classified as requiring licensing or permits. Imports, Export and Investment Incentives has a degree of incoherence as to what and when the infant industries constitute and the exit strategy. STEs can drive strategic agenda including airlines, hotels, and grain-board ADMARC. There are new entrants in the name of INGOs supporting rural subsistence farmers who have engaged in international supply chains – with aid	Need to define the justification, duration, and measures/indicators of the special cases so that when the objectives for which the flexibility was given has been achieved, then definitely there is need to return to normalcy.

Institutional, regulatory and policy issues	AfCFTA provisions	Is it covered (partially or fully) by any national policy, regulatory and institutional arrangements? (Y/N) – If yes specify which one.	Main gap/degree of coherence/incoherence	Proposed areas/interventions to close the gaps, if any.
			resources likely to distort trade.	
	Article 11. The AfCFTA has provisions for treatment and management of Monopolies to avoid dominant player market abuse.	Yes, CFTA covers this issue	The Act focus on simply forbidding market dominance. However, there is need for policy flexibility in case of SOEs and natural monopolies for economies of scale.	Review CFTA to be more proactive and align to industrial policy
	Annex 3- Regulations for the conduct of trade arbitration.	Partially covered as part of priority area no.1 in the National Trade Policy but not included in the NSES and the MGDS III does not have any provision either on dispute resolution.	The National Trade Policy alludes to joining dispute resolution efforts within COMESA and/or SADC.	Malawi must draft a workable arbitration regulation regime to give confidence to trade partners on effectiveness of remedies with trade partners.
Policy	Tariffs liberalization	Partially at REC level and yet to be negotiated under the AfCFTA.	Malawi Constitution Cap.17 “The State Revenue” SS 171/2 “Revenue” state that ‘No tax, rate, duty, levy or imposition shall be raised, levied or imposed by or for the purposes of the Government or any local authority otherwise than by or under the authority of the law”.	Any need to revise Custom Tariffs Books to ensure alignment with AfCFTA tariff liberalization scheme needs the approval of the Malawi Parliament that makes laws.

Institutional, regulatory and policy issues	AfCFTA provisions	Is it covered (partially or fully) by any national policy, regulatory and institutional arrangements? (Y/N) – If yes specify which one.	Main gap/degree of coherence/incoherence	Proposed areas/interventions to close the gaps, if any.
	Schedules of Tariff concessions (Art.8 (2))	No.	Refer to the legality and need for trade predictability as in tariff liberalization above for Malawi. The provisions for this protocol leave room to have two sets of schedules.	MRA needs to be comfortable how this can best be handled; 1) whether it brings room for cherry-picking which regime to use at a time, 2) increasing the procedures in the documentation which becomes a trade facilitation bottleneck.
	Article 19. Market Access should not be limited to quotas or specific percentage for foreign investors.	Not covered. Neither the MGDS III or the National Trade Policy have addressed the removal of investment share limitations for foreigners or addressed issues of foreign shareholders at all.	Business industries such as Communication and Banking limit the shareholding that a foreigner can have in a Malawian Company. Trade liberalization has yet to translate to remove this trade barrier.	Need to revise industry shareholding requirements to comply with undertakings under the AfCFTA.

Section IV. Cross cutting issues

IV.1 AfCFTA Inclusivity, Gender equality and Youth empowerment

In both the MGDS III and AfCFTA, one of the development outcomes is “gender and youth mainstreaming” attained by increasing equitably access, control, and utilization of social and economic services by youth and women. Main gaps identified are broadly trade facilitation; inadequate border infrastructure, limited access to finance, lack of market information, lengthy procedures (negatively affecting SMEs in value addition) to obtain certification, sectoral bodies requiring several pre-meal inspections which risks corruption and insecurity, gender-based violence and limited knowledge, education, and business management skills.

1. Gender Equality

In terms of trade – especially in ICBT, women traders are often among vulnerable groups across the African continent, as they suffer sexual harassment, verbal abuse, and confiscation of their possessions⁵⁷. Malawi Demographic and Health Survey, 2015/16 (Gender Analytical Report)⁵⁸ noted that women reporting specific persons who committed physical violence reported that 14.3 percent was institutional compared to 75.3 percent who reported that GBV was from domestic setting. Women are poorly represented in executive positions, often occupying the unskilled low paying jobs in industries such as tourism and travel, and wholesale and retail. Random national visits to private companies in the sample reported 16 (F):25(M) ratio (1F:1.6M) in terms of ownership of a business⁵⁹. From the sample, on average 34 percent are female employees (1F:1.9M) within the businesses visited (compared to NSO's estimated 26 percent). On the awareness and implementation of gender policy at workplace, all businesses were positively affirmative about equal pay, equal opportunity and maternity leave-with-pay.

In the communication sector for example, among the 25 executive officers combined between leading mobile network companies, there are only 5 women (1:4 ratio) which is similar across the entire sector according to NSO Census (2016-17). These dismal numbers are replicated in middle management indicating the gender disparity in Malawi’s leading service sectors. These numbers are not isolated to these industries, out of 38 registered Land Economy Surveyors eligible to practice as Estate Agents and Auctioneers under the Acts, 3 are females while 4 out of 60 resident practicing accountants are women. Only one bank visited in the sample has a deliberate gender equality policy with a 50:50 policy in Board, EXCO and middle management (and Press Corporation has gender empowerment policy as follows – 25 percent at EXCO and 30 percent middle management are women). None of the 5 Regulators interviewed, Reserve Bank of Malawi, Malawi Communications Regulatory Authority (MACRA), Malawi Accountants Board (MAB), and Malawi Engineers Board has a specific Gender Equality Policy although they stated that they considered equality of appointments in recruitment. There are no industry wide regulations to foster gender equality. The service sector also has adopted an equal treatment unwritten practice or policy. Men only board drown out the female voices leading to imbalances in gender reform efforts by companies who tend to normalize inequalities.

Despite the Gender Equality Act being a law of over 5 years, there remain issues to address as a foundation to gender equality, these include 1) skill development should address the imbalance, 2) institutions

⁵⁷ Bouët, Antoine, and Odjo, Sunday, (Eds). 2019. Africa Agriculture Trade Monitor Report 2019. Washington, DC: International Food Policy Research Institute (IFPRI).

⁵⁸ NSO, , Malawi Demographic and Health Survey, 2015/16 (Gender Analytical Report), Zomba

⁵⁹ Mzuzu Coffee Planters Cooperative in Misuku reported 780(F):820(M) depicting 1:1.1 female-male ratio

entrusted with promotion of equal economic opportunities should seek to monitor implementation of the laws and regulations. These efforts should extend on successful trade facilitation measures at the REC level such as Simplified Trade Regime, The Charter for Cross Border Traders (CBT), and Trade Information Desk Officers at borders to assist SMEs and informal cross-border traders with border formalities to firms and business place, 3) monitor development and implementation of gender policies at micro-level (firms and MDAs alike).

2. Youth Empowerment

Malawi Population and Housing Census (MPHC, 2018) reported that youth aged 15 – 39 years old estimated 1,092,770 were unemployed out of total labour force (economically active) of 6,614,065⁶⁰. Malawi has 52 percent females in the population and the unemployed female youth comprised 56 percent (2018). About 64.1 percent of employed persons work in agriculture (including farm workers). Unemployment is more common among female youth than males due to low levels of literacy, customs, and religious values.

Demographic analyses suggests that the youth and children under 30 years of age constitutes about 71.7 percent of the population which is a huge dependency burden on the 24.2 percent of the working age (30 – 64 years) according to IHS, 2020⁶¹. This demographic has the risk of creating several social consequences including high school drop-out rates due to lack of family support, child labor, drug and alcohol abuse among other challenges. On the other hand, poorly managed youthful population has a direct negative economic consequence such as low productivity and lack of innovation. The most critical group is an estimated 27.3 percent of the population which is in the school-going age.

Malawi government skills development focus should be on school-going age through development of curriculum that transitions youths into productive workers and export. This may include earlier childhood development, introduction of vocational and entrepreneurial skills at primary level. Current efforts including internship programmes need to be leveraged into more localized models which sectors like Tobacco and Sugar are implementing. Meanwhile, while youth populations look high and constitutes a market, they have relatively low buying power and access to finance.

IV.2 Environmental considerations and climate change in the AfCFTA context

The Environmental Affairs Department (EAD) is mandated to provide cross-sectoral coordination in environment, natural resources, and climate change management. As such, in Malawi any infrastructure investment – manufacturing, hotels, railway line maintenance, mining, agriculture and water are reviewed for adherence to Environmental and Social Impact Assessment (ESIA) guidelines and environmental standards/legislations. The EAD consistently inspects potentially polluted sites and urge best environmental practices, especially companies in food sector, leather and waste management and make remedial measures. These measures add to enhancement of adherence to potential Sanitary and Phytosanitary Standards (SPS) requirements in potential sectors like leather products, edible (especially crude soya bean oil) within the AfCFTA.

⁶⁰ Note: this number is much higher in 2019 and 2020 as population growth changes.

⁶¹ Own calculations based on the recent Integrated Household Survey, NSO (2020)

More specifically, in climate change adaptation interventions, notable achievements include promotion of solar power generation especially for irrigation. Another adaptation intervention is the ban of use of thin plastics which has been challenged by the plastic manufacturers and sellers. In the context of the AfCFTA, use of biodegradable plastics, if produced and sold at affordable prices, can be a mitigation strategy for environmental degradation and climate change while at the same time enhancing value addition and competitiveness in international markets. Furthermore, important environmental considerations and climate change is the fact that Malawi largely depends on Lake Malawi and Shire River for hydropower generation. There has been low rainfall due to changes in weather that has been the main cause of persistent power outages (blackouts). In 2019, the peak available capacity of 285MW (including 55MW of emergency diesel generation) is still well below the peak demand. Electricity – both in terms of cost and availability is a major factor affecting productivity negatively. However, there have been opportunities in power interconnectivity (under the RECs) which may mitigate the business impact. Furthermore, related to climate change and transport to the sea, a major trade facilitation issue in 2019 and early 2020 has been two major cyclones, Cyclone Idai and Cyclone Kenneth in Malawi, Mozambique and Zimbabwe which resulted into over 1,000 deaths in the three countries, damaged infrastructure (road route to Beira), undersea internet cables supplied by Seacom. There are opportunities and threats for Malawi to manage including building product quality capacity, developing alternative routes through Nacala corridor, and promoting regulations for IPPAs to enhance energy generation to effectively participate in AfCFTA.

IV.3 Technology, e-commerce, and digitalization

The Malawi government adopted an ICT Policy in 2016 aims to achieve an information rich and knowledge-based economy to meet the country's development agenda. According to NSO (2020)⁶² ICT Household Survey 2019 key findings, about 37 percent of households in Malawi owned a mobile telephone which was accessible to every household member. The proportion of individuals that owned computers was 2.8 percent. Access to internet services among individuals was at 14.6 percent - urban areas (40.7 percent) rural areas (9.3 percent), about 15.4 percent who had internet access were male compared to 12.4 percent for females. About 32 percent of individuals had access to digital financial services with 29.5 percent of individuals having mobile money account.

Malawi's Digital Economy Strategy (2021-2026)⁶³ has clearly defined trade-related areas that the ICT strategy can address. For instances, the sector is already implementing the National Fibre Backbone Project whose main objective is connecting all major sectors of the economy (including Government Agencies) in the country to a high-speed optical fibre-based network. Phase II will connect the fibre to homes and other non-Governmental offices through the last mile connectivity project/fibre backbone project. Government is further implementing the Digital Malawi Project whose objective is to increase access to affordable, high quality internet services for Government, businesses, and citizens and to improve the Government's capacity to deliver digital public services more specifically, issuance of permits or licenses was well as management of feedback whenever a submission is lodged. The Digital Malawi Project target is for Government to be able to produce Electronic Documents and Records Management System, and Electronic Enterprise Architecture Framework.

⁶² NSO, 2020, National Survey on Access and Use of Information and Communications Technologies by Households and Individuals in Malawi 2019, Zomba

⁶³ Malawi's Digital Economy Strategy (2021-2026) – Supporting Inclusive Wealth Creation, February 2021 produced by the National Planning Commission, the Office of the Chief Secretary and the Reserve Bank of Malawi.

Malawian economy may not yet be fully the Fourth Industrial Revolution (4IR) albeit initial steps including the on-going ICT infrastructure investment alluded to above, and recently launched national trade portal, advances towards e-visa portal at the Department of Immigration, one-stop-shop at the MITC as a digital platform for business registration (and improvements at the Registrar General's office), MRA Asycuda, and many others aimed at promoting trade and markets. The Ministry of Trade with support from UNCTAD commissioned a study to assess the e-trade readiness in Malawi whose report was launched on 4th February 2021. Following that study, it is expected that proper and comprehensive policies and legislation to manage e-trade practices will be in place soon. The Malawi's Digital Economy Strategy (2021-2026) firmly commits to tie-in trade facilitation improvements frequently mentioned by the private sector, including National Single Window to improve on competitiveness.

Box 4: Algeria e-commerce regulation (February 2018)

The Algerian Parliament passed a law in February 2018 establishing the country's first regulation on e-commerce. As such, online marketplaces will have to host their websites in Algeria and need to be listed in the country's commercial register. The law bans all online purchase of tobacco and alcoholic beverages as well as pharmaceutical products and online betting and gambling services. Moreover, Algerian law does not allow citizens to purchase goods from outside the country and the Government has recently declared that they do not intend to open their e-market to foreign companies in order to preserve national economy and sovereignty.

Subject to risks in the AfCFTA as in Box 7 above, the importance of digital access has proved the more important during the Covid-19 pandemic government shutdowns when nearly all companies were forced to work at home solely relying on online meetings and business. Major telecommunications companies experienced an overnight increase in demand for their services – especially internet – and those with requisite capacity were able to increase their profits without effecting any tariff increases which was good for the industry. Similarly, communication companies who must constantly interface with roaming partners within Africa. Similarly, the banking industry embraced the introduction of a Pan African Payment system which offers reduction in transaction costs through the ease of a central payment system for goods traded in Africa. This will exploit the growing mobile money transactions across the borders.

IV.4 AfCFTA and Urbanization

The Malawi Vision 2063 intentions for urbanization, to follow an integrated approach encompassing spatial, economic, social, and environmental considerations⁶⁴. Urbanization offers considerable opportunities for accelerating socio-economic transformation for Africa. Malawi is urbanizing (estimated between 3.9 - 4.2 percent growth rate based on 2015-20) even though only 15.6 percent of the population lives in the urban area (IHS, 2020). Malawi ranks 52 out of 55 African countries on the share of the population living in urban area in 2019 (WDI, 2019). Urban distribution is concentrated in the four major cities of Blantyre, Lilongwe, Mzuzu and Zomba (13 percent out of 15.6 percent) with the rest residing in other urban areas. Lilongwe, the biggest city is home to nearly 5.6 percent of the population (NSO, 2020 Statistical Yearbook). The urban population is projected to be at 30 percent of the national population by 2030 and at 50 percent by 2050. The urban population in Malawi generate 33 percent of the national GDP compared to only 6 percent attributable to the rural areas (84 percent of the country's population).

⁶⁴ National Planning Commission, 2020, Malawi 2063 (MW2063), Lilongwe

Recent empirical data from Africa shows that urbanization does, in fact, tend to produce greater gains in consumer spending, at least during stages of early development. Although there is much variation across countries, those African countries that experienced the highest levels of migration from rural to urban areas from 2007 to 2011 tended to subsequently exhibit greater gains in consumer spending from 2012 to 2017⁶⁵. According to African Futures 2050 report⁶⁶, a sustained population growth rate of 2.3 per cent, as recorded by Africa in 2010, would give rise to a doubling of the population in 31 years. By 2050, roughly one in four people in the world will live on the African continent. Populations of East and West Africa will grow especially rapidly and become much larger than those of the northern, central, or southern regions. By 2050, East and West Africa will each have populations that are nearly 2.5 times greater than those of any of the other three regions.

In terms of AfCFTA, analysts estimate that over the next few decades the proportion of the population living in cities is projected to increase from 40 percent⁶⁷ to more than 60 percent, with some of the most lucrative markets – such as Nigeria, Ghana, and Angola – are likely to top 80 percent⁶⁸. An additional 187 million Africans will reside in cities within the next decade, and by 2050, roughly 800 million more people will be consolidated in Africa’s urban mega-centres. With productivity in cities three times as high as in rural areas, this signals vast potential for increased consumption by households and businesses. This analysis by Signé (2018) is consistent with an earlier observation by Institute for Security Studies (2011) that, “ultimately, declining population growth in Africa rates will set the stage for a growing demographic dividend (larger shares of the population in the working years) and potentially faster economic growth”.

Malawi development path should include a purpose-designed distribution channel to deliver consumer goods and raw materials in mega cities on East and West Africa. One of the Press Corporation subsidiary, Peoples Trading Centre, has experienced capital issues despite acting as a major channel for local farmers, manufacturers, and SMEs.

⁶⁵ Signé, L. (2018), Africa's consumer market potential: Trends, drivers, opportunities, and strategies, African Growth Initiative, The Brookings Institution, Washington, DC 20036, U.S.A

⁶⁶ Institute for Security Studies, 2011, African Futures 2050 – The next forty years, Monograph 175 January 2011, Pardee Centre, U.S.A

⁶⁷ Current top 20 West and North Africa countries are almost 50 percent urban according to World Bank data.

⁶⁸ Signé, L. (2018), Africa's consumer market potential: Trends, drivers, opportunities, and strategies, African Growth Initiative, The Brookings Institution, Washington, DC 20036, U.S.A. Note: Illovo Sugar is already planning to enter Angola Market under SADC Protocol an additional 80,000 MT immediately.

Section V. Putting the AfCFTA into National Perspective: Strategic Framework

V.1 SWOT Analysis

This section reviews the major policy and strategic documents in Malawi, Malawi 2063 and MGDS III, NES II, NSES as well as picking frequent challenges and opportunities from stakeholder consultations. Due to Covid-19, there were no group meetings allowed and the process relied on guided discussion documents, telephone calls and electronic conferences. Table 18 below is a brief analysis of the country's strengths, weaknesses internally and, looking at external factors, the opportunities, and threats. Although some of the weaknesses and threats can be mitigated with strengths in other parts of the wider system in Malawi, Table 17 further addresses some of the risks and measures to mitigate.

Table 10: AfCFTA VS SWOT Analysis

SWOT Analysis	Enabling factors to the achievement of AfCFTA objectives	Impediments to the achievement of AfCFTA objectives
Internal factors	Strengths	Weaknesses
	Malawi is naturally endowed for value addition – Malawi has robust environmental management laws and enforcement regulations, unique or rare birds in Mulanje Mountain, rare fish in Lake Malawi etc.	Environmental degradation; <ul style="list-style-type: none"> ▪ Affects energy generation, ▪ Affects transport and logistics, and ▪ Affects productivity in agriculture, forestry, fisheries, and manufacturing.
	Youthful population presents strong market and demographic dividend in medium term in terms of productivity.	Youthful population resulting to dependency burden and related social consequences (unemployment, crime, and general social welfare)
	Maturing democratic institutions (rule of law, economic, social protection policies).	Weak institutions; <ul style="list-style-type: none"> ▪ Lack of institutional alignment, ▪ Lack of policy consistency, <ul style="list-style-type: none"> ○ Resulting in overlapping roles and mandates across key government entities. ▪ Poor implementation/enforcement.
	Strong export/import track record in SADC, COMESA regions and potential in West, Central and North Africa. Firms can now utilize local export accredited testing and certification service at MBS.	Narrow primary export products basket base (no diversification), small domestic market size.
	Malawi's trade openness (customs tariffs and NTBs) gives market access competitive edge in AfCFTA. New digital strategy to lower internet tariffs.	Over regulation which destabilizes capitalist market forces e.g., tariff regulations in MNO licenses, increased red tape, which can breed corruption and restrict investment
	Access to regional markets in selected services sectors including unskilled labor.	Skills mismatch and abundance of unskilled labor.

SWOT Analysis	Enabling factors to the achievement of AfCFTA objectives	Impediments to the achievement of AfCFTA objectives
	Potential to produce wholly African (substantially Malawian) goods or services (RoO local content 35 percent above)	High transaction costs of doing business resulting in low competitiveness, e.g., regulatory fees in communication industry from market entry to continued operations.
	Effective regulatory institutions e.g., Reserve Bank for financial sector, MACRA for telecommunication and many others.	Investment and trade laws, regulations, and procedures. Publicity of key regulations and procedures (bulk of them remain inaccessible, technically complex, and not packaged for simplicity). <ul style="list-style-type: none"> ▪ EIA procedures, ▪ Control of Goods Act schedule updates, ▪ Number and location to obtain certificates. Outdated laws and regulations, e.g., <ul style="list-style-type: none"> ▪ Amendment of Railways Act.
	Strong and robust resilience and disaster mitigation measures (HIV/AIDS performance, cyclones, and droughts social protection measures).	Poor health systems – prone to disasters and vulnerable to diseases (HIV/Aids, Covid-19).
	Maturing liberal economy – increased competition, access to high technology uptake by private and corporate persons.	Poor infrastructure and underutilized facilities – public storage facilities, high unit costs, quality of road/rail infrastructure, border Issues and infrastructure.
	ICT infrastructure development – including fiber project and promotion of e-government, Access to Information Law	Lack of market and product intelligence. Lack of shared platform for information.
	Pan-African Payment and Settlement System (PAPSS) to domesticate payment and settlement to cut high transaction costs and delays	Lack of access to credit and finance
	Advanced ICT infrastructure development and regulatory environment	Lack of national single window at borders
	External factors	Opportunities
New business opportunities – goods and services (Ethanol, telecommunication, and financial services).		Global Covid-19 impacts; market access, transport restrictions and revenue reduction, increased prevention and treatment costs, and post-Covid-19 recovery responses
Gains in RECs taken into AfCFTA are easily adaptable for Malawi.		Role of RECs (SADC, COMESA, EAC and TFTA) on enforcement of AfCFTA obligations yet to be clarified.
Strong demand for semi-processed raw materials for exports, e.g., special sugars; rice, fish.	Existing bilateral trade agreements signed by Malawi as well as on-going EU-EPA negotiations, BRICS, AGOA on one hand, and the AfCFTA provisions; For example, in	

SWOT Analysis	Enabling factors to the achievement of AfCFTA objectives	Impediments to the achievement of AfCFTA objectives
		December 2009, Morocco and the EU signed an agreement to liberalize their trade in agri-food and fisheries.
	New innovations for climate adaptation and mitigation – including energy and modes of transport, structured modes of distribution channels required.	Climate-related shocks (erratic rains, diseases for humans, animals, and plants).
	Integrated African insurance industry, regional programmes on financial inclusion (ICBT digital money transactions), and technological advancement.	International price fluctuations.
	On-line mechanism for notification, monitoring and elimination of NTBs accessible to the private sector; Regional and global value chains optimization.	Competition on domestic market form illicit imports.
	Bigger markets and economies of scale to drastically reduce unit costs.	Trade protectionism mindset.
	Political will to strength bilateral engagements and explore them for trade opportunities.	Potential loss of preferential market access (especially in bilateral agreements).
	Growing non-radicalized population with multi religious tolerance.	Terrorism, xenophobia, and civil wars in Africa including Malawi's neighboring counties such as Al Shabab bombings in Mozambique, Tanzania, and Kenya.
	Strong financial regulatory framework with established regional connections subject to stringent AML compliance regimes.	Increasing incidences of money laundering in the region.
	On-line mechanism for notification, monitoring and elimination of NTBs, provisions for mutual recognition of qualifications.	Less stringent rules of origin, Influx of untrained foreign employees and suppliers (insufficient harmonization of labour laws for intra-regional mobility of labor).

V.2 Strategic Objectives and Action Plan

The overarching objective of the AfCFTA National Strategy is to support effective implementation of the AfCFTA and to increase Malawi exports into Africa by 2026.

1. At Continental level
 - Malawi should seek deeper and broader detailed commitments to remove trade barriers in the AfCFTA.
2. At National level
 - The National AfCFTA Implementation Committee (NAIC) equivalent in Malawi is the Public Private Dialogue (PPD) Forum. The PPD forum as well as the NES II proposed Secretariat requires an institutional support mechanism through the Ministry of Foreign Affairs or Ministry of Trade and representatives of key MDA (as desk officers or seconded staff) to

address policy overlaps, inconsistencies, and alignment of development programmes to increase exports.

- The Public Private Dialogue (PPD) Forum may consider endorsing MITC as the official secretariat for the implementation of trade and investment agreements and report on the technical progress.
- The priority goods with revealed competitive advantage and services sector under AfCFTA market outside COMESA and SADC in Annex B.

The NES II aims at increasing exports from 14.5 to 18 percentage of GDP (constant prices 2018 by 2025), subject to Covid-19 impact in 2020/21. NES II also aims to double exports to the regional and non-traditional markets and enhance Malawi’s market outreach by exporting more products and into new markets. The following five (5) strategic objectives recommended that are linked to key African and national strategic blueprints with the enablers which have been duly recognized in the country. The key strategic blueprints are BIAT, Malawi 2063 Vision, MGDS III, NTP, NES II, NSES, and NIP. The Action Plan below summarizes each strategic objective, specific objective, activities, outputs, indicators, and targets. A detailed plan of implementation matrix is placed in Annex A and excel document (soft copy) made available to MITC for annual planning.

Strategic Objective 1.0: Market expansion of targeted goods and services beyond COMESA and SADC.	Linked to Malawi 2063 Pillar 1 - Agricultural productivity, commercialisation and economic (goods and services market) infrastructure development. NES II - Strategic goal 1: Increase Exports of “Made in Malawi” Products and Services to the Regional and Global Marketplace. NES II - Strategic Goal 2: Build and reinforce export readiness of industry, enterprises, and products. BIAT cluster 1 – Trade Policy (Promoting “Buy in Africa” and “Made in Africa”). Enablers: Infrastructure for transport and logistics, market and product development support, and production facilities including implementing SEZs (whose bill proposes multiproduct SEZs for oil seeds, sugar cane, beverage manufacturing, and agro-processing), structured distribution, and market channels (commodity exchange), and improvements in energy supply – fuel and electricity).		
Specific Objective 1.1: Promote investment for diversification and productivity.		Outcome: Non-traditional export markets increased.	
Lead Organizations: MoAFS (ARET, TCC, TAMA) MITC, CFTC, SMEDI, EGENCO			
Outcome Indicator: <ul style="list-style-type: none"> ▪ FoB values (USD) of exports by type of market and non-traditional products p.a. <i>(Indicator will highlight levels of trade increase/decrease in values between Malawi and West and North African countries (on top of COMESA and SADC)).</i>			
Data Source: MRA, NSO and ITC.			
Baseline: 2021		Milestone: 2023/2024	Target: 2026
Non-Traditional exports RoW Africa (Excl. COMESA, SADC): \$51mn (2019)		\$ 75mn	\$ 100 mn

Activity 1.1.1 The activity seeks to map underutilized private and public tobacco infrastructure and reorient investments towards ICT for logistics and post-harvest management.

Activity(ies): 1.1.1 Rationalize public and private resources use.	Output: 1. Size of land, warehousing, and labour resource allocated away from tobacco.
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		2. Number of businesses establishments supporting switch to new non-tobacco sectors.
Baseline: 2021	Milestone: 2023/2024	Target: 2026
Hectares: 73,194	64,045 ha	Reduced to 54,896 ha
Tobacco Productivity: 10.3 t/ha	15 t/ha	30 t/ha
No. of tobacco jobs: 36,830 (2017)	27,623	18,415
No. of new businesses by activity: 1	10	20

Activity 1.1.2 The activity seeks to facilitate economies of scale, fair competition in terms of market players per sector (optimal market structure) for large firms, and integration of ICBT and SMEs in the value chains for supply and market outlets. The activity should further link BMS to incentive schemes and definite or expand on local content (proportion) as part of industrialization and market access offensive strategy (linked to objective 2 below).

Activity(ies): 1.1.2 Increase the degree of product differentiation performance in Malawi.	Output: 1. Market structure baseline updated. 2. Competitive export unit value (\$/unit) per industry of targeted sectors established. 3. Number of ICBT/SMEs established supply chains (<i>Model – Shayona/Illovo local sourcing</i>) increased. 4. Minimum local content threshold increased.	
Baseline: 2021	Milestone: 2023/2024	Target: 2026
Productivity level (%): n/a (NES II)	0.25%	0.5%
Export Unit price: \$ 0.89/kg (2019), ITC	\$1.34	\$1.79
Ave. local content: <25%	> 25%	> 35%
Proportion of SMEs linked to large firms (%): n/a	30%	50%

Activity 1.1.3: This activity seeks to measure priority products (goods and services) marketing and branding efforts and progress indicators of key drivers of competitiveness (i.e., labour costs and productivity).

Activity(ies): 1.1.3 Improve branding for targeted products (goods and services).	Output: 1. Unit labour cost and productivity index benchmarked per sector. 2. Competitiveness measures tracked (market share, growth, and competition regulation efficiency).	
Baseline: 2021	Milestone :2023/2024	Target: 2026
Productivity level (%): n/a (NES II)	0.25%	0.5%
EoDB ranking in Africa: 25/55 (2019)	20/55	<12
Cases resolved/Qtr (%): n/a	50%	100%

Activity 1.1.4 Activity facilitates private sector investment in energy sector (fuel through regulatory review and electricity through IPPAs incl. renewables). The activity seeks to encourage investment through

improved awareness of business opportunities in the energy sector and addressing the implementation challenges in accessing permits, finance, land and aligned to sectoral developments.

Activity(ies): 1.1.4 Enhance private sector investment in energy sector.		Output: 1. Level of awareness of energy capacity and gaps (business opportunities) measured. 2. New entrants into energy supply business (incl. SMEs) promoted.
Baseline: 2021	Milestone: 2023/2024	Target: 2026
Business opportunities awareness (%): n/a	15%	35%
No. of new suppliers in energy sector: n/a	10	20

Strategic Objective 1.0: Market expansion of targeted goods and services beyond COMESA and SADC.		
Specific Objective 1.2: Promoting export readiness in consumer goods and services. The objective is to establish distribution channels to East and West African cities supported by modern ICT logistics platform (linking manufacturers). Lead Organizations: MITC, MBS, SMEDI, national champions (ICAM, MIE, PTC and Chipiku).		Outcome: Distribution channels and supportive systems established.
Outcome Indicator: (Definition and context) <ul style="list-style-type: none"> Increased number of Malawi’s exporting companies per annum – breakdown by type of market, product/service. For product/service – Increase export performance in value and volume terms <i>(Indicator will highlight levels of trade increase/decrease in values between Malawi and West and North African countries (on top of COMESA and SADC)).</i>		
Data Source: MRA, NSO, ITC, and RBM		
Baseline: 2021	Milestone: 2023/2024	Target: 2026
Number of new non-tobacco markets acquired: 2	5	10
Value of non-traditional products: \$ 242 mn (2020, ITC)	\$362 mn	\$483 mn
Value of services by priority: \$78mn (2019)	\$117mn	\$156 mn
Number of new exporters created p.a: n/a (NES II)	5	10

Activity 1.2.1 The activity seeks to promote distribution networks of priority value chains for AfCFTA market. The investment incentives on export trade need re-alignment and review process through an engage (intra-industry negotiation) among key domestic aggregators, distributors (comprising import and export companies), transporters, freight forwarders, and producers (manufacturers and farmers) to develop a strategic structured imports and exports supply chains.

Activity(ies): 1.2.1 Promote established distribution networks for AfCFTA market.	Output: 1. Revamped aggregation, distribution and logistics hubs registered in Malawi (import and
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		export exchange for finished goods, commodity exchange for primary goods).
Baseline: 2021	Milestone :2023/2024	Target: 2026
Companies registered on the hub (%): n/a	25%	50%
No. of distribution champions for export: n/a	3	5
No. of domestic supply chains by sector: n/a	5	12

Activity 1.2.2. This activity aims at expanding domestic linkages between large-scale businesses (including SOEs) supply chains and SMEs, women, and youth business and export partnerships. This activity seeks to enhance access to finance through credit facility to support business linkages within Malawi and targeted joint ventures between foreign and Malawian investors for women and youth SMEs engaged in the export sector in Africa.

Activity(ies): 1.2.2 Promote domestic linkages.		Output: 1. Trade finance simplified. 2. Simplified legal framework to operate joint local business linkages and export partnerships.
Baseline: 2021	Milestone :2023/2024	Target: 2026
No. of legislations reviewed: n/a	6	12
No. of regulations by sector: n/a	6	12
Proportion of local SMEs with foreign joint venture agreements (%): n/a	30%	50%

Activity 1.2.3 The main aim of the activity is to promote trade mainstreaming in public and quality infrastructure planning and implementation. The activity recognizes various government plans to include trade-related facilities such as cold-rooms at ports, MRA scanning facilities, among others.

Activity(ies): 1.2.3 Trade mainstreaming in public and quality infrastructure planning and implementation.		Output: 1. Trade facilities guidelines adopted 2. Idle public infrastructure utilized
Baseline: 2021	Milestone :2023/2024	Target: 2026
Trade supportive amenities benchmarks per project: 1	2	5 (apart from EIA, others include QI, safety and occupational health, logistics efficiency etc)
No. of PPPs by sector: n.a	6	12 (based on priority sectors for goods and services)
Capacity utilization rate: n.a	25%	50%

Strategic Objective 2.0: Investment in the labour markets for mobility (career progression and movement of natural persons).		Linked to Malawi 2063 Pillar 2 - Skills development for productivity, mobility, and value chain participation. NES II - Strategic Goal 2: Build and reinforce export readiness of industry, enterprises, and products. NSES - Strategic Goal 1: Increase the Supply of Tradable Services. NSES - Strategic Goal 2: Promote Services Market Access. BIAT VII: Factor market integration - Increase intra-regional mobility of labour through harmonisation of labour, business, and investment laws.
		Enablers: TEVT integration into tertiary education, business, rural communities, and workplace.
Specific Objective 2.1: Promote specific skills and entrepreneurship for youth and women. Promote specific skills in agriculture, ICT, engineering, finance (including accountancy, wealth management) and entrepreneurship for youth and women.		Outcome: Skilled and accredited labor for African market.
Lead Organizations: MoAFS, SMEDI, TEVETA, MoTCCE, NCHE, MIE, ICAM		
Outcome Indicator: (Definition and context)	<ul style="list-style-type: none"> Number of registered and accredited skilled labour graduates per annum. <i>(Indicator will highlight number of graduates with certificates accredited by international bodies in specific fields ready to pick international jobs).</i>	
	Data Source: NCHE, TEVETA, NSO and MoL	
Baseline: 2021	Milestone :2023/2024	Target: 2026
No. of graduates per annum.: 20,000	30,000	40,000

Activity 2.1.1. This activity is the major defensive approach to adverse trade patterns (especially in goods) against Malawi to develop the services sector on the strength of relative literacy levels, vocational skills, low labour costs and unique skills in high-value markets of ancillary services engineering services – especially electrical and telecommunication services, and accountancy. Precisely, the market research seeks to establish a national methodology to measure of skills gaps and link with major training institutions, accreditation bodies and seek to up the quality and international ratings of Malawian labour.

Activity(ies): 2.1.1 Labor markets needs assessment and investment.	Output: 1. A national methodology to measure of skills gaps and linkages with major training institutions, and accreditation bodies established. 2. Increased pace in skills development in priority service sectors.	
Baseline: 2021	Milestone: 2023/2024	Target: 2026
No. of colleges accredited: 106 (NCHE, TEVETA)	153	200
Rate of graduates' growth rate (%): n/a	10%	25%

Strategic Objective 2.0: Investment in the labour markets for mobility (career progression and movement of natural persons).

Specific Objective 2.2: Enhance labour market structures and skills niche for Malawians.

Enhance labour market structures and skills niche to strategically integrate Malawian labour market within AfCFTA market area. Linked to BIAT VII: Factor Market Integration - Establish agreements on mutual recognition of qualifications.

Lead Organizations: MoL, CFTC, TEVETA, NCHE, NRCM

Outcome: Selected speciality skills and markets publicized.

Outcome Indicator:
(Definition and context)

- **Level of awareness of market opportunities for specific skills.**

(Indicator will highlight how the national professional regulation bodies, public and private, increase awareness of skills in demand, markets, and management of number of students to be trained).

Data Source: MoL, ILO, NRCM, and TEVETA

Baseline: 2021	Milestone :2023/2024	Target: 2026
Awareness (%): n/a	20	35
No. professions monitored p.a.: n/a	5	10

Activity 2.2.1 This activity seeks to engage qualification accreditation bodies and agencies to define, according to Africa market demand and supply assessment, to clearly match the curriculum and skills sets requirement for international bodies’ accreditation and/or alignments.

Activity(ies): 2.2.1 Match curriculum review against services trade skills gaps.		Output: 1. International qualification accreditation adopted by national certification bodies.
Baseline: 2021	Milestone :2023/2024	Target: 2026
No. of courses accredited: 540 (NCHE, TEVETA)	750 (375 int’al accreditation)	1,000 (500 int’al accreditation)
No. of MoU with professional associations: 1 (ICAM)	5	10
Ratio of instructor to learner: 1: > 100	1:75	1: 40

Activity 2.2.2 promotes building of linkages among training institutions and value chains or producers/service providers (rural and urban) through matching public infrastructure initiatives with specific skills training for producers/service providers groups (rural and urban associations, ICBTAs, cooperatives, or projects). Optimize (development partner or government) funded public infrastructure usage.

Activity(ies): 2.2.2 Match public infrastructure initiatives with specific skills training.	Output: 1. Producers/service providers groups (rural and urban associations, cooperatives, or projects) and skills training linkages enhanced.
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Baseline: 2021	Milestone: 2023/2024	Target: 2026
No. of trainees per facility (ave.): 4,000	7,000	10,000
No. of linkages per annum: n/a	50	100

Activity 2.2.3. The activity also seeks to promote private sector-led research modelled on the Tobacco, Tea and Sugar research institutions linked to training institutions for accreditation and new product development in targeted services and goods.

Activity(ies):	Output:	
2.2.3 Focus incubation centres on high value R&D and advisory services.	1. New Malawian brands listed on (BMS) schedule and updated bi-annually.	
Baseline: 2021	Milestone :2023/2024	Target: 2026
Tertiary/vocational institutions with R & D Labs/studios (No.): 21 (NHCE, 2020)	30	50
No. of SMEs registered with R & D Labs/studios (No.): n.a	120	200
Percentage increase in new brands p.a (%): n.a	2	5
Proportion of SMEs accessing credit under incubation (%): n.a	40	80

Strategic Objective 3.0: ICT adoption for harness private sector innovation and efficiency.	Linked to Malawi digital economy strategy 2021-2016 - Deepen the innovation ecosystem to support trade. BIAT Cluster III – Productive capacity “Establishment of integrated and inter-connected trade information systems”. The AfCFTA National Strategy considers current government investment in ICT infrastructure and development of a strategy as key step in deepening innovation ecosystem. The strategy seeks to harness private sector initiatives in development of computer applications, informal e-commerce platforms, workplace automation and logistics and aggregation in agriculture. Enablers: Implementation of Malawi digital economy strategy 2021-2016 (digital core, digital services, and digital solutions).	
Specific Objective 3.1: Promote digital skills (incl. software development) at workplace. Promote digital skills upgrading and software development for use at workplace to promote service delivery and market expansion. Lead Organizations: MACRA, RBM, MITC, NCHE.	Outcome: Increased ICT innovations in at producer level.	
Outcome Indicator: (Definition and context) <ul style="list-style-type: none"> ▪ Number of computer applications at workplace. <i>(Indicator will highlight number and proportion of internet, computer, and automation users – those with skills at manufacturing and services workplace).</i>		
Data Source: MACRA, NSO, RBM		
Baseline: 2021	Milestone :2023/2024	Target: 2026

Workers with ICT skills (%): n./a	35	75
Number of computer applications used per firm: n.a	2	> 5

Activity 3.1.1 The activity seeks to promote the adoption of technology in companies and productive organizations (farmer groups, cooperatives etc). The activity also aims train existing workers without computer literacy skills for improved productivity.

Activity(ies): 3.1.1 Facilitate access to basic adult computer courses at workplace.		Output: 1. ICT users at workplace increased. 2. Private sector computer applications developed and publicized. 3. Extension services (via linkages with ICT institutions) increased.
Baseline: 2021	Milestone :2023/2024	Target: 2026
Proportion of workers with ICT skills per firm (%): n.a	35	75
Proportion of ICT platform users per firm (%): n.a	40	80
Level of awareness per firm (%)	50	100

Activity 3.1.2 The activity is about contribution towards the development and promotion of e-commerce policy and regulations as well as ICT infrastructure and software available.

Activity(ies): 3.1.2 Promote e-commerce in Malawi.		Output: 1. e-commerce policy regulations enacted. 2. Increased ICT adoption by mass consumers.
Baseline: 2021	Milestone :2023/2024	Target: 2026
ICT adoption rate: 32% (Digital Econ. Strategy)	66%	100%
Mass awareness level of informal e-commerce platforms (%): n.a	25	50
Proportion of e-commerce platforms under IPR regulations (patents) (%): n.a	5	10

Strategic Objective 3.0: ICT adoption for harness private sector innovation and efficiency.	
<p>Specific Objective 3.2: Leverage new ICT technologies and infrastructure in domestic commodity markets and distribution services sector.</p> <p>Linked to BIAT cluster V: Trade finance – Improving payment systems, BIAT cluster VI: Trade information - Creation of inter-connected centers of trade information exchange.</p> <p>Lead Organizations: MACRA, MoAFS, MITC</p> <p>Outcome Indicator: (Definition and context)</p> <ul style="list-style-type: none"> Level of commodity stocks monitored <p><i>(Indicator will highlight the movement of all stocks including those falling under mining sector across the country).</i></p> <p>Data Source: MoAFS, MoENR, MRA, MoT</p>	<p>Outcome: National key commodity inventories tracked real-time.</p>

Baseline: 2021	Milestone: 2023/2024	Target: 2026
Minimum stock cover (months): tbc	3	> 4

Activity 3.2.1 The activity seeks to expand national commodity markets and supply chains in Malawi on the backbone of ICT (fibre) advances in Malawi to entrench digital payments. Complement rehabilitation of underutilized public facilities under PPP arrangements (incl. local cooperatives and investors) and digitize to integrate domestic distribution chains - incl. structured commodity markets.

Activity(ies):		Output:
3.2.1 Expand auction and digital payments systems.		1. Increased structured markets on ICT platforms.
Baseline: 2021	Milestone :2023/2024	Target: 2026
No. of commodity markets: 1	2	5
Proportion of market users (SMEs, farmers and groups) accessing banking facilities (%) pa.: n.a	25	50
Proportion of exporters (MRA data) accessing commodity markets (%) p.a.: n.a	25	50

Strategic Objective 3.0: ICT adoption for harness private sector innovation and efficiency.		
Specific Objective 3.3: Enhance market intelligence access.		Outcome: Access to trade and market intelligence improved.
Lead Organizations: MITC, MoFAIC, MRA, RBM.		
Outcome Indicator:		
(Definition and context)		
<ul style="list-style-type: none"> Market opportunities for specific skills, services, and goods. 		
<i>(Indicator will highlight the quality and affordability of market intelligence according to client needs).</i>		
Data Source: MRA, RBM, NSO		
Baseline: 2021	Milestone :2023/2024	Target: 2026
Top 10 market size (\$ 944mn): < 1%	35%	75% (to be accessed)
No. of NTBs reported: 3,980 (African Union: Non-Tariff Trade Measures, 2018)	3,000	2,000 (to be identified for Malawi)
No. of competitors: 10 (Incl. BRICS)	7	5 (to match BRICS only)

Activity 3.3.1 The activity aims to encourage innovations from public and private sector to develop market intelligence platforms (at a fee and free) to promote services trade (in priority sectors) and investment decisions. Modelled on ITC numerous market analysis tools, i.e., facilitating access to business information.

Activity(ies):		Output:
3.3.1 Develop and promote real-time market intelligence platform and applications use.		1. Module for market intelligence analysis on trade portal launched. 2. Periodic sector-based market and economic conditions reported.
Baseline: 2021	Milestone: 2023/2024	Target: 2026
No. of international businesses inquiries received/sent (%): n.a	50	100 per year (NES II)
No of hits on the website: n.a	500	1,000 per year (NES II)
No. of sector-based reports (%): n.a	12	25

No. of private market intelligences sites: n.a	50	100
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Activity 3.3.2 The activity reviews impediments to market information within and outside Malawi by private sector with a view to reduce on transaction costs. Further, the activity seeks to enhance entry into new sectors for diversification (away from Tobacco) including financial and telecommunication sector regulation simplification, software application, and analysis (from sources such as MACRA and judiciary).

Activity(ies): 3.3.2 Re-align inconsistent laws to attract FDI into ICT sector.		Output: 1. Legal and regulatory reviewed
Baseline: 2021	Milestone :2023/2024	Target: 2026
No. of inconsistent trade-related laws reviewed (2 EDF and Communication Act yet to be done): 0	6	12 (for priority sectors)

Strategic Objective 4.0: Cost efficiency improvement of SMEs (ICBTs, Women and Youth) operations and identification of AfCFTA market niches.	Linked to Malawi 2063 enabler 2. NES II - Strategic Goal 3: Enhance domestic trade environment for sustained inclusive, balanced, and sustainable economic development and growth. NES - Strategic Goal 3: Enhance Economic Sustainability and Inclusivity Enablers: Programme to Strengthen Economic Rights Institutions (Government-funded NICE, HRCC and MCTU).	
Specific Objective 4.1: Promote gender balance and youth mainstreaming in trade and business establishments.	Outcome: Improvements in gender balance and youth empowerment.	
Lead Organizations: MoGWCW, NICE, HRCC, MCTU		
Outcome Indicator: <i>(Definition and context)</i>		
<ul style="list-style-type: none"> ▪ Number of youth and women in workplace. ▪ Extent of employer commitment to gender equality in employment <p><i>(Indicator will highlight number and proportion of youth and women as a proportion to males at every level of business organizations).</i></p> <p>Data Source: NSO, FinMark Trust (MAP), RBM</p>		
Baseline: 2021	Milestone :2023/2024	Target: 2026
Proportion of firms with gender policies (%): <1	15	30
Overall (M:F ratio for MSMEs) – Percentage of adult population who are entrepreneurs, by sex: 51%: 49%	50	50
Proportion of youth (<35 yrs (who own MSMEs: 42% (2019)	50	60

Activity 4.1.1 This activity aims to tackle real and fundamental economic roots of inequality. The activity, therefore, promotes and publicise gender and youth champions across the board and complements governments’ affirmative actions over a fixed duration.

Activity(ies): 4.1.1 Increase youth and women access to business resources.		Output: 1. Women and youth in business establishment and employment increased.
Baseline: 2021	Milestone :2023/2024	Target: 2026

Overall (M:F ratio for MSMEs) – Percentage of adult population who are entrepreneurs, by sex: 51%: 49%	50	50
Percentage of adult female population who own Micro-enterprises: 84% (2019) Male (64%)	70	50
Percentage of adult female population who own small enterprises: 15% (2019) Male (30%)	25	40
Percentage of adult female population who own medium enterprises: 1% (2019) Male (6%)	5	10

Activity 4.1.2 The activity aims at attaining liberalization of trade in services through mainstreaming services in domestic policies and strategies (ref. 2.1.1.2 above). The AfCFTA and its respective protocols as they are negotiated, signed, ratified, and implemented entails compatibility and application in the domestic legal frameworks (and ought not to be in conflict).

Activity(ies): 4.1.2 Domestication of services trade.		Output: 1. Domestic policies, laws and regulations aligned.
Baseline: 2021	Milestone :2023/2024	Target: 2026
Percentage distribution of employed population by sector, each sex (sectors here refer to Agriculture; Industry; Services): <25%	35	50
Proportion of instruments domesticated: 1%	40	80

Activity 4.1.3 The activity is a private sector response to government policies and strategies on women, youth, and other cross-cutting themes – including climate change. The activity seeks to mobilize a coalition of business in support of gender balance and youth empowerment. The activity expands on the existing national indicators for annual reporting through investments in the Annual Economic Census as well as sectoral data from regulators.

Activity(ies): 4.1.3 Monitor progress against benchmarks for women, youth empowerment.		Output: 1. Participation in economic activities increased.
Baseline: 2021	Milestone :2023/2024	Target: 2026
Youth business incubator platforms usage: 14% (2019)	25	50
Proportion of mature youth enterprises: 10% (2019)	25	50

Strategic Objective 4.0: Cost efficiency improvement of SMEs (ICBTs, Women and Youth) operations and identification of AfCFTA market niches.		
Specific Objective 4.2: Strengthen the capacity of export support institutions for women and youth.		Outcome: Export portfolio of women and youth expanded.
Lead Organizations: ICBT, NABW, NASME, FAWEMA, MITC, SMEDI, MoGWCW, NICE, NYCOM, NEEF, TEVETA		

Outcome Indicator:**(Definition and context)**

- Gender balance and youth empowerment import and export programmes.

(Indicator will summarize the women and youth programmes supporting exports).

Data Source: MRA, MoGWCW, NSO

Baseline: 2021	Milestone :2023/2024	Target: 2026
Proportion of women in small and medium enterprises (%): 16% (FinScope, 2019)	25%	50%
Proportion of youth in mature MSMEs:10% FinScope, 2019)	30%	60%
MSMEs commodity exports (imports): 2%, (6%) (FinScope, 2019)	6%, (9%)	10% (12%)

Activity 4.2.1 The activity seeks to promote local best practices (reverse engineering) and solutions in post-harvest crop management and logistics (improvements of informal processes), agronomy/aquaculture schools, training support to women workers and entrepreneurs in quality management, simplification of export proceeds procedures and team-work training.

Activity(ies):	Output:	
4.2.1 Leverage domestic urbanization and urban-rural linkages for ICBT, women and youth supply chains.	1. National unstructured urban markets mapped and linked supply chains.	
Baseline: 2021	Milestone: 2023/2024	Target: 2026
Informal urban markets integrated (%): n.a	5	> 10 (at least 2 in each city)
No. of domestic and export regulations or documentation for SMEs, ICBTs, women and youth training p.a: n.a	4	6
Proportion of women and youth in e-commerce and ICT jobs (%): n.a	25	50
No. of export loads per imports: 1: > 10	1:8	1:4

Strategic Objective 5.0: Effective management of trade and investment agreements implementation in Malawi.	Linked to Enhance public sector performance and private sector dynamism to increase Malawi's exports (Malawi 2063 enablers 3 and 4). NES II - Strategic Goal 4: Ensure effective and efficient NES II Implementation Mechanism.
	Enablers: Enhanced NES II implementation framework.
Specific Objective 5.1: Strengthen MITC policy and strategic management capacity to efficiently manage NES II, NSES and AfCFTA strategies.	Outcome: National strategies and international agreements effectively and efficiently implemented.
Lead Organizations: MoT, MoI MoFAIC, MITC, MCCI	
Outcome Indicator: (Definition and context)	
<ul style="list-style-type: none"> Proportion of trade and investment programmes under each strategy implemented Proportion of agreements protocols, instruments and administrative arrangements implemented or domesticated. 	
(Indicators show strategy management progress and not necessarily the work undertaken by MITC alone. MITC will consolidate progress, constraints and opportunities that enables or hinders national trade and investment strategies, and international commitments' implementation).	

Data Source: MITC, MoT, MEPD, MoI MoFAIC, MCCCCI		
Baseline: 2021	Milestone :2023/2024	Target: 2026
Strategy implementation progress (%): tbc	50	100
Proportion of protocols domesticated (%): tbc	35	75

Activity 5.1.1 The success of AfCFTA national strategy, together with all other strategies and policies, hinges of good management practice. Within the mandate of MITC and guidance of MoT, the activity seeks to raise awareness of AfCFTA market and product opportunities in the priority businesses and investors in identified high-potential products (goods and services).

Activity(ies): 5.1.1 Improve MITC management capacity.		Output: 1. Quarterly TIPSWAp/PPD Forums progress report meetings per annum undertaken.
Baseline: 2021	Milestone :2023/2024	Target: 2026
Proportion of protocols domesticated (%): n/a	50	100
Proportion of programmes/projects executed (%): n/a	25	50
Awareness raised (%): n/a	25	50
Rate of NTBs resolving per quarter (%): n/a	50	100

Activity 5.1.2. The activity seeks to coordinate service sector on competition enforcement and optimal capacities where sectoral leaders will be engaged in investment priorities (for policy consistency). The second component of the activity includes in-house competition data analysis for optimal industry size (CFTC and sector regulators needs software and hardware for enhanced analysis and collaboration).

Activity(ies): 5.1.2 Improve competition, policy coherence and enforcement in goods and service industry.		Output: 1. Market dominance index determined
Baseline: 2021	Milestone :2023/2024	Target: 2026
HH Market concentration index (WITS data, 2017): 0.07	0.06	0.05
Proportion of taxes and levies harmonized (%) : n.a	25	50

Activity 5.1.3. This activity entails liaison with MRA, Ministry of finance and Ministry of Justice mainly undertaking, 1) In-house revenue impact analysis, 2) On-line liaison meetings leading to customs procedure and regulatory drafting and manage export mandate, levies for exports, transport, and other services as well as harmonization of regional regulations (including for the seed sector) approval.

Activity(ies): 5.1.3 Cooperate on customs matters.		Output: 1. Customs procedures reduced per transaction.
Baseline: 2021	Milestone :2023/2024	Target: 2026
Time taken to clear a border post (border compliance): 78 hrs	68	48

Time taken for customs clearance (documentary compliance): 75 hrs	50	24
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Activity 5.1.4 is basically a functional and resource allocation review of international agreements implementation for MITC, MDAs, and private sector organizations. This is a review of all implementing partners of international commitments for trade and investment.

Activity(ies): 5.1.4 Functional and resource allocation review.		Output: 1. Quarterly Int'al agreement implementation status reported. 2. Quarterly resource plan reviewed and updated.
Baseline: 2021	Milestone :2023/2024	Target: 2026
Technical and financial performance rate (%): n.a	35%	75%

Activity 5.1.5 Harmonize/balance incentive scheme with value addition/local content criteria (i.e., at what percentage of local content can benefit from Industrial Rebate scheme in Malawi. Note that MCCI reports that companies consider 35 percent on the higher side (of the current 20 – 35 percent currently) and the incentive schemes do not use output increase as a measure on trade policy, for instance the magnitude of surcharge on imports to protect cement companies.

Activity(ies): 5.1.5 Review investment incentives linkages to productivity and local content thresholds.		Output: 1. Investment incentives scheme revised.
Baseline: 2021	Milestone: 2023/2024	Target: 2026
Productivity (%): n.a	0.5% (NES II)	1%
Proportionate increase in local (African) content (%): 25%	30%	35 % originating

Activity 5.1.6 is mainly about MITC leading the review of AfCFTA agreement and protocols for compatibility and inclusion in the national laws and enforceability within Malawi and Africa. Ensure consistency with major trade-related policies including agriculture and industrialization. The main thrust is Malawi tariff book revision, and a clear focus on the AfCFTA Rules of Origin local content alignment to industrial development.

Activity(ies): 5.1.6 Domestication of trade agreements		Output: 1. Malawi tariff book (2021) Gazetted 2. AfCFTA protocols domesticated. 3. Compendium of sector policies and regulations updated 4. Schedule of SDT clauses, MRA and other exclusions in AfCFTA.
Baseline: 2021	Milestone: 2023/2024	Target: 2026
Protocols gazetted (law in Malawi) (%): n.a	30	At least 75 (coming out of AfCFTA negotiations)

Inconsistent trade-related policies reduced: 12 (for each target sector)	6	0
Total trade sensitive and exclusion (%): 10%	Sensitive list (7%), 3% exclusion list (3%) total, (10%)	3%

Activity 5.1.7 is about Monitor the implementation and impact of trade agreements and investment incl. AfCFTA agreement. The activity aims to expand the scope of NSO annual foreign trade (goods and services) survey to include impact parameters, and to market intelligence at product-specific and market access. More specifically, review of methodology and scope, indicators, data collection, and public/private sector consultations for services and goods trade and to benchmark with international sources on methodology and tools (ITC, UNCTAD, and WTO).

Activity(ies): 5.1.7 Monitor AfCFTA implementation.		Output: 1. Checklist for Trade Facilitation Indicators (TFIs) developed. 2. Trade performance and impact reported.
Baseline: 2021	Milestone :2023/2024	Target: 2026
No. of KPIs defined, measured and real-time reported (%): tbc	25	50
Proportion of tariff lines imported (%) of total (WITS,2017): Raw materials: 6% Intermediate goods: 26 Capital goods: 23% Consumer goods: 45%	Raw materials: 6% Intermediate goods: 27% Capital goods: 25% Consumer goods: 42%	Raw materials: 5% Intermediate goods: 29% Capital goods: 30% Consumer goods: 40%
Annual goods, export (Africa): USD 331,472,000	497,208,000	662,944,000
Annual services, export (Africa): USD 40,680,000	61,020,000	81,360,000
FDI growth (%): 3.45 (WDI ave 2015-19)	4	5

Activity 5.1.8 This activity covers the major functions of the AfCFTA coordination office. Among others the MITC is the designate Secretariat and therefore the National Focal Point on Non-Tariff Barriers and trade facilitation enquiry point. This aspect of the activity is managing an online NTBs monitoring mechanism in Malawi which includes training of users (MDAs and private sector businesses, traders, and associations on how to use the AfCFTA Non-Tariff Barrier mechanism to report and eliminate barriers to trade).

Activity(ies): 5.1.8 Monitor non-tariff barriers on-line.		Output: 1. Checklist for NTBs in Malawi export destination developed. 2. Users registered
Baseline: 2021	Milestone :2023/2024	Target: 2026
Number of registered users: 905 (2020) – Exporter’s proxy user	1,500	2,000 (ave. exporters from MRA data).
Rate of NTBs resolving per quarter (%): n/a	50	100

Activity 5.1.9 NSO annual foreign trade (goods and services) survey – activities include review of services trade methodology and scope, indicators, data collection, and public/private sector consultations.

Activity(ies): 5.1.9 Monitor services exports especially movement of natural persons.		Output: 1. Mode 4 services export remittances and trends reported quarterly
Baseline: 2021	Milestone :2023/2024	Target: 2026
Remittances % of GDP (ave.): 1.5 % (RBM, 2020)	2.5% (FinMark Trust ave.)	5%

Activity 5.1.10 Define (consensus) and monitor socioeconomic key indicators for all international agreements' implementation for tracking (incl. AfCFTA). This activity seeks to identify and update key policy performance indicators. The tasks include to list and adopt indicators and official data sources (improve indicators proposed in action plan) annually.

Activity(ies): 5.1.10 Define and update key policy performance indicators.		Output: 1. Handbook of indicators for Malawi developed
Baseline: 2021	Milestone :2023/2024	Target: 2026
Quarterly statistics key indicators (no.): n.a	16	20

V.3. Institutional Mechanism, in support of AfCFTA Implementation and Monitoring

Malawi's revised National Export Strategy (NES II, 2019) recommended establishment of a strong partnership between public and private sector stakeholders. The AfCFTA National Strategy consultative approach seeks to include private sector, civil society organizations, development partners and government institutions. The Ministry of Trade (then together with Industry and Tourism) facilitated the formation of a high-level Public Private Dialogue (PPD) Forum with the Minister and Senior Private sector Representative (often the President of the Malawi Confederation of Chamber of Commerce and Industry, MCCCCI). The AfCFTA National Committee fits into the existing national institutional mechanism, the high-level Public Private Dialogue (PPD) Forum.

The NES II recommended designation of Malawi Investment and Trade Centre (MITC) as the national body to drive the NES II strategy, and to reinforce its mandate and responsibilities. On issues regarding institutional capacity, NES II recommended that the agency must be duly mandated and adequately resourced, in terms of human resources, logistics and budget to fully assume the custody of NES II and its expected outcomes, based on a clearly defined Annual Performance Matrix.

However, the human resources and budgeting challenges are not unique to MITC alone, it is the common challenge affecting the civil service. It would be unfortunate to further breakdown the established investment and export promotion functions and mandate through creation of parallel institution or indeed apportioning it to other seemingly well-resourced institutions. MITC needs to be resourced (whether from private sector, development partners or government) as well as reviewing the Act to allow the institution to generate its own resources to sustain its operations. In the short to medium term, MITC needs to develop strong working relationships with other MDAs, private sector organizations and academia to tap into their human resource expertise. MITC has been seeking resources to fill in their existing establishments each financial year from Ministry of Finance.

a) AfCFTA National Committee

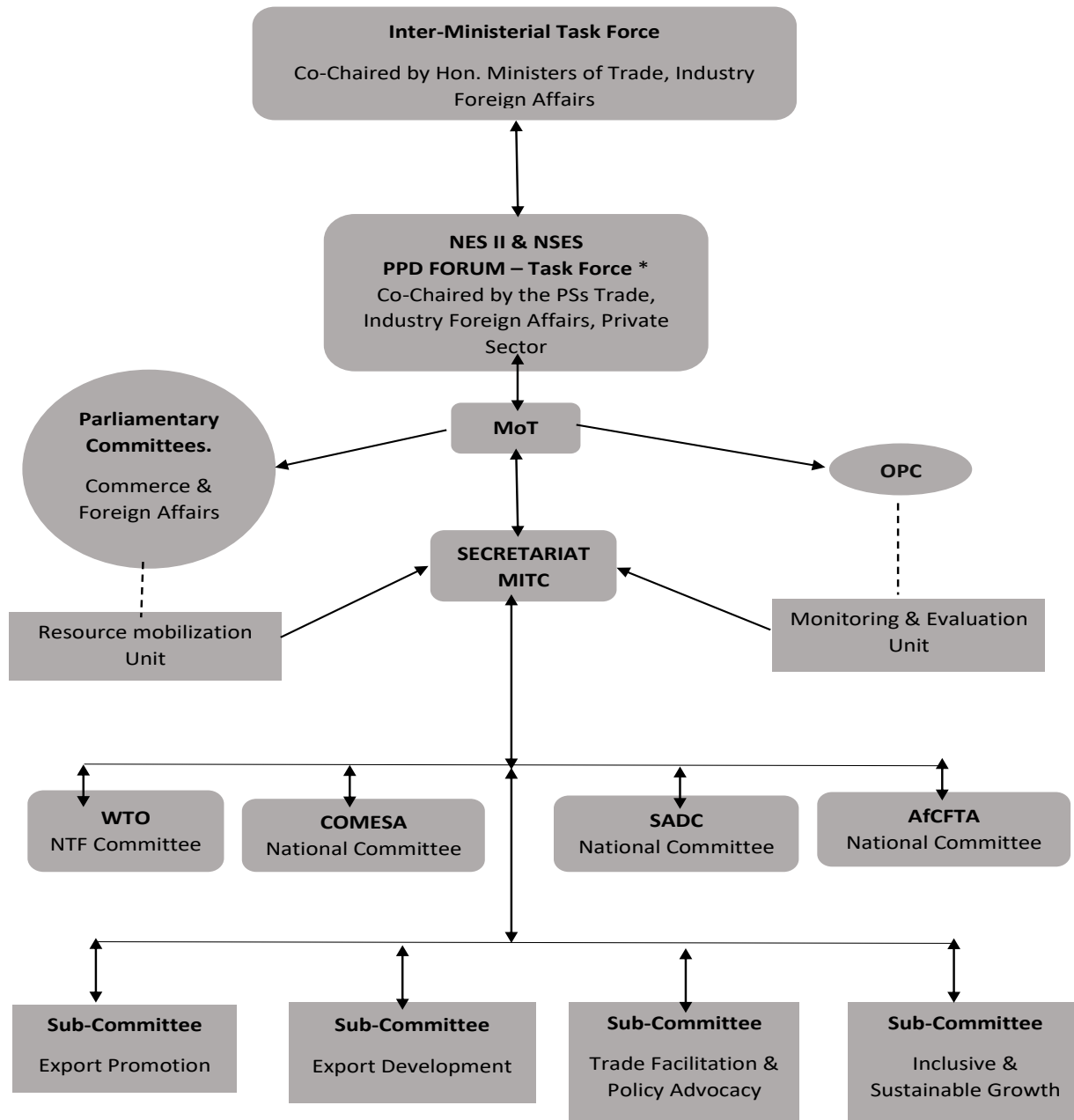
The AfCFTA national strategy, like most RECs' implementation strategies, recommends standalone national implementation committees. However, the challenges observed in the implementation of NES I entails an adjustment in the national committee arrangement for the AfCFTA national strategy. The Malawi AfCFTA national strategy, apart from domestication of the AfCFTA Agreement, will be measured largely by the results of private economic agents' activities taking advantage of the opportunities within the continental market area. In this regard, an important recommendation of the NES II to promote market intelligence for the private sector to pick viable targets needs to be operationalized under the relevant institutions.

The AfCFTA National Strategy, instead of introducing a National AfCFTA Implementation Committee (NAIC), advocates for the following additional functions of the TIP Swap and PPD forum which could include, but not limited to:

- I. **Ministry of Trade:** Playing a role of interface between the country, the regional economic communities, and the AfCFTA Secretariat.
- II. **Ministry of Trade:** Leading negotiations process on behalf of the country.
- III. **Trade Facilitation and Policy Advocacy:** Putting the AfCFTA Agreement into national context through domestication of its provisions including designating focal points as required by the Agreement (focal points for NTBs, rule of origins, etc.).
- IV. **Export Development:** Coordinating development of national and sectoral strategies within the AfCFTA context.
- V. **Export Development:** Contributing to build national capacities on AfCFTA issues.
- VI. **Monitoring and Evaluation Unit:** Undertaking sectoral policy analysis and make appropriate recommendations to Government.
- VII. **Monitoring and Evaluation Unit:** Ensuring effective implementation of AfCFTA related measures decided by the Government.
- VIII. **Inclusive and Sustainable Growth:** Mainstreaming gender, youth, and other issues in the implementation of the Agreement.
- IX. **Resource Mobilization Unit:** Mobilizing internal and external financial resources for the implementation of AfCFTA National Strategy and other related measures/actions.

The TIP Swap SWG will expand the scope of work to include AfCFTA national strategy implementation and report through the government structures. The PPD Forum under the national SGW structures will continue to involve high-level private sector and government representation to inform government through the TIP Swap arrangements. The Malawi Investment and Trade Centre (MITC) which is an agency under the MoT has the investment and export promotion legal mandate as per the Investment and Export Promotion Act (IEPA) 2012. MITC is thus, the single focal point for both export and investment promotion in Malawi. It is proposed that MITC be entrusted with the responsibility to implement (own and drive) the NES II and all other regional and multilateral agreements. In the short-term, MITC will simply have to fill-in the vacancies in their establishments. MITC will work closely with key sectoral ministries, public and private sector agencies, and economic operators. The members of these Advisory Groups will be appointed by the Board of MITC, in consultation with the Minister of MoT where the private sector will always be represented.

Figure 6: AfCFTA Implementation Framework



b) Implementation risk management plan

The Government of Malawi does not have adequate resources to meet its own budget annually. Development partners who finance the bulk of development budget must, in the interest of transparency and aid effectiveness, discuss and review implementation of development programmes including project support modalities. Adherence to programme implementation and harmonization of institutional management will significantly reduce the risk of perennial problem of failure to implement – some of which are highlighted in Table 19 below. The good practice under TIP Swap has been to allow Technical Assistants working alongside government officials (at all MDA levels) as well as civil society organization and private sector.

Table 11: Risks Assessment and Mitigation

Description of risks	Likelihood	Impacts	Proposed mitigation measures	Responsible entity
Commitment at highest political level and policy coherence	HIGH	HIGH	Demonstration of Malawi's gains in the participation in the AfCFTA in terms of employment and management of trade deficit	MoFA and MDAs
Coordination between implementing ministries, departments, and agencies on one hand and Ministry of Justice.	HIGH	MEDIUM	Implementing MDAs must ensure submission of technically and legally robust submissions to avoid long delays in legal misunderstanding and limited staffing (capacity) due to equally pressing corruption cases in government	MoFA, MDAs and Ministry of Justice
Development partner coordination in project implementation – especially implementing International NGOs and donor agencies.	MEDIUM to HIGH	HIGH	Consolidation of annual workplans for development partner programmes, INGO programmes to adequately be updated in mid-year budget	Sectoral MDAs (Ministry of Trade for all trade programmes)
Overlapping national coordination forum implementing international cooperation agreements – unclear mandates.	HIGH	HIGH	Review the annual budget submissions for all government agencies and Ministries charged with implementation of international commitments. Coordinate external engagements with international organizations to leverage on limited resources. Refocus on TIPSWAp arrangements, improve the system, and institutionalize around MITC. Build capacity of institutions with legal mandate – where overlaps exist, review under on-going public sector reforms.	Ministry of Foreign Affairs and line ministries (Incl. Ministry of Trade)
Private sector targets that are unclear, not measurable and monitoring mechanism (peer industry-by-industry monitoring).	MEDIUM	MEDIUM	Improve the structure of Public Private Dialogue (PPD) Forum in terms of agenda and annual work programme for tracking implementation by public and private sector entities. This should include localized NTM, anti-competitive behaviour and consumer protection reporting mechanism.	MoFA, MDAs and private sector representation (MCCCI).
Insufficient political level support, buy-in and ownership.	HIGH	LOW	High level of political support has driven the AfCFTA ratification in Malawi has received high level executive support. It is expected that this level of commitment and momentum will continue to be retained for the implementation.	Ministry of Trade
Delays in ratification of the AfCFTA Agreement.	HIGH	HIGH	The Ministry of Trade must push the ministry of Justice to submit the ratification instrument	Ministry of Trade

Description of risks	Likelihood	Impacts	Proposed mitigation measures	Responsible entity
			within the immediate future to complete the political part of the process.	
Delays in national level implementation due to human and financial resources.	MED IUM	MED IUM	Conduct quick assessment of national readiness and provide targeted support among others, to the strategic implementation coordination office; as well as organize effective RECs/national level consultations, sensitisation, and mobilization, to ensure wide scale inclusiveness, ownership, and participation.	Ministry of Finance
			Push for inclusion of the cost of AfCFTA to the Ministry of Finance for it to be given priority in budget support	Ministry of Trade
Inadequate capacity (human and institutional) to effectively implement obligations.	HIGH	HIGH	Undertake capacity needs assessment, recruit appropriate specialists on short- or long-term basis to provide the required services/skills for targeted activities/assignments.	
Ineffective monitoring and evaluation processes to assess implementation progress.	HIGH	MED IUM	Establish a well-articulated and functional monitoring and evaluation process/mechanism.	Ministry of Trade

c) Reporting, Monitoring and Evaluation

i. Reporting

The national implementation infrastructure remains the TIP Swap (Figure 7 above). MoT will continue to involve the private sector at the highest level through the Public Private Dialogue (PPD) Forum. Under these mechanisms, the Secretariat (MITC) will prepare periodic reports according to workplan. The AfCFTA National Strategy shall implement a flexible action plan in Annex A. Annual work plan is developed alongside routine MITC government budget preparation process. The budget comprise operational budget and capital budget, can be shared with development partners, parliamentary committees for commerce and tourism, and parliamentary committee of foreign affairs and international relations.

ii. Monitoring and Evaluation

The Monitoring and Evaluation Unit at MITC (with support from the Planning team from MoT and MITC) will continuously undertake continuous monitoring activities, as part of internal functions within Government and MITC. The monitoring activity involves:

- Establishing indicators of efficiency, effectiveness, and impact.
- Setting up systems to collect information relating to these indicators.
- Collecting and recording the information.
- Analysing the information.
- Using the information to inform day-to-day management.

In terms of evaluation, the Monitoring and Evaluation Unit (at MITC) will look at efficiency, effectiveness, and impact.

V.4 Communication and Visibility Plan

During stakeholder consultations with clusters, some stakeholders were approached to express their readiness to participate in implementation according to their mandate and competence. The key role of the private sector is to move goods and services within the AfCFTA while government creates the conducive environment including domestication of the AfCFTA. This has been the process, in consultation with the MoT, the main policy holder, to develop a coherent, dynamic, and comprehensive communication and visibility strategy specially designed to cater for AfCFTA with clear view of the existing Malawi Government guidelines and procedures for information management, dissemination and feedback.

a) Overall communication objectives

The overall objective of communication plan is disseminating information for effective implementation of the Agreement including domestication, facilitating private sector to participate in the AfCFTA market and ensure inclusivity in economic activities.

The AfCFTA National Strategy will be implemented for a period of five years and is expected to be launched immediately after entry into force of the agreement in July 2021. This strategy is a national instrument requiring a complementary approach building on participating agencies' competence advantages through the following two outcomes:

- Outcome 1: Malawians (producers, consumers, and service providers) are better able to access and manage economic activities for their socioeconomic development.
- Outcome 2: Institutions are enhanced to facilitate trade in an effective, and efficient manner, to deliver a conducive business environment for enhanced productivity.

b) Responsibilities for AfCFTA National Strategy communication and visibility plan

MoT, as the AfCFTA focal point, manages the overall strategy communication and visibility plan. The role of implementing partners including MITC, and NICE will be highlighted in all communications. Communications on specific AfCFTA National Strategy activities and events, as well as reporting, are managed by MoT according to its responsibilities for strategy implementation.

Code No	Strategic Objectives/Specific Objectives/Actions (measures or activities)	Outcomes/Outputs	Objectively Verifiable indicators of achievement	Indicators Baseline	Target	Lead actors and other stakeholders	Means of verification	Data Sources	Year 1	Year 2	Year 3	Year 4	Year 5	5-YR Budget Estimation (MWK' Mn)
						national champions (ICAM, MIE, PTC and Chipiku.								
1.2.1	Promote established distribution networks for AfCFTA market.	Revamped aggregation, distribution and logistics hubs registered in Malawi (import and export exchange for finished goods, commodity exchange for primary goods).	1) Companies registered on the hub (%)	tbc	50%	MITC, MoT, Mol, RBM, MRA	External Data Source	MRA and RBM						396
1.2.2	Promote domestic linkages.	1. Trade finance simplified.	No. of legislations reviewed.	tbc	12	MoT, MITC, Banks, RBM, SMEDI, MCCI	Internal Data Source	MoT, MITC						540
1.2.3	Mainstreaming trade in infrastructure development.	1. Trade facilities guidelines adopted.	1) Trade supportive amenities benchmarks per project	1	5	MoT, MITC, NFRA, ADMARC, MoAFS, MBS, RBM, MCCI, MoTPW	Internal Data Source	MoT, MITC						2,046
2	Investment in skilled and low-cost labour markets for mobility (career progression and movement of natural persons).													7,447
2.1	Promote specific skills and entrepreneurship for youth and women.	Skilled and accredited labor for African market.	No. of registered and accredited skilled labour graduates p.a. ('000)	20	40	MoAFS, SMEDI, TEVETA, MoTCCE, NCHE, MIE,	External Data Source	NCHE, TEVETA, NSO and MoL						1,215

Code No	Strategic Objectives/Specific Objectives/Actions (measures or activities)	Outcomes/Outputs	Objectively Verifiable indicators of achievement	Indicators Baseline	Target	Lead actors and other stakeholders	Means of verification	Data Sources	Year 1	Year 2	Year 3	Year 4	Year 5	5-YR Budget Estimation (MWK' Mn)
						ICAM, MANEB								
2.1.1	Labor markets needs assessment and investment.	1. A national methodology to measure of skills gaps and linkages with major training institutions, and accreditation bodies established.	No. of colleges accredited	106	200	NCHE, TEVETA, MANEB, MoL	External Data Source	NCHE, TEVETA, MANEB, MoL						1,215
2.2	Enhance labour market structures and skills niche.	Selected speciality skills and markets publicized.	Level of awareness of market opportunities for specific skills.	tbc	35%	MoL, CFTC, TEVETA, NCHE, NRCM	External Data Source	MoL, CFTC, TEVETA, NCHE, NRCM						6,232
2.2.1	Match curriculum review against services trade (all modes) skills gaps.	International qualification accreditation adopted by national certification bodies.	No. of courses accredited	540	1,000	NCHE, TEVETA, MANEB, MoL	External Data Source	NCHE, TEVETA						676
2.2.2	Match public infrastructure initiatives with specific skills training.	Producers/service providers groups (rural and urban associations, cooperatives, or projects) and skills training linkages enhanced.	1) No. of trainees per facility (ave.'000)	4	10	NCHE, TEVETA, MANEB, MoL	External Data Source	NCHE, TEVETA						1,948
2.2.3	Focus incubation centres on high value R&D and advisory services.	New Malawian brands updated.	Tertiary/vocational institutions with R & D Labs/studios (No)	21	100	NRCM, SMEDI, TEVETA, NCHE, MCCCCI, MoL, MoL	External Data Source	NRCM, SMEDI, TEVETA, NCHE, MCCCCI, MoL, MoL						3,608
3	ICT adoption for harness private sector innovation and efficiency.													2,805

Code No	Strategic Objectives/Specific Objectives/Actions (measures or activities)	Outcomes/Outputs	Objectively Verifiable indicators of achievement	Indicators Baseline	Target	Lead actors and other stakeholders	Means of verification	Data Sources	Year 1	Year 2	Year 3	Year 4	Year 5	5-YR Budget Estimation (MWK' Mn)
3.1	Promote digital skills (incl. software development) at workplace.	Increased ICT innovations in at producer level.	Workers with ICT skills (%)	tbc	75	MACRA, NSO, RBM, MoINFO	External Data Source	MACRA, NSO, RBM, MoINFO						1,008
3.1.1	Facilitate basic adult computer courses at workplace.	1. ICT users at workplace increased.	Proportion of workers with ICT skills per firm (%)	tbc	75%	MACRA, NSO, RBM, MoINFO	External Data Source	MACRA, NSO, RBM, MoINFO						780
3.1.2	Promote e-commerce in Malawi.	1. e-commerce policy regulations enacted	ICT adoption rate	32%	100%	MACRA, NSO, RBM, MoINFO	External Data Source	MACRA, NSO, RBM, MoINFO						228
3.2	Leverage new ICT technologies and infrastructure in domestic commodity markets and services distribution sector.	National key commodity inventories tracked real-time.	Minimum stock cover (months)	tbc	>4	MoAFS, MoENR, MRA, MoT	External Data Source	MoAFS, MoENR, MRA, MoT						531
3.2.1	Expand auction and digital payments systems.	Increased structured markets on ICT platforms	No. of commodity markets	1	5	MACRA, NSO, RBM, MoINFO	External Data Source	MACRA, NSO, RBM, MoINFO						531
3.3	Enhance market intelligence access.	Access to trade and market intelligence improved.	Top 10 market size (\$ 944mn)	<1%	75%	MITC, MoFAIC, MRA, RBM.	External Data Source	MITC, MoFAIC,						1,266

Code No	Strategic Objectives/Specific Objectives/Actions (measures or activities)	Outcomes/Outputs	Objectively Verifiable indicators of achievement	Indicators Baseline	Target	Lead actors and other stakeholders	Means of verification	Data Sources	Year 1	Year 2	Year 3	Year 4	Year 5	5-YR Budget Estimation (MWK' Mn)
								MRA, RBM.						
3.3.1	Develop and promote real-time market intelligence platform and applications use.	1. Module for market intelligence analysis on trade portal launched.	No. of international businesses inquiries received/sent.	tbc	100 per year (NES II)	MITC, CFTC, MoT	Internal Data Source	MITC, CFTC, MoT						870
3.3.2	Re-align inconsistent laws to attract FDI into ICT sector.	Legal and regulatory review	No. of inconsistent trade-related laws reviewed	0	12	MITC, MoJ, MRA, Registrar General, RBM, NSO	External Data Source	MITC, MoJ, MRA, Registrar General, RBM, NSO						396
4	Cost efficiency improvement of SMEs (ICBTs, Women and Youth) operations and identification of AfCFTA market niches.													3,062
4.1	Promote gender balance and youth mainstreaming in trade and business establishments.	Improvements in gender balance and youth empowerment.	Proportion of firms with gender policies (%)	<%	30%	MoGWC W, NICE, HRCC, MCTU	External Data Source	NSO, FinMark Trust (MAP), RBM						1,959
4.1.1	Increase youth and women access to business resources.	Women and youth in business and employment increased.	% age of women to men in business ownership and employment in senior positions by year 5	< 5%	> 50%	NSO	External Data Source	NSO, Min. of GEN						1,263
4.1.2	Domestication of services trade.	Domestic policies, laws and regulations aligned.	Percentage distribution of employed	25%	50%	MoGWC W, NICE, HRCC,	External Data Source	NSO, FinMark Trust						390

Code No	Strategic Objectives/Specific Objectives/Actions (measures or activities)	Outcomes/Outputs	Objectively Verifiable indicators of achievement	Indicators Baseline	Target	Lead actors and other stakeholders	Means of verification	Data Sources	Year 1	Year 2	Year 3	Year 4	Year 5	5-YR Budget Estimation (MWK' Mn)
			population by sector, each sex			MCTU, SMEDI		(MAP), RBM						
4.1.3	Monitor women and youth empowerment progress.	Participation in economic activities increased.	Youth business incubator platforms usage (%)	14%	50%	MoGWCW, NICE, HRCC, MCTU, SMEDI, NSO	External Data Source	MoGWCW, NICE, HRCC, MCTU, SMEDI, NSO						306
4.2	Strengthen the capacity of export support institutions for women and youth.	Export portfolio of women and youth expanded.	Proportion of women in small and medium enterprises (%): 16% (FinScope, 2019)	16%	50%	ICBT, NABW, NASME, FAWEMA, MITC, SMEDI, MoGWCW, NICE, NYCOM, NEEF, TEVETA	External Data Source	MRA, MoGWCW, NSO						1,103
4.2.1	Leverage domestic urbanization and urban-rural linkages for ICBT, women and youth.	National unstructured urban markets mapped and linked supply chains.	Informal urban markets integrated (%)	tbc	>10	MoT, MITC	External Data Source	NSO, Min. of GEN						1,103
5	Institutionalize the TIPSWAP in the implementation of trade and investment agreements in Malawi.													7,272
5.1	Strengthen MITC policy and strategic management capacity to efficiently manage NES II, NSES and AfCFTA strategies.	National strategies and international agreements effectively and efficiently implemented.	Strategy implementation progress (%)	tbc	100%	MoT, Mol MoFAIC, MITC, MCCCCI	Internal Data Source	MITC, MoT, MEPD, Mol MoFAIC, MCCCCI						7,272

Code No	Strategic Objectives/Specific Objectives/Actions (measures or activities)	Outcomes/Outputs	Objectively Verifiable indicators of achievement	Indicators Baseline	Target	Lead actors and other stakeholders	Means of verification	Data Sources	Year 1	Year 2	Year 3	Year 4	Year 5	5-YR Budget Estimation (MWK' Mn)
5.1.1	Improve MITC management capacity.	Quarterly TIPSWAp/PPD Forums progress report meetings per annum undertaken.	Proportion of protocols domesticated (%)	tbc	100 %	MoT, Mol MoFAIC, MITC, MCCCCI	Internal Data Source	MITC, MoT, MEPD, Mol MoFAIC, MCCCCI						710
5.1.2	Improve competition, policy coherence and enforcement in goods and service industry	Market dominance index determined	HH Market concentration index (WITS data, 2017)	0.07	0.05	CFTC	External Data Source	CFTC						612
5.1.3	Cooperate on customs matters.	Customs procedures reduced per transaction	% of KPIs defined, measured and real-time reported.	tbc	>50 %	MRA, CFTC, MoTPW, MoF, MoJ, DICS, MBS	External Data Source	MRA Monthly reports						429
5.1.4	Functional and resource allocation review.	1. Quarterly Int'al agreement implementation status reported. 2. Quarterly resource plan reviewed and updated.	Technical and financial performance rate (%)	tbc	> 75%	MoT, MITC	Internal Data Source	Monthly reports						195
5.1.5	Review investment incentives linkages to productivity and local content thresholds.	Investment incentives scheme revised	1) Productivity increase per incentive value (%) per quarter;	n/a	5-10%	MITC, MCCCCI, MoT, Mol	Internal Data Source	Monthly reports						195
5.1.6	Domestication of trade agreements.	1. Malawi tariff book (2021) Gazetted 2. AfCFTA protocols domesticated. 3. Compendium of sector policies and regulations updated 4. Schedule of SDT clauses,	Protocols gazetted (law in Malawi) (%)	tbc	>75 %	MoT, MoJ	External Data Source	MoJ - Quarterly reports						1,431

Code No	Strategic Objectives/Specific Objectives/Actions (measures or activities)	Outcomes/Outputs	Objectively Verifiable indicators of achievement	Indicators Baseline	Target	Lead actors and other stakeholders	Means of verification	Data Sources	Year 1	Year 2	Year 3	Year 4	Year 5	5-YR Budget Estimation (MWK' Mn)
		MRA and other exclusions in AfCFTA.												
5.1.7	Monitor AfCFTA implementation.	1. Checklist for Trade Facilitation Indicators (TFIs) developed. 2. Trade performance and impact reported.	No. of KPIs defined, measured and real-time reported (%)	tbc	50%	MCCCI, CFTC, MoT, MoJ	External Data Source	MCCCI, CFTC, MoT, MoJ						576
5.1.8	Monitor non-tariff barriers on-line.	1. Checklist for NTBs in Malawi export destination developed. 2. Users registered	Number of registered users	905	2,000	MITC, MoT, MCCCI	External Data Source	COMESA, EAC, AU (AfCFTA)						2,344
5.1.9	Monitor services exports especially movement of natural persons	Mode 4 services export remittances and trends reported quarterly.	Remittances % of GDP (ave.)	1.5%	5%	MITC, RBM, NSO, DICS	External Data Source	RBM, DICS, NSO						306
5.1.10	Define and update key policy performance indicators	Handbook of indicators (for Malawi)	Quarterly statistics key indicators (No.)	Tbc	20	NSO	External Data Source	MRA and NSO						474