

BLANTYRE

Invest in Malawi: **Focus BLANTYRE** January 2011

Millennium Cities Initiative
EARTH INSTITUTE | COLUMBIA UNIVERSITY



VALE COLUMBIA CENTER
ON SUSTAINABLE INTERNATIONAL INVESTMENT



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INVEST IN MALAWI:

FOCUS BLANTYRE

January 2011

Millennium Cities Initiative, The Earth Institute
Vale Columbia Center on Sustainable International Investment
Columbia University, New York, 2011

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Foreword

VALE is proud to be one of the largest investors in two of Malawi's neighbors, Mozambique and Zambia. Malawi itself has a number of very interesting investment opportunities to offer in the mineral resources sector, the main area of VALE's activities. And Blantyre, as the country's commercial capital, is naturally the focus of much foreign investment.

While VALE has not yet invested in Malawi, or in Blantyre in particular, it has strong investment interests in the region that could well come to include Malawi. If VALE invested in Malawi, it would follow its practice in all developing countries: helping develop infrastructure, forging partnerships with local businesses, and building strong and mutually beneficial relationships with local communities.

When it invests in developing countries, VALE brings with it not only transfer of technology and skills, but also the possibility of higher government revenue, more employment, higher salaries and larger household incomes.

The present *Investors' Guide* for Blantyre reflects the transparent and supportive environment the Government of Malawi has created over the last decade, an environment essential to boosting private-sector growth. The *Guide* provides useful information on investment opportunities in Blantyre as well as in the region surrounding it. Contact details of relevant organizations are also included.

As the *Guide* makes it clear, Malawi is open for business, and VALE looks forward to the prospect of becoming part of this country's growing economy as a long-term, committed partner.

Roger Agnelli
Chief Executive Officer
VALE
Rio de Janeiro, Brazil

Preface

Malawi, along with 189 other countries, adopted the Millennium Declaration in 2000, which set out the Millennium Development Goals (MDGs), to be achieved by 2015. The Ministry of Development Planning and Cooperation spearheads the MDG implementation process in Malawi.

To help the implementation process, The Earth Institute at Columbia University launched the Millennium Cities Initiative (MCI) to assist cities in sub-Saharan Africa become more viable and, indeed, prosperous. The Initiative is guided by Jeffrey D. Sachs. At present, 11 cities in eight African countries benefit from its work: Mekelle, Ethiopia; Accra and Kumasi, Ghana; Kisumu, Kenya; Blantyre, Malawi; Bamako and Segou, Mali; Akure and Kaduna, Nigeria; Louga, Senegal; and Tabora, Tanzania. For more on MCI, please see the MCI website: <http://mci.ei.columbia.edu/>.

The Millennium Cities were chosen in part for their proximity to the Millennium Villages (<http://www.millenniumvillages.org/>). In the case of Blantyre, the third Millennium City to publish an investors' guide, the Millennium Village is located in Mwandama, Zomba district.

This Guide is part of the MDG implementation effort. It was prepared by MCI and the Vale Columbia Center on Sustainable International Investment (VCCI), a joint center of Columbia Law School and The Earth Institute. Its purpose is to help Blantyre attract more investment, including foreign direct investment, and create a sustainable basis for economic growth and development and hence the reduction of poverty, the first of the MDGs.

The idea behind this Guide is to offer the reader a brief description of investment opportunities in the Blantyre area, supplemented by an analysis of the investment climate, placing the city in the broader context of Malawi and south-eastern Africa. MCI does not believe that serious investors can be attracted to an area through a purely promotional approach, one that focuses on the positive while hiding the negative. The Guide is therefore written to be credible. The challenges that potential investors would face are described along with the opportunities they may be missing if they ignore Blantyre.

The Guide is intended to make Blantyre and what Blantyre has to offer better known to investors worldwide. Although we have foreign investors primarily in mind, we believe that the Guide will be of use to domestic investors in Malawi as well. While by no means the sole driver of growth and development, foreign direct investment does have a distinctive role to play. Not only does it bring scarce capital, it also brings know-how, technology and access to foreign markets. Furthermore, it helps improve the competitiveness of domestic enterprises, which must be the foundation of all growth.

We hope that our investor readers find this Guide a useful and practical tool.

Karl P. Sauvart
Co-Director, Millennium Cities Initiative and
Executive Director, Vale Columbia Center on Sustainable International Investment
New York, January 2011

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This Guide was prepared by the Millennium Cities Initiative (MCI) of The Earth Institute at Columbia University (see Preface), under the responsibility of Karl P. Sauvart, Co-Director, MCI, and Executive Director, Vale Columbia Center on Sustainable International Investment (VCCI), and Joerg Simon, Senior Investment Adviser, MCI. We are grateful to the Malawi Investment Promotion Agency (MIPA), the Privatisation Commission, and the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) for their assistance to the project. We thank Vishwas P. Govitrikar, the lead consultant for the Guide, and Pempho Nkaonja, the MCI investment representative in Malawi, for their role in developing this Guide. Paulo Cunha assisted with editing.

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The preparation of this Guide was undertaken in parallel with three other related efforts, all focusing on investment opportunities in Blantyre and the regulatory framework governing it, by KPMG, UNIDO, and DLA Piper. Special thanks go to VALE, a multinational enterprise from Brazil, which has sponsored the printing of the Guide and is also supporting its dissemination. We thank the Corporate Council on Africa (CCA) and the European Business Council for Africa and the Mediterranean (EBCAM) for their cooperation in this project.

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*BLANTYRE, NAMED AFTER THE SCOTTISH MISSIONARY
DAVID LIVINGSTONE'S BIRTHPLACE IN SCOTLAND,
IS THE COMMERCIAL CENTER OF MALAWI.
SURROUNDED BY BEAUTIFUL HILLS, THE CITY OFFERS
INVESTORS ABUNDANT RESOURCES IN LAND, HUMAN
RESOURCES AND RAW MATERIALS, AMONG OTHERS.
IT IS ALSO WELL SERVED BY RAIL, ROAD AND AIR LINKS
TO REGIONAL DESTINATIONS, WHICH IS AN ADVANTAGE
FOR EXPORTERS.*

*Costly Chanza, Director, Town Planning and Estate Management Services,
Blantyre City Assembly*





EXECUTIVE SUMMARY

Blantyre, founded in 1876, is the second largest city in Malawi – with a 2008 population of 661,444. Until just ten years ago, it was the largest city, but the growth of the capital, Lilongwe (with a 2008 population of 669,021), has now outstripped that of Blantyre. The city remains, however, the country's commercial capital, apart from being the capital of the Blantyre District and the Southern Region. Blantyre's economic primacy is manifest in its hosting of the Malawi Stock Exchange, the Malawi Confederation of Chambers of Commerce and Industry, Central East African Railways (formerly Malawi Railways), and the Malawi Broadcasting Corporation, among other institutions.

Politically, Blantyre is governed by the City Assembly. Although the city is supposed to have elected councilors, it is currently operating without them. Assembly elections will, however, take place in April 2011. As far as foreign investors are concerned, they need to deal directly with the Government of Malawi. All foreign investors' applications are processed by the Malawi Investment Promotion Agency (MIPA), which has an office in Blantyre.

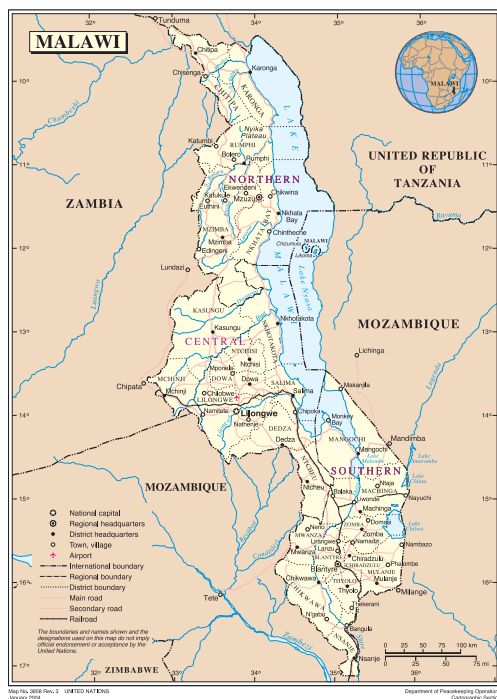
Investors regard the infrastructure in Blantyre as one of its major advantages as an investment location in Malawi. It is relatively well connected with both other population centers in Malawi and with neighboring countries, in particular the ports in Mozambique, Beira and Nacala. In comparison with other locations in Malawi, Blantyre also has good electricity coverage and access to running water, in addition to being a good source of educated workers.

Opportunities in Blantyre for foreign investors are varied. The raw materials for a number of agro-processing activities are produced in and around the Blantyre region in various proportions, including tea, groundnuts, cotton and, above all, chilies. The chili-processing business offers a serious opportunity for building export-oriented facilities to create value-added products such as chili sauce. As for groundnuts, with Malawi's Chalimbana variety being prized for its size and flavor, opportunities for foreign investors include those in wholesaling, grading, and quality testing for export markets; peanut butter production for local and regional markets; and oil extraction for domestic and international markets. Textiles are another area of opportunity. Malawi's garment exporters, who have privileged access to the United States market under the African Growth and Opportunity Act (AGOA), currently import their fabric from Asia, but will not be able to do so after 2012 by AGOA rules. A new spinning and weaving facility producing AGOA-compliant fabric is thus very much needed if Malawi is to retain one of its top exports. Two other opportunities worth mentioning are in tourism and mining. There is need for a high-end hotel targeting business travelers, and the Blantyre City Assembly (BCA) has identified the land for this purpose. In mining, there is potential in bauxite, limestone and semi-precious stones in particular.



Map No. 4045 Rev. 4 UNITED NATIONS
January 2004

Department of Peacekeeping Operations
Cartographic Section



Map No. 3623 Rev. 3 UNITED NATIONS
January 2004

Department of Peacekeeping Operations
Cartographic Section

Malawi in brief

Official name:	Republic of Malawi
Capital:	Lilongwe
Form of government:	Multi-party democracy
Head of state and of government:	President Bingu wa Mutharika
Location:	South-eastern Africa (see map).
Surface area:	118,480 sq. km, of which water 24,4000 sq. km.
Climate:	Sub-tropical. Warm and wet November to April, with rainfall from 725 mm to 2,500 mm. Cool and dry May to August. Temperatures vary according to region. Minimum and maximum averages in degrees Celsius in <i>July</i> are in the Northern region 5-20, Central region 10-25, and Southern region 12-22; in <i>November</i> they are in the Northern region 17-27; Central region 17-29; and Southern region 18-28.
Population:	13,066,320 (2008 census).
Religions:	Christian 82.7%, Muslim 13%, Other 1.9%, None 2.4% (2008 census)
Languages:	English is the official language and Chichewa the national language. Other languages include Chinyanja, Chiyao and Chitumbuka.
GDP:	USD 3.5 billion. At purchasing power parity, USD 10.6 billion.
GDP per capita:	USD 270. At purchasing power parity, USD 815.
Currency:	Malawian kwacha (MWK).
Exchange rate:	USD 1 = MWK 151 (UN operational exchange rate of December 2010).
Time zone:	GMT + 2 hours.

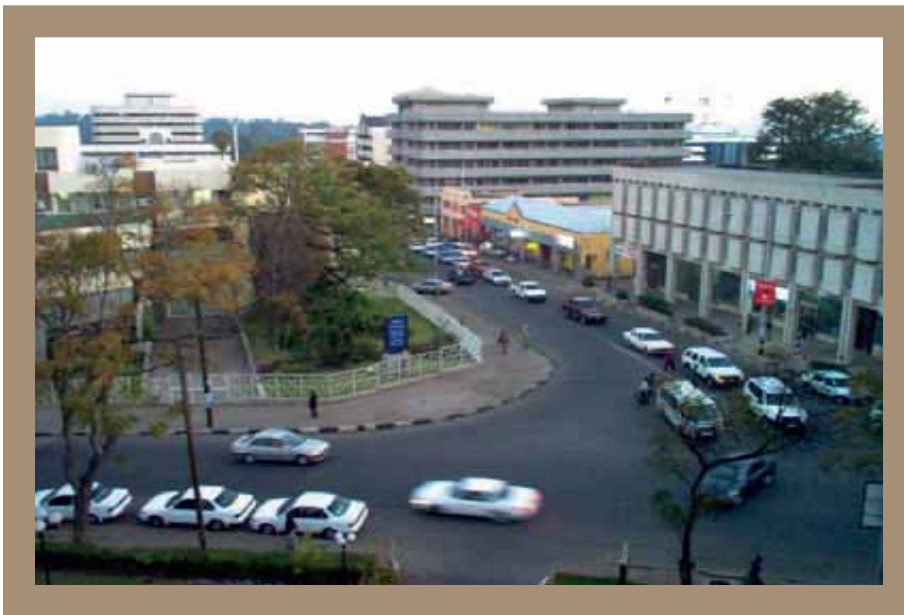
Blantyre in brief

Location:	282 km southeast of Lilongwe, Malawi's capital.
Climate:	Average temperatures 17°C to 27°C in November and 12°C to 22°C in July. Annual rainfall 1,127 mm.
Notable features:	Second largest city in Malawi and the country's commercial capital.
Population:	661,444. Blantyre district 999,491 (2008 census).
Religion:	Roughly the same distribution as for Malawi (see above).
Languages:	Mainly Chichewa and English.
Economic activity:	Wholesale and retail trade, food-processing, garments, banking.

Source: Millennium Cities Initiative, The Earth Institute, and the Vale Columbia Center on Sustainable International Investment, Columbia University (hereafter "Millennium Cities Initiative and Vale Columbia Center"), drawing on various sources.

As for markets, the domestic market in Malawi is small but growing. Access to the regional market is provided by the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) - the East African Community (EAC) is expected soon to establish a tripartite free-trade area with both of these institutions. Foreign markets to which Malawi has preferential access include the European Union, under its “Everything But Arms” (EBA) initiative, and, as mentioned above, the United States, under AGOA.

Although the operating environment is not without its challenges, in particular with regard to the uneven supply of power and water, Blantyre remains an attractive location in the region, given its business-friendly environment, pleasant highland climate, transport connections with the region, and access to a low-cost English-speaking workforce.



MALAWI'S PROACTIVE GOVERNMENT, FRIENDLY BUREAUCRACY, COMPETITIVE TAX REGIME, FAST-GROWING ECONOMY, AND STABLE POLITICAL ENVIRONMENT MAKE IT THE FIRST CHOICE FOR INVESTORS IN COMESA AND THE SADC.

Mahesh Josyabhatla. CEO, Bakhresa Grain Milling (Malawi) Limited



THE BROADER CONTEXT

1. A sketch of Malawi and its region

The country

Malawi is a small country (about one-third the size of Germany) in south-eastern Africa. It is landlocked, sharing its borders with Tanzania in the north and northeast; Mozambique in the east, south and southeast; and Zambia in the west. The country is lozenge-shaped and against two-thirds of its long eastern border lies Lake Malawi, the country's most notable physical feature. This is the third largest of the great lakes of Africa, after Lake Victoria and Lake Tanganyika, and the second deepest. Like the country, the lake is long and narrow in shape: about 580 km in length and about 75 km wide at its widest point.

The European discovery of the lake was made by David Livingstone, a Scottish physician and missionary, in 1859. Livingstone named it Lake Nyasa and the land around it became the British protectorate of Nyasaland in 1891. In 1953, the British territories of Southern Rhodesia (now Zimbabwe), Northern Rhodesia (now Zambia) and Nyasaland were combined into the Central African Federation. The emerging African nationalism was opposed to the idea and the Federation was dissolved in 1963. The following year Nyasaland became independent, led by the Prime Minister, Dr. Hastings Kamuzu Banda. By 1971, Banda had become President for Life of the Republic of Malawi, a one-party state governed by the Malawi Congress Party (MCP).

The 30-year authoritarian and pro-western rule of Dr. Banda was not without its positive aspects. The economy did well and much was done to improve infrastructure, in particular roads. In 1993, under both internal and external pressure, a referendum was held which resulted in the establishment of a multi-party democracy. In the 1994 election, Banda was defeated by Bakili Muluzi of the United Democratic Front (UDF), who served two terms as President. (The MCP remains an important political party today.) The election in 2004 was won by President Bingu wa Mutharika, who won his second term in May 2009. The presidential term of office is five years and the next election is due to be held in May 2014.

The unicameral National Assembly has 193 representatives, elected to five-year terms. The parliamentary and presidential elections are held in parallel. The leading political parties in the National Assembly - apart from President Mutharika's Democratic Progressive Party (DPP), which now has 114 seats - are the aforementioned MCP and UDF. There is also a significant number of independent members without party affiliation.

Administratively, Malawi is divided into three regions - Northern, Central and Southern - and 28 districts. The Southern Region is the most populous, with a population of nearly 5.9 million out of a national population of just over 13 million. The Central Region is almost as heavily populated with 5.5 million, while the Northern Region

contains only 1.7 million people. The largest cities are the capital Lilongwe, in the Central Region, which had a population of 669,021 according to the census conducted in June 2008, and Blantyre, the capital of the Southern Region and the focus of this Guide, which had 661,444 residents. The population growth rate in Malawi, as well as in Blantyre, is currently 2.8%. The population is overwhelmingly rural, with some 85% of it engaged in agricultural occupations.¹

¹ Government of Malawi, National Statistical Office, 2008 *Population and Housing Census: Preliminary Report*, September 2008.

² Freedom House, *Country Report: Malawi*, 2009, <http://www.freedomhouse.org/template.cfm?page=22&year=2009&country=7653>, April 2009.

The main ethnic groups in Malawi, which all have their own languages, are the Chewa (over half the population), the Nyanja, the Tumbuka and the Yao. There are also tiny minorities of people of Asian (mainly Indian) and European descent, which are concentrated in and around Blantyre, the commercial capital of the country. Just over 80% of Malawians are Christian, mainly protestant, and just fewer than 15% are Muslim. English is widely spoken, especially in urban areas.

Despite some irregularities, elections in Malawi have generally been free and fair. Freedom of the press is legally guaranteed and, despite occasional restrictions, the several newspapers in Malawi present a diversity of opinion, according to the US-based Freedom House.² Radio stations and television channels are mainly, though not entirely, state-controlled. President Mutharika has made fighting corruption the hallmark of his administration and the Anti-corruption Bureau has prosecuted some high-profile cases, including one involving a cabinet minister.

The three tables that follow are drawn from the World Bank's *Governance Matters* website. Malawi's performance generally ranks somewhere in the middle in its neighborhood. Among the three indicators shown below, in *controlling corruption*, Malawi does better than three countries and worse than three others.



Country	Sources	Percentile rank ^a (%)	Governance score ^b (-2.5 to +2.5)	Standard error
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Table I.1. Control of corruption, comparison across selected countries, 2008

Burundi	11	15.9	-0.97	0.17
Kenya	17	13.5	-1.01	0.14
Malawi	15	33.8	-0.59	0.15
Mozambique	16	34.3	-0.55	0.14
Rwanda	8	59.4	0.03	0.19
Tanzania	14	36.2	-0.51	0.16
Uganda	17	23.2	-0.79	0.14

Table I.2. Voice and accountability, comparison across selected countries, 2008

Burundi	12	28.4	-0.66	0.14
Kenya	17	43.3	-0.16	0.11
Malawi	16	42.3	-0.18	0.12
Mozambique	16	47.6	-0.02	0.11
Rwanda	12	13	-1.24	0.13
Tanzania	15	45.2	-0.09	0.13
Uganda	17	33.2	-0.47	0.11

Table I.3. Rule of law, comparison across selected countries, 2008

Burundi	14	13.9	-1.07	0.15
Kenya	19	17.7	-0.98	0.13
Malawi	18	47.4	-0.29	0.14
Mozambique	19	28.2	-0.66	0.13
Rwanda	12	38.3	-0.50	0.17
Tanzania	17	47.8	-0.28	0.14
Uganda	19	36.8	-0.51	0.13

Source: All three tables have been adapted from the World Bank's Governance Matters 2009, http://info.worldbank.org/governance/wgi/mc_chart.asp, date accessed December 2009.

a Percentile rank indicates the percentage of countries worldwide that rate below the selected country, so higher values indicate better governance ratings. Percentile ranks have been adjusted to account for changes over time in the set of countries covered by the governance indicators.

b Governance scores range from worst at -2.5 to best at +2.5.

When it comes to *voice and accountability*, a measure of effective participation by citizens, Malawi is again in the middle, with three countries above and three below.

3 FAO, *Malawi: Fishery and Aquaculture Country Profile* at http://www.fao.org/fishery/countrysector/FI-CP_MW/en, date accessed December 2009.

On the third indicator, the *rule of law*, which measures the confidence of citizens in the rules of society, and in particular the quality of contract enforcement, property rights, and the like, no country comes close to Malawi, with the exception of Tanzania.

In 2000, Malawi was one of the 189 countries that adopted the Millennium Declaration of the United Nations, which set out the Millennium Development Goals (MDGs) to be achieved by the year 2015. Table I.4 displays the current status of Malawi's accomplishment with respect to the indicators under these goals and the likelihood of achieving each of the goals by the target year of 2015. The table represents the assessment of the Government of Malawi and comes from an official report – see *Source* under the table for details. In some areas, the Government judges that the 2015 target will be met. These include eradicating extreme poverty and hunger; reducing child mortality; and ensuring environmental sustainability.

In other areas, such as promoting gender equality and empowering women, and achieving universal primary education, the assessment is more pessimistic.

Two points are worth noting. For one, “likely to be met” is here an overall assessment with regard to a particular MDG; it is not to be taken to mean that every single indicator under that MDG will reach the precise percentage specified for 2015. The other is that a negative assessment (“unlikely to be met”) is not necessarily indicative of a bleak future – or present. For example, a literacy rate of 82% among Malawians aged 15 to 24 is an impressive achievement for a society with as many challenges as Malawi, even if the country is unlikely to achieve 100% literacy in that age bracket by 2015.

Malawi's economy is essentially agricultural, with over 80% of the population engaged in farming and related activities. Agricultural products account for most of the country's export revenue, led by tobacco. The mainly artisanal fishing industry produces a significant part of the protein in the Malawian diet. Lake Malawi, which accounts for nearly 20% of the country's area (a small part of the lake belongs to Mozambique), is the main source of the fish catch.³ Industries include food processing and garment manufacturing. Tourism is limited, though growing. For further details, see Chapter I.2. The economy below.

Table I.4. Malawi's progress towards the Millennium Development Goals

Goal/target	Indicator	Current status	2015 target	Feasibility of achieving the goal
Eradicate extreme poverty and hunger	Proportion of population living ^b below USD 1/person/day	40 %	27%	Likely to be met
	Poverty gap ratio ^a	17.8%	0%	
	Poorest quintile share in national consumption	10.1 %	20%	
	Prevalence of underweight children	16 %	14%	
	Proportion of population below minimum level of dietary energy consumption	15%	11.8%	
Achieve universal primary education	Net enrollment in primary	79 %	100%	Unlikely to be met
	Proportion of pupils starting grade 1 reaching grade 5	75.7 %	100%	
	Literacy rate (15-24yrs)	82 %	100%	
Promote gender equality and empower women	Ratio of girls to boys in primary education	0.99	1	Unlikely to be met
	Ratio of girls to boys in secondary education	0.77	1	
	Ratio of literate women to men 15 – 24 years old	0.94	1	
	Share of women in wage employment in non-agriculture sector	15 %	50%	
	Proportion of seats held by women in parliament	22 %	50%	
Reduce child mortality	Under-five mortality rate (per 1,000)	122	78	Likely to be met
	Infant mortality rate (per 1,000)	69	44.7	
	Proportion of 1-year old children immunized against measles	84 %	100 %	
Improve maternal health	Maternal mortality ratio (per 100,000)	807	155	Unlikely to be met
	Proportion of births attended to by skilled health personnel	67 %	100%	
Combat HIV and AIDS, malaria and other diseases	HIV prevalence among 15 – 24 year old pregnant women	12%	0%	Likely to be met
	Ratio of orphans to non-orphans in school	0.14	- ^b	
	Death rates associated with malaria	4%	-	
	Access to malaria treatment	21%	-	
	Proportion of households with at least one insecticide-treated net	37.8%	-	
	Death rates associated with tuberculosis	9%	-	
	Proportion of TB cases under direct observable treatment	83%	100%	
Ensure environmental sustainability	Proportion of land covered by forest	36.2%	50%	Likely to be met
	Proportion of area protected to maintain biological diversity	0.16%	0.18%	
	Proportion of population using solid fuel	98.7%	0%	
	Proportion of population with sustainable access to an improved water source	80%	74%	
	Proportion of population with access to improved sanitation	94%	86.2%	
	Slum population as percentage of urban population	64.4%	-	
Develop global partnership for development	Net official development assistance as a percentage of realgross domestic product	21%	-	Likely to be met
	Unemployment of 15 – 24 year olds (urban)	9.4%	-	
	Fixed-line telephone subscribers (per 100 population)	0.82%	-	
	Cellular subscribers (per100 population)	11.17%	-	
	Internet users (per1 ,000 population)	0.70	-	

Source: Adapted from: Government of Malawi, Ministry of Development Planning and Cooperation, 2009 *Malawi Millennium Development Goals Report*, http://www.undp.org.mw/index.php?option=com_content&view=category&layout=blog&id=50&Itemid=13&58930ef6cf1f629ed28c9ca6846cfddcd=6ce6ba0eb82ebbc3195efbb1548c203e, date accessed December 2009.

^a The poverty gap ratio is the average distance separating the poor from the poverty line, expressed as a percentage of the poverty line.

In addition to counting the number of poor people, the poverty gap also indicates the extent of poverty.

^b "-" indicates that no target was set for the indicator.

The region

Malawi is a member of two major trade agreements covering its region: the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). (COMESA reaches out well beyond south-eastern Africa, to include North African countries like Egypt and Libya.)

The treaty establishing COMESA was signed on 5 November 1993 in Kampala, Uganda, and was ratified a year later in Lilongwe, Malawi, on 8 December 1994. The 19 COMESA member states are: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. The total population of the COMESA countries was 430 million and the total exports and imports were each over USD 150 billion in 2008. A COMESA customs union was officially launched in June 2009. In addition, in May 2007, the Twelfth Summit of COMESA Heads of State and Government adopted an Investment Agreement for the COMESA Common Investment Area (CCIA), which includes provisions for national treatment, the protection of investors against expropriation and nationalization, and the settlement of disputes through negotiation and arbitration.⁴

SADC began in 1980 as a loose alliance of nine states in southern Africa, with a view to reducing economic dependence on the then apartheid regime in South Africa. Malawi was a founding member of the alliance that was formalized as SADC in 1992. Today, the organization has 14 members - Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe – with a population of over 230 million. In August 2008, the Summit of SADC Heads of State and Government launched the SADC Free Trade Area, which is expected to be followed by a Customs Union by 2010, a Common Market by 2015, a Monetary Union by 2016 and a single currency by 2018.⁵

Finally, in October 2008, the Heads of State and Government of the member countries of COMESA, SADC and the East African Community (EAC)⁶ held a summit meeting at which they “approved the expeditious establishment of a Free Trade Area (FTA) encompassing the member/partner States of the [three organizations] with the ultimate goal of establishing a single Customs Union.”⁷

While these efforts to bring about greater economic integration have not always moved at great speed, there has been steady progress, sometimes complicated by the multiple memberships of a number of countries. Tariffs have seen a downward movement, especially on the part of the more advanced economies such as South Africa, Botswana and Mauritius. Although a number of tariff and non-tariff barriers remain in these trading areas, there is a clear awareness among policy-makers that Africa’s small, fragmented markets are a major obstacle to economic development and one that needs to be overcome.

⁴ The source for this information is the COMESA website: <http://www.comesa.int/>.

⁵ See the SADC website: <http://www.sadc.int/>.

⁶ The EAC is an organization with a long, if interrupted, history. Its founding members in 1967 were Kenya, Tanzania and Uganda. More recently, it has welcomed Burundi and Rwanda as members. For further information, see <http://www.eac.int/>.

⁷ *Final Communiqué of the COMESA-EAC-SADC Tripartite Summit of Heads of State and Government*, held in Kampala, Uganda, on 22 October 2008.

2. The economy

The Malawian economy has seen an impressive upturn in recent years. Real GDP has grown at a rate of around 8% in the past three years and growth is projected to continue at a slightly lower rate in 2010 (Table I.5). Inflation has also been reduced substantially.

Table I.5. Selected economic indicators, 2008-2010

Descriptor	Units	2008	2009 ^a	2010 ^a
GDP, constant prices	Annual % change	9.8	7.7	6.0
Inflation, average consumer prices	Annual % change	8.7	8.4	10.1
Current account balance ^b	% of GDP	-6.4	-8.6	-1.8

Source: Adapted from the IMF, Malawi: Staff Report for 2009, Article IV Consultation, March 2010.

^a Estimates and projections by IMF staff.

^b Includes official transfers.

⁸ IMF Country Reports No. 08/3, January 2008, and No. 08/265, July 2008.

⁹ See Bafana, September 2008, and Ramachandran, December 2007.

¹⁰ *The Malawi Growth and Development Strategy (MGDS): From Poverty to Prosperity, 2006-2011*, 2006, http://siteresources.worldbank.org/MALAWIEXTN/Resources/MGDS_2006_Final.pdf.

Several factors account for this cheering state of affairs. One is greatly improved macro-economic management, as recognized by the IMF in several recent reports.⁸ Another is favorable weather. A third is a successful though controversial program of fertilizer subsidies to farmers that has seen grain production double and turned Malawi into a food exporter.⁹ The assistance received under the Heavily Indebted Poor Countries (HIPC) initiative has also been crucial (see under Aid, debt, reserves, etc. below).

As Table I.6 indicates, agriculture accounts for almost exactly one-third of the economy, with wholesale and retail trade following with about one-seventh. The contribution of manufacturing to GDP has been increasing, however, as has that of construction.

As Table I.6 shows, in 2008, agriculture was again the unsurprising driver of the economy's performance, growing by almost 12%, while mining and quarrying grew by 7%, manufacturing by 10%, construction by 8%, and information and communications by 47%!

The Malawi Growth and Development Strategy (MGDS): From Poverty to Prosperity, 2006-2011 lays out the Government's framework for action on the economy, along with other matters such as social protection and improving governance. The first of the five "themes" of the MGDS is Sustainable Economic Growth. Broadly speaking, the idea is to transform the country from "a predominantly consumption-based economy to a predominantly production-based economy."¹⁰ In order to achieve this, the Government seeks to increase domestic and foreign private investment in productive sectors, to promote exports by addressing supply-side constraints, and to diversify the economy. Potential growth sectors are seen as including tourism, mining and manufacturing. Improving the business climate and the transport infrastructure are among the Government's priorities.

Since the passage of the Public Enterprises Act of 1996, the Government has also moved on the privatization front. A Privatisation Commission was set up and a “Divestiture Sequence Plan” was announced in 1997. A large number of state-owned enterprises (SOEs) have been privatized over the past 10 years – e.g., Blantyre Dairy (Pvt) Ltd., Malawi Railways (Malawi) Limited (a 20-year concession), Malawi Telecommunications Limited (MTL), and the National Bank of Malawi. The larger enterprises have tended to be acquired by foreign investors. Divestiture proceeds have thus far totaled MWK 5.7 billion. An Impact Assessment Study commissioned in 2006 and carried out by PricewaterhouseCoopers, in association with the University of Malawi, concluded that the privatization program had been a success, with the former SOEs improving their performance and the State securing higher tax revenues.¹¹ Among the enterprises still in the public sector are Air Malawi and the Electricity Supply Corporation of Malawi (ESCOM).

¹¹ The Privatisation Commission’s website provides extensive information on the principles and procedures of privatization, as well as past, current and planned transactions: http://www.privatisationmalawi.org/index.php?option=com_frontpage&Itemid=1.

Table I.6. GDP by activity in constant (2005) prices: Preliminary figures (MWK*million)

	Item description	2006	2007	2008
A	Agriculture, forestry and fishing	108,840	122,264	136,657
B	Mining and quarrying	3,211	3,362	3,604
C	Manufacturing	28,486	29,508	32,437
D+ E	Electricity, gas and water supply	5,638	5,944	6,104
F	Construction	15,950	17,425	18,833
G	Wholesale and retail trade	51,248	53,616	57,674
H	Transportation and storage	12,700	13,396	14,122
I	Accommodation and food service activities	6,346	6,709	7,252
J	Information and communication	9,104	9,676	14,202
K	Financial and insurance activities	21,924	23,862	26,643
L	Real estate activities	15,795	16,385	17,155
M+N	Professional, scientific and technical activities, administrative and support service activities	5,683	5,928	6,356
O	Public administration and defense	11,933	10,905	11,733
P	Education	10,693	10,220	11,365
Q	Human health and social work activities	13,330	13,315	14,489
R+S+T+U	Other services	16,397	17,000	17,627
	Sum of all industries	337,278	359,515	396,254
	Less: Financial intermediation services indirectly measured (FISIM)	(22,272)	(24,042)	(26,137)
	Plus: Taxes less subsidies on products	32,810	38,296	40,321
	GDP in constant 2005 prices	347,817	373,768	410,438
	GDP in current prices	396,244	459,664	548,738

Source: Ministry of Economic Planning and Development, 2009.

^a The exchange rate of the Malawi kwacha had been stable at around MWK 140 to USD 1 for many years but began changing slowly in 2009. In December 2010, it was MWK 151 to USD 1, <http://www.un.org/depts/treasury/>.

Markets for investors

The domestic market in Malawi is small but growing, given the country's sustained growth for a number of years. Access to the regional market is provided by COMESA and SADC (see under The region above), as well as by bilateral trade treaties with Mozambique, South Africa and Zimbabwe. Although no trade agreements currently exist with Tanzania and Zambia, Malawi has a Joint Permanent Commission of Cooperation with these countries in various sectors including trade.¹² In addition, as noted above, the EAC has entered into an agreement with COMESA and SADC to establish a tripartite free-trade area and move towards a customs union.

Markets are also to be found abroad. Designated a "least developed country (LDC)" by the United Nations,¹³ Malawi is eligible for preferential treatment under the European Union's "Everything But Arms" (EBA) initiative. It also qualifies under the Generalized System of Preferences (GSP), which gives it preferential access not only to the EU but to many other rich markets (e.g., Japan) as well. As far as the US market is concerned, what is most relevant is the African Growth and Opportunity Act (AGOA). See Box I.1 on AGOA and EBA below.

¹² MIPA, *Investor's Guide to Malawi*, 2007.

¹³ Broadly speaking, LDCs are not only poor but have little economic diversification and very low levels of skills. Most countries in sub-Saharan Africa are LDCs, although there are a number of exceptions in Malawi's region: Botswana, Kenya, South Africa and Zimbabwe.



Box I.1. AGOA and EBA

African Growth and Opportunity Act (AGOA)

AGOA was signed into law on 18 May 2000. It is meant to encourage market forces in African countries by offering them the best access to the US market available outside of free-trade agreements. The Act covers some 6,400 items, including textiles and apparel. The AGOA Acceleration Act, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country have established, or be making progress towards establishing, a market economy, the rule of law, policies to reduce poverty, and a system to combat corruption. Currently, 38 sub-Saharan countries qualify as eligible, including Malawi, which became AGOA eligible on 2 October 2000.

AGOA eligibility is not the same as eligibility under the provisions applying to apparel (ready-made garments), an item of special interest to a number of African countries, including Malawi. Malawi became apparel eligible on 15 August 2001. Apparel preference under AGOA is intended to apply mainly to garments made of yarns and fabrics produced in the United States or in sub-Saharan African countries. Special allowance is made, however, for “lesser developed countries” like Malawi, which may use third-country yarns and fabrics until 2012, as garment exporters in Malawi are currently doing. This underlines the importance of developing an indigenous textile industry that can meet the quality standards of the US market. (For more on this, see Chapter II.2. Opportunities for investors below.) In 2006, apparel exports under AGOA were about USD 40 million.^a

Everything But Arms (EBA) initiative

The EBA is one of five arrangements available under the Generalised System of Preferences (GSP) of the European Union, which grants trade preferences to all developing countries. It is the most favorable regime available under the GSP and is meant for least developed countries (see footnote 13 above), of which there are 49 in the world and 34 in sub-Saharan Africa.

Roughly 2100 products already enter the EU market duty-free for all countries. Practically all other products are covered by EBA and are granted duty-free access to the EU market if they fulfill the rules of origin requirements (see below). The exclusions are arms and ammunition and, until mid-2009, rice and sugar. Duties on these products, except for arms and ammunition, were gradually reduced until duty-free access was granted for sugar (a matter of some consequence to Malawi) and rice as of October 2009.

Preferences under the EBA apply to imports into the EU of products originating in least developed countries. While products wholly obtained in the exporting country are considered as originating there, products manufactured with inputs from other countries are so considered only if they have undergone sufficient working or processing in the exporting country. A guide on how to interpret and implement the rules of origin is available from the European Commission.

^a According to the OECD’s Country Note on Malawi in its *African Economic Outlook 2008*.

Source: Based on information from the AGOA website (www.agoa.gov/index.html), the EBA website (http://ec.europa.eu/comm/trade/issues/global/gsp/eba/index_en.htm) and other sources.

Exports and imports

Malawi's trade relations are chiefly with the member states of SADC (see The region above) and, within SADC, above all with South Africa (Table I.7).

Table I.7. Major trading partners, 2006

Import source	% of total	Export destination	% of total
South Africa	48.5	South Africa	18.0
Mozambique	16.9	UK	12.2
UK	7.9	Germany	7.6
Zambia	4.8	USA	7.0
Tanzania	4.6	Egypt	6.9

Source: MIPA, *Investor's Guide to Malawi*, 2007.

Malawi's exports are dominated by tobacco, which accounts for well over half the total export value. Both production and prices tend to fluctuate, the former generally on account of the weather. 2008 was an exceptionally good year for tobacco exports. While production was on the low side, as shown by Table I.8 below, covering the past 10 years, the price jumped by nearly 60% over that of 2007. In 2009, production rebounded to the highest volume in at least 15 years and the price dropped, but not by much, so that export revenue was even higher than in 2008.

Table I.8. Malawi's tobacco exports, 2000-2009

Year	Total volume (kg)	Total revenue (USD)	Average price (USD/kg)
2000	115,933,746	264,654,467	2.28
2001	115,767,771	236,711,743	2.04
2002	105,775,863	214,636,388	2.03
2003	91,127,586	206,047,529	2.26
2004	90,271,649	225,910,746	2.50
2005	101,743,166	233,017,334	2.29
2006	103,963,559	245,694,375	2.36
2007	121,725,138	318,156,575	2.61
2008	105,428,190	436,550,689	4.14
2009	122,196,335	460,300,988	3.77

Source: Adapted from information supplied by the Tobacco Control Commission, 2010.

Other major exports are tea, sugar, soya beans, cotton and garments – see Table I.9 below. Although only one garment item appears in Table I.9, a number of others appear further down the list. The garments are made mainly by foreign-owned companies, with fabric imported from Asia, and exported to the United States under the preferential treatment accorded to sub-Saharan African countries by AGOA – see Box I.1 above. On garments as well as other exports, see further discussion in Chapter II.2. Opportunities for investors below.

Table I.9. Top twenty exports by value, 2009 (in MWK^a)

Description	Value (FOB)
Other tobacco, not stemmed or stripped	37,985,488,705
Burley strip tobacco, not stemmed or stripped	29,011,935,961
Burley strip tobacco, partly or wholly stemmed or stripped	18,218,571,189
Virginia flue-cured leaf tobacco, partly or wholly stemmed or stripped	13,070,322,886
Black tea fermented or partly fermented, flavored or not, in packages smaller than 3 kg	10,686,869,342
Raw cane sugar, in solid form	9,724,489,275
Burley leaf tobacco, not stemmed or stripped	3,765,949,503
Soya bean flour and meal	3,707,142,404
Cotton, not carded or combed	3,359,772,143
Turkish leaf tobacco, not stemmed or stripped	2,293,905,936
Kidney bean or white pea bean seeds other than for sowing	2,194,386,752
Other tobacco, partly or wholly stemmed or stripped	2,173,286,814
Tobacco refuse	2,026,547,103
Shelled groundnuts, not roasted or otherwise cooked	1,942,439,408
Virginia flue-cured leaf tobacco, not stemmed or stripped	1,386,600,906
Pea seeds other than for sowing	1,328,592,808
Husked brown rice	1,296,463,018
Uranium ores and concentrates	1,199,228,874
Sacks and bags of polymers of ethylene for packaging in industry	1,141,013,269
Men's or boys' garments of cotton	901,847,958

Source: Adapted from data provided by the National Statistical Office, <http://www.nso.malawi.net>, May 2010.

a At the end of 2009, the exchange rate was MWK 145 = USD 1, <http://www.un.org/depts/treasury/>.

Imports are dominated by fuel and fertilizers – see Table I.10 below. According to the OECD, Malawi had been doing well in recent years in the external sector, with substantial growth in exports in both 2007 and 2008, but faced some difficulties in 2009-2010 on account of “the current global economic downturn, which is likely to affect Malawi’s growth through reduction in demand for its products as well as slumping commodity prices.”¹⁴ However, if all goes as planned with the uranium-mining project mentioned below under Foreign direct investment – also see Box II.2 Investing in uranium in Chapter II – it could be a big help with the trade balance.

¹⁴ OECD, *African Economic Outlook 2009*, http://www.africaneco.nomicoutlook.org/en/countries/southern-africa/malawi/#/macro_economic_policy, date accessed December 2009.

Table I.10. Top twenty imports by value, 2009 (in MWK^a)

Description	Value (CIF)
Distillates and other fuel (diesel, oil, etc.)	15,398,441,990
Unused/new stamps, banknotes, checks, etc.	10,910,780,298
Other motor spirit (petroleum)	8,431,840,773
Mineral or chemical fertilizers with nitrogen, phosphorus and potassium	8,220,864,002
Urea	7,269,641,130
Medicaments for the treatment or prevention of bilharzia, malaria, etc.	6,775,713,154
Durum wheat	4,812,817,917
Spelt or common wheat and meslin	4,510,665,315
Cellular telephones	4,304,346,300
Cement clinkers	4,002,758,916
Machines for the reception, conversion and transmission or regeneration of voice or image	3,296,901,999
Flat-rolled iron or steel of width not greater than 600 mm, zinc-plated or coated (excluding electroplated)	2,916,091,495
Crude soya-bean oil	2,429,744,506
Medicaments other than those for the treatment or prevention of bilharzia, malaria, etc.	2,417,235,734
Worn clothing and other worn articles	2,290,329,067
Double salts and mixtures of ammonium sulfate and ammonium nitrate	2,203,663,955
Maize (excluding seed)	2,104,197,111
Cartons, boxes or cases of corrugated paper or paperboard	2,031,898,857
Vehicles of a cylinder capacity exceeding 2500 cc but not exceeding 3000 cc	1,646,222,043
Insecticides, put up for retail sale	1,506,937,911

Source: Adapted from data provided by the National Statistical Office.

^a At the end of 2009, the exchange rate was roughly MWK 145 = USD 1, <http://www.un.org/depts/treasury/>.

Foreign direct investment

FDI is on the rise in Malawi, although from a low base. According to UNCTAD, from an annual average of USD 15 million in the 1990s, FDI rose to USD 37 million in 2008.¹⁵ FDI stock rose from USD 228 million in 1990 to USD 627 million in 2008. 2007 was an exceptional year for FDI inflows - USD 55 million – but this was primarily a function of a large new investment by an Australian company, Paladin Energy Ltd., in a project to exploit uranium oxide from deposits in Kayelekera in the Northern Region. Most FDI in Malawi has gone into mining, followed by manufacturing. Lafarge Cement of France is expected to invest USD 200 million in a new cement plant in the southern Malawi district of Balaka, which has large deposits of limestone. Among other well-known foreign firms operating in Malawi are Bata Shoes (Switzerland), Barti Airtel (India), Illovo Sugar (now UK), Maersk (Denmark) and Standard Bank (South Africa).

Attracting FDI remains a priority for the government, with MIPA being charged with the task. The *Malawi Growth and Development Strategy (MGDS)* mentioned above is very clear about making it a priority to increase domestic and foreign private investment, address supply-side constraints, and improve the business climate and the transport infrastructure.

Aid, debt, reserves, etc.

In 2006, Malawi reached the completion point under the Heavily Indebted Poor Countries (HIPC) initiative. The subsequent debt relief under the HIPC and the Multilateral Debt Relief Initiative (MDRI) is expected to amount to the equivalent of USD 3.1 billion (in total nominal debt relief) on principal as well as interest payments.¹⁶ As Table I.11 indicates, the debt service burden had fallen sharply by 2007.¹⁷ Over the past two years, not surprisingly in view of the global financial and economic crisis, external debt has risen somewhat once again and so has the debt service burden, although the latter still remains at about one-fifth the level reached in 2004.

¹⁴ OECD, *African Economic Outlook 2009*, http://www.africanecomicoutlook.org/en/countries/southern-africa/malawi/#/macro_economic_policy, date accessed December 2009.

¹⁵ United Nations Conference on Trade and Development (UNCTAD), *Country fact sheet: Malawi*, <http://www.unctad.org/Templates/Page.aspx?intItemID=3198&lang=1>, 2010.

¹⁶ World Bank, Press Release No. 2007/65/AFR, September 2006.

¹⁷ In 2007, the exchange rate was around MWK 140 = USD 1, <http://www.un.org/Depts/treasury/>. So the debt service obligation would have been just over USD 5 million.

Table I.11. External debt, selected years, 1998-2009 (MWK million)

Year	Multilateral	Bilateral	Commercial	Total	Interest	Debt service
1998	89,687	19,058	3,363	112,109	970	3,101
2001	146,913	23,624	3,632	174,171	2,639	4,838
2004	319,457	28,381	575	348,414	3,159	9,678
2007	78,725	9,334	821	88,881	445	746
2008	87,619	10,261	322	98,201	973	1,784
2009	97,298	12,441	1,622	111,361	1,120	1,914

Source: Adapted from information supplied by the Reserve Bank of Malawi, <http://www.rbm.mw>.

Nonetheless, Malawi's need for external financing in the form of grants, loans and private transfers remains high. In January 2008, the IMF estimated it at over USD 700 million for 2008.¹⁸ Aid accounts for just 40% of the government budget for 2008-2009 – about USD 634 million out of the budget total of USD 1.6 billion. Total gross foreign-exchange reserves declined to USD 264.3 million in September 2008 from USD 336.4 million in August 2008, representing 2.1 months of imports.¹⁹ The exchange rate of the Malawi kwacha had been stable at around MWK 140 to USD 1 for a number of years but had moved up by December 2010 to MWK 151 to USD 1. The Reserve Bank intervenes to ensure stability in a system known as the “managed float.”

¹⁸ IMF Country Report No. 08/3, January 2008. This is roughly equivalent to the current account deficit in 2006.

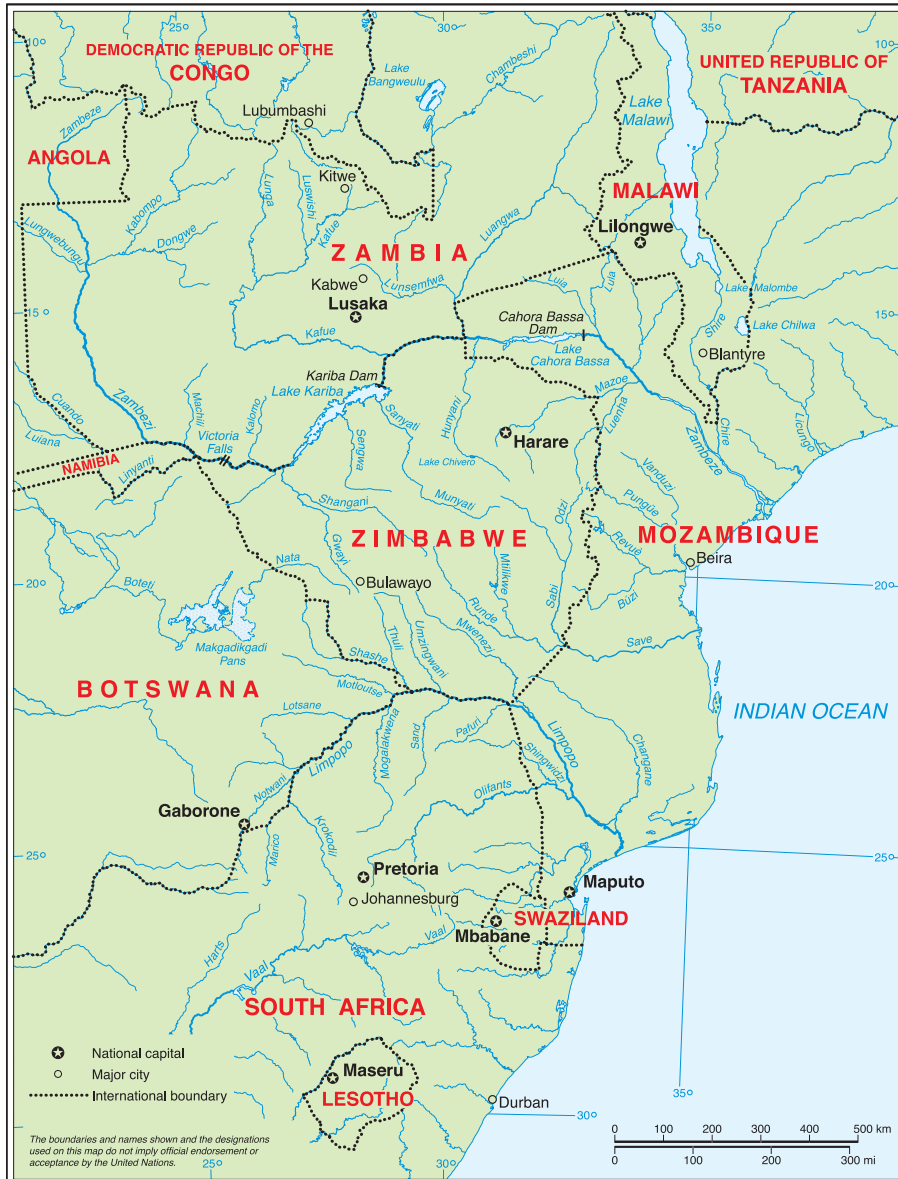
¹⁹ Reserve Bank of Malawi, *Monthly Economic Review*, September 2008.



GROWTH, STABILITY AND PROGRESS – THIS HAS BEEN OUR OPERATING EXPERIENCE IN MALAWI. THE RETURN ON INVESTMENT HAS BEEN CONSTANT AND THE BUSINESS CLIMATE PEACEFUL. THE OPERATING ENVIRONMENT HAS ITS OWN CHALLENGES, AS IN ANY MARKET, BUT NONE THAT WE HAVEN'T BEEN ABLE TO OVERCOME. FOR US, MALAWI IS A SOLID INVESTMENT BASE, LOCATED CENTRALLY IN AFRICA, WITH AN EMERGING MIDDLE CLASS THAT HAS GROWING SPENDING POWER AND AN INCREASING DEMAND FOR IMPROVED GOODS AND SERVICES.

Jean-Claude McMenamin, General Manager and shareholder, Blantyre Hotels Limited – operating as Protea Hotel Ryalls

SOUTH EAST AFRICA DRAINAGE MAP



Map No. 4070 Rev. 2 UNITED NATIONS
January 2004

Department of Peacekeeping Operations
Cartographic Section

1. Introduction

Blantyre lies 282 km southeast of the capital, Lilongwe. According to the June 2008 census, it has a population of 661,444, a little less than the 669,021 that the census attributes to Lilongwe.²⁰ Twelve years ago, in 1998, Blantyre was clearly the largest city in the country, with 502,053 residents, as against Lilongwe's population of 440,471. Since then, growth rates seem to have diverged. At 2.8% *per annum*, Blantyre's is the slowest-growing city in the country, while Lilongwe, Mzuzu and Zomba are growing at 4.3%, 4% and 2.9% respectively.²¹

²⁰ National Statistical Office, 2008 Population and Housing Census: Preliminary Report, September 2008.

²¹ Ibid.

The city was founded in 1876 as a Church of Scotland mission station and was named after David Livingstone's Scottish birthplace. In 1895, it became Malawi's first municipality. In 1956, it was amalgamated with the town of Limbe, 11 km away. Blantyre covers nearly 228 sq. km of hilly ground and has a relatively mild tropical climate, with average temperatures of 17°C to 27°C in November and 12°C to 22°C in July. The annual rainfall is 1,127 mm.

Blantyre is the capital of the Blantyre District as well as of the Southern Region. The administrative significance of the city is overshadowed by its economic significance, for Blantyre remains, as it has always been, the commercial capital of Malawi. It is home to the Malawi Stock Exchange, the Malawi Confederation of Chambers of Commerce and Industry, Malawi Railways, the Malawi Broadcasting Corporation, the College of Medicine of the University of Malawi, and the Supreme Court, among other institutions. The annual tobacco auction (tobacco being Malawi's leading export commodity) is also held in Blantyre.

Wholesale and retail trade dominates Blantyre's economic life. But the city and its outskirts also house much industrial activity, in agro-processing, textiles and garments, cement, pharmaceuticals, and construction, among other areas. The city is well-connected by road, rail and air with other parts of Malawi and with neighboring countries. In comparison with much of Malawi, Blantyre also has good infrastructure. Electricity coverage, for example, extends all over the city and most residents have access to running water. However, the infrastructure also has its shortcomings, in maintenance, reliability and cost.

Politically, Blantyre is governed by the City Assembly. Although the city is supposed to have elected councilors, it is currently operating without them. Assembly elections are, however, scheduled for April 2011. The Assembly's main source of income is property taxes, which need to be approved by the government in Lilongwe. The Assembly is not in a position to offer any special incentives to foreign investors. All FDI applications are processed by MIPA, which has an office in the city.

For a selection of foreign investors currently in the city, see Chapter IV.2. below.

The main advantages of investing in Blantyre may be summarized as follows:

- A business-friendly environment.
- A pleasant African highland climate.
- A location well-connected to other parts of Malawi and the neighboring region by road, rail and air.
- A low-cost English-speaking workforce.
- Access to regional and overseas markets through COMESA, SADC, EBA and AGOA.²²

2. Opportunities for investors²³

Opportunities for investment in Blantyre and the surrounding districts are mainly to be found in agriculture (cotton, cassava, chilies, groundnuts, pigeon peas, tea) and agro-processing (cotton textiles and various processing activities involving the other agricultural products just listed). There are opportunities in other areas as well, which include tourism and mining. The main opportunities are described in the first part of the present section. The others are described more briefly in the second part. It is important to note that any *specific* opportunities described below are meant to be *illustrative*. These are by no means the only opportunities in these areas in Blantyre.

Main areas of interest to potential investors

As noted in Chapter I, agriculture is the mainstay of the Malawian economy, employing more than 80% of the workforce. Although its contribution to GDP has been declining, the sector still accounts for one-third of it. In colonial times and even later during Dr. Banda's regime, agriculture was a two-track activity. The large commercial farms called "estates" focused on cash crops, most notably tobacco, while the millions of smallholders cultivating a plot of 1-2 hectares concentrated on growing food crops, primarily maize and cassava. Policy liberalization in the mid-1990s led to the spread of the cash crops to smallholders, who now produce about half of Malawi's agricultural exports, which are still dominated by tobacco.²⁴

In 2006, tobacco accounted for 61% of exports, followed by tea (7%), sugar (6%) and cotton (2%). If cotton is combined with garments, the total rivals that for tea (7%). Other agricultural exports in 2006 were groundnuts, other nuts, maize, dried leguminous vegetables (including pigeon peas) and peppers (chilies) – all at about 1% each. For the most part, Malawi agriculture is dependent on a four-month rainy season, with only 57,000 hectares (2% of the cultivated area) being under formal irrigation.

²² See Chapter I under The region and Markets for investors for details.

²³ This section draws primarily on Nakagawa, et al., *Foreign Direct Investment in Blantyre: Opportunities and Challenges*, April 2009; MIPA, *Investor's Guide to Malawi*, 2007; KPMG International, *Blantyre, Malawi: Potential opportunities for investors*, October 2009; World Bank, *Malawi: Diagnostic Trade Integration Study, Volume 1 (Final)*, February 2004; and World Bank, *Malawi: Diagnostic Trade Integration Study, Volume 2 (Final draft)*, December 2002.

²⁴ As the World Bank report of 2004 (previous footnote) put it, the "massive movement of smallholder farmers into burley tobacco production in the mid-to-late 1990s, ... resulted in perhaps the most significant and broadly dispersed flow of cash income into rural Malawi in its entire history."

Cotton-growing has long been a major part of Malawi's agriculture. In 2006, it was practiced by nearly 179,000 smallholders (Table II.1 below). This would mean that nearly a million persons were to some extent - because cotton is typically grown together with maize and other grains - dependent on cotton for their livelihoods. The crop has been both a foreign-exchange earner and an input into the domestic ginning, spinning and weaving industries. The latter role used to be far more important until the 1990s, when a variety of factors weakened the integrated cotton-yarn-textiles-garments sector. These include the decline of the official extension service, the decline in international prices of cotton, import liberalization followed by the import of cheap second-hand clothing, et al. As Table II.1 indicates, the production of nearly 68,000 mt in 1996 remained unmatched until 2008.

Nonetheless, there has been a steady increase in production since the year 2000, in major part because of the lending and input subsidy initiatives taken by the two major ginneries, Great Lakes and Cargill, in collaboration with the Government and foreign donors. (Cargill has now terminated its operations in Malawi.) Note that the Blantyre area is responsible for only a small proportion of the country's cotton yield, about 2,200 mt, but it lies close to the Lower Shire Valley, which produces about 26,000 mt, i.e., a little less than half the total cotton yield in Malawi.²⁵

Table II.1. Cotton production in Malawi, 1995-2009

Cropping season season	Number of growers	Hectarage planted	Yield (kg/ha)	Production (mt)
1995/96	128,367	75,745	897	67,910
1996/97	113,910	70,734	638	45,122
1997/98	79,939	45,076	966	43,550
1998/99	108,939	53,191	951	50,589
1999/00	NA	41,135	888	36,527
2000/01	NA	48,481	776	37,622
2001/02	NA	46,773	855	39,992
2002/03	NA	43,706	925	40,446
2003/04	130,000	63,447	835	53,581
2004/05	216,805	88,535	669	59,212
2005/06	178,596	62,233	941	58,569
2006/07	169,542	60,673	1,050	63,698
2007/08	186,400	69,826	1,099	76,761
2008/09	186,923	89,107	815	72,664

Source: Adapted from the Ministry of Agriculture and Food Security, Cotton Production in Malawi, September 2006, http://www.icac.org/meetings/plenary/65_goiania/documents/country_reports/malawi.pdf, with subsequent updates

The cotton production value chain is comprised of cotton-growing farmers and ginneries, in which seed cotton is separated into lint (37%) and cottonseed (58%). While over 95% of the lint is exported to other countries for spinning - typically the ginning company's home country - the majority of the cottonseed is processed locally into oil for domestic consumers, with animal feed as a by-product. The ginneries that currently operate in Malawi include the Great Lakes Cotton Company (UK); Iponga, Toleza and Woget (all three Malawian-owned); and Malawi Cotton Company (China).²⁶

²⁶ Ibid.

It is worth noting that the development of a competitive textile industry (see below), however desirable, is not essential to the future of cotton-growing. Even without a recovery in Malawi's textile industry, there would still be a market for the sale of increased volumes of cotton lint within the region, as Malawi's neighbors can engage in regional sourcing for making garments that could be exported under AGOA. The existing ginneries can accommodate any foreseeable growth, as they are said to be operating at 30% of capacity.

It is unclear whether there is an opportunity for growing organic cotton, free of chemical pesticides, that can fetch premium prices. (A number of US and European clothing retailers - Walmart, Harrods, Marks and Spencer, Coop Switzerland, et al. - now offer organic clothing.) Despite earlier reports to the contrary, Malawi is currently producing no organic cotton according to the Great Lakes Cotton company and the Clinton Hunter Development Initiative (CHDI). The disincentives are low yields and low premiums, as well as government concerns over the risks involved, including the risk of spreading pests uncontrolled by chemical pesticides. Investors may nonetheless wish to look further into the matter and can contact CHDI at <http://www.clintonfoundation.org/what-we-do/clinton-hunter-development-initiative>.



Textiles

Textiles and (chiefly) garments are the country's main manufactured exports. Traditionally, from the late colonial times through the 1980s, this was an industry focused on the domestic market and nurtured through high import tariffs. The textile sub-sector was dominated by a single company, David Whitehead and Sons Malawi (DWSM), British-built and managed until 1996, when the British conglomerate Lonrho sold its 51% stake to the Government for one dollar. Trade liberalization resulted in DWSM becoming an ailing parastatal – it went from pre-tax profits of MWK 20 million in 1990 to a pre-tax loss of MWK 15 million in 1993.²⁷ The firm was eventually privatized in 2003, through sale to Mapeto Wholesalers for USD 1 million.²⁸

Textile production continues to be dominated by Mapeto, which is based in Blantyre. Currently, the spinning operations of Mapeto buy about 1,000-1,500 mt per annum of the country's domestically produced lint. A very small percentage of its production of yarn and fabric goes to domestically oriented garment makers, with the rest being exported or sold directly to the consumer market. Since the company does not produce the quality of fabric required by international standards, it does not supply the firms that export under the provisions of AGOA.²⁹

These firms, all located in Blantyre, source their fabrics from Asia. The two largest garment exporters are Taiwanese firms employing some 3,000 people each and operating with Export Processing Zone (EPZ) status (see Chapter II.3. Incentives, EPZs and related matters above). There are also firms that export mainly to South Africa and yet others that produce mainly for the domestic market, which is very competitive, given the substantial imports of cheap second-hand clothing. None of these firms relies significantly on Mapeto for their fabric inputs.

The textile sub-sector is the critical link between cotton-growing and ginning at one end and garment production and export, particularly to the United States, at the other. The former is important for farmers' livelihoods and manufacturing jobs; the latter is important for skill development and foreign-exchange earnings. Exporters' reliance on imported fabric increases both time and costs for them; more important, as of 2012, exporters will no longer be able to use Asian fabric to supply the US market under AGOA. Exporters believe that they could meet a much higher international demand for garments if they could rely on local sourcing of fabric of the right quality.

One opportunity for foreign investors is in adding capacity to Mapeto, which currently spins less than 5% of the country's lint and is looking to expand and upgrade its operations. Mapeto would welcome investment, especially with an additional 100 looms to help it develop AGOA-quality weaving capabilities, which would take perhaps three years to achieve.³⁰ There is also an opportunity for a greenfield investment in a new installation.

²⁷ World Bank, *Malawi: Diagnostic Trade Integration Study, Volume 2 (Final draft)*, December 2002.

²⁸ Privatisation Commission, http://www.privatisationmalawi.org/index.php?option=com_content&task=view&id=100&Itemid=150, date accessed December 2009.

²⁹ Nakagawa, et al., *Foreign Direct Investment in Blantyre: Opportunities and Challenges*, April 2009.

³⁰ According to Nakagawa, et al. (previous footnote), the new looms would cost about USD 500,000 each.

According to KPMG International, which sent a team to Blantyre in 2009 to look into investment opportunities, the indicative costs for setting up a spinning and weaving unit are about USD 1.8–2 million. There would be an additional working capital requirement of USD 1million. Revenues would be expected to be in the range of USD 3–4 million.³¹ Investors should consider this investment by the end of 2010, in order to gear up for changes in AGOA in 2012.

31 KPMG International, *Blantyre, Malawi: Potential opportunities for investors*, October 2009.

Time is of the essence here, as a failure to achieve AGOA-compliant fabric production before the 2012 deadline may lead to the departure of some of the garment exporters already in Malawi.

The Government has been somewhat slow to support the industry and the Cotton Council, under discussion for half a dozen years, is yet to materialize. On the other hand, the Ministry of Agriculture and Food Security is trying to provide input subsidies for cotton growers, recognizing the need to increase cotton production to supply a larger and more competitive textile and garment sector. In keeping with this recognition, the *Malawi Growth and Development Strategy (MGDS)* lists cotton as a priority sector.



Cassava

The cassava plant originated in the Americas, although it is now also grown in Asia and Africa, with Africa accounting for nearly half the estimated production of over 226 million mt. Cassava roots, the part generally used as food, are high in calories, though not in protein or other nutrients, while the leaves are a good source of protein and vitamins. Both roots and leaves need treatment to reduce cyanide in tubers and leaves. Roots are treated by some combination of drying, soaking, grating, fermenting, and roasting. Leaves can be pounded and then the mash cooked in water.

Cassava roots are an important part of the Malawian diet. For a variety of reasons, including its drought resistance and ease of cultivation, cassava is now the staple food crop for 30% of the population. Over roughly the past ten years, total production in the country has grown from about 700,000 mt to over 3 million mt. Production is dominated by smallholders, who typically grow cassava along with maize, sweet potatoes and the like.

Cassava can be processed into food products for household consumption, and pellets used as animal feeds. It is also the cheapest known source of starch, used in more than 300 industrial products. Among these uses of cassava starch, processed and modified in various ways, are the following: as a general thickening agent in bakery products; as an adhesive in pre-gummed papers, tapes, labels and stamps; in thickening and glazing sweets such as jellies and gums; as a binder, filler, and disintegrating agent in tablet production; as glue in plywood manufacturing; in various ways in textile processing, to stiffen the yarn, and to make the fabric more durable, etc.

There are thus opportunities in value addition in cassava. One set of opportunities is in food-related value addition, for example, in setting up a flour-processing facility. Another set of opportunities is related to industrial application. Starch is a multibillion-dollar business worldwide with applications in several industries. An opportunity exists to develop a starch manufacturing facility with a view to exporting to both regional and overseas markets, in which there is a strong demand for starch products. Interviews conducted by an MCI team³² suggested that an investment of USD 1-2 million would be needed to set up a starch production plant that would produce about 3 mt of starch per hour. Even with its limited production industry, Malawi is currently importing USD 3 million worth of starch annually for its paper and packaging industry.³³

Among the constraints that would need to be addressed is the short shelf life of cassava roots after being harvested and their susceptibility to microbial contamination, among other things during a long transit period to move the roots to the production facility. The scattered supply sources among smallholdings reinforce this problem. Quality control would be another issue, as most cassava varieties grown in Malawi cannot currently meet the FAO food safety standard measured by the level of cyanogens.

³² Nakagawa, et al., *Foreign Direct Investment in Blantyre: Opportunities and Challenges*, April 2009.

³³ Government of Malawi, Malawi Investment Promotion Agency, *Investor's Guide to Malawi*, 2007, p.30

Pigeon peas

34 See Chapter II.3. Incentives, EPZs and related matters.

Pigeon pea is a crop that shares some of the characteristics of cassava: it is drought-resistant, easy to cultivate and well suited to the poor smallholder farmer who operates in a variable, semi-arid environment and lacks access to technology and other resources. In Malawi, it is grown exclusively by smallholders. In the southern region, it is to be found in Mulanje, the Zomba Plateau and the Mangochi area. There is very little consumption of pigeon peas in Malawi; the production is meant almost entirely for export.

Pigeon peas are exported either whole or split mainly to India, the world's principal consumer as well as producer of the crop. In their split form, the peas are used to make *daal*, a common item in Indian cuisine. Malawi's pigeon peas are favored by the Indian and UK (Indian diaspora) markets for their flavor, taste and size. They also have the advantage that Malawi can produce pigeon peas when India is in off-season. This late harvest allows Malawian exports to compete with the massive local Indian production, which command a 20% - 40% price premium during September-November. Other destinations for Malawi's pigeon pea exports include Mauritius, Malaysia, South Africa and the United Arab Emirates.

The growing demand from India has created a market for processing this commodity. There are already four major processors in the Blantyre area: Export Trading Company, Transglobe Produce Exports, Rab Processors, and Commodity Processors. Export Trading, headquartered in Dar-es-Salaam, Tanzania, is the leader, with production levels of between 30 and 40 thousand mt per year. It also processes other agricultural commodities such as maize, soy, groundnuts, chili and sunflower seeds. Transglobe and Commodity Processors are locally-owned companies which process similar products. Rab Processors both trades commodities like its competitors and owns several branded, prepackaged products such as roasted peanuts, tea, *daal* and peanut butter.

Both the establishment of a new pea-processing factory and the extension of existing facilities are investment opportunities in Blantyre. *Daal* is an established export product in the city and the business linkages between local producers and Indian and Southeast Asian buyers are very strong. Blantyre also has easy access to the growing areas. The technology requirement for such an investment is not high. In addition, if the facility confined itself exclusively to exports, it could enjoy EPZ status,³⁴ which comes with very attractive incentives.

The constraints to be addressed are the scattered production with uneven quality and the high costs of transport, not only in money but also in time. A South African exporter can fill a container for shipment to India within 48 hours after the order is received; a Malawian company needs up to 12 days to fill a similar order.

Chilies

Chilies, like cassava, are a new world plant that is now grown all over the world in relatively warm climates. Both fresh and dried chilies are a common ingredient in Asian cooking (in India, China, Thailand and elsewhere). About half the world's chilies are grown in just two countries, China and India, with the other leading producers being Spain, Mexico and Pakistan. In Europe, Japan and North America, chilies are consumed mainly in the form of prepared sauces. In 2006, the United States alone imported nearly half a billion dollars worth of chili sauce.

(The word is also spelled "chilli," with two "ls," and sometimes "chile." Chilies are also known as "paprika," although this latter word is best confined to designating the sweet variety of the *capsicum annuum*.)

Chilies are not a demanding crop to cultivate. They are mainly produced by smallholder farmers with very few commercial inputs. In southern Malawi, the crop is grown in Balaka (55 miles from Blantyre), near Mount Mulanje (40 miles from Blantyre) and in Liwonde (100 miles from Blantyre). In 2005-2006, over 70% of Malawi's chilies were produced in the broader Blantyre region. The season lasts from March through August, and yields in Malawi are very low - less than 300 kg/ha, as against nearly 800 kg/ha in Zambia. The quality of Malawi's chilies is also variable. The production volume has been quite uneven over the last two decades. One reason many smallholders find the crop attractive is the relatively high price chilies fetch by weight (Table II.2 below).

Table II.2. Malawian agricultural commodity prices, 2009

Commodity	Farmgate price 2009 (MWK/kg)
Chilies and peppers (dry)	115
Tea	222 ^a
Cotton lint	52
Pigeon peas	50
Groundnuts, with shell	50
Maize	35

Source: Adapted from information supplied by the National Smallholder Farmers' Association of Malawi (NASFAM), 2010.

^a Price at Limbe auction.

The initial step of processing chilies consists of drying and grading the fruit on the farm. Proper post-harvest handling and drying procedures are crucial to ensure good quality. Washing, drying, and grading are the crucial steps in post-harvest handling that determine quality. Grading is based on standards for size, color, rotten stock and foreign matter. There are only two basic grades for bird's eye chilies (the kind grown in Malawi and in most of Africa). To make chili sauce, chilies are soaked in hot water and then pounded and ground. Next, spices are added according to the sauce recipe and the mixture is steamed in wood-fired boilers. The cooled product is then bottled and packed.

35 KPMG International, *Blantyre, Malawi: Potential opportunities for investors*, October 2009.

There is definitely an opportunity for investors in the chili-processing business, in particular, in building export-oriented facilities to create value-added products such as chili sauce. There are hardly any players in this market at the moment, with one dominant company, Nali Ltd., which sells its product entirely in the domestic market. Since chili-processing is a high-margin business (perhaps up to 40%), it can enable the investor to absorb some of the costs imposed by Malawi's landlocked position. In addition, Blantyre is well placed for chili-processing, since the area grows most of the country's chili crop, so the problem of spoilage during storage and transport is easier to address.

KPMG International reports that an export-oriented opportunity in chili-processing is well worth considering in the next two years.³⁵ It estimates the cost of a processing plant at just under USD 2 million, with an additional USD 1 million for working capital, among other things, for the early purchase of 300 mt of chilies. There are two further sources of costs in export-oriented chili-processing: the costs of imports and the costs of quality certification.

The non-chili inputs required for production are imported from South Africa: packaging and bottling materials and key ingredients such as garlic and onion powder. These costs could compromise the margins of the finished product in the domestic market but can be absorbed by an export-oriented operation. Quality certification of finished products is also essential in exporting to the United States and Europe. Malawi's Bureau of Standards (MBS) is not internationally recognized and Nali for one has experienced difficulties in quality-assurance auditing. An in-house testing facility would thus be required and needs to be budgeted for. Additional investment to adhere to the best practices in food-processing should also be considered. Investors should note, however, that high-quality chili sauce can fetch up to USD 56 per kg in the export market.

Groundnuts (peanuts)

Groundnuts have long been an important crop in Malawi, both as a source of food and as a contributor to soil fertility. During the 1960s and 1970s, groundnuts were also a major export, with some 15–25% of production being exported. In 1967, exports reached 51,000 mt; in 1980, they earned nearly USD 20 million. Malawi's Chalimbana variety of groundnut was prized for its large kernel and excellent flavor. The exports went mainly to Europe, through the agency of the state-owned Agricultural Development and Marketing Corporation (ADMARC). Following the liberalization of Malawi's agricultural markets, ADMARC stopped supplying farmers with groundnut seed. The recycling of seeds by smallholders led to a loss of quality and Malawi lost its export markets to China and other producers.

Nonetheless, the crop remains popular in Malawi and enjoys a strong domestic market. In recent years, there has been a resurgence of groundnuts as an export crop, with the help of the National Smallholder Farmers' Association of Malawi (NASFAM), which promotes and markets groundnut cultivation. The central and southern areas of Malawi, including Kasungu, Lilongwe, Machinga and Blantyre, account for over 75% of the total area planted. Production has gone from 71,586 mt in 1996-1997 to 263,492 mt in 2006-2007. In Blantyre alone, 25,179 mt were produced in 2007, representing 9% of the total production in Malawi. The average retail market price of shelled groundnuts in Blantyre in 2006 was MWK 125 (USD 0.88).



The crop has multiple uses. After harvesting, groundnuts are first graded by size and then processed into roasted nuts, peanut butter, paste, and other products. Groundnuts also yield cooking oil, one very commonly used in both Chinese and Indian cooking, and the cake from oil extraction can be used as animal feed.

A number of companies are engaged in groundnut-processing, including Tambala Food Products Ltd. and Rab Processors. The former provides farmers with seeds and technical support; the latter has tried contract farming (to secure a reliable supply of constant quality) without success. The processing market is by no means saturated and there are opportunities for greenfield investment as well as for partnering with the existing players. Opportunities for investment exist in the following activities among others:

- Wholesaling, grading, and quality testing for export markets.
- Peanut butter production for local and regional markets.
- Oil extraction for domestic and international markets.

Significant efforts have been made in Malawi, by NASFAM among others, to enhance high-quality seed multiplication and to educate farmers in quality specifications. Through an integrated value-chain development, enabled by private investment, Malawi can establish itself as a supplier of high-quality groundnuts. Export markets include COMESA as well as the European Union (in particular the United Kingdom). Demand is also to be found in South Africa, Zimbabwe and Tanzania. Access to the EU market is contingent upon improvement in production, processing and handling to meet EU standards for aflatoxin contamination which must not exceed 20 parts per billion. FDI can be of great help in this context.³⁶

KPMG International recommends peanut-processing for export as a serious opportunity that foreign investors should consider in the next two years. It estimates the cost of setting up a processing plant at around USD 5 million (assuming that 1000 mt of groundnuts are processed annually), in addition to working capital of up to USD 3 million.³⁷ KPMG also recommends that investors budget for the costs of testing to prevent high aflatoxin levels. The standard test, High Performance Liquid Chromatography (HPLC), would probably need to be conducted outside Malawi. Any steps investors can take to help farmers improve farming and storage practices to reduce aflatoxin levels would be most desirable as well. Margins in processing for export can be expected to be in the range of 15–25 per cent.

36 According to the World Bank study of 2004 mentioned earlier, one overseas market particularly difficult to access is the United States - even under the preferential access offered by AGOA. Of some 35 categories of groundnuts defined by the HS code, AGOA grants free access to only nine. The average most favored nation (MFN) tariff on categories not covered is 30%. The United States is, of course, one of the world's largest producers and perhaps the largest exporter of groundnuts.

37 KPMG International, *Blantyre, Malawi: Potential opportunities for investors*, October 2009.

Tea

Tea has been grown commercially in Malawi since around 1890. The country is the second largest tea producer in Africa (after Kenya) and the seventh largest tea exporter in the world. Until the 1970s, tea was Malawi's leading export. Since then, tobacco has maintained an overwhelming lead (60% or so), while tea has competed for second place with sugar (around 7% each). Malawi tea is black tea, which is also the main kind produced elsewhere, accounting for some 90% of the world's tea production. It is produced mainly on commercial tea estates (85% of total production) and mainly in the Southern Region. Of the 18,800 hectares planted in Malawi, 9,000 hectares are in Thyolo and 6,220 in Mulanje, both in the Southern Region, and only 650 in Nkhata Bay in the Northern Region. As Table II.3 below shows clearly, the hectareage has remained unchanged, while production has fluctuated somewhat.

Table II.3. Tea production and exports, Malawi, 1999-2009

Year	Hectareage	Production (mt)	Exports (mt)	Export value (MWK million)
1999	18,807	38,469	42,737	1,249
2000	18,782	42,114	38,466	1,938
2001	18,760	36,770	38,363	2,564
2002	18,800	39,185	9,386	2,660
2003	18,694	41,693	42,015	3,667
2004	18,634	50,090	46,599	5,735
2005	18,600	37,978	42,978	6,696
2006	18,600	45,010	41,962	7,200
2007	18,606	48,141	46,585	7,200
2008	18,600	41,639	40,069	7,303
2009	18,600	52,559	46,837	9,697

Source: Adapted from information supplied by the Tea Association of Malawi, 2010.

The estates employ about 50,000 people during peak season and around 30,000 during the dry season, making them collectively the largest formal employer in Malawi. The largest estate owner is Eastern Produce Malawi (EPM), which has twenty-one estates and which is majority-owned by Camellia plc, a British company. A small proportion of Malawi tea (15%) is produced by some 7,000 smallholder farmers. For many years, smallholders have been registered with and variably supported by a Smallholder Tea Authority and have sold their tea through the state-owned Malawi Tea Company. The crop is mostly dependent on a four-month rainy season, although some estates have now invested in irrigation, thus increasing yields and making greater use of tea-factory capacities.

For various reasons, including the tea varieties used, Malawi produces a low-to-medium quality tea, which is then blended with other more flavorful teas. This is reflected in the price of Malawi tea as compared to the prices of other regional teas. Roughly one-third of Malawi's crop is sold through the Limbe Auction; very little through the Mombasa one. A high proportion of the tea is bought by major international companies such as Unilever and Lyons Tetley. The biggest export destinations are the UK and South Africa.

Table II.4. Average prices at the Mombasa auction, 2002-2007 (USD/kg)

Year	Tanzania	Kenya	Uganda	Malawi ^a	Burundi	Rwanda	Average
2002	1.24	1.55	1.20	1.18	1.34	1.48	1.33
2003	1.25	1.62	1.25	1.14	.43	1.56	1.38
2004	1.30	1.61	1.32	1.23	1.41	1.69	1.43
2005	1.07	1.56	1.15	1.00	1.13	1.55	1.24
2006	1.42	2.02	1.62	1.37	1.61	1.94	1.66
2007	1.16	1.75	1.34	1.00	1.35	1.74	1.39

Source: The Tea Brokers Association of Malawi, 2009.

^a The prices for Malawi tea at the Limbe auction can be 20% lower, since they do not include transport costs.

Investment opportunities in the tea sector include investment in high-yielding clonal varieties to improve quality and productivity, investment in irrigation infrastructure, and investment in refurbishing existing tea-processing facilities and constructing new ones, all for export purposes. Opportunities exist, in particular, in the production and processing of green tea (for East Asian markets) and other specialty herbal teas. Existing tea-processing companies include Chombe Tea (focused on high-quality tea), Rab Processors (targets rural areas), and Malawi Tea Company. The potential for local value addition is suggested by the fact foreign companies often buy tea in Malawi, export it to South Africa to be blended and packaged, and then re-import it into Malawi at a premium price.

Other areas of interest to potential investors

38 World Travel and Tourism Council, *Travel & Tourism Economic Impact Malawi 2010*, 2010, p.3.

Tourism

The *Malawi Growth and Development Strategy (MGDS)* has identified the tourism industry as a priority sector with potential for growth. The tourism industry accounts for 5% of GDP and 3.9% of employment of Malawi.³⁸ It is also a major earner of foreign exchange, with receipts amounting to USD 48,000,000 in 2007 (Table II.5 below), which was 6% of merchandise exports that year. Tourism in Malawi centers on Lake Malawi which has two resort areas, Mangochi, located on the south side of the lake and Salima, on the western shore. Attractions in the Blantyre area include Mount Mulanje, the Majete National Park, Zomba Mountain, the Liwonde National Park, and tea estates in Thyolo.

The number of international visitors to Malawi has grown very considerably, more than tripling between 2000 and 2008 (Table II.5). The figure reported for 2008 is 742,000, as against 228,000 in 2000, with perhaps half of them being business travelers.

Table II.5. International tourism in East Africa, 2000 and 2008

Country	Year	Number of arrivals	Receipts (% of exports)	Receipts (current USD)
Kenya	2000	899,000	18	500,000,000
Malawi	2000	228,000	6	30,000,000
Rwanda	2000	104,000	21	27,000,000
Kenya	2008	1,644,000 ^a	17	1,398,000,000
Malawi	2008	742,000	6 ^b	48,000,000 ^c
Rwanda	2008	981,000	30	202,000,000

Source: World Bank, World Development Indicators, http://databank.worldbank.org/ddp/home.do?Step=2&id=4&hActiveDimensionId=WDI_Ctry, and the Reserve Bank of Malawi, Export Volumes, Values and Prices, Balance of Payments Details and Balance of Payments Summary, <http://www.rbm.mw/data/ecodata/index.asp?content=bop>, date accessed February 2010.

^a Figure for 2006, the latest available.

^b Figure for 2007, as percentage of merchandise exports, according to BOP data of the Reserve Bank of Malawi.

^c Figure for 2007, the latest available.

Given the large increase in visitors, there are opportunities in constructing hotels focusing on business travelers in Blantyre (see Box II.1 below) and accommodation for tourists to such attractions as the Mulanje Mountain Forest Reserve. The South African-owned Protea Hotel is one example of a successful foreign investment in the hospitality sector in Blantyre. Among the incentives on offer in this sector is the “duty-free direct import of goods used in the tourism industry, including building materials, catering and related equipment, and water sports equipment.”³⁹

39 MIPA website:
http://www.malawi-invest.net/inves_incent.html.

There may be opportunities as well in establishing training facilities for workers in the hospitality industry. Although the Malawi Institute of Tourism is situated in Blantyre, its capacity is limited to 300 students per year. As a result, many workers in the industry remain untrained.

The lack of direct flights from Europe or elsewhere outside the region, which increases cost and reduces convenience, is among the constraints on potential investment in tourism. Another factor is the density of Malawi’s population, which makes it difficult for the country to compete with tourist destinations that offer large, open spaces that can accommodate a great abundance of wildlife, such as the Serengeti plains in Tanzania.

Box II.1. A specific opportunity: High-end hotel

A KPMG team that investigated investment opportunities in Blantyre earlier this year concluded that there was a genuine opportunity for a high-end hotel targeting business travelers. Currently, there are only four hotels graded A by the Department of Tourism and only one international one (the four-star Protea Ryalls, mentioned earlier). Occupancy and room rates are thus high and competition is limited. KPMG recommends that foreign investors should consider seizing the opportunity within the next two years. It assesses the investment needed at around USD 8-10 million.

Land can be an issue in Blantyre but the Blantyre City Assembly (BCA) has indicated the availability of two highly suitable plots of land for the development of a new high-quality hotel: the land occupied by the Blantyre City Park (opposite Victoria Hotel) and the plot of land opposite the church near Victoria Hotel. These would be ideal sites for a high-end hotel, given the size of the plots and their proximity to recreational activities and the Central Business District (CBD). Land lease prices are in the range of USD 3,500-5,000 per hectare.

The constraints imposed by air connectivity remain, however, as the Government has announced that the proposed privatization of Air Malawi has been put aside, at least for now. This issue may get resolved over time.

Source: KPMG International, *Blantyre, Malawi: Potential opportunities for investors*, Report prepared for the Millennium Cities Initiative, <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Pages/Report-Blantyre-Malawi-investor-opportunities.aspx>, October 2009.

Mining⁴⁰

Malawi has considerable mineral resources and most foreign investment has in fact gone into mining. The most recent example is the investment by Paladin Energy Ltd., an Australian firm that focuses on uranium and has projects in Australia and Africa (see Box II.2 below). With this new investment, the Government expects the contribution of mining to GDP to rise to 5%, as against 1% in 2006.

40 This section draws on the MIPA *Investor's Guide to Malawi*, 2007, and the Paladin Energy website: <http://www.paladinen-energy.com.au/PRO-JECTS/Kayelekera/tabid/62/Default.aspx>, date accessed May 2010.

Among the opportunities in this area are the following:

- There is an opportunity to start the manufacturing of phosphate fertilizer using Tundulu phosphate rock situated at Nambazo in Phalombe District. As Malawi annually imports about 200,000 mt of fertilizer and 40,000 mt of this is phosphate fertilizer, there is an opportunity for import substitution.
- Glass sands in Malawi are suitable for the manufacture of brown (amber) quality glass containers. They can also be used for the production of sodium silicate for use in soap and detergent manufacturing.
- Other than roofing materials, Malawi has no local production in ceramics and paints for the building industry - cisterns, toilets, basins, etc. The raw materials required - clay, feldspar, quartz, limestone and heavy mineral sands - are available.
- There is an abundance of gemstones such as agate, amethyst, aquamarine, garret, rubies and sapphires. There are also occurrences of gold and kimberlitic rocks which host diamonds. There may be an opportunity to make jewelry.

Table II.6 provides an overview of resources in the Southern Region.

Table II.6. Mineral resources in southern Malawi

Deposit	Location	Reserve (million mt)	Grade
Bauxite	Mulanje	28.8	43.9 % AL ₂ O ₃
Monazite/Strontianite	Balaka	11.	8% Sr, and 2% REO
Limestone	Balaka	10	46.1% CaO, 3.5% MgO
Titanium heavy mineral sands	Zomba	15	6.0% HMS
Vermiculite	Mwanza	2.5	4.9% (Med+Fine)
oal	Nsanje	4.7	30% ash
Glass sands	Zomba, Mangochi	25	92.7% SiO ₂ and 0.62%
Dimension stone	Chitipa, Mzimba, Mangochi, Mchinji	Large volumes	Black, blue, pink, green granite
Gemstones	Mzimba, Nsanje, Chitipa, Chikwawa, Rumphi, Ntcheu	Large volumes	Numerous pegmatites and volcanic
Gold	Neno, Ntcheu, Nkhotakota, Mangochi, Blantyre, Chikwawa	Occurrences	–
Diamonds	Mangochi, Mwanza, Rumphi, Chikwawa	Occurrences	–

Source: Adapted from MIPA's *Investor's Guide to Malawi*, drawing in turn on Government and private surveys and reports, 2007.



Box II.2 Investing in uranium

The high-grade Kayelekera uranium deposit in northern Malawi was discovered by the Central Electricity Generating Board of Great Britain (CEGB) in the early 1980s. It is a sandstone-hosted uranium deposit associated with the Permian Karoo sediments and is hosted by the Kayelekera member of the North Rukuru sediments of the Karoo.

After nearly a decade of work, CEGB abandoned the project in the early 1990s as uneconomic. Paladin Energy, an Australian company, acquired it in the late 1990s. The Kayelekera project is now fully owned by Paladin (Africa) Limited, which is in turn a wholly owned subsidiary of Paladin Energy. In April 2007, the Government of Malawi granted Paladin Energy of Australia Mining License ML 152, covering an area of over 55 sq. km - (5,500 hectares) surrounding the Kayelekera deposit, for a period of 15 years. The license is renewable for further 10-year periods. The project is located 8 km south of the road connecting the townships of Chitipa and Karonga. The Kayelekera Mine was officially opened on 17 April 2009 by the President of Malawi.

The mine is designed to give an annual production of 3.3 Mlb U₃O₈ from the processing of sandstone and associated ores by grinding, acid leaching, resin-in-pulp extraction, elution, precipitation and drying to produce saleable product. Kayelekera represents Paladin's second construction project and the first commercial mining venture in Malawi's history contributing around 10% of Malawi's GDP. The project is funded via a mix of project finance debt and equity. The project financing facility totals USD 167 million.

Final commissioning commenced in the second quarter of 2009, with all major process areas in the production ramp-up phase. The sulfuric acid plant was the last critical component to be integrated. The uranium plant produced its first product during April 2009, with all production-related areas operating under the management of the operations group. Transport of the first containerized drummed product consignment to Walvis Bay, Namibia, via Zambia, took place on 17 August 2009.

Source: Paladin Energy website: <http://www.paladinenergy.com.au/default.aspx?MenuID=33>, May 2010.

3. Incentives, EPZs and related matters

Incentives in Malawi ⁴¹

Tax incentives in Malawi are enshrined in the main tax laws, which include the Customs and Excise Act of 1969, the Export Processing Zones (EPZ) Act of 1995 and the Income Tax Act of 2000. The following incentives are currently offered:

General incentives

- 100% investment allowance on qualifying expenditure for new buildings and machinery.
- Allowances of up to 40% for used buildings and machinery.
- 50% allowance for qualifying training costs.
- Allowance for manufacturing companies entitling them to deduct all operating costs incurred up to 25 months prior to the start of operations.
- Zero import duty on raw materials used in manufacturing.
- Loss carry-forward for up to seven years.
- Additional 15% allowance for investment in designated areas of the country.
- Duty-free import of buses with a seating capacity of 45 or more persons.
- Duty-free direct import of building materials for factories and warehouses.
- Duty-free direct import of goods used in the tourism industry, including building materials, catering and related equipment, and water sports equipment.
- Free repatriation of dividends, profits, and royalties.

Incentives for establishing operations in an export-processing zone (EPZ) ⁴²

- Zero corporate tax rate.
- No withholding tax on dividends.
- No import duty on capital equipment and raw materials.
- No excise tax on local purchases of raw materials and packaging materials.
- No value-added tax.

Incentives for manufacturing under bond ⁴³

- Export allowance of 12% of revenue from non-traditional exports, i.e., exports other than tobacco, tea, coffee and sugar.
- Transport tax allowance equal to 25% of international transport costs, excluding the transport of traditional exports.
- No import duties on capital equipment used in the manufacture of exports.
- No surtaxes.
- No excise tax or import duty on the purchase of raw materials and packaging materials.
- A timely refund of all duties (duty drawbacks) on imports of raw materials and packaging materials used in the production of exports.

⁴¹ This section draws on the MIPA website: http://www.malawi-invest.net/inves_incent.html. See also III.1 Taxation in Malawi below.

⁴² See below under EPZ status.

⁴³ See below under EPZ status.

A *rebate on excise duty* is available to manufacturing companies in the following areas:

- Breweries.
- Cigarettes.
- Clothing.
- Footwear.
- Pharmaceuticals.
- Plastics.

44 It is unclear which of the treaties in Tables II.7 and II.8 below are currently in force. Investors should confirm the status of any treaty of interest to them.

This list is not exhaustive. Further information should be sought from the Malawi Revenue Authority (contact details in Appendix B).

Other incentives include *tax holidays* for “priority industries.” Since priority industries have not yet been designated by the Minister of Trade and Private Sector Development, no tax holidays are currently in effect.

See also Chapter III.1 Taxation in Malawi below.

EPZ status

There are no export-processing zones properly so called in Malawi, i.e., no areas with special facilities set aside for the use of companies that export a specified minimum of their product. The Export Processing Zones (EPZ) Act of 1995 instead provides for EPZ status, which carries various benefits like those listed above under incentives.

Any company, whether foreign or domestic, may apply for this status if it is engaged in manufacture exclusively for export. Investors can qualify for EPZ privileges by operating at an approved location and acquiring a license to manufacture goods under bond. Designation as an EPZ or bonded manufacturer requires approval by an appraisal committee, which is chaired by the Minister of Trade and Private Sector Development. In 2009, nineteen firms were operating under EPZ status, six of them foreign-owned and nine in the garment business.

A manufacturing under bond (MUB) scheme offers somewhat less attractive incentives to companies that export some, but not all, of their products.

Investment and tax treaties

Malawi’s investment and tax treaties⁴⁴ are listed in the two tables that follow.

In addition, as noted in Chapter I above (under The region), in May 2007, Malawi and its fellow member states of COMESA adopted an Investment Agreement for the COMESA Common Investment Area (CCIA), which includes provisions for national treatment, the protection of investors against expropriation and nationalization, and the settlement of disputes through negotiation and arbitration.

Bilateral investment treaties (BITs)

Table II.7. Malawi's bilateral investment treaties (BITs), as of 1 June 2009

Partner	Date of signature	Date of entry into force
Egypt	21 October 1997	07 September 1999
Italy	08 August 2003	—
Malaysia	05 September 1996	—
Netherlands	11 December 2003	—
Taiwan Province of China	22 April 1995	—
Zimbabwe	04 July 2003	—

Source: United Nations Conference on Trade and Development (UNCTAD), Country-specific lists of BITs, <http://www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1>, date accessed June 2010.

Double taxation treaties (DTTs)

Table II.8. Malawi's double taxation treaties (DTTs), as of 1 June 2009

Partner	Type of agreement	Date of signature
Denmark	Income and Capital	17 January 1959
France	Income and Capital	05 November 1963
Netherlands	Income and Capital	07 June 1969
Norway	Income and Capital	16 December 1963
South Africa	Income and Capital	03 May 1971
Sweden	Income and Capital	25 November 1954
Switzerland	Income and Capital	03 May 1965
United Kingdom	Income and Capital	25 November 1955

Source: United Nations Conference on Trade and Development (UNCTAD), Country-specific lists of DTTs, <http://www.unctad.org/Templates/Page.asp?intItemID=4505&lang=1>, date accessed June 2010.



4. The business environment

Infrastructure

Some aspects of infrastructure are in better shape than others. Telecommunication, for example, has seen rapid growth since the advent of mobile telephony. Much of the railway line is in good shape, as are many of the main roads. Feeder roads are not in good condition and transport costs are high. As mentioned earlier, the Government's *Malawi Growth and Development Strategy (MGDS)* explicitly recognizes improving the transport infrastructure as one of its priorities.⁴⁵

Electricity

Electricity is almost entirely generated by hydropower in Malawi. Generation, transmission and distribution are all in the hands of the Electricity Supply Corporation of Malawi (ESCOM), a public monopoly. Its current installed capacity is 304.8 MW, which is most likely to prove insufficient as demand increases over the coming years. (A 15 MW turbine in Blantyre has also been rehabilitated for stand-by and peaking purposes.) ESCOM is in the process of connecting the country's electricity grid to that of Mozambique's in order to include Malawi in the Southern African Power Pool (SAPP). This would allow the import and export of power as demand and supply go up and down.⁴⁶

Access to power is very limited in the country as a whole. Blantyre is mostly covered, although not fully satisfactorily. There are supply shortages in the planting season and in the rainy season, which can lead to silting and damage caused by falling trees. There is also some theft. Load-shedding is the usual response to shortages, although in Blantyre ESCOM notifies customers in advance of its load-shedding schedule.

According to a recent study of infrastructure in Blantyre,⁴⁷ carried out for the Millennium Cities Initiative in late 2008, there was an average of 12.45 supply disruptions each month, which lasted an average of 2.39 hours, or close to 30 hours of disruption each month. Such interruptions also occur much more frequently as businesses move away from the city centre. The interruptions make it necessary for businesses to have private generators on hand, which increases their costs. (Imported generators are cheaper than those that can be bought locally but they incur customs duties.) Costs also tend to be high if a business lacks a connection to the grid and must get one, perhaps as high as USD 10,000-15,000, because ESCOM lacks the resources to buy transformers, switches and the like.⁴⁸ For a schedule of electricity tariffs, see MIPA's website: http://www.malawi-invest.net/business_opp_costs_elec.html.

The Government's Power Sector Reform Strategy calls for more private investment in the form of Independent Power Producers (IPPs) who would sell their power to the transmission company. It is also considering the recommendations of a report by

⁴⁵ *The Malawi Growth and Development Strategy (MGDS): From Poverty to Prosperity, 2006-2011*, http://siteresources.worldbank.org/MALAWI/EXTN/Resources/MGDS_2006_Final.pdf, 2006.

⁴⁶ MIPA, *Investor's Guide to Malawi*, 2007.

PricewaterhouseCoopers on the partial privatization of ESCOM, which would involve unbundling the transmission and distribution functions of the company but retaining the generation function.⁴⁹

Water

Water in Blantyre is provided by the Blantyre Water Board. About 80% of the city's population has access to the water supply. The total capacity of piped water is 86,000 cbm/day, against a total demand of 63,100 cbm/day. Despite this, the Water Board just barely copes with the current demand, especially in the dry season. Since Blantyre is located on a hill, the water must be pumped uphill through a system that is old and susceptible to frequent breakdowns. Furthermore, leaking pipes can lose up to 50% of the water carried. These deficiencies create problems for businesses in the city.⁵⁰ The Government is working on reforming the water sector and encouraging private sector participation. For a schedule of water tariffs, see MIPA's website: http://www.malawi-invest.net/business_opp_costs_water.html.

Telecommunications

The fixed-line provider is Malawi Telecommunications Ltd. In late 2005, it was taken over by a consortium led by Press Corporation Ltd, which formed a special-purpose vehicle, Telecom Holdings Limited (THL), to do so. The state retains a 20% holding in MTL.⁵¹ As Table II.9 below indicates, there has been some growth in the number of fixed lines since 2003. The compound annual growth rate (CAGR) over the period 2003-2008 was nearly 16% (Table II.9). A second fixed line license was issued in 2007 to Access Communications, a domestic enterprise. The main growth in telecom access in Malawi, however, has come from mobile operators.

⁴⁷ Raheem, Zaki, *Assessing Infrastructure Constraints on Business Activity in Blantyre*, Malawi, April 2009.

⁴⁸ Ibid.

⁴⁹ Privatisation Commission, *Electricity Supply Industry Reforms*, http://www.privatisationmalawi.org/index.php?option=com_content&task=view&id=70&Itemid=151, date accessed May 2010.

⁵⁰ Nakagawa, et al, *Foreign Direct Investment in Blantyre: Opportunities and Challenges*, April 2009.

⁵¹ For further details, see the Privatisation Commission's website: http://www.privatisationmalawi.org/index.php?option=com_content&task=view&id=137&Itemid=158, date accessed May 2010.

⁵² 'G-Mobile signs contract with China's ZTE to roll out network, partners with Alliance Media,' *Nyasa Times*, December 11, 2009.



As Table II.10 shows, the CAGR over the period 2003-2008 was nearly 68%, with there being over ten times as many mobile subscribers as fixed-line ones! There are two mobile operators, Zain (formerly Celtel), now owned by Bharti Airtel of India, and Telekom Networks Malawi, which is Malawian-owned. The Government awarded a license to a third mobile operator, Global Advanced Integrated Networks Limited (GAIN), known as G-Mobile, in March 2009.⁵² G-Mobile is expected to roll out its services soon. There are also several Internet Service Providers (ISPs).

52 'G-Mobile signs contract with China's ZTE to roll out network, partners with Alliance Media,' *Nyasa Times*, December 11, 2009.

Table II.9. Fixed telephone lines in Malawi, 2003-2008

In thousands		CAGR ^a (%)	Per 100 inhabitants		CAGR ^a (%)
2003	2008	2003 - 08	2003	2008	2003 - 08
85.0	175.0	15.5	0.66	1.18	12.4

Table II.10. Mobile cellular subscribers in Malawi, 2003-2008

In thousands		CAGR ^a (%)	Per 100 inhabitants	Percent digital	Ratio of mobile subscriptions to fixed lines
2003	2008	2003 - 08	2008	2008	2008
135.1	1,781.0	67.5	12.0	100.0	10.2:1

Table II.11. Internet subscribers and users in Malawi, 2008

Subscribers in thousands	Subscribers per 100 inhabitants	Users in thousands	Users per 100 inhabitants	Broadband subscribers in thousands	Broadband subscribers per 100 inhabitants
105.0	0.71	316.1	2.13	3.4	0.02

^a Compound annual growth rate.

Source: The source for all three tables above is the International Telecommunication Union, <http://www.itu.int/ITU-D/ict-eye/Indicators/Indicators.aspx#>, date accessed May 2010.

Transport ⁵³

Transport infrastructure is critical to investors. It is especially critical if the investment is export-oriented. As one might imagine, this is an issue of much concern to a landlocked country like Malawi. Quite apart from improving its own transport network, some of which is in good shape, Malawi needs to worry about the condition of the network in its neighbors like Mozambique and Tanzania.

53 This section draws on a two-volume *Diagnostic Trade Integration Study* by the World Bank (2002 and 2004). The second volume includes a chapter on the transport sector.

54 Ibid, Volume 1.

Roads

Roads are the primary mode of transport in a country with an overwhelmingly rural population. In addition to the roads mentioned in Table II.12 below, there are said to be a further 10,000 km of non-gazetted roads in Malawi. The main roads (including the secondary and urban roads) are surfaced and for the most part in good condition. The district/feeder roads are unsurfaced and in poor condition – especially during the rainy season. Since the National Road Authority (NRA) was set up in 1998, there has been much improvement in the road network, although access to rural areas is still very limited.

According to a World Bank report in 2004,⁵⁴ domestic transport rates in Malawi were about 6.5 to 7.5 US cents per ton/km, while comparable rates in South Africa and Zimbabwe were about 2 US cents per ton/km on trunk roads and 3.5 US cents on rural roads. A number of factors contribute to high domestic transport costs in Malawi. These include road conditions, restrictions on foreign haulers carrying loads within Malawi, the setting (in effect) of freight rates by the Road Transport Operators Association, and taxes on imported trucks and spare parts, which include not only import duties but also a 20% surtax. In addition, transport services are themselves subject to a surtax of 20%.



Table II.12. The road network in Malawi

Road class and type	Length (km)
Main / secondary roads	6,482
Tertiary roads	4,121
District roads	3,500
Urban roads	1,348
Total all roads	15,452

Source: World Bank, Malawi: *Diagnostic Trade Integration Study*, Volume 2 (Draft), Chapter 3, Transport Sector, <http://www.malawi.gov.mw/Trade/Home%20%20Trade.htm>, December 2002.

Table II.13. Road tariff rates from Johannesburg to Blantyre/Limbe (in ZAR^a)

Descriptor	Tariff in ZAR
Full loads (break-bulk 28 tons) per load	28,000
1 x 12 cbm container - gross mass 28 tons - net 24 tons	28,000
1 x 6 cbm container (up to 14 tons gross)	14,500
Part loads per 1000 kg or 2 cbm which ever yields greater	1,110
Minimum per consignment	750
Local collection within a 30-km radius from warehouse per 1000 kg or 2 cbm - minimum 1 ton	265
Documentation per consignment	265

Source: MIPA, *Investor's Guide to Malawi*, 2007.

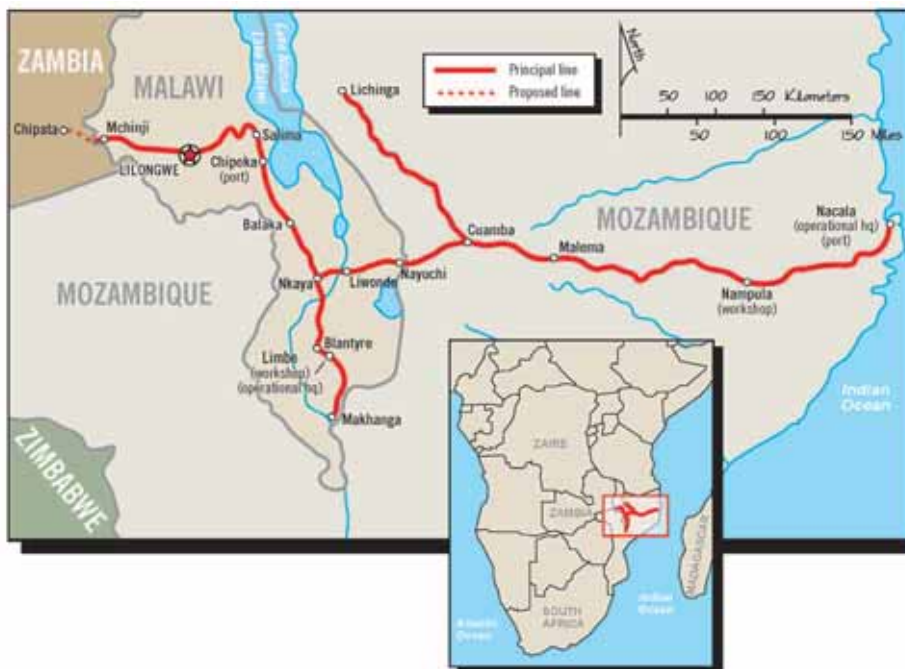
^a In April 2010, the exchange rate for the South African rand was approximately ZAR 7 = USD 1, <http://www.un.org/Depts/treasury/>.

Railways

Railways used to be the principal carrier of Malawi's exports and imports before the civil war in Mozambique badly damaged the lines to the Mozambican ports of Beira and Nacala in the mid 1980s. Mozambique is now at peace and the route to Nacala is again functional, though not without significant problems of insecurity and inefficiency.

Malawi's railway network extends from the Zambian border in the west to connections with Mozambique's Nacala Corridor to the east and its Beira Corridor to the South (see Figure II.1 below). It is a narrow gauge line with a 1.067 meter gauge. Malawi Railways granted a concession in 1999 to a consortium led by the Railroad Development Corporation (RDC), a US railway investment and management company. The consortium, Corredor de Desenvolvimento do Norte (CDN), formed the company Central East African Railways (CEAR) and began operations on December 1, 1999. It then won the concessioning of Mozambique's Nacala Port and Railway in January 2005, which was to lead to the commercial and operational integration of the corridor. However, in September 2008, RDC sold its interest in CDN to the Mozambican investor group INSITEC. Now the Nacala Corridor which includes CEAR will be managed and operated entirely by Mozambican investors.

Figure II.1. Malawi's railway network and its link to Nacala in Mozambique



Source: Railroad Development Corporation (RDC), http://www.rrdc.com/op_malawi_ceil.html and http://www.rrdc.com/images/map_cdn_ceil_print.pdf, date accessed November 2010.

Table II.14. Malawi Railways: Operating statistics as of 31 December 2008

Length in km	Length in miles	Annual tonnage	Locomotives	Wagons	Major traffic flows
797	495	220,000	19	403	Maize Containers Fuels Fertilizer Cement Tobacco Sugar

Source: Railroad Development Corporation (RDC), http://www.rrdc.com/op_malawi_cear.html, date accessed August 2010.

The problems with the Nacala port, which is the cheapest port for Malawi to access, are many. Apart from bureaucratic inefficiencies in handling cargo, there is also the fact that Nacala is not on the usual international shipping routes. Unless the shipment is large enough to justify the cost of making a special call at Nacala, the goods would disembark at Durban (South Africa) or Maputo (Mozambique) and then be trans-shipped expensively on coastal vessels. Tobacco is now mostly sent by road to South Africa. When sugar also has to be sometimes transported by road to Beira, the costs can rise by 50%.

Basically, most of the serious problems that investors in Malawi face when using rail transport are not within Malawi but outside it, in the routes connecting Mozambican ports with Malawian end-of-line points.



Waterways

There are 10 major anchorages and 4 ports along Lake Malawi within Malawi, two major anchorages in Mozambique, and one port in Tanzania, all of which are commercially operational. Nkhata Bay is the busiest port in Malawi in moving both passengers and goods.

The facilities at most of the ports consist of goods sheds, passenger waiting rooms, mobile cranes, forklift trucks, fitting shops and finger jetties. There is also a floating dry dock at Monkey Bay and a gantry crane at Chilumba. There are a total of 15 registered large commercial vessels on Lake Malawi and over 3,000 registered small-motorized vessels. Most of the commercial vessels are in a good condition.

Lake transport is provided by the privately operated Malawi Lake Services, which provides both freight and passenger services covering all the main ports on Lake Malawi, including Chilumba, Likoma Island, Nkhata Bay, Chipoka, and Monkey Bay. Freight transport on Lake Malawi is still in its infancy. The main reason for this is that shipment and handling times are excessive in comparison to other modes. Multi-handling of goods also increases losses, damage and overall costs.

An important water transport project that is currently under preparation is the Shire-Zambezi Waterway Project – see Box II.3 below.



Box II.3. The Shire-Zambezi Waterway Project

In 2005, the Government of Malawi submitted a concept paper on the Shire-Zambezi Waterway project to the New Partnership for Africa's Development (NEPAD), which has identified infrastructure development as one of the major parameters for economic growth and poverty reduction in Africa.^a The project was submitted to NEPAD through the regional economic community, SADC. The initiative is spearheaded mainly by COMESA under the tripartite framework of COMESA/SADC/EAC. In 2007, Malawi, Mozambique and Zambia signed a Memorandum of Understanding on developing the project. As of September 2010, the African Development Bank is processing a grant for a feasibility study. (A pre-feasibility study, sponsored by the European Union, has been completed.)

The Shire-Zambezi waterway was successfully used as a transport waterway beginning in the late 19th century until the disruption caused by the civil war in Mozambique that lasted from the mid-1970s to the early 1990s. The project aims at reopening the waterway from the inland port of Nsanje in Southern Malawi to the Indian Ocean Port of Chinde in Mozambique, a distance of approximately 238 kilometers. This will enable barges and medium-sized sea-going vessels to ply between Chinde and Nsanje, thereby providing Malawi with direct waterway access to the Indian Ocean. In addition, the project will provide a multi-modal inland transport linkage for Malawi, reduce the burden of road maintenance by diverting a substantial amount of traffic from the roadway to the waterway, and reduce the costs of goods and services in landlocked countries like Malawi and Zambia by as much as 60 per cent.

The costs of the project have been variously estimated at between USD 4 and 6 billion. The project entails, among other things:

- the construction of a port at Nsanje in Malawi and the expansion and modernization of the port of Chinde in Mozambique,
- the dredging and conversion of the Shire-Zambezi waterway into a modern canal,
- the rehabilitation and upgrading of the railway line from Nsanje through Blantyre, Lilongwe and Mchinji to Chipata on the Zambian border,
- the construction and rehabilitation of the road from Salima through Lilongwe and Mchinji to Zambia,
- the construction and rehabilitation of the road from Nkhatabay through Mzimba into Zambia, Rwanda and Burundi, and
- the construction of the road from Nsanje through Chiromo to Thyolo.

The project has moved very slowly over the past five years, perhaps understandably given the involvement of several governments. Some things have been done, however – for example, the construction of a port at Nsanje has been nearly completed.

Sources: Various, including the Government of Malawi, *The Development of the Shire-Zambezi Waterway Project*;

"Mozambique officially dumps Bingu's Shire-Zambezi waterway," *Nyasa Times*, November 23, 2009; Engineering News Online, <http://www.engineeringnews.co.za/topic/shirezambezi-waterway>; and TradeInvest Africa, http://www.tradeinvestafrica.com/investment_opportunities/884991.htm, date accessed August 2010.

^a NEPAD is an African Union program, meant to develop and implement an integrated socio-economic development framework for Africa. For more information, see http://www.nepad.org/AboutNepad/sector_id/7/lang/en, date accessed August 2010.

Air transport

Malawi's landlocked location increases the significance of air transport. It is in effect the only mode of transport for foreign visitors to the country, of whom Malawi wishes to attract many more. The fact that there are no direct flights to Blantyre from Europe reduces the potential attraction of the country for tourists.

Malawi has four international airports; two major airports at Lilongwe and Chileka (Blantyre) and two minor airports at Mzuzu and Karonga. In addition to these international airports, there are a further 19 registered airfields in Malawi, of which 4 are privately owned. There are also at least 10 known unregistered airfields throughout Malawi. Air Malawi is a state-owned airline that flies to London and Dubai, in addition to a number of regional destinations such as Johannesburg, Dar es Salaam and Nairobi. It also operates some 60 domestic flights a week. The Government instructed the Privatisation Commission in March 2007 to restart the privatization of Air Malawi and a proposal received from COMAIR Ltd of South Africa was under discussion for quite some time.⁵⁵ However, by early 2010, the Government had announced that privatization plans had been shelved, at least for now. Other airlines that fly to Blantyre include Air Zimbabwe, Ethiopian Airlines, Zambezi Airlines, Kenya Airways and South African Airways.

According to the aforementioned 2004 World Bank study, cost is a major contributor to the lack of adequate air freight services in Malawi. Landing fees, maintenance fees and aviation fuel all cost more than elsewhere. In addition, all air cargo is required to pay Air Malawi a 4% royalty. The upshot is that the average cost for a small aircraft to fly into and out of Malawi is about USD 370, as against USD 85 in Mozambique. Malawi's cut flower exporters pay 20-30% more for air freight to Europe than their counterparts in neighboring countries.

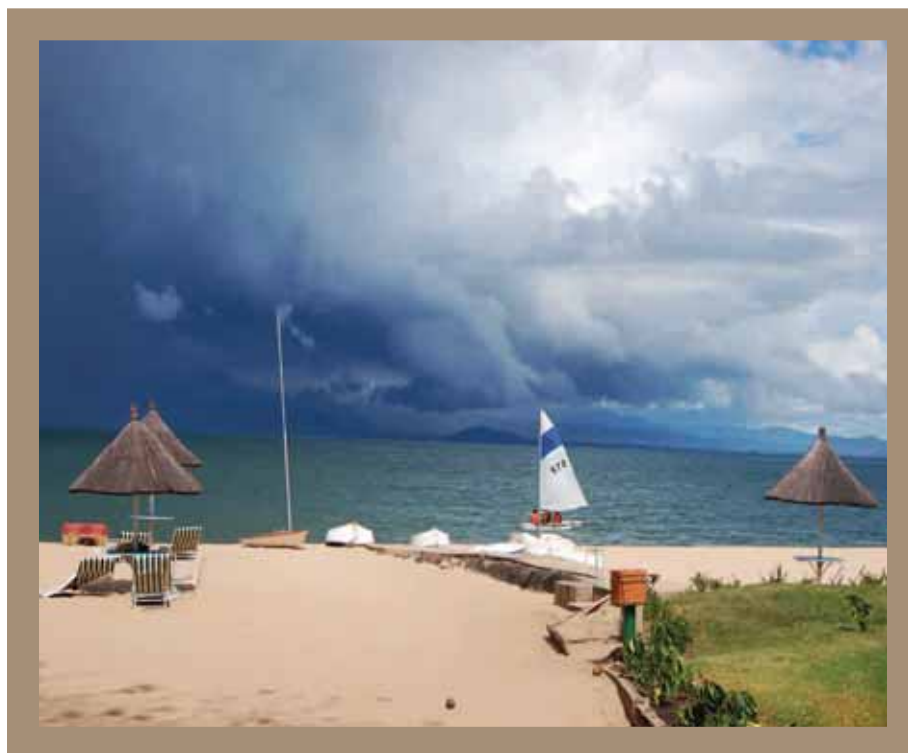
⁵⁵ See the Privatisation Commission's website: "Air Malawi Limited," http://www.pcmalawi.org/index.php?option=com_content&task=view&id=64, date accessed April 2010.



Table II.15. Transport rates per container from point of origin to Blantyre (in USD)

Point of origin	Via Nacala		Via Beira	
	20-ft	40-ft	20-ft	40-ft
China				
• Central Shanghai	3,430	6,645	3,505	6,798
• South Guangzhou	3,390	6,545	3,455	7,168
• Xiamen	3,430	6,745		
Dubai	2,734	5,283	2,930	5,708
Hong Kong	2,950	5,680	3,025	5,838
India				
• Mumbai	2,734	5,283	2,930	5,780
• Calcutta	3,290	3,580		
Japan	3,530	6,945	3,650	7,098
Continental Europe:	3,125	6,130	3,155	6,260
• Antwerp/Hamburg/Rotterdam	3,125	6,130	3,155	6,260
Taiwan: Keelung	2,950	5,680	3,025	5,838
UK: Tilbury/Felixstowe	3,125	6,130	3,155	6,280

Source: MIPA, *Investor's Guide to Malawi*, 2007.



The financial sector

The Reserve Bank of Malawi is the central bank and is responsible for banking supervision. Over the past decade or so, the financial sector has undergone reform and liberalization. Interest rates are set by the market. Exporters are allowed to operate foreign currency denominated accounts in authorized banks, with some restrictions. The number of commercial banks has increased from two to nine. The Malawi Stock Exchange (MSE) has been in existence since 1994 but started equity trading in November 1996, when it first listed the National Insurance Company Limited (NICO). The regulatory legislation of the Stock Exchange will be the Securities Act, now in draft form awaiting parliamentary approval.

The commercial banking sector in Malawi is comprised of leasing companies, finance companies, development institutions, savings banks and insurance companies. Financial sector reform has led to the entry of a number of foreign companies into the banking sector. Foreign banks, which may own a 100% stake in their Malawian subsidiaries, include the Standard Bank of Malawi and Nedbank Malawi, both of South Africa.

Table II.16. Overview of the financial sector in Malawi

Commercial banks	10
Discount houses	2
Leasing companies	1
Savings banks	1
Microfinance institutions	15
Insurance companies	1
Majority state-owned commercial banks	2
• percentage of commercial bank assets	35%
Majority foreign-owned commercial banks	6
• percentage of commercial bank assets	46%
Asset share of the two largest banks	58%
Deposit share of the two largest banks	59%
Net income of the two largest banks	71%

Source: Adapted with modifications from Nakagawa, et al., *Foreign Direct Investment in Blantyre: Opportunities and Challenges*, April 2009, with updates in early 2010.

Unfortunately, despite the presence of numerous banks in the country, access to credit continues to be difficult, especially for small and medium-sized domestic enterprises. Interest rates on bank loans (see Table II.17 below) are now much lower than they used to be but still remain higher than elsewhere in southern Africa, especially in South Africa. The 91-day Treasury Bill yield was 7.27% in April 2010, with 182- and 273-day rates being 11.08% and 10.21% respectively.

Table II.17. Commercial banks' interest rates, March 2010

(Stanbic Bank and National Bank of Malawi average)

Category	Rate (in %)
LENDING	
Minimum lending rate	19.63
Maximum lending rate	27.00
SAVING DEPOSITS	
Savings rate	2.75
Savings plus	1.00
SHORT TERM	
7 day call deposit rate	2.63
30 day call deposit rate	3.63
TIME DEPOSITS	
2 months deposit rate	3.75
3 months deposit rate	3.00

Source: Adapted from the Reserve Bank of Malawi,
<http://www.rbm.mw/data/findata/index.asp?content=cbir>, date accessed April 2010.



Human resources

More than half of the population in Malawi is of working age and unskilled labor is plentiful. Skilled and semi-skilled labor is not. Occupational categories with skills shortages include accountants, engineers, school teachers, lawyers, and doctors and nurses. The University of Malawi offers bachelor's and master's degrees in engineering, medicine, education and agriculture, among other subjects. There are also the Malawi College of Accountancy and the Chancellor College, which teaches law. The Government has also set up a Technical, Entrepreneurial and Vocational Education and Training (TEVET) program.⁵⁶

Labor costs in Malawi for unskilled labor are the lowest in the region – see Table II.18 below. Malawi's monthly wage of USD 32 for an unskilled worker matches that paid to unskilled workers in India and China.⁵⁷ The labor force is hardworking, trainable and, at least in urban areas, English-speaking. The trainability needs to be stressed. A World Bank study in 2006 found that firms that did offer formal training were 60% more productive than those that did not.⁵⁸ This increase in productivity corresponded to an increase in worker remuneration by 20–30%.

⁵⁶ Government of the United States, Department of State, 2007 Investment Climate Statement – Malawi, <http://www.state.gov/e/eeb/ifd/2007/80721.htm>, date accessed December 2009.

⁵⁷ MIPA, *Investor's Guide to Malawi*, 2007.

⁵⁸ World Bank, *Malawi Investment Climate Assessment*, August 2006.

⁵⁹ DLA Piper, *Report on the Regulatory Framework for Foreign Direct Investment: Malawi*, December 2007.

Table II.18. Median monthly remuneration in USD, 2006

Category	Zambia	Tanzania	S. Africa	Malawi	Kenya	Uganda
Managers	358	217	2,087	349	376	139
Professionals	360	186	1671	257	138	78
Skilled	83	83	555	78	87	43
Unskilled	42	57	293	32	115	45

Source: Adapted from MIPA, *Investor's Guide to Malawi*, 2007, drawing on World Bank, August 2006.

Labor issues are governed by the Employment Act of 2000, which is administered by the Labor Commissioner. Complaints alleging the infringement of rights under the Employment Act are heard by the Industrial Relations Court. If a complaint is shown to be well-grounded, the Court may order reinstatement, the restoration of a benefit or advantage, or the payment of just compensation. In practice, because of a lack of resources and a two-year case backlog, this body is not very helpful in resolving disputes. Moreover, the IRC lacks the resources to monitor a case after a decision is made.⁵⁹

The law requires that employers provide employees with a written contract, which is transferable from one employer to another if the business is sold or transferred. Upon termination of employment by mutual agreement or unilaterally by the employer, an employee is entitled to receive severance pay, currently two weeks'

wages for each year of service if employed less than 10 years, and four weeks' wages for each year of service if employed 10 years or more. Employers may not terminate workers for actions in keeping with the Employment Act, such as filing a complaint.⁶⁰

⁶⁰ Ibid.

⁶¹ Ibid.

Employers must provide workers with fifteen days of paid vacation per year if the employee works five days a week, and eighteen days of paid vacation if he or she works six days a week. Workers with one year of service are entitled to at least four weeks of sick leave at full pay, or eight weeks at half pay, each year. Female employees are entitled to at least eight weeks of maternity leave at full pay every three years. An employer who terminates a worker because of pregnancy is guilty of an offense punishable by a fine of MWK 20,000 (approximately USD 142) and imprisonment for five years.

Expatriate workers

An investment of USD 50,000 entitles a foreign company to one business residence permit (BRP) and one temporary employment permit (TEP), on the payment of appropriate application and issuance fees. The total fee for one TEP is USD 1,000. To hire additional expatriates, the employer is required to demonstrate that the position has been advertised in Malawi and that no local candidate was satisfactory. The employer's application needs to be accompanied by the applications of all Malawians for the position. The process is cumbersome and time-consuming. Although it is supposed to be completed within 40 days, four months are often required.⁶¹



Health⁶²

Health is a concern where the workforce is concerned, as Malawi has suffered from high rates of HIV/AIDS. The first case of AIDS was diagnosed in Malawi in 1985 and the Government started monitoring HIV prevalence in the late 1980s. At the start of this surveillance, the prevalence of HIV among women attending antenatal clinics was approximately 2%; ten years later, by 1998, it was 26%. Although urban residents were the most affected at first, rural areas did not lag too far behind. Today, over a million Malawians are living with HIV/AIDS. The epidemic has also created a large number of orphans, perhaps half a million in a total population of 13 million in 2008.

The National HIV and AIDS Action Framework (NAF) is guiding the national response for the period 2005-2009. Its goal is to prevent the spread of HIV infection among Malawians, provide access to treatment, and mitigate the health, socio-economic and psycho-social impact of HIV and AIDS on society. Progress is being made on a number of indicators, as shown in Table II.19.

⁶² This section draws on the Government's *Malawi HIV and AIDS Monitoring and Evaluation Report 2007*, February 2008.

Table II.19. Progress on HIV/AIDS in Malawi

Indicator	2005	2007	2010 target
HIV prevalence among pregnant women aged 15-24 years of age	14.3%	12.3%	12.0%
Percentage of people aged 15-49 years of age who are HIV infected	14.2%	12.0%	12.8%
Percentage of sexually active population using condoms at last high-risk sex	Males: 47.0%	57.0%	60.0%
	Females: 30.0%	37.5%	40.0%
Percentage of HIV+ pregnant women and their infants receiving a complete package of prevention-of-mother-to-child-transmission services	5.4%	26.0%	65%
Number of HIV testing and counseling sites (integrated and stand-alone)	250	351	600
Number of orphans attending school	439,405	461,621	-

Source: Government of Malawi, *Malawi HIV and AIDS Monitoring and Evaluation Report 2007*, http://data.unaids.org/pub/Report/2008/malawi_2008_country_progress_report_en.pdf, February 2008.

Doing business in Malawi

63 World Bank,
International Finance
Corporation (IFC),
Doing Business 2010:
Malawi, 2009.

The International Finance Corporation (IFC), the private-sector arm of the World Bank, regularly carries out surveys of the investment climate in most countries of the world, investigating regulations that promote business activity and those that constrain it. These investigations deal with such topics as starting a business, registering property and paying taxes. The tables presented below are adapted from the most recent report on doing business in Malawi⁶³ by the World Bank and the IFC. The broader 2010 study covered 183 countries. The countries selected as comparators in the tables below were selected by the report. All except Namibia are in Southeastern Africa.

The annual *Doing Business* reports also take note of countries undertaking significant reforms. According to the report cited below, in 2009, Malawi introduced a law limiting liquidator fees during insolvency procedures and implemented a risk-based inspection regime and a post-destination clearance program for preapproved traders, which has shortened the time for clearing goods.

The first table below deals with *registering property*, based on a property valued at MWK 2,088,811 (about USD 14,000) in Blantyre. Rwanda has the fewest procedures, but Malawi is fairly close. More important is how long it takes to go through these procedures and here Malawi does badly, with the longest duration in the group. On the other hand, Malawi does better than all except Rwanda when it comes to cost.

Table II.20. Registering property in Africa

Country	Procedures (number)	Duration (days)	Cost (% of property value)
Kenya	8	64	4.2
Malawi	6	88	3.2
Mozambique	8	42	11.3
Namibia	9	23	9.6
Rwanda	4	60	0.5
Tanzania	9	73	4.4
Uganda	13	77	3.5

The next table deals with the *effective tax* that a medium-sized company in the second year of its business would be required to pay, including corporate income tax, turnover tax, labor contributions, property and property transfer tax, dividend tax, capital gains tax, fuel tax, stamp duty and so forth, less the standard deductions and exemptions.

Note that Malawi has the least number of payments and the lowest total tax rate - with the striking exception of Namibia. In the time taken in hours, Malawi does much better than Namibia (and Kenya) but worse than all the others.

Table II.21. Paying taxes in Africa

Country	Payments (number)	Time (hours)	Total tax rate (% profit)
Kenya	41	417	50.9
Malawi	19	292	31.4
Mozambique	37	230	34.3
Namibia	37	375	9.6
Rwanda	34	160	33.7
Tanzania	48	172	45.1
Uganda	32	222	34.5

Contract enforcement is an important part of the business environment in any country. The case on which the following table is based involves a dispute between two businesses, located in the country's most populous city, in which the seller sues the buyer. The efficiency of contract enforcement is measured by the number of procedures, the time (in days) and the cost in court and legal fees (as a percentage of the amount at stake). Malawi has more procedures than any other country in the table. But again Malawi does much better when we consider how long it takes to go through these procedures: it is better than all other countries except Rwanda and Namibia. On the other hand, it very nearly ties for last place with Mozambique when it comes to the cost of enforcement, well over the value of the claim itself.

Table II.22. Enforcing contracts in Africa

Country	Procedures (number)	Duration (days)	Cost (% of claim)
Kenya	40	465	47.2
Malawi	42	432	142.4
Mozambique	30	730	142.5
Namibia	33	270	35.8
Rwanda	24	260	78.7
Tanzania	38	462	14.3
Uganda	38	510	44.9

Source: The source for all three tables above is the World Bank and IFC's *Doing Business 2010: Malawi*, 2009.

5. Blantyre as an investment location: A summary for investors

64 See Chapter I under The region and Markets for investors for details.

<p>Strengths</p> <ul style="list-style-type: none">• Stable multi-party democracy in Malawi, with a development-oriented Government• No violent conflicts or serious ethnic tensions• Access to a business-friendly environment and a low-cost English-speaking workforce in Blantyre• Preferential access to foreign markets under COMESA, SADC, EBA and AGOA⁶⁴	<p>Opportunities</p> <ul style="list-style-type: none">• Cotton and textiles• Agro-processing, for domestic and regional markets, in:<ul style="list-style-type: none">• cassava• pigeon peas• groundnuts (peanuts)• chilies• tea• Tourism• Mining
<p>Weaknesses</p> <ul style="list-style-type: none">• Landlocked country with poor rail links to nearest ports• Domestic infrastructure constraints, especially in electricity and rural roads• Low-skill workforce	<p>Threats</p> <ul style="list-style-type: none">• High HIV prevalence rates



AS THE COMMERCIAL CAPITAL OF MALAWI, BLANTYRE HAS LONG ATTRACTED POSITIVE INTEREST FROM EXISTING AND NEW ENTREPRENEURS, ESPECIALLY MANUFACTURERS. THE FAVORABLE POLICIES AND INCENTIVES BEING DEVELOPED AND IMPLEMENTED BY THE STATE AND CITY GOVERNMENTS HAVE BEEN OF GREAT HELP. A FURTHER ADVANTAGE FOR INVESTORS, PARTICULARLY FOR LABOR-INTENSIVE PROJECTS, IS ACCESS TO A LARGE AND TRAINABLE WORKFORCE WITHIN A 50 KM RADIUS OF THE CITY. MY OWN COMPANY, WHICH HAS BEEN DOING BUSINESS IN BLANTYRE FOR NEARLY 30 YEARS, PLANS TO ENHANCE CAPACITY BY 100% OVER THE NEXT TWO YEARS, TO SERVE THE GROWING LOCAL AND EXPORT MARKETS.

K.K. Desai, Chair, Knitwear Industries Limited



III. TAXES AND LAWS

1. Taxation in Malawi⁶⁵

Generally, all types of business and personal income are taxable in Malawi. The legal basis for taxation in Malawi is primarily the Taxation Act of 2008. Other relevant laws are the Customs and Excise Act of 1969 (with subsequent amendments) and the Value Added Tax (VAT) Act of 2005. The Government is conducting a comprehensive tax review to make the system more conducive to investment without compromising its ability to generate revenue.

The income tax is comprised of tax on profits, Pay As You Earn (PAYE) or payroll tax, fringe benefits tax, and non-resident tax.

The following sources of income are taxable:

- Gains and profits from trade and business
- Gains and profits from employment
- Dividends and interest
- Rents and royalties
- Pensions, annuities, or other periodic payments
- Fringe benefits

Losses can be carried forward for up to six years, except for manufacturing, mining and agriculture, where they may be carried forward indefinitely.

- Customs and Excise Taxes are comprised of import duties, value-added tax, and excise tax.

Direct taxes

Corporate tax

The corporate tax rate for resident companies is 30%; for non-resident companies it is 35%. A company qualifies as resident if it is registered and incorporated in Malawi. Tax is levied only on Malawi-sourced income.

A foreign tax credit is allowed against income taxed in both Malawi and another country, subject to satisfactory evidence.

The 2010-2011 budget included a statement by the Minister to the effect that the Government expects to reduce the corporate tax in the medium term, so as to make Malawi an internationally competitive location.⁶⁶

⁶⁵ This section draws upon MIPA, *Investor's Guide to Malawi*, 2007 and upon Deloitte, *International Tax: Malawi Highlights*, http://www.deloitte.com/dtt/cda/doc/content/dtt_tax_high-light_malawi.pdf, January 2008. Further details may be sought from the Malawi Revenue Authority (contact details in Appendix B).

⁶⁶ Government of Malawi, Minister of Finance, 2010/11 *Budget Statement*, read in Parliament on 28 May 2010.

Personal income tax

The income of individuals derived from wages and salaries is taxed through PAYE, according to a graduated scale with rates from 0 to 30%. PAYE is deducted and remitted on a monthly basis by employees along with a tax return. In the 2009-2010 budget, the Minister of Finance raised the PAYE threshold to MWK 10,000 per month, effective as of 1 July 2009. The tax brackets on an *annual* basis are now as follows: first MWK 120,000 - 0%; the next MWK 36, 000 - 15%; and any excess over MWK 156, 000 - 30%. As with companies, tax is levied only on Malawi-sourced income. Non-residents, who must spend *less* than 183 days in Malawi in the tax year, are taxed at 15%.

The 2009-2010 budget also introduced a self-assessment scheme for large taxpayers with annual turnovers of MWK 200 million or more. In addition, it introduced a 2% turnover tax on gross receipts of businesses with annual turnovers between MWK 2 and 6 million. At the same time, it removed the VAT registration requirement from businesses in this bracket.

The 2010-2011 budget announced a number of mostly minor income tax changes.⁶⁷

Capital gains tax

Capital gains are treated as income and taxed accordingly. Gains resulting from a group reorganization will generally incur no tax if the ultimate ownership is unchanged.

Withholding tax

Dividends paid to a non-resident are subject to a 10% withholding tax. The rate may be reduced under an applicable double taxation treaty. On royalties and interest paid to a non-resident, the rate is 15%; if paid to a resident, the rate is 20%. This is a final tax and the recipient is not required to include the dividend in his taxable income.

Indirect taxes

Indirect taxes in Malawi include value-added tax, import duties and excise tax. Indirect taxes are levied on the consumption of certain goods and services.

Value-added tax

The VAT is levied both on goods and services produced domestically and on those that are imported. It was reduced to 16.5% from 17.5% in the 2008-2009 budget.⁶⁸ A zero rate applies to exports, fertilizer and agricultural machinery and vehicles. Most unprocessed agricultural products are exempted, as are banking services. The 2008-2009 budget also eliminated the VAT on construction and manufacturing machinery.

67 For details, visit the website of the Malawi Revenue Authority (MRA): http://www.mra.mw/forms/MRA_FORM4c454e307de2c.pdf.

68 See 2008-2009 Budget highlights: *What is there for investors?* on MIPA's website: <http://www.malawi-invest.net/budget.html>, and Malawi Revenue Authority, *Public Notice No. 10/2008: Change to the Customs and Excise Tariffs Order*, [Http://www.mccci.org/MRA%20Public%20Notice.Pdf](http://www.mccci.org/MRA%20Public%20Notice.Pdf), 23 May 2008.

The 2009-2010 budget removed the VAT on rail locomotives, aircraft engines, and spare parts, with a view to reducing transport costs within Malawi, improving access for rural people to markets and reducing maintenance costs in the locomotive industry.⁶⁹ It also extended for another year the exemption from both VAT and import duties of buses with a capacity of more than 45 passengers. The 2010-2011 budget, unveiled on 28 May 2010, introduced a number of administrative changes to the VAT.⁷⁰

Import duties

In the 2010-2011 budget, import duties on raw materials of the Harmonized System Chapter 28 and Chapter 29 were removed, in line with Malawi's ratification of both the SADC Free Trade Area and the COMESA Customs Union. On the other hand, intermediate and finished products saw a rise in tariffs. The aim is to boost local production and encourage regional trade. The full list of products on which tariffs have been changed is available on the website of the Malawi Revenue Authority (MRA).⁷¹ Various products are exempted from import duties – e.g., cell phones; insecticides; hessian sacks; specialist fishing equipment; capital equipment for industries related to water, electricity, telecommunication, mining, dairy-farming, export manufacturing, etc.

Excise tax

Excise tax is payable on a variety of goods, whether produced domestically or imported, which are regarded as luxuries or as involving a social cost to the country, e.g., beer, spirits, cigarettes and motor vehicles. The excise tax on cigarettes that contain 70% of Malawian tobacco was reduced in the 2008-2009 budget, in order to encourage value addition in tobacco. In the 2010-2011 budget, the excise duty on cigarettes was increased, out of a concern that cheap cigarettes from the neighboring region were flooding the market.⁷²

⁶⁹ Information regarding changes in indirect taxes introduced by the 2009-2010 budget is taken from the website of the Malawi Revenue authority: http://www.mra.mw/new_domestic.php and http://www.mra.mw/customs_tariff_amendments.php.

⁷⁰ Government of Malawi, Minister of Finance, 2010/11 *Budget Statement*, read in Parliament on 28 May 2010.

⁷¹ http://www.mra.mw/forms/MRA_FORM4c0c947be280a.pdf.

⁷² See preceding footnote.



2. Legal framework for investment⁷³

Law-making power in Malawi is vested in Parliament, which in effect means the National Assembly, for the Senate envisaged by the Constitution has not yet come into existence. Legislation passed by the National Assembly must be assented to by the Head of State, the President, to come into effect. The assent can be withheld only once; it is mandatory upon a repeat passage of the bill by the National Assembly.

The judicial system, as in many former British colonies, combines British common law and local customary law. British common law dominates the system, however, as the formal courts, which function in English, rely on it. Although the Constitution allows for “traditional or local courts” to be established, no legislation has been enacted to give effect to this provision. The traditional courts that existed during the regime of President Banda were abolished with the transition to a multi-party system in 1994.

Because of physical, financial and linguistic barriers, poor people and particularly women cannot in practice rely on the formal court system. They depend instead on assemblies governed by traditional leaders, traditional family counselors (*ankhoswe*), religious leaders, and the like. The most common disputes dealt with in these fora are about land, marriage, domestic violence, and chieftaincy.

The formal court system includes the Supreme Court of Appeals, the High Court and the Subordinate Courts. There are also some specialized courts: the Constitutional Court, convened on an ad hoc basis, and the Industrial Relations Court, mentioned above under Human Resources in Chapter II.4. The business environment. The Supreme Court hears appeals and rules only on matters of law. The High Court has jurisdiction to review laws and Government decisions, as well as to review decisions from the Industrial Relations Court. Subordinate Courts, also known as Magistrates’ Courts, have jurisdiction over corruption cases among others.

Foreign court judgments registered in accordance with established legal procedure in Malawi are enforceable. Foreign judgments originating in Commonwealth countries are enforceable without registration.

In general, the judiciary remains “independent of the influence and direction of any other person or authority,” as the Constitution requires. The main problems with the judicial system have to do with its lack of resources. Underfunding has meant a shortage of basic resources such as texts of legislation, law reports, typewriters, computers, and well-maintained buildings. Record-keeping is generally poor, manual and labor-intensive. The lack of resources has also meant that judiciary personnel do not have adequate training, whether professional or administrative.

⁷³ This section draws on DLA Piper, *Report on the Regulatory Framework for Foreign Direct Investment: Malawi*, December 2007. The introductory part draws also on AfriMAP and Open Society Initiative for Southern Africa, *Malawi: Justice Sector and the Rule of Law*, 2006.

Investment law

The primary legislation governing foreign investment in Malawi is the Investment Promotion Act of 1991. Also relevant is the Export Processing Zones Act of 1995. (For provisions on incentives, see also Chapter II.3. Incentives, EPZs and related matters.) The Act creates the Malawi Investment Promotion Agency (MIPA) - see Box III.1 below - and mandates it to “promote, attract, encourage, facilitate and support local and foreign investment in Malawi.” It delineates the membership of the governing body of MIPA and the functions of its chief executive. It also provides a broad outline of investment policy and specifies priority and restricted areas for investment. Among other matters touched upon are arbitration, export promotion, incentives and foreign exchange.

Box III.1. Malawi Investment Promotion Agency (MIPA)

MIPA was set up by the Investment Promotion Act of 1991 to “promote, attract, encourage, facilitate and support local and foreign investment in Malawi.” It is meant to be governed by a Board of Directors that has 11 members, five government officials, five private sector persons and one chief executive of a statutory body that is engaged in commercial operations, i.e., a state-owned enterprise. In view of MIPA’s proposed merger with the Malawi Exports Promotion Council (MEPC)* however, the board currently stands dissolved. The General Manager, who is responsible for administering MIPA and reports to the Board, is the chief executive of the Agency.

MIPA is a facilitating body, which assists investors in the start-up process and in acquiring the various approvals they need. It is also responsible for bringing investor concerns to the attention of the Government and for advising the Government on policies and regulations that bear upon investment. Among its regular activities is the annual updating and publication of an Investor’s Guide to Malawi. It is worth noting that the government intends to merge MIPA with the Malawi Export Promotion Council (MEPC), which was established in 1971 to promote exports of agriculture and manufactured goods from Malawi.

MIPA’s head office is in Lilongwe. There is also an office in Blantyre (contact details in Appendix B). The current General Manager is James Kaphwereza Banda. MIPA’s website may be found at <http://www.malawi-invest.net/>.

Source: Various sources, including MIPA and the Investment Promotion Act of 1991.

a This matter has moved slowly and it is unclear when (or if) the merger will take place.

Incorporation and exit

74 World Bank, International Finance Corporation (IFC), *Doing Business 2010: Malawi*, 2009.

To secure an investment certificate, which is required, an application must be made through MIPA, accompanied by an application fee of USD 200. It will be processed by MIPA but approved by an inter-ministerial Investment Approval Committee. If approved, an issuance fee of USD 800 will be charged for the certificate.

A foreign investor must invest at least USD 50,000 in order to be eligible for a Business Residence Permit (BRP). A BRP application requires application forms in duplicate, obtainable from MIPA's website, along with two passport-size photographs, a project proposal, police clearance from the last country of residence, and processing fees of MWK 10,000 (about USD 70). Upon approval of the BRP application, the investor has to pay an issuance fee of MWK 500,000 (about USD 3,300). Special approvals from specific ministries may be needed in some cases; for example, FDI in tourism requires approval by the Ministry of Tourism.

On temporary employment permits (TEPs), see under Human resources in Chapter II.4. The business environment above.

The foreign company needs to be incorporated/registered in Malawi and to have a minimum of three local directors on its board. After incorporation, a foreign company is required to register its amount of capital inflow with the Reserve Bank of Malawi through a commercial bank in Malawi. It must also register with the Commissioner of Taxes for the payment of taxes and open a business account with a local commercial bank.

The World Bank's *Doing Business* report cited earlier provides a list of the steps required to start a business in Malawi.⁷⁴ Malawi's global rank in this category has dropped from 112 to 128 over the past several years, mainly because other developing countries have improved *their* performance. In Malawi itself, starting a business has actually become a good deal less expensive over the same period, with the cost dropping from 189% to 108% of the per capita income, although the number of procedures and the time they take to complete has remained much the same.

Note that the steps listed below are those for a domestic start-up in Blantyre with 10-50 employees; a new foreign business will have some others to go through. Procedures are recorded only where interaction is required with an external party. Voluntary procedures are not counted, nor are industry-specific requirements or utility hook-ups.

- Initiate a company name search.
- Submit application for a Certificate of Incorporation to the Registrar General, Ministry of Justice.
- Register for payment of income tax with the Malawi Revenue Authority.
- Obtain a company seal.
- File an application form to obtain a license from the City Assembly.
- Have premises inspected for the issue of the license.
- Pay license fee upon approval of license and obtain license.
- Apply for a registration of the workplace.
- Have premises inspected by the Occupational Safety, Health, and Welfare Department.
- Register for PAYE and fringe-benefit tax with the Malawi Revenue Authority by mail.

⁷⁵ "Minister" in the Act stands for the President.

Exit

A company winding up its business is required to pay all outstanding taxes and employee benefits and honor all regulatory requirements, as specified by the Registrar of Companies, such as filing details of the last board of directors, filing finalized statements and information on the status of employees, issuing a public notice, etc.

Priorities and restrictions

The Investment Promotion Act of 1991 specifies the following priority areas:

- Manufacturing.
- Agriculture.
- Mining.
- Fisheries.
- Tourism.
- Forestry.
- Such other productive sectors as the Agency may, from time to time, determine with the approval of the Minister.⁷⁵

The Act also specifies restricted industries, i.e., those requiring a special license. These are:

- Firearms, ammunition, and chemical and biological weapons.
- Explosives.
- Manufacturing involving hazardous waste treatment or disposal.
- Manufacturing involving radioactive material.

There are no general restrictions as to the percentage of equity a foreign investor may hold in a business, including companies being privatized.

Investment protection, investor treatment and dispute settlement

76 Chapter 4, Section 44.4.

Investment protection

Investors are protected from expropriation without due compensation by the Constitution, which says that:

77 DLA Piper, *Report on the Regulatory Framework for Foreign Direct Investment: Malawi*, December 2007.

“Expropriation of property shall be permissible only when done for public utility and only when there has been adequate notification and appropriate compensation, provided that there shall always be a right to appeal to a court of law.”⁷⁶

78 Ibid.

79 Ibid.

In addition, the Investment Promotion Act of 1991 assures investors that:

“The Government recognizes that the security of assets is of primary importance to investors. The Malawi Constitution and existing laws and regulations provide further assurance that investors’ assets are protected. In addition, the Government will actively pursue the process of concluding bilateral investment treaties with other Governments.”

Malawi is also a member of the Multilateral Investment Guarantee Agency (MIGA), which provides insurance against political risk. Expropriations have in fact been rare since the repeal of the Forfeiture Act in 1992.⁷⁷ There has been no case of expropriation in the past 10 years.

Expropriations of real estate are governed by the Land Acquisition Act of 1971, which requires the government to justify an expropriation as being in the public interest and to pay fair market value for the land. If the private landowner objects to the level of compensation, he may obtain an independent assessment of the land value. According to the Act, however, such cases may not be challenged in court; the Ministry of Lands, Housing, Physical Planning, and Surveys is the final judge.⁷⁸

Intellectual property

Malawi’s intellectual property legislation is generally consistent with such legislation elsewhere. The country has been a signatory to the Paris Convention for the Protection of Industrial Property (the “Paris Convention”) since 1964, the Nice Agreement Concerning the International Classification of Goods and Services since 1995, the Patent Cooperation Treaty (PCT) since 1978, the Locarno Agreement (concerning the international classification for industrial design) since October 1995 and the Strasbourg Agreement (concerning international patent classification) since July 1996. Malawi has been a member of the World Intellectual Property Organization (WIPO) Convention since 1970 and a member of the Berne Convention for the Protection of Literary and Artistic Works (the “Berne Convention”) since October 1991. Malawi became a member of and signatory to the World Trade Organization’s (WTO’s) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in May 1995.⁷⁹

The actual protection provided to the holder of a patent, copyright or trademark in Malawi is limited, as enforcement of intellectual property rights tends to be weak. In case of infringement, the patent, copyright or trademark owner or exclusive licensee can bring an action before the High Court of Malawi. Available remedies include the issuance of an injunction, an award of damages, and/or a court-ordered accounting of profits or inspection.⁸⁰

80 Ibid.

81 Ibid.

Investor treatment

While there is no legal guarantee of national treatment for foreign investors, Malawi's record has been positive in this regard. Additional assurance may be available through bilateral investment treaties (for list of current BITs, see Investment and tax treaties under Chapter II.3. Incentives, EPZs and related matters above).

Dispute settlement

As the Investment Promotion Act of 1991 puts it,

"The Government acknowledges that investors must have an acceptable forum to resolve disputes that cannot be settled amicably. Parties to disputes may agree to pursue arbitration and to choose an appropriate forum, including international arbitration. The Government is a member of the International Centre for the Settlement of Investment Disputes (ICSID)."

Members of ICSID must accept binding international arbitration of investor-state disputes if the contract between the investor and the state provides for arbitration. Malawi has also long had in place legislation on non-court modes of dispute settlement, including the Trade Disputes (Arbitration and Settlement) Act of 1952 and the Arbitration Act of 1968, to provide alternative means for resolving disputes and to ease the overburdened court system. These acts provide for the establishment of arbitration tribunals, the rules for fact-finding in commercial disputes, and the settlement of such disputes (including those involving essential services).⁸¹

The lack of commercial courts is, however, a weakness in the dispute settlement area.

Land

82 Ibid.

Malawi has a complex land tenure system that combines traditional laws and colonial laws. The 2002 Malawi National Land Policy is the country's first comprehensive policy on land matters. It classifies land into four kinds.

Government land: This is land owned by the Government and put to a national or other use at its discretion.

Public land: This is land held in trust and managed by the Government (or by traditional authorities) and accessible to the public at large, e.g., national parks.

Customary land: This is land falling within the jurisdiction of a recognized traditional authority, which has been granted to a person or a group and is used under customary law.



Private land: This is land held freehold.

The 2002 National Land Policy sets guidelines for leasing public land and customary land to investors. Potential investors must be able to develop the land and must protect the interests of citizens while doing so. A foreign investor is also subject to limits on the size of the individual parcels of land it may control in certain areas and for certain activities. Freehold tenure is no longer available to non-citizens. Existing foreign landowners (as of 2002) must apply for Malawian citizenship within seven years or partner with a Malawian in the ownership of land.

Non-citizens and foreign companies interested in acquiring land for industrial and commercial investment purposes may enter into renewable leasehold contracts for a term of 50 years or less, or a term determined on the basis of specific industry requirements for sensitive industries such as mining and forestry. Investors acquiring land for residential investment purposes may enter into a leasehold contract with a renewable term of 99 years. Foreign investors' leasehold rights may be revoked in order to implement expressed and implied development conditions.⁸²

Foreign exchange, etc.

Exchange controls are managed by the Reserve Bank of Malawi (RBM). The Exchange Control Act and the Exchange Control Regulations govern foreign exchange transactions in Malawi. Commercial banks act as authorized dealers and apply the regulations as agents of the RBM.

Investors do not generally find foreign exchange a problem. There are no restrictions on the remittance of foreign investment funds provided that the capital was obtained from foreign sources and registered with the RBM. Once an investment is registered, profit or dividend remittance approval may be obtained directly from a commercial bank, and need not be processed through the RBM. Subsequent remittances do not require further approval. However, transactions relating to royalties and technical and management fees do require approval, from the RBM.

Performance requirements

Malawi does not set performance requirements for establishing, maintaining or expanding foreign investment, such as export requirements, local hiring or material-sourcing requirements, and the like. Some incentives do depend on meeting certain conditions, as for example the special incentives for firms with EPZ status, which must produce *exclusively* for export. But this holds true for domestic as well as foreign firms. Finally, as noted above, hiring expatriates can be difficult and the process is seen by some foreign investors as in effect imposing a local-hiring requirement.



BLANTYRE REMAINS THE COMMERCIAL CAPITAL OF MALAWI, THE "WARM HEART OF AFRICA." IT OFFERS INVESTORS OPPORTUNITIES IN VARIOUS SECTORS, INCLUDING HOSPITALITY, AGRICULTURE, TRADING, AND TRANSPORT. NOT MANY CITIES IN AFRICA OFFER AS HIGH A RETURN ON INVESTMENT AS BLANTYRE. THIS LOCATION IS A MUST FOR ALL SERIOUS FOREIGN INVESTORS, WHO WILL FIND THAT IT HAS A POOL OF MALAWIAN ENTREPRENEURS READY TO PARTNER WITH THEM.

Jimmy Koreia Mpatsa, Chair, Mpatsa Holding Limited

IV. INVESTORS AND INVESTMENT CLIMATE

1. Investor assessment of the investment climate

This is a summary of investor opinions of Blantyre as an investment location. These opinions are usually solicited through a feedback workshop held in a Millennium City, at which a draft of the Millennium Cities Initiative (MCI) investors' guide is also discussed. For various reasons, such a workshop could not be held in Blantyre during the visit of the MCI's international consultant. The summary that follows is therefore based on answers to a questionnaire distributed by the MCI's local coordinator. Twenty one responses were received, eight from foreign-owned firms and 13 from domestically-owned firms.

What follows should be taken as no more than broadly indicative of investor opinion in Blantyre.

Attractions and drawbacks

Investors were asked what they saw as Blantyre's most attractive features as a place to do business in. The *infrastructure* in place, despite its imperfections, was mentioned as a serious advantage by an overwhelming majority of both foreign and local investors. The relative proximity of Blantyre to the Mozambique border and the ports in Mozambique was also mentioned in this context. Foreign investors saw the fact that Blantyre was the *commercial center* of Malawi and the region as equally important. Domestic investors agreed and also saw Blantyre as a major market. Foreign investors for their part saw it as a good source of a relatively educated and trainable workforce. They also mentioned the weather and the natural environment as positive aspects.

When it came to the major drawbacks of Blantyre, *inefficient utilities* ranked at the very top, followed by *roads*. Power and water are the main utilities with serious problems. Roads, especially feeder roads, were also of great concern to nearly all investors. Domestic investors were much concerned as well with poor city planning and the lack of enough industrial space.

The role of government

Most Malawian investors were generally satisfied with the performance of the government in areas that most affected business, such as licensing, processing and certifying. About half of all investors thought that the city should have a larger role in dealing with investors in these areas as well as in allocating land for commercial and industrial purposes. Quite a few also thought that more needed to be done to advertise Blantyre to attract more investment.

Although there were some mechanisms in place for business-government dialogue, difficulties in communication were not unknown. The performance of government departments was uneven and bureaucracy could be a problem.

Some specific points

There was very wide agreement that there had been progress in infrastructure in the past five years. The areas that had seen the most progress were *telecommunication* and *roads*.

Infrastructure areas that had seen the least progress were *electricity* and *water*. The main issue was a *lack of reliability*.

There had also been significant progress in human resources in the past five years. Progress was most noticeable in workforce *skills*. There had been less progress in workforce *attitudes*. Commitment and productivity were weak. Local investors in particular felt that formal qualifications were not necessarily indicative of the skills that industry needed.

The tax system had improved somewhat with respect to *levels of taxation*. It had not improved much when it came to *complexity*. Foreign investors were generally more positive than local ones in the matter of taxes, although both felt that the tax burden remained heavier than it should be. Foreign investors also complained of too many time-wasting audits.

Asked about a range of factors affecting the investment climate, foreign investors unanimously picked out governance issues - law and order and corruption. These were also a concern, though a somewhat smaller one, for domestic investors. The latter were most concerned about monopolies and market dominance, along with conflicts of interest generated by state-controlled firms that competed with the private sector. Monopolies were also a significant issue for foreign investors. Somewhat less important issues for them included difficulties in obtaining foreign exchange when needed, and the time and cost of business licenses and residence permits.

There was general agreement on the main opportunities for investment in and around Blantyre. Tourism came first, followed by commercial farming and agro-processing. The prospect of the Shire-Zambezi Waterway, which would give Malawi direct access to the sea, was seen by investors as a major plus for Blantyre, as compared to other cities in the region. Another plus was the ready availability of inputs for value addition in agro-processing.

Conclusion

Investors in Blantyre, both foreign and domestic, are upbeat about their city and its potential. They would like to see the city authorities take on more responsibility in dealing with investors and also do more to promote investment in the city. The most urgent need from their perspective is for a more reliable supply of water and power.

2. Foreign investors in Blantyre and in Malawi

These lists are not meant to be exhaustive.

Table IV.1. Foreign investors in Blantyre

SECTOR	Name of company	Major foreign ownership	Nature of business
MANUFACTURING			
	Dairiboard Malawi	Zimbabwe	Dairy production
	Bakhresa Grain and Milling	Tanzania	Milling
	Illovo Sugar Company	South Africa	Sugar making
	Bata Shoe Company	Switzerland	Footwear
	Unilever South East Africa	United Kingdom	Consumer products
	Great Lakes Cotton	United Kingdom	Cotton processing
	Sable Farming Company	United Kingdom	Macadamia nuts
TOURISM			
	Kairo International - Colony Club Casino	Gibraltar	Entertainment
	Protea Ryalls Hotel	South Africa	Hospitality
	Cine City Cinema	Zimbabwe	Entertainment
FINANCIAL SERVICES			
	NedBank	South Africa	Banking services
	Standard Bank	South Africa	Banking services
	Ecobank	Togo	Banking services
RETAIL TRADE			
	Game Stores	South Africa	Retailing
	Shoprite	South Africa	Retailing
	Pep Stores	South Africa	Retailing
	Entyre	South Africa	Tyres
	Chloride Batteries	Zimbabwe	Batteries

Source: Millennium Cities Initiative, 2010.

Table IV.2. Foreign investors in Malawi

SECTOR	Name of company	Major foreign ownership	Nature of business
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MANUFACTURING

	La Farge	France	Cement production
	Carlsberg	Denmark	Consumer products
	Chibuku Breweries	South Africa	Consumer products
	Coca Cola	United States	Consumer products
	British American Tobacco	United Kingdom	Consumer products
	Limbe Leaf Tobacco	United States	Tobacco processing
	Africa Leaf	Japan	Tobacco processing

INFRASTRUCTURE

	Broll Malawi	South Africa	Property management
	Shimuza	China	Construction
	Mota Engil	Portugal	Construction
	Barloworld Equipment	South Africa	Heavy goods vehicles

MINING

	Paladin Africa	Australia	Uranium
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INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

	Bharti Airtel	India	Mobile communications
	Multichoice Malawi Ltd	South Africa	Television services
	Malawi Telecom Ltd	Germany	Landline communications

TOURISM

	American Pirates Casino	South Africa	Entertainment
	Petroleum services BP Malawi	United Kingdom	Petroleum distribution
	Total Malawi	France	Petroleum distribution
	Petroda Limited	Tanzania	Petroleum distribution

FINANCIAL SERVICES

	Standard Bank	South Africa	Banking services
	CDH Limited	Mauritius	Investment management
	AON Malawi limited	United States	Insurance brokers
	Alexander Forbes Malawi	South Africa	Insurance brokers
	Real Insurance Company	Kenya	Insurance company

WHOLESALE TRADE

	CFAO Automotive	France	Auto dealers
	The Cold Chain	Zimbabwe	Wholesale trade

Source: Millennium Cities Initiative, 2010.

Appendix A.

List of domestic investors interested in foreign collaboration

The Blantyre firms for which contact information is provided below are interested in partnerships with foreign investors. Details about their activities and plans are available in a UNIDO report on investment opportunities in four cities covered by the Millennium Cities Initiative: *UNIDO's Contribution To MDGs: Millennium Cities Initiative (MCI), Investment Opportunities for Development*, United Nations Industrial Development Organization, Vienna, 2008.

The four cities covered by the UNIDO report are Kumasi, Ghana; Kisumu, Kenya; Akure, Nigeria; and Blantyre, Malawi. A fifth report profiling opportunities in Mekelle, Ethiopia was published by UNIDO in 2010 and is available from UNIDO by email at comfar@unido.org.

Profiles of the Blantyre companies are on pp. 101-134 of the report. The report is available at http://www.unido.it/eventi/italyafrica/MCI_investment_opportunities_for_development.pdf.

African Cotton Ginnery Ltd. P.O. Box No 5010 Limbe, Malawi	+265 1 844134 unicorn@malawi.net
Chilembwe Lodge Ltd. P.O. Box 30653 12 Chilembwe Road Chichiri, Blantyre, Malawi	+265 1 871699 / 871144 mikepmbewe@gmail.com
Crown Fashions Ltd. P.O. Box No 51063 Citrona Avenue, Limbe-Chipembere Highway, Maselema, Limbe, Malawi	+265 01 843804 / 841770/845179 vijaycrown@gmail.com
Fadamz Rice Milling P.O. Box No 51137 Limbe, Malawi	+265 1 878255 / 872733 fadamz@globemw.net
Haamwood Ltd. P.O. Box 51523 Limbe, Malawi	+265 1 910147 haamwood@malawi.net
Hotel Victoria Ltd. P.O. Box No 31124 Chichiri, Blantyre 3, Malawi	+265 1 823500 / 825058 reservation@hotelvictoriamw.com

Maone Oil Mills Limited P.O. Box 51176 Limbe, Malawi	+265 1 840413 zenith@malawi.net
Nali Limited P.O. Box 5767 Partridge Avenue, Limbe, Malawi	+265 1 844129 / 845185 nali@africa-online.net
Nu Line Textile Manufacturer P.O. Box No 5506 Limbe, Malawi	+265 1 842704 / 1 91 6005 nulinemw@gmail.com
Office World P.O. Box 80082, Maselema, Blantyre	+265 1 821589 / 821049 officeworld@malawi.net
Pacific Limited P.O. Box 506 Limbe, Malawi	+265 1 841444 gold@globemw.net
Pharmanova Limited P.O. Box 30073 Chichiri, Blantyre 3, Malawi	+265 1 870633 sterling@malawi.net and shibu@broadbandmw.com
Rab Processors Limited P.O. Box 5338 Chipembere Highway, Maselema Limbe, Malawi	+265 1 844827 rab@rabmw.com
Sacha's Bakery P.O. Box 5626, Limbe, Malawi	+265 1 841624 / 841586 riazspeedys@globemw.net ; alikipaga@yahoo.co.uk
Speedy's Poultry Farm Project P.O. Box No 5626, Limbe, Malawi	+265 1 641624 / 1 641586 riazspeedys@globemw.net
Tambala Food Products Limited P.O. Box 31415 Masauko Chipembere Highway Chichiri, Blantyre 3, Malawi	+265 1 871135 / 875467 tambalafoods@africa-online.net
Timber Export Africa Limited P.O. Box 51176 Plot No. MO 108, Mapanga Estate Limbe, Malawi	+265 1 840413 fatahtimbers@yahoo.com

Source: UNIDO, Investment and Technology Promotion Division, Investment Promotion Unit, 2009.

Appendix B.

Pointers to further information

The General Manager/Chief Executive	Tel : +265 1 770 800 / 771 315
Malawi Investment Promotion Agency (MIPA)	Fax: +265 1 771 781
Aquarius House – First Floor	E-mail: mipa@mipamw.org
Private Bag 302	
Capital City	
Lilongwe 3, Malawi	

The General Manager/Chief Executive	
Malawi Investment Promotion Agency (MIPA)	
Blantyre Office	Tel: +265 1 821 222
Unit House – Fourth Floor	Fax: +265 1 821 621
Private Bag 131	E-mail: mipabt@mipamw.org
Blantyre, Malawi	Website: www.malawi-invest.net

N.B. The MIPA website contains an extensive list of useful contacts, including government agencies, diplomatic missions, financial institutions, transport firms, et al.

Public-sector contacts in Blantyre

The Chief Executive Officer	Tel: +265 1 870 211
The City Assembly of Blantyre	Fax: +265 01 870 417
P/Bag 67	
Blantyre, Malawi	

Agricultural Development and Marketing Corporation (ADMARC)	Tel: +265 1 840 044/500
P.O. Box 5052	Fax: +265 1 840 486
Limbe	E-Mail: admce@marcmw.com
Blantyre, Malawi	

Malawi Export Promotion Council (MEPC)	Tel: +265 01 620 499
P.O. Box 1299	Fax: +265 01 635 429
Blantyre, Malawi	E-mail: mepc@malawi.net

Malawi Revenue Authority	Tel: +265 1 622 588
(The Commissioner General)	Fax: +265 1 622 302
Private Bag 247	E-mail: mrahq@malawi.net
Blantyre, Malawi	Website: www.mra.mw

Other public-sector contacts

Department of National Parks and Wildlife LL, P.O. Box 30131 Lilongwe, Malawi	Tel: +265 1 759 831 Fax: +265 1 759 832 E-mail: dnpw@malawi.net
Ministry of Finance Capital Hill, P.O. Box 30049 Lilongwe 3, Malawi	Tel: +265 789 355 Fax: +265 789 173 E-mail: finance@finance.gov.mw http://www.finance.gov.mw
Ministry of Foreign Affairs and International Cooperation Capital Hill, P.O. Box 30315 Lilongwe 3, Malawi	Tel: +265 1 789 088 Fax: +265 1 788 482
Ministry of Industry, Trade and Private Sector Development Gemini House, City Centre, P.O. Box 30366 Lilongwe 3, Malawi	Tel: +265 1 770 244 Fax: +265 1 770 680 E-mail: minci@malawi.net
The Ministry of Agriculture & Food Security P.O. Box 30399 Capital City, Lilongwe 3	Tel: +265 1 788 444/057 Fax: +265 1 788 362
Ministry of Irrigation & Water Development Water Development Tikwere House, City Center, Private Bag 390 Lilongwe, Malawi	Tel: +265 1 770 344/238 Fax: +265 1 774 678 E-mail: secretary@irriwater.org
Ministry of Labor and Social Development Lingadzi House, City Centre, Private Bag 344 Lilongwe 3, Malawi	Tel: +265 1 773 277 Fax: +265 1 773 805 E-mail: labour@malawi.net
Ministry of Transport and Public Works Capital Hill, Private Bag 322 Lilongwe, Malawi	Tel: +265 1 789 377 Fax: +265 1 789 377
Reserve Bank of Malawi P.O. Box 30063 Capital City Lilongwe 3, Malawi	Tel: +265 01 770 600 Fax: +265 01 772 752 / 774 289

Private sector

Malawi Confederation of Chambers of Commerce and Industry (MCCCI) P.O. Box 258 Blantyre, Malawi	Tel.: +265 01 871 988 Fax: +265 01 871 147 E-Mail: mccci@mccci.org Website: www.mccci.org
Malawi Rural Finance Company (MRFC) Private Bag 39 Lilongwe 3, Malawi	Tel: +265 01 753 133 / 755 316 / 755 318 Fax: +265 01 757 801
National Association of Business Women (NABW) Private Bag 56 Blantyre, Malawi	Tel: +265 01 674 671 Fax: +265 01 674 805
National Smallholder Farmers' Association of Malawi (NASFAM) NASFAM House Off African Unity Drive, City Centre P.O. Box 30716 Lilongwe, Malawi	Tel: +265 1 772866 Fax: +265 1 770858 Email: nasfam@nasfam.org Website: http://www.nasfam.org/index.php?option=com_frontpage&Itemid=1
Paprika Association of Malawi (PAM) Private Bag 365 Capital City Lilongwe 3, Malawi	
The Tea Association of Malawi P.O. Box 930 Blantyre	Tel: +265 1 871 182 Fax: +265 1 871 427
Small Enterprise Development of Malawi (SEDOM) P.O. box 525 Blantyre	Tel: +265 1 822 555
Malawi Industrial Research and Technological Development Centre (MIRTDC) P.O. Box 357 Blantyre	Tel: +265 1 823 805 Fax: +265 1 823 831

Appendix C.

Public holidays in 2010

	Holiday	Date
1.	New Year's Day	1 January
2.	Chilembwe Day	15 January
3.	Martyrs' Day	3 March
4.	Good Friday	2 April
5.	Easter Monday	5 April
6.	Labor Day	1 May
7.	Freedom Day	14 June
8.	Republic Day	6 July
9.	Eid al Fitr	End of Ramadan determined by the lunar calendar, in 2010 around 10 September.
10.	Mothers' Day	15 October
11.	Christmas Day	25 December

Source: Ministry of Information, April 2010.



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