



ECONOMIC SYMPOSIUM REPORT

Submitted to
Ministry of Finance
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1.0 INTRODUCTION

The Economic Association of Malawi (ECAMA) and Society of Accountants (SOCAM) in collaboration with Konrad Adenauer Foundation organised an Economic Symposium on 19th May at Sunbird Capital in Lilongwe held under the theme:

“Malawi’s Short to Medium term Economic Outlook: Foundations, Challenges and Opportunities”

There were three presentations by top-notch presenters with abundant experience on Malawi’s economy. The symposium attracted members from ECAMA and SOCAM, leaders of other professional Associations, business captains, civil society leaders, and top Government officials.

The symposium was graced by the Minister of Finance Honorable Ken Kandodo who was also guest of Honour, Deputy Minister of Development Planning and Corporation, and the Acting RBM General Manager Dr. Grant Kabango. Also present was the Secretary to the Treasury, Mr. Mwanamvekha.

It first received expectations from the Ministry of finance and ways of meeting the expectations were presented by three Panelists’ Presentations and compounded by discussions from the group.

2.0 SPEECH BY GUEST OF HONOUR

The Minister of Finance made his speech in which he outlined government plans to steer the economy ahead and he also outlined the challenges being faced. It was presented that the government plans to:

- Identifying new tourism and mining possibilities in the near future. This would help in bringing in forex into the country.

- Venturing into cigarette manufacturing in order to create market for tobacco locally and venture into secondary sector of economy which is value addition eg textile exporting
- Import improvement of farm inputs and consumables and that this calls for better utilization of the little forex the country has.

2.1 Challenges

The Minister said however the Government is facing a lot of challenges with its economy and these include;

- Higher import bills than export bills, which is affecting forex availability in the country.
- Fuel shortages that has been caused by:
 1. Lack of adequate Oil storage capacity in Malawi
 2. Disruption on its way to Malawi
 3. Political instability in the Middle East where Oil comes from
 4. An increase in the importation of second hand cars to Malawi which increases Oil consumption.

However on devaluation, the Minister indicated that there are more losses than gains especially that Malawi is a net importer and devaluation favours exporters. He reminded the participants that Malawi has been devaluating its currency the Kwacha to the US Dollar from MK 7.00 in 1994 to the current MK 152.00, yet there are no distinguished benefits seen so far.

2.2 Efforts by the government

The Minister told the participants that government has developed the following:

- The National Oil Company to assist in solving the Oil problems by constructing new Oil reserves and managing the new reservoirs to

keep oil for 30 days or more. This will make sure that Fuel is available to people for a longer period compared to the current situation.

- Price Stabilization Fund. This has been developed to cushion Oil price fluctuations

The Minister therefore expressed the symposium will come up with ways to solve some of the problems facing Malawi's Economy.

3.0 PRESENTATIONS

3.1 Malawi and the forex saga: changing the structure of the economy for good – *by Professor Ben Kalua*

3.1.1 Forex shortage

The presenter indicated that Malawi is faced by forex problems because of its dominance in the Primary sector which is the Agricultural sector. Therefore, in order to improve this situation, Malawi should move to the Secondary sector which comprises the Manufacturing and value addition and then Tertiary sector involving services from all sectors.

He also indicated that Malawi depends much on maize production produced on smallholder basis and that this maize is purely for consumption with no commercial inclination. Thus, in the case of abundant maize production, the prices on the market drastically fall to a level where one cannot make profits. This explains in parts why you really find a farmer venturing into commercial maize production.

3.1.2 Dealing with devaluation: The presenter also indicated that leaving a currency to the market forces is very crucial in stabilizing devaluation. She proposed that there should be no government interventions on the commodity prices. Since further devaluation can lead to inflationary problems, there should be short and long term measures to solving inflation

and use of multiple ways to curb devaluation of Kwacha. The presenter also proposed the following for the current Malawi's economy

- **Foreign exchange rationing:** A slight change in exchange rate leads to an increase in the amount required (COST), as such, it means there is a need to manage demand for foreign exchange
- **Rationalizing imports**
- **Strategic accumulation of resources:** Malawi has a lot of unutilized resources that can assist in boosting our economy. We need serious investment in order to move to secondary and tertiary sector of the economy
- A focus on the **supply side** to identify what is needed to improve production and a focus on Manufacturing to move to the secondary sector of the Economy.
- An improvement on the land policy in order to improve land productivity

3.2 Sustainable generation of domestic resources: Maintaining the old while building new bridges – *By Dr Winford Masanjala*

The presentation was aimed at finding ways of how Malawi can be self dependant. The presenter indicated that Malawi has two sources of finance in Malawi namely; Revenues (tax and non-tax revenues) and Grants

3.2.1 Improving revenue

The presenter observed that Malawi's revenues have been growing since 2007 while grants have been dropping and this means that we are doing well in the sense that now Malawi is able to support itself. Most of the grants Malawi receives are for specific programs.

The presenter suggested that revenue can be improved by:

- Utilization of potential areas for taxing for example taxation of those untaxed items like rent on commercial building and rented houses
- People should also be encouraged to buy insurance. This can be done by using levies.
- People can also start paying a fee to pass through road blocks, improvement in the service delivery for example the police and making sure that all this money is well accounted for.
- Measures to reduce consumption are also important in making sure we have a lot of revenue remaining.

3.2.2 Proper resource use

The presenter pointed out that Malawi has a lot of resources that if utilized can assist in boosting the Economy. This can be done by:

- Finding new products to export instead of just relying on tobacco as the only source of forex
- Making maximum use of our resources for example using Lake Malawi for irrigation
- Have bankable proposals to the government on resource use for example irrigation and consumption
- Tourism attraction measures. There are a lot of potential in the Lake Malawi which can be a source of tourist attraction. For example construction of better hotels around can attract more tourists and bring forex to Malawi.

3.3 Effective use of the three governances: economic, democratic and cooperative – *By Mr. Charles Mudiwa*

The presented pointed out that proper governance has a greater impact on the country's economy. Different ways to manage institutions in order to manage our economy were outlined as follows;

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- **Participation:** This is making sure everyone gets involved in the development procedures, not the Government only but including the private sector.
- **Rule of law:** Observing that no one is above the law to make sure everyone contributes freely to the economy.
- **Responsiveness:** This is how to respond to issues affecting people in a country as a government
- **Equity:** To aim at equitable distribution of the country's economic benefits and advances
- **Accountability:** There should be accountability on Donor aid and domestic resources. There is need effective governance.

The government should also be able to identify the interest groups who are running our economy. For example, if the economy is run by middle class people, they should be targeted with developmental projects. As a country Malawi should make sure that there is no corruption, should put up mechanisms for monitoring and evaluation for different programs, democratic decision making, for example consultation process and self organization of the participants.

The Economic Symposium therefore focused of how Malawi can change its Economy structure, how it can improve domestic revenue and be self reliant and how governance can be improved to assist in improving Malawi's economy.