

MALAWI

In a continent of tremendous beauty and infinite tourist attractions, Malawi possesses its own spectacular allure. South African newlyweds, among others, flock to the shores of Lake Malawi to honeymoon, attracted by the landlocked country's 500 km of lake front, friendly population, immense range of wildlife, and reasonable prices.

Politically stable and democratic, Malawi remains one of the most agriculturally-dependent economies in Sub-Saharan Africa, with tobacco, tea, and sugar accounting for well over 80% of export earnings. However, the new government has attempted to reverse this overdependence on agriculture by improving the climate for business, revitalizing and diversifying its economy, and attracting foreign investment. To date, Canadian trade and investment in Malawi has been limited, but Canadian companies in particular are invited to explore Malawi's emerging opportunities.

Investment Promotion, Privatization, & Incentives

Malawi has pursued a series of World Bank/IMF reform programmes since the early 1980s, with a new Economic and Structural Reform Programme in effect from 1995 through 1998. Over the last two years alone, the government of President Muluzi abolished controls on prices, imports, and foreign exchange, and it continues working towards tighter fiscal discipline. Consequently, economic growth in 1996 surpassed 10%.

The Malawi Investment Promotion Agency (MIPA), with World Bank support, compiled an extensive blueprint and reference guide in 1994 outlining all the steps and approvals necessary during the investment process. "Roadmap: a guide to the investment process in Malawi" is available from the High Commission in Ottawa or MIPA directly.

A Privatization Commission continues the process of divesting state-owned enterprises in sectors ranging from tourism, aviation, and financial services to

agriculture and packaging. Up to 80 additional companies are scheduled for divestment through 1998.

The 1997/98 budget included incentives for new investments and export-based industry. The government reduced to 0% corporate tax on firms manufacturing in Export Processing Zones (EPZs). In

other areas, new investments between US\$5-10 million will be given the option of either paying a permanently reduced 15% corporate tax or taking a five year tax holiday, while new investments in excess of US\$10 million will have a similar option, but a tax holiday of 10 years. EPZs and other incentives are designed to boost local production, decrease unemployment, and reduce the import strain on limited foreign exchange reserves.

Challenges & Opportunities

Malawi is a small country that suffers some typical developing country problems such as

dependence on a limited number of export crops, and telecommunication and road networks that are in need of attention.

However, within these drawbacks – addressed in a 1997 World Bank report on "accelerating growth in Malawi" – are found opportunities. International Financial Institutions (IFIs) and development agencies continue to fund projects as Malawi successfully liberalizes its economy. For instance, the road infrastructure is currently being improved with European Union and World Bank assistance for maintenance, rehabilitation, and expenditure management. As the road network is enhanced, Malawi's central location will allow easy access to markets in Zambia, Tanzania, and Zimbabwe, with port facilities via Beira in Mozambique. Water and power infrastructure, also in need of upgrading, is another key area of IFI activity.

The telecommunications sector is ready for revamping due to increasing demand: a new cellular system is taking some of the load off the constrained land-line system and better internet connectivity is in

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