

Annex 6

National Exports Strategy (NES) Workshop Report

On 19th January, 2012, Irish Aid in collaboration with Imani Development organized a half day National Export Strategy Workshop at the Capital Hotel in Lilongwe. Opening remarks were made by Adrian Fitzgerald, Head of Development, Irish Aid and key note address was made by Liz Higgins, Ambassador of Ireland to Malawi. Participants were drawn from Irish Aid partners, including CGIAR institutions, Civil Society Organisations, Government departments and from the Private Sector.

Objectives of the workshop

1. To familiarise partners/stakeholders with the National Export Strategy (NES) including the status, processes, methodology, preliminary findings and links to the MGDS.
2. To link various partners work with the National Export Strategy (NES).
3. To solicit stakeholders' views/comments based on the NES, with a particular focus on agriculture.
4. To carry out stakeholders consultations on the review of the Irish Aid White Paper.

MGDS II and the National Exports Strategy

Ministry of Finance and Development Planning presented an overview of the MGDS II and how it is linking with the objectives of the National Exports Strategy. The presentation highlighted the linkages as follows:

NES is critical in achieving the aspiration of turning Malawi from a net importer to a net exporter. MGDS II recognises the role that Trade, Industry, and Private sector development plays in the development of the country. It covers trade under Theme 1, sub-theme 4: Private Sector Development, Industry and Trade as well as KPA 2: Energy, Industrial Development, Mining and Tourism and that MGDS II envisages export development, among others through

- Improved agricultural productivity and diversification
- Improved energy generation and supply
- Industrial development
- Private sector development
- Improved market access
- Enhanced mining activities
- Promotion of tourism
- Infrastructure development and Green Belt Irrigation.

It was emphasised that implementation of the MGDS II rests with stakeholders and strategies like NES are important, therefore development of NES is welcome as this will ensure achievement of some goals of the MGDS II.

Methodology to Develop & Implement a National Export Strategy for Malawi & Cluster Prioritization Method.

Imani Development in collaboration with Ministry of Trade and Industry made presentations on the Methodology to Develop & Implement a National Export Strategy for Malawi & Cluster Prioritization Method. The presentation focused on one of the three work strands of the Malawi National Export Strategy: the Cluster Prioritization Method. The presentation argues that Malawi has set a defacto export target of \$2bn and that if Malawi is to achieve this target, it cannot do so by exporting raw or semi-raw commodities because that would require at least four high value commodities like tobacco, and these do not exist in Malawi. It is therefore essential for Malawi to secure value added processing. The problem is that at present, the cost structure for businesses is one that favours the export of commodities rather than the export of value added. Improving this requires improving the business enabling environment and driving institutional development (these are the 2nd and 3rd work strands of the NES). Yet a lack of resources means that the Government currently has limited ability to improve this environment, and many stakeholders believe that this enabling environment is deteriorating given the current foreign exchange shortage. As a consequence, it is essential that the NES supports clusters that have the potential to deliver value added and drive export growth to the \$2bn target and beyond. This is the only way that the structural trade deficit that lies behind the foreign exchange shortages can be addressed in the medium term. The NES must also deliver the basis for this potential to be achieved.

Given this context, the NES team has developed a Cluster Prioritization Method that takes into account the potential for products to support investment and innovation as well as the ability to compete and the resource base. It is essential to distinguish between value in value chains and sectors supportive of investment on the scale Malawi requires. For example, coffee, tobacco and tea are high value commodities but they are not conducive to scaled investment in value addition. Therefore the method places a lot of weight on product clusters that inherently lower the cost of investment in new or downstream products. For example investing in the sugar sector inherently lowers the cost of production for products such as ethanol, syrup and rum, while investing in tea only does this for the tea beverage. Sugar is therefore a more preferable export cluster than tea. It is essential for NES support to be oriented toward clusters that can deliver the necessary value added (as opposed to merely high value) on the scale necessary to allow an improvement in institutional capacity and in the enabling environment.

It is on this basis that the recommendation in the presentation is made.

Following the presentation, participants went into break away sessions to discuss the following questions:

- What are partners views on gaps
- What are the issues that need to be addressed
- What are the issues that need to be prioritized
- What are the core implementation challenges in trade related programmes
- How are existing partner programmes linked to the NES
- What is key role for NES to play, given the range of existing initiatives

Key points/feedback from the sessions

Key Issues/Feedback

Gaps and issues to be addressed

- Good analysis, but too static.
- We need to move up the value chain.
- Don't neglect emerging or reacher opportunities.
- Little discussion of roots and tubers and poultry.
- There is a relative neglect of manufacturing in the National Export Strategy.
- There is need to look at import substitution.
- There is need to analyze the impact of the foreign exchange constraint on investment.
- Issues of wider economic integration not addressed: also the importance of trade policy issues and trade negotiations.
- Transport infrastructure very important – the recent announcement of the investment in railways and the Nacala Port very welcome.
- Money – effective demand is in Europe and America – so what are the commodities that they desire.
- International accreditation of exports a major problem due to the lack of capacity for standards.
- We should benchmark against Kenya – how did they transform their economy.
- Seed quality and seed certification is a gap.

- There is need for more focus on the distributional consequences: growth in agriculture is two times more effective than growth in any other sector in terms of reducing poverty.
- Mining has not had a good history in Africa – the benefits are often externalized or captured by local elites.
- Whichever cluster we invest in, we should invest across the value chain.
- Implementation is the key – there is need to remove blockages.
- The zero deficit budget implies that there will be limited resources to invest in export promotion.
- The issue of policy consistency is paramount – there is an overvalued exchange rate, this does not facilitate exports.
- There is need for a dedicated export promotion/export development agency within the public sector – adequately resourced.
- Other constraints to private sector investment need to be addressed: power/utilities etc.
- Gaps exists on linkages on 1) gender, 2) linking with parliamentarians, 3) human rights/governance and 4) academia. Such issues needs to be well pitched within the NES process
- High level commitment (demonstrated through weekly technical sessions, steering committee involving agric ministry, trade ministry, private sector; exports getting lots of attention). This needs to be sustained beyond the current processes
- Coordination, ownership and participation by stakeholders – very vital. Inclusive participation can be strengthened
- The strategy puts a lot of emphasis on export promotion rather than a combination of both export promotion and import substitution
- The NES should also looks at the historical perspective of Malawi's export and how Malawi lost out competitiveness in certain sectors i.e. ground nuts
- The political economy question has not been addressed: role and influence government on the National Export Strategy
- Coordination issues/institutional capacity/policy coherence between the different government ministries and departments. Most of the initiatives which require collaboration between various stakeholders fail to materialise
- Sometimes the policies between different departments are inconsistent with each other
- The NES needs to properly engage farmers especially smallholder farmers since the bulk of the production of agricultural produce comes from them
- There's need to have a clear leader for the NES from the government side, it should be housed either under Ministry of Industry and trade or MEPC/MIPA

- There should be clearer and better legislation in place to support the NES and its various components
- Coupled with legislation there should be strong institutions to support the efforts of the NES i.e. competition, standards
- The NES should incorporate proper climatic risk assessment especially in relation to agriculture
- The production of the different crops should be informed by market demand
- Strong pro-poor focus is needed realising the important role of smallholder farmers within the agricultural GDP in Malawi. Such basis to be well reflected, also in relation to strong gender focus within the smallholder production systems.
- Mechanisms to bring farmers together is needed - i.e. strongly explore public private partnership, contract farming
- Roots and tubers seem very invisible yet there is tremendous potential i.e. newly released potato and **orange fleshed sweet potato**, cassava value addition. Dialogue forums like roots and tubers platform can be used for more consultations. More consultation here needed.
- Product specificity would assist to guide areas of investment – for instance maize products, g/nut products is too broad – further guidance during the enabling environment and detailed value chain to assist.
- Main value chains covered only 19 – there is scope for more analysis. E.g. macademia
- Organisations need to align strategic plan to the

What are the core implementation challenges

- Standards
- The facilities for phyto-sanitary certification – limited capacity within the Malawi Bureau of Standards.
- There are also capacity challenges: there is need for more training, especially in technical skills.
- Contract farming: should be promoted.
- There is an unsupportive legal framework for protecting investors – also challenges to getting work permits, residence permits etc.
- There is a problem of coherence across Ministries – do they talk to each other adequately?
- Stable and conducive macro-economic environment
- Quality and quantity standards need to re-enforced
- Weak coordination capacity between ministries need to addressed

- Strong coordination on diversification study/research needs to be reflected within all NES processes – good to note that one steering committee to oversee the processes is there.
- Detailed scrutiny on marketing bottlenecks within the region and local is needed. Also provide good balance with the import substitution focus

Existing partner activities within the NES

- ICRISAT groundnuts and pigeon peas
- Legumes Platform
- Concern Universal: sugar.
- Ready to Use Therapeutic food.
- Illovo: sugar

Key role for NES to play given the range of existing initiatives

- All policy documents cite export led growth.
- NES is at the heart of the Malawi Growth and Investment Strategy.
- There is need to align more to the ASWAP.
- There is need to develop a sector SWAP in Industry and Trade
- There is need to strengthen links with the agriculture sector and commodity platforms.
- Opportunity to promote new products/crops and increase revenues
- Value addition for imported production
- Better stability in production of crops due to stable/regular markets

Neglected issues

- Fruit processing: Malawi mangoes.
- Essential oils.

Feedback from presentation on Irish Aid White Paper Consultation briefing

The workshop was also used as a basis to consult the organizations and individuals represented at the workshop on the White Paper review. Ms Liz Higgins, Ambassador of Ireland to Malawi, gave an overview of the White Paper consultations and why they are being conducted. The following are some of the reactions that were generated from the participants:

- **Irish Aid's support towards Sugar fortification:** A representative from Illovo commended Irish Aid's support towards the sugar sector in terms of sugar fortification and the fact that the contribution is greatly appreciated.

- Sugar fortification in Malawi starts in April this year and Irish Aid's support is and will still be a huge part of this programme
- He prayed for continued support from Irish Aid in the sugar fortification programme especially now that there are other small players that are soon to join the sugar sector and in that regard, issues of standards as well as meeting requirements will come into play. The new comers will still need to be supported in terms of building their capacity on sugar skills and so on
- Illovo faces challenges in its day to day operations, and it is very likely that the new comers will face even greater challenges in their operations as well. It is therefore imperative that Irish Aid sustains its support in the sugar sector
- **Irish Aid's support to the NFA and Ministry of Trade:** the representative who spoke on this topic was from Ministry of Trade, and he spoke both as the Chair of the NFA as well as an employee within the Ministry. He said that the Government of Malawi is grateful to the Irish Government through the Irish Aid on support towards nutrition, fortification, value addition as well as quality management on exports.
- The fortified sugar that Irish Aid is supporting shall be of high quality and will therefore make Malawi sugar more marketable globally thereby increasing sugar exports
- The Malawi standards for sugar fortification have been finalized and have since been sent to Ministry of Trade for final approval and once this is done, fortified sugar will be on the market
- **Irish Aid's support towards OFSP:** Dr Erna Abidin from the CIP one of the CGIAR centres that Irish Aid supports also commended Irish Aid on its support towards the OFSP programme. She argued that the orange fleshed potato is an important crop not only because of its nutritive value, but because of the value chain aspects that it brings e.g. increase in income levels for farmers who use bio fortified crops. She also urged Irish Aid to continue its support in this regard.

Embassy of Ireland
30 January, 2012

Attached (NOTE: not included here)

- Workshop programme
- Participants list
- Prioritization Method MGDS II and the National Exports Strategy Presentation
- Methodology to Develop & Implement a National Export Strategy for Malawi & Cluster Presentation.