

Benchmark Study on Malawi's Trade Facilitation Systems and Processes

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List of Abbreviations

CA	Crown Agents
CFAM	Clearing and Forwarding Association of Malawi
COMESA	Common Market for Eastern and Southern Africa
CPI	Corruption Perception Index
ETI	Enable Trade Index
GATT	General Agreement on Tariffs and Trade
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
ICC	International Chamber of Commerce
ICT	Information and Communications Technology
LLDC	Landlocked Developing Country
LPI	Logistics Performance Index
MCCC	Malawi Confederation of Chambers of Commerce
MFN	Most Favoured Nation
MoU	Memorandum of Understanding
MRA	Malawi Revenue Authority
MTDC	Maritime Transit Developing Country
NTB	Non –Tariff Barrier
OGA	Other Government Agencies
OSBP	One Stop Border Post
PPP	Public Private Partnership
RECS	Regional Economic Communities
RKC	Revised Kyoto Convention
RTOA	Road Transport Operators Association
SAD	Single Administrative Document
SADC	Southern African Development Community
SAPP	Southern Africa Power Pool
SASD	Special Advisory Services Division
SATH	Southern Africa Trade Hub
SSA	Sub-Saharan African
UN	United Nations
UN/CEFACT	United Nations Centre for Trade Facilitation & Electronic Business
WCO	World Customs Organisation
WTO	World Trade Organisation

It should be noted that the BSI Symbol and UKAS Accreditation mark signify that Crown Agents operate a documented Quality Management System registered with the British Standards Institution to the international quality standard BS EN ISO 9001:2008. The scope of this registration specifically covers the provision of consultancy services in revenue enhancement and expenditure and debt management including customs, taxation and trade, institutional development, engineering and procurement management, advice and reform.



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1. Introduction

1.1 Background

The Government of Malawi, through its Ministry of Industry & Trade, requested the assistance of the Commonwealth Secretariat to benchmark Malawi's Trade facilitation systems and processes. Crown Agents (CA) was contracted to provide the necessary services to carry out the trade facilitation assessment.

According to certain internationally recognised country performance indices (e.g. the World Bank's annual *Doing Business Report*) Malawi's competitiveness in world markets has been lagging behind. As a small landlocked country, whose development depends upon having appropriate transit arrangements in place with neighbouring countries to access the 'gateways' and 'hubs' to international markets, it is vital that Malawi be able to overcome the challenge of its geography and establish a *competitive economic distance to market*.

Malawi must rely on three relatively long land routes: the road to the port of Durban, South Africa, some 2,300km; the road to Beira port; and the railway to the port of Nacala, both in Mozambique, both some 800km away. This and other factors mean that transport and associated costs can make up as much as 55% of the total cost of an international trade transaction. Hindrances to trade flows typically relate to capacity and infrastructure constraints and official procedures, especially at borders, and the fact that cargo and transport services have to adapt to different sets of administrative, policy, legal, commercial and other conditions prevailing in neighbouring countries.

Unaddressed, constraints such as these will continue to prevent Malawi realising its economic growth potential and will frustrate attempts to use 'trade' as an instrument of national economic development. Therefore, understandably, trade facilitation is a matter of strategic focus for the Government.

Whilst achieving good levels of year-on-year GDP growth in recent years, much national growth potential remains to be unlocked. Malawi has a relatively open and lightly regulated economy driven by its agricultural sector, which accounts for roughly a third of GDP, and by far the largest share of employment, exports and foreign exchange earnings. In the main, Malawi imports machinery plant, petroleum products and fertiliser from South Africa, Italy, China, India and Zambia, and exports predominantly tobacco, but also sugar, tea, coffee and cotton, mainly to Belgium, Canada, Germany, Egypt and USA.

It is recognised that reliance on the agricultural sector leaves Malawi's economy vulnerable to the vagaries of international commodity markets and the caprice of 'mother nature'. Consequently, economic diversification, especially in terms of its export base, is critical if Malawi, a member of both SADC and COMESA, is to position itself to exploit the opportunities for increased economic growth provided by globalisation.

National strategies to this end highlight the potential for growth in mining (uranium, coal, graphite, phosphate, bauxite, ceramic clays and gemstones), in value adding agro-processing, manufacturing (e.g. fertiliser and pesticide), as well as in tourism and services. However, development of these sectors requires substantial private capital to achieve real progress, that is, a reversal of the downturn in foreign direct investment flows of recent years. The latter is attributable in part to unreliable infrastructure and high service costs brought about by under investment in key public utilities, especially power generation, roads, rail, water and telecommunications, but also in part to the impact Malawi's foreign exchange shortages have on the ability to pay for imports, especially as regards fuel shortages and productivity.

Mindful of this, the Government of Malawi is targeting these sectors for improvement in order to create a more positive investment climate and unlock latent economic growth potential. Malawi recognises the important role that better trade facilitation systems can play in this regard and Crown Agents is pleased to be of assistance to the Government of Malawi in its efforts to improve Malawi's international trade competitiveness.

1.2 Project Summary

1.2.1 Purpose of Project

The purpose of this project is to improve Malawi's trade competitiveness by adopting best practice systems and processes.

1.2.2 Description of Project

The main objective of the project is to carry out a trade facilitation benchmarking assessment against international best practices that will assist the Government of Malawi in improving national competitiveness, and to develop a strategy to implement the recommended changes.

1.2.3 Scope of Work

Informed by a comparative analysis with international best practices, Crown Agents will identify areas for enhancement and recommend measures to put in place in the short, medium and longer term to improve Malawi's trade facilitation systems. The latter is understood to refer to the manner in which international trade is administered, focusing mainly on the customs declaration procedure (and associated supporting documentation, including the requirements of other government agencies) for goods declared for import, export and/or transit. The recommendations will include measures considered necessary to enhance compliance and border controls, and to address potential implementation challenges. An action plan with associated indicative budget will be developed, suggesting how the recommendations made might be implemented going forward.

Specifically, Crown Agents will work closely with the Project Manager from the Special Advisory Services Division (SASD) of the *Commonwealth Secretariat* and with Malawi's *Ministry of Industry & Trade*, to perform the following tasks:

- i) Prepare a comparative analysis of Malawi's trade facilitation systems against best international practices
- ii) Recommend measures to put in place in the short, medium and longer term to improve Malawi's trade facilitation systems
- iii) Review the existing border control procedures with the neighbouring countries
- iv) Develop strategies to enhance compliance (risk management)
- v) Identify the main implementation 'bottlenecks'
- vi) Conduct two stakeholder consultation workshops
- vii) Conduct a regional symposium on '*Improving Trade Flows*'
- viii) Prepare an Action Plan, including indicative budget and strategy, for addressing the gaps identified in the benchmark study

1.3 Trade Facilitation and Malawi

Trade facilitation is variously defined by relevant international bodies such as the United Nations Centre for Trade Facilitation & Electronic Business (UN/CEFACT), World Customs Organisation (WCO), the International Chamber of Commerce (ICC) and the World Trade Organisation (WTO). Essentially, it is the simplification, harmonisation, standardisation, and modernisation of international trade procedures, in the interests of reducing the transaction costs between government and business associated with international commerce.

Trade Procedures being understood as the activities, practices and formalities associated with the administration of the transference of goods and services across national borders. The term trade facilitation is also used by some in a broader sense to encompass almost anything that can impinge upon trade flows, for example infrastructure, such as the quality of telecommunications,

roads, railways, and/or port terminals, as well as the less tangible, such as policy, laws, regulations, and Non-Tariff Barriers (NTBs).

Trade facilitation matters to Malawi because, as a Landlocked Developing Country (LLDC), issues impacting the ease with which Malawi-based businesses can access regional and global markets are felt more acutely, and have a direct impact on the capacity of the Government of Malawi to foster economic growth and generate the wealth and public revenue necessary to meet its key public policy objectives. Malawi's modest economy and consequent narrow tax base affords its public administration limited means to fund necessary public investment and service provision in the absence of external donor support. It is, therefore, crucial that Malawi be able to stimulate economic growth by integrating more fully into the regional and larger global economy. In this way, trade facilitation improvement, through the adoption of best practice systems and processes, has a direct impact upon Malawi's international trade competitiveness and, by extension, upon the prospects for private sector development, enterprise, investment flows, increasing trade volumes, employment generation and the boosting of public revenues.

However, Malawi's ability to attain the level of regional integration and wider participation in the world economy required to appreciably impact national economic growth and development is constrained by a variety of macro and micro level obstacles. These include the quality of the regional institutional and legal frameworks within which Malawi must work; the poor standard of existing trade related infrastructure; the cost of transport and logistics services, and their availability, together with the standard of border management at Malawi's frontiers with its maritime transit neighbours and the robustness of the transit arrangements in place for cargo traversing between Malawi and the sub-region's 'gateway' ports in South Africa and Mozambique.

Consequently, in undertaking this assessment Crown Agents has been conscious of the special trade facilitation challenges faced by Malawi as one of now sixteen LLDCs in Africa, defined as a country enclosed, or nearly enclosed, by land, without direct access to the sea. Malawi, along with other LLDC members, is formally recognised by the WTO within the provisions of the General Agreement on Tariffs and Trade (GATT) - provisions concerning small and vulnerable states and their right to *special and differential treatment* - as being particularly vulnerable economically, and as having special needs in respect of freedom of access to international markets, in order to compensate for the increased transport costs ordinarily incurred as standard. The ability of Malawi to engage in international maritime based trade and diversify its economic base through international trade depends heavily on the 'good will' of its neighbouring transit countries and on the quality and availability of these countries' own trade related infrastructure and services.

At the macro level, therefore, if it is to improve the trade facilitation environment for its businesses, Malawi has little choice but to develop and/or improve co-operative mechanisms and instruments with its neighbours, through the relevant international regional and global institutional frameworks (such as SADC, COMESA, the WTO *Doha Round* dossier on 'Trade Facilitation' and the UN's *Almaty Programme* international framework for transit transport co-operation for landlocked and transit developing countries) and by making best use of the international instruments available, to reduce trade barriers. Over time, with the right approach, and inevitable changes in relevant 'actors' and circumstances, Malawi should be able to progressively improve the regional institutional framework for trade facilitation nationally and, thereby, be able to expand the scope of its economy. In the short to medium term, however, the focus should be on improving those aspects of Malawi's trade facilitation environment that fall under the national domestic jurisdiction of Malawi's government.

In the course of our assessment a number of the stakeholders involved drew our attention to recent national and regional initiatives, which they felt should be taken account of in analysing and benchmarking Malawi's trade facilitation systems, including the country's recent experience of Public – Private Partnerships (PPPs), Malawi's ICT based customs modernisation plans, the 'One-Stop-Shop' initiative and interest in the One-Stop Border Post (OSBP) concept. On the

latter point, ideas around *collaborative border management* was well received by all stakeholders. Based on such initiatives, it was generally perceived that Malawi has been making

meaningful progress in the facilitation of its international trade in recent years, in terms of infrastructure rehabilitation, border management and administrative requirements, but that much more remained to be done.

2. Benchmarking Malawi against International best practice - Trade Facilitation Indicators

Outlined below is a benchmarked profile of Malawi's standing in certain objective, internationally recognised, country performance indices related to the facilitation of international trade which, among other things, tend to be referred to by, and influence the perceptions of, would-be investors when assessing whether or not a particular country is a place where they can do profitable business.

The indices included are:

- The World Bank's *Doing Business Report* 2012 – Trading Across Borders Indicators;
- The World Economic Forum's '*Enabling Trade Index*' (ETI) 2010;
- The World Bank's *Logistics Performance Index* 2007;
- World Economic Forum's '*Global Competitiveness Index*' (GCI) 2011-2012;
- Transparency International's '*Corruption Perception Index*' (CPI) 2010;
- The United Nations's '*e-Government Development*' Survey 2008-2010.

The World Bank's Doing Business Report 2012 – Trading Across Borders

The Doing Business Report provides objective indicative measures of the efficacy of business regulation and enforcement across 183 national economies.

The 'trading across borders' indicators measure the time and cost (excluding tariffs) associated with exporting and importing by surface transport, and the number of documents necessary to complete the transaction. The indicators cover the documentation requirements and procedures of customs and other regulatory agencies as well as those of the terminal operators. They also cover logistical aspects, including the time and cost of inland transport between the largest business city and the main port used by traders. Please refer to www.doingbusiness.org for further information.

Trading Across Borders 2012: Malawi's Overall Ranking

Country	Overall Trading Across Borders Ranking	Trading Across Borders Ranking (Sub-Saharan Africa)	Trading Across Borders Ranking (Landlocked Countries)
Malawi	164 th (out of 183 countries)	37 th (out of 46 countries)	24 th (out of 38 countries)

Trading Across Borders 2012: Comparison with Malawi's 2011 Ranking

Year	Doing Business Ranking	Trading Across Borders Ranking	Documents to Export (number)	Time to Export (days)	Cost to Export (US\$ per container)	Documents to Import (number)	Time to Import (days)	Cost to Import (US\$ per container)
2011	141	163	10	41	1,713	9	51	2,570
2012	145	164	10	41	1,675	9	51	2,570

Trading Across Borders 2012: Malawi benchmarked against world's best performing landlocked countries

Headline: Of 38 landlocked countries in the Doing Business Indicators, Malawi ranks 24th

Country	Trading Across Borders Ranking Among Landlocked Countries	Trading Across Borders Ranking Overall
Austria	1	25
Luxembourg	2	31
Switzerland	3	41
Macedonia	4	67
Czech Republic	5	70
Malawi	24	164

Trading Across Borders 2012: Malawi benchmarked against Sub-Saharan African (SSA) landlocked countries

Headline: There are eight landlocked SSA countries that are out-performing Malawi

Country	Trading Across Borders Landlocked SSA Ranking	Trading Across Borders Overall SSA Ranking
Mali	1	24
Lesotho	2	25
Swaziland	3	26
Botswana	4	28
Zambia	5	30
Rwanda	6	31
Ethiopia	7	33
Uganda	8	34
Malawi	9	37

Trading Across Borders 2012: Benchmarking Malawi's individual indicators against world's best performing landlocked countries

Headline: It takes more than twice the number of days for Malawi to export and import than the international standard.

Country	Documents to Export (number)	Time to Export (days)	Cost to Export (US\$ per container)	Documents to Import (number)	Time to Import (days)	Cost to Import (US\$ per container)
Austria	4	7	1,180	5	8	1,195
Luxembourg	5	6	1,420	4	6	1,420
Switzerland	4	8	1,537	5	9	1,540
Macedonia	6	12	1,376	6	11	1,380
Czech Rep.	4	17	1,060	7	20	1,165
Malawi	10	41	1,675	9	51	2,570

Trading Across Borders 2012: Benchmarking Malawi's individual indicators against a selection of Sub-Saharan Africa's best performing landlocked countries

Headline: Despite having relatively favorable import/export costs per container, Malawi has the most import/export documentation and it takes longer to import/export compared to all other countries listed, with the exception of Zambia.

Country	Documents to Export (number)	Time to Export (days)	Cost to Export (US\$ per container)	Documents to Import (number)	Time to Import (days)	Cost to Import (US\$ per container)
Mali	6	26	2,202	9	22	1,526
Lesotho	8	31	1,680	8	35	1,665
Swaziland	9	18	1,855	9	26	2,030
Botswana	6	28	3,185	8	41	3,420
Zambia	6	44	2,678	8	56	3,315
Rwanda	8	29	3,275	8	31	4,990
Ethiopia	7	42	1,760	9	44	2,660
Uganda	7	37	2,880	9	34	3,015
Malawi	10	41	1,675	9	51	2,570

Trading Across Borders 2012: A breakdown of Malawi's Import-Export Environment

Malawi Export Procedures	Duration (days)	Cost (US\$)
Documents preparation	25	285
Customs clearance and technical control	2	150
Ports and terminal handling	4	240
Inland transportation and handling	10	1,000
Totals	41	1,675

Malawi Import Procedures	Duration (days)	Cost (US\$)
Documents preparation	25	280
Customs clearance and technical control	3	150
Ports and terminal handling	9	240
Inland transportation and handling	14	1,900
Totals	51	2,570

Trading Across Borders 2012: A breakdown of Malawi's Import-Export Documentation

Malawi Export documents
Bill of lading
Cargo release order
Certificate of origin
Commercial invoice
Currency declaration (CD1) form
Customs and Excise declaration (Form 12)
Customs declaration for transit countries (transit document)
Export license
Packing List
Terminal handling receipts
Malawi Import documents
Bill of lading
Cargo release order
Certificate of origin
Commercial invoice
Customs and excise declaration (Form 12)
Customs declaration for Mozambique (transit document)
Form 19 Customs document
Packing List
Report order ('authority to proceed')

The World Economic Forum's Enabling Trade Index (ETI) 2010

The ETI measures the extent to which individual economies have developed institutions, policies, and services facilitating the free flow of goods across borders and onwards to final destination.

The structure of the Index reflects the main enablers of trade, breaking them into four overall issue areas, captured in the sub-indices:

1. The market access sub-index measures the extent to which the policy framework of the country welcomes foreign goods into the economy and enables access to foreign markets for its exporters.
2. The border administration sub-index assesses the extent to which the administration at the border facilitates the entry and exit of goods.
3. The transport and communications infrastructure sub-index takes into account whether the country has in place the transport and communications infrastructure necessary to facilitate the movement of goods within the economy and across the border.
4. The business environment sub-index looks at the quality of governance as well as at the overarching regulatory and security environment

Please see www.weforum.org/reports for further details.

Enabling Trade Index 2010: Malawi benchmarked against the world's leading landlocked countries and Sub-Saharan Africa's leading landlocked country (The ETI covers a total of 125 countries)

Headline: Malawi's market access score is very favourable, reflecting the significant strides made in reducing tariff rates. Administrative inefficiencies at the border and poor quality and limited availability of transport and communications infrastructure remain significant barriers to trade for Malawi.

Country	Overall ETI Score: 1-7 with 7 highest (Rank)	Market Access Score (Rank)	Border Administration Score (Rank)	Transport and Communications Infrastructure Score (Rank)	Business Environment (Rank)
Switzerland	5.37 (5)	4.23 (58)	5.76 (10)	5.63 (10)	5.87 (8)
Luxembourg	5.28 (9)	3.91 (73)	5.45 (20)	5.81 (3)	5.96 (4)
Austria	5.17 (14)	3.77 (94)	5.77 (9)	5.49 (12)	5.66 (13)
Czech Rep.	4.47 (42)	3.71 (105)	4.87 (32)	4.61 (36)	4.68 (43)
Botswana	4.21 (53)	4.69 (32)	3.96 (70)	3.30 (84)	4.89 (35)
Malawi	3.82 (83)	5.01 (19)	3.20 (101)	2.50 (118)	4.55 (55)

Enabling Trade Index 2010 - Border Administration and Infrastructure: How Malawi compares with international best practice in border administration and transport and communications infrastructure

Border Administration			
Country	Efficiency of Customs Administration (Rank)	Efficiency of Import-Export Procedures (Rank)	Transparency of Border Administration (Rank)
Switzerland	5.8 (10)	5.3 (32)	6.2 (7)
Luxembourg	4.8 (35)	5.5 (23)	6.1 (12)
Austria	6.0 (3)	5.6 (21)	5.7 (16)
Czech Republic	5.4 (23)	5.1 (41)	4.2 (45)
Botswana	4.4 (46)	2.8 (111)	4.6 (35)
Malawi	3.7 (82)	2.4 (115)	3.5 (60)

Transport and Communications Infrastructure			
Country	Availability and Quality of Transport Infrastructure (Rank)	Availability and Quality of Transport Services (Rank)	Availability and Use of ICTs (Rank)
Switzerland	6.0 (9)	5.2 (13)	5.7 (7)
Luxembourg	6.2 (2)	5.7 (5)	5.5 (13)
Austria	5.9 (11)	5.5 (8)	5.0 (24)
Czech Republic	4.7 (48)	4.6 (27)	4.5 (31)
Botswana	4.5 (53)	3.1 (99)	2.3 (92)
Malawi	2.9 (112)	3.0 (106)	1.6 (122)

The World Bank's Logistics Performance Index 2007

(Malawi is not included in the LPI 2010)

The World Bank's Logistics Performance Index (LPI) is the weighted average of the country scores on the six key dimensions:

- The efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including Customs;
- The quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology);
- The ease of arranging competitively priced shipments;
- The competence and quality of logistics services (e.g., transport operators, customs brokers);
- The ability to track and trace consignments;
- The timeliness of shipments in reaching destination within the scheduled or expected delivery time.

The Logistics Performance Index is based on a worldwide survey of logistics operators on the ground (e.g. global freight forwarders and express carriers), providing feedback on the ease of logistics in the countries in which they operate and in those with which they trade. Feedback from such operators is supplemented with quantitative data on the performance of key components of the logistics chain in the countries concerned, data has been collected for nearly 130 countries.

Please go to www.worldbank.org and search for "Logistics Performance Index" for further details.

LPI 2007: Malawi's performance is benchmarked against the world's leading landlocked countries and Sub-Saharan Africa's leading landlocked country (the LPI covers 150 countries)

Headline: There are significant improvements to be made across all areas of the LPI index for Malawi. In particular it highlights the need for improved infrastructure and consignment tracking and tracing capabilities.

Country	LPI Score: 1-5 with 5 highest (Rank)	Customs Score (Rank)	Infrastructure Score (Rank)	International Shipments Score (Rank)	Logistics Competence Score (Rank)	Tracking and Tracing Score (Rank)	Timeliness Score (Rank)
Austria	4.06 (5)	3.83 (8)	4.06 (9)	3.97 (3)	4.13 (4)	3.97 (12)	4.44 (3)
Switzerland	4.02 (7)	3.85 (6)	4.13 (4)	3.67 (14)	4.00 (8)	4.04 (9)	4.48 (2)
L'bourg	3.54 (23)	3.67 (15)	3.86 (13)	3.00 (45)	3.22 (33)	3.56 (26)	4.00 (25)
Czech Rep.	3.13 (38)	2.95 (36)	3.00 (36)	3.06 (43)	3.00 (42)	3.27 (35)	3.56 (42)
Uganda	2.49 (83)	2.21 (99)	2.17 (99)	2.42 (98)	2.55 (77)	2.33 (100)	3.29 (56)
Malawi	2.42 (91)	2.25 (90)	2.13 (105)	2.56 (81)	2.56 (76)	2.00 (126)	3.00 (79)

The World Economic Forum's Global Competitiveness Index 2011-2012

The GCI is a comprehensive index for measuring national competitiveness, which captures the microeconomic and macroeconomic fundamentals of national competitiveness. The GCI defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The GCI looks at twelve pillars of economic competitiveness:

- Institutions
- Infrastructure
- Macroeconomic environment
- Health and primary education
- Higher education and training
- Goods market efficiency
- Labour market efficiency
- Financial market development
- Technological readiness
- Market size
- Business sophistication
- Innovation

Please see www.weforum.org/reports for further details

Global Competitiveness Index 2011-2012: Malawi's performance is benchmarked against the world's leading landlocked countries and Sub-Saharan Africa's leading landlocked countries

Headline: Of the 142 countries in the Index, Malawi ranks 117th. In total there are thirty Sub-Saharan African countries in the Index – Malawi ranks 14th, behind four other landlocked countries (Rwanda; Botswana; Ethiopia; and Zambia).

Country	Score (1-7 with 7 highest)	Rank (out of 142 countries)
Switzerland	5.74	1
Austria	5.14	19
Luxembourg	5.03	23
Czech Republic	4.52	38
Rwanda	4.19	70
Botswana	4.05	80
Malawi	3.58	117

Transparency International's Corruption Perception Index (CPI) 2010

The Corruption Perceptions Index (CPI) ranks countries according to the perception of corruption in the public sector. The CPI is an aggregate indicator that combines different sources of information about corruption, making it possible to compare countries.

The 2010 CPI draws on different assessments and business opinion surveys carried out by independent and reputable institutions. It captures information about the administrative and political aspects of corruption. Surveys and assessments are used to compile the index and include questions relating to bribery of public officials, 'kick-backs' in public procurement, embezzlement of public funds, and questions that probe the strength and effectiveness of public sector anti-corruption efforts.

For further information please see www.transparency.org

CPI 2010: Malawi's performance is benchmarked against the world's leading landlocked countries and Sub-Saharan Africa's leading landlocked country

Headline: Out of the 178 countries in the Index, Malawi ranks as 'average'. However, there is a significant gap between Malawi and the leading Sub-Saharan African country, Rwanda, and the internationally leading landlocked countries.

Country	Score (0-10 with 10 being the 'cleanest' and 0 being the most corrupt)	Rank (out of 178 countries)
Switzerland	8.7	8
Luxembourg	8.5	11
Austria	7.9	15
Botswana	5.8	33
Czech Republic	4.6	53
Macedonia	4.1	62
Rwanda	4.0	66
Malawi	3.4	85

The UN e-Government Development Survey 2008-2010 (UN Public Administration Programme)

The UN's e-Government survey assesses the e-government readiness of the 192 Member States of the UN according to a quantitative composite index of e-readiness based on website assessment, telecommunication infrastructure, and human resource endowment.

For further information please see www.unpan.org/egovkb

e-Govt Development Survey 2008-2010: Benchmarking Malawi against international best practice and best practice in Sub-Saharan Africa

Headline: Out of 192 countries surveyed, Malawi currently ranks 159th. Since 2008, Malawi's ranking has fallen by thirteen places. Malawi is eighth among landlocked countries in Sub-Saharan Africa.

Country	e-Govt. Score (scale of 0-1 with 1 highest)	Rank 2008	Rank 2010
South Korea	0.8785	6	1
United Kingdom	0.8147	10	4
Switzerland	0.7136	12	18
Austria	0.6679	16	24
Luxembourg	0.6672	14	25
Hungary	0.6315	30	27
Czech Republic	0.6060	25	33
Botswana	0.3637	118	117
Lesotho	0.3512	114	121
Zimbabwe	0.3230	137	129
Uganda	0.2812	133	142
Zambia	0.2810	158	143
Swaziland	0.2757	125	145
Rwanda	0.2749	141	148
Malawi	0.2357	146	159

3. Legal and policy framework

For a country's international trade to flourish it is important that the economy is underpinned by an appropriate policy and legal framework. The latter can have a strong bearing on national trade competitiveness and growth, in terms of matters such as transaction costs, commercial predictability and the making of investment decisions.

As a landlocked developing country and member of the WTO, COMESA and SADC, Malawi recognises the importance of placing its strategic trade facilitation focus in the international regional and wider global context. It is important that Malawi adopts the right domestic legal and institutional framework to support the facilitation of its international trade and is able to work through the WTO and the regional economic communities (RECs), of which it is a member, to advance its trade facilitation interests.

In this respect, the Government of Malawi is concerned that the different rules of origin requirements of the REC that Malawi trades with or within (e.g. EU, COMESA SADC, etc.), preference or non-preference are not well understood by its traders and, therefore, the benefits were not being fully realised. The Government is also conscious of the pressing need for regional rationalisation of trade related documentary and data requirements (e.g. regarding the Single Administrative Document [SAD]). The example of an export through the port of Durban was cited, where a consignment transiting ex. Malawi would have to meet the different administrative requirements of Mozambique, Zimbabwe and South Africa, resulting in the duplication of documentation and effort. Part of Malawi's response, working through SADC and COMESA, is a willingness to explore new border management concepts, such as the OSBP, to address such problems.

Given its dependence on the transit, logistics and trade facilitation services of its neighbours, Malawi has little choice but to work with the countries that border it and the RECS to seek to improve its position through co-operation and collaboration (e.g. Malawi's bilateral trade arrangements with South Africa, Zimbabwe and Mozambique and customs agreement with Botswana). Other matters on which co-operation has been sought are in respect of its domestic carriers in the area of truck related standards harmonisation, e.g. axle loads - where actual progress has been slow -, cabotage, and in transit corridor operation in respect of NTBs.

On the domestic front, the Government of Malawi would seem to be embracing new thinking in trade facilitation and willing to introduce policy to reflect this, such as that concerning OSBPs, One-stop-shops and permitting PPPs. However, the private sector would like to see good public

- private sector dialogue and consultation mechanisms put in place, and examination of international trade related administrative processes and procedures to reduce the scope for corruption and rent-seeking activity, which so undermine trade facilitation efforts.

In line with the findings of the WTO's *Trade Policy Review*, a key recommendation of our assessment is that Malawi's Tariff be simplified in structure. We recognise that this is a sensitive issue, however, we agree with the WTO's assessment that: "Simplification of the tariff structure with a single Most Favoured Nation (MFN) tariff (for example between 5% and 10%) across all products, with no exemptions or concessions, would, in all likelihood, increase revenue" and would reduce incentives for non-compliance and the costs taken up in its administration.

A key institutional determinant of the success of this trade facilitation benchmarking assessment is, of course, 'political will'. With this in mind, it has been suggested that action on implementing the recommendations of our final report should be driven, if at all possible, by the Office of the President.

Recommendations:

- **Simplify the structure of the national 'Tariff'** – Malawi is heavily reliant on trade related taxes (customs duties), around 40% of tax revenue, yet the structure of the national tariff is complicated to administer with six bands and many concessions and exemptions which tend to be discretionary and ad hoc, providing opportunity for graft. The WTO has suggested that simplification of the tariff's structure and the elimination of concessions and exemptions would probably increase revenues.

There appears to be no obvious economic rationale for the discretionary elements of the tariff's application or clear criteria and procedures for them. Potentially market distorting, they add complexity, are not transparent and increase commercial risk and uncertainty.

Over time, Malawi therefore needs reduce its dependence of trade related taxes by diversifying the tax revenue base to enable the government to simplify the tariff, lower tariff levels, and so reduce the cost of its administration in the interests of facilitating trade and boosting inward investment and trade development.

- **Establish an effective National Trade Facilitation Body** - Working to *UN/CEFACT recommendation no. 4*, which provides a standard for governments in establishing and supporting national trade facilitation bodies with balanced private and public sector participation in order, on an on-going basis, to: a) identify issues affecting the cost and efficiency of Malawi's international trade; b) develop measures to reduce the cost and improve the efficiency of Malawi's international trade; c) assist in the implementation of such measures; d) provide a national focal point for the collection and dissemination of information on good practice in international trade facilitation; and e) participate in international co-operative efforts to improve trade facilitation and efficiency, especially in the region.
- **Align Customs policy, law and practice with the WCO's Revised Kyoto Convention (RKC)** – By implementing a diagnostic and 'gap analysis' to identify what work is required for Malawi to achieve alignment and then initiating projects to close the identified gaps. The RKC is generally regarded as the 'blueprint' and quality standard for a modern, properly functioning Customs Administration, and is deemed to enable trade facilitation without compromising the statutory functions of Customs. Comprising a comprehensive set of uniform, internationally recognised principles of simple and effective procedures for customs control, the components involved are regarded as being responsive to the needs of Customs administrations and the demands of traders, balancing, control, compliance and trade facilitation. Consequently the implementation of RKC standards can improve the business enabling environment and enhance investor perceptions of a country as a place to do business.

- **Delegate ‘authority to approve’ for trade related permissions, to operational management level** – By making best use of any scope that may exist in the current legal base for revising current arrangements. Or, if necessary, by amending relevant legislation / regulations to enable this. Allowing trade related permissions to be granted at this level, with each public body able to establish and being required to publish a transparent policy, informed by ‘customer need’ and practical operational reality should result in responsive service provision without any compromise in accountability and compliance standards. Such a change should serve to reduce delay in obtaining necessary permissions and thereby reduce transaction costs.
- **Introduce a legal framework for electronic commerce** – Through initiating a trade related legislative review, informed by good practice in e-commerce, and with particular reference to relevant international standards, such as those of UN/CEFACT, the ICC and the WCO, to revise and align legislation as considered necessary to ‘e-enable’ Malawi’s international trade environment. Ensuring that the electronic transference of data and documentation has the same legal standing as that of paper, creating commercial certainty in the adoption of e-commerce based processes and procedures, underpinning their adoption and the efficiencies and reduced trade transaction costs flowing from them.
- **Extend the availability of ‘direct trader input (DTI)’; eliminate the mandatory requirement to use a customs clearance agent to clear goods, together with the regulation of their fees** - By rolling-out current DTI provision beyond those companies currently benefiting and revising the regulatory provisions concerning the use of customs agents / brokers. Freeing up the market by these means should extend the range of options open to exporters and importers in how they comply with official requirements and enhance competition in the provision of official procedure compliance intermediary services. This should produce efficiencies in export / import supply-chains, lower transaction costs and help improve competitiveness.
- **Ensure effective operation of the road haulage market** – Conduct an analysis of the road haulage market with particular reference to market operation barriers to entry and the existence or otherwise of a competitive environment in the provision of trade related freight / logistics services. Assess the operational impact of current road freight sector regulation and the extent to which it might be improved to reduce compliance and administration costs, address market failures and enhance service quality.

4. Trade procedures

To compete in international markets countries need to ensure that the transaction costs associated with the administration of international trade are kept low. This requires that official procedures be well designed, transparent, take account of internationally recognised standards, and be kept to the minimum necessary for control and compliance purposes.

In so far as one can generalise, stakeholders by and large feel that Malawi’s trade procedures worked reasonably well overall. Typical documentation required for customs clearance was a customs declaration - normally entered into the Asycuda customs processing system by an agent on behalf of a trader using a bureau service (although direct trader input was being rolled-out) – a commercial invoice, a packing list, evidence of carriage and, usually, a certificate of origin. An earlier time-release study by the MRA indicated that customs clearance times averaged three hours from the time the data was in the ‘Asycuda’ system. This kind of clearance time-frame was corroborated by certain private sector stakeholders and by talking to border post users at Malawi’s frontier with Mozambique. Few problems were said to be experienced concerning exports because there were no duty or tax implications, as well as imports, where payment was not required.

Traders tend to find that problems arise where other government agencies (OGA) are involved, associated with the bureaucracy generated by their particular requirements. For example, intervention by one or other agency at Malawi's border can delay goods for twenty-four hours or more, whilst the centralisation of the certification of certain documentation necessary for trading, such as Certificates of Origin and GSP certificates means that traders in Blantyre reportedly have to physically travel to Lilongwe to get such documents certified. Also, it is common for necessary trade related permissions to have to be signed-off at a particularly senior level, which again can result in businesses incurring unnecessary additional costs due to delay and inconvenience.

Our assessment of Malawi's trade procedures and linked processes leads us to conclude that there is much scope for rationalising, simplifying, standardising and streamlining these, which has informed our recommendations below. Of particular note is the scope for standardising the procedure for obtaining trade related 'permissions'; for enabling the granting of these at the operational rather than more senior levels, and for multiplying the options and channels by which trade related official procedural requirements can be made known and be met (e.g. 'one stop shops'), making best use of ICT technology to achieve this.

Other factors that tend to increase the cost of importing and exporting in Malawi are road tolls along the main transit routes, fuel scarcity and price and access to foreign exchange, the latter said to be putting carriers off from carrying Malawi cargo for fear of not getting paid. This, together with the generally poor performance levels of the regional transit corridors connecting Malawi to the region's main ports, highlights the need for the government of Malawi to redouble its efforts to work as closely as possible with neighbouring countries to agree and ensure the enforcement of a robust, mutually acceptable and credible transit regime. A transit survey conducted in Mozambique by Malawi's Ministry of Trade in February last year on the Blantyre – Beira route reported a high incidence of corruption and extortion on the route and raised concerns about security at the port of Beira.

Recommendations:

- **Rationalise documentary and data requirements** – the flow of trade is intimately tied up with the flow and management of information. Therefore it is important that there be a facilitative framework for the submission, storage and exchange of information. All data elements and documents and the purposes they serve should be identified. These should be reconciled and rationalised to arrive at a standard inventory of data elements and documentation acceptable both nationally (for the public and private sector) and internationally.

The aim should be to keep the data elements and documentation required to the minimum commensurate with control needs and legal obligations. In accordance with international standards (UN/CEFACT) of good practice, maximum use should be made of documents and data already ordinarily in use commercially in typical international supply-chains, for control purposes. The aim should be to optimise use of agreed data / documentation in the parallel information flow accompanying the physical goods movement and to minimise, if not eliminate, information redundancy and duplication.

- **Use technology appropriately to reduce transaction costs** – By auditing trade processes and procedures to identify opportunities where the deployment of appropriate technology can add value to the processing and administration of international trade, In particular the scope for gradually migrating to an e-commerce environment should be explored.
- **Simplify, harmonise and standardise all procedures and processes for applying for international trade related 'permissions'** – Using a business process redesign (BPR) approach. This allows an organisation to fundamentally rethink what is done and how, focusing on business processes. The methodology enables

processes, procedures and systems to be deconstructed into their component parts for analysis, improvement, modification or elimination.

In the context of the efficient administration of international trade, BPR methodology should, for example, enable business process similarities and differences between relevant government agencies and within the private sector, to be identified relatively early on, with a view to their reconciliation, rationalisation, simplification, streamlining and standardisation, to the degree appropriate, maximising the potential for sharing or making common use of processes, procedures, systems and data, informed by UN/CEFACT standards as applicable.

The resultant streamlined processes / procedures should be made transparent and published, along with any fees which may apply. This should simplify international trade compliance and administration and reduce opportunities for 'graft' and associated direct and indirect costs for both the public and private sectors.

- **Publish and promulgate all international trade related official requirements together with relevant fees and charges** – Under the auspices of Article X of the GATT, administered by the WTO, which relates to the publication and administration of trade regulations, all WTO members are required to publish and render transparent all trade measures. As an international obligation Malawi needs to ensure that it is complying with this requirement, and ensure that business is aware of where to find up to date information on official procedures. Care should be taken to use the most appropriate media to communicate official information and opportunities for co-operation with the private sector in this regard should be taken e.g. publication in the trade / business media, on trade association, chamber of commerce web-sites and similar. Transparency and access to up to date information facilitates trade by increasing efficiency, reducing risk and improving commercial predictability.
- **Increase the options / channels for making trade related payments and for obtaining necessary certified documentation / 'permissions'** – By examining existing arrangements and working with private sector stakeholders e.g. banks, telephone service suppliers, trade associations and chambers of commerce, the government should expand the options available to business to make trade related payments and obtain any necessary certified documentation / permissions. The guiding principle being to make it as easy and as convenient as possible for business to comply with the law. In respect of obtaining certified documentation / permissions, the scope for public – private partnership should be explored, particularly the possibility of private trade bodies, such as a chamber of commerce, being able to issue certain official documentation / permissions on the delegated authority of a government department.
- **Secure effective transit arrangements with neighbouring countries** – Draw on relevant international and international regional institutional instruments and mechanisms where applicable and useful, to engage neighbouring countries in 'transit' diplomacy', to work out mutually beneficial solutions to support transit / transport / trade corridor based trade development.

Through a series of 'pilot initiatives' in S. America, Africa and Asia, UNCTAD has been able to show that cross-border and wider regional co-operation between LLDCs and MTDCs is mutually beneficial to their economic growth and trade prospects. Moreover, confounding expectations, the private sector in MTDCs was said, more often than not, to be willing to lead corridor level operational improvement. These pilots demonstrated that such co-operation is possible and noted that it is critical to the establishment of efficient transit transport systems.

The cost-effectiveness of transits and market access is significantly improved when taking place within an integrated regional setting. It enables participating countries to support one another and take advantage of *economies of scale* and *resource pooling* in relevant areas, such as infrastructure modernisation, border management, security, and certain institutional arrangements, making it easier to attract and retain foreign direct investment.

5. Border management

The way a country manages the flow of goods and people across its borders can impact significantly on its business climate, in terms of the competitiveness of international supply-chains and, therefore, upon national trade competitiveness. Compliance with country and agency specific regulatory procedures can be unnecessarily complicated due to the range of agencies involved and their various requirements, which cross-border movements must comply with, often involving more than one jurisdiction and differing in each. This can add substantial direct and/or indirect cost, especially when shipping to/from landlocked countries. It is, therefore, important that a modern approach to border management be adopted, involving close co-operation between relevant agencies and, where possible, across borders, for example the *Single Window and One-Stop Border Post (OSBP) concepts*.

For the purposes of this assessment, Crown Agents, together with the Project Manager from the *Commonwealth Secretariat* and representatives of the Malawi *Ministry of Industry & Trade*, with the kind co-operation and support of the Malawi Revenue Authority (MRA), visited two of Malawi's border posts, namely *Mwansa* and *Dedza*, both of which are on the border with Mozambique. Hosted by the *station managers*, we spoke with a number of border post personnel and users of the border posts and, in the time permitted, were able to look at some of the processes and procedures in use and, thereby, obtain a general picture of how the border posts operated in respect of the cross-border movement of cargo. This was supplemented by a brief visit to the MRA's counterparts at Mwansa's corresponding crossing point on the Mozambique side of the border.

Whilst noting certain constraints that the border posts were reportedly operating under, indicating where one might focus efforts in seeking to improve on current performance, on the days of the visits they both appeared to be operating reasonably well. This was corroborated by the users we spoke to at the crossing points. Principles of *risk-based control* were said to be being applied to the flow of goods crossing the border, although the low incidence of contraband / discrepancy with truck manifests arising from the physical examination rate at *Dedza* (reportedly 60-70%) suggests that risk management principles may not be being properly applied and/or not applied consistently across the country. In general, however, from the evidence available it appeared that respectable clearance times were able to be achieved. We understand that *Mwansa* and *Dedza* are two of a number of border posts at Malawi's frontiers earmarked for development as OSBPs. This should be a very positive development, as the evidence suggests that, in so far as one can generalise, much of the border delays impacting upon Malawi traders' market access occur beyond Malawi's own frontier.

Our recommendations below are informed by our findings. A particular concern arising from our field-work was that, although the border posts visited were operating reasonably well, their performance was constrained by the need to be better equipped for their task, including better office accommodation. Of particular note was the absence of dedicated facilities and equipment for the handling and examination of goods selected for physical checks (e.g. forklift trucks, non-intrusive inspection technology, such as cargo scanning equipment etc.), along with the inability to adequately segregate hazardous or sensitive consignments from general cargo for examination purposes, as appropriate. Consequently, out-turned goods are afforded minimal protection. Therefore, there are likely to be issues around the maintenance of the integrity and quality of the cargo being checked. Additionally, at *Mwansa*, a manual record system was in operation for examinations, there being no computer terminal with which to record and exchange relevant information.

Border post operation was also said to be hampered by inadequate and unreliable ICT resource (network problems, bandwidth constraints, insufficient internet access, lack of hardware, need for staff training, etc.), which was partly due to the existence of similar concerns with regard to power supply. For the purposes of this report both these underlying challenges fall within our recommendations under the heading: *Infrastructure*, below. Another resource factor impacting border operation was said to be the requirement for more staff and for more vocational training of staff (training in trade procedures, valuation, tariff classification and rules of origin being specifically mentioned), which in this report are touched on below under the heading: *Public and private sector capacity*.

From discussions with the Malawi Revenue Authority (MRA) and some of their main private sector stakeholders it seems that the MRA has made significant progress lately in improving the customs clearance process and release times. Further planned modernisation looks likely to go some way to addressing certain of the issues above. The main 'customs' issues revolve around the accuracy of valuation (and linked tariff classification and rules of origin issues), the application of risk management techniques (far too many cargo examinations) and the ICT infrastructure to support improved operation of these key elements. The MRA intends moving to a centralised data processing model, where all declarations are to be processed / cleared by a central hub. This initiative combined with the nascent central risk management unit and progress in the roll-out of 'direct trader input' should enable the issues around valuation and risk profiling / management to be addressed, reducing the incidence of interventions at the border to more acceptable levels and, thereby, reducing transaction costs. However, as alluded to above, the success of this model will depend upon improving the connectivity and reliability of the MRA's ICT infrastructure between the central hub and the outlying 'stations'; upon the degree of inter-agency co-operation with other relevant agencies operating at the border; and upon developing the technical capacity and capabilities of relevant customs staff.

An area where our assessment suggests that Malawi can make significant improvement in the interests of trade facilitation is that of domestic inter-agency collaboration between those public bodies and their line ministries that have a remit allowing them to intervene in international supply-chains at the border, hopefully progressing to cross-border collaboration with counterpart agencies with neighbouring countries. Our understanding is that, more often than not, it is one or other of these agencies, rather than the MRA itself, which is responsible for cross-border movements being 'snagged', organisations for which the MRA often acts as agent in respect of cargo release. We further understand that, in general, these other government agencies (OGA), for example the *Bureau of Standards*, are experiencing similar resource constraints and under-investment to that identified in respect of the MRA, referred to above.

Our assessment discovered that, in practice, informal, ad hoc collaboration was happening between border agencies domestically and, indeed, across borders. However, one cannot help but feel that there is much more to be gained, in terms of facilitating trade and the efficient, effective, deployment of limited public resource, by formalising such collaborative working, for example, by broadening the use of risk management principles, even within existing institutional structures, based on the concepts of the *Single Window* and *OSBP*. We note that the government of Malawi has embraced, and is seeking to operationalize, the OSBP idea, which was well received by all stakeholders we spoke with. In this regard, we are aware of the work of the Southern Africa Trade Hub (SATH) and SADC in promoting integrated border management, Single Window and OSBP, at both national and regional levels, and Malawi's engagement with this programme.

Recommendations:

- **Equip each border post to a standard that enables it to function effectively** – It is important that, as far as possible, with due regard to the financial resources available within relevant budgets, the control authorities operating at the border have the staff and appropriate facilities and equipment for the job. In particular, power supply back-up, ICT equipment for recording, transferring and sharing information, cargo handling, storage and inspection equipment and facilities. It may prove useful

to conduct an audit of border posts and establish where there are gaps that need to be filled, for procurement tender purposes, and consider what scope there may be for control agencies and their line ministries to co-operate and 'pool' parts of their budgets to achieve economies of scale in such matters.

- **Institutionalise inter-agency co-operative working at the border** – Informal co-operation between control agencies at certain border posts, through personnel within them using their initiative is already happening and evidence of this was apparent in the course of undertaking the fieldwork for this assessment. However such co-operation needs to be institutionalised as part of operational policy within each control agency to ensure 'joined-up' border management and more effective control, making best use of the resource and assets available across government agencies for the purpose. Apart public sector efficiency gains in resource allocation and service delivery, inter-agency co-operative working at the border supports trade facilitation by reducing duplication of effort among agencies and enabling concurrent, rather than sequential checks, to be made by those control agencies with an interest in particular people and consignments crossing the border, saving time and thereby reducing transaction costs.
- **Introduce the 'Single Window' and OSBP approaches to border management** - This is a logical next step from institutionalising inter-agency co-operative working at the border (see above). Single Window and OSBP are innovative concepts and a departure from the conventional border management model. The former advancing the efficacy of public authorities enabling parties involved in international trade and transport being able to lodge standardised information and documents, at a single point to fulfil all import, export and transit regulatory requirements; the latter focusing on close cross-border co-operation between neighbouring countries in managing their common frontier, a core feature being joint cross border controls and sharing relevant assets, information and infrastructure. Best use should be made of UN/CEFACT standards for the implementation of a single window approach (UN/CEFACT recs. 33 & 35) and donor guidelines on implementation of OSBPs such as the East African Community / JICA's '*OSBP Source Book*'.
- **Ensure effective risk-based controls are in place** – By getting to a point where the customs and trade processes and procedures deployed, and the systems supporting them, can take account of risk factors per control agency enabling relevant systemic risk assessment, profiling and management for cross-border movements of goods and people. Risk based controls per border agency facilitate trade by helping to improve trade and traffic flows at the border, in markedly reducing the need for control agency interventions and the delay and costs associated with them, confining documentary inspections and physical examinations to those movements that 'trip the profiles' on the relevant system(s).
- **Deploy appropriate non-intrusive inspection equipment at busy border posts** - By acquiring such inspection technology as may be appropriate and objectively justifiable to meet a risk assessed demonstrable need in support of customs officers in their day to day control work. Such technology ranges from large vehicle mounted 'scanners' to portable hand held devices. Whatever inspection technology it is considered most appropriate and necessary to acquire, it is important that its operational deployment be properly integrated into Malawi's customs clearance and trade compliance procedures and processes, so as to minimise disruption to trade flows and reduce border dwell time.

6. Public and private sector capacity

Trade growth and competitiveness is contingent upon the capacity and capabilities that exist within a country's public and private sectors to support international commerce, that is, the extent of human (knowledge and expertise), physical, institutional and financial resource that can be drawn on to develop international trade.

The findings of our field-work, together with feedback from stakeholders in both the public and private sectors, indicates that there is a significant knowledge gap in Malawi about the processes and procedures involved in international trade generally, and about those applicable to Malawi's international trade administration. It was generally felt that much capacity building was required to support the facilitation of Malawi's international trade and accepted that international trade related capacity and capability constraints were prevalent throughout the public and private sectors.

In the field of Customs, there was felt to be a staff training need to obtain a better technical understanding of trade documentation, procedures and practices, as well as for courses and longer term capacity building in the areas of tariff classification, valuation and origin rules.

The Bureau of Standards readily admitted that it was in need of institutional capacity building support, including laboratory facilities, equipment, staff resource, competence training and accreditation, so that laboratory testing need not be outsourced.

It is clear that traders and their representative bodies also need to be better informed about international trade procedures and practices, especially in respect of understanding and being in a position to comply with the product standards in foreign markets, as well understanding and being able to exploit the opportunities arising from trade policy agreements in place (e.g. those of COMESA and SADC).

Of particular interest, given limited resources and a common need, is the extent to which the public sector and private sector are able to work together to build international trade related capacity and capability in order to better facilitate international trade. An area where such collaboration may prove fruitful is in respect of the Ministry of Industry & Trade's 'One-stop-shop' idea, to provide traders with a single point of contact with all relevant agencies, allowing traders to process multiple transactions at one location for all their trade related requirements - that is, pay taxes, and duties, clear customs and obtain certain documents or licences at one place. The idea of this is to reduce the amount of time tied up in international trade administration, to pave the way for the consolidation of related processes and procedures, and to improve service delivery standards. Conceivably, with the right model in place, there may be the potential for a public private partnership to operate between relevant public and private sector national networks to implement this concept, along with international trade focused 'helplines' to further support traders.

Recommendations:

- **Capacity-building training for public and private sectors on international trade documentation, procedures, practices and policy**
- **Capacity-building training on meeting international standards**
- **Capacity-building training for the private sector representative bodies in public policy advocacy**

Building up the knowledge and expertise base of Malawi's public and private sectors in the field of international trade, sustainably, is critical if Malawi is to make meaningful progress in international trade development, especially in diversifying economic activity away from over dependence on agriculture. An option to consider is the public and private sector working together, possibly with the involvement of reputable educational establishments, to develop relevant capacity building training courses in the key areas of international trade practice, meeting international

standards, trade policy and public policy advocacy. Alternatively such courses can be developed or provided 'off the shelf' by suitable training providers. However such capacity building is addressed it will be important that knowledge and expertise be developed sustainably, which would typically involve a 'train the trainer' approach, mentoring, 'shadowing' and similar, to have lasting, cascading, knowledge transference impact.

- **Examine the scope for a localised PPP solution to the laboratory / testing facility capacity constraints at the Malawi Bureau of Standards** – Standards development, quality assurance, metrology and the provision of conformity assessment services (inspection, laboratory testing, certification and calibration) are important in international trade, as well as domestically, for consumer protection. Standards development and compliance should help upgrade the quality of Malawi produced value added goods, which in turn will enable them to access new markets, enhance competitiveness and increase export opportunities, gradually helping to diversify Malawi's economic base. One option to address the current capacity constraints of the Bureau of Standards is to consider obtaining funding for 3-5yr 'twinning' capacity building programme with a more advanced and experienced standards body, to enable a step-change in upgrading Malawi's 'quality infrastructure'.
- **Introduce 'one-stop-shops' and 'helpline' for Malawi's traders** – Examine the spatial coverage of the existing relevant government office network and that of private sector business support organisations (e.g. sector associations, chambers of commerce etc.) in relation to the main centres of population and commercial activity. Making the most of the 'one-stop shop' idea and initiative, build on these networks to fashion an enterprise outreach programme and communications strategy, using appropriate media channels (telephone, web, e-mail etc.) and properly trained personnel to provide expert help and advice on international trade matters including, compliance issues, business 'start-up' and development and similar.

7. Infrastructure

Good, efficient infrastructure (e.g. transport, power supply, telecommunications), and the services supplied through it, are essential drivers of competitiveness and market integration. For example, a country's logistics profile, the ease with which freight operations can be arranged to and from it, is an important business indicator for would-be investors.

The government of Malawi is very much aware of the infrastructure gaps that exist and of the areas where investment, from whichever quarter, is required, as it is a priority for the Ministry of Transport, and does not, therefore, need Crown Agents to point this out. However, in an assessment of this kind, we could not ignore the subject of infrastructure because, as Malawi knows, its quality is so fundamental to trade facilitation improvement. Therefore, for completeness, we touch on the main relevant trade facilitation related infrastructure issues, and make the predictable recommendations for this area, recognising that we cannot really add anything new here, much less realistically cost what progress is required to be made, which in total we estimate to be in the region of some billions of U.S. dollars.

- **Transport** – As a landlocked country Malawi is as reliant on the investment and trade facilitation focus in transport infrastructure and related logistics service provision of its neighbours, to move from goods to / from the region's main gateway ports and thereby access markets, as it is on its own investments and efforts in this regard. The condition of roads in Malawi were regarded as being generally good, but in need of improvement, as are those of the routes they connect with in neighbouring transit countries. Regional initiatives and agreements to improve the routes to Malawi's key trade 'gateways'

(Durban, Beira, Nacala, and Dar-es-Salaam (Northern Corridor) are on-going, but chronic underinvestment in rail both nationally and regionally (Tanzania and Mozambique) has served to seriously limit rail as an option and, thereby, the scope for reliable intermodal transit transport operations.

Regionally, the operational performance of trade / transit corridors has been relatively poor. Corruption and the non-tariff barriers along these corridors are said to be difficult to counter, with many 'security checks', road blocks and vehicle inspections, and unforeseen charges frustrating transits and adding to transaction costs. Add to this, poor standards of border management and the fact that, even where agreements exist (e.g. that between Malawi and Mozambique on axle weights), they are often not applied, and the impact on trade facilitation grows exponentially.

Recognising the need for investment in rail, the Ministry of Transport has increased the share of the budget allocated to it from 2% to 14% year on year. The money is being spent mainly on rail maintenance and the main 'pipeline' investment project, which is the rehabilitation of 99 km of Malawi's section of the railway line between Tete and Nacala, which passes through Malawi, on the back of work being completed on the Mozambique section by mining interests from Brazil.

We also note that the Government of Malawi has, through a tri-lateral Memorandum of Understanding (MoU) with Zambia and Mozambique, committed itself to the regional multi-modal *Shire Zambezi Waterway project* (including the inland port at Nsanje), to provide Malawi with more direct access to the sea and a hoped for alternative cost-effective route to market.

- **Power supply** - The availability of a resilient, reliable electricity supply in Malawi is obviously an essential prerequisite for any marked improvement in the functioning of national trade facilitation related systems and processes, and that of attendant infrastructure and services. It is, therefore, a crucial strategic consideration in the planning and project sequencing of improvements. For example, the ICT network, necessary for the rapid, free flow of information between parties involved in international trade transactions, to ensure effective supply-chain management and performance, is especially vulnerable to disruption from power outages. The unreliability of power supply was cited as one of the issues impacting operations at border posts.

It is recognised that Malawi has a serious capacity shortfall in the generation of electricity, and that what is generated is overly concentrated on a single hydroelectric facility. It was noted that the World Bank was providing support to Malawi through the funding of feasibility studies on further means of power generation, demand management and transmission, preparatory to further investment in this area. Obviously, full advantage needs to be taken of any institutional arrangements and scope for the integration or pooling of resource regionally e.g. the *Southern Africa Power Pool (SAPP)*, or where sensible technological innovation could be deployed, such as the use of solar power at remote locations, where feasible. Malawi remains one of the few SADC countries yet to connect to the SAPP regional grid.

- **ICT** - The existence of good, inter-connected trade related ICT networks is, of course, critical to the facilitation of Malawi's international trade in facilitating rapid communication and transmission of information and data between parties to international trade transactions and for the efficient administration of international trade and supply-chain management.

In the course of making this assessment the evidence suggests that Malawi's current networks are not sufficiently robust and require further significant investment. It was noted that telecommunication bandwidth constraints and limited access to the internet, to

hardware, as well as to back-up and training, hampered trade related operational efficiency in both the public and private sectors, which was further exacerbated by power outages (see above). However, the prior existence of robust trade related ICT networks being in place to support trade processes and procedures is, naturally, a fundamental assumption and dependency of the modernisation programmes currently underway and proposed by the MRA and other public bodies.

Moreover, it may be considered particularly important for landlocked developing countries to focus on trade related ICT investment because, in the longer term, it offers the prospect of being able to develop telecommunications-based service exports, where market access is less vulnerable to disruption.

Recommendations:

- **Step-up investment in increasing electrical power generation, transmission and distribution.**
- **Increase investment in telecommunications / ICT.**
- **Increase investment in main international road / rail links and inter-modal linkages.**

8. Summary of recommendations

See Tables below

Recommendations	Benchmark Standard (as applicable)
<i>Legal and Policy Framework</i>	
Simplify the structure of the national 'Tariff'.	GATT Article VIII
Establish an effective National Trade Facilitation Body.	UN/CEFACT Recommendation No. 4
Align Customs policy, law and practice with the WCO's Revised Kyoto Convention (RKC).	WCO's Revised Kyoto Convention (RKC)
Delegate 'authority to approve' for trade related permissions, to operational management level.	
Introduce a legal framework for electronic commerce.	UN/CEFACT Recommendations 25, 31, 32, ICC: The UNCID Rules, ISO 7372 on the use of trade data elements internationally
Extend the availability of 'direct trader input'; eliminate the mandatory requirement to use a customs clearance agent to clear goods, together with the regulation of their fees.	
Ensure effective operation of the road haulage market.	
<i>Trade Procedures</i>	
Rationalise documentary and data requirements.	UN/CEFACT Recommendations 1, 6 and 22 plus the WCO Data Model, GATT Article VIII
Use technology appropriately to reduce transaction costs.	
Simplify, harmonise and standardise all procedures and processes for applying for international trade related 'permissions'.	UN/CEFACT Recommendation 18
Publish and promulgate all international trade related official requirements together with relevant fees and charges.	WTO-GATT Articles VIII and X
Increase the options / channels for making trade related payments and for obtaining necessary certified documentation / 'permissions'	
Secure effective transit arrangements with neighbouring countries.	Convention on Transit Trade of Landlocked States 1965; International Convention on the Law of the Sea; WTO-GATT Article V

Recommendations	Benchmark Standard (as applicable)
<i>Border Management</i>	
Equip each border post to a standard which enables it to function effectively.	
Institutionalise inter-agency co-operative working at the border.	UN/CEFACT Recommendations 33 & 35; EAC JICA OSBP Source Book; World Bank: Border Management Modernization, 2011
Introduce the 'Single Window' and OSBP approaches to border management.	UN/CEFACT Recommendations 33 & 35
Ensure effective risk-based controls are in place	WCO Risk Management Guide and World Bank Guidelines for Risk Management in Customs
Deploy appropriate non-intrusive inspection equipment at busy border posts	WCO SAFE Framework of Standards
<i>Public and Private Sector Capacity</i>	
Capacity-building training for public and private sectors on international trade documentation, procedures, practices and policy.	
Capacity-building training on meeting international standards	
Capacity-building training for the private sector representative bodies in public policy advocacy.	
Examine the scope for a localised PPP solution to the laboratory / testing facility capacity constraints at the Malawi Bureau of Standards.	
Introduce 'one-stop-shops' and 'helpline' for Malawi's traders.	
<i>Infrastructure</i>	
Step-up investment in increasing electrical power generation, transmission and distribution.	
Increase investment in telecommunications / ICT.	
Increase investment in main international road / rail links and inter-modal linkages	

Appendix 1. Action Plan (including Strategy & Indicative Budget)

Recommendations	Time Frame	Indicative Budget (USD)	Degree of Impact	Level of Effort
Legal and Policy Framework				
Simplify the structure of the national 'Tariff'.	MT	150,000	M	M
Establish an effective National Trade Facilitation Body.	ST	56,000	M	L
Align Customs policy, law and practice with the WCO's Revised Kyoto Convention (RKC).	MT	250,000	M	H
Delegate 'authority to approve' for trade related permissions, to operational management level.	ST	n/a	M	L
Introduce a legal framework for electronic commerce. <i>(Conducting a legal review, gap analysis, resulting in proposals for revisions)</i>	MT	95,400	L	L
Extend the availability of 'direct trader input'; eliminate the mandatory requirement to use a customs clearance agent to clear goods, together with the regulation of their fees.	ST	n/a	H	L
Ensure effective operation of the road haulage market. <i>(Conducting a market & regulatory analysis, resulting in proposals for revisions).</i>	MT	95,400	M	M
Trade Procedures				
Rationalise documentary and data requirements.	ST	200,000	M	L
Use technology appropriately, to reduce transaction costs. <i>(Conducting an analysis, and suggesting where addition use of technology can enhance the trade facilitation process)</i>	MT	100,000	L	M
Simplify, harmonise and standardise all procedures and processes for applying for international trade related 'permissions'.	MT	205,000	M	M
Publish and promulgate all international trade related official requirements together with relevant fees and charges.	ST	225,000	M	L
Increase the options / channels for making trade related payments and for obtaining necessary certified documentation / 'permissions'	ST	205,000	M	M
Secure effective transit arrangements with neighbouring countries. (Policy Focus Unit)	LT	1,500,000	H	H

Recommendations	Time Frame	Indicative Budget (USD)	Degree of Impact	Level of Effort
Border Management				
Equip each border post to a standard which enables it to function effectively. <i>(Equipment and facilities audit and preparation of procurement documentation)</i>	MT	95,000	M	H
Institutionalise inter-agency co-operative working at the border.	MT	165,000	H	H
Introduce the 'Single Window' and OSBP approaches to border management.	MT	444,117.00	H	H
Ensure effective risk-based controls are in place	MT	346,700	M	M
Deploy appropriate non-intrusive inspection equipment at busy border posts <i>(Technical Assistance for the acquisition and integration of non-intrusive inspection technologies)</i>	MT	91,600	M	M
Public and Private Sector Capacity				
Capacity-building training for public and private sectors on international trade documentation, procedures, practices and policy.	ST	225,000	M	L
Capacity-building training on meeting international standards	ST	225,000	M	L
Capacity-building training for the private sector representative bodies in public policy advocacy.	ST	225,000	M	L
Examine the scope for a localised PPP solution to the laboratory / testing facility capacity constraints at the Malawi Bureau of Standards.	ST	1,000,000 (per year)	M	H
Introduce 'one-stop-shops' and 'helpline' for Malawi's traders. (Set-up and pilot for one year)	ST	837,000	H	M
Infrastructure				
Step-up investment in increasing electrical power generation, transmission and distribution.	LT	Please refer to section 7	H	H

Recommendations	Time Frame	Indicative Budget (USD)	Degree of Impact	Level of Effort
Increase investment in telecommunications / ICT.	LT	Please refer to section 7	H	H
Increase investment in main international road / rail links and inter-modal linkages	LT	Please refer to section 7	H	H

Key:

- Short Term **(ST)** – action to be taken within 1 year
- Medium Term **(MT)** – action to be taken between 1-3 years
- Long Term **(LT)** – 3 years and over
- Low – **L**
- Medium – **M**
- High – **H**

Note: The table above sets out the recommendations made within an indicative time-frame (short, medium and long term), alongside an indicative budget figure, together with an estimation of the degree of impact, as well as of the likely level of effort required to implement (in terms of ‘high’, ‘medium’ or ‘low’).

The indicative budget figures shown draw on our project experience of comparable work. In considering implementing the recommendations made the linkages / synergise between them should be taken into account for project design and terms of reference development purposes, and budget figures will vary accordingly. Firm implementation budgetary figures can only be provided based on clear terms of reference and specific requirements.

Appendix 2. List of Malawi Public and Private Sector Stakeholder Organisations Interviewed

Malawi Trade Facilitation Assessment - List of Malawi Public and Private Sector Stakeholder Organisations Interviewed

- Ministry of Industry & Trade
- Ministry of Transport & Public Infrastructure
- Ministry of Finance
- Malawi Revenue Authority (MRA)
- World Bank (Malawi)
- Clearing & Forwarding Association of Malawi (CFAM)
- Road Transport Operators Association (RTOA)
- Malawi Confederation of Chambers of Commerce (MCCC)

Appendix 3. Stakeholders Workshops list of participants

Malawi Trade Facilitation Assessment - Stakeholders Workshops list of participants

Workshop 1 - 17th August 2011, Protea Ryalls Hotel, Blantyre, Malawi

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Malawi Trade Facilitation Assessment - Stakeholders Symposium list of participants

Symposium - 15-16th February 2012, Golden Peacock Hotel, Lilongwe, Malawi

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Appendix 4. List of source reference material

Malawi Trade Facilitation Assessment - List of source reference material

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- *Doing Business Report*: Malawi, International Finance Corporation (IFC), (World Bank Group): 2010 and 2011.
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- Malawi Ministry of Industry & Trade paper: One Stop Border Post (OSBP) concept.*
- Paper on: *The North-South Corridor*.*

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