

## **STATEMENT OF INVESTMENT POLICIES**

1. This policy statement sets forth the Malawi Government's principal policies for encouraging and assisting private investment. The Government is fully committed to enacting these policies and will take whatever measures may be necessary to ensure their prompt implementation. The Investors Guide containing detailed information of importance to investors supplements this statement.

2. The Government seeks to encourage the private sector to assume the leading role in developing the national economy. The thrust of the Government's efforts will be to facilitate, rather than to regulate, private investment. This is consistent with the Statement of Development Policies issued by the Government in 1987.

3. To create a more conducive investment climate, the Government will continue to pursue stable macro-economic policies by exercising fiscal and monetary discipline and maintaining a realistic exchange rate of Malawi Kwacha (MK) the country's currency. Specific measures to deregulate the private sector and create new investment opportunities have already been enacted, including elimination of price controls, termination of import restrictions and of the accompanying need import licences, divestiture of state-owned companies and steps to rectify the external transport situation.

4. To further encourage and assist private investment, the Government announces the following new initiatives:

### **FREEDOM TO INVEST**

5. Investors, both domestic and foreign, may invest in any sector of the economy, with no restrictions on ownership. Further there are no restrictions on the size of investment, the source of funds or whether products are destined for export or for the domestic market. Domestic investors are encouraged to join with foreign investors to pursue investment opportunities in Malawi.

### **INDUSTRIAL LICENCING AND COMPANY FORMATION**

6. The industrial licence is to be eliminated, except for investments in such industries as the Government may place on a short negative list. Procedures for company formation and business registration will be

simplified to permit prompt establishment. Investors will only be required to provide the Registrar of Companies with basic information on proposed business activities.

## **TRANSFER OF LAND**

7. The Government is committed to ensure that land for industrial and commercial uses is readily available to investors. Accordingly, the Government will accelerate land transfer procedures to expedite granting approvals and consents. To better provide serviced land to investors, the Government will develop new industrial sites. In addition, the Government will provide the necessary framework to enable private investors to develop industrial sites, including sub-leasing to other investors.

## **TAXES AND DUTIES**

8. To further enhance Malawi's investment climate and international competitiveness, the Government is committed to continue the process of reducing rates of taxes and duties. This is to be achieved through the ongoing tax and trade reform programmes.

## **EXTERNAL TRANSPORT ROUTES**

9. The Government is aware that access to efficient and secure transport routes, both within the country and to foreign markets, is of vital importance. To ensure such access, the Government is undertaking a number of initiatives, including the expansion of the domestic transportation network, the development of the Northern Corridor route to the port of Dar-es-Salaam in Tanzania and the rehabilitation of the Nacala Railway Line to the port of Nacala in Mozambique.

## **AVAILABILITY OF FOREIGN EXCHANGE**

10. The Government recognizes that the availability of foreign exchange is critical to investors. The Government will, therefore, ensure that foreign exchange is available for business transactions and remittances. The Reserve Bank of Malawi has granted, and will continue to grant, commercial banks the authority, as foreign exchange dealers, to approve such transactions and remittances according to set procedures.

## **ACCESS TO LOCAL FINANCING**

11. The Government has embarked on a reform programme to modernize and liberalized the financial sector. With the enactment of the **Capital Market Development Act, 1990**, both foreign and domestic investors will have greater access to sources of local financing. The Government is committed to foster competition in the banking sector, including the establishment of new banking institutions.

## **LABOUR PRACTICES**

12. The Government will not interfere in employer's choice of workforce. Further, the Government recognizes that investments may require expertise not available in Malawi. Accordingly, it will continue to make Temporary Employment Residence Permits for expatriate personnel readily available for key positions in investment.

## **ENCOURAGEMENT OF SMALL-SCALE AND MEDIUM-SCALE ENTERPRISES**

13. Malawi's small-scale and medium-scale enterprises hold great potential for rapid economic growth and employment creation. The Government is, therefore, dedicated to continuing with various programmes to assist these enterprises, including entrepreneurship training and technical and financial assistance.

## **ENCOURAGEMENT OF EXPORT-ORIENTED INVESTMENT**

14. To encourage export-oriented investments, the Government will offer incentives competitive to those found in other countries. At present, these incentives include-

- (i) an income tax allowance based on export sales of non-traditional products (i.e. products other than tobacco, tea, sugar and coffee);
- (ii) rebates of import duties, surtaxes, and local taxes on most inputs used in production for export.

15. In addition, the Government is considering establishing other incentives, including export financial and guarantee schemes, further developing a manufacturing-in-bond programme, creating export

processing zones, and introducing measures to eliminate the payment of duties at the time of importation.

## **INVESTMENT ASSISTANCE AND PROMOTION**

16. In order to increase awareness of the investment opportunities in Malawi, as well as to provide greater assistance to existing and potential investors, the Government has established an investment promotion agency. This agency has been given sufficient authority and operational autonomy to fulfil its mandate its mandate of promoting investment and assisting investors.

## **INVESTMENT PROTECTION**

17. The Government recognizes that the security of assets is of primary importance to investors. The Malawi Constitution and existing laws and regulations provide further assurance that investors' assets are protected. In addition, the Government will actively pursue the process of concluding bilateral investment treaties with other Governments. Malawi is also a member of the Multilateral Investment Guarantee Agency (MIGA), and is an eligible country under a number of other investment insurance programmes.

## **ACCESS TO INTERNATIONAL ARBITRATION**

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