



**MALAWI COUNTRY PROFILE**  
**SEPTEMBER 2016**



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## COUNTRY FACT SHEET

COUNTRY	MALAWI
<b>Capital</b>	Lilongwe
<b>Language</b>	Chichewa 57.2% (official), Chinyanja 12.8%, Chiyao 10.1%, Chitumbuka 9.5%, Chisena 2.7%, Chilomwe 2.4%, Chitonga 1.7%, other 3.6% Chewa
<b>Location</b>	It is bordered by Zambia in the northwest, Tanzania in the northeast, and Mozambique in the east, south and west
<b>Area (sq km)</b>	Land 36,324 sq miles (94,080 sq km) Water 9,422 sq miles (24,404 sq km) Total 45,747 sq miles (118,484 sq km)
<b>Land boundaries</b>	Total: 2,881 km Mozambique = 1,569 km Tanzania = 475 km Zambia = 837 km
<b>Climate</b>	Sub-tropical, rainy season (November to May); dry season (May to November)
<b>President</b>	Peter Mutharika
<b>Currency</b>	Kwacha (MKW) 1 ZAR = 46.6368 kwacha
<b>Population</b>	17.6 million
<b>Land divisions</b>	Malawi is divided into 28 districts within three regions. They are Balaka, Blantyre, Chikwawa, Chiradzulu, Chitipa, Dedza, Dowa, Karonga, Kasungu, Likoma, Lilongwe, Machinga (Kasupe), Mangochi, Mchinji, Mulanje, Mwanza, Mzimba, Neno, Ntcheu, Nkhata Bay, Nkhotakota, Nsanje, Ntchisi, Phalombe, Rumphi, Salima, Thyolo, Zomba
<b>GDP growth rate</b>	\$13.7 billion 5.7% growth
<b>GDP (PPP)</b>	Total \$21.843 billion Per capita \$1,172
<b>GDP (nominal)</b>	Total \$6.149 billion Per capita \$330
<b>Main exports</b>	Maize and tea
<b>Main source of revenue</b>	90% of export revenues is from agriculture

## **LIST OF ACRONYMS**

<b>AfDB</b>	African Development Bank
<b>AGOA</b>	African Growth and Opportunity Act
<b>C-BRTA</b>	Cross-Border Road Transport Agency
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>DHA</b>	Department of Home Affairs
<b>DTI</b>	Direct Trader Input
<b>GCI</b>	Global Competitiveness Index
<b>GCR</b>	Global Competitiveness Report
<b>GDP</b>	Gross Domestic Product
<b>IDA</b>	International Development Association
<b>IMF</b>	International Monetary Fund
<b>LRR</b>	Liquidity Reserve Requirement
<b>LRRR</b>	Liquidity Reserve Requirement Ratio
<b>MCCCI</b>	Malawi Confederation of Chambers of Commerce and Industry
<b>MGDS</b>	Malawi Growth and Development Strategy
<b>MRA</b>	Malawi Revenue Authority
<b>MoU</b>	Memorandum of Understanding
<b>MSME</b>	Micro Small Medium Enterprises
<b>MWK</b>	Malawi Kwacha
<b>NES</b>	National Export Strategy
<b>NIP</b>	National Industrial Policy
<b>NSC</b>	North South Corridor
<b>NTB</b>	Non-tariff Barrier
<b>OMO</b>	Open Market Operations
<b>OSBP</b>	One Stop Border Post
<b>RBM</b>	Reserve Bank of Malawi
<b>RTA</b>	Road Traffic Act, 1997
<b>SACU</b>	Southern African Customs Union



<b>SADC</b>	Southern African Development Community
<b>SDI</b>	Spatial Development Initiative
<b>TEP</b>	Temporary Export Permit
<b>TKC</b>	Trans Kalahari Corridor

## **EXECUTIVE SUMMARY**

This Country Profile Report provides information on Malawi that is relevant to cross-border road transport operators, regulatory authorities and other stakeholders with an interest in cross-border business between Malawi and South Africa. The Report further provides an update of recent developments in Malawi with regard to the performance of the economy, and road transport projects, including traffic legislation and policies that affect cross-border operations. It also covers passenger transport statistics and freight volumes conveyed between South Africa and Malawi.

The aim of the Cross-Border Road Transport Agency (C-BRTA) is to profile all the Southern African Development Community (SADC) member states with which South Africa has multi-lateral and bilateral cross-border road transport agreements or memorandums of understanding (MoUs). The long-term objective is to broaden the scope and profile of all the SADC member states with a view to providing cross-border road transport operators with information that is both informative and useful in the course of doing business. The information will also be useful to aspirant cross-border operators, the trading community and regulatory authorities.

In 2015 Malawi recorded a gross domestic product (GDP) growth rate of just 2.8%, due to both adverse weather conditions and macroeconomic instability. The agricultural sector is the most significant driver of economic growth in Malawi and the drought conditions currently being experienced have a strong impact on Malawi's overall economic performance. In 2015, the overall output of the agricultural sector contracted by 2.0% of GDP. Meanwhile, growth in the manufacturing and services sectors was subdued, with the manufacturing sector recording a growth rate of 4.4% and the services sector a rate of 5.1%.

The mining sector continues to play a significant role in the growth of the economy. Together, agricultural and mineral products constitute the largest share of goods that are traded between Malawi and South Africa. Cross-border road transport operators should therefore prioritise these for business opportunities. With respect to passenger transport operations, most travellers between Malawi and South Africa use road transport, with the highest passenger volumes being associated with regular peak periods. In this regard, operators should consider increasing the fleet during peak periods.

Malawi is a member of both the SADC and the Common Market for Eastern and Southern Africa (COMESA). It is a signatory to the COMESA Customs Union and the SADC Free Trade Area. Malawi has removed tariffs on trade with SADC member countries in line with its

commitments under regional trade protocols. The exception is trade with South Africa, regarding which 85% of the tariffs have been liberalised. Malawi has also adopted a simplified tariff regime for small traders to boost regional trade.

Despite the progress, non-tariff barriers (NTBs) continue to frustrate efforts on regional trade expansion. Currently, potential exporters from Malawi face obstacles in trading with neighbouring countries as some agricultural crops are still subject to export bans. Additionally, stringent rules relating to phytosanitary standards act as a NTB. The frequent road blocks that transporters encounter along major transport corridors also hinder free movement of goods.

All these factors outlined above add to the high cost of trade and constitute an impediment to export diversification. Malawi has, therefore, embarked on efforts to reduce NTBs to regional trade. As part of trade reforms, the government is currently developing a national NTB elimination strategy, anchored in the national export strategy. At present, Malawi's regional trade accounts for less than 30% of its total external trade volume, with South Africa by far the country's largest trading partner, accounting for 70% of its regional trade.

As a landlocked country, Malawi faces high transport costs, which are exacerbated by delays in transit and clearance of goods at the border. Such constraints impede its external competitiveness. Malawi is developing regional transport corridors in collaboration with neighbouring countries and is also implementing regional programmes aimed at harmonising trade regimes and transit procedures. The development of the Nacala transport corridor with Mozambique (both road and rail) is expected to reduce transport costs significantly, improve connectivity to regional and global markets and allow the movement of 20 million tonnes of coal by the end of 2016.

In addition, the government is implementing trade facilitation measures within the framework of the SADC and COMESA, including the establishment of one stop border posts (OSBPs) and a national single window. The single window aims to reduce the cost and time of trade transactions through simplification and harmonisation of documents. It is anticipated that these initiatives will significantly improve the operating environment for cross-border road transport operators and enable them to maximise business opportunities.

# **1. INTRODUCTION AND BACKGROUND**

## **1.1 Introduction**

The aim of this Country Profile Report is to provide a consolidated platform for the dissemination of information that is useful to key stakeholders in the cross-border environment, particularly cross-border road transport operators, regulatory authorities and trading parties. The information can be used to support informed decision making and identification of opportunities by operators in respect of the Malawian segment of the cross-border industry.

The basis for this Report is informed by the legislated mandate of the C-BRTA whereby the Agency is mandated to provide advice to key public and private industry stakeholders on various matters, including challenges facing the industry and possible solutions. The Agency is also required to disseminate relevant information to stakeholders, improve the unimpeded flow by road of freight and passengers in the region, reduce operational constraints for the cross-border road transport industry and commit itself to empowering the cross-border road transport industry to maximise business opportunities. It is therefore envisaged that by providing this information to the stakeholders, the Agency will be advancing its mandate, as well as advancing the interests of the industry stakeholders.

## **1.2 Background**

The C-BRTA is a regulatory authority founded in terms of the Cross-Border Road Transport Act No 4 of 1998 for the purpose of facilitating unhindered movement of persons and goods in the region. The core mandate of the Agency is to:

- improve the unimpeded flow of freight and passengers in the region;
- introduce regulated competition in respect of cross-border passenger road transport;
- reduce operational constraints for the cross-border road transport industry as a whole;
- liberalise market access progressively in respect of cross-border freight road transport;
- enhance and strengthen the capacity of the public sector in support of its strategic planning, enabling and monitoring functions; and
- empower stakeholders in the cross-border road transport industry to maximise business opportunities and to incrementally regulate themselves to improve safety, security, reliability, quality and efficiency of services.

The SADC Protocol on Transport, Communications and Meteorology also makes provision for the Agency's broader strategic mandate of improving and regulating the unimpeded flow of road traffic within SADC for improved efficiency, market access and economic development.

The C-BTRA facilitates and regulates cross-border flows of traffic, thus contributing to the seamless integration of the SADC, with a view to improving trade, raising production and increasing the relative competitiveness of the region. The Agency also operationalizes bilateral cross-border road transport agreements concluded between South Africa and Malawi, Mozambique, Zambia and Zimbabwe as well as transport-related provisions in MoUs, namely: the Trans Kalahari Corridor (TKC) and Southern African Customs Union (SACU).

The agreements allow for control and regulation of cross-border road transport between South Africa and respective states, based on reciprocity, similar treatment and non-discrimination. The Agency delivers the mandate through four core functions: regulatory, facilitation, advisory and law enforcement with respect to cross-border road transport.

### **1.3 Purpose of the Report**

The purpose of this Report is to provide up-to-date information about Malawi, focusing on road transport environment, requirements of cross-border transportation, corridor developments, road transport projects currently taking place in Malawi and the business environment, with specific emphasis on the ease of doing business.

The information provided in this Report is useful to cross-border operators and regulatory authorities for purposes of planning cross-border operations, identifying business opportunities and determining solutions to challenges that may be experienced on key corridors between the two countries.

### **1.4 Objective**

The objectives of the Report are to:

- Provide relevant information that can be used by cross-border road transport operators in conducting their business;
- Help transport operators to understand better the countries that they do business in;

- Assist relevant stakeholders to know and understand the requirements of doing business in Malawi; and
- Provide information with respect to possible opportunities for South African cross-border road transport operators.

## **1.5 Structure of the Report**

The rest of the Report is divided into eight chapters which are outlined as follows:

- Chapter 2: Overview of Malawi;
- Chapter 3: Economic Outlook – provides an overview of the economy, looks at recent economic developments, summarises the data of imports and exports between South Africa and Malawi and the documents required for trade and presents an assessment of the ease and cost of doing business in Malawi;
- Chapter 4: Road Transport Environment – gives information on the different aspects of road transport in Malawi, including relevant legislation, road transport agreements, developments in the Corridor as well as current road projects;
- Chapter 5: Passenger Transport – looks at the volume and trends of passengers travelling between Malawi and South Africa and the profile of the operators;
- Chapter 6: Opportunities;
- Chapter 7: Conclusion; and
- Chapter 8: Contact Details of Relevant Authorities.

## 2. OVERVIEW OF MALAWI

The Republic of Malawi is a landlocked country in South-East Africa and was formerly known as Nyasaland. It is bordered by Zambia in the north-west, Tanzania in the north-east, and Mozambique in the east, south and west, as illustrated in Figure 1 below.

**Figure 1: Map of Malawi**



**Source:** [www.worldatlas.com](http://www.worldatlas.com) (Accessed electronically on 04/04/2016)

The country is separated from Tanzania and Mozambique by Lake Malawi, which is the third largest lake in Africa and covers about one fifth of the country's total area. The land area of Malawi is 118,480 square kilometres. Its capital is Lilongwe, which is also Malawi's largest city; the second largest is Blantyre and the third is Mzuzu. The population of the four big cities is as shown in Figure 2 below.

**Figure 2: Population of Major Cities**



*Source: World Population Review (Accessed electronically on 04/04/2016)*

Malawi has a total population of 17 631 926 million, which is made up of 8 826 701 males (50.1%) and 8 805 216 females (49.9%). The population density in Malawi is 188 per square kilometre, with 16.4% of the population being urban (2,928,994 people in 2016), making it one of the most densely populated countries in Africa. The majority of the population (80%) live in rural areas and depend on subsistence farming for their livelihoods.

The country is elongated north-south along the line of the Rift Valley in which Lake Malawi sits. This elongated shape of Malawi lends itself to a three-way regional division, namely:

- South Malawi – the most populated and developed region, with a wide variety of landscapes. Blantyre, the commercial capital, and Zomba, the old colonial capital, are in the south;
- Central Malawi – home to the country’s capital, and most common point of entry, Lilongwe. Most of the region lies on the Central African Plateau and so the scenic highlights come from the hills sitting atop the plateau, and the escarpments that descend into the Rift Valley and down to Lake Malawi. It has one National Park and one Wildlife Reserve; and
- North Malawi – the least populated of Malawi’s regions, with the regional capital, Mzuzu, less than one-fifth the size of Lilongwe or Blantyre.

English and Chichewa are the country's two official languages.



## 3. ECONOMIC OUTLOOK

### 3.1 Economy

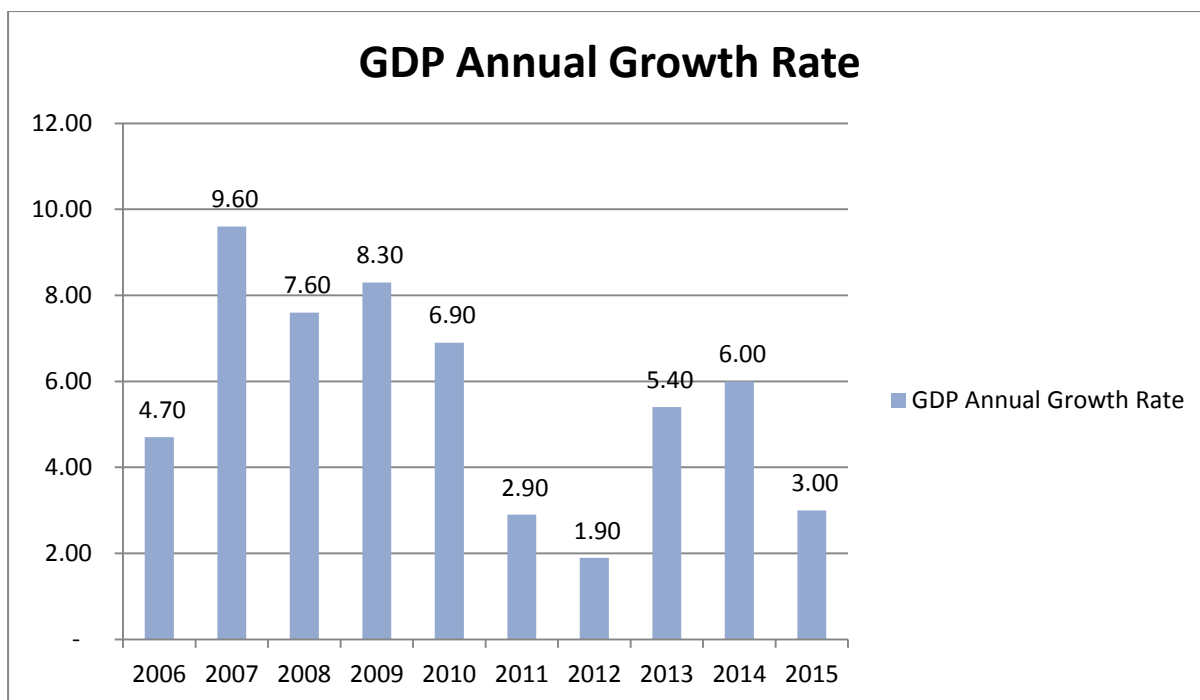
Malawi's long-lingering macroeconomic difficulties arise from uneven policy implementation, high inflation and a weak external position. Bold economic reforms undertaken in mid-2012, namely the devaluation of the currency, the adoption of a floating exchange rate regime, the liberalisation of foreign exchange markets and the introduction of an automatic fuel price adjustment mechanism, transformed the policy environment and greatly improved the economic outlook. Nevertheless, heavy dependence on volatile aid flows, a narrow export base, and fiscal dominance have had adverse effects on the rest of the economy, posing challenges for macroeconomic stability.

The economy of Malawi is heavily dependent on agriculture, which accounts for about one-third of GDP and 90% of export revenues. The country's economic performance has historically been constrained by policy inconsistency, macroeconomic instability, limited connectivity to the region and the world, and poor health and education outcomes that limit labour productivity.

The economy also depends on substantial inflows of economic assistance from the International Monetary Fund (IMF), the World Bank, and individual donor nations. The economy is still feeling the effects of the large-scale theft of public funds uncovered in 2013, which prompted donors to suspend all budget support, thereby forcing the government to print money to cover the deficit.

The GDP in Malawi grew by 3% in 2015 from 6.2% in the previous year as the agricultural sector was ravaged by a drought, as shown in Figure 3 below. This resulted in an estimated decline of about 30% in the maize harvest (the main staple). The lower agricultural output adversely affected other sectors, such as manufacturing and wholesale and retail trade, owing to a strong linkage between these sectors. The steep decline in the maize harvest also created severe food insecurity for an estimated 2.8 million persons, which is about 16% of the population. The GDP annual growth rate in Malawi averaged 4.36% from 1994 until 2015, reaching an all-time high of 16.7% in 1995 and a record low of -10% in 1994.

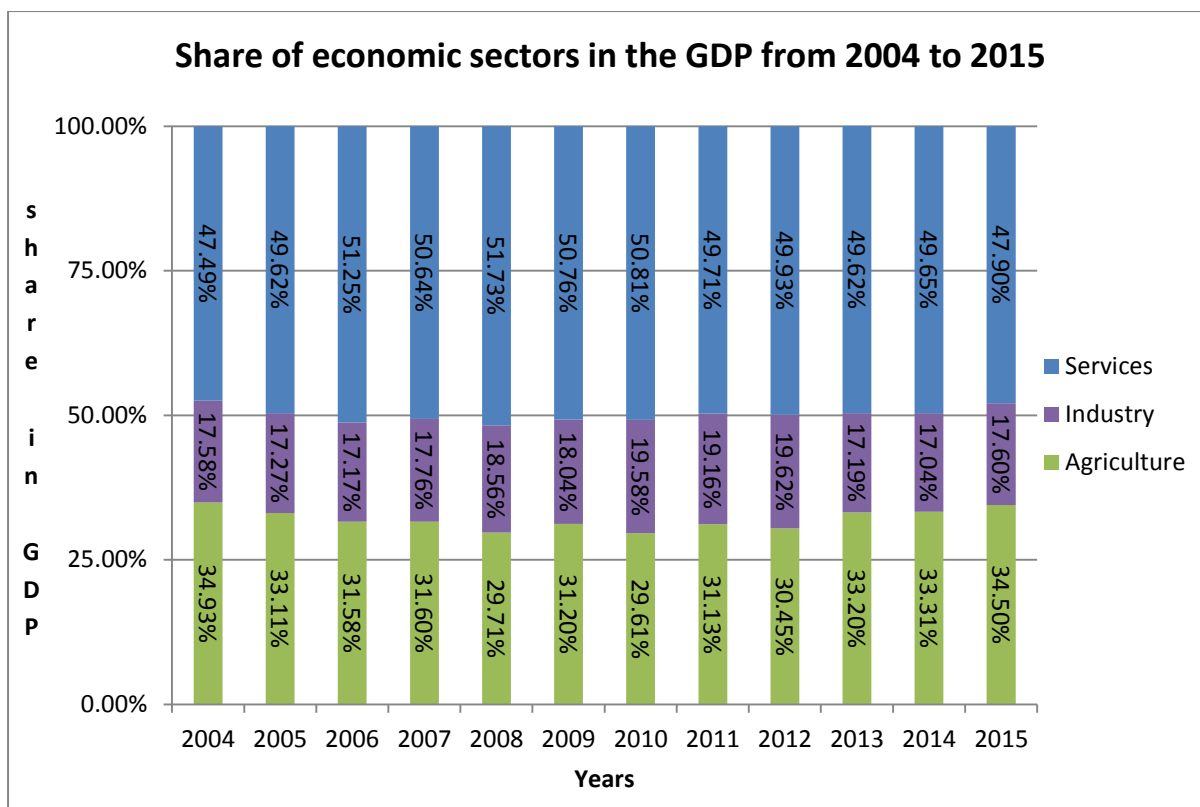
**Figure 3: Malawi GDP Annual Growth Rate**



**Source:** [www.tradingeconomics.com/Reserve Bank of Malawi](http://www.tradingeconomics.com/Reserve Bank of Malawi) (Accessed electronically on 04/04/2016)

As stated above, Malawi's economic structure is dominated by agricultural activities that are susceptible to weather conditions. The services sector's contribution to the economic output is expanding at a brisk pace. It is the largest contributor to GDP, with an estimated share increasing from 49.62% in 2013 to 49.65% in 2014 and 47.9% in 2015, as illustrated in Figure 4 below. The most important sub-sectors within the services industry are government services, telecommunications and the banking industry. The share of agriculture in Malawi's GDP was 33.2% in 2013, increasing slightly to 33.31% in 2014 and further to 34.5% in 2015.

**Figure 4: Share of Economic Sectors in the GDP from 2004 to 2015**

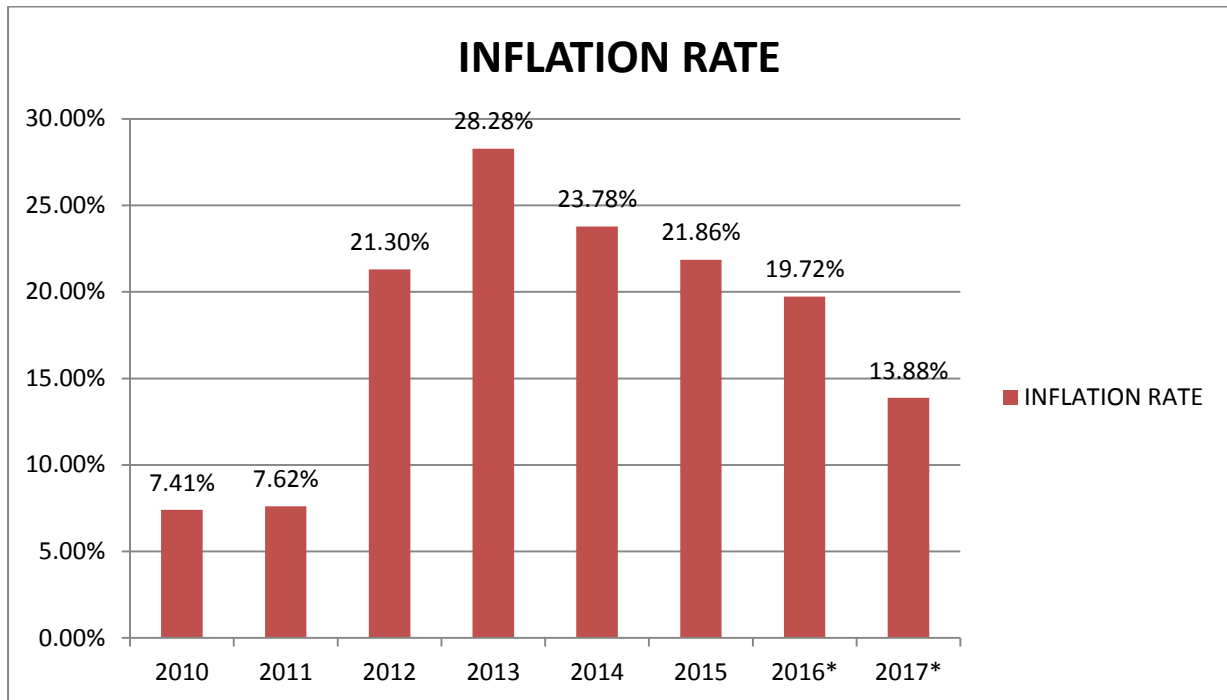


**Source: World Bank Statista 2016 (Accessed electronically on 04/04/2016)**

The economic outlook remains difficult due to the negative impact of weather-related shocks, the ongoing suspension of budget support, and persistently high inflation. Short-term risks are tilted to the downside as a looming food crisis, owing to a steep decline in the maize harvest, continues to weigh on the outlook. Additional risks arise from weaker global demand, which could hurt Malawi's exports. The exchange rate and the automatic fuel pricing mechanism would serve as shock absorbers in mitigating adverse global developments.

The high inflation is hampering real GDP growth, which averaged only 4% during 2012-15, significantly lower than the 7% targeted under Malawi's Growth and Development Strategy. Inflation in 2014 remained in double digits (23.78%) as the kwacha (MWK) continued to depreciate, especially during the lean tobacco season and in the absence of donor budgetary support.

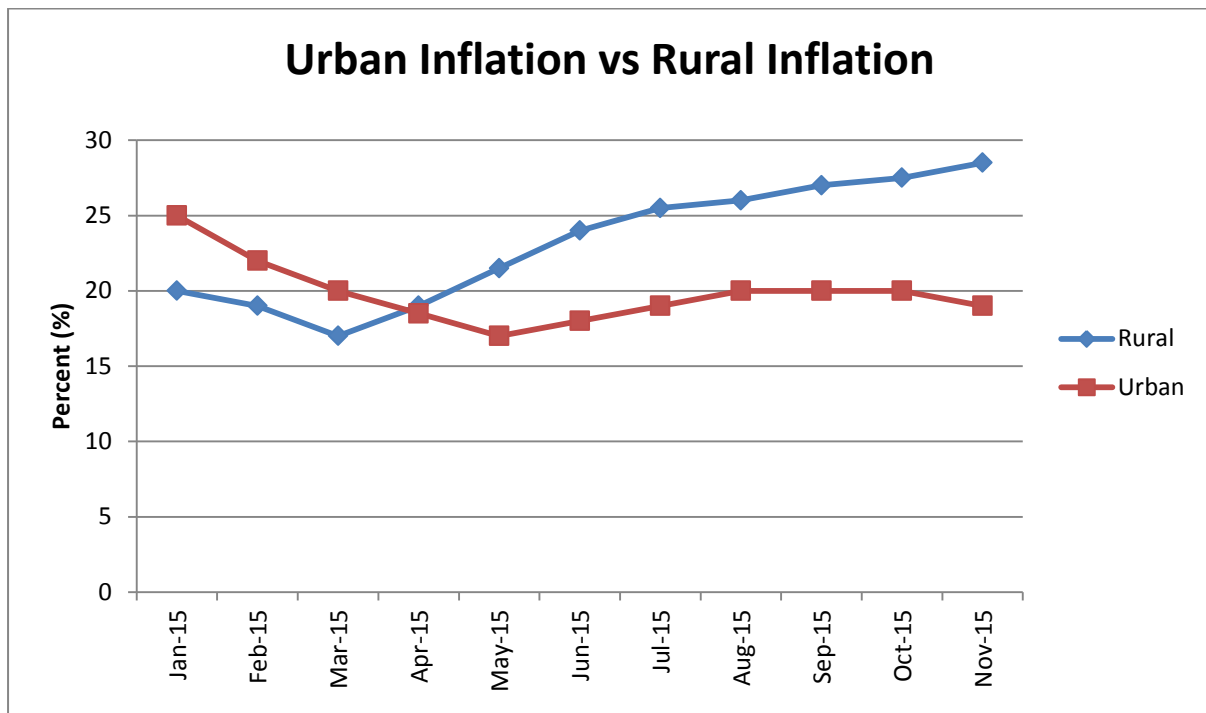
**Figure 5: Inflation Rates from 2010 to 2017**



**Source: World Bank Statista 2016 (Accessed electronically on 04/04/2016)**

Annual inflation declined by six percentage points from end 2014 to 18% in March 2015, owing to the effects of tight monetary policy, currency appreciation and lower international fuel prices. However, this trend quickly reversed as inflation rose sharply to 24% at end September, resulting in an average inflation of 21.86% in 2015, led by rising food prices and a sharp depreciation of the kwacha, with rural inflation being higher than urban inflation overall, as shown in Figure 6 below. This reflects the reality where inflation has been driven by increases in maize prices (caused by a shortage in maize), where rural areas have few substitutes to maize compared to urban areas.

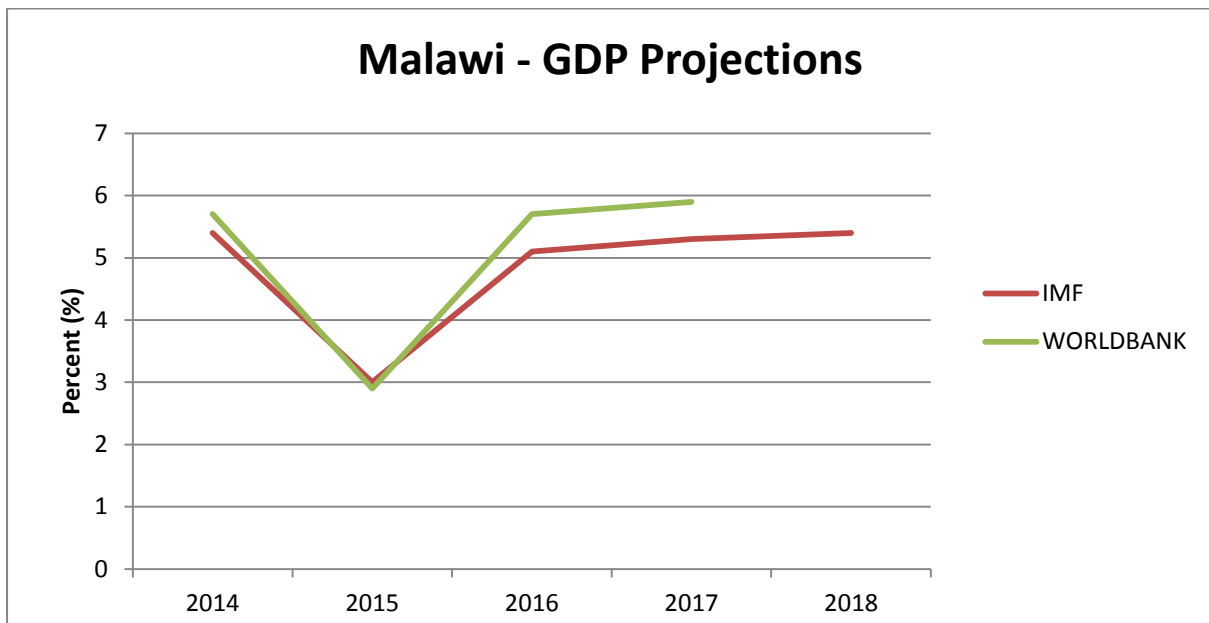
**Figure 6: Urban vs. Rural Inflation**



**Source: Reserve Bank of Malawi (Accessed electronically on 04/04/2016)**

Nevertheless, the country's main macroeconomic indicators have shown improvement over the last few months, largely due to an influx of foreign exchange at the end of last year. Additional relief came in the form of a lower international oil price, which, given Malawi's status as an oil-importing country, has drastically reduced pressure on the central bank's foreign exchange reserves, thereby providing some breathing room for the kwacha. The Reserve Bank of Malawi (RBM), in line with the World Bank and IMF, has forecast a rebound of GDP to 5.1% in 2016 as shown in Figure 7.

**Figure 7: GDP Projections**

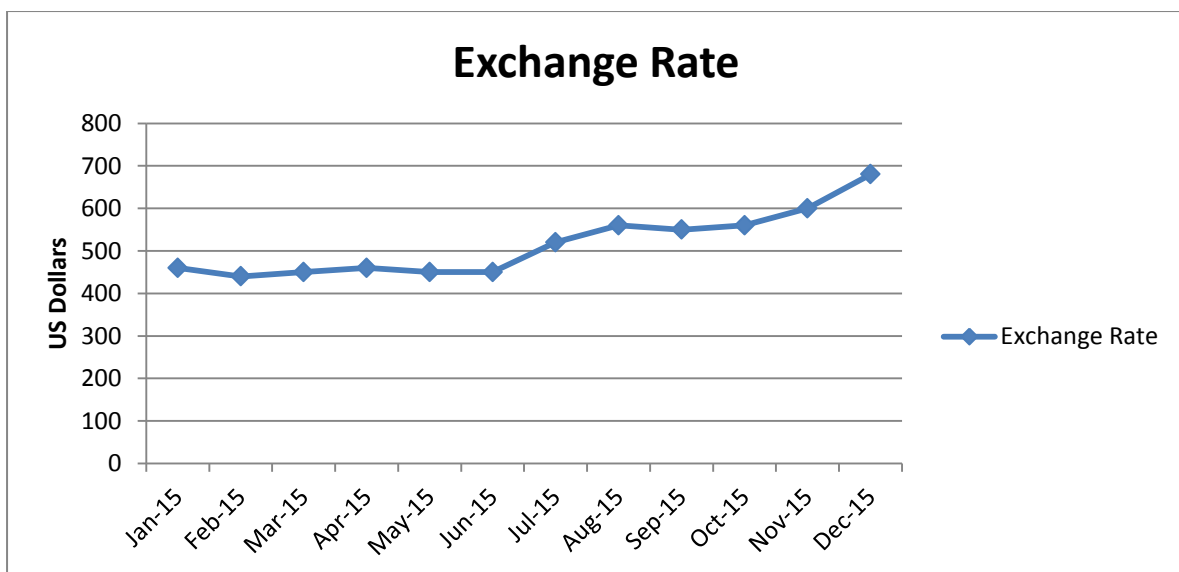


*Source: Reserve Bank of Malawi (Accessed electronically on 08/04/2016)*

### 3.1.1 Exchange Rate

In the first two quarters of 2015, the kwacha grew in strength against the major currencies, appreciating by an average of 10.5% against the US dollar, as seen in Figure 8 below. From the beginning of quarter 3, the kwacha fell sharply against all major trading currencies, namely the US dollar, pound sterling and South African rand.

**Figure 8: Exchange Rate**



*Source: Reserve Bank of Malawi (Accessed electronically on 08/04/2016)*

The kwacha is expected to depreciate further from 2016 onwards, especially against the US dollar, as exports remain weak. The demand for imported farm inputs may also put pressure on the currency in the short term. In the medium to long term, the currency will depreciate as a result of the significant current account deficit and weak investment inflows, despite tobacco exports and steady forex reserves. The country needs a diversified export base to offset the gaining of the US dollar.

### **3.1.2 Fiscal Policy**

An appropriately tight fiscal policy is needed to support monetary policy actions aimed at placing inflation on a downward trajectory. Policy discussions focused on restoring macroeconomic stability in the near term through the pursuit of tighter fiscal and monetary policies geared toward placing inflation on a declining trend. In addition, accelerating the implementation of public financial management reforms is critical to re-establishing trust and confidence in the budget process. Over the medium term, policies will concentrate on safeguarding macroeconomic stability, improving the quality of spending, mobilising revenues, addressing supply-side bottlenecks, and mitigating negative feedback loops from macroeconomic policies on the real and financial sectors. Continued vigilance over the financial sector is recommended as credit risk poses a significant threat to financial stability.

### **3.1.3 Monetary Policy**

The objective of monetary policy of the RBM is to promote price stability, protect foreign exchange reserves and support growth. Until 2012, the Malawi kwacha was pegged to the US dollar, but strong overvaluation led to a parallel market, with significant departures from the official exchange rate. This contributed to a chronic shortage of foreign exchange and imported inputs, low international competitiveness, and a high cost of doing business. In May 2012, the government adopted a floating exchange rate regime. This was accompanied by a strong devaluation of the kwacha, a recovery of foreign reserves, and a surge in inflation which peaked at over 28% in 2013. Since then, inflation rates have followed a slow downward trend, but surged again to attain 26% in December 2015.

The Liquidity Reserve Requirement (LRR) was revised downwards to 7.5% in July 2015 from 15.5%. Currently, Malawi uses the policy measures of Liquidity Reserve Requirement Ratio (LRRR) and Open Market Operations (OMO) as the major monetary policy instruments in line with the IMF's structural adjustment policies. Monetary policy remained tight throughout.

## **3.2 Economic Developments**

The following are the economic developments that Malawi undertook in the past few years:

- In 2011, the government adopted the Malawi Growth and Development Strategy (MGDS) 2011-16 in which poverty reduction remains a main objective, to be achieved through sustainable, private sector driven economic growth and infrastructure development. The Strategy's macroeconomic objectives include reducing inflation to single-digit levels, increasing foreign exchange reserves to at least three months of import cover, and improving the investment climate;
- Since January 2014, the RBM has been using an interest rate targeting framework to achieve price stability. Liquidity reserve requirements and open market operations are its main policy instruments;
- Until 2012, the Malawi kwacha was pegged to the US dollar, but strong overvaluation led to a parallel market with significant departures from the official exchange rate. The rigidity in the official exchange rate contributed to a chronic shortage of foreign exchange, low international competitiveness, a high cost of doing business and the slowdown in 2012. In May 2012, the government abandoned its fixed exchange rate and adopted a floating exchange rate regime. This was accompanied by a strong devaluation of the kwacha by about 33% and a surge in inflation; and
- Malawi's fiscal situation remained challenging with the "cashgate" scandal that came to light in October 2013, which involved large-scale theft of public funds, exposed significant deficiencies in Malawi's fiscal system and, in response, led donors to suspend budget support. The scandal not only necessitated a sharp curtailment of programmed expenditure, but also undermined trust in public financial management systems.

## **3.3 Trade Environment**

### **3.3.1 Trade Policy**

The trade policy is anchored in the MGDS II 2011-2016, which is the overarching development policy document, and other key strategies and policies, such as the National Export Strategy (NES) and the draft National Industrial Policy (NIP). The MDGS II is the country's second medium-term plan, which was finalised and approved by the cabinet in April 2012. The above policies aim at developing a competitive Malawi that is driven by a diversified and strong productive base, promotion of value addition, a conducive business environment and improved market access.



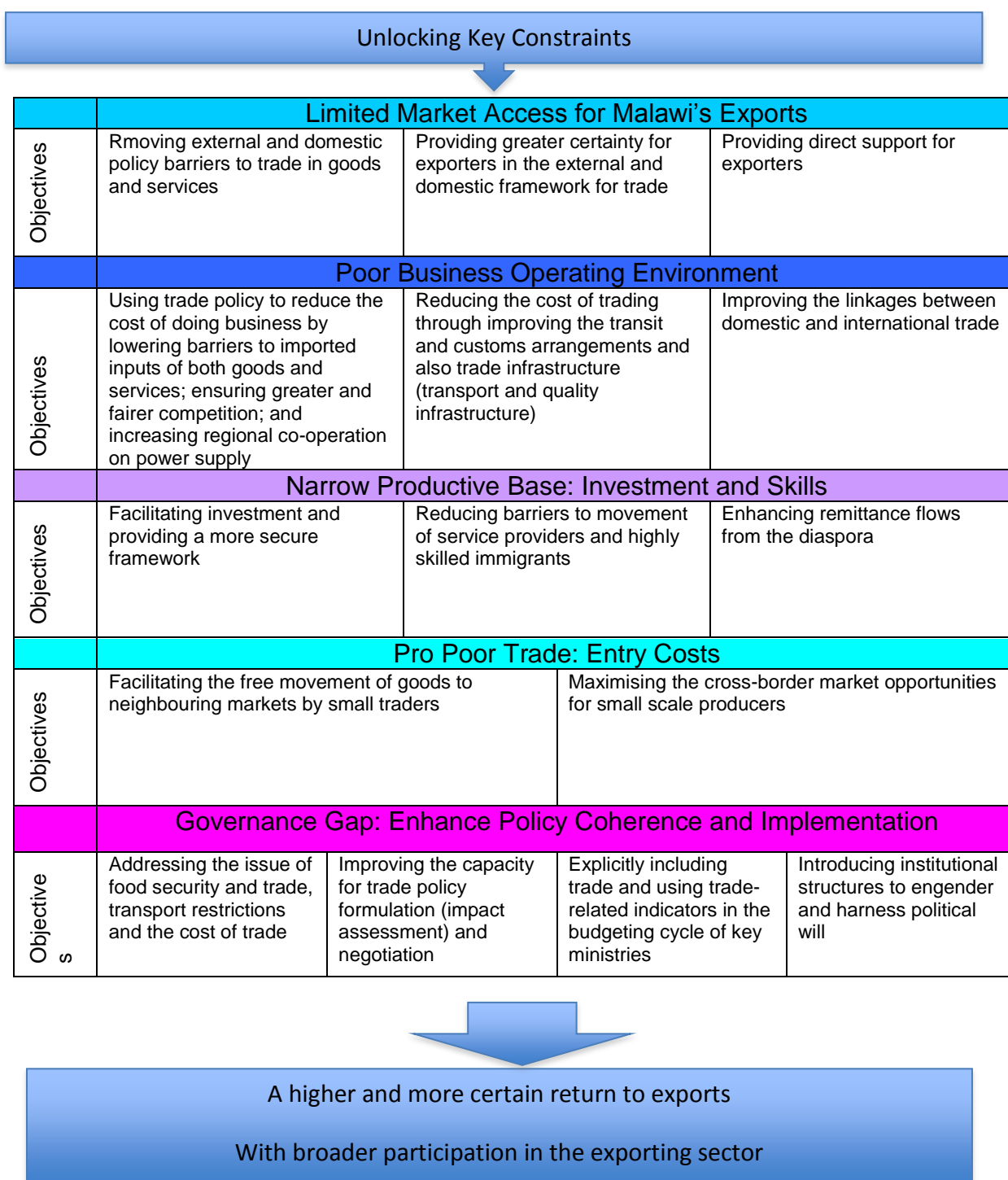
The strategic vision for the trade policy is for Malawi to become a globally competitive export-oriented economy, generating higher and sustainable livelihoods through trade that is inclusive of Micro Small Medium Enterprises (MSMEs) and the poor. The goal of the policy is structural transformation of the productive sector through supporting and managing integration in regional and global markets and through value chains and increasing exports. The trade policy aims at addressing the challenges that Malawi faces with a view to promoting:

- the diversification and growth of domestic trade and exports;
- the diversification of export markets;
- the empowerment of small producers and the poor;
- reducing the trade balance;
- improving the stability of export revenue;
- increasing the productivity and productive capacity of the private sector; and
- enhance the pro-poor impact of trade.

The objective of the trade policy is to address the key constraints to trade in order to support the broader development goals as outlined in Figure 10 below. The specific objectives are as follows:

- To eliminate external and domestic policy barriers to trade;
- To provide support and certainty for traders in the external and domestic framework;
- To reduce the cost of doing business and trading;
- To strengthen the linkages between domestic and international trade;
- To facilitate investment and providing a more secure framework;
- To reduce barriers to movement of service providers and highly skilled immigrants;
- To facilitate cross border market access opportunities for MSMEs; and
- To address the governance gaps in terms of policy formulation, implementation and institutional framework.

**Figure 9: Addressing Key Constraints**



**Source: Malawi Trade Policy (Accessed electronically on 18/04/2016)**

Malawi is a beneficiary of the African Growth and Opportunity Act (AGOA) and is a signatory to many multilateral and regional trade agreements, including the COMESA and the SADC. It is a signatory to the COMESA Customs Union and the SADC Free Trade Area. Malawi

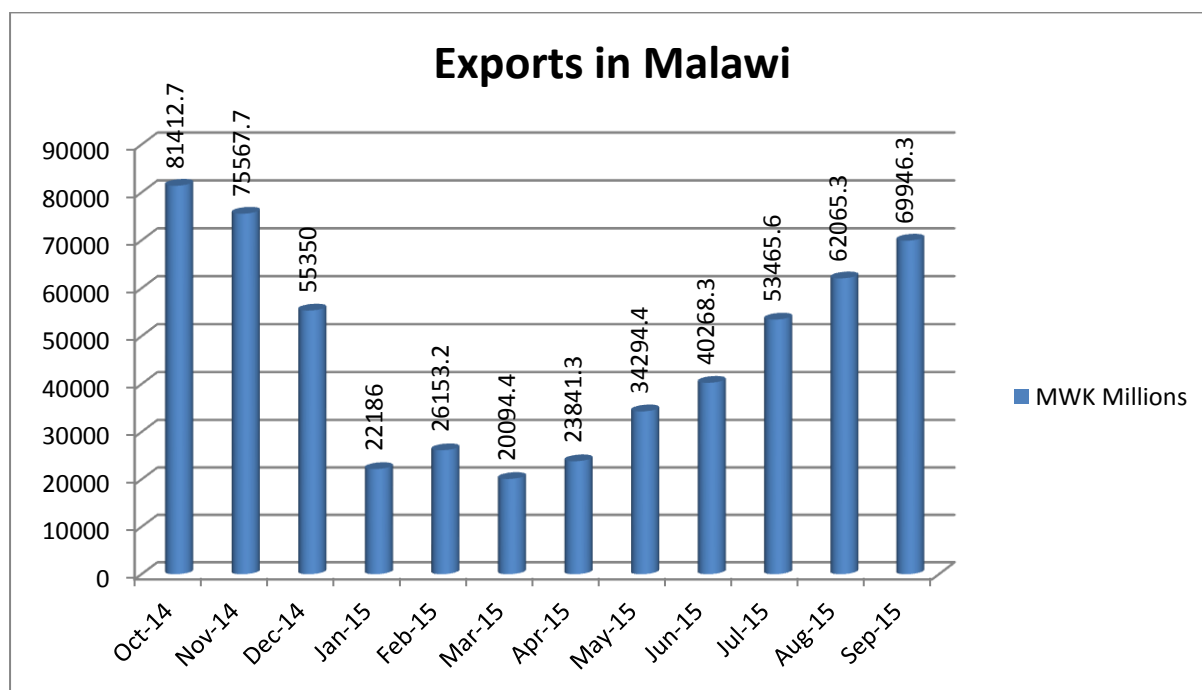
has removed tariffs on trade with SADC member countries in line with its commitments under regional trade protocols. Its major exports to the US under AGOA include agricultural products, followed by textiles and apparel products. Major US exports to Malawi include machinery, transport equipment, electronic goods and agricultural and forestry products.

Malawi has always been a free market economy with a free trade and investment environment. The government encourages both domestic and foreign investment in any sector of the economy, with minor restrictions on ownership, size of investment, source of funds and destination of final product.

### 3.3.2 Exports

In 2014 Malawi exported \$1.49 billion, making it the 143rd largest exporter in the world. Exports in 2015 increased to 69 946.30 MWK million in September from 62 065.30 MWK million in August. Exports in Malawi averaged 14 753.31 MWK million from 2000 until 2015, reaching an all-time high of 81 412.70 MWK million in October of 2014, as shown in Figure 10, and a record low of 20 094.4 MWK million in March of 2015.

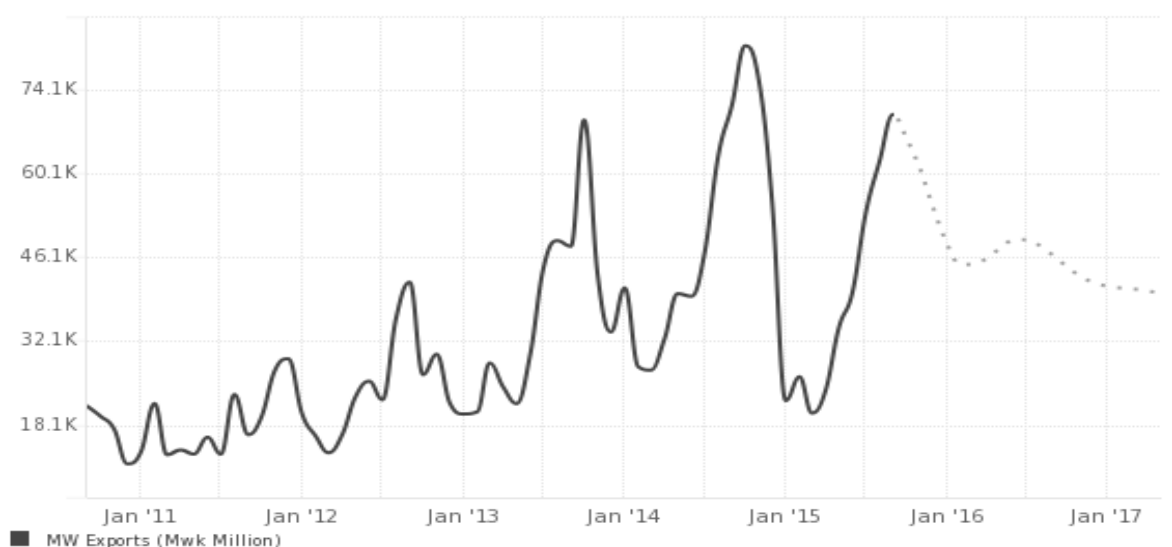
**Figure 10: Exports in Malawi**



**Source:** [www.tradingeconomics.com/Reserve Bank of Malawi](http://www.tradingeconomics.com/Reserve_Bank_of_Malawi) (Accessed electronically on 18/04/2016)

In October 2015, exports were forecast to go down to 65 993.3 MWK million through to January 2017.

**Figure 11: Malawi Exports – Forecast**



**Source:** [www.tradingeconomics.com](http://www.tradingeconomics.com) (Accessed electronically on 18/04/2016)

Malawi's main export partners are Belgium, Zimbabwe, South Africa and Mozambique, as shown below in Table 1 with corresponding export volumes.

**Table 1: Export Volumes and Partners**

Top 10 Export Partners	Export Volumes (US\$ Thousands)
<b>Belgium</b>	114,046.37
<b>Zimbabwe</b>	100,371.14
<b>Mozambique</b>	99,636.15
<b>South Africa</b>	80,242.05
<b>United Kingdom</b>	63,882.97
<b>Egypt</b>	56,761.97
<b>China</b>	55,873.87
<b>India</b>	52,199.20
<b>Germany</b>	50,213.35
<b>United States of America</b>	48,311.64

**Source:** [www.wits.worldbank.org](http://www.wits.worldbank.org) (Accessed electronically on 29/04/2016)

### 3.3.3 Imports

Imports in Malawi increased to 101 471.10 MWK million in September from 74 070.50 MWK million in August of 2015, as shown in Figure 12 below. Imports in Malawi averaged 33

427.94 MWK million from 2000 until 2015, reaching an all-time high of 124 217.60 MWK million in June of 2014, following a record low of 1055.70 MWK million in April of 2001.

**Figure 12: Imports in Malawi**



**Source:** *www.tradingeconomics.com (Accessed electronically on 29/04/2016)*

The main import partners are South Africa, China, India and United Arab Emirates, as shown below in Table 2 with the corresponding import volumes.

**Table 2: Import Volumes and Partners**

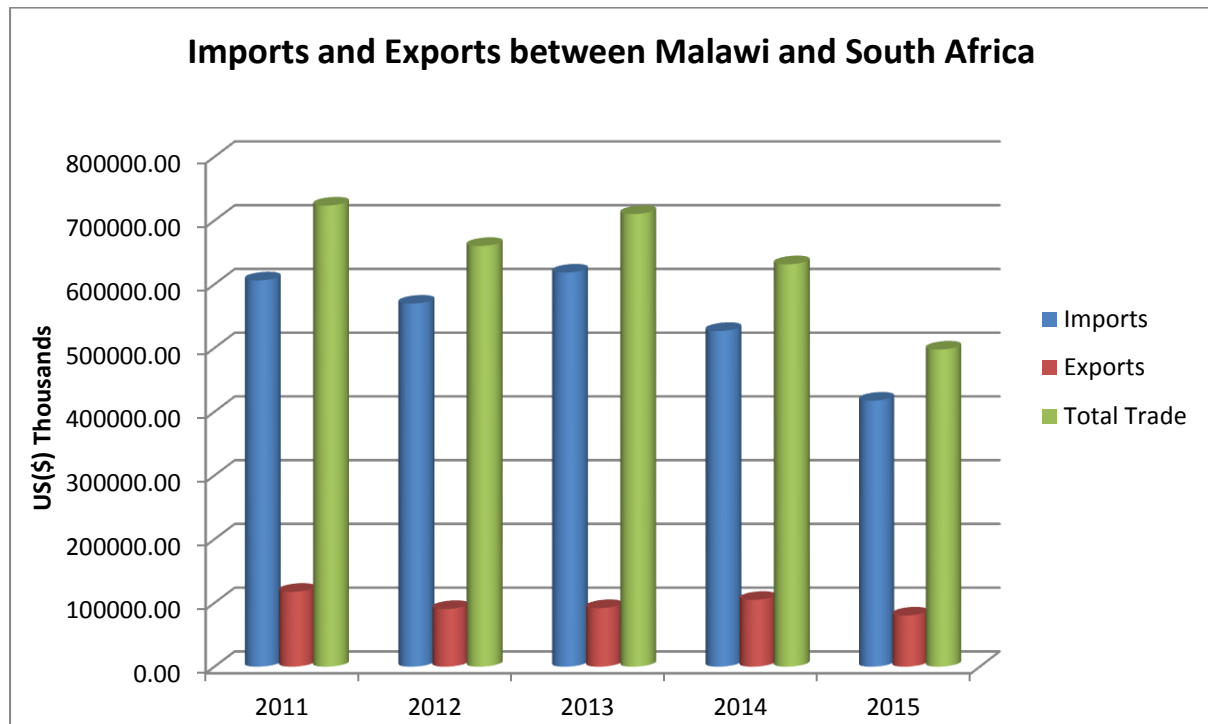
Top 10 Imports Partners	Volumes (US\$ Thousands)
<b>South Africa</b>	417,336.68
<b>China</b>	303,818.91
<b>United Arab Emirates</b>	253,645.68
<b>India</b>	237,772.70
<b>Zambia</b>	118,034.95
<b>United Kingdom</b>	77,334.76
<b>Mozambique</b>	72,772.21
<b>Japan</b>	72,263.63
<b>Switzerland</b>	70,887.88
<b>United States of America</b>	51,914.62

**Source:** *www.wits.worldbank.org (Accessed electronically on 29/04/2016)*

### 3.3.4 Nature and Volume of Trade with South Arica

Figure 13 below shows how trade between South Africa and Malawi has been decreasing since 2013. It shows that all products exported to South Africa decreased by 23% in 2015 from 104 719.56 (2014) to 80 242.05 in 2015 while total imports from South Africa decreased by 21% from 526 656.83 (2014) to 417 336.68 in 2015.

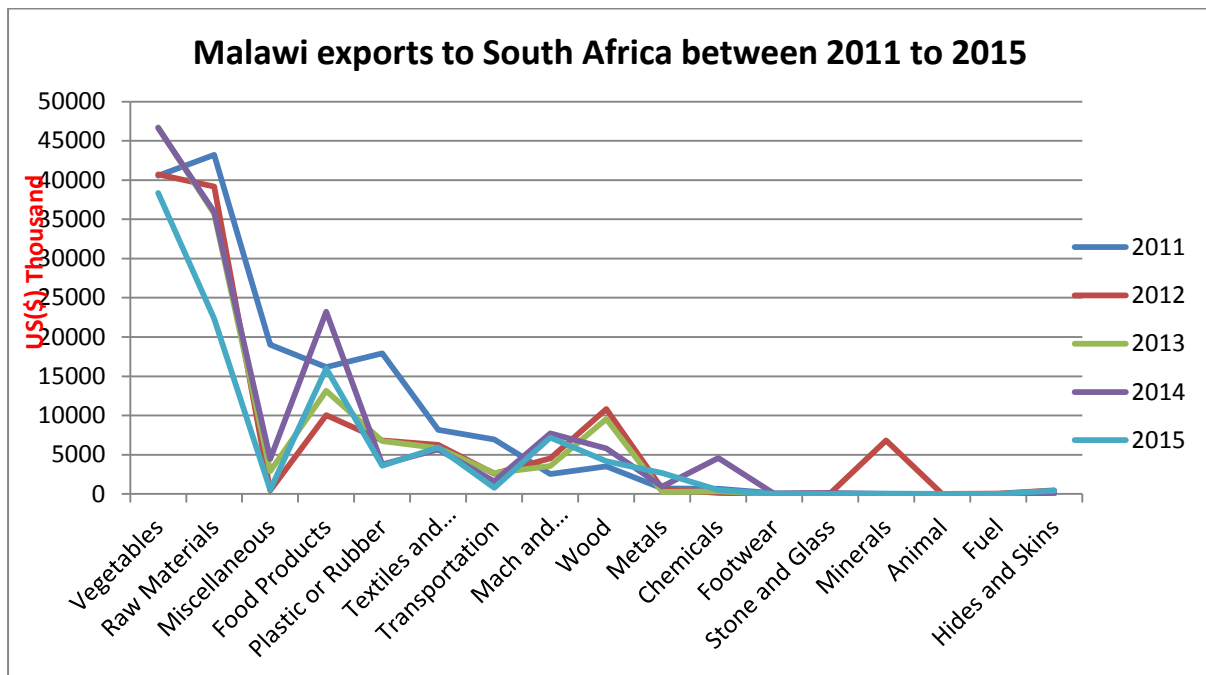
**Figure 13: Imports and Exports between Malawi and South Africa**



**Source:** [www.wits.worldbank.org](http://www.wits.worldbank.org) (Accessed electronically on 29/04/2016)

The trend from 2011 to 2015 in thousand US dollars for all products is shown below in Figure 14. The top three commodities exported to South Africa in 2015 are vegetable products at 47.84%, raw materials at 27.82% and prepared foodstuffs at 19.93%.

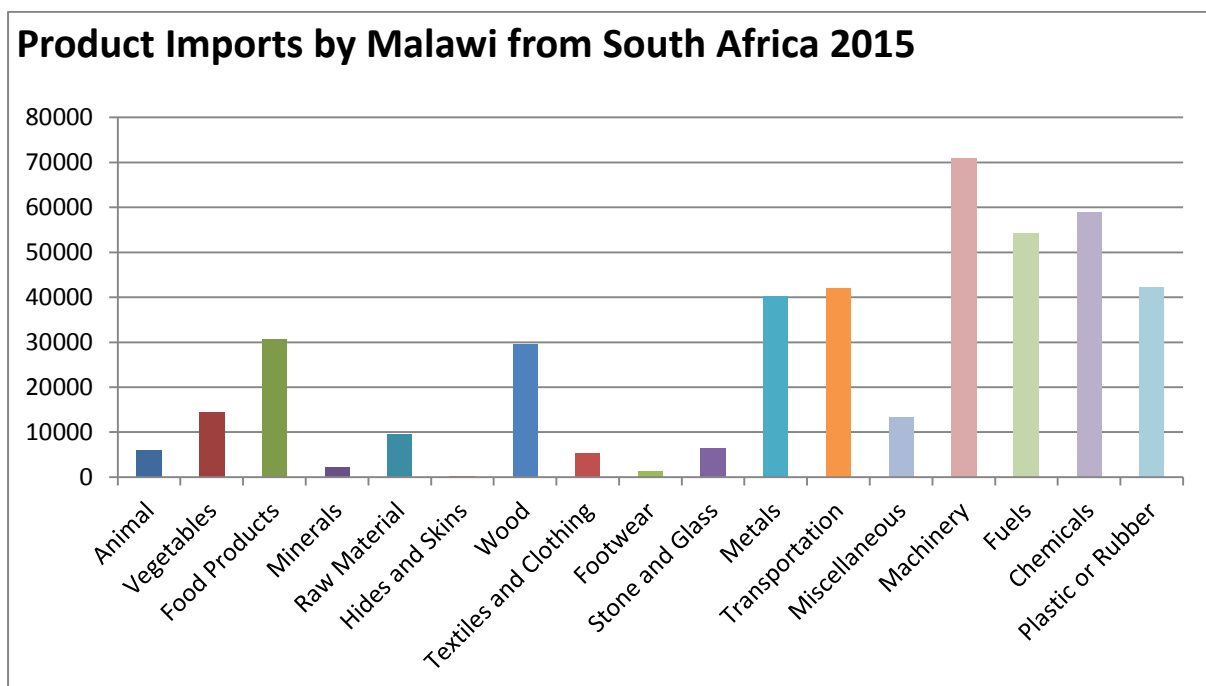
**Figure 14: Malawi's Exports to South Africa (2011-2015)**



Source: [www.wits.worldbank.org](http://www.wits.worldbank.org) (Accessed electronically on 29/04/2016)

Malawi's main imports from South Africa are machinery (16.97%); chemicals (14.09%); fuels (12.97%); plastic or rubber (10.12%); and transport equipment (10.04%), which account for 64% of all imports as depicted in Figure 15 below.

**Figure 15: Imports from South Africa**



Source: [www.wits.worldbank.org](http://www.wits.worldbank.org) (Accessed electronically on 29/04/2016)

Malawi's trade balance has been worsening in recent years, with imports decreasing for the past three years. The Malawian economy has not been innovative enough to move away from specialisation in the production and exportation of primary agricultural products. Since the colonial era, and more than thirty years after independence, Malawi has relied on agriculture and the exportation of primary agricultural products, like tobacco and tea, for the bulk of its export revenue earnings. Therefore, the Malawian economy's demand for processed products, machinery, vehicles and other manufactured products has resulted in the country's imports surpassing the value of its exports.

Even as a primarily agricultural economy, Malawi has regularly failed to produce enough food for its own population and has been forced to import food. As a landlocked country, with low levels of education and a lack of endowments of large quantities of valuable natural resources, Malawi looks to the agricultural sector as a source of economic growth in the medium term. In the long term, Malawi needs to diversify in order to survive in the global economy.

### **3.3.5 Document Requirements for Importation and Exportation**

#### **3.3.5.1 Importation Process**

The importers must employ a customs broker / clearing agent, which is licensed by the Commissioner General of the Malawi Revenue Authority (MRA) under Section 128 of the Customs and Excise Act. The following required documentation must be submitted to the customs broker / clearing agent:

- Invoice;
- Bill of lading (or airway bill);
- Advise note;
- Certificate of origin;
- Delivery order;
- Form 19 customs document;
- Packing list;
- Release order;
- Report order ('authority to proceed'); and
- SPS certificate.

On the basis of these documents, the customs broker / clearing agent prepares the Malawi Customs Declaration Form 12, which is a single administrative document. The signed Form 12 is submitted to a Direct Trader Input (DTI) agent, who enters the information into his



system (which is connected to the MRA system). The customs broker / clearing agent pays the assessed charges to the cashier, who stamps the Form 12. The Form 12 is then submitted to a customs officer, who conducts an "attempt assessment" of the payable charges and sends the form to the verification section. If all is in order, the goods are then cleared.

Table 3 shows items that are free to import and those that are prohibited from importation to Malawi.

**Table 3: Items Prohibited and Free to Import**

<b>Free to import</b>	<b>Prohibited</b>
200 cigarettes 225g of tobacco	Narcotics
1L of spirits (over 25% volume of alcohol)	Pornography
1L of alcohol	Counterfeit items
Goods worth up to MWK20,000	Explosive material

The following are restricted in Malawi:

- Live animals: health certificate required along with complete and valid inoculations;
- Endangered species and any products or parts thereof;
- Medication: in original packaging and with original labels accompanied by prescription or medical certificate; and
- Weapons and ammunition: permissible only with authorisation.

### **3.3.5.2 Exportation Process**

Procedures and the documentation required when exporting depend on the type of export that has been declared, i.e. exports from open stock, temporary exports and re-exports.

#### **a) Direct exports**

This refers to procedures where goods which are destined for final export from Malawi, e.g. goods from open stock, direct exports of goods after bonded warehousing and exportation after free zone or bonded factory procedures.

#### **b) Temporary exports**

This refers to procedures where goods being exported will be returned to Malawi, and includes:

- **Temporary exportation for outward processing manufacturing / processing:** Goods exported under this procedure must be produced to Customs prior to exportation;
- **Temporary exportation for repair:** The goods may be exported for repair in another country and then returned to Malawi. The goods, on their return, may be subject to import charges on the value of the repair; and
- **Temporary exportation for return in an unaltered state:** Refers to goods being exported and then returned to Malawi without any change or processing having taken place on the goods, e.g. goods exported for trade fairs and vehicles exported for return.

### **c) Re-exports**

This refers to procedure where goods are being exported after temporary admission, and includes different types:

- Re-exportation after temporary admission for inward processing (suspension system);
- Re-exportation after temporary admission for return in an unaltered state; and
- Re-exportation after free zone or bonded factory procedure.

The documents most frequently required for an export shipment are listed below in Table 4.

**Table 4: Documents Required for Export**

Document Name	Issuing / Controlling Authority	Statutory Requirement	Goods
Customs Bill of Entry F12	MRA	Single administrative document for customs declaration	All goods of more than MWK500,000 in value
Form 38	MRA	Manual declaration form for minor exports	Baggage exports
Form 44	MRA	Proof of export under duty drawback	All goods for which duty drawback / refund is claimed
Form C300 – Temporary Export Permits (TEPs)	MRA	Manual Temporary Export declaration for Malawian registered vehicle	Temporarily exported Malawian registered motor vehicles
General Registration Certificate (Form 48)	MRA	Export declaration for minor exports for repair and return	Goods for repair of minor value
CD1 Form	RBM	Foreign Exchange Control	Exports of more than US\$5000.00
The Commercial Invoice	Exporter	Declaration of value	All commercial goods
Certificate of Origin	MRA MCCCI	Proof of origin of goods	Depends on the preference regime being sought
Bill of Lading	Shipper / transporter	Defines contract between exporter and shipper	Goods transported across the sea
The Consignment Note or Airway Bill	Transporter	Transporters' declaration of goods carried in the conveyance	Goods transported by road and air respectively
Sanitary Certificate	Department of Animal Health	Certification of health of animal and animal products	Live animals Animal products
Phyto-sanitary Certificate	Ministry of Agriculture and Irrigation	Certification of health of plant and plant products	Scheduled plant and plant products
Import Permit	Relevant authority in destination country	Certification of conformity to health and security measures in importing country	Scheduled products
Export License	Ministry of Industry and Trade	Implementation of National Trade Policy	Scheduled products

		Implementation of Controls of Goods Act	
Export Quality Certificate	Malawi Bureau of Standards	Certification of product conformity to national and international standards	Scheduled products
Police Clearance Report	Malawi Police	Anti-theft clearance report for motor vehicles and engines exported from Malawi	Motor vehicles and engines

**Source: World Bank, Doing Business 2016 (Accessed electronically on 09/05/2016)**

### **3.4 Business Environment**

The business environment in Malawi remains challenging. The country ranks behind its neighbours in indicators that measure the attractiveness of the business environment, which are the Global Competitiveness Index (GCI) of the World Economic Forum and the World Bank's Doing Business Report. Business climate surveys highlight the following among the main obstacles to doing business in Malawi:

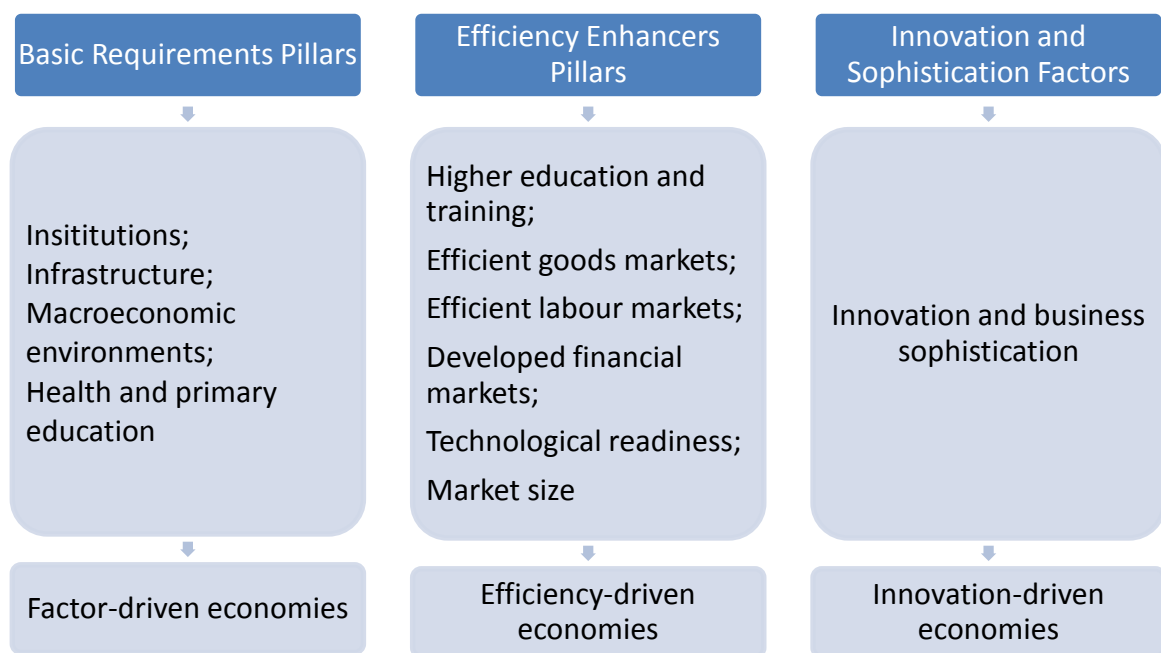
- Lack of access to finance;
- Inadequate infrastructure;
- Inefficient government bureaucracy;
- Policy instability; and
- Inadequate education and skilled workforce.

In order to enable Malawi to benefit more fully from the large export and growth opportunities offered by the regional and global economy, the following improvements in the business environment are required: reducing the infrastructure deficit; facilitating trade and regional integration; making credit more available and affordable; and addressing the skills gap. Existing initiatives include the establishment of a one-stop-shop to facilitate the setting up of businesses and to inform investors of available incentives. The Single Licence Bill was approved, which is aimed at reducing the number of procedures and the time required to start a business. The government has also launched the National Export Strategy (NES), which puts in place inter-governmental coordination aimed at removing constraints to export development and identifying three priority sectors.

### 3.4.1 Global Competitiveness

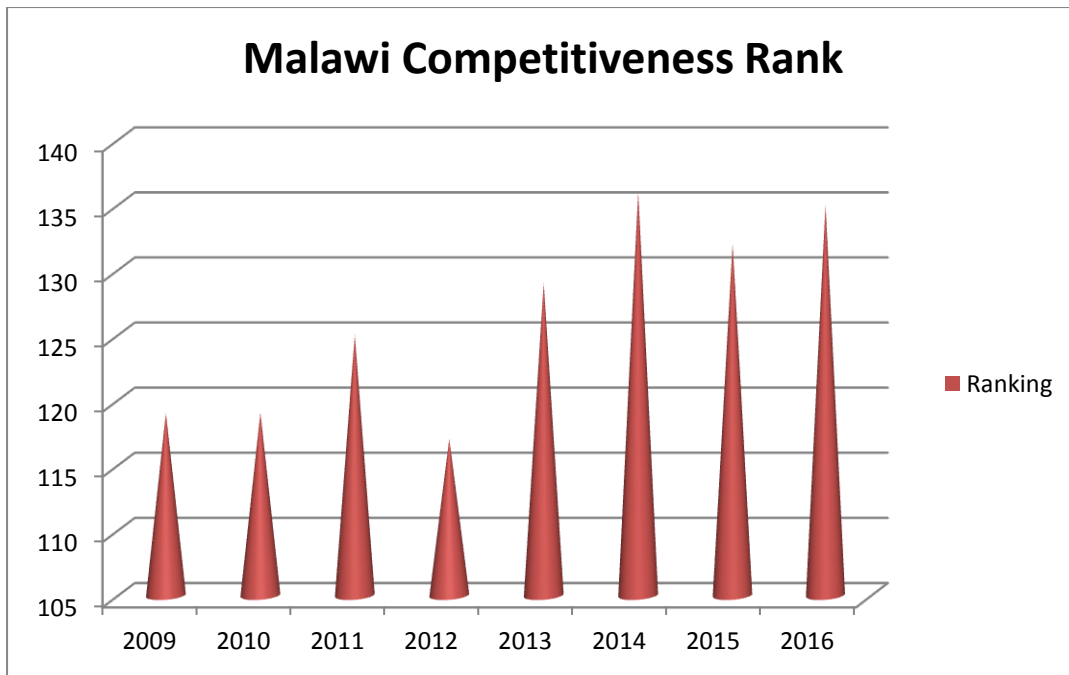
According to the Global Competitiveness Report (GCR), Malawi has slipped three steps to number 135 among the most competitive nations in the world out of 144 countries ranked in 2015-2016. The GCR is published by the World Economic Forum and it assesses the ability of countries to provide high levels of prosperity to their citizens, depending on how productively a country uses available resources.

It measures the set of institutions, policies and factors that set the sustainable current and medium-term levels of economic prosperity. The GCR is based on the pillars of competitiveness, which are shown below.



Malawi averaged a ranking in competitiveness of 126.50 from 2009 until 2016, reaching an all-time low of 136 in 2014 and a record high of 117 in 2012, as shown in Figure 16.

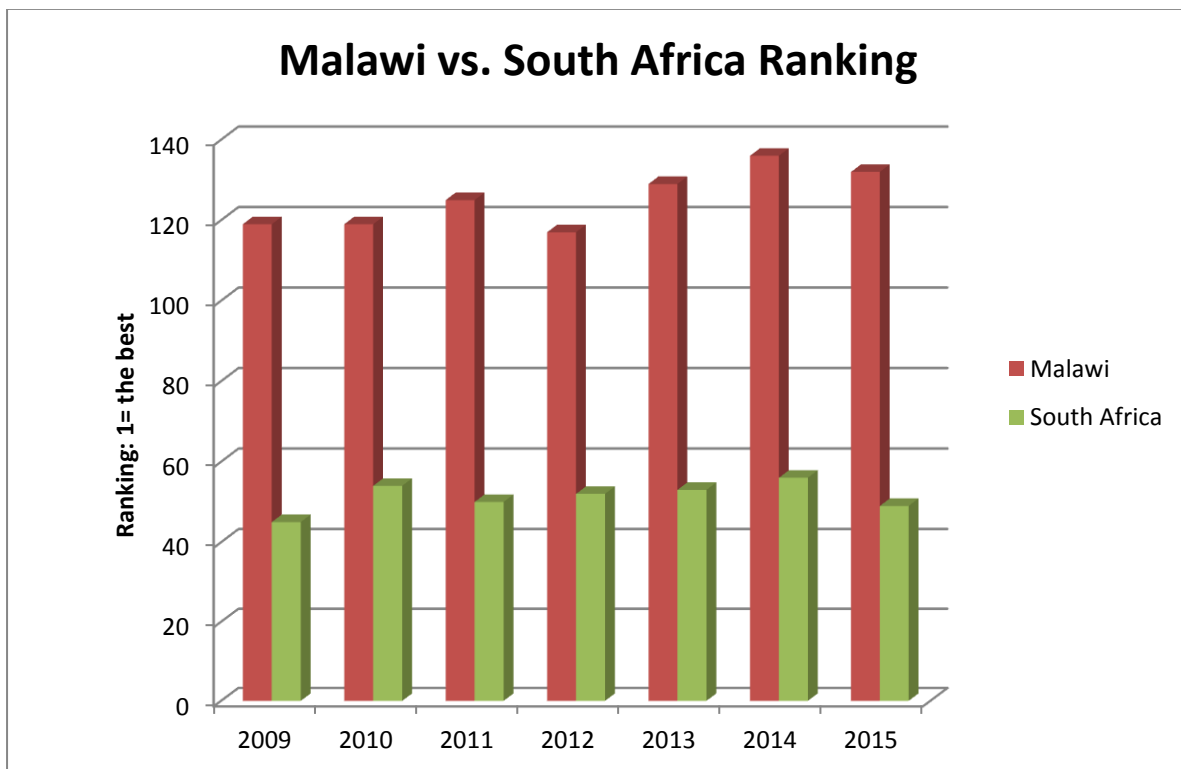
**Figure 16: Malawi's Competitive Ranking**



**Source:** *www.tradingeconomics.com, World Economic Forum (Accessed electronically on 30/08/2016)*

In comparison to South Africa, which is ranked 49 as shown below in Figure 17, Malawi's performance is very poor across all factors.

**Figure 17: Malawi vs. South Africa Ranking**



**Source:** *Global Competitiveness Ranking Report 2015 (Accessed electronically on 19/05/2016)*

### 3.4.2 Ease of Doing Business

According to the World Bank, Malawi was ranked at 144 in 2015 and slightly improved in 2016 to 141 for ease of doing business out of a total of 189 economies. The ease of doing business covers 10 themes and their ranking are depicted in Figure 18 below. This Report only focuses on starting a business and trading across borders.

**Figure 18: Topic Rankings**



*Source: World Bank, Doing Business 2016 (Accessed electronically on 19/05/2016)*

#### a) Starting a business

This indicator looks at the ease of starting a business, taking into considerations procedures officially required by an entrepreneur, and the time and cost required to complete these procedures. It assumes that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that the entrepreneur will pay no bribes.

Starting a business in Malawi is a highly costly and time-consuming exercise. According to the World Bank Report, Doing Business 2016, Malawi stands at 161 (158 in 2015) in the ranking of 189 economies for starting a business as per Table 5. It takes 38 days and costs 84.6% of income per capita. Comparatively, in South Africa, which ranks at 120, it takes 46 days to start a business and costs only 0.3% of per capita income.

**Table 5: Comparative Rankings for Starting a Business**

	MALAWI	KENYA	MOZAMBIQUE	TANZANIA	NAMIBIA	SOUTH AFRICA
<b>Rank</b>	161	151	124	129	164	120
<b>Procedures</b>	8	11	10	10	10	6
<b>Time (days)</b>	38	26	19	26	66	46
<b>Cost</b>	84.6	35.3	15.1	18	11.1	0.3

*Source: World Bank, Doing Business 2016 (Accessed electronically on 19/05/2016)*

The breakdown of the procedures in Malawi is outlined in Table 6 as compared to the 6 procedures in South Africa as per Table 7.

**Table 6: Procedures Required in Registering a Firm in Malawi**

No.	Procedure	Associated Costs
1	Apply for a Certificate of Incorporation at the Registrar General of the Ministry of Justice <b>Agency: Registrar General</b>	MWK1,000 for name search + MWK25,000 + MWK500 for first MWK1,000 of capital, and MWK20 for every MWK2,000 or part of capital thereafter
2	Register for income tax at the Malawi Revenue Authority <b>Agency: Malawi Revenue Authority</b>	No charge
3	Obtain a company seal <b>Agency: Seal Maker</b>	MWK19,000
4	Apply for a licence from the City Assembly <b>Agency: Blantyre City Assembly</b>	MWK1,000
5	Pay the requisite fee and obtain the licence <b>Agency: Ministry</b>	MWK0,000 (Blantyre City Council)
6	Apply for a registration of the workplace <b>Agency: Occupational Safety, Health and Welfare Department</b>	MWK1,000, depending on the number of employees
7	Receive inspection of the company premises by the Occupational Safety, Health, and Welfare Department <b>Agency: Occupational Safety, Health and Welfare Department</b>	No charge
8	Register for PAYE and fringe benefit tax at the Malawi Revenue Authority (by mail) <b>Agency: Malawi Revenue Authority</b>	No charge

*Source: World Bank, Doing Business 2016 (Accessed electronically on 19/05/2016)*



**Table 7: Procedures Required in Registering a Firm in South Africa**

No.	Procedure	Associated Costs
1	Register at the Companies and Intellectual Property Commission (CIPC)	ZAR175
2	Open a bank account	No charge
3	Register for income tax and withholding taxes (PAYE, UIF and SDL) at the South African Revenue Service (SARS)	No charge
4	Register for VAT at the South African Revenue Service (SARS)	No charge
5	Register the company with the Unemployment Insurance Fund (UIF)	No charge
6	Register with the Commissioner in deference to the Compensation for Occupational Injuries and Diseases Act	No charge

*Source: World Bank, Doing Business 2016 (Accessed electronically on 19/05/2016)*

Malawi made starting a business easier by streamlining the company name search and registration procedures and by eliminating the requirement for inspection of company premises before issuance of a business licence.

#### **b) Trading across borders**

Making trade between economies easier is increasingly important for business in today's globalised world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

This rating is based on a set of specific pre-defined procedures. It is based on the time and cost (excluding tariffs and the time and cost for sea transport) as shown in Table 8 below.

**Table 8: Malawi vs. South Africa on Trading Across Borders**

Indicator	Malawi (123)	South Africa (130)
Time to export: Border compliance (hours)	85	100
Cost to export: Border compliance (USD)	243	428
Time to export: Documentary compliance (hours)	131	68
Cost to export: Documentary compliance (USD)	342	170

Time to import: Border compliance (hours)	64	144
Cost to import: Border compliance (USD)	143	657
Time to import: Documentary compliance (hours)	63	36
Cost to import: Documentary compliance (USD)	162	213

*\*24 hours = 1 day, therefore 63 hours = 2,5 days*

**Source: World Bank, Doing Business 2016 (Accessed electronically on 19/05/2016)**

The overall ranking of this theme is 130 for South Africa, which is 7 points worse than Malawi at 123. Looking at the specific indicators within the theme 'trading across borders', South Africa is performing worse than Malawi in all indicators except for time to export (documentary compliance), cost to export (documentary compliance) and time to import (documentary compliance).

Trading across borders in Malawi became easier due to improvements in customs clearance procedures and a post destination clearance programme for pre-approved traders.

## **4. ROAD TRANSPORT ENVIRONMENT**

### **4.1 Overview**

Road transport is the main mode of transport and facilitator of international and domestic trade in Africa, accounting for between 80 and 90% of passenger and freight transport in the region. High transport prices adversely affect the prices of goods and the terms of trade faced by exporters and importers on the continent. Infrastructure constraints and the inconsistent application of regulations also contribute to the poor outcomes in the road sector, leading to disparities in terms of price and quality of service.

Average cross-border transport prices along major routes throughout Africa do not compare favourably with benchmarks in countries around the world. Transport prices between Chad and Cameroon (Douala-Ndjamena), and Kenya and Uganda (Mombasa-Kampala) are more than double compared with those in other developing countries, such as Pakistan and Brazil.

The disparities seem to be worse in West and Central Africa, compared to East and Southern Africa. The road freight sector in West and Central Africa has the highest relative transport prices and poorest services, suggesting that operating margins for trucking companies are high in this region, while variable costs (including the costs of lubricants, tyres and fuel, and bribes to a lesser extent) account for close to 70% of the transport costs.

In addition to high transport prices, the sector in West and Central Africa is characterised by unreliability, small informal operators, old vehicles, and policies and regulations that do not encourage efficiency. For instance, transporting goods from Tema Port in Ghana to Ouagadougou in Burkina Faso (a distance of about 1050 km) costs five times as much as transporting goods over the same distance from Newark to Chicago in the US.

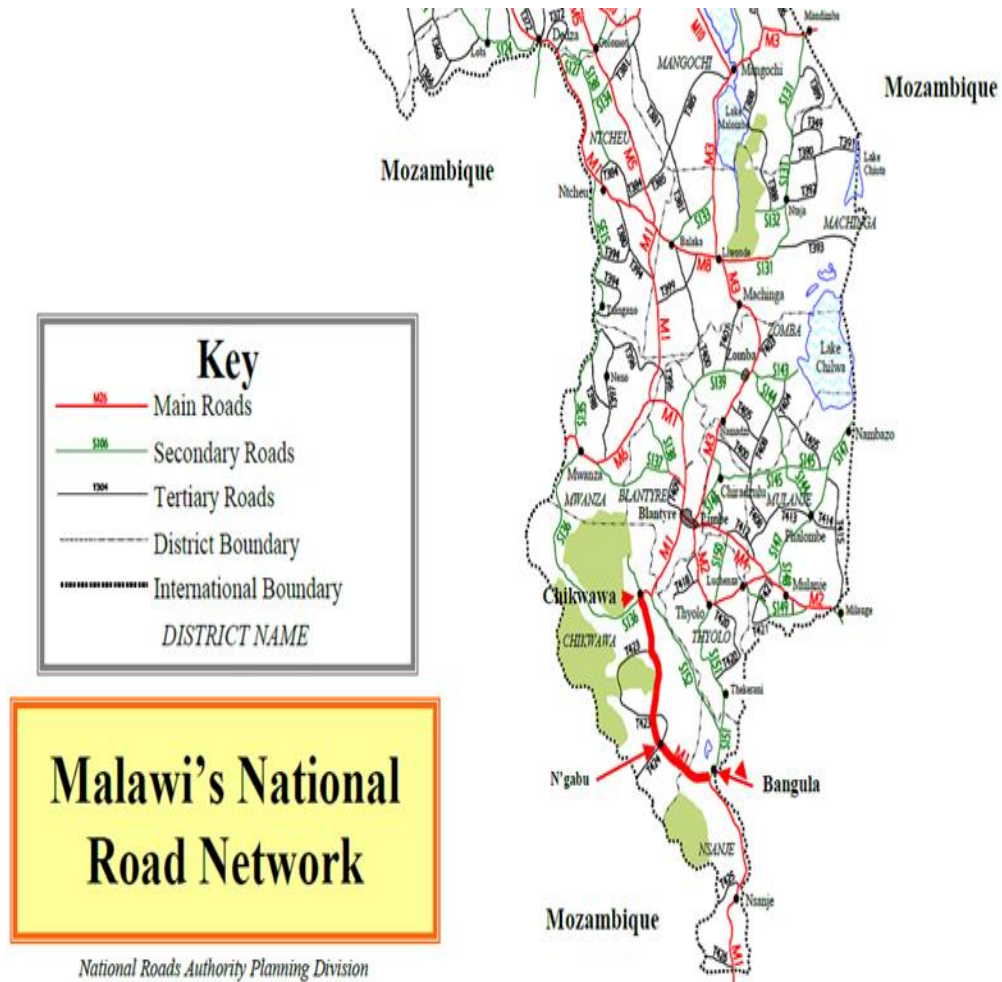
Several countries in Southern and East Africa have made some progress in terms of improving competitive outcomes in road freight, through increasing entry to the sector and encouraging competition based on price and quality of service (including adherence to safety and performance standards). The effect of these improvements has been relatively lower transport prices.

### **4.2 Malawi Transport System**

Malawi's transport system consists of the following: 15 451 kilometres of roads, of which about 26% are paved, while the rest of the road network (74%) has an earth / gravel surface;

797 kilometres of railway track; 4 major lake harbours; and 5 commercial airports. Roads are the country's most dominant mode of transport, with a capacity to handle more than 70% of internal freight traffic and 99% of passenger traffic. The network is shown in Figure 19.

**Figure 19: Malawi Classified Road Network**



**Source: Malawi: Road Sector Programme (Accessed electronically on 30/05/2016)**

Table 9 shows that on the paved network 28% of the roads carry more than 1000 vehicles per day, and the highest flows do not exceed 1800 vehicles per day. On the unpaved network, 406 kilometres carry more than 150 vehicles per day.

**Table 9: Traffic Volumes by Road in Kilometres**

Vehicles per Day	Paved	Unpaved	Total
<b>&lt;150</b>	110	11 007	11 117
<b>150-250</b>	434	0	434
<b>250-350</b>	733	315	1047
<b>350-500</b>	670	91	761
<b>500-750</b>	699	0	699
<b>750-1000</b>	262	0	262
<b>1000-1500</b>	775	0	775
<b>&gt;1500</b>	355	0	355
<b>Total</b>	<b>4038</b>	<b>11 413</b>	<b>15 451</b>

*Source: Malawi: Road Sector Programme (Accessed electronically on 30/05/2016)*

As a landlocked country, Malawi depends on her road and rail systems and those of the neighbouring states for the transportation of the bulk of her exports and imports to sea ports. The international routes are as follows: by rail through Mozambique to the port of Nacala and by road to the port of Beira, covering a distance of 800 kilometres from Blantyre and 996 kilometres from Lilongwe; to the port of Dar-es-Salaam by road, covering a distance of 1 905 kilometres from Blantyre and 1 660 kilometres from Lilongwe; by road to the port of Durban, covering a distance of 2 661 kilometres from Blantyre via Mwanza and 2 911 kilometres from Lilongwe via Mwanza; and by air to the outside world.

The Directorate of Road Traffic is the regulatory arm of the Ministry of Transport and Public Works, responsible for all matters relating to the road transportation, as well as issues pertaining to the implementation of policies and directions sanctioned under various Regional and International Conventions such as the SADC and COMESA.

The Authority is responsible for construction, rehabilitation and maintenance of the public road network, which is classified into five categories, namely main roads, secondary roads, tertiary roads, urban roads and district roads. The Public Roads Act enacted in 1962, the Local Government Act enacted in 1998 and the Urban (Public and Private Streets) Act enacted in 1956 define the five categories of roads as follows:

- Main roads: Inter-territorial roads outside cities or towns unilaterally designated by government, providing a high degree of mobility connecting provincial capitals and/or serving as international corridors;

- Secondary roads: Roads outside cities or towns unilaterally designated by government, providing a high degree of mobility linking main centres of population and production and connecting to the main road network;
- Tertiary roads: Roads outside cities or towns unilaterally designated by government, linking collector roads to arterial roads, accommodating shorter trips and feeding the arterial road network;
- District roads: Roads outside cities or towns designated by government after consultation with the District Authorities, providing an intermediate level of service, connecting local centres of population and linking districts, local centres of population and developed areas with the principal arterial system; and
- Urban roads: Any other road in an urban area other than a designated road, including arterial and collector roads crossing city boundaries. The main functions are the provision of accessibility over relatively short trip lengths at low speeds and the provision of services to smaller communities.

In functional terms, the main, secondary, and tertiary roads effectively make up the country's primary road network, with district and other undesignated roads acting as a feeder system to the primary network. Of the primary network, the North-South portion on both the plateau and the lakeshore is paved, providing high-quality, all-weather road surfaces. The East to West trunk roads have also been improved to provide better services to communities and linking them to urban centres, where most of the roads are paved. The district roads, which are normally of earth standard, have also been improved and provide access at local level.

Table 10 shows the road networks, with the trunk road network accounting for 10 600, the district roads for 3 500 and the urban roads for 1 350 kilometres.

**Table 10: Road Network by Surface Type and Designation (km)**

	Paved	Unpaved	Total
<b>Main</b>	2809	548	<b>3357</b>
<b>Secondary</b>	407	2718	<b>3125</b>
<b>Tertiary</b>	44	4077	<b>4121</b>
<b>District</b>	8	3492	<b>3500</b>
<b>Urban</b>	770	578	<b>1348</b>
<b>Total</b>	<b>4048</b>	<b>11413</b>	<b>15451</b>

*Source: Malawi: Road Sector Programme (Accessed electronically on 30/05/2016)*

### 4.3 Transport Corridors in Malawi

The SADC has configured corridors into “clusters”, that is, grouping of countries served by a set of corridors which share ports and or other transport and logistics infrastructure. The "Corridor Cluster" is used as an organisational vehicle for consultations and convening technical and ministerial meetings that address the common issues across a set of corridors shared by countries. Malawi belongs to both the Eastern and North South Corridor as shown in Tables 11 and 12, and Figure 20 below.

**Table 11: Eastern Corridors Cluster**

Corridor		Port	Member States
<b>Dar es Salaam Corridor</b>		Dar es Salaam	DR Congo, Malawi, Tanzania, Zambia
<b>Mtwara Corridor</b>	<b>Development</b>	Mtwara	Malawi, Mozambique, Tanzania, Zambia
<b>Nacala Corridor</b>	<b>Development</b>	Nacala	Malawi, Mozambique, Zambia
<b>Beira Corridor</b>	<b>Development</b>	Beira	Mozambique, Zimbabwe
<b>Limpopo Corridor</b>	<b>Development</b>	Maputo	Mozambique, Zimbabwe

**Table 12: North South Corridor**

Corridor		Port	Member States
<b>North South Corridor</b>		Durban	DRC, Botswana, Malawi, Mozambique, South Africa, Zambia, Zimbabwe, Tanzania

**Figure 20: Transport Corridors**



*Source: Implementing Development Corridors (Accessed electronically on 09/06/2016)*

### **4.3.1 Dar es Salaam Corridor**

The Dar es Salaam Corridor connects the port of Dar es Salaam in the United Republic of Tanzania to Lusaka in Zambia and Lilongwe in Malawi. It is made up of a multimodal network consisting of the port of Dar es Salaam, the TAZARA railway line and the TANZAM highway. The Dar es Salaam Corridor Constitution has been signed by corridor stakeholders from Tanzania, Malawi and Zambia. The Democratic Republic of the Congo stakeholders have not yet signed, pending the conclusion of an MoU amongst corridor state parties. A committee was established to promote efficient and competitive trade logistics along the corridor for Malawi and Zambia. The committee is exploring alternative funding models, including a user pay system, as the current system of stakeholder contributions are not sustainable. Currently, 95% of the cargo is moved by road.



### 4.3.2 Mtwara Development Corridor

The Mtwara Corridor runs from the Indian Port of Mtwara in Tanzania. It stretches along several towns in Tanzania and connects to Mbamba Bay on the Eastern side of Lake Malawi. From Mbamba Bay the corridor moves across Lake Malawi through to Mzuzu, as shown in Figure 21 below. It is a spatial development initiative (SDI) aimed at developing a transportation corridor that will provide Tanzania, Mozambique, Malawi and Zambia with easier access to the port at Mtwara. To address the problem of a transportation bottleneck developing in the region, an upgrade of infrastructure was required, with the future development and rehabilitation of roads and bridges, sea and lake ports, telecommunications, air transport facilities and ferry services being the objective of the development.

**Figure 21: Mtwara Development Corridor**



**Source: Malawi: Road Sector Programme (Accessed electronically on 31/08/2016)**

The corridor involved the construction of the 136 kilometre Mangaka-Tunduru road section, which is part of the 804 kilometre Mtwara-Mbamaba Bay Road (referred to as the Mtwara Corridor), rehabilitation of the Mzuzu-Nkatha Bay Road and construction of the Unity Bridge. The road from Mzuzu to Nkatha Bay is 46 kilometres long and connects Mzuzu, the biggest

city in the north, to Nkatha Bay on the shores of Lake Malawi. The road was built in the early seventies, but it has since deteriorated, making travelling along the road a big challenge.

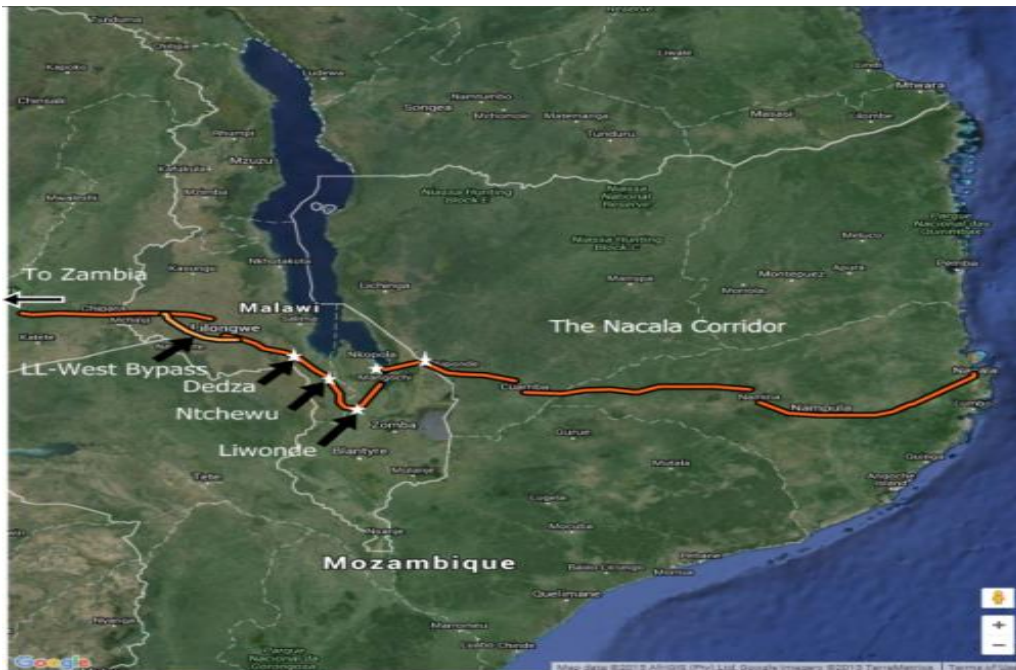
The road is very important in the economy of Malawi, however. Apart from affording easy mobility and accessibility to the beautiful Lake Malawi, thereby facilitating tourism, as well as easy movement of people and goods locally, the road is a conduit for movement of goods for import and export purposes through Nkatha Bay.

The road will not only facilitate movement of goods from areas in the north and other parts of Malawi but also into the neighbouring countries, like Zambia. Because it provides a north-south link from Tanzania to Malawi and through Malawi to other SADC countries, the road is considered to be of strategic importance in terms of trade. The road was therefore earmarked for rehabilitation as part of the SADC Regional Trunk Road Network Development under the Mtwara Transport Development Corridor. The actual works on the road will involve re-construction and widening of the road to a 6.7 metre wide carriageway with 1.5 metres of sealed shoulders on either side of the road. The project, which commenced in November 2015, is financed through a loan from the African Development Bank (AfDB).

#### **4.3.3 Nacala Development Corridor**

The Nacala Road Corridor Development project is a joint project between the countries of Malawi, Mozambique, and Zambia. It seeks to develop transport infrastructure that links the Indian Ocean Port of Nacala in Mozambique to Malawi, and through Malawi into Zambia and beyond. The corridor starts from Nacala Port in Mozambique and runs to the Malawi border town of Chiponde and from there to Mangochi, Liwonde, Balaka, Lilongwe (Western Bypass), Mchinji and then into Zambia as illustrated below in Figure 22.

**Figure 22: Nacala Development Corridor**



Source: Malawi: Road Sector Programme (Accessed electronically on 09/06/2016)

Each of the three countries will develop the portion passing through its territory. In Malawi, the roads to be tackled under this programme are:

- **Chiponde-Mangochi:** This is a 45 kilometre road that connects Chiponde to Mangochi. Funding for this project is yet to be identified;
- **Mangochi-Liwonde:** This is a 75 kilometre road between Mangochi and Liwonde. The road will be tackled in phase 4 of the project. Phase 4 of the project also involves the construction and establishment of two OSBPs between Malawi and Mozambique at Chiponde and between Malawi and Zambia at Mchinji; and
- **Lilongwe West bypass:** The road has been completed.

The total project cost estimate for Malawi is UA45 390 million net of taxes and a total cost estimate for the Zambia side is UA5500 million net of taxes. The project duration is expected to be 5 years as follows: design review, preparation of bidding documents and tendering (12 months), construction period (36 months), and defects liability period (12 months). The objectives are two-fold:

- At regional level, the objective is to contribute to improving road transportation and trade facilitation along the Nacala Road Corridor; and

- At national level, specifically in Malawi where rehabilitation of a 75 kilometre road is being planned between the towns of Liwonde and Mangochi, the project is expected to contribute to improving transport services in the Balaka-Mangochi districts as a result of reductions in transportation, which in turn are expected to support stimulation of local economic activities in agriculture, agro-forestry, fisheries and tourism.

Import / export cargo handled at Nacala Port increased from 0.9 million tonnes per year in 2009 to 1.6 million tonnes per year by 2015.

#### **4.3.4 North South Corridor**

The North South Corridor (NSC) links the port of Durban to the Copperbelt in the Democratic Republic of the Congo and Zambia and has spurs linking the port of Dar es Salaam and the Copperbelt and Durban to Malawi. The countries involved are Botswana, the Democratic Republic of the Congo, Malawi, Mozambique, South Africa, Tanzania, Zambia and Zimbabwe. The NSC is the busiest in the region in terms of values and volumes of freight. The road network is already under pressure in relation to its design capacities and in terms of delays at strategic points, such as border posts. Current traffic on the NSC is characterised by exports of mining and agricultural products and imports of manufactured goods.

The main operating feature of the regional road transport routes which affects transport efficiency, costs and tariffs, is the imbalance of freight flows, leading to empty return hauls. An empty return haul by road effectively means that the transport cost almost doubles. The volumes of freight traffic using these corridors are: NSC which handles 60% of Malawi trade of which only one third is destined for countries beyond South Africa, Mtwara (19%), Nacala (17%) and Dar es Salaam (4%). Transit charges along these corridors are high, resulting in Malawi having transport costs that are among the highest in the region, with the most recent study putting these at 56%. These costs continue to grow by 7% annually, leaving Malawian products uncompetitive in the international market.

The governments of Zambia, Malawi and Mozambique are also developing the Nsanje World Inland Port under the Shire Zambezi Waterway Project, which will provide Malawi with a direct sea link to international markets, and other landlocked countries like Zambia with the shortest route.

## 4.4 Road Traffic Legislation

The legal framework for the Malawi road traffic and transport sub-sector comprises:

- the Road Traffic Act, 1997 (RTA);
- the Road Traffic Regulations, 1997;
- the National Roads Authority Act, 1997; and
- the Malawi Road Transporters Authority Act, 1970.

The RTA is primarily concerned with issues related to road traffic management and traffic control (i.e. traffic safety). It provides for the registration and licensing of motor vehicles; issuing and recognition of international driving permits and foreign driver's licences; rules of the road; road traffic signs, general speed limit and parking fees; operator fitness and compulsory Third Party Insurance.

The RTA deregulates access to the international market for Malawian operators. In turn, existing international agreements grant similar access to Malawi for foreign operators undertaking international transport. These agreements provide for the Malawi authorities to issue permits to its operators to undertake road transport in the territory of the other party, based on the principle of extraterritorial jurisdiction.

### 4.4.1 Speed Limits

The maximum speed limit in Malawi is 80 kilometres per hour and a general speed limit of 120 kilometres per hour applies in respect of every freeway.

### 4.4.2 Traffic Fines

The offenses and official fines as outlined in the RTA were increased in 2014 and are shown in Table 13 below.

**Table 13: Traffic Fines**

OFFENSE	AMOUNT
Failing to carry a valid driver's licence while driving a motor vehicle	MKW5,000.00
Permitting an unlicensed person to drive a motor vehicle (learners should have a provisional licence)	MKW5,000.00
Operating an unroadworthy vehicle (e.g. lights / horn not working, worn tyres, brakes not working)	MKW5,000.00
Speaking on a cellular telephone while driving	MKW3,000.00
Driving at a speed in excess of the legal limit	MKW8,000.00
Driving under the influence of alcohol (if the breathalyser	MKW5,000.00

result is over 0.08 mg)	
Using a motor vehicle without a current Certificate of Fitness	MKW3,000.00
Driving without a spare tyre	MKW5,000.00
Driving a car without insurance	MKW25,000.00
Leaving a vehicle in the same place on a road for more than 72 hours	MKW10,000.00
Unnecessary hooting	MKW5,000.00

#### 4.4.3 Vehicle Dimensions and Weights Restrictions

Legal load limitations are imposed in order to protect the roads from the excessive damage caused by heavy loads. The load limitations are based on:

- The engine power of the vehicle and limitations specified by the vehicle;
- Tyre manufacturers;
- The damage or wear caused by an axle load to the road; and
- The load concentration applied by a group of axles or axle units to bridge structures.

Malawi's axle load regulations compare favourably with most other countries. Tables 14 and 15 below give an indication of the axle, gross combination mass and dimensional limits for most cross-border partners:

**Table 14: Load Limits**

<b>LEGAL LOAD LIMITS ON GOODS VEHICLES</b>					
<b>COUNTRY</b>	<b>STEERING AXLE</b>	<b>SINGLE AXLE</b>	<b>TANDEM AXLE</b>	<b>TRIDEM AXLE</b>	<b>COMBINATION AXLE</b>
<b>Angola</b>	7 700 kg	10 000 kg	16 000 kg	24 000 kg	38 000 kg
<b>Botswana</b>	7 700 kg	8 200 kg	16 000 kg	24 600 kg	50 200 kg
<b>Lesotho</b>		8 200 kg	16 400 kg	21 000 kg	49 000 kg
<b>Malawi</b>	7 700 kg	8 200 kg	16 400 kg	24 600 kg	55 000 kg
<b>Mozambique</b>	7 700 kg	10 000 kg	16 000 kg	22 000 kg	38 000 kg
<b>Namibia</b>	7 700 kg	8 200 kg	16 400 kg	21 000 kg	48 400 kg
<b>South Africa</b>	7 700 kg	8 000 kg	16 000 kg	24 000 kg	56 000 kg
		(2 wheels)	(2 wheels)		
<b>South Africa</b>		9 000 kg	18 000 kg		
		(4 wheels)	(4 wheels)		
<b>Swaziland</b>	7 700 kg	8 200 kg	16 400 kg	21 000 kg	50 200 kg
<b>Tanzania</b>	7 700 kg	10 000 kg	18 000 kg	24 000 kg	52 000 kg
<b>Zimbabwe</b>		8 000 kg	18 000 kg	24 000 kg	56 000 kg

**Table 15: Dimensional Limits**

**LEGAL DIMENSIONAL LIMITS ON GOODS VEHICLES**

<b>COUNTRY</b>	<b>OVERALL WIDTH</b>	<b>OVERALL HEIGHT</b>	<b>LENGTH OF RIGID</b>	<b>LENGTH OF ARTICULATED</b>	<b>LENGTH OF COMBINATION</b>
<b>Angola</b>	2,5 m	4,0 m	15,0 m	18,0 m	20,0 m
<b>Botswana</b>	2,5 m	4,1 m	12,5 m	17,0 m	22,0 m
<b>Lesotho</b>	2,6 m	4,1 m	12,5 m	17,0 m	22,0 m
<b>Malawi</b>	2,5 m	4,6 m	12,5 m	17,0 m	22,0 m
<b>Mozambique</b>	2,5 m	4,0 m	12,0 m		18,0 m*
<b>Namibia</b>	2,5 m	4,1 m	12,5 m	17,0 m	22,0m
<b>South Africa</b>	2,5 m	4,3 m	12,5 m	18,5 m	22,0 m
	(medium)				
<b>South Africa</b>	2,6 m				
	(heavy)				
<b>Swaziland</b>	2,5 m	4,1 m	12,5 m	17,0 m	20,0 m
<b>Tanzania</b>	2,6 m	4,4 m	12,5 m	17,0 m	22,0 m
<b>Zimbabwe</b>	2,5 m	4,6 m	12,5 m	18,5 m	22,0 m

\* Special Permission can be obtained for combination lengths up to 22 metres

## **4.5 Road Projects**

The upcoming projects in Malawi are outlined below.

### **4.5.1 Upgrading of Lirangwe-Chingale-Machinga Road Project**

The 62.3 kilometre long Lirangwe-Chingale-Machinga road, designated as S139, starts at the Lirangwe trading centre in Blantyre District. It extends northwards, passing through the Chingale and Chinseu trading centres and then through the plains of the western side of the Zomba Mountain, traversing through swampy areas at Chingale.

The project involves upgrading the existing earth standard road to a class II bitumen standard road with a 6.7 metre carriage way and 1.5 metres of sealed shoulders on either side of the road. Four bridges will be constructed along the road, which is expected to be completed in 2018. The road will provide improved mobility and accessibility to areas of high agricultural activity that also uses irrigation farming, thereby providing a means for transporting agricultural products to various markets across the area and the southern region of Malawi. Easy accessibility will enhance the economic activity of people around the area and ease the movement of people to Malawi’s commercial city of Blantyre, where they can access various services.

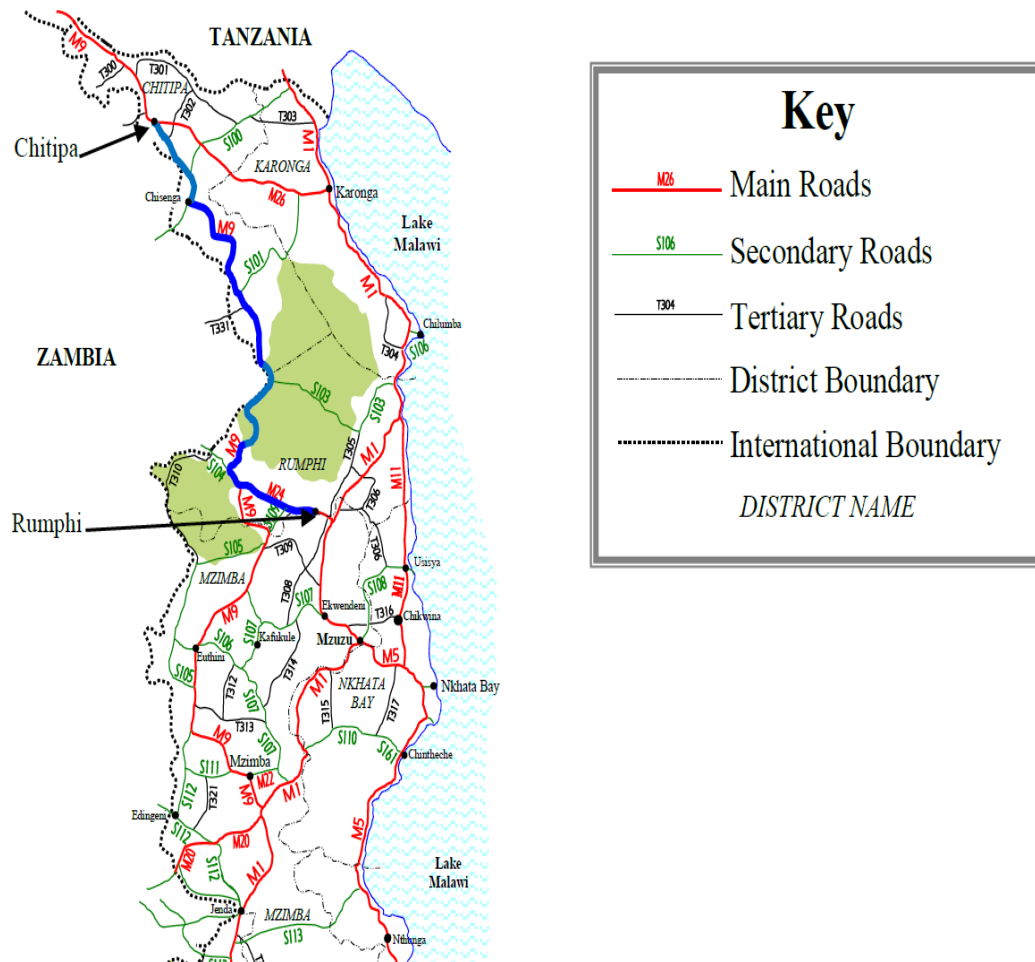
### **4.5.2 Upgrading of Rumphi-Nyika-Chitipa Road Project**

The upgrading of the Rumphi-Nyika-Chitipa road traverses a length of 272 kilometres. The project will upgrade two roads designated as main roads (the M24 road from Rumphi District-Nyika and the M09 from Nyika-Chitipa. Currently the road is of earth

standard and will be upgraded to bitumen class 1. The project is at the feasibility study and detailed engineering design stage of the project cycle.

The road was selected for upgrading because of its economic and social impact potential. It passes through Nyika National Park, one of the most beautiful, unspoilt and rich natural conservation areas. The road will therefore provide easy mobility and accessibility to the Park for both local and international tourists. It will also ease transportation of people and agricultural and other goods in the area and provide a link to access other markets in the north, centre and south of Malawi. The road is close to the border of the Eastern Province of Zambia as shown in Figure 23 below and will open economic activities between the two countries.

**Figure 23: Rumphi-Nyika-Chitipa Road**



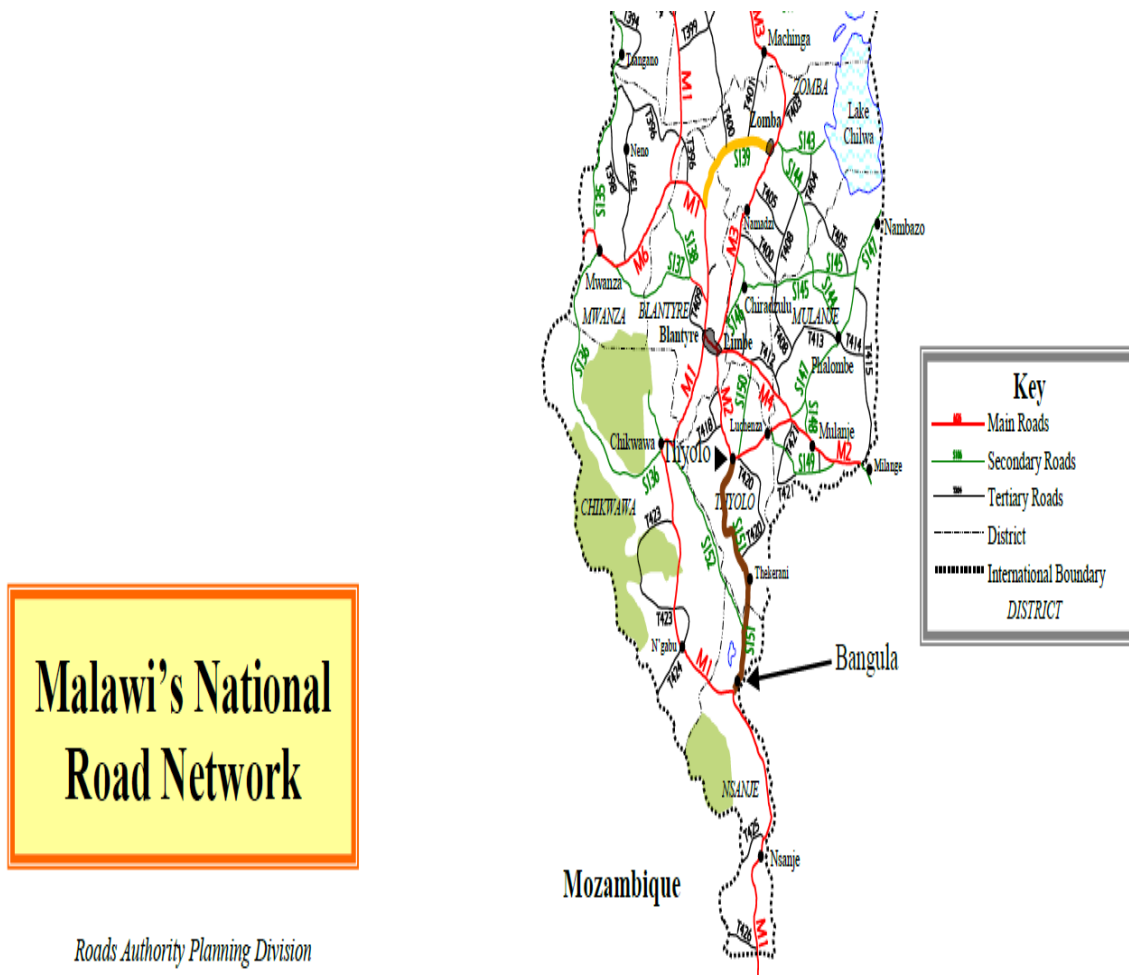
Source: Malawi: Road Sector Programme (Accessed electronically on 20/06/2016)



### 4.5.3 Thyolo-Thekerani-Muona-Bangula Road (S151)

The Thyolo-Thekerani-Muona-Bangula Road (S115) is a 92 km long stretch running from a trading centre near Thyolo District and extending southwards to Bangula trading centre in the Nsanje District.

Figure 24: Thyolo-Thekerani-Muona-Bangula Road



Source: Malawi: Road Sector Programme (Accessed electronically on 20/06/2016)

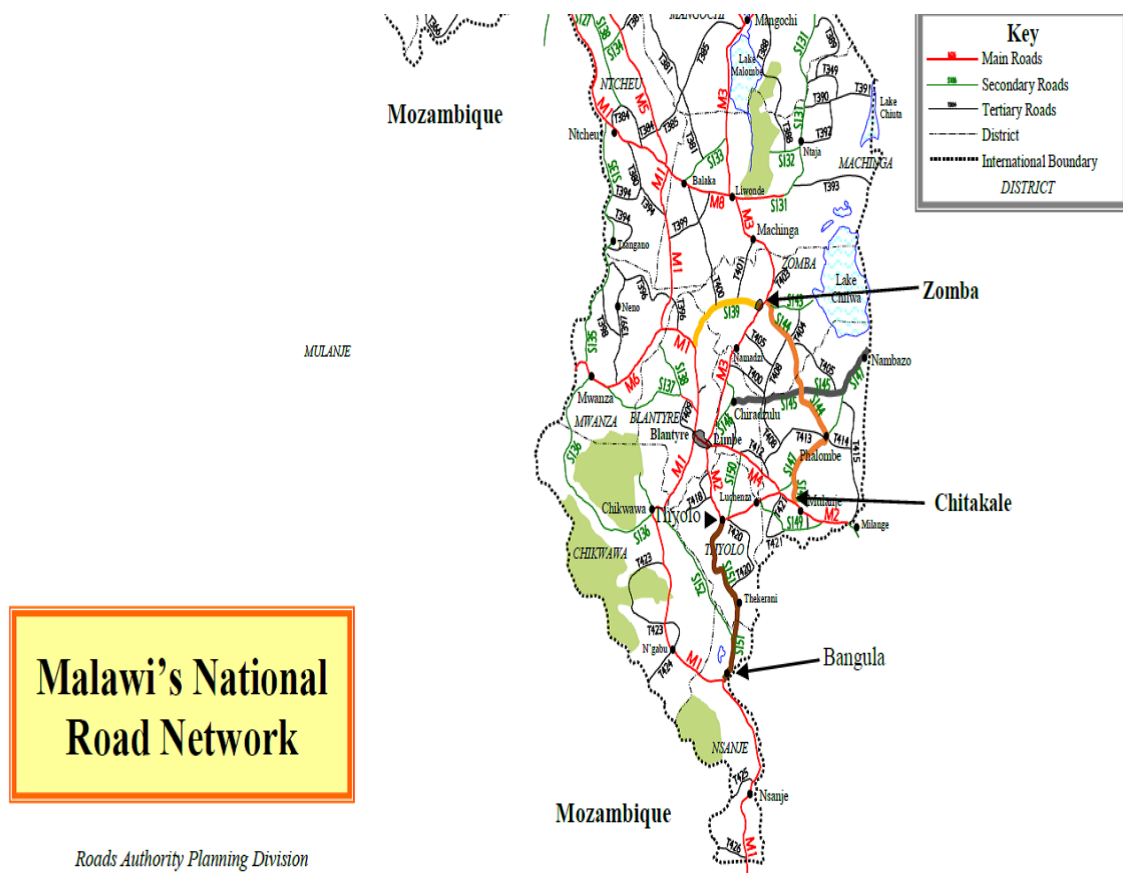
The project is for upgrading the existing earth road to bitumen standard class 1, including several bridges, box and Armco culverts. The works will involve widening of the existing paved road from Thyolo to Makwasa and upgrading of the existing gravel road from Makwasa to Bangula. The road passes through an area of high agricultural activity where tea and bananas, which are supplied to the whole country, are grown. The road will ease

mobility of people and goods and provide accessibility to key destinations that are crucial for the social economic development of the area. The road will also provide a direct route connecting Nsanje at the southern tip of Malawi to areas like Thyolo, Limbe, Blantyre and the rest of the central region.

#### 4.5.4 Upgrading of Zomba-Jali-Phalombe-Chitakale Road (S144/S147)

The Zomba-Jali-Phalombe-Chitakale is a 102 km long road starting from Zomba Air wing and traversing through the trading centres of Jali, Misewu-Folo and Phalombe Boma to end at Chitakale, right at the foot of the great Mulanje Mountain in the southern region of Malawi, as seen below in Figure 25.

**Figure 25: Zomba-Jali-Phalombe-Chitakale Road**



**Source: Malawi: Road Sector Programme (Accessed electronically on 20/06/2016)**

The project is co-financed by the Malawi Government and the cooperating partners, namely Kuwait Fund, OPEC Fund for International Development (OFID) and the Arab Bank for Economic Development in Africa. The project is for upgrading the road to bitumen standard

class I. The road will be widened to a cross section of 6.8 metres ofm wide carriageway and 2.0 metres of wide paved shoulders on either side of the road. The works will also involve construction of several bridges and culverts along the road. The road will service the communities along it by providing easy mobility and accessibility to and from areas of social-economic activities. Ending right at the foot of Mulanje Mountain, the road will provide both local and international tourists with a better travel experience as they can visit the mountain for various attractions like mountain climbing, camping, etc. In addition, the road offers the most direct route between Zomba and Mulanje rather than connecting through Blantyre. The project is at procuring-of-a-contractor stage and is expected to last 36 months once started.

In April 2015, the World Bank Group's Board of Executive Directors approved a US\$69 million credit to help improve Malawi's road and border post infrastructure, which connects the country to regional trade corridors in Southern Africa. The funds have been provided to Malawi by the International Development Association (IDA) under the second phase of the Southern Africa Trade and Transport Facilitation Programme, which aims to ease the movement of goods and people along the NSC and at the key border crossings in Malawi, whilst supporting improvements in road safety and health services.

The programme will focus on the M1 road, which is the backbone of Malawi's road network. The priority routes will be in the northern part of Malawi, namely the Karonga- Songwe (46km), Kacheche-Chiweta (70 km) and Mzimba-Mzuzu-Kacheche (147km). The Karonga-Songwe portion of the road carries 22% of Malawi's foreign trade to Songwe, the border point with Tanzania. The programme will also upgrade and modernise border post facilities to improve trade facilitation at Songwe on the Tanzania border, and the Dedza, Mwanza, and Muloza border crossings on the Mozambique border. Among other improvements, the programme will address sharing of information across borders, ICT connectivity, interagency co-operation, and equipment for physical inspections.

Apart from infrastructure, the programme will also help Malawi address road safety, which is a major problem in the country. Seven priority accident black spots at trading centres along the M1 will be treated. These are Chimbiya, Lumbadzi, Mponela, Lizulu, Tsangano / Biriwiri, Kampepuza and Lunzu. These blackspots contribute to a significant number of fatalities and serious accident injuries. The programme will be implemented by the Roads Authority. The implementation period is expected to be six years, ending in December 2021.

## 5. PASSENGER TRANSPORT

The commercial conveyance of passengers by road between South Africa and Malawi is carried out by taxis, buses and tour operators. All commercial passenger operators, both in South Africa and Malawi, have to have valid cross-border road transport permits in order to transport passengers across the South African and Malawian borders.

The statistics used to analyse passenger volumes and trends were obtained from data collected by the South African Department of Home Affairs (DHA) in 2016. The data used for analysis is comprised of the mode of transport used, passengers in transit and passengers arriving in and those departing from South Africa.

The data collected at the ports of entry into South Africa shows that a total of 3 759 322 travellers (arrivals, departures and transits) passed through South African ports of entry in March 2016. As presented in Table 16 below, these travellers were made up of 936 112 South African residents and 2 823 210 foreign travellers. A further breakdown of the figures for South African residents indicates that there were 450 637 arrivals, 484 750 departures and 725 travellers in transit. The corresponding volume for foreign arrivals, departures and transit travellers was 1 435 879, 1 326 244 and 61 087 respectively. A comparison of the movements between March 2015 and March 2016 indicates that the volume of arrivals and departures increased for both South African residents and foreign travellers, while the volume of transits decreased for South African residents but increased for foreign travellers.

**Table 16: Travel Statistics**

Travel Direction	March 2015	March 2016	% change
<i>South Africa Residents</i>	<b>384 922</b>	<b>936 112</b>	<b>17.8%</b>
<b>Arrivals</b>	384 922	450 637	17.1%
<b>Departures</b>	409 260	484 750	18.4%
<b>Transit</b>	735	725	-1.4%
<i>Foreign Travellers</i>	<b>2 422 837</b>	<b>2 823 210</b>	<b>16.5%</b>
<b>Arrivals</b>	1 235 571	1 435 879	16.2%
<b>Departures</b>	1 127 979	1 326 244	17.6%
<b>Transit</b>	59 287	61 087	3.0%

**Source: StatsSA Tourism (Accessed electronically on 13/07/2016)**

## 5.1 Mode of Travel

**Table 17: Mode of Travel**

Travel Direction	Air	Road
<i>South Africa Residents</i>	<b>324 156</b>	<b>610 837</b>
<b>Arrivals</b>	154 553	295 335
<b>Departures</b>	168 878	315 502
<b>Transit</b>	725	0
<i>Foreign Travellers</i>	<b>665 838</b>	<b>2 147 662</b>
<b>Arrivals</b>	295 386	1 135 579
<b>Departures</b>	309 365	1 012 083
<b>Transit</b>	61 087	0

**Source: StatsSA Tourism (Accessed electronically on 13/07/2016)**

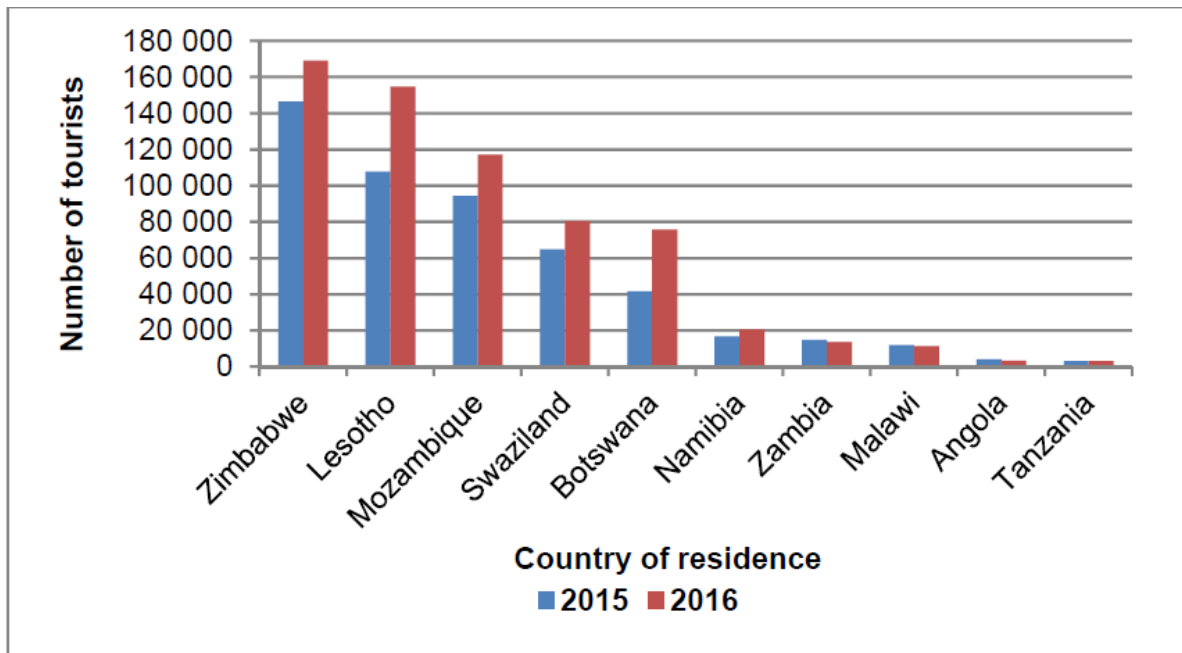
Data presented in Table 17 above shows that in March 2016, road transport was the most common mode of travel used by 2 758 499 (73,4%) of the 3 759 322 travellers. The total number of travellers who used air transport was 989 994 (26,3%). The arrivals data for South African residents shows that 154 553 (34,3%) travelled by air and 295 335 (65,5%) travelled by road. For departures, 168 878 (34,8%) used air travel and 315 502 (65,1%) used road travel. All travellers in transit (725) used air transport. In the case of foreign travellers, 295 386 (20,6%) arrived by air and 1 135 579 (79,1%) by road. When departing South Africa, 309 365 (23,3%) foreign travellers left by air and 1 012 083 (76,3%) by road. All travellers in transit (61 087) used air transport.

## 5.2 Regional Distribution

During the same period, 210 737 (89,4%) of overseas tourists arrived in the country by air, while 23 795 (10,1%) arrived by road and 1 108 (0,5%) by sea. This is in contrast to the number of tourists from the SADC countries who came into South Africa predominantly by road, namely 616 079 (94, 3%), whereas the rest, namely 37 519 (5,7%), arrived by air. The ten leading SADC countries in terms of the number of tourists visiting South Africa in March 2016 were Zimbabwe, with 168 945 (25,8%); Lesotho, 154 690 (23,7%); Mozambique, 117 221 (17,9%); Swaziland, 80 466 (12,3%); Botswana, 75 650 (11,6%); Namibia, 20 492 (3,1%); Zambia, 13 523 (2,1%); Malawi, 11 318 (1,7%); Angola, 3 380 (0,5%) and Tanzania, 3 207 (0,5%) as per Figure 26 below. Tourists from these ten countries constituted 99,3% of all tourists from the SADC countries. A comparison between movements in March 2015 and

March 2016 for the ten leading SADC countries shows that the number of tourists increased for seven of the ten leading countries (Botswana, Lesotho, Swaziland, Mozambique, Namibia, Zimbabwe and Tanzania), and decreased for the other three (Angola, Zambia and Malawi). Botswana showed the largest increase (81,2%) while Angola showed the largest decrease (19,1%).

**Figure 26: Number of Tourists from the SADC**

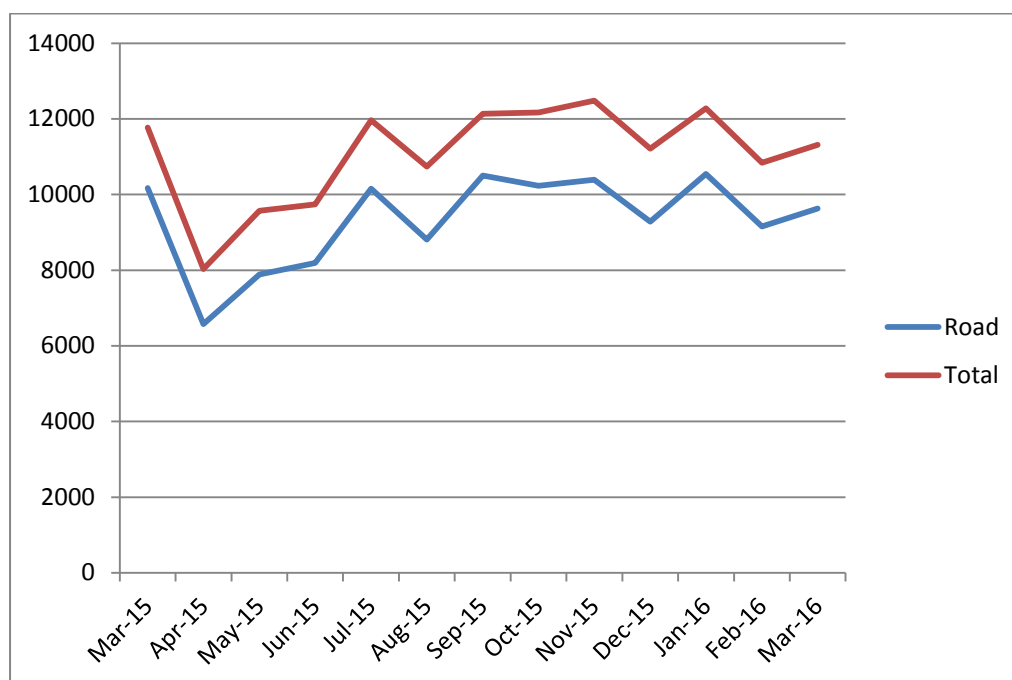


Source: StatsSA Tourism (Accessed electronically on 13/07/2016)

### 5.3 Passenger Volumes and Movement Trends

The monthly passenger movement from Malawi into South Africa is illustrated in Figure 27 below. It shows the number of travellers using road travel into South Africa as well as the total (air and road).

**Figure 27: Passengers from Malawi into South Africa**



**Source: StatsSA Tourism (Accessed electronically on 13/07/2016)**

A total of 11 315 tourists came into South Africa in March 2016, of which 349 came for business, 10 911 for holiday and 58 for study purposes. The numbers are low for April, because a lot of travellers go home for the Easter holidays. The highest number of passenger movement was in November, due to Malawians coming in to shop in preparation of the festive season.

## 5.4 Cross-Border Operators

The highest number of permits issued by the C-BRTA for the Malawi route is for freight, although there was a slight decrease of 0.27%. There are few bus operators doing business between South Africa and Malawi and no taxi operators. Table 18 below shows the number of permits issued to South African operators to operate between South Africa and Malawi over the two financial years indicated where the number of permits issued decreased.

**Table 18: Operator Permits Issued in the Period**

FINANCIAL YEAR	FREIGHT PERMITS	BUS PERMITS
2013/2014	1814	167
2014/2015	1809	128

**Source: The C-BRTA (Accessed electronically on 13/07/2016)**

There was an overall increase of 13.65% in permits issued year-on-year during the 2013/2014 year, translating into an increase of 9,616 permits. Permits issued to freight carriers increased by 16.1%, up from 55,053 to 63,935 and bus permits decreased from 3,144 to 2,781.

In the 2014/2015 financial year, there was an overall decrease of 1.42% in permits issued, which translates into a decrease of 1 140 permits. Overall, permits issued for bus operations decreased by 19.67%, down from 2 781 to 2 234. Malawi also followed a similar trend, decreasing by 23.35%. The freight permits decreased by 2.01%, down from 63 935 to 62 647. The major contributors to the decrease were Zimbabwe at 10%, Botswana at 3.73%, Lesotho at 3.23% and Malawi at 0.27%, as shown in Table 19 below.

**Table 19: Permits Issued for Freight Transport**

COUNTRY	2014/15	2013/14	% MOVEMENT
<b>Angola</b>	200	-	200%
<b>Botswana</b>	7,875	8,180	-3.73%
<b>Democratic Republic of Congo</b>	3,536	3,328	6.25%
<b>Lesotho</b>	3,896	4,026	-3.23%
<b>Malawi</b>	1,809	1,814	-0.27%
<b>Mozambique</b>	11,299	10,625	6.34%
<b>Namibia</b>	6,648	6,234	6.64%
<b>Swaziland</b>	5,355	5,281	1.40%
<b>Zambia</b>	12,391	13,271	6.63%
<b>Zimbabwe</b>	9,599	10,666	-10%
<b>Cabotage</b>	39	60	35%
<b>Total</b>	<b>62,647</b>	<b>63,935</b>	<b>-2.01%</b>

Source: The C-BRTA, Annual Report 2014/15 (Accessed electronically on 13/07/2016)



There are currently 5 bus associations operating to 3 destinations in Malawi. They are Interscape Ferreira Mainliner (to Lilongwe, Blantyre, Premises Mount Pleasant Inn, Staffordshire Lane, Chichiri, and Premises of Hardware Centre, Paul Kgome Road, Shamba Complex, Plot 4/005 in Lilongwe), Sangano Road Services (to Lilongwe, Blantyre and Mwanza), Stabus Tours CC (to Lilongwe), Nyamende Events and Transport (to Lilongwe and Blantyre) and Go-liner Tours (to Lilongwe). New entrants into the cross-border road passenger transport market are regulated by the C-BRTA Regulatory Committee, which assesses whether the demand for such a service exists. The bus operators only go to Lilongwe, Blantyre and Mwanza.

## 6. OPPORTUNITIES

Despite the economic challenges in Malawi, there are opportunities which cross-border operators may pursue to grow their business. These are outlined below.

**Cross-border road transport operators should earmark the minerals export market for purposes of growing business opportunities (maximising return loads).**

- Despite being a landlocked country, Malawi has a fair road network and railway services which connect Malawian importers and exporters to the ports of Beira and Nacala in Mozambique and the port of Durban in South Africa. The mining and quarrying sector is likely to continue to play a big role in Malawi's economic growth, and most exporters use the Port of Durban to reach international markets. Raw materials alone constitute approximately 28% of exports from Malawi. The sector has grown by an average of 30% over the last five years. The Kayelekera mine contains about 3.943t uranium oxide and it is expected to raise the country's GDP by 10% and increase exports by 25% over its 10year life span. Further investments are expected in the mining of rare minerals and limestone as well as coal production in the near future. Going forward, mining will be an important source of revenue, growth and employment for Malawi.

**Cross-border operators should target expanding the export market to provide transport services for the goods that are exported to Malawi. This would ensure sustained growth of their respective businesses.**

- The top goods exported from Malawi to South Africa are vegetable products at 47.84% and prepared foodstuffs at 19.93%. The main goods that are exported from South Africa to Malawi are machinery (16.97%), chemicals (14.09%), fuels (12.97%), plastic or rubber (10.12%) and transport equipment (10.04%), which account for 64% of all imports to Malawi.

**Cross-Border operators should optimise the peak periods to Maximise load factors and earnings.**

- Road transport is the most common mode of travel used by 73.4% of travellers between Malawi and South Africa. Peak periods, such as Easter and December/January, would warrant providing an additional fleet to provide services between the two countries.

### **Cross-Border operators should export alternative means of electricity**

- More than 80% of the population in Malawi lives in rural areas; therefore access to electricity is a big problem. Currently only 15% of all the households have access to electricity, leaving the rest of the population to rely on traditional ways of providing energy and lighting.

### **Cross-Border operators should transport relevant construction materials and equipment**

- The government of Malawi has approved numerous construction projects for 2016 through to 2018, which will require the use of equipment that is not available in Malawi. There are also various infrastructure projects (network, bridge expansion and replacement) as identified in this Report that offer further opportunities in the consulting, design and construction, and project management areas, which South African companies may consider to pursue. Meanwhile, transport infrastructure development and energy generation and supply are two of the six key priority areas that the Government of Malawi, through the MGDS, singles out as necessary in order to achieve sustainable social and economic development. Therefore, Malawi is working on attracting investment in these areas.

### **Cross-Border operators should take advantage of the roadside markets**

- The Government of Malawi has approved the construction of roadside markets at selected locations along the roads that are rehabilitated or newly built. This will therefore provide business opportunities for operators to import maize to be sold in the markets, amongst other things.

Since April 2012, the former President, Joyce Banda, has instituted a number of economic reforms that have restored credibility to the Malawian monetary policy environment, such as the devaluation of the kwacha and a market determined exchange rate, along with introducing austerity measures, which were lauded by the international community. These interventions provide opportunities for foreign investors and operators (from a transport services provision perspective) in areas such as infrastructure development, including the Shire-Zambezi Waterway, fruit juice processing, mining and manufacturing of phosphate fertilizer and rubber.

Going forward, cross border road transport operators need to position themselves to take advantage of the opportunities identified in this Report. It is envisaged that operators will be able to optimise business opportunities through partnerships with the exporting industries, maximising trips and return loads and effectively reducing relative costs incurred per any given trip.

In order to enhance the Country Profile Report, the following will be identified for taking advantage of export and import opportunities between South Africa and Malawi:

- Different businesses in Malawi;
- Opportunities in terms of export and import products;
- Areas on which the cross-border operators should be focusing; and
- Importers and exporters, and the products they are importing and exporting.

## 7. CONCLUSION

In 2015, Malawi recorded a GDP growth rate of only 2.8 per cent. This low rate was largely the result of the impact of adverse weather conditions and macroeconomic instability. As a landlocked country, Malawi depends on her road and rail systems (with road carrying the greatest share) and those of the neighbouring states for the transportation of the bulk of her exports and imports to sea ports. Good transport infrastructure is therefore a key catalyst for development, and Malawi has been spending heavily on its road network in recent years to achieve better levels of road quality.

There are significant opportunities that cross-border road transport operators and other industry sectors may pursue in Malawi. The fact that there are substantial volumes of goods that are traded between South Africa and Malawi presents opportunities that need to be explored. Equally important is the fact that Malawi exporters and importers use the port of Durban for trade with international partners, which presents opportunities to transport operators.

Meanwhile, transportation costs in Malawi remain a challenge and an impeding factor to economic growth and poverty reduction and this affects cross-border operations as well. Some of the factors that drive high transportation costs are lengthy routes to the sea ports. The main international corridors that lead to the major ports are Nacala, Beira, Dar-es-Salaam and Durban. However, the government of Malawi developed transport sector interventions which focus on the rehabilitation of the corridors and border posts with a view to reducing transit time and costs. The interventions will lead to improved trade facilitation through reduced time to cross borders, reduced travel time, reduced costs of transport, and increased private sector participation in the major sectors.

Furthermore, the growth outlook for 2016 was projected to remain weak. A recovery is possible in 2017, although this will depend on continued fiscal restraint and an effective response to the challenges resulting from a second year of high levels of food insecurity. With agricultural products constituting almost half the goods that are traded between Malawi and South Africa, operators may need to target the minerals industry for greater business opportunities in the years ahead.

In conclusion, an Operator Handbook for Malawi will be developed out of this Country Profile Report, containing the following sections:

- Country Fact Sheet;
- Overview of Malawi;
- Document Requirements for Importation and Exportation;
- Ease of Doing Business;
- Road Transport Environment:
  - Road Traffic Legislation;
  - Speed Limits;
  - Traffic Fines; and
  - Vehicle Dimensions and Weights Restrictions.

The information will benefit current operators doing transporting to Malawi as well as prospective operators. It will also be of use to prospective investors looking for business opportunities in Malawi.

## 8. CONTACT DETAILS OF RELEVANT AUTHORITIES

Table 20 below lists information on key stakeholders in the cross-border road transport environment for both South Africa and Malawi. Should a cross-border transport operator or any other stakeholder face any challenge or need assistance in the course of conducting cross-border business, it is recommended that they contact the relevant stakeholders listed in the table.

**Table 20: Contact Details**

<b>South Africa</b>	Cross-border Road Transport Agency	012 470 2000
	SARS Customs	0800 00 7277
	DHA	013 793 7311
	SAPS	+27 (0) 12 393 1000
	Agriculture	012 319 6000
	SANRAL	012 844 8000
	Bakwena Platinum Corridor Concessionaire	011 519 0400
	State Security	082 804 5878
<b>Malawi</b>	Ministry of Transport	Tel: 265 1 799 377 / 949 Cell: 265 1 789 328
	Department of Immigration	Blantyre: Phone No-01823777 Lilongwe: Phone no-01759270
	Malawi Revenue Authority	+265 1 622 588
	Department of Roads <i>Responsible Officer: Mr. Kelvin Mphonda</i>	(265) 01 789 374
	Road Traffic <i>Mr James Chirwa</i>	(265) 01 756 398/177

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