

**Malawi Government - Ministry of Commerce and Industry (MoCI)**

**STUDY TO IDENTIFY MALAWI'S  
INSTITUTIONAL NEEDS IN THE AREA OF  
TRADE DEVELOPMENT**

**REPORT and ACTION PLAN**

**Oxford Policy Management & Management Solutions  
Consulting (Mw) Ltd**

**Draft – September 28th 2001**

## Table of Contents

<b>Contents</b>	<b>Page</b>
<b>Glossary of Abbreviations</b>	<b>iii</b>
<b>Executive Summary</b>	<b>iv</b>
<b>Main Report and Action Plan</b>	
<b>1. Introduction &amp; Background</b>	<b>2</b>
<b>2. Terms of Reference</b>	<b>4</b>
<b>3. Statement of the Problem and Malawi's Vision</b>	<b>6</b>
• <b>Trade Reform –Recent Developments &amp; Implications</b>	<b>6</b>
• <b>Comment on the Economic Context of Trade Policy</b>	<b>8</b>
<b>4. Benchmarks to Assess Malawi's Trade Arrangements</b>	<b>11</b>
• <b>Benchmark Trade Policy System</b>	<b>12</b>
• <b>Benchmark Institutional Framework</b>	<b>13</b>
• <b>Other Dimensions of the Present Institutional Framework</b>	<b>20</b>
<b>5. Results from Stakeholder Consultations</b>	<b>22</b>
• <b>Benchmark Trade Policy Cycle</b>	<b>23</b>
• <b>Benchmark Institutional Framework</b>	<b>28</b>
<b>6. A Review of Options for Reform</b>	<b>32</b>
<b>7. Recommendations</b>	<b>35</b>
<b>8. Draft Action Plan</b>	<b>44</b>

## Annexes

<b>1. Questionnaire used for Stakeholder Review</b>	<b>A. 3</b>
<b>2. Reports on Discussions held at Stakeholder Workshop</b>	<b>A .6</b>
<b>3. Presentation Materials for Stakeholder Workshop</b>	<b>A.15</b>
<b>4. Comments on the MTTP Integrated Framework</b>	<b>A.24</b>
<b>5. A Comprehensive Performance Management System</b>	<b>A.27</b>
<b>6. Counterpart Team, Membership of Steering Group and Stakeholders Consulted</b>	<b>A.30</b>

## Glossary of Abbreviations

ACP	Association of Caribbean and Pacific States
AGOA	African Growth and Opportunity Act (of the USA)
ASYCUDA	Automated System for Customs Data
BTPS	Benchmark Trade Policy System
CMT	Change Management Team
COMESA	Common Market of Southern and Eastern Africa
DMS	Director of Management Services
DEMATT	Development of Malawi Traders Trust
DFID – CA	Department for Foreign and International Development, Central Africa
DHRMD	Department of Human Resources Management and Development)
GDP	Gross Domestic Product
GoM	Government of Malawi
HIPC	Highly Indebted Poor Countries
IMF	International Monetary Fund
ISO	International Standards Organisation
MBS	Malawi Bureau of Standards
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
M&E	Monitoring and Evaluation
MEPC	Malawi Export Promotion Council
MIPA	Malawi Investment Promotion Agency
MIRTDC	Malawi Industrial Research and Technology Development Centre
MIS	Management Information Systems
Mk	Malawi kwacha
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance
MoJ	Ministry of Justice
MRA	Malawi Revenue Authority
MSC	Management Solutions Consulting (Malawi)
MTPP	Malawi Trade Policy Project
MTS	Multilateral Trading System
NEC	National Economic Council
NGO	Non-Governmental Organisation
NSO	National Statistical Office
ODI	Overseas Development Institute (London)
OPM	Oxford Policy Management
OECD	Organisation for Economic Co-operation and Development
PDPs	Personal Development Plans
PIP	Performance Improvement Programme
PRSP	Poverty Reduction Strategy Paper
PSCMA	Public Service Change Management Agency
PMS	Performance Management System
SADC	Southern Africa Development Community
SEDOM	Small Enterprise Development Organisation of Malawi
SI	Supporting Institutions (in Malawi)
SME	Small and Medium-Sized Industry
TAMA	Tobacco Association of Malawi
TEAM	Tobacco Exporters Association of Malawi
TPNWG	Trade Policy National Working Group
TOR	Terms of Reference
TRIMS	Trade Related Investment Measures (of the WTO)
TRIPS	Trade Related Intellectual Property Rights (of the WTO)
WTO	World Trade Organisation

## **EXECUTIVE SUMMARY**

### **1. Introduction**

This Report has been prepared at the request of the Government of Malawi and is directed mainly for the use of the Ministry of Commerce and Industry (MoCI). It represents one of the main deliverables from the broader Malawi Trade Policy Project (MTPP) funded by DFID-CA. It focuses exclusively on Malawi's Institutional Arrangements for managing its international trade. Other parts of the MTPP agenda have or will provide analysis and advise on complementary aspects of Malawi's trade problems including various substantive dimensions of the trade policies currently being pursued. The focus in the present Report is exclusively on Institutional Arrangements.

### **2. Process**

The Terms of Reference for the assignment which are reproduced in Section 2 below, required the consultant team to identify the key institutions in Malawi which, together with MoCI are responsible for the design and implementation of Malawi's international trade arrangements. In fact four main Supporting Institutions were identified for this purpose and have been integrated into much of the analysis and some of the recommendation of this Report. These are:

- Malawi Investment Promotion Agency (MIPA)
- Malawi Export Promotion Council (MEPC)
- Malawi Bureau of Standards (MBS)
- Malawi Confederation of Chambers of Commerce and Industry (MCCCI)

These four bodies together with the MoCI are also major stakeholders in the process of trade policy formulation and management. But numerous other stakeholders were also identified and interviewed by the consultant team during the course of the study. A full list is in Annex 6. They include:

- Several other Ministries and government agencies
- Representatives of the private sector and some individual private sector companies
- Several major Donors

In accordance with the TOR, the opinions of all stakeholders about the present conduct of trade policy were canvassed systematically both through face to face interviews and in the context of a structured workshop conducted in Lilongwe in late July. The questionnaire used for this purpose is reproduced as Annex 1. Some of the main presentational materials used during the workshop are reproduced in Annex 3. A report on some of the discussions during the workshop is presented in Annex 2. A brief overview of the findings from the stakeholder meetings as a whole is provided in Section 5 of the Report.

On the basis of the information gleaned from these meetings, initial ideas about the strengths and weaknesses of the institutional arrangements in MoCI and the Supporting Institutions were communicated to the Steering Committee of the project on August 9<sup>th</sup> in Blantyre. The feedback from that meeting was then digested and incorporated with the other materials in the recommendations set out in Section 7 of this present Report. The recommendations in turn were then worked over to compile an initial proposed Plan of Action for reform for the next two years. This is presented in Section 8 of the Report with the detailed list of actions set out in Table 1 and a Project Plan in Gantt chart format as Figure 3.

Following the presentation and government review of this present Report, the intention is to hold a further workshop in Lilongwe with stakeholders and donors in order to prepare a final version of the Action Plan that can command financial support from the donors. It is hoped that this can take place within 6-8 weeks of the submission of this present Report.

### **3. The Challenges for Trade Policy in Malawi**

The field work conducted by the consultant team clearly indicated that Malawi today is confronted by a large mis-match between

- (i) its political aspirations for future improved export performance and
- (ii) the institutional capacities to design and implement the policies needed to achieve this improved performance.

The mismatch is reflected above all in the absence of any clear national programme to achieve the international trade outcomes that are associated with national economic targets such as those embodied in *Vision 2020*. That particular document targets a 25% manufacturing share of GDP by 2020 but does **not** define the institutional arrangements necessary to achieve the large percentage increase in manufacturing exports needed to realise that ambitious target. Equally the reality check of assessing Malawi's recent past efforts regarding manufacturing exports shows a trend that is virtually stagnant rather than one with the strong upward tendencies necessary to boost manufacturing output to the extent targeted.

What has been the source of this problem? In the past ten years Malawi's trade policies have changed radically. These changes in turn have created fundamentally new challenges and workloads for the MoCI and the other agencies responsible for the conduct of that policy. We would suggest that **two** elements of change are of particular relevance to understanding the needs for further institutional reforms.

- First, the authorities under the guidance of a sequence of World Bank and IMF programmes have organised the progressive **general** reduction and rationalisation of Malawi's external tariff and non-tariff protection of trade.
- Second, Malawi's trade policy is increasingly affected by the series of multilateral and bilateral Trade Agreements entered into by Malawi – mainly since the mid 1990s. These include the WTO; COMESA, where Malawi is one of the nine countries that have already committed to the Free Trade Area; SADC, including the SADC Trade Protocol that came into effect in September 2000; the Cotonou

Agreement between the EU and the ACP countries which adapts the Lome Convention; a fully reciprocal bilateral trade agreement with Zimbabwe and an asymmetrical bilateral trade agreement with the Republic of South Africa.

There is undoubted merit in many of these reforms and agreements: there is little doubt that Malawi's trade policies are today broadly sound in terms of their **substance**<sup>1</sup>. However, it is clear that the imperatives to introduce them have been powerful to the point of overriding judgements that might have come from a more substantive analysis of benefits, costs and other effects. In particular, the adoption of new policies and agreements has certainly raced ahead of the capabilities on the ground to take all the actions needed to implement them effectively. In summary, the external pressures for reform together with their huge cumulative scale during the past five years, have created serious problems for the MoCI and the Supporting Institutions responsible for trade policy. In particular, insufficient attention has been paid to the institutional developments necessary to take full advantage of the changes. A serious gap has also emerged between the benchmark trade policy institutional arrangements *ideally* required to manage the new policies and agreements (see Section 4 in the Report), and the institutional arrangements in place today.

Consultations with stakeholders revealed a great deal of frustration with the gaps and other inadequacies in the present Malawian institutional arrangements for international trade. A listing of a few main examples of the gaps in delivery is included in the analysis of this point in Section 3 of the main Report. Many of the inadequacies are explicable in terms of the mismatch just described and not in terms of a fundamental failing in the MoCI itself. However, this part of our findings suggests that a serious effort to strengthen the Institutional Capabilities for trade policy is long overdue. The remainder of this summary focuses on the nature of the present deficiencies and the steps that should be taken to correct these.

#### **4. The Characteristics of an Ideal Trade Policy System**

At the beginning of the field work in Malawi, the consultant team proposed a Benchmark Trade Policy System (BTPS) based on the recommendations to be found in OECD and other best-practice guidance. The reason for this was to establish a check list of activities against which to assess trade policy performance from an institutional point of view in Malawi. The early stage feedback from stakeholders indicated that they found the BTPS to be a useful device for helping them to organise both their comments on the present institutional arrangements for trade and their proposals for reform. Hence a questionnaire based on the BTPS was developed and used for many of the stakeholder interviews. Our own comments about the present trade system and the recommendations in this Report also make extensive use of the BTPS structure as an organising device.

The BTPS is explained in detail in Section 4 of this Report. In brief, it sub-divides the activities of the authorities responsible for trade into FIVE different but connected activities. These are:

- Analysis

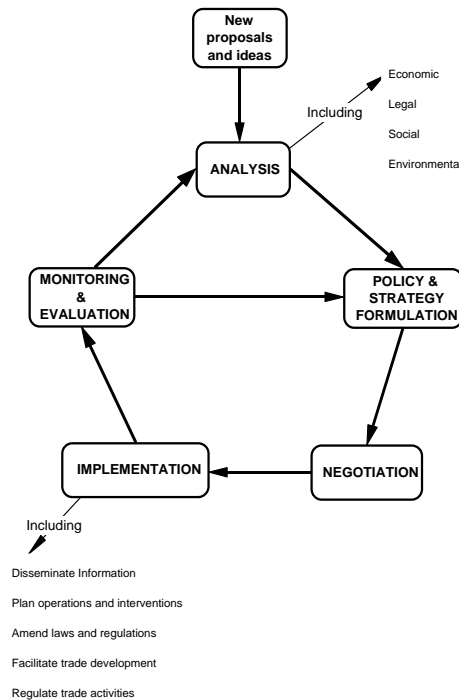
---

<sup>1</sup> This is an important contrast with the situation of a few years ago, when many aspects of trade policy were highly distortionary.

- Formulation of Strategies and Policies
- Negotiation
- Implementation
- Monitoring and Evaluation

The nature of these five components and some examples of their content and linkages are presented in Figure 1. In relation to each of the component activities it is possible to assess how and to what extent the work is carried out (or in some cases not carried out) in Malawi. It is also possible to make some reasonably informed comments about the Institutional Arrangements that ideally should be in place to ensure that all aspects of all five activities are properly carried out. This is done in a generalised way in Section 4 of the Report. In Section 5, the discussion is made more relevant to Malawi by summarising stakeholder comments in relation to each of the five activities, and the associated Institutional Arrangements. The workshop held in Lilongwe in July also elaborated this approach by asking participants to identify some of the main component activities and resources needed under each of these five heads. A summary of their ideas is in Annex 2.

**BENCHMARK TRADE POLICY CYCLE**



**5. Stakeholder Perceptions.**

The findings presented in Section 5 of the Report summarise the main comments from stakeholders on the present institutional arrangements for trade. We can begin by emphasising three general comments:

- Stakeholders made it clear that MoCI and the rest of the administrative infrastructure for trade is seriously under-funded, and has been for several years. This results in lower levels of performance/achievement than are necessary. It also gives a signal that Trade & Industry is not one of the Government's priorities.
- Most stakeholders recognised the reality of constrained budgetary resources. This implies the need to end the present efforts to try to do everything that is "desirable" (e.g. participate in all available trade policy agreements that are on offer). Instead there needs to be a new approach that concentrates the available resources into a smaller number of priority functions. This requires Government to become much more strategic in trade matters and to develop the capabilities needed to make some choices and implement difficult decisions.
- Some stakeholders recognised that the existence of several small, under-funded and therefore poorly functioning Supporting Institutions leads to the fragmentation of the available effort. Instead of working together as a team, these various institutions compete for resources, duplicate some of their efforts, and collectively provide an inadequate level of performance.

These general points can be further illuminated by considering the comments made against each of the five components of the Benchmark Trade Policy System. These are presented in the next few paragraphs.

#### ***Activity 1: Analysis***

It is clear that insufficient basic analysis has been carried out prior to decisions on policy changes, including the signing of Trade Agreements. Many stakeholders told us that political imperatives dominated the decision-making process: the MoCI being largely required to follow up on decisions already taken. In a sounder system, the role of MoCI's staff should be to provide the politicians with up-front technical advice on the risks, benefits and impact of policy changes. Stakeholders generally felt that today's MoCI is not doing this and maybe is not equipped fully to deliver in this area.

Overall, there is no doubt that a more systematic approach to analysing trade-related issues before policies are formulated and decisions are taken is required. Without it Malawi will not achieve maximum benefits from, and minimise the risks inherent in, the Multilateral Trading System.

#### ***Activity 2: Formulating Policy & Strategy***

The MoCI has produced its first Strategic Plan for this financial year (2000/2001). However, only a relatively small part of the associated budget is allocated for "consultations" and the development of policies and legislation (only MK. 1million). This suggests that the consultative process that is so crucial to sound policy formulation is still under-emphasised. Equally, there is no description/indication in the text of the Plan about how the consultations are likely to be used and the types of outcomes that are expected. There is not yet adequate recognition of the need to prioritise in the manner suggested by the second of the general comments above.

Stakeholders generally noted that some consultation between the MoCI and its Supporting Institutions, and the other Ministries and Agencies, the Enterprise Sector and civil society does occur. But it needs to become far more routine/institutionalised. Although some parts of government confirmed that they were consulted, it was said that this was usually *ad hoc*, and at short notice. Nor did we find much evidence of

procedures that would ensure that decision-makers are routinely informed that these consultations have taken place, and with what results.

In general, there is insufficient “strategic thinking” in MOCI and the Supporting Institutions about their **joint** policy role. There is little real strategy and not enough good quality consultation with stakeholders to improve the quality and effectiveness of those policies that the Ministry eventually has to try to implement.

### ***Activity 3: Negotiation***

We encountered similar observations in relation to the negotiation activity. Some parts of government are consulted when negotiating positions are being developed and decided, but often too late for meaningful contributions to be made. Some specialists are sometimes invited to join the negotiating team, but only if resources can be found to pay for travelling expenses. Other key players are effectively ignored or involved only spasmodically. In general stakeholders gave the impression of a non-systematic set of arrangements for preparing negotiating briefs and strategies. There is clearly room for a more systematised approach.

As with the Policy and Strategy areas, stakeholders expected a more systematic approach to be employed, with procedures laid down to enable staff to ensure that all relevant issues had been addressed prior to a delegation’s departure, and that back-up information had been prepared to facilitate the development of fall-back positions as the negotiations unfold. The capacity building still required includes significant enhancement to negotiating skills, by training and attachments/internships, and the development of systems and procedures to ensure that the new skills are effectively employed.

### ***Activity 4: Implementation***

The implementation of trade policies once agreed and negotiated has several strands. We focus here on four of the most important.

#### **(a) Information**

We did not find any real evidence of mechanisms for evaluating the results of trade negotiations and other policy changes in order to produce impact statements. At the very least, stakeholders expect the MoCI to disseminate a comprehensive statement of the results of all such changes to all interested parties - government institutions, enterprise sector associations and civil society.

The MoCI should produce a detailed description of their assessment of the likely impact of any new trade arrangements, and include advice on what actions are recommended. This should be disseminated routinely to key stakeholders in the trade and industry sectors.

#### **(b) Legislation**

We found that there was great concern that Malawi’s legislation was not being kept up-to-date with the conditions that the Government had agreed to when becoming signatories to various trade treaties and protocols. Capacity in the Ministry of Justice (MoJ), particularly in the Parliamentary Draftsman’s department was too low to be able to cope. We were also made aware that a recent Functional Review of the MoJ

had just been approved, and that its report contained recommendations to address this lack of capacity.

For the future, there needs to be a mechanism and a set of procedures within the MoCI that ensure the timely review and amendment of trade legislation, and a clear relationship with the MoJ to ensure that amendments are processed expeditiously.

#### (c) Regulation and Enforcement

Malawi's experience demonstrates very forcefully that there is a huge gulf between trade agreements in their theoretical manifestation and practice on the ground. There are several recent examples involving mainly South Africa and Zimbabwe. Comments from stakeholders suggest that there is a serious lack of capacity and commitment to regulate for, and enforce key components of trade agreements. In general, insufficient priority is attached to this component of the trade policy cycle.

Nor is the area of regulation a function that is adequately addressed in the MoCI's new Strategic Plan. It would appear that there are no strategies, and no obvious allocation of resources for improving regulation. By contrast stakeholders take the view that trade agreements have to be "made to work", i.e. their operation has to be effectively regulated, to reduce the likelihood that exporters and importers will break the rules. Otherwise there is little point in committing to the agreements. At the same time, there will be a high budgetary cost to effective regulation. This is a further reason for reducing to a more manageable level the number of Agreements in which Malawi is 'active'.

#### (d) Enterprise Development

Malawi's vision, as noted earlier includes a significant development of the manufacturing sector, and there are some specific new trade initiatives that could facilitate such an expansion – AGOA, and ACP-EU, for example. The MoCI and its Supporting Institutions have responsibility for enterprise development, and the Ministry's Strategic Plan describes a range of initiatives and programmes scheduled for the coming year. Significant additional finance will be made available to the MoCI from HIPC funds this year (Mk. 150 million) and a large proportion of this has been allocated to SME and Cooperative development programmes.

However until now, the MoCI and its Supporting Institutions have not received a level of funding that would have enabled them to perform an effective role in supporting the business development needed to achieve a significant diversification away from primary production. Also of concern is the fact that the support that is detailed in the MoCI's latest Strategic Plan has been spread over a large number of projects and programmes. Motivated no doubt by the best of intentions, particularly by the desire to be fair to as many communities as possible, there is a real risk that none of the programmes will receive sufficient support to be truly effective. It is stressed that only a few **successful** projects are needed to achieve the annual manufacturing growth target. (see Section 3 of the main Report).

#### ***Activity 5: Monitoring & Evaluation***

This area was considered by most of the stakeholders to be extremely weak. Today, it is very difficult to keep track of whether Malawi's trade agreements and trade

policies more generally are achieving the desired or intended results. This is partly a problem of the absence of relevant data. But it also reflects the lack of any real priority to the collection and analysis of the relevant data about industry performance, constraints etc. In the absence of the appropriate data and any systematic effort at analysis, the degree of feedback from any monitoring of policies is also very weak.

This is an issue that suggests the need for much clearer “outcome” targets in the MoCI and the Supporting Institutions: a point strongly emphasised by the Ministry of Finance in the last budgetary round. These targets should provide the basis for justifying the funding of these organisations. They ought also to constitute the basis for designing systems of performance monitoring of the employees.(see Section 8 in the Report).

### ***The Main Messages from Stakeholders***

These rich and varied comments from stakeholders as reviewed above, are difficult to summarise further. However, when considered together they convey the following powerful messages that should condition all future efforts to improve the institutional arrangements for trade.

- Malawi’s efforts at present involve serious gaps in the management of trade policy relative to the Benchmark standard defined earlier and explained more fully in Section 4 of the Report;
- Many of the activities that are delivered involve a quality of delivery that can and should be improved and that stakeholders expect to be improved: this applies especially to the coordination between agencies and the quality of consultations;
- In the absence of improvements in the Institutional Arrangements for trade, Malawi is unlikely to come close to meeting its National aspirations as articulated in Vision 2020;<sup>2</sup>
- A radically different approach to trade policy formulation and implementation, including enterprise development, is therefore required.

## **6. Options and Recommendations for Future Action**

Section 6 of the main Report examines the various courses of action that Malawi might now adopt in order to gradually remedy the deficiencies identified by stakeholders. Section 7 presents a specific set of Recommendations. As a prelude to the recommendations, four possible options are considered in Section 6 as follows:

Option 1: Do Nothing

Option 2: Expand MoCI and Supporting Institutions Capacity using the Present Structure

---

<sup>2</sup> In relation to our own assignment we note that most of the substantive activities that will contribute to Malawi’s future development (agriculture, minerals and other natural resources, tourism, transport, communications and financial services) have specific sector Ministries to guide their development. Apart from their linkages with trade policy they are therefore outside the Terms of Reference of this assignment. Conversely, the Ministry of Commerce and Industry’s responsibility for the development of Industries and Enterprises in Malawi are included. The Ministry’s contribution to the achievement of economic growth, and therefore one of its strategic objectives is a significant expansion of the manufacturing sector. Because the domestic market is currently small, this can only be achieved by increasing manufacturing exports. So far the track record on this has been disappointing.

Option 3: Expand Capacity but with Policy Formulation separated from Policy Implementation

Option 4: Develop the Implementation Functions of trade within a new separate agency either

- (a) as a Development Agency i.e. a public institution or
- (b) as a Development Company i.e. a not-for-profit company with the private sector having a majority share.

It is stressed that these four options do **not** need to be regarded as mutually exclusive. Indeed there is a strong argument for gradually moving through the four options with the earlier ones being thought of as Short-Term measures and the later ones as Longer-Term measures. This indeed is the approach which we have adopted in formulating our recommendations.

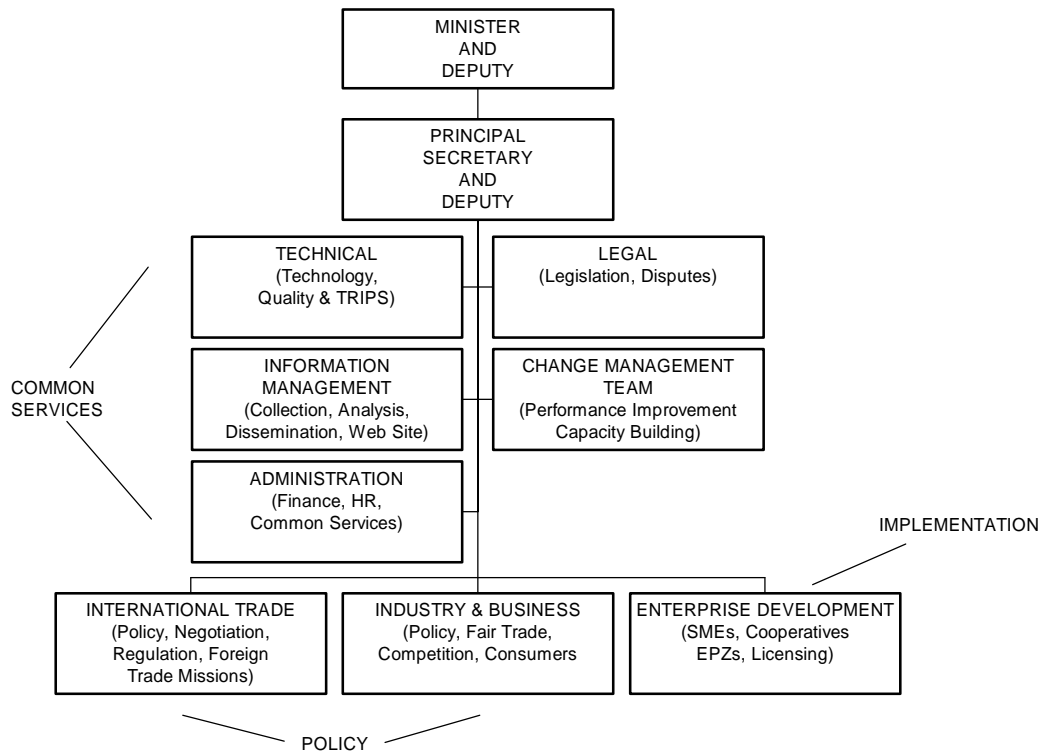
Option 1 of doing nothing is included merely to emphasise the huge problems that Malawi will face if inertia and other pressures result in this option being the one that eventually is adopted (e.g. because decisions on the other options get seriously delayed). We have already emphasised how dependent Malawi's high-level objectives are on a greatly expanded level of **manufacturing exports**. These are very unlikely to be achieved without a radical improvement in the present institutional arrangements for trade. **So the adoption of Option 1 would be tantamount to rejecting the targets of Vision 2020 and similar political statements.**

Option 2 would provide selective short-term increases in budgets to the MoCI and to some of the other Supporting Institutions of Trade. These increases would permit the Ministry and the other agencies to deal with some of the immediately problematic gaps in their delivery of services. This extra budgetary help would however be linked to specific changes in the management arrangements in the Ministry and elsewhere in government as detailed in the Action Plan (Table 1 in Section 8 of the Report). They would not be justified in isolation from this broader programme of improvement.

Option 3 would require more time to implement. But unlike Option 2 it responds explicitly to the evidence from stakeholders that there are numerous **structural** problems with the present set up that need to be put right. These structural problems include the personal incentives in the system that seem to favour some activities over others; the problems of inter-agency communication that may suggest that fewer agencies could be more cost-effective; and the failures to prioritise (e.g. chose to focus on a few key trade agreements rather than a multiple of these) which may suggest the need for fundamentally different decision-making processes.

Our approach to developing those new processes would be centred on an explicit separation between the **Policy Formulation** functions (analysis, the setting of strategies and policies, negotiation) from the **Policy Implementation** functions (information, regulation etc). This is because the skills required, the necessary procedures, the type of service on the ground needed for the former are quite

Figure 2: Proposed New MoCI Structure



radically different from those needed for the latter. Equally, the creation of a new and better focused Policy Implementation function would provide the opportunity to achieve a far better integration of the activities of the Supporting Institutions with each other and with the MoCI than we see today. Although this change in the present institutional structure for trade cannot solve all the problems we have identified, it can help to solve many of them. In particular, if combined with an improved incentive structure, the better focussing of responsibilities within MoCI should provide the stimulus for the improved substantive outcomes (e.g. more manufacturing exports) that stakeholders are looking for.

We recommend that this separation should be achieved initially by using the MoCI as the core institution for both policy formulation and policy implementation. This would require significant organisational change within the Ministry itself the details of which are presented in the draft Action Plan. (A proposed new structure for the Ministry is summarised in Figure 2 ). This approach would also require far better co-ordination of strategies, budgets, procedures etc. as between the MoCI and the Supporting Institutions. But it would **not** involve a common management of these various agencies.

This approach can be differentiated from Option 4a where, at a later stage, a new specialised Development Agency would be established as the home for most of the **Policy Implementation** functions. Under this option, MoCI would continue as the responsible authority for the all the Trade Policy Formulation activities. But the new Agency would become a “one-stop” shop for most of the implementation/delivery functions. At this stage it would be necessary to put the implementation activities of MoCI and the Supporting Institutions such as MIPA and MEPC under a common unified management.

In the opinion of the consultant team, it would be too disruptive to pursue Option 4 during the short-term - next 18-24 months. This is because there are many basic and

short term actions that should be taken first. Equally, Malawi has insufficient administrative capacity to adopt such a radically new arrangement successfully in the short term. However, once the new structures from Option 3 are bedded down in the Ministry and the Supporting Institutions, the more radical approach of 4a and even 4b (where some of the Development Agency functions are privatised) ought to be considered). The draft Action Plan allows for this by including some actions which lead in the direction of Option 4. In particular, it endorses the steps already taken to integrate the activities of some Supporting Institutions (e.g. MIPA, MEPC) more fully in the direction of their becoming “one-stop” sources of support to investors and exporters.

## **7. Some Key Elements of the draft Action Plan**

The Draft Action Plan that has been developed to produce these changes has a time horizon of 24 months. This is probably as far ahead as one can sensibly look in planning **detailed** actions (as opposed to broad strategies). The Action Plan recognises explicitly that, while the MoCI must be at the core of the proposed changes, there also need to be major changes in attitude elsewhere in Malawi’s public and private systems of administration. As a consequence of this thinking the Action Plan is sub-divided into **NINE** interconnected components as follows:

1. MoCI Structure and Staffing
2. Skills Development (mainly for MoCI)
3. Equipment (mainly for MoCI)
4. Performance Management Systems (MoCI)
5. Procedures
6. Representation
7. Supporting Institutions
8. Rest of Government
9. The Private Sector

The logic and main content of each of these nine components are discussed separately in the paragraphs that follow.

### ***MoCI Structure and Staffing***

One of the very strong messages from the fieldwork was that the MoCI, and many other Government Institutions, had difficulty “implementing” recommended change. It follows that if change in MoCI is to be the core of the proposed reforms, then explicit arrangement to facilitate that change must also be adopted. So **it is recommended** that a dedicated Change Management Team be formed. It should be led by a Director and be supported by an Advisor (consultant) with relevant experience who would facilitate the team during its early work (12 – 18 months).

The other main organisational changes to give effect to Option 3 would be:

- Form a new unified Directorate of Administration (as also recommended by PSCMA)
- Re-organise the Directorate of Commerce as a new dedicated International Trade Directorate. Its responsibilities should cover trade policy analysis and formulation; negotiation of trade agreements; dissemination of information and guidance;

impact evaluation; and the liaison with Malawi's overseas trade representatives (as proposed later).

- Re-organise the Directorate of Industry as a new Directorate of Business and Industry. Its responsibilities should cover domestic policy in the areas of fair trade and competition, consumer affairs and business regulation and licensing.
- Establish a new Enterprise Development Directorate by combining present activities dealing with SMEs and Co-operatives (as also recommended by PCSMA). This new Directorate would have expanded functions to embrace the necessary improvements in trade policy **implementation** identified above.
- Establish specialised service Units for the Ministry in the three areas of Information Management; Legal Services; and Technology.

Staff re-allocations, re-grading and necessary new appointments would also be taken up in this part of the Action Plan.

### ***Skills Development***

This part of the Action Plan would include a systematic review of Training Needs in the light of the new MoCI structure and its new responsibilities. It would embrace the preparation of Personal Development Plans for all staff, and the programming of training in specific key areas such as negotiation skills, and project management. It is proposed also that an ODI Fellow (or similar resource) be recruited to assist the early stage efforts of the new Directorate for International Trade.

### ***Equipment***

This part of the Action Plan would focus on MoCI's Information Technology resources and its existing plans for improving Management Information Systems (MIS) . The starting point should be a re-examination of the existing consultant recommendations (from Maxwell Stamp) . These need to be adapted to the proposed new structures but also to make the recommendations more obviously tractable in the Malawian context. An important sub-element will be the examination of the links between the MIS systems of MoCI and those of the Supporting Institutions and those of other relevant government departments (e.g. Agriculture). This needs to result in arrangements whereby the systems are capable of sharing information and communicating in other ways. Ideas raised at the July workshop for a shared government Intranet for Economy and Trade would be examined in this context. Most of the actions in this area will involve the detailing of the necessary specifications, and the management of the procurement and installation processes for any new systems-software as well as hardware.

### ***Performance Management Systems.***

This part of the Action Plan would review the proposals already made by DHRMD and compare these with the initial ideas presented in this Report (see Annex 5). It would then extend the limited existing system of Performance Contracts to an enlarged group of senior and middle management staff. Further actions would be the systematic training of staff in performance management systems, including team-building workshops; the training of all key staff; the preparation of detailed guidelines and procedures to operate the system; and the development of methods to test the focus and realism of departmental plans. The purpose of all this is to establish meaningful **outcome** targets for the MoCI's work and to link these explicitly to the responsibilities and the remuneration of individual staff.

### ***Procedures***

The field-work for this project identified a number of areas of trade policy where the MoCI is active but does not maintain systematic procedures to deal with those activities. Examples include the arrangements to resolve disputes under trade agreements, and or to follow up negotiations with explicit guidance notes to relevant stakeholders. To address this type of problem, this part of the Action Plan would identify such areas in detail and then design a Performance Improvement Programme. This would document procedures (produce operational manuals) where improved arrangements are needed and guide management to use these procedures effectively and routinely. It would also introduce regular performance reviews relevant to these activities to incentivise ongoing improvement (see also the previous item). This component refers to both the policy formulation and the policy implementation functions.

### ***Representation***

This item deals with the concern of some stakeholders that the MoCI's work with the multilateral trading system needs a fuller level of Malawian representation overseas and especially at the headquarters of the WTO in Geneva. This part of the Action Plan lists those actions needed to firm up the case for such representation (in Geneva and possibly also in other centres) and then prepare the necessary arrangements to establish this.

### ***Supporting Institutions***

This item encompasses those actions needed to assess and improve the roles, procedures, planning and co-ordination activities of all the main Supporting Institutions to respond to the anxieties about these matters raised by stakeholders. These actions would make active use of the Change Management Team proposed for the MoCI. Its organising theme would be the need to create a far more integrated base of activity as between these various institutions and between them and the MoCI. Specific proposed actions include client surveys to better understand the needs and priorities of clients (e.g. potential exporting firms in the SME sector and potential new foreign investors into Malawi). They also include the accelerated implementation of existing plans to integrate more of the work of MIPA and MEPC on a one-stop-shop basis.

### ***Rest of Government***

Although this item comes rather late in the listing of the nine items, it constitutes the necessary starting point for the programme as a whole. Our view is that it is at the "centre" of Government (the President and the Cabinet of Ministers) where the economic priorities are decided and the 'tone' of a Government is set. For the moment and for whatever reason, the trade and industry sector seems **not** to be one of the Government's priorities. This makes it difficult for the MoCI to develop the credibility needed to lead the sector, which in turn contributes to its lack of performance. **We therefore recommend** a set of actions to demonstrate that the development of this sector is central to the economic growth that Malawi desires and indeed needs.

For example, there needs to be a much more public recognition of the large **percentage** improvement in international trade performance, and especially manufacturing, that must be achieved if the targets of *Vision 2020* are to be realised (see Section 3 in the Main Report). This recognition needs to start with regular pronouncements and actions of the President and the Prime Minister. It then needs to be followed up through regular meetings and events **involving these top leaders** at which progress reports are debated and bottlenecks are publicised and resolved. With this type of leadership, the management and staff of ministries such as MoCI will be provided with far greater motivation for their work and also with enhanced status to achieve the necessary results.

In this context too, there are a number of other actions that are also called for. These include improved arrangements to set up (in some cases) and integrate the MoCI activities better with the Units in Sectoral Ministries that deal with the production and trade activities in these sectors, including arrangements to pool information. They also include some long-term analysis of the human resource and education implications of Malawi's trade strategies, including those that will arise as new needs because of the implementation of other parts of this Action Plan.

#### ***Enterprise Sector.***

This is the final link in the interconnected set of actions that are proposed for consideration. Its inclusion emphasises the point that the Plan of Action has to be designed as an integrated and holistic exercise involving several agencies. Nothing can be achieved by leaving most of the burden with the MoCI. The main suggestion in relation to Enterprise is that steps be taken to redress the over-emphasis on commerce and agriculture rather than manufacturing in the present representative bodies for the private sector. We think that this balance could best be adjusted by encouraging the Manufacturing Sector to set up its own Association to represent its interests. This Association should then work with MoCI and the Supporting Institutions to help them focus and prioritise any new initiatives for trade and industry. In addition to this, there need to be explicit actions to improve and broaden the workings of the TPNWG and other similar interactive bodies.

## **7. Final Comments**

The actions proposed above and, in detail in Table 1 and Figure 3, constitute a large and potentially difficult agenda of work for the next 18-24 months. But they have been devised in full knowledge of how the various stakeholders, including MoCI's own managers assess the strengths and weaknesses of the present system. They are also put forward in the knowledge that most informed commentators now regard Malawi's trade policies as being reasonably sound **in substance**. So it is a reasonable presumption that if trade performance remains disappointing, as indeed it does, then it is because the Institutional Arrangements that govern that trade are somehow failing to deliver. This being the case there is a strong possibility that committed action on the Action Plan during the next two years will pay handsome dividends in relation to the national economic objectives already defined. There can be no guarantees about this. But Malawi has already done the politically difficult work of fundamentally reforming the substance of its previous distorting trade policies. The next steps of strengthening the Institutional Arrangements to support those reforms are relatively low cost in terms of both political risk and financial outlay.