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Malawi strives to attract FDI, bring in economic development

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MALAWI is currently embarking on a major offensive to attract a greater flow of foreign direct investment into the country.

Its three-year democratically elected government led by President Dr Bakili Muluzi has introduced sweeping changes to its economic policies in order to achieve further economic development.

This land-locked country has that extra mile to go. It is currently the fifth poorest country in the world, the infrastructure is inadequate and its people had to suffer cuts in their social services budgets.

However, insurmountable the odds may be, Muluzi has a vision of improving the livelihood of his 11 million people.

At a press conference in Blantyre, he disclosed that the Government had to bring in economic development to meet the high expectations of the people, who voted for his government in Malawi's first ever multi-party democratic elections.

This not only includes building infrastructure such as roads and bridges, but also the provision of clean drinking water.

The strive for economic development comes at a time when the country's economy is undergoing a process of reformation under a structural adjustment programme started in 1988.

The main thrust of the macro-economic policy measures in recent years have been further trade and economic liberalisation designed to strengthen the role of the private sector to spearhead economic growth and development.

The Malawian economy continues to be driven by the performance of its agricultural sector. However the Government and the various agencies assisting to promote its economic development have specifically earmarked several sectors and priority areas which require immediate special focus.

These include agro-industries, banking and finance, mining, light manufacturing and also a heavy emphasis on tourism.

The newly set up Ministry of Tourism has targeted for 500,000 tourist arrivals by the year 2000. This southern African nation currently draws some 176,000 visitors with the numbers increasing yearly.

Speaking to Malaysian reporters in Blantyre, Malawi's Minister of Tourism said the country was now open for foreign private sector participation in its tourism industry.

He held out that this sector is one with much potential.

"Our main problem today is accommodation as we are currently short of some 3,000 rooms," said Mr P. B. Mbewe.

The country presently has about 1,000 rooms of international standard. Hence, Malawi is now encouraging joint ventures with foreign partners to address the problem.

One of the first to answer the call has been Malaysia's G-Two Holdings Bhd. It has entered into a joint venture agreement with the investment arm of the Government - Malawi Development Corporation (MDC) - to develop a 159-room international standard hotel in Blantyre, the country's biggest commercial centre. To cost some RM70 million, the hotel is expected to be ready by the end of 1998.

The Government has put in place several mechanisms in order to attract much needed investment into the tourism sector. These include no duties or taxes on capital investment, equipment and vehicles to facilitate the business and also granting tax free holidays in some circumstances.

Mbewe hopes that tourism will in the long run become the country's largest foreign exchange earner. Currently this sector is the number two earner after the contribution from the agricultural sector which is mainly involved in the export of tobacco, tea, sugar and groundnuts.

The ministry is also looking at attracting tourists from non-traditional markets such as Asia to its country. Previously visitors to this scenic nation, also known as the "warm heart of Africa", has been from South Africa and other southern African countries, the UK, Germany and Australia.

In order to achieve its objectives of faster economic development, the Government has the assistance of the MDC.

Set up in 1964, its purpose is to stimulate development and economic growth and to promote industrial and commercial development through investment or partnership with domestic and foreign partners.

MDC also acts as the investment holding arm of the Government and in 1995 had a total capital of US\$80 million (US\$1 = RM2.51) to carry out its activities.

"We are here as a link between foreign direct investment and Malawi," said its chairman Dr J. A. A. Jana. MDC, he said, is a ready partner for joint venture projects in the country.

Furthermore, MDC takes up an equity stake in projects that it deems is in Malawi's national interest. "Infrastructure projects, including that of energy and power will be an area where MDC would want to be an involved party," he said.

New investment proposals currently with MDC are those in graphite mining, resin tapping, aquaculture and also the tobacco industry.

Jana further stressed that the thrust of national policies now is to add value to the country's export of commodity such as tobacco, sugar and pulses to earn more foreign exchange, and to also find new export markets for its products.

In tandem with the economic liberalisation, MDC is divesting its majority stake in government-held companies and privatizing them. Up to 200 companies have been earmarked for privatization.

However, Jana said the Government is cautious in its approach to privatization.

"We do not undertake 100 per cent wholesale privatization in a case where it is a strategic investment," he said. "It would not be wise to transfer a business from a public monopoly to a private monopoly."

According to Jana, Malawi is now looking at Asia for its investment needs as traditional investors from Europe and the US were no longer sufficient to meet increased demand.

"The Asian rim countries represent a good potential for MDC to find investors," he said, adding that this recognition has been translated into visits by Malawian officials to the Asian countries.

The Malawian President had in September 1996 visited Malaysia in a bid to improve and promote trade relations between the two countries.

Both governments had signed the Trade Agreement and Investment Guarantee Agreement in order to expand and deepen trade, economic and industrial cooperations on a long term basis.

Bilateral ties have been further strengthened with Prime Minister Datuk Seri Dr Mahathir Mohamad's reciprocal visit to Malawi.

In order to cut red tape and bureaucratic processes for investors that are interested to invest in Malawi, the Government had in 1993 set up the Malawi Investment Promotion Agency (Mipa) which is somewhat similar to the Malaysian Industrial Development Authority (Mida).

It acts as a front-desk to facilitate the approval for foreign direct investment in Malawi and as a catalyst to speed administration

transactions such as the incorporation of joint venture companies and work permit for non-Malawian nationals.

Mipa also engages in policy debates with the private sector and makes recommendations to the Government on legislative and administrative changes on matters relating to investment.

Malawi has done away with stifling private sector laws to be more competitive in attracting investment, said Mipa's investment promotion manager SS Nyirenda.

"With exchange controls relaxed, foreign investors can now repatriate profits and also capital after dissolution," he said.

The agency, which has so far facilitated some US\$200 million in investments since its inception has further identified 10 sectors for investment promotion. They are agro-processing, finance, light manufacturing and also horticulture.

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