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Manufacturing and Industrialization in Malawi: Trends, Opportunities, and Strategies

David Mkwambisi, Milu Muyanga, Wassihun Amedie, Paul Makocho,
Yanjanani Lifeyo & James K. Khomba

MwAPATA Institute
Working Paper No. 20/06

October 2020

P.O. Box 30883 Capital City, Lilongwe Malawi
Chilanga Drive, Off Blantyre Street, Area 10/44

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Mkwambisi is Associate Professor and Director of the Center for Innovation and Industrial Research, Malawi University of Science and Technology (MUST), Muyanga (muyangam@msu.edu) is a Co-Principal Investigator of the MwAPATA Institute and Assistant Professor in the Department of Agricultural, Food and Resource Economics at Michigan State University, Amedie and Makocho are Lecturers at MUST. Lifeyo is a Research Assistant at MwAPATA Institute. Khomba is a Professor at MUST.

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Executive Summary

The historical performance of the Malawian economy, just like other sub-Saharan Africa (SSA) economies, depicts both the external and domestic challenges that the country went through. A rapid growth phase averaging 5-6 percent in the early independence days (1961-1980) driven by agricultural growth, agricultural land availability, and a low population pressure. Then followed the period 1981-90 that saw growth rates of two (2) percent as result exogenous shocks associated with the economic liberalization, declined agricultural production and productivity due to shrinking land, and unequal distribution of land. Although the country's economy registered increased growth rates in the post-liberation periods, the country has not succeeded in bouncing back to the 1961-1980 growth rates.

The situation has been made worse by the drastic increase in HIV prevalence, recurrent exogenous shocks (e.g., droughts and floods) exposing the country to increased vulnerability, mounting population densities, shrinking land sizes in the absence of a coherent land policy, and declining soil fertility. As a result, poverty and inequality in the country remains stubbornly high. The latest poverty figures show the share of Malawians living below the international poverty line of \$1.90/day stood at 70.3 percent in 2016. More than 90 percent of the poor reside in rural areas. The share of the population below the national poverty line was estimated at 52 percent in 2016.

The overarching policy objective of Malawi is finding way to revitalize economic performance in order to reduce the high poverty incidence. Even through the economy of the country like many other SSA countries is dominated by agriculture, it has been argued that a robust industrial sector has the potential to generate rapid economic growth. Experiences from the fast-growing economies in South East Asian show that a vibrant industrial sector




has the potential to create decent paying jobs. Also, it is understood that economic diversification towards industrialization reduces the macroeconomic risks associated with dependence on primary agricultural products. For these reasons, the African Union has put the promotion of industrial growth in SSA at the center of its Agenda 2063. Also, the launch of the African Continental Free Trade Area (AfCFTA), a single market for goods and services in Africa is aimed at unlocking and facilitating industrialization for sustainable growth and employment creation in SSA.

A review of the past attempts to get Malawi industrialized shows that, despite many policy interventions and strategies, the performance of the industry sector in the country has continued to disappoint. The industrial sector's contribution to the total Gross Domestic Product (GDP) is not only small averaging 13 percent in 2019 but has been on a decline. The dismal performance of the industry sector is also mirrored in the sector's share in the total employment that has stagnated at eight (8) percent. In terms of economic and industrial sector competitiveness, the country ranks low compared to other countries in SSA. This is because of poor infrastructure, macroeconomic instability, lack of technological readiness, and small market size among other factors. Corruption, an indicator of poor economic governance, has been cited as the single most factor hindering business in Malawi.

This paper explores how to invigorate Malawi's industrial sector growth. The paper starts by examining the causes of the false starts in the past attempts to get the country industrialized and the prospects for an agricultural-led industrialization. Further, the paper studies some selected fast-growing economies in SSA and in East Asia to draw lessons to inform the country's industrialization strategy and to flag out obstacles that need to be cleared to facilitate the process.

The paper shows that while there is a consensus on the importance of industrialization, there is little consensus on how to unlock industrial potential in Malawi and other poor SSA economies that remain entangled in low economic growth and mired in poverty. There is no semblance of a standard (one-size-fits-all) recipe for industrialization that can be replicated in Malawi. However, key lessons to inform renewed discussions aimed at revitalising industrialization in Malawi abound.



Just like many other small and landlocked economies in SSA, Malawi faces several binding constraints that must be dwelt with to unlock the country's industrialization potential. Also, like other SSA countries aspiring to become industrialized, Malawi will be required to deal with difficulties associated with 'latecomer' disadvantages. Much work could be done to tremendously increase the country's economic competitiveness and productivity.

The experiences of newly industrialized East Asian countries and the fast-growing economies in Africa provide some valuable lessons for Malawi:


First, it is instructive to remember that industrialization is the outcome of structural transformation, not the mechanism used to produce transformation. The engine of structural transformation in poor and agriculture-based countries is agricultural productivity.

Second, effective and development-focused leadership and a strong political will are the most crucial ingredients to achieving economic transformation. Experiences from the fast-growing economies of Rwanda and Ethiopia attest to the fact that economic transformation is a leadership-driven process.

Third, concrete industrial policy, consisting of a long-term vision and medium-term implementation plans, is essential for guiding industrialization processes in the country. The policy must be realistic and targets commensurate with both the current and projected productive capabilities of the countries. The industrial policy must also be flexible to be adapted to changing conditions.

Fourth, industrialization strategy must be based on the specific country's 'natural' comparative advantage. Malawi being a labor-abundant country, it is sensible for the country to explore a labour-intensive and capital-saving industrialization pathway. Also, given the dominance of the agricultural sector and limited mineral reserves, the country should pursue agro-based industrialization strategy.

Fifth, for successful industrial policy, the government should act as facilitator and enabler. Malawi should invest intensively in physical infrastructure, research and development, and human resource development to increase the countries productive capabilities.



We highlight some potential policy thrusts that the government may consider to kickstart and propel industrial sector growth in Malawi.

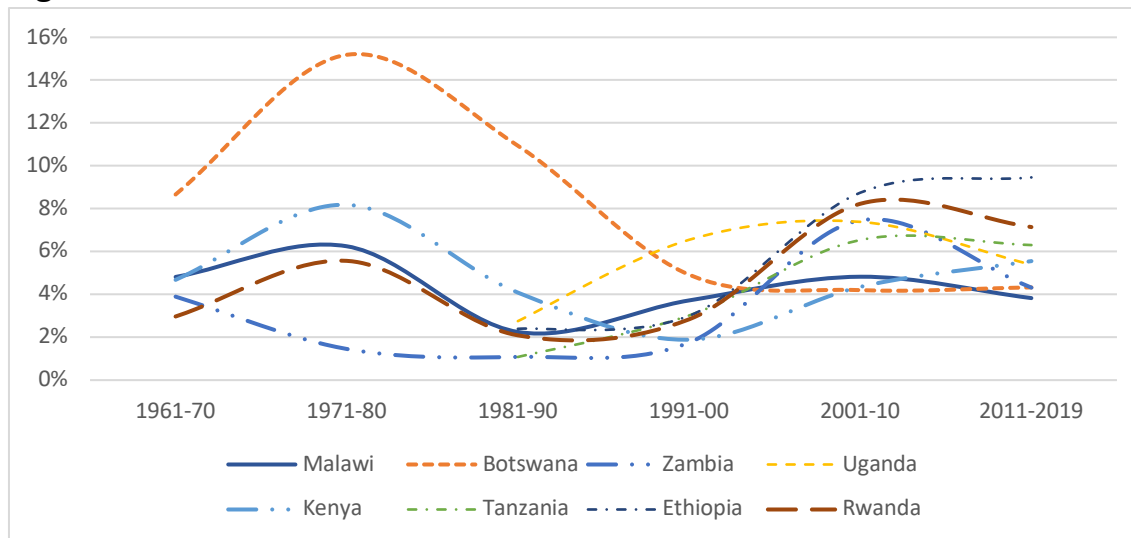
1. Invest in increased agricultural productivity to increase households' incomes and thus increased domestic demand for manufactured products.
2. Develop an integrated and well-coordinated industrialization policy that covers key sectors of the economy including agriculture, mining, energy, labor, finance, and trade.
3. Invest in physical infrastructure (feeder roads, railways, electricity, and information and communication technology) to reduce the cost of doing business.
4. Cluster strategic industries (industries with high comparative advantage, potential for forward and backward linkages, and high content of domestic raw materials) into special economic zones for effective infrastructure and other services targeting.
5. Establish a well-funded industrial and agricultural research and development (R&D) system.
6. Maintain stable macroeconomic environment for increased private sector investments, reduced cost of borrowing, and to boost foreign direct investment inflows.
7. Invest in human resource development for improved technical skillsets necessary for more specialized forms of production.
8. Developing a forward-thinking strategy to tap into the expanded regional markets by identifying and supporting subsectors that the country has comparative advantage in and crafting a business strategy to engage regional value chains.
9. Develop and implement a comprehensive anti-corruption strategy that should include a demonstration of credible intent to fight corruption, increased anti-corruption campaigns, and strict enforcement of laws.

1. Introduction

The historical performance of the Malawian economy, just like other sub-Saharan economies, depicts both the external and domestic challenges that the country has been through (Figure 1). The early independence era (1961-1980) saw rapid economic growth averaging 5-6 percent, driven by agricultural growth, agricultural land availability, and a low population pressure. Then followed the period 1981-90 that saw growth rates of two (2) percent. This period was characterized by the implementation of the World Bank and the International Monetary Fund (IMF)-driven neo-liberal policies that led to economic liberalization. This phase also witnessed a series of exogenous shocks, declined agricultural production and productivity due to shrinking farms and unequal land distribution. Even though Malawi was more compliant in the implementation of the neo-liberal policies than many other countries in the region, the measures did not address the country's underlying structural problems (Booth et al., 2006).

The Malawian economy has registered increasing growth rates in the post-liberation period (1991 onwards). However, the country has not succeeded in bouncing growth rates back to levels comparable to the post-independence era (1961-1980) and comparable to other countries in the region. The economy has been challenged by the drastic increase in HIV prevalence, recurrent exogenous shocks (e.g., droughts and floods) exposing the country to increased vulnerability, mounting population densities, shrinking farm sizes in the absence of a coherent land policy, and declining soil fertility. As a result, poverty and inequality in the country remains stubbornly high. The latest poverty figures show the share of Malawians living below the international poverty line of \$1.90/day stood at 70.3 percent in 2016 (World Bank, 2020a). More than 90 percent of the poor reside in rural areas. The share of the population below the national poverty line was estimated at 52 percent in 2016.

The overarching policy objective of Malawi is finding ways to revitalize economic performance in order to reduce poverty. The broader agricultural sector has remained the backbone of the Malawian economy contributing a huge chunk of the country's GDP, employment, and export earnings (GoM, 2018a). However, the sector still faces several challenges that inhibit its growth. The past agricultural growth has been achieved through factor accumulation by expanding the amount of cultivated area and a growing labor force

Figure 1: GDP Annual Growth for Selected East and South African Countries

Data source: World Bank (2020b), The World Bank Development Indicators.

(IMF, 2017). However, population density growth is outpacing area expansion and farm sizes are still shrinking as the frontier for land expansion is approaching its limit. The agricultural sector also continues to wrestle with pre-existing problems such as low productivity, degraded soils, overreliance on rain-fed agriculture, and limited use of irrigation. On its current trajectory, the agricultural sector will soon be unable to provide employment to new entrants, the majority of whom are under 24 years of age and constitute about two thirds of Malawi's population (GoM, 2018b). Strategies to diversify employment creation beyond agriculture are urgently needed.

It has been argued that a robust industrial sector has the potential to generate rapid economic growth. Experiences from the fast-growing economies in South East Asian show that a vibrant industrial sector has the potential to “absorb large swaths of workers and place them into productive and decent paying jobs” (Signe, 2018). Consequently, this paper explores how to regenerate the country's structural transformation to stimulate industrial sector growth. The paper starts by examining the causes of the false starts in the past attempts to get the country industrialized and the prospects for an agricultural-led industrialization. Further, the paper studies some selected fast-growing economies in sub-Saharan Africa and in East Asia to draw lessons to inform the country's structural transformation and industrialization strategy and to flag out obstacles that need to be cleared to facilitate the process.

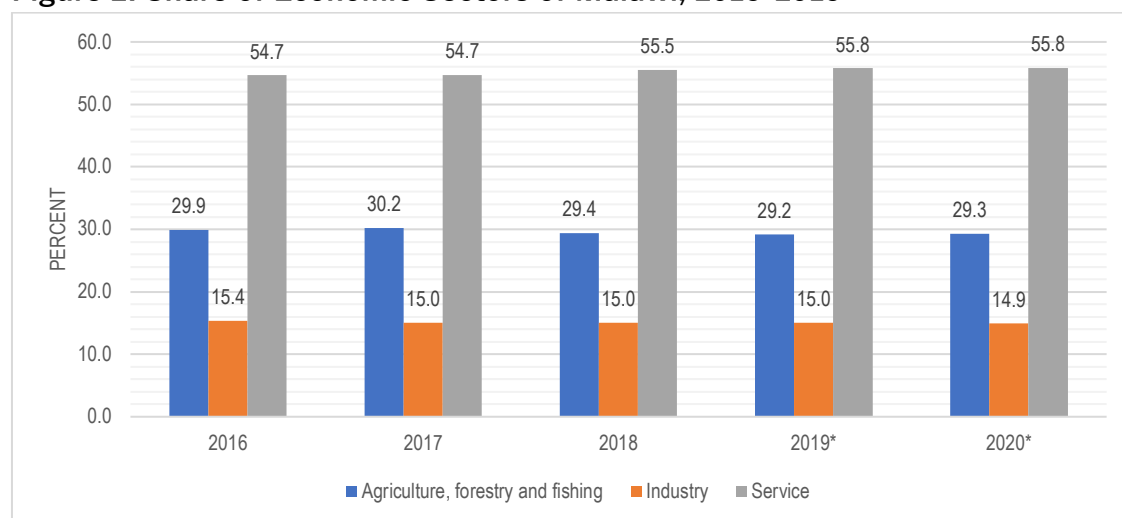
2. Overview of the Industrial Sector in Malawi

Government of Malawi has produced several policy and strategy documents to support the industry/manufacturing sector. For instance, the National Industrial Policy (NIP) was formulated in 2014. The NIP identified key factors behind the low and declining share of the industry sector in the total GDP, including a lack of appropriate skills and uptake of technology; high costs of doing business and inadequate infrastructure; limited access to export markets; low participation of micro, small and medium enterprises (MSME) participation in manufacturing; and low incentives for private sector investment.

The NIP is aimed at providing a policy direction to overcome these challenges and develop a productive and industrialized economy. It identified some key levers to support industrialization. These include investing in requisite skills and technology, improved business environment, improved business services, and other manufacturing enablers.

To support improved access to external markets, the government developed the National Trade Policy (GoM, 2016) and National Export Strategy (NES) 2013-2018 (GoM, 2012) aimed at enhancing integration into regional and global markets, value addition to primary products, and increasing exports.

Figure 2: Share of Economic Sectors of Malawi, 2015-2019



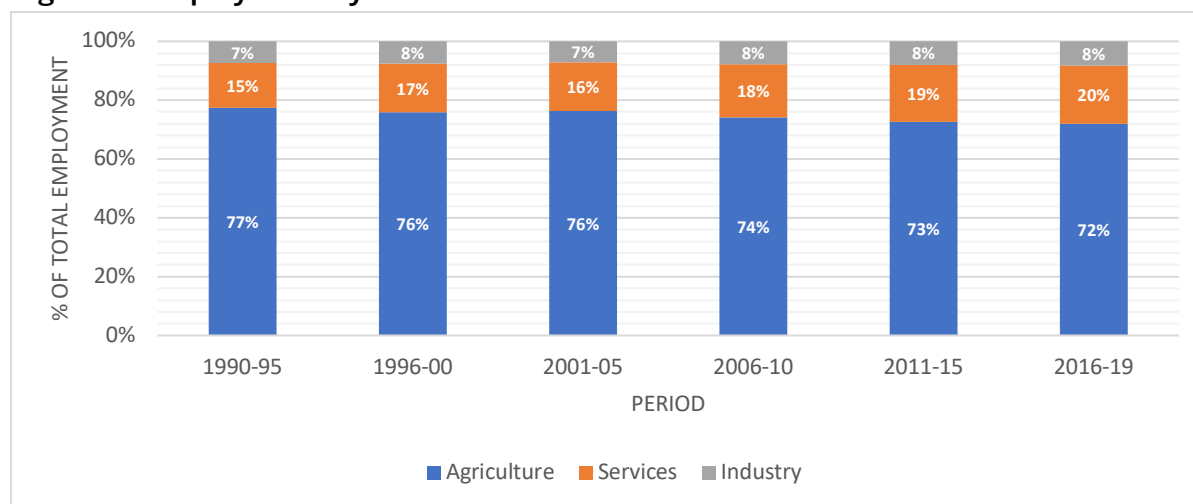
Source: GoM (2019). Note: Asterisks (*) denote projections.

Despite these interventions, the performance of the manufacturing/industry sector in the country has continued to disappoint. For example, the industrial sector's contribution to the total Gross Domestic Product (GDP) is not only small averaging 15 percent in 2019 and has actually been declining (Figure 2). The share of industrial sector to the total GDP ranks third to service and agriculture.

The industrial sector's share of GDP in Malawi is lower than neighboring countries such as Zambia (37%) and Tanzania (25%) (Plecher, 2020a,b,c). Over 80 percent of the sector's activities are dominated by manufacturing (e.g. textiles, clothing and footwear); traditional agricultural crops produce processing (e.g. tobacco, tea, coffee, sugar, soya, groundnut products, and macadamia nuts); and production of building and construction materials such as cement (Commonwealth of Nations, 2020).

The dismal performance of the industry sector is also mirrored in the division of total employment in the country. As shown in Figure 3, the share of the industrial sector's employment has stagnated at about eight (8) percent since the 1990s. The agricultural sector remains the largest employer in the country, even though the sector's share has also been on a decline. Only the service sector employment share has been growing, increasing by about 5 percentage points over the same period. As Mangani et al. (2020) observes, it seems the country is swiftly sliding into a non-producing, but a vending economy largely based on the trading of imported goods.

Figure 3: Employment by Sector in Malawi

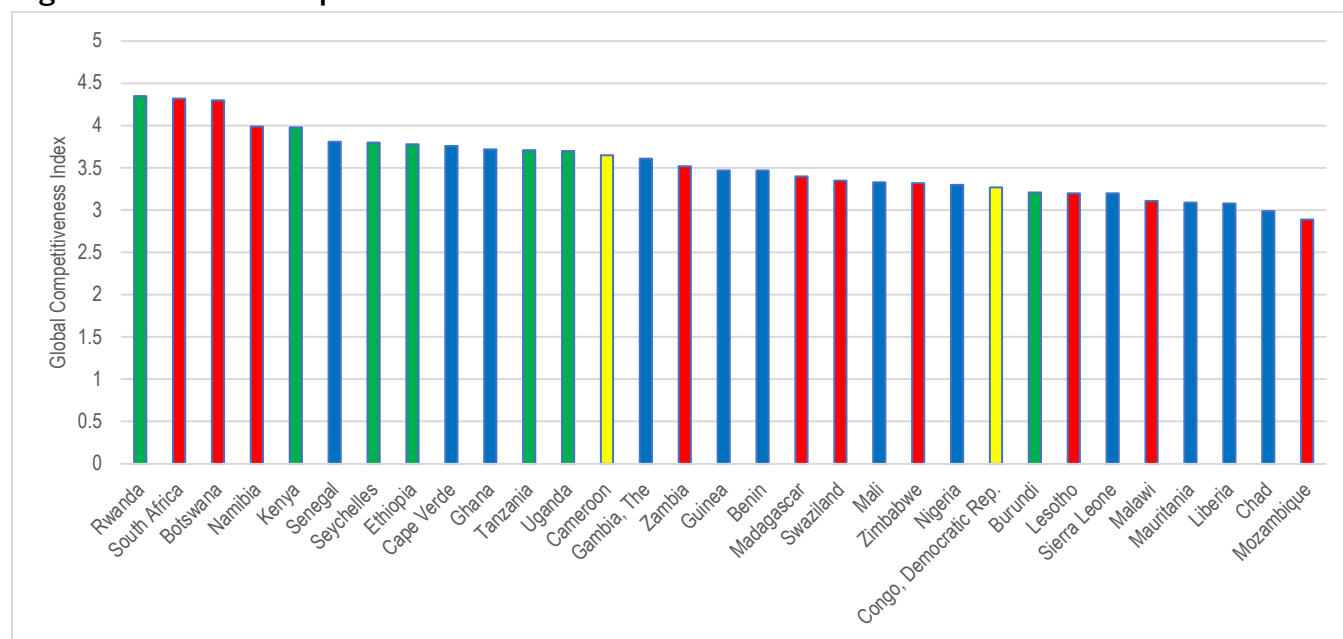


Data source: World Bank (2020b)

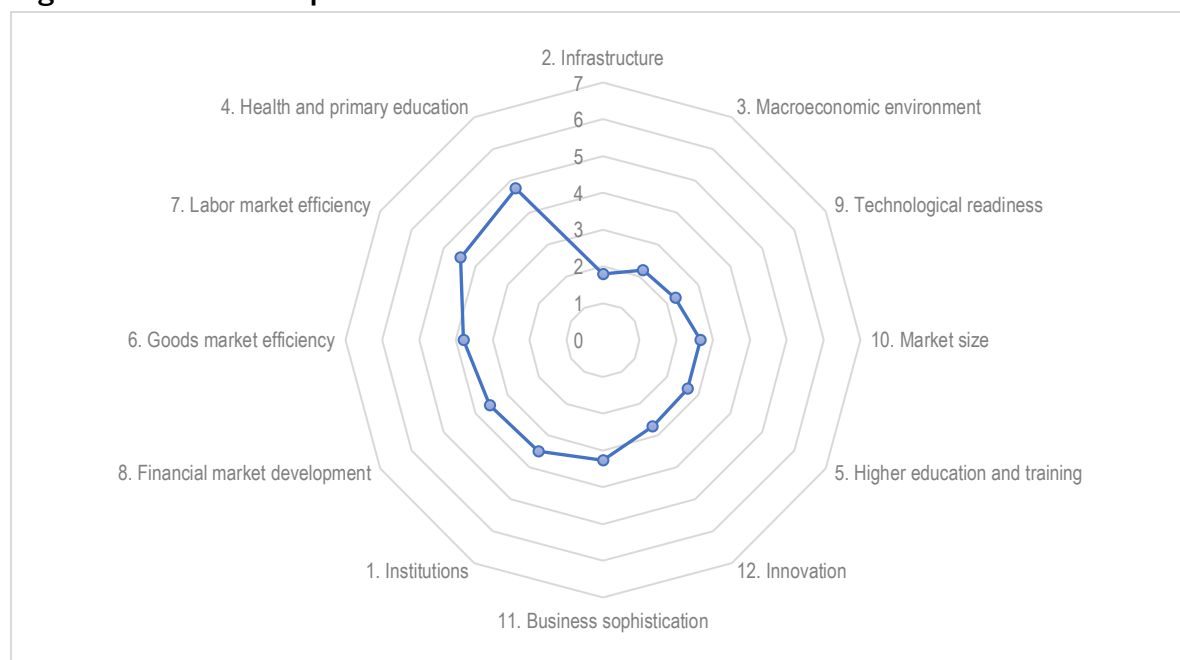
In terms of the industrial sector competitiveness, the country ranks 134th of the 150 industrialized economies (UNIDO, 2018). The country ranks poorly compared to the neighboring countries such as Zambia (119) and Tanzania (127). In terms of general economic competitiveness, the country also ranks, and scores poorly compared according to the World Economic Forum Global Competitive Index (GCI) for 2017-18. The GCI is based on 12 indicators that determine long-term growth, grouped into three broad categories: (1) Basic requirements [institutions, infrastructure, macroeconomic environment, and health and primary education]; (2) Efficiency enhancers [higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, and market size]; (3) Innovation and sophistication factors [business sophistication and innovation]. The GCI measures all indicators on a 1 (low)–7 (high) scale and aggregates the scores to find a final overall GCI score.

The GCI average scores of the 31 countries studied in SSA in 2017-18 period are presented in Figure 4. Malawi had an average score of 3.11 out of the possible 7. The country ranked 132 out of the 137 countries studied in the world and 27 out of the 31 countries from SSA.

Figure 4: Global Competitiveness Index Rank in Selected sub-Saharan Africa



Source: Data from Global Competitiveness Index 2017-18, World Economic Forum; Country region color code: green= East Africa, Red=Southern Africa, Blue=West Africa, and Yellow=Central Africa

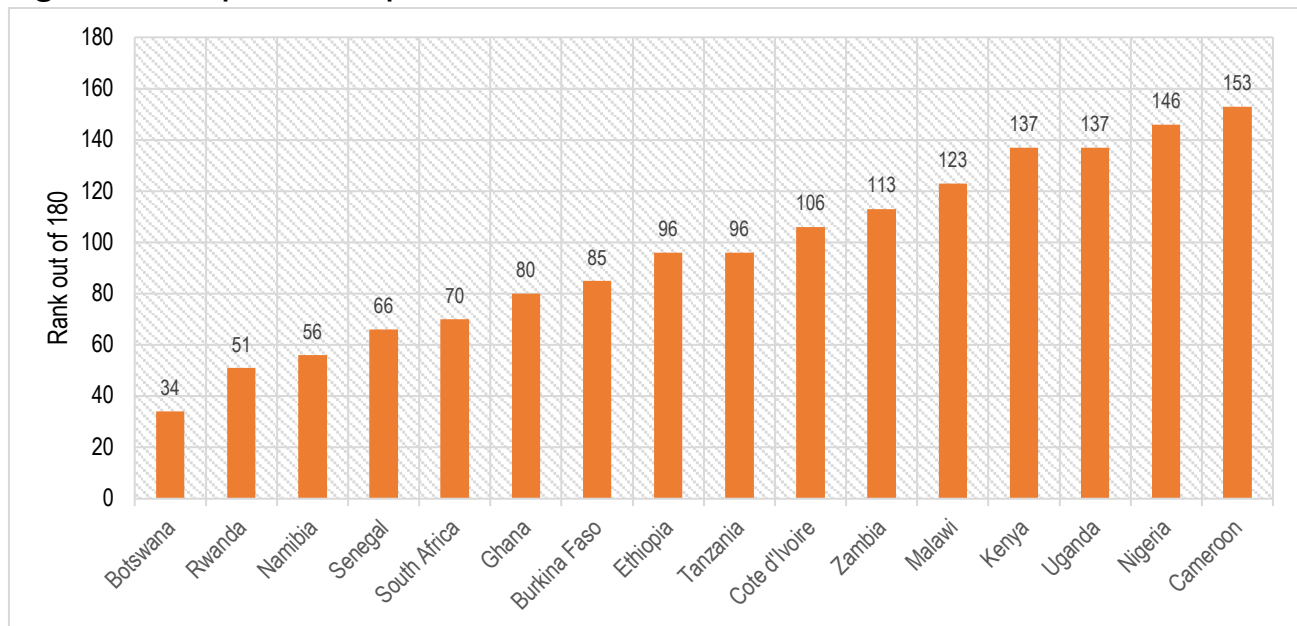
Figure 5: Global Competitiveness Indicators scores for Malawi in 2017-18

Source: Data from Global Competitiveness Index 2017-18, World Economic Forum

Figure 5 shows the scores for the 12 GCI indicators for Malawi. The country scores poorly in most of the indicators including infrastructure (1.79), macroeconomic environment (2.19), technological readiness (2.28), market size (2.65), higher education and training (2.66), and innovation (2.71).

The World Economic Forum also conducted a survey among business executives in the 137 countries to identify the most problematic factors for doing business in their economy. Corruption, broadly understood to mean the abuse of public office for private gain, emerged as the single most important factor hindering business in Malawi. Other most problematic factors included: access to financing, tax rates, inflation, inadequate supply of infrastructure, inefficient government bureaucracy, policy instability, inadequately educated workforce, poor work ethic in national labor force, crime and theft, and foreign currency regulations.

High corruption incidence in Malawi was also echoed in the Transparency International Corruption Perception Index (CPI) 2019 Report. The CPI scores 180 countries and territories by their perceived levels of public sector corruption, according to experts and businesspeople. According to this report Malawi ranked 123rd out of the 180 studied countries in the world (and 23rd out of the 52 countries from sub-Saharan Africa (Figure 6).

Figure 6: Corruption Perceptions Index Rank for Selected SSA Countries in 2019

Source: Transparency International [<https://www.transparency.org/en/cpi/2019/results/rwa> accessed September 12 2020].

To conclude this section, it would be important to underscore that corruption undermines economic growth in several ways (Hammadi et al., 2019). First, corruption distorts economic incentives thereby resulting in diversion of resources from human capital-enhancing expenditures (e.g., education and health) into less-growth enhancing and areas with greater opportunity for graft (e.g., defence). Second, increases the cost of doing business in the economy. Third, introduces significant uncertainty in the decision-making process leading to depressed private investment. Fourth, increases the cost of government investments in infrastructure.

3. Review of Past Industrialisation Strategies

The country's quest for industrialization can be divided into three distinct phases, namely, 1964 – 1979, 1980–1993 and 1994 - 2019 periods. In the first phase, the government embraced an import substitution industrialization strategy while in the second the emphasis was on export orientated industrialisation. The third phase has been characterized by massive privatization of state-owned enterprises and promotion of private-sector-led industrialization and export-oriented growth.

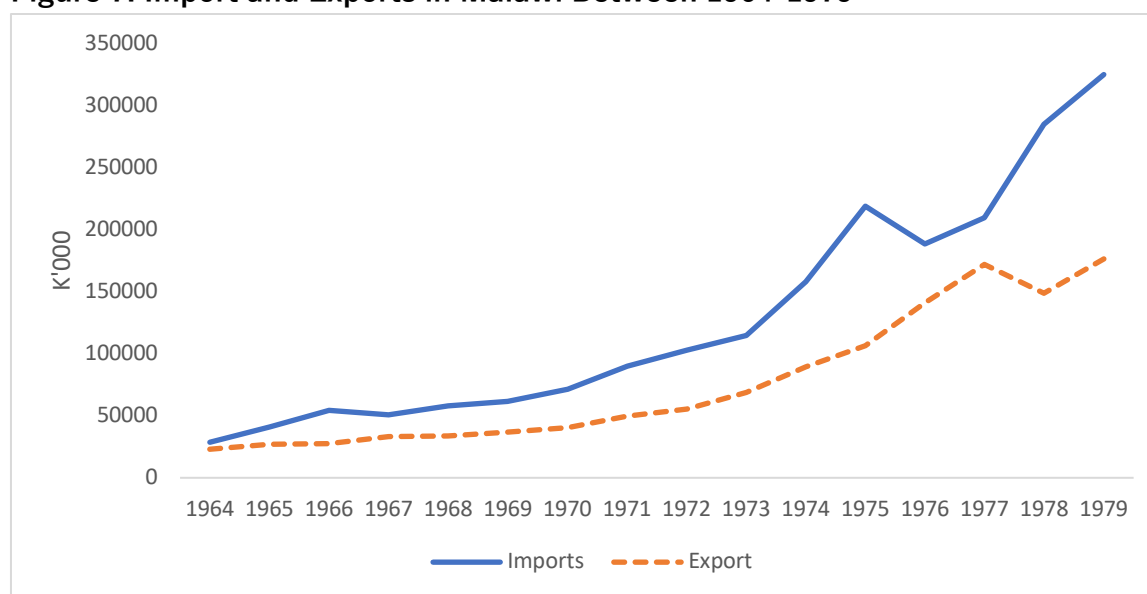
3.1. Import Substitution Industrialisation (1964-1979)

The Import Substitution Industrialisation (ISI) strategy was advanced to decrease the country's dependence on developed countries for manufactured goods and to diversify economic performance beyond agriculture. Government implemented policies and legislation aimed at shielding the domestic industries from international competition. These policies included the Industrial Development Act of 1966 and the Control of Goods Act of 1968. For example, the government introduced high tariffs on imports, and import quotas specifying the quantity of a good that could be imported into a country (Segal, 2019). The ISI strategy also saw increased government involvement in the production process justified by the lack of an indigenous entrepreneurial class (Chirwa, 2002). Out of the 54 large-scale manufacturing enterprises established between 1964 and 1979, the government had full or partial ownership in 51 of them (Chirwa, 2000). Some of the companies owned by government were the Sugar Corporation of Malawi (SUCOMA), David Whitehead and Sons, Bata Shoe Company, Lever Brothers, and Carlsberg Breweries (Malawi) Limited, Malawi Development Corporation (MDC), the Press Corporation Limited (PCL).

The ISI strategy also sought to boost the agriculture industry to spur agricultural-led industrialisation. The government established firm control of the agricultural sector. For example, government fully owned the Agricultural Development and Marketing Corporation (ADMARC) – which provided agricultural extension services, research in agricultural technologies, and seeds for maize and other crops – and instituted preferential lending to the agricultural sector (Chirwa, 2002).

The import substitution strategy resulted in growth in domestic industries. During this period, Malawian exports increased from K25,000,000 in 1964 to K181,708,000 in 1979 whilst import increased from K28,640,000 to K324,838,00 with a trade deficit of K143,130,000 (Figure 7). The country experienced an average GDP growth of 6.5 percent over the 1964 to 1979 period driven by agriculture exports (World Bank, 2020b).

However, between 1979 and 1980 the Malawian economy went into rapid decline due to several external shocks, including rising oil prices, disruption in export logistics due to a war in Mozambique, and the decline in the prices of tobacco, the country's main foreign exchange earner (Chirwa, 2002; Booth, et al., 2006; Chirwa, et al., 2008; Mapemba, 2009; Makuyana &

Figure 7: Import and Exports in Malawi Between 1964-1979

Source: World Bank (1981)

Odhiambo, 2014). At the same time, import prices increased by 54 percent and export prices did not rise at all leading to severe loss of international purchasing power (Hirschmann, 1990). Generally, the country experienced a spiral decline in the GDP growth from eight (8) percent in 1978, to three (3) in 1979, negative four (-4) percent in 1980, and negative five (-5) percent 1981 (Chirwa, 2002).

The import substitution strategy in Malawi suffered a number of pitfalls, including (i) over protection of the local industry, (ii) over extended public sectors, and (iii) prices, taxes, and exchange rates favoured the industry sector and biased against agriculture (World Bank, 1981).

3.2. Transition to Export Orientated Industrialization (1980-1993)

To revive the declining economic, the government of Malawi adopted the World Bank/International Monetary Fund (IMF) sponsored structural adjustment programme (SAPs). The SAP reforms included trade liberalisation, the elimination of exchange rate controls, liberalisation of the capital market, and privatisation of the state-owned enterprises (Mapemba, 2009). The SAPs required the removal of trade controls and promotion of supply and demand as the main drivers for production, pricing and consumption. This led to a gradual removal of the import substitution strategy instruments. This was evidenced by

periodic devaluation of the local currency, restructuring of the state-owned enterprises, and trade liberalisation (Chirwa, 2002). The SAPs also required embracing regional trade agreements to promote exports (Chirwa, 2002). This led to the introduction of the *export-orientated* industrialization strategy.

Despite Malawi's adherence to the SAP prescriptions and a shift towards a market economy, the country failed to effectively mitigate the impact of external shocks. As a result, industrial growth continued to perform poorly (Table 1). The manufacturing sector was hit by steady declines in production, resulting in reduced products for construction and fewer goods for both the domestic and the export markets. This was a big setback to the espoused market-oriented economy. The country struggled with inconsistent and unfriendly donor policies (Booth, et al., 2006). This further hindered the already ailing market-oriented economy, contributing to significant drops in GDP growth reaching negative 7.3 in 1992 (World Bank, 2020b).

During the final phase of privatisation (1987 to 1993), the government relaxed management of the exchange rate. This was evidenced by periodic devaluation of its currency in a bid to achieve macroeconomic stability, removal of trade controls and restrictions, and the introduction of a Surtax Credit System (Chirwa, 2002). Malawi also entered into a bilateral trade agreement with the Republic of South Africa to promote Malawian exports (MITC, 2014). It is argued that this agreement benefited South Africa more than Malawi, since it focused on value added goods, and most of the industries in Malawi (except the textile industry) were centred on producing industrial inputs, not value addition.

Table 1: Growth in Manufacturing Production in Malawi, 1970-2000 (percent)

<i>Production groups</i>	1970-79	1980-89	1990-00	1990-93	1994-00
Food, Beverages and Tobacco	12.36	5.38	-5.11	1.88	-9.10
Footwear, Clothing and Textiles	6.57	-4.49	5.47	7.91	4.08
Other goods	9.17	7.18	0.78	1.23	-1.93
<i>Total Goods for consumption</i>	<i>8.91</i>	<i>3.71</i>	<i>-2.31</i>	<i>2.28</i>	<i>-4.93</i>
Products for construction	7.20	-2.51	-1.85	-1.59	-1.99
Goods for domestic markets	7.92	1.22	-2.49	1.04	-4.51
Goods for export markets	9.42	1.21	1.74	5.95	-0.66
<i>Total manufacturing</i>	<i>8.16</i>	<i>1.29</i>	<i>-1.55</i>	<i>2.16</i>	<i>-3.67</i>

Source: Chirwa (2002)

3.3. Private-Sector-Led Industrialization and Export-Oriented Growth (1994-2019)

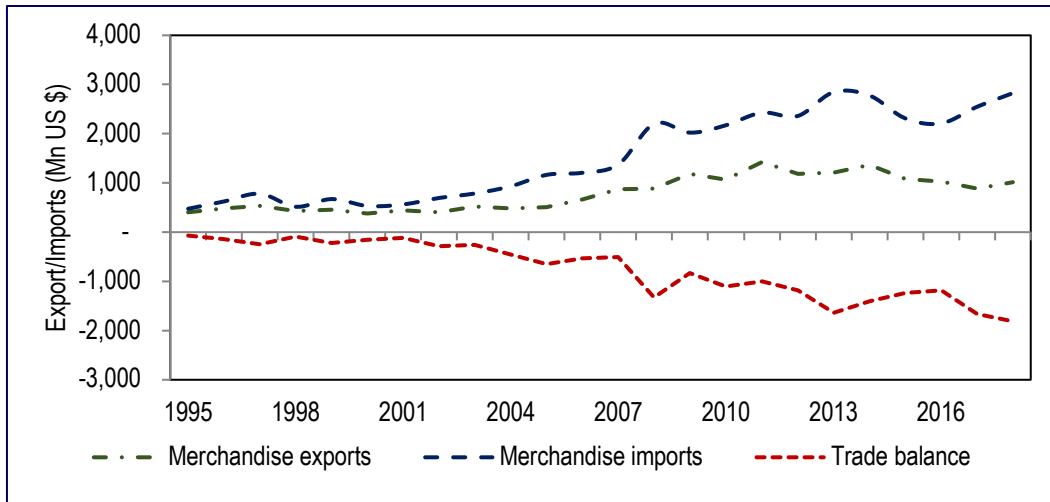
The privatization process in Malawi brought significant impacts to the development of the national economy and industrialization. In 1996, the National Privatisation Programme was established to implement divestiture of direct or indirect state interests in state owned enterprises. In this case, the government's role in national economy was significantly reduced. The government did not have powers to control the market.

During this period, a number of policies were put in place to support private sector development in the country. These included the Private Sector Development Policy drafted in 2009 (GoM, 2009). In 2012, the government developed the Micro, Small and Medium Enterprise (MSME) Policy to provide support to MSME development (GOM, 2012). The Malawi National Export Strategy was prepared in 2013. The National Export Strategy aimed at increasing exports from 51.5 per cent of the value of total of imports in 2010 to 75.7 per cent in 2017 and 93.4 per cent in 2022 (GoM, 2013). These targets were to be achieved through continued support to the existing growth clusters, such as tourism, and through the introduction of new growth priority clusters in oil seeds, sugar, and manufactured goods. The National Export Strategy also aimed to promote diversification of exports that, until then, were dominated by tobacco. The Strategy recognized the need to invest in improvement of the essential skillsets, knowledge and competencies for the identified growth clusters.

The National Industrial Policy was developed in 2014 with several priority areas, including: (i) support for appropriate skills and technology for export capacity; (ii) improving the business environment for the manufacturing industry; (iii) improving access to key business services such as access to imported inputs, access to export markets; (iv) promoting support infrastructure such as roads, railway, information and communication technology (ICT), and air services; (v) facilitating the participation of MSMEs in manufacturing; (vi) social and environmental sustainability of industrialization; and (vii) export cluster and import substitution sectors (GoM, 2014).

During this private-sector-led industrialization period, the country developed three successive medium-term development strategy documents- Malawi Growth and Development Strategies (MGDSI, MGDSII and MGDSIII). All three documents identified manufacturing/industry sector growth as important to the achieving the country's growth

Figure 8: Trade balance for Malawi between 2001 and 2019

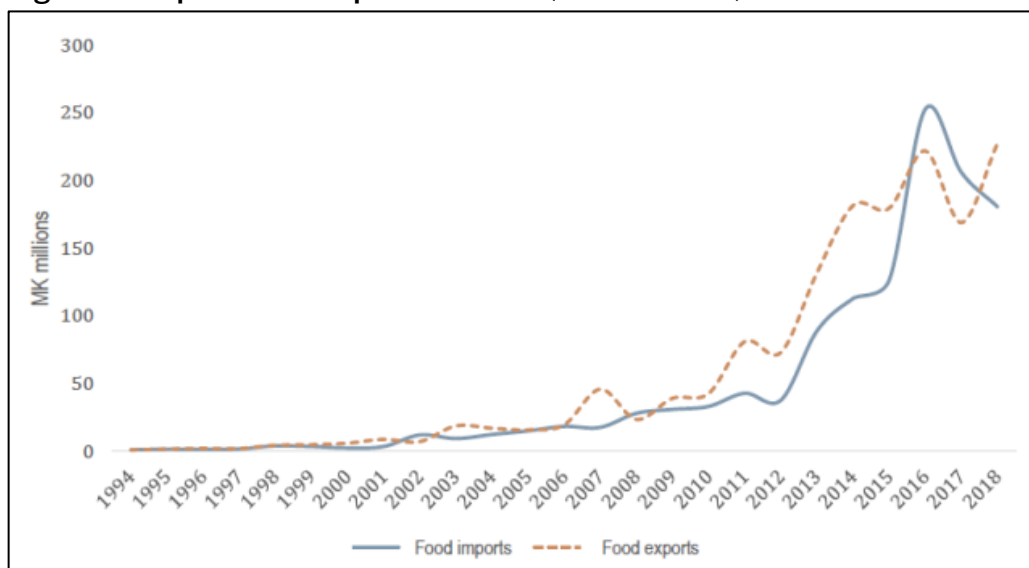


Data source: International Trade Centre (ITC) International trade statistics & UN COMTRADE database

objectives. All these policy documents proclaimed efforts to provide a favourable environment and support economic institutions essential for the attainment of the stated growth targets.

Despite the government’s good intentions and impressive policy documents, the gap between country’s imports and exports continues widen (Figure 8). Exports grew at the rate of 6 percent between 1998 and 2018, from US \$431 million to US \$1 billion while imports increased 10 percent from US \$515 million to US \$2.8 billion.

Figure 9: Imports and exports of food (1994 to 2018)



Source: NSO External Trade Data

4. Prospects for Agricultural-Led Industrialization

While there has been a general consensus on the importance industrialization and how industrialization has the potential for economic transformation and quality employment generation that alleviates poverty, there is little consensus on how to get sub-Saharan African countries industrialized. That said, barring countries heavily endowed with minerals or oil, no economy in history has successfully transitioned from being “poor and agricultural” to “non-poor and industrial” by exclusively promoting industrial sector growth while paying little or no attention to agriculture (Diao, et al., 2010). This is because industrial production is usually triggered by increased effective demand, domestic or foreign, for processed agricultural and non-agricultural goods. Sub-Saharan Africa countries, Malawi included, are characterized by low effective demand for industrial processed products as a result of low household incomes and high poverty rates. It is unlikely that foreign demand will stimulate industrial growth in this region.

Given the dominance of the agricultural sector in the economies of Malawi and many SSA countries, growth in agriculture holds the keys for increased household incomes. This, by extension, spurs effective demand for processed agricultural and non-agricultural goods and subsequently pulls the industrial sector into accelerated growth. This process eventually ends with economic transformation – a declined agriculture and increased non-agriculture relative share to GDP.

Mellor (1995) argues that a growth starting in agricultural sector is likely to have far higher growth linkages and multiplier effects than growth in any other sector. He demonstrates that for each one percent of acceleration in per capita agricultural growth, there is about a 1.5 percentage point acceleration in per capita non-agricultural growth. The magnitude of the multiplier effects could even be greater depending on the choice of economic policies.

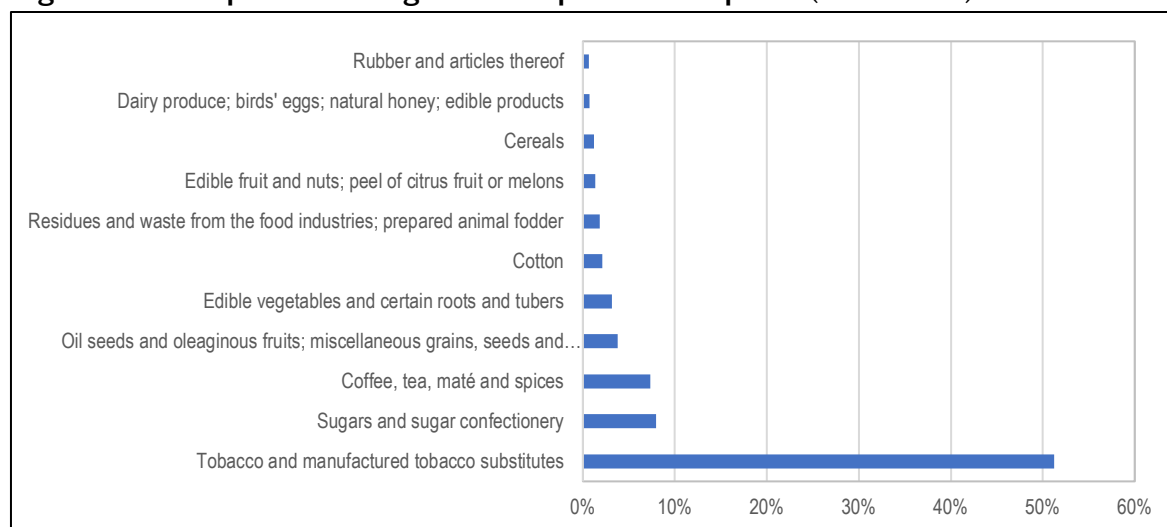
The majority of Malawi’s rural population are agricultural, but poor and food insecure, due largely to low productivity. Thus, the best immediate prospects for Malawi lie with promoting increased agricultural productivity to boost households’ incomes. This will in turn unlock industrial production to meet the country’s own growing demand for processed agricultural and non-agricultural goods and possible export markets. Consequently, farm

productivity growth will determine the rate of employment and income expansion in the rest of the economy.

A recent study by Muyanga et al. (2020) discusses the viability of the agricultural-led development strategy in Malawi. Findings from this study indicate low agricultural productivity is largely attributable to some known problems such as dependence on rain-fed production systems with only one growing season, soil degradation, limited use of irrigation, inadequate infrastructure, and an uncondusive policy environment. Additionally, the sector is facing some new challenges associated with high population densities and the increasing weather variability.

The government has over the years come up with various development programs, policies and strategies to reverse this situation. Most of the policies highlight the importance of increased smallholder productivity for food security, increased incomes, and employment. However, a recent study by Mapemba et al. (2020) reveals some major difficulties that have continued to undermine efforts to address the challenges faced by the agricultural sector. The implementation of the policies and programs has remained a major challenge. Inadequate funding was highlighted as a major obstacle to policies and programs design and implementation. Lack of coordination between departments in the ministry responsible for agriculture, and between ministries in the broader agriculture sector also impairs implementation of policies and programs in the sector. For example, improved agricultural productivity, value addition and commercialization activities cut across ministries and lack of coordination can result in incoherent policies that jeopardize the achievement of a greater national goal. The *ad hoc* agricultural produce export bans aimed at addressing food insecurity usually contradict the national export policy. In the livestock industry for example, the emphasis has been on increasing numbers and quality without clear strategies on processing and markets. Academic institutions researching improved agricultural technologies for enhanced productivity and value addition are not fully integrated into broad agricultural sector.

Lack of a holistic approach to planning has led to the ministry responsible for agriculture to narrowly focus on food security (interpreted to mean adequate production of maize) at the expense of promoting broader national strategic objectives such as increased agricultural diversification, commercialization and value addition. This has resulted in

Figure 10: Composition of agricultural products exports (2008-2018)

Source: National Statistics Office, External Trade

agricultural exports being dominated by tobacco. Other important value chains that have the potential for export such as leather and fibre, animal products, seed and oils are not contributing much to the export basket (Figure 10). This is further revealed in the Malawi Agriculture Investment Plan where only legumes and spices are being supported along with traditional commercial crops (GoM, 2018c).

Apart from the National Agriculture Investment Plan (NAIP) (GoM, 2018c), no other agriculture related policies and strategies has linked agriculture to industrialization. Even the NAIP does not specify implementation and investment plans to exploit the agro-industrialization potential. While the NAIP has prioritized markets and trade, there are no clear implementation structures that will allow such investments to support industrialization. The capacity building element has also been restricted to the ministry and farmers' organizations, disregarding skills and technology development to support all the intervention areas. Despite new value chains receiving some attention (such as legumes in general and groundnut specifically), there are no proper government structures to promote value addition and thus agricultural products are exported as raw materials. It is important to note that trade and industry related policies have clearly identified agriculture as the engine for industrialization. Some of these policies and strategies have explicitly mentioned specific commodities that can spur industrialization such as oil seeds, legumes and livestock.

To conclude this section, it is important to mention that low agricultural growth and low productivity have continued to delay the take-off of the much-desired economic transformation in Malawi. As argued at the beginning of this section, no “poor and agricultural” country in history has bypassed agricultural growth to successfully become “non-poor and industrial”. The solution lies with careful choice and implementation of policies that can accelerate agricultural growth to move the structural transformation forward. Failure to ‘walk the talk’ has reduced the excellent government policy documents to ‘aspirational’ documents. As Mellor (1995) cautions, governments must resist the thinking that increased agricultural productivity occurs at the expense of growth in other sectors.

5. Lessons from sub-Saharan Africa and East Asia Economies

In this section, we review experiences from newly industrialized economies with an objective of drawing lessons to guide discussions on economic transformation in Malawi. We review experiences from two fast growing economies in sub-Saharan Africa, namely, Ethiopia and Rwanda; and from four Asian countries that experienced high and stable economic growth rates in the 1960-90, namely, Japan, Korea, Singapore, Hongkong and Taiwan. The review is based on previous studies and respective government policy documents.

5.1. Federal Democratic Republic of Ethiopia

According to the IMF World Outlook, Ethiopia is currently the fastest-growing economy in sub-Saharan Africa. The country has experienced a broad-based growth averaging 9.9 percent a year from 2007/08 to 2017/18, outstripping that of advanced economies (World Bank, 2020b). Between 2004 and 2013, manufacturing exports grew from \$21 to \$237 million (UNECA, 2016). This growth was attributed to increasing export earnings. This growth has resulted in considerable poverty reduction in both urban and rural areas. As the World Bank (2020a) shows, the share of the population living below the national poverty line decreased from 30 to 24 percent between 2011 and 2016.

Ethiopia’s fast growth has been attributed to policy-making aimed at enhancing agricultural and industrial sector productivity, and improved quality of production to spur rapid, sustainable, and broad-based economic growth (FDRE, 2010 & 2016). Since 2010, the Ethiopian government has been implementing the Growth and Transformation Plans I (2010/11-

2014/15) and II (2015/16-2019/20). These Plans were aimed at: (i) enhancing productivity and production of smallholder farmers and pastoralists; (ii) strengthening marketing systems; (iii) improving participation and engagement of the private sector; (iv) expanding land under irrigation; and (v) reducing the number of chronically food-insecure households.

To achieve these objectives, the government put in place measures aimed at: supporting and encouraging large-scale foreign investment in the agricultural and industrial sectors; supporting domestic and external trade through improved regulatory framework; investing in basic infrastructure including increasing road networks by 10,000 miles throughout the country, building a 1,500 mile-long standard gauge rail network; quadrupling power generation from 2,000 to 10,000 megawatts, building 82,500 miles of new power distribution lines, rehabilitating 4,800 miles of existing power transmission lines, investing in renewable energy projects involving hydro, wind, geothermal, and bio fuels to take advantage of the global focus on renewable energy, and increasing mobile telephone subscribers from 7 to 40 million and Internet service subscribers from less than 200,000 to 3.7 million.

In 2014, the Ethiopian government established the Ethiopian Industrial Parks Development Corporation (IPDC)¹ to facilitate the development of Special Economic Zones to act as a catalyst for economic growth (Azmach, 2019). According to the Africa Business Partners 2019 Report (ABP, 2019), there were about 10 fully operational industrial parks (IPs) in Ethiopia as of 2019, three (3) near completion, four (4) whose construction had started and six (6) under planning. The IPs are specialized in processing agricultural products, production of garments, shoes, construction materials, and pharmaceutical and medical equipment. They are financed through foreign direct investments from different countries. Several incentives have been introduced to encourage domestic and foreign investment flow into the manufacturing sector.

Priority manufacturing industries were chosen deliberately, based on resource availability, labour intensity, strong linkages to agriculture, export potential, those that required relatively

¹ "An Industrial Park is generally defined as a demarcated geographic area in a country where the rules of business are different from those that prevail in the national territory. These differential rules principally deal with investment conditions, international trade and customs, taxation, and the regulatory environment; whereby the zone is given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory." FIAS (2008).

low technology, and the potential for export (UNECA 2016). These included garments and textiles, agro-processing, meat processing, leather and leather products, pharmaceuticals, chemicals, and construction. Further, for each of these industries, the state has set up supporting institutes and assist firms with technological upgrading (UNECA 2016). Currently, the country has about seven industry development institutes supporting manufacturing industries at different levels ranging from small, medium, to large-scale industries.

These priority industries enjoy policy support on several fronts. The industries receive subsidized interest rates on long-term loans and preferential treatment in international banking services. They also receive targeted support along the value chain and technological support, for example through pairing with successful foreign industries to learn best practices. The industries also enjoy a 100 percent import duty payment exemption on capital goods and industrial inputs for goods that are not available in the domestic market. Industries that produce for the export markets also have a profit tax-holiday for five years.

The Ethiopian government has invested immensely in human resource development. As a result, enrolment in primary schools has increased from below 20 per cent in the early 1990s to about 94 per cent in 2012 (UNECA, 2016). The number of universities also increased from one in 1990 to more than 30 in 2016.

5.2. Republic of Rwanda

Just like Malawi, Rwanda is a small landlocked economy that may not have the scale economies to sustain high growth on its own. The country has a very high population density estimated at 470 persons per km². Rwanda's economic performance places the country among the fastest-growing economies in Africa, surpassed only by Ethiopia. According to the World Bank Development Indicators, Rwanda's growth averaged 7.2 percent between 2009 and 2019 (World Bank, 2020b). The country's strong economic performance and focus on home grown policies and initiatives has resulted in substantial improvements in living standards of Rwandan people. Impressive economic performance notwithstanding, the country continues to wrestle with high poverty levels.

The journey to Rwanda's stellar economic performance started with the formulation of a national vision, the Rwanda Vision 2020 (Republic of Rwanda, 2007a), with a clear

implementation road map. The Vision 2020 had three objectives- promotion of macroeconomic stability and wealth creation to reduce aid dependency in the short-term; economic transformation from an agrarian to a knowledge-based economy in the medium-term; and the creation of a productive middle class and fostered entrepreneurship in the longer-term. To achieve these objectives, the country had to invest in the following key areas: good governance; human resource development for a knowledge-based economy; promotion of private sector-led development; infrastructure development; promoting production of high value and market-oriented agriculture; and improved regional and international integration for enhanced markets. The Vision also recognized the importance of gender equality, sustainable development, and science and technology.

The Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS 2008-2012 & 2013-2018) provided a medium-term framework for achieving the development aspirations embodied in Rwanda Vision 2020 (Republic of Rwanda, 2007a & 2013). The Rwanda Development Board (RDB) was constituted in 2009 to oversee the country's business regulation reforms, promote foreign direct investments, tourism promotion, and environmental conservation. Several critical economic reforms were implemented that led to creation of a business-friendly environment and diversification of the economy from agriculture to services and manufacturing sector. The industrial sector is strongly linked to the processing of primary agricultural products.

According to the World Economic Forum Global Competitive Index 2017-18, Rwanda ranks 58th and first in sub-Saharan African region ahead of South Africa (61st) and Botswana (63rd) (World Economic Forum, 2019). This was attributed to efficient goods and labor markets, strong institutions, development of financial markets, innovation, and business sophistication. The Transparency International 2019 Corruption Perception Index ranked Rwanda the fourth least corrupt country on the African continent behind the Seychelles, Botswana, and Cape Verde.²

The high growth rates Rwanda has experienced are credited to visionary and transformative leadership, as well as a stable political environment. The country is expected to reach middle income country (MIC) status by 2035 and high-income country (HIC) status

² <https://www.transparency.org/en/cpi/2019/results/rwa>

by 2050 (World Bank, 2020b). These aspirations will be realized through the implementation of a series of seven-year National Strategies for Transformation (NST) (Republic of Rwanda, 2017). The country is now laying more emphasis in the development of agribusiness and food processing. These are the only two subsectors in which the country has exhibited comparative advantage because they use locally available raw material, employ unskilled workers, have low intensity of physical capital, and high returns on research and development (World Bank & Government of Rwanda, 2020). Since Rwanda is landlocked, the ability of the country to compete globally will to a large extent depend on the country's competitiveness and connectedness of its neighbours.

5.3. East Asia: Japan, South Korea, Hong Kong and Taiwan

Lastly, we examine the agricultural and industrial development in the four East Asian "tigers", Japan, South Korea, Hongkong, and Taiwan. It is interesting to note these countries not only have comparable economic performance and growth trajectories but also share similar development experiences. The countries experienced high economic growth rates compared to the South and Southeast Asian counterpart countries in the 1960-90 period. Even though there is no consensus on the drivers of these spectacular growth rates, some similarities are worth noting. A review by Sarel (1995) concludes the high economic growth rates were products of a massive accumulation of capital and increased labor participation at a much faster rate than other economies. Sarel also attributes high economic growth to growth in productivity backed by these countries' adoption of innovative technologies.

To increase agricultural productivity, most of these countries undertook land reforms after World War II, invested heavily in productive infrastructure, and in research and development (Grabowski, 1993). For example, this resulted in the proportion of land farmed by tenants falling from 50 to about 10 percent in Japan, the proportion of farm households owning their own land increasing from 13.8 percent to 70 percent in South Korea, and in Taiwan from 50 to 75 percent. These land reforms significantly reduced land ownership inequalities. As Grabowski further reports, to prevent the revival of the landlord system in Japan, additional laws were enacted to control land transfers and rental markets. The countries also invested significantly in productive infrastructure in the form of improvements

in irrigation, drainage, and land conservation, and in research and extension systems to diffusion of new agricultural technologies.

These economic reforms and investments in infrastructure, coupled with high school enrolment rates, high life expectancy, and low fertility rates, culminated significant improvements in agricultural productivity, increased surpluses, and expansion of manufacturing sectors (Rodrik, 1994).

Several explanations have been advanced to explain the factors that underpinned the high economic growth rates and the rapid industrialization witnessed in these East Asian countries as compared to their counterparts in South and Southeast Asia. First and foremost is the role of government policy in midwifing the economic transformation process. At the onset, it is important to point out that opinions on the role of public policy in stimulating economic growth vary and can be classified into three distinct schools of thought, namely, *free markets*, *selective intervention*, and *agnosticism*. Sarel (1995) explains the main differences in these three schools.

The *free markets* school of thought regards markets as efficient and thus governments should refrain from any interventions. The government should rather confine itself to providing both ‘hard’ and ‘soft’ infrastructure. Hard infrastructure includes public goods such as roads, bridges, railways, property rights, and law and order. The soft infrastructure is limited to ‘getting the basics right’ or creating a conducive environment in which the economy will thrive. This includes sound macroeconomic fundamentals around exchange rates and interest policies, keeping inflation under control, and guaranteeing that taxes are reasonable and not burdensome. As Sarel (1995) argues, governments “should avoid high tax rates, price controls, and other distortions of relative prices.” The government should “ensure stable and low inflation, avoid excessive budget deficits, promote the integrity of the financial and banking system, provide for open markets, and strive for stable and realistic exchange rates.”

The *selective intervention* school recognizes the importance of the government in getting the basics right, but also acknowledges the potential of market failures. For example, this school of thought acknowledges the existence of externalities (effects of market-based transactions whose impacts are felt by agents not party to the exchange, such as pollution),

and credit constraints abound (Sarel, 1995). This school of thought sees “market is a melee in which foreign and domestic firms devour one another and the public through unfair trade practices.” Consequently, the interventionist school recommends an active role of government to moderate the excesses of the market.

Proponents of this school of thought see the success of East Asian countries as an outcome of government intervention (Sarel, 1995). They argue that the government intervened to kickstart the industrialization process in these countries. Policy interventions included “targeted and subsidized credit to selected industries, low deposit rates and ceilings on borrowing rates to increase profits and retained earnings, protection of domestic import substitutes, subsidies to declining industries, the establishment and financial support of government banks, public investment in applied research, firm- and industry-specific export targets, development of export marketing institutions, and wide sharing of information between public and private sectors” (World Bank, 1993).

The *agnosticism* school of thought contradicts the first two by arguing that nothing meaningful can be said about policies and interventions because it is not possible to isolate policies that spur economic growth. Sarel (1995) discusses some reasonable and compelling arguments behind this thinking. First, there is selection bias in the selection and analysis of what has been considered ‘successful’ policies. Only policies in successful economies have been studied. Less successful economies are unattractive to study. Second, it is impossible to offer counterfactual scenarios for the so-called successful interventions or policies. That is, it is not easy to answer the question how these economies would have performed if the policies/interventions had not been put in place. Third, a closer look at the policies pursued by the East Asian economies shows that these interventions were not homogeneous but varied across countries. As you move from one country to the other, the interventions varied in design, magnitude and sometimes were contradictory. That means there is no semblance of a standardized “recipe” for economic transformation that can be replicated in other countries. Fourth, it is not possible to determine whether good policies beget economic prosperity or if successful economies usually find good policies.

5.4. Overview of Lessons from Fast Growing Economies

While it is impossible to identify that single magical “policy package” for successful economic transformation, useful lessons to inform the Malawi’s quest for economic transformation can be found. There are several general takeaway messages on drivers of the economic performances from the economies that we reviewed. The success of policies in the countries we discussed depended on the development of productive capabilities. The governments did not only create a conducive environment for selected industries to take off but ensured that investments to support and enhance the productive capabilities of the industries were made. There is general agreement that the governments of these economies either made or are making wise policy choices. In the free market economies, policymakers in successful economies are aware of the distortions caused by their policy choices and are quick to fix them if unintended, undesirable consequences become apparent. In interventionist economies, policymakers seek appropriate industries to promote and if mistakes are made, they are flexible and quick to redirect policies to other industries.

6. Conclusions and Policy Implications for Malawi

This paper examines industrialization in Malawi, an issue that is imperative to the development of this country. There is a consensus on the importance of industrialization and its potential to generate, create well-paying jobs, and alleviate poverty. Also, it is clearly understood that economic diversification towards industrialization reduces the macroeconomic risks associated with dependence on primary commodities. The African Union has put the promotion of industrial growth in SSA at the centre of its Agenda 2063. Also, the launch of the African Continental Free Trade Area (AfCFTA) in March 2018, a single market for goods and services in Africa is aimed at unlocking and facilitating industrialization for sustainable growth and employment creation in Africa.

That said, there is little consensus on how to unlock industrial potential in poor SSA economies that remain entangled in low economic growth and mired in poverty. As shown in this paper, there is no semblance of a standard (*one-size-fits-all*) recipe for industrialization that can be replicated in Malawi. However, key lessons to inform renewed discussions aimed at invigorating industrialization in Malawi abound. Just like many other

small and landlocked economies in SSA, Malawi faces several binding constraints that must be dwelt with to unlock the country's industrialization potential. Also, like other SSA countries aspiring to become industrialized, Malawi will be required to deal with difficulties associated with 'latecomer' disadvantages. Much work could be done to tremendously increase the country's economic competitiveness and productivity.

The experiences of newly industrialized East Asian countries and the fast-growing economies in Africa provide some lessons:

First, effective and development-focused leadership and a strong political are the most crucial ingredients to achieving economic transformation. Experiences from the fast-growing economies of Rwanda and Ethiopia attest to the fact that economic transformation is a leadership-driven process. It calls for a leadership with clout to rally stakeholders (e.g. public, private, parliamentarians, donor, and NGOs) to coalesce around economic transformation agenda and to build momentum to carry reforms agenda through election cycles.

Second, concrete industrial policy, consisting of a long-term vision and medium-term implementation plans, is essential for guiding industrialization processes in the country. For successful implementation, industrial policy must be realistic and targets commensurate with both the current and projected productive capabilities of the countries (UNECA, 2016). Industrial policy must also be flexible to be adapted to changing conditions.

Third, industrialization strategy must be based on the specific country's 'natural' comparative advantage. The comparative advantage obtains from the country's factors of production endowment (labor, capital, and land) and productive capabilities. Malawi being a labor-abundant country, it is sensible for the country to explore a labour-intensive and capital-saving industrialization pathway. Also, given the dominance of the agricultural sector and limited mineral reserves, the country should pursue agro-based industrialization strategy. Consequently, the country should carefully identify and deliberately promote agro-based industries with higher and strong interdependences (linkages) with other sectors.

Fourth, for successful industrial policy, the government should act as facilitator and enabler. Lessons from the fast growing and the newly industrialized economies show that

the countries increased their productive capabilities through investing intensively in physical infrastructure, research and development, and human resource development. Since it may not be financially feasible to provide these investments uniformly across the country, it may make economic sense to target industries operating in areas with potential comparative advantage to enhance their efficiency and productivity.

Fifth, with all of that said, and not forgetting that government can play an important role in determining the ease with which economies transform, it is instructive to remember that industrialization in successful countries has been the *outcome* of structural transformation, not the mechanism used to produce transformation. The engine of structural transformation in poor and agriculture-based countries is agricultural productivity.

To conclude this section, we highlight some potential policy thrusts that the government may consider to kickstart and propel industrial sector growth in Malawi.

1. *Invest in increased agricultural productivity*: The agricultural sector has the highest linkages with other sectors of the economy. High cost of locally produced agricultural raw materials and, relatedly, low domestic demand for processed products inhibit industrial growth. Increased agricultural productivity will lead to improved volumes and reduced cost of raw materials for agro-processing industries, and increased households' incomes, and thus by extension increased effective domestic demand for manufactured products.
2. *Embrace integrated and well-coordinated industrialization policy*: This underscores the need to adopt an integrated and coordinated planning approach that covers key sectors including agriculture, mining, energy, labor, finance, and trade. For example, the issues in National Resilience Strategy, MGDSIII, Greenbelt Initiative, and Industrial Strategy, could be integrated into one blueprint for industrialization. This will require detailed policy reviews to identify quick wins.
3. *Invest in physical infrastructure*: Cost ineffectiveness is widely accepted as the primary constraint restraining industrial sector growth in SSA. Investments in infrastructural facilities such as feeder roads, railways, electricity, and information and communication technology (ICT) will enormously reduce the cost of doing

business in Malawi's industrial and agricultural sectors. As already mentioned, it may make economic sense to target infrastructure provision to areas with high unexploited agricultural potential and to industries with high comparative advantage to enhance their efficiency and productivity.

4. *Creation of special economic zones:* The government should consider the clustering of strategic industries in areas with high comparative advantage, potential for forward and backward linkages, and high content of domestic raw materials into special economic zones (SEZs) for effective infrastructure targeting. Due to their ability to attract foreign direct investments (FDI) and employment creation, SEZs have become an integral part of the national industrial development strategies in many fast-growing economies.
5. *Invest in human resource development:* Although Malawi is a labor-abundant country, the labor force lacks technical skillsets necessary for more specialized forms of production. As Signe (2018) observes, the quality of human resource determines the country's flexibility, productivity, ability to innovate, and ability to absorb new technologies. It follows that investments in improved school enrolment rates; improved transitions rates from primary to high school, and from high school to post-secondary institutions (technical colleges and universities); and increased investments in schooling physical infrastructure will be critical in improving the quality of human resource in the country. These investments would generate high returns for individual Malawians gaining knowledge, and the country whose labor force would become more competitive. More importantly, there is need to improve schools and colleges curricula to impart skillsets that are required in the modern knowledge and technology intensive economies.
6. *Invest in research and development (R&D) and extension:* The government could establish a well-funded industrial and agricultural research system and bring the investments to socially optimal levels in the country. This could be done by the government, either directly through investing in public R&D and extension, or indirectly through incentivizing the private sector investments using instruments such as subsidies, tax holidays, and credit guarantees.

7. *Improve access to finance:* Finance costs are often cited as another most important factor constraining business development in Malawi (MCCCI, 2018). The cost of borrowing in the country is high and unresponsive to monetary policy interventions. Lenders are more inclined to issue short-term loans to traders as opposed to manufacturers who are interested in longer payback periods. The establishment of the Development Bank by the government is a step in the right direction. The bank expected to ease financial access constraints for manufacturers and especially to the small- and medium- enterprises. The government could also explore ways of attracting and retaining FDI.
8. *Provide investment incentives with minimal market distortions:* The government could provide non-distortionary incentives to jumpstart selected industries that possess high comparative advantage, have high potential for forward and backward linkages with the other sectors, those in value addition manufacturing, and with high domestic raw materials content. These incentives could include provision of tax holidays, provision of quality infrastructure, protection from import competition, and duty-free movement of goods.
9. *Harnessing regional trade:* We recommend developing a forward-thinking strategy on how to tap into the expanded regional market resulting from the creation of the African Continental Free Trade Area (AfCFTA). This will entail carefully identifying and supporting subsectors that the country has comparative advantage in and crafting a business strategy to engage regional value chains. This would also call for a review of current trade and investment agreements that the country is party to with a view to negotiating or renegotiating such agreements.
10. *Create stable macroeconomic environment:* The private sector is the engine of economic development in the fast-growing economies, and it should be the case for Malawi too. For the private sector to flourish, there is need to create and maintain a favourable macroeconomic and trade policy environment with an efficient incentive structure. A stable macroeconomic environment and reduced financial sector vulnerabilities will not only facilitate private sector investments but also has the potential to attract FDI inflows.

11. *Improve economic governance*: Corruption undermines economic growth and is positively and strongly correlated with weak governance. It is a ‘cancer’ that has paralyzed growth and economic development in economies of Malawi and many SSA countries. Fighting corruption is difficult and complex. The beneficiaries of corruption often fight back. But it should be noted that it is not by sheer coincidence that the fast-growing economies in SSA and the newly industrialized countries in East Asia are characterized by low corruption incidences. It is because they made deliberate efforts to relentlessly fight corruption. For example, Rwanda low corruption incidence is attributable to several factors, including political will, awareness campaigns, and strict enforcement of laws. Malawi should develop and implement a comprehensive anti-corruption strategy that should include a demonstration of credible intent to fight corruption, increased anti-corruption campaigns, and strict enforcement of laws.

Acknowledgements

This research was produced with the help of a grant from the Foundation for a Smoke-Free World (FSFW) Agricultural Transformation Initiative (ATI) through the Michigan State University (MSU) Food Security Group. We are grateful for this generous support. We are grateful for the helpful feedback from internal and external reviewers. Any views expressed herein are those of the authors and do not necessarily represent the views of the donors.

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