


CUTS
International
Geneva Resource Centre

Fostering Equity and Accountability in the Trading System (FEATS) Project

Summary Report on the Malawi National Inception Meeting

A. Introduction

1.1 Inception Meetings are an important component of the FEATS project. The Inception Meeting for the project was held in Geneva on 16 July 2008. The meeting was attended by representatives of the governments, civil society and research institutions of the project countries. The main objectives of the Geneva Inception Meeting, to kick-start a discussion on the Terms of Reference for the trade policy making study and to establish an Initial Reference Group for the FEATS project, were both achieved. National Inception Meetings (NIMs) were held in October 2008 in the five project countries.

Main Objectives of National Inception Meetings

1.2 Main objectives of the National Inception Meetings were:

- a. To broaden and deepen the understanding of all stakeholders about CUTS International, FEATS Project and the Trade Policy study
- b. To better understand the ground realities of trade and development in the project countries
- c. To establish networks by launching National Reference Groups consisting of all the invited stakeholders (governmental, civil society, research institutions and media representatives)
- d. To discuss and finalize the Terms of Reference (ToRs) for the Trade Policy study, and
- e. To identify key potential collaborators for trade policy research and the FEATS Project

Outputs and Outcomes of National Inception Meetings

1.3 Main outputs of the National Inception Meetings include:

- Summary reports of the meetings
- Lists of stakeholders with contact details
- Final Terms of Reference for the Trade Policy research
- List of potential collaborators for the Trade Policy research and the FEATS project

1.4 As envisaged, there are several important outcomes of the meetings which include:

- Improved understanding of CUTS, FEATS and the trade policy research among the stakeholders
- Establishment of National Reference Groups in the project countries
- Better understanding of the ground realities of trade and development and the needs and perceptions of stakeholders
- Development of a longer term relationship with some of the stakeholders

Key Lessons

1.5 Important insights gained through the NIMs that will be very helpful to complete the trade policy study and to effectively implement the FEATS project are:

- Trade policy making process in the five countries has some common elements. Ministry of Trade is mandated in each country to develop and implement the trade policy in consultation with the relevant stakeholders; formal mechanisms exist to consult the stakeholders; growing recognition of domestic trade and national measures to improve trade-growth-development linkages; and varied capacity of various stakeholders on trade policy issues. Each country also has its own specificities. Uganda and Tanzania have developed comprehensive trade policies whereas Kenya, Zambia and Malawi aim to do that; and capacity of non-state actors to participate and influence the trade policy making and implementation appears to exist in Kenya, is rather limited in Tanzania, and in the other three countries lies somewhere in between.
- There is a lot of interest and substantial understanding of trade issues among many stakeholders. However, the institutional and human resources capacity of particularly non-state stakeholders to continuously and effectively engage in trade policy making and implementation is often limited. Moreover, there seems to be more knowledge and understanding of the international dimension (i.e., related to the WTO and EPAs) than of the national and regional dimensions. Knowledge of these latter dimensions appears to be increasing in recent times (probably due to lack of adequate progress in the WTO negotiations that may have freed up limited resources to focus more on national and regional dimensions). Finally, despite the criticism of some government trade policies by sections of the civil society, there is reasonable communication between the two and the relationship seems to have matured.
- Establishing local ownership will be the key to the successful implementation of the project. This will require close working relationship with selected local partners. However, this is a challenging task for a number of reasons. One, the local partners have limited institutional, human and financial capacities. These need to be supplemented to ensure their committed partnership. Two, there are competitive undercurrents among stakeholders. These should be kept in mind but should not be allowed to come in the way of the effective implementation of the project in collaboration with carefully selected local partners. Three, while the National Reference Groups (NRGs) can play a very important role in energizing the activities under the project and build a robust local base, commitment of some project resources will be required to transform NRGs into dynamic networks with acknowledged value-addition. Use of SMART Charts prepared for the five project countries in consultation with Spitfire Strategies has been very useful in ensuring effective communication with these stakeholders. CUTS is now in the process, through the National Reference Groups, to narrow down the advocacy team for FEATS to fewer but effective members.

1.6 The following pages provide main discussion/deliberation points from the Malawi NIM.

C. Malawi National Inception Meeting – Lilongwe, 23 October 2008

2.1 The Lilongwe NIM was very well attended. There were as many as 12 governmental functionaries as well as 16 representatives from the civil society and the private sector, and 4 each from the research institutions and media. One salient feature was the presence of two members of the parliament who chair the parliamentary committees on finance and trade respectively. After the presentations and initial discussion on CUTS FEATS project and the ToRs for trade policy study in the first session, four substantive presentations were made by Mr. H.J.K. Mandindi, Director of Trade, Ministry of Industry and Trade (MOIT); Mr. Frank Amanga, Chief Economist Ministry of Agriculture (MoA); Mr. Milward Tobias, African Institute for Development Research; and Mr. Mavuto Bamusi, National Coordinator, Human Rights Consultative Committee of Malawi.

2.2 The formulation, implementation and management of Trade Policy in Malawi is the responsibility of the Ministry of Industry and Trade. The Ministry undertakes this task by taking into account the interests of the Government, private sector and consumers. The Trade Policy contributes to the realization of the Malawi Government's vision of "transforming Malawi from a predominantly importing and consuming country to a predominantly producing and exporting country". The Policy is premised on the need to integrate the country and to participate effectively in the multilateral trading system. This policy was developed in 1998. Two strategies, namely, the National Export Strategy (improving the terms of trade and competitiveness of Malawi products) and the Private Sector Development Strategy (creating an enabling environment for the growth of the private sector) are closely linked to the achievement of the trade policy objectives.

2.3 The process for trade policy making is demand-driven. It emanates from Ministry's mandate to regulate and align trade to current Government policies, regional and multilateral trading systems and the interests of private sector. Other ministries participate in the process through Inter-Ministerial Committees (IMCs) and Regional Working Groups (RWGs). A key institutional arrangement in this regard is the National Working Group on Trade Policy (NWGTP). Established in 2000, the NWGTP advises government on all trade related legislative and policy matters, also provides a framework for monitoring and evaluating the implementation of Malawi's trade agreements, provides a framework for ensuring conformity with the agreed rules, and facilitates consultation and cooperation among the private and public sector parties to promote trade. The recommendations from inter-agency meetings are submitted to the Minister of Industry and Trade. Those recommendations on trade policy matters that impact on other Government policies are processed through Cabinet. After Cabinet approves the said recommendations policies are made and policies requiring enactment of laws are processed further through Parliament.

2.4 The policy on maize is being managed by the MOIT since it is mandated to deal with all trade-related issues in the larger national interest. MOIT does attempt to consult all concerned but urgent matters also need actions. The action on maize therefore is through government Directives.

2.5 Malawi strives to balance the rights and obligations under both the SADC and COMESA. This is a difficult task but it is expected that the Declaration adopted by leaders of EAC, SADC and COMESA member governments in Kampala, Uganda recently will lead to harmonization of regional integration process under these three arrangements. It should also be noted that SADC has a Parliamentary Forum where speakers and some national MPs of member countries meet to discuss issues. Malawi had not initialled the EPA with the EU because it believed its interests would be better served under the EBA than the proposed EPA.

2.6 Agriculture is the most important sector of Malawi economy. It contributes 38% to GDP and 90% to foreign exchange earnings, and employs 85% of workforce. Government's aim is to increase agricultural productivity & profitability for equitable household food security, income and employment and sustainable utilization of natural resources. Ministry of Agriculture (MoA) is consulted during trade policy diagnostic survey planning as well as at implementation-data collection and stakeholder consultation workshops. MoA chairs the Agriculture Cluster in EPA negotiations that reviews SPS measures and is also a member of EPA Market Access & Development Clusters. Under Market Access Cluster MoA has

been involved in revising a list of sensitive products for Malawi. MoA also participates in issues that involve food standards handled by the Malawi Bureau of Standards. Major challenges faced by MoA in effective participation on trade policy issues include: pressure on limited technical, time and monetary resources given the complex and difficult nature of issues; little opportunity to build up a relationship of trust and lack of sense of ownership as most often foreign consultants are assigned by the MOIT to undertake background studies and prepare reports; donor driven technical assistances; inadequate coordination on the part of government institutions; and lack of timely feedback on comments etc. by the MOIT and COMESA/SADC secretariats.

2.7 In addition to the government ministries/agencies, many other stakeholders from the private sector and the civil society attempt to influence trade policy making. But they have been more active on policies related to international agreements, like the WTO and EPA and less on regional (e.g., SADC and COMESA) and domestic trade issues (e.g., counterfeiting, anti-competitive behavior). Capacity constraints and tight timelines (e.g. in EPA negotiations) have also limited the influence of the stakeholders. But some successful examples include: NWGTP on privatization, and MCCCI (Malawi Confederation of Chambers of Commerce and Industry) in ensuring reduced government intervention, tax policy, exchange rate management etc., and CISANET on farm subsidy reversion. They were successful because MCCCI represents the corporate sector that is engine for economic growth and hence can elicit response from the government; NWGTP aligns the interests of the public and private sectors; and CISANET was able to push through opposition parliamentarians who currently are in a majority in the parliament. However, several stakeholders are not currently represented in the process. These mostly belong to the domestic trade sector which is largely informal. Hence Malawi Union for the Informal Sector (MUFIS), Indigenous Business Association, Parliament, Center for Social Concern, CAMA, and Farmers Union should also be included.

2.8 The experience of CSOs in policy consultations has been of an evolving nature, starting from the Poverty Reduction Strategy Paper (PRSP), to Malawi Economic Growth Strategy (MEGS), to Malawi Growth and Development Strategy (MGDS). There was minimal participation of the CSOs in the PRSP process which was considered too technical. The situation improved marginally for MEGS process but the CSO participation was again lower in the MGDS due to process and time issues. CSOs face a number of challenges in their effective participation in trade policy making. These include: lack of analytical skills and competencies within CSOs, technical nature of trade policy, inadequate access to information on trade policy, ideological differences between private sector and CSOs on trade regime options, e.g. liberalisation vs. state interventionist approaches, citizens more interested in issues related to petty trading or mere vending (micro-level) than the bigger issues of policy, and external influences on trade policy that align Malawi government away from CSOs and more to multilateral institutions. CSOs also face questions about legitimacy. CSOs can acquire legitimacy only after sometime and hence government may be hesitant in contacting all of them which may include CSOs that have yet to establish their legitimacy. At the same time CSOs claim that their legitimacy is based on having sufficient interest; otherwise they will be chased out by the people.

2.9 The ideas/suggestions to improve the trade policy making and implementation in Malawi included: Ministry of Economic Planning and Development (MoEPD) to take a leading role; technical assistance designed to transfer skills and knowledge to government officials and not under capacitating them; strengthening coordination amongst government institutions by putting in place an independent government institution to coordinate; increasing capacity through increased human resources, utilization of available human resources and adequate financial resources; more CSO space in actual formulation based on experiences in PRSP, and MGDS; enacting legislation for CSO access to trade information; dissemination of trade policy information to citizens as a way of demystifying trade from being regarded as a “technocrats only” area; strengthening CSO networking on trade (learning from EPA collaborations where MEJN, MCC, CISANET, Oxfam, Action Aid, and others collaborated closely); and prioritising citizen participation and action on trade policies through community based networks.

2.10 The meeting approved the revised ToR as well as the establishment of the Malawi National Reference Group (MNRG) on FEATS. This informal e-group was open to all the NIM participants and will be utilized by CUTS team to keep them apprised of the progress in the study as well as

other developments in the FEATS activities. The participants were also welcome to use the group to seek information and to initiate discussions on topical trade issues.

C. Terms of Reference for the First Policy Study under the FEATS Project

3. Introduction

- 3.1 Brief economic and trade profile: time series for GDP per capita, growth rates of GDP per capita for different time periods, relative present shares of agriculture, industry and service sectors in both GDP and workforce as well as changes in these over time, incidence of poverty and unemployment over time, exports and imports as a proportion of GDP over time, major exports and export destinations, major imports and their sources, membership of international and regional trading arrangements
- 3.2 Brief description of the main features of national trade policy since 1995 or the time of joining the WTO in order to a) trace out its evolution over that period; b) identify major objectives, sectors receiving attention and instruments used (such as tariffs, subsidies, prohibitions) as well as determine the relative effectiveness of identified instruments; and c) examine the motivation behind trade policy (i.e. whether it is multilateral commitment, regional commitment or unilateral decision)

4. National Trade Policy Making Processes

4.1 Description of the formal national trade policy making process:

- Who has the main responsibility for trade policy making? Which other government agencies/departments/ministries are involved?
- What are the means of eliciting inputs from stakeholders, particularly those not part of the government machinery?
- What are the various stages of the trade policy making process? What is the periodicity and timeline?
- How effective are the feedback mechanisms?

4.2 Identification of the main domestic stakeholders and description of their roles and influences

- Who are the main domestic stakeholders (e.g., private sector, NGOs, research bodies and academia, members of parliament, consumers, etc.)? Who represent the main stakeholders in the formal process of trade policy making?
- How influential are the main stakeholders? What means do they use to influence trade policy making in favour of their respective interests?
- What are the key challenges CSOs face to get a more effective role in trade policy making?

4.3 Other influences on trade policy making

- What is the role of international commitments, donors, etc. in national trade policy making?
- What are the formal and informal mechanisms through which the mentioned role is played?

4.4 Identification of both the most influential as well as the least influential stakeholders and the reasons thereof (economic power, social recognition or lack of formal representation in the policy making process)

- How much is awareness and capacity an issue in the respective influence of stakeholders?
- Why are domestic trade policy issues less on stakeholders agenda than regional or multilateral trade issues and how can this situation be made more balanced?

5. National Trade Policy Making: Way Forward for Poverty Reduction and Development

5.1 Tailoring trade policy making to respond better to the objectives of poverty reduction and development

- Are there concrete and visible links between trade policy making on the one hand and poverty reduction and development strategies on the other?
- How can these links be established or strengthened?
- How can there be better balance between national level trade policy scrutiny and local SME/farmers/consumers level concerns on trade matters?

5.2 Improving the formal national trade policy making **process**:

- Is there a need to involve more stakeholders? Do some stakeholders need to be further empowered?
- Would refining the periodicity and timelines of trade policy help in this regard? What should be the changes?
- How can dissemination/information flow to stakeholders regarding trade policy issues be improved?

Trade Policy Making – The Regional Dimension

6. Introduction

6.1 Brief description of relevant regional intergovernmental organization (East African Community, COMESA and SADC) including facts about date of coming into force, membership, key institutions

6.2 Trade policy regimes of relevant regional IGOs

6.3 Coverage

- What trade policy issues have been covered under the regional integration agreements?
- What further trade policy issues are to be covered by the regional integration agreements in the next five years?

6.4 Process

- What is the formal machinery and process to deal with trade policy issues under the regional agreements?
- What other stakeholders, in addition to member governments, are involved in the regional trade policy formulation mechanisms?

7. Examination and strengthening of the linkages between national and regional trade policy making

7.1 Relationship:

- What is the relationship between regional and national trade policy making in terms of substance, processes and actors?
- Are the corresponding policy mechanisms mutually supportive and appropriately linked?
- What are the channels used for coordination between national and regional trade policy and are these functioning? How can they be removed?
- What have been the actual (potential) conflicts? What have been the examples of successful coordination?
- Is multiplicity of regional policies due to overlapping regional arrangements a concern and / or constraint for national trade policies?

7.2 Strengthening the linkages between national and regional trade policy making on the one hand and poverty reduction and development on the other

- How can the gaps in coordination between national and regional policy making be removed? How can the successful examples of coordination be replicated?
- How can the synergy between the national and regional trade policy be utilised to bring about poverty reduction and development?
- How to address the issues of trade policy coherence resulting from the overlapping regional arrangements?