



MINISTRY OF INDUSTRY, TRADE AND TOURISM

NATIONAL AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA) RESPONSE STRATEGY AND ACTION PLAN FOR **MALAWI**



October 2018

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Executive Summary

This document contains a National Response Strategy for Malawi for the African Growth and Opportunity Act (AGOA) trade preference program. This strategy provides a comprehensive plan for increasing exports from Malawi to the United States under the AGOA nonreciprocal unilateral trade preference program and attracting more U.S. investment into Malawi.

Although a beneficiary country under AGOA since its inception in May 2000, Malawi has not significantly utilized the trade preference opportunities offered by the AGOA program. According to USITC Tariff Database, Malawi exports under AGOA (excl. GSP) were US\$56.1 million in 2011, mainly consisting of tobacco, and the exports declined to US\$46.3 in 2012 before peaking at US\$57.4 in 2014. The sharpest decline since 2011 has so far been in 2015 when the AGOA exports went down to about US\$41.0 million.

However, AGOA exports from Malawi increased by 10% in 2016 to about US\$44.9. Total AGOA and GSP exports followed the same trend. Malawi has exported mainly tobacco and limited amounts of macadamia nuts, cane sugar, textiles and apparel (garments) under the AGOA program. In addition, Malawi also exported lentils, basketwork, pigeon peas and household articles under GSP.

This National AGOA Response Strategy for Malawi was developed in line with the recommendations of the AGOA Trade Preferences Extension Act of 2015 and is aligned with the objectives of the Malawi National Export Strategy (NES) 2013-2018. The Strategy was developed through:

1. A review of the draft AGOA Strategy for Malawi developed in 2010 and various Malawi policies and strategy documents;
2. Trade data analysis; and
3. Findings from stakeholder consultations involving over 100 private and public sector stakeholders.

The Strategy provides guidance on the support required to develop identified export products through addressing policy, supply and market constraints. The target is to increase exports from Malawi to the United States under AGOA (including GSP) by at least 20% during the next five years from about US\$51.3 million in 2016.

The proposed priority products for export for Malawi under the AGOA program are categorized into short, medium and long term to enable the allocation of resources and implementation of the strategy. The proposed products and categories are:

1. Macadamia nuts and handicrafts (arts and crafts) for the short term (1-2 years);
2. Honey for the medium term (over 2-5 years); and
3. Mangoes and tea for the long term (above 5 years).

These products were selected based on:

1. AGOA including Generalized System of Preferences (GSP) eligibility of product;
2. Feedback from the stakeholder consultations underpinned by information from reviewed documents and the comparative advantage for Malawi on the product;
3. Potential for increased production including value added products and export development, based on existing and/or previous performance;
4. Existing U.S. market demand for the product.
5. Tariff rate for AGOA ineligible countries;

6. Regional integration potential;
7. Contribution to job creation/poverty reduction;
8. Unique product characteristics;
9. Can be potentially pursued by locals (skills, complexity, etc.) for sustainability;
10. Potential for niche marketing;
11. Availability of natural resource base; and
12. Investment that can break even within seven years.

The identified general key constraints to the utilization of AGOA in Malawi include:

1. Limited knowledge of the AGOA program and its benefits;
2. Insufficient information on U.S. market requirements;
3. Inadequate production capacity and poor productivity;
4. Disruptions from power cuts and high cost of electricity;
5. Lack of effective marketing of Malawi products in the United States;
6. Cost of compliance with U.S. standards and technical regulations;
7. Inadequate funding;
8. High cost of production and transport;
9. Non-tariff barriers to trade; and
10. Poor competitiveness for investment.

In addition to a strength, weakness, opportunity and threat (SWOT) analysis for each priority product, the strategy provides suggested strategic interventions to address identified general and product specific constraints to increased utilization of the AGOA program.

The following are the critical requirements for the effective implementation of the strategy:

1. While the strategy is for the full duration of the extension (until September 2025), it should be reviewed every two years to ensure that it remains relevant;
2. The immediate establishment of a national AGOA Committee consisting of all key stakeholders to lead the implementation of the strategy spearheaded by MoITT;
3. Establish a presence in the United States to identify market opportunities and help market Malawi products;
4. Need for political will and commitment to make required policy and regulatory changes; and
5. Provide adequate resources to implement the strategy coupled with effective coordination.

List of Acronyms and Abbreviations

AGOA	African Growth and Opportunity Act
BAM	Beekeepers' Association of Malawi
CEAR	Central and East Africa Railway
CISANET	Civil Society Agriculture Network
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
ECI	Economic Complexity Index
EDF	Export Development Fund
EPZ	Export Processing Zone
EU	European Union
FDA	Food and Drugs Administration
FDI	Foreign Direct Investment
FTA	Free Trade Area
FUM	Farmers Union of Malawi
GSP	Generalized System of Preferences
HACCP	Hazard Analysis and Critical Control Point
HIMACUL	Highlands Macadamia Cooperative Union Ltd
ILO	International Labour Organization
ITC	International Trade Centre
LDC	Lesser Developed Country
M&E	Monitoring & Evaluation
MBS	Malawi Bureau of Standards
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
NERA	Malawi Energy Regulatory Authority
MFN	Most Favoured Nation
MGDS	Malawi Growth and Development Strategy
MITC	Malawi Investment and Trade Centre
MoAIWD	Ministry of Agriculture, Irrigation and Water Development
MOGA	Malawi Organic Growers Association
MoITT	Ministry of Industry, Trade and Tourism
MRA	Malawi Revenue Authority
NAFTA	North American Free Trade Agreement
NAPI	National Action Plan on Investment
NES	National Export Strategy
NIS	Nut In-Shell
NMC	National Monitoring Committees

NSO	National Statistics Office
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measures
NTR	Normal Trade Relations
OEC	Observatory of Economic Complexity
OSBP	One Stop Border Posts
QI	Quality Infrastructure
RBM	Reserve Bank of Malawi
RECs	Regional Economic Communities
RoO	Rules of Origin
SADC	Southern Africa Development Community
SADCAS	SADC Accreditation Service
SME	Small or Medium Enterprise
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan Africa
TAML	Tea Association of Malawi Limited
TCB	Trade Capacity Building
TCF	Third Country Fabric
TEVETA	Technical, Entrepreneurial and Vocational Education and Training Authority of Malawi
TRF	Tea Research Foundation
U.S.	United States
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USAID	United States Agency for International Development
USG	U.S. Government
USTR	United States Trade Representative
VAT	Value Added Tax
WRAP	Worldwide Responsible Accredited Production
WTO	World Trade Organization

1.0 Situation Analysis

1.1 Overview of AGOA

The African Growth and Opportunity Act¹ (AGOA) is a non-reciprocal unilateral trade preference program that provides duty-free access into the United States (U.S.) for products from eligible Sub-Saharan African (SSA) countries. AGOA has been in existence for over 16 years and has been amended six times since its enactment on May 18, 2000. The latest iteration from 2015 to September 2025 makes it the longest in the history of the trade deal with SSA. AGOA aims to promote a free-market system, expand U.S.-African trade and investment, stimulate economic growth and assist SSA's integration into the global economy. The two focus areas for the AGOA program are to increase exports from AGOA eligible countries to the United States, and to encourage investment by U.S. companies into SSA. This trade initiative provides the most liberal access to the U.S. market consisting of over 300 million people. The combined AGOA/Generalized System of Preferences (GSP) program² covers over 6,400 product lines³ from eligible SSA countries, over 700 of which are agricultural. The products consist of more than 1,800 tariff line items (including apparel, footwear, wine, luggage, handbags, watches, certain motor vehicle components, chemicals, steel and many others) in addition to the 4,600 items enjoying duty-free status under the U.S. GSP program.

Through the AGOA program, non-oil exports from Sub-Saharan African countries have increased from US\$1.4 billion in 2001 to US\$4.1 billion in 2015, even though total exports from SSA have decreased due to a decrease in oil and commodity prices. Although oil/energy has been the biggest beneficiary sector, several non-oil sectors have registered significant exports under AGOA over the years, particularly automotive and parts, primary metals, and textiles and apparel. AGOA is attributed with creating over 300,000 jobs in the AGOA beneficiary countries.

The U.S. and SSA organize a Trade and Economic Cooperation Forum annually, commonly known as the AGOA Forum, to discuss trade and investment issues.

1.2 AGOA Eligibility Criteria

Each year, the U.S. President designates a SSA country as eligible to benefit from the AGOA program. For a country to be eligible, the U.S. President determines that it has met or is making continual progress towards establishing:

- a) A market-based economy;
- b) Rule of law, political pluralism, and right to due process;
- c) Elimination of barriers to U.S. trade and investment;
- d) Economic policies to reduce poverty;
- e) A system to combat bribery and corruption; and
- f) Protection of internationally recognized worker rights.

Furthermore, the country must not engage in activities undermining U.S. national security or foreign policy interests, and gross violations of internationally recognized human rights. Eligibility requirements including product and general rules of origin (ROO) are set out in the legislation (<https://www.trade.gov/agoa>).

¹ The African Growth and Opportunity Act (AGOA), first authorized in 2000, provides for duty-free treatment for nearly all goods from eligible sub-Saharan African countries. AGOA is currently set to expire on September 30, 2025.

² The Generalized System of Preferences (GSP), first authorized in 1974, is a unilateral preference program that allows eligible developing countries to import duty-free import over 3,500 items.

³ AGOA Key Stats <https://agoa.info/>

1.3 Highlights of the 2015 AGOA Extension

The U.S. President signed the AGOA Trade Preferences Extension Act of 2015 into law in June 2015, renewing AGOA by a further 10 years to September 30, 2025. The extension includes the Third Country Fabric (TCF) provisions, which are important to the development of the textile and apparel industry in SSA.

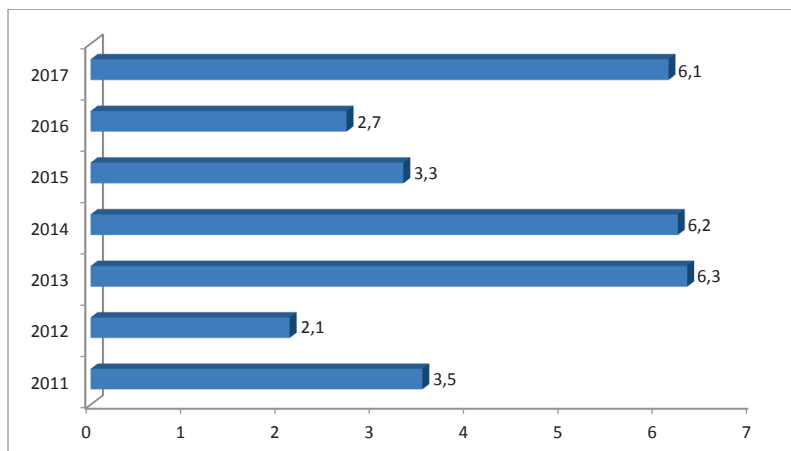
The TCF provisions allow lesser-developed beneficiary countries duty-free/quota-free access into the United States for apparel made from fabric imported from any country. The Act promotes compliance with the eligibility criteria by providing greater flexibility to the United States to withdraw, suspend, or limit benefits under AGOA if it is determined that such action will be more effective than termination. Highlights of the AGOA Extension and Enhancement Act include:

- a) An out-of-cycle review allowing the U.S. President to review at any time whether an AGOA beneficiary country is making progress towards meeting eligibility requirements with a 60-day notification period prior to termination from being an AGOA beneficiary;
- b) Emphasis on promoting the role of women in social and economic development in SSA;
- c) U.S. trade capacity building (TCB) agencies expected to provide appropriate resources to assist the development and implementation of the biennial AGOA utilization strategies; and
- d) USTR should consider requesting the Regional Economic Communities (RECs) to prepare biennial AGOA utilization strategies, to encourage greater regional integration.

1.4 Review of Economic Performance of Malawi

According to the Reserve Bank of Malawi (RBM), economic growth has fluctuated since 2011. In 2013 and 2014, Gross Domestic Product (GDP) rates stood at 6.3% and 6.2% respectively while 2012 (2.1%) and 2016 (2.7%) witnessed the lowest GDP growth rates (see Figure 1). RBM forecasts the economy to grow by 6.1% in 2017 due to the good rains during the last farming season and the macroeconomic stability.

Figure 1: Malawi Projected Percentage GDP Growth Rates 2011-2017



Source: Reserve Bank of Malawi, 2017

In contrast, the GDP growth for SSA was 5.0% in 2014, 3.4% in 2015 and 1.4% in 2016 while growth rates for advanced economies were 1.6% in 2016 compared to 2.1% in 2015 and 1.8% in 2014 (see Table 1 below). The advanced economies growth rate is projected to be 1.8% in 2017.

Table 1: World Real GDP Growth (Percent)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
World Output.....	5.0	5.2	3.0	-0.5	5.2	3.9	3.2	3.4	3.4	3.2	3.1
Advanced Economies.....	3.0	2.7	0.6	-3.4	3.2	1.7	1.5	1.4	1.8	2.1	1.6
Emerging Market & Developing Economies	8.3	8.8	6.1	2.7	7.6	6.2	4.9	5.0	4.6	4.0	4.2
United States.....	2.9	2.1	0.4	-2.6	3.0	1.8	1.5	2.2	2.4	2.6	1.6
Euro Area.....	2.8	2.7	0.7	-4.1	1.9	1.5	-0.6	-0.5	0.8	2.0	1.7
Japan.....	2.4	2.3	-0.7	-6.3	4.4	-0.6	2.0	1.6	-0.1	0.5	0.5
Sub-Saharan Africa.....	6.4	7.0	5.6	2.8	5.3	5.5	4.9	5.2	5.0	3.4	1.4
Nigeria.....	6.2	7.0	6.0	7.0	8.4	6.3	7.2	5.4	6.3	2.7	-1.7
South Africa.....	5.6	5.5	3.7	-1.7	2.9	3.5	2.5	2.2	1.5	1.3	0.1
Malawi.....	4.7	9.6	8.3	8.9	6.7	2.9	2.1	6.2	6.0	3.0	2.7
Developing Asia.....	9.6	10.6	7.6	7.2	9.5	7.8	6.4	7.0	6.8	6.6	6.5
Middle East & North Africa...	5.8	6.2	5.4	1.8	4.3	3.9	4.6	2.3	2.7	2.1	3.2

Source: World Economic Outlook

Agriculture is the largest contributor to Malawi's GDP at 30% per year and employs 80% of the population (see Table 2). Moreover, agriculture accounts for 90% of export revenues with tobacco contributing over 50% of the proceeds. Estimations are that more than eight out of every 10 Malawian households rely on agriculture for their livelihood⁴.

This makes the country's economy vulnerable to the volatility of the weather as Malawi agriculture production is largely rain fed with only one rainy season per year. For instance, due to the adverse effect of the drought and floods, Malawi's economy only grew by 3.3% in 2015 and 2.7% in 2016. At the same time, the consensus from the stakeholder consultations during the development of this AGOA Strategy was that smallholder farmers continue to experience constraints to sustainable growth, particularly lack of increased production coupled with poor access to markets. Smallholder farmers still largely depend on informal traders when selling their produce, increasing their vulnerability to market changes.

Table 2: Percentage Sectoral Contribution to GDP for Malawi 2011-2017

Item Description	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture, forestry and fishing	30.0	30.8	29.9	29.9	29.9	28.7	27.9	28.1
a) Crop and animal production, hunting and related service activities	21.1	21.7	20.6	20.9	21.1	19.8	19.0	19.4
b) Forestry and logging	7.3	7.6	7.8	7.5	7.3	7.3	7.3	7.1
c) Fishing and aquaculture	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2
d) Government & NPISH Services on Agriculture	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Mining and quarrying	1.0	0.9	1.0	1.0	0.9	0.9	0.9	0.9
Manufacturing	10.0	9.9	9.6	9.5	9.5	9.6	9.4	9.3
Electricity, gas and water supply	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2
Construction	3.0	3.0	3.0	2.8	2.8	2.8	2.8	2.8
Wholesale and retail trade	15.7	15.5	15.5	15.8	15.8	16.0	15.9	16.0
Transportation and storage	2.7	2.6	2.7	2.7	2.6	2.7	2.7	2.7
Accommodation and food service activities	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0
Information and communication	3.7	3.7	3.9	3.9	4.1	4.3	4.4	4.3
Financial and insurance activities	4.7	4.9	5.1	5.0	5.0	5.1	5.2	5.3
Real estate activities	8.1	8.2	8.3	8.0	7.8	7.7	7.7	7.5

⁴ Malawi CARER, Malawi Centre for Advice, Research and Education on Rights, Malawi Tea Research Project, 2015.

Professional, scientific and technical activities, administrative and support service activities	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public administration and defense	1.9	2.0	2.0	2.0	1.9	2.0	2.1	2.0
Education	2.4	2.5	2.6	2.6	2.5	2.6	2.7	2.7
Human health and social work activities	2.6	2.6	2.7	2.7	2.6	2.6	2.7	2.8
Other services, nec	4.6	4.7	4.9	4.8	4.8	4.9	5.1	5.0
Sum of all industries	94	95	95	94	94	93	93	93
Plus: Taxes less subsidies on products	6.0	5.2	5.2	5.8	6.1	6.5	6.8	7.1
GDP in constant 2010 prices	100	100	100	100	100	100	100	100

Source: Reserve Bank of Malawi, 2017

Malawi's economic challenges include developing a market economy, overcoming environmental problems, and improving educational facilities, as well as managing corruption and HIV/AIDS. Malawi continues to depend on substantial inflows of economic assistance from several donor institutions. This calls for the country to find a more sustainable source of income.

Table 3: Key Macroeconomic Indicators for Malawi

Indicator	2012	2013	2014	2015	2016	2017	Rank ⁵ (2016)
GDP (Purchasing Power Parity)	\$5.6 billion		\$20.08 billion	\$20.67 billion	\$21.23 billion	\$20.4 billion	143
Real GDP growth rate %	2.1	6.3	6.2	3.3	2.7	6.1	109
GDP Per Capita (PPP)			\$1,100	\$1,100	\$1,100		176
Gross National Savings			3.5% of GDP	3% of GDP	-4.4% of GDP		145
Annual Inflation Rate	21.4%	27.3%	23.8%	21.9%	21.7%		
Population Growth Rate	3.1%	3.1%	3.1%	3.2%	3.2%	3.2%	
Exchange Rate (Malawian kwachas (MWK) per US\$)	249.11	424.9	499.6	499.6	671.6	718	
Commercial Bank Base Lending Rate (Average)	25.8%	38.4%	36.8%	36.7%	36.1%	33.1%	
Commercial Bank Maximum Lending Rate (Average)	33.8%	46.3%	44.6%	44.4%	44.2%	42.5%	

Source: CIA World Factbook/Reserve Bank of Malawi, 2017

In addition to the key macroeconomic indicators for Malawi in Table 3, top individual income and corporate tax rates for the country average 30% with other taxes being a value-added tax (VAT) and an inheritance tax. The overall tax burden is approximately 16.9% of total domestic income while Government spending has amounted to 31.7% of GDP over the past three years. Budget deficits have averaged 5.7% of GDP and public debt is equivalent to 83.4% of GDP.

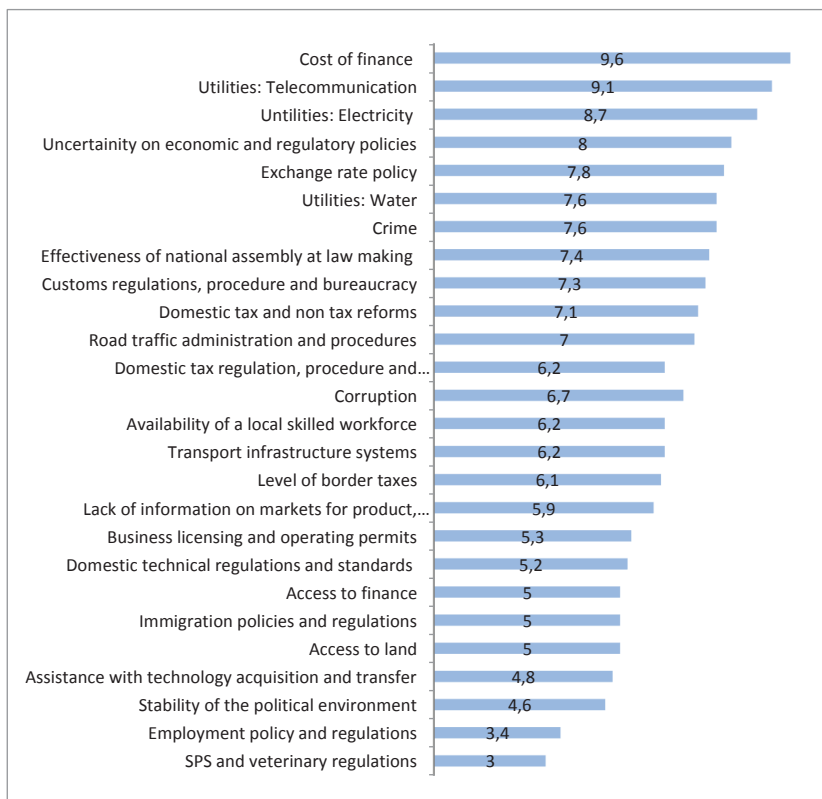
The International Labour Organization (ILO) argues that Malawi has one of the highest rates of working poverty in the world, with 60% of the population earning less than US\$2.00 per day, while the World Bank says 70% earn less than \$1.90 per day. Over 50% of the population lives below the poverty line and about 85% depend on subsistence agriculture. In July 2016, the population was estimated around 18.6 million with an annual growth rate of above 3.1%. The official unemployment rate was around 6.7% (July 2016 est.), with 70% of those aged between 15 and 29 working in the informal sector, mainly in agriculture.

⁵ These are the international rankings of Malawi

1.5 Overview of the Business Environment in Malawi

The 2016 Malawi Confederation of Chambers of Commerce and Industry (MCCCI) Malawi Business Climate Survey Report⁶ highlights several obstacles to doing business in Malawi (see Figure 2). The survey indicates the participants' views on observed impediments to doing business in Malawi, with those rated 1-5 being minor, 6-7 moderate with those above seven considered to be major obstacles.

Figure 2: 2016 Impediments to Doing Business in Malawi



Source: Adapted from Malawi Business Climate Survey Report, MCCCI, November 2016

Based on the survey, the major obstacles to doing business in Malawi include cost of finance, utilities (telecommunication, water and electricity), uncertainty on economic and regulatory policies, exchange rate policy, crime, effectiveness of national assembly at law-making, customs regulations, procedure and bureaucracy as well as domestic tax and non-tax reforms. These results highlight an urgent need to make concerted efforts to improve the business environment in Malawi to facilitate economic growth.

⁶ The Malawi Business Climate Survey Report is a publication of results of the business climate survey done by MCCCI annually to present a snapshot of the views of business executives in Malawi on how the business and investment landscape is performing in the country.

The 2018 World Bank Doing Business report ranks Malawi 110 out of 190 assessed countries, a marked improvement compared to position 133 in 2017 and 141 out of 189 countries in 2016. Compared to the 15 Southern Africa Development Community (SADC) countries, Malawi is 8th up from 10th in 2017, confirming the need for Malawi to improve its business environment to be more competitiveness. The Doing Business Report sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations (World Bank, 2017).

As reflected by the improvement in the ranking between 2016 and 2018 noted above, Malawi has taken steps to improve its regulatory framework, but progress has been slow. In 2018, Malawi performed poorly in six out of the 10 indicators where its ranking is greater than the regional average. According to the report, the four indicators where the country performed better than the SADC regional average are getting credit, protecting minority investors, registering property and trading across borders (see Table 4 below).

Table 4: Malawi Rankings on Doing Business Indicators in 2018

Indicator	Malawi Ranking 2018	SADC Average	Highest Ranked SADC Country	Ranking
Getting credit	6	89	Zambia	2
Protecting minority investors	96	97	South Africa	24
Registering property	96	118	Mauritius	35
Trading across borders	117	118	Swaziland	32
Paying Taxes	134	91	Mauritius	10
Resolving insolvency	138	109	Mauritius	36
Dealing with construction permits	144	110	Mauritius	9
Enforcing contracts	151	129	Mauritius	27
Starting a business	152	128	Mauritius	40
Getting electricity	166	136	Mauritius	51

Source: Prepared with information from World Bank Doing Business SADC Regional Report 2018

A 2014 Malawi survey on non-tariff measures (NTMs) and non-tariff barriers (NTBs) cites the following NTBs as constituting a third of all impediments experienced by exporters and importers in Malawi:

- Lack of transparency and poor attitude of border officials especially police officers;
- Delayed shipments caused by Malawi Revenue Authority's (MRA) Declaration Processing Centre and transit challenges in Mozambique; and
- Administrative charges and/or additional cost.

The above scenario highlights areas Malawi needs to increase its efforts to create a business-friendly environment to improve competitiveness and attract FDI, consequently increase economic growth.

1.6 Review of Malawi Exports to the World

Despite concerted efforts by the Government of Malawi to increase exports over the years, the country's exports largely remained stagnant, mainly consisting of unprocessed agriculture products indicating the absence of a robust manufacturing industry. The Observatory of Economic Complexity (OEC) ranked Malawi as the 143rd largest exporter in the world and the 97th most complex economy in 2015, based on the Economic Complexity Index (ECI). The top exports of Malawi are unmanufactured tobacco (US\$702 million), dried legumes (US\$111 million), raw sugar (US\$85.4 million), tea (US\$73 million) and raw cotton (US\$25.6 million). Table 5 below shows the top five export destinations for Malawi.

Table 5: Top Five Export Destinations for Malawi

Export Destination	Amount
1) Belgium-Luxembourg	US\$159 million
2) Germany	US\$147 million

3) India	US\$101 million
4) South Africa	US\$75.2 million
5) United States	US\$72.3 million

Source: Observatory of Economic Complexity, 2017 (<http://atlas.media.mit.edu/en/profile/country/mwi/>)

According to the ITC Trade Map Database, Malawi's total exports to the world were US\$1.4 billion in 2014 before going down to US\$1.1 billion in 2015. As highlighted above, Malawi's economy largely depends on agriculture which contributes 90% of export revenues.

In 2014, tobacco accounted for 45.5% of the total exports and 45.9% in 2015 followed by sugars and sugar confectionery with a distant 8.9% in 2014 and 9.1% in 2015 while coffee, tea, maté and spices contributed 5.9% and 6.6% respectively during the two years. Malawi also exported 1.3% and 1.9% million of edible fruit and nuts in 2014 and 2015 respectively. This trend continued in 2016, with Malawi exporting US\$555.4 million (56.8%) worth of tobacco, about US\$85.0 million, coffee, tea, maté and spices (10%) and US\$64.2 million (7.6%) amount of sugar.

On non-agricultural products, Malawi's largest exports were US\$117.7 million and US\$39.1 million consisting of machinery and mechanical appliances, followed by US\$41.3 million made of ores, slag and ash in 2014, and US\$30.0 million for plastics and articles in 2015. In 2016, Malawi's highest non-agricultural exports were about US\$6.2 million plastics and articles and US\$3.0 million rubber and articles.

1.6.1 Malawi Exports to the United States

The ITC Trade Map Database shows that Malawi has a positive but gradually declining trade balance with the United States, with exports growing from US\$55.4 million in 2000 to reach a peak of US\$115.5 million in 2005. Total Malawi exports to the United States were US\$57.6 million in 2014 before going down to US\$48.4 million the following year, representing only about 0.002% of the total U.S. imports from the world. Conversely, Table 6 with data from the U.S. Department of Commerce shows products imported from Malawi by the United States in 2015 and 2016 at customs value by Harmonized Tariff Schedule (HTS) chapters, ranked by 2016 imports.

The list shows that Malawi exported US\$61.4 million and US\$76.7 million to the United States in 2015 and 2016 respectively. This shows the limited amount of trade between Malawi and the United States despite the AGOA preference program. The variance between the two sources of data highlights challenges with getting accurate trade statistics for the country⁷.

In 2016, 46% of the total Malawi exports to the United States were tobacco, underlining the lack of diversity in the products exported from Malawi to the United States. This was however much less than the 60% exported in 2014. Other notable exports from Malawi to the United States during the two years included coffee, tea, sugar and nuts in addition to apparel and clothing accessories.

Table 6: U.S. Imports from Malawi at Customs Value by HTS Chapters

2016 rank	HTS Category	2015	2016		2016	2017
		US\$ Million		% of Total	Jan.-Apr	US\$ Million
	All Categories	61.4	76.7	100.00	17.2	27.0
1	24. Tobacco and manufactured tobacco substitutes	25.6	35.1	45.778	8.0	18.9
2	09. Coffee, tea, mate and spices	9.2	22.0	28.673	7.8	7.0
3	17. Sugars and sugar confectionery	8.6	10.8	14.019	0.2	0.5
4	08. Edible fruit and nuts; peel of citrus fruit or melons	11.0	6.6	8.617	0.4	0.3

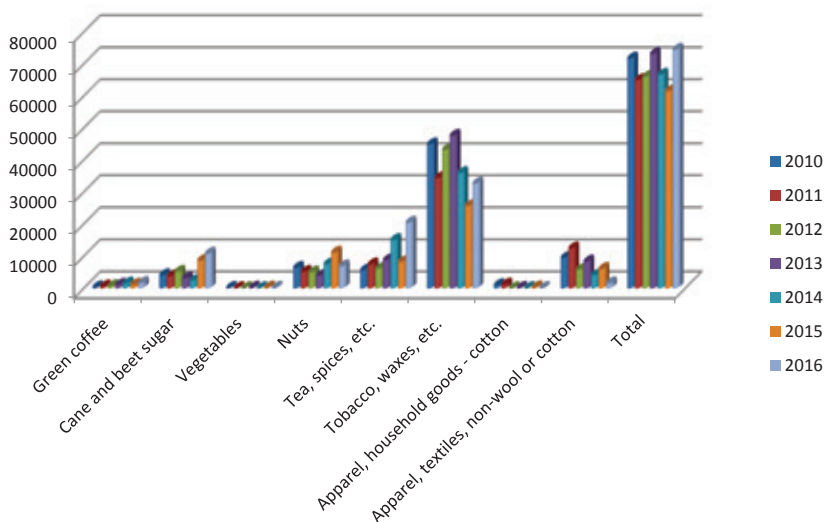
⁷ It is important to note that there are often significant variances on trade statistics between different sources of data. For instance, while the U.S. Department of Commerce indicates that Malawi exported US\$61.4 million to the United States in 2015, the ITC Trade Map Database (calculated based on UN COMTRADE statistics) shows that exports from Malawi to the United States were US\$48.4 during the same year.

5	61. Articles of apparel and clothing accessories, knitted or crocheted	6.3	1.6	2.029	0.5	0.3
6	98. Special classification provisions, nesoi	0.2	0.3	0.329	0.1	0.0
7	07. Edible vegetables and certain roots and tubers	0.2	0.1	0.177	0.1	0.0
8	85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	0.0	0.1	0.164	0.0	0.0
9	99. Special import reporting provisions, nesoi	0.1	0.1	0.070	0.0	0.0
10	25. Salt; sulfur; earths and stone; plastering materials, lime and cement	0.1	0.0	0.034	0.0	0.0
11	03. Fish and crustaceans, molluscs and other aquatic invertebrates	0.0	0.0	0.031	0.0	0.0
12	46. Manufactures of straw, esparto or other plaiting materials; basket ware and wickerwork	0.0	0.0	0.015	0.0	0.0
13	95. Toys, games and sports equipment; parts and accessories thereof	0.0	0.0	0.014	0.0	0.0
14	94. Furniture; bedding, cushions etc.; lamps and lighting fittings nesoi; illuminated signs, nameplates and the like; prefabricated buildings	0.0	0.0	0.013	0.0	0.0
15	97. Works of art, collectors' pieces and antiques	0.0	0.0	0.013	0.0	0.0

Source: USITC Department of Commerce <https://dataweb.usitc.gov/scripts/>

To further highlight the trend of exports from Malawi to the United States, Figure 3 shows the total exports from Malawi to the United States from 2010 to 2016. The top exports during the seven-year period were: a) tobacco, waxes etc.; b) apparel, textiles, non-wool or cotton; c) nuts; d) cane and beet sugar; e) tea; spices etc.; f) apparel and house hold goods; g) green coffee; and h) vegetables.

Figure 3: Total Malawi Exports to the United States: 2010-2016 (US\$'000)



U.S. International Trade Data <https://www.census.gov/foreign-trade/statistics/product>

1.6.2 Analysis of Malawi Exports under AGOA

The U.S. Department of Commerce, International Trade Administration reports that in 2016, U.S. imports from SSA under AGOA totaled US\$9.3 billion, a 35% reduction compared to 2015, and accounted for 49.6% of total U.S. imports from SSA. The decrease in AGOA imports was mainly due to a 48% drop in petroleum product imports. Despite this decrease, imports of petroleum products continued to account for the largest portion of all AGOA imports at 55.6%. Excluding fuel products, AGOA imports in 2015 amounted to US\$4.1 billion, decreasing by 6% from 2014. AGOA imports of transportation equipment increased by 5.4%, textiles and apparel increased by 0.1%, minerals and metals decreased by 36.7% while agricultural products decreased by 0.3%. However, also worth noting is an increase in imports of miscellaneous manufactures by 38.2%. The top five AGOA beneficiary countries in 2016 were South Africa, Angola, Chad, Nigeria, and Kenya.

Based on information from the USITC Tariff Database, Malawi exports under AGOA (excl. GSP) amounted to US\$56.1 million in 2011, with the highest contributor to the exports being tobacco, and declined to US\$46.3 in 2012 before peaking at US\$57.4 in 2014. The sharpest decline in exports under AGOA since 2011 has so far been in 2015 when the exports were down to about US\$41.0 million. However, there was a 10% growth in 2016 with the AGOA exports from Malawi increasing to about US\$44.9. Total AGOA + GSP⁸ exports also show the same trend (see Table 7 below).

The data also shows that 78% of Malawi exports to the United States in 2011 consisted of the 1,800 products covered under AGOA. The GSP contributed 10%, while 12% of the products entered the U.S. market without any preferential treatment. In contrast, AGOA products accounted for 68% of all Malawi exports to the United States in 2015 while 14% were GSP and the remaining 18% entered the U.S. market without any preferential program (no program claimed). This shows that despite the current low volume of trade with the United States, most exports from Malawi are through the AGOA preferential trade program.

Table 7: Malawi Exports to the United States by Import Program and Customs Value

Import Program	2010	2011	2012	2013	2014	2015	2016	2016 YTD	2017 YTD
	<i>US\$'000</i>								
Total AGOA (excl. GSP)	47,191	56,146	46,307	47,084	57,386	40,952	44,882	9,835	19,521
Total GSP	9,679	7,266	6,824	4,154	2,391	8,755	6,462	2,325	392
Total AGOA + GSP	56,870	63,412	53,131	51,238	59,777	49,707	51,344	12,160	19,913
Total No Program claimed	9,803	8,942	8,887	12,659	20,482	10,848	24,038	7,989	7,718
Total	66,673	72,354	62,019	63,897	80,259	60,556	75,382	20,150	27,631

Source: USITC Tariff Database https://dataweb.usitc.gov/scripts/tariff_current.asp

In terms of the actual products, of the 1,800 products eligible under AGOA, from 2015 to 2017 (YTD) Malawi exports tobacco, macadamia nuts, cane sugar, textiles and apparel (garments). In addition, during the same period, Malawi exported lentils, basketwork, pigeon peas and household articles under GSP provisions. Malawi has potential to increase its exports under the AGOA facility, hence the need to update the national AGOA strategy for Malawi to increase utilization of the preferential arrangement. However, a tariff rate quota restricts tobacco and sugar cane.

Other products that Malawi has exported under AGOA in the past, such as precious/semi-precious stones (gemstones), leather, other nuts, dried peas and household articles had very limited amounts. Production of these products would need to be increased substantially to make them more competitive for the U.S. market.

⁸ Generally, AGOA and GSP are lumped together and considered as AGOA.

1.6.3 AGOA Eligible Products Exported to Other Countries Excluding the United States

Potential products for export to the United States are those AGOA eligible products that Malawi is currently not exporting to the –United States but is exporting substantial quantities to other countries, and for which the United States already imports significant quantities.

Table 8 shows some of the AGOA eligible products already currently exported by Malawi to other parts of the world but not the United States. On the other hand, chili, paprika and natural honey are AGOA eligible products identified during the stakeholder consultations, for which there is demand in the United States and are produced in Malawi but are currently not exported at all or very small quantities are being exported.

There is potential to increase production of most of these products. Malawi AGOA eligible products with potential for export to the United States will be discussed in detail below.

Table 8: AGOA Eligible Products Currently Exported by Malawi to the World Excluding the United States (US\$'000)

Product code	Product Label	Malawi's Exports to United States			United States' Imports from World			Malawi's Exports to World		
		Value in 2014	Value in 2015	Value in 2016	Value in 2014	Value in 2015	Value in 2016	Value in 2014	Value in 2015	Value in 2016
071390	Dried, shelled leguminous vegetables	0	0		62,761	29,708	7,172	275	159	2,770
120110	Soya bean seed for sowing	0	0		45,208	36,598	33,441	13,961	5,036	15
392390	Articles for the conveyance or packaging of goods of plastics	0	0		1,361,011	1,484,876	1,495,212	3,237	2,266	33
071021	Shelled or unshelled peas	0	0		39,508	37,269	35,375	2,504	0	
520300	Cotton	0	0		880	710	1,771	1,274	2,731	
410150	Whole raw hides and skins of bovine	0	0		50,427	43,179	30,875	25	3,596	
060311	Fresh cut roses and buds	0	0		513,831	522,342	569,634	2,260	194	
071320	Dried, shelled chickpeas	0	0		27,770	34,025	52,818	4,317	433	307
071360	Dried, shelled pigeon peas	0	0		3,437	5,478	10,625	262	0	41,935
120230	Groundnut seed for sowing	0	0		399	984	610	9,266	1,449	233
230610	Oilcake and other solid residues	0	0		0	14,590	0	7,260	16,900	2,041
120721	Cotton seeds for sowing	0	0		5,498	7,127	3,167	3,997	311	717
120242	Groundnuts	0	0		9,757	8,420	7,286	38,293	9,456	8,272
070810	Fresh or chilled peas	0	0		72,972	69,817	68,621	2,637	4,446	
071310	Dried, shelled peas	0	0		103,716	76,989	74,714	30,979	56,434	2,283
071331	Dried, shelled beans	0	0		35,215	43,893	46,334	2,846	684	504
230400	Oilcake and other solid residues	0	0		168,927	150,277	161,438	3,792	12,678	4,299

Sources: ITC Trade Map Database <http://www.trademap.org>

1.7 Analysis of SADC Exports under AGOA

Of the 15 SADC countries, the Democratic Republic of Congo (DRC) and Zimbabwe have never been AGOA beneficiaries, while Swaziland was suspended from the program effective January 1, 2015. Madagascar was suspended from AGOA in 2009 before the suspension was lifted in 2014 while Seychelles became the first country to graduate out of AGOA and ceased to be an AGOA beneficiary as of January 1, 2017.

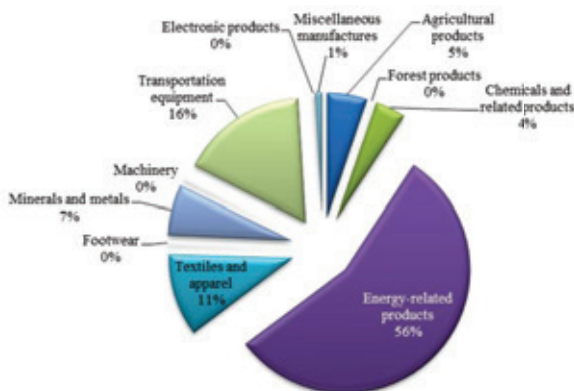
Table 9: AGOA Exports for the SADC Region

Country	Total Exports (US\$,000)				AGOA Exports (US\$'000)			
	Total 2015	Total 2016	Total 2016 YTD	Total 2017 YTD	AGOA Incl. GSP Provisions 2015	AGOA Incl. GSP Provisions 2016	AGOA Incl. GSP Provisions 2016 YTD (Jan–Apr)	AGOA Incl. GSP Provisions 2017 YTD (Jan– Apr)
Angola	3,009,896	2,917,433	796,699	482,112	1,830,569	1,955,691	482,847	278,424
Botswana	225,286	444,957	104,221	146,718	8,259	4,841	1,618	991
DRC	153,455	149,313	41,775	25,872	NE	NE	NE	NE
Lesotho	329,809	310,568	87,090	83,558	299,367	295,485	85,964	82,345
Madagascar	322,267	441,802	115,935	265,051	43,570	96,620	24,530	45,346
Malawi	60,556	75,382	20,150	27,631	49,708	51,344	12,161	19,913
Mauritius	394,888	334,742	112,084	81,904	218,079	200,878	62,958	47,544
Mozambique	109,897	132,197	44,132	41,668	8,568	19,278	3,848	117
Namibia	110,529	109,239	41,993	51,742	204	1,465	63	314
Seychelles	5,839	5,821	2,248	4,254	0	40	4	NE
South Africa	7,436,989	7,014,111	2,119,512	2,158,443	2,858,203	2,845,807	931,815	716,117
Swaziland	19,915	16,996	1,563	1,434	NE	NE	NE	NE
Tanzania	106,686	153,659	56,128	58,216	28,598	37,476	10,572	11,391
Zambia	58,609	69,543	24,790	12,209	3,739	1,818	0	187
Zimbabwe	63,810	15,863	5,673	21,242	NE	NE	NE	NE
Total	12,408,431	12,191,626	3,971,993	3,462,054	5,348,864	5,510,743	1,616,380	1,202,689

Source: Adapted from USITC https://pubapps2.usitc.gov/africa/total_gsp_agoa_import_suppliers.jsp

Table 9 above shows total U.S. imports from SADC Member States and regional AGOA exports (including GSP provisions) from each of the AGOA beneficiary countries in SADC during 2015-2017 year-to-date (YTD Jan – Apr). Over 43% and 45% of exports to the United States from SADC were under AGOA in 2015 and 2016 respectively (35% 2017 YTD).

Figure 4: 2015 AGOA Sector Profile Including GSP Provision



Source: USITC https://pubapps2.usitc.gov/africa/total_gsp_agoa_import_suppliers.jsp

South Africa and Angola's exports were 84% and 81% of the total AGOA exports for the region in 2015 and in 2016 respectively predominantly due to oil, automotive and mineral exports from the two countries. South Africa is the only country with a well-diversified number of products, with vehicles becoming the country's major export under the AGOA program while Angola mainly exports oil.

Figure 4 above represents the breakdown of exports from SADC to the United States under AGOA and GSP in 2015 highlighting the variety of products exported to the U.S. market. As noted above, Malawi's export basket over the years consists of tobacco, macadamia nuts, tea, cane sugar, textiles and apparel (garments), precious/semi-precious stones (gemstones), leather, other nuts, dried peas and household articles under AGOA/GSP provisions.

1.8 How a Product Qualifies for AGOA Duty-Free Treatment

A product qualifies for AGOA duty-free treatment under the following conditions (<https://agoa.info/about-agoa/product-eligibility.html>):

- a) The product must be included in the list of GSP eligible articles, or included in the list of new AGOA products, or be a qualifying apparel/textile item;
- b) The product must be imported into the United States directly from an AGOA beneficiary country or pass through another country in a sealed container and addressed to a location in the United States;
- c) The product must be the growth, product, or manufacture of the AGOA beneficiary country by fulfilling the relevant ROO requirements for general or apparel items respectively;
- d) If foreign materials are imported into the AGOA country first to be used in the production of an AGOA eligible product, the sum of the cost of the materials produced in the AGOA beneficiary country, plus the costs of processing, must equal at least 35% of the product's value when the product is sold for export into the United States;
- e) In the case of clothing/apparel, the 35% rule does not apply directly, instead, the goods need to comply with the respective ROO requirements; and
- f) The U.S. importer must request duty-free treatment under AGOA on the relevant customs entry form (Form 7501) by placing a "D" in column 27 in front of the U.S. tariff number that identifies the imported article.

1.9 Analysis of FDI in Malawi

Besides export development, a broader objective of AGOA is to deepen U.S. investment ties with the SSA region. Foreign direct investment (FDI) inflows into host countries are determined by a variety of factors namely, the economic attractiveness of host countries, profitability of the investment, various policy and institutional elements and business facilitation measures (UNCTAD, 2009).

The Investment and Export Promotion Act of 2012 governs investments in Malawi. In its effort to attract investment, Malawi allows domestic and FDI without any restrictions on ownership, size of investment, source of funds or the destination of the final product. Restrictions on investment, which are the same for every investor, only involve environmental, health, and national security issues.

Any investor can participate in the privatization of former state-owned enterprises to a maximum limit of 10% of any class or category of security. The maximum limit on foreign investment in any portfolio is 49% and there are no restrictions on remittance of foreign investment funds as long as the capital and loans were obtained from foreign sources and registered with RBM.

As an investment destination, Malawi has a huge local market of approximately over 18 million people albeit with limited disposable income. Investing in Malawi provides potential access to a huge regional market. Malawi is a member of two RECs, the Common Market for Eastern and Southern Africa (COMESA) with a potential

market of 430 million people, and a combined GDP of US\$472 billion, and SADC with a potential market of 258 million people and a combined GDP of US\$471.1 billion, combined with access to the COMESA-East African Community (EAC)-SADC Tripartite Free Trade Area (FTA). The Tripartite FTA consist of 26 countries with a combined population of over 600 million and a GDP of about US\$624 billion, providing a ready market for Malawi products and an opportunity for regional integration and value chain development.

However, criticism leveled against FDI facilitation in Malawi stems from the government’s inability to simplify or streamline the process to attract increased investment. Consequently, although there is no discrimination of investors, investments involve multiple bureaucratic processes, which may include time consuming licensing and land use permissions that impede investment.

To facilitate investment, the Malawi Investment and Trade Centre (MITC) operates a One Stop Centre for starting a business as a means of providing assistance on navigating relevant regulations and procedures. As is the case with similar facilities in the region, rather than being a One Stop Centre, the facility has become a “First Stop Centre” as prospective investors are unable to get their enquiries resolved there due to unwillingness by government agencies to surrender the authority required by the Centre.

Despite efforts by government to create a business-enabling environment to promote foreign investment, several factors continue to inhibit such exertions. These include erratic power supply, high transportation costs, cumbersome bureaucracy, inadequately skilled labor, difficulty in accessing foreign exchange, and government market interventions in the marketing of agricultural products.

Land ownership continues to be a sticking point and lack of clarity on the land policy has a negative impact on investment. Also, worth noting is the current real and perceived corruption in Malawi, which increases the cost and risk of doing business. Although progress is being made in addressing the issue, corruption is viewed as a major obstacle to doing business in Malawi.

1.10 Overview of the Malawi NES Priority Export-oriented Clusters

The Malawi National Export Strategy (NES) (2013-2018) identified oil seed products, sugar cane products and manufacturing as three prioritized export-oriented clusters for diversification. The NES also highlights the need to support stakeholder efforts in other major existing clusters including tobacco, mining, tourism, tea and services. These clusters are considered to be capable of being developed to help drive export growth and allow economic empowerment of Malawi.

The rationale is that the clusters have export development potential mainly through value addition with the resultant products exported to regional and international markets, including the United States. The Buy Malawi Strategy encourages production and growth of Malawian products by guaranteeing markets for locally produced goods. In support of the Buy Malawi Strategy, the government promises to support local producers and manufacturers to develop goods and services that comply with local and international standards.

However, as noted in various studies, the development of the agricultural sector and economic growth of Malawi largely depend on the Government taking a leading role in developing proper set-up for production and marketing as well as reinforcing a sound legal framework to facilitate trade. Furthermore, Government would need to assume a similar role in creating a business-enabling environment to encourage investment, effective private sector participation, ensure availability of sufficient energy and smooth flow of market information.

1.10.1 Oil Seed Products

The oil seed products cluster prioritizes products based on sunflower, groundnuts, soya and cotton. Table 10 shows a summary of the value (in Malawi Kwacha) and quantity (in kilograms) of oil seed and oil seed products exported from Malawi in 2016.

Table 10: Summary of 2016 Oil Seed and Oil Seed Products Exports from Malawi

Product	Value in Malawi Kwacha (MKW)	Value in US\$ @US\$1=718 MKW	Quantity in Kilograms

Groundnut not roasted	6,156,033,448	8,573,863	11,242,000
Oil-cake and other solid residues of cotton seeds	5,201,899,244	7,244,985	8,201,600
Cotton, not carded or combed	4,910,979,641	6,839,805	4,882,643
Oil-cake and other solid residues, of soya-bean oil	2,640,842,471	3,678,054	10,746,000
Cotton linters	1,060,973,139	1,477,678	1,000,000
Soya seed	944,074,959	1,314,868	4,911,800
Groundnut seed	680,035,452	947,125	760,860
Sesame seed	356,755,421	496,874	684,000
Other	329,479,436	458,885	1,007,000
Soya flour and meal	249,719,925	347,799	912,000
Sunflower seed	186,959,808	260,390	795,000
Oil-cake and other solid residues of sunflower seeds	89,626,510	124,828	747,000
Other oil seeds and oleaginous fruits, n.e.s.	26,712,382	37,204	15,841
Ground-nuts in shell, not roasted or otherwise cooked	23,795,544	33,141	30,000
Printed plain cotton weave, with $\geq 85\%$ cotton, $\leq 100\text{g/m}^2$	23,021,329	32,063	1,575
Oil-cake and other solid residues.... of rape or colza seeds n.e.s.	182,399	254	1,000
Groundnuts preserved	3,599	5	150
Total	6,981,094,707	9,722,73	45,938,469

Source: Adapted from National Statistics Office Malawi

In addition, there is an opportunity for sesame (*Sesamum indicum*), both in terms of bulk seeds and oil. The yields average 2-2.5 tons per hectare and the returns are very good. Production estimates from the Ministry of Agriculture, Irrigation and Water Development (MoAIWD) show sesame production increases annually from 804 metric tons in the 2011/12 season to 1,534 metric tons in 2016.

A Civil Society Agriculture Network (CISANET) study conducted in 2014 estimated the area under sesame production in Malawi to be around 5,600 ha per year⁹. Malawi forecasts to increase the production of sesame seed to 3,000 tons in 2017. However, while sesame seeds, whether or not broken (HTS 1207400000) is not AGOA eligible, sesame oil (HTS 15155000) is AGOA eligible.

Of the US\$80.3 million Sesame oil and its fractions imported by the United States in 2016, nothing was from Malawi and nothing was under AGOA. Of this total, Japan contributed the highest with US\$37.8 million, followed by Mexico with US\$18.2 million and Taiwan with US\$14.1 million.

In order to reach its potential production capacity for oil seed products, Malawi needs to increase current efforts to transform the agriculture sector through private sector-led inclusive investment particularly involving smallholder farmers. Provision of infrastructure is a key component for creating an enabling environment for private sector driven growth. Emphasis should be on developing infrastructure for energy, transport, water, information and communication to facilitate economic growth.

Infrastructure development would help reduce the current cost of internal transport considered the highest in the SADC region. To facilitate investment in agriculture and agro-processing by both local and foreign investors, the Government needs to be committed to removing all the unnecessary regulatory impediments.

⁹ http://trade.mtc.mw/images/Sesame_Value_Chain_Analysis_Study_Report.pdf.

1.10.2 Sugar

Despite the increasing calls to reduce the consumption of sugar through levies, sugar consumption in Africa is anticipated to grow faster than anywhere else. In 2016, Malawi produced about 269,389 tons of raw sugar, of which 49.2% was exported and the balance was for the local market (see Table 11). Illovo Sugar Company and the Salima Sugar Factory, owned by the Government and an Indian sugar company, are the two companies currently producing sugar in Malawi.

Table 11: Sugar Production Trends in Malawi 2010 – 2016

Operational Statistic	2016	2015	2014	2013	2012	2011	2010
Total area harvested (Ha)	19,198	18,961	19,567	20,179	19,698	19,521	19,717
Nchalo	12,905	12,602	13,246	13,568	13,313	13,102	13,316
Dwangwa	6,293	6,359	6,321	6,611	6,386	6,419	6,401
Yield (tons cane per Ha)	94	103	101	104	105	109	108
Total Cane crushed (tons)	2,234,264	2,398,991	2,399,926	2,406,735	2,369,098	2,389,058	2,360,821
Average sucrose content	14.34%	14.22%	14.26%	14.26%	13.95%	14.06%	14.41%
Sugar produced (tons)	269,389	282,962	289,013	299,494	283,487	282,445	294,962
Domestic market	50.8%	62.0%	58%	55%	57%	62%	66%
Export market	49.2%	38%	42%	45%	43%	38%	34%

Source: Sugarcane Growers Association of Malawi (SUGAM), 2017

Malawi sugar cane exports to the world were US\$126.8 million in 2014, US\$98.3 million in 2015 and US\$64.1 million in 2016. The country only exports bulk raw sugar cane to the United States, which was about US\$8.2 million in 2014 and US\$3.6 million in 2015.

However, sugar imports into the United States are governed by a tariff rate quota, which sets a quantity limit of imports that may enter at a low/zero duty. Any imports above the set tariff rate quota are subject to a tariff designed to be prohibitive (US\$0.15 per pound) under normal market conditions. Due to the tariff rate quota, there is no scope to increase sugar cane exports to the United States under the AGOA facility.

1.10.2.1 Other Sugar Cane Products

Malawi produces several other sugar cane products. Ethanol Company Ltd (ETHCO) and PressCane Limited currently produce three ethanol products: 37% fuel alcohol (AA), 60% food grade alcohol (ENA), and 3% industrial alcohol (RA). The products are mainly produced using sugar cane from a smallholder out-grower program involving SUGAM members. Table 12 shows trends for ethanol production in Malawi 2010-2016. The byproducts from producing alcohol are carbon dioxide (CO₂) and allied products as well as fertilizer and electricity. However, the production facilities are currently only operating at 50% capacity due to lack of feedstock (raw materials) which is molasses. Although it is currently more profitable to sell locally, Malawi exports some of its portable alcohol (ENA) to Uganda and CO₂ to Zambia.

Table 12: Ethanol Production Trends in Malawi 2010 – 2016

Ethanol Production (Litres)	2010	2011	2012	2013	2014	2015	2016
Nchalo	10,217,997	10,826,863	10,858,482	10,484,969	12,449,639	16,042,762	14,420,277
Dwangwa	8,370,502	8,850,011	8,094,290	8,900,336	8,701,000	10,704,000	9,424,128
Total Production	18,588,499	19,676,874	18,952,772	19,385,305	21,150,639	26,746,762	23,844,405

Source: Sugarcane Growers Association of Malawi (SUGAM), 2017

Transporting the cane from the fields to mills is one of the most expensive aspects of business. The main constraint is funding for increased production of raw materials which requires financing for the out-grower program. This would result in the increased generation of electricity for own use with the balance being directed to the main power grid.

1.10.3 Manufactures

The four sub-clusters under the NES manufactures priority sector consist of beverages, agro-processing (including dairy and maize, wheat, horticulture and pulse value addition) as well as plastics and packaging, and assembly. RBM¹⁰ identifies erratic power supply as one of the persistent constraints for the manufacturing sector causing decreased production capacity of most companies and high production costs due to using generators for production as an alternative to electricity.

The central bank projects the manufacturing sector to grow by 5.3% in 2017 due to positive agricultural performance spurred by favorable weather conditions experienced during the previous agriculture season.

According to MITC, manufacturing accounts for about 12% of Malawi's GDP and increase in manufacturing capacity is mainly constrained by a lack of affordable investor funding and low agriculture production capacity.

In realization of the need for the country to be food secure, with increased economic growth and reliable infrastructure considering the potential for growth in Malawi, the country implemented the Malawi Growth and Development Strategy (MGDS)¹¹. The MGDS aimed to accelerate the transformation of the country from being a largely importing and consuming economy to predominantly a producing and exporting economy.

Most stakeholders consulted during the development of this document expressed frustration with failing to satisfy demand from existing markets in the region, Europe, the United States and Asia due to inadequate production. In addition to an increase in the production of the raw materials for agro-processing, a substantial increase in agro-processing facilities would be required to meet the existing demand for the supply of agro-processed products such as Toor Dhall, lentils, macadamia nuts, coffee, tea and honey. Currently, low yields and price coupled with high transportation costs affect competitiveness of most of the country's agricultural products.

In an effort to facilitate increased production capacity, Malawi has come up with various tax incentives¹². There are specific domestic tax incentives for the manufacturing, export, agriculture and mining sectors (see Table 13). There are however conditions to qualify for these incentives. For instance, both foreign and domestic owned companies that produce exclusively for the export market are accorded Export Processing Zone (EPZ) status.

Table 13: Tax Incentives in Malawi

General Domestic Tax Incentives	Specific Tax Incentives			
	Manufacturing	Export	Agriculture	Mining
1. Losses incurred by a business are carried forward for up to 6 years from the year in which they were incurred	1. Up to 18 months allowable pre-business expenses (expenses incurred prior to commencement of trade)	1. 25% export allowance for non-traditional exports	1. Claims are allowed on capital expenditures in relation to the construction of dams, dykes and land preparation	1. The whole capital expenditure on plant and machinery is claimable in the first year of operation
2. Initial and annual allowances at various rates are	2. Losses are carried forward for six years to encourage	2. 25% international transport allowances for non-	2. Some capital expenses are	

¹⁰ Financial and Economic Review, Volume 50, Number 3, 2016.

¹¹ The Malawi Growth and Development Strategy II (2011-2016) was the second medium term national development strategy formulated to attain the country's long-term development aspirations based on six thematic areas: Sustainable Economic Growth; Social Development; Social Support and Disaster Risk Management; Infrastructure Development; Governance; and Gender and Capacity Development.

¹² Tax Incentives in Malawi Volume 2 compiled by Malawi Investment and Trade Centre in collaboration with Malawi Revenue Authority.

granted besides the depreciation (annual) allowances 3. 2% annual allowance for commercial buildings with a construction cost of above MK100 million	investment in profitable business ventures 3. Capital allowances are allowable on various capital items covering investment and initial and annual allowances	traditional exports 3. Exports are zero-rated for purposes of VAT	treated as acceptable expenses 3. Growers of coffee, tea, sugar or other such crops can claim all incentives available to a manufacturer
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Source: Tax Incentives in Malawi Volume 2

In addition to the above tax incentives, the Government of Malawi has through the Taxation (Priority Industries) Regulations 2013, designated the agro-processing sector together with electricity generation, transmission and distribution as priority sectors. Companies in the above sectors incorporated after 1 July 2013, enjoy 0% Corporate Income Tax rates for a period of up to 10 years. These companies are also given duty exemption on importation of capital goods and building materials. While the above incentives are applied consistently, most companies consulted during this study indicated that the main problem is the long waiting period for accrued benefits.

1.10.4 Existing Export Clusters

Tobacco, tea, mining, tourism, and services are the major existing export clusters for Malawi. The NES highlights that while these clusters are important for the country, they require less attention by policy makers and resource holders due to varied reasons. That said however, the challenge for tea and mining is insufficient production or lack of it in the case of most minerals as well as depressed international market prices.

1.10.4.1 Tobacco

Malawi is one of the top ten producers of tobacco in the world and tobacco has been the highest export earner for the country over the years. The country produced about 133,000 tons of tobacco leaf in 2013, down from a high of 208,000 tons in 2009 and up from a low of 73,000 tons in 2012. Malawi Tobacco Control Commission (2015) laments that while annual production increased to about 160,000 tons in 2014 to 2015, prices have been falling since 2013. The Malawi MoAIWD estimated the following production and yield for burley and flue cured tobacco for 2015/16:

Crop	Year	Area (Hectare)	Yield (Kg/Hectare)	Production
Burley	2015/16	130,894	814	106,526,170 MT
Flue cured tobacco	2015/16	9,372	1,393	13,052,862 Kg

In 2014, Malawi exported US\$646.7 million of unmanufactured tobacco (HTS 2401) to the world and over US\$34.5 million to the United States. This was about 5.3%, while in 2015, the country exported US\$495.6 million to the world and over US\$24.4 million to the United States, which was over 4.9% of the tobacco exports for Malawi. In 2016, Malawi exported US\$555.4 million compared to US\$496.2 in 2015 and less than the US\$646.7 it exported in 2014.

The Bull World Health Organ¹³ (2017) observes that two global leaf-buying companies – Alliance One International and Universal Corporation represented nationally as Alliance One Malawi and Limbe Leaf respectively – dominate the tobacco industry in Malawi. The two companies sell tobacco leaf to British American Tobacco, Imperial Tobacco, Japan Tobacco and Philip Morris International.

More than 20% of Malawi's tobacco exports to the U.S. market are burley tobacco, used mainly as neutral flavored filler in the market for high-end cigarettes. However, there is a ceiling on world demand for such

¹³ Policy & Practice Tobacco Growing and the Sustainable Development Goals, Malawi.

tobacco. It is therefore unlikely that Malawi could increase tobacco production over the medium term without bringing about a decline in world market price¹⁴. As a result, increased production may not result in a proportional increase in export revenues to the United States or elsewhere. Furthermore, like sugar, tobacco exports to the U.S. market under AGOA are also subject to a tariff-rate quota.

1.10.5 Tea

Malawi is one of the five tea producing countries in Africa together with Kenya, Tanzania, South Africa, and Zimbabwe, contributing about 32% of world exports amounting to around 424,000 tons annually. Producing about 10% of Africa's total tea production, the World Trade Organization (WTO) ranks Malawi as the second largest producer of tea in Africa, after Kenya. Traditionally, tea has been the second most important export earner for Malawi after tobacco.

Malawi has a 3% share of world exports of tea exporting over 43,000 tons annually and is mainly responsible for the spread of tea cultivation in Africa. The country was the first African country to adopt the cloning method of estate refurbishment. Although Malawi teas are not well known as specialty teas, their superb color and brightness means they can be used in the blending of leading tea brands.

In 2015, commercial estates accounted for 93% of tea production in Malawi, with the balance coming from about 6,500-8,000 smallholder farmers who share only about 15% of the land under tea¹⁵. According to the Tea Research Foundation, there are approximately 42,000 employees in the estate sector and almost 7,000 smallholders. Most Malawi tea estates are found in Thyolo, Mulanje and Nkhata Bay¹⁶ areas and are owned by foreign companies. All tea estates are members of the Tea Association of Malawi Limited (TAML), which develops and controls most policies for the members.

At the peak of the harvest season from October to April, the tea industry employs around 50,000 seasonal workers most of whom are unfortunately redundant at the end of the season and resort to petty trading in order to survive.

Of the US\$77.4 million and US\$66.8 worth of tea exported from Malawi to the world in 2014 and 2015 respectively, US\$2.4 million and US\$2.1 million in 2014 and 2015 respectively was to the United States market, which translate to about 3.1% of the total tea exports in both 2014 and 2015. The total tea exported from Malawi to the world in 2016 was worth US\$75.9 million, and about 90% of tea from Malawi is exported to UK and South Africa.

1.10.6 Coffee

Although coffee is not AGOA eligible, in 2014 and 2015, Malawi exported US\$1.1 million and about US\$0.9 million worth of coffee respectively to the United States against US\$4.5 million and US\$3.6 respectively to the rest of the world, while in 2016 Malawi exported US\$4.9 million to the world. The United States imported over US\$6 billion worth of coffee in 2014 and 2015 from the world, which shows the size of the market for the product in the United States. Malawi's total coffee production is estimated at 1,200 tons per year with potential to increase to 50,000 tons.

The highest production was 8,000 tons before estates started pulling out of coffee in preference for macadamia. So far, the smallholder coffee farmers are not significantly shifting towards macadamia nut production. About 95% of the world's coffee production is by smallholder farmers, and is rain-fed. About 80% of Mzuzu Coffee is specialty grade. Malawi has specialty coffee due to the high altitude where the coffee is grown, which gives the coffee better quality than coffee from low-lying areas.

1.10.7 Textile and Apparel (Garments)

At the heart of the AGOA regulations are provisions that allow for duty-free and quota-free treatment for eligible textile and apparel products. So far, the most exported products in SSA under AGOA are from the textile and apparel sector. At the peak of Malawi's exports under AGOA, the country had several companies exporting

¹⁴ Lea and Hanmer (2009), Constraints to Growth in Malawi, World Bank Policy Research Working Paper 5097.

¹⁵ Malawi CARER, Malawi Centre for Advice, Research and Education on Rights, Malawi Tea Research Project, 2015.

¹⁶ One estate in Nkhata Bay accounts for all the production in the district.

apparel to the United States. Of the eight apparel companies registered in 2006 to export textile and apparel products to the United States from Malawi, only one is currently consistently exporting under the facility.

As a result, textile and apparel exports from Malawi to the United States under the AGOA program have drastically dropped from about US\$13.5 million in 2011 to US\$1.6 million in 2016. This represents an 88% decline in exports of the product from Malawi to the United States (see Table 14).

Table 14: Apparel and Clothing Exported from Malawi to the United States from 2011 – 2016

HTS Number	Import Program	2011	2012	2013	2014	2015	2016	Percent Change 2015 - 2016
		US\$'000						
61: Articles of Apparel and Clothing Accessories, Knitted or Crocheted	AGOA (excluding GSP)	13,468	5,723	8,410	4,083	6,268	1,556	-75.20%
Total		13,469	5,723	8,410	4,083	6,269	1,556	-75.20%

Sources: USITC <https://dataweb.usitc.gov/scripts/prepro.asp>

Besides the removal of barriers elsewhere, making it no longer worthwhile for Asian companies to set up in Africa to sell to the United States, the lack of a common voice among the manufacturers is proving to be a hindrance to the development of the textile and apparel industry. Most suppliers have similar issues that are not channeled in an effective and unified voice.

A powerful association of textile and apparel producers would effectively address some of the challenges. Stakeholders suggested that the apparent lack of coordination between MITC and its parent Ministry, MoITT on the pressing issues for the sector aggravates the predicament the textile and apparel sector finds itself in. At the same time, the supply of cotton nationally is way below the capacities of the ginneries in the country.

The total installed production capacity for ginneries is 250,000 tons while output for the past season was only 15,000 tons. Farmer support for inputs is low from stakeholders such as Government and the ginners. As a result, a planned spinning project at Mapeto will need to rely on imported cotton lint. In addition to the above issues afflicting the sector, the frequent power outages coupled with ageing equipment seriously affect productivity and the competitiveness of the sector.

1.10.8 Other Malawi Products

Smallholder farmers in Malawi grow a wide variety of beans, and efforts to find more productive bean varieties to increase productivity continue. However, even when there is increased production of this crop in Malawi, exporting beans to the United States is likely to be challenging for the country due to its distance from the market versus the competitors. Currently, the U.S. imports fresh beans from Peru, Mexico, Guatemala, and Canada, and frozen beans from Canada, China, and France.

Like beans, peas in Malawi are mainly grown by smallholder farmers for domestic consumption. Some of the beans are exported to the region as well as to India, Singapore, UK, and the United Arab Emirates. The main challenge is that the supply and quality of the crop is unreliable as smallholder farmers are very sensitive to other commodity prices on the markets. Malawi's main competitors for exports of peas to the United States are India, Thailand, Canada and New Zealand. Besides the above array of different products produced in Malawi, the country also produces and has potential for increased production of mangoes, honey and paprika.

1.11 Comparative Advantage for Malawi

Malawi is considered to have a comparative advantage in the production of legumes such as groundnuts, beans and cotton as well as cash crops like sugar cane and tobacco¹⁷. Malawi is also blessed with good quantity and

¹⁷ Policy incentives and the comparative economic advantage in Malawian agriculture, Agrekon, Vol. 38, No 3 (September 1999).

quality of natural resources such as land, water, mineral resources and climate suitable for agricultural estates. This is well supported by abundant cheap labor with a population of over 18 million (50% of which is considered to be of working age), coupled with favorable policies and tax incentives. The country also has a well-regulated and sound banking sector consisting of 11 full-service commercial banks with the four largest banks commanding 90% of the market and an estimated total capitalization of over US\$1 billion.

Malawi has been politically stable and free from political violence since gaining independence in 1964. The country has held several largely peaceful elections since its transition to democracy in 1994. Although incidents of labor unrest occasionally occur, these are usually nonviolent and there has not been any activity of major concern to business. Being an LDC with preferential trade arrangements that provide duty free, quota free market access into countries such as the United States and the EU gives entities from Malawi a competitive edge when competing with companies from countries without similar arrangements. Besides being a member of both SADC and COMESA, Malawi also has bilateral trade agreements with Mozambique, South Africa, and Zimbabwe as well as a customs agreement with Botswana, giving considerable opportunities for increased investment and trade.

1.12 Development of the National AGOA Response Strategy for Malawi

Following a request from the MoITT for support, USAID through the Southern Africa Trade and Investment Hub (The Hub) agreed to assist the Government of Malawi to review and develop an AGOA utilization strategy, known as the National AGOA Response Strategy. Currently, in the Southern Africa Development Community (SADC) region, countries such as Botswana, Lesotho, Madagascar and Zambia as well as other SSA countries such as Ethiopia, Ghana and Kenya, among others, have already or are in the process of developing their national AGOA strategies in line with the recommendation in the AGOA Extension and Enhancement Act (2015).

Under the overall guidance and supervision of the Malawi Principal Secretary for the MoITT, the process of developing this strategy document involved a comprehensive review of the draft Malawi AGOA Strategy (2010-2015) and using the outcomes of the review to design a structured and updated National AGOA Response Strategy for Malawi, aligned to the NES 2013-2018.

A situation analysis to review the current economic environment and the performance of Malawi was conducted including a comparison of the AGOA performance for Malawi against other SADC countries coupled with literature review to evaluate experiences of other countries. The basis of the process of developing this document entailed a one-month consultation of selected key stakeholders in Blantyre, Lilongwe, Ntchisi, Mzuzu and Dwangwa with the support of MoITT. Following this, an analysis of the collected data and validation workshops was conducted to confirm the validity of the draft strategy prior to incorporating the suggested into the final document.

2.0 Strategy

2.1 Introduction

The overarching strategy for Malawi should be to find a niche market for each of the potential export products identified above. These products can be increased over time as more markets are established, spurred by increased demand for Malawi products on the U.S. market. In the meantime, Malawi would need to increase production capacity of the selected products to satisfy current and potential demand. This strategy aims to help Government formulate, in close collaboration with the private sector, civil society, and development partners, a sustainable export driven program for Malawi that will facilitate and accelerate value addition instead of continuing to export raw commodities. To achieve this, production capacity as well as both land and labor productivity for all farmers must be improved particularly for the targeted products, driven by increased cultivation of higher value crops.

In addition to the suggested product specific and general interventions below, Figure 5 outlines some of what Malawi needs to do going forward to unlock the AGOA program to increase its utilization. The AGOA Response Strategy and Action Plan for Malawi seeks to address the constraints noted above to enhance the growth and competitiveness of exports to the U.S. market under AGOA. The constraints identified through the stakeholder

consultations and analysis of several documents are categorized below into product specific and general to facilitate identification of suggested strategic interventions to address them with the required actions detailed in the action plan under section 3.

Figure 5: Unlocking the AGOA Program



The action plan includes strategic objectives, performance indicators, anticipated deliverables, proposed financier, and the institution responsible for implementation of the activity and the timeframe for implementation as well as a proposed lead and support institution. The objective for clearly highlighting the strategic activities and specific implementing entities is to provide clarity to avoid duplication of effort and to facilitate implementation and effective monitoring and evaluation as outlined in section 4 below.

2.2 Broad Strategy Directions

2.2.1 Goal

The overall goal of this AGOA strategy is for Malawi to take full advantage of the preferential market access under the AGOA unilateral trade preference program to increase the growth and competitiveness of the country's exports to the U.S. market. The strategy gives government and the private sector tools and actionable recommendations for generating revenue and jobs as the country develops its productive base to drive its export competitiveness and economic empowerment agenda. The target is to increase current exports from Malawi to the United States under AGOA from the 2016 amount of about US\$51.3 million including GSP (see Table 6 above) by at least 20% during the next five years.

2.2.2 Outcome

Full effective implementation of this AGOA Response Strategy for Malawi will develop the identified potential sectors and increase production of quality products for export to the U.S. market resulting in the increase of total exports from Malawi to the United States, in line with the indicative general export targets provided in the Malawi NES. This will result in increased utilization of the AGOA facility and the realization of the full potential of the AGOA unilateral trade preference program as noted above. Enhanced utilization of the AGOA program

and the resultant increase in exports to the United States will be achieved through attaining the specific objectives of this strategy defined in the section below. The focus areas for the strategy are to:

- a) Develop the identified sectors and products with export potential;
- b) Increase production capacity and productivity;
- c) Developing strategic initiatives for reducing constraints; and
- d) Increase market accessibility and competitiveness for Malawi products on the U.S. market.

2.2.3 Objective of the Strategy

The national AGOA Response Strategy for Malawi provides a prioritized roadmap for developing export competitiveness for the country under AGOA. The strategy aims to provide guidance on the support required to develop identified export products through addressing policy, supply and market constraints. The strategy was developed in accordance with the priorities of the Government of Malawi as outlined in the Malawi NES 2013-2018, which is central to accomplishing Malawi's desired move into the export of high value goods and services and to reduce the country's reliance on the export of raw or semi-processed commodities. The AGOA strategy is a sub-strategy of the overarching NES for Malawi. In order to support this export-led growth, the overall objective of this AGOA strategy is for Malawi to take full advantage of the preferential market access enjoyed under AGOA and enhance the growth and competitiveness of its exports under AGOA.

The specific objectives of the strategy are to:

- a) Increase activities and awareness of the AGOA unilateral trade preference program in Malawi;
- b) Identify priority products with potential for increased exports under AGOA;
- c) Identify policy responses in line with Malawi NES priority sectors to capacitate current and potential exporters in Malawi to increase exports under AGOA;
- d) Promote policies that facilitate increased FDI; and
- e) Build capacity to meet SPS, labor and security regulations and requirements in the United States market.

2.3 Priority Export Products for Malawi and Product Specific Constraints

A list of Malawi products with potential for export to the U.S. market under AGOA has been created in line with the Malawi NES, following an analysis of Malawi's business environment, comparative advantage, production capacity, existing exports and trade with the United States. As Malawi cannot currently provide the volumes for most products required by the U.S. market, and considering the duration of the AGOA program, to increase utilization of AGOA, Malawi needs to focus on increasing exports of a small number of selected products, which the country can produce competitively and for which there is considerable demand in the U.S. market.

The approach is to identify niche markets and supply them with selected products particularly specialty foods. The products and the quantities can be increased as more markets are established along with increased production. Malawi can also indirectly access the AGOA market through exporting products/raw materials to other AGOA eligible countries in the SADC region. However, it is important to note that while the AGOA facility provides duty-free access for eligible products, besides the need for quality and food safety management systems and/or standards certifications, the products have specific market entry requirements.

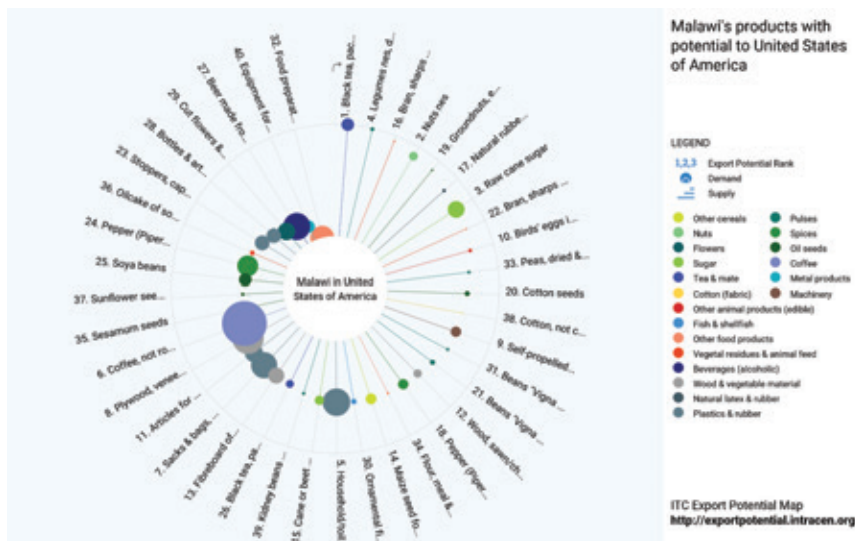
This section discusses a list of priority products for Malawi with export potential under AGOA. For ease of allocation of resources, the suggested list of products is categorized as short-term duration (1-2 years), medium term (over 2-5 years) and long term (over 5 years). An analysis of the strengths, weaknesses, opportunities and threats (SWOT) for each product is done in addition to a discussion of product specific constraints to increased utilization of the AGOA program.

As mentioned above, the selection of the final five potential export products for Malawi under the AGOA program was mainly done using a combination of methodologies, including looking at existing exports as well as current and potential production capacity based on research and the information gathered during the

stakeholder consultations, underpinned by the comparative advantage for Malawi for the product. The decision was also supported by an interrogation of preferential tariff rates, NTMs/NTBs, competitors, pricing and product growth as well as existing and potential production.

The five products below have also been selected based on their potential for export development based on existing or previous performance coupled with information on Malawi products with potential for export to the United States based on the International Trade Centre (ITC)'s Export Potential Map (see Figure 6).

Figure 6: Malawi Products with Potential Export to the United States



The above ITC Export Potential Map shows that the products with greatest export potential from Malawi to United States are black tea, nuts (n.e.s.), and raw cane sugar. While the ITC Export Potential Map shows coffee, (not roasted, not decaffeinated) as the product that faces the strongest demand potential in United States, the product is not AGOA eligible. It must however be noted that export potential mainly measures a country's potential to build export performance. The starting point is that the country must already have some level of productive capacity in the products of interest.

As is the case with coffee, some of the products on the ITC Export Potential Map above are also not AGOA eligible or were not included in the final selected products for inclusion in this AGOA Response Strategy for Malawi because of a combination of reasons highlighted in this document. For instance, tobacco and sugar cane exported to the United States under AGOA are subject to a tariff-rate quota, and there is no scope to increase exports of these products beyond their quota.

Overall, the selection of the final five products below was informed by the following critical aspects:

- AGOA-eligibility of product (including GSP);
- Feedback from the stakeholder consultations underpinned by information from reviewed documents and the comparative advantage for Malawi on the product;

- Potential for increased production including value added products and export development, based on existing and/or previous performance;
- Existing U.S. market demand for the product.
- Tariff rate for the AGOA ineligible countries;
- Regional integration potential;
- Contribution to job creation/poverty reduction;
- Unique product characteristics;
- Whether the product can be potentially pursued by locals (skills, complexity, etc.) for sustainability;
- Potential for niche marketing;
- Availability of natural resource base; and
- Potential for investment that can break even within seven years.

Based on the foregoing analysis, the priority potential export products for Malawi to the United States under AGOA as detailed in Table 15 below are: **macadamia nuts** and **handicrafts** (short term); **honey** (medium term); and **mangoes** and **tea** (long term).

Table 15: Information on the Five Suggested Priority Potential Export for Malawi

Short Term Products					
Product Description and Preferential Tariff Rate for non-AGOA eligible countries		U.S. Market Size (in US\$'000s)	Key Import Sources	Import Sources (SSA)	Other Information
Macadamia Nuts	08026200: Macadamia nuts, shelled	US\$143,397.4 (2017)	Kenya (37.6%), South Africa (35.1%), Australia (9.5%), Guatemala (9.0%), Malawi (4.8%), Brazil (1.6%), China (1.2%), Vietnam (0.4%), Rwanda (0.3%), Spain (0.3%), Netherlands (0.2%)	Kenya (37.6%), South Africa (35.1%), Malawi (4.8%), Rwanda (0.3%)	Malawi is already a major player and is increasing hectarage of this crop.
	MFN Rate: 5 cents/kg	75.6% (US\$108,371.1) under AGOA			
Handicrafts (arts and crafts) (broad, selected two tariff lines only)	46029000: Basketwork, wickerwork and other articles made directly from plaiting materials or from articles of heading 4601, nes; loofah articles	US\$218,727.4 (2017) Country of origin; no special programs claimed.: 75.7% GSP: 24.0%, AGOA: US\$12.7 (2017)	China (54.9%), India (19.2%), Vietnam (13.4%), Thailand (7.8%), Canada (2.4%)	Madagascar (0.1%), South Africa, Senegal, Kenya, Ghana, Botswana	Need to work with trading houses that handle the marketing, monitor production and quality aspects and consolidate shipping.
	MFN Rate: 3.5%				
	69120050: Ceramic (o/than porcelain or china) household articles and toilet articles (o/than table and kitchenware), nesoi	2017 imports (thousand dollars) US\$64,950.7 Country of origin; no special programs claimed. (95.9%), GSP (2.6%), AGOA less than 1%	China (87.4%), Vietnam (2.3%), Thailand (1.9%), Italy (1.4%)	Republic of South Africa, (US\$20.7m 2017), less than 1%	
	MFN Rate: 6%				
Medium Term Product					
Product Description and Preferential Tariff Rate if not under AGOA		U.S. Market Size (in US\$'000s)	Key Import Sources	Import Sources (SSA)	Other Information

Honey	04090000: Natural honey MFN Rate: 1.9 cents/kg	US\$547,631.1 (2017) 0.1% (US\$367.9) under AGOA Country of origin; no special programs claimed (87.9%)	Brazil (20%), India (16%), Argentina (15.8%), Vietnam (10.0%), Canada (8.4%), New Zealand (8.4%), Ukraine (6.8%), Mexico (3.2%), Zambia (0.1%)	Zambia (0.1%), Ethiopia, South Africa, Tanzania, Cote d'Ivoire	Collective approach and regional collaboration by honey firms, and organic certification to enter niche markets.
Long Term Products					
Product Description and Preferential Tariff Rate if not under AGOA		U.S. Market Size (in US\$'000s)	Key Import Sources	Import Sources (SSA)	Other Information
Mangoes	08045080: Guavas, mangoes, and mangosteens, dried MFN Rate: \$0.015/kg	US\$124,616.6 (2017) Country of origin; no special programs claimed. (39.4%) GSP (15.7%) AGOA (1.5%)	Mexico 44.8%), Philippines (30.8%), Thailand (13.5%), India (3.6%), Peru (2.3%), South Africa (1.3%), Ecuador (1.2%), Burkina Faso (1.0%)	Republic of South Africa (1.3%), Burkina Faso (1.0%), Ghana (0.1%)	Dried mangoes, including organic dried mangoes, have great potential in the United States.
	20079950: Guava and mango pastes and purees , being cooked preparations MFN Rate: 1.3%	US\$51,511.5 (2017) GSP (25.8%) Country of origin; no special programs claimed. (5.3%)	Mexico (38.4%), Colombia (25.2%), India (15.6%), Brazil (8.5%), France (3.8%), Dominican Republic (3.2%)	South Africa 0.1% (US\$74.5 in 2017)	There is continued increase in demand for organic products worldwide, and Malawi Mangoes is already working on producing organic products.
Tea	09021010: Green tea in packages not over 3 kg, flavored MFN Rate: 6.4%	US\$20,744.0 (2017) GSP, 17.7% (US\$3,670.9)	Canada (27.4%), China (22.5%), Sri Lanka (13.8%), UK (7.7%), Germany (5.6%), India (4.5%), Japan (4.0%)	South Africa, Kenya, Malawi, Uganda	Malawi already an exporter
	09022010: Green tea in packages over 3 kg, flavored MFN Rate: 6.4%	US\$3,110.0 (2017) Country of origin; no special programs claimed (69.6%) GSP (4.9%)	Taiwan (23.8%), China (22.0%), Korea, Republic of (15.2%), Germany (13.5%), Jamaica (9.5%), Canada (5.4%), Hong Kong (1.8%), India (1.5%), Pakistan (1.1%), Yemen (1.0%)	Ethiopia (0.1%), South Africa (0.1%)	

Short Term (1-2 years)

The short-term category consists of Malawi products with the potential for export under the AGOA program within the next 1-2 years. Some of these products are already being exported under the program so the aim is to increase exports within this period. The main constraint to increased exports is insufficient volumes of products required by the market. The suggested products for export during this period are **macadamia nuts and handcrafts (arts and crafts)**. During the short-term period, Malawi needs to focus its efforts on these products by working on the identified constraints to increase utilization of the AGOA program. During this period, emphasis should be on increased production of value added products using existing resources and raw materials.

Summary Information for Products Under Short Term Category	
Product	Comment
a) Macadamia Nuts	<ul style="list-style-type: none"> Nuts (n.e.s.) are one of the products identified by the ITC Export Potential Map as products with Potential Export to the United States. Malawi is already a major player (currently arguably the 4th largest producer of Macadamia nuts in the world) contributing about 4.8% of Sub-Saharan Africa's exports and continuing to increase hectareage under production. Malawi has adequate existing infrastructure and skill to meet increased demand for the product as well as potential to scale up production with increased integration of macadamia into a wide range of farming systems.

	<ul style="list-style-type: none"> Malawi also has potential for sourcing from the region to augment increased volumes by sourcing from Macadamia from such neighbouring countries like Mozambique, Swaziland, Zambia and Zimbabwe indicating a possibility for regional integration. All consulted macadamia nuts producers in Malawi have the required food safety certifications such as Hazard Analysis and Critical Control Point (HACCP) and ISO 22000 making them competitive. Increased production of Macadamia nuts has potential for high contribution to job creation and poverty reduction in Malawi. Non AGOA eligible countries are charged a most favoured nation (MFN) rate of 5 cents/kg by the United States on Macadamia nuts, giving Malawi products a competitive edge on the U.S. market.
b) Handicrafts	<ul style="list-style-type: none"> The 2013 United Nations Educational, Scientific and Cultural Organisation (UNESCO) Creative Economy Report confirms the creative economy as one of the most rapidly growing sectors of the world economy and a highly transformative one in terms of income generation, job creation and export earnings. Figures published by United Nations Conference on Trade and Development (UNCTAD) in 2013 show that world trade of creative goods and services totalled a record US\$624 billion in 2011 with the growth in this sector more than doubling from 2002-2011 averaging 8.8% annual growth rate during that period. Growth in developing-country exports of creative goods was even stronger, averaging 12.1% annually over the same period. The United States imported US\$519.4 million, US\$553.0 million and US\$533.0 million worth of handicrafts from the world in 2014, 2015 and 2016 respectively, showing the demand for the product. Although Malawi has not exported a substantial number of handicrafts in the recent past, there is an existing skills base for the handicraft sector producing quality products. There is great potential for developing the rural based handicraft industry of the country and to develop of exports from the sector. Malawi produces a wide range of handicrafts with elaborately carved Malawian wood art being among some of the widely sought-after handicraft products, partly because of the unique designs, and because the ornaments and furniture are made from high-quality wood. The country also produces a wide range of high standard handcrafted pottery products including functional tableware, floor and bathroom tiles, washbasins, flowerpots, decorative vases and figurines with also a range of flame ware and ovenware products. Increased demand for handicraft products has potential for job creation, poverty reduction and there is potential regional integration by sourcing from the region to supplement increased demand. The sector is very broad and non AGOA eligible countries are charged an MFN rate of between 3.5% and 6% giving AGOA eligible countries such as Malawi a competitive edge on price on the U.S. market.

a) Macadamia Nuts

Malawi is one of the eight macadamia producing countries in the world including Australia, Costa Rica, Kenya, Mozambique, South Africa, the United States, and Zimbabwe. According to Highlands Macadamia Cooperative Union Ltd (HIMACUL), Malawi currently produces about 10,000 metric tons of macadamia (in shell) nationally. In 2012, the Strategic Plan for the Malawian Macadamia Industry (2012-2020) ranked Malawi as the fourth largest producer of macadamia nuts in the world with an estimated 5% global production per year. Most production of macadamia nuts takes place on large estates in the Rumphi, Ntchisi and Blantyre regions.

Notable producers include Kawalazi, Thyolo, Makande, Sable Farming, Eastern Produce, Conforzi, Naminyemba, and Tropha. Malawi has over 3,500 smallholder farmers who contribute 2% of the national production annually and have potential to increase production to 20% within the next 10 years. The MoAIWD estimated macadamia production for Malawi during the 2014/15 season at 3,818 metric tons from about 118,894 trees. Currently, there are five processing factories for macadamia with capacity to handle 8,000 metric tons of nut in shell (NIS) annually with about 1,500-2000 metric tons kernel exported. Estates have established around 7,000 hectares of mature trees. Over 90% of current farmers are keen on increasing their existing macadamia plantations, particularly in Rumphi where there are large tracts of suitable land available. In the community of Ntchisi, 1,200 farmers currently grow macadamia.

Table 16: U.S. Imports of Macadamia Nuts, Shelled 2014 – 2017

Source	2014	2015	2016		2017	
	US\$'000			Percent of total	YTD (January-Apr)	
					US\$'000	
All sources	113,098.2	150,441.3	111,564.8	100.0%	26,247.9	28,761.5
Republic of South Africa	42,813.1	56,136.4	43,243.6	38.8%	17,653.7	13,025.5
Kenya	37,465.9	42,894.3	38,366.3	34.4%	3,491.7	8,145.1
Guatemala	10,356.2	13,403.1	12,773.3	11.4%	1,076.4	1,847.1
Australia	12,287.7	18,902.9	6,611.7	5.9%	1,508.5	4,290.2
Malawi	6,552.5	10,837.7	6,390.3	5.7%	359.5	293.8
Brazil	2,206.5	6,627.1	2,552.0	2.3%	1,058.1	0.0
China	286.9	682.2	1,049.5	0.9%	726.5	279.4
Rwanda	95.8	248.1	235.8	0.2%	140.2	230.5
Mozambique	216.9	0.0	228.2	0.2%	228.2	0.0
Belgium	0.0	0.0	106.8	0.1%	0.0	0.0
Costa Rica	274.3	0.0	4.6	0.0%	2.5	0.0

Source: USITC Trade Database <https://dataweb.usitc.gov/scripts/details.asp>

Macadamia nuts are AGOA eligible. This coupled with the low cost of production and high quality of Malawi macadamia nuts makes the product more competitive and increases the potential for exports to the United States market. However, quality grades are important in the production and processing of macadamia nuts with food safety and hygiene standards being most critical.

USITC Trade Database shows that Malawi contributed 5.7% of the U.S. imports of macadamia nuts (see Table 16 above), confirming not only the availability of a market in the United States for the product but also that Malawi companies can comply with U.S. market requirements. According to the FDA, it is the responsibility of the buyer (importer) to ensure that the food products comply with FDA requirements. As a result, most buyers from the United States prefer producers with the relevant certifications.

Product Specific Constraints

The major constraint to increasing macadamia exports from Malawi under AGOA is inadequate supply of the product due to low production capacity. Smallholder farmers struggle to produce products that meet the grades and standards required for export while some estates lack sufficient land to benefit from economies of scale. Most of the processing factories for macadamia are currently underutilized due to inadequate raw materials due to production capacity. Macadamia production requires high levels of fixed investment. High inputs exacerbated by the vulnerability of young trees to diseases and pests deter some investors.

Up to 60% of the existing trees are currently not performing well due to poor nutrition and varietal selection while required inputs to address nutrition and termites are not readily available. In some cases, incorrect and contradictory technical advice has been provided due to lack of required technical experts. In addition, when trained extension officers are transferred to other areas, they are often replaced by less knowledgeable colleagues, which often results in poor harvest due to poor advice. Furthermore, existing nursery capacity cannot supply sufficient quality seedlings to meet demand.

At the same time, value addition for macadamia nuts is inhibited by the lack of suitable locally produced packaging materials. This forces producers to export semi-processed or raw nuts, leaving further processing to the market. Lack of working capital is a major challenge especially for smallholder farmers, as macadamia is a medium-term crop. Additional to all the above, high transportation costs, coupled with distance from the market reduce competitiveness of the local product on the United States and Europe market against products not exposed to similar challenges. For instance, containers of macadamia nuts are shipped from Malawi to the UK as freight for US\$7.5-8.0 per kg of kernel. Therefore, Malawi exporters need to increase efforts on improving competitiveness against other exporters of macadamia nuts to the U.S. market.

While organic macadamia nuts would be a good niche route, pests especially the macadamia nutborer will affect the nut, and volumes will not be sustainable. Where producers can sustainably manage organic macadamia nuts, this will be a great export opportunity.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> Malawi macadamias are known to some clients in the U.S. market Some local exporters have experience in dealing with the U.S. market Malawi is a global player with significant experience gained from years of producing and exporting the product Suitable climate in traditional macadamia growing areas provides good potential for growth Increased integration of macadamia into a wide range of farming systems Low cost of establishment in Malawi compared with major competitors such as Australia, Hawaii and South Africa All eight consulted macadamia nut producers in Malawi possess the required food safety certifications such as HACCP and ISO 22000 	<ul style="list-style-type: none"> Poor productivity caused by limited use of mulch and insufficient application of required fertilizers Lack of commercial orientation, especially for smallholder farmers Limited understanding of the market and required standards Less planning and pre-establishment advice due to lack of required expertise for the industry No coordinated research and development program to strengthen production systems Absence of standardised industry wide training and a general loss of capacity as experienced managers retire or get transferred to other areas Inadequate structured support for producers especially smallholder farmers Some stakeholders are not aware of the AGOA program
Opportunities	Threats
<ul style="list-style-type: none"> Macadamia nuts are AGOA eligible Malawi Bureau of Standards (MBS) working on providing internationally accredited certification and laboratory testing facilities, which will reduce the time and cost of getting products certified Potential to scale up production, with 90% of existing farmers ready to increase plantings where land is available Underutilized existing infrastructure capable of handling increased production Recent price signals have stimulated renewed interest in the crop 	<ul style="list-style-type: none"> Low investment resulting in a decline in kernel recovery Increased competition for the market from current and new players Environmental risks such as climate change, population increases, reduction in arable land affects production Restrictions on continued estate plantings hence the need to increase smallholder farming for the industry to grow Lack of interest in farming by the youth in Malawi

b) Handicrafts (Arts and Crafts)

Handicrafts also known as craftwork or simply craft are generally a type of work where useful and decorative devices are made completely by hand or using only simple tools. Handicrafts can also be part of the home

accessory market, which includes handcrafted, semi-handcrafted and machine-made goods. The U.S. is the largest importer of home accessories followed by the EU and Japan together with Hong Kong.

Although Malawi has not exported a substantial number of handicrafts in the recent past, there is an existing skills base for the handicraft sector in Malawi producing quality products. The sector can benefit from strong demand for handicrafts in the United States. The United States imported US\$519.4 million, US\$553.0 million and US\$533.0 million worth of handicrafts from the world in 2014, 2015 and 2016 respectively, showing the demand for the product. Malawi produces a wide range of handicrafts. Elaborately carved Malawian wood art is among some of the widely sought-after handicraft products, partly because of the unique designs, and because the ornaments and furniture are made from high-quality wood.

This AGOA strategy encourages the production of products made of non-protected wood species only. The country also produces a wide range of high standard handcrafted pottery products including functional tableware, floor and bathroom tiles, washbasins, flowerpots, decorative vases and figurines. The pottery is designed for modern and stylish living and can be used in dishwashers and microwaves. There is also a range of flame ware and ovenware products. Potential buyers of handicrafts in the United States are as follows:

1. *Specialty and lifestyle stores*: Looks for unique products not available at mass retailers.
2. *Catalogue and internet retailers, direct to consumer channel*: A high percentage of young consumers in the United States, including Hispanics and African Americans, buy home accessories through this channel.
3. *Independent retailers*: Small stores such as tourists' shops, art galleries and museums. This channel has been traditionally a large and constant outlet for handicrafts and there is a growth in the luxury market.

Product Specific Constraints

The major constraints for the handicrafts sector are lack of organization, poor coordination of production and market access activities. Several other constraints affect the competitiveness and profitability of the sector, including high transport costs as some of the products can be big, inconsistent product quality, poor marketing, limited access to credit and deforestation.

SWOT Analysis

Strengths <ul style="list-style-type: none"> ▪ Good local skills base and strong pool of skilled artisans ▪ Wide range of traditional production skills derived from indigenous knowledge ▪ Availability of unique local raw materials ▪ Diversified culture producing wide range of unique and exclusive handicrafts ▪ Low production costs 	Weaknesses <ul style="list-style-type: none"> ▪ Fragmented industry with unstructured and individualized production systems ▪ Limited available investment ▪ Insufficient market information on export trends, opportunities and prices ▪ Limited access to funding, resources for production, distribution and marketing ▪ Inadequate infrastructure ▪ High freight costs associated with air cargo and shipment due to size
Opportunities <ul style="list-style-type: none"> ▪ Increasing flow of visitors from the United States provide marketing opportunity for products ▪ Increased appreciation of Malawi handicrafts ▪ High potential for empowerment of women, youth and people with disabilities 	Threats <ul style="list-style-type: none"> ▪ Increasing consumer sophistication resulting in changes in demand ▪ Increasing competition especially from Asian countries particularly China ▪ Decreasing supply of good quality raw material due to increased environmental changes

Medium Term (over 2-5 years)

Honey

Honey is produced throughout Malawi, particularly in natural forest reserves, and around large mountains such as Mulanje and Dedza. The country produces both light and medium dark honey, and currently produces less than 100 tons per year. However, due to an inability to satisfy domestic demand, Malawi does not currently export any notable amounts of the product. Previous enquiries from Australia, Germany, Mozambique, South Africa, and Zimbabwe have not been satisfied due to unavailability of the product. The honey sector requires investment to develop production capacity, and to increase competitiveness.

Summary Information for Products Under Medium Term Category	
Product	Comment
Honey	<ul style="list-style-type: none"> In 2017 the United States imported US\$547,631,100 worth of honey, 0.1% (US\$367.9) under AGOA. Zambia (0.1%), Ethiopia, South Africa, Tanzania, Cote d'Ivoire are the AGOA eligible exporters. In addition to other findings, the study by Total Transformation Agribusiness (Pty) Limited on the beekeeping industry established that the Southern Africa region has vast potential for honey production which currently is under-exploited (https://www.apiservices.biz/documents/articles-en/beekeeping_regional_situational-analysis.pdf) There is room for regional collaboration in the sector, working with Zambia and Mozambique. There is growing demand for organic certified honey. By addressing the organic certification, the honey becomes a niche product. Most international buyers prefer buying in bulk, as opposed to retail packs, making it more competitive for the honey producers. Apiculture has traditionally been an important activity in Malawi for decades, is a source of food, income and job creation. Rural livelihood will be improved should this sector grow.

While the United States is one of the world's largest producers of honey, it is also the second largest importer. The United States buys more honey than the largest exporter of honey sells and has a unique yet diversified honey import profile. The U.S. imports large quantities of natural honey from the world annually under different programs, but nothing was imported from Malawi between 2014 and 2017. Of the over US\$406.9 million worth of natural honey imported by the United States in 2016, 86.3% was through normal trade relations (NTR), 0.1% through AGOA and only US\$31,500 under GSP. The rest was through various other import programs (see Table 17 below). The main source for imports of honey for the United States is Argentina, Vietnam, India, and Canada.

Table 17: U.S. Imports for Natural Honey by Import Program in 2016

Program	2014	2015	2016		2017	
	US\$'000		%	YTD January-Apr		
			of Total	US\$'000		
All Programs	561,171.7	583,801.9	406,924.0	100.0	128,059.4	155,782.8
No special programs claimed	503,632.2	525,976.7	351,289.5	86.3	114,333.1	129,481.4
North American Free Trade Agreement (NAFTA)	54,536.6	54,564.0	52,767.3	13.0	12,685.6	25,415.7
Dominican Republic - Central American Free Trade Agreement (CAFTA)	2,096.7	2,343.6	1,398.4	0.3	293.0	601.4

United States/Australia Free Trade Agreement	469.5	349.7	757.1	0.2	538.7	181.7
AGOA	105.7	220.0	525.7	0.1	160.2	3.1
United States/Israel Free Trade Area Implementation Act of 1985	151.2	45.6	99.3	0.0	40.3	60.8
GSP	3.2	88.7	31.5	0.0	0.0	0.0
Oman-U.S. Free Trade Agreement	4.9	0.0	16.5	0.0	0.0	0.0
Duty free treatment to products of the West Bank, Gaza Strip and Qualifying Industrial Zones	0.0	0.0	14.6	0.0	0.0	0.0
Colombia-U.S. Free Trade Agreement	0.0	0.0	10.9	0.0	0.0	21.5
Korea-U.S. Free Trade Agreement	0.0	0.0	8.4	0.0	8.4	0.0
United States/Chile Free Trade Agreement	155.3	68.4	4.8	0.0	0.0	17.2
United States-Jordan Free Trade Area Implementation Act	16.3	0.0	0.0	0.0	0.0	0.0
Caribbean Basin Economic Recovery Act of 1983 (CBERA)	0.0	145.2	0.0	0.0	0.0	0.0

Source: USITC https://dataweb.usitc.gov/scripts/tariff_current.asp

Product Specific Constraints

While the honey sector in Malawi has potential for growth, it currently lacks proper structures thus it is not effectively organized. At present Malawi has limited production capacity and capability to meet international standards for honey. A national Residue Monitoring Plan for the export market is needed as a first step towards addressing this challenge¹⁸. In addition, the current high rate of deforestation in most parts of the country reduces foliage for the bees, limiting production.

SWOT Analysis

Strengths <ul style="list-style-type: none"> Produced throughout Malawi and the country produces both light and medium dark honey Malawi has previously exported honey to the United States Availability of technical assistance from development partners Honey is a complimentary with macadamia production 	Weaknesses <ul style="list-style-type: none"> Lack of proper structures Inadequate production capacity Limited capacity to meet international standards Limited laboratory testing facilities
Opportunities <ul style="list-style-type: none"> Natural honey is AGOA eligible Potential for regional integration and supplying the product to the United States through other AGOA eligible countries such as South Africa and Zambia Potential to supply specialty markets, especially organic market The United States has extensive demand for honey 	Threats <ul style="list-style-type: none"> Difficulty in getting certifications required by the market Continued deforestation in most parts of the country reduces production capacity Increased competition for the same market

¹⁸ Situation Analysis of Beekeeping Industry, Total Transformation Agribusiness (PTY) Ltd.
http://www.beekeeping.org/articles/us/beekeeping_regional_situational-analysis.pdf

Long Term (over 5 years)

These products require a lot more resources and time for Malawi to resolve the impediments to increase utilization of the AGOA facility. The products are still considered to have adequate potential for development and export growth. They are mangoes and tea.

Summary Information for Products Under Long Term Category	
Product	Comment
a) Mangoes	<ul style="list-style-type: none"> In 2016, the United States imported over US\$698.2 million worth of mangoes and mango products from the world and about US\$94.8 million worth of dried guavas, mangoes. Malawi already has state-of-the-art infrastructure and potential for increasing production of mango puree and can produce dried mangoes. Required additional raw materials can be availed by tapping into mangoes produced by smallholder producers, which are currently mostly going to waste due to lack of a market and lack of awareness of the value of the mangoes by the producers who are all over the country. Mangoes can also be imported from neighbouring countries such as Mozambique, Tanzania, Zambia and Zimbabwe most of which have an abundance of the product. Any increase in operations would bring more rural jobs and opportunities for farmers to supply fruit to the company through the company's smallholder outreach and development programs. Increased production of Mango products has potential for increased job creation and poverty reduction in Malawi. The factory has all the required food management certification including HACCP. The United States charge an MFN tariff rate of 1.3% on mango puree on products from non AGOA beneficiaries which give Malawi puree going into the U.S. market a slight cost competitive advantage.
b) Tea	<ul style="list-style-type: none"> The ITC Export Potential Map shows black tea as the product with greatest export potential from Malawi to United States of America. Although black tea is not AGOA eligible, green tea is AGOA eligible and Malawi already exports both types of tea to the United States hence Malawi tea is a known brand on the U.S. market. The United States imported about US\$138.9 million worth of green tea in 2016 and about US\$23.8 million from the world in 2017. In 2014 and 2015, the United States imported US\$0.54 million and US\$0.65 million worth of green tea from Malawi respectively. There is potential to increase production of green tea in Malawi and to supply a niche market in the United States where Malawi is unable to meet demand for large volumes There are however improved returns to smallholder producers through assistance from estates farmers due to continued increase in mutually beneficial partnership between estates and smallholder producers. Increased production of green tea has potential for high contribution to job creation and poverty reduction in Malawi. Most local exporters already have the certifications required by the U.S. market such as HACCP, ISO 22000 and for meeting labour and ethical standards. Malawi benefits from AGOA eligibility competitiveness against MFN rate of 6.4% charged on non AGOA eligible countries.

a) Mangoes

The University of California Berkeley (2009) argues that Malawi possesses fertile land with which it could produce all the fruit it needs, but broad structural issues are prohibiting the development and success of the fruit product industry. MoAIWD estimated production of over 1,195,640 metric tons of mangoes from about 5,415,397 trees for the 2014/2015 season. This goes to show the potential Malawi has, to increase production of mangoes. In addition, Malawi already has a large state-of-the-art factory in Salima, built at a cost of about US\$56 million with estimated capacity to produce and process over 100,000 metric tons of fruit per annum. Currently only producing mango puree, the plant can also process pineapple and banana puree with capacity to install four more machines without further construction. The factory has all the required food management certification including HACCP.

All current production of mango puree from the factory is consumed in the region. Opportunities for export will only arise when production capacity increases, hopefully once the new five-hectare Malawi Mangoes plantation in Salima starts production in about three years, bolstered by additional supplies from smallholder producers round the country. Any increase in operations would bring more rural jobs and opportunities for farmers to supply fruit to the company through the company's smallholder outreach and development programs. Additional raw materials can also be availed by tapping into mangoes produced by smallholder, which are currently mostly going to waste due to lack of a market and awareness of the value of the mangoes by the producers who are over the country. In addition, there is a possibility to increase raw materials through importing mangoes from neighboring countries such as Mozambique, Tanzania, Zambia and Zimbabwe most of which have an abundance of the product.

While the United States imported over US\$698.2 million worth of mangoes and mango products in 2016 mainly from South America, the most realistic opportunity for Malawi would be a niche market for puree to satisfy the increase in demand for smoothie-ready fruit by the health conscious throughout the world. The company is keen to find a market in the United States for its puree and the proposed dried mango as well as to tap into the growing demand for organic and natural products. The United States imported about US\$94.8 million worth of dried guavas, mangoes, and mangosteens (HTS 08045080) mainly from Mexico (45.1%), Philippines (36.6%), Thailand (8.9%), India (2.4%), Peru (2.3%), South Africa (1.2%) and Ecuador (1.1%).

Product Specific Constraints

The major constraint for this product is low production mostly due to the lack of appreciation of the commercial value of the mangoes by smallholder farmers coupled with the poor road infrastructure and transport for ferrying this heavy and perishable fruit to the market. This affects both the quantity and quality in which the product reaches the market.

Malawi currently lacks proper coordination of smallholder mango producers all over the country to get them to realize the commercial value of the mangoes rotting in their backyards. At the same time, poor storage facilities affect the quality of the product. Besides lack of expertise in business skills by smallholder farmers, they also face difficulties in obtaining required capital to purchase inputs and equipment to improve production.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">▪ Best conditions to grow mangoes with resourceful, hard-working people looking for opportunities to be self-sufficient▪ Existing expertise for growing a product for the export market▪ Available mangoes countrywide▪ Existing large state-of-the-art factory with capacity to process huge amounts of mango puree and dried mangoes	<ul style="list-style-type: none">▪ Inadequate supply of mangoes due to lack of appreciation of the value of the products by smallholder producers▪ Poor infrastructure and storage facilities▪ Difficulty in obtaining required capital for inputs and machinery

Opportunities <ul style="list-style-type: none"> ▪ Mangoes are AGOA eligible ▪ High demand for mango products in the United States ▪ Growing demand for specialty products such as dried and organic mangoes ▪ Increase in demand for fruit products by the health-conscious market ▪ Capacity to install more machines in the current factory without any further construction 	Threats <ul style="list-style-type: none"> ▪ Increasing environmental risks due to climate change, and population increases ▪ Increased competition for the same market
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b) Tea

In 2016, the United States imported about US\$138.9 million worth of green tea. According to the USITC Trade Database (<https://dataweb.usitc.gov/scripts/details.asp>), the United States imported US\$0.54 million and US\$0.65 million worth of flavored green tea (Product Code 09021010) in 2014 and in 2015 respectively from Malawi. Although Malawi is one of the major tea producers in Africa, available data shows production variation primarily due to fluctuations in rainfall, as almost all tea production in Malawi is rain fed, making production volumes directly related to weather patterns.

The general consensus for the industry is that there is a need to plant new clonal tea varieties, which are of higher quality and more productive than the bulk of currently grown varieties. Although the industry agrees that prices will continue to be determined by factors beyond the industry's control, it is believed that shifting to a greater proportion of clonal teas would help increase the average prices being achieved by the industry.

Product Specific Constraints

Key issues affecting the profitability of tea, particularly for the estate sector include: low prices; unstable exchange rate for the Malawi Kwacha against the U.S. dollar; high local interest rates; high levels of taxes; high cost of electricity and disruption from frequent power outages; as well as cost of providing social welfare gaps neglected by government such as housing, water, education, and health care for estate workers and their families. Most producers in the industry are currently struggling to make sufficient profits to reinvest in the much-needed improvement on irrigation, replanting, machinery and factories.

Tea is a relatively easy crop to grow and manage, and it provides income for most months of the year, unlike the one harvest per season for other crops, which is a relief particularly for the smallholder farmers. The main drawback however, is that the plant takes several years to reach maturity and peak production. However, when managed appropriately tea can continue to produce a crop for several years. The tea plant has a gestation period of up to five years and it may take a total of ten years to attain full maturity. The productive life of the bush spans 50 years, although this has been known to extend to 120 years in regions at high altitudes.

While the cost of planting tea in Malawi is subsidized by the provision of free seedlings by the Malawi Tea Research Foundation (TRF) under an EU funded program, the smallholder farmer still has to bear the cost of land that produces no yield for up to two years with limited yields thereafter. In addition, the farmer will have to apply fertilizer each year, which is a huge challenge for the smallholder farmer.

SWOT Analysis

Strengths <ul style="list-style-type: none"> ▪ Malawi tea is a known brand on the U.S. market ▪ Some local exporters already have experience to deal with the U.S. market ▪ Most local exporters already possess certifications required by the U.S. market 	Weaknesses <ul style="list-style-type: none"> ▪ Inadequate support for producers especially smallholder farmers ▪ Low productivity due to reliance on rain-fed production and less productive tea varieties
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such as HACCP, ISO 22000 and for meeting labor and ethical standards <ul style="list-style-type: none"> ▪ Continued increase in mutually beneficial partnership between estates and smallholder producers ▪ Improving returns to smallholder producers through assistance from estates farmers 	<ul style="list-style-type: none"> ▪ Insufficient profits to enable farmers to reinvest in much needed improvement on factories, irrigation and replanting ▪ Limited access to finance at viable rates with real interest rates currently above 30% per year ▪ Inadequate buyers at the auction floors limit the competition for Malawi tea thus reducing prices ▪ Some stakeholders are not aware of the AGOA program and its benefits
Opportunities <ul style="list-style-type: none"> ▪ High demand for quality tea ▪ Smallholder area under tea gradually increasing due to improving returns and regular income ▪ Green tea is AGOA eligible providing increased competitiveness for Malawi tea 	Threats <ul style="list-style-type: none"> ▪ Poor prices for the product ▪ Reduced production due to growing environmental risks from climate change and reduction in arable land ▪ Limited involvement of youth in farming in Malawi due to lack of interest

2.4 General Constraints

This strategy aims to assist the Government of Malawi in identifying constraints to increased sustainable growth and to define various options for dealing with these constraints. Malawi needs to address the general key constraints below to increase utilization of the AGOA facility.

2.4.1 Limited Knowledge of the AGOA Program and Benefits

Consulted stakeholders showed limited or lack of knowledge of the AGOA program and/or its benefits. Those familiar with the program indicated inadequate clarity on the benefits of the program. Linked to this was the lack of knowledge on where to enquire about the AGOA program and the person to attend to any issues on program locally.

2.4.2 Insufficient Awareness of U.S. Market Requirements

Linked to the above constraints is the key aspect of awareness of U.S. market entry requirements. Currently, most Malawi producers have limited knowledge of the U.S. market and market entry requirements coupled with the perception that exporting to the United States is ‘too complicated’, compared with exporting to other parts of the world mainly the SADC region and Europe. Also, Malawi producers, particularly small and medium enterprises (SMEs) lack expertise on how to market their products to the U.S. market and have little or limited knowledge of the potential buyers.

2.4.3 Inadequate Production Capacity and Lack of Productivity

Production capacity is one of the major constraints for most producers in Malawi. This is due to limited availability of raw materials, limited access to finance and lack of affordable sources for development funding, lack of technical expertise and experience as well as lack of suitable modern equipment. Malawi also lacks required infrastructure in some parts of the country such as good road network to facilitate easy movement of products to the market. Furthermore, there is a need for facilities such as factory shells to enable producers to quickly upscale production to meet export orders as well as to facilitate investment particularly in the textile and apparel sector.

Most producers cited high cost of such essential utilities like electricity and water coupled with unscheduled and frequent power outages as some of the major constraints to increased production and productivity. On productivity, the main challenge is inadequate technical expertise and experience. The few highly qualified locals particularly in specialized sectors like mining prefer to work outside the country where there is perceived to be more rewarding.

2.4.4 Lack of Marketing of Malawi Products in the United States

There is currently no entity tasked with spearheading marketing of Malawian products and potential investment opportunities under the AGOA program. While MITC is mandated by government to fast track economic development in Malawi by being the focal point of investment and export promotion and facilitation, nothing specific is currently being done to encourage stakeholders in Malawi and in the United States to take advantage of the AGOA facility and its benefits.

2.4.5 Cost of Compliance with U.S. Standards and Regulations

Malawi producers exporting food products to the United States are required to register with the U.S. Food and Drug Administration¹⁹ (FDA) and food exporters must ensure that food products exported to the United States are safe for consumption. Any food products imported into the United States are subject to FDA inspection when entering the United States. FDA may detain imported products if the shipments are found to be non-compliant with U.S. requirements. Consequently, although not mandatory, certification of food processors by accredited organizations to such food safety standards like HACCP and ISO 22000 are a common requirement to ensure compliance with U.S. requirements.

In addition, local producers must satisfy other U.S. Government and market conditions, such as safe labor practices for workers, Worldwide Responsible Accredited Production (WRAP)²⁰ certification and Fair Trade²¹ certification, among others. There is a need to raise awareness of these requirements and assist potential exporters to comply. In addition, MBS is mandated by the MBS Act to impose stiff punitive measures on any defaulters, including closing down production facilities and removing non-conforming products from the market.

Malawi has no accredited laboratories and accredited certifications bodies yet. Therefore, getting such certifications is expensive especially for SMEs, considering that internationally accredited certifications and the required laboratory tests can currently only be done outside Malawi. However, there are currently over 500 products and services certified to the MBS Product Certification Scheme in Malawi.

2.4.6 Inadequate Funding

Most stakeholders consulted lamented the effects of lack of sources of affordable finance to facilitate development in Malawi. Although there has been talk of establishing a development bank to cater for the needs of local producers, this is yet to come to fruition.

The nearest Malawi has to that essential source of funding is the Export Development Fund²² (EDF). Although EDF aims to provide financial and business development services to develop the productive base of the Malawi economy, the Fund currently provides short-term funding for less than a year due to the conditions from their sources of funding. The EDF's activities are restricted by lack of alternative sources of funds which forces them to continue to rely on the RBM for funding, resulting in the Fund having to charge commercial banking rates for its services.

The cost of funds from available sources of finance in Malawi is too high, which would render the products uncompetitive. The high cost of borrowing limits the ability for businesses to access funds, which is a major constraint to economic growth. The MCCC Malawi Business Climate Survey Report, 2016 ranks cost of finance highest on obstacles to doing business in Malawi (see Figure 2 above).

¹⁹ FDA is responsible for enforcing the Federal Food, Drug, and Cosmetic Act (FD&C Act) and other laws which are designed to protect consumers' health, safety, and pocketbook. These laws apply equally to domestic and imported products.

²⁰ The WRAP program objective is to independently monitor and certify compliance with these socially responsible global standards for manufacturing and ensure that manufactured products are produced under lawful, humane and ethical conditions.

²¹ A 501 (c) (3) non-profit organization, Fair Trade USA is the leading third-party certifier of Fair Trade products in the United States.

²² Export Development Fund is a limited company owned 100% by the Reserve Bank of Malawi.

2.4.7 High Cost of Production and Transport

Feedback from stakeholders indicates that high cost of production mainly results from the high cost of finance, electricity, water, machinery and complying with standards and regulations particularly for international markets. The Business Climate Survey Report 2016 cited the “high and prohibitive charges” for telecommunication as one of the contributors to poor business growth in the country. Table 18 below shows a comparison of general cost of production inputs for Malawi versus selected SSA countries.

Table 18: Comparison of General Costs of Factors

Cost Element	Malawi	Ethiopia	Kenya	South Africa	Zambia
Mean monthly wage skilled/semi-skilled (US\$)	368-413.43	74-84	120-150	1485.59/269.77	252 to 350
Weekly working hours	48 hours/ week	48 hours/ week	45 hours/ week	45 hours/week	48 hours/ week
Overtime allowed/week	12 hours/ week	25 hours/ week	20 hours/ week	10 hours/week	No limit
Rent EPZ/MFEZ factory (per sqm/per month) (US\$)	6-11	n.a	2-3.70	4 to 15	8 to 15
Electricity (US\$ per kWh)	7c/kWh	1c-3c/kWh	18c-20c/kWh	11,7c/kWh (Municipality) 8c/kWh (ESKOM)	9c/kWh to 25c/kWh
Water cost (US\$)	0.76/100m3	0.19 – 0.58/m3	0.58-2.00/m3	0.032/100m3	0.79/100m3
VAT on imports	16.5%	15%	16%	14%	16%
Corporate tax	30%	30%	30%	28%	35%
Bank interest rate (local currency)	Min. 33.8% Max. 42.8%	5-11%	18-20%	10.5%	37.5% to 45%
Work permits for expats (US\$)	176.46	Yes	Yes	111.57	3,377
Availability of industrial parks	Yes	Yes	yes	Yes	Yes
Availability of land for construction	Yes	Yes	Yes	Yes	Yes

Source: Adapted from the Zambia AGOA Workplan, 2017

Of the five countries in Table 18 above, Malawi has the second cheapest electricity cost at 7c/kWh after Ethiopia at 1c-3c/kWh. Malawi has the second most expensive water cost at 0.76/100m3 after Zambia at 0.79/100m3 and the highest VAT on imports (16.5%).

The distance from the required raw materials and the market coupled with the poor state of transport infrastructure also contribute to high transport costs in Malawi, which reduces the competitiveness of Malawi products. The 2017 World Bank Doing Business Report argues that excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. As a land-locked country, transport costs for Malawi imports and exports constitute up to 60% of the final cost of the product.

The 2018 World Bank Doing Business Report indicates that Malawi made exporting and importing easier by upgrading to a web-based customs data management platform, ASYCUDA World. However, compared to other SADC countries, Malawi was 7th on trading across borders and 117 out of 190 countries. Doing Business records the time and cost associated with the logistical process of exporting and importing goods with the ranking of economies on the ease of trading across borders being determined by sorting their distance to frontier scores for trading across borders²³. Exports from Malawi are inhibited by the extra costs and delays because of the excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure particularly at border posts.

²³ The Trading across borders scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import.

One of the most significant constraints to businesses trading across borders in Malawi is the long delays during border crossing. There are also delays across the border particularly in Mozambique and Zimbabwe (for the goods being exported via Johannesburg, Durban or Cape Town) where the customs officials from the two countries insist on opening sealed containers for inspection. This does not only result in undesirable delays but also causes security risks for the cargo. The other contributing factor to the inordinate delays at the borders is the need to go through several government agencies. Currently, about 18 agencies operate at the Malawi borders including MBS, MRA, Immigration, MoAIWD, Roads and Port Health Authority. In addition, there are taxes on imports, which if they are on raw materials increases the cost of production.

Table 19: Comparison of Malawi Trade Corridors

Port	Distance from Blantyre (Km)	Cost		Distance from Lilongwe (Km)	Cost		Transport Mode	Port delay/ Initiation of Transit	Transit Times
		20' ct (US\$) Fob	40' ct (US\$) Fob		20' ct (US\$) Fob	40' ct (US\$) Fob			
Beira	846	2,800	3,200	947	2,550	3,400	Road	2 weeks	2-3 days
Nacala	877			1047			Road		
Nacala	959			1032			Railway	> 3 weeks	3 days
Durban	2,323			3011			Road	1 day	7 days
Dar-es-Salaam	2,031			1524			Road	4 weeks	

Table 19 shows a comparison of Malawi trade corridors. Beira port in Mozambique is Malawi's main trade gateway. The road to Beira is in good condition, but the port is not as reliable as Durban. Transit to Nacala port is cheaper than for Beira²⁴, but the road to Nacala is in very poor condition while the railway to Nacala experiences derailments due to vandalism, thefts and wash-aways during the rainy season. The train also often experiences excessive stoppages due to customs clearance of cargo at Entre-Lagos on Mozambique border, Nayuchi border on Malawi border and at Liwonde.

Although shorter than going to Durban by almost 300 kilometers, the cost of exporting goods via Dar es Salaam is reportedly about three times more than that for Nacala/Beira and often experiences lengthy port delays. Exporters with time-sensitive commitments, including garments under AGOA, use the port in Durban, which is more reliable, but a longer and more expensive transit corridor. By contrast, the transit corridors to Nacala and Beira have numerous reliability problems. Delays on the Nacala corridor are exacerbated by the fact that Malawi trains do not cross into Mozambique, which requires transferring the cargo to another train at the Macuamba border.

2.4.8 Non-Tariff Barriers

Non-Tariff Barriers (NTBs) are restrictions that go beyond their legitimate intended purposes and have the deliberate or unintended effect of increasing cost to trade and protecting domestic producers against imports. NTBs increase the cost of imports/exports. Non-tariff measures²⁵ (NTMs) are government restrictions on trade for a range of legitimate public policy reasons such as safety, health and consumer information.

Several NTBs²⁶ were highlighted during the study. In apparent confirmation of the results of a study done by Isaac B. Gokah²⁷ in 2014 referred to earlier, stakeholders indicated that most of the NTBs in Malawi are due to action or lack of it by border officials. This often delays shipments and causes border delays.

²⁴ Background Note 5, Transport and Trade Facilitation, Malawi Country Economic Memorandum, November 2009

²⁵ The terms NTMs and NTBs are often used interchangeably

²⁶ The SADC Protocol on trade defines Non-Tariff Barriers as any barrier to trade other than import and export duties.

²⁷ Report on Non-Tariff Measures (NTMS) and Barriers (NTBs) Survey conducted in October/November 2014

As noted above, there are currently several agencies operating at the Malawi border, all of them normally asking for the same or similar documentation. The agencies do not always have the same operating times.

2.5 Strategic Interventions

An integrated AGOA Committee as outlined in Figure 7 in see Section 4 consisting of public and private sector as well as civil society organizations will ensure effective implementation of this AGOA Strategy through the institution designated to lead the interventions. MoITT will be the secretariat and custodian of the AGOA Response Strategy.

2.5.1 Strategic Interventions to Address General Constraints

Identified Constraint	Intervention to Address the constraint
1. Limited knowledge of the AGOA program and the benefits	<ul style="list-style-type: none"> AGOA Committee establishes an AGOA Institutional Structure within MoITT to spearhead countrywide awareness program on the AGOA and its benefits AGOA Committee to include export-oriented service providers in the awareness campaign to provide information on their services AGOA Committee to develop a robust information dissemination program to provide information on AGOA to targeted stakeholders locally and in the United States
2. Inadequate information about U.S. market requirements	<ul style="list-style-type: none"> AGOA Committee to conduct sector-specific workshops on U.S. market requirements with support/input from U.S. sector experts AGOA Committee distributes information on U.S. market requirements to targeted exporters MITC to develop a database on AGOA eligible products and make it easily accessible MITC to link the database on AGOA eligible products to websites of other strategic organizations (e.g. MITC, MCCCI, MBS, MRA and MoITT Trade Portal) MoITT to provide a list of common U.S. requirements, standards, general import documentation, technical regulations, and U.S. CBP requirements MITC to establish a link between U.S. buyers, Malawi producers, and the United States and Malawi private sectors through their respective Chambers of Commerce Support the Malawi Trade Attaché in the United States for the next seven years to help conduct market research and to promote Malawi products in the United States MoITT to engage the various USG agencies for required information and support for TCB to develop private sector business associations and networks in the U.S. markets
3. Inadequate production capacity and poor productivity	<ul style="list-style-type: none"> MoAIWD to provide production forward contracts to stimulate high volumes and aggregate financial support to buy readily available commodities, enticing commercial farmers and cooperatives to make collective efforts to promote production MoAIWD to encourage the use of modern agronomic practices in crop production MoAIWD to revitalize extension service delivery MoAIWD to continue with efforts on the Greenbelt Initiative, which aims to use the available abundant water resources for irrigation farming MRA identifies and facilitates implementation of export inclined incentives Introduce business linkage programs between SMEs and large organizations to promote private sector development, create a local market for SMEs

	<ul style="list-style-type: none"> Government helps identify markets and ensure prices for products supported by consistent economic and regulatory policies
4. Disruptions from power cuts and high cost of electricity	<ul style="list-style-type: none"> MERA continues to create a favourable investment climate for solar and other energy sources to augment hydro generated electricity MERA facilitates implementation of approved electricity generation projects MERA provides and markets gas as an alternative source of energy particularly for domestic use
5. Inadequate marketing of Malawi products in the United States	<ul style="list-style-type: none"> Government establishes an AGOA desk at the Malawi Embassy in the United States or capacitate the existing setup to drive efforts on identifying markets and to help market Malawi products in the United States MITC organizes reverse trade missions for Malawi and United States stakeholders MITC facilitates participation of local producers at selected international trade shows to meet with buyers and share ideas with other exporters
6. Cost of compliance with U.S. standards and technical regulations	<ul style="list-style-type: none"> Work with MBS and related service providers to assist producers to comply with required U.S. standards and regulations MCCCI and MBS facilitate producers of selected products to get required certifications MCCCI identifies sponsors to provide funding for training of trainers on relevant standards and regulations MCCCI engages development partners to provide support to ensure compliance with U.S. standards and regulations
7. Inadequate funding	<ul style="list-style-type: none"> RBM facilitates reduction of the current cost of finance and provide affordable funding to unlock the bottlenecks to increased production and productivity
8. High cost of production and transport	<ul style="list-style-type: none"> MCCCI to help promote increased utilization of the investments made by the Central East African Railways (CEAR) in revamping the railway corridor to reduce the cost of transport and improve the competitiveness of local exports MCCCI to collaborate with CEAR to engage local communities to help safeguard the railway by conducting sensitization campaigns on the effect of vandalism, to reduce transport delays MCCCI to encourage producers to cooperate on transportation of raw materials and finished products to reduce empty trips and to reduce cost
9. NTBs	<ul style="list-style-type: none"> MRA to continue with Coordinated Border Management system activities while intensifying implementation of a National Single Window for Malawi MRA to expedite efforts to establish One Stop Border Posts (OSBPs) at strategic crossing points around the country to facilitate trading across borders and reduce the time and cost of doing business MRA to streamline customs procedures to minimise delays at the borders MoITT to develop a national NTB strategy to facilitate the elimination of NTBs to reduce border delays and the resultant costs MoITT to conduct regular NTBs surveys to continue to identify and resolve NTBs MoITT to create a National Monitoring Committee (NMC) on NTBs as a national mechanism for monitoring and coordination of NTB elimination Capacitate the NMC coordination structure, increase its authority and provide required resources to enable Malawi to eliminate NTBs MCCCI/MoITT to create awareness and encourage stakeholders to use the COMESA-EAC-SADC tripartite NTB Monitoring Mechanism
10. Poor competitiveness for investment	<ul style="list-style-type: none"> MITC to identify investment requirements for potential investors particularly from the United States and meet the expectations of critical investors to attract more FDI

	<ul style="list-style-type: none"> MoITT to capacitate national Doing Business Committees to help identify and implement activities to improve Ease of Doing Business indicators MoITT to build on the initiatives identified within the National Action Plan on Investment (NAPI)
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2.5.2 Strategic Interventions to Address Product Specific Constraints

2.5.2.1 Macadamia Nuts

Identified Constraint	Intervention to Address the constraint
1. Inadequate supply of macadamia nuts due to low production capacity and productivity	<ul style="list-style-type: none"> MoAIWD and private sector to invest in research and development on climatic adaptation to stop the decline of kernel recovery ratio of macadamia nuts Commercial farmers to support smallholder farmers to establish larger macadamia nurseries to supply adequate planting material MoAIWD to partner with commercial farmers and Farmers Union of Malawi (FUM) to provide technical assistance to smallholder farmers to help reduce time to initial production through termite control and nutrition management during the first five seasons MoAIWD to provide larger higher capacity nurseries to produce better quality seedlings and increase control of varieties and grafting MoAIWD to work with farmers to develop technical capacity to service the production base, with regular on-farm support MoAIWD to integrate smallholder farmers into a reliable market and encourage private sector collaboration and partnership as part of an inclusive business approach MoAIWD to provide required capacity building and training, using experts from the United States Large estates and MoAIWD to encourage an out-grower scheme to get more producers involved
2. Lack of required technical experts	<ul style="list-style-type: none"> HIMACUL to help organize smallholder macadamia nut growers to facilitate delivery of services to large numbers MoAIWD to partner with HIMACUL and large-scale farmers to conduct a skills audit for the macadamia nut sector to establish available experts and their expertise HIMACUL, farmers and MoAIWD to identify required essential skills for the sector and coordinate resources to provide required training to bridge the gap MoAIWD and HIMACUL to provide training of trainers on required essential skills to expedite the capacitation of farmers MoAIWD and TEVETA to align available education and training with sector requirements MoAIWD to capacitate farmer's leadership and associations to organize their members to facilitate training and sharing of ideas
3. Lack of working capital for smallholder farmers	<ul style="list-style-type: none"> Ministry of Finance and RBM to facilitate availability of more viable sources of funding including expediting the establishment of a development bank RBM and MITC to facilitate an investment enabling environment MITC, MoAIWD, HIMACUL and other farmers' association to encourage investors/donors to work with smallholder farmers in this sector

2.5.2.2 Handicrafts

Identified Constraint	Strategic Intervention to Address the constraint
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1. Poor coordination of production and market access activities	<ul style="list-style-type: none"> MoITT to set up a handicrafts association or body to help identify and coordinate the common needs of the sector MoITT to establish a marketing house/Handicrafts Centre to help with effective coordination, marketing and distribution of products MITC to develop a website and establish a data base of available products MoITT to capacitate the association/Handicrafts Centre to effectively manage MITC to provide required training workshops e.g., for effective participation in exhibitions, marketing, costing, and export planning MITC to support exporters to attend relevant exhibitions to market their products and meet buyers to understand market requirements MoITT to work with U.S. experts to understand U.S. market requirements
2. Inconsistent quality and lack of capacity to meet required volumes for export	<ul style="list-style-type: none"> MBS to train producers on quality issues and productivity improvement MoITT to encourage marketing houses to consolidate products and manage production by different producers MITC to facilitate collaboration among local producers and regionally to increase sources for required products Branding/Labeling and Packaging Support with equipment Bring Buyers/Short Term Experts to coach producers on market requirements
3. Limited access to funding for the sector	<ul style="list-style-type: none"> MoITT and RBM/EDF to facilitate provision of affordable funding such as soft loans or grants Engage DPs e.g. USAID, Norwegian Embassy (Culture Programmes), India (Culture Programmes), Egypt (Culture Programmes); Grants/Matching grants Press Trust
4. High transport cost and distance to the market	<ul style="list-style-type: none"> Government through Ministry of Transport to improve the local transport infrastructure and explore possible alternative routes to the market MITC and Handicrafts Association to identify dedicated agent(s)/distribution partners The association or Handicrafts Centre to encourage exporters to cooperate/combine orders to reduce transport cost

2.5.2.3 Honey

Identified Constraint	Strategic Intervention to Address the constraint
1. Need for producers to be effectively organized	<ul style="list-style-type: none"> MoITT to facilitate the setting up of an apex body to coordinate and drive the activities of the sector such as the Honey Council in Kenya and Zambia MoITT to resuscitate and help capacitate the Beekeepers' Association of Malawi (BAM) to coordinate and drive the activities of the sector BAM to engage development partners to capacitate producers to operate effectively
2. Lack of capacity to increase production to meet demand	<ul style="list-style-type: none"> MoITT, Honey Council, BAM and other stakeholders to assess the sector to identify common needs MoITT, Honey Council, BAM and development partners to facilitate the provision of training required to improve production MoITT in partnership with sector representatives to involve USG agencies to access available TCB programs MoITT in collaboration with Honey Council, BAM and other stakeholders to set up marketing and distribution structures to facilitate sales and structured pricing

3. Lack of marketing expertise and knowledge of U.S. market requirements	<ul style="list-style-type: none"> ▪ MoITT, Honey Council and BAM to engage relevant stakeholders to create awareness of U.S. market requirements, technical regulations and standards including food safety certifications and SPS requirements ▪ MITC to support export-ready producers to attend selected exhibitions and organize B2B meetings during the exhibitions to help market the products ▪ MITC to work with U.S.-based experts to assist with market research and identification of critical market requirements ▪ MBS and MOGA to facilitate organic certification of Malawi honey
4. Limited access to viable funding to enable producers to purchase necessary equipment	<ul style="list-style-type: none"> ▪ RBM to facilitate the availability of affordable funding in the form soft loans or grants for either start-up or working capital ▪ MoITT to identify donors and development partners willing to work with the sector ▪ MITC to organize trade and investment missions to expose the sector to prospective investors
5. High rate of deforestation	<ul style="list-style-type: none"> ▪ MoITT, Department of Forestry, Honey Council and BAM to work with community leaders and other local stakeholders to create awareness of the negative effects of deforestation to bee-keeping ▪ Ministry of Natural Resources, Energy and Mining to provide alternative fuel for cooking to protect bee-keeping environments ▪ MoITT, Department of Forestry, Honey Council and other key stakeholders to involve communities in bee-keeping projects to show the benefits of protecting bee-keeping environments ▪ Government to develop and enforce environmental management laws

2.5.2.4 Tea

Identified Constraint	Strategic Intervention to Address the constraint
1. High production cost coupled with low prices, high taxes, and high cost of electricity with frequent power outages	<ul style="list-style-type: none"> ▪ MoAIWD to work with the Tea Association to identify areas of need and relevant solutions such as adopting better technologies and practices to improve productivity, and replace low yield tea varieties with higher yield varieties ▪ MoITT and Tea Association to advocate for a special reduced tariff for electricity and lower discretionary taxes to improve competitiveness and to encourage exports ▪ Where taxes are charged on a drawback basis, Tea Association to advocate with MRA to improve the tax reimbursement waiting period
2. Lack of funding together with unstable local currency against the U.S. dollar	<ul style="list-style-type: none"> ▪ RBM to capacitate the Export Development Fund to provide more funding for commercial farming ▪ Government through RBM to expedite the establishment of a development bank ▪ MRA, MCCCCI and MITC to facilitate an investment friendly environment and organize investment missions to attract investors
3. Insufficient production capacity and low productivity levels	<ul style="list-style-type: none"> ▪ MRA and MoAIWD to provide essential incentives to encourage increased productivity such as providing export incentives, improving funding for research and development as well as facilitating increased development of workforce skills ▪ MoAIWD and Tea Association to increase smallholder yields by increasing the number of farmers receiving assistance such as fertilizer loans, extension services and more regular collection/processing of their crop by the estates that buy from them ▪ MoAIWD and Tea Association to improve estate productivity by facilitating increased investment in irrigation

	<ul style="list-style-type: none"> MoAIWD to continue to increase smallholder land under tea and provide required training Tea Association and MCCCCI to encourage producers to extend product range using the same raw materials by producing speciality products
4. Limited knowledge of market requirements	<ul style="list-style-type: none"> MoITT, MITC and Tea Association to engage sector experts to help with identification of specific U.S. buyers, as well as market research, appropriate trade shows, and promotional activities MITC and Tea Association to work with Malawi Trade Attaché in the United States and local USG agencies on required market intelligence MITC, Tea Association and MCCCCI to bring prospective buyers to Malawi to access the product and give guidance to producers on their requirements

2.5.2.5 Mangoes

Identified Constraint	Strategic Intervention to Address the constraint
1. Difficulty in coordinating supplies to increase production	<ul style="list-style-type: none"> Government to support improvement of infrastructure such as road and storage facility to improve the quality of the product that gets to the market FUM to help farmers reduce the cost of transporting their produce to the market FUM to work with other stakeholders mandated to develop fruits in Malawi to help establish required structures and to build the necessary capacity
2. Inadequate supply of mangoes	<ul style="list-style-type: none"> FUM to create awareness of smallholder farmers of the commercial value of mangoes to reduce losses and improve the quality of the product MoAIWD to encourage an out-grower scheme by facilitating availability of viable sources of funding for smallholder farmers to help purchase required inputs, equipment and a ready market for their produce MoAIWD to provide training and facilitate funding for storage facilities to maintain the quality of the fruit and reduce post-harvest loss MoAIWD to facilitate importation of mangoes from neighbouring countries (e.g. Mozambique, Tanzania, Zambia and Zimbabwe) to augment local supply

3.0 Action Plan

While the broad strategic objective of this national AGOA Response Strategy for Malawi is for the country to increase utilization of the AGOA program through export-led growth and increased investment, specific strategic objectives, activities and expected outcomes are detailed in the implementation matrix below. The strategic objectives are derived from the general and product specific constraints and the suggested interventions outlined in the section above.

The National AGOA Taskforce will be responsible for ensuring effective implementation and management of this strategy. A proposed AGOA Response Strategy Committee Structure indicating the entities to be involved in the implementation of the strategy, consisting of representatives from the public and private sector as well as civil society, led by MoITT as the custodian of the strategy is outlined in the monitoring and evaluation (M&E) section of this strategy, section 4 below.

3.1 Detailed Implementation Matrix

Strategic Objective	Activities (Initiatives)	Performance Indicator (Measure)	Deliverable (Output)	Proposed Financier	Responsibilities		Time Frame		
					Lead Institution	Support Institutions	S	M	L
1. Establish an effective institutional structure for the national AGOA Response Strategy for Malawi	<p>a) Confirm proposed AGOA Institutional Structure (see M&E Section 4.0)</p> <p>b) Develop job specifications for the AGOA Coordinator and other required personnel and appoint the required staff</p> <p>c) Capacitate personnel at the Malawi Embassy and/or MITC office) to conduct AGOA activities</p>	<p>a) Progress reports on implementation of the AGOA Response Strategy through reports by the AGOA Secretariat during scheduled AGOA meetings</p> <p>b) Feedback and presentations from the AGOA Coordinator</p> <p>c) Number of activities/initiatives implemented from the AGOA strategy</p>	<p>a) Effective implementation of the AGOA Response Strategy</p> <p>b) Increased volume of exports under AGOA</p> <p>c) Increased volume of FDI in the priority sectors for the AGOA strategy</p>	MolTT	MolTT	MITC, and Malawi Embassy in the United States	X		
2. Create sufficient awareness of the AGOA program, its benefits and U.S. market requirements throughout the country	<p>a) Develop a robust information dissemination on AGOA activities for Malawi including, doing business in the United States; available export development programs; and market leads and success stories with links to</p>	<p>a) Number of visits to the AGOA website (hits), and queries received and those responded to through the website</p> <p>b) Number of workshops organized per year on AGOA awareness; number of participants at each workshop; and feedback received</p>	<p>a) Entities participating in trade missions and workshops per year</p> <p>b) Resolved AGOA related queries per quarter</p> <p>c) Confirmed investors per priority sectors</p> <p>d) Annual percentage increase in investment</p>	MolTT, SATIH	MITC	MolTT, MCCC, and SATIH	X		X

	allow SMEs to develop marketing capabilities; a culture of producing quality products and to have a market for their products	b) Linkages organized for exporters to meet required export volumes for the U.S. market	b) Increased exports sales from combined marketing efforts	(SMED), Ministry of Mining, Chamber of Mines		
	b) Facilitate linkage between local organizations wishing to cooperate to meet the volumes required by the U.S. market	c) Training and capacity building programs organized per year	c) Sales from the Buy Malawi campaign			
	c) Develop an AGOA export development initiative focusing on training and capacity building of exporters of prioritized products to improve their export marketing skills	d) Products and quantities exported through regional integration	d) Increase in number of companies involved in combined exports per year			
	d) Facilitate regional integration of identified products/sectors to address production capacity issues	e) Companies and number of products on the Buy Malawi program				
	e) Business linkage program to enhance marketing of local products					
	f) Bring prospective buyers to Malawi to access the product and give guidance to producers on their requirements					

10. Enhance the marketing of Malawi products in the United States	<p>a) As outlined in 1 above, confirm the agreed personnel set up for U.S. presence to drive AGOA activities</p> <p>b) Update or develop and publish promotional material on AGOA for use by those in the United States such as a handbook of AGOA</p> <p>c) Provide the AGOA team in the United States with information on type of available products, available quantities, current and potential production capacity etc.</p>	<p>a) Number of activities to enhance marketing of Malawi products in the United States</p> <p>b) Promotional material to be developed and planned activities per year</p>	<p>a) Set up of U.S. based AGOA personnel completed</p> <p>b) Annual activity program developed and shared</p> <p>c) Marketing of Malawi products in the United States enhanced</p>	MITC, MoITT	MITC, Malawi Embassy in the United States	MCCCL, SATH, and USAID/ Malawi	X	X	X
11. Ensure adequate supply of electricity and reduce the high cost of electricity	<p>a) Increase efforts on ensuring that the approved electricity generation projects are initiated</p> <p>b) Continue to create a favorable investment climate to attract more investors particularly in renewable energy such as solar and wind to avoid challenges faced with hydro generated electricity during drought seasons</p>	<p>a) Provide update on progress with implementation of already approved electricity generation projects and expedited the completion as well as</p> <p>b) Number of approved new projects and timelines for implementation</p>	<p>a) Amount of electricity to be generated by the new projects</p> <p>b) Electricity to be saved from the use of gas</p> <p>c) Amount of extra electricity from sugar cane producers</p>	NERA	NERA, Escom, Genco	Illovo Sugar, and development partners	X	X	X

d)	Conduct an assessment to determine current available laboratory services and their capabilities to provide accredited services				
e)	Work with SADC Accreditation Service (SADCAS) to build capacity of local laboratories to provide required services				
f)	MBS to provide an update on the progress with construction of the new laboratories and provide a plan on the international accreditation services				
g)	Build the capacity of Malawi to assist producers in the export sectors to meet U.S. certification requirements such as food safety, ISO 22000, HACCP, labor and Fair Trade etc.				
h)	Explore possibilities of potential exporters under AGOA to receive technical assistance on meeting U.S.				

by other disadvantaged groups	b) Develop a mechanism for providing and managing the grants/ loans program	b) Demand for support and the available budget for grants/ loans for such projects c) Number of assisted start-ups, SMEs and women	businesses owned by other disadvantaged groups					
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Key: **S** – Short Term (1 year); **M** – Medium Term (2-5 years); and **L** – Long Term (Over 5 years)

4.0 Monitoring and Evaluation Framework

4.1 Introduction

The Trade Preferences Extension Act of 2015²⁸ specifies that AGOA eligible beneficiary SSA countries should develop utilization strategies on a biennial basis to more effectively and strategically utilize benefits available under the AGOA program. Also, each beneficiary country should publish the public versions of its AGOA utilization strategy on applicable Internet website of the country. Furthermore, USTR should publish public versions of all AGOA utilization strategies on the Internet website of the Office of the United States Trade Representative.

While the AGOA Response Strategy and Action Plan for Malawi covers the duration of the extension of the AGOA program (until September 30, 2025) starting immediately after the launch of this strategy, in line with the requirements of the program noted above, the strategy will be reviewed every two years to ensure its continued relevance.

4.2 Malawi AGOA Committee within MoITT

An AGOA Committee structure (Figure 7) and M&E framework is essential to ensure effective management and implementation of the strategy and action plan.

Figure 7: AGOA Committee Structure



The above-integrated proposed structure consisting of public and private sector as well as civil society organizations will be responsible for the effective management and implementation of this AGOA strategy for Malawi with the MoITT being the secretariat and custodian of the strategy. MITC in close liaison with the MoITT will work with the public and private sector and civil society to ensure implementation of the agreed activities in the strategy for each sector.

In addition to the above setup, Malawi will also need to have a presence in the United States to help facilitate the identification of opportunities on the U.S. market and to increase demand for Malawi

²⁸ Public Law 114–27—June 29, 2015 (Sec. 107. Biennial AGOA Utilization Strategies)

products. The suggested setup should include the establishment of an AGOA desk at the Malawi Embassy in the United States working with MITC to provide a vital link between AGOA exporters in Malawi and prospective buyers in the United States.

Having a representative in the United States will also help expedite issues by taking advantage of the time differences between the United States and Malawi. The AGOA Coordinator at MoITT and the AGOA desk at the Malawi Embassy in the United States should work closely with the U.S. Embassy in Malawi and USAID/Malawi to identify opportunities and take advantage of the AGOA facility. In addition, MoITT and the AGOA Coordinator will need to work closely with all relevant USG agencies to effectively utilize the available technical support and TCB programs offered by USG agencies and such USAID funded projects like SATIH.

Immediately after the launch of the approved National AGOA Response Strategy and Action Plan for Malawi, MoITT should organize a strategic planning process to facilitate implementation of the strategy and to help integrate the strategy into the public investment planning and budgeting process for Malawi.

The M&E framework for the strategy consists of the following:

- a) An institutional structure depicted above. To ensure effective implementation of the strategy, progress would need to be reported to the Office of the President through the Minister of Industry, Trade and Tourism.
- b) The AGOA Coordinator under MoITT will be required to provide scheduled periodic updates on implementation progress including a report on any major issue impeding implementation. The Coordinator will work closely with the AGOA Secretariat under the Department of International Trade in MoITT in liaison with the National AGOA Taskforce composed of representative from: MoITT – Departments of Industry, Cooperatives, Investment; Ministry of Agriculture, Irrigation and Water Development; MRA; MITC; MCCCCI; MBS; RBM; SMEDI; and the Technical, Entrepreneurial and Vocational Education and Training Authority of Malawi (TEVETA).
- c) During the first year of implementation of the strategy, the National AGOA Taskforce including the AGOA Secretariat and the Coordinator will meet monthly and, as and when required to review implementation progress thereafter it can be decided how often they will meet.
- d) The approved National AGOA Response Strategy and Action Plan (Detailed Implementation Matrix above) will be the main tool for assessing progress and performance.
- e) The AGOA Secretariat in consultation with the Coordinator and the National AGOA Taskforce will produce a report every six months on the progress of the implementation of the strategy and provide the latest Malawi statistics on exports under AGOA. The report will be used to update the Office of the President and Cabinet on the progress through the Minister of Industry Trade and Tourism.

Finally, to ensure that the implementation of this AGOA strategy is properly monitored, up-to-date and reliable statistics on Malawi exports under AGOA will be essential. Currently, there are no readily available statistics on Malawi exports under the AGOA program. The only available statistics of Malawi exports to the United States under AGOA are from the U.S. Department of Commerce.