

# Beyond the Crises: Reshaping the Economy

KEYNOTE ADDRESS: THE 2025 ECONOMICS ASSOCIATION OF  
MALAWI (ECAMA) ANNUAL CONFERENCE

@The Sunbird Nkopola, in Mangochi, Malawi

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Thursday 30<sup>th</sup> October 2025

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# The Route Map of this Keynote

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## The global polycrisis



Unpacking recent shocks: **COVID-19 pandemic; Russia-Ukraine conflict; trade wars; and shifting geopolitics**

## Evidence-backed impact assessment: Beyond the crises



How these crises have disproportionately affected **Africa** and **Malawi**, exposing critical vulnerabilities

## The imperative for reshaping the economy



Futuristic: Why a **fundamental economic transformation** for Malawi is imperative for economic resilience, sustainable growth and youth employment

## Key insights and strategies



Key strategies for **rebooting economic growth, rebuilding financial architecture, empowering the private sector, and insulating the economy against future shocks**

# PEERING INTO THE TWILIGHT ZONE OF RECENT GLOBAL CRISES






# The COVID-19 Pandemic: Economic paralysis







## Economic Disruption

Widespread lockdowns and public health measures severely paralyzed global economic activity

-  Supply chains fractured, disrupting production and distribution networks worldwide
-  Consumer demand shifted dramatically, creating imbalances in markets
-  Businesses faced unprecedented operational challenges and closures

## Currency & Interest Rate Crises

-  **Currency Volatility:** Flight to safety strengthened major reserve currencies while many emerging market currencies depreciated sharply
-  Currency depreciated against the USD in early 2020
-  **Interest Rate Adjustments:** US Federal Reserve cut policy rates to near zero to stimulate economies
-  European Central Bank expanded asset purchase programs to provide liquidity

# The COVID-19 Pandemic: Like no other before!

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- ❑ Triggered the sharpest global downturn since the 1930s; **global GDP fell by –3% to –5% in 2020 (IMF WEO)**
- ❑ Production came to a standstill, tourism collapsed, and public debt surged as governments cushioned households and firms
- ❑ Stimulus measures (e.g., QE - quantitative easing ) in OECD expanded global money supply and liquidity, which exerted downward pressure on exchange rates and contributed to currency depreciation
- ❑ Ratchet effects on interest rate globally

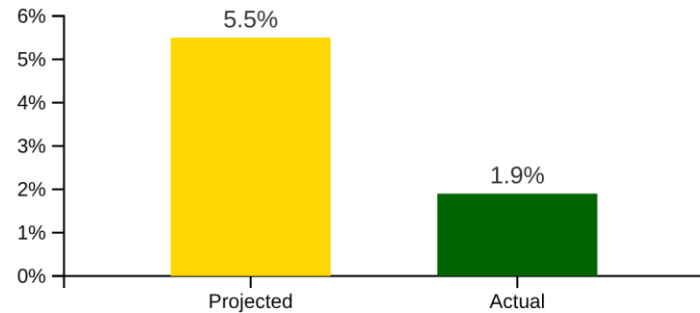
# COVID-19 Impact on Malawi Economy: Insights from the AERC radar



The COVID-19 pandemic significantly impacted Malawi's economy in 2020, with adverse effects on growth, employment, and food security

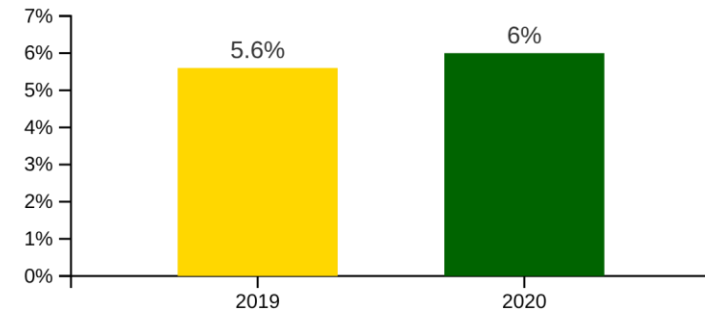
## GDP Growth Decline

Malawi's annual GDP growth rate was revised downwards from projected 5.5% to 1.9% in 2021



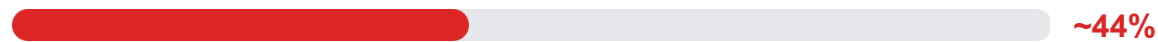
## Unemployment Rise

Unemployment increased from **5.6%** in 2019 to **6%** in 2020



## Poverty Increase

An estimated **1.1 million people**, predominantly in rural areas, temporarily fell into poverty due to the pandemic



## Food shortages

By September 2020, over **2.6 million Malawians** faced food shortages due to COVID-19 and weather complications.



# Climate Change: Global risk No. 1 before the pandemic



Climate change is an economic crisis multiplier; building climate-resilient systems is vital to protect growth, jobs, and welfare

- ❑ **World Bank (2023)** - Climate change could **push 130 million people into poverty by 2030** and reduce **global GDP by up to 18% by 2050**
- ❑ **UNEP (2023) & Murinde, Voltz, Kling et al. (2024)**- Adaptation costs in developing countries may reach **US\$215–387 billion per year by 2030**, with current funding covering **less than 10%**

## Economic Consequences

- Disasters divert scarce fiscal resources from development.
- Crop failures, power shortages, and infrastructure damage raise inflation and weaken macroeconomic stability.
- Reduced agricultural productivity, disrupting food, energy, and commodity markets, and raising disaster recovery costs.

# Africa – Hit hardest by shocks it did not cause

## Evaluating the climate change narrative?

### Climate change – Greatest threat for Africa

- ❑ Africa contributes **less than 4% of global CO<sub>2</sub> emissions** but bears some of the **highest losses**
- ❑ Africa is estimated to lose **5% to 15% of GDP per capita growth every year** due to climate change impacts such as droughts, floods, and reduced agricultural productivity (AfDB, 2022).
- ❑ **Over 70% of Africa's population depends on rain-fed agriculture**, making livelihoods extremely climate-sensitive.
- ❑ The continent experiences **average temperature rises 1.5× the global rate**, intensifying droughts in the Horn of Africa and cyclones in the south.
- ❑ Between 2020–2023, **over 110 million Africans** were affected by extreme weather events, costing the region an estimated **US \$8.5 bn** in damages (African Union, 2024).

# Russia-Ukraine Conflict: Global Supply Chain Disruption



## Critical Supply Chain Disruptions



### Energy

Oil & natural gas prices surged



### Food

Wheat, corn, sunflower oil shortages



### Fertilizers

Disruption in production & trade

**Crude oil prices surpassed  
\$120/barrel (IEA, 2022)**

## Broader Impacts



### Global Supply Chain Disruption

Severe impacts on oil, gas, wheat, corn, and sunflower oil supply



### Humanitarian Crises

Mass displacement and severe needs within Ukraine and neighboring countries



### Heightened Geopolitical Risk

Increased global political instability and uncertainty



### Inflationary Pressures

Supply shocks and energy costs fueled multi-decade inflation highs

# Ukraine War Economic Consequences



The Russia-Ukraine conflict created severe economic disruptions for Malawi, particularly affecting food security, inflation, and trade

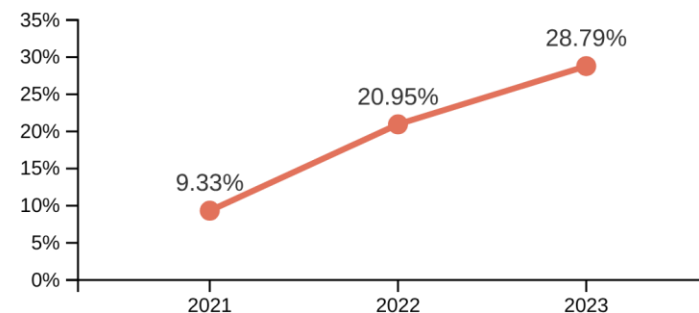
## Wheat Import Dependency

Malawi imported **75%** of its wheat from Russia and Ukraine, making it highly vulnerable to supply disruptions.



## Inflation Surge

Inflation in Malawi surged from 9.33% in 2021 to 20.95% in 2022 and further to 28.79% in 2023.



## Trade Deficit

Malawi's trade deficit increased by \$1.586 billion, exceeding \$2 billion in 2021.



## Essential Commodity Price Increases

The conflict led to significant price increases for essential commodities:

Fertilizers

Fuel

Wheat

Sunflower Oil

# Additional observations about the Russia - Ukraine conflict

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- ❑ Amplified **food, fuel, and fertilizer shocks** globally
- ❑ The **FAO Food Price Index** reached a record **159.3 points in March 2022**, a **12.6% rise** from February 2022
- ❑ Although the index has eased, prices still remain above pre-war levels
- ❑ Growth slowed as OECD resources were redirected to the war
- ❑ **Global trade flows were disrupted**

# Trade wars: protectionism on the rise



## Escalating Tariffs

- Increasing tariffs and non-tariff barriers between major economies
- US imposed tariffs on steel, aluminum, and Chinese goods
- China retaliated with tariffs on US agricultural products



## US-China Trade Tensions

- ➔ Tariff escalation between the world's two largest economies
- 🔗 Retaliatory measures creating a fragmented global trading system



## Global Impact

- Slowed global trade volumes
- Increased production costs for businesses
- Reduced investment certainty



## Economic Consequences

- \$ Higher costs for businesses and consumers
- 🚫 Reduced international cooperation and investment

# Why the USA - China trade conflict matters?

- ❑ US and China are the world's two largest economies
- ❑ The trade conflict has led to **supply chain disruptions, slower economic growth, reduced investments, and price volatility**
- ❑ Many developing economies are indirectly affected through **commodity price shocks and trade uncertainty**



# Shifting global geopolitics



## Geopolitical Fragmentation



### Competing Economic Blocs

Rise of distinct economic alliances leading to fragmented global markets and trade networks



### Increased Nationalism

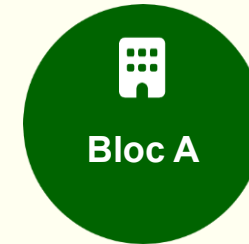
Surge in protectionist policies and inward-focused economic strategies



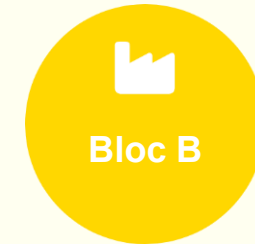
### Weakening Multilateral Institutions

Eroding capacity of international organizations to facilitate cooperation on global challenges

## Impact on Global Cooperation



Economic Zone



Manufacturing Hub

### Investment Risk

Long-term cross-border investment deemed riskier

### Global Challenges

Complicated coordination on climate change and pandemics

# Africa's vulnerability to global shocks



The confluence of global crises has **disproportionately impacted African economies**, exposing and exacerbating pre-existing vulnerabilities. These shocks have created a **"polycrisis" environment**, where multiple crises interact and amplify each other.



## Rising Debt Distress

Many African nations entered these crises with already high debt levels, and the shocks further constrained their fiscal space, leading to increased borrowing costs and a higher risk of debt distress.



## Soaring Inflation

Global supply chain disruptions and commodity price surges, particularly for food and energy, fueled rampant inflation across Africa, eroding purchasing power and living standards.



## Food Insecurity

The disruption of agricultural supply chains and increased fertilizer costs, coupled with climate-related events, intensified food insecurity in many regions.



## Constrained Fiscal Space

Governments faced increased demands for social spending and economic support while revenue generation was hampered, leading to widening fiscal deficits and limited capacity for counter-cyclical policies.

# SDGs: Where does Africa stand right now?



- Africa's progress is about 10–15 percentage points behind the global average on most goals.
- **Climate action (SDG 13)** and **responsible consumption (SDG 12)** are Africa's strongest areas driven largely by low per-capita emissions and resource use
- Africa is under 30% of the way to ending hunger (**SDG 2**), improving health and well-being (**SDG 3**), and building peace and strong institutions (**SDG 16**)

SDG Goal	Africa Average	Global Average
SDG 1 – No Poverty	~40%	~70%
SDG 2 – Zero Hunger	~25%	~50%
SDG 3 – Good Health & Well-Being	~35%	~70%
SDG 4 – Quality Education	~50%	~80%
SDG 5 – Gender Equality	~45%	~70%
SDG 6 – Clean Water & Sanitation	~40%	~75%
SDG 7 – Affordable & Clean Energy	~35%	~80%
SDG 8 – Decent Work & Economic Growth	~45%	~65%
SDG 9 – Industry, Innovation & Infrastructure	~20%	~60%
SDG 10 – Reduced Inequalities	~55%	~60%
SDG 11 – Sustainable Cities & Communities	~50%	~60%
SDG 12 – <b>Responsible Consumption &amp; Production</b>	~90%	~50%
SDG 13 – <b>Climate Action</b>	~97%	~60%
SDG 14 – <b>Life Below Water</b>	~60%	~55%
SDG 15 – Life on Land	~45%	~50%
SDG 16 – Peace, Justice & Strong Institutions	~30%	~60%
SDG 17 – Partnerships for the Goals	~60%	~70%

- Compiled from the United Nations Sustainable Development Goals Reports 2023–2024 and the Sustainable Development Report 2024 (SDG Index data)

# Global Shocks: Impact on Malawi economy



## Imported Inflation

Heavy reliance on imported goods (fuel, fertilizer, essentials) meant global price surges directly translated into high domestic inflation, significantly impacting household budgets and business costs.



## Supply Chain Disruptions

Global supply chain disruptions led to shortages and delays in critical agricultural and industrial inputs, exacerbating production challenges and contributing to price volatility.



## Exchange Rate Volatility

Increased demand for imports and reduced foreign exchange earnings from exports, coupled with global financial tightening, put pressure on the Malawian Kwacha, leading to depreciation and fueling imported inflation.



## Reduced Foreign Aid & Investment

Global economic uncertainties and competing priorities in donor countries sometimes led to a reduction or redirection of foreign aid and foreign direct investment flows crucial for Malawi's development financing.

# Global Shocks: Impact on Malawi (further details)



## Inflation Impact

Soared to **28% in 2023** from **9.3% in 2020**, severely eroding purchasing power

## Food Security

3.4 million people in Malawi experienced acute food insecurity (2022-2023)

## Currency Impact

Kwacha depreciated by over **70%** during the crisis period

## GDP Growth

Slowed to just **0.9% in 2020** and **0.8% in 2022**, far below pre-crisis projections

## Compounding Crises: Malawi's Unique Vulnerability



### COVID-19 + Health System Fragility

Healthcare spending was diverted to pandemic response, weakening already-fragile healthcare systems. Vaccine rollout reached only 19% of population.



### Ukraine War + Cyclone Ana

As global food prices spiked from the Ukraine conflict, **Malawi was simultaneously hit by devastating Cyclone Ana in 2022, destroying 115,000+ hectares of crops.**



### Energy Crisis + Forex Shortage

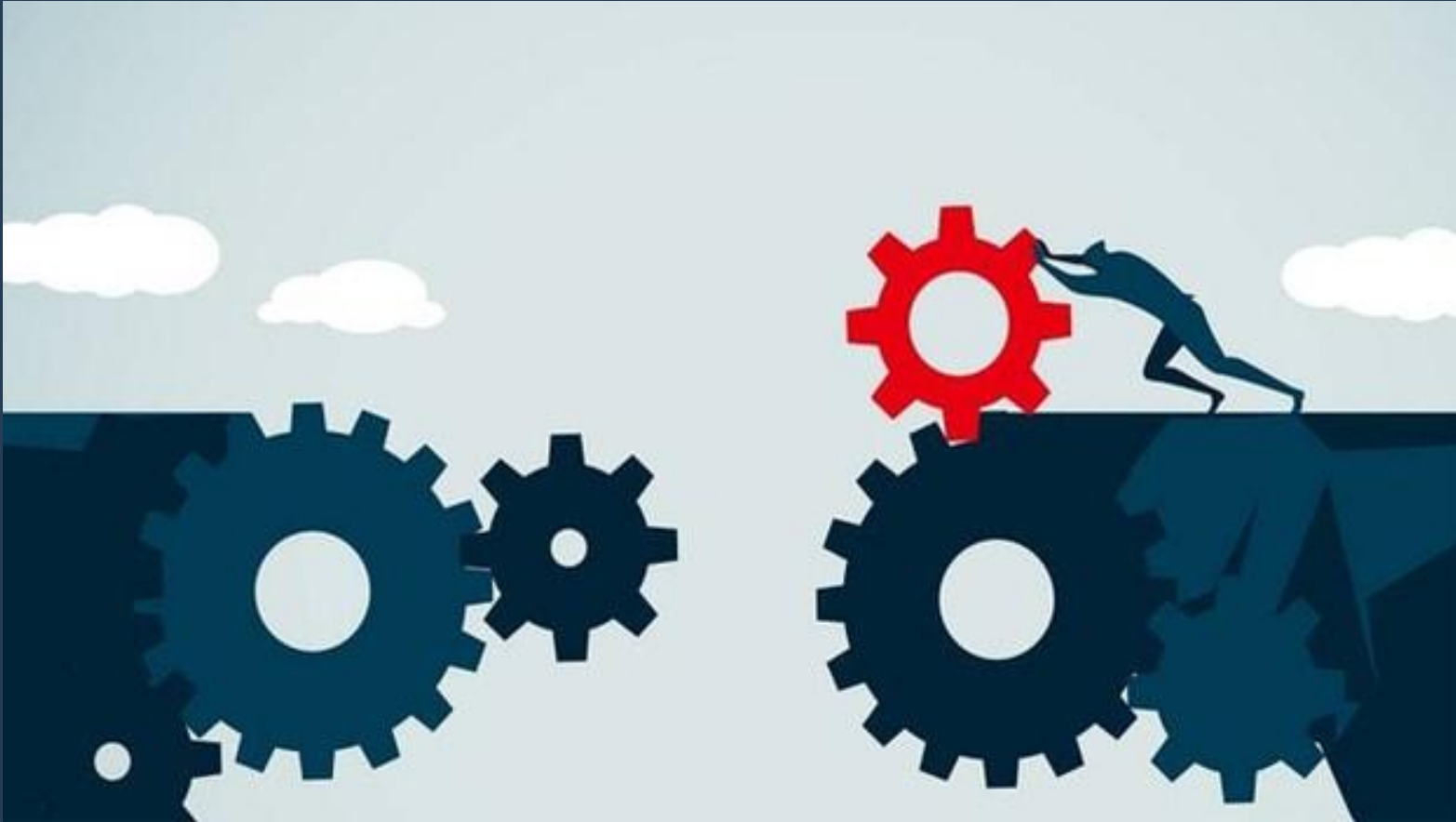
Malawi's chronic foreign exchange shortages were exacerbated by energy price spikes, resulting in severe fuel shortages and rationing throughout 2022-2023.



### Global Inflation + Domestic Debt

Rising interest rates increased debt servicing costs, with Malawi's public debt reaching 85% of GDP in 2023, among the highest in Sub-Saharan Africa.

# Reshaping the Malawi Economy



# Why reshape Malawi's economy now? And then How?

The confluence of recent global crises has starkly exposed the vulnerabilities of existing economic models, particularly in developing nations like Malawi



## Fundamental Economic Transformation (FET)

Reshaping is about more than recovering from shocks; it's about fundamentally transforming the economic structure to **build inherent resilience** and **sustainability**.



## Insulating the Economy against External Shocks

Current model is susceptible to external price fluctuations, supply chain disruptions, and global financial instability, inadequately safeguarding livelihoods and fostering consistent development.



## Inclusive Growth & Diversification

A proactive reshaping ensures Malawi can better withstand future shocks, achieve inclusive growth, and transition towards a more diversified and robust economic future.



## The Time is Now

*"Reshaping now moves beyond a cycle of crisis response to one of strategic development."*



# Why reshape Malawi's economy now? And then How? (2)



## The old growth model is unsustainable.

- Serial crises have exposed deep structural weaknesses in global and African economies
- Traditional models (**commodity exports, imported industrial goods, external financing**) collapse easily under global shocks, leading to inflation, debt distress, and unemployment
- **Reshaping the economy** means diversifying production, strengthening domestic value chains, and reducing dependence on volatile external factors.

## Build resilience.

- Resilience is not just the ability to recover from shocks but to **absorb, adapt, and transform** in their aftermath.
- Countries can **develop stronger domestic production bases, regional trade linkages, and shock-responsive fiscal systems** that protect jobs and welfare when global disruptions occur.

## Reshaping aims to make growth **inclusive, sustainable, and future-ready**

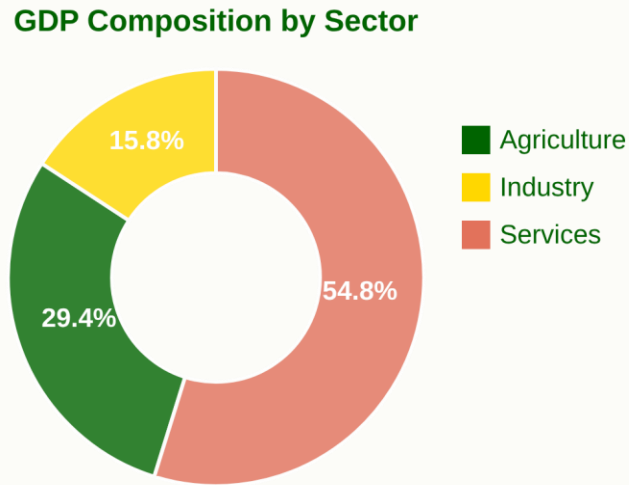
## Position for new global opportunities.

The world economy is shifting (**green energy, digital trade, supply-chain realignments, and regional integration**). This offers Africa a chance to reposition for competitiveness.

# Diagnostics: Structure and Performance of Malawi Economy



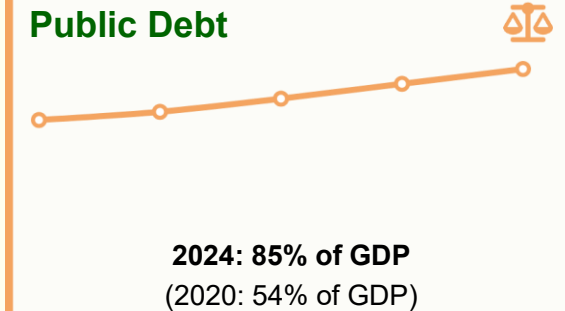
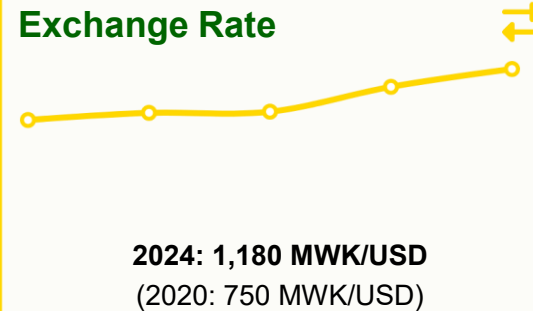
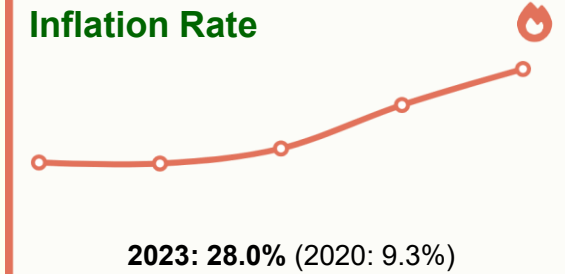
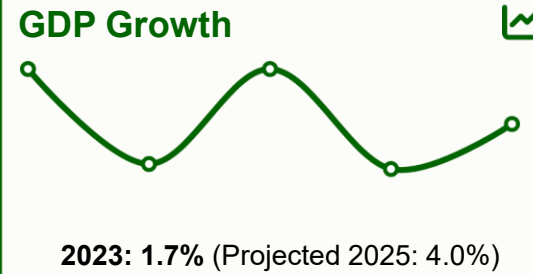
## Economic Structure



### Key Economic Facts

- 🌱 Agriculture employs over 80% of labor force but contributes only ~29% to GDP
- ⚠️ Limited mineral resources: Uranium, coal, bauxite, phosphates
- 🌊 Lake Malawi covers 20% of country's area, yet fisheries remain underdeveloped
- 🏭 Manufacturing sector limited to processing agricultural products and basic consumer goods

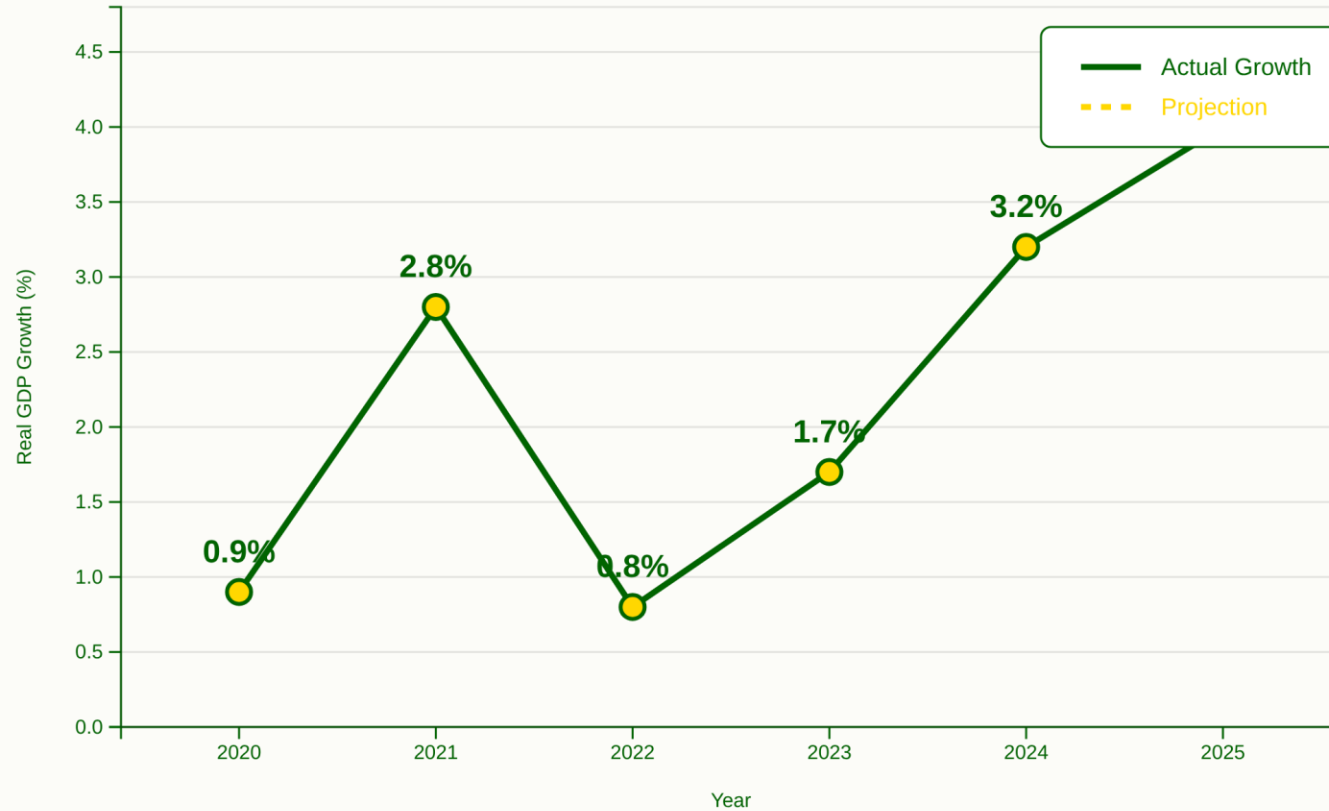
## Key Macroeconomic Indicators



### Development Challenges

- ⚡ Electricity access: only 15% of population
- 🏗️ Poor infrastructure raising trade costs
- 🌱 High vulnerability to climate shocks
- 🎓 Skills gap limiting productivity growth

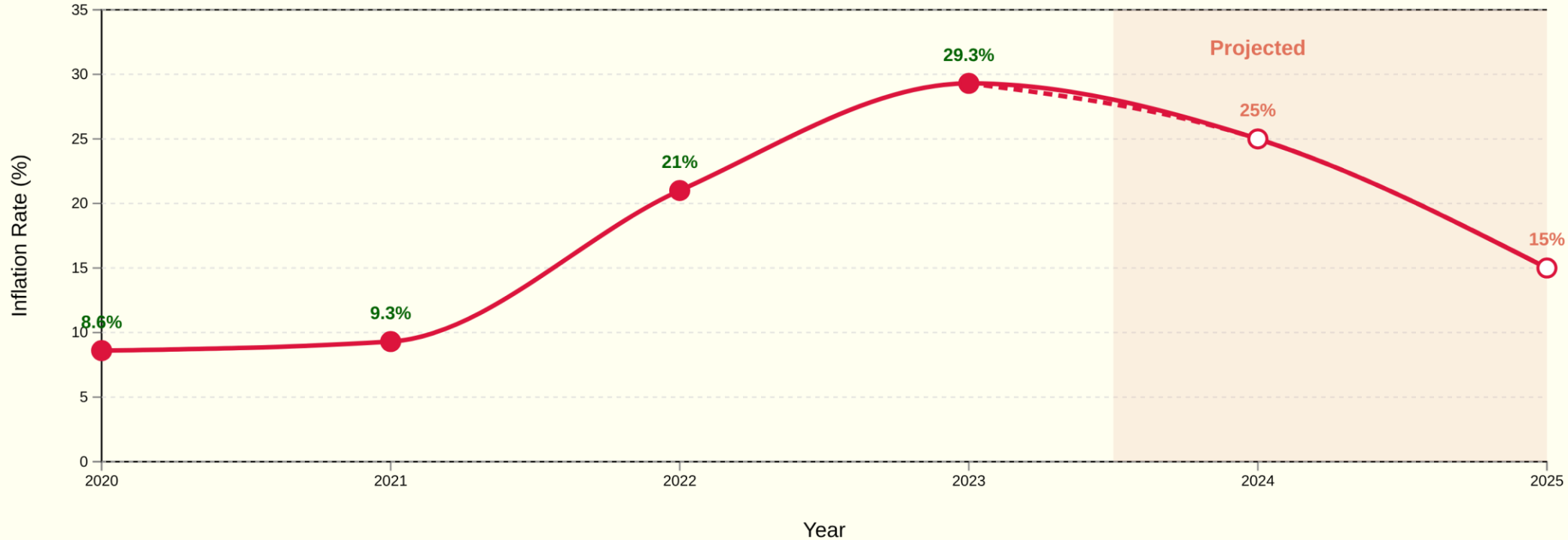
# Real GDP Growth (2020-2025)



## Key Insights

- Economic growth contracted during COVID-19 pandemic (2020: 0.9%)
- Recovery phase with moderate growth (2021: 2.8%)
- Continued volatility with varied performance (2022-2023)
- Projected recovery with 4.0% growth in 2025

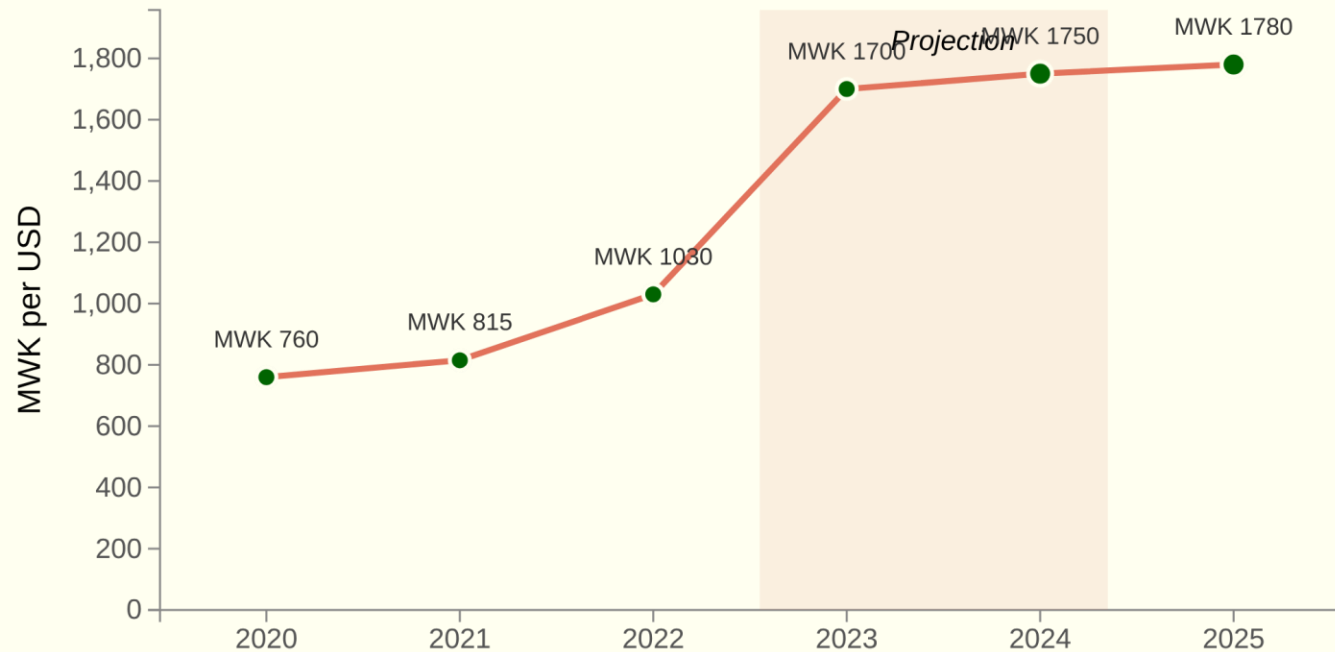
# Inflation Rate Trends (2020-2025)



## Key Insights:

- Persistent and elevated inflation peaked at **29.3%** in 2023
- Driven by imported inflation from rising global commodity prices (fuel, food, fertilizers)
- Exchange rate depreciation further amplifying price pressures
- Projections show gradual moderation to **15%** by 2025

# Exchange Rate Volatility (2020-2025)



## ⇒ Kwacha Depreciation

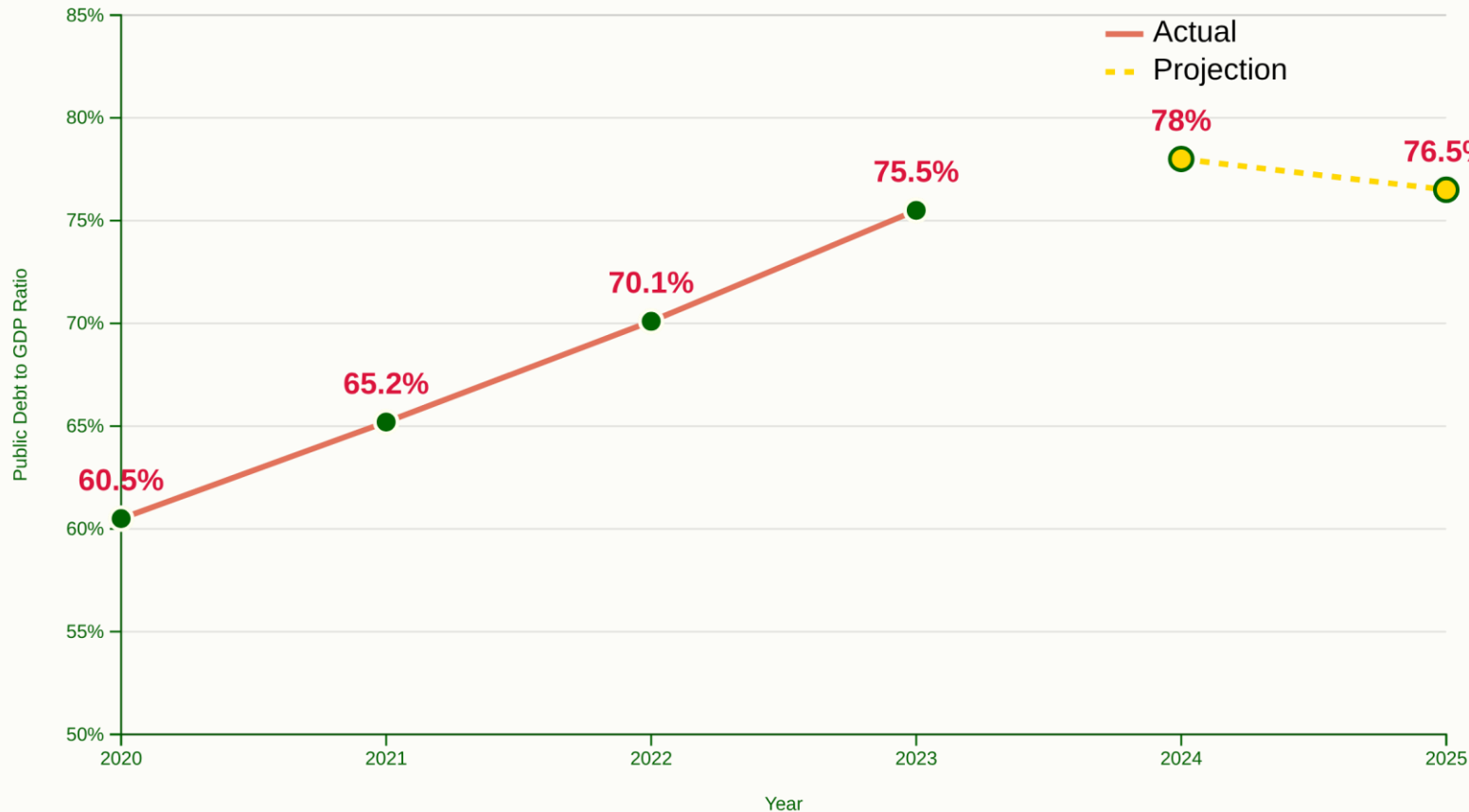
The Malawian Kwacha has experienced significant depreciation against the USD, rising from MWK 760 in 2020 to a projected MWK 1,780 in 2025.

## 📈 Key Factors

- Persistent current account deficits
- Limited foreign exchange inflows
- Speculative pressures
- Increased demand for imports

**i** *The depreciation has made imports more expensive, contributing to inflationary pressures and exacerbating Malawi's economic challenges.*

# Public Debt to GDP Ratio (2020-2025)



## ⚠️ Key Concerns

- Debt burden has increased by over 15 percentage points since 2020
- Projected debt-to-GDP ratio to remain elevated through 2025
- Limited fiscal space for counter-cyclical policies

## 📈 Implications

Rising debt levels limit Malawi's ability to respond to future economic shocks and constrain resources available for essential public services and investment.

# Rebooting economic growth



Strategic priorities for infrastructure development and trade diversification to stimulate sustainable economic growth in Malawi



## Infrastructure Development

- ✓ **Energy Projects:** Prioritize hydropower and solar to ensure stable, affordable power supply
- ✓ **Transport Networks:** Upgrade roads and rail to improve connectivity and lower logistics costs
- ✓ **Digital Infrastructure:** Expand broadband access to support digital economy



## Trade Diversification

- ✓ **Export Markets:** Expand beyond traditional partners to access new destinations
- ✓ **Product Range:** Move towards higher-value goods and diversify export basket
- ✓ **Regional Integration:** Leverage AfCFTA to foster regional value chains

# Beyond economic growth, reboot productivity

## Invest in infrastructure

- Energy Infrastructure: Malawi has immense potential for solar energy. Over 60% of firms identify electricity as a major constraint. Investing in large-scale solar farms and mini-grids for rural areas can provide stable, cheaper power.
- Transport Infrastructure: roads, railways and air
- Digital Infrastructure: expand broadband internet and reduce data costs

## Investing in human skills for growth

- Reform education systems
- Improve agricultural skills and systems
- Shift from subsistence to value addition skills

## Expanding intra-COMESA and Intra-African trade

- Diversification away from traditional markets
- Exploiting comparative advantage
- Economic resilience

# Rebuilding financial architecture



## Central Bank Independence

- ✓ Strengthen RBM independence for effective monetary policy
- ✓ Implement inflation targeting framework
- ✓ Anchor inflation expectations and maintain price stability



## Fiscal Consolidation

- ✓ Implement credible and transparent fiscal plans
- ✓ Enhance revenue collection systems
- ✓ Rationalize public expenditure and improve fiscal space



## Financial Sector Supervision

- ✓ Enhance regulatory and supervisory frameworks
- ✓ Promote sound lending practices and financial stability
- ✓ Protect depositors and maintain financial system integrity

# Towards a diversified financial structure

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- ❑ Only about **15-20% of firms in Malawi have a bank loan or line of credit** (compared to an average of ~30% in Sub-Saharan Africa).
- ❑ Leverage **Mobile Money and Digital Finance**.
  - Malawi has made strides with platforms like Airtel Money and TNM Mpamba.
  - Use these platforms to offer more products like microloans, savings accounts, insurance, and investment options to mobilize domestic savings
- ❑ Strengthening the banking sector to lend to the productive private sector
- ❑ Reduce financial risks for key sectors – Strategies such as credit guarantee schemes
- ❑ Long term finance e.g. bond markets; development finance
- ❑ Diversified financial institutions, markets and instruments (e.g. for industry and trade)

# Rethinking the role of the private sector

- ❑ The role of the private sector is the **beating heart** that makes all the other elements come to life.
- ❑ Small and Medium Enterprises (SMEs) constitute over **90%** of all registered businesses in Malawi and are a significant source of employment.
- ❑ The Government sets the stage (infrastructure, skills, trade policy, financial stability).
- ❑ The Central Bank ensures the monetary system is stable and supportive.
- ❑ The Private Sector is the actor, innovator, and primary driver of economic growth that performs on that stage.



# Empowering the private sector



The private sector is the **primary engine for job creation, innovation, and economic growth**. Empowering it is crucial for Malawi's economic transformation.



## Improving Ease of Doing Business

Implement reforms to streamline business registration, reduce bureaucratic hurdles, and enhance contract enforcement to create a more attractive investment climate.



## Public-Private Partnerships (PPPs)

Develop robust legal and institutional frameworks for PPPs to mobilize private capital and expertise for infrastructure development and public service delivery.



## Access to Affordable Finance

Facilitate access to credit for Small and Medium-sized Enterprises (SMEs) through innovative financing mechanisms, credit guarantee schemes, and support for financial inclusion initiatives.

# Insulating Malawi against external shocks: What does it mean?



- ❑ **Insulation is not about isolation;** it is about building a **resilient, diversified, and self-reliant economy** that has the internal strength and external partnerships to navigate a volatile world
- ❑ An "insulated" Malawi would look like this:
  - **When global tobacco prices fall,** the economy is sustained by tourism, horticulture exports, and a growing manufacturing sector.
  - **When a drought hits,** widespread irrigation ensures food production continues, and a diversified energy grid (solar, thermal) keeps the lights on. Strategic grain reserves prevent a food crisis.
  - **When a global pandemic disrupts shipping,** a deeper regional trade bloc (COMESA/AfCFTA) provides an alternative market for Malawian goods, and import substitution means essential goods are produced locally.
  - **When global fuel prices spike,** the central bank uses its forex reserves to manage the impact, and the government can use its fiscal buffers to provide targeted subsidies without collapsing the budget.

# Further in insulating the economy.....

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## Foreign Exchange Reserves

Strategically build adequate reserves to buffer against currency volatility and import shocks, providing stability during global financial turbulence.



## Agricultural Insurance

Establish a national agricultural insurance scheme to protect farmers from climate-related shocks, ensuring food security and stabilizing rural incomes.



## Renewable Energy

Accelerate investment in renewable energy sources to reduce reliance on imported fossil fuels, mitigating the impact of global oil price fluctuations.



## Strategic Grain Reserves

Maintain and strategically manage national grain reserves to ensure food availability during periods of drought or other supply disruptions.

Malawi's development plans align with AU Agenda 2063's vision for a prosperous and integrated Africa

## Key Aspirations

### **Aspiration 1: Prosperous Africa**

Focus on industrialization, value addition, and modern agriculture.

### **Aspiration 2: Integrated Continent**

World-class infrastructure and financial institutions.

### **Aspiration 6: People-Driven Development**

Gender equality and youth empowerment.

## Flagship Projects

 African Continental Free Trade Area

 Industrial Transformation

 Green Revolution Initiatives

 African Financial Integration

## Strategic Alignment

### Alignment Framework

#### **Transformed Economies**

Malawi's industrialization goals align with Agenda 2063's focus on economic transformation.

#### **Modern Agriculture**

Malawi's agricultural productivity initiatives support the continental agenda.

#### **Infrastructure Development**

Malawi's infrastructure projects align with the integration goals of Agenda 2063.

#### **Financial Self-Reliance**

Malawi's efforts to reduce aid dependency support the Agenda 2063 goal of African self-determination.

# African Development Bank Strategic Focus



The African Development Bank's Country Strategy Paper (2023-2028) for Malawi outlines two primary areas of focus to drive economic transformation.



## Priority 1: Economic Infrastructure for Industrialization

- Investments in energy sector to expand access through grid and off-grid solutions
- Transport infrastructure development, including the Nacala Road Corridor Development Project Phase V
- Water, sanitation, and hygiene improvements



## Priority 2: Agricultural Productivity and Value Addition

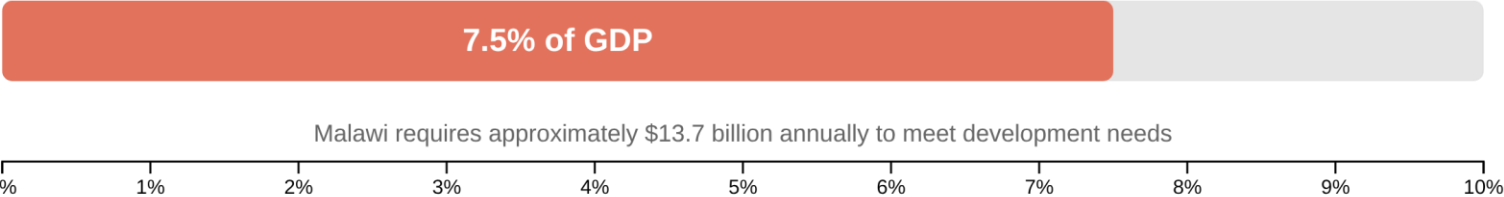
- Supporting initiatives to boost agricultural output
- Processing raw materials to increase value
- Enhancing agricultural productivity and market access



## Financing Requirements

Malawi faces elevated financing needs averaging **\$13.7 billion per year** (7.5% of GDP), highlighting the critical role of international partnerships.

Malawi's Annual Financing Need as % of GDP



The Economic Commission for Africa (ECA) emphasizes industrialization as central to Malawi's structural transformation, focusing on key strategies to promote sustainable economic growth.



## Productive Capacity Enhancement

Increasing manufacturing output

- Boosting agricultural productivity
- Expanding service sector capabilities



## Green Industrialization

- Promoting environmentally sustainable industries
- Supporting carbon market initiatives
- Developing climate-resilient industrial policies



## Value Chain Development

- Enhancing value addition to agricultural products
- Deepening regional value chains
- Improving integration between sectors



## Special Economic Zones

- Developing comprehensive SEZ regulations
- Ensuring governance and transparency
- Complementing existing Export Processing Zones

### Key ECA Interventions:



Strengthening social protection systems



Technical assistance for industrial policy



Fostering regional integration



The World Bank's Country Partnership Framework (FY21-25) aligns with Malawi 2063 vision, focusing on growth, private sector development, and climate resilience.



## Bolstering Foundations for Growth

Strengthening governance and economic management to create a stable environment for development.



## Promoting Private Sector-Led Jobs

Fostering an environment conducive to private investment and job creation to drive economic transformation.



## Strengthening Climate Resilience

Building capacity to withstand and recover from climate shocks, particularly important for Malawi's agricultural economy.



## Cross-Cutting Themes

Digital development and women's empowerment are integrated across all pillars of the strategy.

## National Energy Compact Targets (by 2030)

Electricity Access

25.9% → 70%



Clean Cooking Solutions

75% of households



Renewable Energy Share

90% → 96%



💡 The World Bank is supporting Malawi's energy transition through technical assistance and financing for renewable energy projects.

**Malawi 2063** - A vision to transform Malawi into an **inclusively wealthy and self-reliant industrialized upper-middle-income country**



## Agriculture productivity

- Transform subsistence farming into commercialized high-value sector
- Strengthen backward and forward linkages
- 60% of export earnings from agricultural products



## Industrialization


- Develop robust manufacturing sector
- Shift from importing to producing and exporting
- Special Economic Zones to attract investment





## Urbanization


- Develop modern institutions, towns, and cities
- Create economic hubs across the country
- Improve infrastructure and services


## Key Strategic Documents


 **MIP-1** (2021-2030): First 10-Year Implementation Plan

 **NES II** (2021-2026): National Export Strategy

 **PFMS** (2023-2028): Public Finance Management Strategy

 **SEZ Act** (2024): Special Economic Zones

 **NEC** (2030): National Energy Compact

 **NSFI III** (2025-2028): Financial Inclusion

# China in Africa



# The role of China in Africa's new development priorities

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- ❑ China is an unavoidable and potent force in Africa's new development priorities
- ❑ **China's Primary Frameworks & Motivations**
  - **The Belt and Road Initiative (BRI):** translates to funding and building roads, railways, ports, and energy projects.
  - **"No Strings Attached" Policy:** Unlike Western nations and institutions (like the IMF/World Bank), China officially ties its financing to non-interference in domestic politics and does not impose governance, human rights, or democratic reforms as conditionalities. – Appealing to African governments

# What are the opportunities for Africa?

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- **Addressing the Infrastructure Deficit:**
  - **Fact:** China has become the single largest financier and builder of infrastructure in Africa
  - **Example:** Railways in Kenya and Angola, ports in Kenya and Tanzania, highways across the continent, and crucial energy projects
- **Speed and Efficiency:** Chinese projects are known for their rapid implementation
- **Financing Access:** Provides an alternative source of capital, breaking the monopoly of traditional Western donors and offering more negotiating leverage
- **Market for African Exports:** China is a massive market for African raw materials, particularly oil, minerals, and agricultural products, helping to fuel export revenues

# Engaging China strategically: Avoiding pitfalls, maximizing gains



## 1. It's a Business Relationship, Not Aid

- Treat Chinese engagement as a commercial partnership. Negotiate fiercely. They are not a charity.

## 2. Debt is the #1 Risk

- Conduct rigorous, transparent debt sustainability analyses (DSAs) before signing any loan agreement. Favor grants and highly concessional loans.

## 3. Demand Local Content & Value Addition

- Mandate the use of local labour (especially semi-skilled and unskilled), local materials where possible, and joint ventures with local firms. This ensures the project benefits the Malawian economy.

## 4. Insist on Technology & Skills Transfer

- Build clauses into contracts that require the training of Malawian engineers, managers, and technicians. This builds long-term national capacity.

## 5. Align with National Development Plans

- Force-fit China's engagement into your Mw2063 agenda—accept projects that are clear national priorities (e.g., energy, rail links to ports).

## 6. Champion Transparency

- Make all loan agreements public. This builds public trust and allows for expert scrutiny to identify hidden clauses.

# The Co-Creation Role of the AERC & ECAMA



## Research Institutions

**AERC** : African Economic Research Consortium

**ECAMA** : Economics Association of Malawi

These institutions can co-produce rigorous, evidence-based research to inform policy formulation and strategy development for economic reshaping.



### Evidence-Based Research

Produce rigorous research on Malawi's economic challenges and opportunities to inform policy formulation and strategy development for economic reshaping.



### Policy Dialogue and Advocacy

Facilitate platforms for constructive policy dialogue among government, private sector, civil society, and academia. Advocate for sound economic policies based on research findings.



### Capacity Building

Support the development of local economic expertise through training programs, workshops, and mentorship, strengthening Malawi's capacity to analyze economic issues and design effective policy interventions.

# The co-creation role of the AERC and ECAMA: But, how?

- Pre-mortem analysis
- Joint focus of the trajectory of the Malawian economy
- Co-producing knowledge and strategies for reshaping the Malawian economy
- Produce high quality research
- Capacity building of high - powered individuals who can steer economic restructure for growth and resilience
- Policy embedding
- Evaluation of existing policy to design future strategies

AERC (The "Research Arm", joint research with stakeholders)	ECAMA (The "Policy Action, private sector practice & Advocacy Arm")
<p>Produces the high-quality, rigorous research on Malawi-specific issues (e.g., "Impact of Climate Change on Maize Yields in Malawi").</p>	<p>Translates &amp; Disseminates this research into digestible policy frameworks for MPs, ministries, and the media.</p>
<p>Builds the long-term capacity of individual economists through advanced training.</p>	<p>Deploys this skilled human capital to analyze and influence immediate national policy debates.</p>
<p>Provides a regional perspective and methodological rigor.</p>	<p>Provides the deep local context and channels for national influence.</p>


# Summary and call to action



## Key Strategies for Reshaping Malawi's Economy

 **Rebooting Economic Growth (endogenous)**  
Skills for the youth; infrastructure development and trade diversification

 **Rebuilding Financial Architecture**  
Central bank stability; FinTech; diversification of the financial sector

 **Innovation to Empower the Private Sector**  
Improve business environment and access to finance; digital revolution; incentives; industrial policy

 **Insulating the Economy Against External Shocks**  
Digital revolution; building reserves and investing in renewable energy

## Collaborative Action Needed

Reshaping Malawi's economy requires concerted effort from all stakeholders to translate these strategies into tangible progress for all Malawians.



Government



Private Sector



Civil Society



Research Partners

### The Path Forward

AERC and ECAMA Working together to build a more resilient, sustainable, and inclusive economy for Malawi.

