

# Public-Private Dialogue

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## STATUS OF PUBLIC-PRIVATE DIALOGUE IN MALAWI

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### A- BACKGROUND

Malawi is an agro-based economy with agriculture contributing about 30.1 percent to the Growth Domestic Product in 2010. Recent performance in the economy has generally improved due partly to improved dialogue between the public sector, the private sector and the donor community. The Malawi economy has been growing at an average of over 6 percent for the past 6 years. The major contributing factor has been government interventions in the agriculture sector where more than 80 percent of the population is engaged in economic activity. Consequently the per capita income has risen from US\$142 per capita 5 years ago to US\$328 per capita today.

The historical perspective of Malawi politically is that before 1994, the country was under one party rule and as such economic development was based on economic policies that were crafted without consultations. Despite the existence of Malawi Confederation of Chambers of Commerce and Industry then, meaningful dialogue with government was weak until freedom of speech became a constitutional right in 1994, with the ushering in of a new government under multiparty democracy. Since then, dialogue between the private sector and government has taken different forms, culminating in the current structure, the Public Private Dialogue (PPD) Forum.

Since 1994, process of formulating policies including economic policies has involved the private sector in one way or another. Development of country development strategies fully allowed private sector participation and incorporated its contributions. During the early stages of the consultation process, however, the private sector was not very effective because of deficiencies in knowledge of the policy development process.

The country has a long term vision called the Vision 2020 which was developed with private sector participation in the year 2000 and on the basis of which a number of short term strategies have been drawn. These strategies included the Malawi Poverty Reduction Strategy (2002), the Malawi Economic Growth Strategy (2004), and the Malawi Growth and Development Strategy (2006).

During the early years of public private dialogue an informal mechanism which included executives of major private sector corporations, heads of private sector support agencies of government, government ministers and heads of donor agencies such as the IMF and the World Bank, and the Malawi Confederation of Chambers of Commerce and Industry was formed (in the year 2000) and was called National Action Group (NAG). NAG's aims were to pursue the private sector agenda in the national policies. Its activities were funded by one donor, the Department for International Development (DfID).

However the dialogue process was not structured and having no Secretariat of its and using the services of a consultant, it was deemed to be unsustainable. A formal structure was needed despite NAG scoring some success such as contributing to the development of the Malawi Economic Growth Strategy that had a focus on developing the private sector.

Due to challenges envisaged in the National Action Group, it was resolved between the Government of Malawi and the private sector represented by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) in October 2007 to form a Public Private Dialogue Forum whose secretariat would be MCCCI.

## **B- STRUCTURE, OBJECTIVES AND PARTICIPATION**

MCCCI acts as the Secretariat of the Public Private Dialogue Forum. Funding of the activities of the Forum was mobilized from the World Bank through the Business Environment Strengthening Technical Assistance Project (BESTAP), run by the Ministry of Industry and Trade. The funding covers the period 2008 to 2012 inclusive. BESTAP also funds other private sector reform components as part of the private sector development reform programme which the government of Malawi is undertaking. Progress of the Reform Programme is also monitored at the Forum meetings. The standing agreement is that MCCCI should build its capacity to host and fund the Public Private Sector Forum once the project comes to an end.

The forums are conducted quarterly and are convened jointly by the Minister of Industry and Trade and a Private Sector Co-Convener elected by the private sector side every two years. The agenda of the meetings is set by both the government side and the private sector. The private sector solicits issues from participants while the government side solicits its agenda items from government ministries and agencies.

The dialogue focuses on the following:

- The development of a vibrant and responsible private sector in Malawi.
- 'Strategic' issues and issues that impact on a large numbers of businesses rather than issues that impact on one or a few businesses. Issues relating to a particular sector need to be taken up by sector associations or representative bodies (such as MCCCI) with support from the PPD Secretariat in dialogue with the necessary public sector bodies, up to and including Ministers if necessary
- Developmental and forward looking issues, seeking to resolve problems and taking advantage of opportunities in a spirit of shared interest and collaboration between the public and private sectors.
- Making decisions and getting things done, with shared accountability for the outcomes.

Participation at the Forum is at the level of Ministers and Permanent Secretaries from the public sector, and Chairpersons of Business Associations and Managing Directors of major diversified corporations from the private sector. Representatives of donor agencies attend in observer capacity. Examples of business associations and professional societies that attend the Forum include the Society of Accountants in Malawi, Manufacturers Association, Employers Association of Malawi, Economics Association of Malawi, Indigenous Business Association of Malawi, National Working Group on Trade Policy, Road Transport Operators Associations, the National Association of Smallholder Farmers,

Farmers Union of Malawi, Tobacco Association of Malawi, Tobacco Exporters Association of Malawi, and Cotton Development Association.

### **C- STATUS AND PROCESSES AND MILESTONES**

The Secretariat situated at MCCI works very closely with the Ministry of Industry and Trade senior officers in developing position papers. Sector associations and public agencies submit their issues of concern and proposals to the Secretariat. The Secretariat, which has two dedicated economists funded by the World Bank, conducts independent research into the issues and prepares position papers and makes recommendations, based on the findings of the research. The papers form the basis of discussions at the Forum meetings.

The following are some of the achievements of the Forum:

1. High level representation from Government at Ministers' level. This has been the case due to common agreement on the challenges that the country faces.
2. The Business and Economic laws have been reviewed and there is quite good progress in the drafting and enactment of laws.
3. The tax regime has been reformed and tax compliance and administration by the Malawi Revenue Authority have both improved.
4. Willingness by both sectors to engage in dialogue on the common business and economic challenges
5. The public sector institutions are utilizing recommendations made from the public private dialogue forum to come up with issues for national planning as represented by the National Budget.
6. Two critical sectors of electricity supply and water supply are receiving great attention now through implementation of [projects in these sectors due continuous engagements between the public sector and private sector.
7. The PPD forum has also become a platform for utilizing findings of the annual MCCI Business Climate Surveys.

The PPD forums also act as platforms to review implementation of decisions reached at earlier forums to ensure project is made. The president of the country is also engaged on areas requiring his intervention. The PPD Forum is the only public private sector forum at which the president has sometimes been in attendance in person. When he does not attend he is time and again briefed on the proceedings of the Forum.

### **D- CHALLENGES**

Despite willingness by the public sector to participate at the fora, the political environment is changing where Government representatives – Ministers and Permanent Secretaries alike, are unable to make decisions. This has perpetuated the existence of some challenges such as the country's critical shortage of foreign exchange, the foreign exchange policy, and setting of minimum prices for agricultural produce.

Where there are disagreements with regard to how particular issues should be addressed government tends to keep away from being engaged in dialogue and this has logged the system. The major route of these problems appears to be the fact that the government now has a majority in Parliament and it does not seem to value other friends outside parliament.

## Authors

### **Mathews Chikankheni**

Mathews Chikankheni is the current president of the Malawi Confederation of Chambers of Commerce and Industry since March 2010. He is Managing Director of Dulux Paints (Malawi) Limited, which is part of the AkzoNobel Group, the largest global paints and coatings company and a leading producer of specialty chemicals.

Mr. Chikankheni holds a Bachelor of Social Science (Economics) degree from University of Malawi (1980) and a Master of Banking and Finance degree from Italy (1988).

### **Chancellor Kaferapanjira**

Chancellor Kaferapanjira has been serving as Chief Executive of the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) since 2003. MCCCI hosts the Public Private Dialogue (PPD) Forum Secretariat in Malawi and as such he is also the Secretary to the Forum. Mr. Kaferapanjira served in several capacities before including as Deputy General Manager of the Malawi Investment Promotion Agency. Mr. Kaferapanjira's main job at MCCCI is to lobby government for a conducive business environment and to promote trade.

Chancellor Kaferapanjira holds a Bachelor of Commerce (Business Administration) from the University of Malawi (1990), an M.Sc (Strategic Management) from the University of Derby, England (2001), and is finalizing an M. Sc (Economic Management and Policy) degree studies with the University of Strathclyde in Scotland.