

Executive Summary

Introduction

TradeMark East Africa (TMEA) initiated the Malawi Country Programme (MaCP) aimed at improving the trading environment in Malawi. As a landlocked country, the transport sector in Malawi plays a key role in advancing its economic development and socio-economic goals, with regional transport corridors facilitating the trading environment, enabling the development of key sectors, and managing the movement of imports and exports. Understanding how the COVID pandemic has impacted current trade flows and performance of trade corridors will be instrumental in devising interventions to mitigate the short and long-term impacts of the COVID-19 pandemic and support efficient trading and enhance business competitiveness in Malawi.

AIH Econogistics (Econogistics) was appointed by TradeMark East Africa (TMEA) for the study “CONSULTANCY SERVICE FOR BASELINE, MIDTERM AND ENDLINE SURVEYS OF SELECTED MALAWI TRADE CORRIDORS AND BORDERS” in October 2021.

In the Terms of Reference (TOR) the following actions were identified:

- Assessment of the time and costs of moving goods (both exports and imports) along the selected corridors;
- Carrying out time and traffic surveys at selected borders i.e., Mwanza, Dedza, Mchinji (primary data surveys), and Songwe, Muloza and Mbilima border posts (secondary surveys);
- Assessment of the Non-Tariff Barriers (NTBs) including Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary Standards (SPS) measures affecting movement of trade along the selected trade corridors and borders;
- Assessment of time and costs involved in processing key trade documents;
- Preparation of a set of monitoring tools to strengthen the monitoring framework for the overall six-year TMEA Programme in Malawi; and,
- Recommendations on requisite interventions for a) improving the performance of Malawi corridors and borders b) enhancing efficiency on issuance of trade documents c) resolution of Non-Tariff Measures (NTMs) and NTBs d) prepare the action plan and results framework for the proposed interventions clearly indicating timelines and estimated costs for each intervention.

The TOR was clear on the focus on four main corridors, namely Beira, Nacala, Dar es Salaam and North-South/Durban Corridors, and including the six key border posts of Zóhue-Mwanza, Colomé-Dedza, Milanje-Muloza and Mandimba-Chiponde, all between Mozambique-Malawi, and then Kasumulu-Songwe (Tanzania-Malawi), Mchinji-Mwami and Mbilima-Kanyala-Iromba-Tunduma (Isongole) (Malawi-Zambia-Tanzania). The four key seaports of interest are therefore Beira and Nacala, in Mozambique, Dar es Salaam in Tanzania and Durban, in South Africa.

Study corridors and freight volumes

The next map shows the 4 corridors in a regional context:



Figure 1: Transport Corridors in Southern Africa

The following map shows the 4 corridors that were considered in this project in closer detail:



Figure 2: The Four Study Corridors

The report presents a detailed discussion of each of the corridors.

The freight volumes on the corridors, as they pertain to Malawi, are shown in the table below. The change in the composition of trade by corridor and the split in mode between road and rail traffic in 2016 and 2020 are given.

In both 2016 and 2020 Durban and Beira are the dominant ports, but Beira’s position has strengthened over this period, particularly for international trade movements. Dar es Salaam’s position has also strengthened over this period, notably for imports. Beira and Dar es Salaam’s position has strengthened at the expense of Nacala, whose relative position has declined over this period, even given the level of investment in the railway system. Road transport remains the dominant mode, as the Nacala railway remains the only functional railway that is currently serving the Malawian market.

Table 1: Trade volumes and modal split by corridor (2016-2020)

Year	2016		2020		2016		2020	
	000's	%	000's	%	Road	Rail	Road	Rail
Dar Es Salaam Corridor					%	%	%	%
Exports	59	11%	57	10%	100%	-	100%	-

Year	2016		2020		2016		2020	
Imports	182	8%	471	16%	100%	-	100%	-
All	242	8%	528	15%	100%	-	100%	-
Nacala Corridor					%	%	%	%
Exports	56	10%	32	5%	0%	100%	0%	100%
Imports	186	8%	253	9%	15%	85%	25%	75%
All	242	8%	285	8%	12%	88%	22%	78%
Beira Corridor					%	%	%	%
Exports	244	44%	319	54%	100%	-	100%	-
Imports	706	30%	983	34%	100%	-	100%	-
All	949	33%	1 301	36%	100%	-	100%	-
Durban (North-South) Corridor					%	%	%	%
Exports	196	35%	183	31%	100%	-	100%	-
Imports	1 266	54%	1 160	41%	100%	-	100%	-
All	1 462	50%	1 344	39%	100%	-	100%	-
Walvis Bay Corridor					%	%	%	%
Exports	0,06	0%	0.08	0%	100%	-	100%	-
Imports	0,06	0%	0.06	0%	100%	-	100%	-
All	0.15	0%	0.14	0%	100%	-	100%	-
Total All Corridors					%	%	%	%
Exports	555	100%	591	100%	100%	-	95%	5%
Imports	2 341	100%	2 869	100%	100%	-	93%	7%
All	2 897	100%	3 460	100%	100%	-	94%	6%

Source: Econogistics Compilation from Various Sources, 2021

Non-Tariff Measures and Trade Documents

Non-Tariff Measures (NTMs) and Trade Documentation that affect the efficient and effective operation of the corridors included in the project were reviewed.

As a point of departure, the institutional and legal framework pertaining to trade was reviewed, including international, regional and continental trade agreements, as well as bilateral agreements between Malawi and its main trading partners.

Non-Tariff Measures (NTMs) in Malawi were then reviewed, in recognition that firms, particularly SMEs, often have inadequate domestic trade related infrastructure and face administrative obstacles. While NTMs are mandatory regulations introduced by competent authorities of an exporting or importing country, Procedural Obstacles (POs) are problems related to the way a regulation is applied or implemented. Trade documentation in Malawi was also assessed.

Supported by the Ministry of Trade, phone-based and face-to-face surveys with stakeholders within Malawi were held in relation to the import and export of goods. All 93 firms in the developed business

directory was contacted but only 49 of these could be reached. 37 phone interviews were held with willing respondents and 10 face-to-face interviews followed.

Approximately 60% (22 companies) of respondents expressed difficulties with restrictive and complex regulations, imposed particularly by Malawi. The majority of these companies are involved in the trade of food, processed food and agri-based products. Therefore, the data reveals that exporters (and importers) of fresh food and raw agri-based products are indeed more strongly affected by restrictive NTMs.

Compared to fresh produce and agri products, the manufacturing sector faces relatively lower problems with NTMs, shown through importers and exporters of chemicals, textiles, leather products and manufacturing products indicating no problems with restrictive or complex trade regulations. This is expected given Malawi's dependence on manufacturing imports and the legitimate protection of consumer health concerning agricultural and food imports.

The table overleaf shows a comparison of NTMs observed in 2012 compared to the present survey:

Table 2: NTMs in Malawi 2012 and 2022

ITC 2012 findings	TMEA 2022 findings
Exports	
<p>Companies reported burdensome NTMs applied by partner countries such as in Asia and the EU, when exporting to these destinations. Exporters reported more cases of burdensome conformity assessment than challenges with technical requirements.</p>	<p>Interviews indicate that meeting conformity measures for exports imposed by importing destinations was burdensome, especially Asia and EU, due to the lack of recognition of Malawian certification, limited testing and certification facilities and many checks. Conformity measures stated to be difficult to meet are those that allow for proof of product specific requirements e.g. minimum chemical residual levels or fumigation requirements, and will vary depending on the agricultural product in question and on the tests required. These are particularly burdensome as the Malawi Bureau of Standards (MBS) does not have the capacity to test in some cases, and MBS certificates are not recognized in many Asian and EU jurisdictions. There were no burdensome NTMs exported in the case of destinations, where Malawian certifications are accepted.</p>
<p>Exporters reported export licenses, export inspections and technical certifications as significantly burdensome NTMs applied by Malawi.</p>	<p>Burdensome NTMs for agricultural exports were reported, however exporters of tobacco did not express this. All agricultural exports require export licenses through the Ministry of Agriculture (MOA) and Ministry of Trade and Industry (MTI). Tobacco exporters obtain licenses through the Tobacco Control Commission and did not express difficulties. Obtaining export licenses was explained as unpredictable in nature due to delays in procedures. Delays are not uniform, ranging between one week and two months amongst the surveyed companies. Companies that export multiple products did not see a variation of delays between products.</p>
Imports	
<p>Foreign currency outflows for import operations worth more than US\$ 50,000 had to be authorized through the Reserve Bank of Malawi (RBM)</p>	<p>Surveyed companies indicated this is no longer a requirement.</p>
<p>Import inspections under the Import Quality Monitoring Scheme found to be a burdensome measure.</p>	<p>Remains unchanged for the 3 components: pre-shipment inspections of product samples, inspections of final consignments, and fees paid to MBS. Companies highlighted lengthy inspection periods (average of 4 weeks) due to resource constraints at MBS. All companies view the inspection of samples and final consignments as a double burden, but where there is a track record of previous inspection MBS takes this into account.</p>
Procedural Obstacles	
<p>High fees and charges and inappropriate facilities were more common when exporting than when importing. Exporters and importers also perceived an inconsistent behavior of officials.</p>	<p>High fees continue to burden importers and exporters, with fees varying due to being a combination of fixed and variable costs. Fees are calculated based on a product-specific testing fee, a variable inspection fee of 0.65% of the free on-board import value, and a fixed reporting fee.</p>
<p>More specifically, administrative delays in export procedures were often encountered at the institutions that emit export licenses in the agricultural sector: MTI and Trade and MOA.</p>	<p>Exporters pointed to bottlenecks in the testing and certification facilities of the MBS and that authorities in developed markets did not recognize their technical certificates. Exporting companies also face obstacles at MRA, at the testing and research facilities of the Department of Agricultural Research and Technical Services.</p>
<p>The main challenges for importers were unpredictable delays in obtaining special authorizations for foreign exchange transactions from the RBM.</p>	<p>Authorization requirement was removed, and these delays no longer occur</p>
<p>Importers mentioned delays and costs in inspections for MBS export certification. At Customs, there are also inconsistent classification of goods that led to higher duties paid.</p>	<p>Although some inspections have been removed, inspection for some products remains mandatory, which has been highlighted as lengthy for exporters of pulses, tea and poultry products.</p>

Technical Measures:

Technical requirements are manifold and define product-related requirements, for example quality standards, chemical residual limits, post-production treatments, marking and labelling requirements. Most of these technical requirements also require conformity assessment procedures, like certification and inspection, to prove compliance. The exact technical measures are product-specific, per definition, and therefore vary from product to product.

Technical measures can be broadly distinguished into technical requirements and conformity assessment. The former regulates the exact product-specific properties that the product needs to comply with, e.g. minimum chemical residual levels or fumigation requirements. Conformity assessment provides proof of the compliance with the underlying technical requirement, e.g. by means of certificates or inspections. Usually, an exporting company needs to deal with both components of the technical measures.

The challenge for exporters is two dimensional: On the one hand, there is an issue with partner countries, as standards and certification requirements are mandated by them. On the other hand, there is a domestic issue, as certificates demonstrating compliance must be obtained by the exporter.

Export Licensing

The exporter must apply for a letter of consent at Ministry of Agriculture, which scrutinizes each application on a case-by-case basis. Once with the letter of consent, the exporter asks for the export license at Ministry of Trade and Industry. While technical staff at Ministry of Trade and Industry apparently deals with the license rather quickly, legislation requires the Minister's approval for each license MRA verifies licenses with Ministry of Trade and Industry once the consignment reaches the border. Further delays emerge from this procedure.

In total, delays in these procedures varied strongly and ranged between one week and two months.

Export Certification:

MBS confirmed that, in addition to voluntary inspections under the Export Quality Certification Scheme, some export inspections are mandatory. A variety of products is affected by these measures, including tobacco. The exact requirements are product specific. They range from common fumigation inspections and plant protection certificates to bird-flu-free certification. While some exporters experience these measures as a minor procedure to which they had become accustomed to (e.g. tobacco and wheat), others complained about the loss of significant amounts of cargo (live poultry and eggs).

Various measures have been taken to facilitate trade into and out of Malawi, including making information on trade documentation more readily available. The Ministry of Trade developed a one-stop window, through the Malawi Trade Portal, for information related to import into, export from, and transit through Malawi. The portal has been described as an important step for the Government toward improving the predictability and transparency of the country's trading laws and processes.

A review was done of all relevant trade documentation and the associated cost. Over time, the MTI has made continuous efforts to reduce the administrative time to process imports and exports. Despite this, exports appear to still be burdensome to companies, particularly for food and food products. Authorities have been unable to clarify the time it takes to process some documentation,

such as certifications from MBS. This is mainly because licenses are administered on an as-needed basis and are highly dependent on the requirements of the importing country. This also means that the cost of certain certifications is also only identified on an as needed basis, and is difficult to approximate. The reason for export licenses was communicated to be to guarantee food security as well as the health and safety of people, animals and plants.

Regarding trade facilitation, it is recommended that Malawi actively cooperate with the TTTFP Technical Assistance Committees to:

1. Amend its road-related legislation to include the final outstanding issues;
2. Domesticate the Vehicle Load Management Model Law and Regulations as the vehicle load management system that Malawi has in place as part of MaLTIS is in line with the VLM Model Law and Regulations and Malawi has a cashless payment system;
3. Commission the Vehicle Load Management System that is part of MaLTIS;
4. Actively pursue funding to implement a weighing station improvement plan;
5. Domesticate and implement the Dangerous Goods Model Law; and,
6. Domesticate the Cross-Border Road Transport Act and Regulations and implement the law.

In implementing the aspects of the TTTFP that are new to Malawi, Malawi needs to cooperate with the TTTFP implementation team and make use of the opportunities provided by the programme.

Malawi's ratification of the WTO-TFA allowed for structured progress to be made in improving the legal and regulatory environment for trade. While bilateral trade agreements exist, research done under this project reveals there remain some structural issues in the experiences of traders with NTMs and POs, which can be addressed through the following recommendations:

1. Streamline coordination in the issuance of trade permits and the need to strengthen administrative capacity for the issuance of permits – this will involve extensive coordination between government departments, including MBS, Ministry of Trade and Ministry of Agriculture.
2. Re-evaluate the need for export licenses for products falling outside the food category – this would alleviate a significant amount of strain on the issuance of licences and would trickle down to speeding up administrative processes as well as time delays. Evaluation criteria should be clearly defined, together with an automated procedure based on food security data in cases of health and safety of trade in food products. Also, approvals need to be permanently delegated to lower-level technical staff.
3. Attention should be further given to centralizing procedures in a 'single-window' – efforts should be continued towards accrediting MBS internationally. Accreditation of MBS is likely to have a great impact on exports. However, to fully benefit from it, the private sector needs to develop capacity to comply with international standards.
4. A reduction in mandatory export inspection – export quality could be market-driven where the conditions are right. If destination markets require internationally accredited certification from an exporter, additional export inspections by MBS should be avoided. Eliminating this duplication of conformity assessment would not only unburden exporting companies, but also open up capacities at MBS that struggles with the high demand for their services.