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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

INDUSTRIAL DEVELOPMENT REVIEW SERIES

MALAWI.

Prepared by the
Regional and Country Studies Branch

V.87-[illegible]

INDUSTRIAL DEVELOPMENT REVIEW SERIES

MALAWI

PREFACE

This Industrial Development Review is one of a series of country studies prepared by the Regional and Country Studies Branch of the United Nations Industrial Development Organization (UNIDO).

The Reviews present brief factual and analytical surveys of industrial development in developing countries. Such industry-specific Reviews are in demand for a variety of purposes: to provide an information service to relevant sections within UNIDO and other international organizations and aid agencies concerned with technical assistance to industry; to be used as a reference source for financial organizations, public and private industrial enterprises, and economic research institutes in developed and developing countries; and to serve as a handy, useful information source for policy-makers in developing countries. Although the Reviews do not represent in-depth industrial surveys, they focus exclusively on industry and present the information on the entire spectrum of the industrial development process in the countries concerned in a condensed and yet comprehensive form.

The Reviews draw primarily on information and material available at UNIDO headquarters from national and international sources as well as data contained in the UNIDO data base. Generally, specific field surveys are not undertaken. The presentation of up-to-date information on sub-sectoral manufacturing trends are usually constrained by incomplete national data on the industrial sector. To supplement efforts under way in UNIDO, to improve the data base and to monitor industrial progress and changes on a regular basis, it is hoped that the appropriate national authorities and institutions in the respective countries and other readers will provide relevant comments and information. Such response will greatly assist in updating the Reviews.

The present Review was prepared on the basis of information available at UNIDO Headquarters at the end of May 1987. It is divided into two parts. Chapters 1 and 2 are analytical, giving first a brief overview of the country's economy and its manufacturing sector and then a more detailed review of the structure and development of its manufacturing industries, with a focus on the scope for resource-based industrial growth. Chapter 3 contains an overview and assessment of policy measures relevant to industrial development, a review of the more important governmental and other institutions involved and details pertaining to regional co-operation, with particular reference to the established SADCC framework for enhancing regional trade.

It should be noted that the Reviews are not official statements of intention or policy by governments nor do the views and comments contained therein necessarily reflect those of the respective governments.

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EXPLANATORY NOTES

Regional classifications, industrial classifications, trade classifications, and symbols used in the statistical tables of this report, unless otherwise indicated, follow those adopted in the United Nations Statistical Yearbook.

Dates divided by a slash (1984/85) indicate a crop year or a financial year. Dates divided by a hyphen (1984-1985) indicate the full period, including the beginning and end years.

References to dollars ($) are to United States dollars, unless otherwise stated.

In tables:

Three dots (...) indicate that data are not available or not separately reported;

Two dashes (--) indicate that the amount is nil or negligible.

A hyphen (-) indicates that the item is not applicable.

The following abbreviations are used in this document:

ADMARC	Agricultural Development and Marketing Corporation
GDP	Gross domestic product
GNP	Gross national product
IDA	International Development Association
IMEXCO	Import Export Company of Malawi
IMF	International Monetary Fund
INDEBANK	Industrial Development Bank
ISIC	International Standard Industrial Classification
MDC	Malawian Development Corporation
MK	Malawian Kwacha
MVA	Manufacturing value added
PCL	Press Corporation Ltd.
READI	Rural Enterprise and Agrobusiness Development Institution
SADCC	Southern African Development Co-ordination Conference
SEDOM	Small Enterprise Development Organization of Malawi

BASIC INDICATORS 1
The Economy

GDP (1987)	:	MK857.0 million[a]
Population (1985)	:	7.0 million
Labour force (1984)	:	3.2 million[b]
GNP per capita (1985)	:	$170

Annual average growth rate of population (per cent)

1965-1973	1973-1984
2.8	3.1

Annual average growth rate of GDP (per cent)

1973-79	1979-82	1982-85	1986	1987[c]
5.9	0.1	3.8	-0.3	2.3

Distribution of GDP (percentage)

	1976	1982	1987[d]
-Agriculture, forestry and fishing	39.2	37.5	36.3
-Manufacturing	11.9	12.4	12.1
-Construction	5.0	4.8	4.2
-Distribution	14.3	12.6	13.2
-Other	29.6	32.7	34.2

Annual average inflation rate (per cent)

1982	1983	1984	1985	1986
9.8	13.5	20.0	10.5	12.4

Exchange rate (Malawian Kwacha equivalents to $1)

1982	1983	1984	1985	1986	Aug.1987
1.056	1.175	1.413	1.719	1.861	2.209

a/ Preliminary estimate at 1978 constant factor cost.
b/ Population of working ages (15-64 years).
c/ Forecast.
d/ Preliminary estimates.

BASIC INDICATORS 2
Resources

Marketed production of main crops (1985)a/ ('000 tonnes)	:	Tobacco (66.9), tea (40.0), sugar (143.8), maize (271.6), groundnuts (18.1), pulses (15.7), paddy rice (10.5)b/
Fish production (1986)	:	73,000 metric tonnes
Livestock (1984) (in thousands)	:	Cattle (910), sheep (89), goats (770), pigs (220)
Log sales (1985/86)	:	MK816,000
Forest areas planted by end-use category (1985/86)	:	Softwood/plywood 53,236 hectares Softwood/timber 20,391 hectares Hardwood/fuelwood and poles 17,276 hectares
Mining (1986) (tonnes)	:	Coal production (10,708) Cement production (69,471) Lime production (2,774)
Energy (1986)	:	Electricity (160 mw)c/ Fuelwood and other biomass (2,675,540 tonnes of oil equivalents)

a/ Provisional figures.
b/ ADMARC purchases.
c/ Of which 114 mw were hydroelectric.

BASIC INDICATORS 3
Foreign trade and balance of payments

Exports

Total value (1985)	: MK419.14 million
Main exports (1987)[a/] (percentage)	: Tobacco (50), tea (21), sugar (9.0), groundnuts (2.0)
Main destinations (1985) (percentage)	: United Kingdom (34), USA (10), Federal Republic of Germany (8), Netherlands (5), South Africa (6), France (3), Japan (3)

Imports

Total value (1985)	: MK492.55 million
Main imports (1986)[a/] (percentage)	: Basic and auxilliary materials for industry (35), plant machinery and equipment (16), commodities for intermediate and final consumption (15), transport means (13), consumer goods (12)
Main origins (1985) (percentage)	: South Africa (38), United Kingdom (15), Japan (8), Federal Republic of Germany (6), Zimbabwe (6)

Balance of payments

Current account deficit (1986)	: MK163.6 million
International reserves minus gold (1986)	: $35.5 million
External public debt (1984)	: $730.5 million
Debt service ratio (1987)[a/] (as per cent of export earnings)	: 25 per cent

a/ Preliminary estimate.

BASIC INDICATORS 4

The manufacturing sector

MVA (1987)[a] : MK103.7 million

MVA per capita (1987)[a] : $15

Annual average growth rate of MVA (per cent) :

1973-79	1979-82	1982-85	1986	1987[a]
6.5	2.0	2.4	0.3	2.3

Composition of MVA by end-use (1983) : Consumer goods[b] (60)

Intermediate goods (27.2)

Other (12.8)

Growth rates of indices of manufacturing output by end-use (per cent) :

	1980	1981	1982	1983	1984	1985
Consumer goods	7.6	20.4	-7.3	20.6	-7.2	0.4
Intermediate goods	-12.5	-17.4	-19.6	10.9	-1.4	-2.0
Export industries	8.5	-10.4	10.7	-2.8	20.7	3.2

Share of manufacture in total exports[c] (1985) : 9 per cent

Composition of manufactured exports (1985) (MK '000) : Chemicals (200), textile yarn, fabrics, etc. (228), metal manufactures (368) non-electrical machinery (3,787), electrical machinery (632), transport equipment (2,088), miscellaneous manufactures (816)

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a/ Preliminary estimate.

b/ ISIC 311-324

BASIC INDICATORS 5
Inter-country comparison of selected indicators

	Unit	Angola	Botswana	Malawi	Mozambique	Zambia	Zimbabwe
I. Demographic Indicators							
Population (mid-1985)	million	8.8	1.1	7.0	13.8	6.7	8.4
Population growth (1980-85)	per cent per annum	2.5	3.5	3.3	3.9	3.5	3.7
Infant mortality 1985[a/]	per 1000	143	71	156	123	84	77
Area	'000 sq km	1,247	600	118	802	753	391
Density (1985)	persons/sq.km	7.1	1.8	59.3	17.2	8.9	21.5
II. Economic Indicators							
GDP (1985)	$ million	...	830	910	...	2,640	4,530
GNP per capita (1985)	$ million	...	840	170	...	470	680
GDP growth (1980-85)	per cent/annum	...	12.1	2.0	...	0.1	2.5
Agriculture (1985)	per cent of GDP	...	6	38	...	14	13
Industry (1985)	per cent of GDP	...	49	19	...	39	43
Manufacturing (1985)	per cent of GDP	...	8	...	...	22	29
Services (1985)	per cent of GDP	...	46	44	...	46	44
Exports of goods and non-factor services (1985)	per cent of GDP	...	63	25	...	39	26
Gross domestic investment (1985)	per cent of GDP	...	21	16	...	12	23
External public debt (1985)	per cent of GNP	...	47.3	75.7	...	150.8	31.3
III. Industrial indicators							
MVA (1985)	$ million at constant prices 1980	...	52	...	...	720	1,250
Share of MVA in GDP (1985)	per cent	...	8	...	...	22	29
Growth of MVA (1980-85)	average annual per cent	...	5.8	...[b/]	...	0.4	0.9
MVA share in world manufacturing value added (1981)	per cent	0.01	...	0.01	0.01	0.02	0.05
Share of manufactured exports in total exports (1984)[c/]	per cent	12.0[d/]	...	9.0[d/]	1.1	2.3[e/]	9.6[e/]

a/ Aged under 1 year.
b/ 1973-1979.
c/ SITC 5-8 less (67 + 68).
d/ 1981.
e/ 1982.

SUMMARY

The economy of Malawi recorded a 3.8 per cent increase in real GDP during 1982-1985 after four consecutive years of severe economic recession. Growth of GDP in real terms faltered to a negative rate of 0.3 per cent in 1986 in consequence of lower export earnings for the country's key commodities, transport bottlenecks and foreign exchange constraints. With an estimated 2.3 per cent growth of real GDP in 1987 the economy of Malawi tends to rebound despite adverse internal and external circumstances.

A serious obstacle to the development of the economy has been the breakdown of the transportation system linking Malawi to Mozambique. Equally crucial is the decline in Malawi's commodity terms of trade caused by the falling prices of the country's principal exports, tobacco, tea and sugar, which account for over 70 per cent of total export earnings, and by the need to commit a rising share of Malawi's scarce foreign exchange earnings to the servicing of external debt.

Currently, manufacturing accounts for around 12.5 per cent of GDP and 13 per cent of total wage employment. The manufacturing sector is dominated by the agro-industrial branches whose relative importance has increased in recent years. Their further expansion is, however, constrained by transport difficulties, input and spare part shortages and slow growth in domestic demand.

The performance of the manufacturing sector has been uneven during the 1970s - sporadic spurts of growth being followed by stagnation and decline. MVA growth has slowed down appreciably since the mid-1970s. The index of manufacturing output, produced mainly for the domestic market, fell by 0.3 per cent during 1983-1986 and that of export-oriented industries registered stagnating growth rates during the same period. There has also been a reversal of the earlier pattern of structural transformation. The share of the food processing industries in MVA has increased while that of the intermediate goods industries has declined appreciably.

Productivity within the manufacturing sector grew slowly during the 1970s and in seven of the fifteen branches for which data is available employment growth exceeded the growth of value added throughout this period. The gross profit rate (i.e. gross profit to value added ratio) was high reflecting the high level of monopoly in the Malawian manufacturing sector. However, the share of value added in gross output was exceptionally low by African standards. This reflects material costs of manufacturing production that are unusually high and pre-empt a large portion of the inevitable surplus generated within the sector. Association between the profit and investment ratios was found to be low indicating that the self-financing ratio existing in Malawian manufacturing was not particularly high. Moreover there was a tendency for the rate of fixed investment to decline in the late 1970s: a trend intensified by the depressed conditions of the period 1979-1984. Investment in manufacturing is unlikely to pick up significantly in the near future. Government planned investment in manufacturing, finance and commerce during the financial year 1985/86 represented only 0.7 per cent of total public development expenditure. The share of industry in this total over the period 1983 to 1986 was 1.8 per cent.

The government is a major investor in the manufacturing sector, but the distinction between public and private investment remains somewhat blurred. There is also significant collaboration with the transnationals in the form of joint ventures. The manufacturing sector firms have, however, made very little use of international capital markets. The domestic enterprises remain confined to small-scale industry and as a 1983 survey shows the level of integration between large- and small-scale manufacturing in Malawi is very low.

The formal sector consists of large public and/or foreign-owned firms employing modern technology and highly dependent on imported capital inputs. Small-scale enterprises on the other hand rarely buy or sell from the formal sector. They employ a primitive production technology and the scope for spontaneous technological upgrading is limited. However, there are signs of medium-scale enterprises engaged in grain milling, food processing and sheet metal fabrication switching to new technology. Although small-scale enterprises have done better during the period of economic slowdown because of their relatively low import dependence, they still remain at a level of development which is well below that of the neighbouring countries such as Zambia and Zimbabwe. Urgent attention is needed to assist small-scale enterprises if the government's objective of fostering the development of a national entrepreneurial class is to be attained.

Most manufacturing branches are domestic-demand oriented. Only sugar, tea and textiles have ratios of export to total production exceeding 10 per cent. Government policy emphasizes export orientation for the primary sector and little incentive is provided for increasing the share of processed output in these sectors. Manufactured exports (SITC 5-8 less 68) account for 6 per cent of total exports, and this share is not expected to rise significantly during the rest of the decade. The main growth of export earnings is expected to stem from cotton and groundnuts. Expanding manufactured exports could provide an opportunity for circumventing the terms of trade effects and for enhancing regional trade.

Since 1971, the government has taken a series of steps to increase the performance of manufacturing enterprises within the context of the different phases of the structural adjustment programme. The incentive system with extended controls and licensing procedures has been liberalized and a major institutional reorganization of the main manufacturing holding companies ADMARC, MDC, INDEBANK and the Press Group has been undertaken to improve management efficiency. Attempts have also been made to increase the flow of direct foreign investment. It is, however, too early to assess the overall impact of these measures.

Prospects for export expansion of manufactures are mainly limited to the resource-based food processing industries. Significant scope exists for expanding regional manufactured exports but this depends crucially upon the establishment of viable long-term regional agreements on the integration of manufacturing production and investment. Initiatives within SADCC and PTA are very important for expanding manufactured exports from Malawi. Rapid growth of export-oriented industries is feasible only in the context of a regional harmonization of trade and investment policies aided by bilateral and multilateral assistance.

Increased bilateral and multilateral assistance will be necessary for restructuring and improving the performance of manufacturing enterprises in Malawi. This Review has identified three areas where such assistance can play a useful role. First of all, an increased regional integration of industrial activities can significantly enhance manufacturing export prospects and mitigate transportation and other infrastructural barriers. External assistance should, therefore, be provided to overcome the barriers which are inhibiting the implementation of the industrial co-operation programmes identified by SADCC. Secondly, multilateral technical assistance should also be provided to rapidly upgrade the small-scale manufacturing sector. There is a pressing need to create a strong institutional framework for systematically assisting small-scale enterprise, increasing inter-industrial linkages (particularly the level of subcontracting) and expanding credit supply and the availability of other auxiliary services. Finally, technical assistance can also be useful in improving the system of statistical data collection within the manufacturing sector.

Regional collaboration is a basic prerequisite for easing the transportation situation; the breakdown of the transport network linking the urban centres of Malawi to the coastal towns of Mozambique has pushed up import costs, reduced the incentive to export and forced manufacturing firms to cut back long-run investment and divert funds to financing larger inventories. Without an improvement in the transportation situation, the prospects for manufacturing growth are very limited in Malawi, which is a least developed, resource poor, land-locked country with a small domestic market for manufactured products. Expanding regional collaboration can play a major role in removing some of the major long-run constraints on industrial development in Malawi.

1. THE ECONOMY OF MALAWI

1.1 Recent economic trends

The economy of Malawi grew at 4.5 per cent and 4.4 per cent in 1984 and 1985 respectively. Growth of GDP in real terms faltered to a negative rate of 0.3 per cent in 1986 against the government forecast of 4 per cent. This was largely the result of lower export earnings for the country's key commodities such as tobacco and tea, higher transport costs and foreign exchange constraints, which inhibited Malawi's efforts to sustain the pace of economic recovery that commenced in 1983 following a severe economic depression during 1979-1982. The economy is expected to recover during 1987 with an estimated growth rate of 2.3 per cent.

The 1979-1982 crisis occurred principally due to adverse external circumstances. Terms of trade deteriorated sharply during this period and the government had to rapidly increase international commercial borrowing to offset declining export revenue. Moreover, Malawi, a land-locked country, found its route to the sea blocked by the growing political unrest in Mozambique. Transport cost escalated and alternative routes had to be developed through Tanzania, Zimbabwe and South Africa. Finally, adverse weather conditions led to a shortfall in maize production and large quantities of maize had to be imported from abroad on an emergency basis.

Whereas Malawi has experienced favourable weather conditions during 1985 and 1986, leading to a strong agricultural recovery and the production of an exportable maize surplus, the external situation remains difficult. World prices for major exports are not expected to recover strongly and international financial assistance to deal with the rising debt burden has not been provided on a large scale. Net transfers to Malawi fell from $175.5 million in 1980 to an average of $148 million in 1982-1984.

Net financial transfers in recent years have occurred only due to debt reschedulings and assistance provided through Structural Adjustment Loans from the World Bank. Three Structural Adjustment Loans have been extended since 1981 and the IMF has provided access to its extended fund facility in the context of a stabilization programme covering the period September 1983-September 1986. During 1986 Malawi also obtained credit under the IMF's newly established Structural Adjustment Facility. Repayments to the Fund are expected to run at about $25 million a year during 1987-1990.

Total bilateral and multilateral assistance has continued to decline during 1980-1985. It is, however, expected to increase slightly in real terms during 1986-1990 largely due to a successful donors meeting sponsored by the World Bank in January 1986 which agreed in principle to provide an additional $145 million in bilateral flows over this period. Simultaneously the European Community committed a sum of ECU 114 million to Malawi over the period 1985-1989 under the provisions of the Third Lomé Convention. In early 1987, the International Development Association (IDA) approved $10 million in supplementary financing, following previous credits totalling $99 million for Malawi's Structural Adjustment Programme. In addition, a further $30 million is pledged from Japan, the U.K. and the Federal Republic of Germany and is intended primarily for the balance-of-payments support. The debt service ratio has continued to rise since 1979 and is expected to reach 25 per cent in 1987. The government sought to achieve no further debt reschedulings during the financial year 1986/87 and the burden of adjustment would be put entirely upon the domestic economy.

The medium-term adjustment programme adopted by the government in 1982 (to cover the period 1982-1986) has played a key role in initiating economic recovery. Emphasis has been placed on stimulating export growth by progressively increasing producers' prices within the agricultural sector, enhancing the productivity of the smallholders sector and rationalizing the price and subsidization structure. The second phase of the programme (which commenced in December 1983) paid greater attention to institutional reorganization. The Department of Statutory Bodies was established to supervise and improve management of public enterprise. A comprehensive reorganization of the largest corporation in Malawi - Press Holdings - was implemented and measures were adopted to restructure international debt and reduce the budgetary deficit. Industrial production was stimulated by the gradual removal of price controls on output and the adoption of a more flexible wage policy.

The growth of agricultural output slowed down from 4.2 per cent during 1982-1985 to only 0.2 per cent in 1986. Manufacturing growth fell from 3.3 per cent in 1984 to 1.3 per cent in 1985. MVA is estimated to have increased moderately by 0.3 per cent in 1986, while manufacturing output of industries with high import content was constrained by the worsening balance of payments position. There was a deficit on the balance of payments amounting to MK 163.6 million in 1986. Inflation accelerated from an annual average of 10.5 per cent in 1985 to 12.4 per cent in 1986. Moreover, the deficit on the recurrent budget increased from MK63.5 million in 1984 to MK73.2 million in 1985. The combined revenue and development account deficit in 1986/87 budget totalled MK303 million, representing 13.3 per cent of GDP.

The 1987/88 budget is seen as a sign of the government's determination to maintain fiscal balance as expenditure estimates are down and revenues are set to increase. The 1987/88 budget envisages a lower deficit of MK232.4 million which is estimated at 8.6 per cent of GDP. While recurrent expenditure on revenue account is reduced by 2.4 per cent, around $104 million is earmarked for repaying public debt. The government's efforts to cut its deficit along with a 20 per cent devaluation of the Kwacha on 7 February 1987, to ensure competitiveness of Malawi's exports, might mark a step forward with donors.

While prospects for growth during 1987 depend largely on world prices of tobacco, tea and sugar, the long-run constraints on Malawian development should not be ignored. Malawi is crucially dependent on its neighbours for maintaining a viable transportation network. Emphasis must therefore be placed on enhancing investment co-operation within the SADCC or PTA framework for linking regional production and transportation systems to stimulate the Malawian economy.

1.2 Economic structure

Malawi is a small, landlocked country with a limited natural resource base. It has been classified by the United Nations as a least developed country and in 1985 had a *per capita* income of only $170 - a level significantly lower than that of its neighbours, Zambia, Zimbabwe, Mozambique[1/] and Tanzania. Population has grown rapidly in recent years and in 1985 stood at over 7 million.

1/ Mozambique's *per capita* income may not have been significantly different from Malawi. Zaire had a *per capita* income of $140. The only other sub-Saharan countries with a *per capita* income level lower than Malawi are Ethiopia, Mali, Burkina Faso and probably Chad.

The economy is primarily agricultural. Table 1 shows that the share of agriculture in GDP has however declined from 39.2 per cent in 1976 to an estimated 36.3 per cent in 1987. Within agriculture, the estate sector has grown more rapidly than the smallholder sector in recent years and currently accounts for 22 per cent of total agricultural production. The share of manufacturing in GDP increased marginally from 11.9 per cent to 12.1 per cent over this period. The service sector (distribution and other) has grown more rapidly than either agriculture or manufacturing and now accounts for the largest share of GDP.

The Malawian economy grew at an annual average rate of almost 6 per cent (in real terms) during the period 1964-1979. This was followed by a severe recession during 1979-1982. GDP per capita declined by about 10 per cent in cumulative terms during this period. Since 1983 there has been a recovery, but income per capita remains significantly below the 1979 level. Estate agriculture recorded an annual growth rate of 5.1 per cent during 1979-1984 and is expected to exceed the growth performance of all other sectors. Smallholder production contracted at the rate of 1 per cent per annum during 1979-1984. The growth of manufacturing production declined from 6.1 per cent per annum during 1973-1979 to 2.6 per cent per annum during 1980-1985. There is some indication therefore that the impact of the recession has been to reverse the pattern of structural change that had occurred in the first 15 years of independence.[1/]

The share of the subsistence, non-monetized sector has certainly increased during the recession. The share of paid employees in the total labour force declined significantly during 1979-1984 and currently stands at about 12 per cent. This ratio had been estimated to be as high as 30 per cent in 1977 (having risen from about 12 per cent in 1966).[2/] Indeed one of the most significant achievements of the 1970s had been the success in absorbing a large repatriated labour force which had lost jobs in the mining sectors of South Africa and Zimbabwe.

Economic growth in the 1970s has been made possible by the relatively high world prices for Malawi's tobacco and tea exports and by the associated high rates of saving in the estate sector and by the Agriculture Development and Marketing Corporation (ADMARC) which was responsible for marketing smallholder surplus production. As Annex Table A-3 shows, the total investment to GDP ratio reached a peak of 38.5 per cent in 1978 (with national savings accounting for almost 56 per cent of gross investment). This ratio has continued to decline in recent years and in 1985 it was equal to only 15.4 per cent.

1/ Independence was achieved in 1964.

2/ J. G. Kydd and A. Hewitt, "Limits to Recovery: Malawi after Six Years of Adjustment 1980 to 1985", <u>Development and Change</u>, Vol. 17, No. 3, 1986, p.534.

Table 1. <u>Distribution of GDP by sector of origin, 1976-1987</u>
(in constant 1978 prices)

Sector	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 a/	1987 a/
Agriculture/forestry and fishing	39.2	41.8	40.1	39.7	37.3	36.1	37.5	37.6	38.5	37.6	36.7	36.3
of which:												
Estate agriculture	15.3	16.6	16.5	16.9	18.6	19.2	20.3	20.8	19.7	19.8	21.3	22.4
Smallholders agriculture	84.7	83.4	83.5	83.1	81.2	80.5	79.7	79.1	80.3	80.2	78.7	77.6
Manufacturing	11.9	11.7	11.4	11.5	11.7	12.7	12.4	12.7	12.5	12.8	12.1	12.1
Construction	5.0	5.3	6.2	5.6	5.4	4.7	4.8	4.3	4.2	4.5	4.2	4.2
Distribution	14.3	13.1	14.1	13.7	14.4	13.6	12.6	12.6	12.6	12.9	13.1	13.2
Other	29.6	28.1	28.2	29.5	31.2	32.9	32.7	32.8	32.2	32.2	33.9	34.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<u>Source</u>: Reserve Bank of Malawi, <u>Financial and Economic Review</u>, Vol.XVII, No.3, 1985; Government of Malawi, <u>Economic Report 1987</u>.

a/ Estimate.

The current account has been in deficit continually throughout the reported period (see Annex Table A-4). The trade balance has generated surplus since 1981 - but this is almost entirely due to the contraction of import growth for every year, except 1983 and 1984. Import costs have spiralled because of the increased transport prices of bringing goods in from distant ports in South Africa and Tanzania. In volume terms imports in 1985 were only about 55 per cent of the 1980 level. Export growth in 1984 can also be largely explained by the temporary easing of the transportation situation in that year which permitted substantial unloading of stocks held over from previous years. In 1985 when the transport conditions deteriorated, the exports (measured in current prices) fell by 18 per cent.

Deteriorating commodity and income terms of trade during the 1980s have been a major cause of balance-of-payment difficulties. Terms of trade deteriorated by about 30 per cent between 1978 and 1980. There was a recovery in the commodity terms of trade during 1980-1984, and the terms of trade index in 1984 reached the 1978 level according to government estimates. However, according to estimates provided by Kydd and Hewitt the terms of trade deteriorated during 1984.1/ All sources agree that the index declined significantly during 1985 due to a fall in the world prices of all major varieties of tobacco.

Another major problem has been the accumulation of external debt. As Table 2 shows the total debt burden has almost tripled over 1976-85 but is expected to decline relatively slowly during the rest of the present decade. There has been a slight improvement in the terms of new borrowing, but the scope for such borrowings is greatly reduced due to the rising debt service burden. Although Malawi may well receive some funds in addition to $114 million allocated under the present Structural Adjustment Loan from the World Bank, net lending from the IMF is likely to be quite small - despite the request for an SAF grant discussed in Section 1.1. Similarly the scope for obtaining commercial loans - which were substantial during the 1970s and played an important role in the extension of the estate sector - is also very limited. The government will therefore have to rely increasingly on its own resources to finance development programmes. At present, however, more than 90 per cent of development expenditure is financed from external sources. Yet, the share of debt service payments in total government expenditure has increased from 8 per cent in 1978 to 32 per cent in 1985. Similarly the government's ability to raise resources through domestic bank borrowing - once again a major source of investment financing during the 1970s - is constrained by the generation of significantly inflationary pressures within the economy.

It is clear, therefore, that there are severe constraints inhibiting rapid development. Falling terms of trade, a growing debt burden, increasing transportation difficulties and a narrow national resource base make it essential that efficiency of resource use be a priority consideration. An improvement in the performance of enterprises within the organized sector has been an important objective of the government's adjustment programme. The government endeavours to actively pursue these objectives in the reorganization of manufacturing production.

1/ J.G. Kydd and A. Hewitt, "The Effectiveness of Structural Lending: Initial Evidence from Malawi", World Development, Vol. 14, No. 3, 1986, Fig. 1.

Table 2. Malawi's external debt, 1976-84, with projections to 1990
(in million US$)

Year	Debt outstanding at beginning of year (disbursed loans)	New borrowing (disbursed loans)	Service payments in year: Principal	Service payments in year: Interest	Service payments in year: Total	Terms of new debt: Average interest (per cent)	Terms of new debt: Average maturity (years)	Terms of new debt: Grant element (per cent)
1976	257	58	8	8	16	4.8	24.9	40.7
1977	295	100	14	7	21	5.5	24.5	35.1
1978	369	136	19	17	35	4.5	29.4	46.7
1979	504	125	19	24	43	8.3	18.4	19.3
1980	511	161	33	34	67	5.8	23.3	33.9
1981	647	127	39	49	88	6.7	29.9	35.6
1982	682	73	30	32	62	4.0	30.7	50.7
1983	706	67	29	30	59	2.8	27.3	57.1
1984	721	113	51	32	83	3.0	41.7	62.2
Projected								
1985	729	45	49	32	81			
1986	726	53	50	29	79			
1987	730	44	45	26	71			
1988	728	31	46	23	69			
1989	714	20	37	21	58			
1990	696	12	28	18	46			

Source: Kydd, J.G. and Hewitt, A., "Limit of Recovery: Malawi After Six Years of Adjustment", *Development and Change*, June 1986, Appendix Table 4.

1.3 Overview of the manufacturing sector

The manufacturing sector in Malawi accounts for around 12 per cent of GDP and 13 per cent of total wage employment. The manufacturing sector grew strongly during the 1960s and 1970s, but its performance has been adversely affected by the recession of the early 1980s. Even in 1984 when the economy registered a growth of 4.5 per cent the index of manufacturing output actually fell by 5 percentage points, despite a rapid increase in the output of export-oriented industries. This reflects the domestic demand orientation of most manufacturing enterprises. Currently, the share of manufacturing in total exports is below 5 per cent.1/ The "switching" of investment and expenditure (required by the government's adjustment strategy) from domestic market-related to export-oriented activities has thus had a generally depressing effect on the growth of Malawian manufacturing. Total value added in manufacturing has however increased from $72 million in 1970 to $142 million in 1985 (measured at 1980 constant prices).

Food manufacturing accounts for about half of Malawi's MVA. Its sectoral share has gone up from 33 per cent in 1970 to almost 47 per cent in 1983. Tea and tobacco processing dominate the food manufacturing sector. Other major enterprises are found in the textiles, wood, vegetable oil and meat processing branches. Some foreign firms - Lever Brothers, Portland Cement Company, David Whitehead, Bata and Optichem - have invested in the chemical, textile, leather products, animal feed, cement, beverages, tyre retreading and fertilizer branches.

The manufacturing sector has a high level of ownership concentration. Press Corporation Ltd. (PCL), the major semi-public company2/ has a share in most industrial ventures of a large-scale nature. Following institutional reorganization in 1985 and 1986 its financial performance has improved significantly and it is likely to increase its influence and dominance. The Agriculture Development and Marketing Corporation (ADMARC) and the Malawian Development Corporation (MDC) also have substantial holdings within the manufacturing sector.

Small-scale manufacturing enterprises exist throughout the country. They account for a relatively small proportion of aggregate sectoral investment and employment which is mainly concentrated in the large enterprises. Thus, in the mid-1970s there were only 6 enterprises employing more than 1,000 persons each, but their share of sectoral employment was almost 40 per cent.

1/ Excluding processed tobacco products.

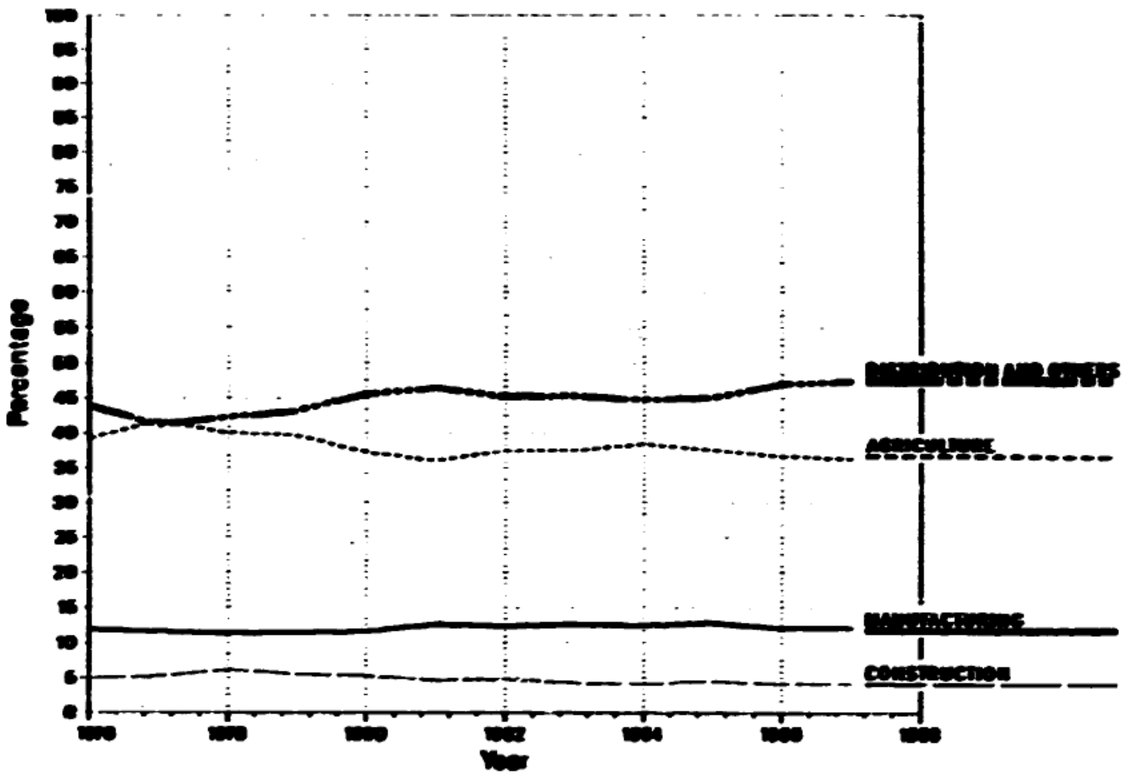
2/ The distinction between public and private sector operations is somewhat blurred in the Malawian manufacturing sector. This is discussed in Section 2.6.

The most serious constraint on the future development of the manufacturing sector is the transportation bottleneck. The manufacturing branches have high import dependence. The closing of the Nada and Beira routes through Mozambique and the difficulties associated with the diversion of traffic to Durban and through the northern corridor to Tanzania have led to a severe acceleration of manufacturing costs and have also restricted the growth of manufacturing exports.

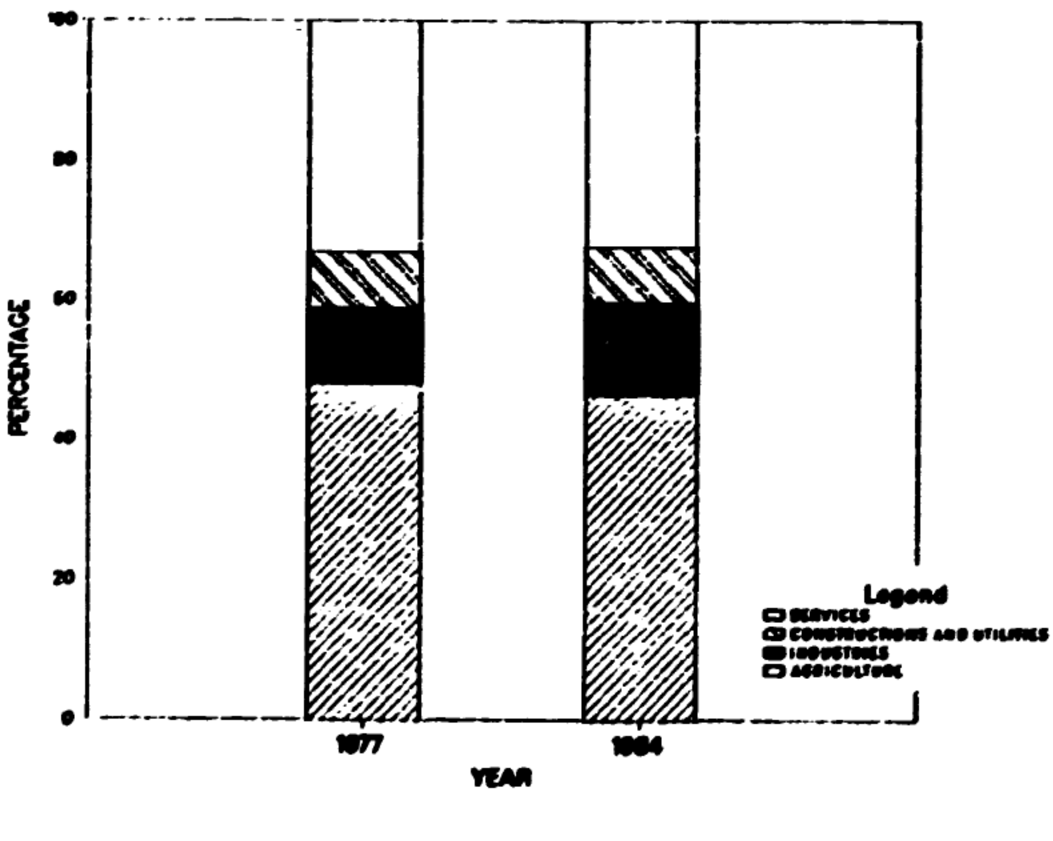
The limited natural resource base of the country also precludes the possibilities of extensive structural diversification within the manufacturing sector. The UNIDO input into the National Industrial Development Plan for 1982-1986 suggested the main emphasis in the near future could be laid on the development of agro-processing industries and the extension of facilities to small-scale enterprises. Effective regional economic co-operation can play an important part in reducing both the transportation and the market constraints on the development of the Malawian manufacturing sector.

MANUFACTURING TRENDS

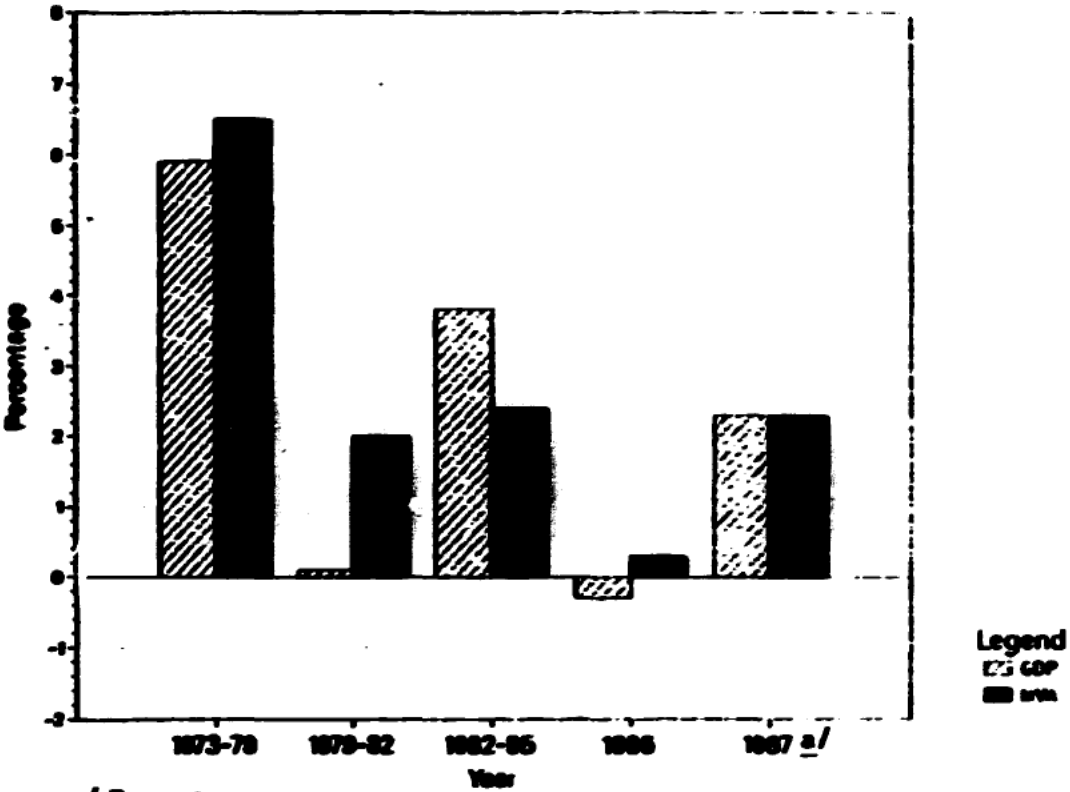
DISTRIBUTION OF GDP BY SECTOR OF ORIGIN, 1976-1987
(at current prices)



STRUCTURE OF EMPLOYMENT, 1977 AND 1984
(PERCENTAGE)

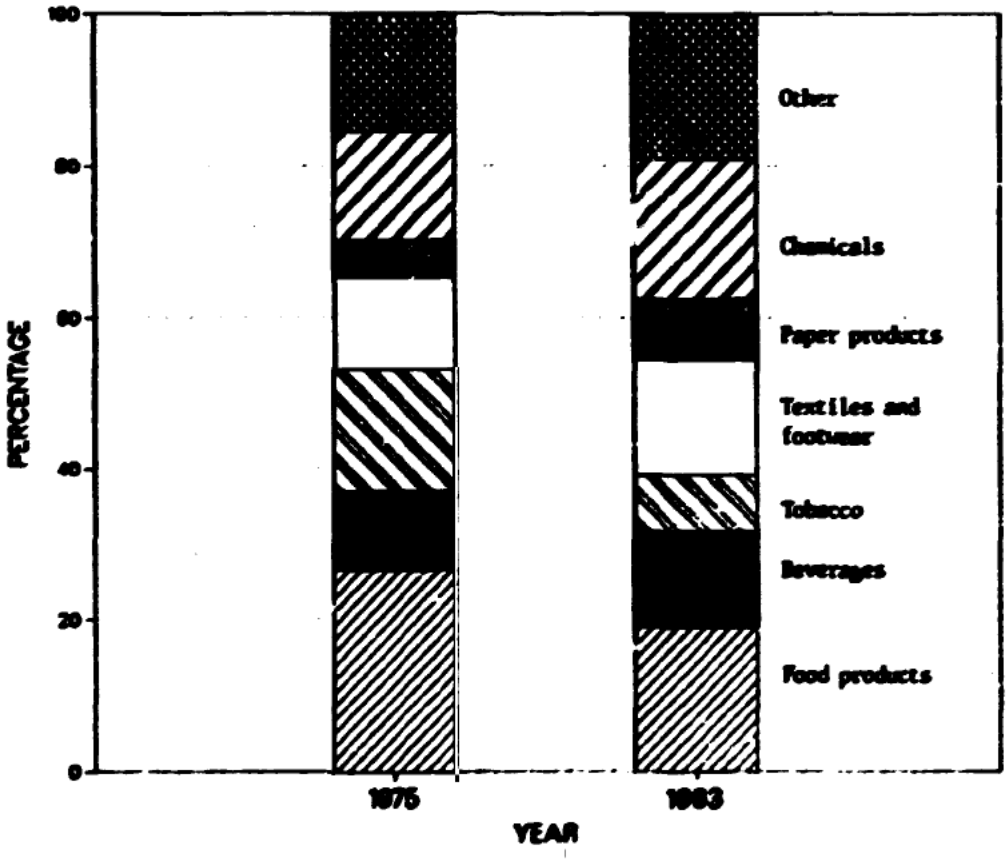


REAL GROWTH RATES OF GDP AND MVA, 1973-1987 (in constant 1980 prices)

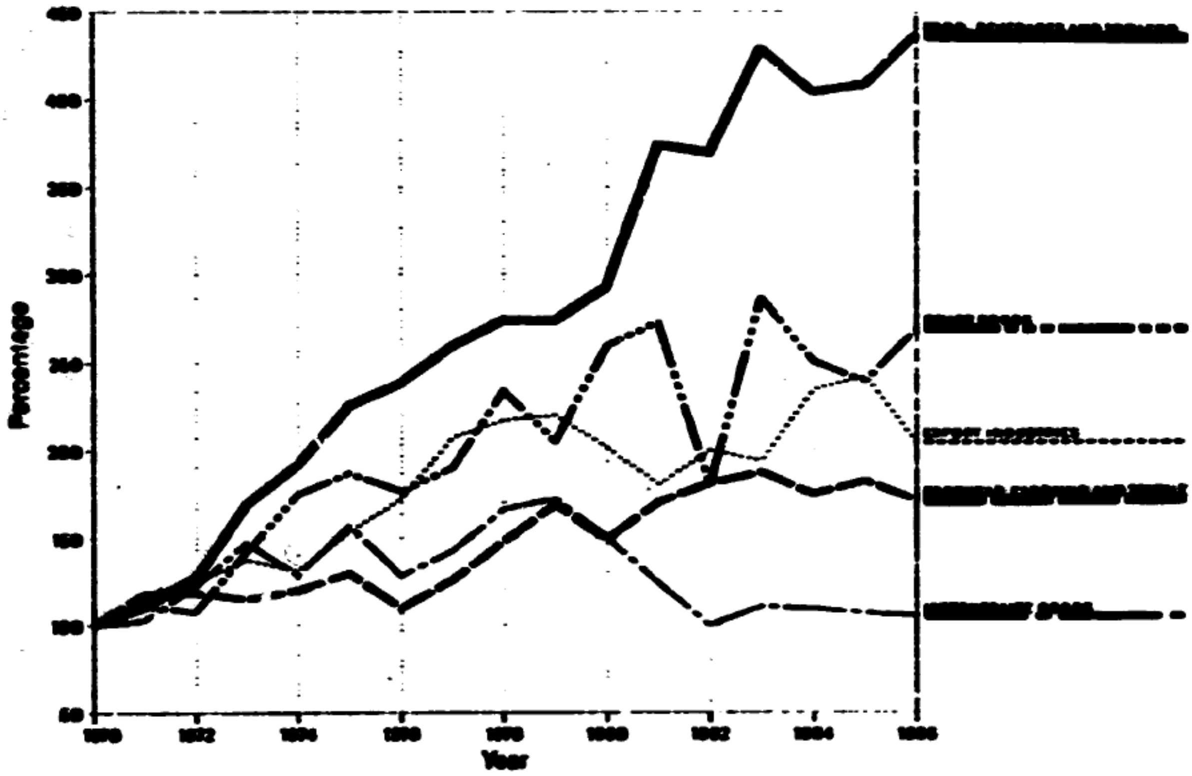


a/ Forecast.

COMPOSITION OF MANUFACTURING GROSS OUTPUT, 1975 AND 1983 (PERCENTAGE)

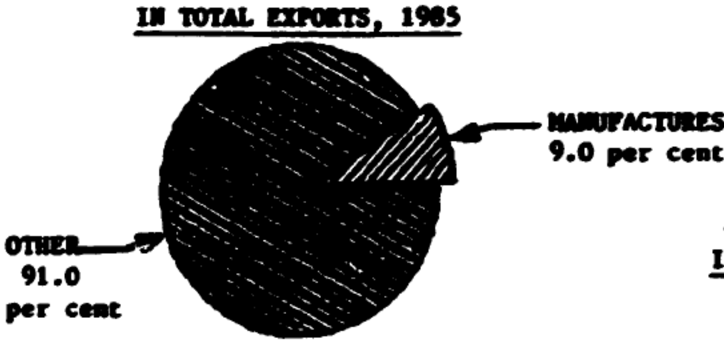


INDEX OF MANUFACTURING OUTPUT, SELECTED PRODUCTS, 1970-1986 (1970=100)

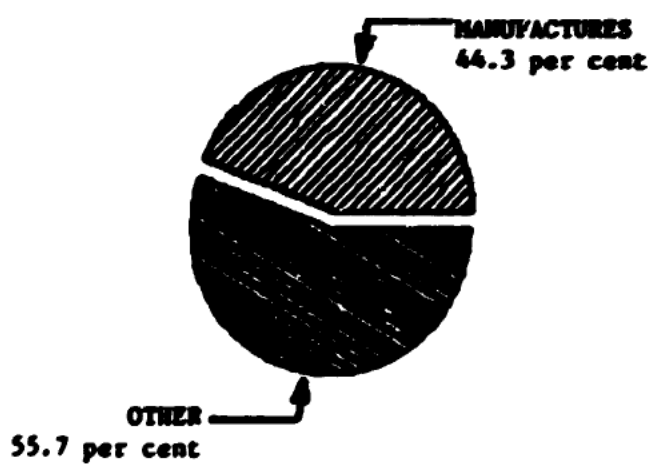


EXPORTS AND IMPORTS

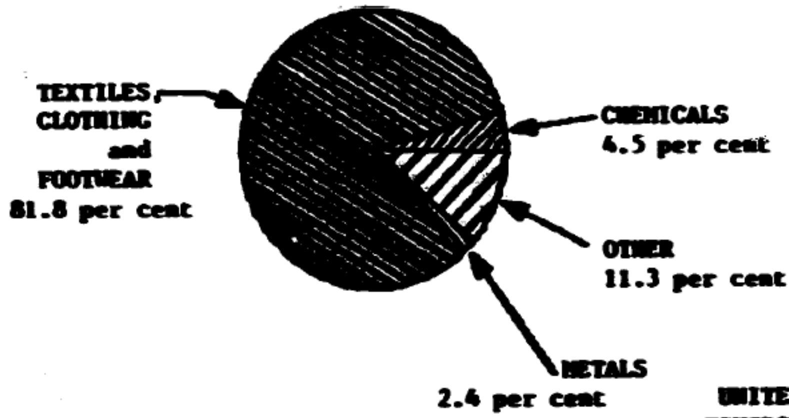
SHARE OF MANUFACTURES IN TOTAL EXPORTS, 1985



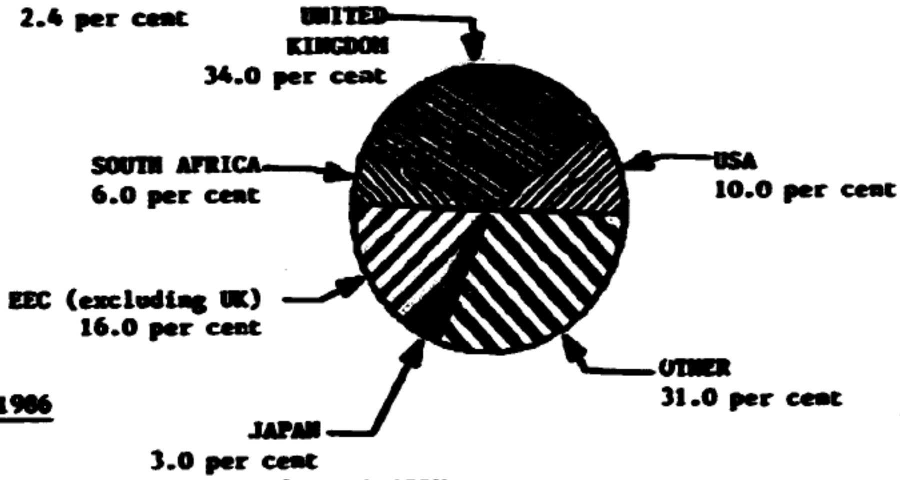
SHARE OF MANUFACTURES IN TOTAL IMPORTS, 1985



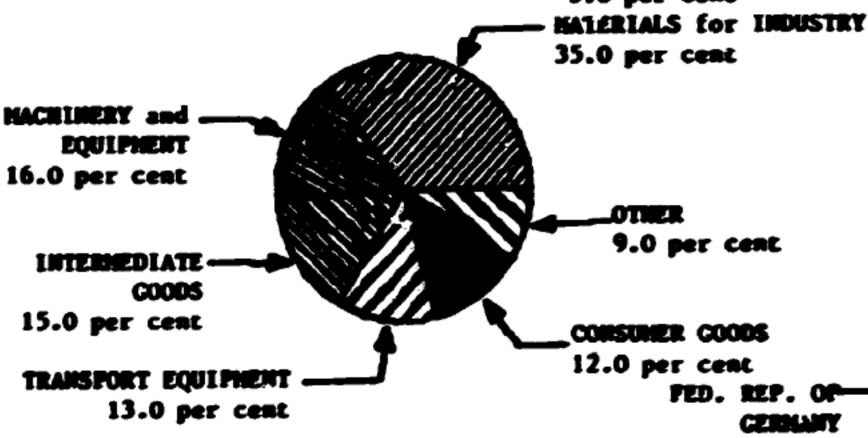
COMPOSITION OF MANUFACTURED EXPORTS, 1985



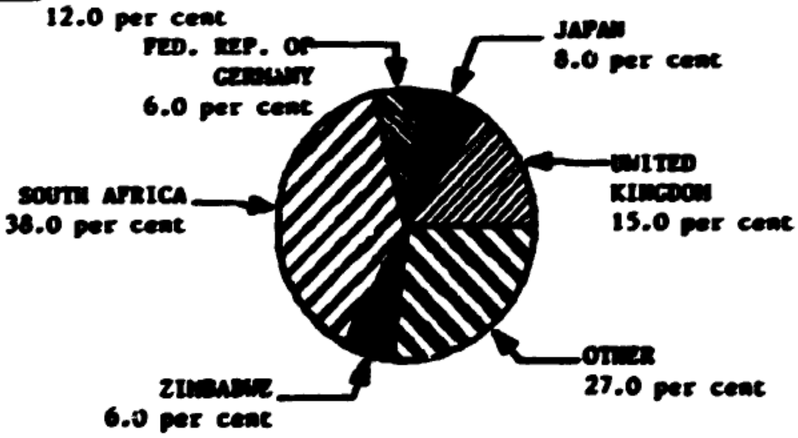
DESTINATION OF EXPORTS, 1985



COMPOSITION OF IMPORTS, 1986



ORIGIN OF IMPORTS, 1985



2. STRUCTURE AND PERFORMANCE OF THE MANUFACTURING SECTOR[1]

2.1 Growth and structural change

The pattern of growth within the manufacturing sector has become increasingly uneven since the mid-1970s. The index of manufacturing output (Table 3) doubled over the period 1970-1977, but the rate of growth slackened significantly during the next eight years until 1985. The index rose significantly during 1978, 1981 and 1983 but declined in 1982 and 1984. Marginal growth was recorded in 1979, 1980 and 1985. The year 1986 witnessed a significant increase in the index of consumer foods produced mainly for the domestic market, with food, beverages and tobacco recording an index of 436.8 compared with 408.3 in 1985 (1970=100).

Expectations of continuous rapid growth in manufactured output in the first half of the 1980s - as outlined for example in the 1981 World Bank Report on Malawian manufacturing[2] - were optimistic and growth within the sector was highly vulnerable particularly to the emergence of transport bottlenecks, scarcity and cut-backs in imports and the availability of an agricultural surplus in Malawi. Table 3 shows that output fluctuations are most pronounced in intermediate goods branches and the export goods industries both of which depend crucially upon the efficient functioning of the transport system.

According to government estimates,[3] the real value of output in the manufacturing sector is forecast to increase at 2.3 per cent in 1987 in response to a 3.3 per cent increase in the real value of exports. The forecast for 1988-1992 is characterized by a modest growth rate of 3.6 per cent in manufacturing output. Industries engaged in the processing of crops for exports are forecast to be encouraged by the strong growth in the agricultural sector. Manufacturing of intermediate goods is likely to increase considerably on account of favourable performance of exports and investment. Production of goods sold mainly for the domestic market seems to be limited by the moderate growth in consumer expenditures, though import substitution is likely to affect the output favourably during 1988-1992.

UNIDO has provided estimates of the growth of selected industrial branches over the period 1975-1984. Table 4 shows that the highest growth rates were experienced in the food products, beverages, leather products (ISIC 323 and 324) and textile branches. Negative value added growth was recorded in the pottery, non-metallic minerals and wood products branches.

1/ Statistics in this chapter (except Section 2.5) refer exclusively to the 17 large-scale firms for which data is provided in the Annual Economic Surveys.

2/ World Bank Report, Malawi: The Development of Manufacturing, Report No. 3460-MAI, May 1981. For a discussion of the weaknesses of this Report see UNIDO, The Potential for Resource Based Industrial Development in the Least Developed Countries: Malawi, IS.359, Vienna, 1983, p.617.

3/ See Government of Malawi, Economic Report 1987.

Table 3. Index of manufacturing output, 1970-1986
(1970 = 100)

Period	Manufactures produced mainly for the domestic market						Export industries	Total
	Consumer goods mainly for the domestic market				Intermediate goods mainly for building and construction	Total		
	Food, beverages and tobacco	Footwear, clothing and textiles	Other goods	Total				
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	112.3	118.1	110.8	113.2	103.1	111.0	108.7	110.6
1972	127.6	118.8	108.0	120.9	122.9	121.3	125.4	122.0
1973	169.4	115.2	142.4	150.4	147.6	149.9	137.7	147.4
1974	192.1	120.1	175.1	171.7	129.0	162.1	131.6	156.0
1975	225.7	130.2	187.3	194.8	157.6	186.5	154.0	180.0
1976	230.6	109.9	176.8	194.6	128.6	179.8	172.3	178.3
1977	259.8	126.2	190.2	212.8	142.9	197.1	207.3	199.1
1978	274.4	148.3	234.3	236.2	166.8	220.6	217.3	219.9
1979	273.9	169.2	205.2	234.7	172.4	220.8	220.2	220.7
1980	292.9	149.4	259.7	252.5	150.4	229.5	201.6	223.9
1981	374.5	170.6	273.0	303.9	124.3	263.5	180.6	246.9
1982	370.1	181.4	180.8	281.7	99.9	240.7	199.3	232.6
1983	428.4	187.6	286.7	339.7	110.8	288.2	194.4	268.6
1984	404.0	173.3	251.0	315.3	109.2	269.0	234.7	262.1
1985	408.3	182.6	239.6	316.5	107.0	269.4	242.3	264.0
1986	436.8	171.5	269.4	336.4	105.3	284.4	204.1	268.3

Source: National Statistical Office, Malawi: Monthly Statistical Bulletin, December 1986, p.6.

The information provided in Table 4 is incomplete. Branches for which growth estimates are not reported accounted for 14.6 per cent of MVA in 1980.[1/] In general it appears that intermediate goods production declined while agro-based industries increased their share of sectoral value added.

Table 4. Growth rates of value added in selected branches of manufacturing, 1975-1984 (at 1980 prices)

Description (ISIC)	Growth of value added at 1980 prices
Food products (311)	7.68
Beverages (313)	6.22
Tobacco (314)	4.68
Textiles (321)	5.37
Wearing apparel, except footwear (322)	3.06
Leather products (323)	5.37
Footwear, except rubber or plastic (324)	5.37
Wood products, except furniture (331)	-0.37[a/]
Furniture, except metal (332)	4.21
Paper and products (341)	4.21
Printing and publishing (342)	4.21
Industrial chemicals (351)	...
Other chemicals (352)	...
Petroleum refineries (353)	...
Misc. petroleum and coal products (354)	...
Rubber products (355)	...
Plastic products (356)	...
Pottery, china, earthenware (361)	-3.69
Glass and products (362)	...
Other non-metallic mineral products (369)	-4.90
Iron and steel (371)	...
Non-ferrous metals (372)	...
Fabricated metal products (381)	4.24[b/]
Machinery, except electrical (382)	4.24[b/]
Machinery, electrical (383)	4.24[b/]
Transport equipment (384)	4.24[b]
Professional & scientific equipment (385)	...
Other manufactured products (390)	4.45[a/]

Source: Statistics and Survey Unit, UNIDO. Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

a/ 1975-1983, b/ 1975-1980.

1/ The last year for which complete data is available. The most important omissions are industrial chemicals and other chemicals (ISIC 351 and 352) which together accounted for 13.1 per cent of MVA in 1980.

Annex Table A-5 presents estimates of the inter-branch dispersion of gross output and value added within the Malawian manufacturing sector. The share of food processing in MVA increased significantly from 29.8 per cent in 1975 to 53.0 per cent in 1983. The consumer goods branches (ISIC 311-324) accounted for over 60 per cent of MVA in 1983. The share of the intermediate industries (ISIC 331-369) in MVA has declined slightly from 27.4 per cent to 27.2 per cent in 1983. In fact, the share of these industries' fell to 21.3 per cent in terms of MVA and from 21.5 per cent to 16.0 per cent in terms of employment during 1975-1980. More recent estimates confirm that the consumer industries have continued to grow more rapidly than other branches. Whereas the index of production has increased by 10.27 per cent and 15.48 per cent in 1981 and 1983, respectively, a 20 per cent increase in the index of industrial output was achieved by the consumer goods industry in those years (Table 5). It is clear, therefore, that the trend towards a narrowing of the manufacturing base that became apparent in the second half of the 1970s has been intensified in recent years. Malawi has been experiencing a structural "reversal" counter to the normal pattern of structural change in the process of which the share of the intermediate and capital goods branches grows, while that of the consumer goods branches declines.

Table 5. Percentage change in the indices of manufacturing output by end-use,[a] 1971-1985

Year	Consumer Goods	Intermediate Goods	Export Industries	Total
1971	11.32	3.1	8.7	11.06
1972	16.80	19.20	15.36	10.31
1973	24.40	20.10	9.81	20.82
1974	14.16	-12.60	-4.43	5.83
1975	13.45	22.17	17.20	15.38
1976	-0.10	-18.40	11.88	0.94
1977	9.35	11.12	20.31	11.66
1978	10.99	16.72	4.82	10.45
1979	-0.64	3.36	1.33	0.36
1980	7.58	-12.16	8.45	1.45
1981	20.36	-17.35	-10.42	10.27
1982	-7.31	-19.63	10.69	-5.79
1983	20.59	10.91	-2.75	15.48
1984	-7.18	-1.44	20.73	-2.42
1985	0.38	-2.02	3.24	0.73

Source: Ministry of Trade, Industry and Tourism.

a/ Clasification of manufacturing output by end-use is based on the criteria adopted by the Ministry of Trade, Industry and Tourism, Malawi.

The rising share of consumer goods and falling shares of intermediate goods in employment and wages and salaries are revealed by data presented in Annex Table A-6. The slowing down of growth in the intermediate and capital goods industries is at least partly explained by the very high import dependence of the Malawian economy particularly in commodities such as metals and non-metallic minerals which are inputs into the intermediate and capital goods industries. As Annex Table A-7 shows, the ratio of import to apparent consumption is 100 per cent for virtually all intermediate products - the only exception being cement. Import substitution during 1972-83 has remained strongly concentrated in the agro-processing industries. The ratio of import to apparent consumption for footwear, cocoa powder and some wood products have gone down significantly during this period. The greatest scope for import substitution remains in the textile and paper products branches and in the intermediate goods industries. The development of the latter group is likely to require imported inputs - both non-agricultural raw materials and capital equipment - whereas the expansion of the former depends more on the production performance of the domestic agricultural sector. It is, therefore, widely argued that efficient industrial growth requires concentration on the agro-processing industries at least in the short run. Efficiency has become an important concern of the government as the foreign exchange constraint has tightened and the international trade and investment environment has deteriorated.

2.2 Performance and efficiency

Some indicators of the performance of the manufacturing sector are given in Annex Table A-8 over the period 1970-1980. The two main features of financial performance are the relatively low value added to gross output ratio on the one hand and the relatively high gross profit to value added ratio on the other. The average value added to gross output ratio for the period 1970-80 is only 24.6 per cent (standard deviation = 3.27 per cent).

This compares with a value for this ratio of 42 per cent obtained by UNIDO for a representative sample of developing countries in 1978.[1/] The average value added to gross output ratio for West African countries in the late 1970s has been estimated by UNIDO to be about 45 per cent.[2/] The low value of this ratio in the case of Malawi indicates that the manufacturing sector faces much higher physical costs. As pointed out in Chapter 1, rising transport costs in particular have had a crippling effect on the growth of the manufacturing sector. High material costs have shown that even in years of rapid growth the scope for increasing the rate of surplus mobilization remained limited. Thus, even in 1980 when the transport situation eased significantly, the value added to gross output ratio rose only to about 30 per cent. High unit material costs must therefore be taken as a relatively permanent structural characteristic of the Malawian manufacturing sector.

1/ UNIDO, Industry in a Changing World, New York, 1983. Sales No. E.83.11.B.8., p.215.

2/ UNIDO, Industrial Development Review: Nigeria, IS.557, 1985, p.21; UNIDO, Industrial Development Review: Ghana, PPD.18, 1986.

Table 6 shows that productivity (value added per employee) growth was most pronounced in the beverages and tobacco manufacturing. In food, leather products, footwear, machinery and transport equipment, employment grew more rapidly than value added. In general the relationship between the growth of value added and productivity growth is weak indicating that improvements in technical efficiency did not make a major contribution to the expansion of manufacturing output during this period. Productivity growth is concentrated in the consumer goods branches and not in the intermediate industries. Table 6 does, however, confirm the trend towards low productivity growth; 10 of the 15 industries for which data was available had negative growth of value added per employee over the period concerned.

The low productivity growth is also evident from attempts at estimating a production function for the Malawian manufacturing sector. A constant elasticity of substitution production function was estimated using cross section data for 15 manufacturing industries for 1973, 1976 and 1979.1/ The elasticity of substitution coefficient was consistently below unity2/ and showed no tendency to increase. It is generally expected that labour productivity growth is positively associated with the value of the substitution coefficient. Due to the small number of observations available it was not possible to test the existence of this relationship in the Malawian manufacturing sector.3/

The high degree of monopoly within the manufacturing sector ensures that the owners of capital are likely to capture the major share of any gains associated with improvements in the transportation system and other reductions in unit material costs. The downward trends in rates seem to be determined primarily by opportunities for migration and earning levels in neighbouring economies. Nevertheless, during periods of comparative prosperity and improvements in access to material inputs leading to relatively increased rates of return within the manufacturing sector, wage rates have not increased accordingly.

1/ Time series estimates were not obtained because of the short time period for which data was available.

2/ Estimates of the elasticity of substitution = 0.731 in 1973, 0.546 in 1976 and 0.612 in 1979.

3/ For the same reason it was not possible to estimate production functions separately for the consumer intermediate and capital goods sector. A pooled estimate was obtained for non-consumer goods industries (total deviation = 27) and the value of the elasticity of substitution coefficient was 1.153, significantly greater than unity.

Table 6. Growth rates of value added, employment and labour productivity, 1975-1985
(percentage)

Description (ISIC)	Growth of value added at 1980 prices 1975-1985		Growth of employment 1975-1985		Growth of value added per employee 1975-1985	
Food products(311)	7.68	a/	9.76	b/	-1.53	b/
Beverages(313)	6.22	a/	3.61	b/	3.05	b/
Tobacco(314)	4.63	a/	-5.33	b/	10.28	b/
Textiles(321)	5.37	a/	5.01	b/	1.00	b/
Wearing apparel,except footwear(322)	3.06	a/	4.23	b/	-1.04	b/
Leather products(323)	5.37	a/	9.05	b/	-3.33	c/
Footwear,except rubber or plastic(324)	5.37	a/	12.48	b/	-5.62	b/
Wood products,except furniture(331)	-0.39	b/	6.61	b/	-6.57	b/
Furniture,except metal(332)	4.21	a/	8.84	b/	-4.03	b/
Paper and products(341)	4.21	a/	2.46	b/	1.85	b/
Printing and publishing(342)	4.21	a/	3.27	b/	1.15	b/
Industrial chemicals(351)	...		14.61	b/	...	
Other chemicals(352)	...		-1.73	b/	...	
Petroleum refineries(353)	...		...		...	
Misc. petroleum and coal products(354)	...		...		...	
Rubber products(355)	...		-5.27	b/	...	
Plastic products(356)	...		13.31	b/	...	
Pottery,china,earthenware(361)	-3.09	a/	...		...	
Glass and products(362)	...		...		...	
Other non-metallic mineral prod.(369)	-4.90	a/	-0.13	b/	-4.86	b/
Iron and steel(371)	...		...		...	
Non-ferrous metals(372)	...		...		...	
Fabricated metal products(381)	4.24	d/	2.57	b/	-5.60	d/
Machinery,except electrical(382)	4.24	d/	...		...	
Machinery electric(383)	4.24	d/	23.30	b/	-26.74	d/
Transport equipment(384)	4.24	d/	14.66	b/	-16.40	d/
Professional & scientific equipm.(385)	...		...		...	
Other manufactured products(390)	4.45	b/	...		...	

Source: Statistics and Survey Unit, UNIDO. Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

Footnotes:
a/ 1975-1984.
b/ 1975-1983.
c/ 1975-1978.
d/ 1975-1980.

Table 7. Selected indicators of manufacturing performance, 1975 and 1983
(at current prices, currency = Kwacha)

Description (ISIC)	Value added per employee 1975	Value added per employee 1983	Wages and salaries per employee 1975	Wages and salaries per employee 1983	Share of value added in gross output (percentage) 1975	Share of value added in gross output (percentage) 1983	Ratio of gross profit to value added (percentage) 1975	Ratio of gross profit to value added (percentage) 1983
TOTAL MANUFACTURING (300)	1438	2097	530	1244	22.5	22.3		
Food products (311)	1371	...	383	1013	25.2	...	72.1	
Beverages (313)	3221	6267	919	1467	21.8	22.4	71.5	76.6
Tobacco (314)	707	1576	467	133	13.2	20.5	33.9	15.4
Textiles (321)	1153	3106	497	1128	25.4	37.9	56.9	63.7
Wearing apparel, except footwear (322)	664	1532	274	738	24.9	28.4	58.4	51.8
Leather products (323)	1045	...	269	...	25.0	...	74.3	...
Footwear, except rubber or plastic (324)	3271	-4934	941	1697	24.9	-59.9	71.2	
Wood products, except furniture (331)	1702	2550	656	963	43.5	52.0	61.5	62.2
Furniture, except metal (332)	1864	3403	966	1562	16.8	27.7	48.2	54.1
Paper and products (341)	2846	9449	768	1642	18.3	26.5	73.0	82.6
Printing and publishing (342)	1463	6924	998	2060	30.0	40.3	31.8	70.2
Industrial chemicals (351)	9237	12000	1382	2667	10.9	16.9	85.0	77.8
Other chemicals (352)	2623	12133	971	3750	19.2	24.1	63.0	69.1
Petroleum refineries (353)	...	...	...	...	...	...	...	...
Misc. petroleum and coal products (354)	...	...	...	...	...	...	...	...
Rubber products (355)	2930	6774	1398	1854	20.8	42.0	52.3	72.6
Plastic products (356)	3379	7078	612	2038	40.6	35.4	81.9	71.2
Pottery, china, earthenware (361)	...	...	...	...	...	...	...	...
Glass and products (362)	...	...	...	...	...	...	...	...
Other non-metallic mineral products (369)	1084	2653	459	875	37.6	31.4	57.7	67.0
Iron and steel (371)	...	...	...	...	...	...	...	...
Non-ferrous metals (372)	...	...	...	...	...	...	...	...
Fabricated metal products (381)	2000	4875	612	1923	27.4	35.2	69.4	60.6
Machinery, except electrical (382)	3514	...	1000	...	32.8	...	71.5	...
Machinery, electrical (383)	1923	2275	827	1568	33.2	16.5	57.0	31.1
Transport equipment (384)	7949	4695	2282	3447	32.3	18.6	71.3	26.6
Professional & scientific equipment (385)	...	...	...	...	...	...	...	...
Other manufactured products (390)	...	...	...	...	...	...	...	...
Total manufacturing								

Source: Statistics and Survey Unit, UNIDO. Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

Note: Total manufacturing is the sum of the reported ISICs and does not necessarily correspond to ISIC 300 total.

Table 7 presents disaggregated data on the performance of manufacturing enterprises in Malawi. Correspondence between the ranking of the value added to gross output ratio and the gross profit to value added ratio is low. Thus branches with the highest gross profit ratios are industrial chemicals, plastic products, leather, paper, footwear and beverages. But only plastic products appear in the list of the top five branches ranked according to the value added to gross output measure. This would indicate that to some extent low material costs are offset by relatively high wage costs in some cases and relatively high accumulation rates are offset by high material costs in others. Branches with above average gross profit rates tended to have below average value added to gross output rates. Moreover, branches with high profit rates - such as chemicals, beverages, textiles, metal products and non-metallic minerals tend to have extremely low reinvestment ratios (see Annex Table A-9).1/ This pattern is not atypical in Africa where investment in the industrial sector is not financed primarily by retained earnings.2/ Raising investment returns is not likely to lead to accelerated accumulation in a sector which has as high a level of monopoly as is the case in Malawian manufacturing.

2.3 Investment and financing patterns

Reasonably complete time series data for investment in manufacturing enterprise in the large- and medium-sized sector is available only for the period 1973-80. As Table 8 shows total fixed capital accumulation within the sector ammounted to K173 million over this period. The total fixed capital accumulation to gross profits ratio averaged about 70 per cent - but variations about mean were very large and irregular. Fixed investment showed a declining tendency during the late 1970s. About 60 per cent of the investment went to the consumer goods industries - the food manufacturing and textiles industries having the largest share. Among the intermediate goods industries, the share of the packing and non-metallic minerals (mainly cement) branches was relatively high. It was estimated that the rate of fixed capital accumulation in relation to total permanent capital employed stood at about 18 per cent in 1974-1975. This had declined to about 12 per cent by 1979. Although the share of the food processing and textile branches in manufacturing investment was relatively high, the rate of growth of fixed capital accumulation was tending to fall off (see Annex Table A-9). The highest rates of fixed investment growth in the late 1970s were experienced by the chemicals, metal products, non-metallic minerals and machinery and motor assembly branches.

1/ The exception here is chemicals. However, the value of Spearman's rank correlation coefficient for the two columns of Annex Table A-9 is actually negative.

2/ UNIDO, Industrial Development Review: Nigeria, IS.557, 1985, pp.22-23.

Table 8. Total fixed capital accumulation, 1973-1980
(current prices in MK million)

	1973-80	As per cent of total
Food processing	31.3	18.09
Tea manufacture	14.8	8.55
Beverages	14.3	8.26
Tobacco	9.5	5.49
Textiles	28.2	16.30
Clothing	5.0	2.89
Wood products	4.1	2.31
Packing	17.0	9.82
Fertilizers	7.9	4.56
Pharmaceuticals	11.1	6.41
Tyre retreading	4.8	2.77
Non-metallic minerals	11.6	6.70
Metal products	9.6	5.54
Machinery and motor assembly	4.2	2.42
Other	1.6	0.92
Total	173.0	100.00

Source: National Statistical Office, Annual Economic Survey 1973-79, pp.23-37, Annual Economic Survey 1979-80, pp.12-25.

The difficult transportation situation in Malawi has made it hard for manufacturing firms to keep stocks of finished products and of inputs as low as possible. The need to finance high levels of input stocks creates problems of liquidity. Cash reserves are low and current liabilities are high in Malawian manufacturing enterprises. The short-term debts of these companies are very considerable. However, the importance of bank credit as a source of financing investment cannot be estimated on the basis of the existing evidence. Investment growth is crucially constrained by the need to finance large volumes of input stocks. There is some evidence to show that firms with links to foreign multinationals use intra-firm loans as the primary means for financing stock holding transactions. Firm evidence on bank borrowings cannot be provided however because detailed financial accounts of the largest industrial conglomerate - Press Group Ltd. - are not published on a regular basis.

It is exceptionally difficult to distinguish between public and private enterprises within the large-scale manufacturing sector or to identify the operation of foreign firms. National statistical sources do not provide information on ownership classification of manufacturing enterprises and do not cover the activities of firms with an annual turnover less than MK 100,000. This effectively excludes all small-scale and most medium-sized firms, which is an important omission. In 1975 it was found that the total number of medium-sized firms (i.e. those employing more than 10 persons each but having annual sales less than MK 100,000) numbered 52 (as against 115 large firms). Their share of manufacturing employment was however only 6.5 per cent. Medium-scale enterprises were particularly important in the food manufacturing, confectionery, wooden furniture, metal product and electrical and non-electrical machinery branches. Employment figures reported are very close to those in the Annual Economic Survey which covers large-scale enterprises only.1/

Table 9 presents data pertaining to gross fixed investment according to size of enterprise. Of the total gross fixed investment, estimated at MK307 8 million in 1986, large-scale enterprises in the private sector accounted for 36.2 per cent. The small-scale industries constituted less than 10 per cent of gross fixed investment in 1986.

Table 9. Gross fixed investment estimates by type of industry, 1978 and 1986.
(MK million)

	1978	1986
Gross fixed investment:	247.1	307.8
Public	149.0	196.2
Private	98.1	111.6
Large-scale	87.8	85.9
Medium-scale	1.0	...
Small-scale	9.3	25.7
Estimated SME Investment a/	4.7	12.9

Source: Rural Enterprises and Agrobusiness Development Institution (READI), New Directions for Promoting Small- and Medium-scale Enterprise Development in Malawi: Constraints and prospects for Growth, December 1986.

a/ Small- and medium-scale investments not included in the preceding clasification.

Table 10 summarizes the structure of manufacturing employment by type of enterprise for the period 1977-81. It can be seen that the employment share of the public sector in Malawian manufacturing is negligible. However, firms not included in the category of "statutory and departmental" enterprises, such as Press Holdings, Import and Export Company of Malawi (IMEXCO) and the Industrial Development Bank (INDEBANK), have very extensive holdings and together with the Malawian Development Corporation (MDC) and the Agricultural Development and Marketing Corporation (ADMARC) dominate the manufacturing sector.

1/ The Annual Economic Survey (AES) estimate of manufacturing employment for 1979 is 35,900: the corresponding Annual Statistical Yearbook (ASY) estimate is 37,100. If the latter is taken to include medium-sized enterprises, then their total employment is only about 3 per cent of total. For 1980 the AES estimate is 39,000 and the ASY estimate is 39,700.

Table 10. Manufacturing employment by type of enterprise, 1977-1981

	Total		Private		Statutory and departmental	
	Employment	Per cent	Employment	Per cent	Employment	Per cent
1977	33,500	100	32,200	96.11	1,300	3.80
1978	35,800	100	34,600	97.20	1,200	2.79
1979	37,100	100	35,600	95.95	1,500	4.05
1980	39,700	100	37,800	97.17	1,900	2.82
1981	35,300	100	33,400	94.61	1,900	5.38

Source: Annual Statistical Yearbook, 1982, p.61.

Recent data on parastatals' activities depict the large diversity in the activities of these operations. Nine parastatals are basically commercial organizations, with activities geared to profitability. The larger number of parastatals are involved in regulatory, promotional and developmental activities. The size of the parastatal organizations and operations vary significantly. ADMARC employed 7,134 persons in 1985/86, while Road Safety Council and the Chichewa Board employed six and seven persons, respectively. The budgeted revenue in 1986/87 for ADMARC was MK130 million, the revenue earned by small parastatals ranged from MK342,000 to MK93,000.

Of the five institutions Press Holdings and MDC are major operational holding companies, that is, they tend to implement and manage subsidiary operations rather than passively taking an equity participation. ADMARC and Import/Export are large trading companies although ADMARC has considerable holdings in numerous agro-industrial enterprises and IMEXCO also has an interest in a few industrial ventures. INDEBANK is a traditional DFC which frequently lends to companies in which one or more of the holding companies have an interest but has so far limited its equity investments to about one-fifth of total investments. All five institutions are active in many sectors of the economy but all have substantial investments in industry, often in the same enterprise. This is particularly true of MDC, Press Holdings and ADMARC which hold a controlling or important minority interest in many larger agro- and other industries. Frequently ADMARC and MDC or MDC and Press Holdings together hold the majority in a company and in that case there is usually fairly close co-operation between the holding companies concerned. There is, thus, a network of interlinked interests which covers a substantial part of Malawi's industry and combined with ADMARC/MDC/Press Holdings' majority interests in the two commercial banks (National Bank of Malawi and Commercial Bank of Malawi), this structure shows considerable stability even in times of economic slowdown.

Closing inter-locking of major company directorates has however accentuated the trends towards increasing industrial concentration and created other organizational problems. The government has sought to tackle these problems through a major reorganization of these five companies. The healthy financial position of MDC was adversely affected by the economic difficulties of the late 1970s. It produced a net loss in every year during 1977-1984[1] and had to increase long-term borrowing substantially over the period 1978-1980. ADMARC sustained large net losses in 1980 and also in 1985. The government had to provide substantial financial assistance to ADMARC during the fiscal year 1985/86.

Foreign investment is also of considerable importance in the manufacturing sector. Carlsberg has investments in the beverages industry, David Whitehead in textiles, Lever Brothers in chemicals and vegetable oils. Collaboration between foreign capital and large domestic enterprises is extensive. Although no statistics on the interbranch distribution of foreign investment or on the financial performance of foreign firms are provided in national sources, over a long period, net long-term private capital inflows have usually remained positive despite the fact that they have tended to fluctuate widely. Long-term net public enterprise capital inflows have become negative since 1982. There is some evidence that the overall level of long-term capital inflow has declined. It is however not possible to estimate the impact of these developments on the inflow of direct foreign investment to the manufacturing sector.

Most direct foreign investment in the manufacturing sector has taken the form of equity finance. As Table 11 shows, the organizations within the infrastructure and the community sector accounted for 70 per cent of total Malawian debt in 1983. The share of manufacturing and transportation (which is included in the 'services' category) is below 1 per cent. It thus appears that foreign loan finance plays a relatively minor role in manufacturing investment in contrast to other developing countries in Southern Africa, except Botswana. Some interest has been shown in recent years in expanding the flow of foreign credit to the manufacturing sector. Thus, in 1986 the government obtained an IDA credit of $3 million for financing industrial and commercial projects. In general, the share of the industrial sector in total development spending by the government has remained small. Over the period 1979/80 to 1985/86 total allocations to industry accounted for only 4.9 per cent of the development budget (see Annex Table A-10) and there is no evident tendency towards increasing this share. It must be concluded, therefore, that growth in industrial investment is likely to remain moderate in the immediate future and the government expects industrial firms to finance their own expansion through increasing operational efficiency.

1/ However, in 1985, an operating profit of MK1.8 million was earned by MDC.

Table 11. Sectoral distribution of public debt of selected African countries, 1983
(percentage)

	Botswana	Lesotho	Malawi	Tanzania	Zambia	Zimbabwe
Agriculture	10	10	17	7	6	5
Mining	15	0	0	2	20	2
Manufacturing	0	1	0	14	10	3
Infrastructure	45	39	36	27	29	39
Services	1	3	2	2	2	12
Community	26	26	34	17	12	24
Other	2	21	12	31	22	26

Source: UNIDO, "Industry and External Debt in Africa", *Industry and Development*, No. 17, 1986, pp.11-12.

2.4 Manufacturing trade and resource-based industrial growth

Table 12 demonstrates the overwhelming importance of tobacco, tea and sugar in Malawi's exports. These principal exports contribute over 70 per cent of the country's total exports. Groundnuts, coffee and manufactures (included under "other" categories) have taken an increasing share of total exports begining from 1984, indicating Malawi's efforts to diversify into other non-tradtional products. While the export volume of tobacco, sugar and cotton is expected to decline moderately in 1987, that of tea, coffee and groundnuts is expected to grow.

Table 12. Exports a/ by main commodities, 1984-1987
(percentage)

	1984	1985	1986 b/	1987 c/	1984-1987 d/
Tobacco	52.7	42.0	54.4	49.8	49.7
Tea	25.9	20.9	15.7	15.9	19.6
Sugar	6.[illegible]	10.8	8.9	8.0	8.6
Groundnuts	0.3	1.4	3.8	8.7	3.6
Coffee	0.1	2.9	5.6	5.7	3.6
Rice	0.2	0.1	0.3	...	0.2
Cotton	0.7	3.1	0.5	0.4	1.2
Other	13.5	18.8	10.8	11.4	13.6
	100.0	100.0	100.0	100.0	100.0

Source: Government of Malawi, *Economic Report 1987*.

a/ Domestic exports imply exports less re-exports.
b/ Revised estimate.
c/ Estimate.
d/ UNIDO calculation based on data for 1984, 1985, 1986 and 1987.

Manufactured exports, defined according to SITC classifications (i.e. SITC 5-8 less 68), represented only about 6 per cent of total export earnings during the early 1980s. The share of manufactured exports (SITC 5-8 less 68 as listed in Table 13) in total exports has, in fact, increased from 5.7 per cent in 1980 to about 9 per cent in 1985. This ratio is not expected to rise significantly during the rest of the present decade. The subsequent projections reflect the impact of the trade strategy implicit in the economic adjustment programme adopted by the government with the support of the IMF and the World Bank group. According to this strategy the main growth of export earnings is expected from cotton and groundnuts (see Annex Table A-11) (the export share of these two crops is expected to increase from 0.7 per cent in 1984 to 8.8 per cent in 1990). The share of the traditional export revenue earners - tobacco, tea and sugar - is expected to decline from about 78 per cent to 70 per cent over this period. The planned export diversification is thus not likely to reduce Malawi's dependence on world primary commodity markets. This is necessary to reverse the decline in terms of trade which has been a major factor inhibiting economic recovery.

Expanding manufactured exports provides an opportunity for circumventing the terms of trade effect and for enhancing regional trade. Developing countries purchase more than 90 per cent of total Malawian manufactured exports (SITC 5-8 less 68) (see Annex Table A-12) and the scope for expansion of intra-regional trade is significant if a viable international division of labour can be worked out within the context of the PTA or SADCC arrangements. There is also a possibility of increasing the share of LDCs in manufacturing imports; 81 per cent of manufactured imports1/ are purchased from developed market economies.

1/ Excluding petroleum products.

Table 13. Manufactured imports and exports, 1980 and 1985
(MK '000)

SITC Selected categories of			1980 Imports	1980 Exports	1980 Re-exports	1985 Imports	1985 Exports	1985 Re-exports
SITC 5.		CHEMICALS	45,885	1,037	111	55,061	810	200
SITC 6.		MANUFACTURES CLASSIFIED CHIEFLY BY MATERIALS:	82,562	10,642	1,551	67,241	13,835	1,317
	65:	Textile yarn, fabrics, made-up articles, etc.	13,959	10,015	654	18,126	12,340	228
	66:	Non-metallic mineral manufactures nes	9,008	3	87	7,206	1	11
	67:	Iron and steel	20,610	39	339	9,168	197	254
	69:	Manufactures of metals, nes	16,027	80	325	11,797	239	368
SITC 7.		MACHINERY AND TRANSPORT EQUIPMENT	119,882	191	7,942	75,663	31	6,989
	71:	Machinery, other than electric	32,677	25	3,890	29,785	-	3,787
	72:	Electrical machinery, apparatur & appliances	30,447	167	464	21,975	-	632
	73:	Transport equipment	51,629	-		20,253	3,268	816
SITC 8.		MISCELLANEOUS MANUFACTURES	17,425	2,040	574	20,253	3,268	816
	81:	Sanitary, plumbing, heating & lighting fixtures	1,370	-	31	1,156	-	21
	84:	Clothing	2,460	830	228	4,051	915	4
	85:	Footwear	1,163	601	2	1,540	915	4
	86:	Clocks, watches, cameras, & instruments	4,193	2	163	4,482	5	431
	89:	6,639	443	116	7,790	558	101	

Source: National Statistical Office, Annual Statement of External Trade, 1981 and 1985, Zomba.

Table 14 shows the import structure of Malawi by end-use. There was an increase in the imports of plant, machinery and equipment in 1986, relative to 1985. The imports of basic and auxiliary materials for industry and that of commodities for intermediate and final consumption declined in 1986, reflecting largely the foreign exchange barriers inhibiting Malawi's ability to import necessary industrial inputs. Imports are forecast to increase by 2.0 per cent in real terms in 1987.

Table 14. Imports by end-use, 1984, 1985 and 1986
(MK'000)

	1984	1985	1986 a/
Consumer goods	46,131	62,004	57,600
Plant, machinery & equipment	41,205	70,405	74,850
Transport means	42,114	62,833	61,040
Materials for building & construction	18,579	29,782	27,660
Basic & auxilliary materials for industry	156,110	177,474	169,100
Parts, tools & miscellaneous appliances	10,367	16,285	15,830
Commodities for intermediate & final consumption	65,903	70,858	69,230
Miscellaneous & other transactions	1,164	2,106	3,300
Total	381,573	492,553	478,700

Source: National Statistical Office, Department of Economic Planning and Development.

a/ Estimate.

Export-oriented industries currently produce roughly 20 per cent of gross manufacturing output and their growth has lagged behind that of the domestic-market-oriented industries throughout the period 1970-1984. Exports account for less than 5 per cent of the total output of the tobacco processing industry. The corresponding ratios for the tea and sugar processing industries is about 25 per cent and for textiles about 50 per cent.

Prospects for export expansion of manufactures are mainly limited to the food processing industries. Table 15 presents estimates of marketed production of the main cash crops in Malawi over the period 1980-85. Fluctuations in production levels have been wide, but tea and seed cotton have grown rapidly during 1982-83. The most rapid growth has been experienced by maize, but prospects for exporting maize depend critically on production prospects of the crop in Zimbabwe, Zambia and Mozambique. Sugar production has shown a declining tendency since 1983.

Tobacco production showed strong growth in the early 1980s but fell by 9 per cent during 1985. Export growth is however limited by quotas imposed on barley production and by increasing fuel costs in the processing stage. The scope for expansion of tobacco exports is limited. Total auction sales of tobacco have declined over the period 1983-1985, and the average price of tobacco fell by 4 per cent during 1985.

Tea is largely an estate crop. Despite relatively good management, the rate of return is much lower than for tobacco. Production increased from 16.9 tonnes in 1969 to 40 tonnes in 1985. Commodity projections suggest that in the long-term prices will fall below even the present depressed levels, so that while smallholders might still find it profitable to enter into tea production, given the shortage of other opportunities, estates are more likely to diversify away from it. Overall, not much expansion of output and thus of tea processing can be expected.

Table 15. Marketed production of main crops, 1980-1985
('000 tonnes)

	1980	1981	1982	1983	1984	1985a/
Tea b/	29.9	32.0	38.4	32.0	37.3	40.0
Tobacco c/	54.4	50.7	58.5	72.2	73.0	66.9
Groundnuts d/	31.3	19.5	10.6	10.2	9.9	18.1
Seed cotton d/	23.1	21.7	15.1	13.4	32.1	32.4
Maize d/	91.8	136.6	246.1	244.9	296.4	271.6
Pulses d/	10.5	7.2	5.8	3.2	5.4	15.7
Sugar	147.4	166.4	171.8	175.3	149.9	143.8
Paddy rice d/	17.5	14.7	12.5	9.0	10.0	10.5

Source: The Economist Intelligence Unit, Annual Report Malawi 1986-1987.

a/ Provisional.
b/ Total production.
c/ Amount auctioned.
d/ ADMARC purchases.

Processing of fruit and vegetables is limited at present to the canning of pineapples by ADMARC's Malanje Cannery. Unfortunately, the supply of pineapples shows a marked seasonal peak, while supplies of other items are often not available when needed. As a result, lack of capacity in the limited pineapple season causes large quantities of fruit to be turned away, and at other times the cannery suffers from excess capacity, raising overhead costs per unit. Unfortunately Malawi does not have a comparative advantage in other lines that could support pineapple production.

Malawi has a rubber estate near Nkhata - the only one, in fact, in eastern and southern Africa. This is expected to yield some 3-5 million pounds of rubber at full development in some years' time. This rubber would be processed as ribbed smoked sheet and crepe, which is at present imported. The bulk would be for export.

Cotton is a crop that deserves maximum attention in Malawi, being a smallholder crop that has been very successfully grown in different parts of Africa. It is grown by some 100,000 small farmers but unfortunately within a relatively circumscribed area, in the Lower Shire Valley. In the 1970s, however, there had been no increase in the volume of output; and these have seen a particularly marked revival since 1982. It is likely that a more positive price policy could produce a more significant response. This is urgent since, although cotton is by no means the most important crop in Malawi, it is one with important forward linkages, supporting first-stage agro-processing in the form of ginneries and second-stage textile and garment manufacture. About 90 per cent of cotton output is used for the domestic textile industry. At present Malawi has three ginneries with a combined capacity of about 32,000 tonnes per annum. There is scope for expansion of production, even though the area suitable for expansion is circumscribed geographically. Plans exist for a new ginnery at Liwonde which would cater to raw cotton output from the central region where there has already been growth. Elsewhere existing capacity should be adequate.

Sugar production increased significantly during 1980-1983, but has declined to the level of the 1980s since then. The two major sugar-producing estates, both managed by Lonrho, are SUCOMA in the southern region, responsible for the initial growth of the industry, and more recently the Dwangwa Sugar Estate in the northern region. Each has its own processing plant for refining sugar. Output increased from 49,000 tonnes in 1974/75 to 93,000 in 1978/79, an 89 per cent increase, 67 per cent of which reflected an increase in growing area. Output thus tripled in the six years between 1974/75 and 1980/81 and in 1981 increased still further to 166,000 tonnes. Further expansion will depend on the availability of export markets and on the establishment of an ethanol plant. A revival of sugar production is therefore crucially restricted by the depressed conditions in the world market since the collapse of the International Sugar Agreement in 1985.

Prospects for export growth remain somewhat limited in the immediate future. It was expected that tobacco prices would improve significantly during 1986 due to a shortfall in world production, but this has not happened due to an unloading of US stocks on the market.[1] In any case the share of the processing industry in total tobacco exports remains very small. The development of the manufacturing sector has remained domestic-market-oriented and export-oriented growth is feasible mainly in the context of a regional harmonization of trade and investment policies. Both SADCC and PTA have addressed these problems and the growth of inter-regional economic co-operation will be a major determinant of the growth of manufactured exports of Malawi.

2.5 Problems and prospects for selected industries: small-scale enterprises, textiles and wood products

a) Small-scale enterprises and the informal sector

In 1983 the University of Malawi conducted a survey of small-scale industry, the results of which are presented below.[2]

The survey covered the areas of Blantyre, Mchinji, Salima, Mzimba North and Chitipa. It showed that 30 per cent of the businesses are found in trading centres, 28 per cent in villages, and 42 per cent in towns. There exist many 'village crafts', notably specializing in baskets and mats. On the other hand, tailors and persons in the service traues, like watch, radio, and shoe repairers, have a strong preference for trading centres and towns. The survey covered 1,816 small-scale enterprises, of which 24.5 per cent were tailoring establishments, 10.1 per cent shoesmiths, 9.5 per cent matmakers, 9 per cent carpenters and 6.8 per cent basket makers. Very few wood carvers, blacksmiths and brick makers were included in the survey (representing only about 1 per cent of the total sample). This may be an indication of the relative underdevelopment of the metal products industry in Malawi. Over three-quarters of those interviewed were self-employed. The number of employees, if any, is normally limited to just one. Indeed, the overall average is 0.38 per business, and only 22 out of 1,816 enterprises employ five or more people.

The informal manufacturing activities conducted in the open air consists of tinsmiths, bicycle repairers, village craftsmen, carpenters, builders and brickmakers. Verandahs owned by shopkeepers are used largely by tailors and by watch, radio, and shoe repairers.

For 68 per cent of all enterprises the initial outlay on tools and other equipment had been less than MK 50, while 20 per cent of the respondents had spent MK 100 or more, mainly tailors, maize-millers, carpenters, garage-owners and welders. Those who started with an outlay of less than MK 50 have hardly made any additional investment at all.

1/ South, September 1986, p.125.

2/ The findings of the survey are discussed in greater detail in W. Effema, "Small Scale Industry in Malawi", The Journal of Modern African Studies, Vol. 22, No. 3, 1984, pp.487-510.

In terms of income and employment three business categories may be distinguished:

First, there are the village crafts, producing baskets, mats, pots and beer, to which a limited amount of traditional blacksmithing may be added. Turnover is normally less than MK 20 per month in the dry season, and each business is run virtually single-handed. As there is hardly any outlay involved for tools, raw materials and wages, these crafts are probably a very important source of income for those concerned, the modest amount notwithstanding.

A second category comprises tailoring, tinsmithing, baking and the service trades (bicycle, watch, radio and shoe repairs). Gross monthly earnings in the dry season vary from MK 21 to MK 47. Little additional employment is provided.

Thirdly, there are the maize-milling, carpentry, building, brick-making, garage and welding businesses. These offer a substantial amount of additional employment, and their gross monthly earnings as a rule exceed a median amount of MK 100.

The village craftsmen rarely employ hired labour. Given the nature of their activities this is easy to understand. Those who receive large orders for making mats or baskets normally form an ad hoc partnership instead of paying for additional help. The service traders, tailors, tinsmiths, blacksmiths and bakers often hire relatives and/or apprentices to keep labour costs to an absolute minimum. Not surprisingly, the most lucrative business categories are also the most important as employers. Probably the figures for building and brickmaking underestimate the jobs provided by these enterprises, since they tend to hire people for a specified task and to lay them off afterwards. The maize-millers, carpenters, builders, brickmakers, garage-owners and welders constitute only 16 per cent of those sampled, but they provided more than half of all the jobs. Relatively speaking, most employment is provided by business in Mchinji, least by those in Salima and Chitipa, with Blantyre and Mzimba in between.

Most businesses supply goods or services to private customers and sales to other organizations or institutions are very exceptional. A tailor may sometimes provide school uniforms, a tinsmith may fill a large order from an estate, or a carpenter may make some furniture for an office, but this is rare. Nearly 60 per cent of those interviewed do not stock any finished products, the main exceptions being the tinsmiths, carpenters, and village craftsmen. Credit is allowed by 72 per cent of the businesses, and no category can afford to operate on a 'cash only' principle. That so many small-scale enterprises are obliged to permit credit, thereby taking risks that customers may default on their debts, might indicate heavy competition.

Although raw materials, spare parts and components are nearly always obtained within the District where the small enterprises are located, over one-third suffer sometimes from shortages, a situation which is aggravated by the tendency to stock as little as possible because of the absence of working capital. In the North, especially, the fact that these essential supplies are not always available was mentioned as the most frequent difficulty experienced in keeping businesses going.

The second most common problem is lack of finance, which is hardly surprising since few if any of those interviewed were able to make any savings. A bit of bad luck may then jeopardise the existence of their small enterprise, since credit will not normally be available. Only 9 per cent of the respondents stated that they had obtained any financial assistance: the median amount involved is MK 15, and the source has almost always been a relative or a friend.

The small-scale sector thus suffers from severe infrastructural and financial constraints. Supplies are frequently interrupted by transport breakdowns. Electric power - where available - is subject to frequent failure. Institutional credit is not available, and virtually no sub-contracting exists. Demand thus depends entirely on the level of rural income and the income of the urban poor who are the main customers of small-scale enterprises. Very few opportunities exist for the acquisition and transmission of production skills and for technical improvisations. All in all the small-scale sector in Malawi is significantly less advanced than in most other countries in Africa, and, therefore, a national programme for strengthening small-scale manufacturing enterprise is urgently needed.

A critical review of the main constraints and barriers impeding the development of small-scale industries is vividly presented in a recent study conducted by the Rural Enterprises and Agrobusiness Development Institution (READI).1/ The study also deals with policies and programmes necessary to promote the growth of small- and medium-scale enterprises in Malawi. The study concludes that one of the major benefits of raising the annual level of small- and medium-scale investment would be an increase in the number of jobs. The capital cost per job is estimated at MK3,100 in 1987. The number of new jobs likely to be created by the year 1991 is 8,600. This estimate is based on the assumption that the pattern of industrial distribution of investment will be similar to past patterns.

While grain-milling is identified as a capital-intensive industry, the study suggests that increased emphasis be placed on labour-intensive activities, such as wood furniture and carpentry, tailoring, foods and beverages which would create more jobs. The inferences derived from the analyses contained in the study suggest that medium-scale enterprises engaged in grain-milling, food processing and sheet metal fabrication may be switching to new and more expensive technology which entails increasingly large financial credit for capital improvements.

Further development of small-scale enterprises seems to be concentrated on the western part of Kawinga. This trend might change with the extension of rice growing and cattle farming on the marsh lands in the east and south of Kawinga. At the present the average rural craftsman represents a type of successful subsistence farmer.

In a remote area like Kawinga distances to the locations of supply represent the second important constraint for the successful management of a small enterprise. This disadvantage might be compensated to some extent by a less stringent competition from industrial and import products and suitable

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1/ READI, New Directions for Promoting Small- and Medium-scale Enterprise Development in Malawi: Constraints and Prospects for Growth, December 1986.

ways of material procurement. Assuming rising demand, in rural areas one constraint for the creation of additional employment is the lack of initial capital investment and of working capital. Since an average initial capital of approximately MK100 seems to be sufficient in many cases, not only to open up a new enterprise, but also to create one additional place of employment over a medium period, financial assistance should also be considered in rural areas. The higher proportion of administrative expenditures compared to urban areas, resulting from lower amounts of distributed sums, might be justified by a higher employment rate. Internal constrainst which arise from the lack of working capital and which in some cases might force the craftsman to close down his business will also be prevented with relatively low expenditures.

Technical assistance for the improvement of management and production skills should be designed to suit the craftman's abilities and to recognize managerial disadvantages and possibilities of production improvement. More competition might force inefficient business out of the market, thereby worsening, however, overall employment situation.

Suitable policy instruments will have to be tailored in order to raise the basis for additional employment and for a better supply of goods for the rural population, which is specially designed for crafts and small-scale enterprises in rural areas.

The informal enterprises could be promoted directly through institutional instruments. Most of these policies will require high additional institutional support for the procurement of intermediate products through wholesale organizations, which would decrease procurement costs significantly. It is questionable, however, if technical and financial assistance might ever reach the average rural craftsman. In some cases, the local craftsman is hindered by the lack of working capital, while customers are asking for his products or services, a financial scheme is very desirable. Since the craftsman will have to pay for both organizational costs and interests, however, future demand should be closely investigated in order to prevent the craftsman from indebting beyond his abilities.

Most important are a general increase in demand, improved trading linkages and a diversification of products, both quantitatively and qualitatively, and of sources of supply.

All these objectives, however, cannot be achieved by direct promotion but rather by governmental assistance in co-operation with rural craftsmen themselves. Only in this way could the revitalization of small-scale and informal manufacturing activities contribute more to general employment creation in Malawi.

(b) Textiles[1/]

The main textile establishment in the country is David Whitehead's, cotton mill, producing basic cotton fabrics. A significant textile sector has been established involving knitted fabrics production, garment manufacture, towels and towelling, blankets and net making (a subsidiary of

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1/ The information contained in this section is mostly based on a UNIDO study entitled, "The Potential for Resource-based Industrial Development in Least Developed Countries: Malawi", UNIDO/IS.389, 1983.

Whitehead's) (see Annex Table A-14). Over the short period 1971 to 1986, the value of textile sector output more than tripled. In value terms some 69 per cent of textile output in the formal sector (in 1986) was accounted for by cotton fabrics. However it can be seen that while the production of cotton fabrics is entirely based on local materials, that of garments, towelling, blankets and fishing nets has in each case a high import content, amounting to as much as three-quarters or more.

Informal sector tailoring is important in most African countries but perhaps exceptionally so in Malawi (as the 1983 small-scale industry survey shows). While an estimated 7,000 persons were employed in the modern textile sector in 1986, the number in the traditional sector was about 30,000. Tailoring is thus a significant employer in Malawi.

The traditional sector uses imported materials also but is dependent very closely on cotton fabric supplied by Whitehead's. Together the two constitute the most dynamic element in the textile sector: over two-thirds of the 1971-1980 increase in end-use output in the modern textile sector was of cotton fabrics. Apart from the high import content mentioned, excess capacity exists in the knitwear, blanket, towel and net-making industries. The modern garment industry has expanded fairly rapidly, although most of the fabrics are imported. This low degree of integration with David Whitehead's is a major structural weakness. The garment industry has however developed very important forward linkages with the much more important traditional tailoring industry which should be maintained and indeed developed.

Throughout Africa there is a trend towards falling income elasticities for cotton textiles in favour of rising elasticities of man-made fibre and blended fabrics, which have advantages in terms of working and durability. Despite the very low per capita consumption of fibre in Malawi, the proportion of man-made fibre in the total was estimated in 1977 at 15 per cent. This fact has already led Whitehead's to establish polyester production. While this development does not directly represent 'resource-based industrial development' it may permit local manufacturing industry to retain its control over the domestic textile market as it expands, absorbing whatever increased production of cotton becomes available.

The output of knitwear actually declined over the period 1971-1977. The main difficulty is that the industry is not supported by broad local demand but caters for the rather narrow market provided by the higher income groups. The problem would appear, however, to be one of effective demand due to lack of purchasing power, rather than need: despite seasonally low temperatures, particularly in the highlands, the total estimated per capita consumption of cotton and man-made fibres is low even for Africa at about 1.3 kg per annum, and knitwear is scarce compared to other African countries, which have seasonal temperatures, such as Kenya.

Fibre demand is expected to have increased during the 1977-1985 period by about 60-80 per cent, by 50-75 per cent for home-made fabrics and by 39 per cent for knitwear. These figures appear optimistic, involving as they do an increase in fibre consumption per capita of 30-50 per cent by weight and in per capita expenditure on clothing other than knitwear of 75-90 per cent, in value terms. The expansion of the textile industry is constrained by the lack of purchasing power in the rural areas. Nevertheless the prospects appear reasonably good for continued expansion in this important sector, based on the domestic market. Though there is already a certain volume of exports, prospects here are less good, with protection of the garment industry in Zambia and Zimbabwe aiming at self-sufficiency. Textiles and apparel are important branches for Malawi to develop, given their labour-intensive nature and Malawi's need in the area of exports to base activities on cheap, potentially skilled labour. The disadvantages are the high import content and the transport disadvantage from which Malawi suffers. The future development of the industry is likely to be oriented towards satisfying the home market.

(c) <u>Wood products</u>1/

Forest resources in Malawi have been significantly depleted by scavenging and fuel use. Consumption for firewood and building poles stands at about 8 million m^3 per year and considerably exceeds the annual sustainable yields of the natural forest. The government has since the 1950s followed a policy of reforestation and established plantations for sawnwood, plywood, pulpwood and fuelwood. The government is seeking to tackle the fuelwood crisis both by increasing supply and by regulating demand.

The most important industrial activity utilizing forest resources in Malawi is sawmilling. (Traditional use of untreated poles for housing is not considered part of the industrial sector.) Eight sawmills are now in operation, five of which account for 90 per cent of the total production of about 38,000 m^3. Four of them (Mazamba, Dedza, Zomba and Blantyre) are in the public sector and the fifth (the largest of the five) belongs to Timber Products (Malawi) Ltd. (TPL), a subsidiary of the UK Imperial Group Ltd., which also operates a plant in Blantyre making plywood and flush doors. The output of sawnwood production in Malawi is shown in Table 16.

The Blantyre and Zomba sawmills have an unsuitable location. The Mazamba sawmill was designed mainly to process thinnings for future construction work in the area and has inadequate facilities for handling and processing lumber of the size and quality for which there is a market deficit. The Dedza sawmill, though relatively new, is handicapped by insufficient drying capacity and by the small size of the logs and thinnings fed to it. The TPL mill operates efficiently, but it has difficulties in obtaining log supplies due to the depletion of indigenous forests and the limited yield of the company's own eucalyptus plantations in the Blantyre area. The conversion factors (i.e. the volume of sawnwood obtained from a given volume of logs) for the mills depend to a large degree on the average size of logs used. The average conversion factor for the public sector mills has been 46 per cent in the last three years but the averages for Dedza and Mazamba are less than 40 per cent. The optimum would be 50-55 per cent, indicating that these mills are not utilizing the timber resources efficiently.

Significant overall increases in production by existing mills are possible through some plant modifications and improved management and operating procedures as well as by the timely supply of suitable logs to the mills. The Mazamba mill has a theoretical capacity of 15,000 m^3 per year, but it is not expected to produce more than 5,000 m^3 per year [illegible] the near future because of design and log supply deficiencies. With [illegible]stantial improvements in design, log supply and technical management, this [illegible]

1/ This section is based on a UNIDO survey of the wood industry in Malawi.

Table 16. Sawnwood production in Malawi, 1969-1983
('000 m^3)

Region	1969	1974	1979	1980	1981	198_	1983
Northern							
Mzuzu	1.0	0.9	...	...	...	0.1	2.4
Central							
Dedza	2.6	5.0	5.6	8.4	5.8	6.1	4.3
Southern							
Zomba	3.6	6.7	8.3	8.5	6.5	8.4	7.4
Blantyre	1.9	5.3	7.6	7.2	6.9	4.8	4.2
TPL	9.6	14.9	16.6	17.4	15.5	15.9	16.5
Southern sub-total	15.1	26.9	32.5	33.1	28.9	29.1	28.2
Other a/	3.6	4.6	5.1	5.1	3.5	3.0	3.5
Total	22.3	37.4	43.2	46.6	38.2	38.3	38.3

Source: World Bank, Staff Appraisal Report, Malawi: Wood Industries Restructuring Project, Report No.5063-MAI, 12 December 1984, p.7.

a/ Estimates for portable circular saws and pit sawing.

expected to reach an output of at least 10,000 m^3 by the mid-1990s, further increases being dependent on market conditions. The Dedza mill's capacity could be increased to 20,000 m^3 per year; after substantial upgrading and a better log supply, its output is expected to reach 16,000 m^3 after 1990. The Zomba mill is obsolete and is expected to stop operating in the mid-1990s. The Blantyre mill is also obsolete and should stop operating before 1990 although the associated furniture, pallet and pole making activities will continue and expand. For the TPL mill, purchase of logs from the Forestry Department will allow the mill to maintain output (possibly increasing it to 20,000 m^3 annually by 1990), but the product mix will gradually shift from hardwoods to a higher share of softwood. Output from TPL's plywood and blockboard mill is estimated to be maintained at about 5,000 m^3 annually. The increased output of the existing mills, combined with projected output from the Chikangawa project, should give the country a relatively balanced supply/demand situation for mechanical wood products through 1990.

Most sawmills are integrated to some degree with further conversion operations. The Dedza sawmill makes some furniture and also moulding, woodwool/cement boards and sawdust pellets. The FID Blantyre mill has a separate unit to manufacture furniture, and it also produces pallets, boxes, crates, etc. These conversion activities are not, however, strongly promoted. TPL, on the other hand, not only makes tea chests, tobacco cases and other boxes, but also produces 2,000 flush doors annually using its own plywood and sawnwood. In addition, there are ten firms specialized in joinery and furniture production (of which three employ more than 50 people) and many artisans or cottage operations, whose output is under-reported.

Given the relative scarcity of other natural resources, forestry and associated industries are important to the government's economic development plans. The large-scale utilization of Viphya's extensive plantations for pulp (mainly for export) has been studied extensively but it has not been demonstrated to be economically feasible. Other projects for the exploitation of the Viphya resources and the expanded utilization of other plantations have been proposed.

To encourage the private sector to participate in the development of forest industries, the government has agreed to decontrol wood product prices and to set reasonable stumpage (un-cut marketable timber) fees to promote economically viable projects. To improve the efficiency of forest industries already established in the country it has also converted FID (at present a Ministry division) into the Wood Industries Corporation (WICO) fully subject to commercial law. Some or all of the WICO mills could eventually become joint ventures with private investors. Also the Chikangawa project as well as a proposed small paper project will be developed in co-operation with private technical/equity partners. In 1985 the Malawian Government obtained a loan from the World Bank worth $6.4 million (at variable interest rate) to facilitate the restructuring of the wood industry and the privatization of WICO.

3. POLICIES AND INSTITUTIONS FOR INDUSTRIAL DEVELOPMENT

3.1 Objectives, strategies and policy instruments

Since independence Malawi has been committed to a liberal market-oriented economic strategy in which primary emphasis has been placed on the rapid development of (both estate and smallholder) agriculture. Industry is expected to play a broadly supportive role. The major government statement on industrial strategy appeared in the policy document "Statement of Development Policies 1971-78".1/ Despite several revisions in later years it continues to provide the basic policy framework for industrial development in Malawi.

The basic objectives of industrial development policy are to complement the government programme in the natural resources sector by expanding the range of economic activities, providing additional income and employment opportunities and relieving pressure on the balance of payments caused by the need to increase imports of capital goods as the rate of development accelerates. This expansion is being brought about by creating additional value added in exports of primary products and by replacing imports with domestic manufactures. It will be immediately apparent that this is not an "industrialise at all costs" policy: on the contrary, the cornerstone of success for this policy is the ability of domestic industry to produce at internationally competitive prices.

The government recognized that in a newly-developing country some additional assistance is required by manufacturing industry to enable it to make a start and realize its potential economic benefits. For this reason a limited amount of protection has been granted through the customs tariff, though in many cases this has amounted to no more than a continuation of existing "revenue" rates of duty. At the same time, the grant of tariff protection is usually made conditional on a formal undertaking by the protected firm not to raise prices without prior consultation with the government.

In addition to protection, manufacturing industry is also assisted through the grace of industrial rebates, the general structure of the customs tariff and the system of initial and investment allowances. As a general rule, customs duties on capital goods and intermediate products are kept at zero or nominal rates, but in some cases duties are imposed for revenue reasons on multi-purpose items which are rebated when goods are imported by genuine manufacturers in accordance with laid down procedures. Duties paid on component parts of manufactured exports automatically qualify for duty drawbacks as long as proper arrangements have been made with the Controller of Customs and Excise.

Generous incentives are provided for attracting foreign investment into Malawian industry. Tax holidays are not the norm, but the government provides extensive infrastructural facilities. Investment and accelerated depreciation allowances generally ensure that 50 per cent of a company's profits during the first five years of its existence are exempt from taxation. Full repatriation

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1/ Published in 1971.

of interest and dividends on foreign capital is permitted. Some restrictions have been placed on the raising of local currency loans by foreign investors. Joint ventures are strongly encouraged and government participation in industry has grown throughout the 1970s. State-holding companies - such as ADMARC, MDC and the public/private Press Group - have acquired shares in a wide range of industrial enterprises.

The Development Programme covering the period 1981/82 to 1985/86 stressed the need to foster the growth of domestic private sector enterprises. The industrial licensing system was streamlined to encourage the regional dispersion of industry, prevent the emergence of industrial over-capacity and the establishment of units with low local value added content and high import requirements. The programme provided for an extension of the investment incentive system. Import duty rebates were increased. Special depreciation allowances and special write-offs for expenditures incurred by a manufacturing enterprise during and before start-up were instituted. After start-up initial allowance of 10 per cent on industrial buildings and 20 per cent on plant and equipment could be claimed. In addition to the initial allowance, there is an investment allowance of 10 per cent for new plant and equipment, other than motor vehicles, which is applicable in the tax year in which the expenditures are made. Tax incentives are also provided to encourage the diversification and expansion of exports particularly in the agro-industrial sector. Details of the licensing system and of incentives currently offered (mid-1986) are summarized in Annex B.

The Development Programme (1981/82-1985/86) has been modified within the context of the government's Structural Adjustment Programme adopted in consultation with the IMF and the World Bank for the period 1982-86. The adoption of this programme was necessitated by the growing economic difficulties of the 1970s and early 1980s.

The Structural Adjustment Programme consisted of two phases. The first phase covered the fiscal years 1982 and 1983. The programme addressed seven main issues: the heavy concentration of exports in a few estate-produced agricultural commodities; the slow growth of smallholder production for export; the modern sector's dependence on costly imported oil, and the progressive depletion of domestic fuelwood resources; the deteriorating financial position of public enterprises; the central government's budget deficit; and the rigidities in the system of administered prices and wages. This programme was supported by a series of IMF stand-by agreements and a World Bank Structural Adjustment Loan of $45 million. Specific policy measures covered four different areas: (a) the balance of payments, (b) price incentives and income policies, (c) resource management, and (d) the institutional structure:

(a) Balance of Payments. Increased prices for agricultural export crops with periodic reviews; increased recurrent budgetary allocation to the Ministry of Agriculture; review of the efficiency of the agricultural marketing organization; studies of the livestock and tobacco sectors, including diversification of tobacco estates; a study of the energy sector and continued adjustments in energy prices; and increased agro-industrial investment.

(b) Price Incentives and Incomes. Government review of the price and wage control system with a view to introducing more flexibility and more frequent adjustments; increased public utility and transport tariffs with closer monitoring and adjustment in the future; studies of the railway and the airline; a detailed plan for implementing economic rental of housing; and periodic review of the exchange rate.

(c) Resource Management. Establishment of the Department of Statutory Bodies to assist public enterprises in planning and financial management; periodic review of interest rates; steps to increase government revenue to its historic levels in relation to GDP; strengthened control, monitoring and management of public debt; limiting government domestic and foreign borrowing to ceilings agreed with the IMF; a new five-year development programme with increased shares for directly productive sectors and social services; a commitment to adequate levels of recurrent financing for key development ministries.

(d) Institutional Improvement. Establishment of an Investment Coordinating Committee to oversee all major investments; technical assistance to strengthen key planning and budgeting ministries; and rehabilitation of the key public and private sector conglomerates (notably Press Holdings, Ltd.) through studies, improved management and financial restructuring.

The second phase commenced in 1983 with some modifications and shifts in emphasis in the programme. The government's structural adjustment programme, which was supported by a second SAL of $55 million on IDA terms in December 1983 and an Extended Fund Facility from the IMF involved:

(a) further increasing incentives for export crop production;
(b) continued improvements in institutions dealing with external debt and investment screening;
(c) further strengthening of statutory bodies managerially and financially;
(d) implementation of Press Group's reorganization and debt restructuring;
(e) further upgrading of the government's capacity to budget, plan, implement and monitor its programmes; and
(f) increased revenue measures and cost effectiveness steps which are needed to bring the budget in line.

To improve resource mobilization and management, the government decided to: increase revenue as a proportion of GDP, emphasizing non-tax sources; raise the efficiency of capital use through improved project selection and implementation and adequate provision for recurrent expenses; and expand parastatals' profits through improved policies (including pricing) as well as better management. The work began earlier to strengthen the government's expenditure control, foreign debt management, and planning and budgeting capabilities continued, as did monitoring of recurrent allocations to key developmental agencies.

As far as the manufacturing sector is concerned the most important consequences of the Structural Adjustment Programmes are the implications for changes in the incentive system (particularly price controls and structures) and the organizational reforms in the major parastatals in industry. The growth of manufacturing output, and its progressively increased contribution to the overall economic development of Malawi, has been identified by the government as one of the highest priorities for technical co-operation, and as an effective way towards achieving the objective of diversifying the economy, and reducing dependence on imported goods and technologies. Section 3.2 describes the institutional infrastructure and Section 3.3 assesses the impact of the Structural Adjustment Programme on the organization of the manufacturing sector in Malawi.

3.2 Institutional infrastructure

Several government bodies influence the decision-making and implementation of industrial policy in Malawi. Government bodies directly involved are the Export Promotion Council (responsible for product development activities and the administration of export incentive schemes) and the Ministry of Trade, Industry and Tourism (MTIT) (responsible for the overall supervision and co-ordination of industrial activities). The Ministry of Finance, the Ministry of Agriculture, the Ministry of Forestry and the Economic Planning Division also play an important policy role. Three parastatals - ADMARC, MDC and the Press Group Ltd.1/ - dominate the manufacturing sector. In the early 1980s "these three conglomerates contributed more than 70 per cent of the manufacturing sector's value added and more than 40 per cent of GDP. Another important public body is the Industrial Development Bank (INDEBANK), which is owned by ADMARC, the Commonwealth Development Corporation of UK (CDC), the Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit of West Germany (DEG) and the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V. of the Netherlands (FMO) and 11 per cent by IFC.

The following is a brief description of the four institutions and their activities:

(i) Malawi Development Corporation

MDC (established in 1964) is wholly government-owned, its shares being held by the Ministry of Finance. It operates mainly through equity investments, makes loans only to companies in which it owns shares and manages its subsidiaries (with the exception of the Import and Export Company). In a number of projects, it works closely with Press and ADMARC. It operates in industry (about 60 per cent of its equity investments at cost), building and construction, wholesale and retail trade, hotels and catering, finance and real estate, and fisheries, but has made no loans or investments in the agricultural sector. MDC participates exclusively in medium- and large-scale enterprises.

Following severe financial difficulties MDC underwent significant portfolio reorganization during 1984 and 1985. This has involved:

a) rationalization of MDC's portfolio and selected sale of investments in order to generate cash income for new investments and the servicing of loans to MDC;

1/ The Press Group Ltd. is legally not a parastatal but a private company, the shares of which are held by the President in trust for the Malawian people.

b) improvement of management performance and financial results of certain portfolio companies by entering into joint ventures with technical partners or recruitment of qualified management staff, and through technical assistance from bilateral and multilateral institutions such as UNIDO and CDI.

Furthermore, in July 1985, the Malawi Government agreed to convert MK13,215,000 government advances into equity, thus increasing MDC's authorized and fully subscribed share capital to MK20 million. This loan conversion will considerably improve MDC's balance sheet position.

(ii) Press Holdings

Press Holdings gradually expanded its activities from media operations into other fields. In 1969, a major reorganization was undertaken. Today, Press Holdings is a private company with considerable autonomy and has 17 subsidiaries, 11 of which are wholly owned, and investments in 300 associate companies. Until 1985 it had investments in agriculture (flue-cured and burley tobacco, ranching), industry (about 60 per cent of its equity investment at cost), wholesale and retail trade (including petroleum products), building and construction, transportation, banking and insurance underwriting. Similar to MDC, its activities in industry are limited to medium- and large-scale firms, with no involvement in small-scale enterprises. Also like MDC, Press Holdings makes equity investments and prefers to develop, implement and operate its own projects. While MDC and Press Holdings compete actively for new investments, there is a gentleman's agreement that whichever first identifies a project will take the lead in development. Press Holdings has received little financial assistance from the government; it has from time to time obtained government guarantees and also received external loans intermediated through the government's statutory corporations.

(iii) Agricultural Development and Marketing Corporation (ADMARC)

Set up in 1969, to take over the Farmers Marketing Board, ADMARC is a statutory corporation under the responsibility of the Ministry of Agriculture and Natural Resources. In addition to its trading functions (buying the produce of and supplying inputs to small holders, marketing smallholder exports, etc.), ADMARC is empowered to establish agro-industrial and allied enterprises to develop the country's agricultural potential. ADMARC's industrial ventures are limited to medium- and large-scale enterprises, including such agro-industrial investments as edible oils, cotton ginning, grain milling and canning and other investments such as shoe manufacturing and cement production. It also has shares in the two commercial banks and in INDEBANK. ADMARC generates most of its own funds through small amounts from the government or Reserve Bank.

(iv) INDEBANK

Established in 1972 as a traditional development finance company, INDEBANK has been active in all sectors of the economy, mainly through lending in well-established medium- and large-scale firms. INDEBANK has stringent requirements regarding the financial viability of investments it undertakes and, compared with the other three institutions it is relatively less subject to government control. Like a traditional Development Finance Corporation (DFC), it does not get involved in the management of the enterprises it invests in. Its equity investments remain somewhat limited. It does not usually take equity positions in public enterprises or in enterprises in which MDC has a majority; it does, however, lend to other government controlled enterprises. The share of industrial projects, particularly agro-industrial projec - it is involved in has been growing.

A :her company with substantial interests in the manufacturing sector is the Import and Export Company of Malawi (IMEXCO). It was established in 1971 as a wholly-owned subsidiary of MDC, but in the course of a capital increase in 1975 Press Holdings acquired an interest of 49 per cent. The company enjoys, however, a very substantial degree of autonomy in managing its operations and in negotiating - both locally and internationally - its financing. Indeed, in terms of annual turnover IMEXCO is considerably larger than its parent MDC and about as large as Press Holdings. It is mainly a trading company, but its objectives significantly include:

(a) giving preference to overseas suppliers who are prepared to consider local manufacture in Malawi once a viable internal market has been established;

(b) supporting and encouraging maximum development of Malawian industry and of export markets for Malawian products; and

(c) actively encouraging maximum development of Malawian business people through training and advice.

The company functions through five separate operating divisions: three of these are in industry producing pharmaceuticals, assembling automobiles and providing electrical contracting and maintenance services.

Despite its name, IMEXCO is not involved in exporting and is thus almost exclusively a local and imported goods trading company with the added mandate of displacing imported goods by local manufacture as soon as possible. It has two import monopolies (second-hand clothing and light-gauge iron roofing sheets) and the monopoly for three locally manufactured goods (sugar, matches and agricultural hoes). In addition to the above activities IMEXCO has leased from MDC an industrial estate at Liwonde where brushes and brooms and plastic sandals are being produced, while part of the estate has been rented back to MDC for a can-making operation. IMEXCO is providing the manufacturing units (except the can maker) with finance and assistance in buying raw materials and marketing the finished products through its CHIPIKU chain.

The dominant position of the large parastatals has been further strengthened by the price control systems operated by the government. A key feature of the Structural Adjustment Programme has been the gradual dismantling of these controls. This has entailed institutional reorganization within the parastatal sector.

The only government body directly involved with the small-scale sector is the Small Enterprise Development Organizations of Malawi (SEDOM). Created with assistance from UNIDO - executed project "Small-Scale Industry Development" and operated under EEC assistance, SEDOM is now fully operational with regional offices in all three regions of the country. From its revolving loan fund of MK2,000,000, SEDOM gave loans to some 1,500 small entrepreneurs during 1984-1986. Presently the "clientele" of SEDOM totals some 1,000 entrepreneurs and the average loan is between MK2,000 and MK3,000. SEDOM is presently under great pressure to provide training assistance in the areas of procurement, marketing, management and maintenance. Discussions have been initiated to launch a 2 to 4 year UNIDO executed training project. In the beginning of 1985, SEDOM opened a well equipped Industrial Estate in Blantyre. However, as there seems to be less demand than expected for such facilities, the occupancy rate at present remains at 50 per cent, even though SEDOM lowered the monthly rent from MK4 to MK2 per square meter.

3.3 Recent changes in industrial policy

During the period 1983-1986 the economy responded positively to the measures taken within the context of the Structural Adjustment Programme. The manufacturing sector grew at the real rate of over 8 per cent during 1983 but growth has slackened significantly during 1984-1986. The government has persisted with its policy of liberalization. Allowances to foreign investors have increased. Special depreciation allowances of up to 10 per cent of expenditure on industrial buildings are now offered. Accelerated depreciation provisions have also been liberalized. First year depreciation deductions total 25 per cent in the case of buildings and over 50 per cent in the case of many machinery imports. Liberal tariff discounts are offered to imports from the EEC (under the Lome III arrangements) and SADCC areas. The import licensing system is operated very flexibly by Ministry of Trade, Industry and Tourism (MTIT) and very few licence applications are refused.

During the 1980s, a series of price reforms have been undertaken. The number of items on the price control list has been reduced from 56 in December 1983 to 8 in December 1985. Further price liberalization is envisaged in order to increase cost effectiveness and to enhance the ability of the market mechanism to signal shortages and surplusses within the economy. Price reforms are also associated with a greater flexibility in the management of the Kwacha. Malawi effectively operates a crawling peg exchange rate system. The Kwacha is tied to a basket of hard currencies. Exchange rate adjustments are frequent. During 1985 the exchange rate fell by 15 per cent providing increasing incentive for export expansion. The government is committed to developing a system of exchange rate management which effectively eliminates the need for an import licensing and foreign exchange allocation system. During the early 1980s foreign exchange shortages compelled the Reserve Bank to reduce imports through delays in foreign exchange allocation. This reduced the growth of industrial production and since most allocations were pre-empted by the large established firms it also inhibited the growth of new industrial enterprises. Increasing the flexibility of foreign exchange rate management has been a precondition for the grant of the third Structural Adjustment Loan (worth $114 million) from the World Bank to Malawi. Under the terms of this loan the Government of Malawi is also committed to providing incentives for the expansion of non-traditional (including manufactured) exports. Improvements in the duty drawback system have been incorporated in order to achieve this end. The ad hoc manner in which rebate claims have so far been handled is to be replaced by more systematic procedures. Institutional strengthening with external financial assistance will form the main core of the overall export promotion package.

The major features of the policies for insitutional strengthening are as follows:

1. The Malawi Development Corporation had a difficult period in the early 1980s. Its portfolio has been substantially restructured during 1985. The number of subsidiaries and associated companies has been reduced from 32 to 21. New management structures have been created and non-economic units have been merged or eliminated. The company is now better positioned to promote investment in new projects. It m 's a small profit during the financial year 1985, after two years of suc essive losses in 1983 and 1984.

2. ADMARC: Malawi's Structural Adjustment Programme included a major review of the structure and performance of ADMARC. During 1984 and 1985 the government adopted a series of measures to regulate prices paid by ADMARC particularly to maize. Attempts were made to reduce marketing costs by reducing the number of outlets which in 1985 equalled 1,090. ADMARC's portfolio was also restructured with a view to reducing investments in manufacturing and restructuring ownership to firms that were directly involved in the marketing or processing of agricultural produce. The marketing and distribution system was to be improved and emphasis was laid on strengthening financial management. During the financial year 1985/86 ADMARC sustained a financial loss because of its commitment to purchase the bumper maize crop at high prices. Moreover maize could not be exported because of improved production conditions in neighbouring countries. In the 1986/87 budget ADMARC's statutory obligation to purchase and store all maize produced has been waived and it is expected that a World Bank loan will be made available for further organizational strengthening.

3. The Press Group Ltd. (PGL) had been facing increased financial difficulties since the late 1970s. The Structural Adjustment Programme provides for substantial organizational restructuring. The international debts of the company have been rescheduled, a new management team has been appointed, and mergers and acquisitions have been instituted to rationalize the portfolio. Some associated companies have been divested. PGL is expected to have made a net profit during 1985. However, detailed financial accounts are still not published for this company.

The government recognizes that the expansion of the manufacturing sector can play an important role in sustaining national economic recovery. According to projections for the 1985-1989 period manufacturing must grow at an annual average rate of 4 per cent in order for GDP to register a 3.7 per cent annual growth rate. As noted above the performance of the manufacturing sector during 1984-1986 has been disappointing largely due to increased transport difficulties and the slow growth of agriculture. The government seeks to stimulate manufacturing growth by obtaining $23 million from donors for investment within this sector during the period 1985/86 - 1987/88. This represents 64 per cent of the public sector investment programme presented to aid donors at a consultative group meeting in January 1986.1/ External

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1/ The Economist Intelligence Unit, Country Report Malawi, No. 2, 1986, p.29.

funding is expected to amount to 90 per cent of this total. There is some evidence that donors have responded positively to these proposals during 1986. Donors and private foreign investors are particularly interested in the agro-industries. In 1986 a loan worth $6.4 million was obtained from the World Bank for the revitalization of the wood industry. In 1980 the European Investment Bank provided a $3.8 million conditional loan for establishing an integrated saw and pannel mill at Chikangua in Northern Malawi. The mill will be jointly owned by Vipcor (Malawi), Indebank, the International Finance Company and the Luxembourg based company (ITM international) which owns Share Trading, Malawi's main timber merchant. Loan finance for importing a twin key plant is provided by the West German firm K & W. The plant will have an annual capacity of 13,000 m^3 of sawn wood and 15,000 m^3 of plywood. It will be entirely domestic demand oriented.

The growth of manufactured output in Malawi is crucially constrained by the small domestic market. Regional economic co-operation can play a key role in expanding this market and in easing the transportation constraint which has so crucially impeded the recovery of the manufacturing sector during the 1980s. Prospects for regional industrial co-operation are briefly examined below.

3.4 Regional industrial co-operation

Planning for industrial co-operation has been most advanced within the SADCC context. In 1984 the following Malawian products were identified as having export potential within the SADCC region:

(i) tobacco to Botswana and Mozambique;
(ii) tea to Angola and Botswana;
(iii) sugar to Angola, Botswana, Lesotho and Tanzania;
(iv) groundnuts to Botswana and Swaziland;
(v) cotton to Zimbabwe;
(vi) beans and peas to Angola;
(vii) structural fabrication to Angola, Botswana and Zimbabwe;
(viii) processed food to Swaziland, Zambia and Zimbabwe;
(ix) textiles to Angola and Botswana;
(x) leather goods to Angola and Botswana;
(xi) paper products to Angola, Botswana, Tanzania and Zambia;
(xii) industrial machinery to Swaziland.

The possibilities of trade in the above industrial products can be enhanced only after proper trade agreements either on bilateral or multilateral bases have been established within SADCC. At the moment, a large portion of Malawi's external trade is with countries outside the SADCC region. The principal destinations of domestic exports are Britain, USA, Federal Republic of Germany, the Netherlands, Zimbabwe, South Africa, Zambia and Ireland. Exports to South Africa have grown ten-fold over the period 1964-1984. But exports to Zimbabwe and Zambia have also grown rapidly in recent years. A large part of the exports to the European countries are primary commodities, at times semi-processed. Capital goods, intermediate inputs and manufactured consumer goods are obtained mainly from the United Kingdom, Zimbabwe, South Africa, Japan, USA, Federal Republic of Germany, Zambia and Australia.

SADCC is implementing a medium-term plan for developing industries to satisfy basic consumer needs of the region. Malawi stands to gain from this strategy since it is a major producer of agro-based (basic needs) manufactures within the region. Moreover export expansion can be attained by increasing capacity utilization rates and by relatively inexpensive rehabilitation of existing industrial units.1/ Malawi also stands to gain from expanding industrial input imports from the SADCC as this may be an effective way of circumventing the growing transport difficulties.

In order to expand industrial co-operation within the SADCC region long-term trade and investment agreements have to be worked out. Malawi has trade agreements with Zambia, and Zimbabwe and SADCC has identified a series of priority investment projects within the Malawian manufacturing sector for which it is seeking external finance (see Annex C). These projects include within the edible oil, processed fruits, sugar, fabrics, garment, cements, bricks, plastic products, wares and cables, railway equipment, paper products, pesticides, fertilizers and farm implements producing branches. Investment costs estimated are relatively low, and they often involve an upgrading of existing plant and equipment. Relatively little foreign capital has been attracted so far. SADCC is, however, distinguished by its close co-operation with donors. A principal impetus behind its formation was and remains to co-ordinate relations with donors and to mobilize and co-ordinate the implementation of development assistance.2/ Prospects for attracting foreign capital to SADCC sponsored industrial projects are therefore relatively bright.

3.5 Future prospects and the role of technical co-operation

The government expects the manufacturing sector to grow at an annual rate of 4 per cent for the rest of the present decade.3/ Particular emphasis has been laid on the expansion of the agro-processing and other natural resource-based branches. A series of policy and institutional reforms has been undertaken to enhance productivity and efficiency within the manufacturing sector. This has significantly augmented the availability of multilateral financial resources provided by the IMF and the World Bank. However, private inflows in the form of direct foreign investment and loan capital remains limited. The manufacturing sector's capacity to internally generate investible surplus has also remained constrained by slow growth during 1984-1986 and by the need to finance large inventory holdings necessitated by the increasing transport difficulties. The gradual decontrol of the price system also threatens to increase monetary pressure within the economy and to escalate industrial costs.

1/ I.B. Kisanga, SADCC Industrial Co-operation: Notes on Malawi 1984, (mimeo). It is difficult to estimate the cost of such rehabilitation because information on the extent of capacity under-utilization in Malawi is not available. Kisanga estimates capacity utilization in Malawian manufacturing at 35 per cent in 1983, p.20.

2/ UNIDO, Industrial Co-operation through SADCC, IS.570, 1985, p.354.

3/ Budget statement, 1986/87.

Easing the transportation situation requires a rapid growth of regional co-operation. Multilateral technical assistance needs to be provided to strengthen the institutional and contractual links established within the SADCC and PTA framework to enhance manufactured trade and industrial investment co-operation between Malawi and her neighbours. The emergence of a viable regional industrial division of labour can permit Malawi to overcome the limitations on manufactured growth imposed by the relatively small size of the domestic market. The present phase of the Structural Adjustment Programme puts emphasis upon the need to diversify the export structure and rapidly expand non-traditional exports. As noted earlier, the developed countries import only a small proportion of Malawi's manufactures - which are explicitly excluded from the STABEX agreement negotiated as part of Lome III in 1985. Extended regional co-operation is therefore vital for accelerating the growth of Malawi's manufactured exports.

Another area in which multilateral technical assistance can be considerable is that of the development of small-scale manufacturing enterprises. The Malawian manufacturing sector is highly monopolized. This inhibits the growth of economic efficiency and fosters a maldistribution of resources throughout the economy. The very weak performance of small-scale enterprise is at least partly due to the very high level of industrial concentration within the manufacturing sector. As noted above, the small-scale sector in Malawi is relatively less developed than is the case in neighbouring countries. The government has been anxious to encourage the development of the small enterprise sector and has taken a series of measures to accelerate its development. These measures should be supported by multilateral technical assistance. Attempts could be made to provide assistance for increasing linkages between small- and large-scale manufacturing enterprise. There is scope for significantly expanding the level of domestic subcontracting. The access of small-scale enterprise to institutional credit could be increased, and these enterprises could be encouraged to use some of these funds for technological upgrading. Existing institutional mechanisms for supporting small-scale enterprises can be strengthened in a variety of ways. The provision of such assistance can play a crucial role in sustaining the development of a domestic private industrial sector. This is a key element in the current economic strategy.

One of the key problems related to the development of viable policies to stimulate the growth of small-scale enterprises is the lack of statistical information about the structure and performance of this sector. Multilateral technical assistance should be provided for conducting a comprehensive census of small-scale industry at the earliest possible date. This should be followed by assistance for establishing an institutional mechanism for the regular gathering, processing and dissemination of data about small-scale manufacturing enterprises in order to provide a statistical basis for assessing the impact of sector specific policies and for modifying these policies when necessary.

A three-year "Core Programme"[1/] covering the period 1983/84-1985/86, submitted by the Government of Malawi to bilateral and multilateral aid partners in 1983 showed the external assistance implications of Malawi's endeavour to achieve rapid economic growth. Annex Table A-17 reports the

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1/ Anthony Jennings, for details pertaining to the "Core Programme", see "Measures to Assist the Least Developed Countries: The Case of malawi", World Development, Vol. 14, No.12, 1986, pp. 1463-1468.

sectoral breakdown of financial requirements of the "Core Programme". The Table shows that foreign components of total financial requirements accounted for 83.7 per cent. The programme gave top-most priority to agriculture and to strengthening of key institutions, while finance, commerce and industry received a meagre share of 1.8 per cent in the combined foreign and domestic components of the total outlay planned for the Programme. This suggests that assistance to the manufacturing sector was meagre to the extent of being negligible. However, the government intends to seize all possible opportunities to get both financial and technical assistance from external sources for fostering the process of industrialization.

Technical assistance can also play a role in improving economic efficiency within the formal sector. A great deal has already been achieved within the context of the institutional reorganization implemented during 1984 and 1985. Further improvements in management structures and increasing inter-industry linkages would be welcome. There is also a need for accelerating the dissemination of information about the performance of this sector. The current five-year gap in the provision of time series data at the branch level should be reduced, and provision made for the publication of detailed financial accounts by all enterprises within Malawian manufacturing.

UNIDO has been actively involved in the provision of technical assistance to Malawian manufacturing. In 1981 a UNIDO mission assisted in the formulation of a programme of industrial development for 1982-1986. This emphasised the need to concentrate on import substituting agro-industries and on the small-scale sector. In recent years, technical assistance has provided for the functioning of an industrial advisory service, training in investment promotion and for the strengthening of the Malawi Bureau of Standards. Further expansion of UNIDO assistance to the agricultural equipment industry and in the areas of project planning and quality control is also envisaged. The technical assistance programme currently being prepared within the framework of a UNDP/UNIDO/UNCTAD industry and trade sector study is aimed at harnessing Malawi's industrial base with the revitalization of small- and medium-scale industries and strengthening domestic and regional trade ties. A closely related industrial mission sponsored by the World Bank attempts to assist the government of Malawi in formulating a realistic industrialization strategy for sustained growth.

ANNEX A

STATISTICAL TABLES

Table A-1. Real growth of GDP by sector of origin, 1973-1987
(at constant 1978 prices)

	1973-79[a]	1979-82[b]	1982-85[b]	1986	1987[c]
Agriculture	5.3	-1.3	4.2	0.2	0.9
Smallscale	4.5	-3.1	3.5	0.4	-0.5
Largescale	9.6	6.6	7.4	-0.6	6.4
Manufacturing	6.5	2.0	2.4	0.3	2.3
Construction	6.7	-5.7	3.6	-10.2	2.3
Electricity and water	7.8	4.0	3.5	4.9	4.1
Distribution	6.0	-2.0	3.9	-3.7	3.3
Transport and communications	5.6	1.7	0.6	4.2	2.9
Financial and professional services	14.7	3.5	3.5	-2.2	3.5
Ownership of dwellings	7.5	2.9	3.2	1.1	3.3
Producers of government services	6.0	7.0	6.8	1.7	3.4
Private, social and community services	1.7	3.7	3.9	2.0	3.0
Unallocable finance charges	...	16.4	3.5	-2.3	3.7
GDP at factor cost	5.9	0.1	3.8	-0.3	2.3

Source: Government of Malawi, Economic Report 1987, p.15.

a/ Compound annual rate of change.
b/ Annual average rates of change.
c/ Forecast.

Table A-2. GDP by economic activity, 1982-1987
(MK million at constant 1978 prices)

	1982	1983	1984	1985	1986	1987[a/]
Agriculture	277.6	289.9	306.5	307.4	308.0	311.0
Smallscale	215.9	223.8	240.9	241.4	242.4	241.2
Largescale	61.7	66.1	65.6	66.0	65.6	69.8
Manufacturing	91.7	98.2	100.6	101.1	101.4	103.7
Construction	36.1	33.0	29.6	39.3	35.3	36.1
Electricity and water	14.6	15.8	16.1	16.4	17.2	17.9
Distribution	96.2	98.6	104.1	113.9	109.7	113.3
Transport and communications	47.2	46.0	47.0	49.5	51.6	53.1
Financial and professional services	49.0	50.4	51.2	54.9	53.7	55.6
Ownership of dwellings	32.8	33.8	34.6	36.2	36.6	37.8
Producers of government services	87.9	92.2	101.7	108.1	109.9	113.6
Private, social and community services	31.0	33.1	34.3	35.6	36.3	37.4
Unallocable finance charges	-19.7	-20.3	-20,6	-22.1	-21.7	-22.5
GDP at factor cost	744.2	770.7	805.2	840.3	838.0	857.0

Source: Department of Economic Planning and Development; National Statistical Office; Treasury and Reserve Bank of Malawi.

a/ Revised estimate.

Table A-3. Demand components of GDP, 1976-1985
(MK million)

	1976	1977	1978	1979	1980a/	1981a/	1982a/	1983a/	1984a/	1985a/
Private consumption	416.6	[illegible]	[illegible]	[illegible]	[illegible]	710.9	775.6	[illegible]	[illegible]	[illegible]
Government consumption	[illegible]	[illegible]	134.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total domestic consumption	[illegible]	[illegible]	[illegible]	713.9	[illegible]	[illegible]	[illegible]	1,141.3	1,411.1	[illegible]
Fixed investment										
a Private fixed investment	51.8	[illegible]	[illegible]	[illegible]	47.7	54.8	[illegible]	77.5	[illegible]	[illegible]
b Public fixed investment	[illegible]	[illegible]	140	135.5	175.4	113.2	[illegible]	[illegible]	141.4	[illegible]
c Gross fixed investment	136.3	161.6	[illegible]	[illegible]	[illegible]	[illegible]	191.7	[illegible]	[illegible]	[illegible]
Stock building	[illegible]	18	[illegible]	[illegible]	[illegible]	27.5	[illegible]	[illegible]	[illegible]	17.6
Total gross domestic investment	148.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	270	257.1
Exports of goods and non-factor services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
a Total expenditure on goods and services supplied to the economy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,770.1	[illegible]	2,277.1
b Total expenditure on GDP	612	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,372	1,735.1	[illegible]
c Surplus of exports over imports of goods and non-factor services	-37.1	[illegible]	[illegible]	[illegible]	[illegible]	-64.2	[illegible]	[illegible]	46	[illegible]
Ratio (percent) to GDP										
a Total domestic consumption	82.2	78.9	78.5	[illegible]	[illegible]	87.5	84.2	[illegible]	81.3	[illegible]
b Total gross domestic investment	23.9	24.7	[illegible]	31.4	25.5	18.6	22.5	[illegible]	16.1	15.4
c Imports of goods and non-factor services	35.4	34.6	[illegible]	42.4	41.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
d Exports of goods and non-factor services	[illegible]	30	21.1	25.2	[illegible]	27.1	23.7	21.7	27.6	22.2

Source: Economic Planning Division, National Statistical Office, Treasury and Reserve Bank of Malawi.

a/ Preliminary figures.

Table A-4. Balance of payments summary, 1974-1985
(MK million)

	1974	1975	1976	1977	1978	1979	1980c/	1981c/	1982c/	1983c/	1984a/	1985a/
I. CURRENT ACCOUNT												
1 Merchandise Trade b/												
1.1 Exports, f.o.b.	101.3	122.1	151.6	180.3	155.7	181.7	231.0	257.5	256.2	270.6	446.2	364.4
1.2 Imports, f.o.b.	139.0	193.1	166.1	165.2	224.2	253.4	258.4	228.8	209.6	232.8	228.9	251.9
1.3 Trade Balance	-37.7	-71.0	-14.5	15.1	-68.5	-71.7	-27.4	28.7	46.6	37.8	217.3	112.5
2 Net Services and Unrequited Personal Transfers	3.3	-2.2	-49.7	-66.8	-74.0	-134.1	-180.8	-146.2	-177.9	-207.2	-240.0	-285.7
2.1 Non-factor Services (net)	-12.8	-17.8	-37.1	-48.8	-75.0	-98.8	-113.0	-80.9	-125.0	-145.7	-172.3	-192.2
2.2 Factor Services (net)	12.4	10.7	-17.5	-23.0	-4.0	-34.8	-81.1	-74.2	-74.1	-75.4	-81.2	-102.5
2.3 Private Transfers	3.7	4.9	4.9	5.0	5.0	-0.5	13.3	10.9	21.2	14.0	13.5	9.0
3 Current Account Balance (1.3)+(2)	-34.4	-73.2	-64.2	-51.7	-142.5	-205.8	-208.2	-110.5	-131.3	-169.4	-22.7	-173.2
II. CAPITAL ACCOUNT c/												
4 Long-term Capital (net)	56.7	55.0	60.6	85.4	107.5	117.1	183.8	84.7	60.3	57.5	86.5	41.2
4.1 Government Transfers (net)	7.9	7.3	20.1	18.0	32.8	38.1	40.3	41.4	38.3	34.7	34.5	45.6
4.2 Government Drawings on loans (net)	28.6	33.3	24.6	44.9	44.6	52.2	123.6	31.9	43.4	27.5	74.0	16.7
4.3 Public Enterprises (net)	7.6	7.7	6.7	12.5	13.6	14.6	10.1	4.0	-21.4	-24.9	-18.7	-24.1
4.4 Private Sector (net)	12.5	6.7	9.2	10.0	16.5	12.2	9.5	7.4	—	20.2	-3.3	3.0
5 Net Short-term Capital, Errors and Omissions	-7.8	-24.0	-42.3	1.4	15.2	17.5	31.0	-8.1	4.6	-11.6	-6.1	0.0
III. BALANCE BEFORE DEBT RELIEF	13.5	-42.2	-45.9	35.1	-19.8	-71.2	6.6	-33.9	-66.4	-123.5	57.7	-132.0
6 Debt Relief	—	—	—	—	—	—	—	—	19.7	69.5	33.3	10.6
IV. OVERALL BALANCE AFTER DEBT RELIEF	13.5	-42.2	-45.9	35.1	-19.8	-71.2	6.6	-33.9	-46.7	-54.0	91.0	-121.4
V. CHANGE IN NET FOREIGN ASSETS OF BANKING SYSTEM (– increase)	-13.5	42.2	45.9	-35.1	19.8	71.2	-6.6	33.9	46.7	54.0	-91.0	—
7 Monetary Authorities (net)	-13.8	40.8	35.3	-44.4	24.5	43.9	1.2	52.6	45.1	43.3	-97.8	
8 Commercial Banks (net)	0.3	1.4	10.6	9.3	-4.7	27.3	-7.8	-17.7	0.6	10.8	7.3	

Source: National Statistical Office, EPD, Reserve Bank of Malawi and Treasury.

a/ Preliminary figures.
b/ Due to revisions, figures may differ from those published in the N.S.O. Monthly Statistical Bulletin.
c/ Figures for 1980-1984 have been revised and those of 1985 are estimates.

Table A-5. Gross output and value added in manufacturing, 1975 and 1983
(thousand of Kwacha at current prices)

Description (ISIC)	Gross output (thousands) Factor val. 1975	Gross output (thousands) Factor val. 1983	Gross output Share in total (percentage) 1975	Gross output Share in total (percentage) 1983	Value added (thousands) Factor val. 1975	Value added (thousands) Factor val. 1983	Value added Share in total (percentage) 1975	Value added Share in total (percentage) 1983
TOTAL MANUFACTURING(300)	178616	335110	100.0	100.0	39538	117604	100.0	100.0
Food products(311)	46735	63700	26.6	19.0	11768	43000	29.8	36.6
Beverages(313)	17866	41900	10.2	12.5	3001	9400	7.6	8.0
Tobacco(314)	28882	25400	16.3	7.6	3800	5200	9.6	4.4
Textiles(321)	14412	38500	8.2	11.5	3666	14600	9.3	12.4
Wearing apparel,except footwear(322)	5060	10048	2.9	3.0	1250	2867	3.2	2.4
Leather products(323)	380	0	0.2	0.0	70	0	0.2	0.0
Footwear,except rubber or plastic(324)	2235	2881	1.3	0.9	555	-1727	1.4	-1.5
Wood products,except furniture(331)	4090	7792	2.3	2.3	1780	4064	4.5	3.4
Furniture,except metal(332)	1310	4543	0.7	1.4	320	1269	0.8	1.1
Paper and products(341)	3827	9452	2.2	2.8	730	2504	1.8	2.1
Printing and publishing(342)	4630	17448	2.6	5.2	1990	7035	5.0	6.0
Industrial chemicals(351)	11110	21300	6.3	6.4	1310	3900	3.3	3.3
Other chemicals(352)	14091	40200	8.0	12.0	2701	9700	6.8	8.3
Petroleum refineries(353)	0	0	0.0	0.0	0	0	0.0	0.0
Misc. petroleum and coal products(354)	0	0	0.0	0.0	0	0	0.0	0.0
Rubber products(355)	2836	2207	1.6	0.7	555	925	1.4	0.8
Plastic products(356)	867	7893	0.5	2.4	340	2784	0.9	2.4
Pottery,china,earthenware(361)	0	0	0.0	0.0	0	0	0.0	0.0
Glass and products(362)	0	0	0.0	0.0	0	0	0.0	0.0
Other non-metallic mineral prod.(369)	4991	13500	2.8	4.0	1870	4244	4.7	3.6
Iron and steel(371)	0	0	0.0	0.0	0	0	0.0	0.0
Non-ferrous metals(372)	0	0	0.0	0.0	0	0	0.0	0.0
Fabricated metal products(381)	7871	18000	4.4	5.4	2100	6338	5.3	5.4
Machinery,except electrical(382)	2380	0	1.4	0.0	780	0	2.0	0.0
Machinery electric(383)	602	5364	0.3	1.6	200	885	0.5	0.8
Transport equipment(384)	1920	4982	1.1	1.5	620	925	1.6	0.8
Professional & scientific equipm.(385)	0	0	0.0	0.0	0	0	0.0	0.0
Other manufactured products(390)	0	0	0.0	0.0	0	0	0.0	0.0

Source: Statistics and Survey Unit, UNIDO. Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

Table A-6. Employment and wages and salaries in manufacturing, 1975-1983
(at current prices)
(currency = Kwacha)

Description (ISIC)	Employment				Wages and salaries			
	Employees	Employees	Share in total (percentage)		(thousands) Employees	Employees	Share in total (percentage)	
	1975	1983	1975	1983	1975	1983	1975	1983
TOTAL MANUFACTURING(300)	27494	35574	100.0	100.0	14873	44256	100.0	100.0
Food products(311)	8582	15500	31.2	43.6	3288	15700	[illegible]	[illegible]
Beverages(313)	1211	1500	4.4	4.2	1113	2200	7.[illegible]	5.0
Tobacco(314)	5376	3300	19.6	9.3	2511	4400	17.[illegible]	9.9
Textiles(321)	3179	4700	11.6	13.2	1580	5300	10.[illegible]	12.0
Wearing apparel,except footwear(322)	1898	1865	6.9	5.2	530	1377	3.[illegible]	3.1
Leather products(323)	67	0	0.2	0.0	18	0	0.1	0.0
Footwear,except rubber or plastic(324)	170	350	0.6	1.0	160	584	1.1	1.3
Wood products,except furniture(331)	1046	1590	3.8	4.5	686	1551	4.7	3.5
Furniture,except metal(332)	116	370	0.4	1.0	114	579	0.8	1.3
Paper and products(341)	246	255	0.9	0.7	189	485	1.3	1.0
Printing and publishing(342)	950	1016	3.5	2.9	940	2089	6.[illegible]	4.7
Ir.ustrial chemicals(351)	131	300	0.5	0.8	181	800	1.2	1.8
Other chemicals(352)	1040	800	3.7	2.2	1000	3000	6.[illegible]	6.8
Petroleum refineries(353)	0	0	0.0	0.0	0	0	0.0	0.0
Misc. petroleum and coal products(354)	0	0	0.0	0.0	0	0	0.0	0.0
Rubber products(355)	201	137	0.7	0.4	281	284	1.[illegible]	0.6
Plastic products(356)	103	399	0.4	1.1	63	809	0.4	1.8
Pottery,china,earthenware(361)	0	0	0.0	0.0	0	0	0.0	0.0
Glass and products(362)	0	0	0.0	0.0	0	0	0.0	0.0
Other non-metallic mineral prod.(369)	1732	1600	6.3	4.5	799	1400	5.[illegible]	3.2
Iron and steel(371)	0	0	0.0	0.0	0	0	0.0	0.0
Non-ferrous metals(372)	0	0	0.0	0.0	0	0	0.0	0.0
Fabricated metal products(381)	1050	1300	3.8	3.7	643	2500	4.3	5.6
Machinery,except electrical(382)	232	0	0.8	0.0	232	0	1.5	0.0
Machinery electric(383)	104	389	0.4	1.1	93	610	0.6	1.4
Transport equipment(384)	78	197	0.3	0.6	178	679	1.2	1.5
Professional & scientific equipm.(385)	0	0	0.0	0.0	0	0	0.0	0.0
Other manufactured products(390)	0	0	0.0	0.0	0	0	0.0	0.0

Source: Statistics and Survey Unit, UNIDO.Based on data supplied by the UN Statistical Office, with estimates by the UNIDO Secretariat.

Table A-7. Import Dependence of Malaysian manufacturing, 1972-1974 and 1981-1983

Product grouping and commodity (ISIC)	Imports as per cent of apparent consumption 1972-1974	1981-1983
FOOD PRODUCTS		
Raw sugar (311801)[a/]	2.3	0.8
Refined sugar (311804)	10.2	0.1
Cocoa powder (311907)	...	...
Cocoa butter (311910)	...	...
Chocolate and chocolate products (311913)	...	...
Prepared animal foods (312201)[a/]	0.6	0.0
OILS AND FATS		
Oils & fats of animals, unprocessed (311507)	...	...
Oils of vegetable origin (311510*)	3.1	1.7
TEXTILES		
Wool yarn, pure and mixed (321103)	...	...
Cotton yarn, pure and mixed (321109)	...	...
Cotton woven fabrics (321128)	...	...
Woollen woven fabrics (321134)	100.0	100.0
Knitted fabrics (321301)	...	...
FOOTWEAR		
Footwear, excl. rubber footwear (324000)[a/]	6.5	8.9
WOOD AND WOOD PRODUCTS		
Veneer sheets (331110)	4.3	1.9
Particle board (331122)	...	...
PAPER AND PAPER PRODUCTS		
Wood pulp, mechanical (341101)	...	...
Pulp of fibres other than wood (341104)	...	...
Wood pulp, dissolving grades (341107)	...	...
Wood pulp, sulphate and soda (341110)	...	...
Wood pulp, sulphite (341113)	...	...
Wood pulp, semi-chemical (341116)	...	...
Newsprint (341119)[b/]	100.0	100.0
Other printing and writing paper (341122)	99.0	...
Kraft paper and draft paperboard (341125)[a/]		100.0
Other paper and paperboard (341131)	99.0	100.0
INDUSTRIAL CHEMICALS		
Methanol (methyl alcohol) (351121)	...	...
Glycerine (glycerol) (351125)	...	...
Chlorine (351145)	...	...
Sulphuric acid (351147)	...	...
Nitric acid (351149)	...	100.0
Zinc oxide (351154)	0.7	...
Titanium oxides (351155)	...	100.0
Lead oxides (351157)	1.1	...
Ammonia (351156)	...	100.0
Caustic soda (351159)	...	100.0
Soda ash (351166)	...	...
Hydrogen peroxide (351171)	...	...

Table A-7 (Cont.)

Calcium carbide (351173)	...	...
Dyestuffs, synthetic (351174)[c]	100.0	100.0
Vegetable tanning extracts (351175)	100.0	100.0
Nitrogenous fertilizers (351201)	100.0	100.0
Phosphatic fertilizers (351204 + 351207)	100.0	100.0
Potassit fertilizers (351210)	100.0	100.0
Insecticides, fungicides, etc. (351216)[c]	100.0	101.0
Rubber, synthetic (351301)	100.0	100.0
Non-cellulosic staple and low (351304)	100.0	100.
Regenerated cellulose (351331)	100.0	100.0
PETROLEUM REFINERIES		
Motor gasolene (353007A)	100.0	100.0
Kerosene (353013A)	100.0	100.0
Distillate fuel oils (353019A)	...	...
Residual fuel oils (353022A)[a]	100.0	100.0
Lubricating oils (353025A)[c]	100.0	100.0
Liquified petroleum gas (353037A)	...	...
GLASS AND CEMENT		
Glass bottles and containers (362010B)[c]	100.0	100.2
Cement (369204)[c]	1.4	22.8
IRON AND STEEL		
Pig iron (371007 + 371010)	...	...
Wire rods (371026)	...	...
Angles, shapes and sections (371035)[c]	100.0	100.0
Plates (heavy), over 4.75mm (371040)[c]	100.0	158.8
Plates (medium), 3 to 4.75mm (371043)	100.0	100.0
Plates and sheets, 3mm (371046 + 371049 + 371052)[c]	100.0	100.0
Tinplate (371055)[c]	341.9	245.9
Railway track material (371067)[c]	100.0	100.4
Wire, plain (371070)[c]	100.0	100.1
Tubes, seamless (371076)[c]	100.0	100.0
Tubes, welded (371079)	...	...
Steel castings in the rough state (371085)	...	...
Steel forgings (371088)	...	...
NON-FERROUS METALS		
Copper, refined, unwrought (372004)	...	...
Copper bars, rods, angles, etc. (372010 + 372013)[c]	100.0	100.0
Copper plates, sheets, strip and foil (372016)[c]	100.0	100.0
Copper tubes and pipes (372019)[c]	100.0	100.0
Aluminium, unwrought (372022)[c]	100.0	100.0
Aluminium bars, rods, angles, etc. (373025 + 372028)	100.0	100.0
Aluminium plates, sheets, strip, etc. (372031)[c]	100.0	100.0
Aluminium tubes and pipes (372034)[c]	100.0	100.0
Lead, refined, unwrought (372037)[a]	100.0	100.0
Zinc, unwrought (372043)[c]	100.0	100.0
Zinc plates, sheets, strip and foil (372048)	...	...
Tin, unwrought (372049)	...	...

Source: Statistics and Survey Unit, UNIDO.

Note: ISIC 311510* consists of 311510 + 311513 + 311516 + 311519 + 311525 + 311528 + 311531 + 311534.
Growth rates have been calcul-'ed on the basis of available annual data over the period indicated.

a/ Data for 1983 not available.
b/ Data for 1982 not available.
c/ Data for 1981 only.

Table A-8. Indicators of manufacturing performance, 1970-1980

Year	Gross profit ('000 Kwachas)	Value added / Gross output (per cent)	Gross profit / Value added (per cent)	Gross profit / Wages
1970	12,780	29.30	63.81	1.76
1971	15,018	27.57	65.37	1.98
1972	15,995	26.31	63.14	1.71
1973	15,199	22.00	60.02	1.50
1974	18,843	22.95	60.35	1.52
1975	24,965	22.51	63.14	1.71
1976	28,751	23.99	62.63	1.67
1977	30,222	21.63	61.21	1.57
1978	34,860	21.73	61.16	1.57
1979	38,229	22.11	57.91	1.37
1980	87,766	30.57	71.94	2.56

Source: UNIDO data base.

Table A-9. Interbranch dispersion of profit and investment, 1979

Description	Gross profit to value added	Total accumulation to gross profit
Food processing	55.8	32.4
Tea manufacture	45.8	77.6
Beverages	84.4	39.6
Tobacco	54.1	44.1
Textiles	74.8	1[illegible].8
Clothing	54.9	51.2
Wood products	56.0	44.3
Packing	41.8	150.2
Chemicals	87.7	90.8
Pharmaceuticals	70.1	36.3
Tyre retreading	42.5	162.7
Non-metallic minerals	70.5	49.3
Metal products	71.3	37.5
Machinery and motor assembly	61.0	41.4
Other	52.1	36.1

Source: National Statistical Office, Annual Economic Survey 1979-80, pp.12-26.

Table A-10. <u>Statement showing actual expenditure on development account for the years 1979/80 to 1983/84, original and revised estimates for 1984/85 and estimates for 1985/86</u>

Head No. and Title as shown in the 1983/84 Estimates	Actual Expenditure 1979/80	Actual Expenditure 1980/81	Actual Expenditure 1981/82	Actual Expenditure 1982/83	Actual Expenditure 1983/84	Original Estimates 1984/85	Revised Estimates 1984/85	Estimates 1985/86
	K	K	K	K	K	K	K	K
070 Community Services	5,415	144	—	—	453,736	204,000	129,510	130,000
071 Education and Culture	5,112,244	7,612,987	11,989,423	19,752,843	20,144,378	21,006,386	19,170,586	21,418,800
072 Finance, Commerce and Industry ..	2,391,984	1,415,440	1,366,986	8,133,387	23,039,576	5,481,201	5,889,873	9,257,560
073 Government Buildings	32,394,703	39,742,317	17,987,679	17,775,564	12,843,729	17,236,586	12,469,455	11,425,000
074 Health	2,726,384	4,245,718	1,553,966	1,378,129	6,519,097	10,378,119	8,878,228	7,515,383
075 Housing	1,582,232	2,231,363	797,569	—	58,962	1,976,800	127,000	2,882,300
076 Miscellaneous Services	4,985,872	4,389,100	3,783,636	1,683,467	2,553,106	3,539,875	2,143,657	4,968,941
077 Agriculture ..	15,104,765	15,475,238	20,731,977	22,606,212	30,982,016	31,984,361	21,380,057	24,453,609
078 Fisheries	383,565	417,223	487,083	319,151	134,645	144,981	168,519	686,174
079 Forestry and Game ..	3,106,395	4,085,020	4,431,722	4,963,571	5,083,534	8,480,500	4.738,770	3,189,304
080 Surveys and Lands ..	120,805	109,040	91,434	38,683	43,245	50,000	50,000	80,000
081 Veterinary Services ..	1,882,947	3,145,319	2,131,044	2,580,373	1,181,482	1,946,582	1,162,791	788,814
082 New Capital ..	545,248	44	—	—	—	—	—	—
083 Posts and Telecommunications	3,089,840	2,192,634	1,489,567	2,192,256	2,875,382	7,665,000	3,702,694	7,300,000
084 Power	7,600,469	6,008,253	3,729,060	566,748	30,734	5,053,000	2,406,230	5,400,000
085 Transport	41,329,782	66,587,514	47,682,238	32,818,616	30,780,006	42,650,708	45,116,069	48,727,871
086 Water Supplies and Sanitation ..	6,118,576	6,734,532	6,132,294	8,723,000	6,617,789	6,966,494	6,758,007	8,300,966
087 Works Organization	4,163	5,838	—	—	—	—	—	—
TOTAL EXPENDITURE	127,945,379	174,898,144	124,164,372	123,541,000	143,219,397	164,653,015	134,155,376	156,496,722

Source: Government of Malawi, <u>Approved Estimates of Expenditure on Development Account, 1985/86</u>, p.vi.

Table A-11. Exports of main commodities, 1984-90
(US$ million)

	1984	1985[a]	1986[b]	1987[b]	1988[b]	1989[b]	1990[b]	Constant price growth rate (per cent) 1984-90
Tobacco	137.2	114.3	121.4	135.4	151.0	168.3	187.6	2.2
Tea	79.6	52.1	59.8	65.9	72.7	80.2	88.5	3.0
Sugar	19.7	15.0	20.4	24.8	31.2	39.3	49.5	2.0
Groundnuts	1.7	4.3	6.2	8.9	11.9	16.6	20.5	42.8
Cotton	0.5	8.0	10.2	13.1	16.6	18.5	20.6	49.0
Manufactured goods	21.2	21.9	24.3	27.2	30.7	35.1	40.4	5.1
Other goods	43.1	23.0	26.8	32.8	40.0	48.9	59.7	3.0
Total exports of goods	303.0	238.8	269.2	308.1	354.1	406.9	466.9	4.3
Memo manufactured exports as per cent of total exports	6.9	9.1	9.0	8.8	8.6	8.6	8.6	

Source: World Bank, Malawi. Economic Recovery: Resources and Policy Needs, An Economic Memorandum, Report No. 5801-MAI, 1985, p.25.

a/ Estimated.
b/ Projected.

Table A-12. Destination of exports of manufactures by branch, 1981*/

SITC	DESCRIPTION OF TRADE GOODS	WORLD TOTAL (1000 US$)	DEVELOPING COUNTRIES (PERCENT)	DEVELOPED MARKET ECONOMIES TOTAL (PERCENT)	USA (PERCENT)	EEC (PERCENT)	JAPAN (PERCENT)	CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
01	Meat and meat preparations	15	99.70	0.30	0.00	0.30	0.00	0.00
02	Dairy products and eggs	6	100.00	0.00	0.00	0.00	0.00	0.00
046	Meal and flour of wheat or of meslin	0	70.59	29.41	0.00	0.00	0.00	0.00
047	Meal and flour of cereals,except above	127	100.00	0.00	0.00	0.00	0.00	0.00
048	Cereals preparat. & starch of fruits & vegetab.	43	100.00	0.00	0.00	0.00	0.00	0.00
053	Fruit,preserved and fruit preparations	171	100.00	0.00	0.00	0.00	0.00	0.00
055	Vegetables,roots & tubers,preserved or prepared	2518	28.83	71.17	30.75	25.83	0.00	0.00
06	Sugar,sugar preparations and honey	68259	1.91	98.09	82.42	15.67	0.00	0.00
074	Tea and mate	33938	11.25	88.75	6.52	66.67	0.00	0.00
081	Feeding-stuff for animals	1155	97.29	2.71	0.00	2.71	0.00	0.00
09	Miscellaneous food preparations	84	28.67	71.33	0.03	0.88	0.00	0.00
11	Beverages	24	100.00	0.00	0.00	0.00	0.00	0.00
122	Tobacco manufactures	1	94.70	5.31	0.00	5.31	0.00	0.00
2219	Flour and meal of oil seeds,nuts,kernels	2	100.00	0.00	0.00	0.00	0.00	0.00
231	Crude rubber,synth. & reclaimed(excl.SITC 2311)	0	0.00	0.00	0.00	0.00	0.00	0.00
243	Wood,shaped or simply worked	70	100.00	0.00	0.00	0.00	0.00	0.00
251	Pulp and waste paper	62	100.00	0.00	0.00	0.00	0.00	0.00
263	Cotton	1658	1.65	98.35	0.00	98.35	0.00	0.00
267	Waste materials from textile fabrics(incl.rags)	2	100.00	0.00	0.00	0.00	0.00	0.00
4	Animal and vegetable oils and fats	680	0.28	99.72	18.81	10.80	8.72	0.00
421	Fixed vegetable oils,soft(incl.SITC 422)	660	0.28	99.72	18.81	10.80	8.72	0.00
5	Chemicals	872	95.28	4.72	0.00	0.00	0.00	0.00
51	Chemicals elements and compounds	397	100.00	0.00	0.00	0.00	0.00	0.00
53	Dyeing,tanning and colouring materials	2	100.00	0.00	0.00	0.00	0.00	0.00
54	Medicinal and pharmaceutical products	465	91.14	8.86	0.00	0.00	0.00	0.00
55	Essential oils and perfume materials	9	99.61	0.39	0.00	0.00	0.00	0.00
6	Manufactured goods classified by material	15219	90.58	9.42	0.00	6.59	0.00	0.00
61	Leather manufactured n.e.s. & dressed fur skins	88	18.31	81.69	0.00	64.32	0.00	0.00
62	Rubber manufactures n.e.s.	134	97.16	2.84	0.00	0.00	0.00	0.00
63	Wood and cork manufactures(excl.furniture)	927	76.28	23.72	0.03	1.19	0.00	0.00
64	Paper,paper board and manufactures thereof	49	99.34	0.66	0.00	0.00	0.00	0.00
65	Textile yarn,fabrics,made-up articles	13554	91.49	8.51	0.00	7.05	0.00	0.04
66	Non-metallic mineral manufactures,n.e.s.	4	100.00	0.00	0.00	0.00	0.00	0.00
67	Iron and steel	219	98.62	1.38	0.00	0.00	0.00	0.00
69	Manufactures of metal,n.e.s.	288	100.00	0.00	0.00	0.00	0.00	0.00
7	Machinery and transport equipment	36	95.15	4.85	0.19	0.00	0.00	0.00
71	Machinery,other than electric	1	2.75	97.25	3.85	0.00	0.00	0.00
72	Electrical machinery,apparatus and appliances	0	100.00	0.00	0.00	0.00	0.00	0.00
73	Transport equipment	35	98.89	1.11	0.00	0.00	0.00	0.00
8	Miscellaneous manufactured articles	3801	89.11	10.89	0.63	1.42	8.85	0.00
82	Furniture	372	99.27	0.73	0.01	0.39	0.00	0.00
83	Travel goods,handbags and similar articles	39	100.00	0.00	0.00	0.00	0.00	0.00
84	Clothing	1722	84.70	15.30	0.00	0.00	15.27	0.00
85	Footwear	1016	100.00	0.00	0.00	0.00	0.00	0.00
86	Professional,scient. & controll. instruments	7	7.40	92.61	0.00	23.01	0.00	0.00
89	Miscellaneous manufactured articles,n.e.s.	646	78.12	21.88	3.11	7.68	0.16	0.00
	TOTAL manufactures	128724	19.88	80.12	48.14	28.95	0.28	0.00
	TOTAL: SITC 5-8 LESS 68 a/	18928	90.51	9.49	0.10	5.30	1.33	0.00
	TOTAL traded goods: SITC 0-9	261586	17.73	81.98	25.99	41.84	2.33	0.00

Note: Data and SITC descriptions refer to SITC revision 1
*/ This table is based on the definition of trade in manufactures covering a list of 148 specifically identified SITC 3-digit or 4-digit codes comprising a wide range of processing stages of manufactured goods.
a/ Definition of trade in manufactures SITC 5-8 less 68 is one of the most often found. It covers only items recognized as exclusively manufactured goods, i.e. with a high level of manufacturing content.
Source: UNIDO data base; information supplied by the United Nations Statistical Office.
Note: Percentages may not add to 100.0 due to the fact that countries report trade to/from "unspecified areas".

Table A-13. Origin of imports of manufactures by branch, 1981[a]

SITC	DESCRIPTION OF TRADE GOODS	WORLD TOTAL (1000 US$)	DEVELOPING COUNTRIES (PERCENT)	DEVELOPED MARKET ECONOMIES TOTAL (PERCENT)	DEVELOPED MARKET ECONOMIES USA (PERCENT)	DEVELOPED MARKET ECONOMIES EEC (PERCENT)	DEVELOPED MARKET ECONOMIES JAPAN (PERCENT)	CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
01	Meat and meat preparations	308	61.88	37.28	8.22	5.09	0.10	0.00
02	Dairy products and eggs	5428	0.07	99.93	4.24	70.83	0.00	0.00
032	Fish n.e.s. and fish preparations	251	0.72	99.28	0.25	9.20	24.68	0.00
046	Meal and flour of wheat or of meslin	1526	2.16	97.84	0.00	88.09	0.08	0.00
047	Meal and flour of cereals,except above	3140	0.61	99.23	11.40	0.12	0.00	0.00
048	Cereals preparat. & starch of fruits & vegetab.	984	7.09	92.91	0.08	70.28	0.08	0.00
053	Fruit,preserved and fruit preparations	226	9.32	90.68	0.08	5.68	0.45	0.00
055	Vegetables,roots & tubers,preserved or prepared	174	8.21	87.65	0.00	20.21	0.84	0.00
06	Sugar,sugar preparations and honey	544	4.28	81.37	0.00	8.46	0.00	0.00
0713	Coffee extracts,essences,concentrates & similar	34	6.51	93.49	0.00	9.04	0.00	0.00
0723	Cocoa butter and cocoa paste	23	0.00	100.00	0.00	0.00	0.00	0.00
073	Chocolate and related food preparations	90	7.80	92.20	0.00	1.57	0.00	0.00
074	Tea and mate	6	13.03	86.97	0.00	0.00	0.78	0.00
081	Feeding-stuff for animals	22	30.29	69.71	0.00	7.02	0.00	0.00
09	Miscellaneous food preparations	1748	13.19	86.81	0.01	17.32	0.39	0.00
11	Beverages	1128	10.12	89.88	0.00	36.88	0.00	0.00
122	Tobacco manufactures	99	83.17	16.83	0.34	14.80	0.00	0.00
231	Crude rubber,synth. & reclaimed(excl.SITC 2311)	0	0.00	0.00	0.00	0.00	0.00	0.00
243	Wood,shaped or simply worked	449	24.71	75.29	0.00	0.03	0.00	0.00
263	Cotton	179	0.73	98.79	0.00	88.39	0.00	0.00
266	Synthetic and regenerated(artificial) fibres	332	0.00	100.00	0.00	100.00	0.00	0.00
267	Waste materials from textile fabrics(incl.rags)	1690	0.05	99.95	77.08	22.44	0.00	0.00
332	Petroleum products	55841	26.65	73.35	1.03	14.84	0.02	0.00
4	Animal and vegetable oils and fats	5147	8.90	91.10	2.41	4.88	0.01	0.00
411	Animal oils and fats	3721	0.00	100.00	0.35	6.48	0.00	0.00
421	Fixed vegetable oils,soft(incl.SITC 422)	752	60.33	39.67	14.77	0.78	0.04	0.00
431	Animal and vegetable oils and fats processed	674	0.70	99.30	0.00	0.44	0.00	0.00

Table A-13 (Cont.)

SITC	DESCRIPTION OF TRADE GOODS	WORLD TOTAL (1000 US$)	DEVELOPING COUNTRIES (PERCENT)	DEVELOPED MARKET ECONOMIES TOTAL (PERCENT)	USA (PERCENT)	EEC (PERCENT)	JAPAN (PERCENT)	CENTRALLY PLANNED DEVELOPED COUNTRIES (PERCENT)
5	Chemicals	60053	7.09	92.90	1.38	62.61	0.22	0.01
51	Chemicals elements and compounds	8469	2.00	98.00	1.72	62.04	1.04	0.00
52	Tar and chemicals from coal,petroleum,nat. gas	22	0.00	100.00	6.73	0.00	0.00	0.00
53	Dyeing,tanning and colouring materials	3383	1.95	98.05	0.91	48.76	0.24	0.00
54	Medicinal and pharmaceutical products	6096	34.88	65.09	1.64	35.65	0.04	0.03
55	Essential oils and perfume materials	3020	30.12	64.88	3.39	44.02	0.08	0.00
56	Fertilizers,manufactured	29095	0.00	100.00	0.00	84.36	0.00	0.00
57	Explosives and pyrotechnic products	536	0.85	99.15	0.00	34.84	0.00	0.00
58	Plastic materials,regenerated cellul. & resins	4163	5.89	94.08	0.44	63.61	0.20	0.03
59	Chemical materials and products n.e.s.	5249	11.20	88.79	6.16	20.22	0.47	0.00
6	Manufactured goods classified by material	75290	28.34	69.53	2.61	16.57	9.75	0.00
61	Leather manufactured n.e.s. & dressed fur skins	683	34.86	59.64	4.29	20.68	0.47	0.00
62	Rubber manufactures n.e.s.	7481	31.97	66.85	4.64	15.50	10.07	0.00
63	Wood and cork manufactures(excl.furniture)	1880	43.75	56.20	0.00	3.29	0.11	0.00
64	Paper,paper board and manufactures thereof	11303	6.69	93.31	8.02	20.32	0.08	0.00
65	Textile yarn,fabrics,made-up articles	20256	45.75	49.06	1.21	12.97	20.57	0.00
66	Non-metallic mineral manufactures,n.e.s.	7988	43.47	56.53	1.15	14.87	2.21	0.00
67	Iron and steel	10272	20.35	79.20	0.09	9.42	16.66	0.00
68	Non-ferrous metals	2083	21.67	78.33	0.03	17.55	0.01	0.00
69	Manufactures of metal,n.e.s.	13343	13.82	83.30	2.50	27.47	3.88	0.00
7	Machinery and transport equipment	65139	4.36	95.15	7.08	46.29	14.49	0.00
71	Machinery,other than electric	36944	2.14	97.11	11.29	45.08	5.89	0.00
72	Electrical machinery,apparatus and appliances	24942	6.12	93.35	6.31	44.25	10.41	0.00
73	Transport equipment	23248	5.99	93.95	1.23	60.40	32.54	0.00
8	Miscellaneous manufactured articles	25290	17.15	79.20	2.80	34.29	8.08	0.00
81	Sanitary,plumbing,heating & lightning fixtures	1293	8.56	90.97	0.18	42.50	1.38	0.00
82	Furniture	819	2.13	96.91	0.43	39.22	1.35	0.00
83	Travel goods,handbags and similar articles	188	22.46	64.43	0.10	15.85	0.41	0.00
84	Clothing	4619	29.00	63.15	0.58	11.04	15.02	0.00
85	Footwear	1722	31.36	65.43	0.01	8.84	0.12	0.00
86	Professional,scient. & controll. instruments	5430	4.11	95.34	9.27	58.76	10.71	0.00
89	Miscellaneous manufactured articles,n.e.s.	11225	18.41	77.88	1.83	36.68	5.53	0.00
	TOTAL manufactures	325140	15.35	83.71	3.74	38.15	6.75	0.00
	TOTAL: SITC 5-8 LESS 68 a/	243691	13.62	85.17	3.91	40.13	8.97	0.00
	TOTAL traded goods: SITC 0-9	350123	16.89	81.99	4.27	32.86	6.26	0.00

Note: Data and SITC descriptions refer to SITC revision 1
?/ This table is based on the definition of trade in manufactures covering a list of 148 specifically identified SITC 3-digit or 4-digit codes comprising a wide range of processing stages of manufactured goods.
a/ Definition of trade in manufactures SITC 5-8 less 68 is one of the most often found. It covers only items recognized as exclusively manufactured goods, i.e. with a high level of manufacturing content.
Source: UNIDO data base; Information supplied by the United Nations Statistical Office.
Note: Percentages may not add to 100.0 due to the fact that countries report trade to/from "unspecified areas".

Table A-14. Composition of the textile sector in Malawi, 1977

Industry	No. of establishments	Total output value a/ ('000 MK) (% of total output)	Share of total manufacturing sector output b/ (%)	Import component '000 MK(cif) (% share of output)	Export output '000 MK(fob) (% share of total output)	Import component share of total imports %	Export component share of total exports %	Employment
1. Cotton fabrics production Spinning Output	1	15,400 (67) 404	(16)	none	2,111 (14) 404			3,000
2. Knitted fabrics production	2	434 (2)		282 (52)	51 (10)			152
3. Garment manufacture	15	4,766 (21)	(5)	3,908 (82)	500 (10)			1,700
4. Towels, Towelling manufacture	1	226 (1)		170 (75)	12 (5)			56
5. Netmaking, Twining	1	388 (2)		280 (72)	110 (28)			111
6. Blanket manufacture	2	1,700 (7)	(2)	1,063 (63)	-			417
Subtotal Industrial Textile Sector Output	22	23,419(100)	(24)	5,703 (24)	3,188 (14)	3.1	1.7	5,436
7. Small-scale traditional apparel manufacture c/								
7.1 Local cotton input for garment manufacture		5,500		1,400 (19)				
7.2 Synthetic garment manufacturing output				1,500 (75)				

Table A-14 (Cont.)

Subtotal traditional sector output2/		18,400		(2,900 (30))			25 - 30,000	
Grand total textile sector output (net of local intermediate cotton input)		36,319	(37)	8,755 (27)	2,858 (8)	3.1	1.7	30-35,000
7. Total clothing apparel and ready-made textile imports for end use '000 MK cif		12,236				6.6		
8. Per caput expenditure on apparel textiles and other end use textile articles (MK p.a.)		7.6						
9. Share of total monetary consumption (%)		13						
10. Share of GDP per caput (%)		5						

Source: UNIDO, The Potential for Resource-based Industrial Development in Least Developed Countries: Malawi, IS.389 (1983), pp. 177-178.

1/ Values = factory, c.i.f., f.o.b.
2/ GOPA mission estimates.
3/ Total manufacturing sector output at current market prices is estimated at MK97 million.

Table A-15. Domestic output of the formal textile sector and end-use demand, 1971 and 1977

	value p.a.(K'000) / Industry	1971	1977
Cotton fabrics production	End use output of domestic production	4,914	15,424
	Imports	1,409	1,754
	Exports	4	2,515
	Local end use demand	6,319	14,663
Knit wear manufacture	End use output of domestic production	681	531
	Imports	401	629
	Exports	33	51
	Local end use demand	1,049	1,109
Blanket production	End use output of domestic production	1,575	1,700
	Imports	12	23
	Exports	65	-
	Local end use demand	1,550	1,723
Synthetic fabric imports	Local production	non existent	
	Imports	723	1,939
	Local demand	723	1,939
Towels, towelling manufacture	Local end use production	-	-
	Imports	30	143
	Exports	-	12
	Local end use production	30	357
Miscel- laneous textile products	Local end use production	-	388
	Imports	1,917	4,689
	Exports	-	110
	Local end use demand	1,917	4,967
	Subtotal without garment	11,560	24,758
Garment apparel industry	Local end use production	-	4,766
	Imports finished goods	1,776	2,982
	Imports second hand garments	211	477
	Exports	32	900
	Local end use demand	1,905	7,325
	Total, end use output of domestic production	7,170	23,035
	Total, domestic end use demand	13,465	32,083

Source: UNIDO, The Potential for Resource-based Industrial Development in Least Developed Countries: Malawi, IS.389 (1983), pp. 177-178.

Table A-16. Demand projection for textile goods in Malawi, 1977-1985
('000 sq. yards, '000 MK)

Year / Product group		1977	1978	1979	1980	1981	1982	1983	1984	1985
Home-made cotton fabrics (sq. yrds.)	high	26,000	27,821	29,685	31,702	33,964	36,408	39,128	42,123	45,424
	low	26,000	27,325	28,719	30,184	31,724	33,342	35,043	36,831	38,710
High value cotton cloth (imported) (sq. yrds.)		representing actual: mean value 70 - 77 4,700	4,982	5,281	5,598	5,934	6,290	6,667	7,067	7,491
Fabrics of or blended with man-made fibres (sq. yrds.)	high	representing actual: mean value 75 - 77 5,300	6,454	7,026	7,666	8,374	9,131	9,990	10,917	11,944
	low	5,300	5,777	6,297	6,864	7,482	8,155	8,890	9,960	10,562
Total fibre demand (sq. yrds.)	high	representing actual: about 36,000	39,257	41,992	44,966	48,272	51,829	55,785	60,107	64,859
	low		38,064	40,297	42,646	45,140	47,787	50,600	53,588	56,763
Population in 1,000		5,500	5,643	5,790	5,940	6,094	6,253	6,416	6,582	6,760
sq. yrds. per caput	high	6.5	6.9	7.2	7.5	7.9	8.2	8.7	9.1	9.6
	low		6.7	7.0	7.2	7.4	7.6	7.9	8.1	8.4
kg. per caput (equivalent+)	high	1.3	1.4	1.4	1.5	1.6	1.6	1.7	1.8	1.9
	low		1.3	1.4	1.4	1.5	1.5	1.6	1.6	1.7
Garment, apparels, other than knitwear (MK)	high	representing actual: mean value 75 - 77 5,200	7,424	8,249	9,120	10,189	11,280	12,516	13,850	15,329
	low		6,384	7,150	8,008	8,966	10,044	11,249	12,599	14,111
Per caput expenditure in apparels, other than knitwear	high	1.1 - 1.2	1.3	1.4	1.5	1.7	1.8	1.9	2.0	2.2
	low		1.1	1.2	1.3	1.5	1.6	1.7	1.8	2.0
Knitwear (MK)		representing actual: mean value 75 - 77 920	964	1,010	1,058	1,109	1,162	1,218	1,276	1,337

Source: UNIDO, The Potential for Resource-based Industrial Development in Least Developed Countries: Malawi, IS.389 (1983), pp. 177-178.

+) Conversion factor: 1 sq. yd. = 0.2 kg.

Table A-17. Foreign and domestic components of financial requirements indicated in the "Core Programme", 1983/84-1986/87
(MK '000)

	1983/84	1984/85	1986/87	Total	
Total program	145,632	189,594	196,411	531,637	
Total foreign component	109,973	164,653	170,408	445,034	
Foreign component (funded)	109,973	142,535	131,556	384,064	
Foreign component (unfunded)	—	22,118	38,852	60,970	
Domestic component	35,659	24,941	26,003	86,603	
Sectional breakdown					*% Share*
Agriculture	33,023	40,335	31,514	104,872	19.7
Veterinary	1,544	3,250	2,990	7,784	1.5
Fisheries	194	1,107	1,952	3,253	0.6
Forestry and game	3,290	20,438	27,582	51,940	9.8
Surveys and mines	50	2,581	2,890	5,521	1.0
Finance, commerce and industry	7,999	1,269	147	9,415	1.8
Power	2,388	9,137	4,096	15,621	2.9
Transport	37,265	44,665	65,002	146,932	27.6
Posts and telecommunications	5,671	14,825	10,242	30,738	5.8
Water and sanitation	8,622	6,081	12,730	27,433	5.2
Education and culture	22,599	20,767	11,433	54,799	10.3
Health	6,379	13,364	9,155	28,898	5.4
Housing	887	3,138	4,947	8,972	1.7
Community development	158	101	100	359	—
Miscellaneous services	3,090	393	1,302	4,785	0.9
Government buildings	11,843	8,143	10,329	30,315	5.7
Grand total	145,632	189,549	196,411	531,637	100.0

Source: A. Jennings, "Measures to Assist the Least Developed Countries: The Case of Malawi", World Development, Vol.14.14, No.12, pp.1463-1468, 1986.

ANNEX B

THE INDUSTRIAL INCENTIVE SYSTEM IN MALAWI

THE INDUSTRIAL INCENTIVE SYSTEM IN MALAWI

The Government of Malawi realizes the importance of foreign investment and has been successful in encouraging joint ventures with the wholly government-owned Malawi Development Corportation (MDC). MDC seeks to combine overseas capital and technical know-how with local capital, experience and resources. MDC also welcomes viable projects which are financed entirely from either local or overseas sources.

In general, prospective investors proposing to establish a manufacturing firm which will employ ten or more persons (including managerial and clerical staff) or use machinery of twenty-five horse-power or more are required to obtain an industrial licence from the Minister of Trade, Industry and Tourism. Once granted, a licence remains valid for an indefinite period, provided the annual fee of MK300 is paid and the licensoe continues in production.

The Government of Malawi recognizes the importance of economies of scale in many types of manufacturing industry. New licences are, therefore, not issued to applicants whose operations would simply fragment the market and lead to igher costs all round. This policy does not militate against cases where competition would enhance efficiency. As a general rule, all applications for industrial licences are granted unless there are good reasons for not doing so. Reasons for refusing to grant a licence may be summarized as follows:

a) if the capital, technical skills or raw materials are, in the opinion of the Minister, inadequate for the successful establishment and operation of the particular enterprise in which the applicant proposes to engage;

b) if the site at which the applicant proposes to establish a manufacturing establishment is not suitably located for the industry concerned;

c) if the granting of such a licence would not, in the opinion of the Minister, be in the best interest of the economy or the public good of Malawi or of the particular industry concerned.

Industrial incentives

In order to encourage the development of industry in Malawi, the government offers a number of incentives designed to help manufacturers, especially during the initial period of establishing their business. These incentives fall under five headings:

(i) Exclusive protection

In exceptional cases where it is felt that such an additional incentive is needed, provision is made for a licensee to be granted exclusive protection for a limited period of time only.

(ii) Tariff protection

Malawi operates a two column tariff on the basis of the Customs Common Council Nomenclature. The countries falling under these columns are as follows:

Column 4 - Rest of the world

Column 5 - All member states of the EEC and ACP states, all independent countries of the Commonwealth and any dependent territory, protectorate or protected of such independent country and any contracting party to the General Agreement on Tariffs and Trade.

At present the normal revenue rates are 30 per cent for column 4 and 20 per cent for column 5. The rates may be higher or lower than these according to the commodity in question.

Manufactured goods that are subject to surtax attract 20 per cent surtax. Six per cent surtax is charged on all other imports except a few such as fuel. Detailed information on surtax and excise duties can be obtained from the Department of Customs and Excise in Blantyre.

(iii) Industrial rebates and excise

Manufacturers rebates are granted on imported materials required for further processing in Malawi. If rebates are granted, a manufacturer will pay 10 per cent duty plus 4 per cent levy on its raw material imports.

Additional incentives are given to registered manufacturers through industrial drawback regulations, which allow them to claim reimbursement of tariff duties paid on materials used in the manufacture of articles which have been exported.

(iv) Other tariff rebates

A special tariff item (100.15) allows imports for the establishment of any industrial undertaking or enterprise which is deemed by the Minister of Finance to be of national importance, to enter Malawi at concessionary duty rate of 10 per cent.

(v) Tax rebates

There are generous allowances and other special deductions for industry in Malawi. These include:

1) <u>Depreciation allowances</u>

(a) Initial allowances on capital expenditure are granted at the following rates: 10 per cent on industrial buildings, and 20 per cent on plant and equipment;

(b) Annual allowances, calculated on a reducing balance basis are also given. These allowances are individually assessed by the Commissioner of Taxes. The rates include 5 per cent on certain industrial buildings and vary from 5 per cent to 33.5 per cent on plant and equipment, depending on the type of equipment.

2) <u>Investment allowance</u>

In general an investment allowance of 10 per cent is granted to manufacturers for new plant and equipment other than motor vehicles.

3) <u>Initial expenditures</u>

The expenditure incurred by a manufacturing industry during the 18 months prior to the start of operations in areas such as feasibility studies, etc., is considered to have been incurred after the beginning of the business for tax purposes.

4) <u>Corporation tax system</u>

Corporation tax is payable at a basic rate of 50 per cent. An additional 5 per cent is levied where:

a) companies are not incorporated in Malawi, and

b) dividends are remitted by companies incorporated in Malawi to non-resident shareholders.

A tax loss incurred in any year can be carried forward, but not used for taxes paid in previous years.

5) <u>Double tax agreement</u>

Malawi has <u>double taxation agreements</u> with Denmark, France, Kenya, the Netherlands, Norway, South Africa, Sweden, Switzerland, United Kindgom and the United States of America.

6) <u>Remittance of profits</u>

According to foreign exchange regulations issued by the Reserve Bank of Malawi, dividends accruing to foreign investors can be freely remitted through local banks. In addition, expatriate workers and staff members are permitted to transfer their accumulated savings in foreign exchange.

Infrastructural facilities

Malawi has satisfactory infrastructure for industrial development. Roads, electricity and water are available in many sites suitable for establishing manufacturing facilities. At present, there are five major industrial areas in Malawi, three in Blantyre, one at Liwonde in the Southern Region, and one in Lilongwe in the Central Region.

Blantyre industrial area

There is one light industrial area and two heavy industrial areas in Blantyre. These areas are sub-divided into several plots which are leased to industrialists. The plots in the light industrial area are about 3/4 of an acre each and those in the heavy industrial area range from 3 to 5 acres each. The area is served both by road and rail. Nearly all the roads in these industrial areas are asphalted. Industrial plots in Balantyre are leased for a maximum period of 99 years and the annual rent for plots in the heavy industrial area is of MK68 per acre. Prior to leasing a development charge of MK2,500 per acre in the heavy industrial area is paid. An additional MK1,500 per plot is paid if it is provided with a rail spur. The investor has an option to purchase the freehold for MK512 per acre as soon as the development has been completed, normally required within 2 years. In the light industrial area the development charge is MK1,800 per acre and the annual rent is MK100 per plot.

Lilongwe industrial area

The new Lilongwe industrial area lies 3.5 miles north of the new Capital City and 6.5 miles from the centre of the old town. The area is divided into two sections, namely: a road-served area and a rail-served area. Electricity and water are available in both sections.

Development charges in the northern industrial area are MK3,000 per acre pro rata and the ground rent is MK110 per acre pro rata in the first year, rising by 5 per cent per annum thereafter.

Communications with the rest of the country are very good. Lilongwe is centrally situated, and lies on the east-west road junction, linking the principal towns in the regions of the country. The new international airport of Lilongwe is already operational with direct flights to London and Paris.

Low-cost housing estates have been developed in the Nankhaka valley within walking distance of the industrial area. Furthermore, medium and low density plots are available in the Capital Hill area, 4 miles to the south.

Liwonde industrial area

Liwonde industrial site lies strategically at the intersection of 3 transport media, namely: rail, road and water. The area is beside the Shire River which runs down from Lake Malawi through the southern tip of the country.

At present, part of the industrial area has been divided into several plots of different sizes ranging from 1 to 5 acres. Some plots are rail-served, and others road-served. The development charge in the industrial area is MK1,050 per acre and the ground rent is MK20 per acre per annum.

Electricity and water

Malawi is endowed with abundant hydro-electric resources. Thanks to the plentiful supply of water in all industrial areas in Malawi, the water charges for industrial and commercial premises are very low. For example in Blantyre, the rate for industrial premises is valued between MK100,000 and MK200,000 based on a plot of 5 acres and has a fixed monthly rate of MK126.88, plus a metered water charge of 50t for each thousand gallons consumed in excess of 15,000 gallons a month. In Himmande there is a fixed monthly water rate of 85t plus a metered charge of 10t. For every 1,000 gallons the rate stands at 85t.

Labour force

The labour force is plentiful in Malawi. Only in those cases where possession of specialized skills and aptitude is requried can there be a shortage of suitable Malawian workers. However, this shortage of skills is rapidly being remedied by the introduction of training schemes throughout the country. In addition, every year numbers of young professionals are graduating from the University of Malawi to meet, among other things, the needs of the business community.

Wage rates and labour relations

The minimum wage rates are generally established for the rural and the urban areas. Currently, the rates are 58t per day for the rural area and 81t per day for the urban area.

Labour disputes do not exist in Malawi and minor complaints are settled by intervention of labour officers.

Source: Government of Malawi, Ministry of Trade, Industry and Tourism.

ANNEX C

INDUSTRIAL CO-OPERATION WITHIN SADCC

Table C-1. <u>SADCC proposed complementary framework for development of basic needs industries, 1984</u>

Priority project/Industries area		Angola	Botswana	Lesotho	Malawi	Mozambique	Swaziland	Tanzania	Zambia	Zimbabwe	Planning subsectors
		Country of location									
A. Food: 1a	Edible oils	X						X			
b	- secondary med./small	X	X	X	X	X	X	X	X	X	
2	Processed veg. & fruits	X		X	X				X		
3	Fertilizer mixing	X				X		X			1.6
4	Agricultural implements	X					X	X		X	1.5
5	Agricultural pumps					X					2.2
6	Pesticide formulation (medium/small)	X	X	X	X	X	X	X	X	X	
7	Sugar		X		X		X	X	X	X	
8a	Salt							X		X	1.1
b	- small		X	X							1.1
9	Meat/meat products		X			X	X	X			
B. Clothing:											
10	Yarn	X			X	X		X	X	X	1.2
11	Fabrics1/	X	X	X	X	X	X	X	X	X	1.2, 1.3
12	Garments	X	X	X	X	X	X	X	X	X	
C. Housing:											
13	Cement	X				X		X	X	X	1.8
14	Cement blocks, pipes, screens, mosaic tiles2/	X	X	X	X	X	X	X	X	X	
15	Bricks	X	X	X	X	X	X	X	X	X	
16	Tiles	X		X			X	X			
17	Ceramic ware	X		X			X	X			
18	Wood doors/furniture	X				X		X	X		
19	Glass products						X	X	X		
20	Builders' hardware	X	X	X	X	X	X	X	X	X	
21	Plastic products2/	X	X	X	X	X	X	X	X	X	
22	Paints/varnishes	X				X	X			X	

Table C-1 (Cont.)

Priority project/Industries area	Angola	Botswana	Lesotho	Malawi	Mozambique	Swaziland	Tanzania	Zambia	Zimbabwe	Planning subsectors
D. Health:										
23 Medicines (formulation)			X				X		X	2.4
24 Veterinary medicines		X								2.4
25 Surgical cotton/bandages	X	X	X	X	X	X	X	X	X	
26 Soaps/detergents	X	X	X		X		X	X	X	
E. Water/power:										
27 Pipes								X	X	X
28 Motors, transformers	X				X	X	X		X	1.9
29 Wire/cables/meters	X			X	X	X	X	X	X	1.9
F. Transport:										
30 Commercial vehicle assembly		X						X	X	X
31 Railway equipment				X	X		X	X	X	2.3
G. Education:										
32 Paper	X			X		X	X			1.7
33 Exercise books	X	X	X	X	X	X	X	X	X	
34 Stationery (office and school)	X	X	X	X	X	X	X	X	X	
35 Equipment and aids		X					X	X	X	

Source: UNIDO, Industrial Co-operation Through the Southern African Development Co-ordination Conference, IS.570 (1985), p.325-327.

Note: 1/ Weaving units linked to yarn supplies.
2/ Linked to cement supplies.
3/ Linked to supplies of plastic resins.
4/ Linked to paper supplies.

Table C-2. SADCC industrial projects: summary description

Sub-sector	Project description	Project for: Implementation	Project for: Study	Location: Place	Location: Country	Promoter	Project type	Annual capacity (actual): Units	Annual capacity (actual): Present	Annual capacity (actual): Planned	Planning status	Size of total c. [1]
1.1	Salt works	1		Nacala	Mozambique	F	U	000t	16	45	A	2
	Salt works	2		Maputo	Mozambique	S	U	000t	27	95	A	2
	Salt works	3		Sadani	Tanzania	S	N	000t	-	40	B	2
	Salt works	4		Kitama	Tanzania	S	N	000t	-	25	A	1
	Salt works	5		Changwela	Tanzania	S	U	000t	0.5	5	A	1
	Salt works	6		Uvinza	Tanzania	S	U	000t	30	70	B	2
	Salt works		1	All	Angola		R	000t	22	125	C	
	Salt works		2	Lindi/Mtwara	Tanzania		N	000t	-	30	C	
	Salt works		3	Nambone	Moza.bique		U	000t	10	40	C	
	Salt works		4	Kazungula	Zambia		N		-		C	
	Refinery (small)	7			Botswana	?	N	000t	-	0.3^2	C	1
	Refinery (small)	8			Lesotho	S	N	000t	-	0.3^3	C	1
1.2.1	Knitting	9		Francistown	Botswana	S	U	$M.m^2$		1	C	1
	Knitting	10		Various	Lesotho	S	N	$M.m^2$	-	2	C	1
	Knitting	11		Blantyre	Malawi	?	U	$M.m^2$	-	4	C	1
	Knitting	12		Zambezia	Mozambique	S	U	$M.m^2$	-	6	A	2
	Knitting	13			Zambia	S	N	$M.m^2$	-	5	C	2
1.2.2	Powerlooms (1x30)	14		Gaborone	Botswana	P	N	$000m^2$	-	548	C	1
	Powerlooms (1x30)	15		Maseru	Lesotho	P	N	000 blankets	-	100	C	1
	Powerlooms (1x30)	16		Lilongwe	Malawi	?	N	$000m^2$	-	432	C	1
	Powerlooms (1x100)	17		Mhlengane	Swaziland	S	N	$000m^2$	-	2,160	C	1
	Powerlooms (1x20)	18			Tanzania	S	N	$000m^2$	-	3,900	C	1
	Powerlooms (1x20)	19		Various	Zambia	S	N	$000m^2$	-	3,900	C	1
1.2.3	Polyester yarn	20		Zambezia	Mozambique	S	N	t	-	2,500	C	3
	Polyester yarn	21			Tanzania	S	N	t	-	2,500	C	3
	Polyester fabric	22		Morogoro	Tanzania	S	U	t	100	650	A	3
								$M.m^2$	-	21		
	Polyester fabric	23		Kitwe	Zambia	S	U	$M.m^2$	26	31	C	3
	Polyester yarn	24		Harare	Zimbabwe	P	N	t	-	6,000	C	3
								t fibre	-	5,000		
	Polyester staple		5		Zambia		N	t yarn	-	5,000	C	
	Petrochemicals		6		Angola		N				C	
1.3	Wool scouring	25			Lesotho	S	N	t	-	2,000	C	1
	Wool spinning	26			Botswana	S	U	t		650	C	1
	Blankets	27			Zimbabwe	P	N	m	-	..7	A	2
	Hornbuttons		7		Botswana							
1.4.1	Textile chemicals (3)	28			Tanzania	S	N	t	-	1,250	C	1
	Textile chemicals (1)	29			Botswana	S	N	t	-	7,500	C	1
	Textile chemicals		8		Angola		N	t	-	1,000	C	
	Textile chemicals		9		Mozambique		N	t	-	14,000	C	
	Textile chemicals		10		Zambia		N	t	-	3,500	C	
	Textile chemicals		11		Zambia		N	t	-	2,000	C	
	Textile chemicals		12		Zimbabwe		N	t	-	1,000	C	

Table C-2 (cont).

Sub-sector	Project description	Project for: Implementation	Project for: Study	Location: Place	Location: Country	Promoter	Project type	Annual capacity (actual): Units	Annual capacity (actual): Present	Annual capacity (actual): Planned	Planning status	Size of total cost[1]
1.4.2	Pest/insecticides (4)		13		Angola		R/U	000t	6		C	
	Pest/insecticides (5)		14		Mozambique		R/U	000t	8		C	
	Pest/insecticides (3)		15		Tanzania		R/U	000t	20		C	
	Pest/insecticides (2)		16		Zimbabwe		R/U	000t	12		C	
	Pest/insecticides (3)		17		Zambia		R/U	000t	6		C	
	Pest/insecticides		18		Malawi		N	000t	-	5	C	
	Pest/insecticides		19		Swaziland		N	000t	-	5	C	
	Pest/insecticides		20		Zimbabwe		N	000t	-	5	C	
	Pest/insecticides		21		Tanzania		N	000t	-	3	C	
	Pest/insecticides		22		Zambia		N	000t	-	1.5	C	
1.5.1	Tractor assembly	30		Dar-es-Salaam	Tanzania	S	U	Units		1,500		1
	Tractor assembly	31		Matsapa	Swaziland	S	U	Units		1,000	A	1
	Tractor assembly	32			Zambia	S	N	Units	-	2,500	A	2
	Tractor assembly		23		General							
	Tractor components		24		General							
	Farm implements	33		Ndola	Zambia	P	U				A	1
	Special steels[1/]	34			Zimbabwe	P	U				C	3
1.5.2	Farm implements(1)	35			Botswana	S	N	t	-	700	C	1
	Farm implements(1)	36			Angola	S	N	t	-	3,000	C	1
	Farm implements(1)	37			Lesotho	S	N	t	-	700	A	1
	Farm implements(7)	38			Malawi	S	N	t	-	2,000	C	1
	Farm implements(10)	39			Tanzania	S	N	t	-	2,600	C	1
	Farm implements(8)	40			Zambia	S	N	t	-	1,750	C	1
	Farm implements(5)	41			Swaziland	S	N	t	-	1,250	C	1
	Blacksmiths	42			Botswana	S	N	t	-		C	1
	Blacksmiths	43			Lesotho	S	N	t	-		C	1
	Blacksmiths	44			Tanzania	S	N	t	-		C	1
	Equipment/testing facilities		25		General							
1.6	Fertilizers	45			Malawi	P	N	000t	-	87	A	4
	Fertilizers	46		Matola	Mozambique	S	R				A	3
	Fertilizers	47		Pande	Mozambique	S	N	000t	-	350	A	4
	Sulphuric acid	48			Zimbabwe	P	U	000t		[illegible]	A	3
	Fertilizers		26									

Table C-2 (Cont.)

Sub-sector	Project description	Project for: Implementation	Study	Location: Place	Country	Promoter	Project type	Annual capacity (actual): Units	Present	Planned	Planning status	Size of total cost[1]
1.7	Pulp/paper mill[3]	49		Mufindi	Tanzania	S	N	000t	-	60	B	4
	Paper mill	50			Zambia	S	N	000t	-	40	A	4
	Pulp/paper mill	51		Manica	Mozambique	S	N	000t	-	35	A	4
	Paper mills		27		Swaziland		N	000t	-	6.8	A	
			27		Angola		U	000t	-		A	
	Pulp/paper mill		28	Sofala	Mozambique		U	000t	-	60	A	
	Paper mill[3]		29	Nyanyani	Zimbabwe		U	000t	-	+11	A	
	Pulp/paper[3]	52		Mutare	Zimbabwe	P	U	000t	10	+2	A	
	Pulp/paper chemicals		30		General							
	Pulp/paper		31		General							
1.8	Cement	53		Matola, Dondo Nacala	Mozambique	S	R	000t	350	990	A	3
	Cement, asbestos	54		Dondo, Nacala	Mozambique		N				A	3
	rehabilitation		32		Malawi							
	alternative uses		33		Tanzania, Zambia General							
1.9	Subsector study		34		General							

Source: UNIDO, Industrial Co-operation Through the Southern African Development Co-ordination Conference, IS.570, 1985, P.328-331.

Table C-3. **SADCC industrial projects for implementation: status and funding, October 1984**

Subsector Ref.	No.	Investment cost: Total	Investment cost: Foreign	In preparation	Funding: Sought	Funding: Under negotiation	Funding: Offered/ disbursed	Funding: Committed/ secured	Funding: Total	Size
1.1	1	6.00	4.62			4.62				2
	2	7.40	2.66			2.66				2
	3	5.50	5.00			5.00				2
	4	2.00	1.00	1.00						1
	5	1.70	0.40			0.40				1
	6	8.30	5.50					5.50		2
	7	0.05	0.05			0.05				1
	8	0.05	0.05				0.05			1
Salt		31.5	19.3	1.00	-	12.7	0.05	5.50	18.3	
1.2.1	9	1.55	0.75					0.75		1
	10	3.10	2.50			2.50				1
	11	3.10	2.50			2.50				1
	12	5.60	3.60			3.60				2
	13	8.50	7.00				7.00			2
Knitting		21.9	16.4	-	-	8.60	7.00	0.75	16.4	
1.2.2	14	2.90	1.21			1.21				1
	15	3.29	1.41				1.41			1
	16	1.70	0.90				0.90			1
	17	1.14	0.60				0.60			1
	18	4.18	2.20				2.20			1
	19	3.50	2.00				2.00			
Powerloom		16.7	8.32	-	-	1.21	7.11	-	8.32	
1.2.3	20	12.0	9.00	9.00						3
	21	24.5	19.0		19.0[1]					3
	22	39.1	30.1		30.1[1]					3
	23	14.0	10.0		10.0[1]					3
	24	12.0	9.00			9.00				3
Polyester		101.6	77.1	9.00	59.1	9.00	-	-	68.1	
sub-total		140.2	101.8	9.00	59.1	18.8	14.1	0.75	92.8	

Table C-3 (Cont.)

Subsector Ref.		No.	Investment cost: Total	Investment cost: Foreign	In preparation	Funding: Sought	Funding: Under negotiation	Funding: Offered/ disbursed	Funding: Committed/ secured	Funding: Total	Size
1.3		25	2.90	0.75	0.75[2]						1
		26	0.90	0.75		0.65	0.10				1
		27	7.04	6.01			6.01				2
	Wool/mohair		10.8	7.51	0.75	0.65	6.11	-	-	6.76	
1.4		28	4.00	2.00		2.00					1
		29	3.00	1.50		1.50[3]					1
	Textile chemicals		7.00	3.50	-	3.50	-	-	-	3.50	
1.5.1		30	2.60	1.60		1.60					1
		31	0.31	0.30	0.30						1
		32	8.70	8.70			8.70				2
	Tractor assembly		11.6	10.6	0.30	1.60	8.70	-	-	10.3	
1.5.2		33	4.00	2.00			2.00				1
		34	12.4	5.10			5.10				3
		35	3.00	1.41		1.41					1
		36	3.65	1.21			1.21				1
		37	3.00	1.41		1.41					1
		38	3.00	1.41		1.41					1
		39	1.00	0.45			0.45				1
		40	1.00	0.45			0.45				1
		41	1.00	0.45			0.45				1
		42	0.02	0.01					0.01		1
		43	0.02	0.01					0.01		1
		44	0.02	0.01					0.01		1
	Farm implements		32.1	13.9	-	4.23	9.66	-	0.02	13.9	
	Sub-total		43.7	24.5	0.30	5.83	18.4	-	0.02	24.2	
1.6		45	132	109	109						4
		46	12.0	10.5			10.5				3
		47	198	176			176				4
		48	25.1	11.2			11.2				
	Fertilizers		367.1	306.7	109.0	-	197.2	-	-	197.2	

Table C-3. (Cont.)

Subsector Ref.		No.	Investment cost Total	Investment cost Foreign	In preparation	Funding: Sought	Funding: Under negotiation	Funding: Offered/ disbursed	Funding: Committed/ secured	Funding: Total	Size
1.7		49	187						187		4
		50	180	70							4
		51	156	126			126				4
		52	5.3	3.5			3.5				2
	Pulp/paper/ board		529.3	386.5	70.0	-	129.5	-	187.0	316.5	
1.8		53	25.0	21.2			21.2				3
		54	16.0	12.0		12.0					3
	Cement		41.0	33.2	-	12.0	21.2	-	-	33.2	
	TOTAL		1,170.0	882.9	190.1	80.4	404.0	14.2	193.3	[illegible]91.8	
	%		100	75							
				100	21.5	91.1	45.8	1.6	21.9	78.4	

Summary

		Investment cost Total	Investment cost Foreign	In preparation	Sought	Under negotiation	Offered/ disbursed	Committed/ secured	Total
1.1	Salt	31.5	19.3	1.00	-	12.7	0.05	5.50	18.0
1.2.1	Knitting	21.9	16.4	-	-	8.60	7.00	0.75	16.4
1.2.2	Powerloom	16.7	8.32	-	-	1.21	7.11	-	8.32
1.2.3	Polyester	101.6	77.1	9.00	59.1	9.00	-	-	68.1
1.2.4	Wool/mohair	10.8	7.51	0.75	0.65	6.11	-	-	6.76
1.4	Textile chemicals	7.00	3.50	-	3.50	-	-	-	3.50
1.5.1	Tractor assembly	11.6	10.6	0.30	1.60	8.70	-	-	10.3
1.5.2	Farm implements	32.1	13.9	-	4.23	9.66	-	0.02	13.9
1.6	Fertilizers	367.1	306.7	109.0	-	197.2	-	-	197.2
1.7	Pulp/paper	529.3	386.5	70.0	-	129.5	-	187.0	316.5
1.8	Cement	41.0	33.2	-	12.0	21.2	-	-	33.2

Source: UNIDO, Industrial Co-operation Through the Southern African Development Co-ordination Conference, IS.570, 1985, p.332-335.

Note:
1. Not indicated whether negotiations in progress.
2. Awaiting the results of trails.
3. "Offer received" according to ICD (July 1984).

Size of investment cost (total):
1. - $0 to 4.9m
2. - $5 to 9.9m
3. - $10 to 49.9m
4. - $50m and above.

Table C-4. Classification of SADCC industry planning categories by ISIC code, 1985 .

ISIC no.	ISIC category	Basic needs industry 1/	Priority project area 1/	Planning sub-sector 1/
31	Food, beverages, tobacco			
3111	Meat products	Food	9	-
3112	Dairy products	Food	-	2.5
3113	Fruit and vegetable processing	Food	2	-
3115	Oils and fats	Food	1	-
3116	Grain mill products	Food	-	2.5
3118	Sugar	Food	7	-
3121	Food n.e.c.	Food	8	1.1
32	Textiles and leather			
3211	Spinning, weaving and finishing	Clothing, Health	10, 11, 25	1.2, 1.3
3219	Textiles n.e.c.	Health	12	-
3220	Garments	Clothing	12	-
33	Wood and wood products			
3311	Sawmills	Housing	18	-
3320	Furniture and fixtures	Housing	18	-
34	Paper, printing and publishing			
3411	Pulp and paper	Education	32	1.7
3420	Printing and publishing	Education	33, 34	-
35	Chemicals			
3511	Basic chemicals	Basic industry	8, -	1.1, 2.7
3512	Fertilizers and pesticides	Food	3, 6	1.4, 1.6
3513	Synthetic resins, plastics, fibres	Housing	21	-
3521	Paints and varnishes	Housing	22	-
3522	Medicines	Health	23, 24	2.4
3523	Soap and cleaning preparations	Health	26	-
3560	Plastic products n.e.c.	Housing	21	-
36	Non-metallic products			
3610	Pottery, china, earthenware	Housing	17	-
3620	Glass and glass products	Housing	19	-
3691	Structural clay products	Housing	15, 16	-
3692	Cement	Housing	13	1.8
3699	Products n.e.c.	Housing, water/power	14, 27	-
37	Basic metal industries			
3710	Iron and steel	Water/power	27	-
38	Metal products, machinery, equpiment			
3811	Cutlery, handtools, general hardware	Food, housing	4, 20	1.5, -
3822	Agricultural machinery equipment	Food	5	2.2
3823	Metal and wood-working machinery	Basic industry	5	2.2
3824	Special industrial machinery	Basic industry		2.1
3831	Electrical industrial machinery	Water/power	28	1.9
3839	Electrical apparatus n.e.c.	Water/power	29	1.9
3842	Railway equipment	Transport	31	2.3
3843	Motor vehicles	Transport	30	-
3851	Professional & scientific equipment n.e.c	Education	35	-, 2.6
39	Other manufacturing industries			
3909	Manufacturing n.e.c.	Education	35	-

Source: Tables A5-1 and A5-2, of the abovementioned source.

Table C-5. SADCC industrial projects for implementation prospective donor countries, 1984

	Sub-sectors[1/]	Project No.	Foreign exchange cost (US$m)	Total (US$m)
Australia	1.1	1-6	19.2	19.2
India	1.1	7-8	0.1	
	1.2.1	9-13	16.4	
	1.2.2	14-19	8.3	
	1.2.3	20, 23	19.0	
	1.3	26	0.8	
	1.4	29	1.5	
	1.5.1	31	0.3	
	1.5.2	33, 35, 44	9.0	
	1.6	45	109.0	
	1.8	53-4	33.2	197.6
Brazil	1.8	54	12.0	12.0
Kenya	1.2.1	10	2.5	2.5
Japan	1.2.2	14-19	8.3	
	1.3	26	0.8	9.1
Portugal	1.1	1-2	7.3	
	1.5.2	33	2.0	
	1.6	46-7	186.5	195.8
Italy	1.1	6	5.5	
	1.4	28	2.0	
	1.8	53-4	33.2	40.7
France	1.2.3	24	9.0	
	1.6	45	109.0	118.0
Belgium	1.2.3	21.2	49.1	
	1.3	25	0.8	49.8
FRG	1.2.3	22	30.1	30.1
Austria	1.5.1	30	1.6	
	1.5.2	35-41	6.8	
	1.8	53-4	33.2	41.6
UK	1.6	46.7	186.5	186.5
Finland	1.5.1	30	1.6	
	1.7	50	70.0	71.6
Sweden	1.7	49	187.0	187.0
Yugoslavia	1.3	26-7	6.8	6.8
Eurobank	1.5.1	31	0.3	0.3
EEC	1.7	49	187.0	187.0

Note: The costs of projects in which more than one country is interested have been entered for each instance.

Source: UNIDO, Industrial Co-operation Through SADCC, IS.570, 1985, p.329-339.

Table C-6. <u>SADCC approved projects for Malawi, 1984</u>

Number	Title	Total Investment US$ Mln	Capacity	Foreign contribution sought
MLW/019/V/85-06	Sound reproducing and recording equipment and other equipment	0.3	Radios: 20,000/year Radio cassettes: 500/year Air conditioners: 100/year Calculators: 750/year Electric fans: 300/year Record players:400/year Loud speakers: 120/year Hi-Fi equipment: 30/year	Equity participation Loans Licence and know-how
MLW/023/V/86-06	Coal mining	0.6	Coal with ash content 15.5 - 17.1% Cal. value (MJ/kg) 27.6 - 28.5	Equity participation Loans
MLW/024/V/86-06	Vermiculite mining and processing	0.5	Upgraded vermiculite: 36,000 t/year	Equity participation Loans Licence and know-how Access to foreign markets
MLW/025/V/86-06	Rare earths extraction	1.4	Strontianite, barite, monazite, apelite	Equity participation Loans Licence and know-how Access to foreign markets
MLW/026/V/86-06	Cement bonded chipboard and prefabricated housing components	3.2	300,000 m^3/year (to manufacture 1,000 low-cost houses per year)	Equity participation Loans Licence and know-how Access to foreign markets
MLW/027/V/86-06	Pulp and paper	56.0	Bleached and unbleached paper: 15,000 t/year	Equity participation Loans Licence and know-how Foreign markets

Table C-6 (Cont.)

Number	Title	Total Invest-ment US$ Mln	Capacity	Foreign contribution sought
MLW/028/V/86-06	Manufacture of flexafoam	0.3	Foam blocks (72" x 72" x 15"): 40 foam blocks/8 hours	Loans Access to foreign markets
MLW/029/V/86-06	Rubber tyres	4.8	Tyres for bicycles, trucks and motor vehicles: 600 t/year	Equity participation Loans Licence and know-how Machinery
MLW/030/V/86-06	Manufacture of roofing nails (expansion)	0.2	Umbrella-head roofing nails: 300 t/year	Equity participation Loans Licence and know-how
MLW/031/V/86-06	Small hydroelectric plants	4.2	Electric power: installation of 500 kw and 200 kw generators	Loans Technical assistance

Source: UNIDO, Industrial Co-operation Through SADCC, IS.570, 1985, p.329-339.

ANNEX D

MANUFACTURING INDUSTRIES: THE OPERATIONAL AND LICENCED

Table D-1. **Manufacturing industries which are currently in operation, 1986**

	NAME OF INDUSTRY	PRODUCT(S)	ESTIMATED INITIAL TOTAL INVESTMENT (MALAWI KWACHA)	NO OF EMPLOYEES (ESTIMATED)
1.	David Whitehead & Sons	Weaving and Spinning of textiles	44,000,000	3523
2.	Fashion Creations	Clothing	40,000	63
3.	Fazlaine Clothing Manufacturing Ltd.	"	87,000	75
4.	Imperial Clothing Co. Ltd.	"	235,000	118
5.	Crown Fashions Ltd.	"	370,200	200
6.	Two Diamond Clothing Co.	"	131,654	83
7.	Press (Fashions) Ltd.	"	276,500	97
8.	Trinter Garments Ltd.	"	73,000	50
9.	Naffis Clothing Co. Ltd.	Knitted Garments	438,000	46
10.	Knitting & Sewing Products Ltd.	Knitting products, brails, Embroidery products, elastic ribbons, shoe laces	100,001	29
11.	* Dikani Manufacturing Co. Ltd.	Clothing	110,500	38
12.	Alif Tailoring Works	Clothing	53,844	84
13.	*Jubeck Uniform Centre	"	6,000	20
14.	Global Fashions	"	36,830	23
15.	Progress Industries	"	135,383	109
16.	Eaglewears Limited	"	110,000	6[illegible]
17.	*Radson Enterprises	"	14,027.40	16
18.	*Alopesine Fashions	"	6,800	8
19.	*O.S. Nkwimba	"	22,907	8
20.	Press & Shire Clothing	Clothing, raincoats	247,120	350
21.	Imperial Clothing	"	[illegible]	[illegible]
22.	Zak Fashions Ltd.	"	182,000	2,1
23.	Imtex Knitweave	Knitted Garments	182,00	21
24.	Regal Knitwear	" "	301,000	125
25.	Metro Garments	Clothing	754,467	21
26.	Alphar Footwear Industries	Footwear	127,000	46
27.	*Gap Shoe Company Ltd.	"	86,743	10
28.	Shore Rubber Ltd.	Plastic Shoes, Polythene bags Plastic Containers, Combs and other Plastic items. Rubber goods etc.	139,000	17
29.	Bata Shoe Co. Ltd.	Footwear	3,080,682	414
30.	*Madona Bakery	Bakery products	155,000	40
31.	*Riverside Bakery	" "	55,000	9
32.	*Mkulumadzi Farm Bakeries Ltd.	Bakery products confectionery	387,500	103
33.	*Lakeshore Bakery	Bakery products	25,000	16
34.	Wonder Bakeries Limited	Bakery products	195,000	45

Table D-1 (Cont.)

	Name of Industry	Product(s)	Est Initial Total Investment (Malawi Kwacha)	No. of Employees (Estimated)
35.	Golden Bakery	Bakery products	120,000	33
36.	Mini Bakery	" "	90,000	16
37.	Namadzi Bakery	" "	60,000	41
38.	Thondwe Bakery	" "	26,000	25
39.	mThyolo Bakery	" "	130,000	29
40.	Capital Bakery	" "	900,000	5
41.	mKabuzi Bakery	" "	78,450	18
42.	Limbe Bakery	" "	84,000	30
43.	Universal Industries	Bakery products, confectionery Crisps	1,600,000	179
44.	Press Bakeries Ltd.	Bakery products and confectionery	1,960,000	226
45.	Mulanje Bakery	Bakery products	362	31
46.	Portuguese Bakery	" "	207,000	30
47.	Makandi Estates Limited	Coffee beans and Tea	5,270,000	7695
48.	Satemwa Tea Estates Ltd.	Coffee and Tea	5,483,358	4118
49.	Tea Blenders & Packers	Tea Blending and Packing	150,000	43
50.	Malawi Tea Factory Co.	Tea	1,340,193	209
51.	Njuli Coffee Estate (PVT) Ltd.	Coffee	289,000	318
52.	mLitesco Limited	Tea	50,400	20
53.	Ruo Estates Ltd.	Tea and Coffee	8,040,000	3000
54.	Naming'omba Tea Estates	Tea, Coffee, Timber, Drums, Tung Oil, Macadamia Nuts	107,293	20
55.	Chombe Tea Estates	Tea	244,765	680
56.	Chitakali Tea Estates Ltd.	Tea	1,165,761	877
57.	Chisambo Tea Estates Ltd.	Tea	6,000,000	3470
58.	Gotha Tea Estates Ltd.	Tea	662,208	1399
59.	British African Tea Estates	Tea	1,701,800	1988
60.	Van Rees Limited	Blending Tea	60,000	6
61.	Small Holder Coffee Authority	Coffee	1,899,093	476
62.	Nchima Tea & Tung Estates	Tea and Tung Oil	5,040,000	208
63.	Knitwear Industries Ltd.	Knitted garments	380,400	78
64.	Bandanga Estates Ltd.	Tea and Coffee	2,368,430	1515
65.	I. Conforzi Ltd.	Tea and Coffee	5,300,200	4037
66.	Sayama Tea Estates	" " "	2,300,000	2805
67.	Lujeri Tea Estates	Coffee and Tea	2,500,000	4950
68.	Blantyre East Africa Ltd.	Tea	611,000	141
69.	Zoa Tea Estates	Tea	368,700	486
70.	Nchima Tea Estates	Tea	5,040,000	208
71.	Universal Agencies Ltd.	Grain Mill products	53,690	64
72.	National Oil Industries Ltd.	Rice Milling, Cotton Seed , Oil expression	2,999,000	167

Table D-1 (Cont.)

	Name of Industry	Product(s)	ESTIMATED INITIAL Total Investment (Malawi Kwacha)	No. of Employees (Estimated)
73.	Cold Storage Co. Ltd.	Meat and Meat Products, Ice, Hides and Skins	1,090,000	153
74.	Nab Processors Ltd.	Dhall, Spices, Dried Fruit	1,044,500	111
75.	Grain & Milling Co. Ltd.	Maize flour, wheat flour and Animal feed	5,618,300	296
76.	*Mhango and Sons Ltd.	Dhall	60,000	76
77.	M.M. Millers	Wheat and Maize flour	1,062,200	90
78.	Admarc Canning Factory	Canned fruit, fruit juices and vegetables	398,800	283
79.	Gulabu Khan	Chutney	13,200	7
80.	*Mrs. Nyandovi Narr	Country Wine	14,370	4
81.	*Alfred Chamers	Salt	20,600	15
82.	*C to C Salt Company	Salt	1,880	13
83.	*Chiwogoro Apiaries	Honey bee wax, propolis	60,000	10
84.	Southern Bottlers	Aerated soft drinks	14,723,000	508
85.	Rue Admarc Estate	Unrefined and ungranulated sugar (jaggery)	139,330	48
86.	Mapanga Sweet Factory	Sweets and Popcorn	34,000	27
87.	Chibuku Products Ltd.	Opaque Beer	4,400,000	234
88.	Malawi Distilleries Ltd.	Alcoholic Beverages fruit juices	849,092	47
89.	Sugar Corporation of Malawi	Sugar	31,000,000	6,500
90.	Dwangwa Sugar Corporation	Sugar	39,000,000	4872
91.	S & K Steel Furniture	Wooden & Steel Furniture	201,862	132
92.	Press Furniture & Joinery	Wooden Furniture	594,000	264
93.	Capital Furniture	Wooden & Steel Furniture	48,586	23
94.	B & C Metal Products	Window Frames, Hospital furniture, metal products	560,000	82
95.	Sunder Furniture	Wooden furniture	105,900	15
96.	Mapanga Bed & Furniture Factory	Wooden furniture and fixtures	10,093	3
97.	Lusitania Ltd.	Construction, joinery products flush and batten doors	14,000	35
98.	Gaylords	Furniture	50,000	22
99.	Wudatil Furniture (PVT) Limited	Wooden and Steel furniture	203,800	66
100.	Cusmarcos Inv. Ltd.	Joinery products	58,500	39
101.	Norse International Ltd.	Precast and Reinforced products	5,000	158
102.	Kaia Construction Company	Doors, windows, furniture	155,000	223
103.	Shire Construction Co. Ltd.	Joinery and Concrete products	599,912	395
104.	Valmore Paints (MW)(Pvt)Ltd.	Paints, varnishes, polishes, inks, nail and related products	516,000	89
105.	Dulux Limited	Paints, varnishes	102,000	25
106.	Ceramic Co. Ltd.	Cooler blocks, tiles, brick and screen blocks	210,000	82
107.	Concrete and Clay Products	Structural and clay products	47,000	56
108.	Concrete Products (Pvt)Ltd.	Structural clay products	170,107	32

Table D-1 (Cont.)

	Name of Industry	Product(s)	Total Investment (Malawi Kwacha)	No of Employees (Estimated)
109.	Portland Cement Company	Cement	13,200,000-00	1262
110.	*Lime Industries	Lime	60,000	15
111.	*Mapyepye Lime Manufacturing	Lime	57,000	20
112.	*Mamdeni Lime Works	Lime	8,932	20
113.	*Balaka Lime Works	Lime	14,000	50
114.	*Steel Craft Engineering Ltd.	Steel furniture, burglar bars, maize mills, farm carts	10,500	6
115.	*Union Welding	Burglar bars steel tables, chairs	205,900	22
116.	*Capital Steel Works	General Welding Works	3,500	13
117.	Malawi Iron & Steel Corp. Ltd.	Grey & Malleable castings ferons and non ferous iron	942,200	97
118.	*Mussiwale Steel Works	Steel beds, furniture doors, windows, burglar bars	64,000	16
119.	A.A. Winders	Welding machines, Transformers	N/A	N/A
120.	*General Welding Shop	Hoes, axes, steel beds chairs	49,000	18
121.	Industrial Steel Engineering	Steel fabrication, fencing, vehicle tanks	119,551	41
122.	Lever Brothers Ltd.	Soaps, detergents, cooking oil etc.	5,300,000	451
123.	Blantyre Printing & Publishing Co.Ltd.	Packaging	7,800,000	433
124.	Arglo African Industries	Fabrication steel products, furniture beds etc.	100,500	24
125.	Steel Fabrication Industries	Vehicle bodies bowsers, trailes Cabinets wheel barrows	161,900	108
126.	Mandala Building & Construction	Vehicle bodies, trailers, tobacco pines trunking switchboards, fuse boxes	531,181	51
127.	Agrimal (M) Ltd.	Agricultural Implements	1,594,200	95
128.	Press Steel & Wire Ltd.	Barbed wire, diamond mesh, weld mesh, brick tore, bedding chairs, hooks	2,400,000	225
129.	Malawi Railways Ltd.	Metal stamping, containers, transport containers forging and foundry	79,000,000	1291
130.	Encor Products	Galvanized hardware, tin plate, wheel barrows, enumerated aluminium hullware	1,405,043	454
131.	Brown & Clapperton	Metal Products	N/A	N/A
132.	Press Steel Industries	Corrugated iron sheets,IBR sheets, gutters	1,349,100	52
133.	Hydrotex Ltd.	Battery cages,waste paper baskets, filling tray	16,000	20
134.	General Tinsmiths	Metal containers, wire nails	138,200	69
135.	Steel Supplies	Boxed finted sheets, cutting and bending steel bars	854,100	67
136.	Maltraco Ltd.	Assemble earthmoving equipment	5,105,000	75
137.	Steel Mining & Engineering	Railway Equipment	129,500	15
138.	Lilongwe Sheet Metal Ltd.	Various metal and sheet metal products	164,930	52
139.	PEW Limited	Trailler, water bowsers, tanks, vehicle bodies, steel structures	1,258,000	237
140.	*Mzota Steel Works	Water tanks, gutters, burglar bars, steel chairs, beds, poles, general welding	1,300	7
141.	*Blantyre Welding Co.	Steel beds, gates, burglar bars	5,000	6
142.	Exhaust and Silencers Ltd.	Exhaust pipes & Silencers	160,000	29
143.	Engineering and Foundry Co.	General foundry work and precision engineering	15,000	33
144.	Radiators Ltd.	Radiators, heat exchangers, air coolers, air heaters	90,000	9
145.	Malamulo Publishing House	Printing	179,100	28
146.	Kris Offset Printers	"	87,000	16
147.	Capital Printing Press	"	68,000	7

Table D-1 (Cont.)

	Name of Industry	Product(s)	Est. initial Total Investment (Malawi Kwacha)	No of Employees (Estimated)
148.	Petroleum Services Ltd.	Water tanks, Truck and Car springs, Agricultural trailers	770,000	215
149.	*Hyde Park Printers	Printing	10,000	4
150.	*Ndirande Printing & Publishing House	Printing and Rubber Stamps making	9,000	8
151.	*Century Printers & Stationery Supplies	Printing and Stationery Supplies	32,000	15
152.	*Express Printers Limited	Printing	277,400	19
153.	Likuni Press	"	233,000	61
154.	Montfort Press	"	1,529,900	128
155.	Assemblies of God Press	"	302,343	25
156.	Hetherwick Press	"	680,200	37
157.	*Ramco Printing Works	Printing, envelopes, exercise books	30,000	25
158.	Tobacco Processors (M) Ltd.	Tobacco processing	3,370,000	1416
159.	Limbe Leaf Tobacco Co.	" "	18,400,000	317
160.	BAT (Malawi) Limited	Cigarrettes	3,514,000	193
161.	Lytton Tobacco Co.	Tobacco processing	1,298,000	247
162.	Stancom Tobacco Packers	" "	9,155,000	297
163.	Mid Africa Hardwoods	Mosaic Panacenet flooring, blockwood	5,000	10
164.	The Match Co. (M) Ltd.	Safety Matches	757,582	87
165.	*Chaguchula Sawmill	Sawmilling	60,000	33
166.	Gange Craft Ltd.	Woodblocks, slabs, woodware	70,000	25
167.	*Zeko Curious	Curious, Game trophies. Ivory carvings	13,200	10
168.	PG Industries Ltd.	Cut and Plane Timber, Glass and cut glass assembling	854,200	73
169.	Hwang and Co. Ltd.	Wood screws, Bolts, nuts, ceiling boards	350,625	43
170.	*Chigumula Timber Yard	Sawmilling	49,000	15
171.	Safari Curious	Wooden curious	45,000	170
172.	*Time and Place Timber Sawmill	Sawmilling	20,250	10
173.	*Sawmilling Industry	"	26,000	5
174.	Viphya Plywood and Allied Industries	Wood moulding Tea chests	30,550,000	597
175.	Lakeland Wood works	Wood products	138,000	16
176.	*Glass Reinforced Products	Fibre Glass products	17,350	30
177.	Robrary Limited	Foam Mattress Pillows	135,000	5
178.	Pipe Extruders Limited	PVC Pipes	178,000	15
179.	Plastic Products Ltd.	Plastic products	1,108,094	136
180.	Enterprise Containers Ltd.	" Containers	55,000	7
181.	Shore Rubber Ltd.	Rubber and Plastic Products	176,000	25
182.	Plastic Industries	Plastic Industries	588,495	69
183.	Lamona Cosmetics	Toilet Preparations, Polishes, Inks, Candles	102,200	24
184.	Industrial Gases Ltd.	Industrial and Medical gases	2,755,994	84
185.	Shell Chemicals	Liquid and Dist Pesticides	998,900	30
186.	Nicholas Kiwi (M) Ltd.	Cosmetics, Toiletries, Skin Creams	200,900	45
187.	Chesebrough Ponds Int.	Cosmetics, Toiletries	763,000	84
188.	Sterling Products Int.	Cosmetics, Pharmaceuticals	773,439	95

Table D-1 (Cont.)

	Name of Industry	Product(s)	EST. INITIAL Total Investment (Malawi Kwacha)	No of Employees (Estimated)
190.	Leather & Luggage Manufacture Ltd.	Baggage items	100,000	80
191.	Bag and Baggage Co.	" "	240,000	25
192.	Coppercraft Manufacturers Ltd.	Ornamental Copperware	15,000	20
193.	Tyresoles Ltd.	Tyre retreading	644,600	47
194.	Nutread Ltd.	" "	143,600	45
195.	Sorex Ltd.	Radios	33,500	11
196.	Advanx Ltd.	Tyre retreading	127,000	80
197.	Speedy's Watch Manufacturers	Wrist Watches	53,000	12
198.	Venetian Blind Specialists	Tarpaulins, Venetian blinds	109,118	92
199.	Agason Motors Ltd.	Tarpaulins	725,000	57
200.	A.C. Opticals	Spectacle Lenses	33,000	3
201.	"	Sunglasses	20,000	3
202.	Magalasi Opticals Ltd.	Spectacles	25,000	5
203.	Chloride Batteries	Automotive Batteries	476,600	33
204.	Ethanol Co. Ltd.	Fuel Ethanol	8,600,000	95
205.	Consolidated Textiles Ltd.	Blankets	385,527	239
206.	Zomba Fishing Flies	Fishing flies	114,300	168
207.	Radiators Ltd.	Radiators	90,500	9
208.	Alda (M) Ltd.	Knapsack sprayers, Alluminium window and door frames	90,000	11
209.	Packing Industries Ltd.	Packing materials	2,368,000	249
210.	Blantyre Netting Co. Ltd.	Nets and twines, sacks	3,249,081	333
211.	Optichem	Fertilizer processing	2,316,200	164

Source: Government of Malawi.

Table D-2. Industries licenced but not yet operational, 1986

	NAME	PRODUCTS	ESTIMATED CAPITAL INVESTMENT(MK)	PROPOSED NUMBER OF EMPLOYEES
1.	Felix Zalimba (Label Industries)	Clothe Labels, Printed promotional items	15,000	8
2.	Phunzirani Products	Chalks	47,000	5
3.	Wego Pencils Ltd.	Lead Pencils	452,960	20
4.	Polypack Ltd.	High density polythelene bags, Sheeting, Containers and cups, PVC Hose pipes and conduits and trays.	660,000	73
5.	Elastic Products	Elastics	86,000	12
6.	Atlas Chemicals	Mosquito coils	462,000	36
7.	Advertising Services Ltd.	Advertising gifts and Marketing ads.	41,300	10
8.	Nicholas Kiwi (MW) Ltd.	Shoe and Floor Polish	400,000	60
9.	Kalico Ltd.	Sewing Thread, Elastic Laces, Elastic thread.	221,000	25
10.	Speedwell Industries	Cotton & Polyester threads, cotton embroidery threads, elastic braids, and Webbing, decorative braids and fancy lacing and yarns.	121,000	19
11.	Mrs. J.V. Patel	Elastics	340,000	20
12.	Mr. R. Matikanya	Wetblue hides and Leather	100,000	20

Table D-2 (Cont.)

	Name	Products	Estimated Capital Investment(MK)	Proposed Number of Employees
13.	Transglobe Produce Exports	Dhall, Spices, Pulses, Flour Curry Powder, Chillie Powder	345,000	70
14.	Cumberland Knitwear	Vests, Briefs, Bedsheets, Brassiers	455,000	40
15.	Education Material Supplies	Chalk	10,000	7
16.	Nkulumadzi Bottlers Ltd.	Pepsi Cola, Mirinda and Bar Requisite	7,000,000	58
17.	Faroz Mussa	Bakery Products	330,000	40
18.	Steplite Shoe Manufacturers	Footwear and Belts	162,000	29
19.	A.S. Ismail	Bolts and Nuts	143,712	25
20.	Audio Tronics	Sound reproducers, Radio receivers	100,000	29
21.	Duke Products Limited	Footwear	252,000	55
22.	Gaffar Ismail (Joyleaf Processing Co.Ltd.)	Cigarrettes, Cigars, Pipe Tobacco	350,000	42
23.	Encor Products	Tin Cans	100,000	14
24.	P.E. Kapakasa	Air conditioners, Metal products, Light Fittings	22,000	6
25.	Z.A.R. Mukadam	Steel pipes, Cold Formed Angles	750,000	18

Table D-2 (Cont.)

	Name	Products	Estimated Capital Investment(MK)	Proposed Number of Employees
26.	Gestetner	Machine Rolls	15,000	2
27.	Enterprise Containers	Toothbrushes	55,000	7
28.	Chao-Hsiung	Radios, Cassette Players, Sterio Sets, Heaters, Irons.	210,000	37
29.	Trust Industries	Foam Mattresses and Pillows	497,000	60
30.	Mebco Steel Works	Wire Nails, Nuts and Bolts		
31.	Wolfgang Welner	Brassware and Irrigation Equipment	60,000	16
32.	H.V. Patel	Ceramic cups, Saucers	373,000	29
33.	M. Manchichi	Kitchen Detergent	10,000	4
34.	H.I. Malenga	Bricks, Floor and Roofing tiles	143,000	20
35.	Sherkhal Investments Ltd.	Puff Products	166,000	12
36.	A.S. Kali	Laboratory and general use glass	100,000	13
37.	Reis Garage and Engineering	Maize mills, Ploughs, Hullers	47,000	30
38.	Aluminium Industries	Aluminium Frames, Sliding doors and windows	174,000	10
39.	Din Ker Kotecha	Ladies undergarments	230,000	31

Table D-2 (Cont.)

	Name	Products	Estimated Capital Investment(MK)	Proposed Number of Employees
40.	Kassam Ukhai	Cassette Players & Radios	300,000	70
41.	RAB Lighting	Electric Bulbs	217,000	21
42.	Vinod Lakhani (Prudent Industrial Enterprises Ltd.)	Sandals, Melamine Tableware	500,000	25
43.	Abdul M. Gani	Toothbrushes, Hair brushes	160,000	10
44.	A.G.A.K. Jakhura (Rab Providers)	Popcorn	115,000	19
45.	N. Mahomed (Naz Syrups)	Syrups	205,000	19
46.	J.J. De Souza	Fibreglass	25,000	11
48.	Genkem	Adhesives, Inks, Polishes	64,000	16
49.	Valimamade Mussa	Blankets	535,000	130
50.	Abdul Gaffar Ibrahim	Clothing	205,000	86
51.	M.M. Mussa	Sewing threads, Elastic Ric-Rac Braids and Zippers	250,000	20
52.	Manufacturing Industries	Bedsheets, Handkerchiefs	10,000	3

Table D-2 (Cont.)

	Name	Products	Estimated Capital Investment(MK)	Proposed Number of Employees
53.	Ismail Panjwani	Tarpaulins, Rain coats	61,000	10
54.	Vasco Industries	Locks and Keys, Knives, Scissors, Razor Blades, Cutlery, Safety pins	104,000	50
55.	A.S.Y. Bhana	Sewing threads, Buttons	315,000	49
56.	Paget Limited	PVC Rigid pipes	330,000	19
57.	Halima Sidik	Batteries	535,000	28
58.	Chemical Manufacturers	Chemicals, Boiler chemicals	110,000	16
59.	Sidik Jakhura (Igloo Icecream Man. Ltd.)	Ice cream	280,000	22
60.	Nicholas Laboratories	Pharmaceuticals	140,000	40
61.	Heliflex Manufacturing	Helvly pipes	350,000	30
62.	P.E. Phiri (African Fabrics & Garments)	Hides and Skin products	7,000	5
63.	Lewisham Nail Manufacturers	Roofing Nails	35,000	7
64.	Communication Systems Ltd.	Cassette and Video Tapes	100,000	5
65.	Pharma-Chermie	Pharmaceuticol and Toilet preparations	150,000	20
66.	Shabera Industries	Sanitary Napkins and Towels	125,000	3

Table D-2 (Cont.)

	Name	Product	Estimated Capital Investment(MK)	Proposed Number of Employees
67.	H. Jonga (Hawijo Oil Mills)	Edible Oils	45,000	4
68.	A. Abdulla	Door and Window Frames	250,000	29
69.	Instrumentation Systems Ltd.	Solar Heaters		
70.	Knitwear Manufacturers	Knitting Yarn	66,000	20
71.	Metals and Chemicals Ltd.	Copper Chloride	25,000	7
72.	A.G. Omar	Soaps, Detergents etc.	710,000	74
73.	K. Socks Industries	Socks and Ladies Hosiery	185,000	22
74.	Capital Oil Refining Industries	Edible Oils	260,000	41
75.	J.O. Giga	Wire Nails, Roofing Nails, Bolts and Nuts	75,000	12
76.	V.T. Thakrar	Switchboards, Electrical Appliances, Light Fitting, Plunkings, Panel	166,000	25
77.	Kaschem Products	Soap, Detergents	176,000	20
78.	Harry's Tyre	Motor Vehicle Tyres and Tubes	420,000	67
79.	Enterprising Produce Mills	Groundnut Flour, Maize Grits and and Pulses Flour	66,460	30
80.	Kutengenji Ngolo Zebra	Oxcarts	40,000	10

Table D-2 (Cont.)

	Name	Products	Estimated Capital Investment(MK)	Proposed Number of Employees
81.	Cotman Industries	Cotton and polyster threads, elastic Braids	250,000	29
82.	Dami Electrics	Hi-Fi System, Amplifiers, Turn Tables, Speakers	5,000	4
83.	Multiplastics Ltd.	Electrical cables	620,000	14
84.	A.H. Patel	Edible Oils	310,000	39
85.	Abdulla & Sons	Hessian Cloth	345,000	25
86.	O.H. Jagot	Clothing	100,000	40
87.	Osman Ahmed Karim	Biscuits, Potato crisps, Sweets	500,000	69
88.	Cotton Tex Ltd.	Surgical cottonwool, Bandages, Sanitary Towels, Brassiers	845,000	30
89.	Haji Shakur	Roofing Nails and Wire Nails	350,000	25
90.	Asib Gaffar (Robbialec Paints)	Automotive and general purpose paints	305,000	26
91.	B.J. Macadam	Air cleaners, Rainhoods, Stack pipes	10,575	5
92.	Patel & Jevant	Flour		
93.	Chen Ta-Chuang	Chalk, Crayons, Ink, Transformers, Fuses, Heaters, Fan Motors, Circuit Breakers, Wires and Cables	425,000	48
94.	R.G. Magombo	Diesel Oil	33,890	8

Table D-2 (Cont.)

	Name	Products	Estimated Capital Investment(MK)	Proposed Number of Employees
95.	B.D. Patel	Furniture	35,000	20
96.	A. Nurmahomed	Crisps, Sweets, Corn Puffs and Curls	110,000	59
97.	Amina Ismail	Bricks, Tiles, Concrete products	225,000	27
98.	Harum Rashid Daud	Footwear, Handbags, Baggage goods, Sporting goods	279,000	69
99.	Power Products	Automotive Lead Acid Accumulators	175,000	27
100.	Eagle Industries Ltd.	Electrical Insulated Cables	475,000	37
101.	Njati Cycles	Bicycles	160,000	28
102.	Ewing Enterprises	Footwear, PVC Handbags	305,000	55
103.	A.H. Sidik	Tyres and Tubes	600,000	96
104.	Marine Containers	Aluminium Tanks, Containers	700,000	30
105.	Rafik Jagot (Dairy Milk Icecream Insutries)	Ice Cream	109,000	15
106.	Mahomed Mitha	PVC Tapes	94,500	15
107.	Mrs. Salma Aziz	Brushware	149,000	40
108.	Aniz Gaffar	Leather and PVC Luggage	200,000	35
109.	P.H. Patel (Yeast Manufacturers Ltd.)	Yeast and Baking powder	500,000	20

Table D-2 (Cont.)

	Name	Products	Estimated Capital Investment(MK)	Proposed Number of Employees
110.	O.C. Sibale	Sodium Silicate	70,000	60
111.	Progress Industries Ltd.	Blankets	500,000	50
112.	Regal Knitwear	Knitted Garments	301,000	125
113.	Mahomed Kassam	Foam Mattress, Pillows	210,000	26
114.	Abdulla Wahid Umar	Shoe Polish	66,000	28
115.	Bharat Trading	Dhall, Spices	172,000	20
116.	Pagat Limited	Wrist Watches	21,450	6
117.	B & S Machvent(MW) Branch	Extension Ladders	13,000	3
118.	Liwonde Tannery	Leather	600,000	50
119.	J.S. Demetrio (SAFARI TANNERY)	Leather	300,000	62
120.	Mthunzi Company Ltd.	Shoe Laces	300,000	6
121.	Viphya Allied Industries	Blockboards, Plywood, Timber, Wood Moulding, Tea chests.	30,550,000	597

Source: Government of Malawi.

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