

# E – BRIEFING 6

## National Action Group Forum

13<sup>th</sup> October 2004

### National Economic Empowerment Policy

This NAG Forum e-briefing on the National Economic Empowerment Policy and Action Programme is intended to summarize the Policy and to stimulate discussion on the part of the business community.

#### Background

The draft National Economic Empowerment Policy and Strategy (NEEPS) sets out how Government (GoM) will address the complex issue of economic empowerment of Malawians. Part 1 includes the situation analysis and policy statements. Part 2 is an action programme, comprised of actions to implement each of the policies listed in Part 1. The total budget for the NEEPS would be MK 2,316 million. Part 3 is an analysis of previous empowerment initiatives in Malawi, and an analysis of other initiatives in the region to see what can be learnt from their relative successes and failures.

The NEEPS is still in draft and will be discussed by GoM in the near future. Feedback from stakeholders is welcomed (to [nag@globemw.net](mailto:nag@globemw.net) and [epd@malawi.net](mailto:epd@malawi.net)). The full document or Parts 1-3 separately is available from the above sources.

The remainder of this briefing quotes from part 1 of the document. In the case of policies that have action plans, the total cost of implementing the plan (from Part 2 of the Strategy) is indicated.

#### Definitions and targets

Economic empowerment is defined as: "Improving the livelihood of Malawians through increased access to economic factors of production, and various facilities that enhance the potential for engaging in businesses and other income generating activities. These activities may be in the form of wage employment or business ventures".

"The following economic empowerment policy objectives will govern the initiative:

- To promote the socio-economic transformation of the poor in Malawi for meaningful participation in the economy;
- To facilitate the acquisition, management and control of productive assets by the citizens of Malawi;
- To increase the ownership and control of new and existing enterprises by Malawians;
- To increase access to land and infrastructure and the transfer of skills to the poor especially women, disabled and the youth in Malawi;
- To improve access to finance for the poor and other entrepreneurs in Malawi;
- To facilitate the transfer of technology to the economically disempowered;
- To develop and grow an affluent middleclass in Malawi;
- To build the capacity of Malawians to own and manage their own enterprises and their ability to make their own decisions and choices; and
- To effectively liaise with the relevant institutions in addressing the HIV/AIDS pandemic.

The policy targets all those **indigenous** [emphasis in original document] Malawians who at the moment face constraints to the realisation of their full potential to participate and to excel in business ventures. They may want to participate in a micro, small, medium or large-scale business venture, but are facing various constraints, or may already be operating businesses. The development of enterprises, their growth and survival is key to empowering Malawians on a sustainable basis."

#### Establishing a Regulatory Framework for Economic Empowerment (MK 550 million)

"The Government shall facilitate:

- The development of a National Economic Empowerment Act that will provide a legislative framework upon which all the empowerment initiatives in the country will be based. Among the various issues, the act will have following provisions:

- The creation of the National Economic Empowerment Commission (NEEC) that will be responsible for coordinating empowerment activities;
- The establishment of transformation sector charters. The Sector Charters will clearly detail the role the various sectors will play in empowering Malawians, and how the resources will be mobilised from among the signatories to the charters; and
- The establishment of a National Economic Empowerment Fund (NEEF). The main responsibility of the NEEF will be the mobilization of wholesale funds that will be made available to private sector institutions for retail lending to the target beneficiaries.

The amendment of existing laws in order to create a conducive environment for the implementation of the economic empowerment policy.

### **Establishing an Institutional Framework for Economic Empowerment (MK 1,300 million)**

“Government shall:

- Establish through an Act of Parliament, an autonomous and independent institution that will have overall responsibility for the operationalization of the economic empowerment policy. The institution shall be known as the National Economic Empowerment Commission (NEEC). Although the NEEC will be autonomous, its work will fall under the MEPD. The institution will among other things be responsible for the following:
  - Proposing changes to various types of legislation for the effective delivery of economic empowerment initiatives;
  - Mobilizing resources for economic empowerment;
  - Reviewing the framework for the provision of enterprise development services e.g. training and financing, in response to changing circumstances;
  - Facilitating the development of sector charters for economic empowerment;
  - Commissioning and conducting research;
  - Developing innovative ways of creating business opportunities e.g. identifying those services which the government needs to start outsourcing;
  - Developing business ideas as well as importing business ideas from abroad and then disseminating such ideas to the public so that those interested could consider developing such ideas into real business ventures;
  - Undertaking Information, Education and Communication (IEC) activities. This could include educating the general public on the various empowerment schemes available;
  - Exploring ways of fostering business linkages;
  - Reviewing the economic empowerment policy;
  - Proposing changes to Malawi’s education curricula in order to inculcate an entrepreneurial culture amongst Malawians; and
  - Monitoring and evaluation of economic empowerment initiatives.
- Ensure that there is funding for the operations of the NEEC Board and Secretariat.”

### **Access to Financial Services and Capital (MK 178 million)**

Note that this policy statement is sub-divided into general policies, and policies on “tacking high default rates” and “creation of favourable loan conditions.”

“Government shall facilitate:

- The promotion of a savings culture amongst Malawians by embarking on a savings campaign to be coordinated by the NEEC;
- The introduction of mandatory contributions to the pension scheme amongst civil servants;
- The relaxation of rules governing deposit taking by financial institutions;
- Through the NEEC, the formation of a financial sector charter that would among other things, commit financial institutions to allocate more funds to economic empowerment initiatives;
- The establishment of an autonomous National Economic Empowerment Fund (NEEF) that will be used to mobilise funds in order to complement the resources mobilized by financial institutions themselves; and
- The establishment of an apex institution that will be charged with the responsibility of mobilizing funds from various sources, which can be lent to credit providers.”

### ***Access to Financial Services and Capital: Tackling High Default Rates***

“Government shall facilitate:

- The establishment of a Credit Reference Bureau in order to keep track of borrowers;
- The introduction National Identity Cards;
- The promotion of adherence to international best practices in micro-finance;
- Through the Training Unit of the NEEC, the enhancement of the capacity of micro-finance institutions to monitor and supervise their clients;
- Through the Training Unit of the NEEC, that all those who borrow for business purposes receive proper training and business advisory services once their businesses are operational;
- The introduction of legislation that will provide for the punishment of those who deliberately default on loans and give incentives to those that do repay;
- Through a unit/department in the NEEC, the sensitisation and encouragement of financial institutions to design tiered loan packages which provide incentives to borrowers who are faithful in loan repayment; and
- The enhancement of the capacity of courts to handle business cases. Government will also explore the possibility of introducing special courts to handle business disputes, similar to the industrial relations courts.

### ***Access to Financial Services and Capital: Creation of Favourable Loan Conditions***

“Government shall:

- Reduce borrowing on the domestic market in order to reduce interest rates and ensure that they remain low;
- Commit itself to ensuring that loans are not subsidized since this creates the misconception that loans are free and not supposed to be paid back;
- Create incentives to borrowers to pay back loans;
- Commit itself to tackling the problem of high delinquency rates. This is because Government recognises that some of what the borrowers consider to be unfavourable loan conditions are due to the fact that borrowers themselves have not been faithful in repaying loans; and
- Through a unit/department in the NEEC, help finance institutions in designing differentiated financial products that suit the conditions and needs of various potential borrowers.”

### **Access To Land (MK 15 million)**

“Government shall:

- Redistribute land equitably as outlined in the Land policy;
- Implement a programme of land titling; and
- Introduce reforms in the way land is allocated in cities so that all unnecessary delays in the processing of land applications are removed. Also, under the reforms, Malawians needing land for commercial purposes will be given preference.”

### **Access To Science And Technology (MK 40 million)**

“Government shall facilitate:

- The strengthening of the capacity of technology development centres;
- The promotion of a culture of innovation;
- The increase of the range of technologies available by enhancing Research & Development;
- The establishment of business information bureaus, with state of the art Information and Communication Technology (ICT), in various parts of the country;
- The increase in awareness of the various types of technologies available and their potential benefits;
- The promotion of the development of loan packages that are aimed at increasing access to technology; and
- The promotion of computer literacy amongst entrepreneurs”

### **Expanding Business Opportunities (MK 15 million)**

Note that this policy statement is sub-divided into general policies, and policies on “development of business ideas” and “access to markets.”

“Government shall:

- Ensure that most goods and services “consumed” by Government and parastatal institutions are outsourced from Malawian owned businesses;

- Ensure that government procurement policy deliberately favours Malawian vis-à-vis foreign firms;
- Privatise those public companies that can better be run by the private sector and develop schemes to promote the participation of Malawians in the ownership of the privatised companies;
- Encourage the private sector to outsource and procure from Malawian owned suppliers; and
- Franchise to the private sector some of the government's commercial activities (e.g. post offices and hospital pharmacies)."

#### ***Expanding Business Opportunities: Development Of Business Ideas***

"Government shall facilitate:

- The carrying-out of research on possible business areas for Malawians through a unit to be created within the NEEC;
- The dissemination of information on possible business ventures while being cautious that this does not lead to the fallacy of composition where everybody wants to do the same type of business; and
- The provision of advice on how entrepreneurs can further develop their business ideas."

#### ***Expanding Business Opportunities: Access to markets***

"Government shall:

- Strengthen the Malawi Export Promotion Council (MEPC);
- Promote the participation of Malawian entrepreneurs in trade fairs;
- Provide incentives to private sector institutions and businesses that procure from local Malawian firms; and
- Provide training courses on tendering and procurement procedures"

#### **Empowering the Rural Communities** (no budget indicated)

"The Government, in partnership with the private sector, shall:

- Endeavour to improve the economic situation in rural communities through the introduction of specific and targeted programmes and incentives. The role of the private sector in this regard shall be profit-driven to ensure sustainability over a long-term;
- Scale up investment in rural infrastructure – roads, telecommunications, electricity, and water;
- Develop a programme that will oversee the establishment of cooperatives in rural areas. These cooperatives will help reduce the transaction cost of dealing with rural entrepreneurs as well as cushion such entrepreneurs from exploitation by promoting collective bargaining;
- Introduce incentives for financial and other institutions to operate in rural areas; and
- Provide matching grant funds to private sector investors willing to invest in profitable projects in rural communities."

#### **Empowering Women** (no budget indicated)

"The Government will endeavour to enhance the economic empowerment of women in the urban and rural areas of Malawi through:

- The provision of capacity building programmes to enhance their entrepreneurial skills and their ability to effectively manage their businesses;
- Review legislation to identify areas which currently serve as constraints to the development of women in general, and access to credit, land, markets and information in particular;
- Enhancement of the institutional framework supporting the development of women entrepreneurs through the institutional reform of such institutions; and
- Development of a charter to increase the employment opportunities of women in the public and private sector organizations."

#### **Empowering the Youth** (no action plan indicated)

"The Government shall:

- endeavour to empower the youth through the strengthening of institutions responsible for equipping the youth with the requisite skills and resources to enable them to actively participate in economic empowerment activities such as self employment, access to employment opportunities, and creation of enterprises;
- Review the formal education curricula at all levels and include entrepreneurship courses in order to inculcate an entrepreneurship culture amongst the Malawian youth; and
- Introduce incentives for private sector participation in youth development, including a youth fund."

### **Empowering People with Disabilities** (no budget indicated)

“The Government shall, through the economic empowerment policy, ensure that people with disabilities are not in any way marginalized in their quest to get economically empowered. The proposed Empowerment Act will specifically make provisions for according people with disabilities equal opportunities to those offered to able people. Furthermore, the Government will improve the capacity of the Malawi Council for the Handicapped and other similar institutions that deliver services to people with disabilities.”

### **Improving the Infrastructure** (MK 25 million)

“The Government shall undertake to improve the infrastructure in urban and rural areas in support of the empowerment initiative. A review of the Growth Strategy and the PSIP will be undertaken to ensure that its objectives and priorities support the empowerment programme. Efforts will be made to improve the supply of electricity, water, telecommunication services through the allocation of more resources and improved planning for the concerned utility providers. In addition, the government shall review the operations of institutions providing key services such as water, electricity, telecommunications, and business marketing information, with an objective of developing a strategy for improving their performance in general.”

### **Capacity Building for Economic Empowerment** (MK 193 million)

“The Government recognises that economic empowerment efforts cannot succeed without deliberate interventions to address the capacity constraints facing many Malawians. To this end, the Government shall design and implement a National Human Resource Development Strategy that complement and effectively supports the implementation of the Economic Empowerment Policy within the framework of the Economic Growth Strategy and Poverty Reduction Strategy with a deliberate bias towards the empowerment of Malawian citizens operating and working in small and medium enterprises.”

“The HRD Strategy shall incorporate the full spectrum of learning, including primary school, higher education, adult basic education and training, life long learning, learnerships for the youth, SME skills development, entrepreneurship, innovation and on-the-job-training in both the public and private sectors. The curriculum at different levels will be reviewed to ensure that it meets the entrepreneurial and other knowledge and skills requirements of a modern economy.

Public institutions offering learning and training opportunities shall be rationalised to enable them provide such services more optimally than at present. Government intends to ensure that the national budget is structured in such a way as to provide meaningful support to institutions that fall within its ambit, while ensuring that institutions such as TEVETA are fully supported by all those with the means to do so, particularly large-scale private sector firms.”

#### **About this E-briefing and the National Action Group Forum**

This e-briefing is intended to act as a means to feedback information to businesses and to organizations that work with the Private Sector about the National Action Group Forum, the Malawi Economic Growth Strategy and other issues of importance to making Malawi a better place to do business.

The National Action Group is a tri-partite national forum for the *discussion* and *resolution* of issues that impact on the performance

The NAG Forum brings together the main stakeholder groups who are interested in developing the private sector:

- **Government** is represented by the Ministers of Finance, of Commerce and Industry, of Agriculture, Irrigation and Food Security and of Economic Planning and Development. There are other high-level representatives from the Reserve Bank and from key public sector organisations, such as the Privatisation Commission, MRA.
- **Donors** that are active in Private Sector Development are represented by the Heads of Mission and their Private Sector Specialists
- **Private Sector** is represented by Chief Executives of leading investors, the Chamber of Commerce and some of the key Sub-sector/Industry Associations, including the NASFAM.

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