



REPUBLIC OF MALAWI

NATIONAL ADDRESS

BY

**HIS EXCELLENCY
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PRESIDENT OF THE REPUBLIC OF MALAWI**

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Fellow Malawians,

Three weeks ago, I convened a Cabinet meeting here at Kamuzu Palace. One key focus of our deliberations lately has been how to foster recovery for our Covid-ravaged economy at a time when the pandemic's assault against your livelihoods, your incomes, and your businesses is continuing and entering its fourth wave. A day after that meeting, I canceled all my public engagements, and since then my Administration has made further and speedy progress on designing a comprehensive Covid-19 Socio-Economic Recovery Plan (SERP) for the period between 2021 and 2023.

Today, two days before the closure of Government business, I stand before you to unveil this plan, whose aim is to stimulate strategic parts of the economy with various interventions estimated at over half a trillion Kwacha over the next two years, thereby ensuring that we stay the course with the Malawi 2063 First 10-year Implementation Plan (MIP-1).

The success of this Socio-Economic Recovery Plan will depend on all of us. Firstly, it will depend on state actors across my Government aligning their activities, programs, policies, budgets, and spending with this plan. If they do not, the economy will not recover.

Secondly, it will depend on non-state actors, corporations, development partners, foreign investors, and private sector players responding to the interventions of this plan in ways that complement it. If they do not, the economy will not recover.

Thirdly, it will depend on our cooperating partner nations around the region and around the world, to work with us in ensuring that the global supply chain that acts as a lifeline for our economy's exports and imports is not needlessly and unjustly disrupted as we execute this plan. If they do not, the economy will not recover.

And crucially, it will depend on you, the citizen, not only working hard in the economic sectors we are planning to stimulate with these interventions, but also complying with the regulations against the spread of Covid-19 so

that the pandemic's continuing destruction of our economy comes to an end. If you do not, the economy will not recover.

But I am confident that each of us will do our part, because I know that there is no one in this country who does not want the economy to recover. I know that there is no one in this country who is satisfied to see our economy stuck on the ropes and bleeding from the merciless blows of this pandemic.

When I sit with Cabinet Ministers, I see that they want nothing more than to see the economy recover. When I sit with leaders of Civil Society Organizations, including demonstrators, I see that they too want the economy to recover. When I listen to members of opposition parties, I see that they too want the economy to recover. When I talk to many of you around the country, I see that all of you want the economy to recover. So since we all want the same thing, since we all want the economy to recover, I see no reason why this Socio-Economic Recovery Plan should not receive support from everyone, especially since its success depends on it.

Now, since we all have a role to play in making this Socio-Economic Recovery Plan a success, it is absolutely imperative for all of us to understand why this recovery plan is necessary. If we are going to solve this economic puzzle together, we need to have a common understanding of what's wrong with it and how we fix it.

In summary, our economy is bleeding from four wounds at once. The first long-term wound our economy is bleeding from is its structural limitations, for ours is an agro-based economy that has a narrow production base and a large informal sector. As such, any plan to recover the economy must not only expand, increase, and diversify agricultural production for export and formalize informal economic activities, but must also help restructure the economy by stimulating other sectors like mining, infrastructure development, and manufacturing. This Socio-Economic Recovery Plan will seek to start addressing this wound.

To expand agricultural production, the plan includes stimulus interventions to support agro-processing, especially where there is a state of readiness to scale up

production, deliver to existing foreign markets, and achieve import substitution. To formalize the informal sector, the recovery plan includes stimulus interventions to support Malawians register and grow their own small to medium companies, especially companies to operate in the mining sector that is finally opening up; companies to manufacture and supply goods made from locally produced raw materials; and construction companies that will take advantage of emerging opportunities to build roads, waterworks, buildings, and civil works.

Examples of emerging opportunities in the construction industry that will benefit from this stimulus plan include:

- 1. 900 health posts and 1800 community health worker housing units under the National Acceleration Community Health Roadmap;**
- 2. The 15 flagship infrastructural projects already underway countrywide under the 1 Trillion Kwacha local currency bond;**

- 3. Various energy power plants and the regional-interconnector power lines for increasing electricity access to Malawians;**
- 4. The 34 secondary schools whose construction must start immediately;**
- 5. Irrigation schemes that must either start or continue being constructed across the country, including the Shire Valley Transformation programme worth 250 million dollars and the Agriculture Commercialization Project worth 95 million dollars;**
- 6. Works to strengthen the capacity of water boards across the country's regions, including progress on the Salima-Lilongwe Water project and efforts to eventually stabilize water tariffs and improve water access over the next two years.**

The second long-term wound our economy is bleeding from is the gross imbalance between imports and exports, as Malawi has been a net-importer of goods and services for far too long. And as economies around the world have imposed lockdowns within their jurisdictions

and travel restrictions against ours, the disruptions to our access to the global supply chain have made this imbalance worse. Similarly, while the lifting of these restrictions following the rollout of vaccines in the global north should have been good news, it resulted in excess demand of goods and services. This, in turn, triggered a sharp rise in the price of imports like petroleum and fertilizer beyond Malawi's control, further worsening the imbalance between exports and imports and destabilizing prices of such commodities.

In the face of this bleeding, the economy has been volatile, with many in our country suffering job losses, business closures, financial instability, and debt distress. Even at Government level, we have seen unprecedented pressure placed on the national budget due to unplanned expenditures incurred to fight off the pandemic and mitigate its assault on the economy. Although those mitigation efforts by my Administration have not completely ended the financial suffering in our midst, the situation now would have been far worse if we had not intervened. It is because we intervened that our

economy has shown more resilience than the economies of our neighbors. Because we intervened, Malawi is one of only two countries in the entire SADC region that did not go into a recession in 2020. Because we intervened, Malawi's incomes only suffered stagnation, while per capita GDP in neighboring countries suffered regression. Because we intervened, Malawi registered one of the lowest numbers of food insecure households in the region, which declined by 37 percent.

Still, I recognize that none of these necessary pain relievers address the long-term bleeding inflicted on our economy by the continuing and rising trade deficit between exports and imports, which in turn has led to inadequate supply of foreign exchange and adversely affected the exchange rate, which has in turn had a pass-through effect on inflation. So, to address this problem of the trade deficit and its knock-on effect on inflation, the Socio-Economic Recovery Plan I am unveiling today includes interventions to maintain the policy rate at 12%, with upcoming reviews to consider further

reductions as macroeconomic fundamentals allow, all in the interest of making resources available to businesses.

It also includes interventions to support private sector players plying their trade in productive sectors with great export potential, including commercial farming, manufacturing, mining, and tourism. I must therefore appeal to Malawians in business to take advantage of these opportunities for support by venturing more into cross border trade with countries like South Africa, Zambia, Zimbabwe, Angola, South Sudan, Ivory Coast, and Botswana. These are countries where we are actively securing new markets for your maize, sugar, soya, ground nuts, beans, and rice, and as I speak, the trade enquiries for these products from these countries exceeds 300 million dollars. The market is bountiful, but the traders are few. We therefore need more Malawians entering the arena of cross-border trade to benefit from the stimulus interventions we will channel towards export promotion.

The third long-term wound our economy is bleeding from is the Covid-19 pandemic, which is now in its fourth

wave of not only infecting swathes of the population, but also tearing into the very fabric of our economic development. Since the onset of the pandemic in our country, we have registered over 60,000 cases and we have lost over 2,300 Malawians. In the 32 months that Covid-19 has been in our midst, we have had two presidential declarations of national disaster, with accompanying restrictions of movement. Though the restrictions have saved lives, they have caused inevitable damage to livelihoods, as many have been forced to work from home or forced out of work or forced to close an income generating activity. To recover the ground the economy has lost to the pandemic, we have to stop the pandemic in its tracks. Toward that end, the Socio-Economic Recovery Plan I am announcing today includes interventions aimed at intensifying efforts to vaccinate the population.

So far, only over half a million people in this country are fully vaccinated, which is less than 5 percent of the targeted 11 million people we need to vaccinate to reach herd immunity. We actually have vaccine doses that are

in danger of expiring, because so many of you are not getting vaccinated. But the reality is that if you do not get vaccinated, you will continue putting our economy at risk of staying stagnant, because we cannot fully open up the economy if there are still citizens at risk of suffering severe disease from the virus. The more of you get vaccinated and protected from severe Covid disease, the less pressure there will be on our health system, which is currently draining so many of our national resources to support the hospitalization of unvaccinated Covid patients. So, some of the resources in this Socio-Economic Recovery Plan will go towards immunization efforts, and we are already taking the vaccines to communities and hard to reach areas with the goal of increasing daily vaccinations 7-fold from 1000 to 7000. But the bottom line is this: we cannot recover the economy as fast as we want to until we all get serious about getting vaccinated and observing such measures for stopping the spread of the virus as wearing masks, washing hands, and keeping a distant from others and crowded spaces.

In the meantime, the Socio-Economic Recovery Plan also includes interventions to provide safety nets towards those left most vulnerable by the pandemic. Specifically, Government in cooperation with its partners, will scale-up its targeted cash transfer programme during the 2021-2023 Recovery Period towards the most vulnerable urban and rural poor, including the Green Corps initiative targeting the youth.

A further aspect of the Socio-Economic Recovery Plan to address the effects of the pandemic is the provision and scaling up of fiscal and monetary stimulus towards those productive sectors damaged by Covid-19, such as the hospitality and service sector, creative industry, and small and medium enterprises. This will in fact be a key focus of Government through the Ministry of Finance and the Reserve Bank throughout the 2021-2023 Recovery Period. That focus will include a review of the amount, terms, and scope of loans available to young people and women through the National Economic Empowerment Fund (NEEF). It will also include rolling out a skill development programme under the National

Youth Service towards the creation of more jobs for youth. These will not be jobs or loans handed out on demand or as an entitlement on a silver platter, but jobs and loans that will only benefit those ready to pursue them fearlessly and compete for them fairly.

The fourth long-term wound that our economy is bleeding from is government waste. We cannot recover the economy if the taxes you pay are not properly utilized and safeguarded across the state machinery. And considering that we are a nation suffocating from huge debts left behind by the previous administration, we simply cannot afford to waste any resources. For this reason, this Socio-Economic Recovery Plan includes interventions for digitalizing service delivery of governance, health, education, procurements, and payments to stop the leakage of resources. Within the SERP period of 2021-2023, the Digital Economy Strategy will be implemented, including a review of taxes on digital services in order to bring down data costs.

As an added measure to cut down waste, I am ordering all Ministries to review their plans for local and international travel during the 2021-2023 recovery period, as well as their plans for the procurement of new vehicles during that same period. The outcome of their review must be the submission of revised and scaled down plans that limit spending on travel and new vehicles to what is deemed absolutely necessary. I myself have not added a single new car to my convoy, but continue to use the cars inherited from my predecessor, and I am already scaling down my travel plans for the recovery period, and so I expect every Ministry under my Administration to do the same. And I want to assure all Malawians that since I do not practice wastage of your taxes, I will also not tolerate it from others.

Similarly, through the office of the Attorney General, working with independent law enforcement agencies, my Administration will not tolerate any of your taxes to be wasted on frivolous claims against the government by businesses whose main trade is inflating prices and

extorting the state. I know that during the previous administration it had become fashionable to sue the government in the hopes of getting a big payout, but this culture has only impoverished our country as a whole. I therefore ask for your support in discouraging this culture, and to instead support a culture of honest business with honest prices from honest contractors. In this regard, I must thank the fuel transporters who had previously taken government to court, but have since chosen to settle the matter out of court to save taxpayer resources. Protecting the taxes of Malawians from being wasted is a form of patriotism all of us must support, whether the taxes are those used by the Executive, the Judiciary, or the Legislature.

Fellow Malawians, as you can see, the Recovery Plan is designed to give some the resilience to hang-in there during these hard times, give some the capacity to step-up production, and give others support to step-out into new sectors through diversification and value-addition. With the economic interventions we have effected so far this year, economic growth recovery for the year 2022

is already projected at over 5% of GDP. And with the measures I have outlined as part of the Socio-Economic Recovery Plan for the period 2021 to 2023, and each of us playing our part to build a new Malawi, I am confident that our economy will rebound even more.

To get you involved in the process, over the next few weeks, various members of my Administration will engage you and our cooperating partners to unpack this Socio-Economic Recovery Plan in more detail. The Vice-President, as Minister of Economic Planning and Development, will engage the private sector and development partners on ways they can support the plan, because we need their support. The Minister of Finance will engage various stakeholders in consultations aimed at ensuring that this Socio-Economic Recovery Plan is reflected in the upcoming budget, together with programmes like the free water connections that we have had in the pipeline. The Ministers of Information and Civic Education, in consultation with other Ministries, will develop and implement a Communication Strategy to keep you all

informed of the efforts and progress made on all aspects of the Socio-Economic Recovery Plan going forward.

I know we are living in uncertain and turbulent times, times in which every nation and economy on earth has suffered heavy losses. But that does not mean we should give in to despair, nor entertain those whose interest is to turn us against each other. A time of loss is not a time for politics. This is a time to stand together as one nation behind a plan to recover what we have lost, and a time to sow and water our seeds, enduring the lean season upon us because we know that our harvest is coming. And when that harvest comes, we will rejoice in it together while the world looks on and says, look what the Lord has done in Malawi! God is working, and so must we.

I wish you all a Happy and Covid-free Christmas and New Year. God bless you and God bless Malawi.