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Malawi Country Report

For the SADC-DFRC 3P



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1 Overall evaluation of Malawi's readiness for PPPs

1.1 Background

We evaluated the Member Country by looking at 6 broad categories, containing a number of sub-categories. The six ('6') broad categories include:

- Attractiveness of the member countries
- Availability of domestic capital and debt funding
- Judicial system
- Governance and decision making
- Ease of doing business in the member country
- PPP environment in the member country

The information and indicators were obtained from external sources like World Bank, World Economic Forum, IFC, Ibrahim Index of African Governance, KPMG country reports and actual visits to the member countries (with exception to three ('3') countries, namely, Democratic Republic of Congo, Swaziland and Seychelles). Where possible, KPMG utilised its in-country office to address the categories and answer questions surrounding the projects.

Complicated travel logistics combined with the availability of the PPP commission meant no actual country visit was undertaken, however there was significant email communication and a very productive conference call with the PPP commission in Blantyre on 4 July 2013.

Each sub-category was rated either one ('1'), two ('2'), three ('3') or four ('4') based on the indicators from various reputable sources. Where one ('1') and two ('2') refers to "Developing towards PPP readiness" and three ('3') and four ('4') indicates a "Maturing level of PPP readiness". Where no information was available, no value was given. Where there was an element of subjectivity, KPMG, based on years of experience, applied its own mind in coming up with a value. The overall broad category value is addressed in more detail below.

1.2 Attractiveness of the member countries

Attractiveness of the member country		Source of information
GDP % growth for last 3 years	4.30%	World Bank
Actual GDP in numbers (size of economy), current USD\$	5,621,000,678	World Bank
Lending Interest rates	23.8	World Bank
Inflation rate	35.80%	www.tradingeconomics.com/country-list/inflation-rate
Credit Rating		
Political Stable and Absence of Violence	44.3	Governance indicator, World bank

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Macro-Economic Environment	3.3	The Global Competitiveness Report 2012-2013, World Economic Forum
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Attractiveness of Malawi, overall result is a two ('2')

Malawi has a small economy with a GDP of USD5,6bn and a low GDP per capita of USD900. It does not have a credit rating and although it has sustained an average 4,3% growth over the past 3 years has remained a poorly developed country with limited infrastructure and a massive infrastructure backlog. This analysis results in an overall value of two ('2'), Malawi is thus considered "developing" in terms of this category.

1.3 Availability of domestic capital and debt funding

Availability of domestic capital and debt funding		Source of information
Number of banks	4 major banks	Country visit
Number of equity investment funds	Only micro funds	Country visit
Number of pension funds	2 major funds	Country visit
3 year history of bond issuance	TBC	Country visit
Assessment of available capital (local) for investment	Minimal/no local funds for capital investment, small amounts for working capital/minimal equity investment	Country visit

Availability of domestic capital and debt funding in Malawi, overall result is a one ('1')

There is a very limited banking sector with 4 banks, very fragmented equity funding and only two pension funds. No bonds have been issued and the capital market is non-existent. This analysis results in an overall value of one ('1'), Malawi is thus considered "developing" in terms of this category.

1.4 Judicial system

Judicial system that contributes to effective commercial dispute resolution		Source of information
Enforcing Contracts (country ranking from 1 to 185)	144	Doing Business 2013 - The World Bank and IFC
Rule of Law (rating from 1 to 100)	50.2	Governance indicator, World bank

We used the key indicator 'Enforcing Contracts' from Doing Business as they focuses on how public institutions function in the case of a commercial dispute¹. Doing Business measures the time, cost and procedural complexity of resolving a commercial lawsuit.

Judicial system of Malawi, overall result is a two ('2')

¹ Doing Business 2013, the World Bank and IFC

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Malawi is rated 144th in the world in terms of enforcing contracts and has a rating of 50.2 out of 100 for the application of the Rule of Law. This analysis results in an overall value of two ('2'), Malawi is thus considered “developing” in terms of this category.

1.5 Governance and decision making

Governance and decision making in member country		Source of information
Institutions	3.82	The Global Competitiveness Report 2012-2013, World Economic Forum
Africa's Governance	56	Ibrahim Index of African Governance
Voice and accountability	39.4	Governance indicator
Government effectiveness	40.3	Governance indicator
Regulatory Quality	26.5	Governance indicator
Control of Corruption	45.5	Governance indicator

Governance and decision making of Malawi, overall result is a two ('2')

Malawi was given a rating of 56 out of 100 for governance by the Ibrahim Index of African Governance and a government effectiveness rating of 40.3. This analysis results in an overall value of two ('2'), Malawi is thus considered “developing” in terms of this category.

1.6 Ease of doing business in the member country

Ease of doing business in the member country	157	Source of information
Starting a business	141	Doing Business 2013 – The World Bank and IFC
Dealing with Construction permits	175	Doing Business 2013 – The World Bank and IFC
Getting electricity	179	Doing Business 2013 – The World Bank and IFC
Register property	97	Doing Business 2013 – The World Bank and IFC
Getting credit	129	Doing Business 2013 – The World Bank and IFC
Protecting investors	82	Doing Business 2013 – The World Bank and IFC
Paying taxes	58	Doing Business 2013 – The World Bank and IFC
Trading across borders	168	Doing Business 2013 – The World Bank and IFC
Resolving insolvency	134	Doing Business 2013 – The World Bank and IFC

Ease of doing business in Malawi, overall score is a one ('1')

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Malawi is ranked 141st in the world for Starting a Business, and 175th for Dealing with Construction Permits. It ranked 129th in terms of access to credit, this analysis results in an overall value of one ('1'), Malawi is thus considered “developing” in terms of this category.

1.7 PPP environment in the member country

Enabling environment in the member country for PPPs		Source of information
Legal system enabling PPPs in the member country		Country visit
- Is there a presence/development of enabling legislation ie PPP Law/regulations etc?	There is a PPP Act (2011) and Policy (2011).	Country visit
- Does a policy for private participation in the member country exist?	Yes see above.	Country visit
Public Sector appetite/capacity and experience relating to PPPs in the member country		Country visit
- Is there Political support for PPPs?	Yes, strong support.	Country visit
- Is there a PPP focal point/ Unit in the member country?	There has been a PPP Commission for some years, based in Blantyre.	Country visit
- Does an existing PPP track record in the member country exist?	PPP is in its infancy, but the privatisation programme started in the 90's included some projects with public and private elements.	Country visit
Private sector capacity, capability and appetite		Country visit
- Are multiple firms active in the PPP market?	Not locally due to infancy of the PPP model.	Country visit
- Does capacity exist in the private sector?	As above, but it is expected that local firms will support international ones in tenders.	Country visit

PPP environment in the Malawi, overall score is a three ('3')

The PPP programme in Malawi is in its infancy, although there has been a privatisation programme for the last 20 years that included some aspects of PPP as opposed to outright disposal. There is strong support for PPPs and a PPP Commission in the federal government has been established. This analysis results in an overall value of three ('3'), Malawi is thus considered “maturing” in terms of this category.

1.8 Observations

Our results are based on the most recent verifiable information available at time of the report

Reputable external sources were used where appropriate and fact based observations were made.

The World Bank has been supporting the development of the PPP model in Malawi and developing capacity in the PPP Commission. It commissioned a study to identify a prioritised pipeline of PPP projects and these are the priority, over the projects identified in the RIDMP and STAP .

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1.9 Conclusion

The macro-environment for PPP's in Malawi is very positive with many of the fundamentals in place, for example a stable political environment and broad regulatory and legal environment, the necessary specific PPP laws and policy, and an active pipeline of projects.

Furthermore there have been several years of effort and capacity building in the central PPP unit, supported by the World Bank and appointed consultants. There is a very recently published report of prioritised pipeline projects, and the impression is that traction is being made. Therefore the country appears very attractive for the development of PPP's and the suggestion is the SADC PPP unit consider supporting a project (see sector recommendations). Overall Malawi is thus considered "developing" in terms of this category.

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