



REPUBLIC OF MALAWI

**FIXING THE SYSTEMS  
TO DELIVER LONG-TERM PRIORITIES  
AND DIFFUSE SHORT-TERM PRESSURES**

STATE OF THE NATION ADDRESS

by

**HIS EXCELLENCY  
DR. LAZARUS McCARTHY CHAKWERA  
PRESIDENT OF THE REPUBLIC OF MALAWI**

On the occasion of

THE STATE OPENING OF THE 5<sup>TH</sup> MEETING IN THE  
49<sup>TH</sup> SESSION OF PARLIAMENT AND THE  
2022/2023 BUDGET MEETING

LILONGWE, MALAWI

Thursday, 3<sup>rd</sup> February 2022

- **YOUR EXCELLENCY MADAME MONICA CHAKWERA,  
FIRST LADY OF THE REPUBLIC OF MALAWI;**
- **RIGHT HONOURABLE DR. SAULOS KLAUS CHILIMA,  
VICE PRESIDENT OF THE REPUBLIC OF MALAWI;**
- **RIGHT HONOURABLE CATHERINE GOTANI HARA,  
M.P., SPEAKER OF THE NATIONAL ASSEMBLY;**
- **YOUR LORDSHIP HONOURABLE RIZINE  
MZIKAMANDA, SC, CHIEF JUSTICE;**
- **HONOURABLE DEPUTY SPEAKERS;**
- **HONOURABLE LEADER OF THE HOUSE;**
- **HONOURABLE CABINET MINISTERS AND DEPUTY  
MINISTERS;**
- **HONOURABLE JUSTICES OF APPEAL AND JUDGES  
OF THE HIGH COURT;**
- **HONOURABLE LEADER OF THE OPPOSITION;**
- **LEADERS OF POLITICAL PARTIES REPRESENTED  
IN PARLIAMENT;**

- **HONOURABLE MEMBERS OF PARLIAMENT;**
- **HIS EXCELLENCY BENEDICTO MARTIN MASHIBA,  
DEAN OF THE DIPLOMATIC CORPS AND HEADS OF  
DIPLOMATIC MISSIONS;**
- **MR. ZANGA-ZANGA CHIKHOSI, SECRETARY TO THE  
PRESIDENT AND CABINET;**
- **SENIOR GOVERNMENT OFFICIALS;**
- **DISTINGUISHED INVITED GUESTS;**
- **LADIES AND GENTLEMEN.**

## 1. INTRODUCTION

**Madam Speaker**, if I may, allow me to begin by taking a short trip down memory lane. This third day of February is the second anniversary of an historic ruling by the High Court of Malawi, which sat as a Constitutional Court to examine the State's conduct of the 2019 presidential election.

Like all Malawians, I remember that day like it was yesterday. The most enduring memory I have from that day is of Dr. Chilima and I walking into that crowded courtroom knowing that we were not merely there as petitioners, but as servant leaders carrying upon our shoulders the weight of a nation's hope for justice.

In a 500-page judgment whose summation took over 10 hours to deliver, the five Justices of the High Court not only unanimously nullified the 2019 polls on account of widespread illegalities committed therein by the State, but they also ruled that the State's reckoning of what it means to win a presidential election by a majority had been unconstitutional for

over two decades. For this reason, the Court further ruled that a Fresh Presidential Election be held within 150 days, making the June 2020 presidential election the first in which only the candidate with over 50% of the people's vote would be declared victorious. These three consequential orders of the Court were not only celebrated by Malawians, but were also upheld three months later by a unanimous ruling of the Supreme Court of Appeal and accorded international recognition five months after that.

**Madam Speaker,** on that February day, the electoral system of this country was fixed forever. It was fixed radically and it was fixed legally. The fix happened because Dr. Chilima and I presented our grievances to a credible and competent Court whose institutional independence was indisputable and whose integrity and courage in the face of corruption and intimidation was uncompromising. But it also happened because in presenting our grievances, Dr. Chilima and I publicly confronted the structural, administrative, and legislative gaps of a state institution that had allowed its agents to corrupt its operations. Truth be told, even though what the

Courts did to fix the dysfunctional electoral system is celebrated worldwide, we as a nation have never truly had an opportunity to express to them our thanks. I believe that this anniversary of that ruling is a God-given chance for us to do so. The Justices who fixed that broken electoral system are here and the citizens of all 193 constituencies are also fully represented here. I therefore ask all members of this House to stand and join me in applauding these Justices for the work they did to fix a system we all need for the enjoyment of our democratic rights.

---

And now, **Madam Speaker**, on this third day of February, Dr. Chilima and I have walked into this August House in the same state we walked into that Court House. We have come here carrying new weights on our shoulders, burdens of the Malawian people, many of which require fixing other state systems as radically as our Judges fixed the electoral system.

You see, fixing the electoral system while in opposition taught us valuable lessons about what it would take to fix other broken and corrupt state systems, whether it be the food system for achieving food security; or the economic system for creating wealth; or the industrial production system for creating jobs; or the social and civic system for expanding and safeguarding freedoms; or the education and health systems for human capital development; or the governance system for delivering quality and timely public services to Malawians; or the justice system for fighting corruption and crime; or the geopolitical system for the global advancement of our national interests.

One lesson we learnt is that even with a change of leadership at the helm of a state institution, even with good programmes within that institution, even with the good intentions of those who work in that institution, and even with good will towards the work of that institution, that institution will still fail to deliver on its mandate if the broken and dysfunctional system within which it operates remains unfixed. So for us to build a new Malawi, we need both an

overhaul of our dysfunctional systems and an undertaking of good programmes by good citizens within them. Doing both at the same time is no easy task, nor has it been done before, which is why our efforts to fix the systems have faced fierce resistance from those who benefit from the status quo.

One effect of this fierce resistance against our efforts to fix state systems has been the delaying and disrupting of our programmes, triggering short-term pressures that make some people lose sight of the great strides we are making. To account for these strides towards our long-term priorities, the systems we must fix to achieve those priorities and diffuse the short-term pressures we face in the course of doing so, I have titled my address today:

***“Fixing the Systems to Deliver Long-Term  
Priorities and Diffuse Short-Term Pressures”***

In balancing our attention between long-term priorities and short-term pressures, we must resist the despair of thinking that Malawi is a glass half-empty. The truth is that Malawi has so many more



national treasures than other economies that are doing better than ours. All we need to do to translate our national treasures into national transformation is fix our broken systems. In fact, my dream is that by the time my Administration is done, it will be remembered as the Administration that fixed the systems to usher this country into a new future.

Fixing the systems is the bridge to a future tourism industry around natural resources like Lake Malawi, Mulanje Mountain, Majete Game Reserve, Kasungu National Park, and Nyika Plateau. Fixing the systems is the bridge to a future manufacturing industry around agricultural products like maize, ground nuts, pigeon peas, soya, tea, mangoes, bananas, sugar cane, tomatoes, hemp, and tobacco. Fixing the systems is the bridge to a future creative industry around the musical, artistic, sporting, and artisanal talents of our youth. Fixing the systems is the bridge to a future civil service that is so free of corruption that it delivers roads that do not wash away when it rains, hospitals that do not increase a patient's chance of dying of curable diseases, schools that do not produce unskilled graduates, and a police service

that protects citizens without harassing or extorting them.

**Madam Speaker**, if our fiscal space was limitless, we would be fixing all state systems at once. But since our fiscal space is limited, I stood here nine months ago and announced that we would first focus on fixing the systems for achieving and accelerating our three priorities over the next three years. Firstly, I announced that we would be fixing the economic system in order to create wealth for Malawians. Secondly, I announced that we would be fixing the production system to create jobs for Malawians. Thirdly, I announced that we would be fixing the agricultural system to achieve food security for Malawians.

Additionally, **Madam Speaker**, you will recall that I also announced some areas we would be investing in to speed up our progress towards wealth creation, job creation, and food security. The three areas I singled out as accelerators were human capital development; infrastructural development; and digital governance development.

These three priorities and their three accelerators were chosen in line with the Malawi 2063 Vision to turn Malawi into an inclusively wealthy and self-reliant middle-income economy, which we launched a year ago, in line with the First 10-year Implementation Plan we launched three months ago, and in line with the 2-year Socio-Economic Recovery Plan we announced just over a month ago. And since these plans must be implemented while also fixing broken systems and an economy that are failing to withstand the ravages of Covid-19 pandemic and natural disasters, I established a Presidential Delivery Unit in my office, and its mandate is to fix dysfunctional systems in order for progress towards our goals to be made. I can report that within the four months that my Delivery Unit has been addressing systemic bottlenecks, so much has been accomplished already in various sectors.

The Presidential Delivery Unit is a big success and has kick-started routine tracking and follow-ups with MDAs responsible for delivering on key projects. So far, the PDU has brought together more than 140 people from 40 different organisations, working

together to fix system failures and get projects meant for serving Malawians back on track. Of the 192 projects we assessed, 104 were prioritised and worked on.

One example is the construction of the COMESA Competition Commission and the COMESA Federation of Women in Business complexes. Malawi won the bid to host the two regional institutions in 2013, which would bring US\$110 million in investment and create 2,000 jobs, but bureaucratic system failures left the project stuck on paper and in meetings for 8 years. We fixed those system failures and now construction is scheduled to start this coming Fiscal Year.

Another example is the Nchalo Greenbelt Limited, which is implementing a cotton irrigation project worth MWK18 billion in investment with the potential to benefit 20,000 farmers and develop 10,000 hectares of land. Because we fixed the system failures that were holding it back, the project is now back on track towards completion by June 2024.

Similar systemic failures have been delaying progress on the 350MW Mpatamanga Hydro Plant, a US\$1 billion investment. We met with stakeholders and identified the systemic failures that need fixing, and now we are on the move.

Now, **Madam Speaker**, I am happy to report the progress we have made towards achieving our three priorities as a direct result of intervening to fix system failures standing in the way of progress.

## **2. PROGRESS ON ACHIEVING OUR PRIORITIES**

### **2.1 PROGRESS TOWARDS WEALTH CREATION: MACROECONOMIC PERFORMANCE**

**Madam Speaker**, since the first of our stated three priorities is wealth creation, let me start with an overview of the economic performance of the country in the 2021/22 Fiscal Year, beginning with a birds-eye view of the macroeconomic context.

### **2.1.1 Gross Domestic Product (GDP) Growth**

In 2021 the Malawi economy is estimated to have grown by 3.0 percent, up from 0.8 percent in 2020.

This higher growth was attained in spite of the continued negative impact of the Covid-19 pandemic because of timely and effective Government interventions. Among many of these interventions, the Affordable Input Programme (AIP) led to improved output in maize and other subsidised agricultural commodities which boosted the growth of the agricultural sector in general. Improved energy production following the commissioning of the Solar Farm in Salima, and the rehabilitation of Tedzani Power Station and Nkula Power Plant contributed to GDP growth both directly and indirectly through boosting manufacturing and irrigation activities. Government interventions to contain the spread of Covid-19, including vaccinations, also contributed to the rebound of the economy.

## **2.1.2 Monetary Performance**

### **Inflation**

**Madam Speaker,** the significance of the rate of inflation is that it tells consumers how much the cost of living has risen by. That way, they are not misled by the rise in the price of one or two commodities. I am the first to admit that the cost of living has gone up, which is reflected in the jump in annual average inflation from 8.6 percent in 2020 to 9.3 percent in 2021. But this rise originated from the increase in the landed cost of fuel following the rise in global demand as economies began to rebound. The weakening of the Malawi Kwacha against major trading currencies like the United States Dollar, as a result of reduced export proceeds and drying taps of donor assistance, also contributed significantly to the rise in average annual inflation. Additional factors creating inflationary pressures are supply chain related, such as long queues of containers of goods waiting to unload, shortage of labour, and lack of critical inputs for most products.

It is worth noting, **Madam Speaker**, that while the annual average inflation has increased, the annual average *food inflation* actually dropped from 13.0 percent in 2020 to 11.4 percent in 2021 on the back of a bumper maize harvest last season, a demonstration of the impact of the AIP in macroeconomic management. At the same time the annual average *non-food inflation*, which is significantly but not exclusively dominated by imported inflation, rose from 4.7 percent in 2020 to 7.4 percent in 2021, clearly reflecting the effects of external shocks. Overcoming most of those shocks requires fixing the systems for building domestic productive capacity. That is our goal.

### **Foreign Exchange**

**Madam Speaker**, the availability of foreign exchange to facilitate imports declined in 2021 owing to reduced inflows of export proceeds from Malawi's traditional exports of tobacco, tea and sugar, as well as from emerging export prospects. The decline was principally caused by the impact of Covid-19 on Malawi's export destination countries as well as



Covid-19 related restrictions on movement of goods and persons between and within countries.

The impact of the reduced export earnings was not only felt through unavailability of foreign exchange on the market and depreciation of the Malawi Kwacha, but it also translated into reduced income, and therefore wealth, along the value chains of all export commodities.

**Madam Speaker,** the impact of the depreciated Kwacha was evidently felt in the surge in prices of imported commodities as manifested in the rise in annual average inflation, thus further reducing the capacity of citizens to afford a stress-free lifestyle. Donor inflows into the country have been slowing since 2013, and the year 2021 was no exception, especially as donors prioritised addressing the impact of Covid-19 on their own economies. As a result of these two major developments, Gross Official Reserves in December 2021 covered only 1.72 months of imports compared to December 2020's import cover of 2.75 months.

**Madam Speaker,** this August House will recall that, in my State of Nation Address of 12<sup>th</sup> May 2021, I announced that my Administration has fully embraced the mining sector not only as a catalyst for restructuring the economy, but as a source of foreign exchange as well. Gold mining presented itself as a low hanging fruit. I am now pleased to report that the Reserve Bank of Malawi (RBM), which was designated to be the sole domestic buyer, to address the challenge of illegal gold exportation, has already managed to purchase 58.1 kilograms of gold valued at US\$3.2 million in only six months.

While this may seem like a small contribution to foreign exchange earnings, it gives us confidence that we have taken the right direction in diversifying our sources of foreign exchange. To further increase our forex earnings from gold, our plan is to reach at least 1.5 metric tonnes in gold purchases within the next three years. Similarly, the Central Bank will within the first half of 2022 commence purchasing gemstones, all of which will have a positive impact on forex revenue and exchange.

The need for forex reinforcements is self-evident. During the year 2021, the Malawi Kwacha appreciated against the South African Rand and the Euro but depreciated against the United States Dollar and the British Pound. In fact, the Kwacha closed the year at MWK816.40 against the United States Dollar from MWK770.84 at the close of 2020, reflecting pressure from demand on the available supply of foreign reserves.

### **Interest Rates**

**Madam Speaker,** the rate of interest on money borrowed is one of the determinants of the pace at which an economy develops because it represents the cost to the borrower of the capital borrowed. The rate of interest is even more significant in Malawi as all three of my Administration's priorities require investment of resources beyond what many people can save on their own. The support of the financial sector for these priorities is therefore needed. That is why throughout 2021 the Reserve Bank of Malawi maintained an accommodative Policy Rate of 12.0 percent, especially in view of the need to continue

supporting economic recovery from the impacts of Covid-19 pandemic.

As a result of this policy stance, the *Community, Social and Personal Services*, comprising mostly individual and household loans, dominated credit uptake, signifying the need for cushion from the effects of Covid-19. With respect to economic sectors, the *Wholesale and Retail Trade Sector* borrowed the most, followed by *Agriculture, Forestry, and Fishing Sector*, and the *Manufacturing Sector* as a distant third. As Government, we will ensure that the *Wholesale and Retail Trade Sector* is trading mostly in locally produced and manufactured goods as espoused in our implementation plans of Malawi 2063.

**Madam Speaker**, what Covid-19 has taught us is the need to reduce our dependence on imports. As such, my Administration will build on incentives pronounced in the last National Budget to promote and encourage local manufacturing.

### **2.1.3 Fiscal Performance**

**Madam Speaker,** in implementing its 2021/22 National Budget, Government found itself in a situation where it had to meet a number of Covid-19 related expenditures at the same time that domestic revenues were deteriorating due to the effects of Covid-19 on taxpayers, and Government was receiving minimal donor budget support. This led Government to incur a widening primary budget deficit, i.e. a budget deficit before payment of interest on loans, which was financed by domestic borrowing, which resulted in rising public debt.

The primary budget deficit incurred during the Financial Year ending 31 March 2022 is however projected to decline from 8.8 percent of GDP in the 2020/21 Financial Year to 7.3 percent. Though the decline is moderate, it does signal my Administration's intentions to reduce the rate of borrowing and effect stringent measures to control public spending, some of which I will highlight a little later.

#### **2.1.4 Future Economic Outlook**

**Madam Speaker,** in 2022 GDP is estimated to grow by 4.1 percent up from 3.0 percent in 2021, on account of economic recovery measures being implemented by Government as contained in the Socio-Economic Recovery Plan (SERP). This plan acknowledges that the economy remains depressed largely due to the Covid-19 pandemic and outlines interventions to reinvigorate it.

Aside from the obvious investment in fixing the health system, we will continue investing in fixing the infrastructure system to create employment and attract future investments. We will also intensify our digitalization agenda to ensure people are able to work from anywhere especially home. Government will also build a resilient and sustainable Social Protection System by among other means administering safety nets, especially those that are productivity-enhancing. We expect the normalisation of global supply chains currently underway to improve trade and prices and contribute to GDP growth.

**Madam Speaker,** the agriculture sector will continue to lead the GDP growth revolution in 2022 as Government continues to implement irrigation programmes and projects such as the Shire Valley Transformation Programme (SVTP), Programme for Rural Irrigation Development (PRIDE), and Malawi Watershed Services Improvement Project (MWASIP). Growth across the broader spectrum of the economy including Mining and Quarrying, Manufacturing, Transportation, Construction, and Wholesale and Retail Trade sectors will further prop up GDP growth prospects in 2022 as the economy becomes more resilient to Covid-19 following implementation of economic recovery measures.

**Madam Speaker,** annual average inflation is projected to continue on an upward trajectory to 9.6 percent in 2022 from 9.3 percent in 2021. This is owing to the continued rise in fuel prices and depreciation of the Malawi Kwacha. Notwithstanding, the country is expected to experience moderate month-on-month inflation especially when harvesting season sets in, thereby reducing pressure on inflation dynamics, as will our ongoing efforts to expand the

export base. On the monetary front, the Policy Rate will be guided by the Reserve Bank of Malawi Monetary Policy, which will continue to be supportive of economic recovery efforts.

**Madam Speaker,** fiscal rules, medium term budgets and plans, and annual budgets are meaningless if expenditure cannot be controlled. Therefore, to ensure that public resources are utilised effectively, I am announcing the following measures to be implemented across Government in the course of executing the 2022/23 National Budget:

- (a) A review of the benefits and entitlements of senior Government officials, including the Presidency and all Cabinet Ministers;
- (b) A reduction in procurement of motor vehicles in terms of numbers, type and sizes;
- (c) A requirement for Ministries, Departments and Agencies (MDAs) to seek Treasury approval before effecting new recruitments;
- (d) A requirement for all Government institutions, without exception, to install and use pre-paid meters for utilities;



- (e) Fast tracking the digitalization drive to reduce paperwork and fraud, which has already been added to the portfolio of the Minister of Information;
- (f) Procuring security equipment and fertiliser directly from manufacturers instead of middlemen to cut landing costs;
- (g) Fixing the perennial delays caused by people managing IFMIS by recruiting competent graduates in Accounting; and
- (h) Operationalising the Debt Retirement Fund to deal with the rising public debt.

**Madam Speaker,** Government revenues are projected to increase to 15.4 percent of GDP in the 2022/23 Financial Year from an estimated 12.4 percent of GDP in 2021/22 on account of current effects of domestic resource mobilisation efforts. Nonetheless, expenditure is expected to grow to 23.3 percent of GDP in the 2022/23 Financial Year, up from an estimated 19.7 percent of GDP in 2021/22, owing to short-term pressure on Covid-19 related expenditure.

## **2.2 PROGRESS TOWARDS JOB CREATION**

**Madam Speaker,** Covid-19 has hit global labour markets hard, and Malawi has not been spared. In view of this, during the 2021/22 Financial Year, Government has been developing the National Job Creation Strategy which is our blueprint for job creation in the next 5 years. Government also started establishing job centres in all the four cities of Malawi. The centres will give job seekers easy access to employment opportunities, and will be fitted with a job matching portal that will facilitate electronic information exchange and enable job seekers to access vacancies and secure jobs through online platforms. The portal will also help us track jobs created and provide real-time data. The portal will be linked with the Labour Market Information System, because as I have been saying, delivering this promise of jobs cannot be done without fixing the systems that affect the same.

Additionally, during the year under review, Government continued to expand access to TEVET through the establishment of new Community Technical Colleges as a means of equipping the youth

with employable skills. Apart from the 16 colleges we made operational the previous year, two more have been completed in Salima and Nkhatabay, while three others are almost done.

As a supplement to these job creation efforts, last November I launched the Presidential Initiative on Job Creation. At that time, I reported that my Administration has not only been creating jobs, but also protecting jobs that would otherwise have been lost without our intervention. And because of those interventions, the World Bank now confirms that Malawi's labour market has recovered to pre-pandemic levels. Madam Speaker, although we have not reached our target of 1 million jobs in the timeframe we set due to three successive waves of Covid-19 that we did not foresee when we set that target, we have come impressively close. Government now estimates that in the 2021/22 Fiscal Year, the number of jobs created in both private and public sectors stood at 997,423.

In furtherance of our job creation agenda, we will be working closely with the private sector and business

community. Since job creation cannot be delivered by Government alone, my Administration considers the private sector a key ally, not an adversary. As such, we intend to remove the barriers and obstacles that stand in the way of private enterprise. I therefore repeat my invitation for the business community to engage us to develop opportunities for our people.

### **2.3 PROGRESS TOWARDS FOOD SECURITY**

**Madam Speaker,** due to favourable weather conditions and the Affordable Inputs Programme, Malawi remains food secure. A total of 4,581,524 Metric Tonnes of maize was produced in the 2020/2021 agricultural season. As of 35 days ago, the national Food Balance Sheet indicates that the country had a total supply of 1,693,997 MT, compared to 861,868 MT of total maize required for this first quarter of 2022.

Despite the country being food secure at national level, it is worth pointing out that there will be some isolated hotspots of food insufficiency in various

districts, including Chikwawa, Nsanje, Mangochi, Zomba, Lilongwe, Nkhotakota, Karonga, and Nkhatabay. The Malawi Vulnerability Assessment Committee (MVAC) 2021 Annual Assessment projected over 1.6 million people to be food insecure during the 2021/2022 consumption year. However, Government has already released about 17,000 MT of maize as humanitarian food to be distributed to the affected households, while keeping ADMARC markets open for those who need to access more.

**Madam Speaker,** notwithstanding our state of national food sufficiency, the second installment of the Affordable Inputs Programme has suffered systemic disruptions and delays that justify our resolve to combine our efforts to deliver the Administration's key priorities with equally important efforts to fix the systems that affect the speed and quality of the public services we are delivering. That is why our interventions in the agricultural sector have gone beyond the roll out of programmes like AIP, and sought to also fix food systems that have either been neglected or sluggish for years.

Towards that end, in the 2021/22 Financial Year, Government continued to implement the Shire Valley Transformation Project (SVTP), the Agriculture in Youth and Agribusiness Project (AIYAP), Program for Rural Irrigation Development under PRIDE Project, the Agriculture Commercialisation (AGCOM) Project, and the Affordable Inputs Programme (AIP). Government will continue implementing these projects in the 2022/23 Financial Year.

Additionally, Government will commence construction and rehabilitation of 6 small-holder solar-powered and gravity-fed irrigation schemes at Nkawinda in Blantyre, Mazame in Dedza, Kamwaza in Machinga, Chomboto in Chikwawa, Tikondane and Milonga in Thyolo district, covering a total of 690 hectares under Malawi Resilience and Disaster Recovery Management Project (MRDRMP) at a cost of US\$9.3 million.

**Madam Speaker,** having given you an overview of the progress we have made towards the achievement of our priorities of wealth creation, job creation, and food security, allow me to now present highlights of the contributions made by various sectors towards

the acceleration of our developmental agenda. I will focus on those sectors that create an enabling environment for development by improving productivity, human capital, governance, and partnerships.

### **3. SECTORAL PERFORMANCE IN ACCELERATING DELIVERY OF KEY PRIORITIES**

#### **3.1 INVESTING IN PRODUCTIVITY**

##### **Industry and Trade**

**Madam Speaker,** my Administration is facilitating the establishment of several industrial parks across the country, in Lilongwe, Blantyre, and Mzuzu to achieve massive industrialization, with feasibility studies already done for two of them. The total estimated investment is US\$956 million, which will result in the creation of at least 240,000 direct jobs. Apart from growing the country's export base, these industrial parks will provide a steady market for smallholder farmers. Our target is to have all processes done in time for construction to begin in December 2022.

**Madam Speaker,** following the review of tax measures for manufacturing in the 2021/22 National Budget, manufacturers in the beverage sector increased their productive capacity through refurbishment of factories which were on the verge of collapse. New companies were also set up for the production of milk and yoghurt, water, leather products, and juice.

As our efforts to industrialize continue, our desire is to support small scale processing and value addition activities by rural communities. In the 2021/22 Financial Year, Government supported a number of projects in Mzuzu, Dowa, Mzimba and Lilongwe by connecting them to the electricity grid, paying for construction and installation works, and providing machinery. These rural factories have increased the wealth of 1,200 families and 1,000 entrepreneurs by 50% and created 15,000 permanent jobs. A total of 37 cooperative societies were registered during the year, engaged in various economic activities while 53 potential groups were trained in readiness for registration.



Going forward, in the 2022/23 Financial Year Government will develop regulations for operationalizing the zones, as well as develop and promote steel production, initially using scrap metal. We will also organize an Industrial Indaba for the Manufacturing Industry and establish an Industrial Research and Innovation Centre.

**Madam Speaker,** on the trade front, Malawi's trade in goods and services contributes 58 percent to GDP. Sadly, out of this, imports contribute 43.4 percent while exports contribute a paltry 14.6 percent, which is a trade deficit we are working to reverse. That deficit stood at US\$1.29 million by the third quarter of 2021.

The main imports for Malawi are mineral fuels and oils, pharmaceutical products, machinery, vehicles and fertilizers, whereas the basket for main exports comprises the traditional commodities of tobacco, cane sugar, tea, and coffee, although oil seeds and edible nuts are becoming more prominent. Although

Malawi has many market opportunities that can be exploited, its export markets are highly concentrated in two regions, namely the European Union at 36.5 percent of exports and COMESA and SADC Region at 39 percent.

It is therefore high time we also pursued emerging markets in Asia, especially India and China, which import 14 percent from Malawi, and the USA, currently importing 6 percent. In an effort to reverse the trend of perennial trade deficit, Government launched the National Export Strategy II in December, 2021, whose target is to increase exports to 20 percent of GDP from the current 14.6 percent. This will require the annual export growth rate to double to at least 5.6 percent.

**Madam Speaker,** during the Financial Year 2021/22 Government signed Memoranda of Understanding (MoUs) with the Republic of South Sudan to access a market worth US\$295 million, and with the Indian Government on Export of Pigeon Peas to export 50,000 metric tonnes of pigeon peas annually for the

next 5 years. Government also signed a reviewed Bilateral Trade Agreement and an Agreement on One Stop Border Post (OSBP) with the Republic of Mozambique to promote and facilitate cross border and transit trade at the borders between the two countries. Export deals of soya beans worth 157,684 metric tonnes valued at MWK83 billion to various countries, including China, were also facilitated.

**Madam Speaker,** Malawi attended the Intra Africa Trade Fair (IAFT) in Durban, South Africa in November 2021, where it recorded US\$418.6 Million worth of export inquiries from the Region. Elsewedy Electric, an Egyptian Multinational Company, signed a Memorandum of Intent (MoI) to bring flagship investments to Malawi in various sectors worth US\$1 billion.

### **Energy**

**Madam Speaker,** productivity within our economy can only increase to the level that we are able to provide the energy for it. That is why in the energy

sector, we set a target to add a further 1,000 MW to the grid from various sources by 2025.

I am happy to report that in the 2021/22 Financial Year, the installed capacity of electricity rose from 364 MW to 617.1 MW, following the launch of Tedzani IV Hydro Power Plant in which a 52 Million Dollar Grant from Japan and MK6 billion from Malawi Government were invested; JCM Solar PV Project, and Mloza Small Hydro Power Project constructed and operated by Cedar Energy Ltd. A 26 MW bi-face Panel Solar PV Power Plant in Dedza, Golomoti will also soon be launched, which will bring us within less than 100 MW of meeting the current demand of 795 MW.

On the back of these strides, ESCOM Ltd has increased access to electricity from 11.4 percent to 12.4 percent. This is set to continue rising because my Administration finished drafting the Free Electricity Connection Guidelines due for implementation next year. In the 2022/23 Financial Year, Government will continue implementing

existing projects, including the 350MW Mpatamanga Hydro Power Project; and the 200MW Malawi – Mozambique Interconnector Project.

### **Transport and Public Works**

**Madam Speaker**, another factor that affects the productivity of any economy is the quality and quantity of its infrastructure. That is why the Malawi 2063 recognizes transport infrastructure as a key enabler for socio-economic productivity. And as you may recall, my last State of the Nation Address already outlined a number of investments we are making in infrastructure development to boost economic productivity, including the following:

- Dualizing and rehabilitating sections of the M1 Road;
- Upgrading Kenyatta Drive and Mzimba Street to six lanes;
- Rehabilitating the Nsipe-Liwonde Road;
- Constructing Thyolo – Thekerani – Muona – Makhanga Road;

- Upgrading the Ntcheu–Tsangano–Neno–Mwanza Road;
- Upgrading the Nsanje – Marka Road;
- Upgrading the Njakwa – Livingstonia Road;
- Upgrading the Dzaleka-Ntchisi-Mpalo-Malomo Road;
- Upgrading the Nsanama –Nayuchi Road;
- Upgrading the Mkanda - Kapiri Road;
- Upgrading the Monkey bay - Cape Maclear Road;
- Upgrading the Rumphu - Nyika - Chitipa Road;
- Upgrading the Lirangwe - Chingale - Machinga Road; and
- Constructing the Ruo Bridge.

**Madam Speaker,** in the 2022/2023 Fiscal Year, we will also start rehabilitating the M5 road from Balaka Market to Kaphatenga, Dwangwa and Nkhatabay, which is a critical route for the sugar and rice plantations as well as tourist attractions along the lake, with support from the African Development

Bank. Other road investments include phases 3 and 4 of the Jenda-Edingeni-Manyamula-Mzimba Road and the Chikwawa-Chapananga-Mwanza Road. At the same time, we have invested in the feasibility studies of the Mangochi-Makanjira Road and the Edingeni-Euthini-Mpherembe-Rumphu Road, and once those studies are completed, construction will begin.

**Madam Speaker,** as I have stated before, our quest to fix broken systems in our land includes fixing the rail system. As such, during the 2022/2023 Fiscal Year, we will pursue the Marka-Bangula section of the railway line following its failure to start in the 2021/2022 Fiscal Year because of procurement issues, which is yet another example of state systems that are too broken to deliver development and need fixing. The same applies to the feasibility studies we were unable to do on the proposed railway line from Salima to Tanzania through the Northern region. The studies failed because of a gap in the system, for the country has had no legal framework for a BOT model for implementing such a project. As such, we will use this year to fix that system by ensuring that the

Public, Private Partnership Commission accelerates the development of that legal framework.

**Madam Speaker,** in Air transport, my Administration has made provision for counterpart funding for the European Investment Bank financed construction of the Orton Chirwa Airport in Mzuzu. Financing for a feasibility study on the same has been provided through a grant aid from the Arab Bank for Economic Development in Africa (BADEA) and Organization of the Petroleum Exporting Countries (OPEC).

### **3.2 INVESTING IN HUMAN CAPITAL DEVELOPMENT**

**Madam Speaker,** the priorities we are delivering and the systems we are determined to fix are for the benefit of Malawians. But what we have seen in delivering these benefits is that their impact can easily evaporate if the Malawian people themselves are not capacitated and empowered to steward and enjoy those benefits in a way that is sustainable.



A new road can lose its benefit if citizens drive carelessly on it. A new hospital can lose its benefit if citizens steal medicines from it. A new vaccine can lose its impact if citizens believe conspiracies about it. A new school can lose its impact if citizens keep their daughters from attending it. A new election can lose its impact if citizens are kept misinformed about Government matters. That is why part of fixing broken systems for delivering development priorities involves enhancing the physical, mental, and social capacity of our people.

## **Health**

**Madam Speaker,** our first target of investment in human capital development is the Health Sector, where the chief culprit for poor delivery of public service is a broken system we must fix. Toward that end, I am pleased to report the following progress:

- With financing from our taxpayers and the Global Fund, we have commenced the construction of 55 of the 900 health posts I announced in September 2020, while the construction of 145 posts is set to start in the 2022/23 Fiscal Year;

- We have all but completed the Phalombe District Hospital, and have allocated funds to start the construction of a new Chikwawa District Hospital in the coming year, as well as conduct feasibility studies for new district hospitals in Rumphi and Dowa;
- We have recapitalized Central Medical Stores Trust with MWK12.5 billion to prevent it from collapsing under the weight of arrears worth MWK17.5 billion caused by the abuse of the previous Administration, and we will continue clearing those bills in the coming Fiscal Year, while also preventing future abuse by debarring suppliers who defraud Government from doing any business with the Central Medical Stores;
- We will continue digitizing the entire health supply chain under the Master Supply Chain Transformation Strategy (2021-2026);
- We will continue our fight against COVID-19 through the administration of around 1.5 million vaccine doses we expect to receive in the first quarter of 2022, building on the successful administration of 1,864,968 vaccine doses so far;

- We have reduced the number of hospitalized children due to severe and acute malnutrition to less than 1%; and
- We have added 1,246 Health Care workers to the workforce in our health facilities.

### **Education**

Madam Speaker, our second target for human capital development is the Education sector, where our efforts to build an empowered and responsible citizenry include the following:

- We will implement compulsory education for our primary school going children;
- We will increase the number of teachers and teaching and learning materials in response to expected increase in enrolment;
- We have constructed 851 classrooms to expand space for our primary school learners;
- We have accelerated the completion of the construction of the three Teacher Training Colleges in Chikwawa, Rumphu and Mchinji;
- We commenced the construction of 250 secondary schools under the Secondary Education Expansion

Development (SEED) Project in partnership with the United States of America, as well as 308 classrooms, 120 teachers' houses, 60 student teachers' hostels and 60 administration blocks in 60 teaching practice schools in partnership with Germany;

- We have committed to establish 34 Secondary Schools of Excellence, with Chikwawa, Phalombe, Nkhotakota, Mangochi, Lilongwe and Rumphu earmarked for the first 6;
- We have delinked the old University of Malawi, and are committed to provide the necessary infrastructure for the new public universities, such as LUANAR's new Administration block and teaching complex and the School of Economics, all due for completion in the 2022/2023 Fiscal Year, while also constructing new buildings at the University of Malawi, at Kamuzu University of Health Sciences, at Malawi University of Business and Applied Sciences, at Malawi University of Science and Technology, and at Mzuzu University; and
- We have partnered with the private sector to construct hostels in all public universities.

## **Land & Housing**

**Madam Speaker**, our third target for human capital development is Land and Housing. Specifically, Government is undertaking policy and legal reforms, including a review of the 2016 Land Laws as I directed in 2020. As a result, the Land (Amendment) Bills are ready for tabling during this Parliamentary meeting.

More practically, **Madam Speaker**, to improve the investment climate and ease of doing business in the country, my Administration will allocate 5,000 hectares of land to Malawi Investment and Trade Centre (MITC) for allocation to investors over the next 5 years. Similarly, my Administration is continuing the 5-year project of constructing 10, 000 houses for our security institutions, of which 231 in phase 1 are in progress. As houses for those who protect us are progressing, we are also building houses for those most in need of protection, such as persons with albinism, the elderly, chronically ill, child-headed families, and female-headed families under the Social Housing Protection Programme.

At Government level, my Administration plans to construct a twenty-floor twin tower office building at Capitol Hill to house those Ministries that have no base there and reduce the rentals they incur. We will also continue to implement the Public Service Housing Scheme to provide mortgage loans to public servants.

**Madam Speaker,** one manifestation of a breakdown in systems for land management is the proliferation of uncoordinated and unplanned development. To address this system failure, my Administration is designing the Land Information Management System (LIMS), as well as developing District Development Plans and Urban Structure Plans. This includes lake city plans that designate specific sections of land along the lake for major tourism investments.

### **Information & Digitalization**

**Madam Speaker,** our fourth target for human capital development is the creation of an informed citizenry. To make progress in that direction, Government developed the Access to Information Act (ATI)

regulations in January, 2021. As I speak, the ATI Act is being implemented in collaboration with the Malawi Human Rights Commission.

Another initiative to increase access to information for Malawians is the provision of affordable internet services. To accomplish that, my Administration successfully negotiated for the 75 % reduction on the lower volume bundles and the Pay As You Go (PayGo) rates by Airtel Malawi Plc. and TNM Plc. In the coming year, we will be implementing Phase II of the National Fiber Backbone Project, which will further reduce data landing costs.

**Madam Speaker,** this coming year, we will be pursuing a governance digitalization agenda with greater focus. Aside from adding digitalization to the portfolio of the Ministry of Information, my Administration just completed the installation of equipment for Local Area Networks (LANs) in fourteen buildings at Capital Hill. This is in addition to the National Data Center being constructed in Lilongwe to harmonize all critical systems of MDAs. We have

also earmarked 16 schools, 2 markets, 2 airports, and hospitals for free public WI-FI service.

### **Gender, Social Welfare and Youth**

Madam Speaker, our fifth target for building the capacity of our people is the empowerment of such disenfranchised social groups as Women, Children, Youth, and persons with disabilities. In pursuit of this, we have been addressing and will continue addressing system gaps in the social security of these important demographics. The following are some of the notable programmes in this regard:

- We implemented the Literacy Programme; Women Economic Empowerment Programme; Village Savings and Loans Programme; Probation and Rehabilitation Programme; and Ending Child Marriage Initiatives;
- We disbursed MWK42 billion to 293,522 households in all 28 districts of the country, 70% of which benefited women, to cushion marginalized groups against the lack of basic needs in this harsh season of economic recovery;



- We intensified awareness campaigns against Gender Based Violence by training the Police, Magistrates, Health and Social Workers throughout the 16 days of activism;
- We assisted a total of 587 learners with albinism with protective equipment and school fees to continue their education safely across the country;
- We reintegrated 1,544 children from the streets to their respective homes, and provided psychosocial support to 62,650 primary caregivers, parents and community members; and
- We rescued 11,729 children from child marriage and provided psychosocial support to all of them.

**Madam Speaker,** let me conclude by mentioning two things that we cannot do without if we are going to succeed in either delivering our long-term priorities and diffusing our short-term pressures, or fixing the broken systems we need for that purpose.

Firstly, we cannot do it without good governance. Fixing the governance system to deliver our ambitious

developmental agenda is critical. Those fixes of the governance system must not be confined to one or two governance institutions, but all of them, for the framers of our Constitution intended all of them to be indispensable and each of them to be accountable.

Take the fight against corruption by the institutions within our justice system, for instance. We cannot win that fight unless the Anti-Corruption Bureau has the power and resources to investigate cases freely. In turn, the Anti-Corruption Bureau cannot succeed without a winning strategy for managing, prosecuting, and winning cases as directed by the Directorate of Public Prosecution. In turn, the Public Prosecutor cannot end corruption by prosecution alone without other supporting anti-corruption strategies from the Office of the Attorney General. In turn, the Attorney General cannot enhance the drive against corruption if he is allowed to enter settlements out of court without a system of accountability, which is why my Administration will be amending the Civil Procedures Act to establish a Committee responsible for making recommendations to the Attorney General before settling claims above a

certain threshold. In turn, the Attorney General cannot succeed in defending public resources against fraudulent settlement claims against Government if the Courts are compromised or not given enough funds to clear the backlog of cases going back decades.

**Madam Speaker,** I mention these interconnections to demonstrate why our Administration's fight against corruption and lawlessness has had a system-wide approach. I am therefore as proud of the successful investigations into corrupt acts as I am of the lawful arrests effected by the Malawi Police Service, or of the hundreds of criminal cases our prosecutors have won, or the billions in taxes the Attorney General's office has saved by defending Government in court, or the guilty verdicts the Courts have handed down against corruption culprits. We will therefore continue this system-wide approach to fixing the governance system in the coming Fiscal Year, ensuring that no institution is hindered from fulfilling its Constitutional mandate, nor operating in violation of the laws that regulate how its officers should work or relate to other institutions.

Most importantly, the interconnections between all our governance institutions is the reason why the only way to fix our broken system is to apply public sector reforms to the whole apparatus, not just parts of it. That is why during the 2021/2022 Fiscal Year, I tasked the Vice President, the Right Honorable Dr. Saulos Klaus Chilima to form a Taskforce and recommend how our whole governance system can be fixed. Going into the 2022/2023 Fiscal Year, Dr. Chilima and I, along with other governance stakeholders, will identify a set of recommendations from that Taskforce to be implemented over the next year as the first foundation of a system-wide overhaul and to be announced in due course.

Secondly, **Madam Speaker**, we cannot deliver our long-term priorities and diffuse our short-term pressures without partnerships. Malawi is a member of the global community and we cannot pretend that what happens to other nations in our region and beyond does not directly affect us. A virus on the other side of the world affects us; a trade policy on another continent affects us; a decision in the board room of the World Bank and the International

Monetary Fund affects us; a criminal investigation in another country affects us; a global economic summit we are not invited to affects us; a careless post on social media by a foreigner misinformed about vaccines affects us.

Because of the deep historical, geographical, cultural, political, economic, and digital ties between us and other nations, harnessing partnerships with nations that have good will towards us is critical to the achievement of our priorities and the fixing of the systems we need for delivering them. For this reason, my Administration's foreign policy in the year under review was focused on Development Diplomacy, and that will continue to be the case in the coming Fiscal Year.

I wish to single out the support that our Development Partners continue to give towards our efforts to preserve and conserve the environment. It has enabled us to implement the commitments made at the Climate Change Conference. It has enabled us to establish the National Climate Change Fund. It has

enabled us to implement policies for reducing greenhouse gas emissions. It has enabled us to better manage forest resources, including the planting of 45 million trees of different species. It has enabled us to operationalize the Malawi Environmental Protection Authority (MEPA) to enhance enforcement of and compliance with environmental protection laws. In short, the international support we have received and hope to continue receiving is a key ingredient to the sustainability of our development. The same is true for the overwhelming support we have received from our Development Partners, both in cash and in kind, for the relief of our people in the Lower Shire, who are reeling from the devastation caused by Tropical Storm Ana. Such relief gives us hope that once the storm is over, we have enough friends to help us get back on track with our national development.

So whether our partnerships are with nations in the Americas, or Europe, or Africa, or Asia; whether our partnerships are through trade deals, or diplomatic missions, or investment MOUs, or direct budgetary support, or cultural exchange programs, or academic scholarships; whether our partnerships are in the

provision of Covid-19 supplies and vaccines through COVAX, or in bringing peace and security to our region, or in implementing mitigation and adaptation measures against Climate Change, or in promoting multilateralism in international institutions like the United Nations, the African Union, the Southern Africa Development Community, COMESA, and the Least Developed Countries; our singular and guiding interest as a nation is the sustainable development of Malawi and the prosperity of her people.

This is what I have told the 166 Malawian diplomats being deployed to our foreign missions, 79 of whom have already reported for duties, while another 75 will leave in a few weeks. The desire to pursue development diplomacy is also the reason Government has recalled 78 diplomats, more than half of whom are back in the country. The changes are driven by national development interests, not political malice. In that context, our desire is to maximize the developmental opportunity available to our country because of our raised global profile occasioned by our boldness on the world stage, our

chairship of SADC and the LDCs, and our clarity of vision about the Malawi we want.

We may not be a developed, or large, or populous nation, but we are an accomplished one, a generous one, a brave one, a kind one, an intelligent one, and an entrepreneurial one. That is why wherever any Malawian walks on this earth, they have every reason to walk with confidence. For ours is no ordinary nation. Ours is the home of the fine sounds of Giddes Chalamanda, Wambali, Faith Mussa, and Namadingo; the home of the sporting exploits of Gabadinho and Mwawi Kumwenda; the home of the natural wonders of Lake Malawi, Mulanje Mountain, and Chambo; the home of icons for Justice like Martha Chizuma, Thabo Nyirenda, Steve Kayuni, and the Constitutional Court Judges. Ours is the land of the flag with a sun that is forever rising, just as we are.

I yield the floor, **Madam Speaker.**