

M A L A W I

THE WARM HEART OF AFRICA

Malawi may be small, but it offers a huge welcome for visitors and ample opportunities for investment and business in a stable and prosperous economic environment.



Bingu wa Mutharika,
President

Under leader President Bingu wa Mutharika, elected in May 2004, this landlocked agricultural republic of around 11 million people has made its way back into the mainstream of emerging markets. A strengthening economy, new investor-friendly policies and prudent fiscal measures are all making Malawi the hottest new destination for Africa-watchers around the world.

For three decades, Malawi was personified by its first pre-independence President, Dr. Hastings Kamuzu Banda. In the mid-1990s, his leadership of this largely Christian country faltered under a burden of repression and natural disasters. Social problems, including food shortages, poverty, corruption and HIV/Aids continued under his successor Bakili Muluzi following the first multiparty elections in 1994.



Goodall E. Gondwe,
Minister of Finance

President Mutharika, a former World Bank economist from the southern tea-growing district of Thyolo – stronghold of the ruling United Democratic Front – is offering new

hope for one of the world's poorest countries. As a past secretary general of the 20-member Common Market for Eastern and Southern Africa (COMESA), Mutharika has the right credentials to reposition Malawi and help it become a key player in the Southern

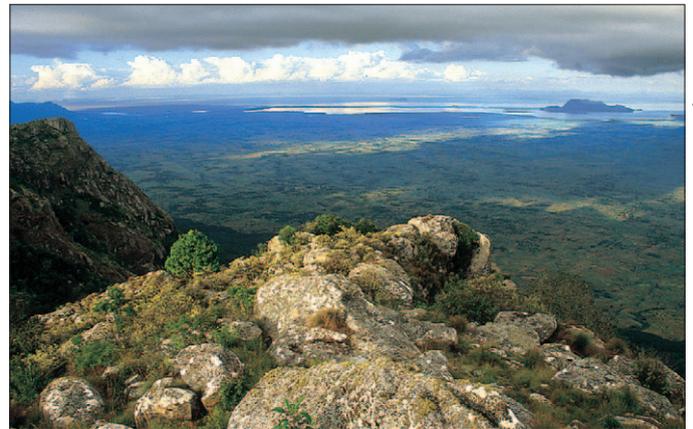


Photo courtesy of Le Meridien

A breathtaking view of Lake Chilwa, a fertile and tropical wetland

African Development Community (SADC), which it co-founded 25 years ago with a view to promoting economic independence.

"I want to transform Malawi from an importing and consuming country to a predominantly producing and exporting country," says Mutharika. "I want to quickly move Malawi out of poverty by generating incomes, especially in rural areas. I want to create an enabling framework for the business community through our public sector investment program, and to generate more goods and services from Malawi for the local and international markets."

President Mutharika, who has stabilized Malawi and restored the confidence of the World Bank and bilateral donors, defines the paradox of his country in the 21st century. Part of the new climate is a "zero tolerance" approach to corruption, a crime he considers worthy of the harshest punishment.

"Corruption makes it difficult for us to gain the credibility we require," he says, adding, "Malawi is not poor, but as a nation we are poor. Our economy depends on tobacco – it accounts for more than 50% of our exports – but we are now diversifying into other sectors, such as cotton. We've got huge natural resources, including rivers and lakes, which have not been exploited. My priority is for us to discover our roots as a nation and turn our resources into wealth. I'd rather teach Malawians to catch fish than give them fish."

Finance Minister Goodall E. Gondwe, formerly president of the African Development Bank and past head of the IMF's Africa Department, is gaining an "Iron Chancellor" reputation with his emphasis on fiscal discipline and macro-economic stability.

Malawi - New pacesetter in the heart of Africa

Malawians call their landlocked, densely populated country "the warm heart of Africa," and want more investors to appreciate its true potential. Dependent on agriculture for more than half its GDP, the government is striving for high, sustainable economic growth to spur poverty reduction and generate wealth.

The new reform policies, and emphasis on private sector collaboration, are led by Minister of Finance Goodall E. Gondwe, former chief of the IMF Africa Department. "My main job is to bring fiscal discipline that will lead to macro-economic stability and therefore generate a friendlier environment for private sector goals," he says.



Uncontrolled government expenditure pre-2004 hampered Malawi's drive to draw in FDI, despite GDP growth of 4.4 per cent last year. "That was our one big weakness," says Minister Gondwe. Now, he points to the huge opportunities lying idle in natural resources, tourism and mining. "Our calculation is that the return of investment for investors could be more than 30%," he says.

Mr Gondwe admits that until recently, Malawi was one of the least understood countries as to its potential. "People forget that we are at the center of the SADC, and the most competitive country in the region by virtue of our location," he says. "People who want to invest in Southern Africa's emerging common market will find Malawi an attractive destination."



J.B. Khumbo Chirwa, Minister of Industry, Science & Technology

"We are not food sufficient yet, and we need investment in education, health care and agriculture. We do, however, have the human resources and the wherewithal to generate growth."

He continues, "We calculate that the return on investment could be more than 30%, but first, key performance indicators, such as interest rates, must be curbed."

Gondwe shares the President's optimism about the potential of cotton. "Once you produce cotton, it can help you to increase and expand textile industries," he says.

The minister is also enthusiastic about the untapped possibilities which exist in tourism, construction and mining.

The human resources pool is enormous, due to the growing population and the skill sets that exist among millions of expatriate Malawians living in Zimbabwe, Tanzania and South Africa. "The private sector needs to give us a chance," says Gondwe. "Malawi has a dedicated Ministry of Trade and Private Sector Development and tax incentives for inward investment. These are welcoming signals for new investors."

The future in Malawi is also female, with new policies designed to empower women to champion economic growth. In a male-dominated society, where the HIV/AIDS pandemic is creating a generation of orphans, Minister of Gender, Child Welfare and Community Services Joyce Banda has perhaps the most challenging remit. "My mission is to help women get social and economic empowerment through success in business," she says. "Last year, the President appointed the first woman inspector general of police. He wants to see 50% women in decision-making positions and that gives our society a great deal of hope."

immediate and long-term prospects. In agriculture, the agency is promoting the value of investing in every stage of the production chain, especially in cotton. In particular, MIPA is seeking companies that can manage projects in areas such as agribusiness and irrigation.

Generous incentives exist for new investors in Malawi. They can choose from a menu of tax breaks – especially for projects linked to exports – capital equipment can be imported duty-free and there is no corporate tax. "We offer a 40% allowance for new buildings and machinery," says Kaphweleza Banda. "Manufacturers are able to deduct pre-production expenses, such as training of staff, for a maximum of 24 months. Raw materials are also imported duty-free."

MIPA is also committed to smoothing the path of bureaucracy for investors. Before its existence, some businesses waited as long as two years for residency permits. Now, the process takes just 10 working days.



Joyce Banda, Minister of Gender, Child Welfare & Community Services

Looking after new investment

The guardian of hope for economic growth and new investment is the Malawi Investment Promotion Agency (MIPA). Headed by acting general manager and CEO J.R. Kaphweleza Banda and his deputy Alick C.E. Sukasuka, MIPA's mission is to act as a one-stop investment center to promote, attract, encourage and develop local and international investment. "We also act as a sounding board for the government in terms of improving the investment climate," says Kaphweleza Banda. "We give feedback to help the government make Malawi become more investor friendly."

MIPA considers tourism, agriculture and food processing to offer the best

Challenges in manufacturing and utilities

Mapeto Wholesalers, a consortium of investors led by its chairman Faizal Latif, has taken over and revitalized the former state-owned textiles mill founded in the 1920s as David Whitehead & Sons. Mapeto is an integrated mill and employs 200 workers. Spinning, weaving and dyeing take place under one roof.

Its new owners have already spent 300 million kwacha (U.S.\$ 2.7 million), mainly on new machinery. Mapeto Wholesalers is looking at the export business, not only to neighboring countries, but also to the U.S. and Europe. General manager Martin C. Mzata says: "When we took over, we produced 10,000 meters a day, but now we are making 150,000 meters daily. Our aim



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Dr. Allexon A. Chiwaya,
CEO, Escom

is to export 50% of production and we're very interested in Europe, particularly in the U.K. and Germany."

The success of industry depends on the performance of key building blocks in the economy, including the Electricity Supply Corporation of Malawi (Escom), which is responsible for electricity generation, transmission and distribution. "The problem here in Malawi is that we access only 6-7% of the whole country with electricity," says Escom's CEO Dr. Allexon A. Chiwaya. "Our people's access to electricity is not good, especially in rural areas, but one of our aims is to bolster that figure to 30% over the next few years."

Escom, a statutory body accountable to the President, is reinvesting its revenue in structural improvements to its network. It is also shopping for investment in new projects, having already spent U.S.\$10 million on the city of Blantyre, and the same for the capital Lilongwe. Nearly all Escom's plants are hydroelectric schemes, although river sites in particular are vulnerable to climate change. On the agenda are projects valued at U.S.\$10 million, underwritten by U.S.\$ 4 million from the World Bank. The rest will come from outsourcing to other partners, or through a further subvention from the World Bank.

The Malawi government has been in talks with Tanzania about building a river dam on its northern border, where both countries lose and gain land constantly, but the process could take up to 15 years. Escom, meanwhile, is pushing ahead with plans for a 220-



Telekom Networks Malawi's (TNM) offices in the capital, Lilongwe

kilometer electricity power line from Matambo in Mozambique for completion in 2007. "Part of our ambition is to become a trader in electricity rather than an importer," says Chiwaya. "In the future, Mozambique is likely to become Escom's biggest customer. Right now, the sugar and mining industries are our major clients."

Escom is looking for potential partners with experience and technical know-how to help underpin its 10-year strategic development plan. To meet rising demand for electricity, Escom is prioritizing the upgrading of its existing plant. It is constructing a

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Dr. Ken Lipenga,
Minister of
Information,
Communication
& Tourism

new power transmission line from Lilongwe to Blantyre, slated for completion at the end of 2005. "New transformers are also part of our portfolio of investment projects," says Chivwaya. "We're open to talking with any investors interested in coming to Malawi."

Telecommunications and tourism welcome investment

Telecoms and tourism represent magnets for foreign investment in Malawi. With a free press and growing deregulation since 1994, the country has two financially independent and viable parastatals in its Malawi Telecommunications Limited and Malawi Posts Corporation.

Since deregulation began, three cellphone operators have arrived as well as more than 20 Internet Service Providers. "We are looking for more players in the communications sector to increase competition," says Minister of Information, Communication and Tourism Ken Lipenga. "We want to offer more access to telecoms for rural communities, to help promote social inclusion and increase the number of fixed lines to more than 150,000."



Ghazali Hashim,
CEO, Telekom
Networks Malawi

Telekom Networks Malawi Ltd (TNM), owned 60% by Telekom Malaysia, with the rest of the equity held by Malawi Telecommunications, was established in 1995. Today, it is the dominant operator of the global system for mobile communications (GSM) in Malawi and brands itself as "a true Malawian choice." With just over 200 staff, TNM has 60,000 customers who purchase airtime through contracts or prepaid recharge vouchers.

TNM's CEO Ghazali Hashim says: "We have services to fit the lifestyle. I have written a vision for the company to become a world-class institution because I don't want to be just for Malawi, and because quality is something I never want to compromise." TNM's product offerings, which include fax and data, international roaming, voice-mail, call forwarding, call waiting and call conferencing have been developed in line with new technological developments taking place in Malawi and elsewhere.

Convergence, the telecom industry's latest watchword, aims to merge cellular, Internet and satellite communication to provide seamless connectivity to the mobile consumer within the business and home environment. Customers can connect to the network through the wireless application protocol (WAP), retrieve their email and send SMS messages. By keeping abreast of these trends, TNM is well prepared to take its customers forward and already has roaming partners in up to 50 countries.

Malawi's potential for tourism is driven by its striking natural beauty and biodiversity. Lake Nyasa, also known as Lake Malawi, is the third largest in Africa, and boasts more than 800 species of fish



Malawi's tourism industry is growing year on year

and a natural beach. Diving and boating are popular pursuits, as are attractions such as game reserves, mountain hiking and trekking. "Visitors will find warm hospitality and a rich cultural identity in Malawi," says Minister Lipenga.

Tourism demand is slated to grow by 9.4% this year, and the industry is set to contribute 3.7% to GDP according to research undertaken by the World Travel and Tourism Council. The industry employs around 135,000 people, or 5.9% of the working population. Lipenga's civil servants are encouraging sustainable nature-based tourism and want to promote more ecotourism.

Among the sites of outstanding natural beauty set for development are the Manchewe Falls at Livingstonia, Kande Beach in Nkhatabay and the Maleri and Likoma Islands. The government has adopted a policy that enables private operators to manage tourism enterprises in all national parks. This has led to improved standards of service in tourist lodges. Lipenga says, "Apart from a proposed incentive scheme for ecotourism, we already offer a set of incentives in the tourism sector, including concessionary rates of duty on imported capital items, capital formation and reduced withholding tax on dividends."

As one of the world's leading hotel brands, Le Meridien, under country general manager Bernard Messin, offers visitors four luxurious hotel options with a focus on corporate clients. Le Meridien Ku Chawe gives guests a view over Zomba, the capital of former colonial Nyasaland, which is among the most beautiful regions in the former British Empire. Meanwhile, Le Meridien Livingstonia Beach provides a charming setting on the sunny shores of Lake Malawi, which was discovered by the explorer David Livingstone in the 19th century.

For business visitors, Lilongwe's Le Meridien Capital and Blantyre's Le Meridien Mount Soche are both equipped to enable guests to combine business with pleasure in relaxed and comfortable surroundings.

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