

**MALAWI ECONOMIC AND POLITICAL OVERVIEW AND RECENT
DEVELOPMENTS PRESENTED AT
GERMAN–MALAWI ASSOCIATION,
20th OCTOBER, 2012, BERLIN GERMANY**

BACKGROUND

1. The new President of Malawi, Her Excellency Mrs Joyce Banda came to power following the sudden death of the former President Professor Dr. Bingu wa Mutharika in April, 2012. Until then, she was the vice president of the country.

2. Malawi successfully held a peaceful transition of power which ushered Her Excellency Mrs Joyce Banda into the Presidency in accordance with the country's constitution to which many countries commended Malawi. This showed that Malawi continues to be a peace-loving country and the maturity of democracy in Africa.

3. As some of you might be aware, in the last three (3) years Malawi went through social, political and economic turbulence. Immediately after the landslide victory of the DPP government in 2009, political problems emerged due to succession struggles with the Party. Constitutionally, in case of death or any form of incapacitation of the head of state, the vice president is supposed to take over. However, following the inclusion of Professor Peter Mutharika in the cabinet succession squabbles started to emerge because certain quarters in the party started favouring him to take over the mantle of leadership in 2014 thereby sidelining the vice president and in a way not only flouting the then ruling party's constitution

but also the current Malawi government's constitution. This created confrontation between the camps that was for Professor Peter Mutharika and that of the then Vice President who wanted to follow and defend the constitution. This led to her dismissal from the party together with her supporters who subsequently formed the now ruling People's Party (PP)

4. In terms of socio-economic progress and rule of law, Malawi was becoming a pariah state in the eyes of the donors and the international community. This was more seen in the squabbles that the DPP government picked with the IMF, World Bank and the Donors by refusing to devalue the Kwacha and the passing of the draconian bills in parliament which gagged freedom of speech and abused human rights of Malawians.

5. The aforesaid eventuated into the following:

- a. The expulsion of the British High Commissioner to Malawi and vice-versa. This strained Malawi's relations with Britain (one of Malawi's biggest donors) and other EU countries.
- b. Suspension of Budgetary and development support to Malawi by donors which led to very serious shortages of forex, fuel, some social amenities such as medicines in hospitals and general political problems

6. The immediate effects of this economic meltdown were the July demonstrations in 2011 which led to loss of lives.

CURRENT SITUATION

7. So you can see, Her Excellency Mrs. Joyce Banda came into power at the time the country was going into strenuous relationships with the international community as well as deep socio-economic and political problems in the country.
8. Upon taking office, Her Excellency Mrs Joyce Banda set out her vision for Malawi which is “to eradicate poverty through economic growth and wealth creation.”
9. In this regard, within her first 100 days, Malawi held an inclusive National Dialogue on the Economy and launched an Economic Recovery Programme which aims to restore good economic and political governance in the country. Through the Economic Recovery Programme Malawi has prioritized five key sectors as immediate priorities within the country’s medium term national development framework, the Malawi Growth and Development Strategy (MGDSII). These are agriculture, tourism, mining, energy and infrastructure development. Central to these priorities is the country’s emphasis on delivery through partnership with the private sector. Thus, the government is endeavouring to make changes that will improve the business climate in the country.
10. The President has also launched two initiatives; the Presidential Initiative on Maternal Health and Safe Motherhood; and the Presidential

Initiative on Poverty and Hunger Reduction in order to fast-track the interventions needed to address the social needs of the disadvantaged groups especially women and youth.

11. In terms of bilateral and multilateral relations, President Mrs Joyce Banda's government re-opened dialogue and engagement with the neighbouring countries, with African leaders and indeed the rest of the world. In particular, through dialogue, Her Excellency Mrs. Joyce Banda restored the bilateral relations between the United Kingdom and Malawi and now the two countries have sent new envoys (High Commissioners) to represent their respective governments.
12. Malawi has also managed to restore donor confidence which was marred in the previous regime. In July, 2012, the World Bank signed two financial agreements with the Malawi Government totaling \$110 million (about K30 billion) which will be used for the implementation of the Agriculture Sector Wide Approach (ASWAp) (\$30 million) as well as support for the country's nutrition and HIV and Aids interventions (\$80 million). The ASWAp funds are an additional financing to an initial credit of \$32 million which the World Bank provided to Malawi in 2008.
13. In July, 2012, the board of directors of US government's Millennium Challenge Corporation (MCC) has voted to lift the suspension of a \$350.7million compact grant for the revamp of Malawi's power sector. MCC placed a hold on compact assistance to Malawi in July 2011 and formally suspended the compact in March 2012 owing to actions by the

Malawi government under the late President Bingu wa Mutharika that were inconsistent with the democratic governance criteria that MCC uses to select its compact partners. MCC board felt satisfied that since President Joyce Banda's inauguration in April, the Malawi government has taken concrete steps to reverse the actions of the previous administration that the board had problems with.

14. The US State Secretary Mrs. Hilary Clinton visited Malawi during her tour to Africa in August and pledged amongst others, to strengthen Malawi's agricultural value chain with amount of US \$36 million. This is the second highest ranking official from the U.S. government to visit Malawi after U.S. former Vice President Dan Quayle in 1991.
15. German's BMZ Parliamentary State Secretary, undertook a four-day visit to Malawi in August. This was an overdue trip which she had planned to undertake in February 2011 but had to be cancelled due to differences that existed between the previous regime and the German government. Ms Kopp held meetings with Her Excellency the President and other high ranking officials.
16. During her current visit to the Brussels, Her Excellency Mrs. Joyce Banda secured a total of €98 million (about MK35 billion) from the European Union (EU) through the signing of two Financing Agreements, to support the implementation of the Agriculture Sector Wide Approach (ASWAP) and the social cash transfer programme. The Social Cash Transfer Programme is a key component of the social safety net the

government is putting in place to cushion the short term effects of the Economic Reforms currently underway.

17. On the draconian bills that were previously passed in Parliament, the President in her inauguration speech pledged that these will be passed on the parliament to re-debate on them. Since then most of the laws which were in question have since been reversed or abolished. These are but some of the examples that have taken place following the ushering of Her Mrs Joyce Banda into presidency.

18. In conclusion, Malawi has once again proven the world that, it indeed continues to be a peace-loving nation and is striving to bring political, socio and economic stability. The new government under the leadership of Her Excellency Mrs. Joyce Banda has put concerted efforts to stabilise the economy, restore the rule of law and re-establish working relationships with donor and international community. It is our ardent hope that the German government will reconsider its budgetary support to the country and that many German well-wishers will partner with the Malawi government to make its vision of eradicating poverty through economic growth and wealth creation will come into reality.

Malawi Embassy Berlin
20th October, 2012