



Standard Bank



INAUGURAL STANDARD BANK GROWTH CONVERSATIONS FORUM

**“Towards Economic Recovery and Growth.
Embracing Sustainability”**

Thursday, July 25 2024
BICC Lilongwe

1. BACKGROUND

The **Standard Bank Plc** purpose is to drive Malawi's growth through its operations in the financial services sector. Understanding that to fully leverage on national opportunities requires the right conversations and partnerships, the Bank has launched a stakeholder engagement platform dubbed as 'Growth Conversations'. The platform aims to enhance consensus building and collective bargaining on economic policy. It builds on Standard Bank's positioning as a leader in facilitating dialogue on national development in Malawi. The dialogue platform will broaden the Bank's stakeholder engagements and further help to stimulate the economic policy. The inaugural Growth Conversations forum took place on **July 25**, at the Bingu International Conference Centre (BICC) in Lilongwe under the theme **"Economic Recovery, Growth and Sustainability."**

2. INTRODUCTION

Growth Conversations is a continuation of Standard Bank's initiative to facilitate dialogue designed to contribute to national growth. It aims to stimulate policy review and monitoring while seeking to mobilize key stakeholders towards consensus and action on critical matters of national interest. The precursor to the launch of the Growth Conversations platform was a series of high-level Round Table discussion forums initiated by Standard Bank's leadership between 2022 and 2023. Successful outcomes from those engagements have inspired the bank to broaden the scope of its engagements through the Growth Conversations platform.

Growth Conversations engagements will take the form of panel discussions bringing together selected discussants through a moderated session. It will also attract experienced professionals and other speakers who will present topical issues depending on their expertise.

2.1. INSIDE THE INAUGURAL GROWTH CONVERSATIONS FORUM

Under the theme; "Towards Economic Recovery and Growth. Embracing Sustainability". **"Roadmap to Malawi's Growth,"** the inaugural platform offered an opportunity for the Standard Bank and key stakeholders to share experiences through presentations and a panel discussion by experts from government, private sector, and donor agencies.

Led by Standard Bank Plc Chief Executive, Phillip Madinga, the bank introduced its Group Economist and Senior Analyst (African Markets) Mulalo Madula, who provided insights on medium-term macro-economic outlook for the Africa region based on Standard Bank Group's research findings. From Malawi, Standard Bank's Head of Legal and Governance Norah Nsanja presented the bank's Sustainability Report for 2023, while Head of Corporate & Investment Banking (CIB) Frank Chantaya made the call to action in his closing remarks.

The Director General of National Planning Commission (NPC), Dr Thomas Munthali was the Guest of Honor and keynote speaker.

Discussants for the Panel comprised Dr Effrem Chilima, the World Bank Private Sector Development Specialist, Mrs Stella N'goma the Director of Investment from the Malawi International Trade Centre (MITC) and Diamond Chikhasu, Deputy Director of Investment in the Ministry of Trade & Industry.

Launching the inaugural session, the Chief Executive Phillip Madinga who is also President of Bankers Association of Malawi (BAM) and one of the Commissioners of the NPC emphasized that the purpose of the Growth Conversations is to harmonize and broaden the bank's stakeholder engagements in line with its purpose to drive national development and economic growth. He drew attention to the positive impact of previous deliberations led by the bank in sectors such as Mining, Tourism, Energy and Infrastructure. **"At Standard Bank, we recognize our role in driving economic progress and promoting sustainability. We are committed to supporting businesses, communities, and individuals in their pursuit of sustainable growth. Through "Growth Conversations", we aim to foster meaningful dialogue, spark innovative ideas, and catalyze collective action,"** he said.

In his remarks, NPC Director General Dr Thomas Munthali, singled out Standard Bank as the private sector leader on creating meaningful dialogues that lead to tangible results for the country's economy. He said the Growth Conversations platform demonstrates Standard Bank's commitment to being more than a bank by taking a holistic approach towards matters of sustainable national growth. He said the bank's commitment to inclusive growth and development is truly commendable, noting that previous dialogues convened by Standard Bank yielded tangible outcomes. The NPC DG cited reforms in the energy sector like coming in of independent power producers in green energy like solar; improvements in the business licensing and fast-tracking of one-stop border posts; revising of the Mines and Minerals Act; repealing of the Immigration Act leading to the relaxation of the Travel Visa entry restrictions into Malawi, as positive outcomes of previous forums led by Standard Bank.

Dr. Munthali further noted that building a sustainable and resilient future for Malawi rested on collective and collaborative action which the Standard Bank platform seeks to harmonize. **"By bringing together stakeholders from various sectors, we can share knowledge, expertise and resources to drive meaningful change. Economic growth that is resilient is central in the inclusive wealth creation agenda under the Malawi 2063 blueprint,"** said the MW2063 chief advocate.

In her presentation titled; **"Malawi: Towards Economic Recovery and Growth, Embracing Sustainability,"** Johannesburg-based Standard Bank's Group Economist and Senior Analyst, Mulalo Madula highlighted that while African markets are exhibiting robust but disproportionate economic growth, the impact of American politics and current geo-political tensions on global economics loomed too large to be ignored.

She noted that global markets faced a significant risk of volatility if the November 3, 2024 U.S General Election swings in favor of the Republicans under controversial Presidential candidate Donald Trump. **"A Trump win, if it brings with it more fiscal largesse, static Fed policy, new tariffs and increased geopolitical tensions with China, could create**

a far more volatile environment,” she said.

Turning to Malawi, the Standard Bank Group Economist said the country faced a long and difficult path towards recovery. She noted that Malawi was grappling with two consecutive years of natural disasters which increased government spending leading to budget deficits and negating growth. She said these shocks have left Malawi with the lowest GDP growth rate in Africa at 2.3% down from 3.3% on account of low agricultural productivity.

On a positive trajectory, Madula observed that while El Nino-induced drought hampered growth, Malawi's tobacco market is performing well and that while foreign currency earnings from the commodity would likely be eroded by import demands, FX reserves would likely recover in FY 2025/26 due to positive impact from El Nina forecast.

The forum also provided an opportunity for Standard Bank to launch its Sustainability Report for 2023. Previously known as the Report to Society, the Sustainability Report outlines the bank's contributions towards Social Economic and Environmental (SEE) impact areas and how the Bank is managing Environmental, Social and Governance (ESG) risks.

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KEY TAKEAWAYS FROM THE PANEL DISCUSSION

3.1

DEBT DISTRESS NEARS 'CRISIS LEVELS'

- The Malawi economy faces significant risk from its exposure to huge stock of both foreign and domestic debt. Foreign debt hovers over \$2 billion. Most analysts see the overall debt and repayment burden as unsustainable, with the country falling behind schedule on repayment of most of its foreign debt.
- Domestic debt is further pushing up interest rates and crowding out the private sector. More credit is flowing to the government as opposed to private sector (70:30 ratio).
- Malawi's progress to achieve a sustainable debt position and relief is much slower than other countries that started their debt restructuring negotiations much later than Malawi
- The country must focus its efforts on securing debt restructuring with biggest lenders the African Development Bank (ADB) and the AFREXIM Bank to bring debt to moderate risk of distress and avoid a crisis scenario faced by Zambia and Ghana.
- While progress on debt restructuring with China is notable, the amount involved is quite small. Malawi must exert herself on getting restructuring deals with the bigger lenders.
- The government must implement the necessary reforms around fiscal consolidation

to slow down domestic debt growth.

- Both Bankers Association of Malawi (BAM) and Reserve Bank of Malawi have been tasked with ensuring that government borrows responsibly as there's "too much borrowing" by the government which has negative consequences.



3.2. MALAWI'S IMF/ECF PROGRAM

- Reducing borrowing and adhering to fiscal discipline remains key to staying on track with the International Monetary Fund's (IMF) ECF program
- The IMF program is at risk of going off-track given the current scenario where government continues to borrow heavily from the domestic market
- The IMF programs need more scrutiny to establish if their prescriptions are working for Malawi
- A series of devaluations, seemingly prescribed by the IMF, have not fully translated into improvements to the Malawi economy as shortages of foreign currency and exchange rate instability persist.
- The IMF program is at risk of going off-track given the current scenario where government continues to borrow heavily from the domestic market.



3.3. ROLE OF PRIVATE SECTOR

- The private sector remains critical as catalyst for national development through provision of goods, services, creation of jobs, innovation, and skills development.
- Private Sector Dynamism as a catalyst for Malawi to achieve the three pillars of the blueprint namely Agricultural Productivity and Commercialization, Industrialization and Urbanization.
- Private sector needs to speak with one voice to lobby government support its innovations which remain too fragmented and lack the desired scale.
- There's a need to deal with corruption to enable the private sector to thrive.



3.4. IMPACT OF REGIONAL TRADING BLOCKS ON MALAWI

- Malawi is not taking full advantage of its membership to various regional integration blocks such as SADC/COMESA and AfCFTA.
- Regional and continental groupings such as the AfCFTA offer the largest free trade area in the world which would create a huge market for Malawi as well as generated foreign direct investment.



3.5. AGRICULTURE VALUE CHAINS AND MANUFACTURING

- Put in place deliberate policies that promote value addition and processing in agriculture as sector remains mainstay of the country's economy.
- Increase investment in commercial farming and promote climate-smart technologies such as irrigation to boost agricultural productivity.
- Integrate value addition in primary agricultural commodities to the Manufacturing sector.



3.6. ROLE OF INFRASTRUCTURE

- Poor infrastructure identified as a second major hurdle to private sector growth after access to finance according to a World Bank report "Investment Climate Assessment" .
- Lack of seamless transport connectivity due to poor state of roads, rail and unstable energy sources such as electricity make Malawi's exports expensive and therefore uncompetitive on the international market .
- Some progress has been registered in revamping the country's regional and domestic railway networks as well as roads in Lilongwe through financing partnerships forged by Standard Bank and government.
- Rail transportation can help reduce cost of production for export and make Malawi products competitive on the international market.



3.7 ENERGY SECTOR REFORMS

- Increase participation of private sector in infrastructure projects
- Pick lessons from World Bank-supported private/public sector partnership models

available at the Private and Public Partnership Commission (PPPC), formerly the Privatization Commission.

- Invest in diversification from hydroelectricity generation and supply by both Egenco and Escom.
- Review role of Escom as sole distributor of electricity.



3.8. ENVIRONMENTAL SUSTAINABILITY, AND SOCIAL EQUITY (ESG)

- Both private sector and government must embrace environmental sustainability in their quest to achieve industrialization.
- The introduction of the Environmental and Social Governance (ESG) concept should compel both government and private sector to comply with ESG rules.
- The Ministry of Trade is developing a National Investment Policy which will compel all investors to embrace ESG.



3.9. ROLE OF WOMEN AND YOUTH

- Women and youth must be integrated in the country's national development processes as the country's population is predominantly made up of youth.
- Design deliberate policy frameworks embracing youth and women in economic growth efforts.



3.10. EDUCATION REFORMS AND VOCATIONAL TRAINING

- Ministries of Education, Youth and Gender to include entrepreneurship education in the curriculum starting from Primary Schools to orient the youth to entrepreneurship as they grow.
- Review youth-oriented loan programs to ensure really capturing the whole spectrum of youth and women out there.
- Broaden the scope of TEVETA program to reach more youth and women.



4.1. Overall Debt Risk and Private Sector Crowding Out Effect

- To prevent a debt crisis as experienced in recent years in Ghana and Zambia, Government must re-affirm commitment towards Debt Restructuring negotiations with major creditor institutions and nations to bring the country's debt overhang to sustainable and manageable levels.
- Rein in fiscal discipline to reduce spending designed to shrink domestic debt yields, and reduce repayment burden.
- Rationalize domestic borrowing to government to reduce interest rates and create room for private sector capital growth.



4.2. Exchange Rate Management

- Seek ways of reducing policy shocks around exchange rate as a tool for monetary policy and macro-economic management.
- Review impact of the country's devaluation policy, which has been consistently applied since the 1994's but leaves the economy worse off.



4.3. ACFTA and other Regional Trading Blocks Membership

- Review how Malawi can fully exploit existing opportunity and gain from preferential trading treatment offered by the ACFTA and other regional trading and integration blocks such as SADC and COMESA.
- Reduce cost of production to make Malawian exports competitive in regional markets offered by ACFTA, COMESA and SADC.



4.4. Dealing with fragmentation of Ideas and Innovation

- Harness an existing dialogue such as **“Growth Conversations”** to bring together innovative ideas and elevate the voice of private sector.



4.5. Agricultural Reforms and Diversification

- Improve competitiveness of agriculture sector through value-addition, agro-processing.
- Increase investment in commercial agriculture through climate-smart farming technologies.
- Improve production capacity for export markets.



4.6. Youth & Women Empowerment

- Review access to finance mechanisms for marginalized youth and vulnerable women to provide for equitable distribution of loans.
- Develop deliberate curriculum for Entrepreneurship.
- Broaden scope of TEVET.



4.7. Manufacturing Sector

- Integrate Manufacturing sector into the ATM Strategy.





GROWTH CONVERSATIONS