

**Minutes for the Sixth Private Sector Development (PSD) Project
- Steering Committee Meeting -
Ministry of Industry and Trade, Zimbabwe House, 16th of July 2015, 10am – 12 noon**

1.0. Participants Present

Charles Kambauwa, MoIT - Chair
Carol Flore-Smrecznik, UNDP - Co-Chair
Bisa Namarika, MITC
Navin Kumar, MICF
Rollins Chitika, MICF
Tambulani Chunga, MICF
Gilmon Chimteka, MoFEP&D
Chancellor Kaferapanjira, MCCCC
Lusungu Mwangulu, MoIT
Cinzia Tecce, UNDP
Agnes Chimbiri, UNDP
Mark Mehrlander, UNDP

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Apologies: C. Chiunda, MoIT; K. Chisale, MoIT; M. Sauzande, MoIT; S. Sindi, MoIT; C. Phangaphanga, MoIT

2.0. Introduction

Opening remarks were delivered by Mr. Charles Kambauwa, Principal Secretary II in the Ministry of Industry and Trade (MoIT), who apologized for the late start and non-attendance of some MoIT staff due to an urgent meeting with the Minister.

He stated further that this meeting is important to hear if the project is on track, and that he wants to see action and implementation!

After self-introductions, the Deputy Resident Representative of the United Nations Development Programme (UNDP), Mrs. Carol Flore-Smrecznik, gave her introductory remarks. She pointed out that in this meeting she wanted to reflect on the time factor, since we are already halfway in our 2015 Work Plan, and are almost approaching the time to plan for activities for 2016. In this mid-year review, we should earnestly strategize on progress made and interventions needed on challenges experienced. UNDP recognizes progress made and remains dedicated in its support for the Ministry of Industry and Trade, nevertheless the Ministry needs to be more proactive in implementing activities out of the current work plan, and take full ownership and champion the agenda for economic growth in Malawi. On the Manufacturing Agenda, UNDP expects a dedicated officer to pursue any pending activity as per Annual Work Plan. UNDP here provided Technical Assistance which has just been concluded by the designated Advisor, and can continue to do so in future provided the Ministry identifies clear working areas for this and sends a formal request to UNDP. Regarding the policy work which was supported by UNDP, there is a definite need for the MoIT to take action after the consultancies have concluded. It is noticed with concern that both Industrial Policy and Trade Policy are completed but still withheld by the Ministry. We shall have both policies tabled in Cabinet at the next sitting in October. On the MICF,

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UNDP is keen to take note on progress made by the contracted companies in achieving their milestones, but also wants to reflect on the emerging risks that could impact on the MICF portfolio, for example fluctuating commodity prices and a lack of available skills in the manufacturing sector. 2015 should be a year of implementation of critical pieces of work by the MoIT, citing the Industrial Policy, Trade Policy, Agri-business Supplier Development Programme. EPZ Regulations and Buy Malawi Campaign amongst others. UNDP would also like to see more to be done concerning the empowerment of women, gender equality is an important issue in the achievement of the current MDGs and the SDGs from 2016 onwards.

Thereafter the agenda was adopted, with the proposed and agreed on A.O.B. to discuss the items highlighted by the DRR of UNDP.

The meeting agreed that the Minutes of the 5th PSD Steering Committee Meeting were a true reflection of the discussions and outcomes of the meeting. Nevertheless it was requested and agreed on to separate 'absent' from 'apologies', and to change the name Thauzande to Sauzande. Furthermore it was suggested and agreed on to amend the format of the minutes in future to emphasize key decisions made as it had been done previously.

Matters arising from the minutes of the 5th PSD Steering Committee Meeting are to be clarified in the progress reports.

3.0. Presentations, Discussions and Key Decisions

The Ministry of Industry and Trade presented the Quarter II (April-June 2015) Progress Report for Output 1 of the PSD Project.

3.1. Output 1 – Progress Report, MoIT

- The National Industrial Policy was Quality Assured by consultants and the final Policy delivered in June to the Ministry of Industry and Trade. The Department of Industry is tasked to prepare a Cabinet Paper. There is however intention by the Ministry to add the Textile Sector, an option which the consultants deemed being unviable. Status: In strong delay.
The Meeting was informed by the MoIT that the National Industrial Policy is currently discussed with the minister. A challenge has been the 'back and forth' between the consultant and the Ministry.
- The Department of Trade had a 2 day working session to finalize the Trade Policy and submit final comments to the consultants. The final Trade Policy document was delivered by the consultants in June. The Department of Trade is now tasked to prepare a Cabinet Paper. Status: In delay.
The Meeting was informed by the MoIT that the Trade Policy is currently discussed with the Minister.
- The MoIT submitted study recommendations regarding the Development of Guidelines for Industrial Rebates to the Ministry of Finance (MoF). The German International Cooperation (GIZ)

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has also looked into the Rebate Scheme under the Comprehensive Tax Review. A report will be presented in the next weeks and a decision be made on the way forward. Status: In strong delay.

- Concerning the Development of an Industrial Database discussions are underway between MoIT, SMEDI, MoF, UNDP and DFID to deliver a product that satisfies the needs of Government and complements other ongoing efforts. A meeting in this regard was planned for the 20th of July but has been postponed to the 22nd of July. Status: In delay.
- Progress has been made regarding sensitization on Business Licensing Regulations. Press Releases were featured in May and June on National Press and National TV to create general awareness. Regulations and Act were printed, sensitization workshops were organized at district level by the Department of Trade, and a circular was shared at district level. Status: On track.
- MITC is leading the assignment on Investment Mapping for Manufacturing Sub-Clusters. A new consultant firm (IMANI Dev.) has been recruited, the kick off meeting took place on the 13th of July, and an inception report is expected before the end of July (2 weeks' time frame). The assignment is due to be finalized by the end of September 2015. Status: On track.
- Regarding the Development of EPZ Regulations, legal support is being provided by the PSD Legal Advisor in MoIT under BEEP. The Department of Industry organized consultative workshops in Blantyre and Lilongwe in June. The Department of Industry is also currently preparing an Economic Assessment of the current scheme, especially regarding the reduced number of the currently participating companies. Status: On track.
- A training on Agribusiness Supplier Development Programme (ASDP) was delivered to Malawian stakeholders on 26 and 27 / 05 / 2015 in Lilongwe, the objective being the development of an ASDP for Malawi. A Task Force Team, led by the Department of Industry, was set up and met on July 13 to prepare a Concept Note. The draft Concept Note is to be delivered within 2 weeks from the meeting. Status: On track.
- ToR for the Review of Investment, Production and Export Incentives in Malawi are to be advertised in July 2015. Feedback is still awaited from GIZ. Status: In delay.
- ToR for the Review of the Buy Malawi Campaign were advertised by UNDP, the deadline for applications is 30 July 2015. Status: On track.
- Regarding support to and advocacy for the Manufacturing Strategy of the NES: Manufacturing TWGs have been on track for all quarters. The Skills Scoping Study for the Manufacturers, Oil Seeds, and Sugar Clusters has been finalized. A planned multi-stakeholder meeting, aimed at agreeing on the implementation of the study recommendations, has been delayed. Two consultancies are currently being assessed, namely an Industrial Extension Assessment and a Business Development and Advisory Services Needs Assessment. Status: In delay.
- The development of a Capacity Development Plan for TIP SWAP will be undertaken with support from UNDP Geneva. A mission is visiting the country end of July. The TIP SWAP Secretariat is leading on this assignment. Status: In delay.

In the following discussions it was suggested that the Ministry identifies mitigating measures to delayed activities and informs the Steering Committee Meeting about those as well. Furthermore the wish was voiced to hear about the challenges now so that potential mitigating measures can be discussed. The meeting heard that there are challenges within the Department of Industry, specifically regarding coordination between the Director and the Deputy Director, which make implementation for the staff difficult. Although there are monthly Project Management Meetings with officers from all involved

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Departments, the current situation is viewed as detrimental and could even affect the TIP SWAP negatively.

The Meeting agreed that this situation needs to be resolved as fast as possible. Mr. Kambauwa as Chair of the Meeting and Principal Secretary II of the MoIT committed himself to take the matter up with Mr. Chiunda, Principal Secretary I of the MoIT.

The meeting encouraged an open discussion around the manufacturing area and challenges experienced there. It was stated that the TA, Mr. Dauda Suma, concluded his contract. UNDP could provide another TA, but this would need a discussion about the support needed by the MoIT and working areas for the TA. The role of the Ministry in the case of TAs is oversight, and the relations between the TAs from various clusters could have been better. Upon a comment that a local counterpart for a TA is an important prerequisite, it became clear that clarification within the Ministry is needed, after which a request letter could be sent to UNDP. **The Ministry agreed to take up the issue.** A further suggestion was to link the new TA(s) with the MICF.

A meeting between the MoIT and UNDP to discuss the aforementioned issues is envisaged for next week.

Regarding the presentation the meeting remarked that a full work plan, incl. budget, should be circulated by the MoIT before the next Steering Committee Meeting. It was proposed to go back to the old format for presentations, which includes achievements, financials and challenges / solutions.

The meeting recommended that the MCCCCI also needs to be brought on board in the discussions around the Manufacturing Sector, emphasizing the need to hear the voice of the private sector regarding their challenges and needs. It was discussed that many of these issues are already taken care of in the TWGs, whereby there is the need arising to reengineer the TWGs, here especially the TWG Manufacturing, to achieve better attendance and effectiveness.

As Key Activities for Quarter III 2015 were stated by the MoIT:

- *Presentation to Cabinet of Industrial Policy and Trade Policy*
- *Commencement of the Industrial Database Assignment and the Buy Malawi Campaign Assignment*
- *Development of a Concept Note for the ASDP*
- *Development of EPZ Regulations*
- *Finalization of Investor Mapping Exercise*
- *Finalization of the TIP SWAP Capacity Development Plan*

3.2. Output 2 – Progress Report by MICF

The MICF presented the progress on the project.

The Baseline Survey for the projects, which began in January 2015, has been completed.

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All eleven companies that have been contracted by UNDP have commenced the implementation of their projects. Three companies have claimed for Milestone 1, six companies have reached Milestone 1 but did not claim yet, and two companies have not yet declared their status regarding Milestone 1.

Milestone 1 involves mobilization of resources, testing partnerships and organizing farmers.

Two companies are currently coming already closer to Milestone 2.

The total verified investment by the companies as per attained Milestone as per end of June 2015 was 875411 US \$, the total disbursement of grants as per end of June 2015 was 406314 US \$.

Six out of the eleven projects come from the manufacturing sector. The estimated figures are for jobs created: 900, incomes of poor households increased: 21500, poor consumers benefitting: 30000.

The companies embark on the following projects: Low cost water filters; liquid egg; vertically integrated programme to ensure quantity and quality of raw material supply for new trans-fat free margarine product (with modern technology from Germany); traceability system for milk products; moringa products; cassava starch and liquid glucose products.

Five out of the eleven companies come from the agriculture sector. The estimated figures are for jobs created: 290, incomes of poor households increased: 11800.

The companies embark on the following projects: tomato products; informative and educational software; flavored high quality tea products; innovative aflatoxin control; smallholder led supply chain for high quality export beef.

All projects have their own challenges, e.g. through the devaluation of the kwacha and fluctuating commodity prices, but are dealing well with these on their way to reach their milestones.

Job creation started with the contracting of small farmers. More progress will be seen between Milestone 2 and 3.

Next Steps:

All companies are at various implementation stages on their respective projects. They are monitored by the MICF Fund Managers using the MICF Project Risk Tracker. Once companies reach milestones, they will be reviewed to ensure agreed targets are being met.

The presentation was followed by a discussion. The meeting heard the concern from some MoIT officers that funding per company is too high, so that other potentially eligible companies may lose out. It became clear that there are upper and lower limits for funding per company, but it is important that the firms have sufficient capacity for implementation. The Challenge Fund has a different dimension compared to e.g. Seed Capital Funds, it is more for well-developed and possibly export oriented companies. This round of the MICF has been limited to 11 companies due to limited funding, but there are ongoing discussions with

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other development partners to open further rounds. Regarding a question from the audience regarding challenges in the MICF, it was stated that all innovative and risky business models have their own challenges, but that until now all contracted companies are doing well.

The MICF Fund Managers were requested by the meeting to present the MICF Log Frame at the next PSD SC Meeting for all members to understand.

3.3. Output 3 – Loan Facility provided for smallholder farmers, low income women and youths

There was no reported progress and no discussion on Output 3. This Output is dependent on a cooperation between UNDP and UNCDF.

4.0. Challenges and Lessons learnt

A number of challenges were discussed by the SC Members, the most pressing ones being the cooperation issues within the Department of Industry and the departure of the Manufacturing TA. Both issues will be taken up by the Ministry of Industry and Trade immediately after the meeting.

5.0. Matters arising

The delays of the implementation of parts of the PSD project, especially under Output 1, were critically discussed. This is even more important if one considers that half of 2015 has already passed. It is hoped that the announced actions by the MoIT will lead to the solving of the challenges and with that to faster implementation.

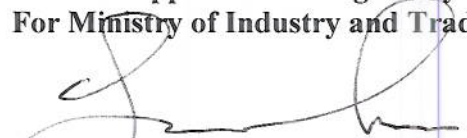
6.0. Closing remarks and next date for the SC Meeting

In their closing remarks Mr. Kambauwa and Mrs. Flore-Smreczniak thanked the participants for the active and open discussions. Both emphasized the need to accelerate implementation of activities and agreed that PS 1 of the MoIT and DRR(P) of UNDP will meet to discuss matters arising, specifically the TA issue.

The date for the next meeting is the 14th of October 2015.

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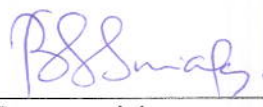
**Minutes Approved and Signed by:
For Ministry of Industry and Trade:**



Charles Kambauwa
Principal Secretary 2

Date: 2-11-2015

For UNDP:



Carol Flore-Smrecznik
Deputy Resident Representative (Programme)

Date: 19/10/2015