



University of Malawi
Centre for Social Research

Competition Regime in Malawi

Preliminary Paper

Prepared for

National Reference Group on
Competition Regime in Malawi Study

Hosted by
Malawi Economic Justice Network

Prepared by

Maxton Grant Tsoka
Centre for Social Research
University of Malawi
P. O. Box 278
Zomba

Study and Advocacy supported by

Consumer Unity Trust Society

May 2005

List of Acronyms

CAMA	Consumer Association of Malawi
CFTA	Competition and Fair Trading Act
COMESA	Common Market for Eastern and Southern Africa
CPA	Consumer Protection Act
CRC	Convention on the Rights of a Child
CUTS	Consumer Unity and Trust Society
CCIER	Centre for Competition, Investment and Economic Regulation
DoPP	Director of Public Procurement
GoM	Government of Malawi
GDP	Gross Domestic Product
HDI	Human Development Index
ITIP	Integrated Trade and Industry Policy
MEGS	Malawi Economic Growth Strategy
MFI	Micro Finance Institution
MSME	Micro, Small and Medium Enterprises
MPRS	Malawi Poverty Reduction Strategy
MSE	Micro and Small Enterprises
SAP	Structural Adjustment Programme
UNCTAD	United Nations Commission on Trade and Development
UDF	United Democratic Front
UNDP	United Nations Development Programme

1 Introduction

This paper attempts to present the current situation regarding competition in the country. It mainly uses available literature. Topics and areas that have scanty information like pharmaceutical and electricity sectors have been left out but will be fully dealt with during the main study. This is also true for the analysis of the interface between competition and economic regulation in utilities, power and financial services. The objective of this paper is to provoke thought and seek guidance from knowledgeable persons and practitioners on the topics of interest. It is hoped that the paper will manage to isolate issues that require further investigation. Such issues are highlighted in the conclusion.

The paper has nine sections, excluding this short introduction. It starts by presenting a general background of the country which includes some key socio-economic indicators. Following this is a short analysis of policies that have some bearing on competition in Malawi. Some brief discussion of the nature of the market in terms of its impact on competition follows. A more detailed analysis of the Competition and Consumer Protection laws follow. Institutional arrangement and procedures follow these two sections. Finally, a regional perspective of competition is presented before the paper is concluded.

2 General background

Malawi is a small country covering 119,140 square kilometres, 20% of which is under water. It occupies the southern part of the East African Rift Valley and is surrounded by Mozambique, Zambia and Tanzania. The topography is immensely varied, from the Rift Valley floor almost at sea level to mountains rising to 3,000 metres. Most of the land is under smallholder maize, the main staple crop and tobacco, the main cash crop. Other common food crops include cassava, rice and groundnuts. Specially grown cash crops include tea, coffee and sugar. Lake fisheries are an important source of protein.

The total estimated population in 2005 is 12 million and total fertility rate is 6.1. The population is young as evidenced by a high dependency ratio of 1.3. In fact, 44% of the population is below 15 years, 54% is below 20 years and only 8% is over 64 years. The national population density is high, averaging 104 persons per square kilometre and ranging from 86 persons to as high as 200 persons. Close to 90% of the population is rural-based where it has access to customary land for their settlement and farming. Roughly 12% of the labour force is employed in the formal sector and 46% of which are in agriculture and fishing, 15% in manufacturing, 14% in community and personal services. Of those in formal employment, some 20% work in the public sector. Government is the single-most employer.

Malawi became a British Protectorate in 1891, politically independent in 1964 and a republic in 1966. Central government dominates public administration but the traditional leadership plays a vital link between public administrators and communities. From 1964 to 1994, Malawi was practically under a one-party rule whose president was given absolute powers in 1971. Following a referendum in 1993, the country adopted a multiparty system of government and

this was followed by general elections in May 1994. A democratically elected Government with a multiparty parliament was put in place. By 1995, a new republican constitution was adopted granting the internationally recognised bill of rights and separation of powers among the three organs of the state; the executive, the legislature and the judiciary. So far there have been four multi-party elections; three presidential and parliamentary and one local government since the referendum. Administration of justice is done under traditional leadership, High Court and the Supreme Court of Appeal. An industrial relations court, with original jurisdiction over labour disputes and such issues relating to employment, is provided for and was established in 1999. Other constitutional bodies include the Human Rights Commission, Anti-Corruption Bureau and the office of the Ombudsman.

Table 1: Socio-economic indicators

Indicator	Value	Year
GDP Per Capita (US\$)	166	2001
Population in millions	11.6	2001
Population below poverty line (%)	65.3	1998
Adult literacy (%)	61	2001
Male	75	2001
Female	48	2001
Primary NER (%)	101	2000-01
Life Expectancy at birth (years)	38.5	2001
Population expected to live up to 40 years (% of cohort)	41.4	2000-5
Population with access to essential drugs (%)	44	1999
Population with access to safe water (%)	57	2000
Population with access to sanitation facilities (%)	76	2000
Proportion of under-five children stunted (%)	49	1995-2001
Infant mortality rate (number per 1,000 live births)	114	2001
Under-5 mortality rate (number per 1,000 live births)	183	2001
Maternal mortality rate (number per 100,000 live births)	1100	1985-2001
HIV/AIDS prevalence rate (% of the 14-49 age group)	15	2001

Source: UNDP Human Development Report 2003