

Integrated Framework: Mainstreaming Trade into Malawi's Poverty Reduction Strategy Paper

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With the advent of Globalisation and the key role played by Trade and Investment in the economic growth of world economies, especially those of Least Developed Countries (LDCs), there is need for countries such as Malawi to design a trade strategy that will support sustainable, pro-poor growth by mainstreaming trade expansion into their national development plans

The World Trade Organisation (WTO), through its Integrated Framework Steering Committee, has selected Malawi for the Integrated Framework (IF) Pilot Phase. Malawi is among a limited number of countries chosen based on their “demonstrable strong interest and commitment by the government to integrated trade into its national development strategy, as reflected in official statements”. The objective of the IF is to support the creation of a trade development strategy that will support sustainable pro-poor growth by embedding trade expansion into national development strategies. A key feature of the IF will be an emphasis on the poverty dimensions of prevailing trade-related policies and an assessment of the likely impact of recommended policy reforms and sectoral analyses and action plans on the poor.

A typical IF program consists of a diagnostic trade integration study which includes five components:

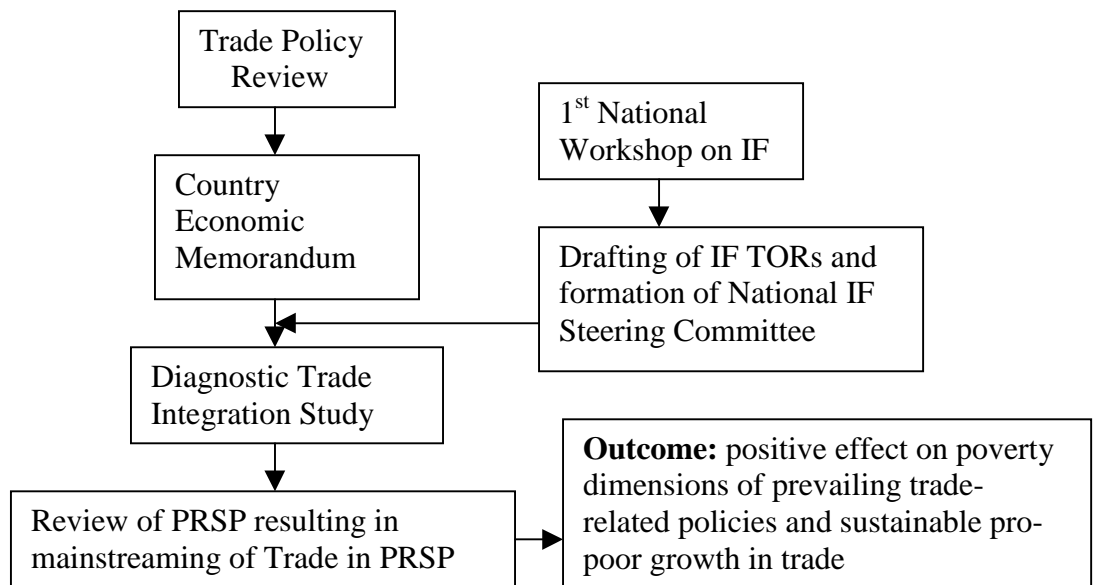
- (a) A review and analysis of the country's economic and export performance from a historical and international perspective, with particular attention to indicators of per capita income, trade and integration performance vis-à-vis those of comparator countries;
- (b) An assessment of the macroeconomic environment and the country's investment climate, with emphasis on customs administration, access to (and cost of) pre-shipment finance and working capital, barriers to investment, and the behaviour of the real exchange rates;

- (c) An assessment of the international policy environment and specific constraints that the country's exports face in international markets, including market access barriers, the impact of regional arrangements. Implications of greater market access for the country's exports area also assessed;
- (d) An analysis of key labour-intensive sectors for expansion of output , exports and employment, together with identification of internal constraints in the expansion.
- (e) A conclusion (“pro-poor trade integration strategy”) with recommendations for policy reforms and action plans to remove bottlenecks and seize opportunities identified in the diagnostic study. The recommendations take into account the likely impact of proposed actions on the level and structure of poverty.

In the particular case of Malawi, it is expected that Malawi's recent Trade Policy Review (TPR) and the results of the World Bank's Country Economic Memorandum (CEM) study for Malawi (which is a document that evaluates the main constraints to accelerated growth in Malawi and suggests an agenda for reform) will form valuable inputs into the IF process. Specific terms of references (TORs) for the diagnostic trade integration study have been developed in close consultation with the Government of Malawi, through the National IF Steering Committee and the IF Mission Team.

3. The Implementation of the IF Process in Malawi

In analysing Malawi's PRSP, it is apparent the trade is conspicuously absent or mentioned in passing. In order to redress the situation, it was agreed that there was need to carry out a mainstreaming exercise in order to take advantage of the proposed annual reviews of the PRSP which are scheduled in January/February of each year. The diagram below illustrates the sequencing of the process:



In terms of Malawi, a number of trade-related studies have been carried, especially under the DFID funded “Malawi Trade Policy Project”, thus when the IF field team came to Malawi and discussed with the National IF Steering Committee, it was agreed that as a lot of work had already been carried out, the IF mission should concentrate on filling in any gaps in the existing information and then pull everything together for the Diagnostic Trade Integration Study (DTIS). The National IF Steering Committee emphasized to the IF mission the need to avoid duplicating past studies but instead focus resources on drafting a concrete action plan based on the DTIS.

Key Strengths and Weaknesses of the Integrated Framework: The Malawi Experience.

Strong Points

1. The key weakness of the previous integrated framework initiative, i.e. lack of coordination between donors and inadequate provision of financial resources has been addressed adequately by the creation of the inter-agency working group composed of WTO, ITC, UNDP, World Bank, IMF and UNCTAD as well as the creation of a IF Trust Fund.
2. The creation of a National Integrated Framework Steering Committee addresses the issue of national ownership.

3. Provides a framework for raising the profile of trade issues and mainstreaming trade in the PRSP. In Malawi, as in all other PRSP implementing countries, the national budget is based on the PRSP, so incorporation of trade in PRSP means that there would be adequate allocations for trade related programs.
4. Provides a framework for bring together the numerous trade-related studies and programs carried out in Malawi under one roof and provides for the drafting of an action plan based on these inputs.

Weak points

1. Perception by players in the trade sector that the IF is just another “ study” which will not be implemented.
2. The uncertainty of follow-up to the trade integration studies. While the World Bank, through consultants is leading the process of the studies, at this point there is no definite mechanism to ensure coordination and funding of the IF process once the diagnostic study and action plan are finalized. To address this weakness, suggestions have been made that each IF country identify a “lead donor”.