Skills for trade and economic diversification in Malawi

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
• Small economy, dependant on primary agriculture production with Gross Domestic Product (GDP) estimated at US$3.7 billion

• A widening trade imbalance widened from 12.1% of GDP in 2011 to 22.6% of GDP in 2014

• Narrow Economic and export bases with limited value addition

• National Export Strategy (NES, 2012) aims to broaden export base, increase productivity and enhance value addition

• Availability of Skills labour a challenge (NES, 2012) to realizing growth and export potential in priority export clusters
Applying the STED Approach...

STED Research in Horticulture & Oilseeds Sectors

Why?

- Export potential
- TVET level skills and important to the sector’s competitiveness in international trade.
- Contribution to economic diversification
- Potential to generate employment
- Geographic
- Stakeholder engagement
- Policy synergies

- Increasing productivity and competitiveness of enterprises
- Improving employability of local people
- Expanding inclusiveness of economic growth
1. Evidence base for strategic decision making
   ✓ A Roadmap for trade-related and industry focused skills development
   ✓ A Call to Action for Policy makers, Training Providers, Private sector & Dev. partners
   ✓ A Resource Targeting Tool for demand-led skills development

2. Enhanced national capacity for skills anticipation and social dialogue
   ✓ Capacity to use labour market information to direct skills development
   ✓ Foster Dialogue for skills development that is:-
     ▪ more demand led,
     ▪ trade-related
     ▪ Employability focused
Sectors -- Oilseeds
Horticulture

1. Desk Research on Sectors’ context & envisioning

2. Oilseeds sector Enterprise Survey

3. Horticulture Enterprise Survey

4. Skills supply analysis

May – Aug 2015

Sept – Nov 2015

Draft STED report

Synthesis & Analysis

Stakeholder Validation of Findings, Conclusions, Recommendations

Final STED Report

2016

Implementation (WIL & Productivity enhancement)

Stakeholder Consultations
STED RESEARCH OUTCOMES

Findings
Recommendations

SKILLS FOR TRADE AND ECONOMIC DIVERSIFICATION
MALAWI’S OILSEEDS AND HORTICULTURE SECTORS
Preferred growth scenario for the two sectors?

Same, BUT More
Producing and exporting more of existing products to same markets

Sector Upgrade!
Producing and exporting more and new higher value products to same & new markets

Sequential and incremental approach, ensuring adequate supply of high quality local raw materials for processing
Raise **Oilseed sector’s** contribution to exports from 5.63% in 2014 (NSO) to around 15% in 2022.

Oil seeds exports increase from $79.6 million in 2014 to $599 million in 2022.

Raise **Horticulture sector’s** contribution to exports from 0.52% in 2014 (NSO) to around 1.4% in 2022.

Horticulture exports increase from $7.4 million in 2014 to $55.5 million in 2022.
• **Shift focus from domestic to export markets**
  – Scale up production and improve quality
  – Re-orient industry towards exports

**Stabilize supply to sustain growth path**
  – Stabilize fluctuating supply to regional markets and build on growing local market
  – Implement existing plans to enter new markets

**Exploit and build on existing competitive advantage**
  – Take advantage of proximity to regional markets
  – Take advantage of LDC status & existing preferential trade arrangement
OVERVIEW OF FINDINGS

• **Skills gaps**
  – Quality of graduates
  – Filling in vacancies
  – Production
  – Handling (cleaning and grading)
  – Marketing

• **Enabling Environment**
  – Inadequate Business Development Service Providers
  – Poor access to technical assistance by producers - low productivity
  – Inefficient production techniques.
  – (66.7%) of enterprises regard Business environment as an important factor for penetrating the Common Market for Eastern And Southern Africa (COMESA)
  – No certification of local products for export
  – High transportation costs

• **Business capability**
  – Supply: Inconsistent supply
  – Product development low value and range
  – Logistics and supply chain management
  – Management of quality and standards
  – Supply chain management
STED RESEARCH FINDINGS

Sectors largely underdeveloped, serving domestic market and to a lesser extent exports to regional markets

Access to wider export markets requires
- Increased productivity and Consistent raw materials supply
- New products that meet international standards
- Improvement in logistics and better market access
- More exposure to international standards and markets
- More effective linkages across value chain
Supply: Inconsistent supply
- Weak linkages between farmers, aggregators and end markets
- Weak extension support system
- Limited mechanisation
- Low production and productivity levels

Product development: Low value products and range
- Limited knowledge of market requirements (products, pricing & quality)
- Limited understanding end user needs (80%)
- Poor grading, packaging and storage capacities
- R&D and innovation (100%)
To strengthen dialogue and collaboration between policy-makers, industry and training institutions with a view to enhancing needs-based skills development;

- Industry Guest lecturers
- International Lecturers
- Workplace based Learning
- Enhance Dialogue- Industry + TPs

To strengthen the capacity of training institutions involved in agriculture and agro-processing to deliver demand-led skills training;

- Curriculum Review & Re-orientation
- Partnerships with Industry in skill training delivery
- Partnerships with international Institutions
- Introduction of new courses

To support firms in the oilseed and horticulture sectors- export competitiveness

- Upgrade Qualifications of Staff
- Modernize training equipment & Laboratories
- Introduce sandwich Programs
- Institutionalize demand led apprenticeships
- Recognition of Prior Learning
## Skills Enhancement Interventions

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<tr>
<th>High value horticulture</th>
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<th>Boosting productivity (agronomic and business management)</th>
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<th>Inclusive business model</th>
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<th>ILO Supported training for farmers</th>
<th>Financial literacy</th>
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<th>Gender empowerment</th>
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<th>Training Needs Assessment was conducted to establish gaps in order to design tailor made interventions</th>
<th>Entrepreneurship (Business management knowledge and skills and characteristics of businesses)</th>
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<tbody>
<tr>
<td>Financial literacy (Attitude towards money, money management skills, debt management, income and savings and use of financial services and)</td>
<td>Gender (Leaders and beneficiaries’ opinion on gender, issues affecting gender empowerment, and gender perceptions)</td>
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## Demographics

Total of 35 out of the targeted 50 respondents from two villages turned up for the assessment representing a 70% response rate.

76.5% of the respondents were female.
### Respondents’ Characteristics

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<th>Characteristics</th>
<th>Details</th>
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<td>79% of the respondents are aged 30 and above implying that the target beneficiaries are largely adult learners.</td>
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<td>A majority of them (56%) only attained basic primary education.</td>
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<td>69.7% of the business are family owned businesses jointly controlled by both husband and wife.</td>
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<td>Beneficiaries perceived entrepreneurship training to be less valuable.</td>
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<td>Majority respondents never attended entrepreneurship and did not go through vocational training</td>
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<td>9% of respondents had not yet commenced sales. This was further supported by 14.6% respondents who recorded no monthly income. This gave indication that they were new in business.</td>
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<td>Household Socio-Economic Status</td>
<td>Majority of the respondents (97.1%) reported that they derive the income exclusively from farming.</td>
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### Business Characteristic

- 81.82% of the businesses are financed from personal savings.
- 93% of beneficiaries’ businesses are not registered

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<th>Business Skills Self-Rating</th>
<th>Knowledge and skills gaps in record-keeping and</th>
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<td>Failure to record average monthly profits and sales as well as how to</td>
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<td>Pricing</td>
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The assessment results indicate that majority of respondents do not have good attitude towards money and their money management skills are below required standard.

Majority of beneficiaries depend on savings as the main source of their financing.

Majority of respondents use their savings for emergency purposes.

Some respondents fail to service their debts timely.
At community level, the study revealed the following; lack of sensitization initiatives on gender issues, limited understanding on economic empowerment; and limited involvement of women in development and leadership initiatives.

At households’ and club levels, the study reveals the following; Dominance of men in influencing business management decisions, Dominance of men in influencing business investment decisions, Dominance of men in influencing household finance management, and Clubs not encouraging equal participation.
INTERVENTION ONE

Enhance women farmers’ productivity

Understanding the capacity development of the women

Building capacity for higher production and better quality vegetable produce
ACHIEVEMENTS UNDER INTERVENTION 1

- 40 women and 10 men trained in agronomy, disease and pest management
- Training will be available to be replicated across other regions
INTERVENTION TWO

Building farmer literacy and business management capacity

- Manage farming activities as commercial business ventures
- Improve knowledge on gender equality (farmers and their spouses)
ACHIEVEMENTS UNDER INTERVENTION 2

- **Training materials developed and translated**
- **50 farmers trained in business management. Content also available in Chichewa**
- **Women empowered economically in a short period of time**
  - Construction of houses
  - Purchase of dairy cows
  - Managing to pay for school fees and access to private health care.
Facilitating business linkages and Market Access

- Partnership with a medium sized vegetable commercial farm
- Introduction to high value vegetables (demanded by retail)
ACHIEVEMENTS UNDER INTERVENTION 3

- 50 SHF’s signed out grower contracts with Roseberry farms.
- Linkages to international vegetable value chain
- Exposure to international quality requirements
- STED approach adopted by 10 horticulture institutions.

Access to quality farm inputs

- Seed and fertilizer
- Basic equipment
Institution

• Second STED research hosted in the Ministry of Finance and Economic Planning

Implementation progress

• 1. National STED Institutional Mechanism
  • Alignment with Government public policy priorities
  • Alignment with Government sector priorities
  • Alignment with Government skills and labour priorities
  • Alignment with TVET skills development frameworks
Implementation progress

• 2. STED Research Reference Group
  • Skills and Labour Technical Working Group of the Trade Industry and Private Sector Development under the National Export Strategy.

• 3. Second STED Research
  • Currently underway led by the Ministry of Finance
  • New sector identified-Dairy
“If this project had come earlier I could not have lost my child due to sickness, I failed to take my child to hospital because I could not afford a K3,000, but today I have daily cash in my pocket”
Thank you/Zikomo