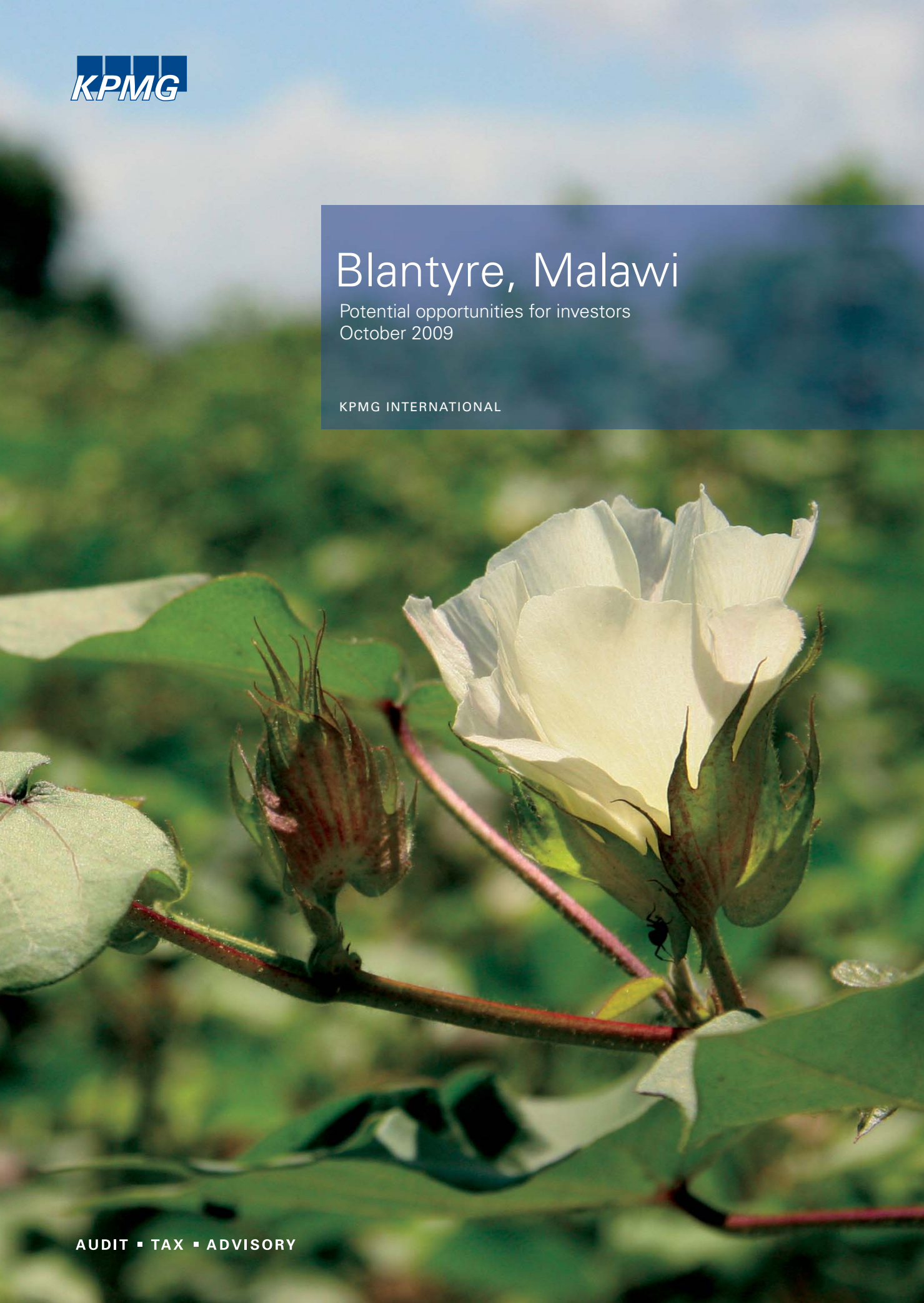


Blantyre, Malawi

Potential opportunities for investors
October 2009

KPMG INTERNATIONAL

AUDIT ▪ TAX ▪ ADVISORY

Terms of reference

This report has been prepared by KPMG in India, a partnership registered in India and a member firm of KPMG International, a Swiss cooperative. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.

In preparing this document we have relied upon and assumed, without independent verification, the accuracy and completeness of various sources of information, some of which have been derived from public sources. Details of the sources that we have used are given in our report. KPMG in India accepts no responsibility or liability to any party in connection with such information or views.

Our core fieldwork and research was performed between March 2009 and April 2009. We have not undertaken to update our report for events or circumstances arising after that date.

Appropriate professional advice should be sought to undertake a more specific examination of the particular circumstances applicable to a potential investor. The contact details of KPMG firms professionals who could assist in this regard are given at the back of this report.

Acknowledgments

KPMG in India would like to thank the Millennium Cities Initiative (MCI) for the opportunity to prepare this report to support its valuable project. We would also like to thank the numerous entities and acknowledge their contribution in the preparation of this report (please see Appendix 3 for more details).

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Foreword

As part of KPMG's Global Development Initiative, which focuses KPMG member firms' skills and resources on achieving the United Nations' Millennium Development Goals (MDGs), KPMG in India was asked by the Millennium Cities Initiative (MCI) to undertake this report on potential investment opportunities for investors in Blantyre, Malawi.

The MCI is an urban counterpart to the Millennium Villages Project and was set up in association with the UN Millennium Project by The Earth Institute at Columbia University. The initiative is focused on helping a selected number of mid-sized cities across sub-Saharan Africa to achieve the MDGs through economic development. This report which explores the investment potential in Blantyre, is one of several that are being produced by KPMG's Transaction Services practice.

Lord Hastings of Scarisbrick CBE; KPMG International Global Head of Citizenship and Diversity

In our opinion, it is an excellent example of how KPMG member firms and their people are committed to making a difference to the people in sub-Saharan Africa.

Blantyre, the commercial hub of Malawi, is a good choice for investment. The area is endowed with abundant natural resources ranging from favourable climatic conditions for crop production to mineral deposits, and its access to neighbouring countries and ports gives Blantyre an advantage over other cities in Malawi. Additionally, its rapid economic growth and stable democratic government has created an investor-friendly environment with immense potential for rapid growth.

To this extent, we hope this work will lead to sustainable poverty eradication and securing the future of many hundreds of people through work and enterprise.

Professor Jeffrey D. Sachs, Director of The Earth Institute at Columbia University

MILLENNIUM CITIES INITIATIVE (MCI)
THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY

The Millennium Cities Initiative (MCI) is a project of The Earth Institute at Columbia University. Launched by the Institute's Director, Professor Jeffrey D. Sachs in 2006. MCI seeks to assist, through research and policy analysis, selected mid-sized cities across sub-Saharan Africa to achieve the Millennium Development Goals. Guided by its co-directors, Dr. Susan Blaustein and Dr. Karl P. Sauvant, MCI, more specifically, helps the cities involved to arrive at integrated City Development Strategies. Part of this effort is to demonstrate that more investment, including foreign direct investment, can be attracted to these cities, with the resulting employment and economic growth effects.

The staff responsible for working with KPMG India and KPMG International on this report were Karl P. Sauvant, Co-Director of the MCI and Executive Director of the Vale Columbia Center on Sustainable International Investment; and Jörg Simon, Senior Investment Advisor of the MCI.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Executive summary
Blantyre: optimistic outlook

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

At the crossroads of development

Blantyre is a commercial city located in the southern part of Malawi, a small landlocked nation in sub-Saharan Africa. The rapid economic growth of Malawi and stable democratic government has created an increasingly investor-friendly environment over the last five years.

The government of Malawi has taken steps towards meeting critical challenges such as infrastructure, HIV and access to finance.

The Millennium Cities Initiative (MCI) has chosen Blantyre as a city with immense potential for rapid growth.

This document highlights the opportunities available for private investment in Blantyre.

A number of attractive opportunities

As the commercial hub, Blantyre is a good choice for locating a new business. Access to neighbouring countries and proximity to ports in Mozambique, gives Blantyre an advantage over other cities in Malawi.

An evaluation of themes for investment in Blantyre yields five clear opportunities:

- A high quality business hotel stands out as an immediate opportunity due to the high volume of visitors to Blantyre
- A chilli or groundnut processing plant providing high quality processed food products is another investment possibility with significant potential
- A cotton spinning and weaving plant to cater to the local demand for fabric
- Selective opportunities in mining

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Investment opportunities

Seven opportunities were evaluated for investment purposes against criteria such as domestic and export demand, production and supply, competition pricing and margin profile, regulatory barriers etc.

The opportunities have been summarised below. Hotel accommodation, chilli processing, groundnut processing, cotton spinning and weaving and mining were found to be the most attractive for investment, and are examined in greater detail in this report.

Industry	Favourable factors
Quality business hotel	• Blantyre is a commercial hub for Malawi and Blantyre hotels experience high occupancy levels • Limited supply of quality hotels indicates scope for additional hotels
Chilli processing plant	• High export demand for Malawian chilli • Low competition from local players • Convenient access to chilli around Blantyre • Favourable margins and pricing of processed chillies
Groundnut processing plant	• High export demand for Malawian groundnuts • Low competition from local players • Inexpensive inputs required for cultivation • Favorable margins and pricing of processed groundnuts
Integrated cotton spinning and weaving plant	• High export demand for garments • Upcoming changes in the African Growth and Opportunity Act (AGOA) leading to higher domestic demand for fabric • Low local competition for spinning and weaving • Improving yields and easy access to cotton producing areas in Blantyre
Mining	• Majority of deposits are unexplored • Recent discoveries of high value mineral deposits • Cost of licensing is relatively low
Pigeon pea processing plant	• High export demand to India • Margins lower than other agro-processing commodities
Cassava production plant	• Margins favourable for profitable processing • Cassava production is easy, without expensive fertiliser inputs or intensive labour requirements

Source:
KPMG in India analysis
KPMG in Malawi interview programme
Columbia University, SIPA: Foreign Direct Investment in Blantyre: Opportunities and Challenges

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Key

Extremely attractive
Highly attractive
Moderately attractive
Significant challenges
Not attractive

Challenges	Attractiveness
• Shortage of free land in Blantyre • Shortage of well trained hotel staff • No direct flights from Blantyre to Europe or Asia	●●●●○
• Maintaining global quality standards and certifications • High transport cost • Import of essential inputs • Significant working capital requirements due to seasonal nature of chillies	●●●●○
• Mitigating high levels of aflatoxin • High working capital requirements due to seasonal nature of groundnuts	●●●●○
• High transport costs of raw material and finished goods • High prices of cotton lint set by ginneries • Limited support from government in pricing of goods	●●●●○
• Proposed ownership restriction on foreign players • High cost of deposit evacuation • Low quality of geological data	●●●○○
• High competition from local players • Farm production can be unreliable • Export incentives in the form of Export Processing Zones (EPZ) are not given to pigeon pea processing	●●○○○
• Limited domestic and export demand with intense competition from substitutes used for starch and wheat flour • Perishability of cassava is a key challenge • Low quality of cassava production	●●○○○

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Contents

Introduction to MCI: aiming at sustainable growth 09
Introduction to Malawi 10
Introduction to Blantyre 18
Investing in Blantyre 19

Select opportunities in Blantyre
- Quality business hotel 24
- Chilli processing plant 28
- Groundnut processing plant 33
- Integrated cotton spinning and weaving plant 38
- Mining 43

Conclusion 48

Appendices

Road projects underway in Blantyre 50
KPMG in Malawi interview programme participants 52
Secondary research 53
Foreign direct investment 54

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Introduction to MCI

The Millennium Cities Initiative (MCI) aims to facilitate African countries in reaching their Millennium Development Goals (MDGs) by, among other things, attracting more foreign direct investment.

The Initiative is focused on the capitals of the regions where the Millennium Villages Project (MVP) is enabling farmers to transition from subsistence farming to commercial agricultural and non-agricultural activities.

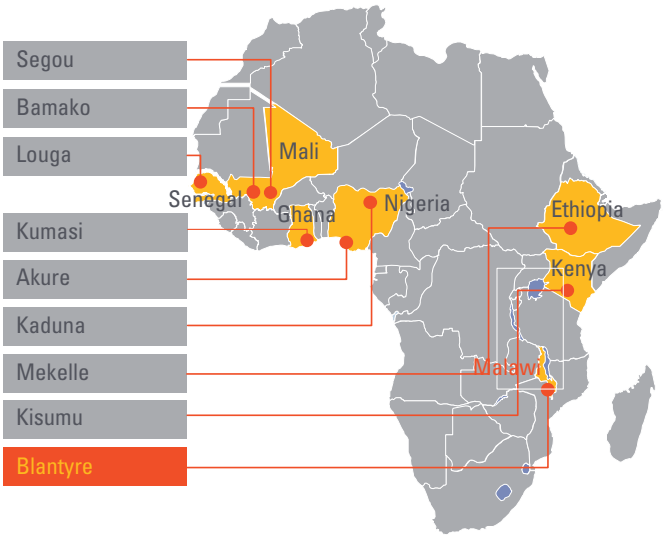
The MCI aims to engender a climate in which investment, especially foreign direct investment, can thrive, thereby creating employment, stimulating enterprise development and fostering economic growth. As such, the MCI is intending to accelerate the attainment of some of the MDGs within selected cities in sub-Saharan Africa.

The experience gained in attracting investment and developing business in the Millennium Cities is complementing needs assessments carried out in a wide array of social sectors. As a result of these efforts the Millennium Cities will be enabled to generate Integrated City Development Strategies that are explicitly predicated on achieving the MDGs.

The MVP in Malawi has already made considerable progress in the areas of agriculture development, health and education. The MVP cluster in Malawi is located about 40 miles away from Blantyre, near Zomba. The MVP team is working on building linkages for farm products to be supplied to processing units in Blantyre. The focus has been to incentivise farmers to consistently improve their yield on cash crops such as groundnut, and to generate sustainable income for the village, thereby making it a self sustaining economic unit.

The Malawi Growth and Development Strategy, 2006–2011 has been formulated by the Government of Malawi with the aim of achieving sustainable economic growth in line with MDGs, by promoting foreign private investment in sectors such as tourism, mining and manufacturing. Therefore, the MCI is inherently aligned to the plans of the Government of Malawi.

The African Millennium Cities



Source:
Millennium Cities Initiative Report, January 2007

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

An introduction to Malawi

A stable, enabling environment for investors

Malawi is a small landlocked nation in south eastern Africa. It has an area of 118,000 square kilometres, and is flanked by lake Malawi to the east, Mozambique to the south, Zambia to the west and Tanzania to the north. Trade in Malawi is routed through two ports in Mozambique: Beira and Nacala. The population is 13.5 million (2008 census) and average annual population growth rate is 2.6 percent (2000 to 2007). Eighty-nine percent of the population resides in the rural areas[1]. The country boasts rich and fertile soil.

Map of Malawi with neighbouring countries

Two international airports located in Llongwe and Blantyre in Malawi
Two major ports located Nacala and Beira in Mozambique

Political climate

Malawi is a democratic country and gained independence from British colonial rule in 1964. It was then ruled by a single party until 1994 under Dr Kamuzu Banda.

Malawi has a stable political climate. The first multi-party elections were held in 1994. Post 2004 has been a period of political calm under President Bingu wa Mutharika characterised by low incidence of violent conflicts.

Being landlocked, Malawi has a high dependence on its neighbours, especially Mozambique, for access to ports. Malawi has consistently maintained good relations with its neighbours.

"The stable political climate and democratic system of government are significant long term competitive advantages", **Promoter, large business in Malawi**

1 Blantyre City Assembly

Source:
Millennium Cities Initiative Report, January 2007

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Economic trends

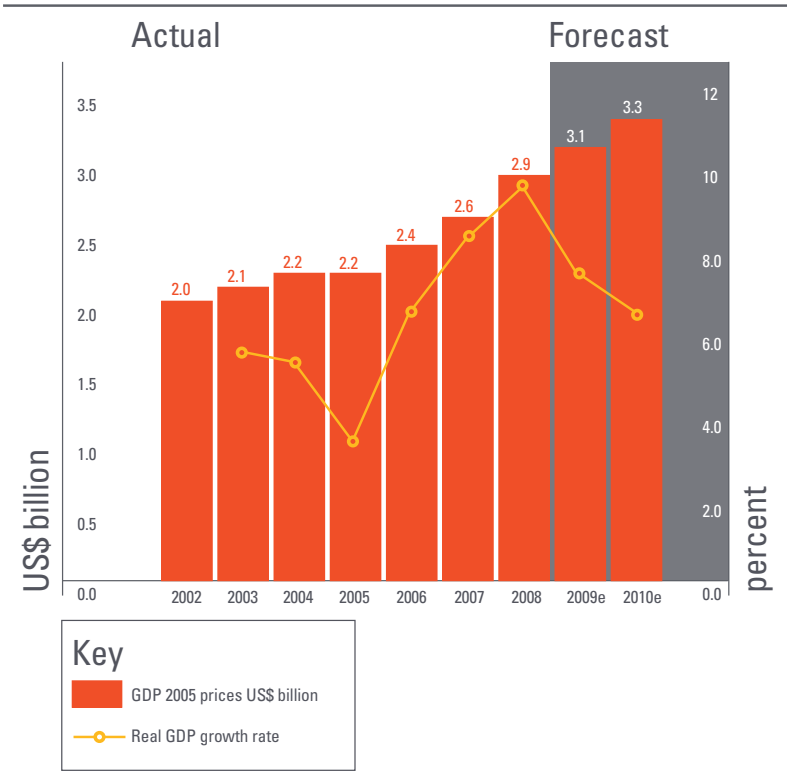
Malawi has witnessed positive economic trends in recent years; it is poised for significant growth in the near future.

Malawi has a liberalised economy, which has followed measures of fiscal and monetary discipline to provide economic stability.

The Gross Domestic Product (GDP) of Malawi has shown consistent growth of seven percent or more for the last three years. A slower rate of growth is expected in 2009 and 2010 due to the global economic crisis.

Inflation has been under control and the Malawian currency, the *kwacha,* has been held steady in the range of 140–145 to the US dollar for the last four years.

GDP of Malawi: 2002 to 2010 (forecast)



Source:
Department of Economic Planning, Government of Malawi
UNESCO and Malawi, 2008

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Positive investment trends

Malawi has historically attracted limited foreign investment, targeted at few sectors. Investment in Malawi is concentrated in mining, agro-processing and telecommunications and has grown significantly in 2007 due to investment in mining. Low domestic demand has lead to investments being focused on export oriented units.

Malawi Investment Promotion Agency

Malawi created Malawi Investment Promotion Agency (MIPA) in order to streamline the investment process.

The Malawian government views foreign investment as an important factor in its economic growth.
It established MIPA in 1991 to provide support to foreign investors in arranging government approvals and permits, providing local information and identifying potential local trade partners.

MIPA has faced significant challenges in being a one stop shop for investors. The Government of Malawi is taking steps in order to make MIPA more effective in assisting investors.

Positive investment policy

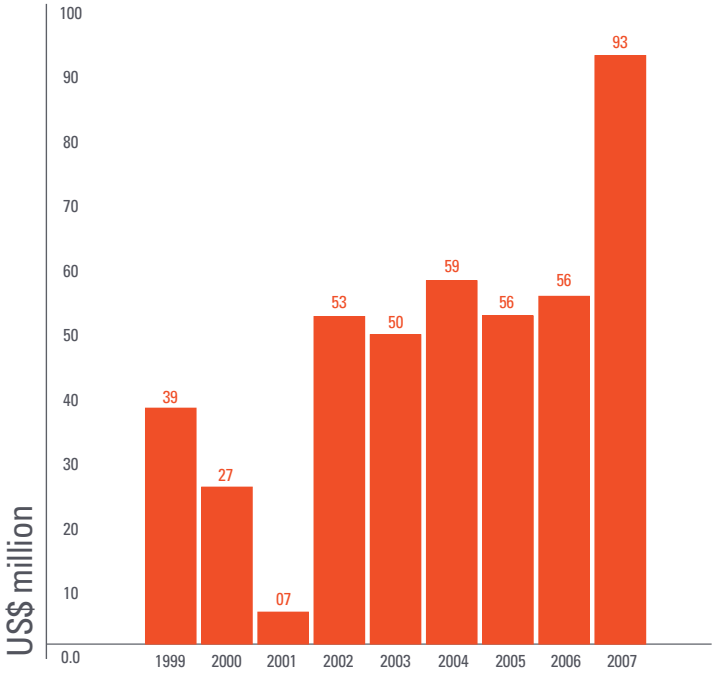
The Government of Malawi has been following a positive investment policy by providing incentives to investors.

By following this policy, the government expects to improve the levels of foreign investment. Key incentives include:

- The Export Processing Zone (EPZ) Regime, which was established in 1995 to provide incentives to companies exporting 100 percent of their production. Some of the benefits include exemption from taxes and excise duties on purchase of raw materials, packaging materials and capital equipment (local or imported). EPZ does not focus on specific geographic areas, firms can get EPZ benefits by registering as an Export Processing Firm (EPF)
- Malawi does not impose restrictions on the percentage of foreign ownership in a company, giving foreign investors significant freedom of investment
- Import duty and VAT is waived on most machinery used for manufacturing, mining, utilities and construction
- Hospitality industry receives incentives for duty free import of generators, gym equipment, bar fridges, linen, cutlery among other essential items
- Agriculture has received significant support in 2007/08 through:
  - Removal of duty on hessian sacks
  - Removal of duty on aflotoxin testing equipment used for groundnut
  - Removal of duty on all insecticides, fungicides, herbicides and pesticides.

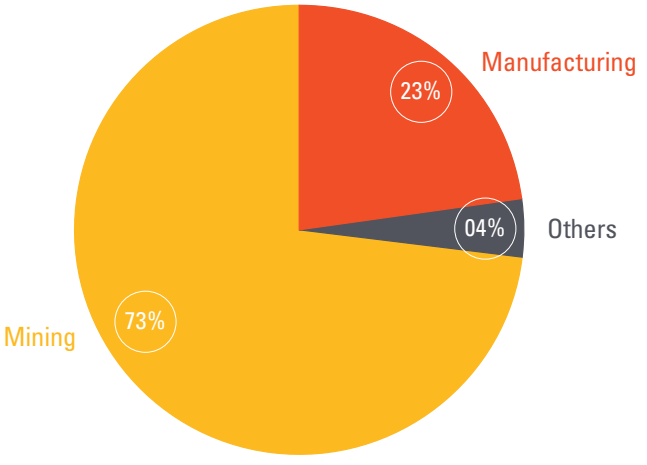
© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

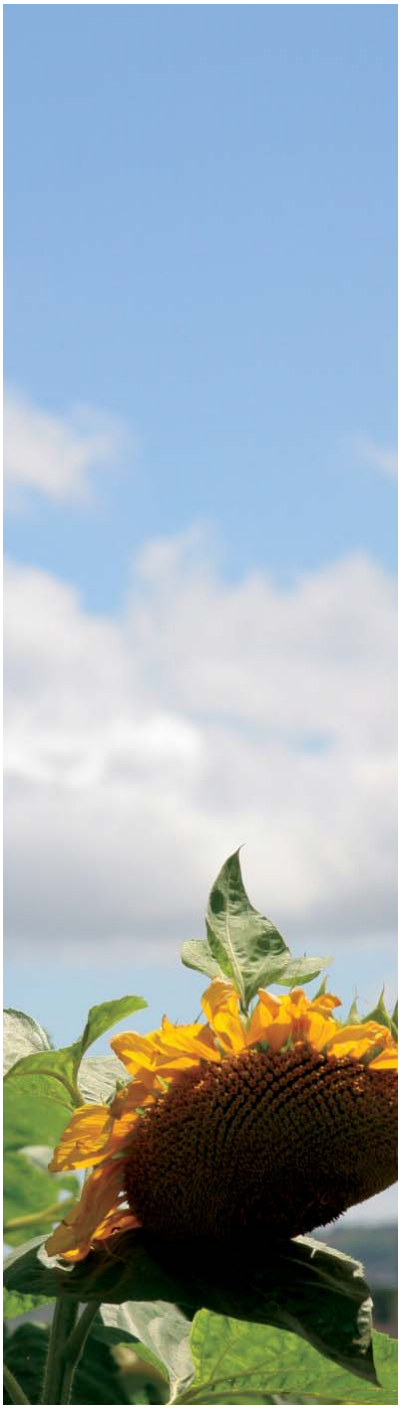
Foreign direct investment in Malawi, 1999–2007



Source:
MIPA Investors' Guide, 2008
Note: figures for 2008 were not available

Distribution foreign direct investment by sector, 1999–2007





Source:
UNESCO and Malawi, 2008

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Meeting the challenges

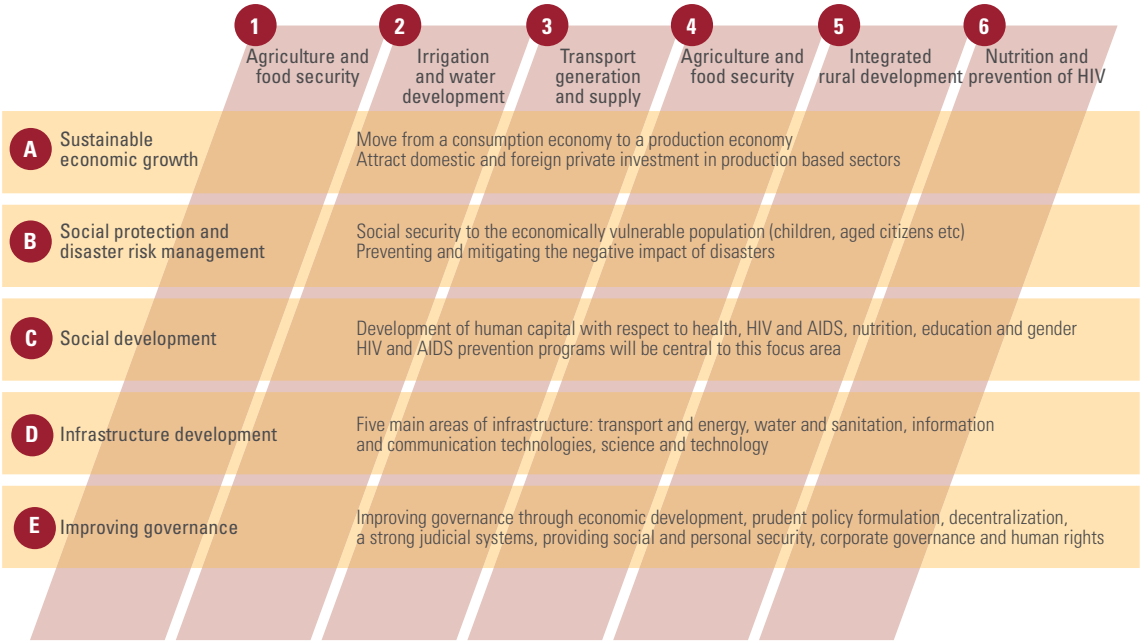
Malawi Growth and Development Strategy (MGDS) is the blueprint for the development of Malawi. MGDS is the strategy related to the developmental policies being pursued by the Government of Malawi from 2006–07 to 2010–11.

MGDS

The overarching theme of the MGDS is poverty alleviation through sustainable economic and infrastructure development. Six priority areas (1–6) have been identified and budgets have been allocated to each area for implementation over the period of the plan. These priority areas are being supported through focus areas (A–E) that form pillars of the MGDS implementation. The total budget for the MGDS is about US$4.5 billion over five years.

The MGDS attempts to replicate the five years planning process practiced regularly in USSR and adopted by developing countries such as India. The success of this model hinges on the timely execution of individual initiatives identified in the five year plan.

Malawi growth and development strategy



Source:
MGDS Whitepaper, IMF Country Report No. 07/55, February 2007

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Land availability and acquisition

The Blantyre City Assemly (BCA) has recognised the issue of land availability and has zoned Blantyre land by usage. Zones are typically industrial, commercial and estate land.

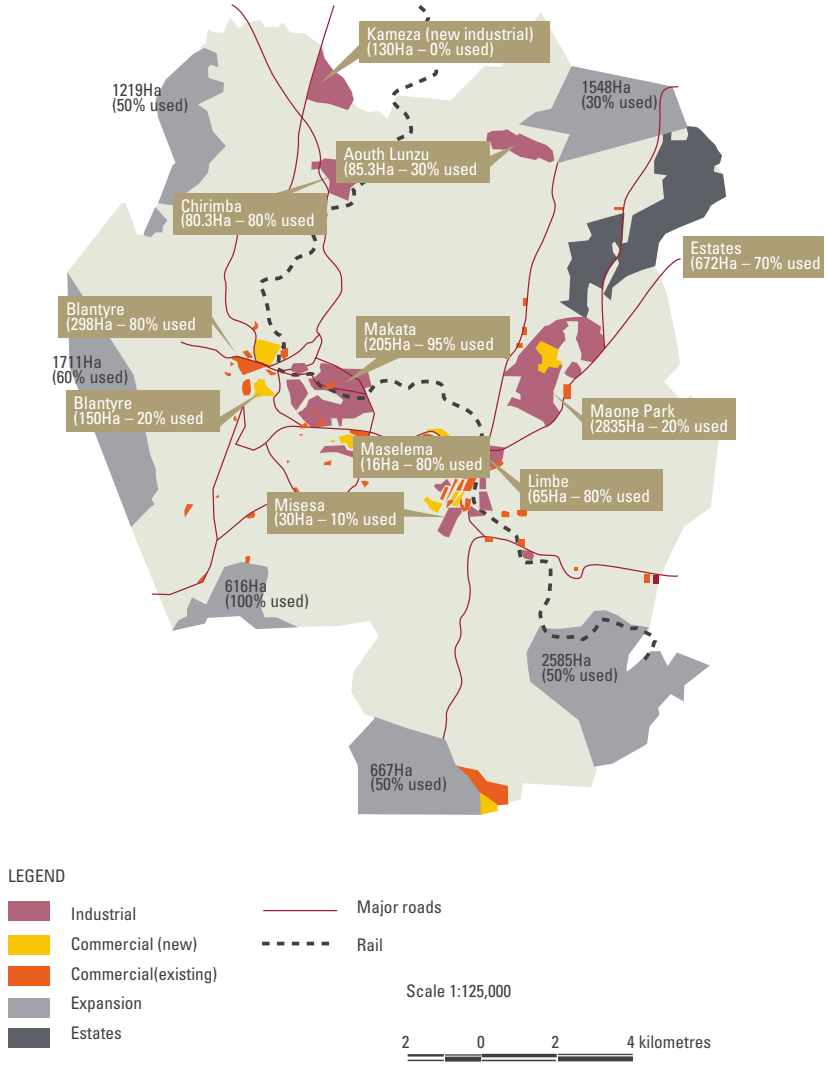
The BCA has shown willingness to being flexible with the land zoning, if the business proposal for the land usage is robust.

Currently, industrial areas such as Maone Park are not completely occupied. Interested investors could consider these areas as potential options for locating their businesses.

BCA and MIPA have indicated their commitment to improving the process of land acquisition.

Efforts are underway to reduce the existing two-year lead time of land acquisition to under six months[1]. MIPA and BCA have indicated their willingness to work closely with the investors and the Department of Lands to identify suitable land sites.

Commercial and industrial land stock — Blantyre



1 KPMG in Malawi interview programme

Source:
Blantyre City Assembly

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Access to long term finance

Steps are being taken to improve access to long term finance. The Government of Malawi along with the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) has been taking several measures to improve access to long term finance:

- A credit rating organisation is likely to be set up by end of 2009 to improve the credit appraisal process of banks
- Banks have *prima facia* agreed to reduce the rate of interest if the credit rating agency is introduced on time. The interest rate is expected to reduce to 18 percent by the end of 2010 from present levels of 24 percent[1]
- The Government of Malawi is promoting venture capital through the set up of an alternative stock exchange for small businesses
- An additional development capital bank and new commercial banks may be introduced to prevent cartelisation among banks. This move is likely to increase availability and reduce cost of capital.

Foreign exchange

Foreign exchange stock is expected to increase. The supply of foreign exchange is expected to improve with the beginning of the tobacco season. Mining is expected to boost Malawi's foreign exchange reserves by US$150 million in 2009 and US$200 million in 2010[2].

Road improvement

Fifty-one road improvement projects are under consideration for development of the Blantyre region. The Blantyre City Assembly has embarked on an initiative to improve the condition of roads in the city of Blantyre. Out of the 51 projects under consideration, 39 are already underway.

In addition to the above projects, the Nacala highway is expected to be refurbished by end of 2009[3], which could decrease the time taken to travel from Nacala to Blantyre.

The majority of these projects have been undertaken by the Road Authority while a few are being completed by international donors.

A list of the major road projects and their locations can be found in Appendix 1.

Rail improvement

Improvement in rail transportation could be expected by 2012. Cost of rail transport is about one fifth of that by road. An efficient railway network is likely to make Malawian goods substantially more competitive in the international market by saving on the high costs of logistics.

However, the railway system needs considerable improvement before being considered an alternative to road.

The railway line from Beira is not operational. The Mozambican government has started reconstruction of this line. It is expected to reach the southern part of Malawi by mid 2012. The new railway line from the Malawi border to Blantyre is expected to be complete by 2012.[4]

The railway line from Nacala to Blantyre is operational, but 77 km of the line causes speed restrictions of 25 km/hr. Improvement of the 77 km is expected by the end of 2009.

The Central East African Railways (CEAR) is a consortium operating the railways in Malawi. The contractual responsibilities of CEAR with the Government of Malawi are being reworked to improve clarity of CEAR's obligations[4].

1. KPMG in Malawi Interview Programme
2. Department of Economic Planning, Government of Malawi
3. Ministry of Transport
4. CEAR

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Railway lines from Blantyre to Beira and Nacala

Source: CEAR

Railway projects 2009–2012

Initiative	2009	2010	2011	2012	Status
CEAR negotiation with the Government of Malawi for contractual obligations					• Contractual clarity is expected by beginning of 2010[1]
Beira–Blantyre (Sena) railway line project (Mozambican side)					• Project is expected to be completed between 2011–2012[2]
Beira–Blantyre (Sena) railway line project (Malawian side)[4]					• Detailed study has been conducted[3] • The Ministry of Transport is looking for a public private partnership for construction and maintenance of the railway line, for the purpose of which it is negotiating with the European Commission and the Japanese government[4] • Estimated project cost is about US$30million[5]
Nacala–Blantyre railway line improvement project					• The Ministry of Transport has signed an MoU with Mozambique and Zambia to rehabilitate the Nacala Corridor (77km) by September 2009[6] • Currently, 15km of the railway has been rehabilitated[7] • No evidence could be established to support completion date of September 2009 provided by the Ministry

1,2 CEAR
3,4,5, Ministry of Transport, Government of Malawi
6, 7 Ministry of Transport, Government of Malawi

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

An introduction to Blantyre

In 2009, Blantyre had a population of about 0.77 million while the surrounding area, known as Blantyre district, was one million. The landscape is largely hilly terrain and spans 22,800 hectares.

Government

An elected council could propel the growth of Blantyre.

The Blantyre City Assembly, the municipal body for the governance and administration of Blantyre, is currently operating without elected councillors. Lack of a local decision making authority has proved to be a hurdle in the development of the city. Elections are expected to be held in 2010. New elected councilors could provide the required impetus for growth in Blantyre.

Location of Blantyre

Source:
Department of Lands, Government of Malawi, CEAR

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Investing in Blantyre

While Blantyre is not isolated from the challenges faced by Malawi, it enjoys a larger volume of business than the other cities in Malawi.

Advantages

Location

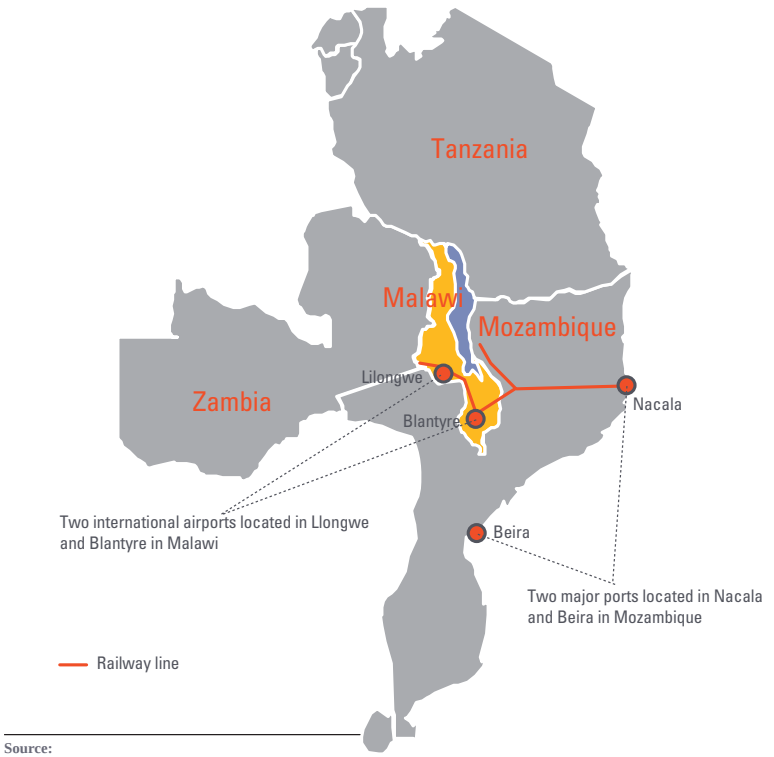
Blantyre enjoys a locational advantage. It is well connected by road to all major areas within Malawi; the majority of international freight Malawi is routed via Blantyre.

Blantyre is connected to Beira and Nacala by road and by rail. The cost of road freight from Blantyre to these two ports is about eight to ten percent lower than the cost from Lilongwe.

Restarting the defunct railway line from Blantyre to Beira and improving the efficiency of the railway line to Nacala will strengthen Blantyre's position as a hub for trade and cargo.

Blantyre is equipped with an international airport. The Shire to Zambezi waterway project is also expected to benefit the Blantyre region.

Location of Blantyre showing major transport links



Source:
Department of Lands, Government of Malawi, CEAR

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Access to regional markets

Businesses in Blantyre have excellent access to regional markets, including Mozambique, Zambia and South Africa doubling the market reach.

Regional markets Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA) are important. They constitute 70 percent of imports and 40 percent of exports.

Location of business

A number of major businesses such as ginning, agro-processing units, financial institutions, infrastructure (e.g. telecommunication) companies, manufacturing units as well as small traders are located in Blantyre. Given the high cost of telecommunication in Malawi, locating close to other businesses would be cost efficient.

"Good climate, personal safety and access to other countries are some of the advantages of locating in Blantyre",
Manager, large MNC, Blantyre

Workforce

An abundance of well trained and experienced staff are available for employment at reasonable wages.

Malawi has better regulations and flexibility with respect to employing workers. In an assessment by World Bank, Malawi ranked 96 on the "ease of employing workers" index. Mozambique stood at 161 while Tanzania was at 140.

Access to natural resources

The region in and around Blantyre has significant amounts of natural resources. Blantyre is close to some key cotton and chilli growing regions. Occurrences of bauxite and gemstones have also been established near Blantyre. Investors could capitalise on these natural resources by locating in Blantyre.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Challenges

Land availability

Land availability and the acquisition process can hinder business growth in Blantyre. Land is scarce in Blantyre City. Only 20 percent of the land is privately owned[1]. Land designated for development has not been available. It has often been held by investors on a speculative basis. This has led to an increase in price of land.

"It is very difficult to find land in Blantyre as almost all the land is developed. So it will depend on the willingness of the seller, who may also dictate the price", **Department of tourism, Government of Malawi**

Land policy is restrictive for foreigners; the leasing of land is allowed for a maximum period of 25 years[2]. Full ownership by foreign businesses is prohibited.

The acquisition process for a plot of land could take anywhere between three months to about two years depending on the type of land and its availability[3].

Transport

The high cost of transport poses a challenge to business viability.

"Before the war in Mozambique in 1984, transport costs were 19 percent of landed imports. But after the war, parts of the Nacala railway line were destroyed leading to costs rising to 60 percent of imports as goods were now transported by road", **Department of Transport, Government of Malawi**

Due to the defunct railway line, the fastest access to ports is by road. A truck from Blantyre to Nacala takes about two days, but can be unreliable. Freight cost from Blantyre to Nacala for a truckload is about US$3,100. These rates are one of the highest in the world for a distance of 1,000km[4]. The high cost and low reliability of transport has been consistently identified as the largest obstacle to business in Blantyre.

Transporting goods to ports via rail rather than road decreases transportation costs by up to 80 percent. The restart of these railway lines will bolster Blantyre's position as a commercial hub.

Finance

Access and cost to finance has been found to be a hurdle to starting or expanding a business. Bank lending rates in 2008 for project financing were 24 percent, much higher than most developing countries. Banks have a small customer base and suffer from low rates of recovery. Lack of a credit appraisal organisation has compounded the problem, leading to prohibitively high interest rates for commercial loans. Banks also require collateral which is typically 1.5 times the value of the loan.

"Operating capital is not as big a problem as long term capital" **Department of Economic Planning, Government of Malawi**

The stock exchange is small and limits the access to public funds, leading to high dependency on promoter or private investor funding.

1,3 KPMG in Malawi interview programme
2 Malawi Lands Act, 2002
4 Columbia University – Assessing infrastructure constraints on business activity in Blantyre, Malawi, December 2008

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Foreign exchange

Supply of foreign exchange has been scarce although it has always been limited in Malawi. However, the period of November 2008 to March 2009 has been especially difficult due to the foreign exchange outflow on account of high oil prices and fertiliser subsidy provided by the government.

The government tried to protect the consumer, by maintaining low prices after the oil price had almost tripled leading to a piling up of oil deficit"
Malawi Confederation of Chambers of Commerce and Industry

The bank rate, as of April 2009, is 145 *kwacha* for US$1 but exchange bureaus sell US$1 at about 180 *kwacha* clearly indicating that the *kwacha* is overvalued. A correction of the *kwacha* is expected in the near future which may ease the supply of foreign exchange.

Companies are wary of borrowing abroad in US dollar due to the high risk of fluctuation in the value of the *kwacha*.

Public utilities

Only seven percent of residents have access to electricity in Malawi. Average electricity disruptions have been close to 30 hours a month, leading to productivity losses of up to one to two percent[1]. The lack of generation capacity, theft and delinquent customers have been quoted as reasons for an inefficient electricity supply. The businesses in Blantyre typically use diesel generators, solar panels and wood as alternatives to electricity.

An average business faced water interruptions of at least seven days a month, each lasting an average of six hours[2]. Water bores and water tanks are alternatives used by local businesses. There is a need for investment in water supply projects to replace old pipes. A US$8 million gap[3] is hampering the water facility upgrading project.

Expatriates

Employing expatriates can be difficult and has been found to be a time consuming process. Investors of US$50,000 or more, are eligible for Business Resident Permits and Temporary Employment Permits within 40 days of approval of their investment. The processing time for these, however, can reach four months[4].

1,2,3, Columbia University — Assessing Infrastructure Constraints on Business, Malawi, December 2008
4 Report on the Regulatory Framework for Foreign Direct Investment,DLA PIPER US LLP

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Key indicators: comparative assessment, 2008

	Malawi	Sub-Saharan Africa	World
Percent of adults infected with HIV/AIDS	15%	9%	1.2%
Infant mortality rates 2000–05 (deaths per 1,000 live births)	130	89	55
Life expectancy at birth (years) 2000–05	39	49	68
Energy consumption	7%	10%	n/a
Days for registering property	118	109.9	31.8[a]
Cost to export (US$ per container)	1.565	1,561	811[a]
Time for export (days)	44	40	10.5

Source:
http://earthtrends.wri.org
Note: (a) OECD countries

HIV

HIV has had a significant impact on the working population of Blantyre. The prevalence of HIV in Blantyre is 19 percent, above the national average of 15 percent[1]. Recent efforts have been made by the Blantyre City Assembly to control the growth in the prevalence of HIV. Due to HIV, the average life expectancy of Blantyre was 37 years in 2006, leading to significant stress on children and aged population who are not part of the workforce.

Case study: Unilever Malawi

The business: Unilever has been operating in Malawi, out of Blantyre for 60 years. Malawi is a part of the group's East and Southern Africa's (ESA) multi country organization. Unilever manufactures cooking oil and laundry soap for the Malawi market.

The challenges: Electricity and water supply are key hurdles to production. Foreign exchange supply and quality of manpower from the market are other issues impacting business operations.

Meeting the challenges: Unilever Malawi has electricity generators and water tanks with a two-day backup in case of failure of utilities. Employees are given training of the highest international standards in order to maintain the high quality of managerial staff.

1 Blantyre City Assembly

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Select opportunities in Blantyre

Quality business hotel

There is an opportunity to build a quality hotel in Blantyre. An appropriately priced, international business hotel in Blantyre could be an attractive and immediate investment opportunity.

The hotel could be located in the busy central business district with access to land for recreational activities. A choice of restaurants and a conference centre (for guests and non-guests) in the hotel could make this investment even more profitable.

Blantyre witnesses a consistently high volume of international visitors throughout the year.

Blantyre, as the commercial capital, has benefited from the doubling of international visitors to Malawi between 2002 and 2007. In 2007, about 18 percent of the visitors to Malawi visited Blantyre. The volume remains consistent throughout the year as the majority of these are business visitors.

"There is a large opportunity for a high standard hotel in Blantyre. The property has to have a high quality of construction", **Marketing manager, large high-end hotel in Blantyre**

Shortage of quality hotel accommodation

There are only six quality hotels in Blantyre. The Department of Tourism has qualified only four hotels at grades A and B, the highest grades for hotels in Malawi. There is no five star property in Blantyre. The only international hotel is the Ryalls, managed by Protea Hotels, South Africa. This shortage in supply has resulted in high occupancy rates currently ranging between 65–70 percent[1] at Blantyre's top hotels.

Existing hotels can charge high prices for their rooms and conference facilities due to the shortage of these facilities. It is perceived that the quality and value does not reflect the price charged.

1 KPMG in Malwi interview programme

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Land availability

There is a shortage of reasonably priced land in Blantyre suitable for a hotel, particularly in the central business district (CBD) where this hotel could be located; most land has already been developed.

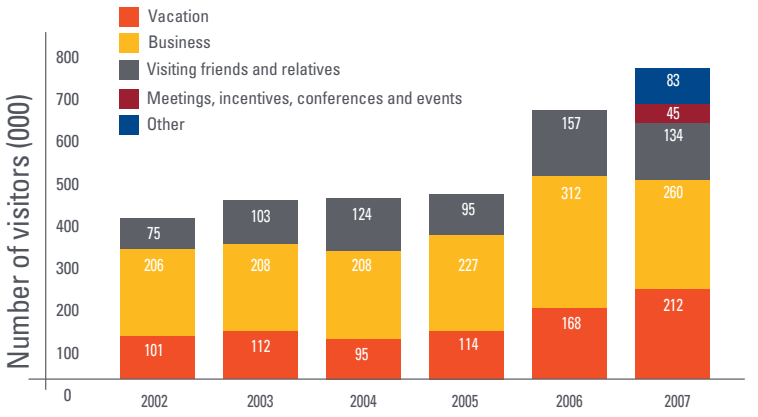
Of the land that is available in Blantyre, 20 percent is privately owned. The price of private land is two to three times that of public land due to the high demand for land.

Vacant, suitable land can be identified with the assistance of Blantyre City Assembly (BCA) and Malawi Investment Promotion Agency (MIPA). Eighty percent of land in Blantyre is public. The BCA has zoned land for tourism development, but is willing to be flexible with the zoning in order to accommodate a quality hotel.

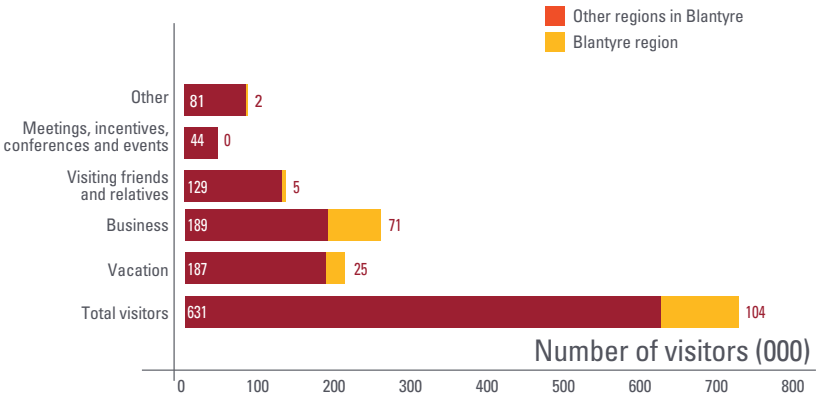
The BCA has indicated the availability of two highly suitable plots of land for the development of a new high quality hotel: the land occupied by the Blantyre City Park (opposite Victoria Hotel) and the plot of land opposite the church near Victoria Hotel. These would be ideal sites for this hotel opportunity due to the size of land and proximity to recreational activities and the CBD.

MIPA has also indicated that it would provide assistance to investors in identifying and acquiring an attractive plot of land for the hotel.

Number of visitors to Malawi and purpose of visit



Number of international visitors to Blantyre in 2007, including reasons for visits



Air connectivity

Lack of direct flights to the US, Europe and Asia has restricted the number of visitors, particularly tourists. Flights to Malawi go through Johannesburg, Durban, Nairobi or Adis Ababa, thereby increasing time and cost of travel for potential visitors.

Comair, a subsidiary of Delta Air Lines based in the US, is expected to improve air connectivity by 2011. The Government of Malawi is negotiating an arrangement with Comair for a new airline. This airline will have 51 percent ownership of Comair and 49 percent of the Government of Malawi. Comair Limited registered a company called Comair Malawi Limited in June 2008. It is likely to replace Air Malawi, the existing national airline of Malawi. The new airline is expected to improve connectivity to regional destinations such as Nairobi and Johannesburg. However, direct flights to international destinations may not be possible until 2011.

Source:
Department of Tourism, Tourism Report 2006, 2007 and 2008
Note: Figures for 2008 are not available

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Hotels

Pricing of the top hotels is in the range of US$120–240 per night for an accommodation that would typically qualify as four star in most international locations.

Leading hotels in Blantyre: number of rooms and room rates

Hotel	Number of rooms 2007[1]	Room rates 2007 (US$)[2]
Sun Bird Mount Soche	132	140–240
Protea Ryalls Hotel	120	120–200
Malawi Sun Hotel	42	82–100
Hotel Victoria	49	82–137
Superior Hotel	41	65–90
Dorvic Hotel	36	75–125
Shire Highland Hotel	40	62–96
Mount Pleasant Inn	10	95–140
Pedro Grill Lodge	08	70–102
Chilembwe Lodge	34	50–90

1 Malawi Tourism Report, 2008
2 KPMG in Malawi interview programme

Events

Conferences, weddings and other events contribute to almost 25 percent of the revenues of hotels. Conference facilities are limited in Blantyre. Currently there are about nine large conference centres including COMESA hall, a standalone conference centre with a maximum capacity of 1,000. The pricing of a conference centre varies with the location.

Leading conference centres in Blantyre: capacity and typical rates

Hotel	Capacity (2007)	Rates 2007 (US$)
Sun Bird Mount Soche	500	28 per person
Protea Ryalls Hotel	100	38 per person
Malawi Sun Hotel	150	25 per person
Superior Hotel	30	140 per day
Dorvic Hotel	50	70 per day
Shire Highland Hotel	240	11 per person
Mount Pleasant Inn	20	175 per day
COMESA Hall	1,000	1,800 per day

Sources:
KPMG in Malawi interview programme

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Investment overview

- The indicative costs for setting up a hotel are in the range of US$8–10 million.
- Land prices are expected to be in the range of US$3500–5000 per hectare.
- Investors should consider investing in this opportunity within the next two years.

Malawi Institute of Tourism

The expansion of the Malawi Institute of Tourism (MIT), international training programmes and attractive compensation could increase the supply of well trained manpower for the hotel industry.

The Department of Tourism has indicated that MIT will be expanded to Lilongwe allowing for an extra 400 students every year. Expansion operations are expected to begin in 2011. Hotel chains, such as the Protea Ryalls, indicated that high compensation, participation in international training programmes and continuous rotation at locations within the international chain have ensured retention of a high quality trained workforce.

The Government of Malawi has focused on the development of tourism by budgeting US$16 million for areas such as eco-tourism facilities, inspection of accommodation units and destination marketing of Malawi. These initiatives could potentially increase leisure visitors to Blantyre.

A business hotel could attract these leisure travelers by organising tours to interesting locations in southern Malawi, using Blantyre as a base.

Lack of a well-trained workforce

A shortage of a well trained workforce affects the quality that can be provided by hotels, and has been identified as a key reason for low quality of service in the hospitality industry. The primary source of talent for hotels in Malawi is the Malawi Institute of Tourism. MIT only admits 300 candidates for its course every year.

Case study: Protea Ryalls Hotel, Blantyre

The opportunity: The Ryalls Hotel, Blantyre is being run through a management contract by the Protea chain of hotels from South Africa. The hotel provides high-end accommodation for visitors to Blantyre. Prices charged are in the range of US$120–240 (April 2009) a night.

The challenges: While occupancy of rooms is ensured between Monday and Thursday, Friday to Sunday witness lower occupancy levels. This is due a to lack of tourists to Blantyre. Retaining manpower has been the other challenge faced by Ryalls.

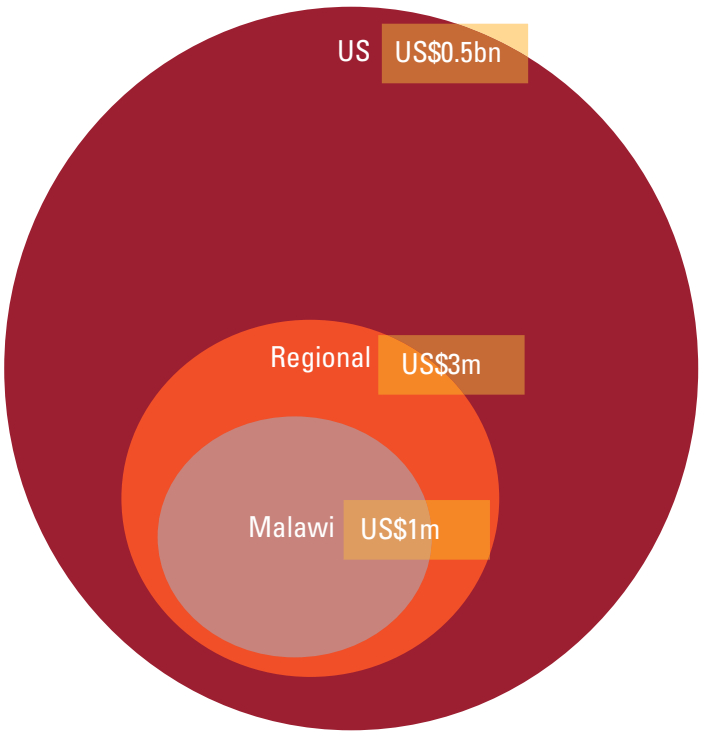
Meeting the challenges: The hotel is organising tours to nearby destinations in order to attract tourists. A combination of high compensation and international training facilities has been successful in retaining well trained manpower.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Chilli processing

Blantyre presents an attractive opportunity to invest in a chilli processing plant. New investors with access to technology and relevant markets could invest in a plant that produces goods such as chilli sauces that demand a high premium in international markets.

Indicative market size for chilli sauces 2008



Source:
KPMG in Malawi interview programme, Datamonitor

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Demand

There is high international and domestic demand for Malawian chilli sauces. Bird's eye and paprika are two renowned varieties of chillies grown in Malawi. The chillies are typically used in sauces and other condiments and enjoy high demand in Europe, the US and South Africa.

The regional market, including South Africa, is estimated at around US$43 million for processed chilli products. The largest opportunity for exporting processed bird's eye chilli sauce is the US, which had a market size of approximately US$4500 million in 2008. Significant potential also exists for exports to the UK and Europe.

Chilli forms an integral part of the Malawian diet. The domestic market for processed chilli products in Malawi was US$1 million in 2008. It is expected that as incomes rise, consumption of processed chilli products will also increase.

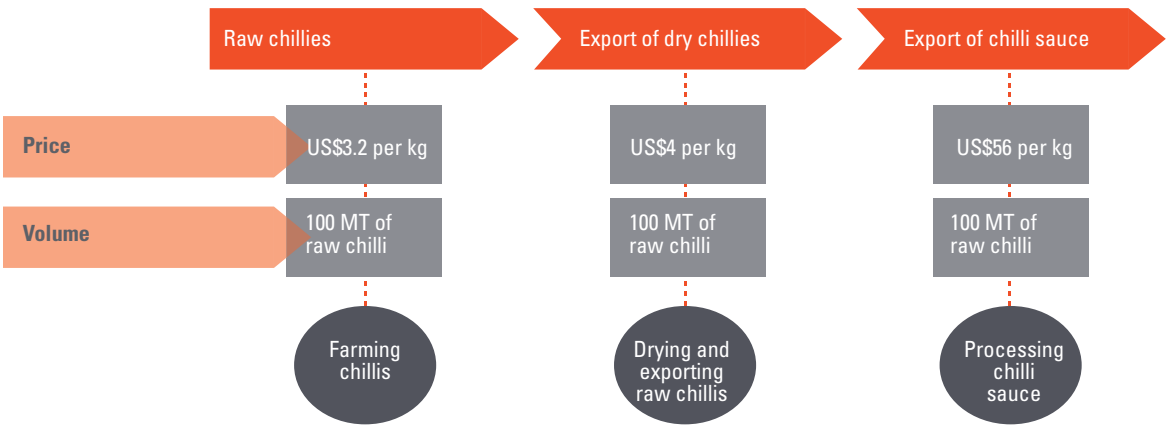
Export

Exports of processed chilli yields significantly higher prices than raw chilli. An analysis of the value chain indicates that raw chilli bought at US$3 per kg from farmers is exported at about US$4 per kg. Conversion to sauce can yield up to US$56 for each kilogramme of chilli processed.

Volume

Very low volumes of chilli are being processed in Malawi: only three percent — 50 metric tonnes (MT) — were processed in Malawi, but were all sold locally. There have been no exports of processed chilli products. Nali and NASFAM are the main players and are currently only focused on the domestic market where there is still an opportunity of around two metric tonnes.

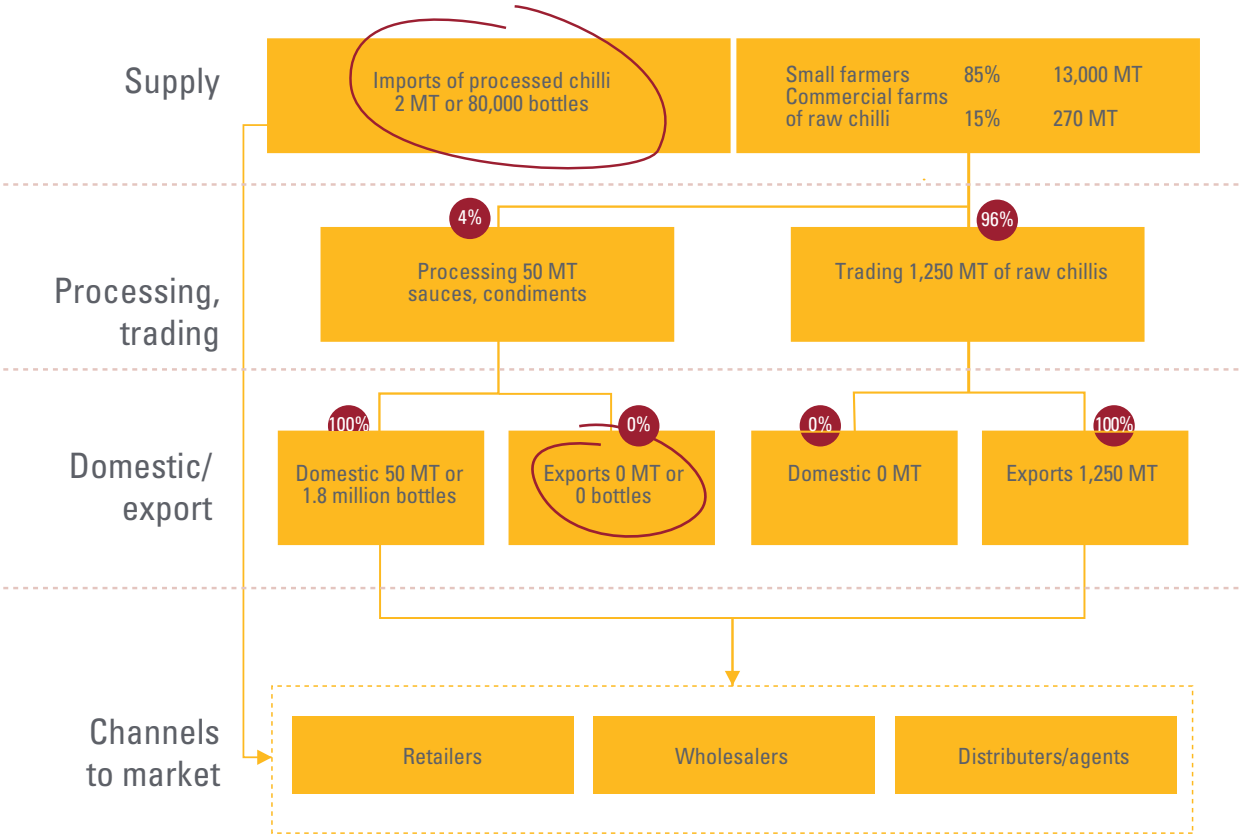
Chilli export value chain in 2008



Source:
KPMG in Malawi interview programme
UNESCO and Malawi – 2008
Columbia University, SIPA: Foreign Direct Investment in Blantyre: Opportunities and Challenges

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

The value chain of chilli processing in 2008



Source:
KPMG in Malawi interview programme
NASFAM
National Statistics Office
Department of Agriculture, Government of Malawi

Local competition: chilli processing in 2007

	Nali	NASFAM	All others
Raw material exports (MT)	280 MT	140 MT	430 MT
Chilli processed and exported (MT)	0 MT	0 MT	0 MT
Chilli processed and sold in domestic market (MT)	25 MT	5 MT	0 MT
Installed capacity to process chilli products	Approx 60,000 bottles per week	Very small	None

Source:
KPMG in Malawi interview programme

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

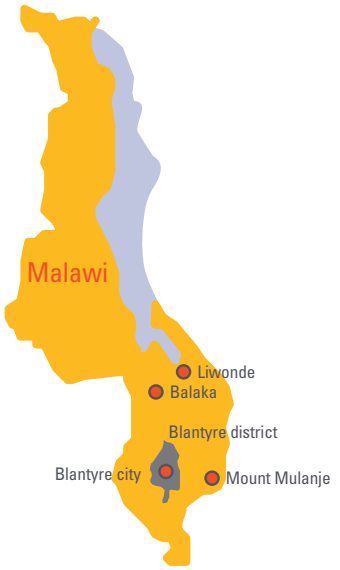
Malawi's rising chilli production

The trends in production and yield for chilli processing in Malawi are encouraging. Production and yields have been rising for the last four years, indicating a consistent and abundant supply of raw chilli for a potential processing unit.

Chilli growing regions

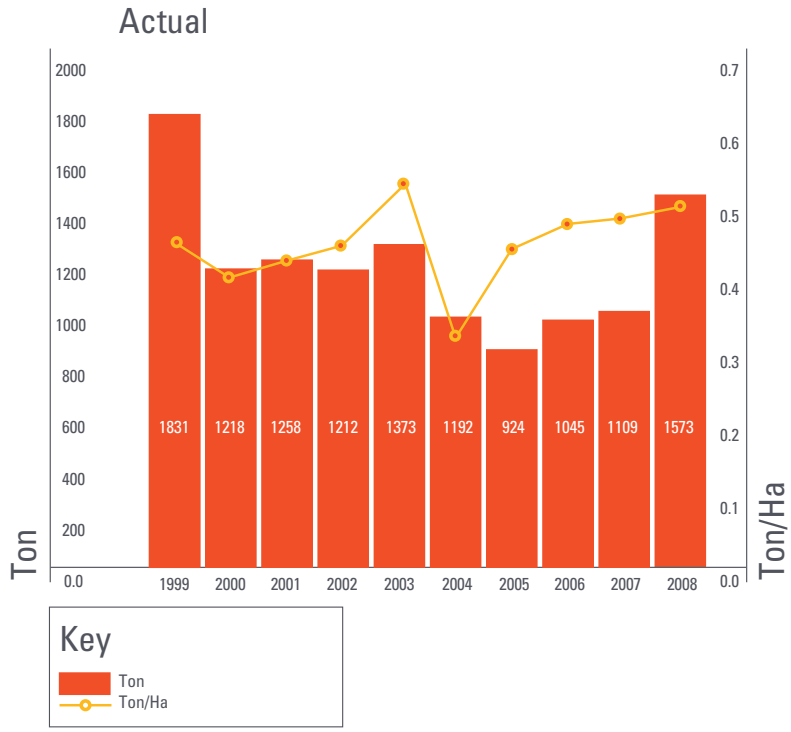
The majority of chilli in Malawi is grown in areas around Blantyre. Around 72 percent of total chilli production in Malawi is based in the Blantyre region: near Mount Mulanje (40 miles from Blantyre), in Liwonde (100 miles from Blantyre), and in Balaka (55 miles from Blantyre). The access to raw chilli underscores the advantage of locating the chilli processing plant in Blantyre.

Blantyre chilli growing regions



Source:
Department of Agriculture, Government of Malawi

Malawi chilli production and yield, 1999–2008 (estimates)



Source:
KPMG in Malawi interview programme
NASFAM
National Statistics Office
Department of Agriculture, Government of Malawi
Columbia University, SIPA : Foreign Direct Investment in Blantyre: Opportunities and Challenges

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Required inputs

The majority of inputs required for production are imported from South Africa. Packaging, bottling and other key ingredients such as garlic and onion powder need to be imported. The cost of import is high and could compromise the margins of the finished product in the domestic market. However, the premium that Malawian chilli sauces enjoys in the international market offset these high input costs.

Quality certification

Quality certification of finished products is a key concern while exporting to the US and Europe. Export to US and Europe requires compliance to stringent quality standards. Malawi's Bureau of Standards (MBS) is not internationally recognised[1]. Established players such as Nali have had to face several challenges in testing, packaging and quality assurance auditing.

Working capital

Chilli production requires a high amount of working capital. Chilli is a high margin crop for farmers. Realisations are highest only after coffee. But chilli is a seasonal product and processors need to buy early to get an economical price. This creates a requirement of high working capital of about US$0.3 million for buying 100 metric tonnes of chillies.

An in-house testing facility and adherence to the highest processing standards could help to obtain quality certifications. Therefore, investors should budget for an in-house quality testing centre. Additional investment to adhere to the best practices in food processing should also be considered. These steps will ensure required certifications for exports to US and Europe, the key markets for Malawian chilli sauces.

1 KPMG in Malawi interview programme

Investment overview

- The indicative costs for setting up a processing plant are in the range of US$1.8–2 million[a]
- An additional US$1 million will be required for working capital[b]
- Margins can be expected to be in the range of 20–40 percent
- Investors should consider this investment within the next two years

Notes: (a) Based on 3,000 cases of chilli sauce per week, (b) Based on processor purchasing annual production requirement of 300 metric tonnes.

Case study: Nali Ltd

The opportunity: Nali Ltd., established in 1974, is a chilli processing company. It manufactures chilli sauces mainly for the domestic market. The company has around 90 percent market share of the domestic market.

The challenges: Nali has faced significant challenges in ensuring its quality of products meet international standards. It has also found access to export markets through distribution agents to be a major challenge.

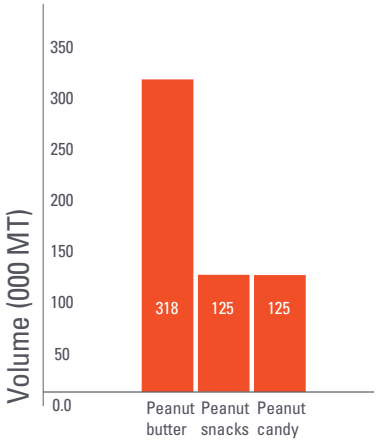
Meeting the challenges: Nali has FDA certification. Supplying to Europe and US has been a challenge due to lack of technology to maintain quality. Its experience with local export agents has not shown significant success.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Groundnut processing

Groundnut processing plants could manufacture a variety of products including roasted peanuts, peanut butter, cooking oil and nutritional supplements. These products should ideally cater to export markets as well as the domestic market.

Indicative volume of processed peanut products in the US, 2009



Demand

Malawian groundnut has high demand in the international market. The Chalimbana variety of groundnut is a Malawian specialty with high demand in export markets due to its high quality and large kernels. Malawian groundnuts have been exported in large volumes since the 1970s.

The US is the largest consumer of processed peanut products. Significant potential exists to penetrate the US market, which already imports about 6,500 metric tonnes of raw peanuts. Consumption of peanuts for peanut butter was around 318,000 metric tonnes in 2009. Peanut snacks and candy stood at about 125,000 metric tonnes each.

Source:
American Peanut Council

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Export

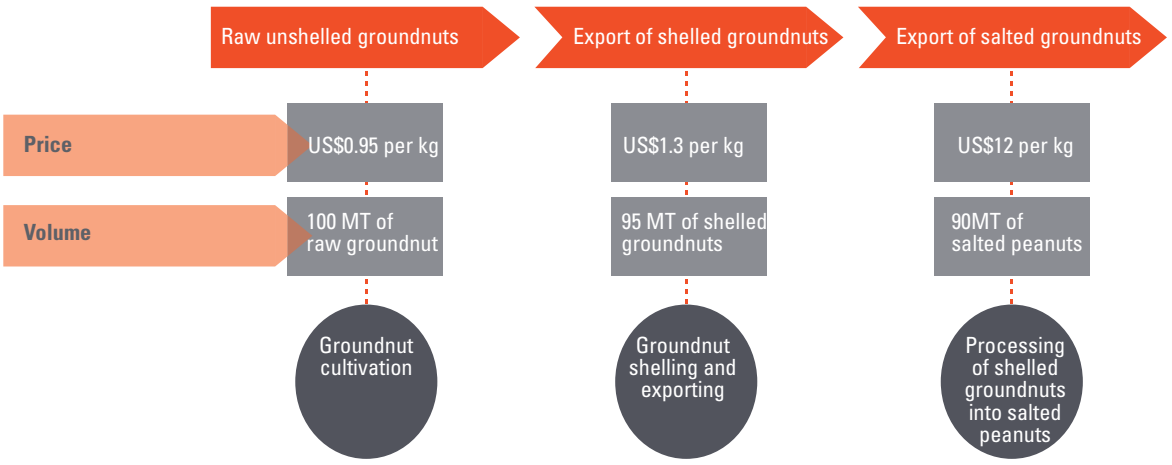
Export of processed groundnut products yields substantially higher prices than raw groundnuts. The export price of raw shelled groundnuts, is in the range of US$1.2–1.3 per kg whereas packaged salted peanuts yield a substantially better price of US$13 per kg. The massive price premium on groundnut products makes groundnut processing an attractive investment.

Malawi exports very low volumes of processed groundnut. In 2008, only two percent (1,100 metric tonnes) of the total groundnut produced in Malawi was processed. Of the two percent processed, only two percent (30 metric tonnes) was exported. The balance — 98 percent — was sold locally. Exporting raw groundnut is more prevalent since it is easier and less capital is required.

Rab Processors and Tambala Food Products are the main players, with NASFAM processing a small volume.

Low competition and abundant local supply of groundnuts indicates a great opportunity to set up a groundnut processing plant.

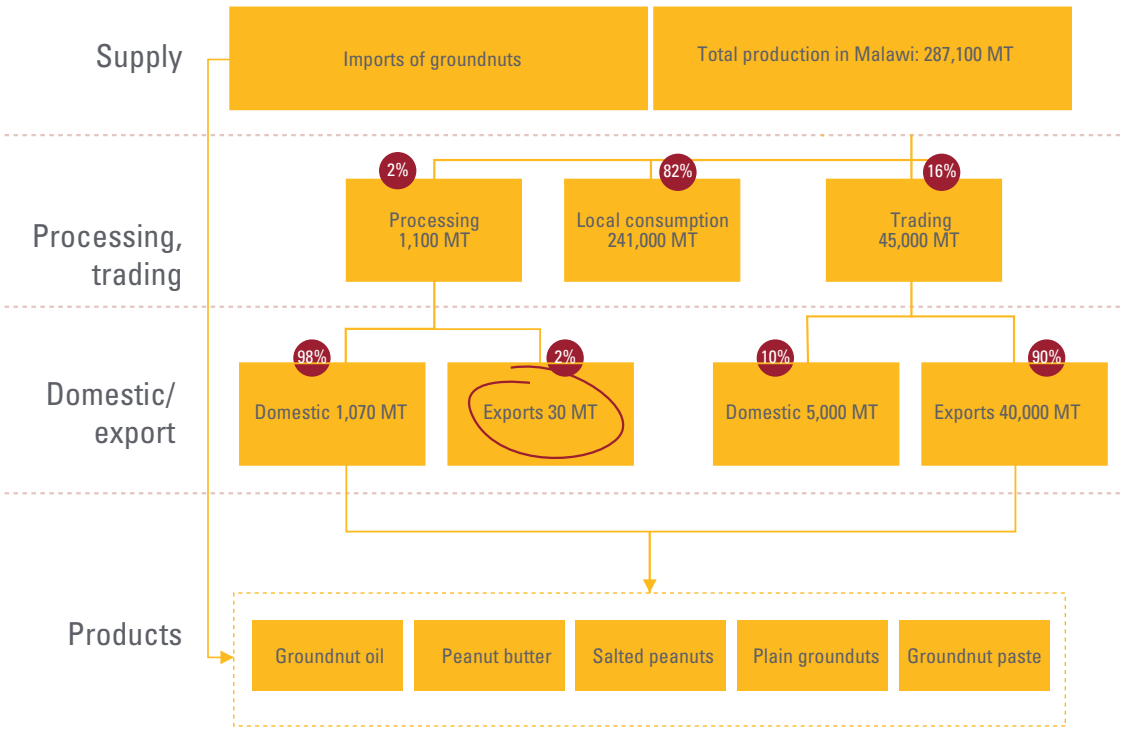
Groundnut export value chain



Source:
KPMG in Malawi interview programme
UNESCO and Malawi – 2008
Columbia University, SIPA : Foreign Direct Investment in Blantyre: Opportunities and Challenges
MEPC
Department of Agriculture, Government of Malawi

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

The value chain of groundnut processing in 2008



Source:
KPMG in Malawi interview programme
Department of Agriculture, Government of Malawi
UNESCO and Malawi, 2008

Local competition: groundnut processing in 2008

	Rab	Tambala	NASFAM[a]
Raw material exports (MT)	1,250 MT	0 MT	1,200 MT
Groundnuts processed and exported (MT)	20–30 MT	0 MT	0 MT
Groundnuts processed and sold in domestic market (MT)	730 MT	300 MT	50 MT
Annual capacity to process groundnuts (MT)	1,800 MT	1,000 MT	200 MT

Source:
KPMG in Malawi interview programme
Note: (a) NASFAM has outsourced production, no indications have been provided on future plans

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

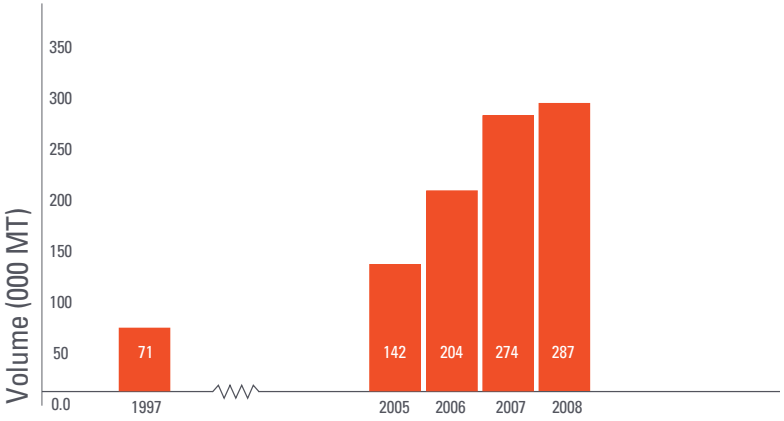
Production trends

Groundnut production trends in Malawi and Blantyre have been encouraging. Groundnut production in Malawi has doubled between 2004 to 2008. Production around Blantyre has also grown consistently since 2005 due to improvement in productivity and increase in the areas under cultivation. This indicates a secure supply of raw groundnut for a processing plant.

The rise in groundnut production and yield can be attributed to support from the government and the private sector.

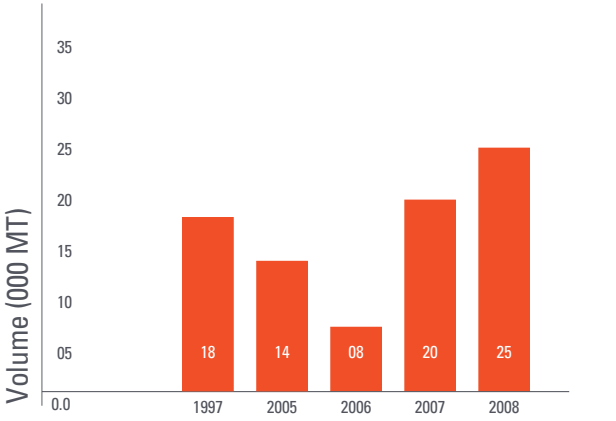
A Millennium Village Project is underway in a village near Zomba, about 70km from Blantyre. There is a unique opportunity for linking the groundnuts produced in this village to the production units in Blantyre.

Production of groundnuts: Malawi



Source
Department of Agriculture, Government of Malawi
National Statistics Office, 2008
Columbia University, SIPA: Foreign Direct Investment in Blantyre: Opportunities and Challenges

Production of groundnuts: Blantyre



Source
Department of Agriculture, Government of Malawi
National Statistics Office, 2008
Columbia University, SIPA: Foreign Direct Investment in Blantyre: Opportunities and Challenges

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Seasonality

Seasonality of groundnuts leads to increase in working capital requirements. Due to a limited window to purchase raw groundnuts, it is important for processing companies to buy early in the season to get an economical price. A purchase of 1,000 metric tonnes of groundnut for the year typically requires working capital of US$1million[1]. The high working capital has forced local companies to limit their processing volumes.

Challenges

High aflatoxin content in Malawian groundnuts poses a challenge. Aflatoxin contents in Malawian groundnuts has been found to be substantially higher than international standards. Malawian groundnuts were banned from being exported to EU in the 1990s due to high aflatoxin levels.

Additional investment is required to test and prevent high aflatoxin levels. Controlling aflatoxin is necessary to gain access to the US and EU markets. One of the few internationally accepted methods of testing aflatoxin is Performance Liquid Chromatography (HPLC). A cost of US$230 per sample makes it prohibitively expensive for the current domestic players[2].

While alternatives are available, they do not meet international standards. A long term measure to control aflatoxin is through scientific farming techniques. Investors should budget for HPLC and investigating scientific farming practices when evaluating an investment in groundnut processing.

Investment overview

- The indicative costs for setting up a processing plant are around US$5 million[a].
- An additional US$3 million will be required for working capital[a]
- Margins can be expected to be in the range of 15–25 percent[b]
- Investors should consider this investment in the next two years

Notes: (a) Based on annual capacity of 1000 metric tonnes of groundnuts
(b) Indicative gross margins.

1 KPMG in Malawi interview programme
2 Columbia University — Assessing Infrastructure Constraints on Business, Malawi, December 2008

Case Study: Rab Processors Ltd.

The opportunity: Rab Processors was established in 1984. It processes and exports groundnuts and pigeon peas among other food products. Domestic market share is estimated to be about 40 percent. The company produces salted peanuts as one of its key products for the domestic market. It exports only about 20 metric tonnes of groundnut products.

The challenges: High cost of transport and high working capital has been found to be key hindrances to expanding the volume of groundnut processed. Aflatoxin content in Malawian groundnut has also been observed to be a challenge for the export market.

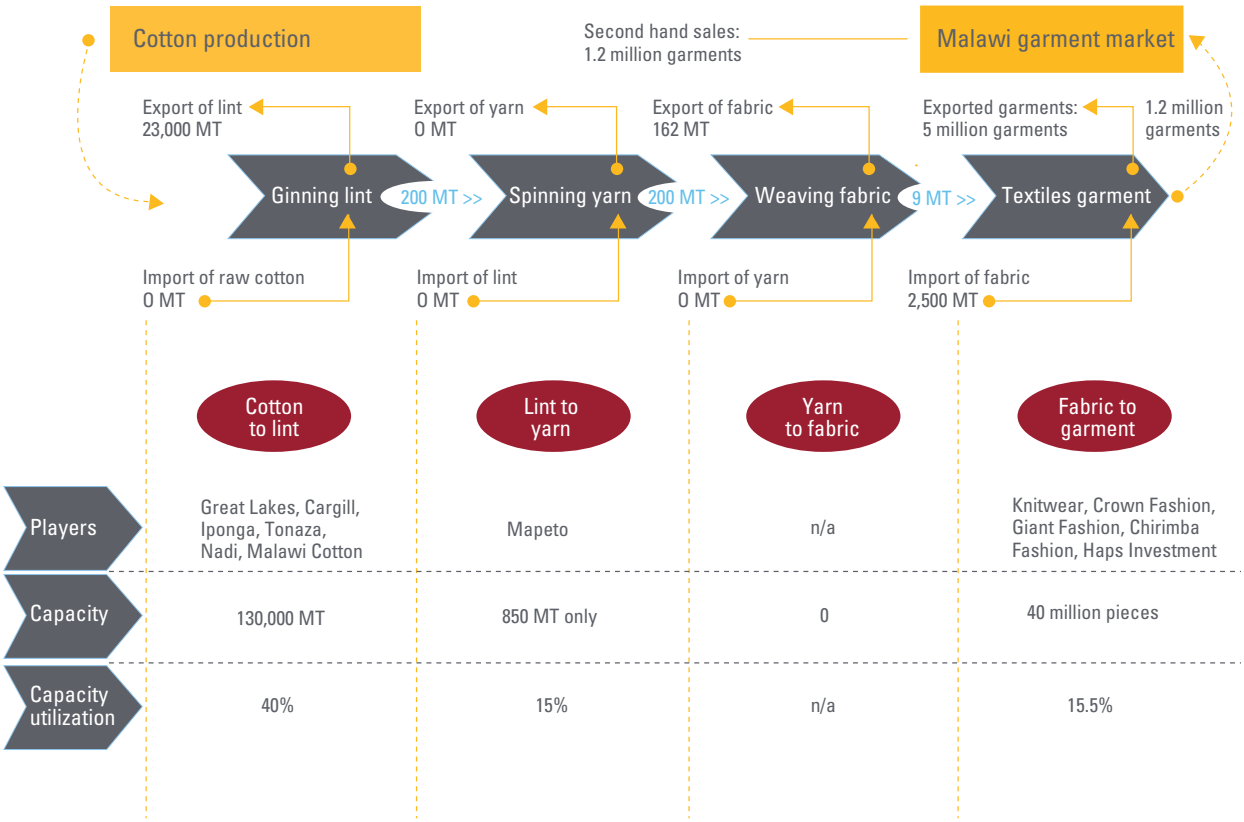
Meeting the challenges: Rab has chosen not to expand the volume of groundnuts being processed due to the working capital requirements. However, it has invested in technology to maintain the highest standards of quality required for the export market.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Cotton spinning and weaving

There is an opportunity to invest in a cotton spinning and weaving plant in Blantyre which would ideally convert lint into yarn and fabric. The domestic garment manufacturers could be potential buyers for the yarn and fabric. Exports also hold significant potential.

Cotton production and garment market overview, 2008



Source:
KPMG in Malawi interview programme
UNESO and Malawi, 2008
Regional Agriculture Trade Expansion Support Programme, "Cotton Textile – Apparel Value Chain Report Malawi", July 2003

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Textile value chain

A typical cotton value chain consists of cotton production, ginning, spinning yarn, weaving fabric and converting fabric to garments. However, spinning and weaving are missing in Malawi.

Duty and quotes free exports to the US under African Growth and Opportunity Act (AGOA) are mainly responsible for the incomplete value chain. Garment manufacturers have been importing fabric from India and China, converting it into garments in Malawi and exporting to the US under AGOA. This has restricted the development of local spinning and weaving capabilities.

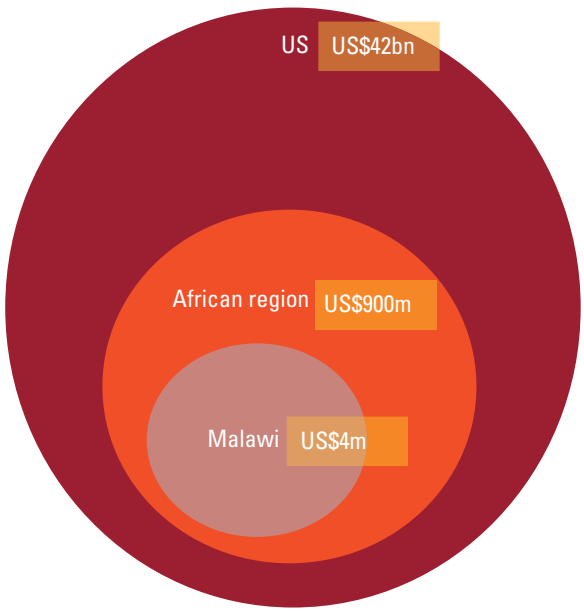
Fabric sourcing

After 2012, many local garment manufacturers will be compelled to source fabric locally as AGOA regulations are set to change then. Export oriented garment manufacturers, focused on the US, will be forced to source their fabric and yarn locally in order to qualify for AGOA after 2012. This will create a ready demand for fabric manufactured by local spinning and weaving units.

Export opportunities

There is significant scope for exports to Europe and regional markets in Africa. The Southern African Development Community (SADC), South Africa and the US are the popular destinations for garment export out of Malawi. Local spinning and weaving units could cater to the demand of garment manufacturers located in Malawi, looking to export their garments to these destinations. While the US continues to be the largest market, the regional market is also large at around US$800 million in 2008.

Indicative market size for garments 2008



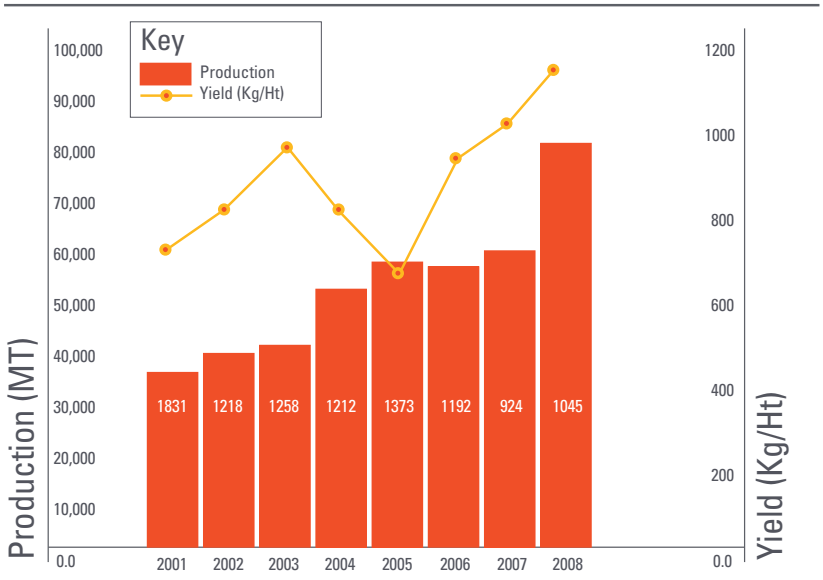
Production trends

Malawi has shown encouraging trends in cotton production. The production of cotton and yields have increased consistently from 2005 onwards. The government has been providing minimum support prices for cotton to prevent exploitation of farmers with small land holdings. The price of cotton was US$0.16/kg in 2006, rising to US$10.30/kg in 2007 and reaching US$0.43/kg in 2008.

Source:
KPMG in Malawi interview programme
Crisil research

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Cotton production and yield



Source:
Department of Agriculture, Government of Malawi
UNESCO and Malawi, 2008
National Statistics Office, Malawi

Supply

Blantyre has an abundant supply of cotton. The Shire region near Blantyre accounts for about 51 percent of the country's cotton production. The Shire river ensures a stable source of water for cotton cultivation. This makes Blantyre an attractive location for a cotton spinning and weaving plant.

Prohibitive pricing

Prohibitive pricing of lint is making local spinning and weaving uncompetitive. Securing reasonable prices for the raw material has limited the expansion of the Malawian textile industry. Ginneries have demanded prices of US$1.2/kg of lint, the prevailing international price. An analysis of the cost structure of ginneries reveals that a pricing of US$1.2/kg of cotton ensures about 40-50 percent return on investment in around one to two years[1] provided that the buying price of raw cotton is at around US$0.4/kg. This indicates significant room for price rationalisation by ginneries.

Transport cost

Transport cost will play an important role in the feasibility of the investment. Transport costs contributed to 15 percent of the landed price of fabric in Blantyre, whereas transport costs of fabric manufactured within Malawi contribute to 50 percent of the price. This can make fabric manufactured in Malawi uncompetitive in the export market. While the government of Malawi is taking steps to reduce the cost of transportation, the benefits to the cotton industry may be visible only from 2012.

New ginneries

New local ginneries are likely to provide economically priced cotton lint. The agriculture ministry indicated that additional capacity is expected to come in the form of Chinese owned ginneries and other local 'mini' ginneries by 2010. These ginneries could potentially produce lint at lower prices than international ginneries.

Establishment of a Cotton Council, Export Processing Zone (EPZ) incentives and price control of raw cotton are some of the measures being taken by the Government of Malawi.

Malawi Growth and Development Strategy (MGDS) has budgeted about US$3 million for development of the cotton garment industry. The government also provides EPZ incentives promoting spinning and weaving activities in Malawi.

1 Project feasibility report created by a Malawian ginnery

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Investment overview

- The indicative costs for setting up a spinning and weaving unit is about US$1.8–2 million
- Additional working capital requirements of US$1million
- Revenues are expected to be in the range of US$3–4million
- Investors could consider this investment by end of 2010, in order to gear up for changes in AGOA in 2012

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Case Study: Crown Fashions Ltd

The opportunity: The company was set up in 1975 as an export processing zone registered garment manufacturer. Crown Fashions exports garments to the US and South Africa, but does not sell in the domestic market. It employs close to 2,500 workers.

The challenges: High transport cost and delays associated with logistics are key challenges impacting profitability and response time for orders. The domestic market has been found to be unfavorable due to influx of second hand clothing.

Meeting the challenges: The management of Crown Fashions plans orders in advance to offset the time and cost overruns related to transport. The company expects the domestic market to improve as per capita consumption continues to rise.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Mining opportunities

Mining presents a growing opportunity. Recent discoveries have attracted a number of mining firms to scout for deposits including bauxite, coal, limestone, monazite and gemstones.

Coal, quarrying and gemstones have shown promising growth in the recent past. The volume of coal produced has been around 60,000 metric tonnes annually, between 2005 and 2007, but the quality of deposits is not as high as South Africa.

Gemstones have seen a growth of around 70 percent from 2005 to 2007. Limestone and aggregates have seen substantial growth in the last three years, driven by growth in the cement industry.

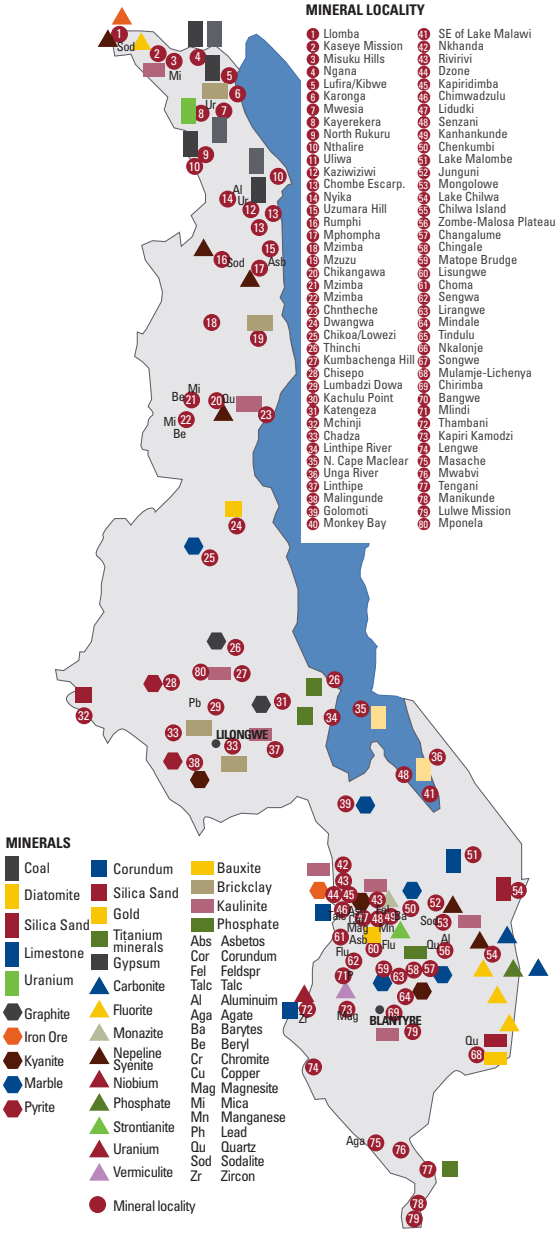
Growth rates for mining assets in Malawi

Mineral production 2005–2007 (metric tonnes)	2005	2006	2007	Growth (2005–2007)
Coal	51,870	60,408	58,550	6%
Cement	21,499	24,208	31,490	21%
Cement limestone	28,755	34,226	42,088	21%
Quarry aggregates	110,506	123,850	137,420	125
Gemstones	1,994	2,171	3,710	36%

Source:
Department of Mines, Government of Malawi
UNESCO and Malawi, 2008

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Mining assets around Blantrye



Bauxite and heavy sands appear to have significant potential in the Blantyre region. The Lichenya and Linje plateaus of Mulanje Mountain are expected to have about 25.6 million mineable reserves of bauxite. A feasibility study conducted by Met Chem Canada suggested that these deposits could be economically supplied to the Mozal smelter in Mozambique or Richards Bay in South Africa.

Heavy sand mineral deposits are used for manufacturing LCD displays in electronic gadgets. The Mangochi district has large resources of dune heavy sand at the south eastern shore of Lake Malawi. Reserves are provisionally estimated at 800 million metric tonnes. The Lake Chirwa sand bar is estimated to have heavy sand deposits of 15 million metric tonnes.

Gemstones and limestone occurrences have been established near Blantyre. Abundant deposits of semi precious stones including aquamarine, amethyst, tourmaline, smoky and rose quartz and blue agate amongst others have been reported by the Department of Geological Surveys. Gemstones and precious stones typically have a low cost of evacuation and can be mined without substantial capital investment.

Limestone has seen substantial increase in consumption in the last three years. The Chenkumbi Hills in the Balaka district are expected to have 10 million metric tonnes of limestone deposits. The process for acquiring licenses is smooth, with the requirements for each type of license clearly laid out.

Source:
Department of Mines, Government of Malawi
Department of Geological Surveys

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Important types of mining licences and process of acquisition

	Reconnaissance licence Exploration without evacuation (magentic)	Prospecting licence Exploration in limited areas, excavation permited	Mining licence Permitted to mine
Cost of application	• About US$70 • Fees may be revised towards the end of 2009 to about US$700	• About US$35 • Fees may be revised towards the end of 2009 to about US$350	• About US$70 • Fees may be revised towards the end of 2009 to about US$700
Application process	• Submission of application to Department of Mines • Mining License Committee convenes every month to recommend applications to Ministry of Energy and Mines • Ministry approves application, prepares conditions for awarding license • Acceptance of conditions by applicant	• Submission of application to Department of Mines • Mining License Committee convenes every month to recommend applications to Ministry of Energy and Mines • Ministry approves application, prepares conditions for awarding license • Acceptance of conditions by applicant	• Submission of EIA • Submission of application to Department of Mines • Mining License Committee convenes every month to recommend applications to Ministry of Energy and Mines • Ministry approves application, prepares conditions for awarding license • Acceptance of conditions by applicant
Criteria for evaluation	• Financial strength • Technical expertise and experience • Detailed work plan • Thirty percent ownership by Malawian company	• Financial strength • Technical expertise and experience • Detailed work plan • Thirty percent ownership by Malawian company	• Financial strength • Technical expertise and experience • Detailed work plan • Thirty percent ownership by Malawian company
Decision making authority	• Ministry of Energy and Mines	• Ministry of Energy and Mines	• Ministry of Environment • Ministry of Energy and Mines
Validity period of licence	• One year	• Three years initially with renewal twice, two years on each renewal (3+2+2) • Renewal is based on performance	• Valid up to 25 years or less depending on the life of the deposit

Source:
Department of Mines, Government of Malawi
Department of Geological Surveys

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Rate of discovery

Rate of discoveries of new deposits has not been encouraging. Discoveries in 2005 and 2006 lead to a rise in the number of prospecting licenses from 10 in 2006 to 39 in 2007 and 38 in 2008. But subsequent discoveries have not been as encouraging; only two mining licenses were issued in 2008.

The low rate of discoveries has been attributed to inferior geological data. The Department of Geological Surveys has conducted full surveys of Malawi in 1981. These are typically of the scale 1:100,000 and 1:50,000.

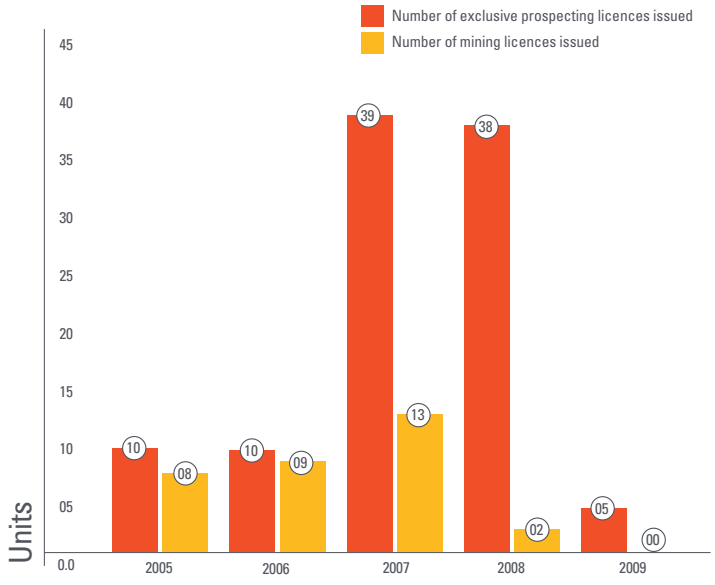
However, a full geological mapping of a scale 1:25,000 using the latest global positioning systems has still not been conducted.

GPS survey

The Malawian government has invited investment into a GPS based geological survey which is expected to significantly improve the knowledge of Malawi's mineral resources. The World Bank and the UK government have been invited to invest in this initiative. This survey could reduce the risk for investors prospecting mineral deposits in Malawi.

"The government expects interested mining companies to invest in improving the quality of the geological data in Malawi", Department of Mines, Malawi

Mining licences by type



Source:
Department of Mines, Government of Malawi
Department of Geological Surveys

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Cost of evacuation

The cost of evacuation is high due to cost of logistics which are decisive in the economic feasibility of a mine. In Malawi, a landlocked country, this cost makes many deposits uncompetitive in the export market.

"Coal is being mined only for the local market. The export market is prohibitive due to high transport cost", **Mchenga mining company**

The cost of logistics may decline by 80 percent after the improvement of the railway lines, making many more mines economically feasible. The Blantyre to Nacala railway line is expected to be rehabilitated by September 2009 at the earliest. The Blantyre to Beira railway line is not expected to be operational before 2012.

Mandatory Malawian ownership

Thirty percent mandatory Malawian ownership could pose a challenge.

The Ministry of Energy and Mines is proposing a mandatory participation by Malawian companies in any new mining venture by a foreign player. The criteria is a minimum of 30 percent stake by a Malawian company. Local mining companies are relatively small. Local partners capable of contributing 30 percent to an investment are less likely to be found. A requirement such as this could become a hurdle to serious investors.

Investment overview

- The cost of licenses is only US$35–70 but could rise in 2009 (as the previous chart indicates). The actual investment into prospecting maybe much higher, depending on the nature of the reserves
- Investors should immediately consider an opportunity to prospect for minerals in Malawi

Case study: Lafarge, Malawi

The opportunity: Lafarge has been operating in Malawi for close to nine years. It has benefited from the growth in infrastructure in Malawi over the last five years that created a demand for cement.

The challenges: The limestone mine that supplied Lafarge with cement grade limestone has been exhausted. Lafarge has been importing clinker (raw material for making cement) from Zimbabwe and Zambia, but is prospecting limestone in other parts of Malawi.

Meeting the challenges: Lafarge has invested close to US$3million for prospecting limestone in the Balaka region of Malawi.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Conclusion

The Government of Malawi has recognised the importance of creating and enabling an investor-friendly environment. It has endeavoured to pursue positive policies towards foreign investors, timely execution of infrastructure and balanced macroeconomic growth.

Blantyre, the undisputed commercial hub in Malawi, is poised to capitalise on Malawi's growth.

The proximity to ports and access to natural resources makes Blantyre an obvious choice for opportunities such as chilli and groundnut processing, cotton spinning and weaving, as well as mining.

The shortage of a high-end accommodation in Blantyre has created the case for a high quality business hotel.

Malawian chilli and groundnut products command a high premium in the international markets. Locally spun and woven fabric is expected to become critical after AGOA regulations in 2012. Mining has proven to be a growing opportunity, especially in the last four years.

Many of these opportunities are competitive and could be attractive only for a limited time period. Prospective investors should consider investing in these opportunities within the next three years.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Appendices

1 Road projects underway in Blantyre
2 KPMG in Malawi interview programme participants
3 Secondary research
4. Foreign direct investment in Blantyre

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Appendix 1

Road projects underway in Blantyre

Project number/category	name	Type of activity
Strategic roads		
1	Chipembere Highway	Upgrade to full dual carriageway
2	Pioneer Drive	Overlay
3	Kaoshiung Road	New construction
4	Mandala Road	Overlay, reconstruction
5	Mackie Road	Reconstruction
6	Naperi Road	Reconstruction
Blantyre central		
7	Victoria Avenue	Upgrade to full dual carriageway
8	Chikwawa Road	Reconstruction
9	Glyn Jones Road	Upgrade to full dual carriageway
Limbe central and industrial area		
10	Livingstone Avenue	Overlay, reconstruction
11	Market Street	Reconstruction
12	North Road	Overlay
13	Dalton Road	Overlay
14	James Street	New construction
15	Kenyatta Drive extension	New construction
16	Bank Street	Reconstruction
17	Bank Street Extension	New construction
18	Dunduzu Road	Overlay
19	Manning Street	Reconstruction
20	West Street	Reconstruction
21	Mudi Road	Reconstruction
22	Harper Avenue	Reconstruction
23	Seimssen Road	Reconstruction
24	Charterland Road	Reconstruction
25	Temple Avenue	Reconstruction
26	Nguludi Stage access	Overlay
Ginnery corner and Makata industrial estate		
28	Gomani Road	Overlay
29	Kidney Crescent	Overlay
30	Stadium Road	Overlay, reconstruction
31	Moir Crescent	Reconstruction
32	Chimpembere Highway service road	Overlay
33	Johnston Road	Reconstruction
34	Scott Road	Overlay
35	Hayter Road	Reconstruction
36	Baines road	Overlay
37	Mlolo Road	Overlay
38	Chirwa Road	Overlay
39	Mwasa Road	Overlay

Source:
Blantyre City Assembly
The Road Authority

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Location of road projects

Source
Blantyre City Assembly, The Road Authority
Note
Projects 40–42 are being developed by aid organisations.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Appendix 2

KPMG in Malawi interview programme participants

KPMG would like to thank the MCI for the opportunity to prepare this report. We would also like to thank the following organisations in the preparation of this report:

Private organisations

- Unilever, Southern and Central Africa
- Lafarge, Malawi
- Rab Processors
- Tambala Food Products
- Great Lakes Cotton Company
- African Cotton Ginneries
- Knitwear
- Mapeto (DWS)
- Crown Fashions
- Nali
- Bakhresa Grain and Milling Company
- Protea Ryalls Blantyre
- Sunbird Mount Soche
- Chilembwe Lodge
- Barloworld – Catterpillar
- Unicorn
- Mulli Brothers
- Sable Farming
- Fargo
- Aero Plastics
- NASFAM
- Kara-o-Mulla
- Mchenga Mining Company

Government and quasi-government organisations

- Blantyre City Assembly
- Department of Mines
- Department of Agriculture
- Department of Trade and Industry
- Department of Lands
- Department of Tourism
- Department of Economic Planning
- Department of Transport
- Department of Geological Surveys
- National Statistics Office
- Malawi Revenue Authority (MRA)
- Central East African Railways (CEAR)
- Privatisation Commission
- Malawi Export Promotion Council (MEPC)
- Malawi Investment Promotion Agency (MIPA)
- Malawi Confederation of Chambers of Commerce and Industry (MCCCI)

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Appendix 3
Secondary research

The following secondary sources have been used in the preparation of this report:

Secondary research

- MCI/SIPA, *Foreign Direct Investment Opportunities in Blantyre: Opportunities and Challenges*, April 2009
- DLA PIPER USA LLP, *Report on the Regulatory Framework for Foreign Direct Investment*
- OECD, *Africa Economic Outlook*
- World Bank Group report on Malawi, 2008
- MIPA, *Investor's Guide to Malawi,* 2008
- Government of Malawi, *Budget Brief 2007–08*
- Standard Bank *Malawi, Mid-year Gauge*, June 2008
- Government of Malawi, NSO report, July 2008
- MIPA website
- MCCCI.org: Malawi Confederation of Chambers of Commerce and Industry website
- World Bank website
- IMF website
- IFC, *Doing Business Report*, 2009
- Government of Malawi, *Cotton Production in Malawi*, 2006
- Ministry of Economic Planning, *Malawi Economic Growth Strategy*, 2004
- *Managing HIV/AIDS at the Local Level in Africa Blantyre 2006*
- MIPA, *Trade and Investor Magazine*, Oct-Dec 2008
- Privatisation Commission, Annual Report, 2008
- Malawi Land Policy, 2002
- Tourism Reports 2005, 2006 and 2007, Department of Tourism, Government of Malawi
- *Malawi Growth and Development Strategy* whitepaper, IMF Country Report No. 07/55, February 2007
- Regional Agriculture Trade Expansion Support Programme, *Cotton Textile – Apparel Value Chain Report Malawi*, July 2003
- *UNESCO and Malawi – 2008*, Report by UNESCO on Malawi
- *Malawi Business Climate Study 2008*, MCCCI
- *Doing business in Malawi, 2009,* World Bank

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

Appendix 4
Foreign direct investment in Blantyre

Manufacturing

1	Dairiboard Malawi	Zimbabwe	Dairy production
2	Bakhresa Grain and Milling	Tanzania	Agro-processing
3	Illovo Sugar Company	South Africa	Agro-processing
4	Bata Shoe Company	Canada	Footwear
5	Unilever South East Africa	United Kingdom	Consumer products
	Henred Fruefauf (Mw)	South Africa	Manufacturing

Agro-processing

1	Cargill Malawi Ltd	United Kingdom	Cotton processing
2	Great Lakes Cotton	United Kingdom	Cotton processing
3	Sable Farming Company	United Kingdom	Macademia nuts

Tourism

1	Kairo International	Tanzania	Casino and entertainment
2	Protea Ryalls Hotel	South Africa	Hotel chain
3	Cine City Cinema	Zimbabwe	Cinema
4	Malawi Sun Hotel	South Africa	Hotel

Financial Services

1	NedBank	South Africa	Banking services
2	Standard Bank	South Africa	Banking services
3	Ecobank	Togo	Banking services

Retail Chains

1	Game Stores	South Africa	Retailing
2	Shoprite	South Africa	Retailing
3	Pep Stores	South Africa	Retailing

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved

kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

Designed and produced by KPMG LLP (UK)'s Design Services

Photography credit: Marie George and Blantyre City Assembly (pages 21 and 55)

Publication name: Blantyre, Malawi

Publication number: RRD-171620

Publication date: November 2009