



**MALAWI CONFEDERATION OF CHAMBERS OF COMMERCE AND INDUSTRY**

**BRIEF ON THE 2017/18 GLOBAL COMPETITIVENESS REPORT OF THE WORLD ECONOMIC FORUM**

The Global Competitiveness report released by the World Economic Forum released on 26<sup>th</sup> September 2017 shows that Malawi ranks 132 out of 137 countries. This means that Malawi is the 6<sup>th</sup> least competitive country in the world.

The top and bottom ten ranked countries are as presented in table 1 below:

**Table 1: Top ten and bottom ten global GCI rankings**

<b>Top Ten</b>		<b>Bottom Ten</b>	
<b>Global ranking</b>	<b>Name of Country</b>	<b>Global ranking</b>	<b>Name of Country</b>
1	Switzerland	137	Yemen
2	United States	136	Mozambique
3	Singapore	135	Chad
4	Netherlands	134	Liberia
5	Germany	133	Mauritania
6	Hong Kong SAR	132	Malawi
7	Sweden	131	Lesotho
8	United Kingdom	130	Sierra Leon
9	Japan	129	Burundi
10	Finland	128	Haiti

*Source: The 2017-18 Global Competitiveness Report*

**Malawi's Performance**

Malawi performed poorly in infrastructure development, macroeconomic environment and basic requirements which ranked 137/137, 136/137 and 134/137, respectively and performed better in the labour market efficiency 45/137.

The competitiveness of Malawi as a nation has stagnated in the years. The table 2 below shows how the country's competitiveness has failed to improve since 2012.

**Table 2: Comparative Performance Indicators for Malawi's Competitiveness for years 2012 to 2017**

Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Rank / total countries analyzed</b>	129/144	136/148	132/144	135/140	134/138	132/137
<b>Score</b>	3.4	3.3	3.2	3.2	3.1	3.1

*Source: The 2017-18 Global Competitiveness Report*

Infrastructure deficiency has been identified as major barrier to Malawi's prosperity in the competitiveness. Malawi lacks modern roads, electricity generation and other infrastructure. It is a well-known fact that a robust power generation and supply, roads, ports, irrigation system, water and sanitation systems, and telecommunication networks are such infrastructures that foster economic growth and development.

Malawi's poor ranking keeps away potential investors who use the Global Competitiveness Index as one of the factors for investment decision in foreign territories. This therefore means that investors are more likely to prefer investing in neighbouring countries such as Tanzania and Zambia who are ranked better than Malawi. Malawi has only outperformed Mozambique which is the worst competitive country in Africa.

Mozambique scores particularly poorly on macroeconomic environment, hitting just 1.9 out of 7 . a result of the government's budget deficit and high national debt among other things. But it ranks better than Malawi on corruption and infrastructure.

The table 3 below presents the Malawi's performance in the competitiveness pillars which are the specific areas that form the basis/criterion for measuring competitiveness.

**Table 3: Performance of Pillars of Competitiveness**

Competitiveness Pillars	2017-18 (Out of 137 Countries)	2016-17 (Out of 138 Countries)	2015-16 (out of 140 countries)	2014-15 (out of 144 countries)	2013-14 (out of 148 countries)
<b>Overall Ranking</b>	<b>132</b>	<b>134</b>	<b>135</b>	<b>132</b>	<b>136</b>
Basic Requirements	134	137	138	139	140
Institutions	96	94	92	77	76
Infrastructure	137	135	135	131	137
Macroeconomic Environment	136	137	140	144	146
Health and Primary Education	115	120	121	123	123
Efficiency Enhancers	127	130	127	122	122
Higher education and training	128	131	133	132	133
Goods market efficiency	121	119	117	108	115

Labour market efficiency	45	38	29	28	39
Financial market development	102	115	100	79	71
Technological readiness	131	135	133	135	144
Market size	122	125	127	123	126
Innovation and Sophistication factors	126	121	119	115	115
Business sophistication	125	122	121	108	114
Innovation	124	120	121	115	108

**Source: The 2013-14 to 2017-18 Global Competitiveness Reports**

The Global Competitiveness report also identifies major obstacles to doing business. The major obstacles to doing business in Malawi are corruption, access to finance and tax rates in that order.

Malawi's dismal performance in fighting corruption should not be a surprise. According to Transparency International Corruption Perception Index (CPI) rankings of 2016, the country has slipped eight steps from 112 in 2012 to 120 out of 176 economies. Lowly ranked Malawi is among countries that are plagued by untrustworthy and badly functioning public institutions. Even where anti-corruption laws are on the books, in practice they are often skirted or ignored. Investors frequently face situations of bribery and extortion, rely on basic services that have been undermined by the misappropriation of funds, and confront official indifference when seeking redress from authorities.

Institutional strengthening and coordination is therefore important in every development agenda and it is necessary that government adopts a transformative plan improving coordination and services delivery of most public institutions. Implementation of the Public Sector Reforms needs to be fast tracked and to be taken out of the sickbed, where they are at the meantime. There is also a need for strong collaboration between the public and private sectors in order to deal with recurrent corruption with commitment from the highest level.

Apart from the pillars of competitiveness which have already been alluded to above, the report also looks at obstacles to doing business. Such obstacles are shown in table 4 below relate to Malawi. It can be noted that the obstacles are not different from those identified by the 2016 Malawi Business Climate Survey.

**Table 4: Comparative Rating of Obstacles to Doing Business**

Obstacles	Rating 2017	Score 2017	Rating 2016	Score 2016	Rating 2015	Score 2015
Corruption	1	19.7	3	11.2	2	13.8
Access to finance	2	13.0	1	14.2	1	14
Tax rates	3	12.5	7	7.9	4	10.7
Inflation	4	11.7	2	12.6	5	9.7
Inadequate supply of infrastructure	5	8.4	4	11.1	7	7
Foreign currency regulations	6	3.4	5	9.9	8	6.4

Inefficient government bureaucracy	7	1.3	6	9.1	6	7.1
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Source: *The Global Competitiveness Reports 2015, 2016 and 2017*

For Malawi to progress on the Global Competitiveness ranking, authorities should pay attention to and start addressing the obstacles. The performance pillars points out the areas of poor performance which should be dealt with.

### Performance of Africa

The nine least competitive countries are all from sub-Saharan Africa which include Malawi (132) Mauritania (133), Liberia (134), Chad (135), and Mozambique (136). The best ranked African economies are Mauritius (45), Rwanda (58), South Africa (61) and Botswana (63).

African economies have however shown some improvement in infrastructure, health, technological readiness and business sophistication. Despite this, it is so sad to note that Malawi has slipped in infrastructure, the very same area in which fellow African countries have improved.

The top and bottom ten ranked African countries are as presented in table 5 below:

Table 5: Top ten and bottom ten African GCI competitive countries

Top Ten		Bottom Ten	
Global ranking	Name of Country	Global ranking	Name of Country
1	Mauritius	136	Mozambique
2	Rwanda	135	Chad
3	South Africa	134	Liberia
4	Botswana	133	Mauritania
5	Morocco	132	Malawi
6	Algeria	131	Lesotho
7	Namibia	130	Sierra Leon
8	Kenya	129	Burundi
9	Tunisia	128	Congo
10	Egypt	127	Nigeria

Source: *The 2017-18 Global Competitiveness Report*

On average, the competitiveness of sub-Saharan African countries has not changed significantly over the last decade. The most improved African countries year-on-year are Madagascar (121, up seven steps), Gambia (117, up six steps), Senegal (106, up six steps) and Kenya (91, up five steps). South Africa slipped 14 positions (previously ranked 47) although most African economies improved in their rankings. The slip is due to a weaker institutional environment and financial markets as well as goods market inefficiency.

Continued deterioration in the macroeconomic environment has been detrimental to the competitiveness of the African economies. Average inflation is above 10%, public finances are still struggling due to slower global growth and commodity prices are well below previous levels. The performance in the institutions pillar (which includes rules, regulations and policies) has worsened. There has also been increased volatility and uncertainty in the African business environment.

The Global Competitiveness report examines the Global Competitiveness Index (GCI) which measures the competitiveness of participating countries in the world in terms of their institutions, policies and other factors which determine the level of productivity of each economy.

The report gets inputs from business executives from all over the world through an annual survey, the Executive Opinion Survey, and is produced to provide an overview of the competitive performance of economies. The GCI evaluates 114 indicators grouped into 12 pillars: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation. Malawi Confederation of Chambers of Commerce and Industries administers this survey in Malawi on behalf of World Economic Forum.

The aim of the GCI is to identify challenges to be addressed and strengths economies can build on through economic growth strategies. Four of the five most competitive countries are in Europe and North America (Switzerland ranked 1st, United States ranked 2nd, Netherlands ranked 4th and Germany ranked 5th). Singapore is ranked the third most competitive economy.

The Confederation will use the results of these results alongside those from the 2017 Malawi Business Climate Survey and World Bank Doing Business to lobby for improved business climate in Malawi. Businesses are encouraged to take part in these surveys to inform policy making.

The full report can be obtained at <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>