

Challenges to Soya Export Promotion in Malawi: an Application of Net-Map in International Trade and Policy Reform

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Abstract

Malawi soya exhibits strong export potential and could help Malawi's economy address an acute balance of payments challenge, fiscal deficits, and pervasive rural poverty. However, farmers and traders attempting to export soya face a complicated set of procedures to carry out a formal export. In this study, we attempt to bring clarity to the export process and then lay the groundwork for trade policy reform to facilitate soya exports. First, we use Process Net-Map to track the steps required to export soya, quantify and time and cost requirements for each step of the process, and calculate the discretion with which official rules and regulations related to the export process are applied to exporters. We then re-employ Net-Map to study the landscape for trade policy reform to determine the policy network characteristics required for successful policy reform.

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Abbreviations and Acronyms

AICC	African Institute for Corporate Citizenship
AMIS	Agricultural Marketing Information Survey
CD1	Currency Declaration Form
COMESA	Common Market for Eastern and Southern Africa
Dev_Partners	Development Partners
FMoIT	Former Ministry of Industry and Trade
FPresident	Former President
FUM	Farmers Union of Malawi
GDP	Gross Domestic Product
IHS3	Third Integrated Household Survey
IMF	International Monetary Fund
ITC	International Trade Centre
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MITC	Malawi Investment Trade Centre
MoAFS	Ministry of Agriculture and Food Security
MoF	Ministry of Finance
MoIT	Ministry of Industry and Trade
MOST	Malawi Oil Seeds Transformation
MRA	Malawi Revenue Authority
MT	metric tons
NASFAM	National Smallholder Farmers Association of Malawi
NES	National Export Strategy
NSO	National Statistical Office
NTM	non-tariff measures
OSBP	one-stop boarder post
Poultry_industry	Poultry Producers/ Poultry Industry Association of Malawi
PPS	Plant Protection Services
RBM	Reserve Bank of Malawi
RBM	Reserve Bank of Malawi
SADC	Southern Africa Development Community
SNA	social network analysis
Soya_exporters	Soya Exporters
Soya_processors	Soya Exporters including soya oil and poultry feed
SOYAMA	Soya Association of Malawi (Incorporates soya processors and users, e.g. Poultry industry)
STR	simplified trade regime
WFP	World Food Programme

1 Introduction

In spite of relatively strong per capita GDP growth, Malawi has faced a variety of economic challenges in the past decade such as severe balance of payments shortfalls, fiscal deficits, and pervasive poverty. In 2013, Malawi imported USD 2.8 billion worth of goods and services but managed to export only USD 1.2 billion (International Trade Centre, 2014); this USD 1.6 billion trade deficit represents 36% of Malawi's entire GDP (World Bank, 2014).

Malawi relies heavily on agriculture for economic activity—it contributes one-third of the country's GDP—and, in particular, export revenues; agricultural products make up 90% of export revenues: tobacco alone accounts for 60% of Malawi's export revenue (World Bank, 2010). The country's reliance on tobacco as a major export revenue earner leaves it vulnerable to exogenous shocks particular to the tobacco industry. In 2012, for example, just the impact that erratic rains had on the tobacco crop reduced real GDP growth by 2% (Reserve Bank of Malawi, 2013). Furthermore, in a context of extreme and widespread poverty—with the official poverty rate at 50% of the population and an estimated 1.9 million people at risk of food insecurity in 2013-2014—economic shocks may have dire human consequences (FEWS NET, 2013).

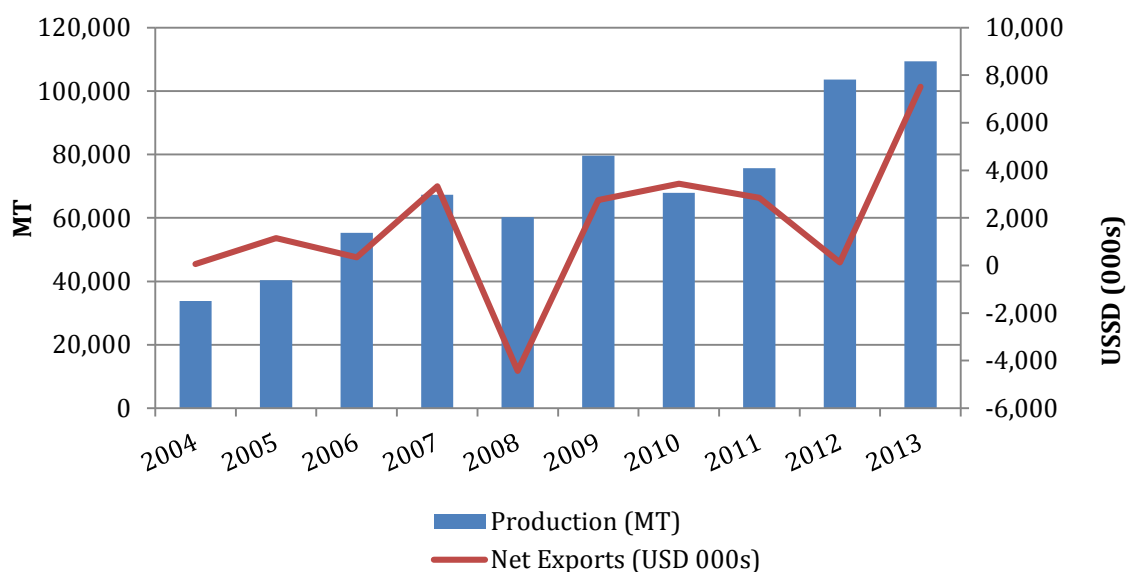
1.1 Why Soya Exports?

To promote a more stable and vibrant economy, Malawi needs to diversify its economy away from tobacco and broaden its export base. In 2011-2012, the Government of Malawi undertook an extensive study to better understand how to meet these challenges. The resulting roadmap, the *Malawi National Export Strategy: 2013-2018* (NES) prioritizes three export clusters for diversification; one with particularly high potential for spillovers to other sectors of the economy and wealth creation is the oilseeds sector. And, within the oilseeds sector, soya is identified as a commodity that has strong domestic and regional demand, has high potential for wealth creation and economic spillovers to other sectors like oil processing and poultry, and is a sector of the economy in which Malawi already has a comparative advantage (Government of Malawi, 2013b).

According to recent soya value chain studies, 95% of Malawi's soya is produced by farmers with less than 3 hectares of land (Deloitte, 2012; TechnoServe, 2011); it is therefore relevant to consider the additional potential benefits that increased soya production and exports could have for these smallholder farmers:

- **Planting more soya could increase farmers' incomes:** according to gross margin analysis conducted by the Ministry of Agriculture and Food Security (MoAFS), soya is up to 45% more profitable than maize (2012).
- **Soya is nitrogen-fixing:** land degradation—caused by factors such as land pressures, reduced fallows and continuous cultivation—is a leading cause of decreasing farm yields in Sub-Saharan Africa (Jayne & Rashid, 2013); since soya is nitrogen-fixing, planting more soya can help reverse this trend (Salvagiotti et al., 2008).
- **Soya can lead to improved nutritional outcomes:** as diets are dominated by maize, malnutrition is a major problem in Malawi. Soya, when ground and cooked, has the potential to provide Malawians with a cheap alternative source of protein as well as supplements in iron and zinc, two of the nutrients for which Malawians face severe deficiencies (Ecker & Qaim, 2011; USDA Agricultural Research Service, 2014). Beyond that, crop diversification away from maize to cash crops like soya makes farmers less vulnerable to maize-specific price shocks and post-harvest losses, and, by providing a source of income, could lead to a more diverse and nutritious diet (Mazunda, Kankwamba, & Pauw, 2013).

Figure 1: Soya Production and Exports



Source: Authors' compilation from MoAFS and NSO data.

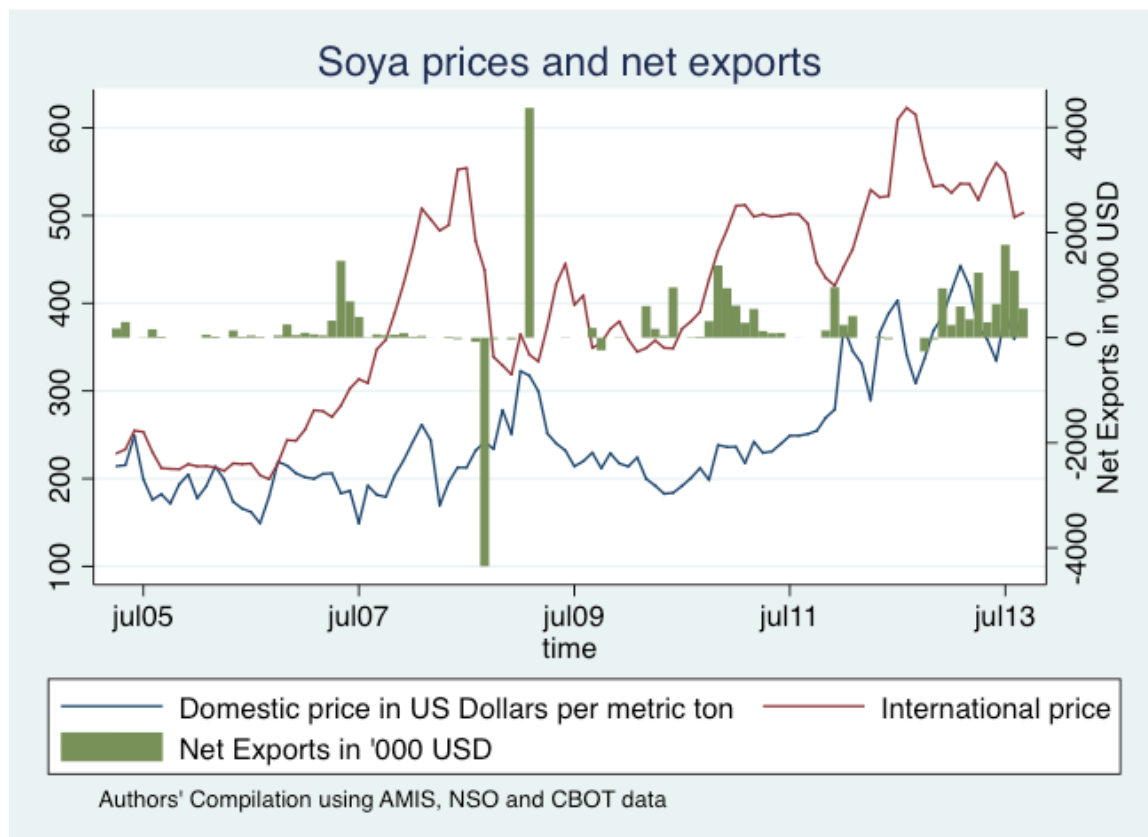
Figure 1 shows that in the last 10 years, soya production has in fact steadily increased, growing at a compound annual growth rate of 12.5%.¹ Net exports, on the other hand, have been volatile. After growing from USD 59,000 in 2004 to USD 3 million in 2007, net exports plummeted to a negative USD 4.4 million in 2008. Net

¹ Based on MoAFS production estimates.

exports recovered from 2009-11, then again fell to just over USD 100,000 in 2012, and jumped to a record high of USD 7.5 million in 2013.

One potential explanation for this volatility is that the export market is not consistently accessible to Malawian farmers and traders. According to Figure 2, international soya prices are consistently higher than domestic soya prices and yet exports are somewhat erratic. Further price analysis indicates that international prices have no statistically significant influence on domestic prices in Malawi.²

Figure 2: Soya Prices and Net Exports



1.2 What are the Major Deterrents to Exporting Soya?

If the domestic price of soya is consistently below the international price and there are so many additional benefits to growing soya beyond just price, then we need to investigate the factors keeping farmers and traders from exporting more soya. One potential deterrent to the export of soya is the cost and time required to complete the export process. These costs and time delays are related to Malawi's geography and accompanying transport challenges. But they are also driven by complicated

² Source: authors' calculations.

export procedures and policy uncertainty; studies by the International Trade Centre (2012), the United Nations Economic Commission for Africa (2013), and the World Bank (2013a) all highlight non-tariff measures (NTMs) put in place by Government of Malawi as critical obstacles to increasing exports.

Research on NTMs and transports costs in Malawi highlight several potential solutions to these complicated and costly export procedures, including the streamlining of the official export process through increased cooperation amongst different government bodies and the strengthening of an export promotion agency. For potential exporters, however, oftentimes the difficulties lie in the details of actually executing the export process itself; in the ITC (2012) study mentioned above, 62% of exporters surveyed reported administrative delays and complicated procedures as being the most burdensome challenges related to exporting: more burdensome than high fees and charges, poor facilities, or the arbitrary behavior of officials.

What, then, are the administrative procedures – from both the official and implementation perspectives -- that exporters find most burdensome? And of these procedures, which ones have the biggest impact on soya's potential to become a major export commodity for Malawi? Finally, for these administrative procedures that are most burdensome and have the most significant impact on the soya sector, how can the underlying policies be reformed? This study combines qualitative and quantitative methods to attempt to answer these questions. In particular, we apply the Process Net-Map interview method to track the steps required to export soya, quantify and time and cost requirements for each step of the process, and calculate the discretion with which official rules and regulations related to the export process are applied to exporters. We then re-employ Net-Map, this time examining social networks rather than processes, to study the landscape for trade policy reform addressing the legal and administrative requirements underlying the most distortionary NTMs.

1.3 Trade policy reform in Malawi: overview and recent developments

In the past 5 years, Malawi has undertaken numerous measures at the macroeconomic and regional trade level to facilitate exports. These reforms range from the negotiation of bilateral, regional, and international trade agreements to simplifying the paperwork needed for small-scale cross-border exports.³ This section describes a few of the most recent reforms that have the potential to impact the export of agricultural commodities, in particular, oilseeds.

First, Malawi has made its agricultural exports more competitive by liberalizing its exchange rate policy. Until early 2012, Malawi pursued an exchange rate policy that

³ See International Trade Centre (2012), United Nations Economic Commission (2013), and Enhanced Integrated Framework (2013) for more details.

in essence pegged the Malawi Kwacha to the USD. A severe foreign exchange crisis in late 2011 and into 2012 caused by multiple factors including falling tobacco prices, heavy expenditures on imported farm inputs, and a decline in foreign direct investment, however, lead to the development of a parallel foreign exchange market in which the Kwacha was traded at nearly 200 per cent of its official value (Pauw, Dorosh, & Mazunda, 2013). Under these conditions, exporters of agricultural commodities faced severe challenges in finding export markets. In May 2012, Malawi eased these conditions by devaluing the Kwacha by 49% against the USD and allowing to Kwacha to float freely with liberalized current account transactions. As a result, Malawi's agricultural exports have become considerably more competitive compared to pre-May 2012 levels.

Malawi has also initiated several reforms to ease the process of exporting itself. Through a customs modernization program at Malawi Revenue Authority (MRA), the number of days required to export have fallen from 44 to 34 in the past 6 years and the number of documents required to export has decreased from 16 in 2007 to 9 in 2013. (World Bank 2013) Malawi is also exploring the possibility of putting in place one stop border posts (OSBP) to reduce the number of agencies present at the border and consolidate them into a single office (Enhance Integrated Framework, 2013). In March 2013, Malawi signed an agreement with Tanzania to establish an OSBP at the Songwe border crossing in northern Malawi (Malawi Broadcasting Corporation, 2014). While the implementation of this OSBP has yet to commence, the World Bank and others have pledged funding to build these OSBPs and negotiations with other neighboring countries to establish OSBPs at Mchinji, Dedza, and Mwanza continue.

In addition, Malawi has adopted measures to increase the competitiveness of smaller traders and cross-border exports, including COMESA's Simplified Trade Regime (STR). The STR enables cross-border traders exporting a consignment valued at less than USD 1000 to get a Simplified Certificate of Origin; with this Simplified Certificate of Origin, the trader avoids paying import duties and can present a Simplified Customs Form instead of having to use a customs clearing agent. In a recent case study, the STR resulted in savings of USD 150 for a USD 940 export (2 MT) of rice from Malawi to Zambia across the Mchinji border compared to the exact same transaction conducted without taking advantage of the STR. Still, cross-border traders need to travel to Lilongwe to acquire an export license and phytosanitary certificate; as a result, their estimated costs to comply with all official rules and regulations are still approximately USD 50 per MT more than those for a large (30 MT) export (Enhance Integrated Framework, 2013).

Finally, Malawi is working to ease the administrative requirements that it imposes on the export of agricultural commodities by removing NTMs. In particular, it has initiated the process of reducing the list of items requiring an export license issued by Ministry of Industry and Trade (MoIT) from 25 to 10 products: primarily implements of war, petroleum, gemstones, maize and maize-related products, rice, timber, and poultry; crucially, it exempts soya, groundnuts, and all other oilseeds

from needing an export license. The export license requirement has been singled out by exporters as the most difficult part of the export process; as of 2011, nearly one third of firms exporting agricultural products reported facing significant challenges in trying to obtain an export license (International Trade Centre, 2012).

At the time of writing, however, it was not clear if this reform of the export license requirement for soya had been completed or not. We contacted the World Bank to determine whether or not it, for purposes of its 2015 *Doing Business* rankings, considered the reform to be completed but did not receive a response. We also enquired with various MoIT, Ministry of Justice, and MRA officials and received conflicting responses. And in our interviews with exporters, they themselves were not sure if they needed an export license for soya. We were able to obtain an official Government Notice, dated September 27, 2013, that appears to remove soya from list of goods requiring an export license under the third schedule of the Control of Goods Act (Government of Malawi, 2013a). After consulting legal specialists, however, it was still unclear which of the multiple schedules within the Control of Goods Act governed the export of soya. Furthermore, we were advised that this amendment to the Control of Goods Act could be overturned immediately, i.e., without Parliament's approval. In recent interviews with exporters, they have reported not needing to produce an export license at the border; however, an uncertain policy environment remains because of this conflicting information and lack of clarity as to the permanence of the reform. As a result, for the purposes of this study, we consider the reform to be incomplete.

There is still much momentum for policy reforms that facilitate the export of agricultural products, in particular, oilseeds. The Government of Malawi, private sector actors, and development partners tend to agree that Malawi must grow through the export of such commodities (Government of Malawi, 2013b). As highlighted by the examples of the export license and OSBPs, however, the implementation of these reforms has tended to stall in the final stages of the reform process. Still, the export landscape for agricultural producers and traders is much more navigable than that faced 3-5 years ago.

2 Methods

This study combines quantitative and qualitative research methods. The key research tool utilized is a participatory mapping method, Net-Map (Birner, Cohen, & Ilukor, 2011; Schiffer & Hauck, 2010), which allows for the collection of quantitative and qualitative data in the context of a semi-structured interview.

The Net-Map method is an interview-based mapping tool that combines social network analysis, stakeholder mapping, and power mapping to assess how different actors influence outcomes (Schiffer & Hauck, 2010). A paper-based tool, Net-Map is participatory rather than extractive and is flexible for adapting to various research questions and contexts.

A variant of Net-Map, Process Net-Map, was specifically designed to understand challenges in the implementation of complex processes in practice (Raabe et al., 2010). This tool was applied to this study to track the steps required to export soya from the farm gate to the border. Adaptations made to the tool include the addition of questions on the time and cost requirements for each step of the process and framing discussion of power in terms of the discretionary power of each regulatory actor.

2.1 Soya Export Process

The first component of the study, examining the soya export process with Process Net-Map, seeks to determine the critical distortionary non-tariff barriers and to assess the degree to which discretionary power plays a role in these barriers. Central to this component of the study, the Process Net-Map interview method captures the details of both the official administrative processes and the variations and inefficiencies in their implementation (Birner et al., 2011). The physical mapping of the process with pen and paper promotes clarity of communication between interviewer and respondent while maintaining the respondent's active engagement in the interview, as distinct from a typical survey instrument (Schiffer & Hauck, 2010).

2.1.1 Data collection and Sampling

Critical NTMs were determined through key informant interviews undertaken with recent exporters of soya. Exporters were asked to describe each step in the export process from farm-gate to the border highlighting the documentation, time, and cost requirements. For each of these steps, we directly applied *Doing Business* method (The World Bank, 2013b) of measuring the time and costs. Traders were then asked which of the steps they perceived as being the greatest barrier to exporting. Lastly, exporters were asked to rate the degree of discretionary power of each of the actors they are required to engage with in terms of their ability to slow down or speed up the export process.

Discretion was measured in two ways: first, the interviewees were asked to assess different actors' power by ranking the extent to which each actor can either speed up or slow down the export process. To complement this measure of discretion, the study also highlights the steps for which reported time and cost requirements exhibit the most variation. Following are important principles of the method:

- A *step* is defined as any interaction between the exporter and an external entity (public entities, lawyers, auditors, notaries, etc.), has a minimum duration of one day, and lasts until a definitive document is obtained.
- All steps required by law or by custom are taken into consideration.
- Steps that must be completed in the same building but at different offices are counted as separate steps.
- *Time* is measured in calendar days.
- *Cost* includes all official fees and fees for legal services required by law but excludes unofficial or informal payments.

We undertook a *criterion sampling* approach, wherein individuals with rich information on a topic are identified for interview (D. Cohen & Crabtree, 2006). In this case, we identified firms who had engaged in the export of soya in the last 3 years. They were identified through key informant interviews with government officials, farmers' and traders' organizations, freight forwarders, and customs clearance facilitators. When contacting the firms for interviews, we requested to meet with the person most knowledgeable about the soya export process. The eight firms interviewed represent approximately 40% of the firms that planned to export during that time period.⁴

Additional key informant interviews were held with each of the actors the exporters are required to engage with throughout the export process. The requirements were confirmed with these actors in order to triangulate the information received from exporters.

2.2 Analysis

The mapped export process was compiled and confirmed across interviews. In addition to the export process map, we report on two additional outcomes for each step in the process: time (in number of calendar days) and cost (in USD). For time requirements for a given step, we present the median values. For costs, only official fees and fees for legal services required by law are reported; any unofficial or informal payments are excluded.

Because there is not a one-to-one relationship between the documents obtained in each step of the export process and the number of copies required for an export, we then break down the cost and time requirements by export consignment. We first calculate the export consignment by estimating the average MT volume of soya exports in the most current trade data available. Next, in the Process Net-map interviews, we ask exporters to specify the number of unique copies of a given document that are required for an export consignment. The currency declaration form, for example, covers one export consignment. For the customs and excise declaration document, however, each truck within a given consignment needs to

⁴ Based on a review of MoIT-issued export licenses for soya from 2011-2013.

have a unique, original copy; in this case, we divide the average export consignment volume by the typical truckload, 30 MT, to calculate how many copies of that form are required.

For time, we again use the export process Net-map findings to understand how many copies of a given document can be obtained in one visit to that office; if a consignment requires 4 unique copies of a customs and excise declaration, then how many days does it take to get those 4 copies? We then use the average export consignment volume to pro-rate the time requirements across a typical consignment. To put a monetary value on these time delays, we attempt to answer the following question: if the exporter could shorten the export process by one day, how much would he/she save in interest costs for an average export consignment? To arrive at this number, we calculate the average value of a typical export that took place in the first half of 2014. We then calculate the interest cost savings on that export consignment if the exporter were to complete the export process – and thereby receive the funds – one day earlier. Finally, we multiply this amount by the number of days that a given step takes to be completed to arrive at a time cost for the delays incurred by a given NTM in the export process.

Finally, we displayed the mean of the scores for discretionary power collected in each of the interviews for all actors in the process.

2.3 Trade Policy Reform

The critical distortionary NTM to soya exports, as ascertained from the export process interviews, was the export license requirement. Because this requirement was recently removed for soya – although, as discussed above, questions about implementation of the reform in practice and permanency of the reform remain -- this policy reform example was used as a case for studying the trade policy reform process, and the policy network characteristics that are required for policy reform. This component of the study once again used the Net-Map interview method to map social network relations, actors' positions on the policy issue, and their degree of power to promote or block reform (Schiffer & Hauck, 2010; Schiffer & Waale, 2008).

Literature on policy processes point to a growing appreciation its complexity and dynamism. In a review of theoretical frameworks of policy reform, Keeley and Scoones (1999) explain the advantages of the network approach to policy as incorporating both bargaining of competing interest groups and the role of the state as an active participant in shaping policy. Furthermore, network approaches explicitly recognize “processes of interaction, bargaining and construction” as important to policy processes (Keeley & Scoones, 1999). In particular, Sabatier & Jenkins-Smith (1999) explore the role of core values in influencing the degree to which political interest groups will negotiate and the way in which new knowledge may be reevaluated in a policy domain.

Actor-network theory allows for a more detailed view of policy network as it examines how networks – including policy networks – are established and utilized for the spread of knowledge (Keeley & Scoones, 1999). Social network analysis (SNA), while not grounded in any particular body of theory, is widely used in the social and natural sciences to examine the relations among actors that make up a network (Wasserman & Faust, 1994). SNA allows for analysis of the policy network as a whole, viewing actors within the network as interdependent. While the network is a conceptualization of the broader structure of the policy domain of interest, it is also made up of individual relations – also referred to as links or ties – that represent social capital, control of knowledge, or aspects of power, depending on the context. (Wasserman & Faust, 1994)

The Net-Map interview method facilitates investigation of the detailed actor-network dynamics through collection of social network data. It also provides the broader context of policy bargaining among interest groups and the policy processes that facilitate or block policy reform through the collection of actor characteristics: a) actor position on reform, and b) actor power to promote or block reform. Finally the semi-structured interview format allows interviewees to tell the “story” of policy reform from their own perspectives. (Schiffer & Hauck, 2010)

2.4 Data collection and Sampling

The Net-Map interview method emphasizes the participation of interviewees by visualizing their responses with pen and paper as they answer questions. Specifically, interviewees were asked four primary questions:

- 1) Who was influential in promoting or blocking reform of the export license requirement for soya?
- 2) How did they interact during the process of promoting or resisting reform; especially were they giving advice or policy pressure?⁵
- 3) What were each of the actor’s positions on the reform? I.e., were they supportive, opposed, undecided, or conflicted? And,
- 4) What was the level of power of each actor in promoting or blocking reform, on a scale of 0-5?

Given the small and insular population of actors aware of the power dynamics of this particular high-level trade policy reform, *criterion sampling* was undertaken, a purposive sampling strategy in which individuals with rich information on a topic are identified for interview (D. Cohen & Crabtree, 2006). To confirm that no key interviewees were overlooked, any new actors that were mentioned in interviews

⁵ Interviewees were also questioned about funding and formal authority relations, but as these yielded few links it was not interesting for analysis, though it did add to our understanding of the context. In addition, advice and policy pressure links were combined for analysis as they both represent knowledge mobilization to promote policy reform.

were contacted to determine their level of involvement in and understanding of the policy reform process, thus undertaking a secondary snowball-type sampling strategy (Marshall, 1996). Starting with a short list of key actors that emerged from scoping interviews with a variety of actors⁶, we then request names of additional interviewees familiar with the policy dynamics. Interviews continued until they ceased to yield any new information and no identified individuals remained according to our sampling strategy, with a total of nine interviews completed. We have taken all precautions to ensure that the specific names of individuals interviewed are kept confidential.

2.5 Analysis

Social network analysis maps were compiled and analyzed for network and actor characteristics using UCInet software (Borgatti, Everett, & Johnson, 2013). Research by Krackhardt (1987) suggests an actor's perceptions of a given network structure and the power of the relative actors in the network are associated with objective measures of structure and power. However, an actor's position in the network will influence their perception. As such, we ensured that data was sought from different types of actors in different positions in the network and aggregated in order to capture all the relevant perspectives of the network and to mitigate positional bias⁷.

The network data from the nine completed interviews were aggregated to yield a final consensus map, and all the links that were only mentioned by a single interviewee were dropped from the analysis as this points to a lack of agreement or consensus among stakeholders. In addition, the mean was taken from the power scores collected for each actor across the nine interviews, and the mode of the attributes positions for each actor was taken to determine the final position.

Social network measures were run with UCInet. Detailed notes were taken during the semi-structured Net-Map interviews (and recordings made when allowed by the interviewees to be used as back-up and for accuracy checks for the notes). The notes were summarized to complement and triangulate the quantitative network and actor results.

⁶ Scoping interviews included actors from MoIT, MOAFS, the Grain Traders and Processors Association, Malawi Oilseeds Transformation (MOST) programme, and the African Institute for Corporate Citizenship (AICC).

⁷ While interviews were sought with most of the actors identified as being in the policy network, a few peripheral actors were not interviewed. These are: FUM, NASFAM, MITC, MoF, and PressCorp. However, in all cases individuals affiliated or formerly affiliated with these actors were consulted with to determine whether a formal interview would be beneficial.

2.6 Ethics

All respondents' identities will be kept confidential given the possibly politically sensitive nature of discussion. In addition, ethical review has been requested from IFPRI's Institutional Review Board.

3 Results

3.1 Soya Export Process

This section describes the results of the Process Net-Map interviews for the export of soya. It describes the steps required to export soya from the vantage point of an exporter who procures the soya at the farm gate and then follows all of the rules and regulations required to perform a formal export of soya within the SADC region.⁸ Using data collected in the Process Net-Map interviews, we quantify the time and cost requirements for exporters. Next, we use findings from the interviews to better understand how consistently the rules and regulations governing the export process are being applied to exporters. We then use these findings to identify the most distortionary NTMs in the soya export process.

Based on the Process Net-Map interviews with exporters, a formal soya export requires 21 calendar days and USD 95 to comply with the administrative requirements imposed by the Government of Malawi from start to finish;⁹ these figures do not take into account internal transport time and costs or the costs and time delays incurred after the export has crossed out of Malawi into a neighboring country.¹⁰ In addition to these cost and time requirements, exporting legumes requires a total of 15 unique official documents, 11 separate office visits, and interactions with 8 different government ministries.

3.2 The Export Process

⁸ We have completed the data collection for the export process from farm gate to the Malawi border but are still gathering data from transporters on the steps required and associated time and costs from the Malawi border to final export destinations including Harare, Zimbabwe. We are also in the process of interviewing informal exporters to determine what the biggest impediments are to exporting formally.

⁹ All costs are reported in USD and time is reported in calendar days; the Reserve Bank of Malawi's June 9, 2014 exchange rate of 397 MWK/USD is used for all currency conversions.

¹⁰ This study assumes that the exporting entity has already established itself as a legal company; based on the World Bank's Doing Business (2013), this requires an additional 39 days and USD 243.

The process to export soya requires the exporter to get the following six official documents:¹¹

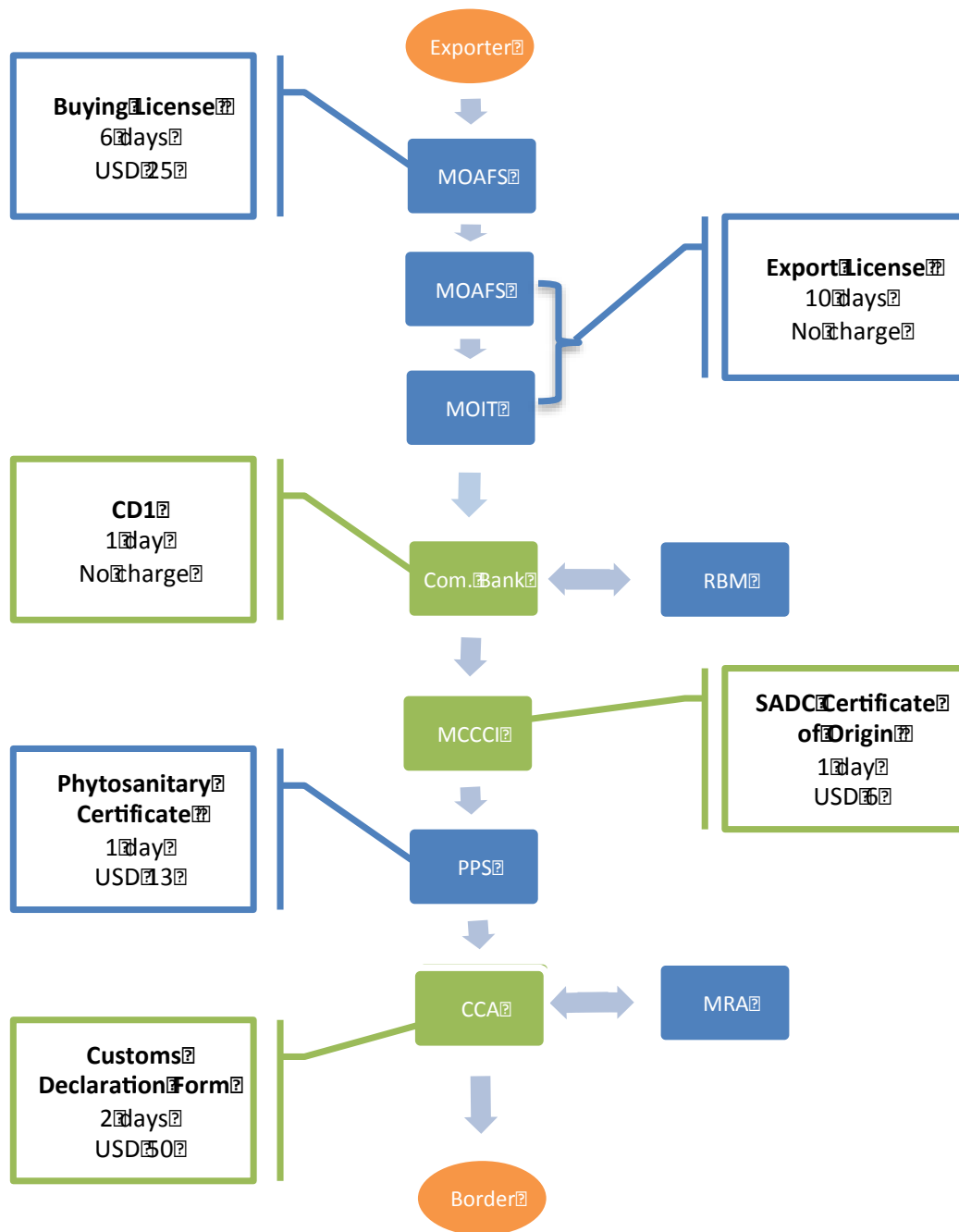
1. Buying License
2. Export License¹²
3. Currency Declaration (CD1) Form
4. SADC Certificate of Origin
5. Phytosanitary Certificate
6. Customs and Excise Declaration Form (Form 12)

Figure 3 shows the institutions responsible for each step as well as the reported time and cost requirements.

¹¹ See Annex 1 for further details on the soya export process.

¹² According MoAFS and MoIT officials' explanation of the export license step, the exporter does not need to visit MoAFS and then take the application to MoIT so it should count as one step; in practice, however, exporters do visit both institutions to expedite the process, meaning that it should be two distinct steps.

Figure 3: Mapping the Soya Export Process



Source: Authors' calculations from Process Net-Map data

These are the time and cost requirements if an exporter were to decide to export today, go through all of the procedures required, export one 30 MT truck of soya, and then stop exporting for the season. In reality, however, exporters execute multiple exports throughout the season and the typical export consignment

includes more than one truck. Using MRA data on 2014 exports, we find that the typical exporter sends approximately 724 MT of soya per year; an average export consignment is roughly 140 MT, or 4.7 30 MT trucks. Using this information, we prorate the figures above for a given export consignment, rather than a one-time export of one 30 MT truck.¹³

We then calculate the cost of time for an average soya export consignment. Based on MRA data, the average value of a typical soya export consignment (140 MT) was USD 88,420. At 37% APR,¹⁴ shortening the export process by one day would save the exporter USD 90. The logic used here is that, if the exporter could complete the export process and receive payment one day earlier, he/she could use these funds to either pay down an operating loan or apply the funds to another activity and thereby avoid having to borrow the funds for that activity. Granted, exporters expect to encounter these time delays in the export process and likely build these time-related costs into their pricing for the export market. Still, eliminating these time-related costs would enable exporters to price soya more competitively for the export market.

Table 1: NTM Costs for a Soya Export Consignment (USD)

Step	Direct Cost	Days	Cost of Time	Total Cost
Buying License	1.6	0.4	34.8	36.4
Export License	0.0	2.6	231.7	231.7
Currency Declaration Form	0.0	1.0	90.1	90.1
SADC Certificate of Origin	29.3	1.0	90.1	119.4
Phyto-sanitary Certificate	58.6	1.0	90.1	148.7
CCA Fee	37.8	0.0	0.0	37.8
Customs Declaration	58.6	2.0	180.2	238.8
Total	185.9	8.0	716.9	902.8

Source: Authors' calculations from Process Net-Map data

From Table 1, we can draw several conclusions. First, when prorating the time requirements across multiple export consignments and trucks, the number of days required for one export consignment falls from 21 to 8 days; this reduction is driven by the fact that the buying and export licenses can be used for multiple export consignments. The direct costs – those paid in exchange for completing a given step of the export process – come to USD 185.9; as a proportion of a typical export consignment valued at approximately USD 88,420, these costs amount to 0.2%. When factoring in the cost of time, however, the costs increase to USD 902.8, representing 1% of the value of the soya export consignment. Two steps of the

¹³ See annex for details.

¹⁴ This APR is calculated as the average of the base lending rates for June 9, 2014, reported by the 8 largest commercial banks in Malawi.

export process, the export license and the customs declaration, represent 56% of these total costs associated with NTMs.

In absolute terms, these costs are minimal – just over 1% of the value of the soya. Transport, another major cost associated with exporting soya, adds at additional 10% – USD 70/MT – to the cost of an export.¹⁵ Regarding the costs associated with the time delays, exporters most likely anticipate these delays and price their soya for the export market accordingly. Reducing these direct and time-related costs, either through the streamlining of the export process or removing certain NTMs altogether, represents an opportunity for Malawi to increase its competitiveness in the soya market without incurring significant additional costs or investment. The export license, for example, generates no revenue for the Government of Malawi, yet it represents the single-largest cost component of the export process. And for steps like the Customs Declaration form, the Government of Malawi could preserve the revenue generated by this NTM but still reduce the cost to the exporter by speeding up the process.

3.3 Discretion

The export process Net-Map interviews also tried to uncover the discretion with which rules and regulations governing the export process are applied: we did so in two ways. First, we asked exporters about the average or “normal” amount of time a particular step in the process took. We then inquired about the shortest and longest amounts of time each particular step of the export process took for exporters. With these measures we can better understand how much a given step in the export process deviates for a given exporter across multiple exports. If rules and regulations are being applied consistently across exports for a given exporters, then these times should converge.

Second, we asked exporters about the relative “power” of each institution involved in the export process with the following question:

“What is the extent to which <institution> has the ability to either speed up or slow down this particular step of the export process for soya?”

If a given institution has little ability to speed up or slow down the process, then rules and regulations are being applied consistently for that step of the process; if, however, an exporter has the impression that an institution has the discretion – either through deliberate actions or increased efficiency – to speed up the export process, then this is an indicator that rules and regulations are not being applied consistently across exporters and/or export experiences for a given exporter.

¹⁵ According to interviews with exporters and transporters, this is a typical rate for an export from Lilongwe, Malawi, to Harare, Zimbabwe.

Table 2: Discretionary Power by Institution

Step	Average	Days		Institution	Power (0-5)
		Min	Max		
Buying License	6	5	15	MOAFS	2.8
Export License	10	5	30	MOIT	2.3
Currency Declaration Form	1	1	10	RBM	0
SADC Certificate of Origin	1	1	3	MCCCI	0
Phyto-sanitary Certificate	1	1	3	PPS	0
Customs Declaration	2	1	3	MRA	1.6

Source: Authors' calculations from Process Net-Map data

Based on this approach, MoAFS and MoIT exert the most discretionary power in the soya export process. MoAFS received the highest power ranking of all institutions – 2.8 out of 5 – involved in the export process; not surprisingly, the time required to acquire a buying license from MoAFS varied by 10 days. MoIT, with a power ranking of 2.3, exhibits the second most discretionary power in the process of exporting soya. And the number of days required to get the export license range from 5 to 30. Interviewees reported that one could facilitate the process by following up repeatedly with MoIT officials; without this, however, it could take even longer to get the export license. In addition, the degree to which an exporter has access to ministry officials responsible for implementing these steps of the export process also had an effect on how quickly that export could complete certain processes.

4 Discussion

The Net-Map interviews of the soya export process result in the following findings. First, the process is complicated and time consuming; for a one-time exporter of a 30MT soya consignment, an export requires 21 calendar days, 15 unique documents, 11 separate office visits, and interactions with 8 government ministries. At USD 95 of direct costs, it is relatively expensive for a small trader or farmer contemplating whether or not to export.

Most exporters, however, export multiple times throughout the year and send multiple trucks within a given export consignment. Accounting for these factors and prorating accordingly, the number of days required for one export consignment falls from 21 to 8 days. The direct costs – those paid in exchange for completing a given step of the export process – come to USD 185.9 while the indirect costs driven by time delays amount to USD 716.9; in all, it costs an exporter USD 902.8 to complete the administrative requirements associated with a single export consignment, 1% of the total value of the consignment. The export license requirement alone costs the

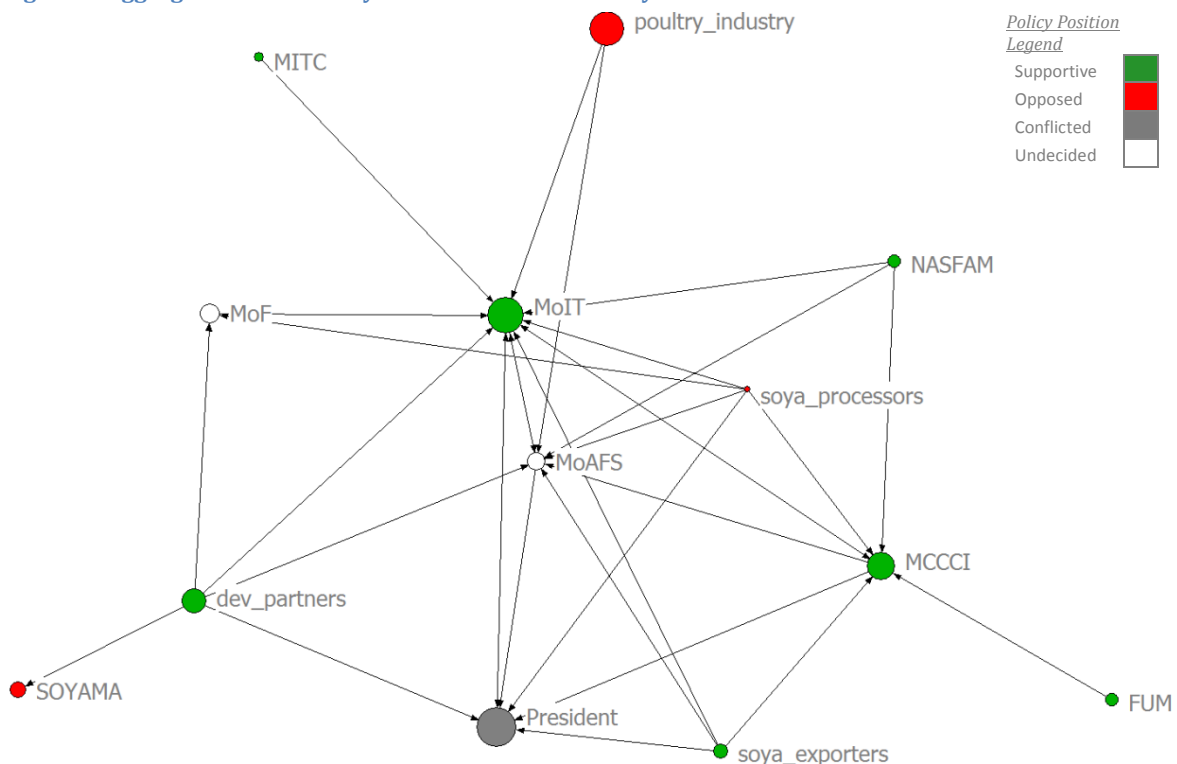
exporter USD 231.7 but generates no revenue for the Government of Malawi. Malawi could quickly increase its competitiveness in the regional soya market by streamlining the export process or removing certain NTMs altogether.

Beyond these cost-related findings, the administrative requirements of exporting soya process generate uncertainty for exporters. Two requirements in particular – the Buying License and Export License – create uncertainty regarding how long these steps will take to complete. Not surprisingly, the two government ministries responsible for these two requirements, MoAFS and MoIT, are reported to have the most discretionary power in either speeding up or slowing down the process of exporting soya.

4.1 Trade Policy Reform

The following section reviews the results from analysis of the Net-Map interviews on trade policy reform. Social network analysis is undertaken on the aggregated network data. Additional results from actor data on power and policy positions are included in the network analysis. The key relevant points that arose from the qualitative data are then summarized.

Figure 4: Aggregated Trade Policy Reform Network – Policy Pressure and Advice Links



Source: Authors' calculations with UCInet from interview data. Actors' sized according to power score.

The aggregated trade policy reform network (Figure 4) depicts the final network. It is a policy pressure and advice network that includes 16 actors. The actors' size reflects their power score – the larger in size the more powerful – and their color reflects their position on the issue of reforming the export license requirement. As is common in policy networks with a strong government such as that of Malawi, the network is highly centralized around a few government actors (Aberman et al., 2012).

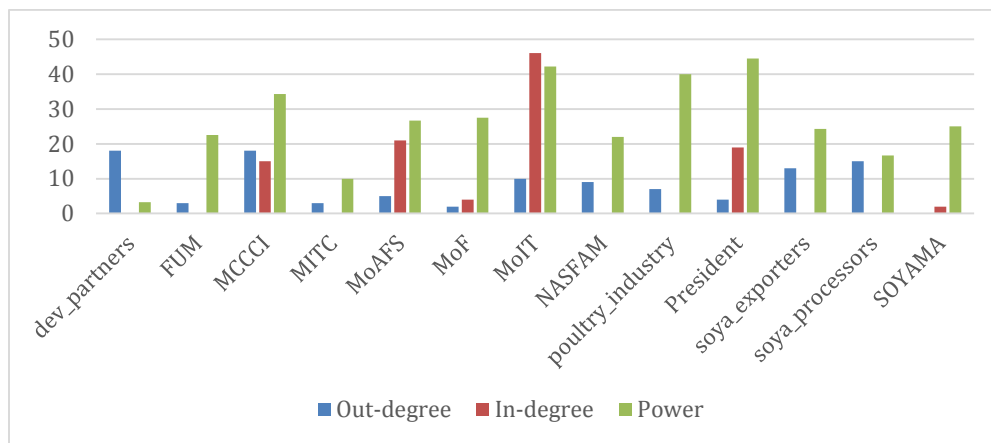
A common analysis done with social network data is to determine various measures of centrality of the actors in a network, in order to understand the role or position¹⁶ of individual actors in the network. Here we have determined the degree centrality scores for the actors, which is a count of the total number of links that an actor has. A high degree centrality score indicates that an actor is well-connected. Isolating incoming links, high in-degree centrality is seen as an indication of prominence or reputation. Actors with a high out-degree centrality may be able to disperse information quickly to many others; this measure is often seen as a measure of influence (Wasserman & Faust, 1994).

In and out-degree centrality score are shown in Figure 5, compared to the mean power scores for each actor. In this network, the MoIT has the highest in-degree centrality indicating that it is the focal point for pressure for and against policy change. As the other ministry responsible for the export license, MoAFS has the second highest in-degree centrality, and the President was a close third. MCCCCI, the convener of the Public Private Dialogue Forum (PPD Forum), has the fourth highest in-degree and also has a relatively high out-degree centrality, indicating that it is a conduit for policy information, hearing the voices of private sector and other stakeholders and ensuring that various decision makers hear these voices.

Comparing power scores to degree centrality scores shows an interesting picture. In particular we see that the President, while not the highest in centrality, has the highest centrality score followed closely by MoIT. Also of interest, while the poultry industry, a major consumer of domestic soya, has very few links and so a low centrality score, the actor has the third highest power score. (For a complete list of actor attributes including power scores, see annex 2.)

¹⁶ Here, *position* refers to the physical position of an actor in the visualized network—that is, who the actor is connected to, how central or peripheral the actor is in the network, etc.—distinct from the *policy position* of each actor that reflects their support or lack of support for reform.

Figure 5: Trade Policy Network: Actor Centrality and Power



Source: Authors' calculations with UCInet from interview data.

Another centrality measure of interest is betweenness, which is the number of times that this actor is the shortest path between two actors not otherwise connected. This is an indicator of control of information (Borgatti et al., 2013). As we would expect as the most central actor in the network, MoIT has the highest betweenness centrality (11.83). MCCC, previously described as a conduit for information, also has a relatively high betweenness centrality score (3.33). MoAFS has a score of 0.83, while all other actors have a score of 0. When weighing the betweenness value by various actor attributes, such as the policy position of the actors and the sector (private sector, public sector, civil society, etc.), we find that the betweenness score for MCCC increases when weighted by their policy position (5.27), while the MoIT and MoAFS change only slightly.

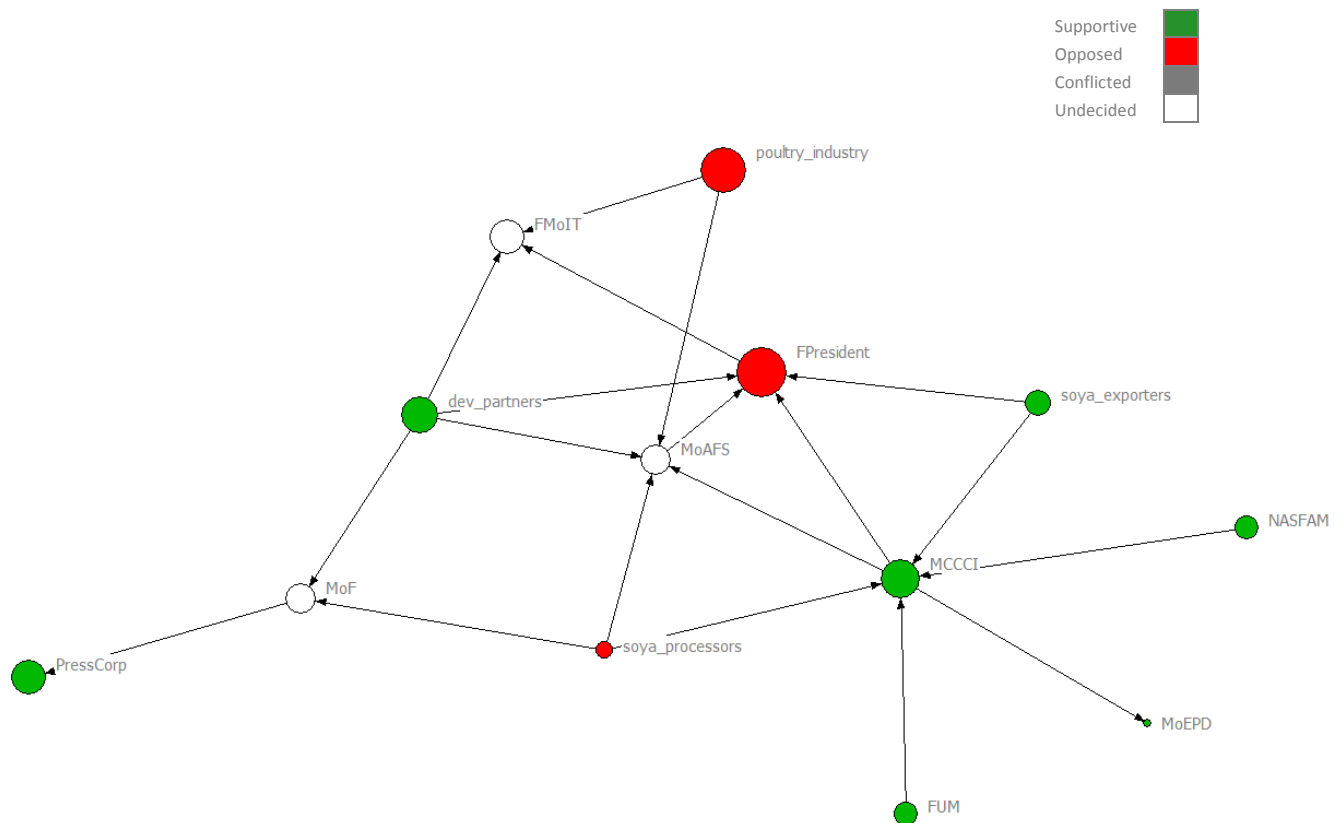
4.2 The role of multi-stakeholder fora in policy reform

MCCC, in its role as representative of the private sector and particularly in its facilitation of the PPD Forum, was described by most actors as playing a central role in the debate around policy reform. Rodrik's writing on industrial policy processes points to the importance of embedding the private sector in the process of policy decision-making (2004). We can see from the above analysis, visually in Figure 1 and in the betweenness centrality scores described in the above paragraph, that MCCC seems to fill this need by bringing together private and public sectors, bringing together the powerful with the less powerful, and galvanizing the pro-reform actors. However, to some extent we also see that the most influential of the private sector actors – the poultry industry – bypass this forum for dialogue and instead go directly to the decision makers.

4.3 Role of the State in Policy Reform

Because the reform process spanned two administrations, a few of the stakeholders interviewed found it relevant to discuss the difference in the network with the previous administration as compared to that of the current. In four of the nine interviews, the former President Bingu wa Mutharika and the former MoIT (some describing the former leadership of the ministry which others included key technical staff) were added to the map to contrast the network and reform process during that administration.

Figure 6: Former Trade Policy Reform Network- Policy Pressure and Advice Links



Source: Authors' calculations with UCInet from interview data. Actors' sized according to power score.

The critical difference we find in the “former” trade policy reform network is that MoIT no longer has two-way links to the President, only a recipient of pressure/advice rather than also giving it to the President. We do see an incoming link to the President from MoAFS, perhaps because the former President was also the Minister of Agriculture (Aberman et al., 2012). The positions of MoIT and the President are also depicted differently here, with the President opposed to reform and MoIT undecided.

Consistently across all interviews, qualitative discussions indicated that the current President was somewhat more open to reform, or at the least discussions about

reform. Discussion of the former President painted a picture ranging from unapproachable in demeanor to disdainful of new ideas. Thus it seems that the perception or reality of openness to discussions of reform of each respective administration played a role in slowing reform in the previous administration and of facilitating it in the current.

5 Conclusions

This study assesses the most distortionary aspects of the soya export process, examining both official requirements and administrative inefficiencies in the process. It then examines the trade policy landscape to determine the network characteristics required for promoting successfully reform, based on a case study of recent trade reform.

The Process Net-Map of the soya export process in part explains why small and medium farmers and traders are reluctant to export soya formally and regularly turn to the informal sector for exporting instead. It takes 21 calendar days, 15 unique documents, 11 separate office visits, interactions with 8 government ministries, and costs USD 95 just to satisfy the administrative requirements for a one-time, 30 MT formal export of soya. Larger exporters who export multiple times throughout the year face lower time requirements (8 days, on average) but higher direct costs per consignment (USD 185.9), primarily because several of the documents are required to be original copies for each truck within an export consignment. When one accounts for the cost of the time delays (USD 716.9), it costs an exporter USD 902.8 to complete the administrative requirements associated with a single export consignment, 1% of the total value of the consignment. Reducing these direct and time-related costs, either through the streamlining of the export process or removing certain NTMs altogether, represents an opportunity for Malawi to increase its competitiveness in the soya market without incurring significant additional costs or investment. And strengthening the regulatory framework governing the export process could help reduce uncertainty faced by exporters and reduce the discretionary power of institutions involved in the export process.

The trade policy reform Net-Map interviews provide insights into previous challenges to trade policy reform, recent successes, and some areas for continued attention by the government and other stakeholders. Firstly, we find that the degree of openness of the relevant government agencies to new views on trade policy was a strong factor in policy reform. This is not an area of action, but an attribute of leadership that is highly relevant for reform efforts in a highly centralized policy network such as that of Malawi. Secondly, the limited success of the MCCI/PPD Forum to create an institutional mechanism for healthy public-private debate can be built upon. Interviewees noted that over its lifetime, different administrations had given different degrees of importance to these fora. If the government continues to pay attention to the PPD Forum and the suggestions emerging from them, it will likely increase in legitimacy over time. Although backdoor measures for

communicating policy preferences will likely still exist, these fora can increasingly contribute to policy debates in a less biased manner.

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Annex 1: Soya Export Process Details

Step 1: Acquire a Buying License

Before a prospective exporter can purchase soya from the farmer, she is required by law (Agricultural General Purposes Act and Smallholder Marketing Regulation Act) to apply to the Ministry of Agriculture and Food Security (MoAFS) for a Buying License. Authorities do enforce the Buying License requirement; if an exporter does not have a valid Permit, the entire consignment can be confiscated. Threats to enforce this requirement appeared in the press as recently as May 1, 2013.

Required Paperwork: In order to apply for the Buying License, the applicant needs the following four documents:

- Business license (must state that the exporter operates in agriculture)
- Cover letter on company letterhead
- Application for license to buy smallholder agricultural produce
- Payment receipt (link to images of each of these)

Time and Cost: The process takes 10 days and costs 10,000 MWK per commodity.

The Process: The application process requires the following three steps/office visits:

1. Submit Business License, cover letter, and application to MoAFS in Lilongwe.
2. If application is approved, return one week later to MoAFS to pay for license.
3. Three days after that, return to MoAFS to pick up license.

Validity: The Buying License is valid from the date of approval until March 31 of the following year, but not for longer than one year as applications are accepted only after March 31 of the current year.

Step 2: Acquire an Export License

Up until June 2013, prospective exporters of soya were required by law (Control of Goods Act) to have a valid Export License issued by the Ministry of Industry and Trade (MoIT); exports without a valid Export License were subject to detainment at the border and possible confiscation. In June 2013, the Minister of Industry and Trade, Hon. Sosten Gwengwe, issued a press release removing soya from the list of goods requiring an Export License. Shortly thereafter, the MRA issued a Circular (TD Circular No 6/2013) to its border officers reinforcing the press release (link to circular). As of the writing of this report, however, it was not possible to confirm that the Control of Goods Act had been amended to reflect this press release. Furthermore, interviews with customs clearing agents and banking authorities indicate that the Export License is still required in order to receive other official

documents legally necessary for export. As such, this study works on the premise that the Export License is still a requirement in practice.

Required Paperwork: In order to apply for the Export License, the applicant needs the following three documents:

- Buying License
- Cover letter on company letterhead
- Application for license to export

Time and Cost: The process takes 10 days and has no official cost.

The Process: The application process requires the following three steps/office visits:

1. Submit Buying License, cover letter, and application to MoAFS in Lilongwe.
2. If MoAFS approves application, 10 days later MoAFS sends the application to MoIT.
3. If MoIT approves application, go to MoIT in Lilongwe to pick up license.

Validity: The Export License is valid for three months from the date of issue.

Step 3: Complete the Currency Declaration (CD1) Form

The Currency Declaration Form (Form CD1) is legally required foreign exchange/currency control document (Exchange Control Act) that must be submitted by the exporter's commercial bank on behalf of the exporter to the Reserve Bank of Malawi (RBM) for any export valued at more than 1000 USD. Parliament is currently debating raising this threshold to 5000 USD; at the time of writing the report, however, that change had not yet been put into effect.

Required Paperwork: In order to complete the Currency Declaration Form, the applicant needs the following three documents:

- Application
- Commercial Invoice
- Export License

Time and Cost: The process takes 1 day and has no cost.

The Process: The process to complete the Currency Declaration Form requires the following three steps/office visits:

1. Go to commercial bank to pick up Currency Declaration Form application (each application has a unique serial number; as a result, applications cannot be emailed or duplicated).
2. Return one day later with completed Currency Declaration Form, Commercial Invoice, and Export License.
3. One day later, return to commercial bank to pick up Currency Declaration Form.

Validity: The Currency Declaration Form is valid for six months from the date of issue and three months from the date of export.

Step 4: Get the Phytosanitary Certificate

The Phytosanitary certificate is a document issued by Malawi's Plant Protection Services (PPS) stating that the consignment is free from the quarantine pests specified by the importing contracting party. As such, it is not a legal requirement to export but is required in order to apply for the Customs and Excise Declaration Form in Step 6.

Required Paperwork: No paperwork is required in order to apply for the Phytosanitary Certificate.

Time and Cost: The process takes 2 days and costs 5000 MWK plus any associated chemical costs.

The Process: The process to receive the Phytosanitary Certificate requires the following two steps/office visits:

1. Contact PPS to come to storage facility to fumigate the consignment.
2. One day later, contact PPS to return to de-gas the consignment and issue the Phytosanitary Certificate.

Validity: It is unclear for how long the Phytosanitary Certificate is valid.

Step 5: Get the SADC Certificate of Origin

The SADC Certificate of Origin is a document issued by MCCCCI stating that the product being exported was indeed produced in a SADC country. As with the Phytosanitary Certificate, the SADC Certificate of Origin is not legally required to export but necessary in order to apply for the Customs and Excise Declaration Form in Step 6.

Required Paperwork: In order to apply for the SADC Certificate of Origin, the applicant needs the following three documents, two of which were required for previous steps:

- Application
- Commercial Invoice (again)
- Export License (again)

Time and Cost: The process takes 1 day and costs 2500 MWK.

The Process: The process to apply for the SADC Certificate of Origin requires the following one step/office visit:

1. Take Commercial Invoice and Export License to MCCCCI, complete application form, pay application fee, and receive stamped SADC Certificate of Origin.

Validity: It is unclear for how long the SADC Certificate of Origin is valid.

Step 6: Get the Customs and Excise Declaration Form (Form 12)

The Customs and Excise Declaration Form (also known as Form 12) is a legally required document issued by the MRA. While the law or act governing the Customs and Excise Declaration Form is yet to be determined, no export can leave Malawi without the Form.

Required Paperwork: In order to complete the Customs and Excise Declaration Form, the applicant needs the following five documents, two of which were required for previous steps in the export process:

- Buying License (again)
- Export License (again)
- Currency Declaration Form
- Phytosanitary Certificate
- SADC Certificate of Origin

Time and Cost: The process takes two days and costs 20,000 MWK; of this, 5000 MWK is the official fee paid directly to the MRA and 15,000 MWK is the service charge paid to the authorized customs clearing agent.¹⁷

The Process: The process to receive the Customs and Excise Declaration Form requires the following two steps/office visits:

1. Take the five required documents listed above to an authorized customs clearing agent.

¹⁷ Customs clearing agent service charges ranged from 15,000 to 50,000 MWK; the agent must be authorized by the MRA in order to have access to the computerized system required to process the Customs and Declaration Form.

2. Two days later, receive the Customs and Excise Declaration Form.

Validity: It is unclear for how long the Customs and Excise Declaration Form is valid.

In order to prorate the time and cost requirements so that they align with a typical export consignment of 140 MT/4.7 trucks, we use the following findings from the export process Net-map interviews:

- **Buying License:** validity is one year and do not need unique copy for each export; prorate across 15.6 export consignments; can obtain in one visit to MoAFS
- **Export License:** do not need unique copy for each export but since validity is 3 months, need to obtain 4 export licenses per year in 4 trips to MoAFS/MoIT (one visit per export license); prorate across 3.9 export consignments
- **Currency Declaration Form:** need one unique copy per export consignment; obtain in one visit to Commercial Bank
- **SADC Certificate of Origin:** need one unique copy for each truck within a given consignment, implying 4.7 copies per consignment; obtain all copies in one visit to MCCCCI
- **Phytosanitary Certificate:** need one unique copy for each truck within a given consignment, implying 4.7 copies per consignment; obtain all copies in one visit to PPS
- **Customs Declaration Form:** need one unique copy for each truck within a given consignment, implying 4.7 copies per consignment; obtain all copies in one visit to customs clearing agent/MRA; the fees are split into two parts: MRA charges USD 13 for each unique copy of the Customs Declaration Form; the customs clearing agent charges USD 38 for a given export consignment

Annex 2: Net-Map Actor abbreviations, attributes and centrality scores

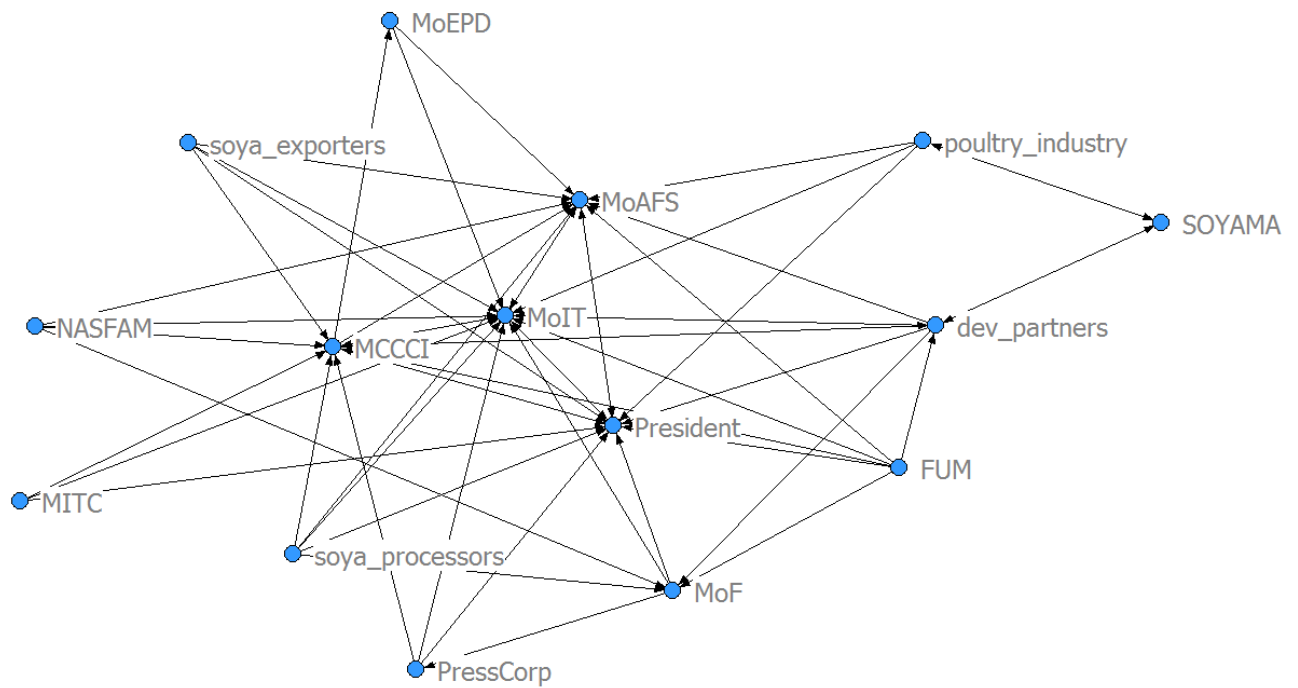
Actor	Complete Name	Power	Position	Type	Out-degree	In-degree
dev_partners	Development Partners	3.25	supportive	development part.	18.00	0.00
FMoIT	Former Ministry of Industry and Trade	3.00	undecided	government	0.00	3.00
FPresident	Former President	4.33	opposed	government	1.00	5.00
FUM	Farmers Union of Malawi	2.25	supportive	civil society	3.00	0.00
MCCCI	Malawi Confederation of Chambers of Commerce and Industry	3.43	supportive	private sector	18.00	15.00
MITC	Malawi Investment Trade Centre	2.00	supportive	government	3.00	0.00
MoAFS	Ministry of Agriculture and Food Security	2.67	undecided	government	5.00	21.00
MoF	Ministry of Finance	2.75	undecided	government	2.00	4.00
MoIT	Ministry of Industry and Trade	4.22	supportive	government	10.00	46.00
NASFAM	National Smallholder Farmers Association of Malawi	2.20	supportive	civil society	9.00	0.00
poultry_industry	Poultry producers/Poultry Industry Association of Malawi	4.00	opposed	private sector	7.00	0.00
President	President of Malawi	4.44	conflicted	government	4.00	19.00
soya_exporters	Soya exporters	2.43	supportive	private sector	13.00	0.00
soya_processors	Soya processors including soya oil and poultry feed	1.67	opposed	private sector	15.00	0.00
SOYAMA	Soya Association of Malawi	2.50	opposed	private sector	0.00	2.00

(incorporates soya processors and users, e.g., poultry industry)

Annex 3: Trade Policy Reform Network

a) including all responses and b) dropping non-consensus links (links only mentioned by one actor)

a)



b)

