



# COVID-19 Report

Exchange Malawi

## [Abstract](#)

Report on the effects of COVID-19 in Malawi

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The information in this volume is destined to provide a description of the COVID-19 status and its impact on social and economic life in cooperation programmes of Exchange vzw. The ambition is to give insights, based on information gathered by Exchange’s business development managers based in these countries. Exchange vzw. cannot be held responsible for errors, omissions or lack of accuracy and disclaims any liability in connection with the use of this information.

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## 1. Introduction

Coronavirus Disease-19 (COVID-19) was declared a global pandemic on 11 March 2020, and Malawi declared its first case on 2 April. On May 4, there were 41 confirmed positive cases of COVID-19 and 3 deaths. A State of Disaster was declared by President Arthur Peter Mutharika on 20 March including the following restrictions: bans on public gatherings, closure of schools and bans on international flights and cross-border passenger busses.

The COVID-19 pandemic is expected to negatively impact the economic outlook for Malawi, while measures implemented to control the spread of the disease are expected to affect the most vulnerable. Around 70 percent of the population in Malawi live below the international poverty line of US\$1.90 per day,<sup>1</sup> and 89 percent of Malawi's workforce are employed in the informal economy. Malawi has one of the lowest per capita Gross National Incomes (GNI) in the world, at just \$320, and its economy -which is heavily reliant on rain-fed agriculture- is vulnerable to shocks. Real GDP is forecasted to shrink by 3.2 percent in 2020, while slow economic activity and labor mobility are expected to disproportionately affect urban residents who depend on daily incomes. Markets will experience substantial disruptions to supply chain over the coming months, and international trade links are already affecting imports for small industry. While suppliers have relatively good volumes of most products in stock locally, disruption in international supply chains are likely to lead to future shortages or increased cost of basic goods. Tourism, one of the priority growth sectors in Malawi, will be greatly impacted in the period ahead. Malawi also depends on imported petroleum products which have price transmission effects on goods and services. Sudden supply shock will have negative consequences, while the potential reduction in global demand may result in logistical challenges in the neighboring countries, affecting the availability of fuel.

Malawi's health system has limited capacity to deal with the additional burden of COVID-19. There are just 20 ventilators nationwide, for a population of over 18 million, and approximately 25 intensive care unit (ICU) beds. Malawi also has one of the highest health worker shortages in Africa, with only 28 nurses and 2 physicians per 100,000 people.<sup>2</sup> Owing to the limited critical care infrastructure, there is a risk of health centres quickly becoming overwhelmed, should severe COVID-19 cases rise. This may disrupt routine medical services, reducing existing treatment for HIV, TB, malaria, and maternal, newborn and child healthcare. The need to redirect supplies to the treatment of COVID-19, compounded by general supply chain disruptions, could lead to stockouts of resources needed for COVID-19 management (e.g. personal protective equipment to protect hospital frontline workers) and to maintain essential services.

Over 1.9 million people who were estimated to be facing severe food insecurity in Malawi prior to COVID-19 will struggle to cope with the economic strain, escalating an already fragile situation. Despite average harvests, prices of maize and alternative commodities rose by 60 to 100 percent above average in 2019, even in areas producing a surplus, as private traders withheld stocks for better prices. At the same time, low tobacco prices -a key cash crop in Malawi- led to reduced income and low access to food for many households. Within this context, the global economic downturn and local economic impact of COVID-19-related measures are expected to further deteriorate household food security, particularly for the urban poor. Malnutrition is also expected to rise as access to healthy and nutritious food become more difficult for vulnerable groups. Over 37 percent of children under 5 in Malawi are stunted. Limited health outreach services, including community-based nutrition screening for children,



will impact the ability to detect moderate acute malnutrition (MAM) and severe acute malnutrition (SAM) cases early, potentially resulting in children having to be admitted to SAM treatment facilities in deteriorated condition, adding to the burden of stretched health facilities. Over 2.9 million children in Malawi are currently out of school due to the COVID 19 closure of schools and lack access to school feeding programmes which serve as a vital source of nutritious food.

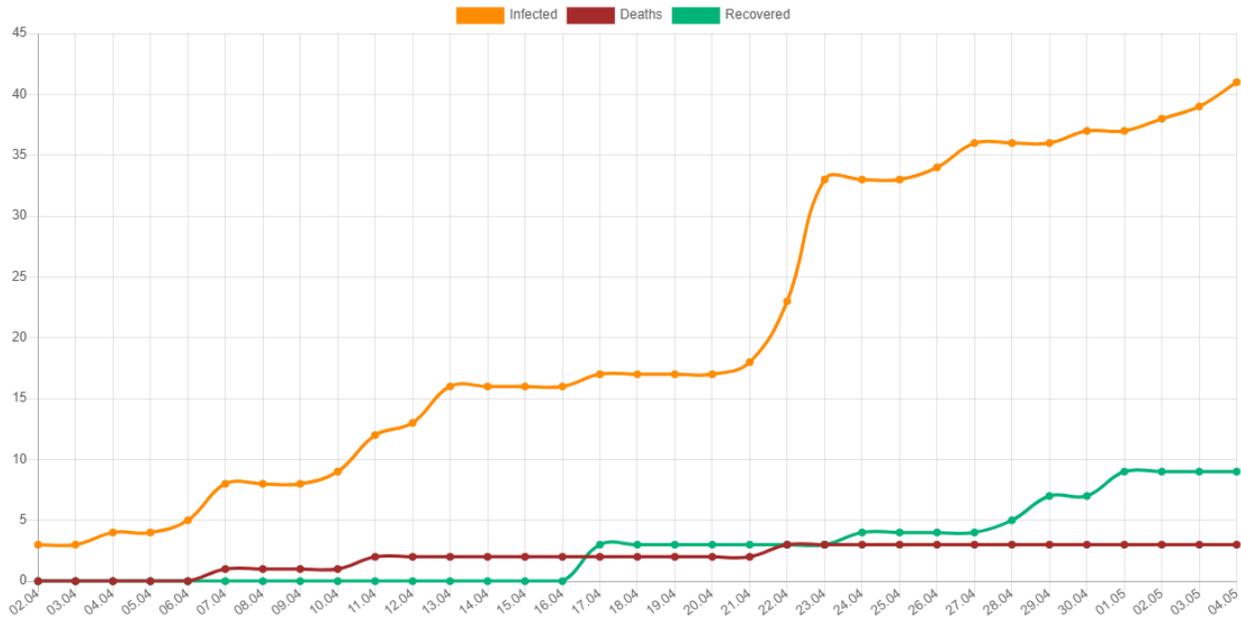
Children and youth are at increased protection risks as they are no longer able to access the protective environment education provides and as households come under increased economic strain. Children in already vulnerable situations -such as those in street conditions, living in institutions, or in detention- are at higher risk of infection. Abrupt closure of schools and community services for children have increased children’s vulnerability to violence, neglect, and exploitation. As households’ ability to cope is exhausted, they may resort to negative coping mechanisms such as child labour and early child marriage. Only 51 percent of children in Malawi complete primary school, and there is a risk that girls (especially for vulnerable households) may not return to education once schools reopen. Just 29 per cent of Malawian girls (compared to 36 percent of boys) complete secondary school. For youth, entering the job market will become more difficult; many engage in the informal sector which will significantly impacted by movement restrictions.

Source: <https://reliefweb.int/report/malawi/malawi-emergency-appeal-may-october-2020>

## 2. Statistical information

As of the 4<sup>th</sup> of May, Malawi has the following statistics:

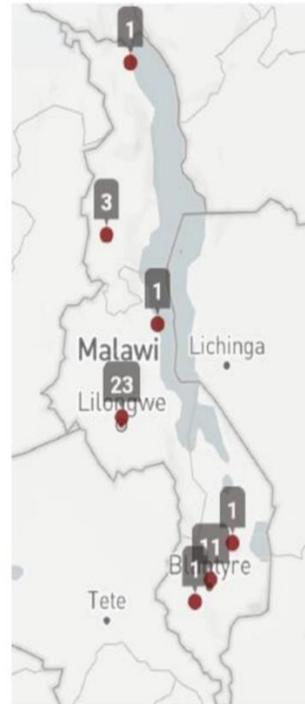
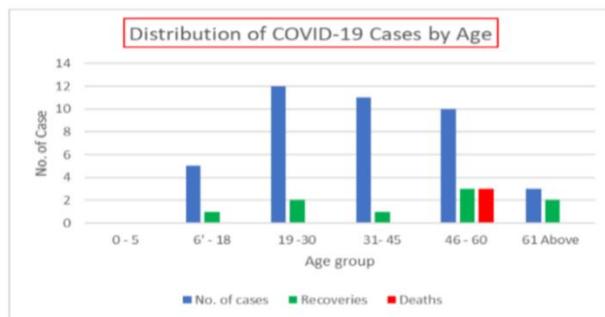
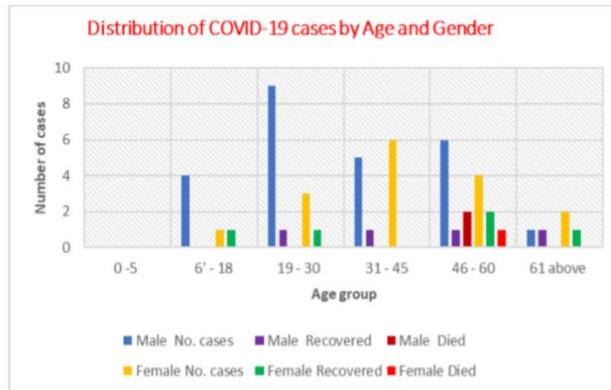
<b>TOTAL CONFIRMED CASES</b>	<b>41</b>
<b>TOTAL RECOVERED</b>	9
<b>TOTAL ACTIVE CASES</b>	29
<b>TOTAL TESTS</b>	950
<b>DEATHS</b>	3



Note: these formal statistics are probably an underestimation of the actual situation since the testing capacity in Malawi is limited.

Source: <https://epidemic-stats.com/coronavirus/malawi>

Persons in the age group of 19-30 have registered the highest number of cases followed by those in the age group of 31-45. So far, there is no reported case in the under-five age group. Recoveries are well distributed in all age groups while all the three deaths have been recorded in one age group (46 – 60 years). Comparison between males and females shows that more cases have been registered among males compared to the females by one point (See figure 3 below), while the recovery was 50 per cent for both male and female. However, more males have died compared to female. Highlights The government response



Source: Malawi, COVID-19 situation Report Unicef 4 May 2020.

### 3. Government Response

In early March a Special Cabinet Committee on Corona virus was appointed which started to be operative on 7th March 2020 with an aim of providing a policy guidance and looking at all top-level matters concerning the COVID 19 crisis.

The president declared a State of Disaster on 20<sup>th</sup> March. Schools were closed on 23<sup>rd</sup> March and gatherings of more than 100 people at places such as churches, rallies, weddings and funerals. He further urged the government to suspend the hosting of international meetings and banned public servants from attending regional and international meetings. Malawians returning from affected countries and incoming travelers from these countries were asked to subject themselves to self or institutional quarantine. Since the announcement of the state of emergency just like other African countries the Malawi government has also closed its land borders and have restricted air flights and suspended all international flights starting whereby allowing only transportations of goods and services that are essential to the country

Early April Malawi became the 50<sup>th</sup> African nation to be affected by the virus. After the identification of the first COVID cases new measures were introduced including suspension of all formal meetings, gatherings and conferences. The Malawi Prison Services and Juvenile Centres were asked to identify



prisoners who committed ‘petty offences’ and have served a significant portion of their sentences to be released in order to decongest the overpopulation in the country’s prisons. Other measures have included the reduction of fuel prices, a reduction of non-tourist taxes (to support the tourism industry) including a waive of resident on all foreign doctors and medical personnel. The President, Cabinet and deputy ministers have pledged to reduce their salaries by 10 percent for three months. The Malawi Revenue Authority opened up a voluntary tax compliance window for a period of 6 months to allow taxpayers with arrears to settle their tax obligations. Offices were asked to work in shifts except those working in essential services in order to mitigate the congestion in the workplaces. The government has started to educate the population on prevention and control measures like the use of masks, hand washing with soap, use of sanitizers, reporting to the nearest hospital in case of symptoms and self-quarantine measures have been put in place.

On 14 April, President Mutharika announced a 21 day lockdown starting on Saturday 18 April at midnight. The announcement caused panic, resentment, widespread street demonstrations and legal challenge. In a country where most of the population live on a day-to-day basis, without any reserves to fall back on a and a government not able to provide subsidies to families the damage of a lockdown would far outweigh the danger of getting infected with the COVID-19 virus.

The Human Rights Defenders coalition started a petition which was followed by the Malawi Court. The Court took the unprecedented step of blocking the government’s plans for a 21 day lockdown based on the argumentation that the government couldn’t guarantee minimal protection schemes for the vulnerable and poor populations who would be directly affected and lose their daily income under the lock down.

For the moment, people are still going about their businesses almost as usual – markets are open and cities and towns remain crowded. Although there is a noticeable change in people’s behavior – with water buckets and soap and sanitisers placed outside market entrances and shops.

#### 4. Malawi High Court blocks coronavirus lockdown against a background of political tension

The Human Rights Defenders Coalition (HRDC) went to court and was granted court injunction against the lockdown arguing that government did not take measures to cushion poor during lockdown. The court set aside the lockdown and directed on April 17 that more consultation was needed to prevent harm to the poorest and most vulnerable of society. The prescribed seven days during which the consultations were to take place passed without the two sides meeting. The court has since extended the period of the injunction.

The coronavirus outbreak – and the following court row – comes against a tense political background. Earlier this year, Malawi’s courts took the equally unprecedented step of ordering the annulment of last year’s elections, following complaints of rigging lodged by the opposition. The re-run was to be held on 2 July. So, when the court once more went against the government , allies of President Mutharika accused

it of having a political motivation. The organizations which motivated widespread protests were linked to the protests last year accusing the election body of election fraud.

Due to the Corona virus pandemic, there are a lot of uncertainties on the pending fresh elections. The proposed date of 19<sup>th</sup> May was shifted to 2<sup>nd</sup> July since the court gave 150 days for the fresh elections.

The underlying current political climate has seen the fight against coronavirus being so politicized in various disguises that it has become difficult to distinguish between acts of good faith from acts to gain political mileage. For example, the Malawi president took 10% salary cut and directed that his ministers do the same to fight coronavirus. The money saved will go towards the fight against coronavirus through cushioning small and medium-sized businesses. No sooner had the president announced his salary cut than the Vice President and political rival, Saulos Chilima, committed his entire salary for the next three months towards the country's fight against coronavirus.

Source: BBC News 'Malawi's cash handouts and the row about a coronavirus lockdown' 29 April 2020.

### Cash handouts to mitigate the effects of the COVID crisis

The Malawi government officially launched an emergency cash transfer on 30 April. This programme targets 1 million people and small businesses affected by the coronavirus pandemic. The World Bank has approved a \$37 million funding package to support Malawi to respond to the crisis. The funding package would cover payments of about \$50 to 172 000 households for roughly four months. President Peter Mutharika announced this emergency cash transfer programme will strengthen livelihoods during the coronavirus crisis.

Source: AllAfrica.com 'Malawi rolls out K38bn Cash Handouts to combat Coronavirus Impact'

## 5. Economic policy

### General economic measures

In his speech of 5 April president Mutharika announced an economic stimulus package to help cushion the economic impact of the disease.

The announced general economic measures include:

- The Malawi Energy Regulatory to reduce the fuel prices with immediate effect with the intention to reduce the transport prices
- To reduce salaries of the President, Cabinet Ministers by 10 percent for three months and redirect the resources to the fight against the virus
- To provide a special fund to ADMARC (Agricultural Development and Marketing Corporation) to buy agricultural produce at competitive prices

- All tobacco markets to remain open because of the importance of tobacco as an export product (in order to maintain foreign currency earnings and keep farmers in business).

More detailed monetary and fiscal measures are described in the subtitles below.

Source: Speech of president Peter Mutharika on 5 April 2020.

### Monetary measures

On 9 April the Bankers Association of Malawi and the Governor of Financial Institutions agreed on measures to mitigate the impact of COVID 19:

- A three month moratorium on interests & principal repayments for loans by borrowers on a case by case basis
- To restructure, refinance or renegotiate loans for small and medium scale enterprises, corporate and other borrowers affected by COVID 19 on a case by case basis
- To reduce by 40% the fees and charges related to internet banking/mobile payments to encourage the use of electronic payment transactions
- To defer all payments of bonuses and dividends until the risk of COVID 19 is under control

Actions by the Registrar of Financial Institutions:

- Reduce the liquidity reserve requirement (LRR) on domestic currency deposit, thereby releasing K12 billion as additional liquidity availed to banks to directly support borrowers that are distressed as a result of COVID 19
- Reduced Lombard rate margin by 50% to reduce the cost of accessing funds from the Central Bank and enable banks to pass on the the benefits to borrowers
- Activate the Emergency Liquidity Assistance Facility and make it available to banks
- Approve the recapitalisation plan in the unlikely event of a bank breaching the capital requirement direction as a result of COVID 19
- Grant relief to banks on the provision of restructured loans and loans on moratorium impacted by COVID 19

Source: Reserve Bank of Malawi, Press Release ‘Measures to mitigate impact of COVID 19 from the banking industry in Malawi’ 9 April 2020.

Similar measures have been announced by the mobile network operators:

- Completely remove user fees and charges on person to person transfers on the same network
- Reduce user fees and charges on a person to person transfer across different networks
- Revise upwards the daily transactions and account balance limits on mobile money services

And by the Microfinance Sector:

- Immediately provide 3 month moratorium on interests and principal repayments for loans from borrowers, including pay-roll borrowers (case by case basis)

- Defer all payment of dividends until the risk of the COVID 19 crisis is under control
- Suspend all capital expenditure
- Restructure, refinance or renegotiate loans for all borrowers affected
- Innovate and encourage their customers to utilize digital platforms

The Malawi government will encourage the donor community for stimulus grants to microfinance institutions.

Source: Reserve Bank of Malawi, Press Release ‘Measures to mitigate impact of COVID 19 from the mobile operators and MFI sector in Malawi’ 23 April 2020.

### Fiscal measures

- Malawi Revenue Authority to open up a voluntary tax compliance window for a period of six months to allow tax payers with arrears to settle their tax obligations in instalments without penalty
- Apply tax waivers on importation of essential goods for Coronavirus management. These include personal protective equipment, hand sanitizers, soaps, water treatment chemicals and many more
- Waive non tourism levy to support the tourism industry
- Waive Resident tax on all foreign doctors and medical personnel
- Increase the MEDF loans allocation from K13 billion to K15 billion in order to help Micro, Small and Medium Scale businesses that have been seriously affected by the pandemic;

Source: Speech of president Peter Mutharika on 5 April 2020.

## 6. Health policy

The president announced to recruit 2000 additional health workers to strengthen the health system and response to COVID-19. On 4 May already 750 health workers have been recruited.

With the support of Unicef Malawi is also expecting to receive 30 oxygen concentrators in May.

A lot of efforts have been done to educate the population on hygiene measures and adapt working and public life to measures of social distancing. In order to sensitize the population a total of 158 traditional leaders have been oriented on their role in the community mobilization for COVID-19. The leaders have started to engage people in their respective communities. The government and donor community supports community engagement sessions, including community radio dialogues and edutainment.

Protective clothing and face masks for health workers have been provided to enable them to work safely.

## 7. Donor community response

On 4 May, the Humanitarian Country Team launched an Emergency Appeal to seek US\$ 139 million for 25 UN agencies and NGOs to support the government's urgent preparedness and response effort from May to October 2020, targeting over 6 million people. In addition to strengthening the public health response to COVID-19, the appeal also focuses on continuing life-saving primary health care, including sexual and reproductive health services, access to medical services for gender-based violence survivors; education; food security and livelihoods support; nutrition services; water, sanitation and hygiene; and, support to social protection, safety net programmes.

The United Nations launched an Emergency appeal for Malawi to develop further the framework of the National COVID-19 Preparedness and Response Plan launched by the Government on 8 April 2020. The humanitarian community in Malawi appeals for US\$139.2 million to ensure that no one is left behind in the response, while a socio-economic framework for the response to COVID-19 commences its implementation.

The proposals in the plan build on existing capacities of the UN agencies and NGOs that are participating in the Emergency Appeal and are closely coordinated with the national authorities and relevant line Ministries, under the overall leadership of the Ministry of Disaster Management Affairs and Public Events. Strengthening local planning, local responses and engagement with communities is core to the strategy of this six-month plan. It is an urgent appeal to all development partners to strongly support the response plan of the humanitarian community in Malawi to help stem the impact of COVID-19 in an already fragile humanitarian context. The UN in Malawi has operationalised an SDG Acceleration Fund to enable resource mobilisation and enhance coordination to ensure that no one is left behind in the COVID-19 response in Malawi.

Source: Malawi, COVID-19 situation Report Unicef 4 May 2020 and Emergency appeal Malawi May-October 2020, UN.

## 8. Impact on private sector

The Malawi Confederation of Chambers of Commerce and Industry (MCCCI) conducted a survey on the impact of the coronavirus on businesses in Malawi.

This survey is one of the surveys undertaken throughout the year by MCCCI at a given point in time to assess the impact of different factors on businesses. The survey measures the impact that the COVID-19 has had on businesses in Malawi which is important in guiding business planning and decision making. The survey has been conducted in such a way that all sectors where enterprises conduct business are interviewed to give a perception of doing business in Malawi.

The survey was conducted during the week beginning, 13<sup>th</sup> March 2020 and the responses are based on the recent events that have taken place since the onset of the Covid-19 outbreak.

This chapter is the exact copy of the survey results as published on the MCCI website.

## Expected economic effects

COVID-19 which has been declared a global pandemic is affecting many economies throughout the world. The following are some of the potential economic effects that may be transmitted to Malawi:

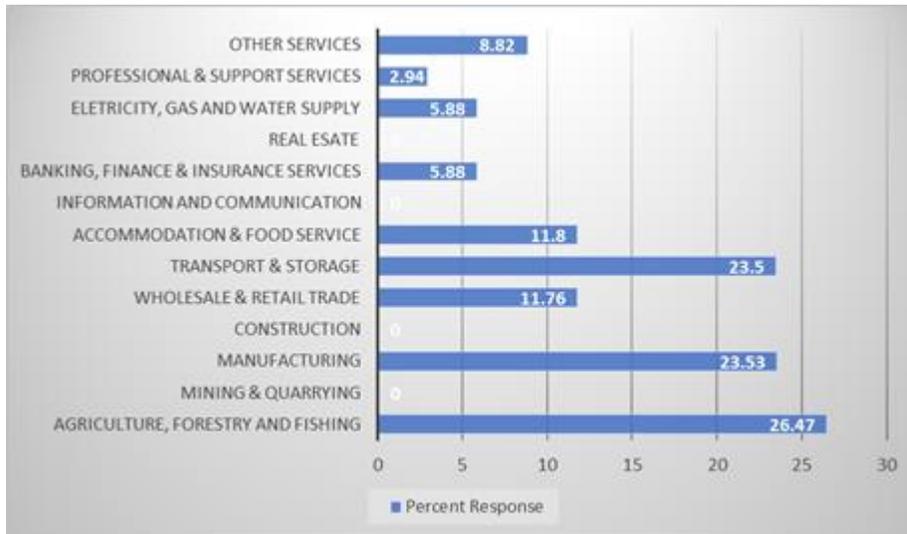
- Disturbance of trade links with rest of the world as Malawi depends on a number of imports for its small industry. This is likely to happen as countries close and/or restrict movements of goods, services and people. Factories where Malawi's imports originate may also be inactive as countries restrict activities.
- Disruption of global value chains will affect Malawi's main export products which are mainly raw materials. Besides border closures, the dip in demand in foreign markets especially in Europe and America as a result of possible recession will lead to a loss of Malawi products' market. Malawian industry however does not have the necessary capacity to absorb these raw products for local processing.
- Fiscal expenditure pressure is imminent due to higher expected spending in the health sector whilst revenues are declining partly to slowdown in industrial and commercial activities.
- Malawi depends on imported petroleum products which have price transmission effects in goods and services and any sudden supply shock will have consequences on our economy. On the hand, the impending global recession will lead to a reduction in global oil demand and the consequent decline in oil prices may benefit the economy.
- Tourism, one of the priority growth sectors in Malawi, will be greatly affected since it depends largely on the movement of people. Local hotels are already witnessing massive cancellations of bookings due to travel restrictions as well as health safety considerations.

It is expected that the growth prospects of 5.9 percent for 2020 will be hampered due to slow down of economic activities.

## Responses According to Sectors

Figure 1 below shows that majority of businesses that responded to the questionnaire are from agriculture, transport, manufacturing, wholesale/retail, and accommodation and food service sectors.

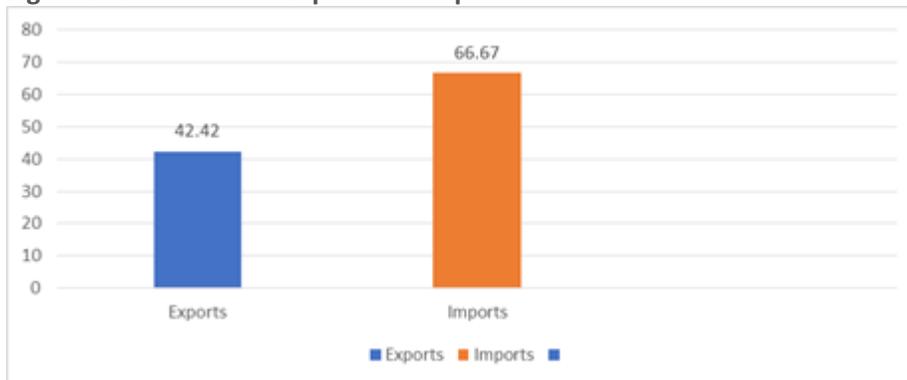
**Figure 1: Share of Responses according to Sector**



### Responses according to Exports or Imports

According to the responses presented in figure 2 below, 66.67 percent are import products and 42.42 percent are exports. Some of the companies trade in both exports and imports sectors.

**Figure 2: Businesses in Export and Import Trade**



Some of the products identified by respondents include import of raw materials for production, building materials, pens, rulers, utensils, services and exports of macadamia nuts, coffee, among others.

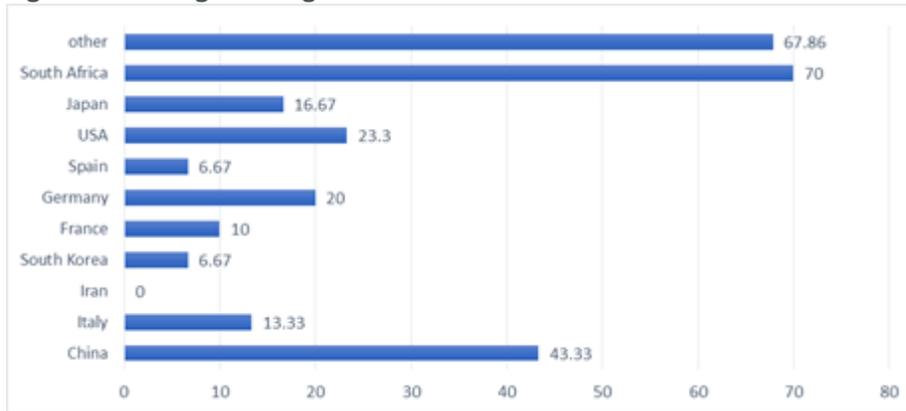
### Malawi Trade with high Risk Countries

The survey segregated the countries into high risk and low risk countries. High risk countries comprised all countries with the highest count of COVID-19 and low risk countries were grouped as ‘others’. South Africa, though not considered high risk according to the statistics was also specially recognised and included in the high risk category since it is Malawi's major trading partner. Any impact on its economy would be significantly felt by Malawi.



Figure 3 below confirms that majority of trade is with South Africa at 70 percent followed by China with 43.33. A total of 67.86 percent of responses also trade with other countries outside the prescribed risk countries.

**Figure 3: Trading with High Risk Countries**



### Impact on Exports and Imports

**Figure 4: Impact on Trade**

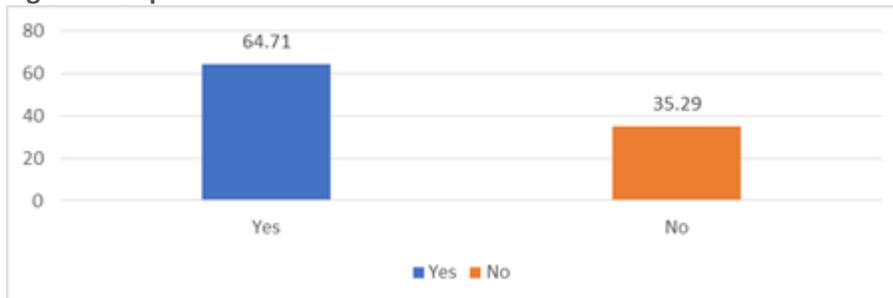
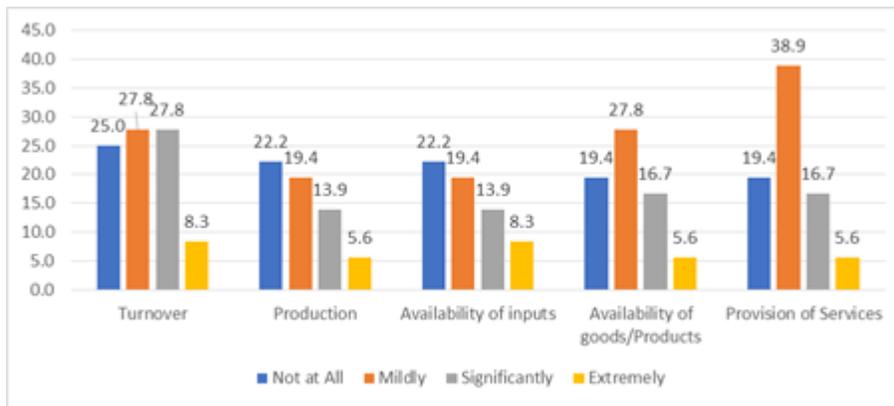


Figure 4 above shows that majority of businesses who import and export their products and services have been affected. Some businesses that transact with China have indicated that their imports from China have reduced by at least 50 percent and have not received their consignments from January to date. Small businesses which rely on imports from China have seen their business come to a standstill. Some of the transit ports are also being closed. This has compounded the problem.

### Extent of Impact

Businesses were also asked to assess the impact of the COVID-19 virus on turnover, production, availability of inputs, products and services. The responses are provided in the figure below.

**Figure 5: Impact on Business Parameters**



As shown in figure 5 above, majority of businesses have been affected in all areas of turnover, production, and the availability of inputs, goods and services. It is clear from the graph above that some businesses have been significantly and extremely affected by this epidemic. Tourism and travel industry, in particular, has been heavily affected in terms of provision of services.

### Notable Issues Raised by Businesses

The following are some of the issues raised by businesses that should be taken into consideration:

- There are a lot of cancellations of bookings particularly faced by the hotel industry from both local and international customers.
- Some businesses do not want to access sea ports such as Dar es Salaam port which are considered risky.
- Some Countries have instituted cross-border travel restrictions and Malawi must adopt the same.
- Some businesses have been affected mildly, but are worried of the future outlook and therefore are taking precautionary measures.
- Local activities which attract larger gatherings such as market events are being cancelled as cautionary measures
- Some businesses are worried that Malawi border remains open and goods are moving across thus putting the country at risk of having the virus.
- There has been a concern by some businesses particularly on strategic products such as fuel which is imported. Malawi should ensure that there are adequate reserves for all imported essential items including fuel
- Some businesses in the health sector are concerned with movement of patients and experts. There are instances where some of the patients are stuck in hospitals outside the country because of airport closures. Others are unable to go for international treatment due to the same challenges. It is also projected that patients suffering from other diseases such as heart attacks will not be adequately assisted as most hospital personnel will be focusing on COVID-19 patients. The current level of service providers especially at clinics do not have the facilities to deal with COVID-19 on a large scale, and as such offering medical services to people on medical schemes will be a serious challenge. It is projected that once Government gives a directive that organisations should close, this will have an extreme impact on revenue of many people thus making it impossible to pay hospital bills and clinics, ultimately leading to serious shortages of medicines.



- Some of the businesses have indicated that during the first quarter of the year, business is usually slow. It picks up after harvesting season so the effects of the outbreak may not be evident now. This was mostly noted in the construction sector.
- Due to COVID-19, the transit time of goods from import countries has gone up due to non-availability of containers to move the cargo. Informal exports from customers coming from Mozambique & Zambia has gone down due to fear of denial of entry visa at the border.
- Importation of goods from China and travel to China has come to a standstill. Furthermore, goods that were bought late last year are yet to be dispatched as there are not enough volumes to allow for containers to be fully loaded and shipped. To put it in perspective, in normal times with Malawians regularly travelling to China, goods could be loaded and shipped within a week or a fortnight. This has greatly affected many businesses.
- Government should be more stringent with the entry of passengers from infected countries in order to avoid entry of COVID-19 into the country.
- Some of the businesses have had all raw material orders from China withheld. The delay has resulted in slow down as well as reduction of production of goods. If the trend continues a shut down of production is likely.
- Less international travel is affecting airline and ticketing companies. Travelling outside the country has reduced significantly in particular to and from Europe (especially Italy where connection flights pass through Rome extensively) and China. If this pandemic continues, it will bring business on its knees.

Source: [https://www.mccci.org/index.php?option=com\\_content&view=article&id=285:impact-of-corona-virus-covid19-on-businesses-in-malawi&catid=19:news&Itemid=138](https://www.mccci.org/index.php?option=com_content&view=article&id=285:impact-of-corona-virus-covid19-on-businesses-in-malawi&catid=19:news&Itemid=138)