Assessment of Opportunities and Constraints for FDI in Blantyre, Malawi

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Attracting foreign direct investment (FDI) to Sub-Saharan Africa (SSA) is difficult, as reflected in the region’s small fraction of global FDI flows. Moreover, the bulk of these flows is in extractive industries and is not sufficient to promote sustained economic growth. However, given rapid urbanization, and the potential economic and social challenges this creates, creating and expanding economic opportunities in cities is of paramount importance. FDI is considered to be an important contributor to addressing these issues, through the jobs, local business linkages and technology transfer that it can induce. Without consistent, measurable progress in urban areas, which constitute an ever-growing proportion of national populations, the countries themselves will not be able to realize the MDGs.

There are, fortunately, new opportunities to attract FDI into Sub-Saharan Africa. These opportunities result from improved governance and economic policies in the region, greater activities by South African (and other developing world) multinational companies, improved market access for the region in Europe and the US, the possibilities offered by the Clean Development Mechanism, and commitments of donor resources to upgrade African infrastructure.

The Millennium Cities Initiative (MCI), an urban counterpart to the Millennium Villages Project of Columbia University’s Earth Institute, was established to assist selected mid-sized cities across Sub-Saharan Africa in their efforts to achieve the Millennium Development Goals (MDGs). The MCI is focused on the capitals of the regions where the Millennium Villages Project is enabling farmers to transition from “sub-subsistence” farming to commercial agricultural and non-agricultural activities through an integrated package of interventions in agriculture, health, education and enterprise development. By concentrating on policy analysis related to the potential for foreign direct investment (FDI) in these cities and regions, the MCI aims to engender a climate in which FDI can thrive and thereby contribute to employment creation, domestic enterprise development and sustainable economic growth. In addition, the MCI is helping the Millennium Cities to carry out needs assessments in a range of sectors – including access to public health services, safe housing, education, water and sanitation, waste disposal, transport, energy and information/communications technology – which will contribute to the development of integrated City Development Strategies explicitly predicated on achieving the MDGs. Overall, the MCI aims to demonstrate, through research and policy analysis, that sustainable FDI can be attracted to regional urban centers in Sub-Saharan Africa, with resulting benefits to employment, local enterprises and economic growth.
The MCI collaborates closely with the authorities of the cities involved and other key local stakeholders, as well as national authorities, to ensure that its research and recommendations are attuned to and supportive of local needs and priorities. The MCI is positioned to capitalize on unique synergies with the Millennium Village Project (MVP). The Millennium Cities and Villages projects work hand-in-hand to harness economic synergies. The MCI also cooperates with international organizations and business associations to bring the attention of international investors to the seven regional capitals close to the Millennium Villages.

The MCI is a five-year project and is currently in its second year. During the first year, two teams of SIPA students carried out detailed studies on FDI opportunities and constraints in two Millennium Cities, Kisumu, Kenya, and Louga, Senegal.

This workshop project will build on the analytical frameworks and research methodologies developed in the two previous projects to explore FDI opportunities and constraints in another Millennium City, Blantyre, Malawi.

Malawi’s most populous city (est. 750,000 inhabitants), Blantyre is also the country’s main commercial and industrial center, with road, rail and air links to all parts of the country and rail links to Indian Ocean ports in Mozambique. Key industries include cement, soap, food and tobacco-processing and textiles, with the latter ripe for revitalization given the potential for locally produced cotton. The City Assembly has developed extensive plans for improvements both in infrastructure and in the delivery of essential services, but has few resources with which to implement its plans. HIV/AIDS has had a debilitating impact on the urban population (over 17% infected). Although enjoying bumper harvests in recent years to the point of having become a net exporter of grain, Malawi is still prone to famine from droughts; child and maternal mortality rates are extraordinarily high; and life expectancy is extremely low (though it has risen recently from 39 to 42 due to the growing availability and use of anti-retroviral drugs and behavioral change with respect to HIV/AIDS).

Possible business opportunities: Successful private and joint ventures include fish farming and a range of agro-processing activities, with opportunities for expansion into tea blending, tobacco processing, dairy production and processing of macadamia nuts, oranges, pineapples, tomatoes, potatoes, cassava, mushrooms, soya beans and coffee. Other opportunities include the revitalization of cotton and textile production, tourism (focused on wildlife viewing and eco-tourism), and Internet technology and communications, as well as ready access to regional markets and transnational partners in South Africa, Zambia, Zimbabwe, Mozambique and Tanzania.

Objective:
To build on work that has already been done to assess the various constraints and opportunities for different types of FDI in Blantyre, which takes account of:

- the concerns and interests of various stakeholders vis-à-vis FDI promotion, particularly local business and primary producers, as well as municipal planners and potential foreign investors; and
- the potential of different types of FDI to contribute to MDG achievement, including the potential for positive backward linkages to generate employment and link primary producers to markets in a sustainable, win-win manner (with a focus on the possibilities generated by increased production in the Millennium Villages).
Requirements:  Ideal candidates for this project team should have
1) expertise in/experience of issues relating to FDI;
2) expertise in private sector development and sustainable economic
development more generally;
3) expertise in rural-urban development; and
4) country/regional experience.

Deliverables:  1. Workplan

2. Draft report on the constraints and opportunities for FDI in Blantyre, which
   includes:
   o Overview of investment opportunities and promising sectors for investment in
     Blantyre;
   o Stakeholder analysis, and assessment by stakeholders of the issues and
     opportunities that relate to increasing FDI in Blantyre in various sectors
     (including plans for an industrial processing zone);
   o Problem and objectives analysis in consultation with stakeholders, combined
     with an assessment of the broader experience with FDI, to assess the potential
     of various types of FDI to achieve MDG-related impacts, and how they fit
     into the city’s broader development plan.
   o Review of the research undertaken and plans already developed in Blantyre to
     arrive at an overview of the constraints and opportunities for FDI in the city.
   o Development of criteria for use by the municipality and MCI to assess the
     viability and desirability of potential FDI options.
   o Actual assessment of the desirability and opportunity for FDI in one or more
     of the potential sectors, using these criteria.
   o Recommendations on an FDI strategy for Blantyre.

Instead of a single report, the group may decide to produce a variety of products
 tailored to the needs of the various stakeholders. The report is specific to Blantyre
 and the surrounding region, but will build on the analytical approaches developed
 in last year’s workshop projects for MCI. The methodology presented in the
 report should also provide a template for others carrying out similar research and
 analysis of underserved urban settings.

3. Final report

4. Workshop in Blantyre (facilitated by MCI) to discuss preliminary findings and
 proposed recommendations with relevant stakeholders;

5. Presentation to client and SIPA.
Logistics: At Columbia University (Nov/Dec):
- Work planning
- Literature review
- Informational interviews
- Methodology planning and instrument development
- Logistical preparations for first field trip.

First trip to Blantyre: (Dec/Jan)
- Briefings by municipal government, MCI staff and local entrepreneurs; and consultation on project objectives, refinement of workplan and deliverables accordingly;
- Fieldwork (scoping of investment opportunities and sectors, potential for a possible industrial processing zone, stakeholder analysis, problem/objectives analysis, interviews, etc);
- Planning for next field trip.

At Columbia University (Jan-Mar)
- Review of research already undertaken and city plans already developed;
- Development of criteria for potential use to assess viability and desirability of FDI options and their application to one or more sectors;
- Logistical preparations for second field trip.

Second trip to Blantyre (Mar)
- Further fieldwork (site visits, interviews, etc) as necessary to inform the deliverables;
- Workshop with key stakeholders to discuss findings and proposed recommendations.

At Columbia University (Mar-Apr)
- Finalization of report (and any other products adapted for use by various stakeholders);
- Presentation of draft to client for discussion and feedback;
- Revisions and polishing; and
- Final presentation to client and SIPA.