A. Sector Analysis

1. Current situation and major challenges of the sector:
Malawi has a very limited transport system within the Southern African Development Community (SADC) region. As a result of this limitation, the country faces high transport costs (average cost in the region of US$7 per ton per km and Malawi with a cost of US$7 to US$10) rendering economic and social development difficult. However, there is an attempt to invest in aviation; rejuvenation of the rail subsector is also a target of the Government of Malawi as well as continued expansion of the roads subsector.

Malawi’s transport sector comprises of the following sub-sectors:

a) Road sub-sector: The main method of transportation is by road with 90% of goods and 70% of passengers using this method of transportation for local and international destinations respectively. Classified road network comprises 15,451 kilometres of which only 26% (2, 317.7 kilometres) is paved.

b) Inland water transport sub-sector extends from the northern to the southern region passing through the centre of the lake Malawi. Main ship ports are Monkey Bay in the south, which is also a ship assembling dock, Chipoka and Nkhotaka-kota in the central region, Nkhata Bay, and Chilumba in the northern region. There is no adequate private sector participation in this sub-sector. This has led to slow development of the sub-sector over the years.

c) Rail sub-sector: In the early years of Malawi’s independence, the main method of transporting goods was by rail. However, lack of maintenance and investment into the rail sub-sector has led to a collapse of a lot of the infrastructure that had been there before. However, in 2017 Vale and Mitsui Company developed Nacala railway line from Moatize in Mozambique to Nacala passing through Malawi. This has led to the rehabilitation of old railway lines, which has made train movements easier. Currently, the section between Nkaya and Mchinji is undergoing rehabilitation with works expected to be completed by 2021. Once completed, a spur will connect to Chipata in Zambia thereby easing the movement of goods and passengers.

d) Civil Aviation sub-sector is very important for Malawi due to its landlocked nature but is still not well developed. There are only two international airports: one is in the capital city, the Kamuzu International Airport in Lilongwe and the other is Chileka International Airport in Blantyre. There are about 31 other airfields scattered across the country.

2. Sector policy, strategic plan, priority areas:
The Government of Malawi has placed transportation at the top of its development agenda through the following:

a) The Malawi Growth and Development Strategy (MGDS) III (2017-2022)
The MGDS, launched in March 2018, places transport sector development among the five Key Priority Areas (KPAs). The strategy intends to boost economic development by setting out plans on how transport infrastructure can be expanded in order to shorten the distance of transportation of exported and imported goods.
b) The National Transport Policy (April 2015)
The policy provides objectives, strategies and monitoring and evaluation framework for all modes of transport and crosscutting issues in the sector. The policy does not have an expiry date and will likely be used for the next five to ten years.

c) The National Transport Master Plan (NTMP) 2017-2037
Launched by the GoM in March 2018, the NTMP was prepared in order to guide a sustainable integrated multi-modal transport sector for the next twenty years. It also addresses regulatory issues that need to be tackled in order to have smooth operations.

3. Donor activities and commitments:
The major development partners in the transport sector in Malawi are the World Bank, the African Development Bank, the European Investment Bank, and the Japan International Cooperation Agency. China as well as the OPEC Fund, BADEA, Saudi Fund and Kuwait Fund have contributed to the sector.

a) World Bank: Over the past few years, their main involvement has been supporting the production of the National Transport Master Plan. As part of the disaster recovery program, the bank is constructing the Thabwa road (59 km) in Chikwawa district at a cost of US$13.3 million. The Bank is also providing support to the Karonga-Songwe road (46 km) at a cost of US$20.3 Million.

b) African Development Bank: The AfDB has been assisting the GoM in improving access to international corridors. Currently, the bank is financing the rehabilitation of the 81-kilometre M3 road from Liwonde to Mangochi at a cost of US$40.4 million.

c) European Investment Bank: The bank will finance the rehabilitation of the Lilongwe-Kasungu-Mzimba turn-off road in the central and northern regions; and the Chiweta-Bwengu-Kacheche road in the northern region. The two projects are at an appraisal stage. The EU will provide part of the cost as a loan while the EIB will provide another part as a loan.

d) China: The Chinese government through banks will provide loans for the construction of a 97-kilometre bypass road in Blantyre City at a cost of US$41 million for the first phase of the project (35.6km) which will pass through a number of trading centres. This project will also have Government of Malawi funding.

e) Kuwait Fund/BADEA/Saudi Fund/OPEC Fund
This group of donors have been funding the Thyolo-Makwas-Thekerani-Mkhanga Road project since 2016 for upgrading of 82 kilometres of earth road to bitumen at a cost of MK27.3 billion (US$37.4 million). This project was expected to be completed in August 2019, but it is still ongoing.

4. Budget situation:
The GoM on average allocates MK30 billion (approximately US$41 million) to the transport sector annually most of which goes to the road sector.

In order for the National Transport Master Plan to be implemented successfully over the next twenty years the GoM needs to be contributing MK100 billion (approximately US$137 million) annually to the sector. This Financial Year 2019/20 Malawi has allocated K88.3 billion, which is
below the MK100 billion which we have estimated to be the minimum investment required in order to successfully implement the NTMP.

5. Dialogue structure for the sector:
There are no structures for Technical Working Group (TWG) or Sector Working Group (SWG) meetings in the sector. However, a Joint Development Partner and Government Sector Review, which has normally taken place in November every year has served as a forum for dialogue. In a bid to tackle the issue of non-functioning SWGs, Sector Working Group meeting was held on 11 October 2019. The purpose of the meeting was to share with co-chairs and key non-state actors the proposed re-composition of the SWGs and agree on the immediate priorities for ensuring effective and active participation of the development partners and non-state actors in the SWGs.

B. JICA’s Position
1) History of JICA’s cooperation:
JICA has been assisting the Transport Sector in the aviation and road sub-sectors through infrastructure projects. JICA has also assisted the sector through technical studies.

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2) Major outcomes:
- **The Project for Replacement of Mangochi Bridge** (Grant Aid: 1999-2002): helped to ease connection between Malawi and Mozambique using the Chiponde border this is part of the Nacala corridor.
- **The Project for Reconstruction of M5 Bridges between Balaka and Salima** (Grant Aid: 2005-2007): helped to strengthen connectivity on the M5 road since it solved frequent closures due to wash ways.
- **The Project for Improvement of Blantyre City Roads** (Grant Aid: 2007-2016): helped in easing traffic congestion between Limbe and Blantyre.
- **The Project for Replacement of South Rukuru Bridge on M1** (Grant Aid: 2010-2013): helped to ease movement on the M1 road which links Malawi and Tanzania.
- **The Project for Replacement of Air Navigation System at KIA** (Grant Aid: 2010-2013): assisted the airport to maintain international requirements for airports and attract more airlines
- **The Project for Expansion of the Terminal Building at KIA** (Grant Aid: 2015-2020): will ease congestion at peak hours which is associated with the current state of the airport. It will also improve access into Malawi as a landlocked country.
- **The Capacity Development of Radar Control Services at KIA** (Technical Cooperation: 2017-2020): will help air traffic controllers in Malawi to understand how the radar that will be installed works. It will also help engineers how the radar is maintained in order to ensure its sustainability.

3) Lessons learned:
- a) The aviation sector is supposed to be self-financed through user-fees like departure fees and landing fees. However, since this generated income goes to the consolidated government account Number 1, very little is given back to the department to make operations and maintenance possible. To counteract this challenge, the Government of Malawi has introduced a law for a civil aviation authority to be established this was passed in 2017.
- b) In the road sub-sector, vandalism of placards and signposts can be cited as the main challenge.
- c) Experience has shown that the GoM shows a lot of interest when it comes to implementing new infrastructure projects while it allocates very little resources for maintenance of the existing infrastructure.
4) Cooperation assets:
To-date JICA has invested about US$100 million in the civil aviation subsector since the 1970s (in terms of both loan, grants and technical cooperation). This is the biggest investment in the sector. It is followed by the construction of bridges and finally the urban road construction.

5) Comparative advantage of JICA:
   a) The first comparative advantage of JICA is that although a ceiling of grant aid project is lower compared to other donors, the assistance comes with no obligation for the GoM to repay. This is a strong positive point of assistance to a country that struggles to implement infrastructure projects.
   b) The second comparative advantage is that JICA has earned a reputation of constructing good quality, durable infrastructure through its projects.
   c) Finally, the third comparative advantage is the long period of cooperation that has enabled JICA to understand the history of the sector and can better understand the way the GoM works. Furthermore, JICA supports infrastructure development according to the development stage of countries based on the knowledge and experiences from JICA’s past projects all over the world. For instance, JICA focuses on supporting improvement of basic infrastructure, and economic corridor and gateway infrastructure in Malawi in order to respond to the global economy and to strengthen international competitiveness.

6) TICAD process:
JICA focus on the following targets:
   a) Assist the GoM in constructing transport infrastructure that ensures economic efficiency
   b) Align JICA’s assistance with Malawi Government development strategies in this case the MGDS III and the National Transport Master Plan (2017-2037)
   c) Transfer of expertise and know-how as well as capacity building of Malawi government officials in the transport sector.
These targets are in line with TICAD 7 objectives in the sector, which are to provide (a) quality infrastructure, which is (b) aligned with development needs of African countries. (c) Transfer of expertise and know how as well as capacity building
These targets are also in line with Sustainable Development Goal 9.
   1) Resilient Infrastructure
   2) Investment in Infrastructure

7) Possible areas of future cooperation:
Japan’s Country Development Cooperation Policy for Malawi focuses on “Building a foundation for economic growth, taking into account climate change and urbanization”; especially it highly prioritized to support the development of quality infrastructure including key urban facilities to enhance economic activities. The other Priority area is “Promoting diversified and market oriented agriculture”. Japan will support the development of transport, logistics and other infrastructure to facilitate Malawi’s economic transformation. According to the above-mentioned parameters, we therefore would like to focus on:
   a) Civil Aviation
   b) Road Subsector