



**DRAFT**

**Malawi Poverty  
Reduction Strategy  
Paper**

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## Acronyms

ACB	Anti Corruption Bureau
ADMARC	Agricultural Development and Marketing Corporation
AIDS	Acquired Immuno-Deficiency Syndrome
ARV	Anti-Retrovirals
CBM	Commercial Bank of Malawi
CBNRM	Community Based National Resource Management
CCA	Credit Ceiling Authority
CCS	Commitment Control System
CDSS	Community Day Secondary Schools
CHAM	Christian Health Association of Malawi
CONGOMA	Council for Non-Governmental Organisations in Malawi
CPI	Consumer Price Index
CRIMP	Community Road Improvement and Maintenance Project
CVA	Current Vulnerability Assessment
CWIQ	Core Welfare Indicator Questionnaire
DC	District Commissioner
DEMAT	Development of Malawian Enterprises Trust
DHS	Demographic and Health Surveys
DPE	Direct Poverty Expenditure
DPP	Director of Public Prosecutions
DRIMP	District Road Improvement and Maintenance Project
EHP	Essential Health Care Package
ESCOM	Electricity Supply Commission of Malawi
FPE	Free Primary Education
GAD	Gender and Development
GDI	Gender Development Index
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries
HIS	Integrated Household Survey
HIV	Human Immuno-Deficiency Virus
ICWG	Industry Cluster Working Groups
IFMIS	Integrated Financial Management Information System
IGAS	Income Generating Activities
IMF	International Monetary Fund
INSET	In Service Training
IPRSP	Interim Poverty Reduction Strategy Paper
MANEB	Malawi National Examinations Board
MASAF	Malawi Social Action Fund
MASIP	Malawi Agriculture Sector Investment Programme
MASSAJ	Malawi Safety, Security and Access to Justice
MBC	Malawi Broadcasting Corporation
MDC	Malawi Development Corporation
MFI	Micro-Finance Institutions
MIE	Malawi Institute of Education
MIRTDC	Malawi Industrial Research and Technical Development Centre

MIS	Market Information System
MOAI	Ministry of Agriculture and Irrigation
MOCI	Ministry of Commerce and Industry
MOFEP	Ministry of Finance and Economic Planning
MOHP	Ministry of Health and Population
MPRS	Malawi Poverty Reduction Strategy
MRFC	Malawi Rural Finance Company
MSMES	Micro, Small and Medium Scale Enterprises
MTEF	Medium Term Expenditure Framework
MTL	Malawi Telecommunications Limited
NACP	National Aids Control Programme
NAO	National Audit Office
NASFAM	National Smallholders Farmers Association of Malawi
NBM	National Bank of Malawi
NBS	New Building Society
NEAP	National Environmental Action Plan
NEC	National Economic Council
NER	Net Enrolment Rate
NGO	Non Government Organisation
NHP	National Health Plan
NRA	National Roads Authority
NRCM	National Research Council of Malawi
NRCM	National Research Council of Malawi
NRUs	Nutrition Rehabilitation Units
NSO	National Statistical Office
NSSA	National Sample Survey of Agriculture
OECD	Organisation of Economic Co-operation
OPV	Open Pollinated Variety
PAC	Public Accounts Committee
PAP	Poverty Alleviation Programme
PEM	Public Expenditure Management
PER	Public Expenditure Review
PIF	Policy Investment Framework
PMS	Poverty Monitoring System
PPE	Priority Poverty Expenditure
PRA	Participatory Rural Assessment
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSMR	Public Sector Management Reform
PTC	People's Trading Centre
PWP	Public Works Programme
QUIM	Qualitative Impact Monitoring
RICs	Rural Instruction Centres
ROMARP	Road Maintenance Rehabilitation Project
SAPs	Structural Adjustment Programmes
SEDOM	Small Enterprises Development Organisation of Malawi
SET	Science, Engineering and Technology

SIPs	Sector Investment Programmes
SME	Small Medium Enterprises
SPP	Starter Pack Programme
SWAP	Sector Wide Approach
TB	Tuberculosis
TEVET	Technical, Entrepreneurial, Vocational Education and Training
TIP	Targeted Input Programme
TVM	Television Malawi
TWC	Technical Working Committee
TWG	Thematic Working Group
VAM	Vulnerability Assessment and Mapping
VSAT	Very Small Aperture Terminal
WID	Women in Development

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## **Chapter 1 - Introduction**

The Malawi Poverty Reduction Strategy Paper (MPRSP) is Government's overarching statement of strategy. It will form the basis for all future Government activities and provides a guiding framework for Government's development partners. It is the product of a highly consultative process involving a broad range of stakeholders. It represents a consensus about how Malawi can develop and achieve its core objective of poverty reduction.

### **1.1 Distinguishing features**

The Malawi Poverty Reduction Strategy (MPRS) is a major departure from previous plans and strategies. Firstly, the MPRS differs in its underlying philosophy. The overall goal of the MPRS is to achieve "Sustainable poverty reduction through empowerment of the poor". This empowerment is social, economic and political. It moves away from seeing the poor as helpless victims of poverty in need of hand-outs and passive recipients of trickle-down growth. Instead, the poor are seen as masters of their own destinies. Government and development partners' role is to create the conditions whereby the poor can reduce their own poverty. This change in philosophy is reflected across the MPRS.

The second distinguishing feature of the MPRS is its focus on implementation. At the heart of this focus is the emphasis on prioritisation and action. In the past, Malawi's development objectives have not been met because Government has tried to do too much and as a result has spread itself too thinly and has achieved too little. Previously Government plans have not been implemented because of lack of action planning, broad ownership and realism. The MPRS has been designed to address these problems.

A third and related distinguishing feature is the participation involved in the MPRS Preparation Process. A broad range of stakeholders were involved in the formulation of the strategy, through national level consultations, district consultations and Thematic Working Groups (TWG). This participation will continue during the monitoring, evaluation and reviewing of the MPRS.

Finally, the MPRS differs in its comprehensiveness. Rather than treating poverty reduction as an issue separate from the bulk of Government operations, the MPRS covers the whole of Government. It is the starting point for a reorientation of Government towards meeting its core objective of poverty reduction so that all Government activities are poverty focussed (either directly or indirectly). As such, Government will ultimately implement **only** the MPRS, through various supporting mechanisms of which the Budget is the most important.

## **1.2 The Malawi Poverty Reduction Strategy**

MPRS outlined in this paper has four pillars. These are:

1. *Sustainable Pro-Poor Economic Growth* – economically empowering the poor by ensuring access to credit and markets, skills development and employment generation.
2. *Human Capital Development* – ensuring the poor have the health status and education to lift themselves out of poverty.
3. *Improving the Quality of Life for the Most Vulnerable* – providing sustainable safety nets for those who are unable to benefit from the first two pillars.
4. *Good Governance, Political Will and Mindset* – ensure that public and civil society institutions and systems protect and benefit the poor.

In addition, there are four issues that cut across these pillars: HIV/AIDS, Gender, Environment, and Science and Technology.

## **1.3 The content of the MPRS**

The paper gives essential background information and outlines the strategy itself. Chapter 2 answers the question: “Who are the poor and why?” by giving a situational analysis of poverty. This analysis sets the stage for the rest of the paper by defining what the problem is that needs to be solved.

Chapter 3 gives some overall background of Malawi’s developmental efforts and performance. It discusses why Malawi has in the past failed to meet its objectives and outlines lessons from this experience.

Chapter 4 is the core of the MPRS, since it outlines the underlying philosophy and approach of the MPRS based in part on the lessons learned from Chapter 3. It then summarises the strategies

under each pillar of the MPRS, justifying the strategies with reference to their impact on poverty and to lessons from past and present experience.

Chapter 5 outlines the economic framework and expenditure framework within which the MPRS will operate. In particular, it provides a macroeconomic framework and targets and the associated resource availability. It then provides the expenditure framework and resource gap for the PRS. It presents a summary of the cost implications of the strategies summarised in Chapter 4 and compares them to resource availability.

Chapter 6 summarises the modalities for implementing the MPRS. In particular, it outlines the relationship between the MPRS and the annual Budget, presents the institutional framework for the monitoring and evaluation of the MPRS, and describes the process for reviewing the MPRS.

The document also contains two annexes. The first presents a summary of the MPRS Preparation Process. The second contains the Action Plan matrices, which contain a summary of all the activities in the MPRS, together with associated targets, monitoring indicators and costs. This is the main statement of the Poverty Reduction Strategy, which is summarised in Chapter 4.

## **Chapter 2: Poverty Analysis and Profile**

### **2.1 Introduction**

In general, Malawians characterise poverty “...as a state of continuous deprivation or a lack of the basics of life.” Basic needs include economic, social, psychological and physiological requirements. . Poverty therefore has many dimensions including income poverty and human or capability poverty. Poverty exists, and is observable, at various levels: at the individual, household, community and national levels. Qualitative<sup>1</sup> information from the poor themselves also defines poverty in terms of lack of felt basic needs at household and community level. This section provides an overview of poverty in the country.

### **2.2 Poverty Situation**

Poverty in Malawi is widespread, deep and severe. Based on 1998 Integrated Household Survey (IHS) consumption data, 65.3 percent of the population is poor, or roughly 6.3 million people. The poor, in this case, are defined as those whose consumption of basic needs that is, food and non-food, is below the minimum level estimated at MK 10.47 per day in 1998. Within this number of the poor, 28.2 percent are said to be living in dire poverty. In general the poor have the low level of access to or acquisition of certain basic social services or capabilities.

The level of inequality is well illustrated by the fact that in 1997/98, the richest 20 percent of the population consumed 46.3 percent while the poorest 20 percent consumed only 6.3 percent of the reported goods and services. In urban areas, the richest 20 percent consumed 58.4 percent while the poorest 20 percent consumed a meagre 4.5 percent. Consumption is also more unequally distributed within urban areas where the Gini coefficient is 0.52 as opposed to 0.37 for rural areas (see Table 2.1).

<sup>1</sup> Malawi Government: Qualitative Impact Monitoring Survey (QUIM) 1997 ; 2000, Voices of the Poor, 1999.

\* Note: The 1997/98 Gini-coefficient cannot be compared with the 1991/92 Gini-coefficient of 0.62 due to methodological differences.

Table 2.1: Indices of inequality in consumption

	Gini coefficient*	Consumption of group as percentage of total consumption of population	
		Poorest 20%	Wealthiest 20%
National	0.40	6.3	46.8
Rural	0.37	6.7	44.3
Urban	0.52	4.5	58.4

Source: Malawi Government, 1997/98; Profile of Poverty in Malawi.

Despite this pervasiveness, some sections of the population are generally more affected than others. These include

- land-constrained smallholder farmers;
- labour-constrained female-headed households;
- estate workers or tenants;
- *ganyu*<sup>2</sup> and other casual labourers;
- destitute or disadvantaged children, like orphans and street children;
- people with disabilities, including the blind; and
- resource constrained urban households.

### 2.3 Causes of poverty

Poverty in Malawi is caused by a myriad of factors. Many of these are constraints on the economic productivity of land, labour, and capital. Constraints on the productivity of land include low agricultural productivity, rapid environmental degradation and limited or inadequate access to land. Constraints on labour include generally low levels of education, poor health status, lack of or limited off-farm employment, and rapid population growth. The key constraint on capital is lack of access to credit. All of these factors causing poverty are exacerbated by generally weak institutional capacity within the country.

### 2.4 Spatial Distribution of Poverty

Poverty is more prevalent in rural areas than in urban areas. It is estimated that 66.5 percent of the rural population live in poverty as compared to 54.9 percent for urban areas. While as many

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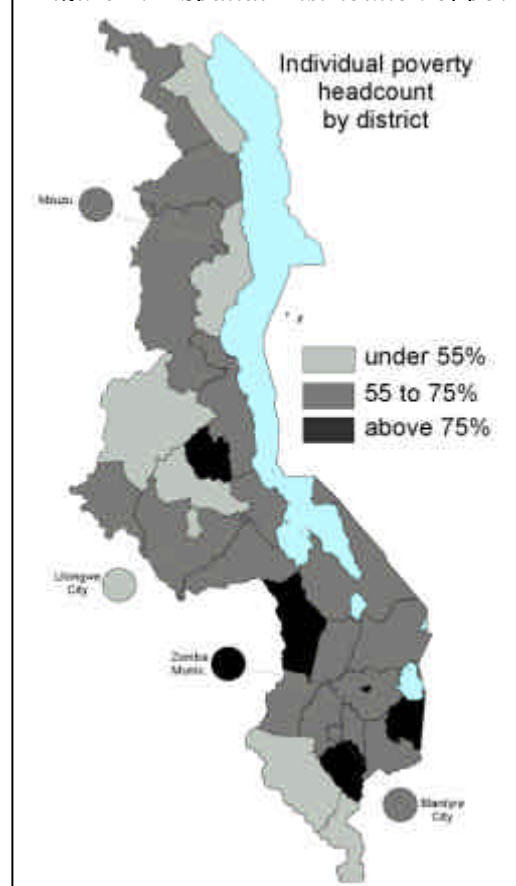
<sup>2</sup> *Ganyu* is piecework in return for cash or in kind

as 90 percent of the population live in rural areas, 91.3 percent of the poor and 91.5 percent of the ultra poor live in rural areas.

The Southern Region has relatively the highest proportion of the poor compared to the other two regions in the country. Using the IHS data, 68.1 percent of the population in the Southern Region are poor as compared to 62.8 percent for the Central Region and 62.5 percent for the Northern Region. The Southern Region's poverty situation can partly be explained by the small size of cropland holdings per capita estimated at 0.176 hectares compared to 0.257 hectares and 0.256 hectares for Central and Northern regions respectively.

However, the aggregate regional picture of the incidence of poverty hides considerable variation. As the map shows, not all urban centres have low poverty head counts nor are all districts in the Central and Northern Regions better-off. Pockets of poverty are found throughout the country. The areas with the highest poverty headcount are Ntcheu (84.0 percent); Phalombe (83.9 percent); Zomba Municipality (78.0 percent); Thyolo (76.8 percent); and Ntchisi (76.3 percent).

Figure 2.1 Spatial Distribution of poverty



## 2.5 Sectoral Analysis of Poverty

### 2.5.1 Demographic characteristics

Poor households tend to have larger families with many dependents. The national dependency ratio (dependents per person of working age) is 0.89. However, the dependency ratio for poor households is high at 1.05.

Females head 25 percent of all households. The poor in Malawi are more likely to be female than male. The female-headed households have always been disproportionately poor, especially in the rural areas. In urban areas, female headed households are less likely to be -poor and tend to be more educated and in formal employment. It is notable that 52 percent of the poor are female, whereas 49.8 percent of the non-poor are female.

Orphans are one of the groups most affected by poverty. According to the 1998 census it was found that 1.5 percent of those aged 20 years or younger had lost both of their parents. Most of these orphans lived with grandparents who were in most cases also single and resource constrained.

### ***2.5.2 Educational Characteristics***

Malawi has a low adult literacy rate, which was estimated at 58 percent in 1998. In addition, the female literacy rate was estimated at 44 percent. Adults who complete at least standard VIII are likely *not* to be poor. This was particularly true in urban areas. However, few Malawians attained that level of education as only about 11.2 percent complete Standard 7, where 16.2 percent is for male and 6.2 percent is for female. (IHS 1998)

There is very little difference between poor and non-poor households in regard to the proportion of primary school-aged children who are currently in school. However, poor children are likely to drop out of school before reaching Standard 5. The national gross enrolment ratio was estimated at 132 and the pupil to qualified teacher ratio was 114. These indicators have large implications for the quality of education. There is a lot of repetition as classes become too big to manage. This is also compounded by the use of unqualified teachers. Despite the introduction of Free Primary Education (FPE), the Net Enrolment Rate (NER) has remained 78 percent implying that there are other factors that prevent children to attend school.

### ***2.5.3 Health, Fertility, and Nutrition Characteristics***

Life expectancy has dropped from 43 years at birth in 1996 to 37 years in 2000. This could be a result of the HIV/AIDS epidemic. Infant, child and maternal mortality rates in Malawi are high by global standards. In 2000, infant and under-five mortality rates were estimated to be 104 and 189 deaths per 1,000 live births, respectively. The maternal mortality rate in 2000 was 1,120

deaths per 100,000 live births<sup>3</sup>. This might be due to limited access to health services as evidenced by a low percentage of births attended by health workers of 43 percent.

Children in Malawi are generally malnourished. In 2000, 49 percent of children under age 5 were found to be stunted (low height for age). In addition, the poor consume only 66 percent of the recommended daily calorie requirement showing that malnutrition affects adults as well. Malawi too has a high total fertility rate estimated at 6.3 children per woman. It is, however, evident that the wealthier and more educated the mother, the less likely her children are to be malnourished and the lower the total fertility rate.

#### ***2.5.4 Economic characteristics***

Almost half of the poor households are self-employed and agriculture is the predominant economic activity, especially for rural areas. However, most of the poor are constrained in terms of both land and labour. About 81 percent of the poorest 10 percent of households have landholdings of less than 0.5 hectare. By contrast, 64 percent of the richest 10 percent of households cultivate more than 1 hectare of land. Females are the ones most hit by labour constraints as they spend more time caring for their families including the sick.

Trading is the commonest non-farm business activity for both the urban and rural areas. Out of those engaged in non-farm business, that is 50.4 percent, 67.5 percent live in the urban and 47.9 percent live in the rural areas. However, in the urban areas trading is more common among the poor while in the rural it is the non-poor.

##### ***2.5.4.1 Sources of Income***

As shown in table 2.2, subsistence agriculture is the main source of income for the rural poor and it accounts for 63.7 percent of income. Despite subsistence agriculture being the main source of income most of it is consumed and not sold. Notably, income from agricultural sales is *not* the most important source of cash income in rural areas. The major source of *cash income* for Malawian households is wage income and it contributes about 13.0 percent of income. Therefore, there is limited participation in the cash economy by the poor.

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<sup>3</sup> Malawi Government (2000) Malawi Demographic and Health Survey 2000



Table 2.2: Major sources of income (percent of total per capita income)

	National		Rural		Urban	
	Poor	Non-poor	Poor	Non-poor	Poor	Non-poor
<b>Home production consumed</b>	55.9	38.1	63.7	59.1	11.8	3.1
<b>Wages and salaries</b>	21.5	30.9	13.0	17.3	69.2	53.7
<b>Business income</b>	2.3	10.5	1.3	2.6	8.1	23.6
<b>Agricultural sales</b> (net of input costs)	8.0	4.9	9.5	7.6	-0.6	0.7
<b>Income transfers</b>	6.2	5.0	6.5	6.0	4.6	3.2
<b>Other income</b>	6.1	10.6	6.0	7.4	6.9	15.7

Source: Malawi Government: Profile of Poverty in Malawi 1998.

#### 2.5.4.2 Expenditure Patterns

Generally, poor households spend most of their income on food.

As shown in 76.0 percent of the income of the poor was used for food, while non-poor households used only 55.4 percent of their income for food. The rural poor also are likely to spend more on food (80.9 percent) than the urban counterpart (57.5 percent). Notably, the urban poor spend relatively more on housing and utilities than the rural. Thus there is inadequate income to be spent on other basic needs as well as productive means.

Table 2.3: Top five household expenditure categories, by percent of the value of total consumption

	National		Rural		Urban	
	Poor	Non-poor	Poor	Non-poor	Poor	Non-poor
<b>Food</b>	76.0	55.4	80.9	69.7	57.5	29.8
<b>Utilities and Housing</b>	2.8	9.5	0.6	2.8	11.2	21.3
<b>Clothing</b>	5.2	7.2	5.1	7.3	5.5	7.0
<b>Gifts, transfers, or loans</b>	2.0	6.4	1.4	4.7	4.2	9.4
<b>Fuels</b>	4.3	3.4	3.5	3.6	7.7	3.0

Source: Profile of Poverty in Malawi 1998, Table 36.

#### 2.5.4.3 Ownership of Assets

Low income results in low levels of ownership of assets. Assets like beds, tables, chairs, and bicycles are absent in two-thirds of Malawian households. Qualitative studies have confirmed that lack of assets at household level is an attribute of poverty. However, even those who reported to have acquired assets, the quality of such assets is generally poor.

## 2.6 Summary of Poverty Issues

The prevailing poverty situation points to the areas and gaps that the MPRS has to direct its focus in terms of policy and programme implementation. This information is also to serve as the

basis for monitoring the progress in the implementation of the MPRS. It is evident that a large proportion of the people in Malawi are living in poverty and most people's basic needs at household and community levels have not been addressed in the past.

Most of the poor are concentrated in the rural areas where there are limited economic activities. Rural development would therefore form the core of program implementation with the aim of increasing people's cash incomes and access to basic services.

The poor socio-economic indicators point to the need to improve access and delivery of social services and therefore increase and improve human development. There are implementation gaps in the quality and access to health services both in terms of preventative and treatment of diseases. Improving the quality and access to education is a pre-requisite to developing the country's appropriate skills and knowledge.

Food security is a serious threat to better life and this often translates into problems of malnutrition. Food security is very dependent on size of land, available factors of production and a person's purchasing power. The stability or erosion of purchasing also has strong linkages on the macroeconomic stability of the economy.

Consideration also needs to be given to the core poor who may not be in a position to take advantage of any economic opportunities that arise. These will therefore require deliberate redistribution programs under the safety nets.

The highlights above are also reflected in the district findings from the consultations that were carried out in February, 2001, which are summarised in Box 2.1:

*Box 2.1 – Issues Highlighted in District Consultations*

**District Issues**

- **Depoliticisation of Development:** There is a need to foster development and implement the Poverty Reduction Strategy in all districts regardless of political affiliation.
- **Corruption:** Corruption has resulted in mistrust between the poor and all levels of Government, hence, corruption must be stopped
- **Decentralization:** Poverty varies from district to district Decentralization would go along way in addressing district specific poverty issues
- **Credit:** People do not really know the cost of credit such that there is need for civic education so that poor people are exposed to risks governing credits
- **Agriculture:** Agriculture development is faced with a challenge of lack of produce markets and people fail to sell the produce in order to realize cash income
- **Security:** Security deters people to invest in productive assets. In particular, livestock thefts are rife such that there is no incentive to keep livestock
- **Macro-economic Stability:** The poor feel the impact of macro-economic instability through inflation which erodes the purchasing power of the already meagre incomes
- **Infrastructure:** Physical access to markets and social services is very limited due to poor conditions of roads especially in the rural areas. People become isolated from opportunities arising in the economy.

## **Chapter 3 – Structural Adjustment and Poverty**

Malawi has implemented a series of Structural Adjustment Programmes (SAPs). The major areas of focus in the SAPs have included the liberalisation of the agricultural sector (which centred on price decontrols, market liberalisation, and the repealing of the Special Crops Act), parastatal sector reform, financial sector reform (which included the liberalisation of the exchange rate, relaxation of exchange controls, and interest rate liberalisation) and the rationalisation of the Budget.

However the adjustment programmes have had limited impact on economic growth and poverty reduction due to a number of factors. This chapter presents an overview of the Structural Adjustment Policies and Economic Performance, and outlines a new approach to Poverty Reduction Strategies.

### **3.1 Overview of Structural Adjustment Policies**

Between 1981 and 1994, Malawi implemented six Structural Adjustment Programmes supported by the International Monetary Fund and the World Bank. From 1995 to date, Malawi has implemented three Fiscal Restructuring and Deregulation Programmes (FRDP), another form of SAP supported by the World Bank. The major thrust of these SAPs was to stimulate the economy to achieve sustained economic growth and development.

In the agricultural sector, the reforms centred on price decontrol, market liberalisation, and the repealing of the Special Crops Act. Price decontrol was aimed at allowing market forces to drive resource allocation in production whilst market liberalisation was intended to foster competition and ensure that smallholder farmers get good input and producer prices. The repeal of the Special Crops Act lifted restrictions on smallholder production of burley tobacco.

In the financial sector, the Reserve Bank of Malawi and Banking Acts were reviewed in 1998/99 to allow, among other things, easy entry of new banking institutions into the financial sector and to give the Reserve Bank greater independence in the formulation of monetary policy. The

revision of the Acts also strengthened the RBM's powers to supervise the banking industry. The liberalisation of the financial sector also meant that monetary policy had to shift from direct to indirect instruments of monetary policy.

Liberalisation of interest rates began in 1987 when lending rates were freed. Deposit interest rates were deregulated in 1988 together with the abolition of preferential interest rates to the agricultural sector. By May 1990, all interest rates became fully liberalised.

Another notable policy reform undertaken was the liberalisation of the exchange rate system in order to promote the country's competitiveness in international trade. The Kwacha's flotation in February 1994 was meant to enhance flexibility in achieving this goal.

During the same adjustment process, Government has also undertaken the privatisation of public enterprises through the enactment of the Privatisation Act passed in 1995. This was aimed at improving efficiency, fostering competition and establishing a wider base of share ownership. Although privatisation has in general been characterised as a success, a number of social and redistributive issues remain unresolved such as employment and popular ownership.

Major industry and trade reforms were implemented in 1988 through the Industrial and Trade Policy Adjustment Programme. The programme eliminated quantitative restrictions and rationalised trade taxes. Malawi's tariff bands were reduced to four. The foreign exchange market was also liberalised to ensure efficiency in foreign exchange allocation.

Locally produced goods were exempted from surtax in 1992 as a way of offering protection to local producers. The rationalisation of trade taxes ensured that only import duties were used as instruments of protection, while domestic taxes emphasised taxing consumption rather than production.

To promote Public Sector Management the Government has undertaken Civil Service Reform. The Civil Service Reform programme has included a census of Civil Servants and the retrenchment of 20,000 temporary employees. In addition, strategic and functional reviews of

Ministries have formed the basis for rationalisation of Government through contracting out certain functions and removal of operational overlaps.

Government also adopted the Medium Term Expenditure Framework (MTEF) in 1997 to improve the allocation and quality of public expenditure in view of the great need for an efficient public service and the very limited financial resources available. Specifically, efforts were made to strengthen expenditure prioritisation and to increase allocation to priority sectors such as education and health. These reforms were supported by the Fiscal Restructuring and Deregulation Programme, which also sought to reduce domestic financing of deficits and retiring of domestic debt.

Government has also initiated several measures to improve financial management and accountability. Significant progress has been made in the design of a computerised Integrated Financial Management Information System (IFMIS) with a view to strengthen the monitoring of expenditure, and integrated fiscal reporting system linking the Treasury with the Reserve Bank of Malawi and line ministries to ensure timely reconciliation of accounts.

### **3.2 Economic Performance During Adjustment**

The Malawi economy registered impressive growth from independence through to 1979. Real output growth, mainly spurred by the agricultural sector, averaged 6.7 percent during this period. But the fruits of this growth were poorly distributed, and growth itself was narrowly based on estate agriculture. Starting from 1979, Malawi suffered from a series of exogenous shocks, high import costs due to oil price shocks, disruptions in trade routes, the influx of refugees from Mozambique and droughts that disrupted the pattern of growth. Policy weaknesses also exacerbated the effect of these external shocks. External payment arrears rose and this put pressure on foreign exchange. Real GDP growth fell to 1.1 percent and 2.1 percent in 1986 and 1987, respectively.

Following another round of SAPs, Malawi started to experience relatively buoyant economic growth between 1988 and 1991. Real GDP growth rose from 3.3 percent in 1988 to 7.8 percent in 1991. However, the gains arising from this growth were short-lived as growth fluctuated

though the 1990s, partly as a result of external shocks such as droughts. For example, the economy recorded negative growth of 7.9 percent in 1992 and 11.6 percent in 1994, before recovering with a growth rate of 14.5 percent in 1996. However, the growth rate has again fallen in recent years, with only 1.8 percent growth recorded in 2000.

### **3.3 Structural Adjustment effects on Poverty**

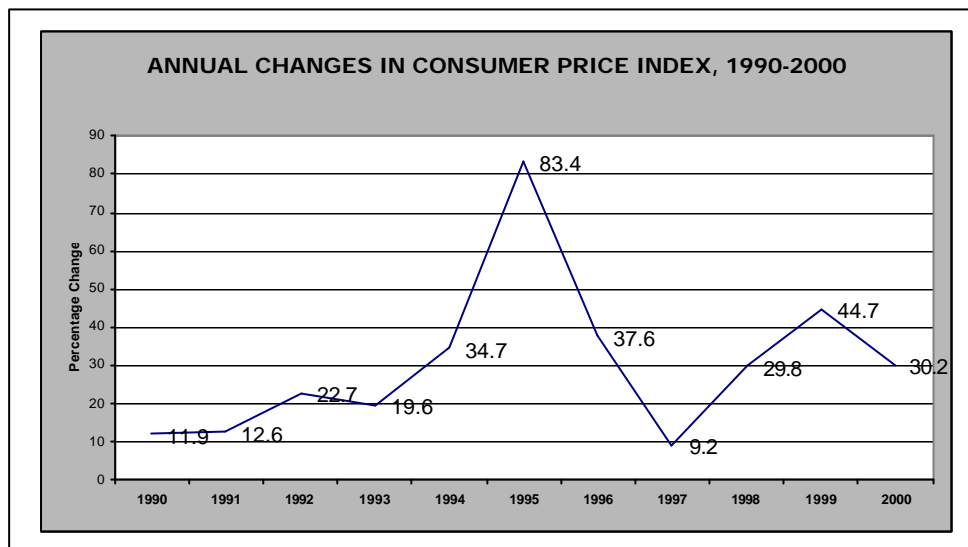
The impact of the wide ranging policy reforms implemented during the adjustment period has been unsatisfactory. Although there have been periods of stability and growth, sustainable growth has proved elusive. The instability arose mainly from external shocks, inconsistent implementation of reforms, fiscal policy slippages and the narrow base of the production capacity. The inability to sustain high rates of growth over a long period undermined any poverty reducing impact of growth. Furthermore, macroeconomic instability actually aggravated the poverty situation as explained below.

### **3.4 Macroeconomic Trends**

#### **3.4.1 Inflation**

During the period of 1990-2000, the annual inflation rate as indicated by the Consumer Price Index (CPI) has remained relatively high. As figure 3.1 below indicates, inflation moved from 11.9 percent in 1990, to 34.7 percent in 1994, and 83.4 percent in 1995, mainly due to fiscal slippages and external shocks. Prudent fiscal policies introduced in 1995 reduced inflation to 37.6 percent in 1996 and to 9.2 percent in 1997. The depreciation of the Kwacha in August 1998 led to cost-push inflationary pressure resulting in annual inflation rates of 29.8 percent and 44.7 percent in 1998 and 1999, respectively. In the recent years inflation has averaged 30 percent.

Figure 3.1: Trends in Inflation 1990-2000



Source: Malawi Government, Economic Report (various Issues)

Inflation is a regressive and arbitrary tax, which places a heavy burden on the poor who have no any other means of countering the associated adverse effect such as interest bearing accounts. In particular high inflation is damaging to growth as it erodes purchasing power most seriously on the poor.

Table 3.1: Basic Macroeconomic Indicators

	1994	1995	1996	1997	1998	1999	2000
GDP growth rate	-10.2	9.6	8.2	4.9	2.0	4.0	1.7
Average Annual Inflation	34.7	83.1	37.7	9.1	29.8	44.8	29.6
Domestic Saving/DGP	-3.0	-3.0	3.0	0.9	6.0	3.1	3.1
Investment/GDP	29.1	17.0	11.6	12.2	13.3	14.8	15.9
Interest rate (Lending)	31.0	47.3	45.3	28.3	37.7	53.6	53.6
Current Account							
Deficit/GDP (inc grant)	-13.4	-1.7	-7.7	-10.5	-2.5	-8.3	-4.9
Exchange rate (MK1US\$, average)	8.7	15.3	15.3	16.4	31.1	44.1	59.5
External Debts/GDP	150.6	139.1	88.6	90.8	142.7	144.0	150.3

Source: IMF



### **3.4.2 Nominal Exchange Rate**

During the period of reforms, as shown in Table 3.1 above, the Kwacha exchange rate has moved from MK 8.7 to the 1 US\$ in 1994 to MK59.5 to 1 US\$ 2000. By February 2001 the United States Dollar traded at 80.5 Malawi Kwacha although the Kwacha has of late appreciated to MK61.3 to 1US\$. During the same period a depreciating exchange rate has also eroded incomes and the purchasing power of the poor through inflationary effects.

### **3.4.3 Interest Rates**

High fiscal deficits as shown in Table 3.1 above have during the Structural Adjustment period necessitated excessive Government borrowing, which in turn has led to high interest rates. Interest rates (lending) moved from 31.0 percent in 1994 to 53.6 percent. This led to the crowding out of the private sector. High interest rates act as disincentive to investment and therefore retard economic growth and worsen poverty as the poor fail to raise credit resources to participate in production.

## **3.5 Agricultural Effects of Adjustment**

The initial impact of the reforms implemented in the agricultural sector led to a substantial increase in the production of tobacco as well as private sector participation in marketing of agricultural produce. The liberalisation of burley tobacco production alone generated around US\$185 million of revenues for the rural sector, which stimulated the growth of trading, transport and other income. However, over time, these benefits have been offset by inputs prices increasing faster than producer prices. The lifting of price controls, elimination of fertiliser subsidies have all contributed to increased input costs. Again, during years of bumper crops, farmers have lost out because producers prices have often collapsed without any remedial Government interventions.

## **3.6 Fiscal Policy and Expenditure Allocations**

In addition to general fiscal policies relating to the size of the deficit and tax policies, the ways in which Government allocates resources through the Budget plays a large role in poverty reduction. Since the mid-1990s the Government has reallocated its expenditures towards the social sectors.

As indicated in Table 3.2 below, Government has allocated the largest share of the total budget to Social and Community Services from the mid-1990's, with Education receiving the highest share within this category.

*Table 3.2 Functional Analysis of Total Government Expenditures: Estimates 1995/96-1999/2000*

	1995/96	1996/97	1997/98	1998/99	1999/00
General Administration	21.80%	37.02%	35.10%	22.93%	30.73%
General Public Services	15.56%	29.31%	27.50%	16.87%	24.30%
Defence	3.15%	3.96%	3.46%	2.53%	2.77%
Public Order and Safety	3.08%	3.75%	4.14%	3.53%	3.66%
Social and Community Services	40.64%	24.27%	38.89%	40.46%	41.68%
Education	17.38%	11.09%	17.49%	14.90%	15.55%
Health	11.08%	6.00%	9.59%	12.20%	11.58%
Social Security	7.64%	4.89%	6.74%	5.35%	7.16%
Economic	15.56%	9.33%	9.49%	20.04%	20.17%
Agriculture	9.17%	6.17%	4.73%	12.37%	10.95%
Unallocable	22.01%	29.38%	16.53%	16.57%	7.43%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Economic Reports

This would imply that resources have been allocated to one of the poverty reducing areas, however as the Table 3.2.above highlights the second largest share of the Budget has been allocated to General Administration, with General Public Services, i.e. the general functions of Government, receiving the highest share within this category. At the same time the percentage

share of the agriculture budget increased over this period. Allocations to social services have increased but the quality of expenditure has not fully reached the beneficiaries.

Another point of interest is the significant change in the percentage shares from year to year, partly explained by changes in the levels of donor funding. Within specific sectors the following trends were noted in the Public Expenditure Review prepared by the Malawi Government in 2000:

1. **Education:** the share of the Recurrent Budget for primary education has risen from 50 percent in 1993/94 to around 60 percent in 1999/00, with the poorest sections of the population benefiting from an increasing share of primary education expenditures. However expenditures per pupil are 8 times higher in secondary education than in primary education, and 202 times higher in tertiary education.
2. **Health:** only 18 percent of the Health Budget is spent at on primary health services, which most directly benefit the poor, with tertiary health services receiving the highest share of the budget.
3. **Agriculture:** the highest share of the Agriculture Budget is spent on administration, with Headquarters receiving a significant proportion of this, partly because all donor funds are channelled through Headquarters and because of the centralised structure of the Ministry. Expenditures on agricultural research and extension as a percentage of GDP have fallen, with extension spending declining from 0.6 percent in 1995/96 to 0.3 percent in 2000/01.

Thus the detailed analysis in the PER highlights the fact that although Government has reallocated funds to those Ministries that have direct impact on poverty reduction, these funds were not always directed within the Ministries to those particular sub-sectors and activities that directly benefit the poor. This would explain why the overall reallocations in expenditures have had a limited impact on poverty reduction in the 1990s.

### **3.7 New Approach to Poverty Reduction**

As noted before, the various structural reform programs have not translated into poverty reduction. To address this situation the Poverty Alleviation Program (PAP) was instituted in 1994 as the main strategy for addressing poverty in Malawi. The PAP emphasised the need to raise national productivity through sustainable broad-based economic growth and socio-cultural development. Some of the notable programs under the PAP included: Free Primary Education, Malawi Social Action Fund (MASAF) funded Community Projects, European Union (EU) Macro-Projects and the Bakili Muluzi Health Initiative.

However, the main constraint of the PAP was the absence of a well-articulated action plan to ensure a holistic approach during implementation. In addition, the PAP Policy Framework was silent in terms of setting poverty targets that needed to be achieved either in the medium long-term. The result was the existence of disjointed initiatives, which lacked proper co-ordination.

It is against this background that Government recognised the need to do a balancing act between measures to promote medium and long-term growth and policies to reduce the short to medium term plight of the majority of the population. Government also noted that for poverty reduction to be achieved, there would be need to stimulate pro-poor economic growth whilst investing in social sector development and ensuring that Government intervene to help those who cannot benefit from growth. The strategy would have also to address a number of crosscutting issues, such as the HIV/AIDS epidemic and gender equality. It is against this background that PRSP was initiated.

## Chapter 4 – The Malawi Poverty Reduction Strategy

There is no doubt that Malawi experiences mass poverty even by Regional and International standards. In response to the broad consultations, the MPRS will focus on empowering the poor to reduce their own poverty, in part through generating their own incomes.

The first pillar will enhance rapid sustainable pro-poor economic growth and structural transformation. This will be achieved through four pillars.

Secondly, Government of Malawi will strive and continue to enhance Human Capital Development.

The third pillar will be to improve the quality of life of the most vulnerable.

Fourth, the main national strategy will be implemented through the strategic activity of Good Governance, Political Will and Mindset.

Finally the national strategy will ensure that cross cutting issues: such as HIV/AIDS, Gender, Environment and Science and Technology are streamlined in all strategic activities of the PRSP because of their casual and consequential impact on poverty.

### *4.0.1 Direct and Enabling Poverty Reduction Activities*

As noted in the introduction the intention is to refocus all Government strategies and actions on poverty reduction. In recognition of the importance of prioritising Government activities and limited resources on a few key areas, these activities have been classified into three broad categories: those activities that are provided directly to the poor, and can be seen to be **Direct Poverty Reduction** activities and expenditures, those activities that **Enable Poverty Reduction**, by providing the necessary support to the Direct Poverty Reduction activities such as financial management activities, and those policies and activities that enable wider economic growth such as facilitation of manufacturing and tourism development. The third category includes those **Overhead Functions** of Government that are a necessary part of any government such as state residences and Foreign Affairs.

Figure 4.0.1: Direct and Enabling Poverty Reduction Activities



As indicated in Figure 4.0.1 above, the MPRS pillars are divided into those activities that provide direct services to the poor, such as agricultural extension services, health and basic education, and improved security services through the police, and those activities that enable the reduction of poverty such as improvements to the public sector and facilitation of private sector growth. All activities under the Safety Nets pillar are directly poverty reducing.

#### 4.1 Sustainable Pro-Poor Growth

Pro-poor growth is a prerequisite for broadening income distribution and generation of employment. The consultation process revealed a number of issues that stakeholders would like to be addressed and these fall in the broad areas of agricultural production, micro-enterprises, micro-finance and rural infrastructure. Other specific issues include lack of extension support in

agriculture and irrigation services, access to agricultural inputs and other credit opportunities. Consensus also emerged that poverty is associated with the inability to generate income, which is manifested in inadequacies in accessing markets, good water, sanitation, feeder roads and capital resources.

Pro-poor growth cannot be achieved without considering macroeconomic issues, which have a direct bearing on poverty reduction such as interest rates, taxation, inflation exports and imports. The achievement of growth and structural transformation targets will hinge on the performance of the international economy and Malawi's ability to reposition itself to take advantage of the created the expansion of opportunities in world trade, for example by enhances efficiency and productivity as well as to diversifying the structure of production. Science and technology will encourage research in the production of goods at a low cost and the goods in which the country has comparative advantage.

The analysis of poverty and the MPRSP consultation process have enabled the identification of the following objectives (i) to promote rural development, (ii) to encourage and develop of micro, small and medium scale enterprises (MSMEs), (ii) to undertake investment in rural infrastructure, (iii) to strengthen and broaden the industrial base and (iii) to undertake investment in other enabling infrastructure such as energy, telecommunications and roads. These are discussed in detail in the subsequent sections.

#### ***4.1.1 Agriculture and Rural Development***

The most fundamental challenge in rural development will be to enable the rural people generate their own incomes by providing them with appropriate factors of production. Increased emphasis will be placed on addressing main productive economic areas, which affect growth in the rural sector. Some of the main issues affecting rural livelihood include low agricultural productivity (input supply, and access to credit), poor rural infrastructure (feeder roads, water, and rural electrification), other supportive requirements such as security, and natural resources, such as forests and fish.

##### ***4.1.1.1 Agriculture***

Agriculture is the main sector in which the poor play a significant role. The agriculture sector contributes 36 percent to GDP of which smallholder sector contributes 27 percent of GDP. In

addition, agriculture accounts for 87 percent of total employment and supplies more than 65.3 percent of the manufacturing sector's raw material requirements. Therefore agriculture remains the source of economic growth for the foreseeable future. However, the reduction of poverty through agriculture has been hampered by imperfection in the supply of inputs, imperfections in market information, inaccessibility to credit, insecurity and inadequate infrastructure.

Government will promote rural development by providing farmers with the necessary services and conditions for them to increase their incomes. This will involve expanding and strengthening access to agricultural inputs; improving research and extension services, introducing smallholder friendly technologies, improving access to local and international markets; reducing land shortage and degradation; increasing investment in irrigation; improving agricultural infrastructure; increasing security in the rural areas; and developing farmer cooperatives and associations.

1. Expand and strengthen access to agricultural inputs

Low agricultural productivity is mainly due to in availability or lack of access to essential inputs such as fertilizers and quality seeds. Use of fertilizer and improved hybrid seed by the majority of farmers, especially smallholders, has been extremely low. Increases in input supply through safety nets to the rural poor have resulted in increased production in the past. For instance, in 1998/99 and 1999/2000, Malawi experienced bumper harvests, among other things, owing to the implementation of free seed distribution under the Starter Pack Programme (SPP). Considering the high level of poverty (65.3 percent) in Malawi, and the low-income levels, it has been extremely difficult for the poor to buy inputs. The only option has been through credit. However, financial institutions are reluctant to lend to the agriculture sector due to inherent risks of farming, lack of collateral and high default rates.

The solution to these problems is twofold- firstly, increasing access to credit to the poor. The detailed strategies on credit are elaborated in the subsequent section. Secondly, ensuring access to inputs to the most vulnerable through the Targeted Input Programme (TIP) as elaborated in the section under safety nets.



2. Improve agricultural production through improved research and extension services. Though agricultural research institutions have developed agricultural technologies, there is generally low adoption by smallholders because of high costs of technology and inadequate linkages between research and extension. Some of the technologies (such as motorised irrigation) developed are inappropriate for use by the low capital and small land holding farming community in Malawi.

In view of resource constraints, which have resulted in failure to maintain basic extension activities in the field, the Department of Extension in the Ministry of Agriculture and Irrigation (MOAI) has embarked on a Core Function analysis with the aim of making extension service delivery more effective and responsive to farmers' needs. This has resulted in a new extension policy document, which emphasizes demand driven pluralistic extension services, allowing farmers to determine the information they receive, and involving NGOs in the delivery of extension services.

In the case of livestock, the development of policy for the livestock there has not been a clear policy on development of livestock. This has led to emphasis being focused on disease prevention services with less emphasis on production-oriented programs. In addition, the private sector has not been given opportunity in livestock production, while a lot of resources have been poured into government run enterprises. Furthermore, the private sector has not been encouraged to invest in livestock through provision of enabling economic environment.

The resulting strategy involves reducing the extension worker: farmer ratio to increase farmer access to extension services. This requires training and employing more extension workers to fill the gap created by high attrition rate due to deaths and retirement. In addition, existing extension workers will be retrained to enhance their knowledge and reorient them to the new extension policy. Secondly, Government will facilitate the formation and development of product specific farmer cooperatives and associations for easy access to credit and extension messages on production and marketing. The associations will be encouraged to engage into contract farming and farmers will be mobilized to actively participate in prevention and mitigation of HIV/AIDS. Thirdly, Government will produce and disseminate appropriate weather and production statistics

Finally, Government will improve the development of smallholder friendly technologies. This includes implementing demand -driven market oriented research projects (technology with long term environmental and economic benefits); providing farmers with high quality seed and animals for breeding; and improving quality and regulatory services in research. This will involve conducting participatory problem diagnosis with extension workers, farmers and other stakeholders; screening existing varieties crops resistance to major diseases; carrying out research and economic analysis at the farm level, producing crop breeder seeds; and improving livestock breeds.

*Box 4.1.1 Extension Targets*

Productivity (yield/ha for selected crops  
Maize 2000kg/ha, cassava 18,000kg/ha, cotton 1500kg/ha, g/nuts 1000kg/ha Soya beans 1000kg/ha  
2,800 production guide manuals on production technology produced by 2002.  
2,800 extension workers trained by 2004.  
30 frontline staff trained by 2004.  
600 farmer groups, and 6,000 individual growers selected for seed multiplication.  
3000 commodity specific groups formed for production and marketing purposes.

3. Production interventions

Government will take action to encourage the establishment of viable production units of selected key export crops which will have a direct market link with industry to facilitate agro-processing for more value adding. Key crops, apart from tobacco, include cotton, cassava and Soya beans. The crops were selected because smallholder farmers can easily produce them and have high export market prospects. It is envisaged that crop specific associations of these crops will be formed in areas with high comparative advantage. Adequate input supplies will be provided on loan to the associations.

*Table 4.1.1 Final Smallholder Crop Estimates for Major Crops*

Crop	1995	1996	1997	1998	1999	2000	2001
Maize	1,327,865	1,793,463	1,226,476	1,534,326	,2,245,824	2,211,859	1899,185
Paddy Rice	39,073	72,629	65,690	68,802	92,859	67,084	89,120
Groundnuts	30,664	40,327	68,718	97,228	124,604	116,363	147,624
Tobacco	35,438	68,978	83,567	94,063	84,555	98,614	85,715
Cotton	25,207	82,591	45,122	36,336	50,589	34,907	39,584
Sorghum	20,090	54,710	39,514	41,401	41,401	36,799	37,278
Millet	13,259	20,262	16,424	19,638	20,224	19,508	19,926
Pulses	99,772	183,093	179,226	208,859	233,811	248,243	306,560
Cassava	328,424	534,549	713,566	829,821	895,420	2,757,186	3,153,988
Sweet Potatoes	317,705	569,469	858,129	1,432,383	1,680,313	1,634,268	2,478,355

In the livestock industry, strategic actions put more emphasis on establishing viable feed industries to make animal feed more affordable to smallholder farmers. Commercial animal production schemes will be established and security groups formed to guard against theft. Basic animal health services such as dipping tanks will be expanded, upgraded and supported. Surveillance and control of animal diseases will be revamped and strengthened. These will partly be sustained by a cost sharing.

*Table 4.1.2 Trends in Livestock Production 1994-2000*

SPECIES	POPULATION						
	1994	1995	1996	1997	1998	1999	2000
Cattle	748891	748,830	780,069	589,175	611,040	750,000	775,333
Pigs	252,112	340,129	312,925	420,772	-	425,000	451,051
Sheep	91,915	86,827	93,018	97,916	-	117,000	119,466
Goats	850,313	843,362	947,028	1,566,514	-	1,460,500	1,620,103
Poultry	-	-	12,807,000	10,005,000	10,366,000	12,000,000	10,000,000

*Box 4.1.2 Livestock Targets*

50% No. of farmers trained by 2004.  
 Outreach programs extended by 50%  
 Production of livestock increased as follows: Cattle by about 12% by 2004/05 season,  
 Pigs by about 50%,  
 Sheep and Goats by 30% .

4. Improve infrastructure for agricultural production and marketing.  
 The current infrastructure is in bad condition to facilitate increased agriculture production. Rural road system is in very poor condition and inhibits the activities of traders and transporters of agricultural produce in rural areas. Buyers and producers suffer from high transport costs, thereby undermining the competitiveness of agriculture products. Water, electricity and communication services are poor or absent in many rural areas. In addition, appropriate storage

and processing facilities in many areas are not available, thereby inhibiting agro-processing activities.

These issues are addressed below under the section on rural feeder roads.

5. Improve access to market information.

There has been generally lack of understanding of domestic, regional, and international markets among Malawian farmers and small agro-enterprises such that they have not taken advantage of the market opportunities created by bilateral and multilateral trade agreements. Most stakeholders have very limited access to information on local and international markets especially smallholders and small scale traders, leading to lack of knowledge of quality, quantity and type of products to be produced and targeted to specific markets. The competitive position of agricultural products in Malawi is relatively weak due to high transport costs and comparatively low on-farm and agro-industrial productivity, resulting in low exports. Extension agents focus on production rather than marketing information and are not providing marketing support to farmers. The gaps left by the withdrawal of ADMARC from various commodity markets have not been filled by private traders. The domestic market is very limited in size and generally not quality discerning. Therefore, it is a weak springboard for exports. This is exacerbated by poor market research both within the public and private sectors. There is little incentive and financial support for the private sector to invest in agro-processing to add value.

The strategic actions towards addressing these problems will include developing an efficient and effective Market Information System (MIS). This will be achieved through creating a better marketing network, which will link farmers to markets. Extension workers will be oriented towards imparting marketing knowledge such as grading, good storage and gross margin analysis. Dissemination centres will be created in all district assemblies and other conveniently accessed areas (schools, health centres, and agricultural offices). Market Information Systems in existing institutions for both inputs and outputs will be strongly coordinated and strengthened, be demand driven and based on partnership between Government and the private sector. Farmers will be trained in how they can access markets ( for example, by being informed by extension workers, through market research by farmer association representatives, and traders) and how to take advantage of specialized market opportunities. International linkages should be

strengthened, for example, through trade fairs and other buyer/seller meetings. Internet access, marketing bulletins and membership of local and international commodity trade associations. Malawi needs to have commodity sub-sector initiatives to develop and implement strategies to improve Malawi's international competitiveness.

*Table 4.1.3: Principal Domestic Export Commodities 1996-2000*

Agricultural Crops	1997	1998	1999	2000
Tobacco	5,780.3	10,306.0	12,109.1	13,030.0
Tea	701.1	1,247.8	1,734.6	2,213.6
Sugar	395.86	1,563.1	1,019.5	2,333.4
Cotton	190.6	154.8	235.0	419.9
Rice	29.2	74.0	110.1	92.0
Coffee	209.1	327.1	392.2	363.6
Pulses	105.8	134.1	284.9	152.2
Other	<u>1,643.6</u>	<u>1,963.2</u>	<u>2,558.7</u>	<u>3,452.2</u>
TOTAL DOMESTIC EXPORTS	<u>9,052.8</u>	<u>15,770.</u>	<u>18,444</u>	<u>22,056.1</u>

6. Reduce weaknesses in institutional and policy framework.

Farmers do not effectively contribute to agriculture programs because they do not have an effective voice owing to lack of coordination between the farmers themselves, the MOAI and other organisations in the agricultural sector. The respective roles of Government and private sector are not clearly stated or understood and in many cases lead to confusion and wastage of resources, due to lack of a core functional analysis for the MOAI. Ineffective decision-making mechanisms have led to poor development and implementation of policies. Policies and legal frameworks in most cases exist to guide the activities of the MOAI but resources for implementation are diverted to non-core functions. The Malawi Agriculture Sector Investment Programme (MASIP), under formulation, is aimed at providing a framework for partnership of Government, donors, Non-Governmental Organisations (NGOs), and the private sector in development of the agriculture sector.

The main strategic action towards achieving this objective is to undertake institutional reforms. Activities to be performed will include: strengthening coordination of farmers and other institutions within the agricultural sector, undertaking institutional reforms, developing

agriculture sector decentralisation action plans, instituting clear arrangements for implementation of non-core functions by the private sector, NGOs and farmer associations.

#### 7. Improve security in rural areas

Insecurity in the rural areas is a huge barrier to any accumulation of wealth because it undermines any incentives and ability to invest in rural areas. Owing to concerns related to lack of adequate security, banks and other financial institutions no longer operate in rural areas, farmers no longer invest in animals and access to productive inputs (fertilizer and hybrid seeds) is inadequate.

The strategies to address these problems are addressed under the section on Security and Justice in the fourth pillar.

#### 8. Reduce land shortage and degradation.

Land constraint in Malawi arises mainly from low productivity of fragmented pieces of smallholder land, lack of security of tenure, high population density and unorganised land market system. High population densities and lack of off farm employment opportunities have exacerbated the land scarcity problem in most parts of the country. Current land inheritance patterns encourage fragmentation of holdings and discourage long-term investments and improvements on land. Poor implementation of land policies and enforcement of the law has led to cultivation on slopes and river-banks, resulting in deforestation and serious soil erosion. There has been weak planning and coordination among sectors dealing with land. Absence of proactive policy interventions and limited capacity for dynamic monitoring of land administration may have directly contributed to today's problems of poverty, food insecurity, and perceived inequalities in access to arable land.

The strategic action for achieving this objective be the implementation of the draft land policy, including providing land to the landless; increasing productivity of small land holdings; promoting low cost conservation technologies and consolidating reproductive and gender issues into land management. This will be achieved through redistributing 14,000 ha of land to 3,500 farming households, guaranteeing security of customary land tenure, conducting soil conservation and fertility campaigns; and training and promoting family planning to reduce

pressure on land. The strategic objective will be the finalisation and implementation of the Land Policy.

#### 9. Promote small scale irrigation schemes and drainage

The current irrigation system has failed to maximise its production potential and impact on poverty for two main reasons. Firstly, smallholder farmers have been provided with high technology equipment whose maintenance is beyond their capacity; secondly, there has been lack of trained personnel and training programmes for farmers in irrigation issues, leading to farmers not having the necessary skills in irrigation, consequently the low adoption rate. The total irrigable land (potential land for irrigation) is 200,000 hectares while only 57,000 hectares is currently under irrigation. By promoting small scale irrigation and drainage, greater efficiency will be achieved in the use of water and hence increasing productivity and raising crop yields. This will have a direct effect on reducing rural poverty.

To this extent, the MPRS will facilitate the development of these small scale irrigation schemes and undertake the drainage of marshland where necessary. Strategic actions will include: supporting the construction of small scale irrigation infrastructure; promoting irrigation schemes based on manual lifting devices, sprinkles and motorised pumps; rehabilitation and construction of community small earth dams, introducing training programs to build capacity in management; and draining and reclaiming wetlands for agricultural use.

#### *Box 4.1.3 Irrigation Targets*

100,000 Treadle pumps to cover about 30,000 Ha per year.  
Increase coverage, 1 distributor per ADD by 2003.  
2,400 Ha additional under motorized pump.  
100 new sprinkler schemes by 2004  
2,000 Ha irrigated per ADD by 2004  
30 small community dams rehabilitated every year.  
10 training programs for farmers per year.  
50% frontline staff trained by 2002.

#### *4.1.1.2 Forestry*

Despite Government policing mechanisms, Malawi has experienced a rise in wanton cutting of trees for firewood and charcoal, resulting in environmental degradation and loss of soil fertility.

At the same time, existing forestry resources that could be used sustainably as a source of rural livelihoods have not been fully utilised.

The main objectives in the forestry sector are, to implement the existing forestry policy promote community based forest management and encouraged management of industrial plantations.

1. Implement the existing forestry policy

The policy provides for all citizens to have regulated and monitored access to forest products and the promotion of community participation and the equitable distribution of benefits, including access to forest reserves. The community will have to build a sense of owning forests and guard against it. Appropriate incentives to promote community-based conservation and sustainable utilisation of forest resources as a means to alleviate poverty will be provided.

2. Promote community based forest management

Rural communities will be organised and trained to empower them plant new trees and manage them. The emphasis will be placed on having forestry reserves into effective management for sustainable production through integrated land use system that will deliver a wide range of products without detriment to forest environment services. Communities will have to manage forestry resources on customary land based on clear mechanisms of ownership and control, and forestry based enterprises will be encouraged for generation of more income in the rural areas. Forestry extension will be strengthened to promote higher standards in forestry management. Communities and government will collaboratively manage fire control.

3. Encourage management of industrial plantations.

The Private sector will be encouraged to manage plantations through contracts and lease agreement. Management plans for potential plantations will be developed for use by the private sector.

*4.1.1.3 Fisheries*

Fish is the most important source of protein in Malawi contributing about 60 percent of animal protein. Fish has greater productivity potential compared to animals because it takes shorter period to mature than animals. However, fish farming in Malawi has not been promoted aggressively. Farmers have not taken advantage of the potential marshy areas to construct small dams and ponds for fish farming. Malawi has for a long time used primitive methods in catching



of fish in the lake. There is need to explore more advanced methods especially for the deep-water fishing.

Objectives for improving fish production and catches include increasing fish catches, improving quality and standards of fish and fish products and increase fish farming.

1. Increase fish catches

Government will encourage increased catches from Lake Malawi through use of more advanced equipment such as boats. Credit institutions will be encouraged to provide loans to small and large fishermen for procurement of deep water fishing equipment. Large private investments will be encouraged in deep water fishing.

2. Improve quality and standards of fish and fish products:

Government will facilitate better handling, processing and storage of fish for value adding. This will help to expand the domestic market and penetrate international markets. In particular, Government will generate and disseminate information on good technologies for processing, distribution, handling and marketing.

3. Increase fish farming:

Government will promote aquaculture through expanding fish farming extension services.

***4.1.1.4 Developing and Strengthening Micro, Small and Medium-Scale Enterprises (MSMEs)***

The development of MSMEs is one of the key areas through which MPRS endeavours to contribute to poverty reduction in Malawi. However, the development of MSMEs has been constrained by a number of problems including lack of capital support from credit institutions. Wherever credit is provided, it is often inadequate and lacks enough coverage. Entrepreneurs lack business skills and technological expertise, which would enable them to produce quality products and to access export markets. There is generally lack of supportive infrastructure for efficient production and marketing of products.

The following strategic actions will be put in place to create an enabling environment for MSMEs development and operation, providing financial support for development of MSMEs and improving institutional coordination and support.

1. Create an enabling environment for MSMEs development and operation

In order to achieve this objective, a number of strategic actions will be put in place: laws and regulations affecting development of MSMEs will be reviewed and appropriate technology transferred through training programmes. The promotion of local and foreign markets for MSMEs' products as backward and forward linkages will be encouraged.

2. Provide financial support for development of MSMEs

This will involve creating special small-scale financial schemes, which will have a direct credit fund. This will entail encouraging banks to develop innovative lending instruments for MSMEs. Entrepreneurs will be encouraged to enter into partnerships.

3. Improve institutional coordination and support.

There are a number of activities which will be done under this objective. The structure and operations of MSMEs will be strengthened through the formation of sectoral associations and cooperatives. Entrepreneurship development will be included as one of the key subjects not only in training schools but also in secondary schools. This will involve preparing self-employment programmes for school leavers and linking them to support institutions; formalising the apprenticeship programmes; and linking TEVET and other business growth programmes.

*4.1.1.5 Investment in Rural Infrastructure*

Investment in rural roads has direct impact on linking the rural areas, urban and peri-urban areas. Improved access to rural areas reduces transport costs and leads to the creation of marketing networks to enhance value adding. As discussed under Agriculture, people in remote rural areas lack physical access to markets because of poor quality and absence of rural feeder roads. Rural feeder roads also have social benefits through better access to social services such as health centres and freedom of movements. The rural population will benefit directly from the construction of the rural roads by getting employment generation through Public Works Programme (see safety-net section).

1. Construct and maintain rural feeder roads

Government will improve feeder roads to increase accessibility of rural areas. This will increase productive potential of the rural areas. Government through the National Road Authority (NRA)

has formulated a five year programme in the road sub-sector based on: improving the accessibility of the road network, reducing transport cost, increasing the network coverage particularly in the rural areas, and improving road safety. The specific objectives of the programme are as follows: -

1. Rehabilitate and maintain existing infrastructure

Priority sections of the road network will be restored from a state of severe deterioration to a fair condition through rehabilitation and maintenance. Government will further ensure that a sustainable road maintenance programme is in place to preserve the road network infrastructure as a capital based asset in which government has already made substantial investment

2. Construct new roads

Government will provide accessibility to remote areas through the implementation of feeder roads programmes.

3. Devolve of road maintenance to local councils

The Government will decentralise responsibilities for planning and management of urban and district roles to the established local councils. The devolution plan is to ensure that road maintenance is done efficiently at a right time.

*Box 4.1.4. Rural Feeder Roads Targets*

11,934 kilometres new rural potential network has been identified.

Upgrading of 2,500 rural trunk road from earth to gravel standard.

7,717 kilometres of rural feeder roads needs to be maintained.

*4.1.1.6 Increase Accessibility to Good Drinking Water and Sanitation*

Investment in good drinking water and sanitation has direct impact on health condition of the people and their productivity. The MDHS 2000 shows that only 65.6 percent of the households have access to clean water supply. The need for improved access to safe drinking water was amongst the top priorities during the district consultations. Access to safe drinking water is central to poverty reduction because it promotes to good health. The quickest way to improve access, especially in rural areas, is to expand the programme for building and maintaining boreholes. However, about 60 percent of existing boreholes are functional and 40 percent

require maintenance. Again, Malawi Demographic and Health Survey 2000 shows that only 81.4 percent of the households have a latrine or toilet.

1. Construct and maintain boreholes

Government will combine an expanded programme for building boreholes with strategies designed to ensure regular maintenance of the boreholes. This will involve building capacity among rural communities of simple maintenance of boreholes. In addition, agricultural extension workers will be trained in borehole maintenance and will subsequently be used to assist rural communities as technical experts.

2. Expand water supply capacity

Overall, the sector will expand the capacity to meet the growing demands from industry and domestic users. This will involve the rehabilitation of the existing infrastructure, the reduction of water losses and strengthening of the viability of water supplies. Reforms to institute autonomous and commercially oriented water boards will be further consolidated. In addition, the Water Boards will identify additional sources of water and review their tariffs.

3. Reduce incidence of water-borne diseases

This will involve the improvement of urban and semi-urban sanitation.

*Box 4.1.5 Water and Sanitation Targets*

By 2003/2004, 100 percent of the households have access to clean safe drinking water

By 2003/2004, 100 percent of the households have sanitary excreta disposal

Establish and train 20,000 rural water committees in three years.

By the end of 2003/2004, 17,000 boreholes drilled and 10,000 tap points installed

By the end of 2003/2004, 2,000 boreholes rehabilitated

Rehabilitation of 35 water catchment areas in the district assemblies.

*4.1.1.7 Credit and Micro-Finance*

Limited access to affordable credit has emerged as one of the important factors affecting production by poor households. The problem of access is in three main forms, namely, geographical coverage, costs or affordability of the credit available, and the insufficiency of

loanable funds, particularly as they relate to micro-finance institutions. Where credit is available, access has been hindered by prohibitive collateral requirements. And from the financial institutions point of view, the high rates of default, particularly in agriculture or rural-based enterprises, have significantly reduced the willingness of financial institutions to lend to farmers and small business. As a result of these constraints, farmers have not been able to buy inputs such as fertilizers, seeds and other chemicals, leading to lower yields and inability to help themselves.

Micro-finance plays an important contribution to poverty reduction by increasing access to credit by the poor clients. Programmes and schemes run by the Government through Development of Malawian Entrepreneurs Trust (DEMAT) Small and Enterprise Development Organisation (SEDOM) and NGOs have been seen to have positive impact on the lives of the recipients in terms of increased food consumption, increased savings, increased self-employment, access to other basic necessities and business expansion. However, these institutions and initiatives are not accessible by the majority of the poor. Government involvement in provision of credit brings political interference in credit delivery, which results in gross inefficiencies in allocation and contributes to high rates of default as recipients regard loans provided by Government or politicians as grants. Access to credit by rural communities has also been hindered by collateral requirements and high cost of borrowing due to high interest rates. The micro-finance sub-sector is currently segmented and lacks coordination due to lack of a regulatory framework, common rules and practices.

Government's goal in micro-finance is to promote the development of a sustainable micro-finance industry, which provides credit, savings opportunities and other financial services to the poor thereby creating wealth and employment. This necessitates strategies to address the broader financial sector, which support micro-finance.

1. Reduce the cost of credit.

The Government will strive to restore macroeconomic stability through the observance of strict fiscal discipline and tight monetary policy to bring down inflation and interest rates.

2. Establish a regulatory framework

Government will establish a regulatory framework to coordinate and regulate the activities of Micro-finance institutions. This will ensure that activities carried out by Government institutions, NGOs, and the donor community are co-ordinated and have a common agenda of reducing poverty. Specific actions will include the development of regulatory legislation and the setting-up of a separate micro-finance regulatory organisation or assign the regulatory function to an existing entity like the Reserve Bank of Malawi. In addition, Government intends to carry out an evaluation of MFI activities so as to develop common rules and practices. The purpose of this is to bring in a real poverty focus when it comes to lending and to eliminate harsh and unrealistic lending terms, especially by institutions lending to women. This will also help in levelling the playing field as all MFIs will be subject to the same rules

3. Commercialise and privatise public MFIs.

Government will strive, at the appropriate time, to commercialise and privatise all Government controlled micro-finance institutions to enhance efficiency and competition. This strategy will eliminate completely the political interference, which is contributing to misallocation of resources and high default rates.

4. Develop alternative collateral instruments

In order to overcome the high risks associated with lending to rural communities, Government will encourage the use of other forms of collateral such as land and life policies. Where these may not be available, an appropriate credit guarantee scheme or insurance fund will be established.

5. Diversify and expand coverage

Government will step-up its efforts to mobilise donor support to provide financial resources to act as seed capital to strengthen and expand the geographical coverage of most MFIs. In collaboration with the micro-finance industry, Government will design and provide incentives for the development and expansion of MFIs operating in rural areas. Domestic resource mobilisation by specialised institutions such as the Malawi Savings Bank (MSB) will be encouraged and linked to MFIs so that they can be channelled to the poor.

6. Change peoples' mindset

Government will carry out a campaign aimed at changing people's mindset regarding credit and the importance of loan repayments. There is a tendency among people in rural areas of trying to avoid or evade paying back loans extended to them. Government efforts will be directed at changing this attitude by educating the people on the importance of recycling the funds so that others can also benefit from the revolving funds, including their own future credit needs.

7. Enhance competition and efficiency in the credit market.

In order to expand coverage and innovative lending by institutions, there is need to further encourage competition in the system. Specifically, interlocking ownership linkages among the two big commercial banks need to be eliminated through full privatisation of the two banks and encouragement of new entrants into the system.

8. Strengthen the legal framework

To address the problems of high default rates among the low-income credit clientele, banks and other financial institutions have voiced the need to introduce tougher and more efficient legal sanctions to ensure that borrowers make an effort to repay their debts. Recovery of bad debts by the lending institutions also requires enforcement legislation to be strengthened so that the legal process of dealing with defaulters is speeded.

9. Promote of farmer clubs/cooperatives

Credit provided to farmers through farmer clubs and cooperatives has proved more successful than that given direct to individuals. For this reason, government wishes to promote the formation of farmer clubs and cooperatives so that through them, it can improve access to credit by rural people. In addition, the clubs should be expected to reduce problems of identities and collateral.

***4.1.2 Strengthening and Broadening the Industrial Base***

The industrial sector is relatively small, with manufacturing activities concentrated in a few agro-processing activities as shown in Table 4.2.1. The bulk of manufacturing activities are highly dependent on agriculture and natural resources as sources of raw materials and provider of foreign exchange for the importation of inputs and components.

Table 4.1.4: Structure of Manufacturing Sector, Sub-Sectoral Shares in Manufacturing Value Added, 1994 – 2000

	1994	1995	1996	1997	1998	1999	2000
<b>Agro processing</b>	<b>45.1</b>	<b>45.6</b>	<b>43.8</b>	<b>46.3</b>	<b>41.7</b>	<b>41.8</b>	<b>43.2</b>
Food	13.8	14.4	13.9	14.4	11.2	11.8	12.3
Beverages	15.2	16.4	14.5	14.2	13.4	13.4	14.3
Tea	3.8	3.7	3.7	4	2.9	2.5	2.6
Tobacco	2.2	2.3	2.9	3.2	2.7	2.8	2.9
Textiles, Nettings and Blankets	4.2	2.5	2.3	2.3	2.7	2.1	2
Clothing, Leather Goods and Footwear	2.6	2.6	2.5	4.1	4.4	4.4	4.3
Sawmill and Wood Products	3.3	3.8	3.9	4.1	4.4	4.7	4.9
<b>Manufacturing</b>	<b>52.1</b>	<b>52</b>	<b>53.2</b>	<b>50.4</b>	<b>55</b>	<b>54.3</b>	<b>52.9</b>
Packing Materials, Printing and Publishing	10.9	12.1	12.2	14.1	14.8	15.7	13.7
Chemicals and Fertilizers	5.3	5.8	6	5.3	6.2	4.3	3.8
Pharmaceuticals, Paints and Soaps	13	14	13.4	14.1	13.6	13.8	14.2
Plastic Products and Tyre Retreading	5.2	3.8	4	3.6	3.5	2.4	2.4
Non-metallic Mineral Products	4.1	3.5	3	2.4	3.2	3.4	3.7
Metal Products other than Machinery	9.3	9.2	10	7	9.8	10.3	10.8
Machinery and Motor Vehicle Assembly	4.4	3.6	4.5	3.9	4	4.3	4.3
<b>All Other Manufactures</b>	<b>2.8</b>	<b>2.5</b>	<b>3.1</b>	<b>3.3</b>	<b>3.3</b>	<b>3.9</b>	<b>3.9</b>
Total	100	100	100	100	100	100	100

Source: National Statistical Office, Monthly Statistical Bulletin (Various Issues)

Domestic resource cost analysis suggests that agro-industries in Malawi exhibit economic efficiencies in the short-term and lack long-run competitiveness. The potential for efficiency in the short-term indicates that firms in Malawi can easily withstand international competition. Some of the sub-sectors that exhibit competitiveness in the short term include food processing, beverages, apparel and textiles. This is calls for more investment in new technologies for the industries to remain competitive.

#### 4.1.2.1 Manufacturing

The major constraints in the manufacturing sector include weak industrial base, concentration on limited sub-sectors, limited linkages with MSMEs, use of mature technologies, inadequate standards and quality assurance and limited international marketing capabilities. Policy reforms in manufacturing will focus on removing the constraints and rigidities facing the sector so that a broad-based and diversified growth can take place. The achievement of sustainable and equitable growth calls for a substantial improvement of the overall national competitiveness in



the form of innovation and entrepreneurship, investment and profitability, exports, skills, telecommunications, transport, energy, taxation and public finance.

The main focus for the development of the manufacturing sector will be to widen and strengthen its base with a view to lessening dependence on a few sub-sectors. Hence, the primary strategy will be the identification of new sources of growth to accelerate the expansion of the manufacturing sector. Industrial deepening will be pursued in order to achieve greater value added and linkages, both vertical and horizontal, especially in resource-based industries.

1. Broaden the industrial base;

New sources of growth will be identified and promoted so as to strengthen and diversify the industrial base. New approaches will be adopted to target and focus on the development of export-oriented, high value-added, high technology industries, with greater assistance and support from domestic research and development. These will ensure that labour intensive, capital intensive and technologically-advanced industries have the capability to produce quality and competitive products that are integrated with the regional and international markets.

2. Develop new cluster-based industries

Emphasis will be placed upon development of competitive industry clusters through integration of key industries, suppliers, supporting industries, critical supporting business services, requisite infrastructure and institutions. Value chains with significant backward and forward linkages, domestic spin-offs and value added will be developed with more emphasis on domestic MSMEs. The following industry cluster groups are earmarked for active development, promotion and support: textiles and apparel; agro-based and food products (cassava, soya, fish and fish products, livestock and livestock products, floriculture, fruits and vegetables); resource-based industries (wood and wood products, gemstones, handicrafts); chemical products (pharmaceuticals, fine chemicals), engineering industries (automobile consumables and components) and consumer manufactures.

3. Integrate MSMEs in industrial development

Measures will be taken to facilitate and maximise participation of MSMEs by strengthening their competitiveness through improved access to finance, markets, infrastructure, information, results of research and development and training. Government efforts shall focus on identification and

review of the financial, fiscal, administrative and legal constraints inhibiting growth of the MSMEs.

4. Increase export promotion

This will include the marketing of locally produced goods not only to the traditional markets, but more importantly, to penetrate new markets. At the same time, local capability in international product promotion, product design and packaging, as well as market research and intelligence will be improved.

5. Establish a credible institutional framework:

There will be need to establish an institutional framework to provide guidance on the implementation of the industrial strategy. Industry Cluster Working Groups (ICWG) will be formed for each priority industry cluster/value chains and will be co-chaired by the private sector. ICWG will report to the Policy and Incentive Committee (One Stop Shop) which will report to the Industrial Co-ordination Committee (Business Council). The role of the Business Council will be to provide overall guidance and direction for the implementation of industrial plans. Its members will comprise key individuals from the public and private sectors.

*4.1.2.2 Tourism*

The tourism sector has potential for income and employment generation. Most of the tourism developments have been led by foreign investors with limited participation of local communities. The strategic focus of tourism will include community-based tourism to directly benefit the poor. Tourism is currently hampered by poor product development, lack of clear standards and guidelines, lack of innovation in marketing and inadequate supporting infrastructure. Tourism programmes and projects will place greater efforts on emphasizing the unique and unusual in the country's traditions, culture and lifestyles.

The tourism strategy will be holistic, built on value and customer satisfaction, focusing on unique value of the product. The major activities will involve the repositioning of Malawi as a destination of choice; development, upgrading and maintaining of the vital components of the existing tourism product; increased focus on quality standards; and a new approach to current marketing strategies and target markets.

1. Develop, upgrade and maintain vital components:

New tourism products will be developed in their original and traditional settings. The major activities will include involving rural communities in tourism development, designating tourism growth areas such as hot springs and Lake Malawi National Park, encouraging public private sector partnerships and improving the physical environment.

2. Increase efficiency and effectiveness of tourism marketing

The primary activity will be the creation of a distinct and unique image of Malawi's natural heritage and cultural resources. Creating an appealing Malawian identity "Warm Heart of Africa", will be an important component of tourism development. Further effort will be made to intensify marketing in both old and new markets, utilising developments in information technology. A coherent and balanced approach will be taken to yield optimisation.

3. Regulate tourism on the basis of defined standards

Standards, classification guidelines and licensing will form key components in ensuring highest possible standards of accommodation, catering establishments, incoming tourism agencies, travel agencies, destination management companies and other tourism service providers. There will be need to set physical standards and regulations for various elements of the tourism product, set processing guidelines for new development and reclassify and license existing establishments according to standards.

4. Provide infrastructure to support tourism

Infrastructure such as access road to tourism attractions will be improved. In addition, there will be periodic identification and review of infrastructural improvement.

*4.1.2.3 Small-Scale Mining*

The mining sector offers the opportunity for creation of rural income and employment generation. The sector employs nearly 3,000 people and there is scope to increase the employment level to 10,000 by 2004, while informal employment is expected to double within the same period. Malawi is endowed with a variety of mineral resources including industrial minerals such as bauxite, rare earth minerals, graphite, gypsum, vermiculite, phosphates, heavy mineral sands, glass sands and limestone; fuel/energy minerals such as coal and uranium; and ornamental and semi-precious stones such as gemstones, granite and sodalite.

Small-scale mining involves quarry stone, lime, gemstones, pottery-ceramics, gemstones, salt aggregate, limestone, sand and clay (pottery and brick molding). Thus, small-scale mining has a substantial and untapped potential for the development of rural areas, necessitating the need to identify strategies for boosting the output of this sector.

The constraints to mining development include inadequate exploration initiatives, inadequate technical and financial support, inappropriate mining legislation and low value adding.

The strategic actions will be vital for the development of the sector: Conducting developmental studies on mineral exploration, mineral exploitation and mineral based industries including beneficiation of low-grade minerals; implementing programmes that exploit Malawi's unique mineral position, particularly small scale mining; amending legislation to enhance private sector participation in mining; regulating the industry on the basis of defined standards; and building alliances with all stakeholders.

#### 1. Explore mineral deposits

There will be need to locate new mineral deposits and evaluate the known deposits for their integrated development. Although most of the mineral deposits are found on surface and easily extractable, the exploring agencies will have to look for more and more difficult terrain and search mineral at greater depths with more sophisticated technology. Annual field programmes of mineral survey and prospecting schemes would be initiated to provide preliminary information about availability of minerals in different parts of the country. This will form a basis for mineral exploration. In addition, topographical survey and detailed geological mapping would be required in a planned way in the mineral potential areas.

Private investments will be sought from companies having better technical know-how, expertise and financial capability in prospecting and mining of gold, base metals, and other precious and semi-precious stones and granite. A two-pronged policy of mineral exploration will be adopted. Minerals, which have export potential or base on which processing units and other mineral-based industries may come up within the country or which may be able to provide employment, particularly in remote areas, will be covered under short term programmes. Under the long-term programmes, concept-oriented exploration will be planned for minerals.

## 2. Promote exports

Small-scale miners will need assistance to improve the quality standards acceptable to foreign markets. In addition, suitable incentives will be developed to increase exports. The following measures will be taken to promote export of minerals: Fairs and exhibitions will be organised locally, periodically, so that the type of minerals and decorative stones available in the country may have the desired publicity; visits to national and international trade fairs, exhibitions and seminars will be organised both, for potential exporters and Government; and standard equipment will be used to improve and maintain quality standards suiting the requirements of the foreign buyers.

## 3. Disseminate information

In order to have proper dissemination of information relating to availability of minerals, exploration-status, mining and setting up of mineral based industries; a focal point will be created in the Department of Mines for undertaking the following activities: Preparation of an inventory of minerals available and produced in the country and updating it regularly; district-wise tenement maps indicating the leased area would be prepared, updated and published every year; introduction of a quarterly publication of the 'Malawi Mineral Bulletin' and to make it more informative; studies in the field about mining methods, reduction and utilisation of mining waste and development of mining machinery and equipment for use in small mines, mineral beneficiation studies by the Departmental and other laboratories; and brochures would be prepared for target minerals like granite, ceramic minerals, decorative and dimensional stones to facilitate setting up of mineral based industry in the State.

## 4. Simplify procedures

Demystification and simplification of procedures is one of the basic objectives of this policy. The major emphasis will be placed on the smoothening of the prevailing office procedures for greater convenience, avoidance of delays and reduced time lag in grant and renewal of mining leases and streamlining the system to ensure greater objectivity, transparency and proper application of the law.

#### 5. Improve interaction with the mineral industry

In order to ensure better interaction between the Departments of Mines and Geological Survey, periodic meetings will be held at different levels where various issues concerning mining, mineral development and other allied issues including problems and difficulties being faced by the mining entrepreneurs will be thoroughly discussed. The formation of small scale mining and cooperatives will assist in polishing and marketing of the minerals.

#### ***4.1.3 Investment in Other Enabling Economic Infrastructure***

The key component in the enabling environment for the private sector is the quality and availability of investment infrastructure. The provision of reliable economic infrastructure is crucial in the development process. Regular power supply, availability of water and sanitation services, good transportation and good port facilities, efficient telecommunications and infrastructure are necessary to complement public and private initiative in production and commerce. Major investments will be required to clear the backlog of maintenance and rehabilitation, and undertake new investments to match the excess demand for infrastructure needed to support productive sectors.

##### *4.1.3.1 Energy*

The growth sectors identified above cannot deliver without energy. As the sectors grow, the demand for energy rises roughly in step with economic growth. All businesses use some form of energy in their operations. The demand for electricity is likely to increase due to industrial expansions as well as urbanisation and general increased coverage. In terms of energy supply, there is need to diversify to other renewable sources.

The main focus is in the sub-sectors of electricity, liquid fuels and renewable energy. The objective is to increase access to reliable, and equitable electricity services and to ensure economic efficiency in the supply chain of liquid fuels and their end utilisation at affordable prices.

#### 1. Reform the electricity sub-sector

Given that growth and diversification rely on power, it is evident that Electricity Supply Corporation of Malawi Limited (ESCOM) should implement strategies that will lead to reduction of electricity losses, and improve its operation through the setting of tariffs at economic levels and separating into semi- autonomous operational units. Reforms in this sector will continue to

include strategies aimed at increasing the number of players through provisions in the Electricity Act. The other strategies will include the interconnection with neighbouring countries and utilising coal and petroleum products and other sources of energy in electricity generation. These strategies will aim at satisfying the energy requirements for the medium-term and beyond, in a scenario of stable economic growth and diversification.

#### *4.1.3.2 Telecommunications*

The mission of the telecommunications sector is to provide speedy, reliable and high quality facilities and services to all customers at competitive prices. The telecommunications sector was liberalized following the enactment of the Communications Act in 1998, which has led to an increase in the number of operators as well as the separation of postal services from telecommunications. Malawi Telecommunications Limited (MTL) was incorporated in May 2000 and it is now undergoing privatisation. Government has also liberalised non-basic telephone services such as Very Small Aperture Terminal (VSAT), e-mail, paging and internet as part of the liberalization of the telecommunication sector. As a result, there has been an increase in the number of mobile operators and a proliferation of other associated service providers. However, these developments have not yet achieved the desired goal of facilitating growth and diversification as MTL is still a monopoly and does not meet the full demand. The resulting strategy has two key objectives:

1. Expand coverage

MTL will continue to expand its coverage, aiming at increasing the number of working telephone lines to not less than 150,000 by 2004 and reach two lines for every one hundred people as soon as possible after that date.

2. Continue liberalisation of the sector

Government will ensure the provision of telecommunications is opened up to the private sector. This will help to raise the quality of service and reduce the charge.

#### *4.1.3.3 Broadcasting*

Radio and television play an important role to growth and diversification by mobilizing people and creating awareness among them on socio-economic issues. The electronic media faces a lot

of challenges of informing, educating and entertaining the masses because of inadequate funding and equipment.

1. Improve the quality of radio broadcasting

This will involve the restructuring of the Malawi Broadcasting Corporation (MBC) the replacement of obsolete transmission equipment with modern equipment and computerisation of radio studios.

2. Provide televised information to the population

This will involve TVM migrating from analogue to digital formats, installing more low power transmitters to ensure maximum television reach in the country, improving the transmission network, establishing community-viewing centres, improving studio infrastructure and opening regional centres to ensure regional coverage of news issues. Finally, adequately trained personnel will be required to ensure professional packaging of information to the viewer.

*4.1.3.4 Information Technology (IT)*

The overall objective of developing the IT infrastructure is to facilitate transmission of information that will enable businesses make efficient and informed choices with minimal cost. As a first step, the information being targeted is public financial management information for the purpose of accountability and transparency.

*4.1.3.5 Postal Services*

The goal of Government is to ensure that a full range of modern communication services is accessible by all the population of Malawi. Those living in rural areas should at least have access to basic communication services. Government's over arching objective in the postal sector is to ensure that people of Malawi especially those who live in the rural areas are provided with the necessary services to enable them communicate with one another through letters and telegrams at affordable cost.

## **4.2 Human Capital Development**

Human capital is key to poverty reduction in Malawi. A healthy and educated nation will lead into increased productivity and economic growth, hence, the reduction of poverty. A deteriorating health situation will lead to a decline in productivity and in particular, loss of skilled human resource, which in turn adversely affect economic growth. Similarly, increased



access to and improved quality of education are deemed to be key to poverty reduction. An uneducated population does not understand and appreciate better the need and means for achieving higher incomes, reducing infant mortality and population growth as well as improving nutrition and health. Functionally, the demands of human workforce in the major economic sectors of agriculture and industry, are that an educated, skilled and healthy workforce would be essential to take on the new challenges and aspirations of the sectors. At the same time, with appropriate human capital, the public and private sectors, civil society and poor people themselves would be able to positively influence and impact on processes and outcomes of the entire poverty reduction strategy.

Statistics show that there is much room for improvement on human capital in Malawi. About 80 percent of the population live in rural areas, mostly engaged in agriculture. At the same time the national illiteracy rate is as high as 42 percent<sup>4</sup> due to problems of access to and quality of education. There is also lack of skills development due to low access and intake into technical, entrepreneurial and vocational training institutions. In terms of health, the life expectancy at birth has reduced from 43 years in 1996 to 37 years in 2000 mainly due to the HIV/AIDS epidemic. Malnutrition is also high among children resulting into about half of all the children being stunted and 30 percent underweight.

The overall goal of this pillar of the poverty reduction strategy is to ensure that human capital is developed through implementation of the Essential Health Care Package (EHP), Basic Education Vocational Training, and Nutrition.

#### ***4.2.1 Education***

Education yields broad social and economic benefits. Evidence shows that education is positively associated with agricultural productivity, higher incomes, lower fertility rates and with improved nutrition and health. In a situation where only 58 percent of the population is literate and where education attainment for females<sup>1</sup> is 6.2 percent of the population, education is the

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<sup>4</sup> According to the Integrated Household Survey (HIS) 1997/98

<sup>1</sup> Education attainment is here defined as completion of Std VIII

centre-piece for the poverty reduction strategy. In Malawi<sup>2</sup>, completion of basic education<sup>3</sup> is generally sufficient for an individual to escape poverty.

The role of education in poverty reduction in Malawi is faced with a number of challenges as some indicators testify. High gross enrolment rates are a result of Free Primary Education that was introduced in 1993/94, which saw an increase in enrolment from 1.9 million to 2.9 million children. However, this increase in enrolment has come with some challenges. Retention of children in school is low due to dropouts especially among lower class children especially females, which account for 30 percent of school going pupils. There is also a serious lack of learning materials such as textbooks. In terms of secondary and tertiary education access is limited and unequal. Besides the general problems of access and equity, the quality of education has gone down. The high pupil to qualified teacher ratio of 114 and the high pupil to classroom ratio of 95, against a standard of 40 pupils in both ratios contribute to low quality of education.

In light of the above positive link between education and poverty reduction, it is clear that there is need to increase access to and improve the quality of education. To achieve this, there are four main objectives increase access and equity in education., Improve quality and relevance of education, Increase and improve primary teacher education, Strengthen management, planning and finance

Basic education will be accorded high priority followed by secondary education. Tertiary education will form part of the enabling environment for basic and secondary education.

#### *4.2.1.1 Basic Education*

The low quality of basic education can be attributed to two key causes. Firstly, the high enrolment rate resulted in a high pupil to qualified teacher ratio, which has slightly improved from 118 in 1998 to 114 in 2000. However, the ratio is still very high and continues to contribute greatly to low quality of education obtaining on the ground. The international standard pupil to qualified teacher ratio is 40 pupils per teacher. The problem of qualified teachers goes beyond recruitment. With lack of good incentives, very few persons are attracted to join the teaching

<sup>2</sup> According to the Integrated Household Survey (IHS) 1997/98

<sup>3</sup> Basic education was defined as primary education and adult literacy but under MPRS it includes vocational training

profession. Secondly, learning and instructional materials are in acute shortage in basic primary education. The pupil to textbook ratios are very high and some teachers do not have instruction materials such that schools have resorted to lending instruction materials to each other.

Despite the introduction of Free Primary Education (FPE), access to basic education is still limited due to physical access problems as well as other factors that influence high drop out rates. There are not enough schools and school blocks and physical access problem is rife especially for children with special needs. However, many children, especially girls, drop out between standards 1-5 due to extreme poverty and cultural factors.

The drop out rate is high at 30 percent of school going children in basic education indicating that few students complete standard 8. There are also many children who have not attended school. All these children become dependents as they cannot lead productive lives and support themselves. They lack life skills so that they could engage in productive activities such as agriculture and other entrepreneurship. In addition, many adults in Malawi, about 42 percent of the population are illiterate implying that they cannot read or write. Yet there are many people in this group who are potentially productive. About 2000 adult literacy classes are being conducted every year, however, there is more room for improvement so that communities are encouraged to participate in the adult classes.

Basic education sub-sector will achieve its policy objectives through various strategies. It will aim at reducing the pupil to qualified teacher ratio; increasing access and participation for all children to quality basic education with emphasis on gender balance; provide an alternative and functional form of education to youths who have dropped out of school or have not attended school; increase and improve adult literacy and numeracy; ensure that all pupils have access to an adequate supply of instruction materials; ensure good health and sanitation in primary schools; develop and implement a relevant curriculum; promote a more effective supervising and inspection service; respond urgently to problems created by the HIV/AIDS epidemic; and decentralise administrative responsibilities for basic education and enhance informed and participatory local level planning.

1. Improve the quality of primary education

The strategic actions to improve quality of basic primary education will involve recruiting and training more teachers, improving the teachers' salaries train teachers in specialized areas, reform the teacher education curriculum and improve Teacher Training College facilities. The issue of recruiting Junior Certificate holders and allowing them to upgrade their qualification will be addressed including the provision of in-service training (INSET). Students will start sharing in the cost of services and a fully-fledged Department of Teacher Training and Development will be created in the Ministry of Education, Science and Technology.

Government will also ensure that all pupils have access to an adequate supply of instruction materials. This will involve increasing access to textbooks to 4 per pupil in Standards 1 to 5, 5 text books per pupil in Standards 5 and 6 and 8 textbooks per pupil in Standard 8. It will also require that learning materials in the form of exercise books be increased to 15 exercise books per student per annum. The distribution of education materials will be decentralised to a zone based system.

Finally, Government will promote a more effective supervising and inspection service. Schools have to meet both instruction and physical infrastructure standards for efficient and effective education services. The schools require pit latrines and safe water sources such as boreholes and sanitary facilities. Besides lack of such amenities, supervision and inspection of the quality of teaching have also been lacking. Good learning and teaching environments are, therefore, necessary and need to be created.

The strategic action to promote a more effective supervising and inspection services will involve training of school communities in community based management, construction of adequate pit latrines and safe water points, increase the inspector to teacher ratio and increase the number of inspection visits per term. These activities would ensure that the schools maintain good health and sanitation conditions.

Table 4.2.1: Selected Basic Education Targets

	1999	2004
Number of Teachers Required	45,784	51,323
Teacher Trainee Graduates	6,317	34,023
Specialist Teachers (for deaf)	66	142
Number on INSET Programme	0	150,000
Pupil to Teacher Ratio	118	85
Teacher to School Inspector Ratio	145	81

Table 4.2.2: Selected Primary School Health Targets

	1999	2004
Number of Boreholes	242	500
Number of Pit latrines	3,000	15,000

2. Achieve equal access and participation for all children to quality basic primary education with emphasis on gender balance,

This will involve social mobilization campaigns particularly targeting orphans, girls, out of school youths and children with physical disabilities. In addition, more classrooms will be built based on school mapping exercises, double shifting will be introduced to maximise physical facilities and that special needs education will be integrated in conventional schools.

Table 4.2.3: Selected Primary Education Access Targets

	1999	2004
Number of new classrooms(cumm.)	1,000	5,000
Number of Classrooms Rehabilitated	-	6,500
Female Enrolment	1.4 million	1.5 million
Percent of Female Enrolment	48 percent	50 percent
Total Special Needs Enrolment	6,745	6,745

3. Improve the skills of the out of school youth

Government will provide an alternative and functional form of education to youths who have dropped out of school or have not attended school. This will involve developing multipurpose youth centres and providing resource and educational information, train youth patrons and leaders and provide actual vocational training.

4. Increase and improve adult literacy and numeracy.

To achieve increased and improved adult literacy Government will revise the adult literacy curriculum, train about 7000 primary school teachers in adult literacy and print and distribute adequate adult literacy primers. Effort will also be made to open up more Rural Instruction Centres (RICs) in existing communities for adult literacy.

Table 4.2.4: Selected Adult Literacy Education Targets

	1999	2004
<i>Number of Adults Enrolled</i>	37,500	1,362,500
<i>Number of Centres</i>	2,500	24,000
<i>Number of Instructors</i>	2,000	24,000

5. Respond urgently to problems created by the HIV/AIDS epidemic

The impact of HIV/AIDS has adversely affected the education sector. The toll on loss of teachers and the related burden of welfare costs erode the already meagre resources provided for the sector. So far there has been no coordinated and consolidated effort to fight the disease. As statistics indicate the prevalence of HIV/AIDS is likely to increase rather than decrease in future. Therefore, there is a need for a strategic plan, which should be guiding activities of the sector in fighting the disease and the after effects.

In order to deal with HIV/AIDS in the education sector, the strategic action will be to implement a Strategic Plan on HIV/AIDS. This Plan will mainly spell out the action plans, which would deal with the problem and these will be carried out in a coherent and coordinated manner. In addition, HIV/AIDS education will be imparted to youth in their youth clubs and the media through radio and Television will be used to spread appropriate messages.

6. Decentralise administrative responsibilities for basic education and enhance informed and participatory local level planning.

It would be difficult to realize the various desired outcomes of poverty reduction if management remained weak. A major driving force in institutional building will be efficiency and accountability of resources and results. Primary schools will be made accountable to local level authorities as development and operational responsibilities will be transferred to them. In addition, teacher training and institutions will also be decentralized.

The strategic action to improve the management and planning efficiencies will include the strengthening of monitoring and evaluation systems so that data collection and analysis is carried out in order to make informed decisions, reallocation of educational staff and operational budgets from higher to lower levels and the creation of a Teacher Education and Development Department. Among, other tasks, the Department will introduced in-service training systems at district level and undertake monitoring of standards for teachers.

#### *4.2.1.2 Secondary School Education*

Secondary and tertiary education generally fall under enabling educational environment. It is however, recognised that technical and vocational training at secondary level as well as motivation of teaching and research staff at tertiary level would play a significant role as this would also positively impact on basic education.

Secondary school education has an indirect impact on poverty reduction. The reason is that basic education is adequate for poverty reduction and secondary school education is just an added advantage. Hence, all its strategies are enabling. Secondary education sub-sector will achieve its policy objectives through the following strategies: increase access and equity to secondary schools; maintain and rehabilitate secondary school infrastructure; review curriculum for secondary school education; recruit and retain an adequate number of secondary school teachers; and decentralise administrative responsibilities for secondary schools.

##### 1. Increase access and equity to secondary schools

The national goal on secondary school education is to achieve an entry of about 30 percent of the age cohort which is about twice the current level of 16 percent. In addition, there is need to increase the participation of girls who now account for 36 percent of those entering secondary school. Issues of access and equity are more pronounced in secondary especially for the poor as the services attract user fees. It is also important to note that the chances of success in grant-aided schools or national secondary schools is seven times higher than in a Community Day Secondary School (CDSS), to which most of the poor have access.

The strategic action to increase access and equity to secondary schools will entail construction of more school blocks for day secondary schools and making them user friendly to students with

disabilities. In addition, double shifting will be encouraged in urban schools. Provision of distance learning for those who have completed Standard 8 but have failed to progress to secondary school will be introduced. Education of the girl child and students with disabilities will be enhanced through an appropriate review of the bursary scheme and social mobilization campaigns.

## 2. Maintain and rehabilitate secondary school infrastructure

Effective secondary school education will need up to date infrastructure. There are a lot of potential Community Day Secondary Schools (CDSS) if it were not for upgrading the standards of those existing facilities. In the year 1999 there were 1,356 CDSS which required maintenance and upgrading. Other secondary schools too are in bad shape and require rehabilitation. To begin with only minimum standards will be enforced.

The strategic action to maintain and rehabilitate secondary schools will take the form of rehabilitating schools which failed to meet the minimum standards in 1999, maintain the existing stock of secondary schools and to ensure that annual maintenance is carried out in all secondary schools.

## 3. Implement a quality secondary teacher education development programme

Quality secondary school education depends on the effectiveness of tertiary education. The teaching profession should be attractive both at curriculum implementation level as well as on the job market. Teachers are only trained at Chancellor College, Polytechnic, Bunda College, Mzuzu University and the Africa Bible College. In addition, there is potential to upgrade teachers to Diploma level at other institutions such as Domasi to recruit and retain teachers has and will remain a challenge for secondary education.

The strategic actions to yield quality secondary school teachers will involve instituting a rigorous programme of teacher education with all tertiary institutions in the country where about 1,035 teachers are expected to graduate per annum. In addition private institutions will be encouraged to offer secondary teacher education. Non-residential training shall also be introduced and subject specialization will be encouraged. Various refresher courses will be undertaken for teachers. These actions will create a conducive environment for teacher retention.



Table 4.2.5: Selected Secondary School Targets

	<b>1999</b>	<b>2004</b>
<i>Total Number of Students</i>	236,500	324,031
<i>Number of Private Students</i>	16,555	64,806
<i>Number of Students Entering MCDE</i>	-	11,550
<i>Number of Teachers Requires</i>	5,269	8,130
<i>Girls Gross Enrolment</i>	19 percent	25 percent
<i>Schools Teaching Information Technology</i>	8	100

4. Improve administrative responsibilities for secondary schools

Secondary school administration is weak at Ministry level. There is lack of adequate support for pre and in-service teacher education. There is no coherent teacher education requirements and no major career path reviews carried out for teachers.

The strategic actions will involve designing in-service training systems at district level and undertake monitoring of standards for teachers which the created Teacher Education and Development Department will undertake.

4.2.1.3 *Tertiary Education*

Tertiary education has an important role to play in poverty reduction through its direct impact on skills development across the economy. In particular tertiary education should be set to provide more graduates in the teaching profession than before. In order to strengthen its role the strategies include: to increase participation of females and disadvantaged students in tertiary education ; improve motivation of teaching and research staff; decentralise administrative responsibilities for tertiary education; and training and provision of refresher courses for instructors.

1. Increase participation of females and disadvantaged students in tertiary education

Access to tertiary education is very limited and at the same time capacities are underutilised. Distance learning has not yet been introduced for first graduates. Even if capacity was fully utilized there would still be need for more tertiary education institutions. User fees are another factor limiting access and equity especially for the poor. In addition, the physical facilities are not friendly to people with disabilities.

The strategic actions shall therefore, include, full capacity utilization of facilities plus introduction of double shifting and distance learning. The Education Act will be reviewed to accommodate private sector initiatives. About 30 percent of intake should be reserved for girls and be increased to 50 percent by the year 2012. Since user fee contributions are high, a scholarship scheme will be introduced for needy students and more finance will be provided for purchase of learning equipment and materials.

## 2. Improve motivation of teaching and research staff

Tertiary education institutions have experienced a great deal of brain drain. There has also been lack of motivation to carry out research in education. The stark reason has been low salaries for staff even compared to the public sector.

Strategic actions to improve motivation of teaching and research staff will entail increase salaries of staff by 85 percent in real terms by 2002 and to increase welfare and professional benefits in line with expansion in enrolments. Research staff will also be motivated through increased funding for research and training. While motivating teaching and research staff colleges will embark on various cost saving measures. Colleges will no longer be boarding staff wages and students will be paying for their boarding expenses. These measures, will assist in attracting appropriate and qualified human resources and increase on the other resources.

## 3. Decentralise administrative responsibilities for tertiary education

The running costs of tertiary education is very high. However, tertiary education services can pay for themselves. It is also possible to decentralized the administration of tertiary education. However, before decentralization takes place there is need to put in place a transitory mechanism to effect the necessary changes.

In order to decentralize administrative responsibilities for tertiary education, there is need, on part of university education, to redefine the University of Malawi Office so that costs are substantially reduced, a privatisation National Commission for the University of Malawi be established and a Pro-Vice Chancellor need to be recruited to effect the changes. In that regard,

the Malawi Institute of Management (MIM) Report will need to be fully implemented and the Colleges can ably draw-up their course in communication and marketing of their services.

In areas of curriculum development, examination, administration and certification, the institutes of the Malawi National Examination Board (MANEB) and the Malawi Institute of Education (MIE) will play a very important role, especially in basic education and vocational training. Efficiency and research would be the underpinning MPRS focus in the institutions.

*Table 4.2.6: Selected Tertiary Education Targets*

	<b>1999</b>	<b>2004</b>
<i>Total Number of Students</i>	3,526	6,824
<i>Students in Private Colleges</i>	35	1,100
<i>Number of Distant Learners</i>	0-	558
<i>Number of Female Students</i>	698	2,047
<i>Number of Needy Students</i>	500	1,706
<i>Females in Non-Traditional Subjects</i>	255	801
<i>Number of Students with Disability</i>	20	30
<i>Number of Students In Inform. Technology</i>	821	1,500

#### **4.2.2 Vocational Training**

According to current estimates from the Ministry of Education, Science and Technology, 750,000 people are entering primary school education annually, out of which 150,000 finish primary school and only 50,000 proceed to secondary education implying that about 600,000 people are dropping out of the primary education system and are entering the informal markets for livelihood. Further, the formal employment sector can only absorb about 30,000 to 50,000 people since jobs are limited. This simply means that over 200,000 boys and girls seek some other source of income other than wage employment in the formal sector. It is against this background that the creation of a high quality technical, entrepreneurial and vocational skills will assist the boys and girls and equip them with practical and usable skills which are key to increase income, and therefore reduce the tremendous inter-generational transmission of poverty which is prevalent within the population of Malawi.

Notwithstanding the potential benefits of the technical, vocational and entrepreneurial training, there have been problems associated with the institutional set-up and the limited enrolment. First, the current system is not flexible enough to produce an adequate number of graduates of

high quality skills and competences. The system is also overwhelmed with a lot of structural problem and cannot face the challenges of the dynamic labour market.

With regard to enrolment, access to vocational and technical training in Malawi is limited. Enrolment is not that high when compared to the number of dropouts, the current national annual capacity within Public Technical Colleges is 1,441 and private provider institutions is 18,000. This leaves a huge number of prospective entrants into the training market of around 580,500. This is due to a number of factors. First, lack of basic education factors, language barriers, high illiteracy and lack of knowledge, exposure and information pertaining to the provision of vocational training. Second, cultural factors have led to lack of exposure to the prospective subsistence and career opportunities. Third, lack of access to funds catering tuition fees, boarding fees, transport and utilities. Finally, limited recognition of vocational skills has led to poor investment in human resources and infrastructure.

It is therefore envisaged that the MPRS will address some of these problems. To achieve this, several strategies have to be implemented if a dent on the poverty reduction has to be realised. The following is a list of objectives in order of their priority:-

1. Promote self employment through skills development initiatives

Government will empower the poor in the informal sector through establishment of skills development initiatives in the rural areas. This will involve implementing on the job training programs in specific occupations for the youth in collaboration with MASAF and other stakeholders, expand the skills development initiative for self employment in rural areas, conducting demand driven specialised technical entrepreneurial and business development skills training programs, and training a pool of trainers of entrepreneurship training for the informal sector.

2. Ensure access to skills development

Government will expand and increase outreach and coverage of technical entrepreneurial vocational education and training programmes through village polytechnics in all districts. This will involve establishing and running village polytechnics, mounting and running mobile training units, constructing new technical college or expanding existing colleges, and linking decentralised units to designated resource colleges in catchments areas.

3. Improve curricula

Government will improve the relevance, access, equity and quality of technical entrepreneurial vocational education and training by reviewing, developing and implementing competency based curricula. This will involve revising all existing curricula within the Technical, Entrepreneurial, Vocation Education and Training sector, developing new curricula within all occupations, and training teachers in using new curricula.

4. Build human capacity

Government will ensure appropriate and sufficient human capacity within vocational training by establishing a flexible and cost effective Technical Teacher Training System. This will involve designing a concept of national flexible technical Teacher training, training trainers of trainers, establishing a national unit for planning, managing and accrediting technical teacher training, and developing and printing learning and teaching materials for Technical teacher training.

5. Increase cost effectiveness of technical colleges

Government will ensure sustainability and quality standards by promoting maintenance and effective operation of equipment in the public technical colleges and other training institutions. Strategies include taking stock of existing equipment and assessing needs within public technical colleges, training staff from public colleges and private providers in preventive and corrective maintenance, and rehabilitating classrooms, workshops and existing public colleges.

6. Limit the impact of HIV pandemic on the labour force

Government will ensure access to HIV/AIDS information, counselling and testing services while monitoring its impact in the TEVET Sector;

7. Strengthen effective funding and financing of the TEVET system.

Government will strengthen the partnership between the public and private sector, and take measures to improve compliance of TEVET Levy.

Table. 4.2.7 – Vocational Training Targets

SECTOR	INDICATOR	NATIONAL DATA 1990 - 1995	TARGET FOR 2020
<b>Vocational Training</b>	Public training capacity % of population	0.01%	0.15%
	Public vocational training % of districts	21.43%	100%
	Private training capacity % of population	0.18%	0.35%
	Private vocational training of districts	75%	90%
	Enrolment ratio female	20%	50%
	Enrolment ratio male	80a%	50%
	HIV infection rate students	15%	5%
	HIV infection rate teachers	15%	10%
	Boarding Capacity (% of training capacity)	22.7%	10.0%

### 4.2.3 Health and Population

Health indicators in Malawi have remained poor despite the significant shift in resource allocation towards the sector over the past ten years.. The deteriorating health status have significantly contributed to the current appalling poverty situation. An overview of the health indicators is given to assist in the definition and execution of the strategic policy interventions in this sector.

Further, only 30 % of the population lives in a village with a health centre. Although 85% of the nation wide population is within 10 km of a health centre (which is still too far considering the seasonal availability of public transports), over 10% of the population lives beyond easily accessible distance to a health centre.

About 37% of the population lives within ½ a kilometre away from a safe drinking water supply. Access to proper sanitation is restricted to 6% of the population while 72% use sanitary facilities with pit latrines.

*Table 4.2.8 Regional Health Indicators*

Sub-Saharan Countries	Public Expenditure on health as % of general government* (1998 unless indicated) (%)	Infant Mortality rate (per 1,000) 1998	Under 5 mortality (per 1000); 1998	Maternal Mortality rate (per 100,000) 1998	Life Expectancy at Birth (1998)	
					Male	Female
Kenya	7.8	76	124	590	50	52
Malawi	8.4% (1999)***	134	229	620	42	42
Mozambique	11.1	134	213	N/A	43	47
South Africa	9.8	51	83	N/A	61	56
Uganda	9.3	101	170	530	42	41
Zambia	12.6	14	192	650	44	43
Zimbabwe	17.0	73	125	40	50	52
Sub Saharan Africa	9.8	92	151	N/A	49	52
OECD	15.1	6	6	N/A	75	81

Note: \* Including donor expenditure through the development budget, N/A = Not Available. General expenditure includes public debt charges

\*\*\* Actual recurrent plus development (par 1+2) on public health in Malawi

Source: World Bank; World Development Indicators Report 2000.

Half of all children are stunted and 30% of the same are underweight. Malnutrition is endemic in Malawi with 50% of under-five children chronically malnourished. About 56% of the pregnant women attending antenatal clinics are anaemic. The driving factors behind such appalling indicators are known and treatable. Statistics indicate that 70% of mortality among in-patients is due to communicable and other preventable diseases (nutritional deficiency, pneumonia, anaemia, malaria, gastroenteritis and measles). Under-five mortality is mostly due to malnutrition, anaemia, pneumonia and diarrhoeal diseases. Maternal mortality rates are pushed up by high fertility, the large percentage of pregnancies that are high risk; poor access to (and late utilization of) essential obstetric services and the poor quality of these services.

AIDS related illness are now the leading cause of death in the most productive age group (15 – 49 years) and account for over 70% of all inpatient admissions. This figure is likely to increase. Generally urban areas are hardest hit with an average HIV sero-prevalence rate of 25.3 percent. For semi-urban areas, the average figure is 20.9 percent for rural areas is 11.2 percent. In 1985, the sero-prevalence was around 2 percent.

An underlying factor explaining the poor performance of the health sector is the centralisation of national service management at Ministry level and the use of common grading and rewarding norms. These have made Government inflexible as regards the human resource problems that are unique to the health sector. Wastage from HIV/AIDS death and defection of clinical staff to the private sector and abroad is high and rising. It is common for a nurse to remain in one grade for her entire career life contributing to sustained frustration and demotivation. Statistics indicate that current doctor to patient ratios are 1:45,000.

The overall objective of the health sector is to improve the health status of Malawians. In the meeting this objective, the resulting overriding strategy is the design and implementation of an Essential Healthcare Package (EHP). Essentially an EHP is a bundle of health services provided at a given level of the health care system, supported by the necessary administrative, logistics, and management systems.. The EHP will address the major causes of morbidity and mortality among the general population and focuses particularly on medical conditions and service gaps that disproportionately affect the rural poor.. In recognition that not all services can be provided to all people, an EHP can be seen as having a particular equity focus, through guaranteeing access to a minimum standard of health care for everyone thus an EHP is an explicit form of rationing, through identifying certain services as high priority. The EHP development process provides an opportunity to revisit the distribution of funding in order to determine whether the relatively scarce resources might achieve greater impact through a shift in their allocation. The EHP will provide health services oriented around Malawi's burden of disease. An EHP is regarded as poverty-reducing strategy in the sense that it will address the major causes of morbidity and mortality among the general population, and focuses particularly on medical conditions and service gaps that disproportionately affect the rural poor. This objective is premised on the fact that only healthy citizens can participate in and contribute to the poverty reduction.



Table 4.2.9 Conditions Addressed in the Proposed Malawian EHP

Disease Condition	Selection Criteria	Data Source	Services
Malaria	1 <sup>st</sup> cause of outpatient first attendance: 36.4% under-5; 28.8% 5 and over	MOHP (1999) Basic Health Statistics 1996	IEC, including promotion of ITNs Vector control Diagnosis and treatment of simple malaria Referral
Acute respiratory infection and immunisable diseases	Upper respiratory infection 2 <sup>nd</sup> cause of outpatient first attendance: 13.8% under-5; 11.5% 5 and over	MOHP (1999)	BCG immunisation Polio, measles, DPT Diagnosis and treatment of ARI Referral
Acute diarrhoeal disease	Other diarrhoeal disease 3 <sup>rd</sup> cause of outpatient first attendance: 8.8% under-5; 5.7% 5 and over	MOHP (1999)	IEC Water and sanitation (what is included here?) Treatment of mild diarrhoea with ORS Case management of acute diarrhoea and cholera Referral
Nutritional conditions/deficiencies	49% stunting among under 5s, half of whom are severely stunted;	Preliminary DHS 2000	Provision of Vitamin A Provision of iodine Anaemia Deworming
Maternal conditions/pregnancy complications	Maternal mortality estimated between 600 and 1100 per 100,000 live births	DHS 1992; Preliminary DHS 2000	Antenatal care – x visits per pregnancy (to include – SP prophylaxis, TT vaccine, what else? Is syphilis screening to be included?) Clean and safe delivery Postnatal care (tetanus injections) Family planning Referrals IEC
Sexually transmitted diseases, including HIV/AIDS		DHS 2000 preliminary report	IEC Screening for syphilis, contact tracing, treatment VCT (ARV treatment??? Given recent events???) Treatment of opportunistic infections Condom promotion
Tuberculosis	Leading cause of inpatient mortality	MOHP 1999	IEC Screening, contact tracing, treatment Referral
Eye and ear infections			
Injuries			
Schistosomiasis			Vector control Treatment (mass)

Source: EHP Design Team

Since the EHP will be the overriding objective in achieving a health population of Malawi, the delivery component will be: promote clinical human resource development, increase drug availability, expand and promote clinical support services and improve health infrastructure development.

1. Promote clinical human resource development

Human resources are an absolutely critical delivery input of the EHP implementation. The staffing levels are currently very low and remuneration package is very unattractive considering the amount of work before them. This situation has resulted into brain drain. In addition, the existing training institutions are not fully utilised.

The strategic activities under this strategy are; ensure that clinical teaching and training institutions are fully utilised; improve incentives available to health workers; and increase total remuneration package for front line health workers.

2. Increase drug availability and management

The availability of drugs is another key input to the EHP delivery. Currently, the drugs and medical supplies are inadequate and mostly are of inappropriate quality. The procurement procedure of these pharmaceuticals is not properly managed resulting into shortages. There is also the problem of pilferage of drugs that needs to be addressed.

The drugs and medical supplies must be constantly present in health facilities, both in adequate quantities and of appropriate quality. To achieve the availability, there is need to ensure that: the procurement, logistical, management and information of drugs is reviewed so that all drugs procured reach the intended patients and are prescribed properly, there is also need to increase the drug budget and reform the central medical stores to function efficiently.

3. Expand and promote clinical Support Services

In most hospitals and health centres, clinical support services are in acute shortage. The problem is due to low investment in these facilities. The shortage is more pronounced in the district hospitals.

To ensure quality health service delivery, some elements must be found in district hospitals and health centres. These include; laboratory services, pharmacy services, radiology, ambulance services and district or regional-level blood bank

#### 4. Improve health infrastructure development

The quality of service that can be provided by health centres is substantially determined by the following support systems; functioning piped or bore-hole water supply, functioning solar, stand by generator or ESCOM and functioning radio and telephone communication system.

The above strategies are regarded as direct poverty reducing. There are some strategies which will support the EHP hence are regarded as enabling the EHP to deliver its intended objective: administrative human resources, alternative financing mechanisms, sector wide approach, decentralisation and administration.

##### 1. Develop of financial and managerial resources.

The strategy is to strengthen management whereby planning, budgeting and transport management should be a district-based activity. The action is to train and retain financial managers/accountants, administrators, senior nurses and matrons.

##### 2. Introduce alternative financing mechanisms

The strategic actions include the introduction of user fees with support for the poor using targeting mechanisms. Cost sharing mechanisms need to be expanded in government services. There are many Malawians who can afford to contribute towards their health care. The National Health Accounts (2001) has shown that the poorest 60 percent of the population spent K881 million on health care goods and services whereas the richest 40 percent spent only K822 million in 1999 to 2000. The other strategy is to introduce health insurance schemes. This would be integrated with any user fees scheme that is in place.

##### 3. Sector-Wide approach

The EHP is one discrete component of what the overall health system should deliver, to be financed through SWAP. However, EHP is only part of what the health sector is and does and a SWAP, by its name, is broader than this. The EHP should be at the core of the health sector, however joint funding through SWAP particularly the co mingling of funds is required.

#### *Box 4.2.1 Health Targets for 2007/8*

##### **Targets for 2007/8**

- Infant mortality rate target: 90/1,000 live births from 104/1000).
- Under 5 mortality rate targets:150/1000 (from 189)

- Maternal mortality rate target :400/100,000 (from 620)
- Nutrition: 20% of children underweight (from 30%)
- Population: Fertility rate targets: 5.5 per woman (from 6.1)

**Other Indicators to be monitored**

- Reported new cases of HIV, measles, tetanus, leprosy, malaria, diarrhoea, TB, Pneumonia
- Inpatient death: malaria, diarrhoea, pneumonia, TB
- Proportion of under 5s underweight
- Proportion of 1s fully immunised
- Proportion of first postnatal visits within 2 weeks of delivery

*4.2.3.1 Demographic Situation*

The Demographic Household Survey (DHS) 2000 indicates that the population in Malawi stood at 9.9 million in 1998 and is expected to grow at annual average of 1.9 percent. Although the population growth rate has declined from an annual average growth rate of 3.2 percent in the past, the fertility rate remains high at 6.7 children per woman. It is also important to note that children and the youth make up more than 60 percent of the population. This implies that there is a high dependency ratio which becomes even higher if the elderly are included.

In general high population dimension greatly impacts on poverty. It puts pressure on the natural resources, financial and social services; the dependency ratio per worker is also very high and the overall human capital is under threat from the HIV/AIDS epidemic as it takes its toll on productive people. It is therefore expected that the health sector and other sectors should implement the poverty reduction strategy with the population dimension seriously in mind.

**4.2.4 Prevention and Control of Malnutrition in Malawi**

Satisfactory nutrition is a pre-condition for, and not merely a result of, human and economic development. Increased illness and mortality, as well as reduced work productivity due to malnutrition have exacerbated poverty and continue to slow down economic growth and development. In Malawi, the smallholder farmers (who are the majority of Malawian population) are severely affected by poverty due to poor nutrition and therefore health status.

The immediate causes of under nutrition in Malawi are inadequate dietary intake and frequent and persistent infections especially malaria, diarrhoea, acute respiratory infections and

HIV/AIDS. Inadequate dietary intake is caused by a combination of underlying factors including household food insecurity, poor child feeding and care practices, unhealthy environment, inadequate education and lack of knowledge. There is insufficient awareness and therefore, demand for nutrition information on the value of satisfactory nutrition. Malnutrition is both a **cause** and **consequence** of poverty. Poor health related to malnutrition reduces the resources and earning capacity of households, which are already poor, thus increasing their social and economic problems.

The nutritional status indicators have remained high and static due to little or no attention given to nutrition interventions. The major reasons for this dismal performance are two fold:

- little or no deliberate efforts by government to provide budgetary allocation for nutrition activities.
- Lack of well-structured implementing and coordinating bodies with highly positioned personnel to influence decision making in integrating nutrition issues in the poverty reduction initiatives and the overall development programme of the country.

Malnutrition is one of the leading causes, and contributes very significantly, to the high rates of infant mortality and morbidity. Statistics show that 49 percent of children are stunted (height for age); 25 percent are under weight and 6 percent are wasted<sup>5</sup>. These preliminary results show minimal progress when compared to the findings of the 1992 similar survey (49 percent stunted, 27 percent underweight; 7 percent wasted) and the 1995 Malawi Social Indicators Survey (48 percent stunted; 30 under weight 7 percent waste).

*Table 4.2.10 Nutrition Indicators*

Year of Survey	Stunted growth rate %	% of underweight	% of wastage
1992 (MDHS)	49%	27%	7%
1995 (MSIS)	48%	30%	7%
2000 MDHS	49%	25%	6%

<sup>5</sup> Malawi Demographic and Health Survey (MDHS) 2000

To overcome malnutrition problems in Malawi, the goal is to prevent and control protein, energy and micronutrient deficiencies. This leads to a number of objectives:

1. Advocate for the prevention and control of malnutrition

As indicated by the malnutrition indicators above, it is clear that malnutrition is one of the leading causes of infant and child mortality. In general, the micronutrient status of the population is very poor and with the advent of HIV/AIDS, there is need to stimulate new demand for nutrient interventions.

The strategic action for achieving this will be through the conducting community awareness campaigns, reviewing the food security and nutrition policy, conducting campaigns on HIV/AIDS and nutrition.

2. Increase and strengthen human capacity

The problem of malnutrition is not only as a result of the right food shortages, but the human capacity to prevent malnutrition. Dietary diversification is very poor in Malawi. Most people would like to eat *nsima*. If they haven't eaten *nsima* they feel they have not eaten.

This will be achieved through organising of short courses for extension workers in all districts on the prevention and control of malnutrition, training of middle and upper level personnel on food and nutrition, advocate the review of curricula of health extension agents, primary and secondary school teachers to incorporate nutrition issues. There is need for mind set. People should diversify to other starchy foods other than relying only on *nsima*.

3. Promote exclusive breast feeding and complementary feeding

The strategic action will be to increase the number of baby feeding hospitals and conducting of a baby feeding week.

4. Establish a Food and Nutrition Council

As a technical machinery on nutrition issues, the proposed council will spearhead the implementation and coordination of nutrition activities and research. Model countries in this regard are Tanzania, Zambia and Zimbabwe who made substantial progress in nutrition since they established their Nutrition Council.

5. Promote community based nutrition interventions

This will be through the provision for a minimum nutrition package. Malawi should adopt a minimum nutrition package. Malawi should adopt a minimum nutrition package which proposes that for nutrition to take-off, the following must be addressed; food security, dietary diversification and fortification, infant and young child feeding and home health practices.

6. Strengthen Food and Nutrition Program

The strategic activities include; conduct relevant research on food and nutrition, monitoring of fortified foods, evaluation of food and nutrition program and establish nutrition surveillance of data collection sites.

### **4.3 Improving the Quality of Life of the Most Vulnerable**

The depth of poverty, as already seen, implies that a lot of people in Malawi to meet their basic needs and barely surviving. For example, nearly 30 percent of the population survives on an income of under US\$0.35 per day. Worse still poor households tend to have high large family sizes with more dependents. For example, the dependency ratio for the very poor was 1.18 as opposed to a national ratio of 0.89. The very poor with low landholding sizes barely produce enough to last six months and most of them are unable to earn enough income to buy food throughout the year. In general these survive by begging from friends and neighbours, work for food, engage in low-pay *ganyu* and a host of inefficient survival strategies. The need to protect the very poor and the vulnerable has been recognized by government, NGOs and donors.

Malawi has sought to protect the poor in the past through market-based policies and administered safety programs. The Government also set up institutions like the Malawi Council for the Handicapped (MACOHA) to assist people with disabilities in meeting their basic needs. Market-based policies included price controls, price subsidies, minimum wages and price bands. Administered programs included nutrition supplements, free food distribution, free input distribution, food or inputs for work and public works programmes. The market-based initiatives, though easy to implement, mostly benefited the non-poor and missed the core poor. They were inefficient and stretched the government budget and with economic reforms, most of them abolished. The Administered programmes were fragmented and were not coordinated properly.

The geographic distribution was rarely on the basis of national representative poverty data and beneficiary targeting mechanisms suffered from some inclusion and exclusion errors.

Likewise, the poor did not benefit much from the remarkable growth the country witnessed in the past. What has been happening was that the numbers of the poor increased regardless of economic growth trends. The main reason has been that a large proportion of the population lack factors of production that would enable them to participate in the economic development process, in effect excluding them from benefiting from economic growth. This, therefore, justifies safety nets to the most vulnerable even in the most optimistic projections for economic growth.

Further, the poor have traditionally relied on informal safety nets which have become over stretched and vulnerable to shocks. The HIV/AIDS scourge has fast put unbearable pressure on the already overstretched informal networks. Caring for the HIV-infected sick and orphans has increasingly become a serious problem for extended families and communities. City streets are fast becoming 'homes' to many orphans whose grandparents and relatives cannot afford any assistance. There is high evidence of infant and maternal mortality reflecting existence of inadequate nutritional status and inadequate health care systems. Likewise the people with disabilities like the blind and the aged, who were generally taken care for by the informal networks, are finding themselves abandoned. This is a sign of failure of the hitherto-reliable traditional social protection systems.

To deal with the problems associated with policy failures, strained informal safety nets and deficiencies in the economic development, a multi-faceted approach is required. The following figure presents safety nets options on the basis of poverty characteristics.

In general, the poor with some resources like land and labour require productivity enhancing interventions like targeted inputs and public works, respectively while the capacity or resource constrained poor require welfare support in the form of interventions like targeted nutrition and welfare transfers. The productivity enhancing interventions generally reduce poverty while the consumption support interventions alleviate poverty. Since the country has all of the categories



of the poor, ranging from marginally poor to the chronically poor, the whole spectrum of interventions would be required to address the various requirements of the poor.

The overall goal of this pillar is to ensure that the quality of life of the most vulnerable is improved and maintained at an acceptable level by providing moderate support to the transient poor (those capable to move out of poverty given factors of production) and substantial transfers to the chronically poor. In particular, the aim is to provide moderate support to the poorest 20 percent to 30 percent of the population (those of working age and in good health but with under-utilised resources) and substantial transfers to the poorest 5 percent to 8 percent of the population (mostly people with disabilities, the aged, and children, especially orphans).

Figure 4.4.1: Conceptual Framework for Safety Nets

Characteristics	Target Group	Intervention	Type	Outcome
Chronically ("core") poor No capacity to generate income  ↑ ↓ Transient ("marginal") poor Ability to move out of poverty	Chronically-ill Elderly Infirm Disabled	Welfare Transfers	Welfare Support ↑	Livelihood Provision Poverty Alleviation
	Malnourished under-5s and pregnant/lactating mothers	Targeted Nutrition		
	Rural poor with labour Urban poor	Public Works	↓ Productivity Enhancement	Livelihood Protection Poverty Reduction
	Rural poor with land	Targeted Inputs		

Note: The group “people with disabilities” are not only in the core poor category. In fact, their categorization generally depends on severity of the disability as well as their education and training, among other factors.

To support the goal, in the context of the principles, four types of safety nets have been designed. These include targeted inputs, public works, targeted nutrition and lastly direct welfare transfers. As indicated in the 'conceptual framework for safety nets', targeted inputs programme is to enhance the productivity of the capital-constrained poor. Likewise, the public works programme is designed to increase productivity of labour-abundant but land-constrained poor by gainfully employing them at the same time creating socio-economic infrastructure. The targeted nutrition program is meant to assist malnourished children as well as lactating and pregnant mothers. The direct welfare transfers are basically designed to support the poor who can be supported by any of the three programmes. These include groups like the chronically ill, the elderly and orphans. People with disabilities falling in the category of the poor are to be considered alongside the other poor depending on their poverty status and capabilities. However, as a group, people with disabilities are to continue to work with institutions like MACOHA that are specifically set up to deal with their needs.

The safety nets on the basis of the following principles:

**(i) Productivity enhancement**

Some safety nets are designed to target groups in poverty whose productivity can be enhanced given factors of production and technology.

**(ii) Community Participation and Sustainability**

Communities are to be involved in all key decision-making regarding safety nets implemented in their communities including monitoring and evaluation.

**(iii) Synergy and Coordination**

Safety nets are to be coordinated to minimise inclusion and exclusion errors and they are to be integrated with other activities in the context of Sector-Wide Approaches.

**(iv) Subsidiarity**

Safety nets are to be designed in such a way that various stakeholders buy in into it at any level.

**(v) Complementarity**

Safety nets are to be designed to complement and not replace informal safety nets.

**(vi) Environmental Protection**

The design of safety nets is to ensure their utilization of natural resources is conducive to sustainable development.

**(vii) Engendered Safety Nets**

Safety nets are to be designed to ensure equal treatment of both sexes and that where necessary poor women are positively discriminated.

#### ***4.3.1 Distribution of Free Inputs to Capital-Constrained Poor Farmers***

Various studies<sup>6</sup> have shown that low incomes and inaccessibility of input credit have made poor small farmers fail to increase their productivity. The farmers' low income and poverty status generally make them less creditworthy. Likewise, the district consultations undertaken during the preparation of this paper, participants mentioned the lack of inputs to small farmers as one constraint to poverty reduction in the rural areas<sup>7</sup>. Among the solutions offered by the farmers and the participants include the distribution of free inputs.

The programme is designed to provide a pack containing open pollinated maize and legume seeds and two types of inorganic fertilizers for a period of three years to an identified poor small farmer. This pack is expected to be applied to 0.25 hectare of land. Each targeted household is expected to graduate after three years. The programme is to start with 34,000 then 113,000 and finally 340,000 beneficiaries.

##### **1. Design and implement a distribution system**

Unlike the previous targeted inputs programmes, the packs are to be stocked by major retail outlets such as the People's Trading Centres (PTC), Chipiku and McConnell. For areas not covered by the participating retail chains, non-government organizations are to be asked to tender for the delivery of the packs. The selected NGOs and the retail chains are to be responsible for the procurement and delivery of the packs. The selected beneficiaries are to be issued with vouchers which are to be exchanged with the packs at the participating retail shops. The retail chains are to be paid upon the presentation of vouchers exchanged by beneficiaries. The programme will not incur any financial outlay for the pack procurement or delivery exercise until retailers present their vouchers for redemption. Bearing in mind that NGOs are non-profit, the programme is pre-financed to enable them procure and stock the packs. In some cases, some areas are likely not be covered by either the retailers or the NGOs. The programme is to take responsibility of delivering the packs to the beneficiaries. In essence, the programme is to procure transport (by tender) and deliver the packs. The programme, therefore, requires the

<sup>6</sup> Among the many done on the expressed needs of small farmers, please read Khaila, S. et al. 1999, 'Consultations with the Poor', Centre for Social Research and National Economic Council, 2000, 'Qualitative Impact Monitoring'.

<sup>7</sup> See PRSP Technical Committee, 2001, 'Report of the District Consultations'.

establishment of a Logistics Unit to deal with the tenders for the provision of packs or its components, transporters and participating NGOs.

2. Design a targeting system

The beneficiaries are to be selected using a two-stage selection process. The first is geographical targeting. Areas are to be selected on the basis of food insecurity and vulnerability. Relevant surveys are to be conducted to determine the food insecurity and vulnerability. The second stage is to select the beneficiary household. This stage is to use community-based beneficiary selection committees. Communities are to elect members of the community who are to be responsible for beneficiary selection, among other activities.

3. Build public awareness

This will involve training communities, supervising and field staff, designing public awareness-building campaigns, and mounting awareness-building campaigns and discussing with retailers and NGOs

4. Create and strengthen institutional set-up

The National Economic Council is to have the overall coordination and management of the programme. Among other responsibilities, NEC is to design the programme, manage the tendering, and re-imburse retailers on the basis of vouchers exchanged at their outlets. District Assemblies are to assist in geographical and beneficiary selection. Communities are to be responsible for the selection of beneficiaries. The Ministry of Agriculture and Irrigation is to work with NEC in designing the programme as well as recommending the pack composition and mounting agricultural extension campaigns specific to the recommended pack.

**4.3.2 Implementation of Public Works Programmes for Land-Constrained and Urban Poor**

As already seen, the IHS has shown that 81 percent of the poorest 10 percent of households have landholdings of less than 0.5 hectare and most of their cash income is generated from non-agricultural, mainly piecework (ganyu). In urban areas, the major sources of cash income for the poor include petty trading and ganyu. In fact, almost half of the poor household heads are self-employed and trading is the commonest non-farm activity. What is, in fact, observed is that the self-employed are basically under-employed. Many, especially those that depend on

ganyu, have more idle time than they have otherwise. This is true for in both rural and urban areas. This underemployment means these poor have low labour productivity and this labour productivity can increase given gainfully and more permanent engagement. Given that there are limited formal employment alternatives, these labour-abundant poor could better themselves if they are involved in public works programme offering wages above their 'ganyu' wage.

Public Works Programmes (PWP) are to play a major role in providing alternative sources of income and food for the poorest segments of the population apart from providing long-term benefits to communities through the created socio-economic infrastructure. In essence PWP give a chance to the participants to develop themselves, and be self reliant instead of depending on handouts; especially if the wage income is invested in income-generating activities.

Beneficiary and impact assessments have shown that most of these programmes had positive welfare effects. Some participants of the cash-for-work PWPs have managed to use the cash received under PWP to start up micro-businesses. It has also been established that half-day work schedule give time to labour-constrained households to work in their fields while participating in PWP. Major problems of PWPs are their short-term nature and timing mismatches. The average engagement is 60 days yet most of the core poor who are supposed to benefit from these are vulnerable, at least half of the year. Secondly, these programmes are mostly not available when they are needed most; that is in the months of December to April. Some of these problems are addressed while building on the positive aspects.

1. Identify public works to be undertaken

The works to be undertaken include rehabilitation of earth roads, construction of small earth dams and other rainwater harvesting structures, stormwater drainage channels, flood protection structures, afforestation and road maintenance. The rehabilitation of earth roads works will take advantage of existing designs and capacities of DRIMP. In some cases, small-scale contractor is to be used and they are to be encouraged to employ women as is the case under CRIMP.

In the long run, road maintenance will revert to district assemblies. The District Assemblies will then solicit funding for road maintenance and then employ the poor not as a project but routine

maintenance. Small dam construction includes the construction of new earth embankments and the repair of existing embankments while irrigation projects involve the excavation of canals to distribute stream water to gardens with experts stationed in the districts.

## 2. Develop targeting mechanisms

The Public Works Programme is to generate employment for as many as 250,000 participants.. Targeting is to be done in two stages. The first stage is geographic areas selection using Vulnerability Assessment Mapping (VAM) but finally verified by the District Assemblies using TA-level food production assessment by agricultural field staff. The second level is beneficiary selection. The use of wages for self-selection is the commonest mechanism employed. However, others some are to use project committees and the traditional leaders while others use rotational targeting. Some specifically target destitute women and they use community livelihoods profiles to identify them.

In the longer term, the wage would no longer be used as a selection mechanism. Community-based targeting using a standardised facilitator model will instead be used. Standardised community-based targeting mechanisms will be developed across the range of PWP projects so that the different forms of PWP interventions can be assessed with respect to the different incentives (i.e. form, quantity, timing/availability of transfer) and outcomes (i.e. impact on livelihood systems).

Cash is the form of transfer for most of the PWPs. Others use payments-in-kind mostly maize. There are plans to use food vouchers to maximise food security. Food vouchers are intended to give households choices on when to get their rations since they allow beneficiaries to acquire the food when they need it. They enable participants to get involved in the public works when they do not necessarily need the food and then get the food when need arises using the vouchers. This also solves the timing problem faced by households that food insecurity sets in when labour demand for their own plots is high.

The setting of wage rates is to be flexible. Where there is a possibility of long-term employment, the wage rate is likely to be lower. Again, the wage rate will also vary. Other tasks will attract higher wage rates than others.

### 3. Create and strengthen institutional framework

The public works are to be carried out by small contractors with the labour employed from the communities. The selection of the small contractors is to be done jointly by NEC, District Assemblies and the Community Development Committee. The Community Development Committee will be responsible for the selection of the beneficiaries and the communities are to be responsible for the election of the committee and selection of the public works. Coordination of PWP is done at two levels. At national level, the NEC is to be the overall coordinator of the programme. The District Assemblies are to coordinate at district level by the District Assemblies.

The role of sectoral ministries/departments is to assist in the development of the common standards by providing technical specifications and assist in the supervision of the relevant works. All public works projects are required to implement training and capacity building components to enable the District Assemblies to implement the sub-projects.

#### ***4.3.3 Implementation of Targeted Nutrition Programmes to Malnourished Vulnerable Groups***

One of the causes of the high infant, child and maternal mortality rates depicted in Chapter 2, is malnutrition. In fact, on the basis of facility-based statistics, malnutrition ranks third as the major killer of children under five years. Further, nutrition experts also state that nutrition status in the formative period of a child, that is from conception to five years, determines in part the child's future potential. Again, children are generally malnourished and pregnant women are generally anemic mostly due to malnutrition. While there are cases of poor eating habits, most of this malnutrition is attributable to poverty in general and lack of appropriate diet for the children and pregnant and lactating mothers, in particular. Provision of nutritious food to these vulnerable groups would assist reduce malnutrition and, by extension, illnesses and deaths of infants, children and pregnant mothers.

1. Establish delivery mechanisms for nutrition programme

The programme is to provide food vouchers to moderately malnourished children and vulnerable pregnant and lactating women and administer therapeutic feeding in nutrition rehabilitation units to severely malnourished children. Each voucher is to be exchanged with a pack containing a 10-kg bag of Likuni Phala, 10-kg bag of Mgaiwa (unrefined maize flour), 3-kg packet of legume seed, and a packet of vegetable seeds. This pack is to be provided twice a month for the first three months and once a month for the next two months. Beneficiaries are expected to graduate after five years. In addition, the pilot phase is to include the provision of training in basic nutritional behaviour, better weaning practices and is to also include session cooking demonstrations, how to process soya, cultivate the crops whose seeds are in the pack, and use the beans more innovatively.

The nutrition packs, just like inputs packs, are to be stocked by retailers and are to be exchanged with the vouchers. Again, for remote areas where retail coverage is inadequate, the procurement and delivery is to be tendered out to NGOs or commercial companies for delivery direct to health facilities.

2. Devise targeting mechanism

The children are to be selected on the basis of their age, weight (below 80 percent of the average weight for age or below the green belt indicated in the Under-five growth monitoring card). The mothers are to be selected on the basis of clinical examination. Key factors in the examination include signs of malnutrition, anemia, if expecting or nursing twins or triplets and age (less than 15 years and older than 35 years).

Apart from providing food transfers, the programme is also to admit severely malnourished children for medical treatment and therapeutic feeding. The factors to be considered include age (six months to five years), with either less than 80 percent of the average weight-for-age with Kwashiorkor or less than 60 percent weight-for-age.



### 3. Strengthen institutional framework

The key institutions for this programme are the NEC, Ministry of Health and CHAM. NEC is to be responsible for the distribution of the packs as well as paying them upon receipt of returns. Health facilities are to be responsible for administrative targeting of beneficiaries on the basis of anthropometric measurements. This is to be done during pre and ante natal clinics.

### 4. Integrate with other Safety Nets programmes

For households whose child/children or mother qualify for this programme, an assessment will be made as to whether or not it meets the selection criteria for other safety nets programme. Once it is eligible, it is to receive the benefits of other programmes as necessary. This approach recognises the fact that poverty leads to malnutrition and such the nutrition programme should be integrated with other poverty reducing and alleviation programmes.

#### ***4.3.4 Provision of Direct Welfare Transfers to the Core Poor and Disaster Affected Households.***

As it has been outlined in the conceptual framework for safety nets, there are groups of the poor who are unable to fend for themselves but rely on others. These are also likely to fail to take advantage of the three outlined safety nets above either because they are unable to work or have no resources. Further, some households and communities could be affected by shocks like drought and floods to the extent that they could temporarily fail to provide for themselves. With the over-stretched informal safety nets, most of these groups are forced to move to urban centres to beg. Children who resort to moving to urban areas end up living in unhealthy conditions and jeopardizing their future.

### 1. Develop implementation and targeting mechanisms

The Targeted Welfare Transfer programme is to involve the direct transfer of cash or a cash proxy (retail voucher). Since the programme has not been carried out extensively in Malawi, its implementation is to be done on a pilot basis. The programme is to be implemented alongside TIP, again utilising the community based targeted approach and alongside the Targeted Nutrition Programme. Selected beneficiaries under the Targeted Nutrition Programme are to benefit under Targeted Welfare Programme. The programme is also to use specific support groups. For

example, apart from using the community-based targeting mechanisms, the programme is to use groups that specifically deal with the special groups such as elderly, orphaned and the chronically ill.

After beneficiaries are identified, cash transfers are to be made through District Assemblies, in particular the Social Welfare Officer. In some cases, the programme is to use value-based welfare retail vouchers. The value-based vouchers, also known as flexi-vouchers, are to require the participation of the retail outlets. To reduce security risk, the vouchers are to be both beneficiary and date specific. The value of transfers of the transfer is to be determined by resource availability. However, the factors such as household monthly food requirements and minimum wage are to be considered. The value of the transfer is expected to about US\$83 per beneficiary per annum

## 2. Strengthen institutional framework

The key institution for this programme is the District Assemblies. Management is to be done by a number of stakeholders. The National Economic Council (NEC) will be responsible over the overall program design, coordination of the piloting, policy support, as well as monitoring and evaluation. District Authorities are to take over the management of financial resources and work alongside the NGOs and special support groups. In addition, the District Assemblies are to have to assist in the beneficiary selection exercises, delivery of cash/vouchers as well as the redemption of vouchers. The civil society and other specific support groups will be responsible for managing the programme.

### ***4.3.5 Development of Beneficiary Targeting Mechanisms***

One of the key principles binding the safety nets programme is synergy among the different components of the programme. One of the ways of achieving this synergy is to develop targeting mechanisms for each component in tandem to avoid the overlaps between and among components of the programme. For example, the free inputs programme targets marginally poor, i.e. those poor households with land more than half of a hectare. To ensure that those with less than half of a hectare do not feel excluded, some form of safety nets would need to be available to them as well. The first challenge, though, will be to have reliable data on landholding sizes by

households. The second challenge will be to establish, without reasonable doubt, the poverty status of the households by landholding size. This calls for a number of major activities.

1. Establishing landholding sizes of rural small farmers

A comprehensive nationwide landholding size survey is to be done every ten years with a sample survey in between. This survey is crucial if the targeted inputs programme is to avoid inclusion and exclusion errors since there is a cut-off point of half of a hectare.

2. Establishing the poverty status of households and individuals

A comprehensive qualitative survey will be undertaken every five years to establish the poverty status of households as well as the aged, disabled, infirm and orphans. The master file would then be updated every year using data obtained during the administration of direct transfers. The first quantitative and qualitative surveys will have to be done in the same year.

3. Registration of the poor and poor areas

Following the results of the two surveys, physical registration will have to be done. This registration exercise will act as a 'ground-truthing' exercise of the administrators of various safety nets. Registration of beneficiaries is crucial for safety nets that are more permanent in nature like the targeted inputs and direct transfers to the core poor.

4. Identification of poor areas

For the sake public works, there will be need to develop mechanisms to identify poor areas and their infrastructure needs. There will be a comprehensive vulnerability assessment mapping (VAM) exercise. The results of the VAM will be used in the identification of the poor areas. One of the inputs in VAM or its update would be the quantitative survey. The VAM will be updated at least once a year.

5. Training facilitators and communities in beneficiary identification

As will be seen later, most of the beneficiary identification will be done community elected committees. To reduce inclusion and exclusion errors at that level, the committees will have be trained. By extension, there will need to train PRA facilitators to train the communities. This training will also include aspects of community participation in decision-making. Transparency

and objectivity in beneficiary selection will be key to safety nets sustainability and ownership of created or rehabilitated community assets.

#### **4.3.6 Other Social Welfare Interventions**

There are a number of special activities that are to be undertaken to support the core poor and vulnerable groups. The overall goal is to provide economic and psycho-social support to those suffering and those at most risk of deprivation.

1. Strengthen the capacity of families and communities to provide support and protection to orphaned children and the aged.

The Ministry of Gender, Youth and Community Services is to join hands with other stakeholders to spearhead the design and implementation of the activities as highlighted in the matrices. Households and communities are to receive economic empowerment and capacity building through training, and through cash transfers for the establishment of IGAs for those orphans who have some capacity to be productive. To those orphans or the aged without capacity to be productive, communities and households are to get the financial support and manage them on their behalf. These are outlined in details in the strategy matrix.

## **4.4 Good Governance, Political Will and Mindset**

The overall objective of Good Governance, Political Will and Mindset is to *ensure public institutions and systems protect and benefit the poor*. This is a precondition for the success of the implementation of the MPRS and calls for joint responsibility between the State, its political system and the citizenry. Whilst the strategies under the MPRS may be technically well designed, they will not have the desired effects unless: political leaders actively and objectively drive the implementation of the strategies; the civil service and the public accept the new strategies and actively participate in their implementation; public institutions and systems work efficiently and effectively to benefit the poor by implementing the strategies; and the poor are protected from crime, arbitrary state power and mob justice.

### **4.4.1 Political Will and Mindset**

A recurring theme of the MPRS process and other recent consultations has been the problems caused by a lack of political will and wrong mindset. In particular, a consensus is emerging that

poverty reduction cannot be achieved without a change in mindset and strong political will. The technical design of the Poverty Reduction Strategy may be irrelevant unless there is the political, bureaucratic and popular will to implement it. This recognition is in itself a major step forward, since there has in the past been a culture of denial of such problems.

However, the issues of mindset and political will cannot be addressed by bemoaning the decline of the work ethic and the dominance of short-term individualism over medium to long-term local and national prosperity. Nor can they be properly addressed by civic education – there are underlying reasons for peoples’ behaviour that cannot be addressed by persuasion alone. Instead, the solutions lie in the identification of the root causes of this behaviour.

The issue of mindset arises in the public service, the general population, the private sector and in the donor community. In the public service, the mindset is perceived as one of “business as usual”, laziness and personal greed. This is in large part caused by the existing incentive structure in the public service, which is characterised by low basic salaries, lack of performance monitoring, lack of sanctions against poor performance and rewards for good performance, and promotion systems based on regionalism, tribalism, seniority and political affiliation as much as merit. In this context, an elaborate structure of allowances has emerged as effective salary support that is ripe for abuse and distorts management priorities.

The solutions to this problem of public service mindset lie in the public sector reforms described below. In particular, Government should introduce stronger accountability mechanisms and increase salaries whilst simultaneously removing all but essential allowances from the system.

The mindset of the general population is often regarded as one of laziness and dependency on Government. Again, it is important to look at the root causes of this perceived mindset. Firstly, it is due to the lack of economic empowerment of the poor who in many cases lack the knowledge or capacity to seize productive opportunities. This can be addressed through appropriate education and improving access to credit and markets. Secondly, the perceived dependency on Government handouts is based on historical experience that Government and donors will provide for the poor, especially in times of severe hardship. This is further

encouraged by the terms of political discourse, which create expectations of material gain in return for political allegiance. The dependency culture can be addressed by ensuring that where possible, safety net activities focus on empowerment by concerted efforts to change the terms of political discourse and by disseminating the message that Government has limited resources and cannot do everything.

In the private sector, there is a culture of blaming Government for all its troubles – although this may be partially true, it enables the private sector to deny its own problems, such as poor management skills, lack of entrepreneurial spirit and lack of meritocratic recruitment and promotion. In addition, the private sector simultaneously demands tax cuts and exemptions, higher public infrastructural expenditure, lower utility prices and protection from international competition. These demands are not consistent. The private sector should, therefore, focus on building its own capacities and professionalism whilst working with Government and appreciating its constraints.

There is often an underlying assumption on the part of development partners that because they are benevolent donors, everything they do is in the best interests of Malawians and they are above criticism. However, the reality is that at best, donors do not effectively use their resources for poverty reduction, and at worst help to exacerbate poverty by undermining Government's planning and priority setting. Efforts to build Malawian ownership of programmes, employ more local staff, move from loans to grants, and shift from project to programme funding have begun to improve the situation. However, to a large extent, these shifts are limited to rhetoric – ultimately, donor Governments still make the crucial decisions on funding, and pressure is still put on Government to conform. The MPRS offers an opportunity to move beyond the rhetoric – donors should buy in to the MPRS and genuinely only fund programmes and projects within it. Ultimately, Malawi must learn to live on its own resources and not rely on donors.

Issues of political will, commitment and leadership also need to be resolved. A strong message emerging from the District Consultations was the need to depoliticise development. In particular, all stakeholders should be involved in planning, implementation, monitoring and evaluation of all poverty reducing activities regardless of political affiliation, and political

leaders must recognise the need to foster development in all districts and constituencies, regardless of political representation. A recurring theme from the Thematic Working Groups was the need to reduce political interference in their sector – for example in public expenditure management, security and justice, credit, taxation and infrastructure.

It has been noted that Malawian politics is characterised by patronage relations rather than ideological or policy commitment. There has an apparent lack of political will to make and implement the hard prioritisation decisions required to improve the effectiveness of Government activities. In particular, prioritisation requires that certain low priority activities must either be scaled down or stopped altogether.

Again, it is not enough to bemoan the lack of commitment of politicians and their short-term populist focus. There are several reasons for the observed behaviour:

- The dominance of patronage politics is a result of historical experience, and the lack of education and short-term focus of the poor.
- The very nature of politics, particularly in democracies, dictates that politicians favour short-term gains and populist acts over medium to long-term reforms, which often have short-term costs, such as unemployment.
- Politicians are elected to make decisions – many reform proposals involve reducing substantially the scope for altering policy and therefore undermine their democratically justified powers.
- The political leadership is often not fully briefed on the negative consequences of its actions and the benefits of alternative actions. Frequently, potentially difficult briefings are abandoned because of fear of a negative reaction by political leaders.
- There are an excessive number and frequent revision of donor driven reform programmes. Government, therefore, has an incentive to commit to the programme long enough to receive the associated aid, then to abandon it.

These causes must be recognised and addressed. They suggest a two-tier strategy:

- Short/Medium term – ensure reform programmes have short-term benefits, time introduction according to electoral cycle, ensure programmes have sufficient flexibility and country ownership, encourage parties to change political discourse.
- Long term – strengthen parliament and civil society, educate the poor, strengthen decentralisation, reduce donor dependence.

#### ***4.4.2 Security and Access to Justice***

Issues of security<sup>8</sup> and justice are closely linked to issues of poverty. Protection from crime, arbitrary state power and mob justice is a fundamental part of welfare. More importantly, insecurity makes it too risky for the poor to accumulate assets and wealth, particularly in a rural setting, as any assets or wealth are likely to be stolen. This undermines the ability of the poor to generate their own incomes and reduce their own poverty. Crime has a disproportionate impact on the poor since they are the most vulnerable and least able to cope. An accessible and efficient justice system can help to reduce crime by punishing offenders, and creates a level playing field for the poor so that they can protect themselves from those with more economic and political power.

Poverty and crime can also be part of a vicious cycle – crime reinforces and increases poverty, and poverty causes crime. For the ultra-poor, the only means for survival may be stealing food or assets from other poor people. It is therefore important that this cycle is broken – by poverty reduction efforts and by ensuring that prisoners, especially those convicted of minor crimes, are well treated and taught skills they can use to sustain themselves once released.

Security and access to justice in Malawi has a sad history. Between independence in 1964 and 1994, the police was used as a tool of the one party state and was implicated in many human rights abuses. Similarly, the state exercised power arbitrarily, imprisoning opponents and those accused of crimes with little or no recourse to the justice system. Prisons were overcrowded and inhumane.

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<sup>8</sup> Security is defined narrowly as physical security of individuals and assets.



Since 1994, extensive efforts have been made to reverse this situation through police reform programmes, the closure of the most notorious prisons, the creation of human rights bodies (see human rights section) and the strengthening of the judiciary. However, these efforts have not been able to prevent a rising trend in crime and a resulting decline in perceptions of security. The police:population ratio stands at 1:1912 against an international standard of 1:500. As a result, the rate of crime has risen by 6 percent over the past five years, whilst the crime detection rate has not moved above 20 percent. Furthermore, prisons have remained overcrowded and inhumane. The prison population has risen from 4000 in 1995 to 8000 in 2001, and the warden:prisoner ratio has fallen to 1:14, against an international standard of 1:5.

This situation is partly a result of lack of financial and human resources – there is insufficient police presence, especially in rural areas, and the justice system does not have enough lawyers, judges or courts to process cases effectively and timely. As a result, the prison population has expanded with many individuals on remand, whilst little additional prison infrastructure has been built. In addition, a breakdown of discipline coupled with low salaries has contributed to an increase in police corruption and the HIV/AIDS epidemic has worsened the shortage of police officers and lawyers. Finally, some stakeholders have expressed concern that the police and the justice system are becoming politicised, both in terms of recruitment, deployment of the police and protection of certain individuals from justice.

In response to these problems, an integrated approach to security and justice has been adopted, as reflected in the Malawi Safety, Security and Access to Justice programme (MASSAJ).

1. Reduce crime

In terms of crime reduction, the way forward is on three levels. Firstly, the development of increased crime control capacity, particularly through increasing police presence by deploying more mobile police officers in rural areas. Secondly, the implementation of a crime prevention strategy, including enhanced community involvement in policing and co-ordination with private security firms. Thirdly, there will be further organisational development of the Police Service to ensure that it is an accountable public service rather than an agent of state power.

2. Improve access to and delivery of efficient and effective justice

To complement these developments in the Police Service, the judicial system will work to ensure improved access to and delivery of effective and efficient justice, particularly to the poor and vulnerable. The highest priority will be on increasing the crime prosecution rate by recruiting more prosecutors, lawyers and judicial staff, and by constructing more court rooms. The second priority will be to enhance the capacity to provide access of the poor to justice, through the availability of lawyers through the Legal Aid programme, and civic education on their legal rights. The third area of focus will be on safeguarding the rights of victims of crime, suspects and criminals, by establishing victim support units, improving prison conditions and encouraging community service for petty offences to relieve pressure on prisons and act as a measure of compensation to the community. Finally, effective rehabilitation programmes for prisoners will be developed so that the cycle of crime and poverty is broken.

3. Ensuring respect for the rule of law

This third objective will involve strengthening oversight bodies of security organisations, depoliticising the police and justice systems and civic education on rights and responsibilities under the constitution.

A summary of the objectives and associated targets is produced in Table 4.4.1:

*Table 4.4.1 – Security and Access to Justice Indicators and Targets*

Goal	Objective	Indicators	Current	Internl standard	2005 target
Security	Crime reduction	Police:Population ratio	1:1912	1:500	1:1000
Justice and rule of law	Access to and delivery of justice	Crime detection rate	20%		40%
		Prosecution rate (cases per year, using homicide as proxy)	150		300
		Warder:prisoner ratio	1:14	1:5	1:9
	Rule of Law				

**4.4.3 Ensuring responsive and effective public institutions**

The second main element of this pillar consists of strategies that enable Government as a whole to implement its planned strategy, and enable the populace to ensure that the Government keeps its promises and is responsive to the needs of the population. These strategies are general enablers of the entire Poverty Reduction Strategy.

#### *4.4.3.1 Public Expenditure Management*

Good public expenditure management (PEM) is increasingly being recognised as a prerequisite to economic growth and development and hence to poverty reduction. A good PEM entails a system that guarantees that public resources are allocated to priority areas as identified by this MPRS, that produces value for money in service delivery, and that ensures adherence to aggregate fiscal policies and targets.

The central tool for public expenditure management is the budget process, which since 1995 has been based on the principles of the Medium Term Expenditure Framework (MTEF). The MTEF was introduced in order to ensure strategic medium term budgeting, bringing together policy making, planning and budgeting roles of Government into a rolling three-year horizon. The chosen focus was on the reallocation of resources to priority activities. The role of the budget under the MTEF was to change from a centralised inventory of inputs adjusted on an incremental basis to an output focused approach based on costings of priority activities and projections of available resources.

However, there has been dissatisfaction with the implementation of the MTEF. Firstly, the strategic prioritisation process is not influenced by extensive costing of activities. By and large, sector policies remain unaffordable and resources end up being spread too thinly across many activities. Secondly, there have been persistent and significant divergences between approved and actual expenditures, undermining the set priorities. This reveals an apparent lack of appreciation at both the political and technical level of the significance of resource constraints. Finally, Budget execution has been undermined by pressures to finance new and unbudgeted activities at the expense of identified priorities. This extra-budgetary funding causes major damage through two channels:

1. The process of planning and budgeting stops working effectively. The way Government spends money is no longer decided through a process of careful analysis, discussion and selection of priorities, but through the success of each ministry in winning resources through extra-budgetary requests; and

2. Government loses control of the macro-economy. Each year Government borrows more money than it can really afford leading to high interest rates, which destroy the private credit market, and poor control of the money supply, and hence inflation. In such a situation, it is the poor who are hurt more than the rich.

Hence, the major challenge of the PEM in the context of the MPRS will be to ensure an effective, medium-term output focussed system by strengthening the MTEF. The MTEF Review of 2000 identified a number of essential characteristics of a successful MTEF. Government will implement a number of activities aimed at achieving these characteristics, with the overall goal of ensuring effective use of resources for poverty reduction.

1. Improve Budget implementation by creating hard Budget constraints

The first strategy under this objective is to strengthen political leadership of the Budget process so that there is broad based political participation in the formulation and execution of the budget. This would ensure that political intentions are reflected in stated policies, which are translated into the Budget and reality. This will involve improving the structure and presentation of the Budget (ensuring a transparent activity focus), submitting activity-based expenditure reports to Parliament and the Cabinet and strengthening the capacity of political oversight bodies such as the Budget and Finance and Public Accounts Committees of Parliament. Finally, there will be basic public finance training for MPs, Cabinet Ministers and Controlling Officers, emphasising the impact of expenditure decisions on the economy and on poverty.

The second strategy is to ensure accountability by improving financial management and expenditure control mechanisms so that fiscal targets are met and unauthorised expenditures are eliminated. In order to achieve this, Government will implement the Integrated Financial Management Information System (IFMIS) and it will further strengthen the Credit Ceiling Authority (CCA) system and the Commitment Control System (CCS). To reinforce these measures, the current Finance and Audit Act will be split into a new Finance and Management Control Act with clear and strong public financial management regulations including sanctions against those who break the regulations, and a new Public Audit Act ensuring the independence

of the National Audit Office. Finally, Government will strengthen the monitoring of expenditure inputs and outputs, and introduce expenditure tracking systems as outlined in Chapter 6.

The third strategy will be to strengthen resource forecasting in order to improve the predictability of resource flows to service providers. This will involve a quarterly review of revenue collections and the according re-alignment of expenditures. Also, there will be regular review of donor inflows to ensure that they are less erratic.

## 2. Improve public expenditure planning and Budget preparation

The first strategy under this objective will be to increase the comprehensiveness of the Budget, so that all public expenditures are subject to the same decision making criteria based on MPRS priorities. In the past, planning has been made difficult by projects funded by donors that have been outside the budget and whose recurrent cost implications have not been planned for. Expenditures by state-owned enterprises and NGOs need also be included to ensure smooth planning. Of particular concern is the MASAF project, which needs to be aligned to the MPRS.

Secondly, Government will formalise and strengthen Budget scrutiny, in order to ensure that budgets are clearly focussed on affordable outcomes and policies. Under this strategy, the process of Budget formulation will be revised to ensure that Budget submissions are in line with MPRS priorities, and Ministers will report to parliament annually on achievement of outputs of their respective ministries. In addition, there will be a capacity building programme for the Ministry of Finance and Economic Planning to improve on budget scrutiny and monitoring.

### *4.4.3.2 Public Sector Reform*

Public sector efficiency and effectiveness is crucial for poverty reduction since the public sector constitutes the core competence of the nation for formulating, implementing and monitoring national, sectoral and district/community level policies and actions.

Government is undertaking public sector management reform (PSMR) as a key part of governance improvement. The PSMR seeks to develop the capacity of the public sector so that in the long run it can become the national instrument for the attainment of MPRS objectives.

Despite some reforms, there is urgent need to strengthen the overall capacity of the public sector to make it an effective instrument for the effective delivery of public goods and services.

1. Improve public sector conditions of service and work ethics

The major challenge for the public sector is the need to establish an effective incentive structure that will improve work ethic and productivity. Currently there are inadequate systems in place to address issues of low salaries, punishment for poor performance and generally poor public sector conditions of service for improved productivity. Hence, the main objective is to improve conditions of service and work ethic in the public service. The first strategy to meet this objective is to review and establish realistic and equitable remuneration. Under this strategy, all benefits and allowances will be monetised and integrated into basic salaries, whilst revising and strictly enforcing regulations on allowances. In addition, Government will devise and implement a medium-term wage policy. In order to complement this strategy, Government will simultaneously improve the enforcement of standards for the Civil Service. This will involve developing and enforcing a code of conduct for public officials, designing and implementing a performance based appraisal system for civil servants, and reviewing the Public Service Act.

2. Review the structure of the civil service

The second objective of the public sector reform component is to review the structure of the civil service. This will involve reviewing the functional review process and redefining Ministry functions and staffing on the basis of MPRS priorities.

3. Address capacity constraints across Government

The third objective is to address capacity constraints across Government. This is related to the issue of realistic and equitable conditions of service and will also involve increasing the number of qualified personnel in key posts through a training programme of existing public servants, and mitigating against impact of HIV/AIDS by designing and implementing HIV/AIDS impact mitigation plan.

4. Strengthen capacity of public policy making institutions

The fourth objective of public sector policy is to strengthen capacity of public policy making organisations at all levels. This will include implementation of recommendations to strengthen

the capacity of the Cabinet Office to assess the implications of new policy proposals, including their input on expenditure and poverty. Similarly Ministries as well as the Ministry of Finance and Economic Planning and the National Economic Council

#### *4.4.3.3 Fraud and Corruption*

The MPRS district consultation process showed that corruption is one of the major factors that promote poverty. High levels of corruption and fraud reduce economic growth, discourage legitimate business investment, and result in reduced public revenue that affects the delivery of services to the poor. In addition, corruption gives disadvantages to the poor in selling their agricultural produce, and reinforces the unequal distribution of wealth and power in society – only those who can afford to pay a bribe benefit while the poor, the weak and the vulnerable suffer.

In order to address issues of corruption, Government established an independent Anti-Corruption Bureau (ACB) to check corruption of any kind and at any level. However, the Bureau's effectiveness is hampered by weak human and financial capacity and systemic institutional weaknesses. As a result, corruption is still growing in most sectors of the economy.

##### 1. Reduce corruption and fraud

The main strategy to achieve the objective of eradicating corruption and fraud is to increase detection and prosecution of fraud and corruption cases. This will involve reviewing the legal framework and relationships between/among the Anti-Corruption Bureau, the Director of Public Prosecutions (DPP), the National Audit Office (NAO) and the Public Accounts Committee (PAC), building capacity to improve coverage and timing of audit, building capacity for investigation and prosecution of corruption and fraud cases, and ensuring speedy processing of corruption and fraud cases.

#### *4.4.3.4 Decentralisation*

Decentralisation focuses on the empowerment of the poor people for effective popular participation and decision making in the development process in their respective areas. The extreme conditions of poverty, particularly in rural areas, coupled with the many competing

needs, have resulted in an uncoordinated approach to development, leading to a plethora of fragmented activities, which has tended to confuse rather than help the beneficiaries.

Since the passing of the Local Government Act in 1998, significant progress has been made in establishing the legal and administrative framework for decentralisation. A number of laws have been revised to ensure consistency, local government elections were held on 21<sup>st</sup> November, 2001, and Interim Assembly Administrations have been formed. Progress has also been made in establishing the financial framework for decentralisation, including the design of an Inter-Governmental Fiscal Transfer System and the functioning of the District Development Fund in most assemblies. Finally, there has been progress in preparing for the devolution of functions to the Districts, through the preparation of Sector Devolution Guidelines, the devolution of business licensing, and the establishment of District and community level planning structures and guidelines.

Despite this progress, a number of challenges remain. Firstly, the political will and technical commitment needed to complete the preparation and successful implementation of devolution plans must be sustained. Secondly, capacity building programmes in the Assemblies must be consolidated and accelerated. Also, a sustainable financial base for the Assemblies needs to be developed whilst institutionalising accountability and transparency of resource use at a district level. In addition, there must be continuous consensus building and commitment to the devolution of functions from line ministries to assemblies, whilst building a democratic culture and participatory institutions in the community so that people are empowered to participate fully in local governance of these functions. Finally, there is need to integrate HIV/AIDS issues into training programmes at a district level and to design programmes that address gender equity with regard to decision making and access to and control of resources.

The resulting decentralisation strategy has seven strategies grouped under two objectives:

1. Develop institutional capacity for local governance

The first strategy under this objective is to develop an appropriate accounting and financial management system. This will involve computerisation of local financial management systems,



building the capacity of assembly personnel in financial management, and introducing activity based budgeting in co-ordination with Ministry of Finance and Economic Planning. The second strategy is to establish effective administration systems for local Government. This will involve training assemblies and management and strengthening national coordination of decentralisation.

## 2. Transfer functions, resources and planning to districts

The first strategy under this objective is to establish a local government financing system. This will be attained through fiscal reforms, including the development and implementation, in a phased manner, of a system for Inter-Governmental transfer, the strengthening of revenue collection by assemblies and training of accounting personnel. The second strategy is to devolve functions to the assemblies. The main activity will be to prepare and implement sector plans in a phased manner.

These two main strategies will be backed up by strategies to ensure an effective local development planning and management system integrated in to the national planning system (especially the MPRS), to create a consistent legal and operational framework for decentralisation by reviewing government policies, procedures and regulations and review of bye-laws, and to ensure that the public understands and appreciates decentralisation through civic education programmes and coordination with civil society institutions.

### *4.4.3.5 Democratisation*

At the heart of effective governance is democracy. By formally recognising that all legal and political authority rests in the people, democratic constitutions empower the people. In practical terms, this principle operates through elections and the existence of checks and balances on the Executive. Empowering the poor through elections ensures that Government is held accountable to the people and that the poor have an influence over policy. This is crucial when decisions are to be made on the use of scarce national resources. Checks and balances ensure that Government is held accountable for its actions and remains responsive to the needs of the poor between elections. These checks and balances are both formal (for example, Parliament and Judiciary) and informal (such as the media and civil society). A multi-party system offers a transparent choice between potential Governments and ensures that Parliament offers effective scrutiny of Government activity.

Malawi adopted a new democratic constitution in 1995. This followed the transition that ushered in a new era of political liberalisation and democratic governance. The constitution established the institutions of democracy outlined above, enshrines fundamental freedoms and rights and established a number of constitutional watchdogs (for example, Office of the Ombudsman, Malawi Human Rights Commission). Since 1994, Government has moved to consolidate the fundamental transformation that introduced multiparty democracy. A second general election was held successfully in 1999, followed by Local Government Elections in 2000. Government has formulated its Vision and Poverty Reduction Strategy in a highly participatory manner. Informal checks and balances have strengthened over time, as demonstrated by the emergence of vocal civil society groups.

There is a perception amongst many observers that progress in the consolidation of democracy has slowed down in recent years. There is a perception amongst many observers that many elements of the previous regime have been retained or have returned. In particular, there is concern that the principle of a multi-party system is being undermined by the continued dominance of strong patronage networks. Similarly, people have noted that the principle of equitable participation has been weakened by political violence associated with elections, the persistence of regionalism and the terms of political discourse, which offers direct material gain in return for electoral support.

In addition, there are worries that the rights and responsibilities involved in a democratic system have been misunderstood and the rights abused at the cost of responsibilities. There is a perception that informal checks and balances have been weakened by the inequitable access to the broadcast media, the lack of professionalism of the print media, and the focus of the media on political rather than development issues.

Thus, there is need to strengthen the governance system and institutions enshrined in the constitution to ensure popular and equitable participation in governance. Much of this cannot be done technically. The problems of democratisation are largely related to the questions of

political will and mindset. However, there are specific actions that can be taken to improve the quality of democracy:

3. Strengthen formal governance institutions

In terms of formal institutions, there is need to further strengthen electoral processes by improving law enforcement related to elections, strengthening the capacity of the Electoral Commission and through civic education to increase voter turnout and create awareness of the roles of Members of Parliament (MPs). Also, civic education through traditional modes of communication can help to improve understanding of democratic rights and responsibilities. Between elections, improved participation of the poor in national policy dialogue can be achieved using the MPRS concept, and the Executive can be made more accountable to Parliament by providing support to parliamentary committees, training MPs and strengthening political parties.

4. Strengthen informal governance institutions

Informal checks and balances can be strengthened by ensuring the independence and professionalism of the mass media, particularly radio broadcasters, and by increasing the capacity and accountability of civil society organisations such as NGOs.

*4.4.3.6 Human Rights*

Human rights are also an essential part of democracy and are fundamental to poverty reduction. Declarations of human rights are intended to protect the poor from mistreatment by more powerful individuals and organisations such as Government, and guarantee access of the poor to basic services. Prior to 1994, Malawi's human rights record was amongst the poorest in the region, if not the world. Since then its record has improved significantly. Government has ratified major international human rights instruments as well as key human rights related International Labour Conventions. A number of civil society organisations (including churches and NGOs) play the role of additional watchdogs. However, there is still limited observance and enforcement of human rights provisions. Issues of human rights have not yet taken centre stage because of conflicts between customary practices and the bill of rights, low level of professional skills in human rights organisations and inadequate systems to monitor human rights violations.

In addition, the many human rights institutions in Malawi do not have clear roles and do not use their limited resources effectively.

1. Ensure observance of human rights

In order to address these problems, Government can develop the capacities of the many human rights organisations. This will involve clearly defining their roles, hiring and training personnel and increasing funding where the organisations demonstrate their effectiveness. In addition, all public servants, particularly those in enforcement agencies, will be trained in human rights issues. Finally, efforts will be made to raise the awareness of citizens about their constitutional rights and obligations.

## **4.5 Cross Cutting Issues**

In addition to the above components of Government's poverty reduction strategy, there are a number of cross-cutting issues that have been touched in passing in discussing other themes but are crucial to Government's efforts to reducing poverty. A detailed discussion of these cross-cutting issues is meant to underline the importance for poverty reduction and to highlight any additional activities that have not been included in the four pillars.

### **4.5.1 HIV/AIDS**

The spread of HIV/AIDS is threatening to undermine all attempts to reducing poverty in Malawi, both directly through the prevalence of HIV/AIDS and indirectly through the resulting shortages of skilled human resources in all sectors of the economy and more critically in the health and education sectors. In addition to massive social dislocation caused by the epidemic, the economic costs are high and are beginning to have an impact on overall economic performance due to the noted declining productivity of the work force. Consequently, strategies to reduce poverty can not be effectively and efficiently implemented without successfully addressing the HIV/AIDS problem.

Malawi has one of the highest HIV infection rates in the region and in the world. The HIV infection rapidly penetrated the population during the early 1980s and the impact of this in terms of illness and death is now being increasingly felt throughout the country. Recent estimates made by the National AIDS Control Programme (NACP) indicate infection rates in women attending

antenatal clinics varying from 10 percent in rural areas to nearly 30 percent in urban areas. In recognition of the fact that about 30 percent risk mother to child transmission, the current high infection rates of HIV in women of child-bearing age suggest that many children are born HIV infected.

Conservative estimates put the HIV infection rates in the 15-49 age group at around 14 percent nationally. The HIV infection in people aged 15-49 is concentrated in younger age groups, particularly women. There is evidence that HIV infection in younger females aged 15-24 is about 4 to 6 times higher than the infection rate in their male counterparts. The NACP further estimates that 46 percent of all new adult infections in 1998 occurred in youth aged 15 to 24. Of these, young women suffered the largest burden. 60 percent of the new infections in young people occurred in women and 40 percent occurred in men. It should however be noted that most of these HIV infected individuals do not yet know their status. These already high infection rates seem to continue growing in spite of the apparent high awareness of HIV/AIDS amongst the general population. This gruesome situation is further manifested in;

- An additional 70,000 orphans every year on the already large orphan pool, estimated at about 300,000 in 1997 consequently leading to increased number of child-headed households.
- A three to four fold increase in TB cases. Before 1985 about 4,000 to 5,000 cases of TB were reported annually while in 1996 only about 20,000 cases were reported.
- A decline in life expectancy projected to 57.4 years by 2010 in 1985 to 44.1 years by 2010, representing a 13-year drop.
- Increased absenteeism from work due to AIDS related illnesses.
- Increased medical bills, funeral costs, and payment of premature death benefits.
- It is projected that a minimum of 25 percent and as much as 50 percent of people currently employed in the urban based sectors would have died of AIDS by the year 2005.
- HIV/AIDS will continue to divert labour from productive activities to care provision, thereby increasing food insecurity and threatening the survival of communities.

These effects of HIV/AIDS on the productive population call for careful and innovative ways of human resources planning and training in all sectors. In addition, it calls for well designed workplace programmes for HIV/AIDS and mainstreaming HIV/AIDS as a factor of human resources management in all sectors. Considering that poverty is rampant in Malawi, the prospect of most Malawians affording any future effective AIDS drug is an illusion. The strongest weapon against HIV/AIDS therefore lies in behavioral change. But how fast is the behavioral change? It has been recognized that this is a process. It is in recognition of this concern that Government has designed a National Strategic Framework to Combat AIDS pandemic, coordinated by the National AIDS secretariat and supported by cooperating partners. The Strategic Framework directs the National HIV/AIDS response in the period 2000-2004. It forms the basis for formulating policies, operational programmes, projects and activities.

1. Reduce incidence of HIV/AIDS

The first strategy under this objective is to **prevent HIV infection among the youth** so as to maintain a youth free of HIV infection. This will involve incorporating HIV/AIDS in school curricula at all levels including teacher training colleges and providing adolescent reproductive health services including, voluntary counseling and testing, management of sexually transmitted infections, refraining from outside marriage sexual activities and massive condom distribution. Emphasis would also be put on the promotion of use and distribution of condoms used by women. Secondly, efforts will be made to **improve implementation of HIV prevention activities for the general public including sex workers**. This will involve programmes for controlling mother to child transmission of HIV, voluntary counseling and testing services at all levels, strengthened blood safety, improved condom promotion, distribution and use, and promoting infection prevention practices in the health facilities.

2. Improve quality of life of those infected with HIV/AIDS

The main strategy under this objective is to **improve the management of HIV related conditions**, including putting in place guidelines for treating Opportunistic Infections (OI) to improve care at both hospital and community levels. In addition, it is crucial that Government puts in place clear guidelines and policies for Ant-Retroviral (ARVs) and negotiate for reduced prices to enable poor people to afford them. Finally, Government will put in place standards and regulations on the management and control of drugs in general to ensure availability and access.

### 3. Mitigate against the economic and social impacts of HIV/AIDS

The mitigation of the impact of HIV/AIDS is essential if poverty reduction is to become reality. Impact mitigation needs to be integrated into planning at all levels and across all sectors and actors. The first strategy is to provide frameworks that support those who are affected indirectly by the HIV/AIDS pandemic, such as orphans, widows, widowers and households. This will include supporting legislation on inheritance, introducing less labour intensive crops, and providing food to affected households. The second strategy is to work with herbalists and traditional healers. The third strategy is to include a budget line item in all line ministries for workplace programmes and other HIV related interventions. Finally, Government will improve the management and co-ordination of the HIV/AIDS response at national level, focusing on the strengthening of the National AIDS Secretariat and District AIDS committees.

#### ***4.5.2 Gender and Empowerment***

Inequalities and disparities between women and men are still very pronounced in Malawi and this is one of the major causes of poverty among women and men. It has to be noted that poverty has a gender dimension due to various social, economic and cultural constraints, options, opportunities and needs. As such, addressing gender inequality is a critical prerequisite for attaining increased economic growth and sustainable human development.

From independence to the 1980s, Malawi's efforts in the area of gender focused on targeting various initiatives at women, such as credit, family planning, domestic science and home economics. This Women in Development (WID) approach sidelined men and failed to address the fundamental causes of gender inequality. Further, the approach did not recognize women as active participants and beneficiaries in the development process. As a result, the impact of the interventions was less than anticipated. Consequently, a Gender and Development (GAD) approach has been adopted in recent years, which explicitly deals with gender relationships and includes both women and men in initiatives. However, insufficient attention has been paid to the implementation of these initiatives. As a result, poverty in Malawi has increased in recent years with visible gender disparities in all sectors of the economy, becoming more persistent in agriculture, education, employment, health, politics and decision-making at all levels.

Henceforth, Malawi is ranked 163 out of 174 countries in the world, with a Gender Development Index (GDI) of 0.374, implying large disparities between women and men.

It has been found that there is a positive relationship between the level of education and movement of social indicators. In Malawi social indicators reveal low education levels among women, with a 69 percent illiteracy rate against 31 percent for men. This affects women's access to gainful employment and other economic resources, and further contributes to the poor infant mortality rate, high fertility rate, high HIV infection rate and high infant morbidity rate. This emphasizes the need for greater gender equality in education.

Of the agricultural labour force 70 percent are full time female farmers. However, women continue to have limited access to agricultural extension, training and inputs. This situation is exacerbated by migration of men to towns and estates to seek paid employment, leaving behind low literate women to manage the farms and families. Consequently, over 71 percent of men are in formal employment compared to only 24 percent of women who are mostly concentrated in lowly paid and female-related traditional jobs such as nursing, teaching, home-craft and secretarial jobs.

Currently, very few women are in decision-making positions with almost 91.5 percent of all management positions being occupied by men compared to 8.5 percent females. There are only 17 women members of parliament compared to 193 men and only 8 women cabinet ministers against 29 men. As such, most of the decisions are male biased and perpetuate gender disparities.

In view of the current situation the national challenge on gender and empowerment is to create an enabling environment where, women, men, girls and boys are empowered to actively participate in, and benefit from socio-economic activities that meet their basic and strategic needs for poverty reduction and sustainable development. The following strategies will therefore be implemented in the context of the National Gender Policy and its mainstreaming:



1. Strengthen the institutional capacity for implementation of the National Gender Policy

Attaining this objective will involve strengthened sectoral linkages between the Ministry of Gender and other stakeholders, by establishing gender focal points in stakeholder institutions and developing tools for gender monitoring and evaluation. Once these linkages have been made, Government will build capacity for gender responsiveness, planning, implementation, monitoring and evaluation by training the gender focal points on gender analysis and establishing a gender documentation centre. Finally, Government will develop a policy on engendering Budgets.

2. Establish gender sensitive formal and informal legal environment

Firstly, Government will identify and document negative traditional practices, beliefs and values and disseminate information on the effects of these. Secondly, Government will facilitate a review of laws and legislation which impact negatively on women.

3. Eradicate gender based violence

Government will prevent occurrence of gender based violence and further establish and operationalise mechanisms for support of victims of violence and strengthen institutional capacity of all relevant stakeholders. This will involve expanding victim support units in police stations, sensitizing the public on expanding community based groups monitoring gender based violence, and incorporating gender based violence issues into the curriculum of training institutions.

4. Enhance women's participation in leadership and decision making processes

This will involve providing leadership and assertiveness training to women and girls, including training programmes and monitoring and evaluation of the effectiveness of the training.

#### ***4.5.3 Environment and Natural Resources***

Poverty and the environment are linked in a complex, cyclical relationship. High population growth, high illiteracy and poverty encourage environmental degradation by forcing the poor to rely on natural resources for survival (especially as regards energy), by limiting recourse to alternative livelihood opportunities and ways of managing natural resources, and by limiting

access to crucial environmental information by the poor. As a result, Malawi's natural resources are threatened by the demand placed on them by the poor. It has been estimated that the discounted, economic loss in 1994 associated with the loss in soils, forestry, fisheries and water was US\$240 million<sup>9</sup>.

The high degradation rates of natural resources in turn exacerbate poverty, since the poor depend on those natural resources for survival. In particular, soil erosion and degradation, deforestation, depletion and degradation of water resources, threats to fish resources and bio-diversity and the degradation of the human habitat that are caused by poverty themselves reduce the ability of the poor to survive and thrive. There is therefore urgent need to reverse this downward spiral.

In recent years, a number of measures have been taken to reverse this spiral. The National Environmental Action Plan (NEAP) of 1994 led to the National Environmental Policy of 1996. In order to implement the Policy, the Environment Support Programme was introduced in 1996 to be an umbrella framework for the integration of environmental concerns into national planning. This includes the production of bottom-up State of the Environment Reports at national, district and area levels. As a result of this effort, awareness of environmental issues has increased, and the concept of Community Based Natural Resource Management (CBNRM) has become established. CBNRM empowers communities to have joint control over their own natural resources, discouraging individual overuse and reducing damage from external actors.

However, despite this progress, the downward spiral is still in motion. Environmental degradation continues apace and the concept of CBNRM has not yet been fully internalised. The resulting environment and natural resources strategy has three basic components, under the overarching goal of achieving poverty reduction through wise, sustainable and economic use of natural resources for present and future generations in Malawi.

1. Strengthen legal and institutional framework

This will involve mainstreaming environmental management into the local government administration and encouraging CBNRM through district by-laws, accelerating the devolution of

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<sup>9</sup> National Environmental Action Plan, 1994

responsibility for environment reporting and planning to the local level, and ensuring that the new Land Policy is consistent with CBNRM by providing the private sector and communities time-bound conditional access rights to resources.

## 2. Develop alternative livelihood strategies

The development of alternative livelihood strategies will ensure that the poor can survive and thrive without damaging the environment. This will be achieved by establishing a supportive technology development and transfer mechanism so that the poor change their behaviour, particularly as regards the use of fuel wood for energy. In addition, Government will promote trade and markets in non-consumptive, value-added products from natural resources so that the poor can benefit more by making and selling products from natural resources than by consuming (especially burning) those resources. Similarly, fiscal incentives such as tax breaks or small grants will be made available to communities so that they can practice sustainable resource management and income generation. Finally, under-development resources such as deep-water fisheries and forest plantations will be commercialised.

## 3. Create mass environmental awareness

This will be achieved through strengthening the standing of environmental issues in the school curriculum, providing scholarships for short courses, initiating mass media campaigns based on prioritised environmental concerns (for example, anti-bush fire campaigns) and the dissemination of information to communities and political leaders. This will include the distribution of information on sustainable resource use with the targeted input distribution.

### ***4.5.4 Science and Technology***

Science and Technology (S & T) contributes significantly to economic, social, political and cultural development. S & T efforts shall focus on improving productivity in the growth sectors of agriculture, industry, mining, and tourism. Agricultural output in developed countries has risen significantly owing to advances in agricultural technologies in plant and animal genetics and chemical fertilisers and pesticides. Advances in agricultural science and technology result in less land pressure and more economic diversification. Moreover, low productivity is responsible for the low production levels in almost all production sectors in Malawi, leading to weaknesses in economic growth. Additionally, relatively high amounts of agricultural produce are wasted in

Malawi due to poor storage and processing facilities and techniques. Research in science and technology has concentrated on agriculture. Currently, there are thirteen agricultural research stations compared to only one industrial research institute, the Malawi Industrial Research and Technology Development Centre (MIRTDC). Agricultural research has been devoted to the development and promotion of high yielding, early maturing and drought resistant crops. Progress has been achieved in technology research in the agriculture sector, but transfer and adoption of such technology had not been widespread due in part to improper dissemination strategies.

There is potential for increased application of technology in telecommunication and industrial production. As the growth in the use of science and technology is dependent upon education, the enrolment in technical colleges has increased over time. However, the numbers are still low, and most graduates are not directly involved in work that furthers the level of science and technology in the country ( refer to education chapter).

The objectives of S&T are to improve the capacity and capability of the national system for science and technology; intensify promotion and transfer of technologies to key livelihood systems; increase investment in research and development in Science, Engineering and Technology (SET); enhance the role of science and technology in the expansion and diversification of national production systems; improve and increase productivity of national production systems; and encourage value addition to raw materials and indigenous knowledge systems.

1. Create a Science and Technology culture

Government will integrate S&T considerations into the national development agenda and will attempt to improve science and technology culture by encouraging appreciation of science and technology in Malawian society. In addition, Government will establish mass communication, information retrieval services, national and sectoral and databases, and institutional linkages to facilitate access to information.

2. Strengthen the institutional framework

Government will strengthen the National Research Council of Malawi (NRCM) to enable it undertake the role of co-ordinating national scientific and technological research efforts. In

particular, it will enhance collaboration between research institutions to avoid duplication of research work and wasting scarce resources. In addition, it will increase the current financial allocation for S&T activities in Malawi by encouraging the private sector to participate in financing S & T.

## Chapter 5 – Macroeconomic and Expenditure Framework

*This chapter is under development and will be refined in later drafts*

Meaningful poverty reduction will require sustainable economic growth and a stable macroeconomic environment. Macroeconomic stability is an essential precondition to economic growth. The essential conditions for macroeconomic stability are prudence in fiscal management and tight monetary policies. Hence, if the MPRS is to achieve macroeconomic stability, it must carefully balance available resources with expenditure requirements. This Chapter outlines the macroeconomic and expenditure framework that focuses on realistic and quantified targets needed to achieve certain levels of poverty reduction by 2004, whilst remaining within levels of resource use that will ensure macroeconomic stability.

### 5.1 Macroeconomic Stability and Poverty

Macroeconomic instability has in Malawi been associated with low economic growth rates, high inflation rates, unstable normal exchange rates, unstable interest rates as illustrated in Table 1 below.

*Table 5.1: Basic Macroeconomic Indicators*

	1994	1995	1996	1997	1998	1999	2000
GDP growth rate	-10.2	9.6	8.2	4.9	2.0	4.0	1.7
Average Annual Inflation	34.7	83.1	37.7	9.1	29.8	44.8	29.6
Domestic Saving/DGP	-3.0	-3.0	3.0	0.9	6.0	3.1	3.1
Investment/GDP	29.1	17.0	11.6	12.2	13.3	14.8	15.9
Interest rate (Lending)	31.0	47.3	45.3	28.3	37.7	53.6	53.6
Current Account							
Deficit/GDP (inc grant)	-13.4	-1.7	-7.7	-10.5	-2.5	-8.3	-4.9
Exchange rate (MK1US\$, average)	8.7	15.3	15.3	16.4	31.1	44.1	59.5
External Debts/GDP	150.6	139.1	88.6	90.8	142.7	144.0	150.3

Source: IMF

#### 5.1.1 Fiscal and Monetary Imbalances and Poverty

High fiscal deficits have necessitated excessive Government borrowing, which in turn has led to high interest rates and the crowding out of the private sector. Macroeconomic instability has also

been reflected through high inflation rates caused by increased money supply. The trends are illustrated in Table 5.2 below.

Inflation is also a regressive and arbitrary tax, which places a heavy burden on the poor. In particular high inflation is damaging to growth as inflation erodes purchasing power most seriously on the poor.

*Table 5.2: Source of Increases in the Money Supply 1995-2000*

	1995	1996	1997	1998	1999	2000	AR.
Change in M2	1182	2345	-108	2518	2905	2412	1876
Net Foreign Assets	1392	4906	-1747	4489	995	3591	2271
Net domestic Assets	-209	-2561	1639	-1971	1910	-1179	-395
Of which			131	-1660	-251	311	-285
Credit to Govt. (Net)	-276	35	43	-554	1599	129	249
Credit to Statutory bodies	123	152	197	1582	179	1758	658
(Net)		155	1268	-1338	381	-3375	-1016
Credit to private sector	74	-2902	-17	41.1	33.6	20.9	
Other items (net)	-131	60.3	-0.26	4.67	3.62	2.25	
	43.7	6.3	416.6	539.6	802.4	1070	
% Increase in M2	5.41	372.3	16.4	31.1	44.1	56	
Increase in M2 as % of GDP	218.0	15.3	155.0	258.0	244.0	218	
	15.3	218.0	3367	7856	8851	1244	
GDP (Kwacha billion)	106.0	5114					
Exchange rate (MK/US\$)	208						
Gross official reserves							
Official reserves in Kwacha							

High interest rates act as disincentive to investment and therefore retard economic growth and worsen poverty as the poor fail to raise credit resources to participate in production. On the other hand depreciating exchange rates erode incomes and purchasing power of the poor through inflationary effects.

## **5.2 Simulation Model Assumptions**

To come up with an appropriate macroeconomic framework, simulations have been made for growth rates of 3 percent, 5 percent, 8 percent and 10 percent. From historical patterns, 3 percent growth over the medium term was noted to be achievable. However, unless there are significant changes to the structure of the Malawi economy and the sources of growth, this growth rate will not be sufficient to achieve sustainable poverty reduction. The 5 percent growth rate was also considered to be attainable. This conclusion arises from the fact that the economy has grown by 4 percent in the recent past. However, the economy would need to develop sufficient economic “shock absorbers” if the economy diversified its sources of growth and attained a consistent macroeconomic environment.

The 8 percent growth rate was also considered realistic in the medium term given that Malawi attained a growth rate of 9.8 percent in 1996. However, to achieve this growth rate would require consistent macroeconomic stability, sustainable economic structural diversification, radical changes in the mindsets of the population, and strong social, technical and political will. The 8 percent growth would then start to significantly reduce poverty in the country.

The 10 percent scenario is based on Vision 2020 and would move Malawi to a middle-income country if sustained over a long period. This would require political commitment at the highest level, complete transformation of mindsets of farmers, entrepreneurs, traditional leaders, public servants and donor representatives. By looking at the potentials of the country, the 10 percent is in fact achievable.

## **5.3 Framework Targets and Indicators**

### ***5.3.1 Economic Growth Rate***

For the purpose of the MPRS, a more realistic growth rate would be 5 percent over the next three years. This rate is attainable and would require minimal shocks to the economy to shift from the current growth rate of 1.8 percent. According to the simulation results, the sources of growth would be increased productivity in agriculture, manufacturing and producers of government services.



## 5.4 Other Macroeconomic Targets

The inflation rate commensurate with the 5 percent growth would on average be 18 percent with the GDP deflator moving from 11.11 percent in 2002 to 17.05 percent in 2004 as shown in Table 5.3 below. Within the same time period, the nominal exchange rate would move from MK70.61 to 1 US\$ to MK78.59 to 1US\$. Revenue (including grants) as a percentage of GDP would decline from 25.7percent to 16.6 percent in 2002 and 2004 respectively. At the same time expenditure as percentage would also decline from 25.2 percent of GDP to 15.9 percent within the same period. Overall balance (including grants) would improve from –22 percent in 2002 to –11 percent in 2004.

Table 5.3: Macroeconomic -Balances – 5% and 8% Growth Scenarios

	5% growth			8% growth		
	2002	2003	2004	2002	2003	2004
GDP at constant prices	15441.20	16213.25	17023.92	15882.37	17152.96	18525.20
GDP at current prices	171496.03	223107.76	290252.03	169135.06	217007.05	278428.73
GDP deflator	11.11	13.76	17.05	10.65	12.65	15.03
Money and Quasi Money	23492.61	30562.71	39760.55	23169.19	29726.99	38140.92
Nominal Exchange Rate	70.61	74.15	78.59	72.03	76.00	80.79
Central Government Revenue	44150.95	46134.90	48249.67	44985.41	47441.30	49423.57
Tax and non-tax Revenue	28315.65	30748.00	32176.87	29150.11	32054.40	33350.77
Grants (Including HIPC)	15835.30	15386.90	16072.80	15835.30	15386.90	16072.80
Total Government Expenditure (excl. stat. Exp.)	43244.83	44731.81	46220.99	43814.01	45347.98	46929.17
Statutory expenditure*	11265.00	11827.78	12418.67	11265.00	11827.78	12418.67
Interest payments (netted out of Statutory Exp.)	6650.00	6899.43	7102.50	6720.90	6989.10	7220.90
Total Government Expenditure**	47859.83	49660.16	51537.16	48358.11	50186.66	52126.94
Overall Balance Excluding Grants	-19544.18	-18912.16	-19360.29	-19207.99	-18132.26	-18776.17
<b>Overall Balance Including Grants</b>	<b>-3708.88</b>	<b>-3525.26</b>	<b>-3287.49</b>	<b>-3372.69</b>	<b>-2745.36</b>	<b>-2703.37</b>
Revenue as % of GDP (Total Including grants)	25.7%	20.7%	16.6%	26.6%	21.9%	17.8%
Expenditure as % of GDP (Excl. Statutory Exp.)	25.2%	20.0%	15.9%	25.9%	20.9%	16.9%
Expenditure as % of GDP (Incl stat.exp)	27.9%	22.3%	17.8%	28.6%	23.1%	18.7%
Overall Balance as % of GDP (Excluding grants)	-11.4%	-8.5%	-6.7%	-11.4%	-8.4%	-6.7%
<b>Overall Balance as % of GDP (Including grants)</b>	<b>-2.2%</b>	<b>-1.6%</b>	<b>-1.1%</b>	<b>-2.0%</b>	<b>-1.3%</b>	<b>-1.0%</b>

## 5.5 Resource Envelope

The resource envelope commensurate with a growth rate of 5 percent is shown in Table 5.4 below. In terms of resource requirements, the 5 percent scenario, in 2002, would require government to spend MK43 billion as discretionary expenditure (total expenditure including statutory expenditure would be MK48 billion). The economy would generate domestic revenue

resources amounting to MK28 billion (MK44 billion with external resources). Overall, the budget deficit would be 11.4 percent of GDP (excluding external resources) or 2.2 percent of GDP (including external resources)

*Table 5.4 Resource Envelope, Use and Gap*

Resource Envelope	5% growth			8% growth		
	2002	2003	2004	2002	2003	2004
Direct Taxes	11213.2	12718.8	13254.8	11536.3	13283.2	13805.8
Indirect Taxes	12710.0	13400.5	13820.5	12847.4	13919.2	13968.7
Non-tax Revenues	4392.5	4628.7	5101.6	4766.4	4852.0	5576.2
Grants (other)	11386.4	11236.7	11729.3	11386.4	11236.7	11729.3
HIPC	4448.9	4150.2	4343.5	4448.9	4150.2	4343.5
Total Domestic Resources	28315.6	30748.0	32176.9	29150.1	32054.4	33350.8
Total Resources	44150.9	46134.9	48249.7	44985.4	47441.3	49423.6

Resource Use	5% growth			8% growth		
	2002	2003	2004	2002	2003	2004
Total Government Expenditure (excl. stat. Exp.)	43244.8	44731.8	46221.0	43814.0	45348.0	46929.2
Statutory expenditure*	11265.0	11827.8	12418.7	11265.0	11827.8	12418.7
Total Government Expenditure	47859.8	49660.2	51537.2	48358.1	50186.7	52126.9

Resource Gap	5% growth			8% growth		
	2002	2003	2004	2002	2003	2004
Domestic Resources	-19544.2	-18912.2	-19360.3	-19208.0	-18132.3	-18776.2
Total Resources	-3708.9	-3525.3	-3287.5	-3372.7	-2745.4	-2703.4

## 5.6 The Costing of Poverty Reduction Activities

The weakness with macro models is that they are unable to give out sector resource requirements to be used for poverty reduction. In order to establish sectoral requirements, the MPRS uses costings of sector activities based on target indicators and unit costs to arrive at required levels of expenditure. The MPRS prioritisation and costing exercise has identified four broad types of expenditure namely Statutory, Overhead, Direct and Enabling expenditure.

**Direct Poverty Expenditures (DPE)**, as shown in Table 1, are expenditures that fund activities that provide services or transfers directly to the poor and these are of the highest priority. These include health, education, agricultural extension, for example. **Enabling Poverty Expenditures** are expenditures that fund activities that enable the implementation of the DPEs and therefore the

reduction of poverty. The activities occur at two levels: firstly by enabling specific direct poverty activities for example administration in education and secondly general enablers that are necessary for the implementation of the overall strategy such as public expenditure management, National Assembly, Decentralisation and other reform programmes. In the MPRS, only those enabling activities that are prerequisites for the efficient and effective operation of direct poverty reducing activities have been included.

The **Overhead Expenditures** are those expenditures that are necessary for the administration of state such as Ministry of Defence, State Residences, Office of the President and Cabinet and Ministry of Foreign Affairs. These Overhead Expenditures form core activities of running the administration of state, and are treated separately from Direct Poverty and Enabling expenditures. Lastly, **Statutory Expenditures** are expenditures that must be made and cannot be scaled down such as debt services, pensions and gratuities.

#### ***5.6.1 Direct Poverty Reduction and Priority Poverty Reduction Expenditure***

Table 5.5 below presents sectors and activities in the sectors that are directly related to poverty reduction. The sectors in the Table 5.5 were arrived after considerable debate during the consultation process, particularly at the District level. It is these sectors and activities where government will increase its expenditure on a priority basis. The efficient utilisation of the resources in these direct poverty reducing activities supported by the enabling activities will transform both economic and poverty status of the country.

*Table 5.5: Categorisation of Direct Poverty Reduction Expenditure by Activity*

<b>Sector</b>	<b>Specific Activities</b>
Agriculture and Irrigation	Agricultural extension, Market information dissemination, Irrigation development, Development of Farmers' Clubs and Co-operatives
Education	Primary Education, Secondary Education, Teacher Training, Teaching and Learning Materials
Water and Sanitation	Management, maintenance and construction of boreholes and piped water, Sanitation, Dam construction and maintenance.
Nutrition	All activities related to food and nutrition

Technical and Vocational Education	All activities related to technical and vocational training except expenditure on the Ministry of Labour
Environment	All activities related to protection and management of environment
Health and Population	All activities related to Essential Healthcare Package
Community Services and Gender Empowerment	Community Services Expenditure Adult Literacy Expenditure Pre-School Expenditure
Home Affairs	All activities related to Police and Prisons
Transport and Public Works	All activities related to maintenance and construction of rural feeder roads and main roads

### 5.6.2 Priority Poverty Reducing Activities

During the Budget season of 2001/2002, the consultation process identified some activities that were priority for poverty reduction. The government increased its expenditure allocations to these sectors in response to popular demand emerging from stakeholders. The Priority Poverty Expenditure (PPEs) are summarised in the Findings to Date Document.

In Table 5.6, we note that the PPEs are activities within DPE areas. Government will allocate funds in accordance with the priorities emerging from the MPRS. The link between the DPE areas and PPEs is given in Table 5.6 below.

*Table 5.6: Direct Poverty Expenditure and Priority Poverty Expenditure*

<b>DIRECT POVERTY REDUCTION EXPENDITURE</b>	<b>PRIORITY POVERTY EXPENDITURE PPEs</b>
Basic Education (Primary, Secondary, Adult, Technical, Special Education)	Teaching and learning Materials Teacher Training Teachers salaries and house allowance
All Agriculture activities except reform of the Ministry.	Agricultural extension system and associated reforms Expansion of community based irrigation Creation of farmers associations and co-operatives
Water and Sanitation	Increase allocations to construction and maintenance of boreholes
Nutrition	Food security and nutrition Introduction of nutrition education programmes
Technical and Vocational Training	No PPE as cross cutting
Environment	No PPE as cross cutting
Roads	Maintenance and construction of rural feeder roads

All Police Services Including Community Policing	Increase allocations to community policing programmes across all districts
HIV/AIDs	No PPE as cross cutting
Gender	No PPE as cross cutting
All Health activities	Drugs Health worker training Health Worker salaries and conditions

## 5.7 Medium Term Expenditure Framework

As part of the MPRS process, Thematic Working Groups developed detailed strategies and costings of these strategies. The Expenditure Framework includes the costings for the Direct Poverty Expenditures based on the specific activities that Government would implement to reduce poverty if necessary resources were available. The costings are based on unit costs and the achievement of long-term country targets comparable to long term global targets<sup>10</sup>. Details of the strategies, activities and costs are included in Annex 2.

### 5.7.1 Direct Poverty Expenditures

Table 5.7 shows the overall costings for Direct Poverty Expenditures derived from the unit cost of achieving a specific objective within a given time. For ease of presentation, the activities are grouped under their implementing Ministries. The costings indicate that Government needs to spend 34bn, 35bn and 36bn MK respectively for the years 2001/2002, 2002/2003 and 2003/2004.

While the Direct Poverty areas are accorded a higher priority within the Expenditure Framework, these sectors will be required to apply the priorities identified during the process as the basis for allocating resources during the implementation of the budget.

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<sup>10</sup> Progress towards the international development goals, A Better World for All 2000

Table 5.7 Direct Poverty Reduction Costings

		3. Budget Estimates			PRSP Costings		
		2001/2002	2002/2003	2003/2004	2001/2002	2002/2003	2003/2004
	Ministry	Estimate	Projection	Projection	2001/2002	2002/2003	2003/2004
<b>Pillar</b>							
	<b>Agriculture</b>	2,542,785,814	2,630,604,452	2,603,262,769	2,452,389,809	2,652,029,641	2,573,945,155
<b>Pro-Poor Growth</b>	<b>Water Development</b>	2,140,153,274	1,369,396,552	1,046,937,293	1,538,221,082	1,471,694,222	1,422,621,570
	<b>Roads</b>	1,796,000,000	3,416,962,076	954,145,000	2,951,172,000	2,951,172,000	2,951,172,000
	<b>Natural Resources</b>	843,323,301	647,876,235	666,902,816	991,744,918	1,059,933,709	1,053,281,729
	<b>Tourism Parks and Wildlife</b>	71,222,913	81,408,423	88,113,531	186,154,017	156,356,993	152,090,626
<b>Safety Nets</b>	<b>Gender, Youth and Community Services</b>	454,530,728	391,521,457	356,258,900	2,520,713,505	2,522,990,803	2,526,239,587
	<b>Ministry of People with Disabilities</b>	26,869,110	31,123,507	32,604,170	15,288,669	26,869,110	31,123,507
	<b>Safety Nets</b>	0	0	0	1,975,806,800	2,063,187,800	2,218,485,969
<b>Human Capital</b>	<b>Labour and Vocational Training</b>	34,193,882	43,049,742	43,688,752	498,630,654	552,252,982	637,695,571
	<b>Education</b>	5,904,177,500	4,461,922,455	4,600,275,580	11,080,492,830	11,947,060,319	11,991,553,598
	<b>Health and Population</b>	5,361,065,352	5,164,520,730	4,609,332,959	7,135,876,579	7,194,522,382	7,618,631,609
	<b>Nutrition</b>	0	0	0	461,861,001	502,796,667	572,380,501
<b>Governance</b>	<b>Police</b>	681,792,997	906,990,648	931,282,466	2,830,775,222	2,875,761,888	2,919,501,888
	<b>Prisons</b>	240,402,184	349,895,759	266,107,821	346,192,769	330,192,757	330,192,757
	<b>Total Direct Poverty Reduction</b>	20,096,517,055	19,495,272,036	16,198,912,057	34,985,319,854	36,306,821,274	36,998,916,067

### 5.7.2 Enabling Poverty Reduction Expenditures

In the costing of the MPRS, it was assumed that the cost of Enabling activities are the same as the projections contained in the Medium Term Expenditure Framework budget documents that include the approved Estimates for 2001/2002 and projections for 2002/03 and 2003/04. This also applies to the Overhead Category of expenditures. This, however, does not mean that Government should continue to implement these activities as before. Rather, it implies that Government must review and reprioritise its actions within those resource constraints by refocusing on providing an enabling environment for the direct poverty activities.

Table 5.8: Overhead Expenditures

	2001/02	2002/03	2003/04
STATE RESIDENCES	306,878,991	446,540,713	467,864,637
OFFICE OF THE PRESIDENT AND CABINET	696,087,913	975,781,079	896,010,273
STATUTORY CORPORATIONS	15,381,071	21,878,193	22,681,949
OFFICE OF THE VICE PRESIDENT	54,834,188	57,539,215	59,958,690
FOREIGN AFFAIRS AND INT. COOPERATION	976,090,252	2,086,961,836	2,083,167,775
SPECIAL ACTIVITIES	3,406,327,500	0	0
SUBVENTIONS TO STATUTORY ORGANISATIONS	1,116,000,000	1,171,800,000	1,230,390,000

## 5.8 The Results of Prioritisation of the Expenditure Framework

Table 5.9 below shows the percentage allocations to the three broad types of expenditures, indicating that the direct poverty expenditures receive the highest allocation of the current Estimates for 2001/02 – 2003/04, while this percentage increases once the Costings for the Direct Poverty are added to the Expenditure Framework.

Table 5.9: Percentage Expenditure Allocations by Broad Category

Category	% of Estimates			% of total Costings		
	2001/02	2002/03	2003/04	2001/02	2002/03	2003/04
Direct Poverty Reduction	57.60%	54.76%	55.97%	70.44%	69.43%	74.40%
Enabling Poverty Reduction	23.54%	31.85%	27.54%	16.41%	21.52%	16.01%
Overhead Expenditures	18.86%	13.39%	16.48%	13.15%	9.05%	9.58%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Table 6 below presents the percentage allocation of expenditures for both the current 2001/02 – 2003/04 Estimates and the MPRS costings. These percentages illustrate that the Human Capital pillar is receiving the highest share of the Total Estimates for the period 2001/02 – 2003/04, whilst the Growth and Governance pillars receive the second highest shares.

When the additional costs of the Direct Poverty Strategies are added to the estimates, the shares of the Human Capital Development increase further from 32 percent of the current estimates for 2001/02, compared to 38 percent of the MPRS costings. The percentages for Growth decline slightly as do the Governance shares, while the percentage of Overhead expenditures decline from 18 percent of the 2001/02 Estimates to 13 percent of the total costings for the same year. Within the Governance pillar, the share on Direct Expenditures for Police and Prisons increase significantly, as do the shares for the Safety Nets Pillar.

## **5.9Funding Gap**

In Table 5.10 we note that the MPRS costing framework shows that after domestic resources and currently pledged donor grants and loans there is still a significant resource gap that is needed to achieve certain levels of the poverty reduction under the prevalent macroeconomic prescriptions.

The overall funding gap for the same medium term period is MK-6.15 bn, MK-7.27bn and MK-2.76bn.. For the next three years government will need to solicit extra domestic revenue or foreign grants in order to bridge the funding gap. The costing framework will exactly match the budget framework if the funding gap between these two frameworks is fully financed. If the funding gap is not fully financed lower priority areas and expenditures will be scaled down.



*Table 5.10 Funding Gap*

Macro Balances		5% Growth Scenario			8% Growth Scenario		
		2001/02	2002/03	2003/04	2001/02	2002/03	2003/04
Total Discretionary Expenditure		43,244,830,000	44,731,810,000	46,220,990,000	48,358,110,000	50,186,660,000	52,126,940,000
2001/02 - 2003/4 Estimates		34,868,587,540	35,577,854,039	28,914,370,069	34,868,587,540	35,577,854,039	28,914,370,069
Additional Resources Available		8,376,242,460	9,153,955,961	17,306,619,931	13,489,522,460	14,608,805,961	23,212,569,931
Direct Poverty Costings		34,985,319,854	36,306,821,274	36,998,916,067			
Enabling Estimates		8,200,470,570	11,322,080,967	7,955,384,688			
Overhead Expenditures		6,571,599,915	4,760,501,036	4,760,073,324			
Total Costings and Estimates		49,757,390,339	52,389,403,277	49,714,374,079			
<b>Gap</b>		<b>-6,512,560,339</b>	<b>-7,657,593,277</b>	<b>-3,493,384,079</b>	<b>-1,399,280,339</b>	<b>-2,202,743,277</b>	<b>2,412,565,921</b>

## 5.10 Macroeconomic and Budget Pillars for MPRS

For Malawi to attain the desired macroeconomic framework for MPRS, the Government would be required to attain a fiscal deficit level of less than 1.5 percent of GDP, monetary and external sector policies for the next three years. Specifically, government would have to adopt policies which encourage public expenditure management and reduction in government borrowing; control money supply and inflation, maintain flexible exchange rate and improve the trade regime and the investment environment. Some of the policies are summarised in the matrix in Annex 2.

## **Chapter 6 – MPRS Implementation, Monitoring and Evaluation**

In implementing the PRSP Government will use the existing mechanism – the line Ministries and the Budget, co-ordinated by central Government Ministries - in particular, the Ministry of Finance and Economic Planning, the Office of the President and Cabinet, and the National Economic Council. To be implemented, the MPRS must be translated into the Medium Term Expenditure Framework (MTEF) and the Budget, and that Budget itself must be fully implemented. Thus, the issues of Public Expenditure Management and strengthening the MTEF covered under the Governance, Political Will and Mindset pillar are central to implementation.

In general, the MPRS will not lead to new and parallel systems for implementation, monitoring and evaluation. Instead, the emphasis will be on building capacity for and strengthening existing systems, including the inclusion of a broader range of stakeholders, including civil society and the media.

Crucial to the success of the MPRS is the need to implement only the MPRS. The Poverty Reduction Strategy outlined in this document has been designed to be comprehensive and has been costed so that it is in line with Government's overall resource envelope. It reflects a consensus on Malawi's priorities that has been built through a highly participatory process and reference to ongoing programmes. Hence, the omission of an activity from the MPRS does not mean it has been forgotten – it means that it is not considered a priority at this stage and therefore should not be undertaken in current implementation period until it becomes a priority, if at all.

However, this does not mean that there should be no flexibility in implementation. In addition, unforeseen circumstances are likely to arise which may necessitate implementing alternative activities (e.g. disaster management, emergence of new priorities). As a result, the MPRS is intended to be an adaptable document – it will be reviewed annually and comprehensively redesigned every three years. However, some circumstances will arise which demand more immediate action. In this case, Government will be transparent in clearly explaining the need for the alternative

activities and more importantly, will explain which MPRS activities will be scaled down or dropped to create space for the alternative activity in terms of financial and human capacity.

A number of measures have been taken to ensure that this MPRS is implementation-friendly. In the past, Government has failed to implement its plans and strategies because the activities were not prioritised in line with the limited availability of resources. Government has tried to do too much with too little resources and achieving too little because the resources were spread thinly across activities. The MPRS process has focused on prioritisation. Prioritisation involves making hard decisions on which activities to implement, and which to scale down or drop altogether. This is done in the context of comparing Government's available resources with the costs of implementing the priority activities, so that the strategy is realistic.

Apart from prioritisation, the MPRS process focused on designing an action plan for the strategy (annex 2). The action plan and the activities within it will form the basis for the Budget. The probability of implementation has been assured by the emphasis on ownership and participation. The MPRS preparation process was designed to ensure that consensus on the strategy was built across Malawian society. Government, political parties, civil society, donors and private sector representatives, as stakeholders, were engaged in the process on an equal footing. This was done to achieve broad ownership, generate commitment to the implementation of the MPRS and spark interest in the monitoring of the strategy.

In addition to the measures already outlined, there are two critical components of the implementation strategy. Firstly, a thorough monitoring and evaluation system and secondly through high-level coordination supported by technical level committees.

## **6.1 The MPRS in context**

In the past, there has been no coherent institutional and management structure for the planning<sup>11</sup> of public expenditure and policy. Rather, there have been a variety of

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<sup>11</sup> "Planning" does not just refer to development Budget activities as traditionally understood, but equally to the recurrent and development budget. Planning is understood here to mean the

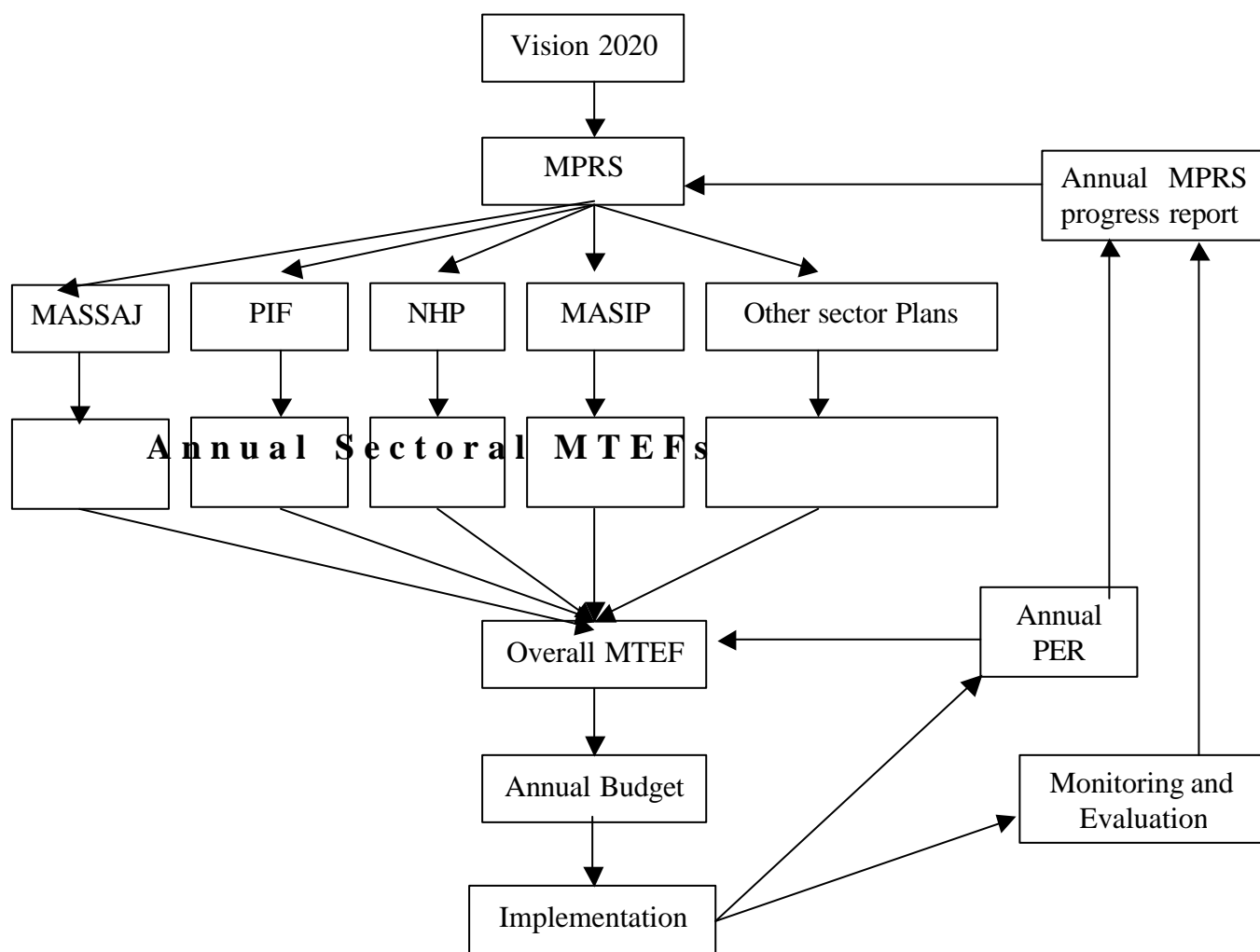
loosely coordinated donor-driven reform initiatives that have been half-implemented by a number of central government bodies and line ministries with little overall management or co-ordination. Initiatives such as the MTEF, SIPs and SWAs and Vision 2020 have been seen as separate, add-on activities rather than part of a coherent whole. The implementation of the MPRS and the success of the other initiatives depends on the definition and coordination of an integrated and coherent planning and budgeting system coordinated by the Ministry of Finance and Economic Planning, with the MPRS and the Budget at the core. This system must be clearly understood by all key stakeholders. The structure of the system is explained in Figure 6.1 below.

As demonstrated in Figure 6.1, the MPRS has its roots in country's overall vision as defined in Vision 2020. In effect, the MPRS translates the aspirations captured in Vision 2020 into more practically defined and prioritised strategies. These strategies are then further clarified into more detailed sector-specific plans either in the form of Sector Investment Programmes (SIPs) or Sector Wide Approaches (SWAs) or cross-sectoral programmes or projects, such as MASAF and the National Safety Nets Strategy. SIPs exist in education (the PIF) and health (the NHP). Others are being developed in agriculture (MASIP) and security and justice (MASSAJ). The MPRS, by giving a national overview of poverty reduction efforts, acts as a starting point for the sector-specific plans. It is essential that these plans are consistent with the MPRS – the plans should contain only strategies that are contained in the MPRS. In practice, the relationship between the MPRS and the plans will go both ways – existing and future plans have and will be used in formulating the MPRS and revisions made to the plans incorporated into the MPRS during the annual review where agreed.

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prioritisation of scarce resources (both financial and Government capacity) so as to achieve Government's objectives.

Figure 6.1.- Public Policy and Planning Framework



The next stage in the process is for the sector specific plans to be translated into three-year sectoral Medium Term Expenditure Frameworks (MTEFs) on an annual basis by the line ministries, with the first year of the MTEF<sup>12</sup> representing the annual budget. After revisions made during the budget hearings, these individual MTEFs and budgets are consolidated into the national MTEF and Budget as presented to Parliament. This process of defining national and sectoral strategies and translating these strategies into budgets will help to ensure that the annual budget reflects Government’s priorities and the opinions of those consulted throughout the process.

<sup>12</sup> The MTEF is a way of doing the Budget process, focussing on activities and outputs rather than inputs.

In order to ensure that the MPRS and ultimately the MTEF/Budget continue to reflect the best poverty reduction strategies, the public expenditure policy and planning framework described in figure 6.1 also includes two annual review vehicles – the MPRS review and the Public Expenditure Review. The PER will look in detail at expenditure trends and impacts in certain sectors, and will act as an input into the annual MPRS review, which will review progress with the whole MPRS and will revise the MPRS accordingly.

A major challenge to Government is to integrate decentralisation into this framework. To this end, a revision to the framework will be made during the first annual review process after consultations between the Ministry of Finance and Economic Planning, the Ministry of Local Government and the District Assemblies.

## **6.2 MPRS and the Budget**

At the core of the public expenditure planning and management system is the relationship between the MPRS and the Budget. The system is designed to ensure that the Budget is a detailed cost estimate of the implementation of MPRS priorities, rather than just a list of inputs by Government institutions.

The budget preparation and scrutiny stage of the budget process is central to the success of this system. The Ministry of Finance and Economic Planning ensure that line Ministries use the MPRS when preparing their Budgets. More importantly, the Ministry of Finance and Economic Planning will scrutinise proposed budgets, in line with MPRS-based budget guidelines, during Budget hearings. Budget submissions that will include activities outside the MPRS or exclude activities inside the MPRS will be rejected unless there is both a clear justification of the change of priorities and an explanation of which MPRS activities will be scaled down or dropped to make way for the new activities.

Equally importantly, the implementation of the MPRS depends on the implementation of the MPRS-based Budget. As the 2000 Public Expenditure Review and the MTEF Review clearly demonstrate, the implementation of the Budget is beset with problems. It is therefore crucial that the measures outlined in the Public Expenditure Management section of the fourth pillar are fully implemented.

### 6.3 Monitoring and evaluation

Monitoring and evaluation of the MPRS implementation is key to the achievement of the goals of the MPRS. Monitoring of the implementation is to assist in the annual review of the MPRS and its substantive review after three years. Starting immediately after its launch, MPRS implementation is to be monitored using various indicators provided in the action plan for each component of the MPRS. The action plan has outlined a variety of monitoring indicators ranging from input, output, outcome to impact indicators. A brief definition of these various levels of indicators are in box 6.1 below:

#### *Box 6.1 Monitoring indicators*

There are various levels of monitoring indicators to be used during MPRS implementation, with an example for each from the education sector:

1. **Input** – The use of resources by Government – these resources can be financial (expenditure), labour (personnel) and capital (equipment). The focus will largely be on financial monitoring on an activity basis. *e.g. resources spent on primary education*
2. **Outputs** – The quantity and quality of services and transfers provided by Government using the inputs. These are generally directly linked to the efficient and effective use of inputs. *e.g. pupil:teacher ratio, number of textbooks per pupil*
3. **Outcomes** – The quantity and quality of effect of the services provided to the recipients of Government services. These are related to input and output performance but may be affected by other factors. *e.g. enrolment ratios, examination pass rates.*
4. **Impact** – The effect on welfare indicators, like income, consumption, poverty headcount etc. These may be affected by inputs, outputs and outcomes, but with a significant time lag and are also affected by many external factors. *e.g. literacy rates, poverty headcount*

At all levels of monitoring and evaluation, Government will strengthen systems by including a broader range of stakeholders, such as civil society and the media. The media will play a crucial role in disseminating information, particularly on outputs and outcomes. In the context of decentralisation, Government will also introduce, on a trial basis, schemes to enable communities to monitor Government performance on all four levels.

### ***6.3.1 Monitoring Inputs and Outputs***

The first level of monitoring and evaluation will be the monitoring of Government inputs. This will be based on activities, as detailed in the MPRS action plan and translated into the budget. Expenditure tracking will start at the source of funding (the Ministry of Finance and Economic Planning) and then move all the way to the actual expenditure point.

Controlling officers are to be responsible for providing data on actual expenditure and output levels, on monthly basis during the request of monthly funding. This will be done through the existing reporting system, which will be adjusted to take into account the demands of MPRS reporting. The Ministry of Finance and Economic Planning will thus be responsible for collecting, aggregating and disseminating this information. The input and output monitoring is to have in-built incentive mechanisms. The Ministry of Finance and Economic Planning will continue to withhold funding for Ministries and Departments that fail to submit satisfactory monthly activity-based reports on input and output indicators.

Whilst it is imperative that the entire budget is monitored in this way, particular attention will be paid to the priority direct poverty reducing activities, so as to meet conditions on the tracking of HIPC funds. However, this will not involve a separate system.

To re-enforce the monitoring, beneficiary communities, with the help of civil society, are to be involved in the expenditure tracking and output monitoring on the basis of the budget and funded activities. Civil society organisations should, therefore, mount capacity building exercise for communities to get involved in input and output monitoring at the local level. Further, the existing government ministries' monitoring and evaluation systems are to be enhanced to allow for consistent and quality tracking of expenditures. Expenditure tracking will involve identifying specific pro-poor programmes or line items in the Budget. These will be tagged and expenditure on those will be closely monitored.

Finally, the use of resources (in terms of inputs and outputs) will be monitored and evaluated using the annual Public Expenditure Review (PER). Annual PERs will



focus on a different group of sectors each year, analysing expenditure trends, effectiveness and efficiency and making recommendations to be incorporated in the annual MPRS Review and the formulation of the Budget.

### 6.3.2 *Monitoring Poverty Outcomes and Impacts*

Outcome and impact monitoring is to be assisted by the use of various sources of data. On the basis of the overall goal of the MPRS, which is to eradicate extreme poverty incidence, currently estimated at 30 percent of the population by the year 2015 and reduce the overall poverty by half by the year 2020, there is need to monitor overall progress in the factors that are considered crucial in determining the poverty status of the population. At a national level, a number of indicators are crucial for the monitoring of poverty outcome and impact indicators. The indicators and their sources of data are presented in Table 6.1 below.

*Table 6.1 Monitoring Indicators*

Area/Sector	Indicator	Type	Sources of data
Overall	Consumption	Outcome	IHS, QUIM
	GDP per capita	Outcome	National income statistics
	Nutrition status Morbidity Mortality Life expectancy	Impact	DHS, IHS, administrative records, QUIM
Agriculture	Food production Cash crop production	Output	Crop estimates, NSSA
Health	Access to potable water Access to sanitation Access to health services Total fertility rate	Output	DHS, IHS, QUIM
	HIV infection	Outcome	Administrative records
Education	Literacy rate	Outcome	IHS
	Net enrolment Education attainments	Outcome	Administrative data and HIS
Overall	Composite welfare index	Outcome, output & impact	All sources

The monitoring of outcome and impact indicators is to bank on complementary and supplementary sources of data. Administrative records and management information systems are critical sources for facility-based goods and services. These will feed into a district data bank to be managed by a professional statistician. Other more frequent data collection activities are to include Core Welfare Indicator Questionnaire (CWIQ) surveys, crop estimates, and food price surveys. The CWIQ, for example, is integrated service survey that is to be conducted annually, and allows quick and cost effective measurement of outcomes. A more comprehensive Integrated Household Survey (IHS) is to be conducted once in five years. This is also true for Demographic and Health Surveys (DHS). The Qualitative Impact Monitoring Survey (QUIM) is a participatory beneficiary service and poverty assessments tool. It is to complement the quantitative surveys and is to be implemented once in three years. The Population and Housing Survey is to be another critical source of data for poverty monitoring.

A critical factor in outcome and impact monitoring is the quality of the administrative and management information systems. The current administrative data collection systems and their higher-level management information systems are plagued by quality problems. One such quality problem is the coverage of the data. In many cases, the forms used leave out important information. Another problem is the lack of capacity and incentives for those filling in the administrative records. As a first step, administrative data collection systems are to be assessed for their use in monitoring of the MPRS. Forms are to be redesigned to suit the requirements of MPRS. Secondly, adequate staffing with requisite qualifications and incentives are to be deployed in key sectors like education, health and agriculture. The assessment of these systems and quality control of all other monitoring activities are to be done under the framework of the MPRS monitoring system institutional set-up.

#### **6.4 Coordination of Implementation, Monitoring and Evaluation**

The Ministry of Finance and Economic Planning will co-ordinate issues of implementation of the MPRS. In particular, a MPRS Unit will be created in the Ministry to drive the implementation of the MPRS across Government, and ensure that essential reforms to the MTEF and Budget are made. In addition, the Unit will co-ordinate the Annual PER and work with the Secretariat of the MPRS Monitoring

System to co-ordinate the annual MPRS Review process. Finally, the Unit will work with the Budget Division to coordinate all activities dealing with monitoring of inputs and output indicators. In particular, the Unit, in co-operation with the Budget Division will draw up guidelines for input and output monitoring by Ministries, District Assemblies and controlling officers. The Unit will also be responsible for workshops and meetings for all units and personnel involved in inputs and output monitoring, including civil society representatives, at most once in three months.

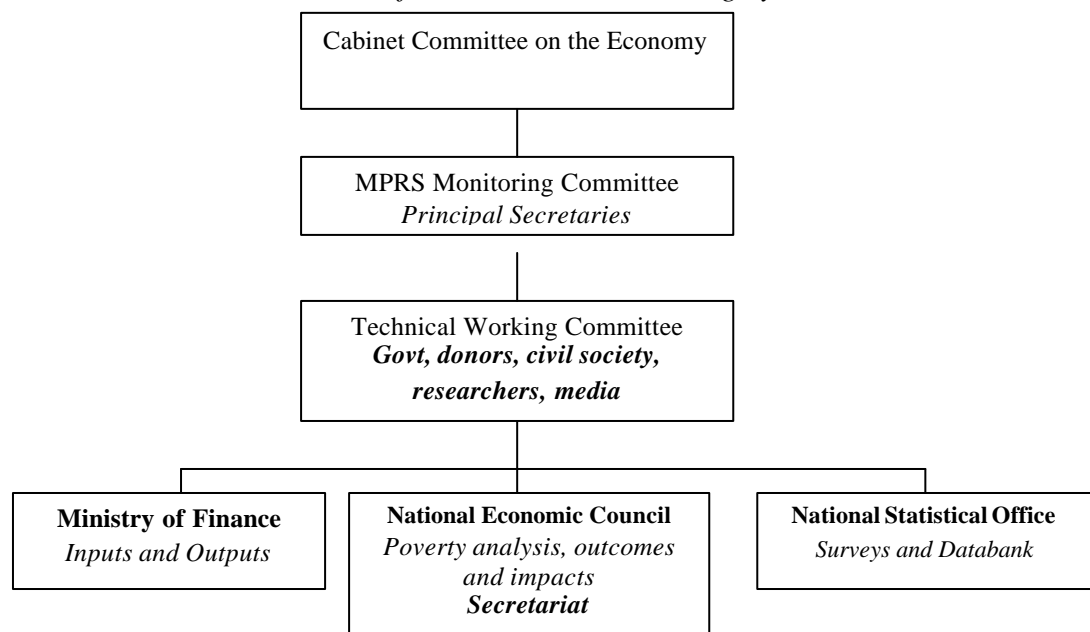
The National Statistical Office (NSO) is to be responsible for coordinating all outcome and impact monitoring activities. Apart from conducting surveys or assisting in the design of surveys by other agents, NSO is to collect all district level data produced by the statistical units of district assemblies. The data from the district statistical units need not be only outcome or impact indicators. NSO is to act as a databank for all indicator data from the district level. NSO is also to conduct preliminary analysis (aggregation, etc) of district-level data.

The National Economic Council is to be responsible for producing poverty-related data after analysing data from NSO, the Treasury's input and output monitoring as well as the financial information system and other ad hoc surveys conducted outside the MPRS Monitoring System. Thus NEC is to be a databank of finished and polished poverty data. NEC is to disseminate poverty statistics and information through media like internet, newsletters and newspaper articles and columns.

All MPRS monitoring and evaluation activities will be achieved through a MPRS Monitoring System based on the existing Poverty Monitoring System (PMS). This MPRS Monitoring System will have four levels. Firstly, the Cabinet Committee on the Economy will assume overall control of the system. Beneath this will be a policy making MPRS Monitoring Committee, consisting of Principal Secretaries from relevant Ministries (Finance and Economic Planning, National Economic Council, Agriculture and Irrigation, Education, Science and Technology, Health and Population, Transport and Public Works, Local Government, Gender, Youth and Community Services, and the Accountant General).

The MPRS Monitoring Committee will be served by a Technical Working Committee (TWC) that will co-ordinate monitoring and evaluation efforts and provide analysis. The membership of the TWC will include officials from the Ministry of Finance and Economic Planning (the MPRS Unit and Budget Division), the National Economic Council (Poverty Analysis Section), National Statistical Office, members of the donor community, researchers (including Centre for Social Research, Centre for Education Research and Training and the Agricultural Policy Research Unit), civil society groups (including the Council for NGOs in Malawi, and one group for each Pillar), and a media representative. The Poverty Analysis Unit of the National Economic Council will serve as the Secretariat for this TWC. On the Government side, the TWC will be served by the Ministry of Finance and Economic Planning (MPRS Unit), which will provide information on input and output monitoring, the National Statistical Office, which will conduct surveys and maintain a databank drawn from line Ministries and District Assemblies, and the National Economic Council (Poverty Analysis Section), which will provide poverty analysis, particularly on outcome and impact indicators. This institutional framework is summarised in Figure 6.2 below:

Figure 6.2: Institutional Framework for the MPRS Monitoring System



### 6.5 Capacity Needs for Implementation, Monitoring and Evaluation

All district assemblies are to establish statistics units responsible for data collection and processing, database management as well as report production. Of necessity, the units are to be staffed by qualified and trained personnel. To ensure data quality

uniformity from all districts, MPRS Monitoring Committee, through the Secretariat, is to mount training and orientation for staff of statistics units. Under the same framework, NSO is training the district staff on quantitative data collection (including sampling), entry, analysis and reporting, NEC on qualitative data collection and analysis and MoF input and output monitoring.

Of necessity, NEC is to develop capacity to conduct poverty analysis. The MPRS Monitoring Committee is also to draw on expertise of its members, mainly the research centres. NSO is to designate or recruit specific officers to liaise with district level statistics units. The officers should be designated particular districts for maximum attention. These officers are to be in a stand alone section responsible for collecting district reports, maintaining districts database and producing databank abstracts for dissemination or use by NEC.

The Ministry of Finance and Economic Planning will continue to build capacity to monitor monthly allocations and expenditures vis-à-vis the MPRS within the Budget Division. In addition, the small secretariat for the MPRS Monitoring Committee will be established and work closely with the Budget Division and NEC's monitoring and evaluation division. Again, line ministries are to have strong Monitoring and Evaluation sections to be collecting input (including expenditure) and output indicators and producing poverty monitoring reports. These should have formal and working links with MOF and NEC. Of a necessity, these sections are to have their capacity built.

Community participation in monitoring and evaluation of the MPRS is crucial for its success. Community Development Committees are to have their capacity built to assist them monitor community level activities. Civil society organisations are to be used in this process. The civil society organisations are to be free to join in the monitoring of the process independently as well as through the MPRS Monitoring System.

## **6.6 Review process**

As already indicated, the monitoring and evaluation will assist in the review of MPRS. The MPRS is meant to be a living document. It is to be revised on a rolling

basis to adapt to circumstances and reflect changing priorities. This is to be achieved through a two-tiered review process. Firstly, there is to be an annual review in January/February of each year, following the annual PER process. The first stage of this review is to analyse progress in implementing the MPRS and achieving the targets within it. This is to be done by the MPRS Monitoring Committee on the basis of the results of the input and output monitoring and evaluation. This document, together with a review of emerging issues, will be widely circulated.

The second stage of the review is to take the form of stakeholders' workshops. The workshops are to discuss the review document for possible revisions to the MPRS. The third stage of the review is to involve the dissemination of a report on the review process and the revised MPRS.

The annual reviews are to be complemented by a comprehensive review process every three years. This comprehensive review is to be more like the initial MPRS Preparation Process, involving District Workshops, Thematic Working Groups and a complete redesigning of the MPRS.

## **Annex 1 – Summary of the MPRS Process**

The preparation of the MPRS basically involved three stages. These were **mobilisation, preparation and validation** processes. The three stages were aimed at: building broad Malawian ownership of the MPRS; building consensus on MPRS in order to enhance likelihood to policy adoption, implementation and sustainability; to ensure donor “buy in” to MPRS and to meet donor requirements.

First, the **mobilisation** exercise started in earnest in January 2001, with the official launch of the MPRS preparation by the Right Honourable Mr. Justin Malewezi, Vice President of the Republic of Malawi at Capital Hotel on 11<sup>th</sup> January 2001. The main objective of the official launch was to mobilise all stakeholders outside and within government to participate in the MPRS process; and to stimulate discussion and come to an initial understanding of overall prioritisation. At this meeting, some general consensus began to emerge on the outline of the strategy. It came out clearly that for poverty to be reduced in Malawi, there is need for creating conditions whereby the poor can generate their own income and therefore contribute to wealth generation.

Second, was the **preparation** stage. The main objective of this stage to obtain input to overall prioritisation process, to brainstorm and develop new strategies. This preparation stage involved the initial gathering of information by the Thematic Working Groups (TWG) and drafting of the thematic contributions. The participation in the TWGs was diverse. Apart from government officials, other stakeholders included donors, non Governmental Organisations, Civil Society and religious bodies. The preparation also involved the overall sessions in district workshops. All the 27 districts were consulted. The consultations were carried out by members of the MPRS Technical Committee together with some members of the MPRS Thematic Working Groups. The stakeholders at district consultation level included Traditional Authorities, Sub Traditional Authorities, Group Village Headmen, Village Headmen, Members of Parliament, Ward Councillors, political leaders of various parties, District Commissioners and their staff members, local non-governmental organisations on some ordinary citizens representing the voices of the poor. The workshops were held to explain the MPRS process, discuss Government’s proposed strategy and to discuss

the prioritisation of issues for poverty reduction in the districts. A number of common issues emerged from these discussions, implying that they were national priorities. In addition many district specific issues were also raised.

In the course of the preparation process, the “Findings to Date” document was prepared. The document highlighted the key areas where consensus had been reached during the MPRS process. The document was based on the discussions following the official launch, the deliberations of the Thematic Working Groups and the Findings of the District Consultations. The document was not intended to be a comprehensive statement of Government Policy on poverty reduction, but an input from the ongoing MPRS process into the 2001/02 Budget.

Subsequent to the Salima Workshop, a Poverty and Macroeconomic Taskforce was formed to define the poverty and macroeconomic framework for the MPRS. Members of the Taskforce were drawn from Government, civil society and donors, and was assisted by a consultant.

The second drafts of the Thematic Working Groups were submitted in August 2001, after a meeting was held to resolve difficulties encountered in the drafting process. In addition, as a result of the meeting a consultant was engaged to assist the TWGs in costing their strategies.

The preparation of the first draft MPRS was done between 23<sup>rd</sup> September and 5<sup>th</sup> October, 2001 at the Mzuzu Hotel. The drafting team was drawn from the Technical Committee, civil society and the private sector. The resulting draft was then presented at two stakeholders’ meetings held on the 15<sup>th</sup> and 16<sup>th</sup> October, 2001 at the Le Meridien Capital Hotel in Lilongwe. The draft was subsequently comprehensively revised to reflect the comments made at these meetings.

The third stage was the **validation** of the strategy through the National Symposium. The main objectives of this stage were to ensure consistency of proposed strategy, ensure effectiveness of participation, obtain validation of the proposed strategy and define and explain way forward.



## CHRONOLOGY OF MPRS PREPARATION

ACTIVITY	DATE	NOTES
Planning of process	October-November,2000	Preparation by the Technical Committee of the outline of the process and mobilisation
Preparation of “ MPRS Issues Paper”	November, 2000	By the Technical Committee on the basis of existing documents. The Issues Paper presented a “menu of options” from which priorities were to be selected.
Official Launch at Capital Hotel	January 11 <sup>th</sup> , 2001	By the Rt.Hon. Vice President at the Capital Hotel. Followed by presentations on the process and the issues paper.
Initial overall prioritisation	January 11 <sup>th</sup> – 12 <sup>th</sup> , 2001	Following the Official Launch, discussions of overall prioritisation based on the Issues Paper
Launching of TWGs at Malawi Institute of Management (MIM)	January 18 <sup>th</sup> – 19 <sup>th</sup> , 2001	Presentations on the role of the TWGs, their TORs etc, followed by the first meetings.
District Consultations	February 5 <sup>th</sup> – 16 <sup>th</sup> , 2001	Workshop in each district facilitated by the Technical Committee and some TWG members.
Preparation of “MPRS: Findings to Date” document	April, 2001	By the Technical Committee on the basis of previous consultations.
Way forward meeting at Lilongwe Hotel	4 <sup>th</sup> May, 2001	For all TWGs, to define the revised timetable and give overall comments on the 1 <sup>st</sup> drafts.
Commenting Workshops in Salima	7 <sup>th</sup> – 15 <sup>th</sup> May, 2001	For each TWG in turn, detailed comments on the 1 <sup>st</sup> drafts from a panel consisting of the Technical Committee, relevant experts, civil society and other TWGs.
“MPRS: Findings to Date” Stakeholders meeting	29 <sup>th</sup> May, 2001	Discussion of the draft document, following which an editing team taken from the Technical Committee and civil society finalised the document
Sharing Experiences in Costing of Poverty Reduction Strategies at Capital Hotel	26 <sup>th</sup> July 2001	TWGs shared experiences in costing highlighting major problems being faced in costing of activities.
Status Report and Way Forward by Thematic working Groups at	15 <sup>th</sup> August, 2001	For all TWGs to discuss the made, to access difficulties faced and to develop realistic and workable

Lilongwe Hotel		mechanism for resolving problems.
Media Campaign	16 <sup>th</sup> – 23 <sup>rd</sup> September, 2001	Media briefing, recording of radio programmes, press conference.
Drafting of the MPRS at Mzuzu Hotel	23 <sup>rd</sup> Sept- 6 <sup>th</sup> October, 2001	By the Technical Committee including members from non-governmental organisations (NGOs) and civil society.
Commenting Workshop by all Stakeholders on the first MPRS Draft at Capital Hotel	15 <sup>th</sup> October, 2001	
Principal Secretaries Commenting of the Draft (Mangochi)	19 <sup>th</sup> October, 2001	
Commenting workshop on Draft MPRS by Ministers at Club Makokola, Mangochi	20 <sup>th</sup> - 21 <sup>st</sup> October, 2001	
Comments on the Draft MPRS by Members of Parliament at Capital Hotel	24 <sup>th</sup> October, 2001	
Media Campaign	10 <sup>th</sup> – 19 <sup>th</sup> November, 2001	TV programmes, leaflets, press conference.
National Symposium at Comesa Hall in Blantyre	19 <sup>th</sup> November, 2001	

## Management Framework for the MPRS

The overall process was managed by four layers of committees at different levels. Firstly, a total of 21 Thematic Working Groups (including subgroups) were instituted to draft thematic contributions. These groups reviewed the impact of sector on poverty, outlined the strategies with priorities and an action plan. Secondly, the Technical Committee consisting of officials from the National Economic Council, Ministry of Finance and the Reserve Bank of Malawi. This committee was responsible for managing the process and coordinating and providing support to the Thematic Working Groups. Thirdly, the National Steering Committee of Principal Secretaries, chaired by the Ministry of Finance and Economic Planning was responsible to give advice and guidance to the Technical Committee. Finally the Ministerial Committee, chaired by the Minister of Finance and Economic Planning Coordinated the overall process. Below is a diagram showing the layers of the institutional framework.

# MPRS Preparation Organisational Structure

