

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. Qualitative¹ 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).

¹ 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*² 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

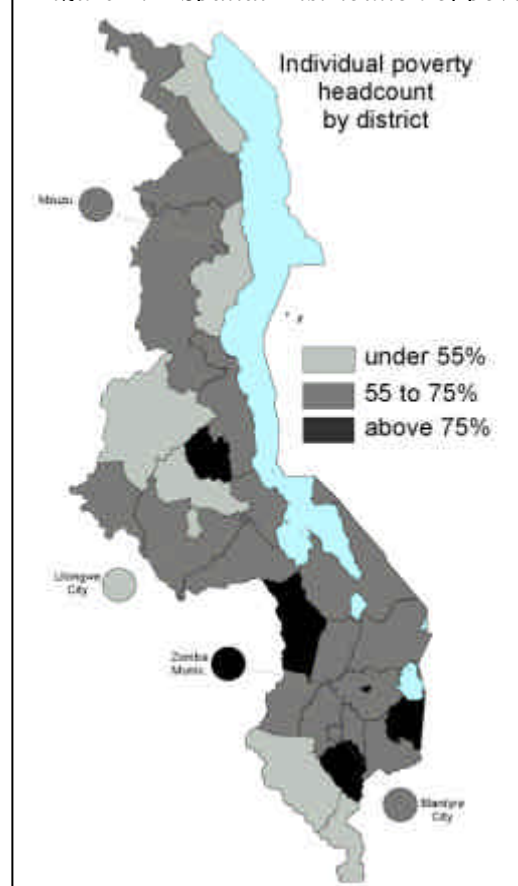
² *Ganyu* is piecework in return for cash or in kind

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 births³. 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 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.

³ 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
Home production consumed	55.9	38.1	63.7	59.1	11.8	3.1
Wages and salaries	21.5	30.9	13.0	17.3	69.2	53.7
Business income	2.3	10.5	1.3	2.6	8.1	23.6
Agricultural sales (net of input costs)	8.0	4.9	9.5	7.6	-0.6	0.7
Income transfers	6.2	5.0	6.5	6.0	4.6	3.2
Other income	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
Food	76.0	55.4	80.9	69.7	57.5	29.8
Utilities and Housing	2.8	9.5	0.6	2.8	11.2	21.3
Clothing	5.2	7.2	5.1	7.3	5.5	7.0
Gifts, transfers, or loans	2.0	6.4	1.4	4.7	4.2	9.4
Fuels	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.

