

Chapter 2: Poverty Analysis and Profile

In general, Malawians characterise poverty “...as a state of continuous deprivation or a lack of the basics of life.”⁵ 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. Qualitative⁶ 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.

2.1 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 (both food and non-food), is below the minimum level estimated at MK 10.47⁷ 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 total reported consumption of 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 coefficient⁸ is 0.52 as opposed to 0.37 for rural areas (see Table 2.1).

⁵ Malawi Government/UN (1993), Situation Analysis of Poverty in Malawi

² Malawi Government: Qualitative Impact Monitoring Survey (QUIM) 1997 ; World Bank (1999), Consultations with the Poor.

⁷ Average Exchange Rate in 1998 was MK31.1 = 1 US Dollar.

⁸ Gini coefficient is a measure of income inequality within a given population.

Table 2.1: Indices of inequality in consumption

	Gini coefficient ⁹	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*¹⁰ and other casual labourers; destitute or disadvantaged children, like orphans, street children and child heads of households; persons with disabilities; low income urban households; and the elderly; the uneducated and the unemployed.

2.2 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, capital, and technology. Constraints on the productivity of land include 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.

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

The Southern Region has the highest proportion of poor households compared to the other two regions in the country. Using IHS data, 68.1 percent of the population in the Southern Region were poor as compared to 62.8 percent for the Central Region and 62.5 percent for

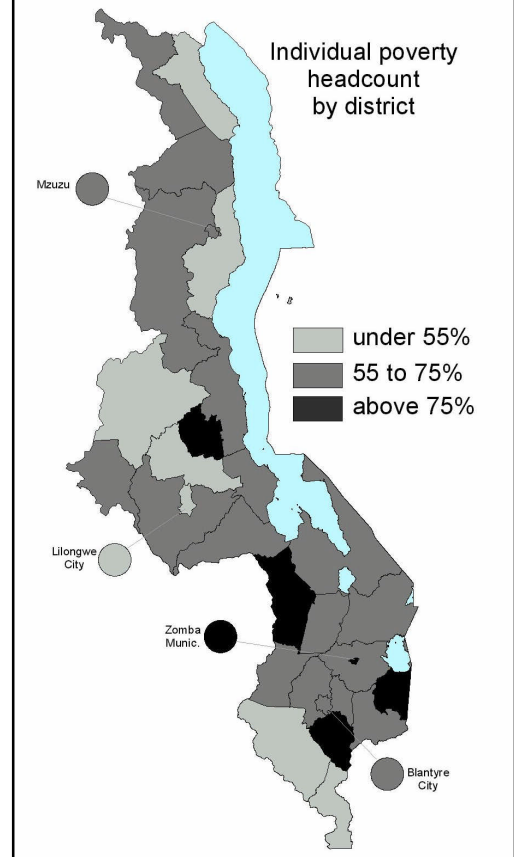
⁹ The 1997/98 Gini-coefficient cannot be compared with the 1991/92 Gini-coefficient of 0.62 due to methodological differences.

¹⁰ *Ganyu* is piecework in return for cash or in kind

the Northern Region. The Southern Region's poverty situation can partly be explained mainly by migration into the Region and 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 in Figure 2.1, not all urban centres have low poverty head counts nor are all districts in the Central and Northern Regions. 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 higher at 1.05.

Females head 25 percent of all households and these 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 about 48 percent of the 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 single and resource constrained. The 1998 IHS revealed that 3.6 percent of households were headed by women

aged over 65 years, whilst 0.6 percent of households were headed by individuals under the age of 20, which is a reflection of the emergence of child headed households.

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 8 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 of adults aged 25 years and above completed Standard 8, where 16.2 percent was for male and 6.2 percent 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. Drop-out rates increase with the educational ladder and are higher for girls and in rural areas. The male drop-out rate was estimated at 9.5 percent while the female rate was at 14.1 percent (DHS, 2000). 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. Repetition is highest in standard 1 (45.3 percent) and in rural areas (47.1 percent). In urban areas the repetition rate was estimated at 29.1 percent (DHS, 2000) 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 at 78 percent implying that there are other factors that prevent children from attending school.

According to administrative records of the education sector,¹¹ about 750,000 people enter primary school annually. While 150,000 complete primary school, only 50,000 enter secondary school. In addition, only about 30,000 get absorbed in formal employment implying that there are many out of school youth and people without formal employment.

2.5.4 Health, Fertility, and Nutrition Characteristics

Life expectancy has dropped from 43 years at birth in 1996 to 39 years in 2000. This could be a result of the HIV/AIDS epidemic. Infant, child and maternal mortality rates in Malawi are

¹¹ Ministry of Education administrative records.

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 births¹². 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.

2.5.3 Economic characteristics

Almost half of 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.

Around 50.4 percent of the population is engaged in non-farm business activity, and this proportion is higher in urban areas (67.5 percent) than in rural areas (47.9 percent). Trading is the commonest non-farm business activity for both the urban and rural areas. However, in the urban areas trading is more common among the poor while in the rural it is dominated by the non-poor. Small-scale lending institutions appear to be operating more in rural areas than in urban areas. About 19.8 percent of households in the rural areas reported having acquired a loan while for the urban areas it was only 10.5 percent of households.

2.5.3.1 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 this, most agricultural production is home-consumed. 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

¹² Malawi Government (2000) Malawi Demographic and Health Survey 2000

wage income, which contributes about 13.0 percent of income for the rural poor. However, there is limited participation in the cash economy by the poor.

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.

2.5.3.2 Expenditure Patterns

Generally, poor households spend most of their income on food. Food insecurity is considered to be a major attribute of a poor household (QUIM, 2000). As shown in Table 2.3, about 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 poor (57.5 percent). Notably, the urban poor spend relatively more on housing and utilities than the rural poor. 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 (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.

2.5.3.3 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 peoples 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 programme implementation with the aim of increasing people's cash incomes and access to basic services. Pro-poor economic growth strategies are outlined in Pillar 1 of the MPRSP and ensure that that the poor both participate and benefit from growth.

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 prevention and treatment of diseases. Improving the quality and access to education is a pre-requisite to developing the country's appropriate skills and knowledge. Social service delivery is treated under human capital development strategies in Pillar 2 of the MPRSP.

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, education, available factors of production and a person's income purchasing power. The stability or erosion of purchasing power of incomes also has strong linkages on the macroeconomic stability of the economy. Chapters 3 and 5 of the MPRSP relate macroeconomic framework issues to poverty and indicate how unsustainable deficits lead into inflationary pressures, which adversely harm the poor.

There are some core poor, who may or may not be in a position to take advantage of any economic opportunities that arise. They will therefore require deliberate redistribution programmes under safety nets. Pillar 3 on safety nets outlines various strategies aimed at meeting the needs of the vulnerable people at the same time assisting the transient poor to be self-supporting after the programme.