



**Final DRAFT**

**Malawi Poverty  
Reduction Strategy  
Paper**

**April 2002**



## **Foreword**

This Malawi Poverty Reduction Strategy (MPRSP) represents a major advance in the fight against poverty in Malawi for a variety of reasons. Firstly, it brings into clear focus the poverty situation in the country and the need to ensure all of our efforts are aimed at improving the situation. Secondly, it presents a detailed, prioritised and costed action plan that can be translated into Government's Budget and can be monitored by all stakeholders. Thirdly, it represents a national consensus about priorities for poverty reduction and provides a coordinating framework to guide the activities of all stakeholders.

At the core of the MPRSP is the philosophy of empowerment. Government recognises that the poor should not be seen as helpless victims in need of hand-outs and passive recipients of trickle-down growth. Instead the poor are seen as masters of their own destinies. The role of Government and its partners is therefore to create the conditions for the poor to reduce their own poverty.

The document is the result of an extensive participatory process that involved stakeholders from all parts of Malawian society. Many thousands of voices have been heard and translated into a coherent and implementable strategy. To ensure that this translation was accurate, the finalisation of the document has involved a number of iterations between the Drafting Team and stakeholders. That this has been possible is due to the willingness of participants to volunteer their time and ideas, and the dedication of the Technical Committee and Drafting Team. Financial support from our donor partners was also crucial in ensuring the success of the process.

However, it should be clear to all of us that the real challenges lie ahead. Unless the strategy contained in the document is implemented, poverty will not be reduced and our efforts will have been wasted. Government is committed to ensuring the implementation of the MPRSP, using the Budget as the key tool. However, the efforts of Government will not be enough to ensure implementation – all stakeholders must accept their responsibilities in reducing poverty.

**Hon. Friday Jumbe**  
**Minister of Finance and Economic Planning**



## **Acknowledgements**

This Malawi Poverty Reduction Strategy Paper (MPRSP) is the result of an extensive participatory process, involving stakeholders from all sections of Malawian society. A list of organisations involved is contained in Annex 6C.

The MPRSP process was led by the Ministerial Committee, which provided political and policy directives. This Committee consisted of the Minister of Finance and Economic Planning as Chairperson, the Deputy Minister of Finance and Economic Planning, the Minister of Agriculture and Irrigation, the Minister of Health and Population, the Minister of Education, Science and Technology, the Minister of Transport and Public Works, the Director General of the National Economic Council and the Governor of the Reserve Bank of Malawi.

Policy level advice and overall management of the process was provided by the National Steering Committee of Principal Secretaries, whose membership reflected that of the Ministerial Committee. This Committee was guided by the Secretary to the Treasury with day-to-day leadership provided by Dr. Maxwell Mkwezalamba, as the National MPRSP Co-ordinator. Members of the National Steering Committee included Mr. C. Chuka, Mrs. A. Mchiela, Mr. A. Gomani, Mr. T. Odala, Dr. R. Pendame and Dr. H. Ng'ombe.

The MPRSP process was co-ordinated on a technical level by the Technical Committee, drawn from the National Economic Council, the Ministry of Finance and Economic Planning, and the Reserve Bank of Malawi. The Technical Committee was originally chaired by the late Mr. K. Mkangama, who was succeeded by Mr. G. Zimalirana. Other members of the Technical Committee included Mr. P. Kamwendo, Mr. T. Sitimawina, Mr. P. Kabambe, Mr. C. Simwaka, Mr. B. Botolo, Mr. L. Kachikopa, Mrs. P. Zimpita, Mr. E. Goneka, Mr. K. Mulwafu and Mr. T. Leeming. They were supported in their work by a dedicated support staff led by Mrs. B. Chatata and Mrs. C. Madula.

The strategy is based on the submissions from the 21 Thematic Working Groups, led by relevant Ministries with membership from Government, Parliament, NGOs, faith based organisations, academia, employers associations and the donor community. A list of the members of the Thematic Working Groups is contained in Annex 6C.

The document itself was drafted and refined by a team drawn from the Technical Committee and the Thematic Working Groups. Members were Mr. G. Zimalirana, Mr. P. Kamwendo, Mr. P. Kabambe, Mr. C. Simwaka, Mr. B. Botolo, Mrs. P. Zimpita, Mr. E. Goneka, Mr. K. Mulwafu, Mr. T. Leeming, Mr. T. Nandolo, Mr. S. Lembani, Mr. M. Tsoka, Mr. S. Mwale, Mr. M. Muyepa, Mr. N. Nyirenda, and Mr. M. Bamusi.

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## Acronyms

ACB	Anti Corruption Bureau
ADD	Agricultural Development Division
ADMARC	Agricultural Development and Marketing Corporation
AGOA	African Growth Opportunities Act
AIDS	Acquired Immuno-Deficiency Syndrome
ARI	Acute Respiratory Infection
ARV	Anti-Retroviral
BFC	Budget and Finance Committee
BFHI	Baby Friendly Health Initiative
BMP	Best Management Practice
CBCC	Community Based Child Care
CBM	Commercial Bank of Malawi
CBNRM	Community Based National Resource Management
CBO	Community Based Organisation
CCA	Credit Ceiling Authority
CCS	Commitment Control System
CDSS	Community Day Secondary Schools
CHAM	Christian Health Association of Malawi
CIDA	Canadian International Development Agency
CMS	Central Medical Stores
COMESA	Common Market of Eastern and Southern Africa
CONGOMA	Council for Non-Governmental Organisations in Malawi
CPI	Consumer Price Index
CRIMP	Community Road Improvement and Maintenance Project
CSO	Civil Society Organisation
CVA	Current Vulnerability Assessment
CWIQ	Core Welfare Indicator Questionnaire
DANIDA	Danish International Development Agency
DC	District Commissioner
DDF	District Development Fund
DDP	District Development Plan
DDPRR	Department of Disaster Prevention, Relief and Rehabilitation
DEMAT	Development of Malawian Enterprises Trust
DfID	Department for International Development
DHS	Demographic and Health Surveys
DPE	Direct Poverty Expenditure
DPP	Director of Public Prosecutions
DRIMP	District Road Improvement and Maintenance Project
DTED	Department for Teacher Education
EAP	Environmental Action Plan
EBA	Everything But Arms
ECD	Early Childhood Development
EHP	Essential Health Care Package
EMIS	Education Management Information System
EPA	Extension Planning Area
ESAF	Enhanced Structural Adjustment Facility
ESCOM	Electricity Supply Corporation of Malawi
EU	European Union
FEWS	Famine Early Warning System
FPE	Free Primary Education
FRDP	Fiscal Restructuring and Deregulation Programme

FTEP	Full Time Equivalent Public
GAD	Gender and Development
GBV	Gender Based Violence
GDI	Gender Development Index
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GoM	Government of Malawi
GSP	Generalised System of Preferences
HES	Hygiene, Education and Sanitation
HIPC	Highly Indebted Poor Countries
HIV	Human Immuno-Deficiency Virus
HQ	Headquarters
HR	Human Resources
ICT	Information and Communication Technology
ICWG	Industry Cluster Working Groups
IEC	Information, Education and Communication
IFMIS	Integrated Financial Management Information System
IGA	Income Generating Activity
IHS	Integrated Household Survey
IMF	International Monetary Fund
INSET	In Service Education and Training
IPRSP	Interim Poverty Reduction Strategy Paper
JCE	Junior Certificate of Education
JICA	Japan International Cooperation Agency
LRR	Liquidity Reserve Requirement
M&E	Monitoring and Evaluation
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
MCDE	Malawi College of Distance Education
MDC	Malawi Development Corporation
MEPC	Malawi Export Promotion Council
MFI	Micro-Finance Institutions
MHRC	Malawi Human Rights Commission
MIE	Malawi Institute of Education
MIITEP	Malawi Improved Intensive Teacher Education Programme
MIPA	Malawi Investment Promotion Agency
MIRTDC	Malawi Industrial Research and Technical Development Centre
MIS	Market Information System
MOAI	Ministry of Agriculture and Irrigation
MOCI	Ministry of Commerce and Industry
MOEST	Ministry of Education, Science and Technology
MOFEP	Ministry of Finance and Economic Planning
MOGYCS	Ministry of Gender, Youth and Community Services
MOHA	Ministry of Home Affairs
MOHP	Ministry of Health and Population
MOJCA	Ministry of Justice and Constitutional Affairs
MPA	Malawi Procurement Authority
MPRS	Malawi Poverty Reduction Strategy
MRA	Malawi Revenue Authority
MRFC	Malawi Rural Finance Company

MSB	Malawi Savings Bank
MSIS	Malawi Social Indicator Survey
MSME	Micro, Small and Medium Scale Enterprise
MSPAP	Minister of State Responsible for Poverty Alleviation Programmes
MTEF	Medium Term Expenditure Framework
MTL	Malawi Telecommunications Limited
NACP	National Aids Control Programme
NAO	National Audit Office
NASFAM	National Smallholder 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
NEWS	National Early Warning System
NGO	Non Government Organisation
NHP	National Health Plan
NRA	National Roads Authority
NRC	Natural Resources College
NRCM	National Research Council of Malawi
NRM	Natural Resources Management
NRUs	Nutrition Rehabilitation Units
NSO	National Statistical Office
NSSA	National Sample Survey of Agriculture
OECD	Organisation of Economic Co-operation and Development
OMO	Open Market Operations
OPD	Out-Patients Department
OPV	Open Pollinated Variety
ORT	Other Recurrent Transactions
PAC	Public Accounts Committee
PAP	Poverty Alleviation Programme
PEA	Primary Education Advisor
PEM	Public Expenditure Management
PER	Public Expenditure Review
PERMU	Public Enterprise Reform and Monitoring Unit
PIF	Policy Investment Framework
PMS	Poverty Monitoring System
PPE	Priority Poverty Expenditure
PRA	Participatory Rural Assessment
PRISAM	Private Schools Association of Malawi
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSLCE	Primary School Leaving Certificate of Education
PSMR	Public Sector Management Reform
PTC	People's Trading Centre
PTR	Pupil to Teacher Ratio
PWP	Public Works Programme
QUIM	Qualitative Impact Monitoring
R&D	Research and Development
RBM	Reserve Bank of Malawi
RDP	Rural Development Programme
RIC	Rural Instruction Centre
ROMARP	Road Maintenance and Rehabilitation Project

S&T	Science and Technology
SACCO	Savings and Credit Cooperative Organisation
SADC	Southern Africa Development Community
SAPs	Structural Adjustment Programmes
SEDOM	Small Enterprises Development Organisation of Malawi
SET	Science, Engineering and Technology
SIPs	Sector Investment Programmes
SME	Small and Medium-Scale Enterprises
SOER	State of the Environment Report
SPP	Starter Pack Programme
STIs	Sexually Transmitted Infections
SWAP	Sector Wide Approach
TB	Tuberculosis
TDC	Teacher Development Centre
TEVET	Technical, Entrepreneurial, Vocational Education and Training
TIP	Targeted Input Programme
TRF	Textbook Revolving Fund
TTC	Teacher Training College
TVM	Television Malawi
TWC	Technical Working Committee
TWG	Thematic Working Group
UNIMA	University of Malawi
UR	Uruguay Round
USAID	United States Agency for International Development
VAM	Vulnerability Assessment and Mapping
VCT	Voluntary Counselling and Testing
VIP	Ventilated Improved Pit
VSAT	Very Small Aperture Terminal
WB	World Bank
WID	Women in Development
WTO	World Trade Organisation

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## Executive Summary

### Poverty Analysis and Profile

Poverty in Malawi is widespread, deep and severe. According to the 1998 Integrated Household Survey<sup>1</sup>, 65.3 percent of the population was poor, or roughly 6.3 million people. Within this figure, about 28.7 percent of the population were living in extreme poverty. The level of inequality is well illustrated by the fact that the richest 20 percent of the population consumed 46.3 percent while the poorest 20 percent consumed only 6.3 percent of total goods and services. Consumption was also more unequally distributed within urban areas where the Gini coefficient<sup>2</sup> was 0.52 as opposed to 0.37 for rural areas.

The key causes of poverty are limited access to land, low education, poor health status, limited off-farm employment and a lack of access to credit. Sectoral analysis of poverty shows that social, human capital and income indicators are very poor. In 1998, about 52 percent of the poor were female and females headed around 25 percent of households. The literacy rate was low at 58 percent where female literacy rate was at 44 percent. Education attainment, defined as completion of Standard 8, was only 11.2 percent for adults aged 25 years and above, and only 6.2 percent for women. The national gross enrolment ratio was estimated at 132 and the pupil to qualified teacher ratio was 114, leading to overcrowding in schools and lower quality of education.

In terms of health indicators, life expectancy at birth has dropped from 43 years in 1996 to 39 years in 2000. 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>, a rise from 620 in 1990.

The 1998 Integrated Household Survey demonstrated that subsistence agriculture remained the main source of income for the rural poor, accounting for 63.7 percent of income. Notably, income from agricultural sales was *not* the most important source of cash income in rural areas. The major source of *cash income* for Malawian households was wage income, which contributed about 13.0 percent of income for the rural poor. However, there was limited participation in the cash economy by the poor.

### Lessons from Past Experience

Since 1981, Malawi has implemented a series of policy interventions through World Bank and IMF backed Structural Adjustment Programmes (SAPs) in order to address structural weaknesses and adjust the economy to attain sustainable growth. From 1994, these interventions have been complemented by the Poverty Alleviation

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<sup>1</sup> Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998*

<sup>2</sup> Gini coefficient is a measure of income inequality within a given population.

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

Programme (PAP), which emphasises the need to raise national productivity through sustainable broad-based economic growth and socio-cultural development. Despite these interventions, poverty has remained a reality for the majority of Malawians. Inconsistent implementation of the SAPs led to only short-lived economic recovery and failed to create sustainable broad based growth. Further, many of the high costs of adjustment were borne by the poor. Despite some successes, the PAP suffered from the absence of a well-articulated action plan to ensure a holistic approach to implementation. In particular, there have been inadequate linkages to the Budget, little prioritisation and a lack of target setting.

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

To achieve meaningful poverty reduction and learn lessons from this past experience, the process to develop the Malawi Poverty Reduction Strategy Paper (MPRSP) was initiated. The Malawi Poverty Reduction Strategy (MPRS) outlined in the MPRSP is the overarching strategy that will form the basis for all future activities by all stakeholders, including Government. The MPRS is the product of a highly consultative process involving a broad range of stakeholders and represents a consensus about how Malawi can develop and achieve its core objective of poverty reduction.

The overall goal of the MPRS is to achieve “sustainable poverty reduction through empowerment of the poor”. Rather than regarding the poor as helpless victims of poverty in need of hand-outs and passive recipients of trickle-down growth, the MPRS sees them as active participants in economic development. The MPRS also emphasises prioritisation and action.

The MPRS is built around four pillars. These pillars are the main strategic components grouping the various activities and policies into a coherent framework for poverty reduction. The first pillar promotes rapid sustainable pro-poor economic growth and structural transformation. The second pillar enhances human capital development. The third pillar improves the quality of life of the most vulnerable. The fourth pillar promotes good governance. The MPRS also mainstreams key cross cutting issues such as HIV/AIDS, gender, environment, and science and technology.

### **Sustainable Pro-Poor Growth**

Pro-poor growth is economic growth that involves and benefits the poor. It is a prerequisite for broadening income distribution and generating employment. The most fundamental challenge for the pillar is to offer the poor an opportunity to generate their own incomes, whilst providing the medium and large-scale private sector an enabling environment for investment. This will be achieved through the promotion of specific sectoral sources of pro-poor growth, and the creation of an enabling environment for pro-poor growth.

The key specific sectoral source of growth is agriculture, although efforts will be made to diversify, especially through Micro, Small and Medium Scale Enterprises (MSMEs), into natural resources, manufacturing, tourism and small-scale mining. In



agriculture, the focus is on the provision of necessary services and conditions to farmers for increased incomes. This involves interventions ranging from availability of inputs through improved production technologies and value addition to marketing. These interventions will, where, possible be targeted at farmers' clubs, associations and co-operatives. In natural resources, community-based management will be promoted in order to ensure conservation and sustainable utilisation of natural resources as an additional off-farm source of income. As regards MSMEs, emphasis is on creating an enabling environment for the development and operation of MSMEs. The MPRS reorients industrial and trade strategies to ensure increased contribution of the manufacturing, tourism and small-scale mining sectors to GDP. Deliberate attempts will be made to develop sector-specific clusters and to attract foreign capital in these sectors.

The key factors that will contribute to an environment conducive for pro-poor growth are macroeconomic stability, access to credit, and improved rural infrastructure. Efforts will also be made to improve enabling infrastructure, strengthen trade and investment arrangements and review taxation policy. Macroeconomic stability is a prerequisite for private sector development and economic growth. Access to affordable credit is one of the most important factors affecting production and therefore income of the poor. The goal in micro-finance is therefore to promote the development of a sustainable micro-finance industry. Under rural infrastructure, the key issues are to ensure rehabilitation and maintenance of existing infrastructure, and to increase investment. These issues are common to rural feeder roads, rural water supply and sanitation, rural electrification and rural telecommunications.

The MPRS refocuses resources on other enabling infrastructure development by giving priority to maintenance and rehabilitation of facilities, outlining selective investments in new facilities, promoting greater participation of the private sector, encouraging cost recovery and guaranteeing long term financial support for maintenance and rehabilitation. This applies to the core road network, power, telecommunications and broadcasting. Finally, the MPRS will further widen the tax base to facilitate the lowering of tax burden on the enterprise sector. Tax relief and incentives will be rationalised and corporate tax will also be reviewed.

### **Human Capital Development**

The MPRS recognises that human capital is key to poverty reduction in Malawi. A healthy and educated population leads to increased productivity, better income distribution and a generally improved standard of living. The overall goal of the pillar is to ensure that human capital of the whole population is developed to fully participate in the socio-economic development of the country. This will be achieved through the provision of basic education, technical, entrepreneurial and vocational education and training (TEVET), an Essential Healthcare Package (EHP), and the promotion of good nutrition.

In education, efforts will be made to improve quality and relevance, access and equity. Quality will be enhanced through training and adequately compensating and

supervising teachers, increasing access to teaching and learning materials and revising the curricula, to incorporate cross-cutting issues, practical skills and entrepreneurial culture. In terms of access and equity, focus will be on increasing the participation of girls and children with special needs. The administration of all levels of education will also be reformed, focussing on decentralisation and focussing resources on core activities.

Whilst the focus of Government's efforts and resources will be on basic education (primary education up to Standard 8 and adult literacy programmes) as the minimum requirement for poverty reduction, attention will also be paid to secondary and higher levels of education, which will provide the capacity necessary to implement the MPRS and ensure sustainable national development. However, at these levels, efforts will be made to reduce the fiscal burden by introducing cost recovery and encouraging the involvement of the private sector, together with targeted bursary schemes.

Technical, entrepreneurial and vocational education and training (TEVET) is essential in providing the population with practical and usable skills that can be used to increase income. The MPRS focuses on promoting self-employment through skills development initiatives, particularly in rural areas, and on improving the quality and relevance of all TEVET activities. The target population is not just school drop-outs but covers all persons interested in acquiring new skills.

The overall objective of the health sector is to improve the health status of Malawians by improving access to, quality and equity of health services. This will be achieved through the design and implementation of an Essential Healthcare Package (EHP). 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.

The key strategies under the EHP are to recruit, train and adequately remunerate nurses and other health workers, to promote the construction of health facilities, especially through the construction of rural health centres and to increase the availability of drugs. These delivery components will be supported by ongoing reforms to health services, focussing resources on preventative and primary healthcare, and decentralising management and administrative responsibilities.

Malnutrition is both a cause and a consequence of poverty. In order to improve the nutritional status of Malawians, the MPRS includes strategies aimed at improving infant and young child feeding, promoting community based nutrition interventions, and encouraging people to diversify and modify their diets.

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

The proposed broad-based growth in Pillar 1 and the inclusive human capital development in Pillar 2 will go a long way in reducing the numbers of the poor. However, it is recognised that there are still going to be some sections of the population that are not going to benefit and will need direct assistance to improve

their living standards. The overall goal of the third pillar is, therefore, 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 and substantial transfers to the chronically poor.

To support the overall goal, four types of safety nets have been designed. Firstly, the targeted inputs programme will enhance the productivity of the capital-constrained poor by distributing free agricultural inputs. Secondly, public works programmes will increase the productivity of the labour abundant but land constrained poor by employing them to create and maintain socio-economic infrastructure. Thirdly, targeted nutrition programmes will assist malnourished children as well as lactating and pregnant mothers. In addition, direct welfare transfers will be affected to support the poor who cannot be supported by any of the three programmes. Finally, areas, individuals and households affected by disasters will benefit from any or a combination of the safety net programmes depending on the nature of the disaster. Beneficiary targeting and selection mechanisms will be strengthened through the introduction of community-based methods.

### **Good Governance**

Even with the best strategies for pro-poor growth, human capital and safety nets, poverty will not be reduced unless there is development-oriented governance, political will and mindset. In particular, the technical design of the MPRS will be irrelevant unless there is the political, bureaucratic and popular will to implement it. The overall objective of Pillar 4 is therefore to ensure that public institutions and systems protect and benefit the poor.

Strategies to address problems of governance will focus on strengthening systems of transparency and accountability across the public sector and ensuring popular participation in decision-making processes. Strong political will must be demonstrated by political leaders from all parties and by other decision-makers through willingness to make and implement hard prioritisation decisions and to avoid politicisation of development. Issues of mindset can be addressed by a concerted effort to change the terms of political discourse away from creating expectations of material gain in return for electoral support. Instead, efforts should be made to disseminate the message that the poor have to solve their own problems and that Government alone cannot do everything.

Protection from crime, violence, arbitrary state power and injustice is a fundamental part of welfare. Insecurity makes it too risky for the poor to accumulate assets and wealth, particularly in a rural setting. To address the problem, Government will implement an integrated approach to security and justice, involving the development of increased crime control capacity through increasing police presence, and improved crime prevention through enhanced community involvement in policing and the development of counselling methods at all levels. The judicial system will work to ensure improved access to and delivery of effective and efficient justice, particularly

to the poor and vulnerable. Finally, efforts will be made to ensure that the prison system is focused more on rehabilitation than punishment.

Good public expenditure management (PEM) is central to the MPRS as it will ensure that Government's limited resources are channelled to the priority activities with impact on poverty reduction. To ensure effective public expenditure management, MPRS will improve Budget implementation by strengthening the political leadership of the Budget process and ensure accountability by improving financial management and expenditure control mechanisms. Thirdly, the planning of public expenditure will be improved by increasing the comprehensiveness of the budget and strengthening links between the MPRS and the Budget. Finally, Government will promote accountability and transparency by sharing information with civil society and the media.

The efficiency and accountability of the public sector is critical to the success of the MPRS since the public sector has the mandate to lead the formulation, implementation, and monitoring of national, sectoral and district policies and actions. The MPRS will therefore involve establishing an effective incentive structure that will improve work ethics and productivity. Government will also review the structure of the civil service so that it focuses on poverty reduction.

High levels of corruption and fraud reduce economic growth, discourage legitimate business investment, and reduce the public resources available for the delivery of services to the poor. The MPRS will take further steps to eliminate corruption and fraud by improving prevention measures, especially through the creation of a Malawi Procurement Authority (MPA) and by improving detection and prosecution, by reviewing the legal framework and strengthening the Anti-Corruption Bureau (ACB).

Decentralisation focuses on the empowerment of the people for effective popular participation and decision making in the development process in their respective areas. The MPRS includes activities aimed to developing institutional capacities for local governance, transferring functions to local governments and revising institutional frameworks across Government to ensure consistency with decentralisation.

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. The MPRS includes activities to further strengthen formal checks and balances, especially parliament and the judiciary, in addition to efforts to strengthen informal checks and balances such as the media and civil society.

Respect and exercising of human rights are fundamental to poverty reduction. In order to strengthen the protection of human rights, the MPRS includes a review of the roles and functions of the many human rights organisations and provides for capacity

building where the organisations demonstrate their effectiveness. In addition efforts will be made to raise the awareness of citizens about their constitutional rights and obligations.

### **Cross Cutting Issues**

In addition to the above components of Government's poverty reduction strategy, there are a number of cross-cutting issues that are crucial to Government's efforts to reducing poverty, such as HIV/AIDS, gender, environment and science and technology.

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. The MPRS will focus on reducing incidence of HIV/AIDS, while attention will also be paid to improving the quality of life of people living with HIV/AIDS and mitigating against the economic and social impacts of HIV/AIDS.

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. In view of this situation, efforts will be made to establish a gender sensitive formal and informal legal environment, eradicate gender based violence, and enhance women's participation in leadership and decision-making processes.

Malawi's natural resources are threatened by the demand placed on them by the poor. Despite several efforts aimed at addressing the problem, environmental degradation continues. Henceforth, the goal is to achieve poverty reduction through wise, sustainable and economic use of natural resources and the environment. Strategies include strengthening the legal and institutional framework to encourage local communities to control and sustainably manage natural resources, developing alternative livelihood strategies and creating environmental awareness.

The low content of science and technology in national economic development programmes is a barrier to economic growth and therefore exacerbates poverty. Therefore, the MPRS will improve the capacity and capability of the national system for science and technology, intensify promotion and transfer of technologies to key livelihood systems and increase investment in research and development.

### **Macroeconomic and Expenditure Framework**

Macroeconomic stability is a precondition for economic growth and poverty reduction, and requires fiscal discipline and tight monetary policies. Prudent fiscal management requires that Government spends within its means, and therefore that expenditure requirements are balanced with resources available in a stable macroeconomic environment.

Economic instability in the past has been characterised by high inflation and interest rates and an unstable exchange rate. This has exacerbated poverty since inflation erodes purchasing power, particularly of the poor, and acts as a disincentive to savings and investment. High interest rates make credit inaccessible to the poor and further discourage investment. In order to rectify this, Government will adopt strong fiscal, monetary and external policies. In terms of fiscal policy, further efforts will be made to improve public expenditure management, strengthen the independence of the Reserve Bank of Malawi (RBM) and accelerate the reform of the parastatal sector.

Macroeconomic projections suggest that the resource envelope consistent with a stable macro-economic environment will be K41.3 billion during 2002/3, K44.0 billion in 2003/4 and K50.3 billion in 2004/5. These projected resource envelopes are deliberately based on realistic assumptions based on past experience and technical knowledge.

This resource envelope is then linked to the costs associated with the MPRS. Three types of costs are presented: statutory, statehood and MPRS. Statutory activities are by definition those that have to be funded and cannot be scaled down. Statehood activities do not directly reduce poverty, but are essential in any country as the basic activities that enable the functioning of state by promoting and protecting national integrity, security and leadership. As with any other resource allocations, these activities must have a hard budget constraint. Any extra-budgetary expenditure on statehood activities automatically necessitates a reduction in MPRS expenditure. MPRS costings are the core of the costing framework and are based on the estimated cost of each individual MPRS activity to be implemented by or through Government. Where possible, unit cost analysis was used to link output targets with costs.

### **MPRS Implementation, Monitoring and Evaluation**

The implementation of the MPRS will involve all stakeholders<sup>4</sup>. However, the responsibility for overall co-ordination of implementation will rest with Government, and in particular, the Ministry of Finance and Economic Planning. Crucial to the success of the MPRS is the need to implement **only** the MPRS. The strategy has been designed to be comprehensive and has been costed so that it is in line with the resources available. To be implemented, the MPRS must at all levels be translated into the Medium Term Expenditure Framework (MTEF) and the Budget, and that Budget itself must be fully implemented.

Monitoring and evaluation of the MPRS implementation is key to the achievement of the goals of the MPRS. MPRS implementation will be monitored using various indicators provided in the action plan for each component of the MPRS. Monitoring and evaluation of these various levels of indicators will take place at national, district and local levels. This system will involve all interested stakeholders at each of these

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<sup>4</sup> The general objectives and strategies contained in the MPRS apply to all stakeholders. However, the costing of detailed activities is limited to those activities implemented by or through Government.

levels, with overall co-ordination provided by the National Economic Council. District-level monitoring and evaluation systems are currently being designed and will be reviewed and fully integrated after the first annual review process.

The monitoring and evaluation system will assist in the annual review of MPRS. This will take the form of stakeholders' workshops and dissemination of reports on the review process and the revised MPRSP. Annual reviews will 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.





## Chapter 1 - Introduction

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

The MPRSP focuses on what Malawi as a nation can do to meet its poverty reduction targets. The strategy as a whole belongs to the nation, but many of the specific activities within it and the overall co-ordination of implementation will be done by Government<sup>5</sup>. The private sector and civil society<sup>6</sup> will play important roles in working with Government to implement and monitor the strategy. As a statement of national strategy, the MPRSP does not go into detail on the specific actions and spatial distribution of the activities it proposes. These details will be provided by the sector specific plans (for example, the Sector Investment Programmes (SIPs) and District Development Plans (DDPs) that will be developed in line with the MPRSP.

### 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 socio-economic and political empowerment of the poor<sup>7</sup>". It moves away from seeing the poor as helpless victims of poverty in need of hand-outs and as passive recipients of trickle-down growth. Instead, the poor are seen as masters of their own destinies. Government's 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. Many previous 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 (TWGs), as detailed in Section 1.2 below. This participation will continue during the monitoring, evaluation and reviewing of the MPRS.

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<sup>5</sup> Government here is defined broadly as the three branches of Government: The Executive (including the Civil Service), the Legislature (parliament) and the Judiciary. This is at both national and district level.

<sup>6</sup> Civil society includes NGOs, faith community organisations, labour organisations and traditional authorities.

<sup>7</sup> Throughout this document the term "poor" is inclusive of women, men, girls and boys.

Fourthly, 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 of its 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. All poverty reduction and development initiatives and programmes will fall under the umbrella of the MPRS. As such, it will not only be Government that implements the MPRS – all stakeholders in Malawi have a role to play in implementation.

Finally, the MPRS will be implemented in the context of decentralisation. The devolution of functions and responsibilities to the districts represents a fundamental change in the way Government will work, bringing itself closer to the poor themselves. In future years, the strategies detailed in the MPRSP will be implemented more by local Governments than by central Government line ministries, whose role will be reduced to national policy-making, setting standards and regulations and co-ordination. In addition, the design of the MPRS itself will be based on district level poverty reduction plans as an input into national level discussions. The integration of decentralisation into the MPRSP will be achieved through the annual review process, as the process of decentralisation proceeds and as functions are devolved to the district assemblies.

## **1.2 The MPRSP Process**

As detailed in Annex 6a, the preparation of the MPRSP was achieved through a highly consultative process involving a broad range of stakeholders<sup>8</sup> over the course of 15 months. The process was iterative both between Government and other stakeholders and between the MPRSP Technical Committee and the sectoral working groups.

Many of the details of the strategy were provided by 21 Thematic Working Groups (TWGs). These TWGs were drawn from a broad variety of stakeholders, including Government, civil society, NGOs, donors, private sector, and faith communities. They drafted sectoral contributions that were prioritised and costed to reflect the focus on poverty.

The process also involved consultations on more general issues at a district level. Stakeholders in all the 27 districts and 4 cities and municipalities were consulted. Issues which emerged from these consultations are highlighted in Annex 6b. The stakeholders involved in these consultations included Traditional Authorities, Members of Parliament, Ward Councillors, political leaders of various parties, district chief executives and their staff members, local non-Governmental Organisations (NGOs) and some ordinary citizens representing the voices of the poor.

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<sup>8</sup> The reports on the various stages of consultations contain detailed information on participants, methodology and content of the consultations and are listed in the Bibliography. These are available from the Technical Committee or from [www.finance.malawi.gov.mw](http://www.finance.malawi.gov.mw)

After the consultations and the completion of the sectoral contributions by the TWGs, a drafting team was formed, drawing members from the Technical Committee, civil society, private sector and NGOs. The resulting draft was discussed at a series of stakeholders' workshops, involving Government officials, Principal Secretaries, Members of Parliament, the private sector, Traditional Authorities, councillors, donors, NGOs, civil society, faith communities and trade unions. The comments arising from these workshops were then incorporated by the drafting team, with a focus on refining the costing and prioritisation in consultation with the TWGs. This revised draft was then commented on by Principal Secretaries, donors Cabinet, and civil society and subsequently this final draft was prepared.

### **1.3 The Malawi Poverty Reduction Strategy**

The MPRS outlined in this paper has four pillars. These pillars are the main strategic components grouping the various activities and policies into a coherent framework for poverty reduction. These are:

1. *Sustainable Pro-Poor Economic Growth* – economically empowering the poor by ensuring macroeconomic stability, 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* – ensuring 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.

### **1.4 The Content of the MPRSP**

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 MPRSP, 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 them with reference to their impact on poverty and to lessons from past and present experience.

Chapter 5 outlines the macroeconomic framework and expenditure framework within which the MPRS will operate. In particular, it provides macroeconomic targets and the associated resource availability. It then 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 seven annexes. The first presents the Action Plan for the MPRS. The second presents a summary of the costings of the MPRS activities by objective. The third presents certain large-scale infrastructure development projects. The fourth annex contains a selection of monitoring indicators. The fifth presents a glossary of terms whilst the sixth contains a summary of the MPRS Preparation Process. Finally, the seventh annex contains the bibliography. The full Action Plan matrix, with comprehensive and detailed costings and monitoring information, is available as a separate technical document.

## 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.”<sup>9</sup> 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, and has a gender dimension. Qualitative<sup>10</sup> information from the poor themselves also defines poverty in terms of lack of felt basic needs at household and community level.

### 2.1 Poverty Situation

Poverty in Malawi is widespread, deep and severe. Based on 1998 Integrated Household Survey (IHS) consumption data<sup>11</sup>, 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 10.47<sup>12</sup> per day in 1998. Within this number of the poor, 28.2 percent of the total population are living in dire poverty. In general, the poor have low levels 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 only 4.5 percent. Consumption was also more unequally distributed within urban areas where the Gini coefficient was 0.52 as opposed to 0.37 in rural areas (see Table 2.1)<sup>13</sup>.

Table 2.1: Indices of Inequality in Consumption

	Gini Coefficient <sup>14</sup>	Consumption of Group as Percentage of Total Consumption of Population	
		Poorest 20%	Wealthiest 20%
<b>National</b>	0.40	6.3	46.8
<b>Rural</b>	0.37	6.7	44.3
<b>Urban</b>	0.52	4.5	58.4

Source: Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey*

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>15</sup> and other casual labourers; destitute or

<sup>9</sup> Government of Malawi and United Nations Development Programme (1993) *Situation Analysis of Poverty in Malawi*

<sup>10</sup> Government of Malawi (2000) *Qualitative Impact Monitoring of Poverty Alleviation Policies and Programmes*; World Bank (1999) *Voices of the Poor*.

<sup>11</sup> Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998*

<sup>12</sup> Average Exchange Rate in 1998 was MK31.1 = 1 US Dollar.

<sup>13</sup> Ibid.

<sup>14</sup> The 1997/98 Gini-coefficient cannot be compared with the 1991/92 Gini-coefficient of 0.62 due to methodological differences.

<sup>15</sup> *Ganyu* is piecework in return for cash or in kind

disadvantaged children, like orphans, street children and child heads of households; persons with disabilities; low income urban households; 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 factors 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 including HIV/AIDS, lack of or limited off-farm employment, rapid population growth, and gender inequalities. 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.

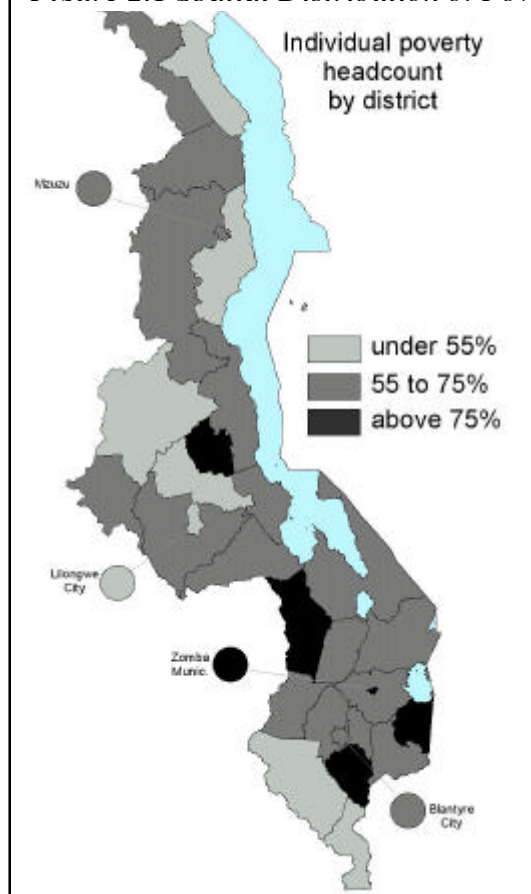
## 2.3 Spatial Distribution of Poverty

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<sup>16</sup>.

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 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 have 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

Figure 2.1 Spatial Distribution of Poverty



<sup>16</sup> Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998*

(83.9 percent); Zomba Municipality (78.0 percent); Thyolo (76.8 percent); and Ntchisi (76.3 percent).

## 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<sup>17</sup>.

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<sup>18</sup>.

Orphans are one of the groups most affected by poverty. According to the 1998 Census<sup>19</sup>, 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<sup>20</sup>.

### 2.5.2 Educational Characteristics

Malawi has a low adult literacy rate, which was estimated at 58 percent in 1998. This low level is combined with gender disparity, with the female literacy rate 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<sup>21</sup>.

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<sup>22</sup>. The increase in enrolment caused by the introduction of Free Primary Education (FPE), as reflected in a Gross Enrolment Ratio (GER) of 132, has had a negative impact on the quality of education. For example, the pupil to qualified teacher ratio was 114 in 2000, leading to high repetition rates as classes become too big to manage. Repetition is highest in standard 1 (45.3 percent) and in

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<sup>17</sup> Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998*

<sup>18</sup> *ibid.*

<sup>19</sup> Government of Malawi (1998) *Malawi Population and Housing Census*

<sup>20</sup> Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998*

<sup>21</sup> *ibid.*

<sup>22</sup> Government of Malawi (2000) *Demographic and Health Survey*

rural areas (47.1 percent). In urban areas the repetition rate was estimated at 29.1 percent. 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<sup>23</sup>.

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

Life expectancy has dropped from 43 years at birth in 1996 to 39 years in 2000, partly as 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>24</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 also 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<sup>25</sup>.

#### *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<sup>26</sup>. Females are disproportionately affected by labour constraints as they spend more time caring for their families including the sick, especially HIV/AIDS patients.

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<sup>27</sup>.

##### *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, accounting for 63.7 percent of income. Despite this, most agricultural production is home-

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<sup>23</sup> Government of Malawi (2000) *Malawi Demographic and Health Survey*

<sup>24</sup> Government of Malawi (2000) *Malawi Demographic and Health Survey 2000*

<sup>25</sup> *ibid*

<sup>26</sup> Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998*

<sup>27</sup> *ibid.*



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 wage income, which contributes about 13.0 percent of income for the rural poor<sup>28</sup>. However, there is limited participation in the cash economy by the poor, especially by women.

*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: Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 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<sup>29</sup>. As shown in Table 2.3, about 76.0 percent of the income of the poor is used for food, while non-poor households use 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<sup>30</sup>. 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
<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: Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 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.

<sup>28</sup> *ibid.*

<sup>29</sup> Government of Malawi (2000) *Qualitative Impact Monitoring of Poverty Alleviation Policies and Programmes*

<sup>30</sup> Government of Malawi (2000) *Profile of Poverty in Malawi: Poverty Analysis of the Integrated Household Survey 1998*

## **2.6 Summary of Poverty Issues**

The prevailing poverty situation highlights the issues that the MPRS must 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. Within households, unequal access and control over means and opportunities has further exacerbated the poverty of women and girls.

Most of the poor are concentrated in the rural areas where there are limited economic activities. Rural development will therefore form the core of the MPRS with the aim of creating the conditions for the poor to increase their 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 of and access to health services both in terms of prevention and treatment of diseases. Improving the quality of and access to education is a pre-requisite for 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 not be in a position to take advantage of any economic opportunities that arise from the interventions under Pillars 1 and 2. They will therefore require deliberate redistribution programmes under safety nets. Pillar 3 on improving the quality of life of the most vulnerable 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.

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

Malawi has implemented a series of structural adjustment programmes (SAPs) to address structural weaknesses and adjust the economy to attain sustainable growth and poverty reduction. The major areas of focus of the SAPs included the liberalisation of the agricultural sector, parastatal sector reform, privatisation, trade liberalisation, financial sector reform, exchange rate liberalisation, interest rate liberalisation; and the rationalisation of the Budget. Nonetheless, the adjustment programmes have had limited impact on economic growth and poverty reduction.

This chapter presents an overview of the structural adjustment policies and their impact on economic growth and poverty reduction, and finally outlines the rationale for the new approach to Poverty Reduction Strategies.

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

Between 1981 and 1994, Malawi implemented several structural adjustment programmes supported by the International Monetary Fund (IMF) and the World Bank (WB). From 1995 to date, Malawi has implemented three Fiscal Restructuring and Deregulation Programmes (FRDP), another form of SAP supported by the World Bank. Malawi has also been through a series of Enhanced Structural Adjustment Facilities (ESAF) supported by the International Monetary Fund (IMF). In parallel to the introduction of the PRSP approach internationally, the IMF has adopted Poverty Reduction and Growth Facilities (PRGF) as its main instrument in Malawi.

Given that Malawi is an agro-based economy, many of the reforms were focussed on the agricultural sector. The first key reform was price decontrol, which was aimed at allowing market forces to drive resource allocation in production. Secondly, market liberalisation was intended to foster competition and ensure that smallholder farmers get good input and producer prices. In particular, the repeal of the Special Crops Act in 1995 lifted restrictions on smallholder production of burley tobacco and allowed smallholder farmers to generate more income.

In the financial sector, the Reserve Bank of Malawi (RBM) 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.

The 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 also undertook 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, such as employment and popular ownership, remain unresolved.

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 also undertook civil service reform. The Civil Service Reform programme included a census of civil servants and the retrenchment of 20,000 temporary employees. In addition, strategic and functional reviews of Ministries 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. As noted 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 strengthening the monitoring of expenditure, and creating an integrated fiscal reporting system linking the Treasury with the Reserve Bank of Malawi and line ministries to ensure timely reconciliation of accounts.

### **3.2 Effects of Structural Adjustment on Poverty**

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

### **3.3 Economic Performance during Adjustment**

From independence through to 1979, the Malawi economy registered impressive growth. Real output growth, mainly spurred by the agricultural sector, averaged 6.7 percent during this period. However, the benefits of this growth were poorly distributed, as growth was narrowly based on estate agriculture. Starting from 1979, Malawi suffered from a series of exogenous shocks, including 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. In addition, policy weaknesses and slippages exacerbated the effect of these external shocks.

As a result of these internal and external factors, real GDP growth fluctuated between 1979 and 1987, recovering to a high of 6.8 percent in 1984 following droughts in previous years. The agricultural sector continued to be the main source of growth and domestic saving.

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 through the 1990s, largely as a result of external shocks such as droughts and the reduction of donor financial support between 1992 and 1994. For example, the economy recorded growth rates of -7.9 percent in 1992 and -11.6 percent in 1994, before recovering with a growth rate of 14.5 percent in 1996. Growth has averaged 2.6 percent between 1997 and 2000 and stands at 1.8 percent in 2001.

This poor economic growth performance implies that the majority of the population experienced no change in their economic status. The situation was more serious among the poor whose household consumption even in times of relative growth has stagnated. Thus economic performance during the adjustment period from 1981 to date had minimal impact on poverty reduction.

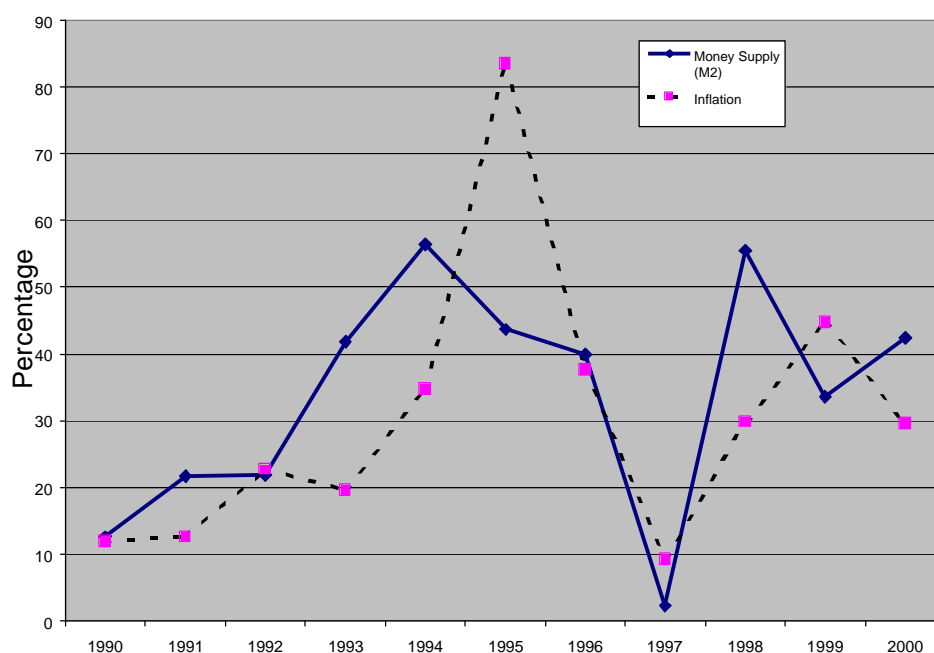
#### **3.3.1 Inflation and Money Supply**

Between 1980 and 1990, the inflation rate, as indicated by the Consumer Price Index (CPI), remained stable averaging 16.6 percent. During the period of 1990-2000, the annual inflation rate fluctuated. 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<sup>31</sup> resulting in annual inflation rates of 29.8 percent and 44.7 percent in 1998 and 1999, respectively. In recent years inflation averaged 30 percent.

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<sup>31</sup> Cost push inflation results from a sudden shock to certain prices, which then has further effects on other prices (including wages). In this case the shock was caused by a depreciation of the Kwacha that increased the price of imports, such as fuel.

Figure 3.1: Trends in Money Supply (M2) and Inflation 1990-2000



Source: Government of Malawi (various years): *Economic Report*

As Figure 3.1 above demonstrates, inflation in Malawi has been caused by high money supply (largely as a result of excessive Government borrowing) and the cost-push effects arising from movements in the nominal exchange rate. Inflation is a regressive and arbitrary tax, which places a heavy burden on the poor who have no other means of countering the associated adverse effects such as interest bearing accounts. In particular, high inflation is damaging to disposable incomes as it erodes purchasing power.

There is a correlation between movements in money supply and in inflation. Usually, increases in the growth of money have been followed by increases in the rate of inflation. The main source of increases in money supply is Government borrowing, from financial and non-financial institutions to finance its operations. It therefore follows that reducing the fiscal deficit will be followed by deceleration in the growth of money, and hence low inflation.

Table 3.1: Basic Macroeconomic Indicators

% unless otherwise indicated	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
Fiscal deficit/GDP inc. grants – Fiscal Year	15.0	5.7	4.4	5.2	3.4	5.6	5.7
Domestic Saving/GDP	-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
Current Account Deficit/GDP inc. grants	-13.4	-1.7	-7.7	-10.5	-2.5	-8.3	-4.9
Exchange rate (MK:1USD, 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: Government of Malawi (various years): *Economic Report*

### **3.3.2 Nominal Exchange Rate**

During the period of reforms, the exchange rate between the Malawi Kwacha and the United States Dollar moved from MK1.05 to the dollar in 1982 to MK4.4 in 1993. As shown in Table 3.1, the Kwacha exchange rate moved further from MK 8.7 in 1994 to MK59.5 in 2000. By February 2001 the United States Dollar traded at MK80.5 although later in that year, the Kwacha appreciated to MK61.3 to 1US\$.

### **3.3.3 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 17 percent in 1980 to 29.5 percent in 1993. The rate moved further from 31.0 percent in 1994 to 52 percent in 2001. This has led to the crowding out of the private sector. High interest rates act as disincentive to investment as they increase the cost of borrowing and hence retard economic growth. High interest rates have worsened poverty as the poor fail to raise credit resources to maximise agricultural production and other income generating activities.

## **3.4 Effects of Agricultural Reform**

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<sup>32</sup>, which stimulated the growth of trading, transport and other income. However, over time, these benefits have been offset by input prices increasing faster than producer prices. The lifting of price controls and elimination of fertiliser subsidies have contributed to increased input costs. Again, during years of bumper crops, farmers have lost out because producer prices have often collapsed without any remedial Government interventions.

The failure to foster competition in both the input and output markets in response to the liberalisation compromised the sector's ability to consolidate and sustain the benefits accruing to the poor.

## **3.5 Fiscal Policy and Expenditure Allocations**

Apart from the poor fiscal and tax policies relating to the size of deficit, the allocation of resources through the budget plays a major role in poverty reduction. 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-1990s, with Education receiving the highest share within this category.

However, despite this positive trend towards increased allocations to priority poverty reducing areas, Table 3.2 also demonstrates that this prioritisation has not been adequate. In particular, General Administration continues to account for a large share of the Budget (averaging around 30 percent over the period). The significant variations in the percentage shares from year to year can partly be explained by changes in the levels and recording of donor funding.

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<sup>32</sup> World Bank (2000)

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

percent	1995/6	1996/7	1997/8	1998/9	1999/2000
<b>General Administration</b>	21.8	37.0	35.1	22.9	30.7
General Public Services	15.6	29.3	27.5	16.9	24.3
Defence	3.2	4.0	3.5	2.5	2.8
Public Order and Safety	3.1	3.8	4.1	3.5	3.7
<b>Social and Community Services</b>	40.6	24.3	38.9	40.5	41.7
Education	17.4	11.1	17.5	14.9	15.6
Health	11.1	6.0	9.6	12.2	11.6
Social Security	7.6	4.9	6.7	5.4	7.2
<b>Economic Services</b>	15.6	9.3	9.5	20.0	20.2
Agriculture	9.2	6.2	4.7	12.4	11.0
<b>Unallocable</b>	22.0	29.4	16.5	16.6	7.4
<b>Total</b>	100.0	100.0	100.0	100.0	100.0

Source: Government of Malawi (various years): *Economic Reports*

Although allocations to priority areas, such as social services, have increased, the quality of expenditure has not fully reached the beneficiaries. As the 2000 Public Expenditure Review (PER) clearly demonstrates, resources within the priority sectors of education, health and agriculture have not been used efficiently and effectively. In particular:

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 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.

### 3.6 New Approach to Poverty Reduction

As noted in the preceding section, the various structural reform programs did not translate 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 projects under the PAP included: Free



Primary Education, Malawi Social Action Fund (MASAF) funded Community Projects, European Union (EU) Micro-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 or long-term. The result was the existence of disjointed initiatives, which lacked proper co-ordination.

It is against this background that Malawian stakeholders, including Government, have 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. It has also been noted that for poverty reduction to be achieved, pro-poor economic growth must be stimulated whilst investing in social sector development and ensuring that Government intervenes to help those who cannot benefit from growth. The strategy must also address a number of cross-cutting issues, such as the HIV/AIDS epidemic, gender equality, the sustainable use of natural resources, and the creation of a science and technology culture.



## Chapter 4 – The Malawi Poverty Reduction Strategy

The MPRS has been designed in the light of the severe poverty situation and the lessons learnt from past experience. It is the result of extensive consultations as described in Annex 1. In the past, Malawi has failed to achieve sustainable and equitable growth. In the 1970s, there was sustainable growth, but this was centred in the estate and large-scale sectors and did not benefit the poor. In the 1980s, SAPs succeeded in achieving relative economic stability, but this was not translated into economic growth, in part due to a lack of national ownership and poverty focus. In the 1990s, there were periods of equitable growth driven by the smallholder agricultural sector, but this growth was not sustained as a result of external shocks and policy reversals. As a result, as Chapter 2 demonstrates, income poverty has remained high, and distribution remains highly unequal.

This historical experience points to a strategy of pro-poor growth. This is growth that involves and benefits the poor, and requires maximum participation of women and men in all sectors. This will be complemented by some deliberate transfers to the ultra-poor who are not able to lift themselves out of poverty. The concentration of poverty in rural areas requires proportional concentration of poverty reduction efforts and activities in rural areas. The poor social indicators described in Chapter 2 will be addressed through human capital development interventions, which are a precondition for improved quality of life in the medium term, and for sustainable long term income poverty reduction.

The medium goal of the MPRS is that by mid-2005 the incidence of poverty in Malawi should be reduced by 6 percentage points, from 65.3 percent of the population to 59.3 percent. The medium term poverty reduction goal will be met through a number of poverty reduction targets. The targets are summarized in Table 4.1 below.

*Table 4.1: Selected Major Impact Targets for the MPRS 2002-2005*

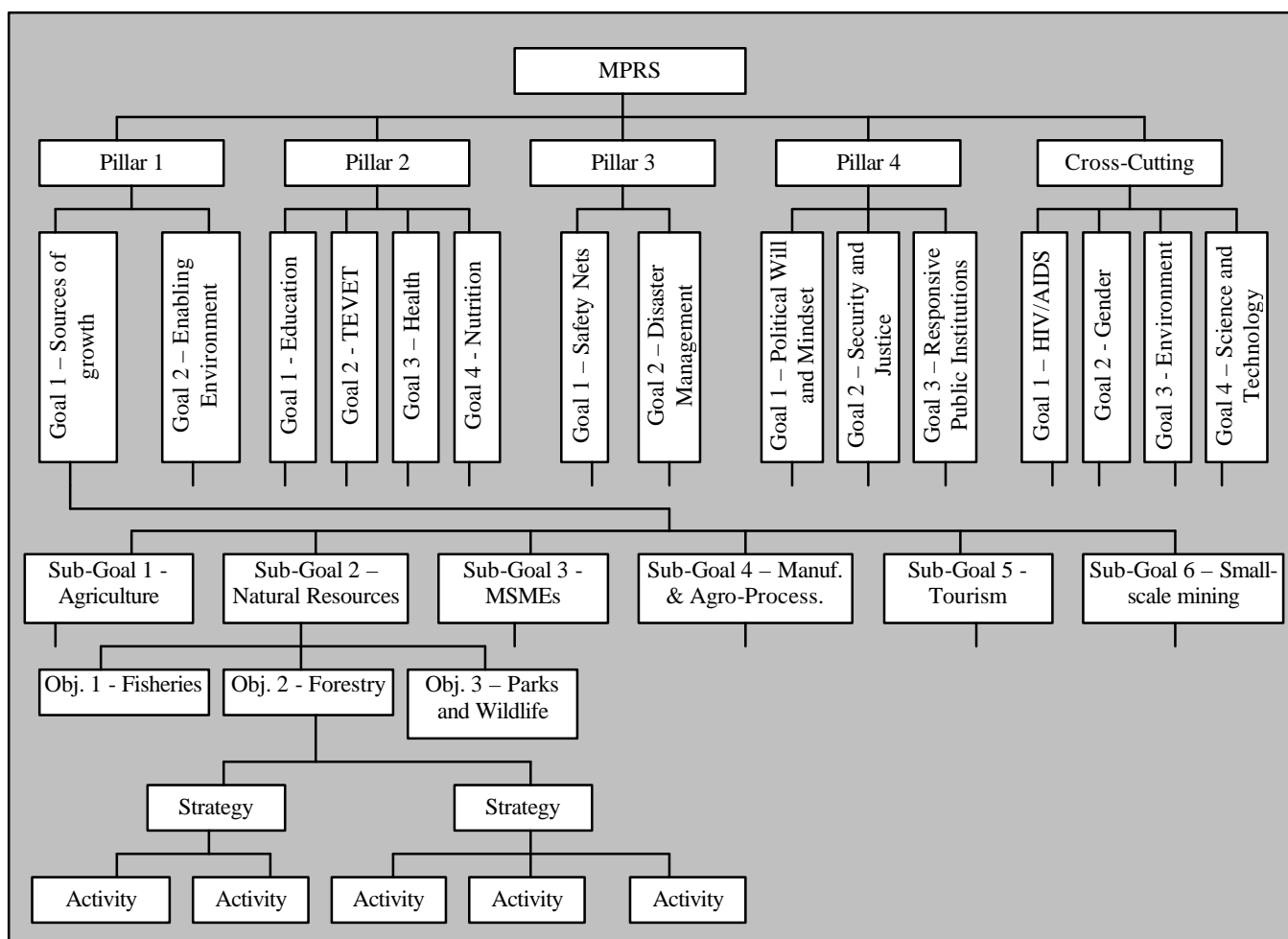
Type	Current Status	Target 2005
Poverty headcount measured by consumption based poverty line	65.3%	59.3%
Extreme poverty headcount, measured by consumption based ultra-poverty line	28.8%	20%
Life expectancy	39 years	43 years
GDP per Capita (constant 2001 prices)	MK 10,500	MK 11,400
Literacy rate (female)	58% (44%)	70% (60%)
Infant mortality rate (per 1000 children)	104	90
Maternal mortality rate (per 100,000 live births)	1,120	800

The MPRS is built around four strategic pillars. These pillars are the main strategic components grouping the various activities and policies into a coherent framework for poverty reduction. The first pillar contains strategies that will enhance rapid sustainable pro-poor economic growth and structural transformation. In the second pillar, strategies focus on human capital development. The third pillar captures strategies on improving the quality of life of the most vulnerable. The fourth pillar covers issues of good governance.

The MPRS will also ensure that cross cutting issues including HIV/AIDS, Gender, Environment and Science and Technology, are mainstreamed in all four pillars of the MPRS.

This Chapter and the Action Plan matrix on which it is based define activities grouped into various levels of category, as shown in Figure 4.1 below. Each Pillar (including Cross-Cutting Issues) has a number of Goals, shown in the text as headings numbered 4.x.x. For example, Pillar 1 has two Goals: Sources of Pro-Poor Growth and Creating an Enabling Environment for Pro-Poor Growth. Many Goals are then broken down into Sub-Goals, shown in the text as headings numbered 4.x.x.x. For example, Sources of Pro-Poor Growth is broken down into 6 Sub-Goals: Increasing Agricultural Incomes, Sustainable Utilisation of Natural Resources, Develop MSMEs, Boost Manufacturing and Agro-Processing, Develop Tourism, and Small-Scale Mining. Each Sub-Goal is associated with a number of Objectives, shown in the text as underlined and numbered headings. For example, the Natural Resources Sub-Goal contains three Objectives dealing with fishery, forestry and wildlife resources. The strategies necessary to achieve each objective are described under each Objective heading. These strategies are further broken down into the specific activities necessary in the action plan.

Figure 4.1: Logical Flow of MPRS



In the description of the Pillars below, goals, objectives, strategies and activities are generally described in priority order, as reflected in the Action Plan in Annex 1. This description is intended as a narrative summary of the Action Plan. The descriptions should be read in the context of the costing and prioritisation framework described in Chapter 5, and the detailed

action plan matrix, which link the Pillars, Goals, Sub-Goals, Objectives, Strategies and Activities to cost implications and monitoring information.

#### **4.1 Sustainable Pro-Poor Growth**

Economic growth is a precondition for sustainable poverty reduction. Without any general increase in incomes, any redistributive measures will not be sustainable. However, economic growth in itself is not sufficient for sustainable poverty reduction – the growth must be pro-poor. Pro-poor growth is growth that involves and benefits the poor. It is a prerequisite for broadening income distribution and generation of employment. The consultations country-wide revealed a number of short-comings in the previous approaches to stimulating growth and reducing poverty. Major inadequacies were identified in agricultural production, micro-enterprises and micro-finance, rural infrastructure and macroeconomic stability.

Pillar 1 is divided into two main elements: the promotion of specific sectoral sources of pro-poor growth, and the creation of an enabling environment for pro-poor growth. It is recognised throughout the Pillar that the driving force for growth will be the private sector<sup>33</sup>. The role of Government, NGOs and donors is merely to facilitate this growth, by creating an enabling environment and providing specific support for the identified specific sectoral sources of pro-poor growth. This support is generally focussed on economically empowering the poor and supporting Micro, Small and Medium enterprises and sectors in which the poor are active. However, such support is unlikely to be sufficient in generating the level of economic activity necessary for sustainable poverty reduction and lessening dependence on donor financing. Thus, the MPRS does not neglect the crucial role of the large scale private sector in generating investment, employment, tax revenue and foreign exchange. The consultation process clarified that the priority for this large scale private sector is the creation and maintenance of an enabling environment, with particular focus on macroeconomic stability, taxation and trade. Further, the large-scale private sector, as a development partner, itself has a crucial role to play in ensuring that its actions are pro-poor.

Growth prospects also depend on developments in the other Pillars. For example, issues of education and health contained in Pillar 2 are critical for medium to long term growth prospects through improvements in human capital and productivity. Improving on issues of corruption, governance, parastatal reform, security and the rule of law (especially property rights), all covered in Pillar 4, are similarly crucial for the investment climate.

Sustainable pro-poor growth also requires the mainstreaming of cross-cutting issues in all interventions. Government, development partners and the private sector must take measures to address the HIV/AIDS pandemic if productivity, savings rates and human capital are not to decline. Appropriate science and technology must be harnessed to increase productivity. Efforts must be taken to ensure that all gender groups are fully involved in economic activities. Finally, to be sustainable, economic activities must ensure that the stock of natural resources is not depleted further.

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<sup>33</sup> Throughout this document, the term “private sector” is used to describe all types of private business activity, from smallholder commercial farmers and small-scale vendors, to large-scale national and international enterprises

#### **4.1.1 Sources of Pro-Poor Growth**

The key specific sectoral source of pro-poor growth in the medium term is agriculture. Efforts will also be made to diversify into sectors with greater value-addition, especially through Micro, Small and Medium Scale Enterprises (MSMEs). The key sectors identified for diversification are natural resources, manufacturing, tourism and small-scale mining.

##### *4.1.1.1 Increasing Agricultural Incomes*

As Chapter 2 clearly shows, agriculture remains the most important source of income accounting for 63.7 percent of total income of the rural poor. Thus, increasing agricultural incomes will be a key source of poverty reduction, at least in the medium-term. The agricultural sector will also remain the key source of growth and employment in the medium term, as it accounts for about 36 percent of GDP, 87 percent of total employment and supplies more than 65 percent of the manufacturing sector's raw material requirements.

However, poverty reduction and growth through the agricultural sector has been constrained by a number of factors identified during the MPRS preparation process. Many of the key barriers to poverty reduction through agriculture lie outside the remit of the Ministry of Agriculture and Irrigation, such as physical access to markets (rural feeder roads), access to credit and rural insecurity. In addition, the Ministry has not been focussed on its role as a service provider to farmers.

Government and its partners will therefore promote poverty reduction through agriculture by providing farmers<sup>34</sup> 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; and developing farmer co-operatives and associations. Further, issues of rural infrastructure and security, which are crucial to poverty reduction through agriculture, are covered under the sections on rural infrastructure in Pillar 1, and on security and justice under Pillar 4.

##### **1. Expand and Strengthen Access to Agricultural Inputs**

Low agricultural productivity is mainly due to unavailability or lack of access to essential inputs such as fertilizers, manure and quality seeds. Use of fertilizer and improved hybrid seed by the majority of farmers, especially smallholders, has been extremely low. Given cash flow problems associated with agriculture, even productive farmers require credit to purchase inputs. Poorer farmers are generally unable to repay loans and therefore require safety nets interventions. However, financial institutions are reluctant to lend to the agriculture sector due to inherent risks of farming, lack of collateral and high default rates. 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 and fertiliser distribution under the Starter Pack Programme (SPP).

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<sup>34</sup> The term "farmers" throughout this document refers to both female and male farmers.

The solution to these problems is threefold. Firstly, efforts will be made to increase farmers' access to credit with more emphasis on reaching the productive poor, who have in the past been non-creditworthy. The detailed strategies on credit are elaborated in section 4.1.2.2. However, in order to facilitate access to credit, the farmer groups and associations that will be formed throughout the country will be organised into Savings and Credit Co-operative Organisations (SACCOs) or village banks for the purposes of mobilising savings and providing credit to members. In addition the SACCOs and village banks will be used as collateral for accessing credit from commercial banks and other financial lending institutions. Government will provide limited financial support for the capitalisation of these village-based credit schemes.

Secondly, Government and its partners will encourage the production and use of compost and other sources of manure, and will link farmers to markets that demand organically produced agricultural crops. Thirdly, access to inputs for the most vulnerable will be increased through the Targeted Input Programme (TIP) and Public Works Programme (PWP) as elaborated in Pillar 3.

## 2. Improve Agricultural Production Through Improved Research and Extension Services.

Agricultural research institutions have developed technologies that have not been fully adopted 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 communities in Malawi. The agricultural extension system has in recent years come under pressure from resource constraints, both financial and human. The supply-driven system of training individual farmers has been undermined by a growing farming population, deaths and retirement of extension workers (resulting in an attrition rate of 9 percent), inadequate training of new workers and retraining of existing workers, the specialisation required for certain issues and a lack of resources for inputs such as fuel. As a result, Government and its partners in the agricultural sector have formulated a new extension policy to make extension delivery more effective and responsive to farmers' needs. The policy emphasises demand driven pluralistic extension services, allowing farmers to determine the information required, and involving NGOs (including private institutions) in the delivery of extension services. While the government will still remain the main provider of free extension services especially to smallholder farmers, some progressive and fully commercialised estate farmers will have to pay for extension services which will be provided by some private institutions such as NGOs, ARET and NASFAM. Further, existing and new NGOs will be encouraged to provide extension services to smallholder farmers.

The resulting strategies involve, firstly, strengthening extension delivery services, including the implementation of the new extension policy. Efforts will be made to reverse increases in the farmer to extension worker ratio in order to increase farmer access to extension services. This requires training and employing more extension workers to fill the gap created by the high attrition rate. In addition, existing extension workers will be retrained to enhance their knowledge and reorient them to the new extension policy. The training will involve modules

on HIV/AIDS, gender, soil fertility and conservation, business management and marketing, and the formation of associations and groups.

Secondly, Government and its partners will facilitate the formation and development of product specific farmer co-operatives and associations. These groups, cooperatives and associations will be the focus of future Government interventions in the agricultural sector. For example, extension services will be targeted at groups rather than individuals; groups will be expected to provide training within and between their own members. The groups will also be the basis for the commercialisation of smallholder agriculture and will facilitate savings schemes and access to credit. In order to facilitate their formation, Government and its partners will train extension workers in group formation and management and will provide training for groups in management and marketing.

Thirdly, Government will enhance and perfect production and dissemination of appropriate agricultural statistics including weather, crop production estimates, and price and market information, which will enable effective planning for production and marketing of agricultural products.

Finally, research efforts in crops and animal production technologies will be strengthened. In particular, research will be made more responsive to the needs of farmers and easily adopted whilst being cost effective. To this end research and extension linkages will be strengthened by holding joint research extension strategic planning fora involving crops and animal specialists and farmers' representatives will be conducted biannually to identify farmer's technology requirements in order to come up with appropriate technologies to be transferred to farmers. A systemic approach to technology development, problem identification, and promotion and utilisation of appropriate technology will be advocated. On-farm impact assessment surveys will be carried out every year to determine usefulness and adoption rates of the technologies imparted.

*Table 4.1.1: Extension Targets*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Maize yield (kg/ha)	1137	2000
Cassava yield (kg/ha)	16618	18000
Cotton yield (kg/ha)	776	1500
Groundnuts (kg/ha)	820	1000
Soya Beans (kg/ha)	685	1000
Cumulative intake of extension trainees	100	900
Farmers' groups and co-operatives formed	-	3000

### 3. Improve Access to Domestic, Regional and International Markets

There has been a general 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 the 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 low on-farm and agro-industrial productivity. Extension agents focus on production rather than marketing information and do not provide marketing support to farmers.

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 strengthened, 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 specialised market opportunities. International linkages will 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

Rural farmers are not effectively involved in the marketing of their produce due to inadequate producer organisations, lack of cottage industries, lack of remunerative prices and weak rural infrastructure. In order to eliminate these problems, Government will facilitate the development of co-operatives to improve supply development. Export villages<sup>35</sup> will be established for selected clusters of crops to improve their marketability. Government will also initiate market development programmes to capture both domestic and export markets. Specific actions will involve creating and enhancing farmers markets, promoting buyer-seller contacts, designing and producing promotional literature and collecting and disseminating market information. Further, Government will protect rural farmers from sub-standard imported agricultural products.

#### 4. 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 in the past been provided with motorised equipment whose utilisation was not economically viable, particularly due to high maintenance costs. Secondly, there have been inadequate trained personnel and training programmes for farmers in irrigation issues, leading to low adoption of irrigation technologies. As a result, total irrigable land (potential land for irrigation) is 200,000 hectares while only 57,000 hectares<sup>36</sup> is currently under irrigation, of which only 8,000 hectares is by small-holder farmers. By promoting small-scale irrigation and drainage, greater efficiency will be achieved in the use of water, hence increasing productivity and raising crop yields. Farmer associations and cooperatives will be encouraged to develop and maintain irrigation schemes in order to

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<sup>35</sup> An export village is a grouping of entrepreneurs producing a particular product for export depending on the resource base of the local community.

<sup>36</sup> Government of Malawi (2000) *Irrigation Department Annual Workplan 2000/2001*, Ministry of Agriculture and Irrigation

increase production of specific commodities. This will include training, technical advice and linkages to credit institutions (through training and establishing contacts).

To this extent, the MPRS will facilitate the development of these small-scale irrigation schemes and undertake the drainage of marshland where necessary. Strategies will include: supporting the construction of small scale irrigation infrastructure; promoting irrigation schemes based on manual lifting devices, sprinklers 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 where environmentally sustainable.

*Table 4.1.2: Irrigation Targets*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Treadle pumps supplied on loan to farmers (cumulative)		60,000
Area under motorised pump irrigation (hectares)	1,300	3,700
Community dams rehabilitated		90
Area under irrigation per ADD (hectares)		2,000

#### 5. Encourage Production Specific Crops

The Malawi economy has largely relied on tobacco for income and employment. Since the repeal of the Special Crops Act,<sup>37</sup> there has been a tremendous increase in the production of burley tobacco as indicated in Table 4.1.3. However, with the increasing international antismoking lobby, the future of tobacco as the main foreign exchange earner is not certain. As a result, Government has pursued a policy of encouraging diversification of crop production away from tobacco to non-traditional crops. However, these efforts have not been properly effective, particularly as a result of the reliable market for tobacco compared to other crops. As a result, tobacco remains the main cash crop for most Malawian farmers, despite falling prices.

To address the problems of declining prices of tobacco on the auction floors, Government has introduced a number of market arrangement schemes such as the Intermediate Tobacco Buying Scheme (IBS). The IBS has been reorganised into a new scheme called the Designated Tobacco Buying Scheme (DTBS) which has some control measures on problems experienced on the previous scheme, the IBS.

Other traditional export crops, such as tea, coffee and sugar, which are produced largely on estates, will continue to be major foreign exchange earners and employment generators for the foreseeable future. As such, Government and the estate sector will continue to work together to ensure the competitiveness of Malawian produce and to maximise the impact on poverty reduction. For example, Government will encourage the estate sector to establish more smallholder out-grower schemes.

<sup>37</sup> The Special Crops Act prohibited smallholder farmers from growing high value cash crops such as tobacco,

*Table 4.1.3: Final Smallholder Crop Estimates for Major Crops (Metric Tonnes)*

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	1,899,185
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

Source: Government of Malawi (2001): *Agricultural Statistical Bulletin 2001*, Ministry of Agriculture and Irrigation

Government, in collaboration with the private sector, will take action to diversify and 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, such as cotton, cassava and soya beans have been selected on the basis of their high productivity by smallholder farmers and that the crops could easily be processed into a number of products. These crops also have high export marketing prospects. It is envisaged that crop specific associations of these crops will be formed in areas with high comparative production advantage. Government will then provide start-up material (such as seeds) to these groups.

#### 6. Encourage Production of Livestock

Past government efforts have had minimal impact in increasing production of livestock because emphasis was placed on disease prevention services with less emphasis on production-oriented programmes. In addition, the private sector was not encouraged to produce livestock. Further, insecurity in rural areas has provided a major disincentive to the keeping of livestock. As a result, there has been very little increase, and in some cases decline, in livestock population, as shown in Table 4.1.4 below.

*Table 4.1.4: Trends in Livestock Population 1994-2000*

Population							
Species	1994	1995	1996	1997	1998	1999	2000
Cattle	748,891	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

Source: Government of Malawi (2000): *Department of Animal Health and Industry (DAHI) 2000/01 Work Plan*, Ministry of Agriculture and Irrigation

In order to address these problems, efforts will be made to improve security in rural areas, including the establishment of anti-cattle theft units as described in Pillar 4. Government in conjunction with NGOs will strengthen its advisory services in production and marketing of livestock and its products, including training on feed formulation. To this end, the formation of livestock producing farmers' groups will be facilitated through training in group formation and management, and these groups will be encouraged to obtain credit and operate revolving funds.

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 cost sharing.

*Table 4.1.5: Livestock Targets*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Number of farmers reached by animal husbandry extension	-	1,120,000
Production of cattle	775,333	868,373
Production of pigs	451,051	676,577
Production of Sheep	119,466	155,306
Production of goats	1,620,103	2,106,134

#### 7. Reduce Land Shortage and Degradation.

Land constraints in Malawi arise mainly from low productivity of fragmented pieces of smallholder land, lack of security of tenure, high population density and an 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. The absence of proactive policy interventions and limited capacity for dynamic monitoring of land administration may have directly contributed to current problems of poverty, food insecurity, and perceived inequalities in access to arable land.

The strategies for achieving this objective are the implementation of the Land Policy, including providing land to the landless; increasing productivity of small land holdings; promoting low cost conservation technologies, consolidating reproductive and gender issues into land management, and ensuring sustainable environmental and natural resource 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.

#### 8. Promote and Expand Farm Mechanisation.

Agricultural mechanisation in Malawi is presently at low levels. The predominant source of power is human power and the hand hoe is the main implement. This limits the performance of critical operations like tilling, planting and weeding. Currently only about 13.5 percent of farmers in Malawi are using animal drawn implements, mostly in the central and northern regions. Motorised power is essentially limited to estate farms, which cover just 30 percent of the total cultivated land. Despite the low use of basic animal drawn implements, their demand and the demand for work oxen has been on the increase in the period from 1992 to 2000. However, it has been difficult to fully satisfy the demands because of reduced numbers of animals and increased costs of farm implements. Past government initiatives towards improving mechanisation such as the use of power tillers in the rice schemes, draught animal power utilisation, motorised maize shelling, and aerial spraying of cotton failed. The reasons

for the failure ranged from lack of spare parts, high cost, poor consultations with farmers, poor hiring arrangements, lack of accountability of funds collected from farmers, and inadequate care for animals.

These problems will be addressed by increasing access to draught animals and animal drawn implements by expanding training of work oxen and encouraging use of alternative sources of animal power such as donkeys. Further, farmers will be encouraged to use animal drawn implements through wide publicity and demonstration of the benefits of using such implements. Local artisans and suppliers will be supported and linked to industry.

Efforts will also be made to increase access to tractors for hire. Existing schemes have been unsuccessful because of small and fragmented land holding size. The new approach will involve provision of tractors for hire to groups of farmers in co-operatives with land consolidated for easy operation with tractors.

*Table 4.1.6: Mechanisation Targets.*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Number of animals trained	-	60,000
Number of artisans trained in production of animal drawn implements	-	300
Number of donkeys in use		865

#### 9. Reduce Weaknesses in Institutional and Policy Framework.

Farmers are unable to participate in the formulation of agriculture programmes owing to a lack of co-ordination between farmers, the Ministry of Agriculture and Irrigation 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 the lack of a core functional analysis for the Ministry. 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 Ministry but resources for implementation are diverted to non-core functions.

In order to address these problems, the Malawi Agriculture Sector Investment Programme (MASIP), under formulation, will provide a framework for partnerships between Government, donors, Non-Governmental Organisations (NGOs), and the private sector in development of the agriculture sector. In particular, this will involve strengthening co-ordination between farmers and other institutions within the agricultural sector, redefining and restructuring the Ministry around its core functions and in response to impending decentralisation, and instituting clear arrangements for implementation of non-core functions by the private sector, NGOs and farmer associations.

#### 10. Reduce Gender Disparities, HIV/AIDS Infections and Effects in the Agricultural Sector.

In the past, agricultural services have not been equally provided to females and males. In most cases, services such as development of technologies and dissemination favoured men, leaving women, boys and girls at a disadvantage. Conversely, technology dissemination in food and

nutrition was targeted at women, leaving out men. This gender imbalance has resulted in inequity in uptake of knowledge and competence necessary for understanding and benefiting from agricultural technologies between and among different gender groups of the farming community. On the other hand, HIV/AIDS has adversely affects productivity and food security for Malawian farmers and yet it has not been adequately incorporated within agricultural programmes. In order to ensure quality participation, the sector will strive to design and implement activities that will generate, disseminate, avail and promote use of appropriate technologies that impact on basic and economic needs for the various gender groups.

The MPRS endeavours to achieve gender balance, prevention and mitigation of HIV/AIDS through the following strategies. Firstly, campaigns for mainstreaming gender and HIV/AIDS will be undertaken for both communities and the work place. This will involve conducting gender and HIV/AIDS awareness meetings, which will involve participation of the local community to expose them so that they support services on gender and HIV/AIDS. Secondly, diagnostic surveys will be undertaken to bring about deeper understanding of needs, issues and links of HIV/AIDS, gender and agriculture development in selected areas (model villages and sample areas). In this regard, there will be a situation analysis at work place and community level. Thirdly, policies and programmes will be developed to support the activities of HIV/AIDS and gender in the agriculture sector. Fourthly, technical backstopping to agriculture training institutions, communities and workplace on gender and HIV/AIDS interventions will be provided. There will be training for skills development in dealing with HIV/AIDS impacts, prevention and reducing gender disparities in agriculture development through short courses for officers, on the job training for field staff at ADDs, RDPs, research stations and EPAs, and mobile training for community mobilisers on gender and HIV/AIDS. Finally, specific mechanisms will be put in place to mainstream gender in all the other agriculture strategies mentioned above.

#### *4.1.1.2 Encourage Sustainable Utilisation of Natural Resources*

Malawi's abundant natural resources in the form of land, forestry, water and fish are currently dwindling and are rapidly being exploited unsustainably, primarily by the poor. At present, forestry and fisheries account for about 12 percent of GDP. About 21 percent of Malawi is forest reserves, national parks and wildlife reserves or conservation areas. However, the expansion of these sectors has been restricted by previous management policies, which put communities at the periphery and stressed natural resources conservation. Communities were prohibited from utilising and deriving tangible benefits from natural resources in forest and wildlife reserves. This situation resulted in conflicts between communities and Government and further violation of the laws by the communities. In addition, Government was managing the natural resources directly.

In forestry, for example, despite Government policing mechanisms, Malawi has experienced a rise in wanton cutting of trees for conversion to agricultural land, firewood and charcoal production, resulting in environmental degradation, soil erosion and river sedimentation. Forest cover is currently 28 percent and has declined at by 19 percent over the past 25 years, a loss of 2.0 ha million. Demand for wood currently outstrips production by 33 percent. At the

same time, existing forestry resources that could be used sustainably as a source of rural livelihoods have not been fully nor efficiently utilised.

Fish is the single most important source of protein in Malawi, contributing about 60-70 percent of national animal protein. However, due to over-exploitation, the total production has declined by 40 percent, to 40-45,000 tons per year, from a peak in production in the early 1990s. This has resulted in a concomitant reduction of 45 percent in the average per capita fish consumption rate. This decline in production is also explained by the use of primitive fishing methods, which restrict fishing to shallower areas. There is need to explore more advanced methods, especially for deep water fishing. Furthermore, the potential for fish farming (aquaculture) has not been exploited despite efforts by Government and some development partners.

Natural resource management activities will therefore be focussed on three key sub-sectors of forestry, fisheries and wildlife. For each of these sub-sectors, the aim will be to promote Community Based Natural Resources Management (CBNRM). In particular, the legal and institutional framework will be strengthened so that rural communities are organised and trained to empower them to effectively participate in decentralised environmental management and to sustainably benefit from natural resources. Communities will be encouraged to sustainably manage fishery, forestry and wildlife resources based on clear mechanisms of ownership and control. Secondly, efforts will be made to promote alternative livelihood strategies, for example by encouraging natural resources-based enterprises (including value-adding activities) for generation of more income in the rural areas. Finally, mass awareness of environmental management issues will be created. For example, communities will be given civic education on the importance of sustainable utilisation and conservation of natural resources to providing habitat for wildlife, reducing soil erosion, reducing global warming, increasing soil fertility and influencing weather.

These general strategies will be applied to each sub-sector as outlined below:

#### 1. Increase Sustainable Utilisation of Fishery Resources

In fisheries, the empowerment of rural communities will focus on Beach Village Committees (BVCs). The key livelihood strategies will be to promote off-shore fishery, and local fish farming. Fisheries extension services will be strengthened and focussed on the promotion of technology to increase off-shore fishery, fisheries enhancement technology and fish farming in local communities. These efforts will be particularly targeted at women. Further, efforts will be made to promote the establishment of better markets and marketing practices for fish through training in handling, processing and packaging of fish products. Traders, fishing groups and the private sector will be encouraged to invest in appropriate physical infrastructure, such as refrigeration facilities. Awareness of environmental management issues will be achieved through improving fisheries curricula at extension training colleges, and translating existing fisheries research data into user-friendly information materials.

#### 2. Encourage Sustainable Utilisation of Forestry Resources

In addition to devolution of forestry co-management to CBNRM groups, the private sector will be encouraged to add value to non-timber products and to manage plantations through

contracts and lease agreements. Management plans for potential plantations will be developed for use by the private sector. Forestry extension services to farmers, village committees and schools will be strengthened and a co-ordinated extension framework with other stakeholders developed. Further, mass tree planting campaigns will be conducted, focussing on the economic benefits of planting. Finally, the forestry curriculum at training colleges will be improved and existing research translated into user friendly material.

### 3. Encourage Sustainable Utilisation of Wildlife Resources

In addition to devolution of wildlife co-management around national parks and reserves to CBNRM groups, the strategy will also involve privatisation of wildlife through encouraging game farming and ranching. Efforts will be made to minimise contact between wildlife and animals, for example through fencing park boundaries and training hunters on control of dangerous animals.

*Table 4.1.7: Natural Resources Targets.*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Fish farming production (tonnes)	500	1,000
BVCs trained and functional	-	270
Forest under private sector		50,000
Parks under private sector		50,000

#### 4.1.1.3 *Micro, Small and Medium-Scale Enterprises (MSMEs)*

Apart from small-holder agricultural production and natural resource utilisation, pro-poor growth will rely on Micro, Small and Medium Scale Enterprises (MSMEs). It is these MSMEs that have the potential to allow the poor to generate their own incomes. The Gemini Baseline Survey 2000 estimates that there are about 747,363 MSMEs, of which 83 percent are located in rural areas. In terms of sectoral distribution, 75 percent of the MSMEs conduct off-farm activities including manufacturing, commerce and trade and services. The remaining MSMEs are based on crop production (22 percent), with just 3 percent on other primary activities such as livestock production, fishing, forestry and mining.

About 91 percent of these firms fit into the micro category of 0-4 employees according to the national enterprise size classification. The primary production sector, especially fishing, mining crop and livestock production, tend to have more employees.

About 34 percent of all the MSMEs are owned by women, a proportion that is significantly lower than the average of 60-75 percent recorded in most other African countries. Women's MSME activities are concentrated in the off-farm sector, primarily in commerce (mostly vending farm produce) and in manufacturing (mostly processing foods and brewing beer). On the other hand, married couples and multiple owners of businesses tend to be concentrated in crop production and trade. These ownership patterns, also observed in other studies, are determined not only by economic factors but also by certain social and cultural relations, including gender.

The development of MSMEs has been hampered by a lack of business skills and technological expertise, lack of capital, and inadequate supportive infrastructure for efficient production and



marketing. The following strategies 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. Provide Support for Development of MSMEs

Support to MSMEs will be provided through a number of channels. Firstly, Government will develop industrial sites for MSMEs with common user facilities in conjunction with the private sector. Secondly, efforts will be made to improve marketing, supply of raw materials, technology and productivity through the introduction of special assistance programmes, such as a subcontract exchange system, training in quality improvement, research and development grants and the creation of networks for joint supply of raw materials. There will also be a focus on exporting specific products where Malawi has a comparative advantage through the establishment of export villages, the organisation of international fairs and the provision of information to MSMEs on export procedures.

#### 2. Improve Institutional Coordination and Support.

There are a number of activities that will be implemented under this objective. The structure and operations of MSMEs will be strengthened through the formation of gender responsive product specific 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. Finally, laws and regulations affecting the development of MSMEs will be reviewed and appropriate technology transferred through training programmes.

##### 4.1.1.4 *Manufacturing and Agro-Processing*

Malawi's industrial growth will be greatly influenced by the success in raising agricultural output and incomes. 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. In addition, increased agricultural incomes will stimulate greater demand for manufactured goods. At present, the industrial sector is relatively small, with manufacturing activities concentrated in a few agro-processing activities as shown in Table 4.1.4. However, research<sup>38</sup> suggests that Malawi's current comparative advantage in these agro-processing industries will not last into the long-term unless deliberate efforts are made to increase efficiency and introduce up-to-date technologies.

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<sup>38</sup> Government of Malawi (1995) *Malawi Industrial Sector Opportunity Study 1994*, Ministry of Commerce and Industry

Table 4.1.8: Structure of Manufacturing Sector, Sub-Sectoral Shares (Percent) in Manufacturing Value Added, 1994 – 2000

	1994	1995	1996	1997	1998	1999	2000
% of total manufactures							
<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>

Source: Government of Malawi (Various years): *Monthly Statistical Bulletin*, National Statistical Office

The major constraints in the manufacturing sector are limited linkages with MSMEs, use of obsolete technologies, inadequate standards and quality assurance and limited international marketing capabilities. In addition, most local firms cite the need for collaboration with foreign firms as a necessary condition for their growth and survival, because of their capacities, capital and access to markets<sup>39</sup>. Further, utility interruptions, inadequate raw materials, and limited engineering and marketing skills constrain the development of the manufacturing sector. In order to facilitate the development of the manufacturing sector, efforts will be made to broaden the industrial base, develop new cluster-based industries, integrate MSMEs in industrial development and establish a credible institutional framework. Other constraints such as skills development and utility interruptions are dealt with elsewhere in the strategy.

#### 1. Broaden the Industrial Base

MIPA will spearhead the identification of new sources of growth and promote them so as to strengthen and diversify the industrial base. Research, investment promotion, and training programmes will be focussed 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

<sup>39</sup> Malawi Investment Promotion Agency (MIPA)

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. Investment promotion will focus on these clusters, with an emphasis on increased collaboration with foreign firms.

### 3. Accelerate Regional Development

In order to accelerate regional development and reduce transport costs, Government will continue to promote spatial development initiatives. In particular, it will focus on Nacala and Mtwara development corridors, and the ZMM (Zambia, Malawi and Mozambique) growth triangle. For each initiative, the approach will be to identify the resources in the area, and then involve all stakeholders to plan and promote infrastructural investments.

### 4. Improve Product Standards and Quality

Standards and quality control systems will play an increasingly vital role in enhancing exports as more and more value-added products are produced. Manufacturers will be encouraged to institute in-house quality control measures in order to produce products that are consistent in quality and competitive in price. The public sector through the Malawi Bureau of Standards (MBS) will work with the private sector to strengthen quality and standards.

### 5. Integrate MSMEs in Industrial Development

As described in Section 4.1.1.3, 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.

### 6. Establish a Credible Institutional Framework

A credible institutional framework (Business Council) will be established to provide guidance on the implementation of the industrial strategy. The Business Council will facilitate a productive flow of information among the key actors, act as a forum to remove misunderstanding, and enhance mutual respect and forge relationships between the public and the private sectors.

#### 4.1.1.5 *Tourism*

The tourism sector has potential for income and employment generation, particularly in rural areas. However, most tourism developments have been led by foreign investors with limited participation of local communities. Tourism is currently hampered by poor product development, lack of clear standards and guidelines, lack of innovation in marketing and inadequate supporting infrastructure.

In order to facilitate poverty reduction through tourism, the MPRS will promote development and investment in diverse tourism products, develop and adopt updated and professional

approaches to tourism and marketing, and establish an appropriate regulatory framework to improve the standards and quality of tourism product. These interventions will be implemented in partnership with the private sector on the basis of the Tourism Strategic Plan.

#### 1. Promote Development and Investment in Diverse Tourism Products

New tourism products will be developed in their original and traditional settings. Government will work with the private sector to involve rural communities in tourism development, from construction of new facilities such as eco-tourism lodges to running and maintaining them, and through tourist villages, curio markets and cultural events. Training and basic infrastructure (such as tour guide training and construction of vending shelters) will be provided to communities. Investment promotion will be intensified by designating tourism growth areas and formulating investment and concession agreements. In partnership with the relevant authorities, the development of appropriate infrastructure will be planned.

#### 2. Develop and Adopt an Updated Approach to Tourism Promotion and Marketing

The primary strategy will be the creation of a distinct and unique image of Malawi's natural heritage and cultural resources. Strengthening Malawi's identity as the "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 at domestic, regional and international level, utilising developments in information and communication technology.

#### 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.

##### 4.1.1.6 *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<sup>40</sup>. Whilst Malawi is endowed with a variety of mineral resources, such as bauxite, coal and uranium, the MPRS will focus on small-scale mining involving quarry stone, lime, gemstones, pottery-ceramics, gemstones, salt aggregate, limestone, sand and clay (pottery and brick moulding).

The key objectives in promoting small-scale mining are to disseminate information on mineral availability, identify mineral resources suitable for small scale mining, encourage the development of small-scale mineral based industries, provide technical and financial support, ensure appropriate mining legislation, improve understanding of value adding methods and promote marketing.

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<sup>40</sup> Government of Malawi (2000): *Economic Report*, National Economic Council

### 1. 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 to undertake a number of activities. Firstly, the Department will oversee the preparation and updating of an inventory of minerals available and produced in the country, including district-wise tenement maps. Secondly, the introduction of a quarterly publication of the 'Malawi Mineral Bulletin', including 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. Thirdly, brochures will be prepared for target minerals like granite, ceramic minerals, decorative and dimensional stones to facilitate setting up of mineral based industry.

### 2. Provide Technical and Financial support

Technical support on both mineral extraction and value-adding will be provided by the Department of Mines and Geological Survey through district-based training programmes. Credit institutions will be encouraged to extend credit facilities to small-scale miners (see Credit and Microfinance section in Pillar 1).

### 3. Identify Mineral Resources Suitable for Small-Scale Mining

Although a variety of mineral deposits and resources suitable for small-scale mining are known to occur in the country, very little detailed information on quality and quantity of the minerals is available. The Geological Survey Department will identify and evaluate more mineral resources, which can be mined and processed by small-scale miners. In order to assist the small-scale miners the Geological Survey Department will focus its exploration and evaluation on minerals that can be developed or utilised locally. Where possible, preliminary and prefeasibility studies will be jointly conducted by the two departments. Minerals such as gemstones, kaolintic clays, gypsum, phosphate, alluvial gold and graphite can easily be developed by this category of miners.

### 4. Encourage the Development of Mineral Based Small-Scale Industries

To accelerate the deliberate development of mineral based small-scale industries, there is an urgent need to strengthen existing research centres, which will develop simple technologies in the manufacturing of finished mineral based products. The Geological Survey Department will extend its research activities in the application and utilisation of indigenous mineral raw materials. The existing laboratories in the Department of Mines and Geological Survey need to be upgraded. The research centres will thus provide training and extension services to small-scale entrepreneurs in mining, mineral processing and manufacturing of finished mineral based products.

### 5. Ensure Appropriate Mining Legislation

Emphasis will be placed on smoothening 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.

## 6. Promote Value-Addition, Marketing and Exports

Small-scale miners will need assistance to improve the quality standards acceptable to foreign markets. This will in part be achieved through the formation of miners' clubs and associations. 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 for both potential exporters; and standard equipment will be used to improve and maintain quality standards suiting the requirements of foreign buyers.

### ***4.1.2 Creating an Enabling Environment for Growth***

Apart from the specific sectoral sources of pro-poor growth identified above, it is clear from the consultation process and from international and historical performance that in order to generate growth, the private sector must operate in an enabling environment. This environment will enable the private sector (whether small scale or large scale, domestic or international) to identify and exploit investment opportunities in any sector of the economy, without major Government generated obstacles.

The key factors that will contribute to an environment conducive for pro-poor growth are macroeconomic stability, access to credit, and improved rural infrastructure. Efforts will also be made to improve other infrastructure, strengthen trade and review taxation policy. Further, issues of human capital development covered in Pillar 2, issues of governance (security, rule of law, corruption, and parastatal reform) covered in Pillar 4, and issues of macroeconomic management discussed in Chapter 5 are important components of an enabling environment.

#### *4.1.2.1 Macroeconomic Stability*

Macro-economic stability is a precondition for economic growth. Strategies to ensure macro-economic stability, which include improved fiscal discipline and tight monetary policy, are described in Chapter 5.

#### *4.1.2.2 Credit and Micro-Finance*

Micro-finance plays a critical role in poverty reduction by increasing access to credit by the productive poor. Programmes and schemes run by the Government through Development of Malawian Entrepreneurs Trust (DEMAT), Small Enterprise Development Organisation of Malawi (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 can only be targeted at the productive poor who are able to make sufficient return on their investments. The unproductive poor who cannot generate surpluses will only become indebted and therefore worse off, and are better served with safety net interventions, as outlined in Pillar 3.

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, particularly by women, has been hindered by prohibitive collateral requirements, although women have demonstrated high repayment rates. 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 fertilisers, seeds and other chemicals, leading to lower yields and inability to help themselves.

High default rates are commonly attributed to a poor credit culture in Malawi. This is caused by a number of underlying factors. Firstly, lending methodologies directly affect repayment behaviour – there are some institutions that have maintained repayment rates of over 95 percent due to well-designed methodologies. Secondly, schemes with conflicting objectives or political motives tend to create confusion as to whether the programmes offer loans or grants. Thirdly, credit programmes targeting the unproductive poor are likely to have low repayment rates and will force the poor into debt. Finally, agricultural loans are subject to additional risks due to weather and international market factors.

Access to credit by rural communities has also been hindered by collateral requirements and high cost of borrowing due to high interest rates. Finally, the micro-finance sub-sector has in the past been segmented and poorly coordinated. While a micro-finance network has been established to create and promote common rules and standards for the sector, there is need for additional efforts from practitioners, government and donors to increase the coordination of the sector and establish a regulatory framework.

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.

Government will strive to restore macro-economic stability through the observance of strict fiscal discipline and tight monetary policy to bring down inflation and interest rates, as discussed in Chapter 5.

#### 2. Strengthen the Institutional Framework

The regulatory authorities (such as the RBM) together with the micro-finance institutions (MFIs) will establish an appropriate framework to regulate and supervise the activities of MFIs. This will ensure that activities carried out by Government institutions, NGOs, banks, financial institutions, commercial companies and the donor community are co-ordinated and have a common agenda of sustainable poverty reduction. Specific actions include the development of legislation describing the regulatory framework including the self-regulatory mechanism and the thresholds for full supervision by the regulatory authorities.

Further, Government in collaboration with the micro-finance network will carry out an impact assessment study to evaluate the impact on the lives of poor clients. The micro-finance

network will develop a code of conduct to promote performance standards in the industry with an aim to maximise the poverty impact through increased outreach in terms of client and portfolio and cost effective operations. Government will assist the micro-finance network to establish an operational secretariat and encourage their micro-finance partners to join the network.

### 3. Reduce High Default Rates

To address the problems of high default rates among the low-income credit clientele, tougher and more efficient legal sanctions will be introduced to ensure that borrowers make an effort to repay their debts. The creation of a credit reference bureau will be facilitated. 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. In addition, Government will promote the formation of farmers clubs and co-operatives to reduce problems of identity and collateral.

Finally, 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.

### 4. Expand Competition and Efficiency in the Credit Market

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 reduce political interference, which is contributing to misallocation of resources and high default rates.

In addition, 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 dominant commercial banks will be eliminated through full privatisation of the two banks and by encouraging new entrants into the system.

### 5. Diversify and Expand Coverage

Government will increase 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 formal institutions such as the Malawi Savings Bank (MSB), commercial banks and other financial institutions will be encouraged and linked to MFIs so that they can be channelled to the poor. Finally, as outlined under agriculture, village banks and SACCOs will be promoted and capitalised.

#### 4.1.2.3 *Rural Infrastructure*

Improving rural infrastructure is an essential requirement for the commercialisation, modernisation and growth of agriculture and MSMEs. Better market incentives will be irrelevant if the physical barriers to and economic costs of doing business in rural areas are too high. Hence, there is need to provide good rural roads (including bridges), water and sanitation, energy, and telecommunications.



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. Rural feeder roads also have social benefits through better access to social services such as health centres by facilitating mobility. Further, improved rural infrastructure will alleviate gender disparities, as women bear the burden of transporting heavy loads and travelling long distances to access social services. The rural population will benefit directly from the construction of the rural roads through employment generation under the Public Works Programme (see Pillar 3).

The provision of and equitable access to potable water supplies and reasonable sanitation facilities are central to poverty reduction as they have a direct impact on health status and therefore productivity. The need to improved access to safe drinking water was also amongst the top priorities during the MPRS district consultations. The MDHS 2000<sup>41</sup> shows that only 65.6 percent of households have access to potable water supplies. However, only about 60 percent of existing boreholes are currently functional.

Further to this, there is a limit to the extent to which the nation's groundwater resources can effectively be exploited through construction of boreholes without irreversible damage to the environment. Thus, borehole construction will be complemented by an expanded programme of construction and rehabilitation of rural gravity-fed piped water schemes.

Increased access to safe water must be complemented by sanitation measures. At present, only 81.4 percent of households have reasonable access to a latrine. Finally, in order to sustain the borehole and piped water system construction, it is important for the sector to equally continue to put in place mechanisms for the conservation and management of the nation's water resources

Stable energy supply is essential to materialise the growth of the sectors identified above in the section on sources of pro-poor growth. The demand for power and other forms of energy will increase as the growth sectors increase their economic activities and electrification proceeds. Electricity is also an essential input to improved social services and mass-communication through television. Providing households with alternative energy other than wood fuel is essential for reducing poverty and environmental degradation. Renewable energy technologies such as solar and wind power will be an area of focus.

Malawi's internal telecommunications coverage is low at around four lines per thousand persons and is concentrated in urban and semi-urban areas. Telecommunications can benefit rural firms and people by giving them direct access to customers and linking them to information about markets, suppliers, technology, and government regulations. Such networks can also make it less expensive and more efficient for firms to locate in rural places, and can enable small towns to import services like healthcare through telemedicine technology and education through distance learning facilities.

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<sup>41</sup> Government of Malawi (2000) *Malawi Demographic and Health Survey 2000*

### 1. Improve Rural Transport Infrastructure

Government and other stakeholders will improve feeder roads to increase accessibility and productive potential of 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 costs, increasing network coverage particularly in the rural areas, and improving road safety.

Firstly, priority sections of the rural feeder road network will be restored from a state of severe deterioration to a fair condition through rehabilitation. Government will further ensure that a sustainable road grading and maintenance programme is in place to preserve the rural feeder road network infrastructure as a capital based asset in which government has already made substantial investment. Government will also improve accessibility to remote areas through the construction of new feeder roads. Finally, Government will decentralise responsibilities for planning and management of urban and district road maintenance and construction to local assemblies.

*Table 4.1.9: Rural Feeder Roads Targets*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Kilometres graded		12,150
Kilometres rehabilitated		2,100
Metres of other infrastructure (bridges, waterways etc.)		24,000

### 2. Increase Accessibility to Good Drinking Water and Sanitation

The strategies under this objective are to construct and rehabilitate water facilities, extend water supply capacity, promote community based management and improve water resources conservation and management.

Government will combine an expanded borehole rehabilitation and construction programme with effective borehole maintenance strategies. This will be achieved through capacity building among rural communities to own, operate and maintain their facilities. In addition extension workers will be trained in borehole maintenance and will subsequently be used to assist rural communities as technical experts. This borehole programme will be complemented by an expanded programme of construction and rehabilitation of rural gravity-fed piped water schemes.

Secondly, capacity to meet the growing demands from industry and domestic users will be expanded. This will involve the extension and rehabilitation of the existing infrastructure, water loss reduction measures, enhancement of cost recovery measures and strengthening of the viability of the water supplies. Further, reforms to improve the operational autonomy and commercial viability of the nation's water boards will be pursued more vigorously.

The conservation and management of water resources will include the construction and rehabilitation of small community multi-purpose earth dams and instruction of catchment management authorities. In addition, institutional capacity will be strengthened to improve the collection and quantification of hydrological data vital for the determination of viable water resources.

Finally, measures will be taken to reduce the incidence of waterborne diseases. This will include the introduction of VIP latrines and other appropriate rural water sanitation technologies.

*Table 4.1.10: Water and Sanitation Targets*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Households with access to potable water	65.6%	84%
Rehabilitation of boreholes (% functional)	60%	100% (rehabilitate 2,000)
Construction of new boreholes		7,500
Rehabilitation of rural piped water supply schemes		15
Households with sanitary excreta disposal	81.4%	100%

### 3. Increase Access to Affordable and Sustainable Rural Energy

The objective is to increase access to modern and commercial energy, and to ensure economic efficiency in supplying and utilising energy at affordable prices. The first strategy is to increase rural and peri-urban electrification from the present 4 percent national average. This will involve rehabilitation and extension of national grid distribution lines, and the creation of mini-grids powered by mini-hydro, diesel or photovoltaic power generation.

The second strategy is to reduce pressure on wood fuel. The rate of utilisation of fuel wood greatly exceeds the rate of its natural growth in Malawi. Rural households will be encouraged to use more energy efficient charcoal and wood stoves. There will be need to encourage, develop, produce and market reliable, economically accessible and appropriately priced alternative energy supplies (such as biogas). Low-income urban families will be assisted with appropriate credit and interventions for purchasing stoves and appliances that use these fuels.

Thirdly, the MPRS will expand electricity supply options and to provide incentives for the development of fuel retail outlets in rural areas.

*Table 4.1.11: Rural Energy Targets*

<b>Indicator</b>	<b>Current Situation</b>	<b>Target 2005</b>
Number of new sites electrified	-	73
New biogas plants	-	105
Dissemination of charcoal and wood stove technology coverage	2 districts	27 districts

### 4. Improve Rural Telecommunications

The first strategy is to finalise the rural telecommunications policy in order to encourage the private sector to provide telecommunications services in rural areas, for example through rural cellular based telephone bureaux. In order to complement this, network providers will be encouraged to expand their networks to serve these private sector providers.

#### 4.1.2.4 *Other Enabling 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 for private sector development. 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.

Many of these investments will not be financed by or through Government, as they are not immediate priorities for poverty reduction. However, given their importance to private sector development and therefore to long term poverty reduction, Government will actively seek private sector and international investors to finance these investment projects. Where necessary, this will involve using innovative financing arrangements (such as Build-Operate-Transfer). This issue is discussed further in Section 5.4 and in Annex 3.

The enabling infrastructure falls into five categories: transport, energy, telecommunications, broadcasting and postal services. The sources of growth identified above cannot deliver without energy. As the economy grows, industry expands, coverage is increased and urbanisation continues, demand for energy will rise significantly. In order to meet this demand, there is need to increase supply capacity, including diversification to other renewable sources within the context of the Energy Policy.

The telecommunications sector was liberalised 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 is now undergoing privatisation. Government has also liberalised services such as cellular networks, e-mail and internet, leading to a proliferation of providers of these services. 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 demand.

Radio and television play an important role in poverty reduction through mass information, education, mobilisation and entertainment whilst creating awareness of political and socio-economic issues. However, at present, this role is difficult to fulfil due to inadequate equipment and poor resource mobilisation.

The ability to communicate is important to private sector development as well as community development and empowerment. The current postal system in Malawi is inadequate with poor service delivery, due to mismanagement and inadequate cost recovery.

##### 1. Strengthen Transport Networks

Government will complement its efforts as regards rural feeder roads with efforts to rehabilitate and maintain the core road network. The expansion of the core road network and

investment in other transport sub-sectors (such as railways and airports) will be financed through private sector and international investors using innovative financing arrangements.

## 2. Increase Access, Efficiency and Reliability of Modern Energy Supply

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. The strategies will be implemented in the context of the new Energy Policy.

Given that growth and diversification rely on power, it is evident that Electricity Supply Corporation of Malawi Limited (ESCOM) should implement strategies, financed by the private sector and international investors, which 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.

## 3. Expand Telecommunications Coverage

MTL in partnership with the private sector and international investors 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. In addition, Government will continue liberalisation of the sector by opening up the provision of telecommunications to the private sector. This will help to raise the quality of service and reduce charges.

## 4. Improve Quality of and Access to Broadcasting

Efforts will be made to improve the quality of radio broadcasting by restructuring the Malawi Broadcasting Corporation (MBC), replacing obsolete transmission equipment with modern equipment, and computerising radio studios, financed by advertising and other revenue together with private sector and international investors. In order to provide televised information to the population, Television Malawi (TVM) will migrate from analogue to digital formats, install more low power transmitters to ensure maximum television reach in the country, improve the transmission network, establish community-viewing centres, improve studio infrastructure and open regional centres to ensure regional coverage of news issues. As with MBC, the investment costs will be covered by increased advertising and other revenue together with private sector and international investment. Further, adequately trained personnel will be required to ensure professional packaging of information to the viewer. Finally, efforts will be made to ensure that programmes broadcast focus on poverty and development.

## 5. Improve Postal Services

Access to postal services will be improved by increasing the number of post offices, including renting existing infrastructure. Efforts will be made to ensure sustainability of postal services

and the financial independence of the Malawi Postal Corporation (MPC), by increasing charges to cost recovery levels, and introducing innovative methods of service delivery, such as contracting out mail delivery services and mutual arrangements with other public institutions that frequently visit rural areas.

#### 4.1.2.5 *Domestic and External Trade*

Both domestic and external trade continue to play a major role in the growth and development of the economy. Trade has facilitated the development of both economic and social sectors, particularly agriculture, manufacturing and tourism. There are a number of constraints to growth of domestic and international trade and these include lack of access to credit, lack of appropriate skills, weak linkage to markets, inadequate quality assurance and standards, and poor packaging.

The objectives to address the development and promotion of domestic and international trade include the provision of supportive infrastructure, expansion of domestic market share, expansion of export market share and negotiation of preferential arrangements.

##### 1. Provide Supportive Infrastructure

Physical infrastructure will be improved through the measures outlined in sections 4.1.2.3 and 4.1.2.4 and the support to MSMEs and agro-processing discussed in sections 4.1.1.3 and 4.1.1.4. In general, the private sector will be encouraged to play a greater role in infrastructural development, through innovative financing arrangements. In addition, trade administrative infrastructure will be established, including the creation of sustainable export credit refinancing.

##### 2. Expand Domestic Market Share

Local manufacturers and producers will be encouraged to increase their share of the domestic market. This will also help in the expansion of the domestic market for Malawian products and reduce the current preference for imported goods. The main emphasis will be placed on instilling a sense of loyalty and national pride among domestic consumers to purchase local goods. Other measures will include giving recognition to manufacturing companies that will have achieved high standards and quality in the production of goods.

Specific measures will be instituted to enforce more transparent preferential treatment of local entrepreneurs. Other measures will include the encouragement of bulk purchases, joint advertisements and promotions, joint ventures and buy-outs. Formal and informal networking among the traders will be supported through collation and sharing of market information and consumer behaviour. Private sector trade associations are expected to play a more effective role than in the past.

Steps will be taken to protect consumers by enforcing the competition law, ensuring that consumers are protected from unethical and unfair trade practices, misleading advertisements, unsatisfactory services and other unethical marketing practices.

### 3. Expand Export Market Share

The promotion and development of exports will be further strengthened. Malawi Export Promotion Council will re-orient its activities to be business like to ensure full co-ordination and consolidation of export promotional activities. Trade promotion centres will be established whilst rationalising existing trade representations.

### 4. Negotiate Preferential Arrangements

Government will ensure compatibility of trade agreements and ensure reciprocity in the implementation of regional and bilateral arrangements. The multiplicity of trade agreements offers a challenge in terms of compatibility and implementation. Continuous efforts will be made to expand the market shares within the existing as well as new market and non-traditional markets. Regional trade and cross-border investment will be expanded through SADC, COMESA and bilateral agreements.

Government will also focus on maintaining and strengthening preferential non-reciprocal agreements with developed countries such as the Lome Convention and the Generalised System of Preferences, the EU's Everything But Arms (EBA) initiative and the US Africa Growth and Opportunity Act (AGOA). Government recognises that least developing countries, including Malawi, can make use of the special clauses of the Uruguay Round providing differential and more favourable treatment and implement and benefit from the commitments undertaken. Meanwhile, Government will continue to negotiate with its HIPC and LDC partners for preferential agreements and the removal of barriers and subsidies in developed countries.

#### 4.1.2.6 *Taxation*

Government has undertaken a number of tax reforms during the past decade. However, there remains a need to develop a coherent longer-term taxation framework which balances revenue generation with the need to support the private sector. At present, the taxation system applies high rates of taxation to a narrow base of the medium and large scale formal private sector. In addition, exemption criteria are not transparent and there are often delays in processing applications for exemptions and refunds. Further, the Malawi Revenue Authority still faces problems in enforcing compliance.

A fundamental change is needed in the approach to planning public finances. At present, the tendency is to decide on public spending first and then identify the sources of funding. The new approach should move towards deciding the level of taxation and expenditure consistent with the level of taxation and tax burden.

#### 1. Define and Enforce Transparent Tax Exemption Criteria

Government will, in consultation with the private sector and other development partners, define transparent tax exemption criteria in order to ensure a "level playing field", reduce the potential for corruption, and reduce administrative delays. These criteria will focus on encouraging investment and development activities consistent with the MPRS. Tax relief and incentives will be rationalised and retained in highly selective circumstances for fixed period where it can be shown that they are most likely to achieve increases in employment and investment.

## 2. Review Corporate Tax

The corporate taxation system and rates will be reviewed in consultation with the private sector. Particular attention will be paid to removing distortionary and duplicative taxes and rationalising the system to ensure simplicity and compliance. Effort will be taken to ensure an appropriate balance between the need to generate domestic public resources for implementing MPRS activities through the Budget, and the need to ensure adequate domestic resources for employment and investment.

## 3. Widen the Tax Base

A further widening of the tax base will be pursued in order to facilitate the lowering of tax burden on the enterprise sector. In particular, surtax will be extended and the Malawi Revenue Authority (MRA) will increase its collection and enforcement activities.

## **4.2 Human Capital Development**

Human capital is key to poverty reduction in Malawi. A healthy and educated nation leads to increased productivity, better income distribution and a generally improved standard of living. A deteriorating health situation undermines the ability of individuals to lift themselves out of poverty and leads to a general decline in productivity. Similarly, an uneducated population does not understand and appreciate the need and means for achieving higher incomes, reducing infant mortality and population growth as well as improving nutrition and health. Functionally, the major economic sectors of agriculture and industry demand an educated, skilled and healthy workforce 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 will 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. The national illiteracy rate stands at 42 percent<sup>42</sup> due to problems of access to and quality of education. There is also lack of skills development due to inappropriate education curricula at all levels and low access and intake into technical, entrepreneurial and vocational training institutions. In terms of health, life expectancy at birth has reduced from 43 years<sup>43</sup> in 1996 to 39 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.

In order to address these problems, this pillar has four goals, ensuring the development of human capital through implementation of education, technical, vocational and entrepreneurial education and training (TEVET), health, and nutrition programmes.

### **4.2.1 Education**

Education yields broad social and economic benefits. Not only is education positively associated with agricultural productivity, higher incomes, lower fertility rates and improved

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<sup>42</sup> Government of Malawi (2000) *Malawi Demographic and Health Survey*, National Statistical Office

<sup>43</sup> Ibid.



nutrition and health, it is also a prerequisite for attaining these outcomes. Hence, education is the centrepiece for the poverty reduction strategy. In particular, basic education will be accorded highest priority in the MPRS. It is recognised, however, that this is not a sufficient condition for an individual to escape poverty. Sustainable national development also requires the development of secondary, higher and pre-school education.

Poverty reduction through education in Malawi is faced with a number of challenges as some indicators testify. On a positive note, the introduction of Free Primary Education (FPE) in 1994 led to an increase in enrolment from 1.9 million (1993/94) to 2.9 million children (1994/5). This led to an increase in the gross enrolment rate to 132 and the net enrolment rate of 78<sup>44</sup> by 1999. However, the challenges in primary education include dealing with the large numbers of over-aged pupils resulting in high repetition rates.<sup>45</sup> Moreover, this increase in the quantity of primary education has been offset by a decline in quality and a high drop-out rate. For example, there is a serious shortage of teaching and learning materials such as textbooks; the pupil to qualified teacher ratio is high at 118 and the pupil to classroom ratio is high at 95. The national target for the latter two ratios is 60.

Partly as a result of the above problems of quality, retention of children in school is low, especially among poorer households and females. At present, it is estimated that only 30 percent of children who start primary school complete Standard 8<sup>46</sup>. There have also been significant problems of access to basic education for children with special needs, as the necessary enabling environment and infrastructure has been inadequate.

At the secondary level, access is still very limited, with a gross enrolment ratio of 18 percent. Access is also highly unequal, particularly affecting children from low-income families and girls. The latter account for only around 37 percent of gross enrolment. The quality of secondary education is also inadequate and unequal, as demonstrated by poor examination results and the disparities between Conventional Secondary Schools (CSSs) and Community Day Secondary Schools (CDSSs). This is in part caused by the crowding out of quality inputs (such as qualified teachers and teaching and learning materials) by expenditures on boarding and administration<sup>47</sup>.

Access to higher education in Malawi remains low, with fewer than 4000 places available. Females occupy less than 30 percent of the places. Enrolment is limited by inadequate school places, boarding facilities and financial resources. As a result, capacity in terms of physical infrastructure and human resources is frequently under-utilised. Furthermore, the limited financial resources received are used inefficiently by the University of Malawi, which spends more than half of its resources on boarding and administration<sup>48</sup>, yet student to staff ratios remain very high. In addition, the quality of higher education has been undermined by poor

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<sup>44</sup> For definition of GER and NER, see Glossary

<sup>45</sup> See Chapter 2 on Poverty Profile

<sup>46</sup> Government of Malawi (2000): *Public Expenditure Review 2000*, Ministry of Finance and Economic Planning  
pg. 7

<sup>47</sup> *ibid.* pg. 8

<sup>48</sup> *ibid.* pg. 100

linkages to industry in the curriculum and frequent closures of colleges due to the high burden on Government resources.

In light of the positive link between education and poverty reduction, there is a clear need to increase access to and improve the quality of education *at all levels*. To achieve this, there are five main objectives applicable at each level: (1) improve quality and relevance of education; (2) increase access and equity in education, focusing on girls, orphans and children with special needs; (3) strengthen management, planning and finance; (4) respond to HIV/AIDS pandemic; (5) strengthen co-ordination across all players in the education sector, both public and private.

#### 4.2.1.1 *Basic Education*

In the context of basic education, the objectives are as follows:

##### 1. Improve the Quality and Relevance of Primary Education

Improving the quality and relevance of primary education involves four main strategies: teacher recruitment, training and incentives, development of relevant curriculum, teaching and learning materials and supervision and inspection.

In terms of teacher recruitment, training and incentives, Government will improve Teacher Training College facilities to enable the recruitment and training of more primary teachers. In addition, existing unqualified teachers will be provided with initial training and qualified teachers' skills will be upgraded using in-service training (INSET). Moreover, the Department of Teacher Education and Development will be upgraded and further strengthened, and due attention will be given to issues of teacher management and deployment. Finally, Government will revise teachers' remuneration packages, to ensure retention of teachers, particularly in rural areas.

In order to improve the quality and relevance of education, the teacher and basic education curricula will be revised so that they meet the needs of pupils, potential employers and the nation. Students should be offered a curriculum that will equip them with knowledge of life skills, such as technical, entrepreneurial, and agricultural skills. Maintaining quality will also depend on government ensuring that all pupils have access to an adequate supply of instruction materials. This will require a change in management and planning such that the distribution of education materials will be decentralised to a zone based system.

Finally, Government will promote a well-coordinated and more effective supervision and inspection service. The teacher to Primary Education Adviser (PEA) ratio will be decreased and the number of advisory visits per term will be increased. Schools will have to meet both instruction and physical infrastructure standards. School committees will be trained in community based management. The monitoring of school health and sanitation provision will be strengthened, with measures taken to construct adequate boreholes and latrines.

*Table 4.2.1: Basic Education Quality Targets*

<b>Indicator</b>	<b>Current Situation (1999)</b>	<b>Target 2005</b>
Number of teachers	45,784	51,323
Teacher Trainees (cumulative)		12,000
Pupil to qualified teacher ratio	118	85
Teacher to PEA ratio	145	81
Drop out rate	12%	8%
Repetition rate	15%	10%

2. Improve Access and Equity at the Primary Level, Focusing on Special Needs Education and Girls.

Basic education for the disadvantaged: the poor, girls, orphans, children with special needs and learning difficulties, has much room for improvement in Malawi. The current enrolment level of children with special needs is only 5 percent. Special needs education suffers from inadequate learning centres, non user-friendly infrastructure, lack of learning materials and inadequate specialist teachers. In terms of infrastructure, there are currently 15 resource centres for the visually impaired and only 4 centres for the hearing impaired at primary level.

The strategies to improve access, quality and relevance of basic education for children with special needs will involve the establishment of adequate learning centres with adequate accommodation. The recruitment and training of specialist teachers, the development of relevant curricula for teacher training, the procurement of learning materials and equipment and the introduction of a bursary scheme for these students will be priority areas in the short-medium term. Students with mild disabilities will be integrated into conventional schools.

In addition to promotion of special needs education, equitable access will also require social mobilization campaigns which target orphans, those affected by HIV/AIDS, girls and out of school youths. Finally, Government will expand physical access to education by increasing the usage of school blocks through double shifting, increasing the number of school blocks and ensuring adequate rehabilitation and maintenance of existing blocks.

*Table 4.2.2: Primary Education Access Targets*

<b>Indicator</b>	<b>Current Situation (1999)</b>	<b>Target 2005</b>
Number of new classrooms (cumulative)		2,250
Number of classrooms rehabilitated	-	4,500
Female enrolment (total)	1.4 million	1.5 million
Female enrolment (%)	48%	50%
Pupil: specialist teacher ratio (Visually impaired)	48	26
Pupil: specialist teacher ratio (Hearing impaired)	13	7
Pupil: specialist teacher ratio (Learning difficulties)	18	5

3. Increase and Improve Functional Adult Literacy and Numeracy.

To achieve increased and improved adult literacy will require close co-operation between Government (Ministries of Education, Science and Technology and Gender, Youth and Community Services) and NGOs. Government will revise the adult literacy policy and curriculum, train 12,000 literacy instructors (including primary school teachers) and print and

distribute adequate adult literacy teaching and learning materials. Efforts will also be made to open up more Rural Instruction Centres (RICs) in existing facilities for adult literacy.

*Table 4.2.3: Adult Literacy Education Targets*

Indicator	Current Situation (1999)	Target 2005
Number of adults enrolled	37,500	300,000
Number of instructors	2,000	12,000

#### 4. Provide Special Education for the Out of School Youth

The objective will be achieved through the development of multi-purpose youth centres, equipped with appropriate learning materials to impart vocational and technical skills. There will also be a strengthening of out of school youth clubs, lead by trained youth patrons, where it is envisaged that youths will gather to exchange ideas.

*Table 4.2.4: Out-Of-School Youth Education Targets*

Indicator	Current Situation (1999)	Target 2005
Number of youth patrons	1,300	2,985
Number of youth centres	10	81

#### 5. Expand Pre-School Education/Early Childhood Development (ECD)

It is important that an adequate supply of motivated new care givers are provided and trained, including training of existing ECD teachers. There will then be a need to identify ECD centres and to construct new ones, where appropriate. Efforts will also be made to provide adequate learning materials and communities will be encouraged to contribute locally made materials.

*Table 4.2.5: Pre-School Education/ECD Targets*

Indicator	Current Situation (1999)	Target 2005
Number of ECD teachers	620	1,500
Number of ECD centres	0	70

#### 6. Respond Urgently to Problems Created by the HIV/AIDS Epidemic

The HIV/AIDS pandemic has adversely affected the education sector. The toll through loss of teachers and the related burden of welfare costs erodes the resources provided for the sector. So far there has been no coordinated and consolidated effort to fight the disease but a strategic plan is in the process of being developed.

In order to deal with HIV/AIDS in the education sector, Government will implement a sector-specific strategic plan on HIV/AIDS, involving prevention and mitigation among teachers and pupils. In addition, HIV/AIDS education will be imparted to the youth through the media and youth clubs.

#### 7. Decentralise Administrative and Planning Responsibilities

Decentralisation will be the major driving force in strengthening efficiency and accountability of resources and results. Basic education will be made accountable to local level authorities with development and operational responsibilities transferred from central government to the districts. Self-regulation mechanisms through school committees at grass roots level will be introduced. In addition, teacher training and institutions will be decentralised by making them independent cost centres and by reducing central controls. Further strategies include the

strengthening of monitoring and evaluation systems so that data collection and analysis is carried out in order to make informed decisions, through the establishment of a District Education Management Information System (DEMIS).

#### 4.2.1.2 *Secondary School Education*

Whilst basic education is the minimum necessary for an individual to escape poverty, secondary education is also necessary for equipping students with the skills required for private and public sector employment. Moreover, secondary education is expected to enhance entrepreneurial skill, business management, agricultural expertise and life skills capabilities which are important for self-employment and life improvement. In addition, secondary education encourages further studying, as an input to the acquisition of the range of essential skills.

The objectives of secondary education will be as follows:

##### 1. Increase Access and Equity to Secondary Schools

There are two aspects to access and equity issues in secondary education: firstly, increasing access to secondary education for girls, children from poor families and children with special needs and secondly, increasing the total number of secondary school places to absorb the increasing number of primary school graduates.

In order to increase access for girls, children from poor families and those with special needs, the secondary school bursary scheme (SSBS) will be expanded. In addition, more secondary school places will be created, and school blocks will be made user-friendly for students with special needs.

In terms of general access, Government will introduce double shifting to improve efficient utilisation of existing infrastructure, provide distance learning and build new school blocks. Measures to support the development of the private schools sector will be taken, to ensure capacity for the targeted private sector enrolment.

##### 2. Improve Quality and Relevance of Secondary Education

This objective involves eight key strategies: (i) upgrading facilities and equipment; (ii) reforming the curriculum to include life skills, entrepreneurial skills, and agriculture development needs, (iii) teacher recruitment, (iv) training and remuneration, (v) increasing teaching and learning materials, (vi) enhancing supervision and support services, (vii) upgrading under-qualified teachers through distance methods, and (viii) redesigning the Secondary Teacher Education Programme and consolidating programmes at provider institutions.

The upgrading of facilities and equipment will focus on bringing Community Day Secondary Schools (CDSSs), to which the poor have more access, up to the standards of Conventional Secondary Schools (CSSs). In addition, Government will ensure that there are adequate resources for the maintenance and rehabilitation of existing infrastructure, much of which is in a state of disrepair. Initially, only minimum standards will be enforced.

In order to improve the relevance of education, the teacher and secondary education curricula will be revised so that they meet the needs of students, potential employers and the nation. Students should be offered a curriculum that will equip them with knowledge of life skills, such as technical, entrepreneurial, and agricultural skills. The curricula will be reviewed every ten years to ensure it is up-to-date. There will be periodic reviews of the examination system to improve efficiency and effectiveness. Assessment approaches must provide measures of what an individual's achievement levels are in terms of competencies and skills. Measures must be comprehensible to the general public. Measures will be taken to ensure parallel improvements in textbook and learning support.

Quality secondary school education also depends on the recruitment, training and retention of teachers. This will involve instituting an updated, relevant and rigorous programme of teacher education in all higher education institutions, both public and private. Non-residential training will also be introduced and subject specialisation encouraged. Various refresher courses will be undertaken for teachers. These actions, in combination with a revision of remuneration packages, will create an environment conducive to teacher retention.

Finally, Government will ensure an adequate supply of teaching and learning materials. This will involve the strengthening of textbook revolving funds and the introduction of cost sharing, in conjunction with the bursaries mentioned above.

*Table 4.2.6: Secondary School Targets*

<b>Indicator</b>	<b>Current Situation (1999)</b>	<b>Target 2004/5</b>
Number of students	236,500	324,031
Number of private students	16,555	64,806
Number of students entering MCDE	-	11,550
Number of teachers	5,269	8,130
Female gross enrolment	19%	25%
Schools teaching information and communication technology	8	100

### 3. Improve Management and Administration of Secondary Education

Efforts will be made to improve the efficiency and effectiveness of secondary education by decentralising responsibilities, strengthening managerial capacity at district and school level, and rationalising the use of resources. This rationalisation will involve phasing out or introducing cost recovery for non-core services, such as boarding, and ensuring that human and financial resources are allocated according to needs. This, in turn, will require ensuring the Education Management Information System (EMIS) covers the secondary system.

#### 4.2.1.3 *Higher Education*

The MPRS will transform the higher education system to respond to new realities and opportunities within the context of poverty reduction. The sector will increase the participation rate for both men and women to meet the demand for highly trained graduates in different fields taking into account labour market and poverty reduction needs. The sector will strive to advance high-level capacity through the expansion of post-graduate training to support scientific and technological improvement and social development.

The main focus of the MPRS will be on improving efficiency and quality education measured by increased access of females, males and disadvantaged students in higher education, reduced unit costs, production of highly qualified graduates and less dependency on subvention through cost recovery and decentralization. The sector will also focus on increasing motivation of teaching and research staff.

### 1. Increase Access and Equity in Higher Education

The first strategy is to ensure full capacity utilisation of facilities including the introduction of double shifting and distance learning. The University Education Act will be reviewed to accommodate private sector initiatives.

In order to increase equity, about 30 percent of intake will be reserved for girls and this proportion will be increased to 50 percent by the year 2012. In the context of increasing user fees discussed below, scholarship schemes will be introduced for girls and needy students and loan schemes will be strengthened for other students.

### 2. Improve Quality and Relevance of Higher Education

Higher education institutions will introduce programmes in non-traditional subjects such as science and technology, gender, food security, human rights, biodiversity and HIV/AIDS, among others. This will involve the establishment of adequate research centres that would be addressing emergent development issues, providing grants to graduate students so that they participate in teaching undergraduate courses and as research assistants.

The second strategy is to increase the motivation of teaching and research staff, by reviewing salary packages and encouraging privately funded research. The private sector will also be encouraged to participate in the definition of subjects, curricula and research and to give visiting lectures and classes so as to improve the relevance of higher education.

### 3. Reduce Reliance of Higher Education on Subventions

Reducing the reliance of higher education on Government subventions involves two types of interventions: firstly, reducing costs of provision of higher education and secondly, generating alternative sources of resources. In order to reduce costs, non-core services such as catering and boarding will be commercialised and contracted out. Further, administrative staffing levels will be reduced and administration decentralised to constituent colleges of the University of Malawi. As a result, the role of the central University of Malawi Office will be reviewed so that staffing and costs are substantially reduced.

In order to generate alternative resources, the University will introduce cost recovery for non-core services, such as boarding, and will increase cost sharing for tuition, both in the context of strengthened scholarship and loan schemes. Institutions will create business development units to generate resources by charging for the use of existing facilities and for collaborative programmes outside school sessions.

*Table 4.2.7: Higher Education Targets*

<b>Indicator</b>	<b>Current Situation (1999)</b>	<b>Target 2005</b>
Number of students	3,526	6,824
Students in private colleges	35	1,100
Number of distant learners	0	558
Number of female students	698	2,047
Number of needy students	500	1,706
Females in non-traditional subjects	225	801
Number of students with disabilities	20	30
Number of students in information technology	821	1,500

#### **4.2.2 Technical, Entrepreneurial Vocational Education and Training**

According to the labour market survey of 1998, about 300,000 people leave the formal education system every year. However, only 30,000 enter formal employment annually, leaving a balance of 270,000 people who enter the labour market annually and seek some other source of income other than formal wage employment. These figures suggest that technical, entrepreneurial vocational education and training (TEVET) needs to cut across all levels of education for people to become active players in poverty reduction. This will require development of relevant competence based curricula at primary, secondary and post-secondary levels as well as the development and acquisition of appropriate teaching and learning materials and equipment. In addition, qualified teachers will be necessary to impart the vocational and technical skills.

The existing TEVET system has failed to satisfactorily meet the potential demand for a number of reasons. In terms of providing places, the current annual capacity within the public technical colleges is 1,441 and capacity within private provider institutions is 18,000. These capacities are not adequate to cater for prospective entrants into the TEVET system. The focus on formal, full-time residential training, particularly in public technical colleges, has undermined the possibilities of achieving better coverage and outreach, and at the same time, has taken attention away from the potential offered by more flexible, demand-driven training, such as that provided by the Malawi Entrepreneurship Development Institute (MEDI). Demand for places has also been limited by a number of factors. Firstly, lack of basic education, high illiteracy and lack of knowledge, exposure and information pertaining to the provision of vocational training. Secondly, cultural factors have led to lack of exposure to the prospective subsistence and carrier opportunities. Thirdly, lack of access to funds catering for 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, the following strategies will be implemented:

1. Promote Self Employment through Skills Development Initiatives

The MPRS will empower the poor in the informal sector through establishment of skills development initiatives in the rural areas. Government will expand and increase outreach and



coverage of TEVET programmes through mobile village polytechnics<sup>49</sup> in all districts. This will involve establishing and running polytechnics, mounting and running mobile training units, and linking decentralised units to designated resource colleges in catchment areas.

Further, skills development will involve implementing on the job training programs in specific occupations for the youth in collaboration with MASAF and other stakeholders, conducting demand-driven specialised skills training programmes, and training of trainers for entrepreneurship development in the informal sector.

Youth specific skills development will be achieved through developing multipurpose youth centres and providing resource and educational information, training youth patrons and leaders and providing actual vocational training.

### 2. Improve Quality and Relevance of TEVET

The relevance and quality of TEVET will be improved by reviewing, developing and implementing competency-based curricula. This will involve revising all existing curricula in primary and secondary schools and within the TEVET sector, developing new curricula within all occupations (including HIV/AIDS prevention messages and the use of appropriate technologies), and training teachers in using new curricula.

The quality of TEVET will also rely on the development of appropriate and sufficient human capacity by establishing a flexible and cost effective technical teacher training system.

### 3. Rehabilitate Existing Infrastructure and Equipment

The MPRS will ensure sustainability and quality standards by promoting maintenance and effective operation of equipment in education institutions and other training colleges. 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.

### 4. Strengthen Management and Financing of TEVET

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

*Table 4.2.8: Vocational Training Targets*

<b>Indicator</b>	<b>Current Situation (1999)</b>	<b>Target 2005</b>
Public training capacity % of population	0.01%	0.03%
Public vocational training % of districts	21.43%	28%
Private training capacity % of population	0.18%	0.20%
Private vocational training of districts	75%	78%
Enrolment ratio female	20%	26%
Enrolment ratio male	80%	74%
HIV infection rate students	15%	13.5%
HIV infection rate teachers	15%	14.2%
Boarding Capacity (% of training capacity)	22.7%	20.5%

<sup>49</sup> Village polytechnics involve setting up simple structures at EPA level to train people in specialised skills they require in that area

### 4.2.3 Health and Population

The health of an individual is directly related to economic and social well-being. An improved health situation will strengthen the ability of individuals to lift themselves out of poverty and will lead to a general increase in productivity. However, as described in Chapter 2 and Table 4.2.8, health indicators in Malawi have remained poor despite a relative increase in resource allocation towards the sector over the past ten years.

Health interventions (both preventative and curative) take place at four levels: community, primary, secondary and tertiary. Preventative interventions are focussed on nutrition, sanitation and public information campaigns, for example on the use of mosquito nets. Preventative interventions relieve pressure on other levels of healthcare and are less costly to the poor. Community level healthcare is delivered through Health Surveillance Assistants (HSAs), some of whom manage Drug-Revolving Funds and Bakili Muluzi Health Initiatives in conjunction with Village Health Committees (VHCs). Primary healthcare is delivered through health centres and clinics, and is aimed at improving maternal and child health and the promotion of early treatment of common disease conditions. Secondary healthcare, delivered through the district hospitals, is aimed at treating more specialised conditions. Finally, tertiary healthcare, delivered through central hospitals, provides referral services for highly specialised conditions.

Table 4.2.9: Comparative Health Indicators

	Public Health Expenditure per capita (US\$)	Infant Mortality rate (per 1000 live births) 1999	Under-five mortality rate (per 1000 live births) 1999	Maternal mortality rate (per 100000 live births) 1999	Life expectancy at birth 1999
Kenya	79	76	118	590	52.2
Malawi	36	132	211	620	40.7
Zambia	52	112	202	650	40.5
Zimbabwe	-	60	90	400	42.9
South Africa	623	54	69	-	56.7
Uganda	65	83	131	510	41.9
Mozambique	28	127	203	1100	40.6
Sub-Saharan Africa	-	107	172	-	48.8
OECD	-	13	15	-	76.4

Source: UNDP (2001): *Human Development Report 2001*, UNDP p.159-169

An overview of the health sector shows that the health system has been centralised with many of centrally designed and vertically managed projects, resulting in substantial duplication of effort, poor co-ordination and high administration costs. In addition, there has been inadequate support to and coordination with private sector providers, such as the Christian Health Association of Malawi (CHAM) and certain NGOs.

A major problem leading to Malawi's poor health indicators is a lack of qualified and adequately compensated medical staff, in terms of doctors, nurses and related personnel. This problem is particularly acute in rural areas, and has been exacerbated by the HIV/AIDS pandemic and internal and external "brain drain" due to low remuneration and poor career prospects. This results in extremely high population per physician ratios, estimated at

45,737<sup>50</sup>. Furthermore, access to drugs is a problem, again particularly in rural areas. This is caused by a combination of low (but increasing) allocations to drugs, and distribution problems, including pilferage and inefficient allocation.

There is also an acute shortage of clinical and technical support services in most hospitals and health centres. These include laboratory services, pharmacy services, radiology, ambulance services, district and regional-level blood bank, orthopaedics and physiotherapy. This is due to low investment in these facilities particularly in district hospitals. Technical support services play a crucial role in empowering persons with disabilities to undertake activities for daily living.

Referral bypass currently poses major challenges to the health sector. This is both a cause and a consequence of poor health facilities and services at primary level, particularly in rural areas. People seeking medical services avoid clinics, due to the poor quality of infrastructure and the shortage of medical workers, drugs and medical supplies. As a result, it is estimated that as many as 85 percent of central hospital admissions could be treated at lower-level facilities<sup>51</sup>. This concentration of cases at secondary and tertiary levels further draws resources away from primary facilities.

The primary healthcare system has suffered disproportionately from the general problems outlined above. In particular, it has suffered from a combination of high human resource demands in terms of Health Surveillance Assistants (HSAs), nurses and clinical officers, with low levels of financial resource allocations. In addition, physical access to health centres has remained poor, with only 3 percent of the population living in a village with a health centre. Existing health centres are in poor condition, and have an inadequate supply of drugs and medical supplies.

In addressing these problems, the overriding objective is the design and implementation of an Essential Healthcare Package (EHP). Essentially an EHP is a bundle of health services provided at community, primary and secondary levels, supported by the necessary administrative, logistics, and management systems. The EHP addresses 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. The EHP also addresses issues of family planning and population. 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 the EHP is an explicit form of rationing, through identifying certain services as high priority. This is contrasted to the current implicit rationing of health services as witnessed through drug stock-outs, staff unavailability and long queues. 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.

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<sup>50</sup> World Bank (2001) "Malawi Public Expenditures: Issues and Options", pg.37

<sup>51</sup> *ibid.* p. 37

*Table 4.2.10: Conditions Addressed in the Malawian EHP*

<b>Disease Condition</b>	<b>Selection Criteria</b>	<b>Services</b>
Malaria	1st cause of outpatient first attendance: 36.4% under-5; 28.8% 5 and over	IEC, including promotion of ITNs Vector control Diagnosis and treatment of simple malaria Referral
Acute respiratory infection and immunisable diseases	Upper respiratory infection 2nd cause of outpatient first attendance: 13.8% under-5; 11.5% 5 and over	BCG immunisation Polio, measles, DPT Diagnosis and treatment of ARI Referral
Acute diarrhoeal disease	Other diarrhoeal disease 3rd cause of outpatient first attendance: 8.8% under-5; 5.7% 5 and over	IEC Water and sanitation facilities at health centres 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;	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	Antenatal care Clean and safe delivery Postnatal care (tetanus injections) Family planning Referrals IEC
Sexually transmitted diseases, including HIV/AIDS		IEC Screening for syphilis, contact tracing, treatment VCT Treatment of opportunistic infections Condom promotion
Tuberculosis	Leading cause of inpatient mortality	IEC Screening, contact tracing, treatment Referral
Eye and ear infections		
Injuries		
Schistosomiasis		Vector control Treatment (mass)

Source: EHP Design Team

#### *4.2.3.1 Preventative Healthcare*

The key areas for preventative healthcare are nutrition, water and sanitation, and prevention of common diseases such as malaria. Issues of nutrition and water and sanitation are covered under separate sections in Pillar 2 and 1 respectively. Issues of common disease prevention are covered under the EHP, as shown in Table 4.2.9 above, and described under the section on the EHP below.

#### *4.2.3.2 Essential Healthcare Package (EHP)*

The EHP covers issues of community, primary and secondary healthcare. EHP strategies are grouped under three main objectives: improving quality and availability of essential healthcare inputs, improving access to and equity of essential healthcare, and strengthening administration and financing of essential healthcare services.

##### 1. Improve Quality of Essential Healthcare

The first component of the EHP is to promote clinical human resource development. Human resources are an absolutely critical delivery input of the EHP implementation. This will involve ensuring that clinical teaching and training institutions are fully utilised and expanding

the training of various clinical cadres like HSAs, nurses, medical assistants, clinical officers, and technical support services (such as radiographers, orthopaedic technicians and pharmacists). Government will also review the remuneration and career structures for medical staff in order to address problems of attrition through “brain drain”.

The second component is to increase the availability of drugs and medical supplies. The drugs and medical supplies required in an EHP 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, logistics, management, distribution, and prescription of drugs is reviewed so that all drugs procured reach the intended patients and are prescribed properly. There is also need to reform the Central Medical Stores to function efficiently. These steps are essential complements to the phased increase of allocations to drugs and medical supplies.

The third strategy is to expand and promote clinical and technical support services. This will involve expanding and promoting clinical and technical services by ensuring that certain services are present in district hospitals and health centres. These include; laboratory services, pharmacy services, radiology, ambulance services and district or regional-level blood bank.

## 2. Improve Access to and Equity of Essential Healthcare

Government will ensure increased access to healthcare facilities by rehabilitating existing infrastructure and increasing mobile health services. In particular, delivering the EHP at health centre level will depend on the existence of well-maintained health centres with fully functioning support systems, piped or bore-hole water supply, solar, stand by generator or ESCOM power and radio and telephone communication systems.

## 3. Strengthen Management and Financing of Essential Healthcare Services.

The first strategy is to develop financial and managerial resources so as to strengthen planning, budgeting and transport management, particularly at a district level. This will involve training and retraining financial managers/accountants, administrators, senior nurses and matrons.

In order to improve the financing of essential healthcare, Government will develop and implement an integrated financing strategy for the EHP. Operational research will guide the decision as to whether the EHP will be free at the point of entry, or subject to user fees charges with an exemption mechanism for poor or targeted groups. Non-EHP services in government facilities will be financed through cost-recovery schemes (for example, mandatory user fee schemes) or health insurance coverage. The financing strategy is also likely to recommend voluntary user fees for core EHP services that have an additional comfort or practical element (such as private wards, better food, faster attention etc). This element will also be part of expanded health insurance coverage. This financing strategy will take full account of the fact that many Malawians can afford to contribute towards better health care: the National Health Accounts (2001) has shown that the richest 40 percent spent K822 million in 1999 to 2000 on health care.

The financing and management of essential healthcare services will also be strengthened through the development of a Sector Wide Approach (SWAp) in the health sector. The major role of the SWAp is to coordinate, strengthen and make more effective donor and government

financing of the EHP. This will largely leave private sources of finance to develop the rest of the (non-EHP) health sector. In its early stages the SWAp will detail a joint vision of the donor and government funded component of the health sector, and describe a joint programme of work and monitoring systems. In later stages, joint financial systems may be developed and utilized, including the co-mingling of funds.

Finally, the ongoing decentralisation of the health sector, within the context of the broader devolution to the local government through district assemblies, will create the setting in which the EHP is to be delivered. One common objective of decentralisation is to take the planning of health services closer to the people they are intended to serve. If local involvement is to be meaningful, there should be flexibility for district managers, in consultation with health staff and community members, to “weight” resource allocation to the various components of the EHP according to local needs (for example, less bilharzia or more malaria in specific districts).

*Table 4.2.11: Selected Essential Healthcare Targets*

Indicator	Current Situation	Target 2005
Number of HSAs trained		7,000
Number of nurses trained		470
Number of technical staff trained		825
Number of physicians trained		60
% of health centres equipped to EHP standards		100%
Drugs and medical supplies expenditure per capita	US\$1.25	US\$2.50

#### 4.2.3.3 Tertiary Healthcare

In tertiary healthcare, the key challenges are to reduce referral bypass, to reduce crowding out of tertiary services by primary and secondary services. This will in large part rely on the improvements to primary and secondary healthcare at health centre and district hospital level outlined in the above section on the EHP. However, in addition, Government will strengthen the referral system and promote hospital autonomy.

##### 1. Strengthen Referral System

In order to ensure only genuine cases are referred to central hospitals, a strengthened formal referral system will be introduced, with unsubsidised outpatient fees for self-referral cases and civic education on the role of central hospitals.

##### 2. Introduce Hospital Autonomy

Government will autonomise central hospitals within 3 years. Once the hospitals attain full autonomy, they will be able to introduce cost recovery programmes, re-capitalise their facilities to compete with other providers for insurance of referral contracts. Further, the autonomised hospitals will be encouraged to contract out non-core services (such as catering, laundry and mortuary services) to the private sector and to improve the efficiency of resource allocations.

*Table 4.2.12: Health Targets for 2007/8*

Indicator	Current Situation (1999)	Target 2007/8
Infant mortality (per 1,000 live births)	104	90
Under 5 mortality rate (per 1,000 live births)	189	150
Maternal mortality rate (per 100,000)	620	400
Nutrition (% children underweight)	30%	20%
Population (fertility rate)	6.1	5.5

#### 4.2.4 Promotion of Good Nutrition

Malnutrition is both a cause and a consequence of poverty. Increased illness and mortality as well as reduced work productivity due to malnutrition have exacerbated poverty and continue to retard economic growth and development. Therefore good nutrition is a precondition for, and not merely a result of, human and economic development.

The immediate cause of malnutrition is inadequate dietary intake, which is caused by a combination of underlying factors including household food insecurity, poor child-feeding and care practices, and inadequate education and lack of knowledge. The situation is further worsened by frequent and persistence infections, especially malaria, diarrhoea, acute respiratory infections (ARI) and HIV/AIDS.

Statistics show that 49 percent of children are stunted (height for age); 25 percent are under weight and 6 percent are wasted. In addition, malnutrition has caused widespread mental retardation. For the past decade there has been no significant improvement in the nutritional status, as shown in table 4.2.13.

Table 4.2.13: Nutrition Indicators 1992 - 2000

Year of Survey	Stunted growth rate %	% of underweight	% of wastage
1992 MDHS	44%	27%	7%
1995 MSIS	48%	30%	7%
2000 MDHS	49%	25%	6%

If the situation remains unchanged, loss of life, reduced productivity and high rates of illness will continue. The goal is therefore, to prevent and control protein, energy and micronutrient deficiencies. This will be achieved through the following objectives:

##### 1. Improve Infant and Young Child Feeding

Poor infant and young child feeding practices contribute greatly to malnutrition. For instance the majority of infants are not exclusively breast fed up to 6 months and they are later fed on low energy and nutrient-dense complimentary foods. In order to address these problems, the MPRS includes strategies to promote exclusive breastfeeding, complementary feeding and feeding during illness and convalescence through the Baby Friendly Health Initiative (BFHI).

##### 2. Diversification and Modification of Diets

Dietary diversification is very poor in Malawi. The diet is monotonous, predominantly with *nsima* made from maize with vegetables. This lack of diversification is reinforced by inadequate awareness of nutrition issues among policy makers and the general public. There is need to change peoples' attitude towards making *nsima* from one type of cereal as it could be made from different starchy foods. It is also very important to diversify diets using other locally available foods.

This will be achieved through community awareness campaigns on nutrition, food and security and nutritional policy, together with campaigns on HIV/AIDS and nutrition. Further, Government will organise short courses for various workers in all districts on the prevention

and control of malnutrition, will train senior personnel on food and nutrition, and will review the curricula of extension agents, primary and secondary school teachers in order to incorporate nutrition issues.

### 3. Strengthen Institutional Capacity

Effective implementation of nutrition interventions requires well co-ordinated efforts from different stakeholders. Currently nutrition activities and research are uncoordinated and have resulted in little impact. In order to address this problem, Government will create a Food and Nutrition Council as a technical machinery to spearhead the implementation and coordination of nutrition activities and research. In particular, it will coordinate relevant research on food and nutrition, monitoring of fortified foods, evaluation of food nutrition programs and establishing sentinel nutrition surveillance system.

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

The proposed broad-based growth in Pillar 1 and the inclusive human capital development in Pillar 2 will go a long way in reducing the numbers of the poor. However, it is recognised that there are still going to be some sections of the population that are not going to benefit and will need direct assistance for them to improve their living standards. The overall goal of the third pillar is, therefore, 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 and substantial transfers to the chronically poor.

The most vulnerable are broadly defined to include individuals or households affected by disasters; households headed by orphaned children, elderly and single-parents (especially female headed); persons with disabilities; under-five children, lactating and pregnant mothers; orphans in streets, orphanages, foster homes and extended family member households, the unemployed and underemployed in urban areas; the land constrained in rural areas; and technology-constrained small-scale farmers. It is noted, however, that this general categorisation does not mean that all people or households falling under these categories are the most vulnerable. The determining factor is their ability to meet their basic needs. Figure 4.4.1 below presents the safety nets programme on the basis of poverty characteristics.

Malawi has sought to improve the quality of life of the poor in the past in a number of ways. Firstly, Government sought to protect the poor by the use of market-based policies including price controls, price subsidies and minimum wages. Secondly, Government and other development partners, especially NGOs, have also used administered safety nets programmes like nutrition supplements, free food distribution, free input distribution, food or inputs for work and public works programmes to assist the vulnerable and the poor in general. Thirdly Government provided direct assistance and social welfare transfers through the Department of Social Welfare, the Malawi Council for the Handicapped (MACOHA) and the Department of Disaster Preparedness, Relief and Rehabilitation (DDPRR). Finally, the poor have traditionally relied on informal safety nets, such as the extended family.



However, these efforts have faced many problems. Most of the market-based policies were inefficient, fiscally unsustainable and mostly benefited the non-poor and missed the core poor. Consequently, all the market based protection policies, with the exception of minimum wages, were abolished under the economic reforms. The administered programmes were fragmented, uncoordinated and were poorly targeted, suffering from both inclusion and exclusion errors. Direct assistance and social welfare transfers have been small in size and limited in coverage, largely due to financial constraints. The informal safety nets, likewise, have become over stretched and vulnerable to shocks due to increased poverty and the HIV/AIDS scourge. Poverty-stricken extended families and communities are increasingly being put under unbearable pressure, as they take care of HIV-infected chronically sick and AIDS-related orphans.

Figure 4.4.1: Conceptual Framework for Safety Nets

Characteristics	Target Group	Intervention	Type	Outcome
Chronically ill ("core") poor. No Capacity to generate income  ↑ ↓ Transient ("marginal") poor. Ability to move out of poverty	Chronically ill Elderly Persons with critical disabilities*	Welfare Transfers	Welfare Support  ↑	Livelihood Provision  ↓
	Malnourished under-5s Vulnerable pregnant/ lactating mothers	Targeted Nutrition		
	Rural poor with labour Urban poor	Public Works	↓ Productivity Enhancement	Livelihood Protection  ↓
	Rural poor with land	Targeted Inputs		

\* The group "persons with critical disabilities" includes those persons with disabilities that are unable to create their own income.

In general, the poor with some resources like land and labour require productivity enhancing interventions like targeted inputs and public works as indicated in the bottom half of the figure. Meanwhile, the capacity or resource-constrained poor require welfare support in the form of interventions like targeted nutrition and welfare transfers, as indicated in the top half of the figure. The productivity enhancing interventions generally reduce poverty while the consumption support interventions alleviate poverty.

#### 4.3.1 Safety Nets

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 social safety nets. These safety nets will consist of productivity enhancing interventions for the transient poor (those within the poorest 30 percent of the population who are capable of moving out of poverty) and substantial welfare transfers to the chronically poor (the poorest 5 to 10 percent of the population).

For each of these types of safety nets, there are common challenges. In particular, the programmes must be designed to ensure good targeting, distribution, co-ordination and management. These challenges are addressed below for each type of safety net:

#### 4.3.1.1 *Productivity Enhancing Interventions*

As highlighted in Pillar 1, low incomes and inaccessibility of input credit have prevented small-holder farmers from increasing their productivity and therefore their incomes. Similarly, 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*). There are therefore two types of productivity enhancing interventions: targeted distribution of inputs for the capital-constrained poor, and public works programmes for the land-constrained poor<sup>52</sup>.

The Targeted Input Programme (TIP) will therefore provide a pack containing open pollinated maize and legume seeds and two types of inorganic fertilizers for a period of three years to identified poor small-holder farmers. 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 will target 340,000 beneficiaries.

Public Works Programmes (PWP) will 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 remain vulnerable for at least half of the year. Secondly, these programmes are not available when they are needed; that is in the months of December to April.

##### 1. Distribute Free Inputs to Capital Constrained Poor Farmers

Unlike the previous targeted inputs programmes, the packs will be distributed through major retail outlets. For areas not covered by the participating retail chains, non-governmental organizations will be asked to tender for the delivery of the packs. The selected NGOs and the retail chains will be responsible for the procurement and delivery of the packs. The selected beneficiaries will be issued with vouchers that will be exchanged with the packs at the participating retail shops.

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<sup>52</sup> The categories “land constrained” and “capital constrained” are not mutually exclusive. Certain households may qualify and benefit from both programmes.

The office of the Minister of State Responsible for Poverty Alleviation Programme (MSPAP) will have the overall coordination and management of the programme. Among other responsibilities, MSPAP will design the programme, manage the tendering, and reimburse 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 MSPAP in designing the programme as well as recommending the pack composition and mounting agricultural extension campaigns specific to the recommended pack.

The beneficiaries will be selected using a two-stage selection process. The first is geographical targeting, selecting areas on the basis of food insecurity and vulnerability. The second stage will involve selecting the beneficiary household, using community-based beneficiary selection committees. In designing the guidelines for the selection of beneficiaries, priority will be given to households taking care of orphans, the elderly, chronically sick and dependent persons with disabilities. Finally, public awareness campaigns will be conducted, involving the training of communities, supervisors and field staff, designing and mounting public awareness–building campaigns, and discussing with retailers and NGOs.

## 2. Implement Public Works Programmes for Land-Constrained and Urban Poor

The works to be undertaken include rehabilitation of earth roads, construction of small earth dams and other rainwater harvesting structures, storm water drainage channels, flood protection structures, afforestation and road maintenance. Some of these PWP's will run all year round to provide a continuous source of livelihood for the beneficiaries. The rehabilitation of earth roads works will take advantage of existing designs and capacities of District Roads Improvement and Maintenance Programme (DRIMP). In some cases, small-scale contractors used will be encouraged to employ women as is the case under Community Roads Improvement Maintenance Programme (CRIMP).

The Public Works Programme will generate employment for as many as 250,000 participants<sup>53</sup>. Targeting will be done in two stages. The first stage is geographic areas selection using Vulnerability Assessment and Mapping (VAM) verified by the District Assemblies using TA-level food production assessment. The second level is beneficiary selection, using wages as a self-selection mechanism combined with traditional leaders, project committees and rotational targeting. Public awareness campaigns will also be conducted at community level to encourage voluntary participation, especially amongst women.

Cash is the form of transfer for most of the PWP's. However, others adopt payments-in-kind (mostly maize) and vouchers to maximise food security. Food vouchers will give households freedom to choose when to get their rations since they allow beneficiaries to acquire the food when they need it.

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<sup>53</sup> It should be noted, however, that the proposed PWP is not a guaranteed employment scheme because such a system would require a lot of resources (human and financial). Further, guaranteed employment scheme would require continuous availability of public works through the year and in all parts of the country where the poor are.

The public works will be carried out by small-scale contractors using labour employed from communities. The selection of the small-scale contractors will be done jointly by MSPAP, 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. National coordination of PWPs will be managed by MSPAP, whilst District Assemblies will be responsible at district level. The role of sectoral ministries and departments will be 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 will be required to implement training and capacity building components to enable the District Assemblies to implement the sub-projects efficiently and effectively.

#### 4.3.1.2 *Welfare Support Interventions*

There are two types of welfare transfers: targeted nutrition interventions for malnourished children and vulnerable pregnant and lactating mothers, and direct welfare transfers for the poor who cannot be supported by any of the other three programmes. These include groups like the chronically ill, the elderly and orphans. Persons with disabilities falling in the category of the poor will be considered alongside the other poor depending on their poverty status and capabilities. However, as a group, persons with disabilities will continue to work with institutions like MACOHA that are specifically set up to deal with their needs.

Malnutrition is a key cause of the high infant, child and maternal mortality rates depicted in Chapter 2. Further, nutrition status in a child's early years (from conception to five years) determines in part the child's future potential. This malnutrition is largely attributable to poverty and lack of appropriate diets for children and pregnant and lactating mothers. The provision of nutritious food to these vulnerable groups would assist reduce malnutrition and illnesses and deaths of infants, children and pregnant mothers.

As outlined in Figure 4.4.1, there is a group of people who are unable to fend for themselves and have to rely on others. This group will not be able to take advantage of the other three types of safety nets either because they are unable to work or have no resources. Further, some households and communities are affected by drought and floods, undermining their ability to provide for themselves. Finally, as a result of over-stretched informal safety nets, some individuals (especially orphans) are forced to move to urban centres to beg and live in unhealthy conditions.

#### 1. Implement Targeted Nutrition Programmes for Malnourished Vulnerable Groups

The programme will provide nutrition packs<sup>54</sup> to moderately malnourished children and vulnerable pregnant and lactating women and administer therapeutic feeding in nutrition rehabilitation centres to severely malnourished children. Beneficiaries are expected to graduate after five months. In addition, the pilot phase will include the provision of training in basic

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<sup>54</sup> Mothers will be given vouchers that can be exchanged for 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.

nutritional behaviour, cultivation of the contents of the pack better weaning practices, and cooking demonstrations.

The nutrition packs, just like inputs packs, will be stocked by retailers and exchanged with the vouchers. For remote areas where retail coverage is inadequate, the procurement and delivery will be tendered out to NGOs or commercial companies for delivery direct to health facilities. Households that qualify for this programme will automatically be assessed for inclusion in the other safety nets programmes.

The children will be selected on the basis of their age and weight. The mothers will be selected on the basis of clinical examination. Key factors in the examination include signs of malnutrition, anaemia, multiplicity of births (twins or triplets) and age (less than 15 years and older than 35 years). Apart from providing food transfers, the programme will also admit severely malnourished children for medical treatment and therapeutic feeding.

## 2. Provide Direct Welfare Transfers to the Core Poor and Disaster Affected Households.

The Targeted Welfare Transfer programme will 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 will be done on a pilot basis. The programme will be implemented alongside TIP, utilising the community based targeted approach and alongside the Targeted Nutrition Programme. The programme will also use specific support groups such as those for the elderly, orphaned and the chronically ill.

After beneficiaries are identified, cash transfers will be made through District Assemblies. In some cases, the programme will use value-based welfare retail vouchers (flexi-vouchers). To reduce security risk, the vouchers will be both beneficiary and date specific. The value of transfer will be determined by resource availability and factors such as household monthly food requirements and minimum wage levels<sup>55</sup>.

One of the key institutions for this programme is the District Assemblies. However, implementation will be done by a number of stakeholders. The MSPAP will be responsible for the overall program design, coordination of the piloting, policy support, as well as monitoring and evaluation. District Assemblies are to take over the management of financial resources. In addition, the District Assemblies will assist in the beneficiary selection exercises, delivery of cash/vouchers as well as the redemption of vouchers. The Department of Disaster Preparedness and Rehabilitation will also be strengthened and linked accordingly with its stakeholders. The civil society and other specific support groups will be responsible for distribution of vouchers.

## 3. Improve Capacities of Support Groups

As already seen, the informal safety nets are under strain. However, it is recognised that these safety nets are the best mechanisms for taking care of orphans, the elderly and people with disabilities. Government and other stakeholders will therefore work to strengthen the capacity of families and communities to provide support and protection to orphaned children, the aged

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<sup>55</sup> The value of the transfer is expected to be about US\$83 per beneficiary per annum

and persons with disabilities. Further, the problems faced by the extended family system caring for these vulnerable groups have led to the growth of community-based support groups. The work of these support groups has been recognised as important hence their use under the direct welfare transfers. It is, however, recognised that the capacity of these support groups needs to be strengthened. This will involve training of foster care parents, volunteer counsellors, and home-based carers and committees, and establishing community-based childcare centres.

*Table 4.3.1: Safety Nets Targets*

<b>Indicator</b>	<b>Target 2005</b>
Number of TIP beneficiary households per year	568,000
Number of PWP beneficiary households per year	250,000
Number of TNP beneficiary households per year	150,000
Number of income support beneficiaries per year	100,000

### **4.3.2 Improving Disaster Management**

Malawi is frequently affected by natural disasters and calamities. The Lower Shire has been declared a disaster area a number of times due to floods, which occur almost annually. Other areas, in particular lakeshore areas, are also prone to floods during years of heavy rains as was the case in 2001 when 15 out of the 27 districts were hit by floods. The MPRS therefore recognises the impact of such weather-related calamities on the poor and the need to put in place adequate disaster management measures.

Natural disasters like floods and hailstorms destroy crops, livestock, and other infrastructure thereby reducing the poor's productivity and removing their sources of livelihoods. The MPRS recognises that different categories of the poor are affected differently according to their specific production potentials affected by the disaster. It also recognises that for the poor not to be annual victims, disaster management must go further than emergency response. The MPRS will regard disaster management in a continuum that addresses problems of preparedness, prevention, mitigation, reduction of impact, relief (emergency response), as well as rehabilitation and reconstruction.

#### **1. Strengthen Disaster Preparedness**

The strategies under disaster management include the full use of established early warning systems like the Famine Early Warning System (FEWS) and the National Early Warning System (NEWS). This will be done in close collaboration with the Ministry of Agriculture and Irrigation as well as the Meteorological Department. At a regional level disaster preparedness will take advantage of SADC Disaster Management Unit in forecasting weather related calamities, and therefore institute necessary impact mitigation tools. This will also ensure foresight in assessing risks and hazards and coming up with solutions ahead of calamities, as well as identifying the vulnerable groups using VAM.

#### **2. Ensure Effective Disaster Relief**

Disaster victims will also be covered under relief programmes. The DDPRR will continue to prepare Emergency Operation Programmes, which run for 90 days to ensure that disaster victims maintain sustenance while they reconstruct their shelter. On the other hand seed will be

provided for *dimba*<sup>56</sup> planting to produce a replacement crop. Alternatively seed will be provided for the next crop production season. Basic necessities of non-food items will also be distributed.

### 3. Facilitate Rehabilitation and Reconstruction

Disaster victims will also benefit from rehabilitation and reconstruction of destroyed amenities such as boreholes as well as infrastructure such as roads, schools, clinics, and police units. In certain disaster situations, the DDPRR will cooperate with the World Food Programme (WFP) and NGOs to introduce income generating activities as a post-disaster activity. Other small-scale programmes such as replacement of small livestock like goats, and the Food for Work (FFW) programmes will target poor communities to ensure food security.

Except for disaster preparedness, the strategies under disaster management are in concert with the four main strategies in Pillar 3. Therefore an assessment of the impact of disaster on the livelihoods of the affected individuals, households and areas will be done in terms of the best response. Depending on the assessment, any or a combination of the four safety nets types will be implemented. For example, food distribution will be implemented if food production is affected. Likewise if the disaster requires some rehabilitation of the affected area or if income-generating capacities are reduced, public works programmes will be implemented.

## **4.4 Good Governance**

Even with the best strategies for pro-poor growth, human capital and safety nets, poverty will not be reduced unless there is development-oriented governance. Good governance in this sense consists of three elements: political will and mindset, security and justice, and responsive and effective public institutions. For example, the technical design of the MPRS will be irrelevant unless there is the political, bureaucratic and popular will to implement it. The poor must also be protected from crime, violence, arbitrary state power and injustice. Finally, public institutions must be transparent and held accountable (including through checks and balances) so that they are responsive to the needs of the poor and effective in the implementation of the strategies outlined in this paper. The overall objective of Pillar 4 is therefore to ensure that public institutions and systems protect and benefit the poor.

### **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. 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 political will and mindset cannot be addressed by bemoaning the decline of work ethics or the dominance of short-term individualism over medium to long-term local and national prosperity. Nor can they be addressed by blaming others for their mindset –

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<sup>56</sup> A *dimba* is a small vegetable garden

all stakeholders must accept their own responsibilities first. Similarly, the issues cannot be solved 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, and a concerted effort by all Malawians.

#### *4.4.1.1 Political Will*

In order for development and poverty reduction to become reality, political leaders from all political parties must depoliticise development, make and accept constructive criticism and be prepared to make hard decisions. A strong message emerging from the MPRS 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 stakeholder consultations was the need to reduce political interference in their sector – for example in public expenditure management, security and justice, credit, taxation and infrastructure.

Malawian politics is characterised by patronage and regional relations rather than ideological or policy commitment. There has been an apparent lack of political will on all sides 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. Firstly, the dominance of patronage politics is a result of historical experience, and the lack of education and short-term focus of the poor. Similarly, 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.

It must also be accepted that politicians are elected to make decisions – many reform proposals involve reducing substantially the scope for altering policy and therefore undermine their democratically justified powers. However, the political leadership is often not fully briefed on the negative consequences of its actions and the benefits of alternative actions, since those advising the political leadership depend on those leaders for their careers. Finally, donor driven reform programmes are frequently introduced and reformed. Government, therefore, has an incentive to commit to the programme long enough to receive the associated aid, then to abandon it.

These reasons must be recognised and addressed. They suggest a two-tier strategy. In the short to medium term, leaders and technicians should ensure that the design of reform programmes includes short-term benefits, so that the reforms have broad-based support. In addition, the timing of reforms should be linked to the electoral cycle, so that unavoidable short-term costs of reform do not have a disproportionate political impact. Reforms should also be flexible and country-owned so that there is broad commitment to their full



implementation. The short to medium strategy should also include efforts to change the terms of political discourse away from undeliverable promises and creating expectations of material gain in return for electoral support. Finally, efforts must be made to restore the neutrality and professionalism of the public service. This, in part, will involve change management training for political leaders, focussing on how to interact with their team of civil servants. In addition, it will involve clearly defining the dividing line between Government and party political roles, functions and resources.

In the long term, the strategy consists of strengthening parliament and civil society so that they are able to play their role of providing checks and balances on the executive. In addition, it is important that the people participate in decision-making processes through decentralisation. Education, both basic and political, is also part of the long-term strategy – only an educated population will be able to hold its leaders to account. Finally, the reduction of donor dependence is crucial if Malawi is to avoid policy reversals.

#### 4.4.1.2 *Mindset*

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 rather than 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 partially 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 and adding to Malawi's debt burden. 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, however, Malawi must learn to live on its own resources and not rely on donors.

Another theme related to mindset that has been emphasised throughout the process is that of patriotism. There is consensus that the problems of mindset and political will arise partly because of a lack of patriotism across Malawian society. In particular, it appears that regionalism, tribalism and individualism outweigh considerations of patriotism. In order to reverse this trend, efforts should be made to inculcate positive values and attitudes (including the Malawi First concept) through sports, youth development, community development, information and broadcasting, and cultural events. This will not generally involve additional expenditure or events, but rather involve a shift in the emphasis of existing programmes, events and broadcasts. Secondly, the “Malawi Incorporated” concept should be promoted so as to increase the complementarities between the public and private sectors.

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

Issues of security<sup>57</sup> and justice are closely linked to issues of poverty. Protection from crime, violence, arbitrary state power and injustice is a fundamental part of welfare. Equally 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, efficient and gender responsive 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

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<sup>57</sup> Security is defined narrowly as physical security of individuals and assets.

or assets from other poor people. It is therefore important that this cycle is broken – by poverty reduction efforts, by exploring non-custodial sentences for minor offences, and by ensuring that prisoners are well treated and taught skills they can use to sustain themselves once released.

However, it is not only through the theft of the poor's assets that crime impacts on poverty reduction. Crime and insecurity also have significant indirect impacts on the poor. For example, fraud, corruption and tax evasion reduce the resources available for Government to spend on poverty reducing activities. Insecurity also negatively impacts the growth of foreign investment and tourism, which in turn affects economic growth potential.

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.

Since 1994, extensive efforts have been made to reverse this situation through police reform programmes, the closure of the most notorious prisons, and the creation of human rights bodies. However, these efforts have not been able to prevent a rising trend in crime, a continuation of political violence and a general decline in security. The police: population ratio stands at 1:1667 against a regional 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. This has been in part blamed on increases in illegal immigration in the country, which has also contributed to a reduction in economic opportunities for Malawian citizens and has undermined the integrity of Malawian passports. Finally, 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 number of prisoners has expanded with many individuals on remand, whilst little additional prison infrastructure has been built. Further, a breakdown of discipline and professionalism 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.

Currently there is little appreciation amongst the general public of the role the law plays and the potential it offers for empowerment. The law is an essential tool for social and economic development since it seeks to establish order in a society. It does not just relate to crime and the Police, but affects virtually every aspect of life. However, the supremacy of the law is currently undermined by a general failure to respect the rule of law.

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)<sup>58</sup>. This programme recognises that the various elements are interdependent. For example, although crime reduction has traditionally been seen as the sole responsibility of the police, this approach recognises that the police will have a minimal impact on crime reduction if there is an ineffective justice system. The resulting strategy has three interlinked objectives:

### 1. Reduce Crime

In terms of crime reduction, the way forward is on five levels. Firstly, crime control capacity will be increased, particularly by deploying more officers in rural and urban areas and building associated police infrastructure. Secondly, a crime prevention strategy will be reviewed and implemented, to include enhanced community involvement in policing, development of counselling methods at all levels (for example, household, community, police, and prisons), reduction in abuse of firearms and the supporting role of the Malawi Defence Forces in crime prevention. Thirdly, co-ordination with and regulation of private sector security firms will be improved through the introduction of a new regulatory framework. The fourth strategy involves efforts to improve the quality of investigation, using modern technology. Finally, there will be further organisational development of the Police, Prisons and Immigration services to ensure that they are transparent and accountable. This will also involve ensuring that mechanisms are in place to deal with emerging human resource issues, including putting in place strategies to prevent the spread of HIV/AIDS, mitigating against the impact of the pandemic, and ensuring that the recruitment system is not biased in terms of gender.

### Improve Access to and Delivery of Efficient and Effective Justice

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 independence of the Judiciary must also be strengthened as one of the three branches of Government. The second priority will be to enhance the capacity to provide access by the poor to justice, by increasing 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, suspects and perpetrators of crime, 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.

### 2. Ensure Respect for the Rule of Law

Respect for the rule of law depends to a large extent on strengthening of the capacity and independence of the Judiciary referred to above. For the rule of law to prevail across Malawian society, a clear example must be set by national leaders and institutions. This requires an independent Judiciary that has power to ensure that those leaders and institutions operate within the Constitution and Laws of the Republic of Malawi. It also requires strong

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<sup>58</sup> There are, however, strategies outside the MASSAJ strategy document that are proposed here.

political will to respect the independence of the Judiciary and abide by Laws and judicial decisions.

In addition, this objective will involve strengthening the 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 Targets*

Indicators	Current	2005 target
Police: Population ratio	1:1912	1:1200
Crime detection rate	20%	40%
Prosecution rate (cases per year, using homicide as proxy)	150	300
Community service cases	525	5000
Warder: prisoner ratio	1:14	1:9

### **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.

#### *4.4.3.1 Public Expenditure Management*

Good public expenditure management (PEM) is increasingly being recognised as one of the prerequisites for economic growth and development and hence for poverty reduction. Good PEM guarantees that public resources are allocated to priority areas as identified by the MPRS, produces value for money in service delivery, and 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. Firstly, 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. Secondly, Government loses control of the macroeconomy. 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<sup>59</sup>. 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 popular and 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 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 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 reviews 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 donor-funded projects 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 comprehensive 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 budget scrutiny and monitoring.

### 4.4.3.2 *Public Sector Reform*

Public sector reform will ensure efficiency and effectiveness in service delivery, which is crucial for poverty reduction. 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. The first strategy to meet this objective is to review and establish realistic and equitable remuneration. Under this strategy, many benefits and allowances will be monetised and integrated into basic salaries, whilst revising and strictly enforcing equitable regulations on allowances. In addition, Government will review the performance related contract scheme, focussing on setting and monitoring financial management performance criteria. After this review, the scheme will either explore the possibility of extending the scheme to some lower grades or enhancing the remuneration package for grades below those covered by the scheme.

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<sup>59</sup> The characteristics are: political involvement and commitment; effective management and coordination of reforms; predictability in the funding of services; clear, consistent and affordable policies; transparent preparation and presentation of the Budget; comprehensiveness of Budget coverage; and accountability

Apart from this, Government will devise and implement a comprehensive wage policy to ensure appropriate and equitable remuneration across Government. This will include ensuring that front-line service delivery agents (for example, nurses and teachers) have remuneration packages more in line with their counterparts in central Government headquarters. 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.

Finally, Government will introduce a new public pensions system in order to ensure that pensions are linked to the cost of living, and that they have a fixed, predictable budgetary impact. This will include a feasibility study on the introduction of a funded, privately managed pension fund.

## 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 so that it focuses on poverty reduction. This will involve revisiting the functional review process and redefining Ministry functions and staffing on the basis of MPRS priorities. This restructuring will be implemented in the context of decentralisation, which will also help to ensure that Government resources, both financial and human, are used for poverty reduction.

## 3. Address Capacity Constraints across Government

The third objective is to address capacity constraints across Government. This is related to the issue of increasing the number of qualified personnel in key posts through a training programme of existing public servants, improving secondary and tertiary education, promoting the training of key professional cadres (such as accountants, lawyers, engineers and economists) as well as mitigation against the impact of HIV/AIDS. Furthermore considerable attention will be paid to the development and implementation of management development programmes so as to build capacity to ensure continuous delivery of quality services to the public.

## 4. Strengthen Public Policy-Making

The fourth objective of public sector reform is to strengthen public policy-making at all levels. This will include ensuring broad participation in policy-making, particularly through the annual MPRS review process described in Chapter 6. In addition, the capacity of central Government Ministries (including the Cabinet Office, the Ministry of Finance and Economic Planning and the National Economic Council) will be strengthened, particularly as regards the implications of new policy proposals, including their input on expenditure and poverty. Further, efforts will be made to ensure that the operations of all ministries are governed by clear and transparent policy guidelines.

## 5. Improve Effectiveness of Parastatals

The fifth objective is to improve the efficiency and effectiveness of public enterprises. The performance of both commercial and subvented parastatals has been unsatisfactory, resulting in



losses and repeated Government bail-outs, thereby using resources meant for priority programmes. This poor performance is largely caused by management problems aggravated by the lack of an appropriate institutional mechanism to monitor their financial performance and hence to make them accountable to the general public.

Government will, therefore, undertake parastatal sector reforms aimed at restructuring and commercialising most parastatals to improve their financial performance. This will not only reduce Government bail-outs but also will help to foster private sector development. Special measures will be taken to eliminate inefficiencies by recruiting competent managers. In addition, boards of parastatals will be continuously reviewed to improve governance and only qualified individuals with relevant experience will be considered. Efforts will also be made to ensure charges by utility companies cover costs, and to accelerate privatisation, particularly in telecommunications, power and water. Finally, the Public Enterprise Reform and Monitoring Unit (PERMU) in the Ministry of Finance and Economic Planning will undertake continuous scrutiny of the financial performance of public enterprises and will co-ordinate reform efforts.

In terms of specific parastatals, Government will continue to implement the action plan for privatisation and commercialisation of ADMARC. Firstly, all ADMARC subsidiaries will be privatised or liquidated. Government will also identify excess marketing and storage infrastructure for valuation and auction. Further, cotton ginning operations will be transferred to a separate company. Government will then repeal or amend the ADMARC Act and incorporate ADMARC as a limited liability company in preparation for its privatisation. Finally, the Malawi Development Corporation (MDC), Malawi Telecommunications Limited (MTL) and Air Malawi will all be privatised by offering a strategic partner controlling shareholdings.

#### 4.4.3.3 *Fraud and Corruption*

The MPRS district consultation process showed that corruption is one of the major concerns of the people. High levels of corruption and fraud reduce economic growth by discouraging legitimate business investment, and reduce the public resources available for 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. Improve the Prevention of Corruption and Fraud

The key strategy to achieve this objective is to reduce the opportunities for corruption and fraud through the creation of a new Malawi Procurement Authority (MPA). This Authority will oversee decentralised procurement across Government, enforcing clear procurement guidelines so that all public procurement is transparent. In addition, the Anti-Corruption

Bureau (ACB) will continue to conduct and encourage anti-corruption campaigns. Finally, the prevention of corruption and fraud is dependent on the improved detection and prosecution of cases so that a clear message is sent to potential offenders.

## 2. Increase Detection and Prosecution of Corruption and Fraud Cases

This will involve reviewing the legal framework and relationships between and among the Anti-Corruption Bureau (ACB), the Director of Public Prosecutions (DPP), the National Audit Office (NAO), the Malawi Revenue Authority (MRA) and the Public Accounts Committee (PAC). In particular, steps will be taken to ensure the independence of the ACB so that political interference is eliminated. In addition, the capacity of these institutions must be built, so as to improve coverage and timing of audit, ensure tax compliance, strengthen investigation and prosecution of corruption and fraud cases, and ensure speedy processing and prosecution of corruption and fraud cases. In addition, in the context of decentralisation, efforts will be made to ensure that each district has an officer responsible for anti-corruption activities, coordinated by the ACB.

### 4.4.3.4 *Decentralisation*

Decentralisation focuses on the empowerment of the people for effective popular participation and decision making in the development process in their respective areas. In the past, there have been many competing and fragmented development projects, which were largely uncoordinated and managed centrally. This has resulted in substantial duplication of effort and has tended to confuse rather than help the beneficiaries.

In order to address these problems, Malawi is undergoing a process of decentralisation, or more specifically, devolution. In the past, a number of line ministries have undergone a process of administrative decentralisation, or deconcentration. However, this form of decentralisation has not yielded the benefits expected because the decision-making power and resources have remained in central Government. Devolution will fundamentally transform the way Government works and interacts with the public, both administratively and politically. Local Governments have been created at district level to perform functions previously performed by central Government, and crucially will be accountable to the population of their district, through the District Assemblies.

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, the devolution of business licensing 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 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 gender and 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 efforts 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. However, the authority of the constitution cannot be taken for granted, and in particular, elected leaders must continuously respect the supremacy of 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 activities.

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. Informal checks and balances have strengthened over time, as demonstrated by the emergence of vocal civil society groups.

However, there is a perception amongst many observers that progress in the consolidation of democracy has slowed down in recent years and that many elements of the previous regime have been retained or have resurfaced. 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 and other national functions, the persistence of regionalism, tribalism and nepotism, 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 and informal checks and balances 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:

#### 1. 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 respective roles of Members of Parliament (MPs) and local councillors. 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.

## 2. 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. The Constitution through Sections 12 and 13 explicitly guarantees the right to basic economic and social rights. In addition, 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, the capacities of the many human rights organisations will be developed by Government and its development partners. 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 the MPRS, there are a number of cross-cutting issues that are crucial and have been mainstreamed in the four Pillars. A detailed discussion of these cross-cutting issues is meant to underline their importance for poverty reduction.

### **4.5.1 HIV/AIDS**

Malawi has one of the highest HIV infection rates in the world. 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 Commission indicate infection rates in women attending antenatal clinics varying from 13 percent in rural areas to nearly 25 percent in urban areas<sup>60</sup>. The combination of the estimated 30 percent risk of mother to child transmission and the current high infection rates of HIV in women of child-bearing age suggest that many children are born HIV infected. The National AIDS Commission estimates the number of infected children at 65,000 in 2001<sup>61</sup>.

Conservative estimates put the HIV infection rates in the 15-49 age group at around 15 percent nationally<sup>62</sup>, and this rate is significantly higher in urban areas (25 percent) than in rural areas (13 percent). 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 new infections, 60 percent of the new infections in young people occurred in women and 40 percent occurred in men. These already high infection rates seem to continue growing in spite of the apparent high awareness of HIV/AIDS amongst the general population. It should however be noted that most of these HIV infected individuals do not yet know their status.

The impact of the HIV/AIDS pandemic threatens all developmental efforts. For example, around 70,000 children become orphans every year, adding to the already large number of orphan, estimated at about 850,000<sup>63</sup>. Further, there has been a three to four fold increase in tuberculosis (TB) cases, from 5,000 cases in 1985 to about 25,000 cases in 1999. High infection rates also cause increased absenteeism from work due to AIDS related illnesses and funerals, increased medical bills, funeral costs, and payment of premature death benefits. In general, HIV/AIDS will continue to divert labour from productive activities to care provision, thereby increasing food insecurity and threatening the survival of communities.

There are clear links between HIV/AIDS and poverty. Poverty is one of the major underlying factors driving the epidemic. People living in the state of serious and worsening poverty are more vulnerable to HIV infection due to a number of factors. Firstly, they have poor access to health care facilities, both because they cannot afford to pay for quality care and that the general free health services are inadequately resourced as a result of the overall national poverty. This poor access to health care means that the people are in poor general health enhancing risk of HIV infection and progression of AIDS.

Secondly, in search of income for subsistence and survival, people living in poverty participate in labour migration which results in breakdown of male and female relations, increasing likelihood of multiple sexual partners or casual sexual partners and risk of HIV infection. In addition, women in poverty can be forced to enter into high risk sexual relationship in battering sex for subsistence. This increases their vulnerability to HIV infection. Finally, people who are poor also have poor access to information, including information on HIV/AIDS issues which is critical for them to make informed decisions and choices about their sex and sexuality.

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<sup>60</sup> National AIDS Commission (2001) *National HIV Prevalence Estimates from Sentinel Surveillance Data*

<sup>61</sup> National AIDS Commission (2001) *National HIV Prevalence Estimates from Sentinel Surveillance Data*

<sup>62</sup> *ibid.*

<sup>63</sup> Ministry of Gender, Youth and Community Services estimates

This is compounded by the fact that the poor also have poor access to education services and are generally illiterate to benefit from IEC campaigns.

Just as poverty deepens the HIV epidemic, the epidemic also deepens poverty in a serious vicious cycle. The HIV/AIDS affects the productive people in all sectors, who are central to poverty reduction. At national level, national productivity is reduced, and ability to provide social services diminished because of HIV/AIDS. Further, at community and individual level HIV/AIDS diverts household incomes to care, and reduces time spent on productivity thereby worsening poverty. Indeed unless HIV/AIDS is addressed comprehensively, including all the three components of a national response, namely prevention, care and mitigation, all attempts at poverty reduction will not succeed. HIV/AIDS erodes gains made on reducing poverty at a faster rate than any attempt to improve the poverty situation. Therefore, efforts to reduce poverty must go hand in hand with efforts to contain the HIV/AIDS epidemic.

These effects of HIV/AIDS on the productive population require improvement of human resources planning and training in all sectors. In addition, it calls for well-designed workplace programmes for prevention and mainstreaming HIV/AIDS as a factor of human resources management in all sectors. Given current levels of poverty and incomes in Malawi, it is highly unlikely that most Malawians will be able to afford any future effective AIDS drug. The only sustainable and effective strategy to combat HIV/AIDS is therefore prevention through behavioural change. However, there is increasing evidence that the response against HIV/AIDS will be more effective where prevention efforts are combined with care and impact mitigation services. To address the HIV/AIDS problem, Government has designed a Comprehensive National Strategic Framework, coordinated by the National AIDS Commission 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. The Strategic Framework has three main objectives: to reduce the incidence of HIV/AIDS, to improve the quality of life of those infected, and to mitigate against the economic and social impacts.

#### 1. Reduce Incidence of HIV/AIDS

The first strategy 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. Further, adolescent reproductive health services will be increased, including voluntary counselling and testing, management of sexually transmitted infections, encouraging people to abstain from extra-marital sexual activities and increasing condom distribution and education on proper usage. Emphasis will also be put on the promotion of use and distribution of female condoms. Secondly, efforts will be made to improve implementation of HIV prevention activities for the general public including commercial sex workers. This will involve programmes for controlling mother to child transmission of HIV, voluntary counselling and testing services at all levels, strengthened blood safety, improved condom promotion, distribution and use, and promoting infection prevention practices in 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 Anti-Retrovirals (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 a 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**

Poverty is experienced differently by men and women. Disparities between women and men are still very pronounced in Malawi and this is one of the major causes of poverty in Malawi. 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 disparities is a critical prerequisite for attaining increased economic growth and sustainable human development.

Gender and empowerment entails participation of all gender groups<sup>1</sup> in socio-economic development with full recognition of their responsibilities, roles, rights and relationships, as reflected in the pillars of the MPRS. When women and men have no voice and power to participate in decision making in matters that affect their lives, be it public institutions, civil society organisations, in households and at individual levels, they will not be able to engage in activities that directly or indirectly address both their basic and strategic needs which are essential for reducing their poverty. Empowerment therefore ensures that different gender groups are able to actively participate in development with maximum access and control to related resources and benefits at all phases of development thereby enhancing ownership, equity, efficiency and sustainable outcomes.

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<sup>1</sup> Gender groups are defined by mainly sex, age class ethnicity and all other factors significant to Malawi's development



Contrary to the Women in Development (WID) approach, which sidelined men and failed to address the fundamental causes of gender inequality, the Gender and Development (GAD) approach that has been adopted in recent years explicitly deals with gender relationships and includes both women and men in all initiatives. However, insufficient attention has been paid to the implementation of this approach. As a result, 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. In addition, Gender Based Violence (GBV)<sup>64</sup> has remained a persistent problem, leading to physical, psycho-socio consequences such as drug and alcohol abuse, sexual abuse, unwanted pregnancies, HIV infection and homicide all of which deplete labour productivity, create health care expenses and reduces the capability of men and women to be empowered and to be productive.

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 44 percent adult literacy rate for women against 72 percent for men. This affects women's access to gainful employment and other economic resources, and further contributes to the poor infant mortality and morbidity rates, high fertility rate, and high HIV infection rate. This emphasises the need for greater gender equality in education.

Full-time female farmers make up 70 percent of the agricultural labour force. 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.

Violence increases vulnerability of different gender groups and is one of the major sources of poverty in Malawi. According to a study by GTZ, 90 percent of the cases of violence against women are to do with domestic violence (1999). Reported cases of violence against women increased from a total of 800 cases in 1990 to 8,000 in 1999. On the other hand, there were 20 male cases reported in 1990 and 510 in 1999.

Gender based violence can be defined as any unlawful act perpetrated by a person against another person on the basis of their sex that causes suffering on the part of the victim and

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<sup>64</sup> Gender Based Violence can be defined as any unlawful act perpetrated by a person against another on the basis of their sex that causes suffering on the part of the victim and results in among others, physical, psychological and emotional harm or economic deprivation.

results in physical, psychological, emotional or economic harm or deprivation. The prevalence of all forms of Gender Based Violence can lead to physical, psycho-socio consequences such as drug and alcohol abuse, sexual abuse, unwanted pregnancies, HIV/AIDS and homicide all of which deplete labour productivity, create health care expenses and therefore reduces the capability of men and women to lift themselves out of poverty.

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 objectives 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.

2. Engender Budgets

Government will develop a policy on engendering sectoral Budgets and will build capacity for poverty focussed and gender responsive plans and budgets.

3. Promote 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 that impact negatively on women and will ensure their enforcement. This will include supporting legislation on domestic violence and wills and inheritance and promoting economic empowerment programmes for women.

4. Eradicate Gender Based Violence

Government will prevent occurrence of gender based violence (GBV) and further establish and strengthen institutional capacity of all relevant stakeholders. This will involve expanding victim support units in police stations (see Pillar 4), expanding community based action groups, formation of victim support shelters, sensitising the public on monitoring and reporting on GBV, and incorporating gender based violence issues into the curriculum of training institutions. Secondly, Government and other stakeholders will provide counselling services for victims and perpetrators of gender based violence and set up a data bank on GBV in all documentation centres.

5. Enhance Women's Participation in Leadership and Decision Making Processes

This will involve strengthening linkages, improving women's access to resources and benefits for their participation in leadership positions including training programmes in leadership

communication and assertiveness for women and girls, and monitoring and evaluation of placement of women in those positions.

#### **4.5.3 Environment**

Poverty and the environment are linked in a complex, cyclical relationship. High population growth, high illiteracy and poverty lead to environmental degradation by forcing the poor to rely on natural resources for survival (especially as regards fuel wood energy, agriculture, water, fisheries and wildlife). As a result, Malawi's natural resources are threatened by the demand placed on them by the poor leading to unsustainable levels of usage. 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>65</sup> (See Pillar 1). It is estimated that 70-80 % of Malawi's biomass is burned in any one season from the burning of crop residue, bush and forest fires, use of fire for hunting and clearing grazing pasture, from wanton pyromania and for fuel wood. This burning is leading to catchment damage and erosion and there is now evidence that aquatic chemical changes in Lake Malawi can be attributed to the atmospheric fall out from fires.

The high degradation rates of the environment in turn exacerbate poverty, since the poor depend on the environment and 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 break this cyclical relationship. 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 investment framework for the integration of environmental concerns into national planning. This includes the production of bottom-up State of the Environment Reports and inclusion of mitigation actions in Environmental Action Plans 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 all these efforts environmental degradation continues apace. The resulting environment strategy has three basic objectives:

1. Strengthen Legal and Institutional Framework

This will involve mainstreaming environmental management into the local government administration, in particular the new assembly councillors. CBNRM will be encouraged

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<sup>65</sup> Government of Malawi (1994) *National Environmental Action Plan*, Ministry of Natural Resources and Environmental Affairs

through district by-laws, accelerating the devolution of responsibility for environment monitoring and planning to the local level, and ensuring that the new Land Policy is consistent with CBNRM by providing, in return for a licence fee, the private sector and communities time-bound, conditional access rights to resources. The concept shall be to treat environment as economic goods and to see that they are properly valued. Further strategies dealing with natural resources are described under Pillar 1.

## 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 with regards to use of fuel wood for energy and the wanton burning of biomass. Issues of energy are discussed under Pillar 1 as part of rural infrastructure. 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 (and private investors) so that they can practice sustainable resource management and income generation. Finally, under-developed resources such as deep-water fisheries and forest plantations will be commercialised. Strategies in these areas are described under Pillar 1 as part of natural resources.

## 3. Create Mass Environmental Awareness

This will be achieved through integrating environmental issues into the school curriculum, providing training for communities in environmental management, 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 socio-economic development. This notwithstanding, Malawi is characterised by low application of science and technology in all sectors of the economy largely arising from poor integration of science and technology in socio-economic development planning. The low content of science and technology in national economic development programmes is a barrier to economic growth leading to the high levels of poverty among Malawians. This situation is exacerbated by weaknesses in the national system for science and technology manifested in a weak framework for planning decision-making indicated by the lack of national guidance with respect to science and technology, inadequate attention to programmes that promote, coordinate and finance science and technology indicated by insufficient funding for S&T programmes and poor science culture, weak research and development institutions indicated by low quantity and quality of S&T human resources and poor institutions' infrastructure, and low quality scientific and technology services indicated by lack of and ineffective S&T information services.

Government has taken measures to address these constraints with the development of a new S&T policy as the starting point. The policy attaches great importance to the assurance of political commitment to S&T, integration of S&T into national development planning, maximization of productivity through the application of S&T, promotion of international cooperation, creation of a conducive policy environment for the advancement of science and technology, investment in and retention of S&T human resources, promotion of sustainable socio-economic development; and promotion of S&T culture among civil society.

In view of the current situation 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, diversification and sustainability of national production systems; improve and increase productivity of national production systems; and encourage value addition to raw materials and indigenous knowledge systems. The achievement of these objectives will create the enabling environment for S&T to contribute to poverty reduction in a sustainable manner. The following strategies will be implemented in the context of the National Science and Technology Policy and its mainstreaming.

#### 1. Strengthen National Science and Technology Capacity

Government will build the capacity of the national system for science and technology. This will be achieved by improving the framework for planning and decision-making through the adoption of a new National Science and Technology Policy and the establishment of a National Commission for Science and Technology Act. In addition, Government will, in partnership with the private sector, improve the promotion, coordination and financing of science and technology; and outline a comprehensive human resources development and management programme for science and technology.

#### 2. Intensify the Application of Science and Technology

Key measures to be taken will be to improve sustainable productivity in the major livelihood systems of agriculture and livestock production, enterprises and fisheries by implementing national technology transfer programmes in these livelihood systems. Research in science and technology will be diversified through multidisciplinary research institutions including the Malawi Industrial Research and Technology Development Centre (MIRTDC) which is the only industrial research institute. Intensified application of science and technology will be facilitated by the creation of a science and technology culture in order to encourage appreciation of S&T in Malawian society.

#### 3. Enhance Utilisation of Information and Communication Technologies

Enhanced utilization of information and communication technologies (ICTs) will improve mass communication, information retrieval; and facilitate the establishment of national and sectoral databases thereby enhancing access to the technologies whose use will reduce poverty.

Government will provide a favourable ICT regulatory and operating environment by developing a national ICT policy and related action plans which will integrate ICT utilization and development into Malawi's social economic and poverty reduction strategies. In particular, the Government will enhance provision of infrastructure for enhanced

communication and information exchange, invest in ICT for education, vocational training, health, agriculture, financial management, governance, and development of ICT skills.

## **Chapter 5 - Macroeconomic and Expenditure Framework**

### **5.1 Introduction**

Macroeconomic stability<sup>66</sup> and efficient utilisation of public resources are essential conditions for economic growth and poverty reduction. Macroeconomic stability requires prudence in fiscal management and tight monetary policies. This demands that Government spends within its means, and therefore that expenditure requirements are balanced with resources available in a stable macroeconomic environment. This chapter outlines the macroeconomic and expenditure framework within which the MPRS will operate. It is crucial to the implementation of the strategy as it balances the expenditure requirements based on costing of the poverty reducing activities outlined in Chapter 4 with resources available.

### **5.2 Macro-economic Framework**

#### ***5.2.1 Economic Growth and Poverty Reduction***

Economic growth is a necessary but not sufficient condition for sustainable poverty reduction, as without growth, there will be no rise in incomes, and no additional resources available for Government to spend on poverty reducing activities. However, for growth to be effective in reducing poverty, it must involve and benefit the poor (pro-poor or “quality” growth).

In the past, both the quantity and quality of growth in Malawi have been poor. The quantity of growth has been erratic and low on average. The distribution of growth has been highly skewed towards the wealthy. This is clearly demonstrated by a World Bank study in 1998, which demonstrated that assuming past patterns and distributions of growth, the economy would have to grow at 5.3 percent a year just to maintain constant levels of poverty. This compares unfavourably to the average of 4.5 percent growth in the period 1994-2000. However, the study also shows that changes in the distribution of growth would have a far greater impact on poverty reduction. The challenge for Malawi is therefore to improve both the quantity and quality of growth.

#### ***5.2.2 Macroeconomic Stability and Poverty***

As described in Chapter 3, although there have been periods of relative stability, the economy has generally been characterised by high inflation rates, an unstable nominal exchange rate, and high interest rates. This was caused by poor fiscal and monetary policies, adverse weather conditions and other external factors. For Malawi to attain macroeconomic stability, Government will adopt policies which will improve public expenditure management and reduce government borrowing; control money supply and inflation; maintain a stable and competitive exchange rate; and improve the trade regime and investment environment.

##### ***5.2.2.1 Fiscal 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. In addition, excessive

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<sup>66</sup> Macroeconomic stability involves low and stable inflation, low interest rates and a stable exchange rate

borrowing has resulted into increased interest payments thus reducing the net resource envelope available to fund government activities, of which some are crucial to poverty reduction. Excessive Government borrowing from the Reserve Bank of Malawi (RBM), commercial banks and private individuals has contributed significantly to macroeconomic instability.

A number of measures to improve fiscal discipline are outlined under Public Expenditure Management in Pillar 4 of the strategy outlined in Chapter 4. In particular this involves improving the budget implementation by creating hard budget constraints (including parastatals), through strengthening political oversight of the budget, improving financial management and expenditure control mechanisms (including stronger sanctions against those that break financial management regulations), and the strengthening of resource forecasting. When planning and implementing the Budget, deficit levels should be dictated by inflation targets.

Also, there is need for stronger monitoring and enforcement procedures against overspending in parastatals. This will be achieved through the Public Enterprise Reform and Monitoring Unit (PERMU) and relevant Parliamentary committees, to be governed by a single, all encompassing Act covering parastatals.

In addition to these fiscal reforms, a number of institutional reform activities will be undertaken. Firstly, efforts will be made to increase the independence of the Reserve Bank of Malawi from government. The current legal framework of the Reserve Bank of Malawi is weak, particularly as regards the institutional framework policy independence. This will be achieved through a review of the Reserve Bank Act, including revising the appointment procedures for the Governor and Deputy Governor, and the current stipulated agreement on borrowing from the RBM.

The current legal framework governing public finances is weak in terms of autonomy of the office of the Secretary to the Treasury. Government will, therefore, revise the legal framework governing the roles of the Secretary to the Treasury and the Budget Director to strengthen their control of Budget implementation and their ability to meet deficit and therefore inflation targets. Finally, the powers of the Public Appointments Committee will be strengthened in order to ensure transparency in appointments of senior officials in government and parastatals, including the Reserve Bank of Malawi.

#### *5.2.2.2 Monetary Imbalances and Poverty*

The ultimate objective of monetary policy is the pursuit of low and non-volatile inflation. This is premised on the fact that high rates of inflation discourage saving and investment, and thereby damage an economy's potential for economic growth. Inflation is also a regressive and arbitrary tax that places a heavy burden on the poor as it erodes their purchasing power. Volatile inflation also introduces uncertainty in the business environment and thereby adversely affecting growth prospects and poverty.



High interest rates, which largely reflect fiscal imbalances, have an adverse effect on economy, particularly on the poor. Changes in interest rates affect real demand in an economy that in turn affects output and prices. High interest rates act as a disincentive to investment and therefore retard economic growth. High rates also reduce the affordability of credit, especially for the poor.

As a result the second objective of monetary policy is to reduce interest rates by improving the efficiency of the financial system. This will be achieved through the review of the regulatory and institutional frameworks and encouragement of new financial institutions and instruments to increase competition.

### 5.2.2.3 External Sector Imbalances and Poverty

An exchange rate can have an adverse effect on the poor. A depreciating exchange rate erodes incomes and purchasing power of the poor through inflationary effects. Thus Government will strive to attain a stable Malawi Kwacha that is competitive with other foreign currencies, and will avoid the excessive appreciation of the Real Effective Exchange Rate (REER)<sup>67</sup>. The strategic policies which will assist in containing exchange rate pressures include: sound fiscal and monetary policies, low and stable inflation, increased competition in the foreign exchange market and lastly improved market information. These strategies can be achieved through encouraging the development of an interbank foreign exchange market, broadening the participation of the private sector in exchange rate management and a review of the regulatory framework which promotes the growth in non-traditional exports.

The country's deteriorating balance of payments position has been the major cause of exchange rate instability. This has emanated from the unfavourable terms of trade and shortfall in donor inflows. The country has in the past heavily relied on traditional exports like tobacco that have not generated the desired level of foreign exchange. There should therefore be a deliberate policy to encourage the diversification of exports.

### 5.2.3 Resource Envelope and Macroeconomic Projections

The gross resource envelope envisaged for the MPRSP during the fiscal year 2002/03 will be K41.3 billion. This is based on several assumptions, as shown in Table 5.1 below. For the 2003/04 and 2004/05 fiscal years, the projected resource envelopes are K44.0 billion and K50.3 billion respectively (see Table 5.2 below). The declining trend in the inflation rate is premised on the envisaged tight fiscal and monetary policies.

Table 5.1: Macroeconomic Assumptions for Resource Envelope

Indicator	2001	2002	2003	2004
GDP growth (%)	2.7	3	4.5	5.2
Inflation (%)	27.6	11.5	5	4.4
Exchange rate	70	71	74	78
% of donor pledges honoured		80	90	90

<sup>67</sup>The Real Effective Exchange Rate is a measure of a country's competitiveness, calculated from the nominal exchange rate adjusted by the inflation differential between the foreign and domestic prices

These projected resource envelopes are deliberately based on realistic assumptions. These do not mean that the Malawian economy should not aim for higher levels of growth. Instead, they are realistic estimates based on past experience and technical knowledge. If the MPRS is fully implemented and there are no negative external shocks, growth and revenues may be higher than projected. In that case, the additional activities that currently fall outside the resource envelope will be implemented.

*Table 5.2: Gross Resource Envelope*

<b>Gross resource envelope</b>	<b>2002/3</b>	<b>2003/4</b>	<b>2004/5</b>
Total Revenue and Grants	41,528.44	44,390.80	49,920.92
Domestic Revenue	27,370.60	31,360.60	34,326.80
of which non-tax revenue	2,686.70	3,090.10	3,402.70
of which tax revenue	24,683.90	28,270.50	30,924.10
Grants	14,157.84	13,030.20	15,594.12
of which project	3,010.24	3,099.51	3,656.25
of which BoP	8,423.20	6,200.82	7,312.41
of which HIPC	2,724.40	3,729.87	4,625.46
Overall financing	- 194.26	- 410.12	356.70
Foreign financing (net)	3,124.38	1,028.18	1,694.75
Borrowing	7,872.88	5,857.38	7,188.75
of which project	5,010.88	3,424.23	3,769.29
of which BoP	2,862.00	2,433.15	3,419.46
Repayment	4,748.50	4,829.20	5,494.00
Domestic financing (net)	- 3,320.64	- 1,443.30	- 1,346.05
Gross resource envelope	41,332.18	43,975.68	50,269.62

The resource envelope (total resources available) is derived from projections of total domestic taxation and non-tax revenue, in addition to conservative estimates of donor inflows. At present, the latter are based on aggregate donor pledges. In order to make the projections more realistic, Government will undertake a survey to ensure that the resource envelope is comprehensively derived so that it can accurately be compared to the costings. In particular, Government will undertake a survey of existing donor and NGO programmes and projects. As the 2000 PER clearly demonstrated, a large proportion of these programmes and projects do not currently appear in the Budget and are not factored into the projection of the resource envelope.

Where ongoing projects involve activities identical or similar to MPRS activities, the financial resources funding the MPRS activities within those projects will be counted as part of the resource envelope. However, projects and parts of projects that do not involve activities contained in the MPRS will be noted and the associated resources excluded from the MPRS resource envelope. Government will continue to welcome the implementation of the project until any review phase or the end of the project life-span. However, any new projects and any mid-term project reviews will be required to take into account the MPRS so that ultimately all programmes and projects involve only MPRS activities.

### **5.3 Costings Framework**

The costings framework consists of three main elements: statutory, statehood and MPRS activities. Where possible, this costing has been done on the basis of targets and unit costs, so that planned expenditure reflects a realistic estimate of the resources needed to meet national objectives. These three elements are combined to compare total costings to gross resource availability. There are also a number of large-scale infrastructure development projects that will not be financed by Government but by private sector and international investors. These are discussed in section 5.4.

The activities included in the costings framework are those MPRS activities that are implemented and financed by or through Government. Whilst the overall thrust of the MPRS applies to Malawi as a whole, and strategies to meet its objectives should be implemented by all stakeholders, the costings are limited to Government.

#### **5.3.1 Statutory and Statehood Expenditure**

In addition to the MPRS activities, two other types of activities must be considered before total costs can be compared to the resource envelope. Firstly, projected expenditures on statutory activities must be allocated a share of the resource envelope. These statutory activities are by definition ones that have to be funded and cannot be scaled down, and include items such as interest payments and pensions and gratuities.

Secondly, statehood activities must be included. These activities do not directly reduce poverty, but are essential in any country as the basic activities that enable the functioning of state by promoting and protecting national integrity, security and leadership. Examples include ensuring external security, supporting the President, conducting national public events and gathering and disseminating information to the nation. As with any other set of activities and resource allocation, the use of these resources must be as efficient and effective as possible, and there must be transparency and accountability. Equally importantly, these activities must have a hard Budget constraint – expenditure must not exceed the resource allocation in the Budget, which will be guided by the costings outlined in this Chapter. Any additional expenditure on these activities translates into reduced allocations to the MPRS activities. The MPRS is in part intended to clearly demonstrate these trade-offs, for example by demonstrating the impact that additional unplanned statehood expenditure has in terms of reduced expenditure on health and education activities.

Table 5.3 below presents a summary of statutory and statehood costings. Statutory costs will total around K10 billion in 2002/3, decreasing to K9 billion in 2003/04, and K8.5 billion in 2004/05. This decline is due to falling domestic interest payments as fiscal discipline is improved. The cost of Statehood activities will total K2.4 billion in 2002/03, reducing to K2.3 billion in 2003/4 and K2.2 billion in 2004/5. These costs are based on the assumption that funding of Statehood activities should be maintained at their actual 2001/2 levels, with administrative and allocative efficiency improving so as to strengthen implementation. The gradual decline is due to the rationalisation of international co-operation and representation activities.

*Table 5.3 Statutory and Statehood Expenditure*

	2002-3	2003-4	2004-5
<i>K million</i>			
Total costings	41,332.2	43,975.7	50,269.6
Statutory	9,984.7	9,023.7	8,516.2
Statehood expenditures	2,358.8	2,276.6	2,236.6
<i>As percent total costings</i>			
Statutory	24.2%	20.5%	16.9%
Statehood	5.7%	5.2%	4.4%

### **5.3.2 MPRS Costings**

The MPRS gives a costed and prioritised description of the set of activities that together have been agreed to maximise poverty reduction given the available resources<sup>68</sup>. These activities were designed in large part through a bottom-up approach – the needs of the poor were defined first and strategies designed by the Thematic Working Groups (TWGs) to help them reduce their poverty. These activities were then costed by the TWGs with assistance from the Technical Committee, where possible on the basis of unit costs applied to relevant targets<sup>69</sup>. The targets and costs were adjusted to remove duplications and ensure accuracy and realism, especially as regards implementation capacity<sup>70</sup>. Once all activities were costed, the total cost of the MPRS activities was derived. The next stage was to reduce most administrative and overhead costs to an estimate of their actual 2001/2 levels for all three years. This was intended to free up resources for the delivery of pro-poor services and to stimulate improvements in administrative efficiency in Government. This will partly be achieved by reducing expenditure on certain low-priority expenditure line items across Government, such as internal and external travel. Finally, lower priority activities were rephased or rescaled so that the total costings were in line with the total resources available. A summary of the resulting costings are shown in Tables 5.4 and 5.6, and a more detailed break-down by objective is produced in annex 2<sup>71</sup>.

These summaries of costings are not budgetary allocations, but an indication of how much certain groups of activities will cost. The total numbers for each Pillar were derived from costing the constituent activities and then rephasing where possible as a result of capacity and resource constraints, rather than starting with a total allocation and splitting it between activities or ministries. Further, the costings refer to activities rather than to institutions. In the MPRS, the focus is on defining the strategies that will enable Malawi to meet its poverty reduction goals and objectives within resource constraints. The MPRS regards financial resources in aggregate only and does not define how the various activities will be financed - by

<sup>68</sup> Thus any changes to activities to be implemented cannot be justified merely by demonstration of an impact on poverty reduction – it must be demonstrated that the new activity is more poverty reducing than the activity removed.

<sup>69</sup> For example, in education the total teacher wage bill was derived by multiplying the required number of teachers in a particular year by the cost of paying each teacher in that year. For further details of costing assumptions, please refer to the full matrices and costing models available from the Technical Committee.

<sup>70</sup> For example, although it may be desirable to have a pupil: teacher ratio of 50, this is not possible given the capacity of teacher training institutions and the supply of educated potential recruits.

<sup>71</sup> The break-down of costings by strategy and activity is contained in the separate Action Plan matrix that is available as a technical document.

tax revenue, donor budgetary support, donor project support or debt relief. The MPRS also does not distinguish between the recurrent and development budgets as currently operational in Malawi<sup>72</sup>. The detailed definition of responsible and funding institutions and financing arrangements is the role of the MTEF/Budget process which will translate the MPRS into a detailed funding plan (see Chapter 6).

However, there are important similarities with the Budget that will help to ensure that the MPRS is translated into the Budget. Firstly, the MPRS costing is comprehensive, so that it covers all Government and development partner activities<sup>73</sup>. Similarly, the resource envelope contains all sources of funding, be they domestic taxation, donor grants, loans or HIPC resources. Secondly, the MPRS matrix outlines the responsible institution(s) for each activity, so that the costing of the activities can be easily translated into institutional allocations for comparison with the Budget.

*Table 5.4: MPRS Costing Summary by Pillar*

	2002-3	2003-4	2004-5
Total Costings	41,332.2	43,975.7	50,269.6
Total MPRSP	28,988.7	32,675.3	39,516.9
Pillar 1	8,013.6	9,421.1	9,331.9
Pillar 2	13,860.4	15,356.6	17,188.3
Pillar 3	1,209.0	1,824.8	2,308.0
Pillar 4	4,040.1	3,783.7	3,952.8
Cross-Cutting	1,667.4	2,010.6	2,465.8
Implementation, Monitoring and Evaluation	198.2	278.6	270.2
Activities to be identified	-	-	4,000.0
<i>As percent total costings</i>			
Total MPRSP	70.1%	74.3%	78.6%
Pillar 1	19.4%	21.4%	18.6%
Pillar 2	33.5%	34.9%	34.2%
Pillar 3	2.9%	4.1%	4.6%
Pillar 4	9.8%	8.6%	7.9%
Cross-Cutting	4.0%	4.6%	4.9%
Implementation, Monitoring and Evaluation	0.5%	0.6%	0.5%
Activities to be identified	-	-	8.0%

<sup>72</sup> Although the MPRS costings are divided into recurrent and investment costs, this split does not correspond to the Recurrent/Development Budget distinction, which in reality is a split between programmes and donor funded projects, both of which have elements of recurrent and investment costs.

<sup>73</sup> Apart from Statehood, Statutory and some large-scale infrastructure development projects, which are treated explicitly elsewhere in this section.

## 5.4 Large scale Infrastructure Development

As mentioned above, a number of large-scale infrastructure development projects have been treated separately, since they will not be funded by Government resources<sup>74</sup>. Whilst these projects are not priorities for poverty reduction, they are important for the development of Malawi. They will not be financed by Government, which will concentrate its resources on the MPRS activities. However, Government will actively seek private sector and international investors to finance the projects, where necessary using innovative financing arrangements (such as Build-Operate-Transfer). In certain areas (such as core road construction), certain international development partners with particular expertise will be invited to invest.

These projects fall under three main categories: telecommunications, electrification and roads. The main telecommunications project covered here is the expansion of rural telecommunications (expected to be largely funded by the private sector). In the electricity sector, the projects include the interconnection of electricity grid systems with Mozambique, the rehabilitation of existing transmission and distribution power systems and the expansion of main grid electricity supply capacity. Finally, in roads, the projects include the reconstruction and expansion of the core road network, including the Karonga-Chitipa road. More details of these can be found in Annex 3.

Finally, Table 5.6 presents a more detailed summary of costings within each pillar, at the goal and sub-goal level (reflecting the headings and sub-headings in Chapter 4). The costings reflect the MPRS priorities, with K7.3 billion allocated to basic education, K4.6 billion to essential healthcare, K1.6 billion to safety nets, and K2.6 billion to supporting agricultural livelihoods in 2002/03. The further details of the costing and resulting expenditure allocations can be found in annex 2 and the separate costing data source, together with a breakdown of costs into recurrent and development expenditures.

*Table 5.5 Detailed Costings by Goal and Sub-Goal (Millions of Malawi Kwacha)*

	2002-3	2003-4	2004-5
Pillar 1 - Sustainable Pro-Poor Growth	8,013.56	9,421.09	9,331.92
Goal 1.1 - Sources of pro-poor growth	3,064.36	3,787.16	3,575.28
Sub goal 1.1.1 - Increasing agricultural incomes	1,771.43	2,393.54	2,264.85
Sub-Goal 1.1.2 - Natural Resources	773.24	837.95	840.55
Sub-Goal 1.1.3 - Develop MSMEs	196.00	248.00	175.00
Sub-Goal 1.1.4 - Manufacturing and Agro-Processing	78.01	81.00	89.00
Sub-Goal 1.1.5 - Tourism	192.50	187.50	172.50
Sub-Goal 1.1.6 - Small Scale Mining	53.18	39.18	33.38
Goal 1.2 - Creating an Enabling Environment for Growth	4,949.20	5,633.92	5,756.64
Sub-Goal 1.2.1 - Macroeconomic Stability	-	-	-
Sub-Goal 1.2.2 - Credit and Micro-Finance	25.91	59.50	19.04
Sub-Goal 1.2.3 - Rural Infrastructure	2,428.04	2,793.10	3,019.61
Sub-Goal 1.2.4 - Other Enabling Infrastructure	1,785.57	1,805.57	1,856.07
Sub-Goal 1.2.5 - Domestic and external trade	57.85	264.15	77.20

<sup>74</sup> A large number of infrastructure projects remain in the MPRS, notably rural feeder roads and rural electrification

Sub-Goal 1.2.6 - Taxation	651.83	711.60	784.72
	-	-	-
Pillar 2: Human Capital Development	13,860.36	15,356.57	17,188.26
Goal 2.1 Improving quality and access to education	8,710.19	9,623.25	10,782.64
Sub-goal 2.1.1 - Basic education	6,015.84	6,592.47	7,454.75
Sub-Goal 2.1.2 - Secondary School education	2,144.35	2,480.78	2,777.89
Sub-Goal 2.1.3 - Higher Education	550.00	550.00	550.00
Goal 2.2 Better Technical, Vocational and Entrepreneurial Education and Training	468.25	488.51	567.46
Goal 2.3 Improved Health Status	4,568.55	5,104.74	5,663.16
Sub-Goal 2.3.1 - Preventative Healthcare <sup>75</sup>	-	-	-
Sub-Goal 2.3.2 - Essential Healthcare	4,184.48	4,720.67	5,279.09
Sub-Goal 2.3.3 - Tertiary Healthcare	384.07	384.07	384.07
Goal 2.4 - To prevent and control Protein, Energy, Malnutrition and micronutrient deficiencies	113.36	140.06	175.00
	-	-	-
Pillar 3 - Improving the Quality of Life for the Most Vulnerable	1,209.02	1,824.78	2,307.96
Goal 3.1 - Safety Nets	1,127.30	1,734.89	2,209.08
Sub-Goal 3.1.1 - Productivity Enhancing Interventions	838.71	1,187.97	1,319.03
Sub-Goal 3.1.2 - Welfare Support Interventions	288.59	546.92	890.04
Goal 3.2 - Improving disaster management	81.72	89.89	98.88
	-	-	-
Pillar 4 - Governance	4,040.15	3,783.72	3,952.77
Goal 4.1 - Political Will and Mindset	-	-	-
Goal 4.2 - Improved safety, security and access to justice	2,001.19	2,225.60	2,413.90
Goal 4.3 - Ensuring responsive and effective public institutions	2,038.95	1,558.12	1,538.86
Sub-goal 4.3.1 - Improved Public Expenditure Management	411.77	335.82	302.38
Sub-Goal 4.3.2 - Public Service Reform	140.30	122.42	122.78
Sub-Goal 4.3.3 - Corruption and Fraud	111.21	118.46	126.51
Sub-Goal 4.3.4 - Decentralisation	811.18	420.69	425.49
Sub-Goal 4.3.5 - Democratisation	441.34	441.34	441.34
Sub-Goal 4.3.6 - Human Rights	123.15	119.38	120.36
	-	-	-
5 - Cross cutting	1,667.41	2,010.57	2,465.78
Goal 5.1 Ensure national response to the HIV/AIDS pandemic	663.70	676.45	668.08
Goal 5.2 Reduce gender inequalities	68.02	74.32	60.51
Goal 5.3 Ensure environmental sustainability	294.00	334.00	372.00
Goal 5.4 - Create a Science and Technology driven economy	641.70	925.80	1,365.20
	-	-	-
Monitoring and Evaluation of MPRS	198.16	278.59	270.20
Goal: Ensure implementation of the MPRS	198.16	278.59	270.20

<sup>75</sup> The costs of preventative healthcare are included under Nutrition (Pillar 2), Water and Sanitation (Pillar 3), Education (Pillar 2) and the Essential Healthcare Package.





## Chapter 6 – MPRS Implementation, Monitoring and Evaluation

The implementation of the MPRS will involve all stakeholders. However, the responsibility for overall co-ordination of implementation will rest with Government. Furthermore, many of the specific activities within the strategy will be the responsibility of Government, at both national and local levels. In implementing activities within the MPRS, Government will use existing national mechanisms as well as emerging district level mechanisms. At a national level, Government MPRS activities will be implemented through 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. However, in the context of the on-going decentralisation process, the activities in the MPRS will increasingly be implemented at a district level, through the District Assemblies rather than central Government. Furthermore, a number of MPRS activities will be implemented by Non-Governmental Organisations (NGOs) and communities, where capacities exist.

To be implemented, the MPRS must at all levels 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 fourth pillar of Governance, Political Will and Mindset 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.

In terms of ongoing donor-funded projects, implementation of the MPRS will involve a transition phase. During this phase, ongoing donor funded projects will continue, with adjustments made where possible to ensure that the projects are in line with MPRS activities. However, all new projects will have to fit into the MPRS by implementing the activities as outlined in Chapter 4 and the matrix of action.

Where unforeseen circumstances arise (for example, natural disasters), it may be necessary to implement alternative activities. In such circumstances, 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. Where there are changes in priorities or less urgent circumstances, Government will continue implementing the MPRS activities until the next annual review process and subsequent Budget, when changes will be made on the basis of consensus.

A number of measures have been taken to ensure that this MPRS is implementation-friendly. Firstly, the MPRS has focussed on prioritisation. 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. 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.

Secondly, 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. Implementation has been further 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: a thorough monitoring and evaluation system and high-level coordination supported by technical level committees.

## **6.1 The MPRS in Context**

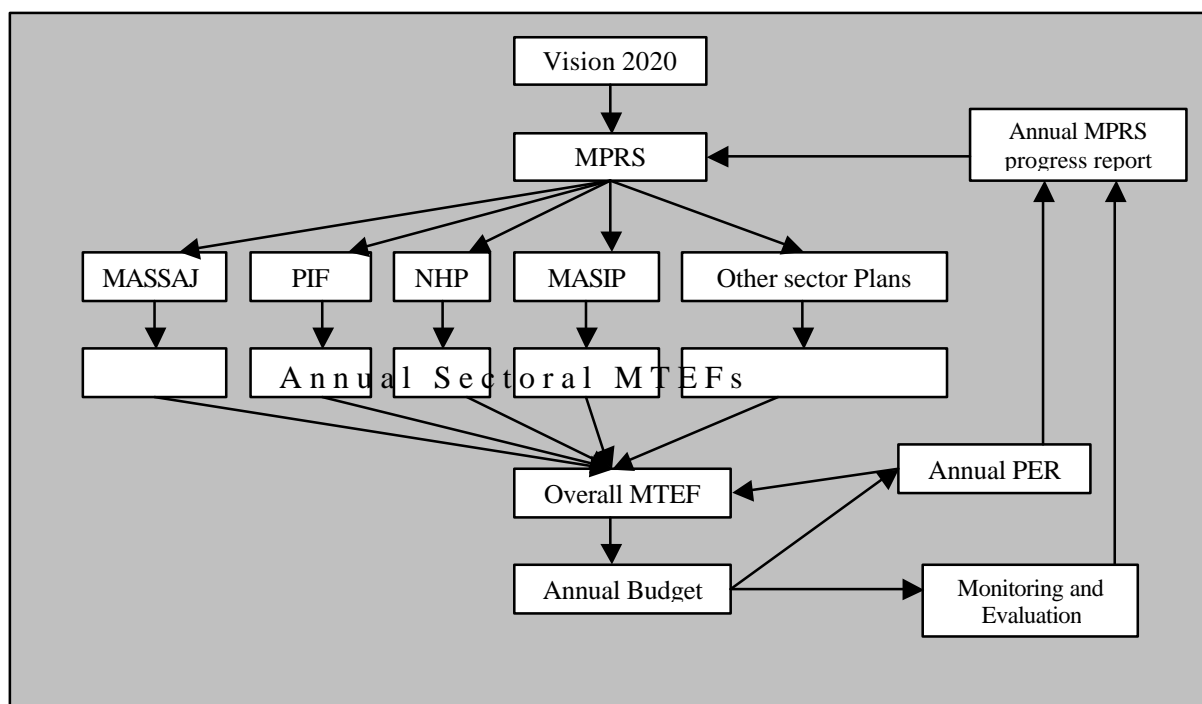
In the past, there has been no coherent institutional and management structure for the planning<sup>76</sup> of public expenditure and policy. Rather, there have been a variety of loosely coordinated donor-driven reform initiatives that have been half-implemented by a number of central government bodies and line ministries with little overall management or co-ordination. Initiatives such as the MTEF, SIPs and SWAps 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 depend 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.

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<sup>76</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 prioritisation of scarce resources (both financial and Government capacity) so as to achieve national objectives.

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 the National Safety Nets Strategy and the Environmental Support Programme (ESP). 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.

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>77</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>77</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. Many districts are in the process of developing District Development Plans (DDPs), which are the district equivalent of the MPRSP. As with the Sectoral Plans, these DDPs will have a two-way relationship with the MPRSP – they will use the national strategy as a starting point and will be consistent with it, but subsequent reviews of the MPRSP will use input from the District planning process. The relationship will be further clarified 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 will 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 include activities outside the MPRS or exclude activities inside the MPRS will be rejected.

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. In particular, Parliament will play a crucial role in ensuring the implementation of the Budget by providing on-going scrutiny of Budget implementation through its various committees, especially the Budget and Finance Committee and the Public Accounts Committee.

## **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 comprehensive review after three years. Starting immediately after its launch, MPRS implementation will 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 and output to outcome and impact indicators. Brief definitions of these various levels of indicators are presented in Box 6.1 below:

*Table 6.1: Monitoring Indicators*

The various levels of monitoring indicators to be used during MPRS implementation are described below, 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*

In some cases, agents monitoring process indicators (inputs and outputs) are different from those monitoring outcome and impact indicators. Likewise, in some cases one data collection method is used for more than one set of indicators, while in others, several methods are used to collect data for the monitoring of one type of indicators. The need for coordination, therefore, cannot be overemphasised.

Monitoring and evaluation of these various levels of indicators will take place both at national, district and local levels. District level monitoring and evaluation systems are currently being designed and will be reviewed and fully integrated after the first annual review process. For example, Government will introduce, on a trial basis, schemes to enable communities to monitor Government performance on all four levels. The rest of this chapter focuses on the national monitoring and evaluation system.

The formal monitoring and evaluation system for the MPRS will be based on existing systems, and strengthened by including a broader range of stakeholders and refining the mechanisms used. Apart from this formal internal system, the MPRS will encourage the development of other external systems, for example through civil society institutions. To this end, Government will ensure that monitoring information is widely disseminated, and that Government systems are transparent. In particular, civil society and the media will be used to disseminate information to all stakeholders.

### **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. 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.

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.

To strengthen 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 will be enhanced to allow for consistent and quality tracking of expenditures.

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. The PER will be conducted by officials from the Ministry of Finance and Economic Planning together with officials from relevant line ministries and appropriate civil society organisations.

### ***6.3.2 Monitoring Poverty Outcomes and Impacts***

Outcome and impact monitoring is to be assisted by the use of various sources of data. 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.

The monitoring of outcome and impact indicators is to rely 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 an integrated service survey that is to be conducted annually, which 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.

*Table 6.2 Key Monitoring Indicators*

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

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 the implementation of the MPRS where public expenditure is involved. In particular, a MPRS Unit will be created in the Ministry to drive the implementation of the MPRS across Government, and ensure that essential complementary 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 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, and all sectoral data collected by the line ministries. These data from the districts and sectors 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.

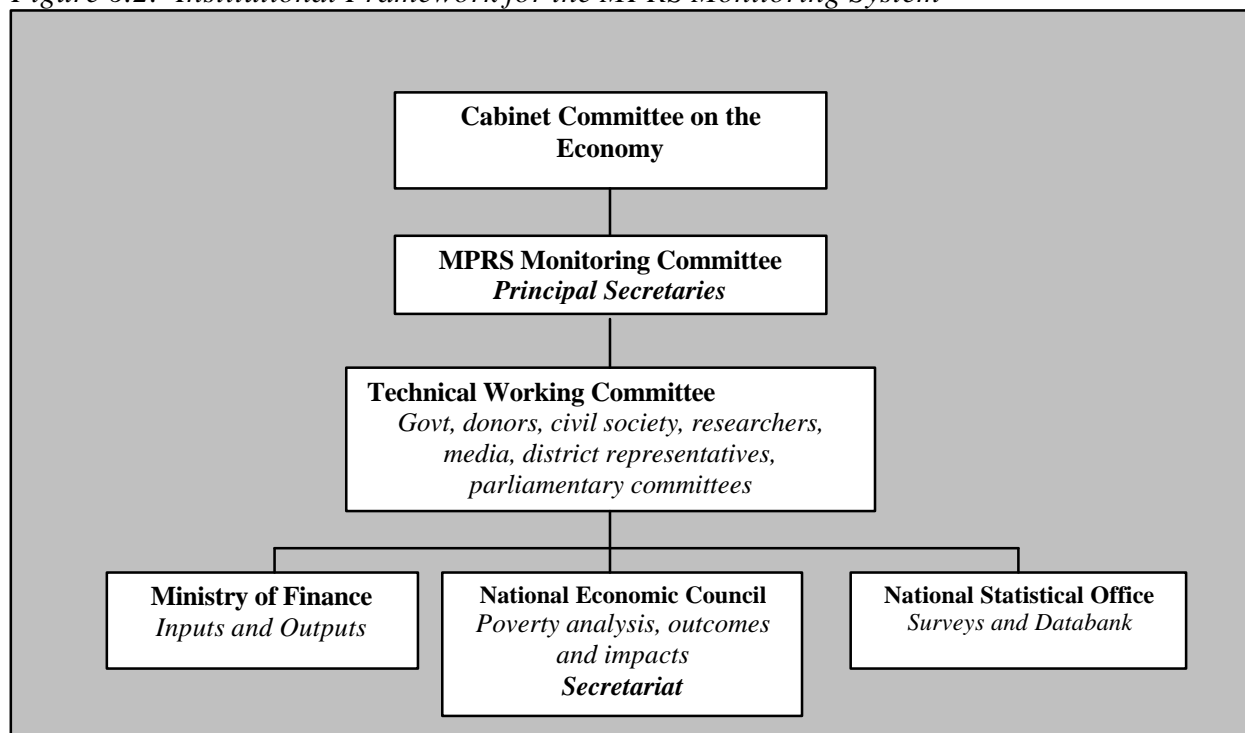
The National Economic Council is to be responsible for coordinating all outcome and impact monitoring activities across all sectors and will produce poverty-related analysis based on data from NSO, the Ministry of Finance and Economic Planning's input and output monitoring as well as the financial information system and other ad hoc surveys conducted within and outside the MPRS Monitoring System. Thus NEC is to be a focal point for finished and polished poverty statistics and analysis. 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 co-ordinated 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, including 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, Natural Resources and Environmental Affairs, the Accountant General, and the National Statistical Office.

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, other key ministries (in line with the membership of the MPRS Monitoring Committee), representatives from District Assemblies (one representative from the Malawi Association of Local Government Authorities – MALGA – and one representative of district assemblies from each region), representatives of relevant parliamentary committees, 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 CONGOMA, 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 and Budget Division), 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



Apart from this framework, all Cabinet Committees will be encouraged to monitor the performance of applicable sectors within the MPRSP. Likewise, various Parliamentary Committees will have to monitor expenditures and performance using any of the MPRS committees or other mechanisms as they see fit. Since the MPRSP will be translated into the Budget as Government’s statement of strategy, these committees will play a crucial role in ensuring implementation, monitoring and evaluation.

### 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. These units are to be staffed by qualified and trained personnel. To ensure data quality uniformity from all districts, the MPRS Monitoring Committee, through the Secretariat, is to mount training and orientation for staff of statistics units. Under the same framework, district staff will receive training from NSO on quantitative data collection (including sampling), entry, analysis and reporting, from NEC on qualitative data collection and analysis, and from the Ministry of Finance and Economic Planning (including the Accountant General’s Department) on 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 MPRS Unit will 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 the Ministry of Finance and Economic Planning and NEC.

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 system 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. These workshops will have two interlinked roles: Firstly, as a national accountability forum for implementers to be held accountable to all stakeholders. In this way, the workshops will supplement the on-going work of the Technical Working Committee on MPRS monitoring by allowing all stakeholders to participate in the assessment of the implementation of the MPRS. The second role will be to revise the MPRS in line with lessons learned from implementation, monitoring and evaluation, and to take into account emerging priorities where a consensus emerges during the discussions. 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 will be Malawi's central policy review process. As such, other existing or planned national level processes will either be integrated into the MPRS review process or will be cancelled. For example, sectoral review processes will provide input into the overall review process.

The annual reviews will 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.



**Final DRAFT**

**Malawi Poverty  
Reduction Strategy  
Paper**

**Annexes**

**April 2002**



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## Annex 1 – Action Plan

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
<b>Pillar 1 - Sustainable Pro-Poor Growth</b>				
<b>Goal 4.1.1 - Sources of Pro-Poor Growth</b>				
<b>Sub goal 4.1.1.1 - Increasing agricultural incomes and ensuring food security</b>				
Expand and strengthen access to agricultural inputs	Increase access to credit for farmers', especially the poor	Increase supply and reduce cost of sustainable credit - see section on Microcredit	MOCI	
		Encourage the formation SACCOs and village banks based on farmers' co-operatives and associations (see below under extension)	MOAI	
		Provide financial support to capitalisation of SACCOs and Village Banks	MRFC	
	Promote the use of organic fertilisers	Train extension workers in use of organic fertilisers, such as manure	MOAI	
		Link farmers to markets which demand organic produce	MOAI	
	Distribute free inputs to the most vulnerable	See Pillar 3 - Targeted Input Programme	MSRPAP	
Improve agricultural production through improved research and extension services	Strengthen extension delivery services, including the implementation of the new Extension Policy	Recruit and train new extension workers in order to replace those dying and retiring	MOAI	
		Retrain existing extension workers in: a)new production technologies b)new extension policy c)HIV/AIDS prevention and mitigation d)gender issues d)business management e)marketing f) participatory extension processes g)formation of farmers associations and co-operatives and h) marketing knowledge (e.g. grading, processing) i) soil fertility and conservation (including use of organic fertiliser - manure)	MOAI - NRC/Bunda	
		Purchase and run "yellow vans" to disseminate information	MOAI	
		Clearly explain and discuss new Extension Policy with all stakeholders	MOAI	
		Improve coordination with other extension providers (NGOs, private sector)	MOAI	
		Ensure demand-driven extension through formation of farmers' co-operatives and associations (see below)	MOAI	
		Institutionalise participatory extension processes.	MOAI	
		Develop and disseminate production guide manuals with new technological messages	MOAI	NGOs
		Decentralise provision of extension services	MOAI	Decentralisation Secretariat
	Facilitate formation and development of product-specific farmer co-operatives and associations	Train extension workers in formation of farmers' clubs and associations	MOAI	NGOs
		Provide training for clubs and associations in business and association management	MOAI	TEVETA; NGOs - MEDI, NASFAM
		Provide clubs and associations with links to markets, especially local agro-processing	MOAI	NGOs

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Encourage associations to go into contract farming	MOAI	NGOs
		Mobilise associations to participate in HIV/AIDS prevention and mitigation	MOAI	NGOs
	Enhance production and dissemination of appropriate weather and production statistics	Revise and carry out crop estimates	MOAI	
		Gather and disseminate weather statistics	MOTPWOrks - MD	
		Investigate potential use of Information and Communication Technologies to improve information dissemination	MOAI	
	Conduct demand driven research to develop easily adoptable technologies	Conduct participatory problem diagnosis with extension workers, farmers and other stakeholders	MOAI	NGOs
		Develop varieties with desirable qualities demanded by the market	MOAI	Private sector
		Ensure participation of extension workers and farmers' representatives in research planning meetings	MOAI	
		Conduct research into the control of contagious diseases in crops and animals	MOAI	Private sector
		Develop drought and disease resistant varieties of crops and livestock	MOAI	Private sector
		Monitoring and evaluating research projects through improvement of quality of regulatory and technical services	MOAI	
Improve access to domestic and international markets	Develop an effective marketing information system	Create and strengthen central market intelligence unit and intensify market research	MOAI	MEPC, Private sector associations
		Create dissemination centres in districts and easily accessed areas (schools, health centres, agricultural offices)	MOAI	
		Encourage development of commodity specific information networks	MOAI	NGOs, private sector
		Investigate potential use of Information and Communication Technologies to improve market information dissemination	MOAI	Private sector, NGOs
		Strengthen regional and international linkages through trade fairs and other buyer/seller meetings	MOAI	MIPA, MEPC, MCCCCI
	Ensure smallholder production is market-friendly	Train extension workers to impart marketing knowledge e.g. grading, storage and gross margin analysis	MOAI	Private sector, NGOs
		Ensure extension workers, farmers clubs etc. updated on market trends (market bulletins etc.)	MOAI	Private sector, NGOs
	Instill a business culture in smallholder farmers	Encourage formation of associations and co-operatives (see above)	MOAI	NGOs
		Encourage individual farmers and associations to conduct market research	MOAI	NGOs
	Promote development of local agro-storage and processing industry	Provide support and information to micro, small and medium scale enterprises in rural areas - see section on MSMEs below	MOCI	
		Train local entrepreneurs in agri-business development	DEMAT	



<b>Objective (in order of priority)</b>	<b>Strategy (in order of priority)</b>	<b>Activity (in order of priority)</b>	<b>Lead institution</b>	<b>Other resp. instns</b>
Promote small scale irrigation schemes and drainage	Encourage development of small scale irrigation schemes based on manual lifting devices, and river diversions	Intensify awareness campaigns for utilisation, production and installation of treadle pumps.	MOAI	NGOs
		Encourage river diversion irrigation	MOAI	NGOs
		Distribute treadle pumps on loan to smallholder farmers through revolving funds	MOAI	
	Support development of Small scale irrigation schemes based on motorised pumps and sprinklers.	Facilitate installation and utilisation of new motorised pump based schemes.	MOAI	NGOs, private sector
	Support development of Small scale sprinkler irrigation schemes	Facilitate installation and maintenance of new sprinkler irrigation schemes	MOAI	NGOs, private sector
	Promote the rehabilitation and construction of community small earth dams	Facilitate the rehabilitation of the selected dams	MOWD	MOAI (advisory), NGOs, private sector
	Enhance Capacity building for Irrigation Development	Review past training programmes and conduct training to be in line with field requirements.	MOAI	
		Review staff requirements in line with the unit review. Train more frontline staff on cost effective irrigation methodologies.	MOAI	
		Conduct irrigation adaptive research in dambos	MOAI	
		Assess impact and performance of different irrigation methodologies. Test new technologies.	MOAI	
Encourage production of specific crops	Ensure continued benefits from traditional estate crops	Implement Designated Buyers' System for tobacco	MOAI	Estates, Designated Buyers, TCC, TAMA, Auction Floors, TEAM
		Review marketing and trading arrangements for tobacco	MOAI	Estates, Designated Buyers, TCC, TAMA, Auction Floors, TEAM
		Increase competitiveness and poverty reduction impact of traditional estate crops (tea, sugar, coffee), for example through smallholder outgrower schemes	MOAI	Estates
	Encourage establishment of viable production units for selected key export crops (cotton, cassava, soya beans)	Encourage formation of associations specifically producing these crops according to comparative advantage (see farmers associations and co-operatives above)	MOAI	NGOs
		Conduct crop-specific specialised training for associations etc. targeting selected winner cash crops linked to MSMEs	MOAI - NRC/Bunda	
			MOAI	
		Provide start-up material for key crops (seeds etc.)	MOAI	NGOs, private sector
Encourage production of livestock	Provide training for livestock producers in groups	Facilitate formulation of livestock producing farmers' clubs and encourage these groups to access credit and operate revolving funds	MOAI	NGOs, credit institutions

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Train specialised extension workers in specific animal husbandry practices, disease control and production of low cost high quality feeds	MOAI - NRC/Bunda	
			MOAI	
	Provide disease prevention and control services	Revive dipping services with increased cost sharing element	MOAI	
		Provide veterinary services on cost sharing basis	MOAI	
		Encourage the development of and monitor provision of private sector breeding and animal health services	MOAI	Private sector
		Strengthen surveillance of animal diseases	MOAI	
		Monitor the import of poultry products	MOAI	MOCI
Reduce land shortage and degradation	Support implementation of the draft Land Policy	Present Land Bill to Parliament	MOL	MOJ
		Guarantee security of customary land tenure	MOL	
	Address the problem of small landholding sizes and landlessness	Facilitate land redistribution and resettlement of 14000 hectares of land to 3500 households on a voluntary basis	MOL	
		Promote family planning to reduce pressure on land (see section on population in Pillar 2)	MOHP	
		Increase productivity of small landholdings (see extension and farm mechanisation above)	MOAI	Private sector, NGOs
		Train extension workers in soil conservation and fertility techniques	MOAI	
		Promote low cost soil fertility conservation and improvement techniques (including use of organic manure)	MOAI	
		Promote off-farm employment (see section on MSMEs)	MOCI	
Promote and expand farm mechanisation	Increase access to draught animals and animal drawn implements	Improve animal health programmes (see livestock section above)	MOAI	
		Improve access to credit (see above)	MOCI	
		Support extension campaigns and behavioural change communication	MOAI	
		Train local artisans in production of animal drawn implements	MOAI	Private sector, NGOs
		Create microfinanced production units for animal drawn implements	MOAI	Private sector, NGOs
		Create special production units for donkeys for sell on loan	MOAI	Private sector, NGOs
	Increase access to tractors for hire	Provide tractors for hire to farmers' groups with consolidated land	MOAI	Private sector, NGOs
		Investigate reasons for failure of past schemes and design alternatives	MOAI	
Reduce weaknesses in the institutional and policy framework	Rationalise structure and activities of Ministry of Agriculture and Irrigation in line with MPRSP priority activities	Redefine core functions of the MOAI in line with MPRSP priority activities	MOAI, MASIP	
		Privatise/contract out non-core functions	MOAI	Private sector, NGOs
		Implement cost sharing/recovery where possible	MOAI	
		Conduct civic education through extension workers on role of MOAI as one of many service providers	MOAI - MASIP	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Strengthen sector-wide policy making and co-ordination	Strengthen co-ordination with farmers' groups, NGOs, traders and other stakeholders.	MOAI - MASIP	Private sector, NGOs
		Continue development of Malawi Agriculture Sector Investment Programme (MASIP) as framework for co-ordination between stakeholders	MOAI - MASIP	Private sector, NGOs
	Prepare for decentralisation of agriculture sector	Develop agriculture sector decentralisation action plan.	MOAI	DC
Increase gender balance, prevent and mitigate HIV/AIDS in the agricultural sector	Undertake Extension strategic campaigns for mainstreaming Gender and HIV/AIDS for both communities	Conduct gender and HIV/AIDS awareness meetings leading to Participatory Rapid Appraisals (PRA).	MOAI	
		2 - day meetings for 230 workplaces.2300 field workers to conduct 4 one day meetings in their sections.	MOAI	
		Conduct campaigns and exhibitions to expose Rural communities to support services on Gender and HIV/AIDS.	MOAI	
		Procure 8 multi-media mobile vans (yellow vans for ADDs to support extension campaigns and Behaviour Change Communication	MOAI	
	Undertake diagnostic surveys to bring out deeper understanding of needs, issues and links of HIV/AIDS, Gender and Agricultural Development in selected areas (model Villages and samples areas)	Develop a checklist and participatory tools for situation analysis at work place and community by 36 GAD officers in 3 days	MOAI	
		Conduct staff orientation on diagnostic surveys at workplaces- by 4 GAD cluster teams for 5 days	MOAI	
		Conduct the diagnostic surveys at community level	MOAI	
		Analyse and compile situation issues for action planning	MOAI	
	Develop policy and programmes to support the activities of HIV/AIDS and Gender within the Agricultural Sector	Engage consultant to facilitate review of existing national studies and policies and development of Gender HIV/AIDS policy for the Agriculture sector	MOAI	
		Develop action plans to address Gender and HIV/AIDS issues at different workplace and programme levels.	MOAI	
		Procure EPA motorcycles and community bicycles to facilitate mobilization campaigns.	MOAI	
		Conduct field visits and review meetings to monitor implementation of work place and community action plans.	MOAI	
	Design and provide technical backstopping to Agricultural training institutions, communities and workplace on Gender and HIV/AIDS interventions.	Train for skills development in dealing with HIV/AIDS impacts prevention and reducing gender disparities in agricultural development.Train 36 gender and HIV/AIDS desk officers.	MOAI	
		On the job training for field staff at ADDs, RDPs, research Stations and EPAs and	MOAI	
		Mobile training for community mobilizers on Gender and HIV/AIDS	MOAI	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Engage Consultant to facilitate review curricula for Agricultural Training Institutions (Bunda and NRC) to incorporate gender and HIV/AIDS	MOAI	
		Conduct consultative meetings with University and NRC Administrators for curriculum review	MOAI	
		Provide support to training institutions to mainstream Gender and HIV/AIDS into their curricula.	MOAI	
	Develop a gender disaggregated data bank for programming and monitoring and evaluation linked to the Implementation units in ADDS and the Central Monitoring and Evaluation Unit for the Agricultural Sector.	Procure 27 desk top computers to facilitate data management at District/RDP levels and 1 lap top for the central coordinating unit	MOAI	
		Engage a consultant to design a databank and train staff to manage use of a disaggregated databank	MOAI	
		Establish a gender disaggregated data bank system	MOAI	
	Advocacy for strengthened linkages, financial and technical support within and outside the Agricultural sector for reinforcing mainstreaming of Gender and HIV/AIDS into agricultural development.	Organise seminar presentations, field activity updates through MASIP, District Assembly, Parliamentarians, Technical Working Groups and MOAI's Gender and HIV/AIDS setting Committees	MOAI	
		Establish an inventory of organisations dealing with Gender and HIV/AIDS programmes locally.	MOAI	
		Facilitate linkages for accessing services on HIV/AIDS	MOAI	
		Establish and Strengthen networking locally and internationally - SARIA, SEAGA, Canadian Agro biodiversity Indigenous knowledge/Gender Project, IDDEAA, TANESA and ISNAR	MOAI	
<b>Sub-Goal 1.1.2 - Natural Resources</b>				
Increase sustainable utilisation of fishery resources	Strengthen legal and institutional framework	Generate and develop management plan for fishery resources in Lake Malawi, Lake Chilwa, Chiuta and Malombe	MONREA - Fisheries	
		Empower Beach Village Committees (BVCs) to manage the resource through district assembly by-laws	MONREA - Fisheries	
		Train fishing community on new legislation	MONREA - Fisheries	
		Devolve fisheries department roles to District Assemblies	MONREA - Fisheries	
	Promote alternative livelihood strategies in fisheries	Recruit and train adequate extension and technical staff	MONREA - Fisheries	
		Promote off-shore fishery of untapped stocks in Lake Malawi to provide cheap fish on the market	MONREA - Fisheries	
		Train communities on other IGAs	MONREA - Fisheries	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Promote fisheries enhancement technologies and fish farming in local communities	MONREA - Fisheries	
		Promote establishment of better markets and marketing practices for fish	MONREA - Fisheries	
	Create mass awareness of environment and natural resource management	Improve fisheries curriculum at Mpwapwe College of fisheries and other training centres for staff and fisheries	MONREA - Fisheries	
		Translate 50 years of fisheries research data into user friendly information materials	MONREA - Fisheries	
		Mass campaign on fish policy, act, best management practices through mass media, posters and pamphlets	MONREA - Fisheries	
Encourage sustainable utilisation of forestry resources	Strengthen the legal and institutional framework for PRS in environmental management	Empower communities on co-management of forest reserves	MONREA - Forestry	
		Anchore community based forestry management in the LGA and DA	MONREA - Forestry	Districts
		Develop forestry co-management plans in line with National forestry Forestry Programme	MONREA - Forestry	Districts
		Conduct sensitisation meetings for judiciary, immigration and general public	MONREA - Forestry	NGOs
		Mount 'forest' road blocks in strategic areas to regulate illegal flow of forest products	MONREA - Forestry	
		Refine forest licensing system for various forest resource users in forest reserves	MONREA - Forestry	
		review and implement strategy for law enforcement and compliance	MONREA - Forestry	
		Review policy on carbon tax on trees	MONREA - Forestry	
		Develop and implement policy guidance, human resources development strategies	MONREA - Forestry	
		Undertake forestry management board meetings, promotions, recruitment	MONREA - Forestry	
		Participate and implement national/regional protocols, conventions and programmes	MONREA - Forestry	
	Promote alternative livelihood strategies	Privatisation of industrial plantations to supply the demand for timber	MONREA - Forestry	Private sector
		Re-plant softwood plantations	MONREA - Forestry	Private sector
		Conduct forest resources inventory	MONREA - Forestry	Private sector
	Promote Forest extension services	Undertake mass tree planting campaign as an economic benefit	MONREA - Forestry	Private sector
		Provide forest extension services to farmers, VNRMCS, NGOs schools, etc	MONREA - Forestry	Private sector
		Develop and implement forest extension projects	MONREA - Forestry	Private sector, NGOs, Districts
		Develop a coordinated extension framework with NGOs and other stakeholders	MONREA - Forestry	Private sector, NGOs, Districts
		Develop and document lessons and experiences generated under extension services	MONREA - Forestry	Private sector, NGOs, Districts

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Undertake mass campaign on forest policy, act and by-laws through media, posters etc.	MONREA - Forestry	Private sector, NGOs, Districts
		Decentralise provision of forestry extension services	MONREA - Forestry	Private sector, NGOs, Districts
	Create mass environmental awareness as regards forestry	Improve forestry curriculum at Dedza and other training centres for staff and VNRMCs	MONREA - MCF&W	Private sector, NGOs, Districts
		Provide forest technician training	MONREA - MCF&W	Private sector, NGOs, Districts
		Provide under and post graduate forestry training	Mzuzu University	BCA
		Develop and disseminate environmental forestry education	MONREA - Forestry	NGOs
		Expose serving officers to refresher courses in sustainable management of forest resources and environment	MONREA - Forestry	Districts, MCF&W, FRIM
		Train forest extension worker	MONREA - Forestry	Districts, NGOs
	Sharpen forestry research and information systems	Translate 10 years research into user friendly information material and manuals	FRIM	Research partners
		Convene and review NFRC and forestry research symposium	FRIM	Research partners
		Conduct forest research in seed and tree improvement strategy area	FRIM	Research partners
		Conduct research in indigenous woodland management strategy area	FRIM	Research partners
		Conduct research in forest plantation strategy area	FRIM	Research partners
		Conduct forest research tree on farm strategy area	FRIM	Research partners
	Promote planning and evaluation forestry activities	Improve and strengthen forest revenue collection system	MONREA - Forestry	
		Conduct financial / resource internal audit and accounting procedures at forest stations	MONREA - Forestry	
		Develop sector investment plan for the forestry sector	MONREA - Forestry	Private sector, NGOs, Districts
		Review strategic plan for the department of Forestry	MONREA - Forestry	
		Refine and implement National Forestry Programme	MONREA - Forestry	Private sector, NGOs, Districts
		Monitoring and evaluating implementation of forest projects, programmes and subprogrammes	MONREA - Forestry	Private sector, NGOs, Districts
Encourage sustainable utilisation of wildlife resources	Create mass awareness of environment and natural resource management as regards wildlife	Improve training on wildlife management at relevant training institutions for staff and villagers	MOTPWildlife - DNPW	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Translate research data into user-friendly information materials and manuals	MOTPWildlife - DNPW	
			MOTPWildlife - DNPW	
		Increase capacity of EE unit of DNPW, human resource, material resource, financial resources	MOTPWildlife - DNPW	
		Mass campaign on wildlife policy, act and best NRM practices through mass media, posters and others	MOTPWildlife - DNPW	
	Minimise wildlife/human conflicts	Establish vertebrate pest control fences	MOTPWildlife - DNPW	
		Train hunter and community leaders in crop protection and problem animal control	MOTPWildlife - DNPW	
		Conduct national crocodile and hippo management plans	MOTPWildlife - DNPW	
	Strengthen legal and institutional framework	Promote co-management of wildlife reserves with local communities and other stakeholders	MOTPWildlife - DNPW	
		Community-based wildlife co-management anchored in the District Assemblies	MOTPWildlife - DNPW	
		Develop wildlife co-management plans in line with sustainable NR principles	MOTPWildlife - DNPW	
		Revise policy to tax park users	MOTPWildlife - DNPW	
	Promote alternative livelihood strategies as regards wildlife	Privatise selected wildlife to ensure supply of the demand for game	MOTPWildlife - DNPW	
		Encourage wildlife farming	MOTPWildlife - DNPW	
		Promote mass tree planting for conservation and economic benefits	MOTPWildlife - DNPW	
		Harvesting sustainable wildlife resources in buffer zones of protected areas	MOTPWildlife - DNPW	
<b>Sub-Goal 1.1.3 - Develop MSMEs</b>				
Provide support to development of MSMEs	Provide physical infrastructure	Develop industrial sites for MSMEs with common user facilities such as testing, marketing, waste disposal etc.	MOCI	MIPA, private sector
	Introduce special assistance programmes - both financial and non-financial services	Develop database of MSMEs	MOCI	
		Develop a subcontract exchange system	MOCI	
		Identify and develop new markets	MOCI	
		Link anchor companies and selected MSMEs	MIPA	
		Train MSMEs on quality improvement practices	MBS	
		Establish raw materials banks	MOCI	Private sector
		Pool MSMEs under one umbrella for bulk supply of products	MOCI	Private sector
		Establish research and development grants	OPC - NRC	
		Establish quality control and testing centres	MBS	Private sector
	Introduce technologies to facilitate income generation	Conducts research	OPC - NRC	
		Adapt/Develop simple technologies	MIRTDC	
		Disseminate technologies	MIRTDC	
	Focus on specific products where Malawi has a comparative advantage	Promote Malawi's handicrafts	MOTPWildlife	
		Establish export villages	MEPC	MIPA, private sector

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Develop booklets/documentary films/webpages	MEPC	MIPA, private sector
		Organise international fairs	MEPC	MIPA, private sector
		Prepare booklet on export procedures	MEPC	
Improve institutional coordination and support	Improve co-ordination and support	Introduce a "Lead Agency" concept to co-ordinate markets and marketing, incentives, financial assistance and R&D, training and management of infrastructure	MOCI	
<b>Sub-Goal 1.1.4 - Manufacturing and agro-processing</b>				
Broaden the industrial base	Identify new sources of growth	Explore linkages between local components manufacturers and the automobile industry in South Africa	MIPA	
		Target development of export-oriented, high value-added, high technology industries	MCI, MIPA	
	Create Industry assistance fund	Determine the qualifying criteria	MCI	
	Provide supportive infrastructure	Develop industrial estates	MOCI	MIPA, MEPC, Private sector
		Implement R&D Programmes	MIRTDC	
		Provide training & consultancies	DEMAT	MIRTDC
Develop new cluster based industries	Develop and promote new cluster of in textiles and apparel, food products (cassava, soya, fish, livestock, floriculture, fruits and vegetables), resource based industries (wood, gemstones, handicrafts), chemical products (pharmaceuticals, fine chemicals), engineering industries (auto components) and consumer manufactures	Promote value added chains anchored around a crop or resource	MIPA	
		Attract new investment in the areas where Malawi has a comparative advantage	MIPA	
Accelerate regional development	Promote spatial development initiatives	Strengthen Nacala and Mtwara development corridors	MOCI	
Improve product standards and quality	Encourage in-house quality control measures	Conduct workshops, training courses for firms	MBS	
	Strengthen national standards capacity	Strengthen MBS	MBS	
Integrate MSMEs into industrial development	See Sub-Goal 1.1.3 above			
Establish a credible institutional framework	Establish a Business Council	Create Business Council		
		Facilitate flow of information to key actors		
		Strengthen public-private linkages		
<b>Sub-Goal 1.1.5 - Tourism</b>				
Promote investment in diverse tourism products	Establish zones for the development of tourism and develop land use plans and key sites for each of the areas	Designate tourism growth areas	MOTPWildlife	MOL, MOLG, Districts, local communities
	In partnership with relevant authorities, advise and develop necessary infrastructure that supports tourism	Provide and maintain telecommunication, power and road network facilities in designated tourism areas. (see the section on roads)	MOTPWildlife	NRA, MOTPWorks, MTL, ESCOM



Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Intensify tourism investment promotion	Promote and facilitate tourism investment. Formulate commercially investment and concession agreements and incentives specific to tourism for potential investors	MOTPWildlife	MIPA, MOFEP, MOFA, MTA
	Establish the collection and analysis of tourism data	Collect, process, analyse tourism data for informed and quantitative decision making	MOTPWildlife	NSO, Immigration, MTA
	Develop and promote community-led, pro-poor tourism developments	Implement the construction of three cultural villages, build capacity for arts and craft makers and provide attractive vending shelters, train and accredit tour guides.	MOTPWildlife	Districts, local communities MOGYCS, TEVETA
	Develop and promote high quality eco tourism product	Implement a strategic and phased plan for the development of eco-tourism lodges as detailed in the 2001 - 2005 Strategic Tourism Development plan	MOTPWildlife	MIPA, MOL, private sector
Develop and adopt updated and professional approach to tourism promotion and marketing	Increase the number of tourists and revenue to Malawi	Implement new marketing strategies. Review the institutional framework for tourism promotion	MOTPWildlife	MTA, MOFA
	Promote domestic tourism	Undertake local promotion on tourist products and encourage special packages for local malawians	MOTPWildlife	MTA, media, NGOs
	Increase awareness on the benefits of tourism among local Malawians	Undertake public awareness campaigns on the benefits of tourism	MOTPWildlife	MTA, media, traditional auth, NGOs
Regulate tourism on the basis of defined standards	Establish appropriate guidelines and regulations to achieve excellent standards and quality of services	Carry out research and draft regulations and laws for the tourism industry Carry out research on a new authority to steer the marketing function and maintainance of standards	MOTPWildlife	MTA, MOJ, MBS
	Maintain quality of standards in the tourism industry	Classify and licence all tourism enterprises Carry out classification into grades on accommodation units Carry out inspections on tourism enterprises to maintain standards	MOTPWildlife	MTA, MBS, Hotels and Tourism Board
	Facilitate tourism training and awareness programmes	In collaboration with the Training school, carry out tour guide training with accreditation	MOTPWildlife	Malawi Institute of Tourism
<b>Sub-Goal 1.1.6 - Small scale mining</b>				
Disseminate Information, especially the information required by MSMES	Establish focal point in Department of mines	Provide information on inventory of minerals, exploration status, mining and mineral-based industries	MONREA - Mining	
	Disseminate information on availability of minerals	Prepare and update an inventory of minerals available and produced in the country	Geol. Surv.	
		Produce a mineral bulletin	Geol. Surv.	
		Produce brochures for target minerals	Geol. Surv.	
	Disseminate information on mining technologies	Prepare bulletins	MONREA - Mining	
		Provide training	MONREA - Mining	
Provide technical and financial support	Provide technical support on mineral extraction	District based training programmes	MONREA - Mining	Districts
	Provide technical support on value-adding	District based training programmes	MONREA - Mining	Districts
	Improve processing +laboratory infrastructure	Rehabilitate+rebuild +re-equip labs	MONREA - Mining	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Provide financial support	Encourage lending institutions to extend credit facilities to small-scale miners (see section on credit)	MONREA - Mining	
Ensure appropriate mining legislation	Improve efficiency and effectiveness of office procedures, especially for grant and renewal of mining leases	Simplify procedures	MONREA - Mining	MOJ
Promote value-addition, marketing and exports	Encourage formation of miners' clubs and associations	Provide training on club formation and management	MONREA - Mining	
	Put in place incentives for exports	Organise local fairs and exhibitions	MONREA - Mining	MEPC
		Visit regional and international trade fairs	MONREA - Mining	MEPC
		Organise seminars and exhibitions for potential exporters and Government	MONREA - Mining	MEPC
		Establish a formal channel through which mineral can be exported	MONREA - Mining	MEPC
	Promote value addition	Improve cutting and polishing techniques of precious stones	MONREA - Mining	
		Establish a gem and jewellery exchange	MONREA - Mining	
		Improve dialogue among the stakeholders in the industry	MONREA - Mining	
		Create SSI pilot minerals product estates	MONREA - Mining	
<b>Goal 1.2 - Creating an Enabling Environment for Pro-Poor Growth</b>				
<b>Sub-Goal 1.2.1 - Macroeconomic Stability</b>				
Reduce inflation, interest rates and ensure stable exchange rate	See Chapter 5 matrix			
<b>Sub-Goal 1.2.2 - Develop Credit and Micro-Finance</b>				
Reduce the cost of credit	reduce base interest rate (RBM)	See chapter 5		
Strengthen the institutional Framework	Strengthen MF network to promote coordination and enhance performance standards	Secretariat start up costs	MOCI	MFN
		develop a code of conduct to promote performance standards	MOCI	MFN
		carry out impact assessment	MOCI	MFN
	Establish appropriate framework for regulation and supervision of MFIs	Establish working committee Review existing and develop new framework	MOCI	MFN
		Setup selfregulatory body to supervise MFIs	MOCI	MFN
Reduce high default rates	Establish a credit reference bureau	carry out feasibility study on the setup of the bureau, source funding and establish bureau	MOCI	MFN
	Streamline legislation related to financial sector	review existing legislation	MOCI	MOJ, MFN
		establish specialist debtor courts	MOCI	MOJ, MFN
		Computerize the registry of titles	MOCI	MOL
		Establish a central computerized stop order system	MOCI	MOJ, MFN
Expand competition and efficiency in the credit market	Reduce political interference and inefficiency	commercialize an privatize all Government controlled MFIs	Privatisation Commission	MOCI, MOFEP, DSC

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Increase competition	Continue privatization of commercial banks	Privatisation Commission	MOCI, MOFEP, DSC
		Eliminate interlocking ownership	Privatisation Commission	MOCI, MOFEP, DSC
		Encourage new entrants	Privatisation Commission	MOCI, MOFEP, DSC
Diversify and expand coverage	Expand microfinance coverage	Encourage commercial banks to provide wholesale lending to MFIs	MOCI	MFN
		Link farmer groups and other associations to MFIs	MOCI	MFN
	Improve quality of the microfinance supply	Provide product development trainings for MFIs	MOCI	MFN
		Establish pilot fund to promote research into new rural lending methodology	MOCI	MFN
		Conduct trainings for MFI staff, management and boards to improve efficiency	MOCI	MFN
		Assist MFIs to put automated management information systems in place	MOCI	MFN
<b>Sub-Goal 1.2.3 - Rural Infrastructure</b>				
Improve rural transport infrastructure	Promote rural travel and transport	Improve awareness and understanding of rural travel and transport issues	MOTPW Works	
	Rehabilitate and maintain rural feeder roads	Grading of rural feeder roads	NRA	
		Rehabilitation of rural feeder roads	NRA	
		Construction of other road infrastructure	NRA	
Increase accessibility to good drinking water and sanitation	Construct and rehabilitate water facilities	Construct boreholes	MOWD	
		Rehabilitate boreholes	MOWD	
		Rehabilitate piped water schemes	MOWD	
		Train communities in maintenance of boreholes	MOWD	Communities, NGOs
		Pilot groundwater storage gravity supply schemes	MOWD	
		Institute monitoring and evaluation	MOWD	
		Build professional capacity in MOWD	MOWD	
	Increase capacity to meet demand from industry and domestic users	Extend and rehabilitate existing infrastructure	Water Boards	
		Implement water loss reduction measures	Water Boards	
		Enhance cost recovery measures	Water Boards	
		Strengthen the viability of water supplies	Water Boards	
		Improve operational autonomy and commercial viability of water boards	Water Boards	MOFEP, DSC
	Conservation and management of water resources	Construction and rehabilitation of small community multi-purpose dams	MOWD	MOAI
		Community mobilisation and training in environmental and water catchment protection	MOWD	Communities, NGOs
		Rehabilitate water catchment areas	MOWD	Communities, NGOs
		Strengthen institutional capacity to collect hydrological, hydrogeological and water quality data	MOWD	
		Develop water resources policy	MOWD	Stakeholders
	Reduce incidence of water borne diseases	Introduce VIP latrines	MOWD	MOHP
		Conduct sanitation awareness campaigns	MOWD	MOHP

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns.
Increase access to affordable and sustainable rural energy	Embark on a nationwide rural electrification programme	Expand distribution network to rural growth centres, trading centres and potential irrigation centres	MONREA - Energy	ESCOM
	Reduce pressure on wood-fuel	Encourage use of charcoal and wood stoves in different areas	MONREA - Energy	NGOs
		Provide credit for the production of stoves	MONREA - Energy	NGOs
		Promote the use of biogas plants	MONREA - Energy	
	Expand electricity supply options	Encourage private sector to develop a dedicated financing system for Photo Voltaic (PV) systems (revolving fund)	MONREA - Energy	
		Develop the market for photovoltaic systems at household level (supply and demand)	MONREA - Energy	
	Provide incentives for the development of fuel retail outlets in rural areas	Rationalise distribution margins to provide incentive to rural distributors	MONREA - Energy	
		Review existing fiscal policies regarding fuel outlet development	MONREA - Energy	
Improve rural telecommunications	Develop and implement rural telecommunications policy	Encourage private sector provision of telecomms services (e.g. rural cellular based bureaux)	MACRA	
		Encourage network companies to expand coverage	MACRA	
		Encourage demand for telecommunications by providing training opportunities, public-access terminals and demonstrations	MACRA	
<b>Sub-Goal 1.2.4 - Other Enabling Infrastructure</b>				
Strengthen transport networks	Rehabilitate and maintain core road network	Periodic maintenance - Pothole patching and slurry sealing	NRA	
		Rehabilitation of core roads	NRA	
	Improve other transport networks	Strengthen rail, air and lake transport networks through private sector	Private sector	MOTPW
Increase access, efficiency and reliability of modern energy supply	Increase access to affordable modern energy services	Provide incentives (increase distribution margins) for establishment of coal distribution depots	MONREA - Energy	
		Promote use of low cost electrification technologies (review regulations on technology range and standards)	MONREA - Energy	ESCOM
	Improve technical and economic efficiency of modern energy supply industries	Prepare electricity supply industry market reform strategy document	MONREA - Energy	
		Change market structure from vertically integrated public monopoly to separate generation, transmission and distribution business units	MONREA - Energy	
	Increase security and reliability of energy systems	Engage in import/export of electricity through SAPP, especially through interconnection with Mozambique	ESCOM	MONREA
		Rehabilitate existing transmission and distribution power systems	ESCOM	
		Expand generation by implementation of Kapichira Phase II	ESCOM	
		Diversify power generation sources to other hydropower sources (other than Shire) and coal, biomass and thermal power	ESCOM	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
Expand telecommunications coverage	Expand coverage	Increase number of working lines	MTL	
	Continue liberalisation of sector	Open up provision to private sector	MACRA	
Improve quality of and access to broadcasting	Improve radio broadcasting	Restructure MBC	MBC	
	Provide televised information to the nation	Migrate TVM from analogue to digital formats	TVM	
		Ensure programming poverty and development-focussed	TVM	
Improve postal services	Increase number of post offices	Rent existing infrastructure, build more post offices	MPC	
	Improve sustainability of postal services	Increase charges to cost recovery levels	MPC	
		Introduce innovative methods of service delivery (e.g. contract out delivery, mutual agreements or distribution)	MPC	
<b>Sub-Goal 1.2.5 - Domestic and External Trade</b>				
Promote supportive infrastructure	Create sustainable export credit refinancing		MEPC	
	Ensure adequate road networks (see infrastructure)		NRA	
Expand domestic market share	Encourage local manufacturers to increase share of domestic market	Instill sense of loyalty in domestic market - Buy Malawi	MOCI	
		Give recognition to manufacturing companies that achieve high standards and quality	MOCI	
	Give preferential treatment to local entrepreneurs	Design transparent preferential treatment guidelines, to be overseen by MPA	MPA	MOCI
		Enforce transparent preferential treatment of local entrepreneurs	MPA	
	Encourage synergies between local companies	Encourage bulk purchases, joint advertising and promotions, joint ventures and buy-outs	MOCI	
		Promote formal and informal networks between traders	MOCI	
		Produce and share marketing information	MOCI	Private sector
	Protect consumers	Enforce competition law	MOCI	
		Protect consumers from unethical practices, misleading advertising etc.	CAMA	
		Promote growth of consumerism	CAMA	
		Promote private sector trade associations	MOCI	Private sector
Expand export market share	Promote development of exports	Strengthen role of MEPC in export promotion	MEPC	
		Establish trade promotion centres abroad, and rationalise existing trade representations	MEPC	
		Improve collection and dissemination of market information	MEPC	
Negotiate preferential arrangements	Strengthen position in regional trade organisations	Negotiate for stronger position in COMESA, SADC	MOCI	MOFAIC
		Negotiate for stronger position through UR, AGOA, EBA etc. with WTO, US and EU	MOCI	MOFAIC
<b>Sub-Goal 1.2.6 - Taxation</b>				
Design and enforce transparent tax exemption criteria			MOFEP	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
Review corporate tax	Restructure corporate taxation to respond to the needs of the private sector	Remove double taxation	MRA	MOFEP
		Respond to needs of changing employment and investment trends	MRA	MOFEP
		Eliminate distortions caused by provisional tax payments	MRA	MOFEP
	Widen the tax base	Rationalise tax reliefs and incentives	MRA	MOFEP
		Implement extended surtax	MRA	MOFEP
		Improve MRA operations	MRA	MOFEP
<b>Pillar 2 - Human Capital Development</b>				
<b>Goal 2.1 Education</b>				
<b>Sub-Goal 2.1.1 Basic Education</b>				
Improve the quality and relevance of primary education	Ensure teachers are incentivised	Pay teachers' salaries, increasing by 10% each year	MOEST	
		Put in place incentives to encourage teachers to work in rural areas	MOEST	
	Recruit and train new teachers through revised MIITEP	Recruit and deploy teachers in a systematic manner by using district based and gender balanced recruitment and training of teachers	MOEST	DEOs, District Assemblies
		Introduce improved MIITEP	MOEST	
		Train and incentivise TTC lecturers	MOEST	
		Reform teacher education curricula in line with primary education reforms	MOEST	MIE
		Enforce minimum physical standards of TTCs	MOEST	
		Provide quality inputs to primary teacher education	MOEST	
		Introduce cost sharing in TTCs for boarding and transport expenses	MOEST	
		Strengthen TTC administration by making full cost centres	MOEST	
		Create Department of Teacher Education	MOEST	
	Train existing teachers	Allow JCE holders to upgrade their academic and teaching qualifications	MOEST	
		Put in place a Teacher Education Development Programme	MOEST	
		Provide quality INSET for primary teachers through Teacher Development Centres (TDCs)	MOEST	
		Train PEAs, senior school staff and "Core INSET trainers"	MOEST	
	Develop a relevant curriculum with emphasis on literacy, numeracy and life skills	Review and monitor primary curriculum every 10 years	MIE	
		Improve efficiency of PSLC examinations	MANEB	
	Ensure that all pupils have access to an adequate supply of teaching and learning materials	Provide adequate textbooks	MOEST	
		Provide adequate learning materials	MOEST	
		Provide adequate teaching materials	MOEST	
		Provide adequate supplies unit operating expenses	MOEST	
		Decentralise distribution of education materials to a zone based system	MOEST	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Promote a more effective supervisory and inspection service	Increase supervisory visits by PEAs	MOEST	
		Ensure clean water and sanitation facilities at primary schools	MOEST	
Improve access and equity at the primary level, focusing on special needs education and girls	Recruit and train teachers in special needs	Train specialist teachers integrated into teacher education programmes	MOEST	MRPWD
		Train primary school teachers in special education needs	MOEST	
	Support given to special needs education students	Increase provision for severely impaired children by supporting resource and residential centres on boarding expenses	MOEST	MRPWD
		Integrate children with mild visual impairment into conventional schools	MOEST	MRPWD
		Increase support to residential schools for hearing impaired children	MOEST	MRPWD
		Integrate children with mild hearing impairment into conventional schools	MOEST	MRPWD
		Reduce pupil teacher ratio for visually and hearing impaired	MOEST	MRPWD
	Achieve equitable participation of girls, orphans etc.	Continue developing gender awareness teaching materials for equitable participation of both boys and girls	MOEST	MOGYCS
		Carry out a social mobilization campaign targeting orphans, girls, out of school youths and children with physical and learning disabilities	MOEST	MOGYCS
	Increase physical access to basic education	Increase usage of school blocks (double shifting)	MOEST	
		Increase the number of school blocks	MOEST	
		Rehabilitate poor classrooms	MOEST	
		Maintain classrooms	MOEST	
Increase and improve adult literacy and numeracy	Increase access to adult literacy classes	Provide adequate training and learning materials for adult literacy classes and honoraria for trainers	MOGYCS	
		Review adult literacy policy	MOGYCS	
	Promote equitable participation of men and women in adult literacy classes	Undertake social mobilization campaign	MOGYCS	
	Deliver effective adult literacy classes	Revise the adult literacy curriculum	MOGYCS	
		Train teachers in adult literacy	MOGYCS	
		Recruit and train additional instructors	MOGYCS	
		Recruit and train additional DCAs	MOGYCS	
		Strengthen monitoring of adult literacy	MOGYCS	
		Print and distribute adequate adult literacy primers	MOGYCS	
		Open up more Rural Information Centres (RICs) in existing buildings in communities	MOGYCS	
Provide special education for out of school youth	Provide an alternative form of education to school dropouts and those who have not attended school	Develop multipurpose youth centres	MOGYCS	
		Strengthen out of school youth clubs at TA level	MOGYCS	
		Train youth in vocational skills	MOGYCS	MOLVT, TEVETA

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Train youth patron leaders	MOGYCS	
	Develop and implement a relevant training package for out of school youth	Develop a comprehensive life skills training package	MOGYCS	MOLVT, TEVETA
		Training of peer educators of district youth technical sub-committees as trainers	MOGYCS	MOLVT, TEVETA
Expand pre-school education (Early Childhood Education, ECD)	Identify Early Childhood Development (ECD) centres	Carry out an ECD centre identification exercise to find out communities that have and that do not have ECD centres	MOEST	Communities, DEOs, District Assemblies
	Mobilize support for ECD centres	Mobilize support from stakeholders including private sector	MOEST	
	Promote the health and nutrition of pre-school children	Provide enriched porridge/food supplements at pre-school/CBCCs	MOEST	MOHP
		Orient ECD teachers and parents on the nutrition and health of children	MOEST	
	Establish new ECDs and pre-schools	Facilitate the establishment of new ECDs and pre-schools	MOEST	
	Ensure an adequate and well motivated supply of care givers	Recruit more ECD teachers	MOGYCS	MOEST
		Train existing ECD teachers	MOGYCS	MOEST
		Provide pre-service training to new ECD teachers	MOGYCS	MOEST
		Pay monthly honorarium to 2,800 teachers	MOGYCS	MOEST
		Pay T4 salaries to qualified ECD teachers	MOGYCS	MOEST
	Equip all CBCC facilities with adequate materials	Acquire and deliver pre-school materials	MOGYCS	MOEST
		Construct ECD resource centres for the rural areas	MOGYCS	MOEST
		Involve communities in making local materials	MOGYCS	MOEST
	Ensure quality standards in all private and public pre-school/CBCC institutions	Develop ECDs and instructional materials	MOGYCS	MOEST
		Acquire monitoring and data management tools	MOGYCS	MOEST
		Manage and evaluate ECD services	MOGYCS	MOEST
		Undertake short studies on ECDs	MOGYCS	MOEST
Respond urgently to problems created by the HIV/AIDS epidemic	Ensure that pupils/out of school youth have the knowledge and skills to avoid HIV/AIDS infection and are provided with counselling services	Support existing HIV/AIDS Clubs	MOEST	NAC
		Undertake media initiatives - magazine radio programme, AIDS educ. Soap-Opera	MOEST	NAC
		Implement recommendations from the HIV/AIDS Strategic Plan	MOEST	NAC
Decentralise and strengthen administrative and planning responsibilities	Reduce dropout and repetition rates in primary education	Tackle poor attendance by working directly with communities	MOEST	Communities, NGOs, Districts
		Undertake social contract workshops covering all schools	MOEST	
	Ensure that strategic plans for basic education are based on quality data collection and analysis	Establish an Education Management Information System (EMIS)	MOEST	



Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Decentralise administrative responsibilities/services for basic education	Reallocate educational staff and operating budgets from higher levels to lower levels	MOEST	
	Establish a dialogue among and between youth and service providers/policy makers	Provide management training and equipment for NGOs targeting youths	MOEST	NYC
		Establish Youth Technical Sub-Committees in every district	NYC	
		Build capacity for the National Youth Council	NYC	
<b>Sub-Goal 2.1.2 - Secondary Education</b>				
Increase access and equity to secondary schools	Increase access to public secondary education and ensure that there is access in every zone (315)	To construction of new classrooms and double shifting to continue in urban schools	MOEST	DEOs, Assemblies
	Increase the number of girls gaining access to secondary education	Review of bursary scheme to target students from low social-economic groups with particular focus on girls and orphans (80% of bursaries to go to girls)	MOEST	
		Automatically readmit students to school one year after suspension for pregnancy	MOEST	
	Increase access to secondary education for out of school youth	Provide for salaries for teachers engaged in distance education	MOEST	
		Provide distance education to primary school leavers who do not continue with formal schooling via MCDE	MOEST	
		Provide textbook packs to students	MOEST	
	Support students with special education needs	Children with special education needs will be integrated into conventional schools with supporting resource centres	MOEST	MRPWD
	Increase access to private secondary education	Revive the Private Schools Association of Malawi (PRISMA) and involve it in textbook provision and in night schooling	PRISAM	MOEST
Improve quality and relevance of secondary school education	Review and reform curricula in line with needs for incorporating life skills, specialist subjects, information and communication technology and nutrition	Develop and implement new curriculum	MIE	MOEST
		Reduce number of subjects examined at MSCE level	MANEB	MOEST
		Consultation of stakeholders on assessment method at JCE level - replace JCE exam with continuous assessment	MANEB	MOEST
		Improve management and efficiency of MANEB	MANEB	
	Ensure that all secondary school institutions meet physical minimum standards	Rehabilitate those CDSSs which failed to meet standards in 1999	MOEST	
		Maintain the stock of existing secondary schools (CSS, CDSS)	MOEST	
	Ensure effective supervision	Undertake advisory visits to secondary schools	MOEST	
		Recruit more SEMAs	MOEST	
		Train SEMAs, Headteachers, HoDs and cluster leaders on school development planning and supervision techniques	MOEST	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Hold various SEMA meetings on supervision techniques	MOEST	
		Establish new clusters	MOEST	
	Ensure that pupils have access to adequate supply of relevant instructional materials	Supply initial stock of textbooks to all public schools so that textbook revolving fund (TRF) scheme can start	MOEST	
		Involve public and private schools in Textbook Revolving Facility (TRF)	MOEST	PRISAM
		Supply adequate teaching materials		
		Deploy appropriate resources for specialist subjects	MOEST	MRPWD
		Maintain ICT equipment	MOEST	
		Equip every school with a set of basic to start and maintain school gardens	MOEST	MOAI
		Maintain Agriculture tools to retain their condition	MOEST	
		Equip every school with a set of basic cooking equipment to rehabilitate outdoor kitchens	MOEST	
		Equip every school with a set of sewing machines	MOEST	
	To recruit and retain an adequate number of secondary school teachers	Recruit and train enough teachers to reduce the pupil class ration in public schools	MOEST	
		Increase the number of teachers on pre-service teacher education courses	MOEST	
		Upgrade existing untrained teachers in the system	MOEST	
	Increase access and improve equity in teacher recruitment and training	Recruit trained teachers as well as qualified primary school teachers as a temporary measure	MOEST	
		Increase intake for teacher training through private and non-residential teacher training	MOEST	
		Upgrade under-qualified teachers	MOEST	
		Encourage the private sector to participate in the provision of secondary school teachers	MOEST	
		To increase the number of female Secondary school teachers	MOEST	
	Put in place a quality secondary school teacher education and development programme	Provide operating expenses for Domasi teaching services	MOEST	
		Provide operating expenses for Chancellor College teaching services	MOEST	
		Provide operating expenses for Mzuz teaching services	MOEST	
		Provide operating expenses for Polytechnique teaching services	MOEST	
		Provide operating expenses for Bunda teaching services	MOEST	
	Upgrade under-qualified teachers to diploma level	Run distance education programme at Domasi	MOEST - Domasi	
		Run distance education programme at Mzuzu TTC	MOEST	
Improve Management and Administration of Secondary Education	Decentralise Secondary school education	Improve administration in line with expansion of secondary education	MOEST	
		Streamline administrative services	MOEST	
		Improve management of division administration in line with increasing enrolment	MOEST	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		enrolment		
	Enhance secondary school planning administration	Support development of secondary school EMIS	MOEST	
		Apply and maintain quality control measures	MOEST	
	Support the development of adequate secondary school management and administration staff	Facilitate divisions and clusters to improve their analytical skills in planning	MOEST	
	An efficient and equitable financing system for secondary institutions to be put into place		MOEST	
	To improve efficiency in the use of school admin/utility resources	Reduce real financing for administration and utilities	MOEST	
		Recruit administration workers for all CCSs	MOEST	
		Recruit administration workers for all CDSS	MOEST	
	To promote internal and efficiency gains in the system	Improve the efficiency of use of teachers in CDSSs in order to reduce class size	MOEST	
		Maximise teacher learner contact time - 21 learning periods of 40 minutes each out of 45 periods	MOEST	
		Improve the equity in the distribution of qualified teachers across CDSSs and CSSs	MOEST	
	Upgrade TDU to be a department for Teacher Education and Development	Charge Department of Teacher Education Development (DTED) with a responsibility for pre-service and in-service teacher education	MOEST	
	Increase the level of cost sharing for boarding expenses	Introduce 50% coverage of boarding costs by students	MOEST	
<b>Sub-Goal 2.1.3 - Higher Education</b>				
Increase access and equity in higher education	Increase of student intake through double shifting, distant education programmes and involvement of the private sector in tertiary education	Universities to increase their intake of full-time equivalent public (FTEP) students and optimise use of physical resources by introducing double shifting and after hours use of classrooms	UOM	Mzuzu Uni
		Universities to increase intake through distance education programmes	UOM	Mzuzu Uni
		Private initiatives to be encouraged by changing the Education Act by 2004	UOM	Mzuzu Uni
		Universities to increase intake into specific poverty related programmes	UOM	Mzuzu Uni
	Increase participation of females in tertiary education	Reserve 30 % intake of girls by 2004 and 50 % by 2012	UOM	Mzuzu Uni
		Introduce scholarship awards for female students in non-traditional areas	UOM	Mzuzu Uni
		Establish a gender studies unit at chancellor college and outreach units in all institutions	UOM	Mzuzu Uni
		Introduce bridging programmes for female students	UOM	Mzuzu Uni
		Promote gender mainstreaming in all higher education institutions by introducing affirmative action in recruitment of academic staff	UOM	Mzuzu Uni
	Increase participation of students from disadvantaged groups	Introduce scholarship awards for needy students	UOM	Mzuzu Uni
		University buildings to be made 'disabled friendly' ~ by 2004	UOM	Mzuzu Uni

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Introduce Social Mobilisation Campaigns to increase admission of candidates from disadvantaged areas	UOM	Mzuzu Uni
Improve the quality and relevance of higher education	To motivate staff in teaching and research in order to strengthen and improve quality graduate programmes	Raise the average salaries of teaching and research and support staff	UOM	Mzuzu Uni
		Increase the value of welfare and professional benefits in line with the expansion in enrolments	UOM	Mzuzu Uni
	Improve the quality of teaching and learning in tertiary institutions	Annual maintenance of physical infrastructure to occur	UOM	Mzuzu Uni
		Construct new campus for Mzuzu University at Choma	UOM	Mzuzu Uni
		Increase number of science and technology laboratories and equipment	UOM	Mzuzu Uni
		Provide adequate training opportunities for professional staff by 2002	UOM	Mzuzu Uni
		Increase financial allocations for buying teaching and learning materials	UOM	Mzuzu Uni
	Strengthen research & graduate programmes	Encourage the establishment of private bookshops. Students to be given vouchers to purchase books	UOM	Mzuzu Uni
		Increase the number of post graduate programmes	UOM	Mzuzu Uni
		Increase allocation to research and technology dissemination programmes by 2004	UOM	Mzuzu Uni
	Re-orientate tertiary institutions to make them more responsive to the needs of Malawian society.	Provide scholarship support for students in 'skill demand' areas particularly Science and Technology	UOM	Mzuzu Uni
		Make computer literacy a compulsory course for all students	UOM	Mzuzu Uni
		Match jobs with market needs by 2002	UOM	Mzuzu Uni
		Introduce courses addressing cross-cutting issues including HIV/AIDS, gender, lifeskills and globalisation e.t.c by 2002	UOM	Mzuzu Uni
Reduce reliance of higher education on subventions	Decentralise the administration of Tertiary Education	Demand driven strategic plans to be developed for entrepreneurship environment in every college and department by 2002	UOM	Mzuzu Uni
		Install management information systems to facilitate planning, monitoring and implementation	UOM	Mzuzu Uni
		Recruit pro-vice chancellor at UNIMA to facilitate implementation of reform programme and business development	UOM	Mzuzu Uni
		Establish a National Commission for Higher Education to plan and co-ordinate tertiary activities by 2002	UOM	Mzuzu Uni
		Redefine the role of the University Office, the unit cost of admin expenses to fall by 20 %	UOM	Mzuzu Uni
	(2) Improve dialogue and interface and society	Increase public relations and social marketing activities by 2002	UOM	Mzuzu Uni
	Tertiary institutions to promote cost effective use of existing human and physical resources	College admin staff establishment remain constant ~ student administrator ratios increased	UOM	Mzuzu Uni

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Colleges will no longer be responsible for boarding	UOM	Mzuzu Uni
		Colleges will no longer be responsible for utility bills for boarding and will put into place energy and water saving measures such that utility expenses to fall by 20%, in real terms, by 2002	UOM	Mzuzu Uni
		Efficiency saving measures to be put in place such that unit college administrators expenses fall by 25% by 2007	UOM	Mzuzu Uni
		Separation of education and welfare services- by 2002 students to cover the cost of boarding expenses	UOM	Mzuzu Uni
		Bursary system to be abolished and replaced with a targeted scholarship programme	UOM	Mzuzu Uni
<b>Goal 2.2 Better Technical, Entrepreneurial, Vocational Education and Training</b>				
Promote self employment through skills development initiatives	Promote self employment and thereby reduce poverty in the informal Sector through establishment of skills development initiatives in rural areas	Implement on the job training programs in specific occupations for the youth in collaboration with MASAF and other stakeholders	TEVETA	
		Expand the skills development initiative for self employment rural areas	TEVETA	
		Conduct demand-driven specialized technical, entrepreneurial and business development skills training programs	MEDI	
		Train a pool of trainers of entrepreneurship training for the informal sector	MOLVT	
	Ensure access to skills development by expanding and increasing outreach and coverage of technical entrepreneurial vocational education and training programmes through village polytechnics in all districts	Establish village polytechnics	MOLVT	
		Mount mobile training units	MOLVT	
		Run village polytechnics	MOLVT	
		Run mobile training units	MOLVT	
		Link decentralisation units to designated resource colleges in catchment area	MOLVT	
	Increase the quality, productivity and marketability of indigenous skills by developing, exposing and promoting appropriate technologies in all districts	Introduce appropriate technology training in training institutions	MOLVT	MIRTDC, NRC
		Establish research units in training institutions	MOLVT	MIRTDC, NRC
		Carry out research on appropriate technology and integrate in formal and non-formal training	MOLVT	
		run research units	MOLVT	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Ensure awareness and knowledge of provision of productive skills training programmes by promoting and Facilitating Vocational Career guidance and Counselling	Conduct career guidance and counselling on TEVET in all levels of education	TEVETA	MOEST, MOLVT
		Conduct information, education and communication about TEVET programs and career opportunities for the public	TEVETA	MOLVT
	Promote recognition and appreciation of indigenous skills and competences by establishing a decentralised competency based assessment and certification system	Training of assessors	TEVETA	
		National assessment and certification system developed and approved	TEVETA	
		National assessment and certification unit established and running	TEVETA	
Improve quality and relevance of TEVET	Increase relevance, access, equity and quality of Technical, Entrepreneurial, Vocational Education and Training by reviewing, developing and implementing competency based curricula	Revise all existing curricula within Technical, Entrepreneurial, vocational education and training	TEVETA	
		Develop new curricula within all occupations	TEVETA	
		Train teachers in using new curricula	TEVETA	
	Ensure appropriate and sufficient human capacity within vocational training by establishing a flexible and cost-effective Technical Teacher System	Design a concept of national flexible technical Teacher training	MOLVT	
		Train Trainers of Trainers	MOLV T	
		Establish a national unit for planning, managing and accrediting technical Teacher training	MOVLT	
		Develop curricula for technical teacher training	MOLVT	TEVETA
		Develop and print learning and teaching materials for Technical teacher Training	MOLVT	TEVETA
		Train Teachers Teaching methodology and cross cutting issues	MOLVT	TEVETA
		Train Teachers upgrading technical, entrepreneurial and vocational skills	MOLVT	
		Run national unit for Technical Teacher Training	MOLVT	
		Register and accredit Trainers	MOLVT	
	Improve quality, relevance, impact and cost-effectiveness of Technical, Entrepreneurial, Vocational Education and Training through reform of public technical Colleges	Establish College Boards as supreme bodies for Technical colleges	MOLV T	
		Training of College Boards	MOLVT	Technical Colleges
		Running of College Boards	MOLVT	Technical Colleges

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Establish Effective Governance and Management system	MOLVT	Technical Colleges
		Training of Management and staff	MOVLT	Technical Colleges
		Grants to train capacity in public colleges	MOLVT	Technical Colleges
		Subsidies to train capacity Private providers	MOLVT	Technical Colleges
	Limit the impact of the HIV pandemic on the future labour force by ensuring Access to HIV/Aids information, counselling and testing services while monitoring its impact on the VET sector	HIV/aids national TEVET program designed and planned	TEVETA	
		HIV/Aids national mobile unit(s) established (annual capacity 4000)	NAC	MOLVT
		HIV/aids natinal mobile unit running	NAC	MOLVT
		National monitoring and impact-analysis system in operation	NAC	
Rehabilitate existing infrastructure and equipment	Increase cost-effectiveness, sustainability and quality-standards by promoting maintenance and effective operation of equipment in public technical colleges and other training institutions	Take stock of existing equipment and needs assessment within public technical colleges	MOLVT	Technical Colleges
		Rehabilitate existing public colleges	MOLVT	Technical Colleges
		Train staff from public colleges and private provideres in preventive and corrective maintenance	MOLVT	Technical Colleges
		Rehabilitate classrooms public providers	MOLVT	Technical Colleges
		Rehabilitate Workshops public providers	MOLVT	Technical Colleges
	Facilitate development of quality goods and services by promote Access to Business Development Services	Facilitate the formation of sector specific associations of producers and service providers	MOLVT	
		Conduct training in formation of Associations and cooperatives	MOLVT	Technical Colleges
		Link small enterpises to business development service providers	MOLVT	Technical Colleges
		Facilitate access to demand driven training	MOLVT	Technical Colleges
		Facilitate access to credit facilities	MOLVT	Technical Colleges
		Facilitate access to markets	MOLVT	Technical Colleges
		Facilitate access to quality exposure	MOLVT	Technical Colleges
		Establish Technical Information and facilitation centres	MOLVT	Technical Colleges
		Run technical information and facilitation centres	MOLVT	Technical Colleges
Strengthen Management and Financing of TEVET	Strengthen effective Funding and financing of the TEVET system	Strenghtten partnership between public and private sector	MOLVT	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Compliance public Sector TEVET Levy	MOFEP	TEVETA
		Extend bursaries to needy students	MOLVT	Technical Colleges
			MOLVT	
		Develop mandate of Directorate of training and ensure adequate funding for effective implementation	TEVETA	
		Extend micro-credit to TEVET graduates starting small scale business	TEVETA	
		Extend tool-box loans TEVETA apprentices	TEVETA	
<b>Goal 2.3 Improved Health Status</b>				
<b>Sub-Goal 2.3.1 - Preventative Healthcare</b>				
Improved nutrition	See Goal 2.4			
Improved water and sanitation	See Sub-Goal 1.2.3			
<b>Sub-Goal 2.3.2 - Essential Healthcare</b>				
Improve quality of essential health care	Human Resource development and retention to EHP standards	HR retention via an incentive package	MoHP	CHAM
		HR development via training additional clinical staff	MoHP	KCN, MCOHS, College of Medecine
	Clinical Support Services to EHP standard	Provide Health centres with basic laboratory and medical equipment	MoHP	
		Provide basic transport needs to district health systems	MoHP	
	Drug and medical supplies availability at EHP standards	Reform of CMS	MoHP	
		District Drug Expenditure	MoHP	
		Increase per capita drug and medical supplies expenditure	MoHP	
Improving access to and equity of EHP	Facilities development to EHP standard	Infrastructure rehabilitation and maintenance to levels required in an EHP	MOHP	CHAM
		Infrastructure development to levels required in an EHP	MoHP	
Strengthen management and financing of EHP services	Providing administrative Human Resources to an EHP standard	Administrative HR development through training	MOHP	CHAM
		Administrative HR retention	MOHP	CHAM
	Instigating alternative financing mechanisms	Joint GoM-CHAM user fee initiative	MOHP	CHAM
		Design safety-net mechanisms for the poor	MOHP	CHAM
		Undertake user Fee Advocacy campaign	MOHP	CHAM
		Prepare options for health insurance scheme for approval of cabinet	MOHP	CHAM
		Design and cost business plan for launching the chosen health insurance option	MOHP	CHAM
		Government Contribution to government employees insurance coverage	MOFEP	OPC, MOHP, DHRMD
		Design model or pilot service arrangements between providers	MOHP	CHAM
		Pro-poor Resource allocation mechanisms designed, used and monitored	MOHP	CHAM
	Sector Wide Approach	Move towards a Sector Wide Approach	MOHP	CHAM
	Decentralization	No activities identified	MOHP	CHAM
	Provide effect administration for an EHP	Provide district and central level support	MOHP	CHAM



Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
<b>Sub-Goal 2.3.3 Tertiary healthcare</b>				
Strengthen referral system			MOHP	
Hospital autonomy	Complementary support to EHP and referral pathways	Hospital Autonomy	MoHP	
		Provide tertiary healthcare (Central Referral Hospitals)	MOHP	
<b>Goal 2.4 : Promotion of Good Nutrition</b>				
Improve infant and young children feeding	Promote exclusive breastfeeding and appropriate complementary feeding	Increase number of baby friendly hospitals	MOHP	
		Conduct breast feeding week	MOHP	
Diversification and modification of diets	Promote community based nutrition interventions	Provide support for a minimum nutrition package	MOAI	
	Strengthening Food and Nutrition programs	Conduct relevant research on food and Nutrition	MOAI	
		Conduct monitoring of fortified foods	MOAI	
		Establish nutrition sentinel surveillance of data collection sites	MOAI	
Strengthen institutional capacity	Advocate for the prevention and control of malnutrition at all levels	Produce IEC materials on prevention and control of malnutrition	MOAI	
		Conduct dissemination workshops for stakeholders	MOAI	
		Conduct Community awareness campaign	MOAI	
		Review the food security and nutrition policy	MOAI	
		Conduct campaigns on HIV/AIDS and nutrition	MOHP	
	Increase and strengthen human capacity for the prevention an control of malnutrition at all levels	Conduct short courses on prevention and control of malnutrition for Extension workers in all districts	MOAI	
		Advocate for the review of curricula of health extension agents, Primary and Secondary School teachers to incorporate nutrition issues	MOEST	
		Train middle and upper level food and nutrition personnel	MOHP	
	Establish a food and Nutrition Council	Stakeholders meeting to come up with a national task force	MOAI	
		Conduct task force meeting to develop a frame work	MOAI	
		Lobbying workshops for parliamentarians and policy makers	MOAI	
		Presentation of food and nutrition framework to policy makers and Parliamentarians	MOAI	
<b>Pillar 3 - Improving the Quality of Life of the Most Vulnerable</b>				
<b>Goal 3.1 - Safety Nets</b>				
<b>Sub-Goal 3.1.1 - Productivity Enhancing Interventions</b>				
Improve agricultural productivity of the resource poor farmers	Provide free inputs	1. Undertake public information campaigns	MSPAP	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		2. Undertake beneficiary selection and processing	MSPAP	
		3. logistics, coordination and management	MSPAP	DDPRR
		4. benefits transferring	MSPAP	Retailers, NGOs
		5. monitoring and evaluation	NEC	
Provide employment opportunities for the labour abundant land-constrained poor	implement public works programmes in poor areas	1. public information campaign	MSPAP	
		2. beneficiary selection and processing	MSPAP	DDPRR
		3. logistics, coordination and management	MSPAP	
		4. benefits transferring	MSPAP	Retailers, NGOs
		5. monitoring and evaluation	NEC	
<b>Sub-Goal 3.1.2 - Welfare Support Interventions</b>				
Reduce malnutrition of the malnourished under-five children, lactating and pregnant mothers	provide food supplements and therapeutic feeding	1. public information campaign	MSPAP	
		2. beneficiary selection and processing	MSPAP	
		3. logistics, coordination and management	MSPAP	DDPRR
		4. benefits transferring	MSPAP	Retailers, NGOs
		5. monitoring and evaluation	NEC	
Provide income support to the core poor	implement direct welfare transfers	1. public information campaign	MSPAP	
		2. beneficiary selection and processing	MSPAP	
		3. logistics, coordination and management	MSPAP	DDPRR
		4. benefits transferring	MSPAP	Retailers, NGOs, district assemblies, support groups
Strengthen capacity of families and communities to effectively support the most vulnerable	Implement capacity building programs	1. Training of foster care parents in orphan care	MOGYCS	NGOs, Community support groups
		2. Training of volunteer counsellors	MOGYCS	NGOs, Community support groups
		3. establish homebased care committees and train individuals to manage them	MOGYCS	NGOs, Community support groups
		4. Establishment of care centers, training	MOGYCS	NGOs, Community support groups
<b>Goal 3.2 - Improving Disaster Management</b>				
Improving disaster management	Provide food and non-food items as basic necessities to disaster victims	1. Beneficiary selection and processing	District Assemblies	DDPRR

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		2. Purchase of food and non-food items	Donors, private donations, NGOs	DDPRR
		3. Logistics, distribution, coordination, and management	Donors, private donations, NGOs	DDPRR, District Assemblies
	Undertake rehabilitation and reconstruction	1. Beneficiary selection	Donors, private donations, NGOs	DDPRR, District Assemblies
		2. Logistics, coordination, and management	Donors, private donations, NGOs	DDPRR, District Assemblies, NGOs
	Design disaster preparedness and mitigation programmes	1. VAM, identify mitigation programs	DDPRR	
		2. Public information and awareness	DDPRR	
		3. Support implementation	DDPRR	Districts, NGOs
	Monitoring and Evaluation		NEC	DDPRR, District Assemblies
<b>Pillar 4 - Governance</b>				
<b>Goal 4.1 - Political Will and Mindset</b>				
<b>Goal 4.2 - Improved safety, security and access to justice</b>				
Reduce crime	Increase crime control capacity	Increase police presence, particularly in rural and border areas	Police	
		Improve police response to calls for assistance (local transport and communication)	Police	
		Establish anti-cattle theft units	Police	
		Control the proliferation and transfer of firearms	Police	
		Strengthen anti-motor vehicle theft units	Police	
		Co-ordinate with army for extra capacity when necessary	Police	Army
	Crime prevention	Enhance community involvement in policing	Police	
		Civic education on crime prevention	Police	MOHA
		Develop counselling methods at all levels	Police	Prisons
		Criminal surveillance	Police	
	Improve co-ordination with private security firms	Establish legal framework	Police	
		Establish database of firms and employees	Police	
		Establish private security board to oversee legal framework, funded by private sector contributions (registration fees etc.)	Police	
	Improve quality of investigation	Develop technical support for evidence gathering (forensic, fingerprinting etc.)	Police	
	Improve organisational performance of the Police Force	Improve financial management	Police	
		Improve human resource management and development, including HIV/AIDS prevention and mitigation, and eliminating gender imbalances in recruitment	Police	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
			Police	
		Promote civilianisation by reviewing recruitment systems	Police	
		Develop and implement a decentralisation plan for the police service	Police	
Improve access to and delivery of effective and efficient justice	Increase crime prosecution rate	Recruit and train prosecutors in police and DPP.	MOJ	Police
		Construct more court rooms in all districts	Judiciary	
		Ensure adequate judicial staff and support	Judiciary	
	Strengthen independence of Judiciary	Design and implement separate funding system for Judiciary	MOFEP	Judiciary
		Conduct awareness campaigns on judicial independence, for political leaders and public	Judiciary	
	Enhance capacity to deliver and access effective and efficient justice particularly for the poor	Increase number of lawyers in justice system i.e. LegalAid	MOJ	
		Establish LegalAid offices in all districts	MOJ	
		Conduct civic education of the community of their rights and access to legal services	MOJ	
	Safeguard rights of victims of crime, suspects and prisoners	Construct and establish victim support unit in all districts	Police	
		Improve remand cells	Police	
		Provide adequate food, bedding and medical care to remandees and prisoners	Prisons	
		Ensure adequate supervision/guidance for prisoners	Prisons	
		Encourage and sustain community service for petty offences	Judiciary	
		Construct and rehabilitate prison infrastructures	Prisons	
	Develop effective rehabilitation programmes for prisoners	Provide opportunity for education and development of skills	Prisons	
		Develop training facilities	Prisons	
		Reinstitution of prison farms	Prisons	
		Recruitment of personnel with vocational skills	Prisons	
Ensuring respect of the rule of law	Depoliticise security and justice organisations	Conduct civic education on the independence and neutrality of security and justice organisations	Judiciary	
		Strengthen oversight bodies of security organisations	NGOs	MHRC, Judiciary
		Empower and encourage the police and justice organisations to arrest and deal with every offender, including "untouchables"	Police	MOJ
		Institute unbiased and depoliticised recruitment into security and justice organisations	Police	Judiciary, MOJ, DPP
	Promote the rule of law in security organisations	Promote international humanitarian law	MHRC	NGOs
		Training for officers in security organisations	Police	Army, NIB
	Ensure appreciation and respect of law	Sensitise public on rights and responsibilities in the constitution and access to justice	NGOs	Judiciary
<b>Goal 4.3 - Ensuring responsive and effective public institutions</b>				
<b>Sub-goal 4.3.1 - Improved Public Expenditure Management</b>				

<b>Objective (in order of priority)</b>	<b>Strategy (in order of priority)</b>	<b>Activity (in order of priority)</b>	<b>Lead institution</b>	<b>Other resp. instns</b>
Improve budget implementation by creating hard budget constraints	Strengthen political leadership and oversight of the Budget	Simplify budget structure and presentation	MOFEP	
		Submit quarterly expenditure reports disaggregated by activity to Parliamentary and Cabinet committees	MOFEP	
		Strengthen PAC & BFC through technical support, increased funding and a fixed legal role through the revised Finance and Management Control Act	Parliament	NGOs
		Training of Cabinet Ministers on public finance and links between PEM, macroeconomic stability and poverty reduction	MOFEP	
		Public finance training programmes for MPs and controlling officers	MOFEP	
	Improve financial management and expenditure control systems	Introduce IFMIS	Accountant General	MOFEP
		Review and strengthen Credit Ceiling Authority (CCA) and Commitment Control System (CCS)	MOFEP	
		Split Finance and Audit Act into separate Finance and Management Control Act (with sanctions against those who break regulations) and Public Audit Act (ensuring independence of National Audit Office)	MOFEP	NAO, MOJ
		Build capacity in Government for expenditure monitoring, in terms of inputs and outputs	Accountant General	Accountant General
		Introduce expenditure tracking mechanisms	MOFEP	Accountant General
		Draft new Treasury instructions in line with the new Act	MOFEP	
	Improve predictability of funding to line ministries	Improve resource projections, revising on a quarterly basis	MOFEP	
		Maintain steady funding to high priority poverty reducing activities	MOFEP	
		Introduce mechanisms for coordinating donor inflows	MOFEP	
		Design and implement risk management mechanism.	MOFEP	
	Establish mechanisms for citizens to hold civil service accountable for its actions	Monitor public expenditure using civil society	MOFEP	Civil Society
		Publicise information on public expenditure through media	MOFEP	Media
	Establish mechanisms for ensuring value for money	Annual Public Expenditure Review linked to PRSP Review	MOFEP	
		Introduce value for money auditing	NAO	
Improve public expenditure planning and budget preparation	Increase comprehensiveness of Budget	Include all donor funded projects, including MASAF	MOFEP	Line Ministries, Donors
		Enforce all donor funded activities to be captured on line ministry revenue accounts at RBM	MOFEP	
		Control expenditures by State Owned Enterprises	MOFEP	NGOs
		Fully integrate recurrent and development budgets	MOFEP	Line Ministries

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Formalise and strengthen Budget scrutiny	Formulate budget in line with MPRSP	MOFEP	Line Ministries
		Ministers report annually to Parliament on inputs and outputs	Parliament	
		Capacity building for Ministry of Finance and Economic Planning to improve Budget scrutiny	MOFEP	
<b>Sub-Goal 4.3.2 - Public Service Reform</b>				
Improve the conditions of service and work ethics	Review and establish realistic and equitable remuneration	Integrate all benefits and allowances into basic salary	DHRMD	MOFEP
			DHRMD	
		Devise and implement medium term wage policy	DHRMD	MOFEP
	Improve accountability of civil servants for results	Review performance contract scheme, focussing on setting and monitoring financial management performance criteria	DHRMD	MOFEP
		Explore the possibility of extending performance contract scheme to lower grades	DHRMD	MOFEP
	Enforce standards for civil service	Develop and enforce a code of conduct for public officials	DHRMD	
		Design and implement performance based appraisal and monitoring system for civil servants	DHRMD	
		Review and enforce Public Service Act.	DHRMD	
	Review pensions system	Design and implement new pensions system that increases payments whilst ensuring a fixed, predictable budgetary impact	MOFEP	Accountant General
Review structure of the civil service	Revisit functional review process	Rationalise Ministry functions and staffing on basis of PRSP activities and decentralisation process	OPC	DHRMD
		Rationalise use of staff	DHRMD	
Address human resource capacity constraints	Increase number of qualified personnel in key posts	Develop career path	DHRMD	Line Ministries
		Ensure adequate supply of key professional cadres (see higher education)	UOM	Mzuzu University
	Mitigate against impact of HIV/AIDS	Design and implement HIV/AIDS impact mitigation plan, including additional recruitment and training, and prevention.	DHRMD	Line Ministries
	Address gender imbalances in civil service	Provide equal opportunities for qualified men and women	DHRMD	Civil Service Commission
Strengthen capacity of public policy making and management	Integrated public policy making and planning	Give policy making a poverty focus	OPC	MOFEP, Line Ministries
		Strengthen capacity and co-ordination of central Government ministries (OPC, MOFEP, NEC, OVP)	OPC	MOFEP, NEC, OVP
	Co-ordinate PSR actions	Develop long term strategic framework for implementing public sector reform	OPC	
		Undertake change management activities to facilitate PSR	OPC	
Improve effectiveness of parastatals	Reduce inefficiencies	Recruit competent managers	DSC	MOFEP - PERMU
		Continually review Board membership to ensure relevant skills and experience	DSC	MOFEP - PERMU
		Strengthen Public Enterprise Reform and Monitoring Unit (PERMU)	MOFEP - PERMU	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Perform continuous financial scrutiny of parastatals and coordinate reform	MOFEP - PERMU	DSC
		Review structures and functions of state owned enterprises	DSC	MOFEP - PERMU
	Commercialise and privatise parastatals	Privatise and/or liquidate ADMARC subsidiaries	MOFEP - PERMU	PERMU, DSC, Priv Comm
		Sell off excess ADMARC storage capacity	ADMARC	PERMU, DSC
		Establish and privatise separate cotton company from ADMARC	ADMARC	PERMU, DSC, Priv Comm
		Prepare ADMARC for privatisation	ADMARC	PERMU, DSC, Priv Comm
		Commercialise and privatise utility companies (ESCOM, Water Boards)	Utility companies	PERMU, DSC, Priv Comm
		Privatise MTL, MDC and Air Malawi	Priv Comm	PERMU, DSC
<b>Sub-Goal 4.3.3 - Corruption and Fraud</b>				
Improve the prevention of corruption and fraud	Strengthen procurement procedures	Create new Malawi Procurement Authority (MPA) to oversee decentralised procurement across Government	OPC	
		Design and enforce (through MPA) clear and strict procurement guidelines	MPA	
	Civic education	Conduct and encourage anti-corruption campaigns	ACB	
Increase detection and prosecution of corruption and fraud	Strengthen institutional framework	Review legal framework and relationships between ACB, DPP, Judiciary, NAO and Pub. Acc. Comm.	MOJ	ACB, DPP, Judiciary, NAO
	Build capacity	Build capacity to improve coverage and timing of audit.	NAO	
		Build capacity for investigation and prosecution of corruption and fraud cases	ACB	DPP, Judiciary, NAO
		Ensure speedy processing of corruption and fraud cases	ACB	DPP, Judiciary, NAO
<b>Sub-Goal 4.3.4 - Decentralisation</b>				
Develop institutional capacity for local governance	Develop an appropriate accounting and financial management system at district level	Computerisation of financial management	MOLG	Accountant General, MOLG, MOFEP, District Assemblies
		Build capacity of assembly personnel in financial management.	MOLG	Accountant General, MOLG, MOFEP, District Assemblies
		Introduce activity based budgeting in line with MPRSP	MOLG	District Assemblies, MOLG, MOFEP
	Establish effective administration systems for local Government	Develop human resource capacity for assemblies and below	MOLG	MOLG, District Assemblies

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Strengthen national coordination of decentralisation	MOLG	
Transfer functions, resources and planning to districts	Establish local government financing system	Develop a phased implementation of a system for intergovernmental transfers	MOFEP	MOLG, LGFC
		Strengthen revenue collection and management by assemblies	District Assemblies	MOLG, LGFC, MOFEP
		Train assembly finance committees and accounting personnel	MOLG	Training institutions
	Devolve functions to the assemblies	Facilitate preparation and implementation of sector devolution plans	Line Ministries	
	Introduce district planning mechanisms	Develop local planning system integrated into MPRSP	MOFEP	MOLG, District Assemblies
		Build capacity for implementing planning system	MOLG	MOFEP, District Assemblies
	Create a consistent legal and operational framework for devolved governance	Review government policies, procedures and regulations	MOLG	
		Review bye-laws	District Assemblies	MOLG
	Ensure the public understands and appreciates decentralisation	Produce material, conduct civic education	MOLG	NGOs
		Provide support and training to media, traditional leaders and civil society institutions	NGOs	
<b>Sub-Goal 4.3.5 - Democratisation</b>				
Strengthened formal governance institutions	Strengthen electoral processes	Strengthen capacity and awareness for law enforcement related to elections	EC	Police
		Strengthen capacity of Electoral Commission	EC	
		Civic education to increase voter turn-out and create awareness of the roles of MPs	EC	NGOs
		Review electoral system to make it more inclusive and cost effective	EC	
	Improve understanding of democratic rights and responsibilities	Civic education, translated into vernacular languages	NGOs	
	Improve participation in national policy dialogue	Institutionalise national forum for dialogue, linked to the MPRSP review process.	OPC	MOFEP
	Make executive more accountable to parliament	Provide support to parliamentary committees	Parliament	NGOs
		Provide training for parliamentarians	Parliament	NGOs
		Strengthen political parties	Parliament	NGOs
Strengthened informal governance institutions	Strengthen professionalism and independence of mass media	Enforce regulatory framework for the media.	MACRA	
		Ensure objectivity of broadcast media	MACRA	
	Increase capacity and improve accountability of NGOs	Establish and support of institutions under NGO Law	NGO Council	
<b>Sub-Goal 4.3.6 - Human Rights</b>				
Ensure observance of human rights	Develop capacities of all relevant institutions	Include human rights training for all public servants, particularly enforcement agencies (police, army etc.)	MHRC	
		Review roles and functions of human rights institutions	OPC	



Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Raise awareness of citizens about their constitutional rights and obligations	Intensify human rights awareness and sensitisation campaigns	MHRC	NGOs
		Include human rights in the curricula of the entire formal education system	MOEST	
		Raise awareness and sensitivity to negative cultural practices that violate human rights	MHRC	
<b>Cross-Cutting Issues</b>				
<b>Goal 5.1 Ensure national response to the HIV/AIDS pandemic</b>				
Reduce incidence of HIV/AIDS	Prevent infection among the youth	Provide support for the National Youth Council to coordinate HIV/AIDS activities effectively among the youth	NAC	
		Promote involvement of youth at all levels in planning, decision making and delivery of HIV/AIDS activities	NAC	NGOs, Youth organisations, MOEST
		Promote participation of youth in the development and dissemination of HIV/AIDS IEC messages, particularly on radio and television	MOGYCS	NGOs , NAC
		Strengthen linkages and collaboration among youth socialisation institutions	MOGYCS	NAC
		Encourage and support competitive sporting activities for schools, youth organisations and among communities	MOGYCS	Districts, NAC
		Integrated life skills training in school curricula and youth development programmes nation-wide	MOEST	NAC
		Strengthen the role of parent teacher associations in providing guidance to youth on HIV/AIDS issues, counselling and training	MOEST	Training institutions, media, NAC
	Prevent infection among the general public	Conduct on-going education on sex and sexuality and HIV/AIDS/STIs for parents, teachers and religious elders	NAC	NGOs, Youth organisations
		Develop and disseminate IEC messages on sex and sexuality, STIs and HIV/AIDS for schools, out of school youth, parents/guardians, teachers and religious leaders	NYC	Religious institutions, educational institutions, private sector, media, parents
		Strengthen HIV/AIDS Counseling in youth organisations, schools, religious organisations and families	NAC	NGOs, Youth organisations
		Promote discussion and communication on sex and sexuality, STIs and HIV/AIDS in religious youth organisations	NAC	NYC, Religious institutions, educational institutions
		Review laws and policies, which affect the welfare and status of women, orphans and other vulnerable	NAC	Law Commission, MOJ
		Review customary laws, policies and practices that put women at a disadvantage and facilitate the spread of HIV	NAC	Law Commission, MOJ
		Translate and disseminate the reviewed law and policies in to local languages	NAC	Law Commission, MOJ, religious institutions, private sector

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Enforce the reviewed law and policies on out-going basis and at all levels	Police	NAC
		Develop legislative instrument to deal with sexual harassment at the workplace	NAC	Law Commission, MOJ
		Investigate the nature and extent of the sex industry in Malawi as a basic policy reform and management of the industry	NAC	
		Develop more strengthened systems for condom distribution procurement and quality control	NAC	NGOs, MOHP
		Increase and strengthen systems for condom distribution and seek more innovative mechanism for wider distribution	NAC	NGOs, MOHGP, private sector health institutions
		Advocate and mobilize increased youth participation in condom distribution and in peer education on the values, availability and correct and consistent use of condoms	NAC	Media, youth organisations, CBOs, training institutions
		Integrate information on condom use in formal education curricula, youth organisations and non-formal adult education programmes	MOEST	NGOs, NAC, MOHP, TEVETA, health institutions
		Train HIV/AIDS workers and activists in institutions and communities in condom promotion, storage, distribution logistics, effective use and disposal	NAC	NGOs, MOHP, private sector health institutions
		Develop a national policy on prevention of mother to child transmission	MOHP	
		Develop IEC materials for reduction of mother to child transmission	NAC	MOHP, NGOs, private sector
		Train adequate personnel in the management of anti-retroviral therapy	NAC	MOHP, training institutions
		Provide adequate anti-retroviral drugs and promote access to the therapy among HIV positive pregnant mothers	MOHP	Private sector health institutions, NGOs
		Develop clear policy and procedural guidelines on blood safety	NAC	MOHP
		Procure and distribute equitably adequate HIV testing equipment and reagents	MOHP	
		Establish national blood transfusion services	MOHP	NAC, NGOs
		Institutionalise infection control procedures in all health facilities, workplaces, mortuary/funeral services, community support groups and other relevant settings	MOHP	NAC
Improve quality of life of those with HIV/AIDS	Improve management of HIV/AIDS related conditions	Strengthen home and community based care system	NAC	CBOs, NGOs
		Train health care providers, activists and institutions for better care and management of HIV related illness	NAC	MOHP, youth organisations, womens' organisations, NGOs
		Plan and implement behaviour change intervention based on HIV test results	NAC	NGOs, CBOs

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Review and strengthen as necessary linkages/ referral systems between VCT and HIV care and support services	NAC	MOHP, District Health Committees
Mitigate against impact of HIV/AIDS	Mainstream HIV/AIDS in the planning at all levels and all sectors	Establish a mechanism to regulate the planning, implementation and monitoring of IEC activities on HIV/AIDS	NAC	
		Prepare a directory of stakeholders in HIV/AIDS work to identify existing capacity and exploit the principle of comparative advantage	NAC	
		Appoint and train officers within stakeholders institutions for coordination, monitoring and evaluation of IEC activities	NAC	MOHP
		Develop and implement an HIV/AIDS IEC strategy and implementation of HIV/AIDS IEC	NAC	
		Develop mechanisms for collaboration and network in the implementation of HIV/AIDS IEC	NAC	
		Develop a strategy among stakeholders for resource mobilisation to support IEC messages and materials	NAC	
		Develop a reference data bank and resource centre on HIV/AIDS and IEC messages and material	NAC	
		Evaluate existing IEC materials and identify behaviour change gaps to target IEC messages effectively	NAC	MOHP, NGOs
		Prepare comprehensive target group profiles to ensure gender and cultural relevance of messages and materials	NAC	MOHP
		Introduce and implement rapid HIV testing kits in a phased process	NAC	MOHP, private sector
		Establish additional VCT centres in strategic areas for increased access	NAC	
Provide support to both NAC & implementors	Develop sound systems & provide financial & administrative support both to NAC & implementors.	Establish mechanisms to regulate the financial, procurement & stores management including reviewing the systems	NAC	Donors
		Establish & introduce comprehensive administrative management systems to regulate and cover systems administration Human Resource development and general administrative support.	NAC	Donors
		Provide secretarial/information and logistical/operational support to the Board of Commissioners.	NAC	Donors
		Funds allocated for Grants and contracts management (I.e. flow through funds to implementors)	NAC	Donors
<b>Goal 5.2 Ensure practical national response to gender and empowerment</b>				
To strengthen the institutional capacity for implementing the National Platform for Action and National Gender Policy	Strengthen sectoral linkages between Ministry of Gender and other stakeholders	Establish Gender focal points in all stakeholder institutions	MoGYCS	
		Conduct regular meetings of gender focal points to share experiences	MoGYCS	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Build capacity for gender responsive planning implementation monitoring and evaluation	Develop tools for gender monitoring and evaluation	MoGYCS	
		Institutionalise an engendered MIS	MOGYCS	
		Train gender focal points in gender analysis, programming mainstreaming and monitoring and evaluation	MoGYCS	
		Establish documentation centres on gender and development	MoGYCS	
Promote gender sensitive formal and informal legal environment	Identify and document negative traditional practices, beliefs and values	Consolidate existing study reports on issues relating to harmful beliefs etc	MoGYCS	
		Identify information gaps requiring research	MoGYCS	
		Conduct a national research on traditional beliefs and practices	MoGYCS	
		Develop TOT curriculum	MOGYCS	Learning institutions
		Train community leaders and councillors on the effects of the harmful practices, beliefs and values	MoGYCS	Districts, NGOs
	Disseminate information on effects of the negative cultural practices, beliefs and values	Sensitize communities on the effects of the negative cultural practices, beliefs and values	MoGYCS	
		Conduct nation-wide campaign on gender and culture	MOGYCS	NGOs
	Facilitate the review of laws which impact negatively on women and other disadvantaged groups	Review existing laws relating to women including the women and the law book	MoGYCS	Law commission, MOJ
		Develop new laws on identified harmful practices	MoGYCS	Law Commission, MOJ
		Translate the Women and Law book	MoGYCS	
		Produce user friendly materials on reviewed laws	MOGYCS	
		Disseminate the materials country wide	MoGYCS, NGOs	
To engender budgets	Develop policy on engendering sectoral budgets	Conduct consultation meetings with all stakeholders	MoGYCS	
		Sensitize all policy makers in all sectors	MoGYCS	
	Build Capacity for poverty focused and gender responsive sectoral policy development	Train all planners and budget officers	MoGYCS	
		Develop and disseminate guidelines for gender responsive budgeting	MOGYCS	NGOs
Eradicate Gender Based Violence	Establish and operationalize a mechanism for victims of violence	Expand victim support units to all police stations and substations	Police	
		Continue sensitizing the public on all forms of gender based violence and their effects on victims	MoGYCS	
		Expand community based groups on gender based groups on gender based violence monitoring	MoGYCS	CBOs
		Conduct orientation sessions for community based groups	MoGYCS	CBOs
		Continue providing resource reference materials to all community based groups	MoGYCS	CBOs

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Set up a network between community groups and the police	MoGYCS	CBOs, Police, MOHA
		Create linkages for an integrated service delivery	MoGYCS	
	Strengthen institutional capacity of all relevant stakeholders	Incorporate gender based violence issues in the curriculum of all relevant training institutions e.g. Police College, Magomero college, Teachers T/C etc	MoGYCS	Training institutions
		Train various cadres in Management of gender based violence at district level	MoGYCS	DHRMD
		Set up a mechanism within the MoGYCS to coordinate GBV activities	MoGYCS	
	Provide counseling and support services for victims of gender based violence	Develop and print counselling manuals	MoGYCS	
		Train various cadres in relevant institutions and community based groups in counseling	MoGYCS	CBOs, Police, NGOs, MOHP
		Provide counselling to victims of gender based violence	MoGYCS	CBOs, Police, NGOs, MOHP
		Monitor counselling activities and support services rendered	MoGYCS	
	Set up a data Bank on GBV in all documentation Centres	Commission a nationwide research on social cultural and traditional norms that legitimise and promote GBV	MOGYCS	Research institutions
		Conduct workshops to disseminate research and develop forward looking strategies on GBV	MoGYCS	
Enhance women's participation in leadership and decision making positions	Provide Leadership and Assertiveness training to women and girls	Conduct training for women and girls in leadership and assertiveness	MoGYCS	
		Monitor the effectiveness of the training on the trained women and girls	MOGYCS	NGOs
		Appointment of more capable and qualified women	All institutions	
<b>Goal 5.3 Ensure environmental sustainability</b>				
To strengthen the legal and institutional framework for PRS in environment and natural resource management.	a) Update NEP and EMA to decentralize environment management to the lowest appropriate level.	Conduct training at district and community level in environmental management	MONREA - Env	
		districts enact NRM by-laws	MONREA - Env	MOLG, district assemblies
	b) Facilitate sector SOERs and EAPs, consolidate nationally and present to Parliament and PRSP.	DSOERs and DEAPs	MONREA - Env	District Assemblies
		Review of the ESP	MONREA - Env	
	c) Provide resources for environmental microprojects.	Establish DDF green windows	MONREA - Env	
		Establish microprojects in districts	MONREA - Env	NGOs
		Establish DESC support microprojects	MONREA - Env	NGOs
	d) International lobby for PRS support through conventions	Convention secretariat in EAD	MONREA - Env	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
		Subscription to conventions	MONREA - Env	
		Participate to international, regional meetings and studies	MONREA - Env	
To promote alternative livelihood strategies as a PRS in environment and natural resource management.	a) Strengthen the steering for environmental focal points	Meetings, NSC, NFP, TCE and NCE	MONREA - Env	
	b) Facilitate adaptive research	Conduct several research over time to promote technology development and transfer	MIRTDC	University, other research institutions
To create mass awareness of environment and natural resource management.	a) Facilitate environment in curriculum development and provide training opportunities in DEM	Review of School/college/University curriculum	MONREA - Env	Teaching institutions, research institutions
		Offer post graduate/short course/fellowship in environmental management	UOM	
	b) Facilitate capacity development in DEM	Provide training in district assemblies	MONREA - Env	District Assemblies
	c) Mass media campaign on DEM & best management practices	Radio/TV/Press campaign on BMPs	MONREA - Env	Media, NGOs
		Starter pack leaflets	MONREA - Env	
		Circulate DEM publications	MONREA - Env	NGOs
<b>Goal 5.4 - Create a Science and Technology driven economy</b>				
Improve capacity and capability of the national system for science and technology	Strengthen national science and technology	Adoption of the new science and technology policy	OPC - NRC	
		Establishment of a national commission for science and technology	OPC - NRC	
		Improve promotion, coordination and financing of science and technology ,	OPC - NRC	
		Improve promotion, Implement a comprehensive human resource development and management programme for S and T.	OPC - NRC	NIRC, UOM MIRTDC
Intensify application of S and T	Increase application of S and T in all sectors of the economy	Conduct research in appropriate technology	OPC - NRC	NIRC, UOM MIRTDC
		Intensify extension and application of appropriate technologies in all sectors of the economy	OPC - NRC	NIRC, UOM MIRTDC
Enhance utilisation of information and communication technologies	Provide Government wide area network infrastructure	Extend Government Wide Computer Network (GWAN) to City Centre, Parliament, Police and Army Headquarters	DISTMIS	
		Extend GWAN to Government regional offices	DISTMIS	
		Extend GWAN to Government district offices	DISTMIS	
		Interface government wide area network with district assembly network	DISTMIS	
		Develop GWAN human Resources	DISTMIS	
	Maintain GWAN	Maintain GWAN	DISTMIS	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Enhance security of Government wide computer information systems	carry out risk analysis and develop action plan	DISTMIS	
		implement action plan	DISTMIS	
	Provide uninterrupted supply of electricity	Review works report of March 1999, procure and implement the power generators	DISTMIS	
	Maintain Government wide computer information systems (PPPAI & IFMIS)	Develop human resources responsible for IFMIS maintenance	DISTMIS	
		Develop human resources responsible for PPPAI maintenance	DISTMIS	
		Maintain IFMIS	DISTMIS	
		Maintain PPPAI	DISTMIS	
	Develop and implement civil service ICT Policy and Strategy	Develop and implement civil service ICT Policy and Strategy	DISTMIS	
	Ensure competent usage of Government information systems	ICT awareness programmes	DISTMIS	
Enhance Government Information systems	Develop additional modules to interface with PPPAI and IFMIS	Systems analysis, design and implementation	DISTMIS	
	Develop IMS for other sectors	Systems analysis, design and implementation	DISTMIS	
Enhance utilisation and development of information and communication technologies	Develop National ICT Policy and Plan	Develop National ICT Policy and Plan	DISTMIS	
	Enhance and introduce ICT in education, vocational training, teacher education	Assist MOE and MLVT in their efforts in 'computers in education'	DISTMIS	
	Enhance and introduce ICT in health	Assist MOHP in their efforts in 'computers in health'	DISTMIS	
	Enhance and introduce ICT in gender	Assist MOGYCS in their efforts in 'Women and children and ICT'	DISTMIS	
Encourage the participation of private sector and civil society in ICT utilisation and development	Conduct awareness campaigns	Carry out seminars in conjunction with the Chamber of Commerce	DISTMIS	
		Conduct awareness programme on the utilisation of the IT infrastructure	DISTMIS	
<b>Macroeconomic Stability</b>				
<b>Goal - Ensure Macroeconomic Stability</b>				
<b>Sub-Goal 1 - Improve the Effectiveness of Monetary Policy and Liquidity Management</b>				
Reduce inflation rate (price stability)	Reduce the growth of money supply by targeting the growth in reserve money	Carry out open market operations as required	Reserve Bank of Malawi	
		Actively adjust Bank rate	Reserve Bank of Malawi	
Improve efficiency of financial system (reduce interest rates)	Review regulatory framework	Reduce liquidity reserve requirement	Reserve Bank of Malawi	
	Review Institutional framework for other financial institutions	Introduce re-discount facilities for other instruments	Reserve Bank of Malawi	

Objective (in order of priority)	Strategy (in order of priority)	Activity (in order of priority)	Lead institution	Other resp. instns
	Encourage entry of new financial institutions and instruments		Reserve Bank of Malawi	
<b>Sub-Goal 2 - Achieve Competitive Exchange Rate</b>				
Stable Malawi Kwacha	Sound fiscal and monetary policies	Encourage development of an interbank foreign exchange market	Reserve Bank of Malawi	
Avoid appreciation of the REER	Low and stable inflation	Broaden participation of the private sector in exchange rate management		
	Improve competition in foreign exchange market	Review regulatory framework		
	Improve market information			
<b>Sub-Goal 3 - Improve the Effectiveness of Fiscal Policy</b>				
Improve fiscal discipline	Strengthen political leadership and oversight of the Budget	"See Pillar 4: (PEM)"		
	Improve financial management and expenditure control systems	"See Pillar 4: (PEM)"		
	Improve predictability of funding	"See Pillar 4: (PEM)"		
	Increased RBM independence	Change the relationship between how RBM relates to Treasury in terms of borrowing		
		Banking Act threshold to be reduced from 25% of projected revenues		
	Stronger monitoring and enforcement procedures against over spending among parastatals	Create a single, all encompassing Act of parastatals + PERMU		
	Increase budget transparency	Extend Parliament debate time over the Budget to 1 month		
		Strengthen powers of Public Appointments Committee		
	Transparent appointments procedure towards senior officers in government and in parastatals	Advertise and scrutinise appointments in senior positions		
	Improved forecasting methods for budgetary purposes	Introduce further risk assessment and more thorough consultation with interested parties e.g. MRA, NEC, RBM, NSO		
<b>Sub-Goal 4 - Increase Growth through Investment and Trade</b>				
Increase investment opportunities	See Pillar 1			
Increase export promotion	See Pillar 1			
<b>Monitoring and Evaluation of MPRS</b>				
<b>Goal: Ensure implementation of the MPRS</b>				
Strengthen MPRS monitoring and evaluation systems	Create MPRS-specific units	Set up monitoring unit in MOFEP, staff and equip them	MoFEP	
		Set up statistics units in DAs, staff and equip them	District Assemblies	
		Designate district-liason officers in NSO	NSO	
		Strengthen Parliament's supporting capacity for Parliamentary Committees (PAC and BF&C)	Parliament	
		Set up M&E Committees in communities	NEC	Communities, District Assemblies



<b>Objective (in order of priority)</b>	<b>Strategy (in order of priority)</b>	<b>Activity (in order of priority)</b>	<b>Lead institution</b>	<b>Other resp. instns</b>
	Undertake capacity building of M&E instutions	Mount training programmes for staff in MoFEP's MPRS unit	MOFEP	
		Mount training programmes for staff in NEC's MPRS Monitoring System Secretariat	NEC	
		Strengthen NSO	NSO	
		Train staff in line Ministries' and DAs Statistics units	MoFEP	
		Train PAC and BF&C and their secretariats	MoFEP	
		Train members of M&E Committees in communities	NEC	CSOs
Provide up-to-date M&E data and statistics for MPRS reviews	Generate data and statistics for M&E	Undertake expenditure tracking to monitor and evaluate inputs and outputs	MOFEP	Parliament, Civil Society
		Conduct annual CWIQ surveys	NSO	
		Conduct 3-year QUIM surveys	NEC	
		Conduct 5-year IHS surveys	NSO	
		Conduct 5-year DHS surveys	NSO	
		Conduct 5-year NSSA	NSO	
		Generate district level data from administrative and surveys	District Assemblies	
		Undertake poverty analysis of national and district level poverty data	NEC	
		Build national and district level poverty databases	NSO	NEC



## Annex 2 – Summary of Costings by Objective

This table summarises costings at Objective, Sub-Goal, Goal and Pillar level. For a more detailed breakdown of costings by Strategy, Activity and Costing Item, please refer to the full action plan matrices available as a separate technical document.

Millions of Malawi Kwacha	2002-3	2003-4	2004-5
<b>Total Costings</b>	<b>41,332.18</b>	<b>43,975.68</b>	<b>46,269.62</b>
<b>Statutory Activities</b>	<b>9,984.73</b>	<b>9,023.73</b>	<b>8,516.15</b>
<b>Statehood Activities</b>	<b>2,358.80</b>	<b>2,276.64</b>	<b>2,236.58</b>
<b>Total MPRSP</b>	<b>28,988.65</b>	<b>32,675.32</b>	<b>35,516.90</b>
<b>Pillar 1</b>	<b>8,013.56</b>	<b>9,421.09</b>	<b>9,331.92</b>
<b>Pillar 2</b>	<b>13,860.36</b>	<b>15,356.57</b>	<b>17,188.26</b>
<b>Pillar 3</b>	<b>1,209.02</b>	<b>1,824.78</b>	<b>2,307.96</b>
<b>Pillar 4</b>	<b>4,040.15</b>	<b>3,783.72</b>	<b>3,952.77</b>
<b>Cross-Cutting</b>	<b>1,667.41</b>	<b>2,010.57</b>	<b>2,465.78</b>
<b>Implementation, Monitoring and Evaluation</b>	<b>198.16</b>	<b>278.59</b>	<b>270.20</b>
<b>Statutory Activities</b>	<b>9,984.73</b>	<b>9,023.73</b>	<b>8,516.15</b>
The Presidency	0.75	0.75	0.75
Refunds and Repayments	333.58	316.65	300.58
Pensions and Gratuities	1,680.40	1,851.60	2,038.90
Public Debt Charges	7,970.00	6,854.73	6,175.92
External interest payments	2,166.20	2,030.90	2,166.60
Domestic interest payments	5,803.80	4,823.83	4,009.32
<b>Statehood Activities</b>	<b>2,358.80</b>	<b>2,276.64</b>	<b>2,236.58</b>
Ensure external security	694.28	694.28	694.28
International cooperation and representation	821.61	739.45	665.50
Support the President and maintain residences	239.37	239.37	239.37
Gather intelligence and protect the President	73.46	73.46	73.46
Support the VP	42.77	42.77	42.77
Promote and protect national integrity	83.42	83.42	83.42
Conduct national public events and support religious affairs	350.60	350.60	384.49
Gather and disseminate information to the nation	53.30	53.30	53.30
	-	-	-
<b>Pillar 1 - Sustainable Pro-Poor Growth</b>	<b>8,013.56</b>	<b>9,421.09</b>	<b>9,331.92</b>
<b>Goal 1.1 - Sources of pro-poor growth</b>	<b>3,064.36</b>	<b>3,787.16</b>	<b>3,575.28</b>
<b>Sub goal 1.1.1 - Increasing agricultural incomes</b>	<b>1,771.43</b>	<b>2,393.54</b>	<b>2,264.85</b>
Expand and strengthen access to agricultural inputs	43.75	87.50	131.25
Improve agricultural production through improved research and extension services	664.22	745.99	813.45
Improve access to domestic and international markets	119.26	106.76	107.56
Promote small scale irrigation schemes and drainage	174.04	214.04	194.04
Encourage production of specific crops	76.98	64.98	56.10
Encourage production of livestock	56.15	51.35	47.57
Reduce land shortage and degradation	464.94	466.94	467.24
Promote and expand farm mechanisation	48.35	530.42	320.07
Reduce weaknesses in the institutional and policy framework	105.51	105.51	105.51
Increase gender balance, prevent and mitigate HIV/AIDS in the agricultural sector	18.23	20.05	22.06
<b>Sub-Goal 1.1.2 - Natural Resources</b>	<b>773.24</b>	<b>837.95</b>	<b>840.55</b>
Increase sustainable utilisation of fishery resources	167.36	177.36	194.86
Encourage sustainable utilisation of forest resources	497.58	544.78	535.28
Encourage sustainable utilisation of wildlife resources	108.30	115.80	110.40

Millions of Malawi Kwacha	2002-3	2003-4	2004-5
<b>Sub-Goal 1.1.3 - Develop MSMEs</b>	196.00	248.00	175.00
Provide support to development of MSMEs	193.00	244.00	171.00
Improve institutional coordination and support	3.00	4.00	4.00
<b>Sub-Goal 1.1.4 - Manufacturing and Agro-Processing</b>	78.01	81.00	89.00
Broaden the industrial base	32.01	34.00	36.00
Develop new cluster based industries	20.00	20.00	20.00
Accelerate regional development	15.00	15.00	15.00
Improve product standards and quality	5.00	5.00	5.00
Integrate MSMEs in industrial development	-	-	-
Establish a credible institutional framework	6.00	7.00	13.00
<b>Sub-Goal 1.1.5 - Tourism</b>	192.50	187.50	172.50
Promote development and investment in diverse tourism products	92.50	77.50	67.50
Develop and adopt updated and professional approach to tourism promotion and marketing	60.00	70.00	80.00
Establish appropriate regulatory framework and systems	40.00	40.00	25.00
<b>Sub-Goal 1.1.6 - Small Scale Mining</b>	53.18	39.18	33.38
Disseminate information	4.00	2.85	2.65
Provide technical and financial support	20.50	12.30	11.30
Ensure appropriate mining legislation	3.00	-	-
Promote value-addition, marketing and exports	25.68	24.03	19.43
<b>Goal 1.2 - Creating an Enabling Environment for Growth</b>	4,949.20	5,633.92	5,756.64
<b>Sub-Goal 1.2.1 - Macroeconomic Stability</b>	-	-	-
<b>Sub-Goal 1.2.2 - Credit and Micro-Finance</b>	25.91	59.50	19.04
Reduce the cost of credit	-	-	-
Strengthen the institutional framework	8.47	5.30	1.12
Expand competition and efficiency in the credit market	1.36	3.12	11.44
Diversify and expand coverage	16.08	51.08	6.48
<b>Sub-Goal 1.2.3 - Rural Infrastructure</b>	2,428.04	2,793.10	3,019.61
Construct and maintain rural feeder roads	1,077.20	1,168.11	1,259.02
Increase accessibility to good drinking water and sanitation	1,066.28	1,067.64	1,076.70
Increase access to affordable and sustainable rural energy	282.05	554.85	681.39
Improve rural telecommunications	2.50	2.50	2.50
<b>Sub-Goal 1.2.4 - Other Enabling Infrastructure</b>	1,785.57	1,805.57	1,856.07
Strengthen transport networks	1,659.47	1,659.47	1,659.47
Increase access, efficiency and reliability of modern energy supply	62.50	82.50	135.00
Expand telecommunications coverage	2.00	2.00	-
Improve quality and access to broadcasting	61.60	61.60	61.60
Improve postal services	-	-	-
<b>Sub-Goal 1.2.5 - Domestic and external trade</b>	57.85	264.15	77.20
Provide supportive infrastructure	-	200.00	-
Expand domestic market share	22.35	31.15	34.20
Expand export market share	22.50	20.00	30.00
Negotiate preferential arrangements	13.00	13.00	13.00
<b>Sub-Goal 1.2.6 - Taxation</b>	651.83	711.60	784.72
Review corporate tax	-	-	-
Widen the tax base	651.83	711.60	784.72
	-	-	-
<b>Pillar 2: Human Capital Development</b>	13,860.36	15,356.57	17,188.26
<b>Goal 2.1 Improving quality and access to education</b>	8,710.19	9,623.25	10,782.64
<b>Sub-goal 2.1.1 - Basic education</b>	6,015.84	6,592.47	7,454.75
Improve the quality and relevance of primary education	4,264.93	4,630.35	5,124.11
Improve access and equity, focussing on special needs education and girls	1,004.29	1,006.02	1,035.31
Increase and improve adult literacy and numeracy	98.34	177.99	266.74
Provide special education for the out of school youth	31.97	47.01	63.58
Expand pre-school education	315.25	426.34	652.83

Millions of Malawi Kwacha	2002-3	2003-4	2004-5
Respond urgently to the problems created by the HIV/AIDS epidemic	45.27	45.27	45.27
Strengthen and decentralise administrative and planning responsibilities	255.79	259.49	266.91
<b>Sub-Goal 2.1.2 - Secondary School education</b>	<b>2,144.35</b>	<b>2,480.78</b>	<b>2,777.89</b>
Increase access and equity to secondary schools	460.86	722.06	966.66
Improve quality and relevance of secondary education	1,445.32	1,519.91	1,571.11
Improve management and administration of secondary education	238.17	238.82	240.12
<b>Sub-Goal 2.1.3 - Higher Education<sup>1</sup></b>	<b>550.00</b>	<b>550.00</b>	<b>550.00</b>
Increase access and equity in higher education			
Improve quality and relevance of higher education			
Reduce reliance of higher education on subventions			
<b>Goal 2.2 Better Technical, Vocational and Entrepreneurial Education and Training</b>	<b>468.25</b>	<b>488.51</b>	<b>567.46</b>
Promote self employment through skills development initiatives	72.39	132.36	192.12
Improve quality and relevance of TEVET	274.67	283.92	292.46
Rehabilitate existing infrastructure and equipment	14.51	10.57	9.99
Strengthen management and financing of TEVET	106.69	61.66	72.89
<b>Goal 2.3 Improved Health Status</b>	<b>4,568.55</b>	<b>5,104.74</b>	<b>5,663.16</b>
<b>Sub-Goal 2.3.1 - Preventative Healthcare<sup>2</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub-Goal 2.3.2 - Essential Healthcare</b>	<b>4,184.48</b>	<b>4,720.67</b>	<b>5,279.09</b>
Improve quality of essential healthcare	3,263.18	3,673.17	4,046.59
Improve access to and equity of essential healthcare	459.67	459.67	511.67
Strengthen management and financing of essential healthcare	461.64	587.84	720.84
<b>Sub-Goal 2.3.3 - Tertiary Healthcare</b>	<b>384.07</b>	<b>384.07</b>	<b>384.07</b>
Strengthen referral system	-	-	-
Hospital Autonomy	384.07	384.07	384.07
<b>Goal 2.4 - To prevent and control Protein, Energy, Malnutrition and micronutrient deficiencies</b>	<b>113.36</b>	<b>140.06</b>	<b>175.00</b>
Improve infant and young child feeding	5.00	15.50	39.50
Diversification and modification of diets	21.00	25.00	33.00
Strengthen institutional capacity	87.36	99.56	102.50
	-	-	-
<b>Pillar 3 - Improving the Quality of Life for the Most Vulnerable</b>	<b>1,209.02</b>	<b>1,824.78</b>	<b>2,307.96</b>
<b>Goal 3.1 - Safety Nets</b>	<b>1,127.30</b>	<b>1,734.89</b>	<b>2,209.08</b>
<b>Sub-Goal 3.1.1 - Productivity Enhancing Interventions</b>	<b>838.71</b>	<b>1,187.97</b>	<b>1,319.03</b>
Distribute free inputs to capital constrained poor farmers	505.40	675.84	885.46
Implement public works programmes for land constrained and urban poor	333.31	512.13	433.58
<b>Sub-Goal 3.1.2 - Welfare Support Interventions</b>	<b>288.59</b>	<b>546.92</b>	<b>890.04</b>
Implementation of targeted nutrition programmes	185.27	350.79	481.26
Provision of direct welfare transfers	93.57	187.81	391.57
Improve capacities of support groups	9.75	8.32	17.22
<b>Goal 3.2 - Improving disaster management</b>	<b>81.72</b>	<b>89.89</b>	<b>98.88</b>
Disaster management	81.72	89.89	98.88
	-	-	-
<b>Pillar 4 – Governance</b>	<b>4,040.15</b>	<b>3,783.72</b>	<b>3,952.77</b>
<b>Goal 4.1 - Political Will and Mindset</b>			
<b>Goal 4.2 - Improved safety, security and access to justice</b>	<b>2,001.19</b>	<b>2,225.60</b>	<b>2,413.90</b>
Reduce crime	1,157.09	1,324.14	1,448.17
Improve access to and delivery of effective and efficient justice	802.91	855.20	913.77

<sup>1</sup> Due to technical problems, the costs for higher education have not been broken down into the relevant objectives, strategies and activities.

<sup>2</sup> The costs of preventative healthcare are included under nutrition (Pillar 2), water and sanitation (Pillar 1) and under the EHP.

<b>Millions of Malawi Kwacha</b>	<b>2002-3</b>	<b>2003-4</b>	<b>2004-5</b>
Ensuring respect of the rule of law	41.20	46.27	51.96
<b>Goal 4.3 - Ensuring responsive and effective public institutions</b>	<b>2,038.95</b>	<b>1,558.12</b>	<b>1,538.86</b>
<b>Sub-goal 4.3.1 - Improved Public Expenditure Management</b>	<b>411.77</b>	<b>335.82</b>	<b>302.38</b>
Improve budget implementation by creating hard budget constraints	355.42	279.47	246.02
Improve public expenditure planning and budget preparation	56.35	56.35	56.35
<b>Sub-Goal 4.3.2 - Public Service Reform</b>	<b>140.30</b>	<b>122.42</b>	<b>122.78</b>
Improve the conditions of service and work ethics in the public service	60.26	52.16	52.10
Review structure of the civil service	-	-	-
Address capacity constraints	11.21	11.21	11.21
Strengthen public policy making	56.99	47.21	47.64
Improve effectiveness of parastatals	11.84	11.84	11.84
<b>Sub-Goal 4.3.3 - Corruption and Fraud</b>	<b>111.21</b>	<b>118.46</b>	<b>126.51</b>
Improve prevention of corruption and fraud	-	-	-
Increase detection and prosecution of corruption and fraud	111.21	118.46	126.51
<b>Sub-Goal 4.3.4 - Decentralisation</b>	<b>811.18</b>	<b>420.69</b>	<b>425.49</b>
Develop institutional capacity for local governance	515.82	345.58	301.08
Transfer functions, resources and planning to districts	295.36	75.11	124.41
<b>Sub-Goal 4.3.5 - Democratisation</b>	<b>441.34</b>	<b>441.34</b>	<b>441.34</b>
Strengthened formal governance institutions	441.34	441.34	441.34
Strengthened informal governance institutions	-	-	-
<b>Sub-Goal 4.3.6 - Human Rights</b>	<b>123.15</b>	<b>119.38</b>	<b>120.36</b>
Ensure observance of human rights	123.15	119.38	120.36
	-	-	-
<b>5 - Cross cutting</b>	<b>1,667.41</b>	<b>2,010.57</b>	<b>2,465.78</b>
<b>Goal 5.1 Ensure national response to the HIV/AIDS pandemic</b>	<b>663.70</b>	<b>676.45</b>	<b>668.08</b>
Reduce incidence of HIV/AIDS	237.33	249.83	240.46
Improve quality of life of those with HIV/AIDS	185.69	185.69	185.69
Mitigate against impact of HIV/AIDS	137.59	137.59	137.59
Provide support to NAC and implementors	103.09	103.34	104.34
<b>Goal 5.2 Reduce gender inequalities</b>	<b>68.02</b>	<b>74.32</b>	<b>60.51</b>
Strengthen the institutional capacity for implementing the National Platform for Action and National Gender Policy	1.90	0.50	0.55
Establish gender sensitive formal and informal legal environment	34.66	24.14	12.30
Eradicate Gender Based Violence	31.45	42.58	39.56
Enhance women's participation in leadership and decision making positions	-	7.10	8.10
<b>Goal 5.3 Ensure environmental sustainability</b>	<b>294.00</b>	<b>334.00</b>	<b>372.00</b>
To strengthen the legal and institutional framework	172.00	220.00	277.00
Develop alternative livelihood strategies	23.00	23.00	23.00
Create mass environmental awareness	99.00	91.00	72.00
<b>Goal 5.4 - Create a Science and Technology driven economy</b>	<b>641.70</b>	<b>925.80</b>	<b>1,365.20</b>
Strengthen national S&T capacity	22.00	68.00	100.00
Intensify application of S&T	135.00	330.00	580.00
Enhance utilisation of information and communication technologies	484.70	527.80	685.20
	-	-	-
<b>Monitoring and Evaluation of MPRS</b>	<b>198.16</b>	<b>278.59</b>	<b>270.20</b>
<b>Goal: Ensure implementation of the MPRS</b>	<b>198.16</b>	<b>278.59</b>	<b>270.20</b>
Strengthen MPRS monitoring and evaluation systems	63.91	90.72	92.11
Provide up-to-date M&E data and statistics for MPRS reviews	134.24	187.87	178.09

## **Annex 3 – Large Scale Infrastructure Development**

Key projects include:

<b>Project</b>	<b>Total Estimated Cost</b>
Expansion of rural telecommunications	K3,300,000,000
Reconstruction of Core Road Network	K18,400,000,000
Expansion of the Core Road Network	K5,244,000,000
Interconnection of electricity grid with Mozambique	K2,901,000,000
Rehabilitate existing transmission and distribution power systems	K3,987,000,000
Expansion of electricity generation capacity	K2,773,000,000





## Annex 4 – Selected Monitoring Indicators and Targets

This list is selected from the indicators and targets highlighted in the main text of the MPRSP. For further targets and indicators, especially output indicators, please refer to the full action plan matrix available as a separate technical document<sup>3</sup>.

Indicator	Current Status	Target 2005
<b>Major impact targets</b>		
Poverty headcount measured by consumption based poverty line	65.3%	59.3%
Extreme poverty headcount, measured by consumption based ultra-poverty line	28.8%	20%
Life expectancy	39 years	43 years
GDP per Capita (constant 2001 prices)	MK 10,500	MK 11,400
Literacy rate (female)	58% (44%)	70% (60%)
Infant mortality rate (per 1000 children)	104	90
Maternal mortality rate (per 100,000 live births)	1,120	800
<b>Pillar 1</b>		
<i>Agriculture</i>		
Maize yield (kg/ha)	1137	2000
Cassava yield (kg/ha)	16618	18000
Cumulative intake of extension trainees	100	900
Farmers' groups and co-operatives formed	-	3000
Treadle pumps supplied on loan to farmers (cumulative)		60,000
Area under motorised pump irrigation (hectares)	1,300	3,700
Area under irrigation per ADD (hectares)		2,000
Production of cattle	775,333	868,373
<i>Natural Resources</i>		
Fish farming production (tonnes)	500	1,000
Forest under private sector		50,000
Parks under private sector		50,000
<i>Rural infrastructure</i>		
Kilometres graded		12,150
Kilometres rehabilitated		2,100
Households with access to potable water	65.6%	84%
Rehabilitation of boreholes (% functional)	60%	100%
Construction of new boreholes		7,500
Households with sanitary excreta disposal	81.4%	100%
Number of new sites electrified	-	73
New biogas plants	-	105
<b>Pillar 2</b>		
<i>Basic Education</i>		
Number of teachers	45,784	51,323
Pupil to qualified teacher ratio	118	85
Drop out rate	12%	8%
Repetition rate	15%	10%
Female enrolment (%)	48%	50%
Pupil: specialist teacher ratio (Visually impaired)	48	26
Number of adults enrolled in adult literacy courses	37,500	300,000
<i>Secondary Education</i>		
Number of students	236,500	324,031
Number of private students	16,555	64,806
Number of students entering MCDE	-	11,550
Number of teachers	5,269	8,130

<sup>3</sup> A more comprehensive monitoring and evaluation masterplan based on the MPRSP will be produced later in 2002 by the National Economic Council, in consultation with stakeholders.

Female gross enrolment	19%	25%
Schools teaching information and communication technology	8	100
<i>Higher Education</i>		
Number of students	3,526	6,824
Students in private colleges	35	1,100
Number of female students	698	2,047
Number of needy students	500	1,706
Females in non-traditional subjects	225	801
Number of students with disabilities	20	30
<i>Technical, Entrepreneurial and Vocational Education and Training</i>		
Public training capacity % of population	0.01%	0.03%
Public vocational training % of districts	21.43%	28%
Private training capacity % of population	0.18%	0.20%
Enrolment ratio female	20%	26%
<i>Health</i>		
Number of HSAs trained		7,000
Number of nurses trained		470
Number of technical staff trained		825
Number of physicians trained		60
% of health centres equipped to EHP standards		100%
Drugs and medical supplies expenditure per capita	US\$1.25	US\$2.50
		<b>Target 2007/8</b>
Infant mortality (per 1,000 live births)	104	90
Under 5 mortality rate (per 1,000 live births)	189	150
Maternal mortality rate (per 100,000)	620	400
Nutrition (% children underweight)	30%	20%
Population (fertility rate)	6.1	5.5
		<b>Target 2005</b>
<b>Pillar 3</b>		
Number of TIP beneficiary households per year		568,000
Number of PWP beneficiary households per year		250,000
Number of TNP beneficiary households per year		150,000
Number of income support beneficiaries per year		100,000
<b>Pillar 4</b>		
Police: Population ratio	1:1912	1:1200
Crime detection rate	20%	40%
Prosecution rate (cases per year, using homicide as proxy)	150	300
Community service cases	525	5000
Warder: prisoner ratio	1:14	1:9

Indicator	2001	2002	2003	2004
GDP growth (%)	2.7	3	4.5	5.2
Inflation (%)	27.6	11.5	5	4.4
Exchange rate	70	71	74	78
% of donor pledges honoured		80	90	90

## **Annex 5 - Glossary**

**Agricultural Extension Services:** services offered to farmers usually by the government in the form of transmitting information, new ideas, methods and advice about, for instance, the use of fertilizers, control of pests and weeds, appropriate machinery, soil conservation methods, simple accounting, marketing etc. in a bid to stimulate increased agricultural incomes.

**Basic Education:** Primary education (Std.1-8) and adult literacy.

**Crowding Out:** an increase in public sector borrowing leads to a fall in private sector borrowing via a shortage of loanable funds and an increase in interest rates.

**Decentralisation:** the transfer of functions from central to a local authority. There are many forms of decentralisation, notably deconcentration and devolution.

**Deconcentration:** a form of decentralisation that transfers administrative functions to lower levels of Government without a corresponding transfer of power and accountability

**Dependency Ratio:** The ratio of dependents (those between the ages of 0-15 and 64+ who are assumed to be economically unproductive) to the productive population (15-64)

**Devolution:** the delegation of power and accountability especially by the central government to local or regional administration.

**Dimba:** a small vegetable garden

**Exchange Rate:** the rate at which central banks will exchange one country's currency for another (i.e. the 'official' rate).

**Fertility Rate, General:** yearly number of children born alive per thousand women within the child-bearing age bracket (normally between the age of 15 and 49 years).

**Fiscal Deficit:** a situation where government expenditure exceeds revenue.

**Ganyu:** part time seasonal piece-work

**Gini Coefficient:** an aggregate numerical measure of *income inequality* ranging from zero (perfect equality) to one (perfect inequality). It is graphically measured by dividing the area between the perfect equality line and the Lorenz curve by the total area lying to the right of the equality line in a Lorenz diagram. The higher the value of the coefficient the higher the inequality of income distribution and the lower it is the more equitable the distribution of income.

**Grant:** an outright transfer payment usually from one government to another (*foreign aid*) - i.e. a gift of money or technical assistance that does not have to be repaid.

**Gross Domestic Product (GDP):** the total monetary value calculated at market prices of all final goods and services produced in an economy over a given period of time, typically one year.

**Headcount:** the number of people with an identified characteristic e.g. living below the poverty line.

**Human Capital:** productive investments embodied in human beings. These include skills, abilities, health, etc., that result from expenditures on education, on-the-job training programmes and medical care.

**Infant Mortality:** the deaths among children between birth and one year of age. *Infant mortality rate* measures the number of these deaths per 1000 live births.

**Inflation:** a persistent rise in the general price level. In Malawi, it is measured by the Consumer Price Index (CPI).

**Interest Rate:** the amount that a borrower must pay a lender over and above the total amount borrowed expressed as a percentage of the total amount of funds borrowed –

e.g. if a man borrowed K100 for one year at the end of which he had to repay K110, the interest rate would be 10 percent per annum.

**Life Expectancy (at birth):** time period, normally in years, that a baby is expected to live after it has been born alive. In LDCs, this time period is roughly 48 years for male children and 52 years for female children. In developed countries, it is approximately 70 years for male children and 72 years for female children.

**Liquidity Reserve Requirement:** A statutory requirement that banks maintain a minimum percentage of their deposits at the Reserve Bank. Adjusting the LRR is a means of realising and withdrawing reserves from the banking system.

**Macroeconomy:** the relationships between broad economic aggregates such as national income, total volumes of saving, investment, consumption, expenditure, employment, money supply etc.

**Malnutrition:** a state of ill-health resulting from an inadequate or improper diet – usually measured in terms of average daily protein consumption.

**Maternal Mortality:** women death associated with pregnancy.

**Medium Term Expenditure Framework:** a way of doing the Budget process, focussing on activities and outputs rather than inputs.

**Open Market Operations:** Sales and purchases of securities (Treasury and Reserve Bank Bills)

**Pluralistic:** a system that has many players and recognizes more than one ultimate principle.

**Political Will:** a determined, deliberate, purposeful, independent decision, conclusion or choice upon a course of action by persons in the political authority such as elimination of inequality, poverty and unemployment through various reforms of social, economic and *institutional* structures. Lack of ‘political will’ is often said to

be one of the main obstacles to development and the main reason for the failure of many development plans.

**Poverty Line:** an arbitrary real income or consumption measure, used as a basis for estimating the proportion of the country's population that exist at base levels of subsistence i.e. those whose incomes or consumption fall below this poverty line.

**Planning:** the advance prioritisation of scarce resources (financial, organisational, human) so as to achieve national objectives.

**Real Effective Exchange Rate:** a measure of a country's competitiveness, calculated from the nominal exchange rate adjusted by the inflation differential between foreign and domestic prices.

**Rural Development:** the broad spectrum of rural development activities encompassing the simultaneous fostering of small-farmer agricultural progress; improvement of levels of incomes, employment, education, health, nutrition and housing for the rural people.

**Safety Nets:** activities that are designed to improve the quality of life of the most vulnerable, to "catch" those who are unable to benefit from other interventions and or those who suffer from external shocks e.g. drought.

**Smallholder:** a person who farms on a small holding.

**Starter Pack Programme:** the programme for free distribution of agricultural inputs and other livelihood items of less than a total of 30kgs.

**Under 5-Mortality:** the death among children between one year to 5 years of age.

## **Annex 6a – 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. A summary of the key issues can be found below.

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 resulting second and third drafts were presented to stakeholders and revised through an iterative process, focussing on the Action Plan and costings.

The third stage was the **validation** of the strategy through the National Launch. 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.

*Table A1.1 – Chronology of MPRS Preparation*

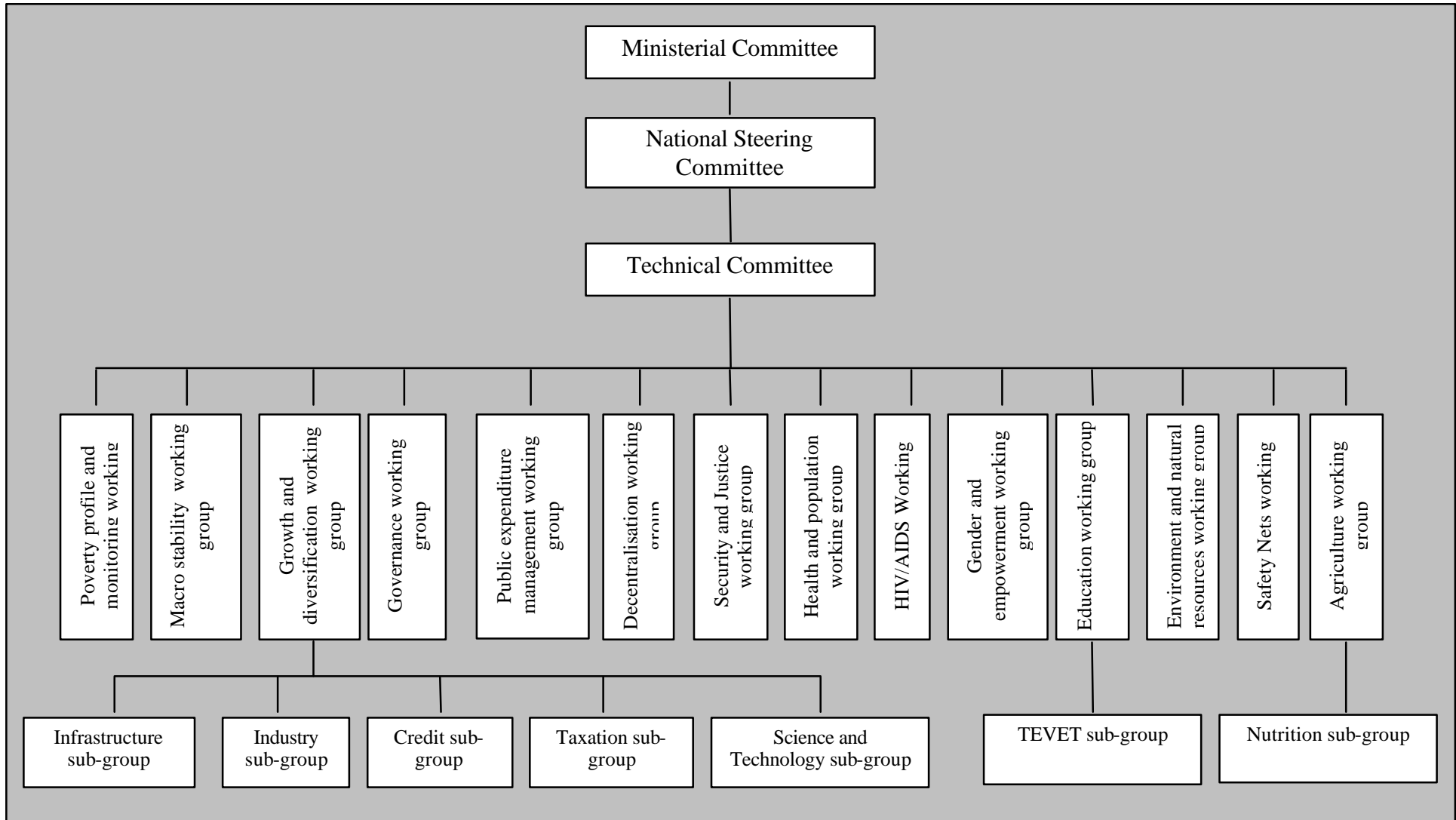
<b>Activity</b>	<b>Date</b>	<b>Notes</b>
Planning of process	October-November,2000	Preparation by the Technical Committee of the outline of the process and mobilisation
Preparation of “ MPRS Issues Paper”	November, 2000	By the Technical Committee on the basis of existing documents. The Issues Paper presented 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.

<b>Activity</b>	<b>Date</b>	<b>Notes</b>
Status Report and Way Forward by Thematic working Groups at Lilongwe Hotel	15 <sup>th</sup> August, 2001	For all TWGs to discuss the made, to access difficulties faced and to develop realistic and workable 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> and 17 <sup>th</sup> October, 2001	Private sector, traditional authorities, Councillors, donors, NGOs, civil society, church groups, trade unions.
Principal Secretaries Commenting of the Draft	20 <sup>th</sup> – 21 <sup>st</sup> October, 2001	All Principal Secretaries, Chaired by SPC
Comments on the Draft MPRS by Members of Parliament at Capital Hotel	31 <sup>st</sup> October, 2001	All Members of Parliament
Incorporation of comments from stakeholders and refinement of action plan	31 <sup>st</sup> October – 9 <sup>th</sup> November, 2001	By drafting team
Consultations on action plans and prioritisation with TWGs	12 <sup>th</sup> – 22 <sup>nd</sup> November, 2001	
Finalisation of 3 <sup>rd</sup> Draft	22 <sup>nd</sup> November – 14 <sup>th</sup> December, 2001	By drafting team – incorporating comments
Discussion of 3 <sup>rd</sup> Draft by Principal Secretaries	21 <sup>st</sup> December, 2001	
Discussion of comments by donor partners	25 <sup>th</sup> January, 2002	Based on submitted written comments
Cabinet discussion of document	March, 2002	
Submission of final civil society comments	6 <sup>th</sup> March, 2002	Co-ordinated by MEJN
Meeting with Private Sector	3 <sup>rd</sup> April, 2002	
Final draft completed, printed and distributed	8 <sup>th</sup> April, 2002	
Pre-Launch media campaign	April, 2002	Radio panel discussions, radio plays, summaries distributed.
National Launch at Comesa Hall in Blantyre	24 <sup>th</sup> April, 2002	

## **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





## **Annex 6b - Issues Highlighted in District Consultations**

The District Consultations involved a prioritisation exercise in which the participants were asked to group a list of issues into different categories of priority. Participants were also asked to add any issues not covered based on the original list, which was based on the Issues Paper. Based on the categorisation and ranking of activities, a point scoring system was imputed, so that a national priority list could be derived<sup>4</sup>. The following is a list of the top twenty issues, listed in order of priority:

1. **Access to Credit:** Lack of access to credit was felt to have contributed to the worsening of poverty. There is widespread misconception of the nature of credit, particularly the risks and responsibilities involved. Further, there are problems with the conditions imposed by lenders, such as unrealistic repayment schedules, collateral requirements and interest rate structures.
2. **Rural feeder roads:** It was highlighted that improved rural road networks are essential for translating increased agricultural productivity into poverty reduction, and for opening up rural areas for off-farm diversification. At present, physical access to markets is prevented by poor quality and insufficient rural feeder roads linking farmers and entrepreneurs to towns, main roads and other markets.
3. **Education quality/relevance:** In most Districts, the importance of improving the quality and relevance of primary education was stressed. This would include training more teachers, increasing allocations to teaching and learning materials, and improving teachers' remuneration
4. **Security:** It was repeatedly reported that security deters people from investing in productive assets. Many participants explained that poverty has become entrenched because rural dwellers no longer keep livestock for fear of theft.
5. **Access to safe water:** Access to safe drinking water was seen as central to poverty reduction because it promotes good health and nutrition
6. **Higher agricultural production through extension:** In many districts, the issue of agricultural extension was discussed at length. Recurring themes were the need for Government to review its extension policy to ensure consistent availability of extension services, and the importance of commercialisation of agriculture

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<sup>4</sup> For more details of the Issues Paper and the District Consultations, please see the reports available at [www.finance.malawi.gov.mw](http://www.finance.malawi.gov.mw) or from the Technical Committee

through farmers' groups and cooperatives. It was stressed that other issues such as security, rural infrastructure, marketing arrangements and agro-processing are critical to reducing poverty through agriculture.

7. **Decentralisation:** In almost all Districts, the issue of decentralisation was seen as essential for poverty reduction. Local Government elections have created expectations for the decentralisation process. People noted that poverty varies from district to district. Therefore, decentralisation would go along way in addressing district specific poverty issues
8. **Stable prices:** The poor feel the impact of macroeconomic instability through inflation which erodes purchasing power and high interest rates which make credit unaffordable.
9. **Off-farm rural development:** Despite the importance of agriculture, it was generally agreed that the future for Malawi lies in diversifying into activities that have higher value-added component, such as food processing, mining, fisheries and tourism.
10. **Market information for farmers/small business:** Marketing arrangements for agricultural produce were generally agreed to be inadequate at present. In part, the lack of access to markets is due to lack of information and capacity.
11. **Health quality:** It was agreed that there is need to increase the quality of health care, in particular by ensuring that health centres are staffed and equipped.
12. **Health access:** It was also agreed that access to health services was an important issue
13. **Corruption:** It was noted that corruption has resulted in mistrust between the poor and all levels of Government, but especially Central Government.
14. **Other Transport/Communication:** In certain districts, particularly in the far north, far south and Likoma, other transport and communication issues (other than rural feeder roads) were highlighted. In particular, the construction and rehabilitation of main roads and the establishment of regular transport links to Likoma.
15. **Irrigation:** It was agreed that irrigation plays a vital role in increasing agricultural productivity and achieving food security.
16. **Environment:** The sustainability of natural resources, especially forests, was seen as an important issue in most districts.

17. **Access to education:** Access to education was seen as an important issue, but ranked well below issues of quality and relevance of education.
18. **Input supply/subsidies:** In several Districts, there were calls for universal input subsidies to be reintroduced. In others, reform of the input supply industry was seen as a priority. In many Districts, the timing of input distribution was highlighted as an issue of concern.
19. **HIV/AIDS:** The problem of HIV/AIDS was seen by many Districts as important but not essential for poverty reduction.
20. **Democratic Governance:** In many Districts, issues of democratic governance were raised as concerns. In particular, combating oppression, strengthening parliament and other governance institutions, and depoliticising development.



## **Annex 6c – Participants in the MPRS Process**

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1. Ministry of Finance and Economic Planning
2. National Economic Council
3. Reserve Bank of Malawi
4. Office of the President and Cabinet
5. State Residences
6. National Research Council
7. National Statistical Office
8. Public Sector Change Management Agency
9. Department of Human Resources Management and Development
10. Contracting Out Unit
11. Office of the Vice President
12. Ministry of Local Government
13. Decentralisation Secretariat
14. Ministry of Education, Science and Technology
15. Ministry of Health and Population
16. National AIDS Commission
17. Ministry of Agriculture and Irrigation
18. Malawi Agriculture Sector Investment Programme (MASIP) Secretariat
19. Ministry of Commerce and Industry
20. Ministry of Water Development
21. Ministry of Foreign Affairs and International Cooperation
22. Ministry of Natural Resources and Environmental Affairs
23. Ministry of Transport and Public Works
24. National Roads Authority
25. Malawi Revenue Authority
26. Ministry of Home Affairs
27. Police
28. Prisons
29. Immigration
30. National Intelligence Bureau
31. Ministry of Defence
32. Army
33. Ministry of Tourism, Parks and Wildlife
34. Ministry of Information
35. Ministry of Justice and Constitutional Affairs
36. Judiciary
37. Minister Responsible for Poverty Alleviation Programme
38. Minister Responsible for People with Disabilities

39. National Audit Office
40. Accountant Generals Department
41. Department of Informational Systems and Technology Services
42. Anti-Corruption Bureau
43. Ministry of Gender, Youth and Community Services
44. Ministry of Land, Housing, Physical Planning and Surveys
45. Ministry of Labour and Vocational Training
46. Technical, Entrepreneurial and Vocational Education and Training Authority
47. Law Commission
48. Malawi Institute of Education
49. Malawi National Examinations Board
50. Malawi Social Action Fund
51. Government Contracting Out Unit
52. Malawi Investment Promotion Agency
53. Malawi Export Promotion Council
54. Malawi Industrial Research and Technology Development Centre
55. Ombudsman
56. Electoral Commission

*Parliament*

1. United Democratic Front
2. Malawi Congress Party
3. Alliance for Democracy
4. Agriculture and Irrigation Committee
5. Education Committee
6. Budget and Finance Committee
7. Health and Population Committee
8. Public Accounts Committee
9. Transport and Public Works Committee

*Civil Society*

1. Council for NGOs in Malawi (CONGOMA)
2. Action Aid
3. National Smallholders Association of Malawi (NASFAM)
4. Consumers' Association of Malawi (CAMA)
5. CARE International
6. CCAP
7. Catholic Commission for Justice and Peace (CCJP)
8. Centre for Advice, Research and Education on Rights (CARER)

9. National Youth Council
10. Nation Newspaper
11. Daily Times Newspaper
12. Chronicle Newspaper
13. Malawi Broadcasting Corporation
14. British Broadcasting Corporation
15. Television Malawi
16. Christian Health Association of Malawi (CHAM)
17. Centre for Social Concern
18. Christian Service Commission (CSC)
19. Commission for Human Rights and Rehabilitation (CHRR)
20. Malawi Institute for Democracy and Economic Affairs (MIDEA)
21. Concern Universal
22. CURE
23. Economists' Association of Malawi (ECAMA)
24. Family Planning Association of Malawi (FPAM)
25. Banja La Mtsogolo (BLM)
26. IPU
27. Malawi Council for the Handicapped (MACOHA)
28. MANET
29. Medical Association of Malawi
30. Malawi Congress of Trade Unions
31. Malawi Environmental Endowment Trust (MEET)
32. Medical Council
33. Nurses and Midwives Association
34. Malawi Economic Justice Network (MEJN)
35. OXFAM
36. Project Hope
37. Public Affairs Committee
38. Save the Children (UK)
39. Society of Accountants of Malawi (SOCAM)
40. Small Enterprise Development Organisation of Malawi (SEDOM)
41. Sue Ryder Foundation
42. Land o' Lakes
43. National Democratic Institute (NDI)
44. AFRICARE
45. Teachers' Union of Malawi (TUM)
46. World Council of Churches
47. Bunda College
48. University of Malawi
49. Chancellor College



50. Centre for Education Research and Training (CERT)
51. College of Medecine
52. Centre for Social Research (CSR)
53. Demographic Unit
54. Chancellor College
55. Mzuzu University
56. Law Society
57. Malawi College of Health Sciences
58. Polytechnic
59. Malawi Entrepreneurial Development Institute (MEDI)

*Private Sector*

1. Agriculture Development and Marketing Corporation (ADMARC)
2. Malawi Rural Finance Company (MRFC)
3. SUCOMA
4. Malawi Development Corporation (MDC)
5. Malawi Telecommunications Limited
6. National Construction Industry Council
7. Regional Water Boards
8. Tobacco Association of Malawi (TAMA)
9. Freedom Gardens
10. Commercial Bank of Malawi (CBM)
11. Finance Bank
12. Malawi Union of Savings and Credit Organisations (MUSSCO)
13. National Association of Small and Medium-Scale Enterprises (NASME)
14. Epsilon and Omega
15. Malawi Confederation of Chambers of Commerce and Industry (MCCCI)
16. National Action Group
17. Tobacco Exporters Association of Malawi (TEAM)
18. National Association of Business Women (NABW)

*Local Government Representatives*

1. All District Chief Executives
2. All District Assembly Chairs
3. Other members of District Assembly Staff
4. Other Councillors

5. Traditional Authorities
6. Local Political Leaders
7. Local NGOs
8. Local religious leaders

*Donors*

1. DFID
2. EU Delegation
3. World Bank
4. IMF
5. UNDP
6. UNICEF
7. World Food Programme (WFP)
8. Food and Agriculture Organisation (FAO)
9. DANIDA
10. GTZ
11. African Development Bank (ADB)
12. Organisation of African Unity (OAU)
13. CIDA
14. SIDA
15. NORAD
16. Republic of China
17. UNAIDS
18. UNFPA
19. UNHCR
20. WHO
21. USAID
22. Zimbabwe High Commission
23. Mozambique High Commission



## **Annex 7 – Bibliography**

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