

5.7 Helping the Poor

5.7.1 To achieve the greatest impact on poverty, top priority must be given to interventions that assist the ultra-poor first, i.e., the poorest 30% of the population. Programmes are needed to help the poor help themselves, but safety nets like free farm inputs and subsidised employment are also needed for the poorest Malawians. Since female-headed households are most likely to be poor, special attention must be devoted to interventions targeting women.

5.7.2 The poverty alleviation strategy must be fundamentally rooted in rural areas where most of the poor live and work in subsistence agriculture. The majority of agricultural workers are women, so women must be specially targeted for assistance.

5.7.3 The Decision Point Document suggests US\$1.9 million as an indicative use of HIPC resources for gender, youth and community services in 2001/2002. This amount is almost insignificant compared to what is needed to make a real impact on poverty among women. Targeting funds to assist women through mainstream programmes of line Ministries is essential.

5.7.4 The Decision Point Document does not include figures for indicative use of HIPC resources to prevent and deal with the consequences of HIV/AIDS to the poor. Some interventions will have to target funds for preventing and coping with HIV/AIDS directly to poor Malawians, both through the National Aids Control Commission and through line Ministries. However, HIV/AIDS is taking a terrible toll on professionals like teachers and front-line health care workers whose services are critical for reducing poverty.

5.7.5 Conserving and restoring natural resources, particularly soil and water, is important for all Malawians, and particularly important for the rural poor who are entirely dependent on these resources for their livelihood.

6. Agriculture

6.0.1 Agriculture is the backbone of the Malawian economy. It accounts for 37% of the Gross Domestic Product (GDP), 90% of foreign exchange earnings, and 85% of national employment (*PER*). Given the country's narrow manufacturing base, agriculture will remain the economy's mainstay for many years to come. Increasing the productivity of the agricultural sector will provide the best short-term to mid-term opportunities for accelerating economic growth, as well as poverty reduction. Income and productivity gains in this sector are likely to have strong positive impacts on the welfare of the poor.

6.1 Spending for Agriculture

6.1.1 Public resources have been shifted away from agriculture during the past few years, and this is fundamentally at odds with poverty reduction. Between 1994 and 1999, the Ministry of Agriculture and Irrigation's share of recurrent expenditures was only 3% to 5%, a reduction of about 50% from 6% to 7% of recurrent expenditures between 1990 and 1994 (*PER*). The development budget also declined, mostly because the donor-funded Agricultural Services Project was phased out in 1999.

6.1.2 The real decline in agricultural expenditure seen in recent years must be reversed so non-traditional exports can be promoted without neglecting traditional crops and services. More research, and better application of research findings, on agricultural markets, technology, and diversification are needed.

6.1.3 The tobacco industry generates the majority of the country's foreign exchange earnings. Yet, farmers face substantial impediments in production and marketing. The overall cost burden on tobacco farmers should be reduced by limiting some of the levies and taxes in the marketing system.

6.2 Allocation of Resources within the Agriculture Budget

6.2.1 The percentage of the agriculture budget allocated for front-line services should be increased, and the percentage spent on administration should be decreased. Administration and support accounted for almost 80% of the recurrent budget in 1998/1999 (*MTEF Review*). In sharp contrast, in recent years front-line services have typically received only 10% to 20%.

6.2.2 Funds approved for programmes have been diverted to other uses. For example, in 1998/1999, 23% of the agriculture budget was allocated for extension services, but only 4% was used for this purpose. In the same year, 38% was budgeted for administration and 78% was spent on administration (*MTEF Review*). Funds were not adequately budgeted for administration of the Starter Pack and Targeted Input Programme (TIP), and that has contributed to overruns for administration.

6.3 Extension Services

6.3.1 Given the limited amounts of Government funds spent on extension, not much is being achieved on the ground, particularly for poor farmers. The extension system has concentrated on farmers with ample land and access to credit, while neglecting smallholders with less than 1.5 ha (*PER*). These are precisely the poor farmers who need the most help adopting new seed varieties

and other technologies. More resources are needed to increase the number of front-line staff, pay them better, equip them with adequate tools and materials, and transport them to remote villages. Specific attention to women farmers and to curbing the spread of HIV/AIDS among extension workers is needed.

6.3.2 Government has expressed interest in shifting substantial responsibility for extension services away from Government to farmers clubs and associations. Farmers associations strongly echoed this interest in their testimony to the Committee, and this is a good mid-term to long-term strategy. However, it will take time to implement this strategy, and it is not a foregone conclusion that non-governmental extension services will reach the poorest farmers. Until such a system is in place, and has been proven effective, Government should increase traditional extension services to poor farmers, particularly to the poorest farmers struggling to survive on what they produce.

6.3.3 The Decision Point Document suggests “indicative” use of US\$2.7 million from HIPC resources for extension services in 2001/2002.

Recommendation 10: Substantially increase the budget for Government extension services, and designate the same as a Priority Poverty Expenditure.

6.4 Access to Credit

6.4.1 Poor farmers prefer credit to handouts. Lack of credit is a major constraint to production, especially for smallholders trying to produce surpluses for sale. Government and micro-lenders are legitimately concerned about non-payment of debts. Nonetheless, credit must be made available to more and poorer farmers. Even if Government funds are not actually used for loans, increased public support is required for institutions that provide credit and work with farmers to help them qualify for loans. Results from this use of funds should be stated in terms of numbers of poor farmers assisted, how poor the assisted farmers are, and what poor farmers achieve by virtue of these loans. It should be noted that women have better repayment records than men.

Recommendation 11: Substantially increase the budget for support for programmes that provide credit and related services to poor farmers, and designate the same as a Priority Poverty Expenditures.

6.5 Targeted Inputs Programme (TIP)

6.5.1 Subsidised inputs remain essential for many of the poorest farmers. However all costs associated with providing subsidised inputs effectively, including distribution and related extension services, must be budgeted to avoid understating costs, and to be sure inputs achieve the expected results.

Recommendation 12: Substantially increase the budget for the Targeted Inputs Programme (TIP), include funds adequate to ensure proper distribution and associated delivery of extension services, and designate the same as a Priority Poverty Expenditure.

7. Education

7.0.1 Only about 30% of students who start primary school remain students through Standard 8 (*PER*). The poor quality of inputs is at the root of the deepening crisis in education characterised by high attrition in primary school and the disastrous results of the MSCE examinations.

"The most disturbing question to be asked is whether we can seriously think that a totally unqualified JSE teacher, standing under a tree in front of more than 100 children with no textbooks, is effectively imparting knowledge to our future leaders ... People are asking why go to school to learn little or nothing!"

Civil Society Coalition for Basic Education

7.1 Primary Education

7.1.1 Improvements in the quality of education are urgently needed both at primary and secondary levels. However, because it is essential to set priorities and concentrate resources, the Committee and other stakeholders have focused on primary education as most important for enabling the poor to improve their economic circumstances. With better primary education and increased literacy, poor households will be better able to control the numbers of children in their