

Recommendation 9: Increase membership of PRSP working groups and participation in district consultations to ensure participation by poor Malawians, women, people with front-line service delivery experience, and MPs. Increase administrative and technical support to ensure adequate notice of meetings and assistance as needed. Include representatives from the Budget and Finance Committee and civil society on the Technical Committee for the PRSP. Take the trouble to have MPs actively participate.

4.2.10 The programmes selected as Priority Poverty Expenditures in the Findings to Date are substantially the same as recommended by the Committee in Sections 6 to 10 below. This is a direct result of the Committee's close attention to stakeholders during the PRSP process.

4.2.11 The Committee has not been able to recommend specific amounts for the budgets for these programmes. Like the working groups, the Committee has not yet been able to get enough information on baseline budgets, current unit costs, and results that can be expected from different levels of spending. At least some of this information should be in the budget documents.

4.2.12 Government is trying to obtain good data on donor funds that are not included in the national budget. Meanwhile the Committee and other stakeholders will have to evaluate Government spending through the budget as if it were the only source of funding for Priority Poverty Expenditures.

5. Poverty Analysis

5.0.1 Government has undertaken an extensive exercise to shed more light on the nature and causes of poverty in Malawi. A nation-wide household survey on poverty was completed in 1998, and follow-up investigations are underway. Just a few of the principal findings from the survey are highlighted below. Unless otherwise noted, findings reflect the situation in Malawi in 1998.

5.1 The Extent of Poverty

5.1.1 According to the definition of poverty used in the survey, 65.3% of Malawi's people are poor, i.e., they do not have enough in cash or goods to meet their basic needs. The "poverty line" is the minimum level of consumption that distinguishes the poor from the non-poor. It is expressed in

Malawi Kwacha per person per day, and includes cash and the value of non-cash goods consumed for food and other basic necessities.

5.1.2 As of September 2000, the poverty line in rural areas ranged from MK14.42 in the South, to MK17.22 in the Central Region, and MK20.74 in the North. The poverty line in urban areas was MK47.18. In other words, households needed at least these amounts per person to meet their most basic needs. Due to increases in the cost of living since September, the poverty line has risen, i.e., people need more now than they needed in September for basic necessities.

5.1.3 The ultra-poor are people whose consumption is less than 60% of consumption at the poverty line, i.e., the ultra-poor have less than 60% of what they need to meet their most basic needs. The survey found that almost 30% of Malawi's people are ultra-poor!

5.1.4 In rural areas, people below the poverty line use about 80% of their meagre resources for food. In urban areas, people use about 67% of their resources for food.

5.1.5 Survey analysts recommend tackling the task of reducing poverty from the bottom up, i.e., targeting the ultra-poor, and promoting income generating opportunities rather than relying principally on handouts or income transfers.

5.2 Who and Where Are the Poor

5.2.1 Poverty is pervasive throughout Malawi in rural and urban areas, and in all regions. However, the percentage of people below the poverty line is somewhat higher in rural areas than in urban areas, and somewhat higher in the south than in other regions. More than 75% of the people in Zomba municipality, and in Thyolo, Phalombe, Ntcheu, and Ntchisi districts, live below the poverty line.

5.2.2 Not surprisingly, poor households are more likely to have more dependants per worker than non-poor households, and to have larger households overall.

5.2.3 The probability that a household will be poor is higher for female-headed households than for male-headed households. More women than men in their thirties are poor, many of them widowed or divorced.

5.3 The Educational Status of the Poor

5.3.1. For adults, more education is generally associated with better economic circumstances. However, this is more significant for poor households in urban areas than in rural areas where economic opportunities tend to depend more on factors such as landholding.

5.4 The Health Status of the Poor

5.4.1 Among the poor, location seems to be more of a factor in health status than household income. Poor children are more likely to die because of lack of health care in rural areas than in urban areas. The survey did not include data on the prevalence of HIV/AIDS among the poor. However, it is obvious that the impact of HIV/AIDS on poor households is particularly devastating.

5.5 Economic Characteristics of the Poor

5.5.1 Most of the poor tend to be self-employed in the informal sector of the economy, predominantly in agriculture. In urban areas they are involved in many types of street vending. Off-farm activity for the rural poor is mostly handicraft production.

5.6 Agriculture and the Poor

5.6.1 Most poor people depend on subsistence farming, the dominant rural economic activity in Malawi.

5.6.2 The percentage of people who grow local maize, rather than hybrid maize, is higher among the poor than the non-poor. This highlights the fact that poor farmers are unable to take advantage of superior agricultural technology.

5.6.3 Poor and non-poor households are equally engaged in tobacco production. However, the poor do not derive the same economic benefits from cash crop production as the non-poor, due at least in part to insufficient access to information, credit, and markets.

5.6.4 Livestock production accounts for a very small fraction of farm incomes in Malawi overall, but the poor are least likely to own any livestock, especially cattle.

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.