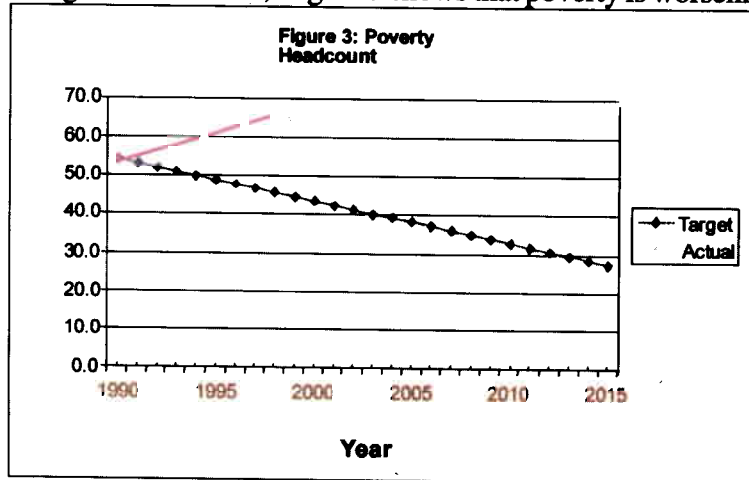


Target: Halve the proportion, by 2015, of people living in extreme poverty

1. The Nature of Poverty

The international focus on poverty reduction, at the turn of the 1990s, prompted Government and its development partners to consider ways of measuring poverty. The World Bank, in particular, attempted to measure poverty in 1992 and 1995 by using the Household Expenditure and Small Scale Enterprise Activities (HESSEA) and the National Sample Survey of Agriculture (NSSA), respectively. In the 1992 exercise, the World Bank estimated poverty in Malawi as comprising nearly 55 percent of the population, out of which approximately 20 percent were categorized as ultra-poor. In the 1995 exercise, poverty incidence was estimated at 60 percent. Although the two exercises were carried out by the same institution, the results were not comparable because of differences in the data set. Despite the shortcomings of the data set, Figure 3 shows that poverty is worsening.



On the basis of the 1997/98 Intergrated Household Survey (IHS), poverty incidence in Malawi was estimated at 65.3 percent, affecting nearly 6.3 million people (Table 3). The survey also showed that about 28.7 percent of the population lived in extreme poverty (89.8 percent in rural and 10.2 percent in urban areas, respectively).

Table 3: Poverty Incidence, Gap and Severity

Poverty	Headcount (% population)	Poverty gap index	poverty severity index
National	65.3	0.23	0.12
Rural	58.6	0.23	0.12
Urban	6.7	0.19	0.10
Ultra-Poverty			
National	28.7	0.09	0.04
Rural	25.8	0.09	0.04
Urban	2.9	0.07	0.03

Source: National Economic Council (2000) profile of Poverty in Malawi, 1998.

The differences in the methodology in the various attempts to estimate and analyse developments in poverty incidence between 1990 and 1998, makes it difficult to undertake a meaningful MDG gap analysis. However, 1998 was chosen as the base year for this exercise since the most comprehensive analysis was carried out only for that year.

With the current poverty incidence of 65.3 percent, the MDG poverty incidence for 2015 is expected to be 32.7 percent. Assuming a simple straight-line reduction in poverty incidence, this means an annual reduction in the poverty incidence of roughly 2 percent. However, the reduction rate in poverty incidence is influenced by a number of other parameters such as, income growth and distribution, gender equality as well as deliberate efforts made towards targeted pro-poor growth. With more pro-poor growth, human resource development and vulnerability protection, the reduction could be greater than the annual average of 2 percent.

2. Challenges

Malawi faces an uphill task as she undertakes the obligation of meeting the MDG to halve, by 2015, the proportion of the population living in poverty. In order to achieve this MDG, the poverty incidence should decline by 2 percent per annum. On the basis of different income distribution patterns, the target could only be achieved with economic growth of about 3.8 to 6.0 percent per annum. The lower limit of 3.8 percent is achievable, noting that real GDP growth averaged 4.2 percent during the period 1990 to 2000.

Although it is estimated that the composition of GDP would not vary substantially, the MPRS proposes to allocate more resources to rural areas, rural infrastructure and support for small and micro-enterprises. This should trigger more sustainable and equitable growth through improving the productivity of labour intensive sectors and narrowing the gap between modern and traditional sectors in agriculture, manufacturing, and services.

The economy of Malawi has been extremely vulnerable to internal and external shocks. Therefore, this requires the provision of greater incentives for economic development to broaden income and employment opportunities for both men and women in urban and rural communities. However, higher and sustained growth demands a favourable environment for economic growth, particularly in sectors involving traditional agriculture, small production units and both urban and rural micro-enterprises.

Malawi Poverty Reduction Strategy recognises that population and reproductive health programmes are critical in order to meet the Millennium Development Goals of halving poverty and hunger by 2015, reducing maternal and child deaths, curbing HIV/AIDS, advancing gender equality, and promoting environmentally sustainable development. However, implementation of the MPRS does not adequately address these concerns.

3. Policy Framework and Strategies

The MPRS recognises that the levels of productivity and competitiveness will be increased by taking concrete action in the areas of rural development, road infrastructure, technical assistance, technology and development of small enterprises. However, attention should be given to the development of micro-finance, access to land and land tenure, which are the strategic objectives of increasing opportunities for the population and which have more short- and medium-term effects on growth.

The major policy shift should aim at enhancing productivity of smallholder farmers by increasing their capacity to diversify crop and livestock production, ensuring property rights and expanding employment options for both women and men in the rural areas. This should include the provision of production infrastructure such as irrigation and micro-irrigation systems, rural electrification, rural roads, rural telephones and legal security in land tenure. Consideration should also be given to technological support in management, production, processing and marketing of agricultural produce and other non-farm goods and services. Such measures should make it possible to increase agricultural production and enhance profitability of other rural economic activities such as tourism and handicrafts, thereby adding to the diversification of employment opportunities and increased incomes.

Micro-finance services should be intensified and diversified in order to expand spatial coverage. This should help Micro, Small and Medium Scale Enterprises (MSMEs) to establish linkages amongst themselves and with larger businesses that could generate a sustained export supply, consistent with the demand and quality requirements of international markets.



A greater role of MSMEs is also anticipated in the domestic market, through active participation in the provision of goods and services, at all levels, such as construction and maintenance of roads, construction of irrigation and micro-irrigation works and basic sanitation.

MPRSP identified clustering as an important element of organising production of small firms. Malawi should place emphasis on the development of competitive industry clusters through the integration of key industries, suppliers, critical supporting business services, requisite infrastructure and institutions.

4. Assessment of Progress

Given the challenges outlined above, and the interventions mentioned in the Malawi Poverty Reduction Strategy Paper, there is considerable room for improvement, if the goal of halving those living below US \$1/day is to be achieved by 2015.