

Republic of Malawi

# **DELIVERING ON OUR PROMISES**

**BUDGET SPEECH**

Delivered by

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PRESIDENT OF THE REPUBLIC OF MALAWI**

At

**THE OPENING OF THE 2005 BUDGET SESSION  
OF THE NATIONAL ASSEMBLY**

Lilongwe, 6<sup>th</sup> June 2005

➤ **Mr. Speaker, Sir;**

➤ **Honourable Members of Parliament;**

## **INTRODUCTION**

It is with much pleasure and honour that I stand before this Honourable House today to perform the very important duty of opening the second budget session of the National Assembly under my administration. This session is very important as it will consider our budget for the 2005/2006 financial year.

Mr. Speaker, Sir, this session of the National Assembly is also important because it marks exactly one year of implementing sound economic management policies under my administration. This session offers me the opportunity to review the progress that we have made over the past year; the challenges that we have faced; and the clear direction we have taken for the economic prosperity of our country in the years to come.

Mr. Speaker, Sir, when I opened the budget session last year, I underscored the significance of the national budget to the economic transformation of this country in terms of stimulating economic activity. I then focused on laying a solid foundation for achieving a sustainable rate of economic growth in Malawi. I had then indicated that for our country to get out of poverty, we need to achieve an annual growth rate of at least 6 percent. My desire remains that our budget should be structured in such a way that it serves as the key instrument for achieving rapid economic transformation. More importantly, the budget should serve as a tool for improving the investment climate thereby promoting private sector development to support economic growth. It should also serve as a vital instrument for effectively delivering social programmes and public services that address the needs of all Malawians. It is in

this regard that the 2005/06 budget has been designed to consolidate the foundation for economic growth to take root in this country.

Mr. Speaker, Sir, as I have often stated, it is my vision that for this country to attain high levels of economic growth, bring about economic prosperity, reduce poverty and improve the quality of life for everyone, we must strive to create new wealth. It is therefore the desire and the policy of my government to transform our country from being a predominantly importing and consuming nation into a predominantly producing and exporting nation. This will require us to take certain specific measures for establishing manufacturing and processing plants for our primary products and raw materials to turn them into high value goods for both local consumption and export.

Starting from the 2005/06 financial year, Mr. Speaker Sir, the national budget will increasingly focus on investing in physical infrastructure that will improve the transport system, energy supply, water and sanitation, and telecommunications. It will also aim to accelerate investments in human development in the education and health sectors, as well as in the fight against the HIV-AIDS pandemic. In agriculture, the prioritisation of irrigation development will be increased so as to combat the chronically-recurring food insecurity brought about by combinations of droughts and floods in various parts of our country. This is why food security is at the top of my priorities for the development of our country.

Mr. Speaker Sir, the need to become economically self-reliant requires us all to abandon the prevalent culture of expecting the Government and other official agencies to provide all our necessities of life through hand-outs. Let us all change our mindset on this. From this budget, we shall begin to minimise hand-outs but we shall target social assistance only at those who need it most. However, changing this hand-outs mindset permanently will require us to provide sufficient incentives for our people to engage in highly productive income and employment opportunities.

## **ECONOMIC PERFORMANCE DURING THE 2004/2005 FINANCIAL YEAR**

Mr. Speaker, Sir, I now wish to review the performance of the Malawi economy during the 2004/2005 financial year. Let me start by stating that since my Government came into power, we have demonstrated serious commitment to fiscal discipline. We believe this is a fundamental requirement for us to restore a sound macroeconomic foundation for attaining high levels of economic growth.

As this House may recall, Mr. Speaker, Sir, at the time when we took over the reigns of government, Malawi's formal economic programme with the IMF had been halted. One of the reasons given by the IMF for this was that the previous administration lacked fiscal prudence and commitment to reduce public spending. There were concerns over bad governance, corruption and other forms of economic mismanagement. This led to a situation whereby almost all donors had stopped disbursing budgetary and balance of payments support to us. However, since my Government came into power, we have been working hard with the IMF and other donors to restore sound macroeconomic management and fiscal discipline. We agreed with the IMF to implement a **Staff Monitored Programme (SMP)** under which Malawi's economic performance would be reviewed frequently as a pre-condition for the restoration of a formal economic programme.

Mr. Speaker, Sir, I am happy to report to this Honourable House that our performance under the SMP has been satisfactory. In fact, we passed with flying colours. During the 2004/2005 financial year, we have so far met all the quarterly quantitative targets under the SMP except for wages and salaries expenditure on account of anomalies brought about by the revisions of salaries of civil servants. However, even the IMF and the other donors in the Common Approach to Budget Support (CABS) Group have lauded the Government for this turn-around in the management of our economy. This is a very

important achievement given the previous administration's poor economic management and maladministration.

Mr. Speaker, Sir, this august House may also be pleased to know that our economy registered improved performance with an economic growth rate of 4.6% in 2004, compared to 3.9% in 2003. The average annual inflation in 2004 was at 11.5%, a rise from 9.6% in 2003 mainly due to rising food prices and previous monetary expansion. The relatively low inflation surprised all observers including the IMF that had projected that the inflation rate would be 20% by December 2004.

I am also pleased to report, Mr. Speaker Sir, that the IMF and other donors have been greatly encouraged by my "zero-tolerance" stance on corruption. There are now signs that the foundation for economic prosperity has been established over the past year only. Our economy is now beginning to improve and Malawians are more confident in their Government and their economy than they were during the previous administration.

Mr. Speaker, Sir, the domestic debt situation has also improved significantly over the past 12 months as my Government is no longer borrowing to finance new spending as was the case in the past. In fact, we are borrowing only to service the huge debt that was left by the previous administration. Our policy is to spend only as much as our resource envelope can permit.

This Honourable House will appreciate, Mr. Speaker, Sir, that it has not been easy for us to manage our monetary and financial affairs in this manner but we have been successful due to the support that I have received not only from Cabinet Ministers and donor agencies, but, most significantly, from the Members of Parliament and from the Malawian public. In other words, phenomenal achievements are the result of our collective commitment and determination. What is more pleasing is that Malawians know that public expenditure management was very poor in the past and that now they can look to the future with confidence that our economy is in good hands.

I, therefore, wish, through you, Mr. Speaker, Sir, to thank all Malawians for the support that they have given me and my Government in this regard.

I also take this opportunity, Mr. Speaker, Sir, to inform the Honourable House that as a result of our prudent policy direction, domestic debt has eased and the private sector has begun to expand. However, our economy has not yet fully recovered and there is need for us to further strengthen fiscal discipline. The economy is still experiencing some problems due to external factors, especially the poor weather that has affected agricultural production. This has aggravated the food shortages and has resulted in a slow-down in economic growth and an increase in food insecurity and vulnerability to hunger. But we are confident that we are handling the maize situation in a responsible manner. The Honourable Minister of Finance will present more statistics on this very important subject of recent economic performance when he presents his Budget Statement soon.

Mr. Speaker, Sir, I am pleased to report to this August House that, in view of the strong economic management displayed by my Government, the IMF has decided to start preparing for the resumption of our formal economic programme known as the Poverty Reduction and Growth Facility (PRGF). The preparations have so far progressed well and we expect the programme to commence during the 2005/2006 financial year although our speed in this exercise has been affected by considerations of the impact of the current and prolonged dry spell on agricultural production, food security and the budget.

Nonetheless, my Government is determined to deepen its economic management policy reforms so as to strengthen our economy in the 2005/2006 fiscal year and in the years that follow. In particular, my Government will intensify fiscal discipline by strengthening the systems and institutions for managing public expenditure. Strict controls are being instituted to ensure that no government institution, including

subvented statutory bodies, spends more than the funds allocated to it in the approved budget.

I would like to assure this Honourable House, Mr. Speaker, Sir, that transparency, accountability, and responsibility in public expenditure management will be enhanced and public officials will be held more accountable for their use of public resources by strictly observing the provisions of the Public Finance Management Act, the Public Procurement Act and the Public Audit Act. To ensure that this happens, all Controlling Officers will be held responsible for their financial mismanagement even if they leave ministries or other public institutions in which they are now serving.

### **ENHANCING ECONOMIC GROWTH AND POVERTY REDUCTION**

Mr. Speaker, Sir, in the previous section, I have outlined our performance for the year 2004/2005. Allow me now to emphasize to this august house that poverty reduction cannot be achieved without sustainable growth. All nations that are now rich had to begin with growth. Therefore, I appeal to this House to share with me the need for promoting rapid and sustainable economic growth as the ***sine qua non*** for prosperity. The specific measures for attaining the desired high rate of economic growth have been articulated in the Malawi Economic Growth Strategy (MEGS), which I shall refer to later.

I am keenly aware, Mr. Speaker, Sir, that for economic growth to contribute to poverty reduction, it must translate into the well-being of the majority of Malawians who have slid into pervasive poverty over the past decade. The measures for redistributing economic growth have been articulated in the Malawi Poverty Reduction Strategy (MPRS). At the same time, we all have the collective responsibility to engage in productive economic activities that can make us self-reliant.

Mr. Speaker, Sir, this August House may be pleased to know that in order to take into account our resource constraints, the Government has decided to cut the suit according to the cloth. Accordingly, we have decided in the Malawi Economic

Growth Strategy to focus on those sectors we believe can pull our economy out of poverty. The sectors are:

- (i) agriculture and agro-processing;
- (ii) energy;
- (iii) tourism;
- (iv) mining; and
- (v) manufacturing.

This policy option does not minimize the importance of other sectors. In fact, the Malawi Economic Growth Strategy is being synchronised with the Malawi Poverty Reduction Strategy to ensure maximum impact on our economic growth. The aim is to maintain an appropriate balance between the economic growth and the redistribution of the social benefits among vulnerable segments of Malawian society, thereby reducing poverty. Therefore, the Malawi Economic Growth Strategy and the Malawi Poverty Reduction Strategy constitute the basic ingredients of our economic development policy for many years to come.

Mr. Speaker, Sir, my Government is aware that the high transaction costs of doing business, particularly in transport, electricity, water and telecommunications, contribute to making Malawi uncompetitive in attracting both local and foreign investment. To stimulate economic activity in these sectors, Government will play its part, through this budget, to improve economic infrastructure such as roads, rail lines, air transport, water transport, energy/electricity and telecommunications. We shall also continue to review the impact of our economic policies in such areas as taxation and fiscal and monetary management, so as to improve the economic environment for private sector development.

### **FISCAL DEVOLUTION TO LOCAL GOVERNMENT**

Mr. Speaker, Sir, I now turn to the various specific measures that my Government is taking to strengthen economic



management and to promote private sector development in this country.

In order to achieve effective decentralization and to make government officers more accountable and responsible to the public at the local level, I have appointed District Commissioners and Chief Executives of Local Authorities as Controlling Officers of their districts, towns and cities. This represents a fundamental change in the way public resources will be managed in this country, as part of the decentralisation process. Due to this shift in public expenditure management, the 2005/2006 Budget will begin to show how much of the national budget will go directly to each of the assemblies in the country. Each district, town or city will have its own vote to be approved by the National Assembly, and the Ministry of Finance will fund accounts of assemblies directly. This arrangement will speed up the financing of government operations and improve efficiency in the utilisation of public funds in local assemblies.

Under this new arrangement, each District Commissioner or Chief Executive will be held accountable and responsible for the use of public resources through the Public Accounts Committee. This policy shift will also transfer more public resources closer to Malawians than in the previous system under which government ministries and departments spent public funds largely at the national level. However, this new approach will require us to strengthen local capacities for monitoring and evaluation to detect any misuse of public resources.

## **REVIEW OF MALAWI'S TAX REGIME**

Mr. Speaker, Sir, let me now turn to the review of the Malawi tax system. As part of implementing the Malawi Economic Growth Strategy, my Government has during the past year, undertaken a fundamental review of our taxation system. This review seeks to address the taxation issues that affect the growth of our private sector businesses, taking into account the views of private sector development institutions such as the

National Action Group (NAG); the Society of Accountants in Malawi (SOCAM); the Economics Association of Malawi (ECAMA); the Malawi Confederated Chambers of Commerce and Industry (MCCCI); and the Malawi Investment Promotion Agency (MIPA).

In conducting this review, Mr. Speaker, Sir, we sought to maintain a strategic balance between addressing constraints to private sector development and investment and economic growth, on the one hand, and the revenue collection requirements of our national budget, on the other. While the tax review also seeks to make Malawi competitive in attracting foreign investment within the SADC Region, this will not happen at the expense of our revenue collection efforts. We have been assisted in the review by technical experts from the Treasury Department of the Government of the United States of America and the International Monetary Fund (IMF) such that any changes to our taxation system would be based on international best practices.

In addition, the review process involved consultations with various stakeholders in a very open manner. Some of the specific changes that will be effected to the regime, as a result of the review, will be announced by the Honourable Minister of Finance in his Budget Statement that he will deliver to this August House soon. I appeal to all people in this country to assist the government in the implementation of the proposed changes and in conducting the subsequent phases of the review. I also thank the American Government and the IMF for the support they have rendered to us so far for this review.

### **REVIEW OF CIVIL SERVANTS' SALARIES**

Mr. Speaker, Sir, in my 2004/2005 Budget Address to this Honourable House, I did announce that my government would review conditions of service and salaries for the Civil Service. The main objective of the review is to find ways of motivating civil servants to work harder and to make the Civil Service wage bill more manageable, predictable and consistent with international best practices. As the August House is aware,

the previous revision of the salaries of Civil Servants was done as far back as the year 2000. I am pleased to confirm that my Government managed to review these salaries, to take effect from October 2004 with an average increase of 25 percent. The revision related only to regular staff and those on performance-related contract terms. The Government will continue to adjust these salaries upwards in response to changes in the cost of living index and subject to the availability of financial resources.

Mr. Speaker, Sir, the House may wish to know that the review also involved the consolidation of salaries with remunerative allowances. These are the allowances that were being paid in addition to basic salaries. The review also included reducing the number of grades of civil servants. These changes were based on the recommendations of an external consultant. I wish to inform this House and the nation that all the concerned Civil Servants now receive higher salaries than they were receiving prior to October 2004.

However, the implementation of this review faced a few problems related to civil servants' reactions to new higher tax obligations; inequalities in changed remuneration in relation to the educational background and work experience of civil servants; and the computation of gratuities and pensions. Most of these problems had not been foreseen by the external consultant. To address these problems, we will hire consultants with some knowledge of our local circumstances.

Furthermore, my Government plans to introduce a contributory Pension Scheme for Civil Servants following wide consultations. The scheme will enhance retirement packages and will be easier to administer than the current one.

### **CLEARING GOVERNMENT ARREARS**

Mr. Speaker, Sir, one of the biggest challenges that my Government has faced during the past year has been how to clear government arrears. I wish to inform this August House that my government inherited a huge amount of arrears that had been accumulated by the previous administration, now

estimated at K10 billion. These are outstanding payments for goods and services that the government procured without paying for them over the past 10 years. This constitutes sums of money owed to various contractors on construction project, suppliers of goods and services and costs that the government incurred after losing court cases. These arrears are in addition to the public debt owed to the financial system and represent a squeeze on private sector investment and growth. This is so because these arrears constitute the funds that the private sector and public utilities companies could have used to expand their businesses.

Mr. Speaker, Sir, there is a general consensus that the accumulation of arrears of this magnitude is a clear sign of financial mismanagement since they represent public expenditure that was not budgeted for or simply because resources were diverted to unauthorized uses. In view of this serious problem of arrears, my Government has drawn a strategy for clearing them. However, we cannot clear all of them in one year due to resource limitations, but I wish to assure this House that my government will clear these arrears. In addition, specific measures are being taken for the Government to avoid creating fresh arrears. The Honourable Minister of Finance will give more details about these measures in his Budget Statement.

## **INTERNATIONAL RELATIONS**

Mr. Speaker, Sir, with regard to foreign policy and international relations, my Government will continue to maintain good relations with all countries and organisations with which we share a common vision and aspirations. These are countries that are committed to, and support, democratic principles of good governance; the observance of human rights; the eradication of poverty, diseases, and starvation; and the maintenance of international peace and security. The main thrust of our foreign policy is to improve our export trade. This aims at promoting fair trade for our products on the international market; attracting Foreign Direct Investment (FDI)

and Official Development Assistance (ODA); and promoting our tourism industry. These are the essential ingredients of our development that can liberate our people from the poverty trap.

Mr. Speaker, Sir, in line with this orientation, my Government will ensure that our missions abroad become viable tools for implementing this foreign policy as opposed to using them for mere political loyalty and appeasement. We will now begin to staff the diplomatic service with people that have relevant qualifications and experience in disciplines that will enable them to promote effectively Malawi's trade, tourism, private sector investment and in attracting development assistance to the country. To this end, my Government has started to rationalise the staffing and number of our missions abroad. We shall no longer use political loyalty and appeasement as the criteria for appointing staff in our diplomatic missions abroad.

Mr. Speaker, Sir, recognising that peace and security are major pre-requisites to any meaningful development and that we are living in a global village, my Government is taking measures to ensure that we continue to play our rightful role in promoting regional as well as international peace and security as provided for in the Constitutive Act of the African Union and the Charter of the United Nations, to which we subscribe. In that regard, our country is participating in peace-keeping activities in the Democratic Republic of the Congo and in the Darfur region in Sudan.

It is also important, Mr. Speaker, Sir, that we continue to participate in emerging important initiatives. One such initiative is the New Partnership for Africa's Development (NEPAD). This initiative calls for all African countries to move as a block when it comes to matters of economic development. I have, therefore, committed Malawi to actively participating in this initiative, as its objectives are consistent with our policy of promoting economic growth and poverty reduction so as to attain the Millennium Development Goals (MDGs). It is important to note that, at the Cairo meeting, which was held in

April this year, NEPAD accepted and approved that the Shire/Zambezi Waterway Project would be eligible for this support.

## **GOOD GOVERNANCE AND THE RULE OF LAW**

Mr. Speaker, Sir, my Government is fully committed to promote good governance, the rule of law, and justice and equity as the basis for developing our country. In my address to this Honourable House on 29 June, 2004, I stressed that there cannot be any orderly political, social and economic development without the rule of law, access to justice by the ordinary people of Malawi and fair administration of such justice. Both the NEPAD and MDGs frameworks stress political, economic and corporate governance as the essential elements of sustainable economic growth and development of the African continent.

It is in view of the importance of good governance and the rule of law, Mr. Speaker, Sir, my Government plans to strengthen the capacities of the Anti-corruption Bureau; the Ministry of Justice; the Judiciary; the Legal Aid Department; the Directorate of Public Prosecutions; the National Audit Office, the Law Commission, and other related institutions. To promote access to legal services, the Government will open branch offices for the Departments of Legal Aid and Administrator General in Mzuzu.

## **THE FIGHT AGAINST CORRUPTION**

Mr. Speaker, Sir, I wish to reaffirm my zero-tolerance stance on corruption. Over the past 12 months, I have not wavered on this policy stance because the fight against corruption is a key aspect of our economic management policy and is a serious governance issue.

Despite various obstacle and machinations placed in my way, I am resolved to continue with, and intensify, the anti-corruption drive. I shall not compromise on this stance. As I have said many times before, I am not using this drive to politically persecute anyone but to set a solid economic foundation for

our country and this cannot happen without rooting out corruption from our society. I therefore wish to reiterate that this drive will not spare anyone, including those in my Cabinet, as the recent events have showed.

### **THE ESTABLISHMENT OF COMMERCIAL COURTS**

Mr. Speaker, Sir, as part of promoting good economic governance and to ensure that corruption does not negatively affect our private sector development initiative, the Government, with the support of the European Investment Bank and various donors, will soon set up a Commercial Court. Such court will ensure that legal matters of commercial nature are resolved as quickly as possible. Currently, it takes too long to resolve commercial disputes using the current court system which is congested with other cases. I must stress, Mr. Speaker, Sir, that there is no way we can attract or retain investors in our country with such delays. The important point to stress is that the Commercial Court will also be mandated to handle most, if not all, cases related to corrupt practices. The so-called “high profile” cases of corruption will, therefore, be handled faster through the Commercial Court.

### **IMPROVING INTERNAL SECURITY**

Mr. Speaker, Sir, the House is fully aware that security, peace and stability are the bedrock of democracy and economic development. My Government is committed to ensuring that our country has adequate security for all people, their investments, their business premises, their homes and themselves as individuals. We believe that without security, it is impossible for our economy to grow fast as the recent vandalism of ESCOM's transformers has showed. This is why, since May, 2004, my Administration has shown unparalleled commitment to guaranteeing safety and security for people's lives and property as well as business concerns. The Malawi Police Service has accordingly, under its new management, increasingly become professional and independent of any political influence in the performance of its duties. Every honest

and peace-loving Malawian can testify that no-one can now be harassed in full view of the police for holding or expressing divergent opinion from that of Government as was the case in the past.

Furthermore, Mr. Speaker, Sir, during the year, the Malawi Police Service introduced the **997 Rapid Response System** to enhance its responsiveness to calls for assistance from the public. This initiative, which was pioneered here in Lilongwe, will soon be extended to other major urban centres of Blantyre, Zomba and Mzuzu and will subsequently be rolled out to rural areas. My Government has also started enhancing the Malawi Police Service human resource base with the recruitment of 1,500 additional staff.

### **IMPROVING THE PRISON SERVICE**

With regard to Prison Service, Mr. Speaker, Sir, my Government has demonstrated unflinching commitment to human rights in the treatment of prisoners. The prisoners are now provided with a good diet which has come about with the promotion and diversification of farming activities by the Prisons Department. With regard to economic empowerment, prisoners are being equipped with vocational skills which afford them an opportunity to be economically independent upon their release from Prison. In addition, prisoners are also allowed access to religion of their choice.

Mr. Speaker, Sir, my Government is aware that one of the most challenging problems in our prisons is congestion. It was in recognition of this that my administration decided to re-open Nsanje and Mikuyu Prisons which, in total, will provide space for about 650 prisoners. There is, therefore, hope that overcrowding in our Prisons will further be reduced, especially when the ultra modern Prison being constructed at Mzimba Boma is completed, as it will have the capacity to accommodate 600 prisoners.

### **DEFENCE**



Mr. Speaker, Sir, Honourable Members, the Malawi Defence Force has continued to be a well-disciplined and professional force. The Malawi Defence Force has actively contributed towards the maintenance of regional and international peace through participation in Peacekeeping missions in the Democratic Republic of Congo and Kosovo in the past three years; and more recently in the Darfur Region in Sudan. This is not a mean achievement.

Mr. Speaker, Sir, there is high-level cooperation between the Malawi Defence Force and the Malawi Police Service which is highly commendable. For instance, the Malawi Defence Force recently assisted the Police in the maintenance of Law and Order in **Operation Chotsa Mbava** in April, 2005. Similarly, the Malawi Defence Force Engineering Unit assisted in the construction of the Rivi-Rivi Railway Bridge that has now been opened for public use. In light of this brilliant performance, the Government is seriously exploring avenues in which the Defence Force Engineering Unit can assist in the development of our country, especially in construction projects.

### **ENHANCING THE PERFORMANCE OF STATUTORY CORPORATIONS**

Mr. Speaker, Sir, during the past year, there were some variations in the performance levels of both the commercial and subvented parastatals due to a range of factors. A good number of parastatals had registered significant positive results in the 2003/2004 financial year. These include ESCOM, Malawi Housing Corporation, Air Malawi, and the Malawi Telecommunications Limited (MTL). However, most of the other statutory corporations face a number of managerial problems. The most prominent ones are the Malawi Development Corporation (MDC), ADMARC, and the Water Boards. MDC, as a consequence, has been dissolved and some of its functions will be incorporated into a Malawi Development and Investment Bank.

Mr. Speaker, Sir, the chronic problems being faced by parastatals are being addressed through various capacity building initiatives and a fundamental review of their

governance structures. In this regard, in order to ensure sustained and improved performance of these parastatals, my Government is appointing Boards of Directors based on proven professionalism and management experience, and not merely on political affiliation.

## **ENERGY, FORESTRY AND THE ENVIRONMENT**

Mr. Speaker, Sir, let me now move on to the issue of energy, forestry and environment. I start by underscoring the fact that Malawi has abundant natural resources that should be exploited in a sustainable way in order to contribute to our collective vision of achieving high levels of economic growth. Sound exploitation of these resources will, in turn, reduce poverty by increasing the income and self-reliance of rural communities. For example, I need not emphasize the importance of the forestry resource in this country, but it is of concern to me and my Government that the high dependence on wood for income generation and energy exacerbates the problems of deforestation and land degradation in Malawi. The Government, this year, changed the tree-planting week into a National Forestry Month to underscore the importance of tree-planting and forestry conservation in this country. The Government will, however, continue with efforts aimed at promoting the sustainable management of forest resources in order to safeguard the present and future supplies of forest and forest-based products to all Malawians and for environmental protection.

Mr. Speaker, Sir, we are all aware that our economic development is being adversely affected by inadequate and an unreliable electricity power supply. The country is still experiencing frequent load-shedding and power blackouts due to problems in power generation, transmission and distribution. These interruptions are negatively affecting industrial and domestic operations, and result in economic losses. In order to address these problems, my Government is undertaking a number of projects. On the interconnection with Mozambique, I am pleased to report that the Government of

Mozambique has given its approval to Hydro Caborra Bassa (HCB) of Mozambique to proceed with arrangements to sign the Power Purchase Agreement with ESCOM. It is expected that we will start using electricity from this Interconnector from 2007. In addition, my Government is soliciting funding with which to rehabilitate Tedzani I and II and to install Kapichira II in order to enhance power generation.

Furthermore, the Government is finalizing the implementation of Phase IV of the Malawi Rural Electrification Programme (MAREP) after which it will implement Phase V of the programme with assistance from the Japanese Government. This programme will be expanded so that more rural parts of the country can have access to electricity thereby reducing deforestation and promoting non-farm business activities in rural areas.

## **FOOD SECURITY AND AGRICULTURAL DEVELOPMENT**

Mr. Speaker, Sir, I now turn to my review of our performance in the development of our economy through agriculture. As we all know, agriculture is the mainstay of our economy. This is so because agricultural production is a key aspect of industrialization and our national development policy. As Honourable Members will agree, most Malawians derive their cash and in-kind income from farming.

Mr. Speaker, Sir, without food security, our people cannot be productive enough to contribute significantly to the economic development of our country. Furthermore, in my maiden State of the Nation Address, I pointed out that: **“A nation that cannot feed itself cannot claim to be a sovereign and independent state. We, in Malawi, must therefore be able to feed ourselves”**.

Let me take this opportunity, Mr. Speaker, Sir, to dispel some misconception that my administration is responsible for food shortages in our country. Nothing can be further from the truth. The truth is that we have, over the past five years, faced chronic food shortages despite the availability of arable land, adequate human resources and huge reservoirs of water in our

lakes and rivers. Our agricultural system faces a number of constraints that contribute to low agricultural productivity and production. The prominent ones are the diminishing average farm-land holding sizes due to rapid population growth; declining soil fertility; the high variability and unpredictability of weather; and rising farm input prices.

Mr. Speaker, Sir, as we all remember, during the 2003/04 cropping season, some parts of the country experienced low crop production because of prolonged dry spells. Consequently, between 1.3 million and 1.7 million people were estimated to require food assistance from July, 2004 to March, 2005. With assistance from our donor partners, my Government provided food assistance to the affected people through the World Food Programme and Non Governmental Organisations (NGOs). About 60,000 metric tonnes of food were distributed to the affected people during that period of need and this averted hunger and starvation in this country. I, therefore, thank all the donors who contributed to this food aid programme.

Mr. Speaker, Sir, I strongly believe that we can develop our capacity to grow enough food to feed ourselves and to support agro-processing industries by applying modern science and technology. This is why I intend to establish the University of Science and Technology in this country.

In order to address the chronic problems of food insecurity, my Government has come up with a number of agricultural initiatives to enhance agricultural production and food security, including the finalisation of a food security policy. The major initiatives relate to increasing the availability of maize in the country in response to the impending food shortages later this year; increasing access to farm inputs, especially fertilisers; irrigation development and livestock development.

### **RESPONSE TO THE IMPENDING FOOD SHORTAGE SITUATION**

As this August House is fully aware, this country will face a food shortage this year largely due to the dry spell that we experienced at a critical stage when maize was maturing. This is a matter beyond our control but we have put in place

measures to ensure that Malawians will have ready access to maize throughout the year and throughout the country. The poor and most vulnerable members of our society will receive food items targeted at them. And to ensure that this is so, the Government has allocated sufficient funds for the importation as well as distribution of food to most Malawians, in the 2005/06 budget. Those with financial resources will be able to purchase maize and other food items from the food markets, while the poorest and most vulnerable people will receive free food.

Mr. Speaker, Sir, I wish to assure this august House that my Government will never act irresponsibly by selling maize from the strategic grain reserves without the means to replenish such reserves. For the moment, in response to the impending food shortage, my Government, with the support of our development partners, is ready to respond to the food shortage by promoting intensive irrigation. With regard to this programme, I wish to appeal to all farmers who have treadle and motorised pumps to fully utilize them. In this regard, I have instructed that each and every Member of Parliament should receive 400 treadle pumps for free distribution to his/her constituency. If well used, this will improve irrigation farming and hence, food security. I therefore wish to appeal to all Honourable Members of this House to join me in this campaign so that, together, we can promote winter cropping which can reduce the food shortage significantly. Let me take this opportunity, Mr. Speaker, Sir, to thank ILLOVO Sugar Company which has offered to assist people in the Shire Valley to grow winter maize. My Government will also promote the production of drought resistant crops and short season crops such as cassava and sweet potato varieties under irrigation.

### **RESPONSE TO NATIONAL DISASTERS**

Mr. Speaker, Sir, I now turn to the issue of national disasters. My Government has developed a disaster preparedness strategy so that the country attains the required level of response. The Government is also developing specific contingency plans in a number of districts that are prone to specific disasters, such as

floods, especially Machinga and Phalombe districts. These plans will enable the District Assemblies to rapidly respond to, and mitigate, the impact of floods should they occur in their districts. In the next fiscal year, Flood Contingency Plans for the other districts along Lake Malawi and the Shire River are also being developed.

Mr. Speaker, Sir, ironically, before the dry spell set in, floods occurred in some districts of the country such as Chikwawa, Nsanje, Phalombe, Zomba, Mangochi, Machinga, Ntcheu, Dedza and Rumphu, while heavy hailstorms were experienced in Neno, Blantyre, Balaka, Kasungu, Lilongwe, Mchinji and Mzuzu. These floods destroyed people's houses, property and crops. The failure of crops was, therefore, not only due to the drought. The Government provided relief assistance in form of food, blankets, and, in some cases, temporary shelter for those families whose houses and property were affected. I am, however, sad to mention that some people lost their lives in Rumphu and Ntcheu districts due to these floods.

### **FERTILISER SUBSIDY PROGRAMME**

Mr. Speaker, Sir, perhaps one of the most misunderstood issues is the question of the fertilizer subsidy programme. As I have indicated earlier in this speech, the high cost of farm inputs is one of the key constraints to profitable farming in this country. Of particular significance is the availability of affordable fertilisers to our poor farmers during the 2005/06 cropping season so as to promote local maize production and food security. The Government will, therefore, in the 2005/2006 budget, make provisions for a Fertiliser Subsidy Programme which will target maize production by the poor farmers in the 2005/2006 cropping season. This approach is expected to increase food security and reduce the need for us to import maize in the 2006/2007 financial year. This is in recognition of the fact that making farm inputs readily available and accessible to our people does result in increased food production.

Mr. Speaker, Sir, as this House is aware, during the 2004/2005 financial year, my Government sought to increase access to fertiliser through the Targeted Inputs Programme under which we provided free fertilisers and seed to poor farmers. In fact, more free fertilisers and seeds were distributed under this programme than in any other previous years. Let me clear the air, Mr. Speaker, Sir, that my Government never promised to provide "Universal Fertilizer Subsidy" to cover cash crops. We simply cannot afford this. However, it is sad that the expected impact of the programme was seriously reduced by the dry spell since January 2005.

We have, however, learnt lessons from this experience in that the provision of fertilisers as hand-outs does not necessarily lead to increases in agricultural production. Instead, such an approach easily increases a dependency syndrome, lack of responsibility, and certain inefficiencies in the distribution of hand-outs. But what do we do with those farmers who cannot afford fertilizers even if it is subsidized? Do we simply ignore them?

It is in recognition of these problems, Mr. Speaker, Sir, that my Government and our development partners have decided to discontinue the practice of providing free farm inputs to farmers. Instead, we plan to implement a generalised fertiliser scheme under which farmers will purchase fertilisers at highly discounted prices. The fertilisers in question are those that are primarily used in the growing of maize and other food crops such as Urea and 23:21:0+4S, which will be available on the local market from July/August 2005, onwards. The Government has, through a tendering process, hired one company that will handle the sale of subsidised fertilisers in all parts of the country in conjunction with ADMARC. The 2005/2006 budget will make provisions for this subsidy programme which the Honourable House will consider.

Mr. Speaker, Sir, as for the poor subsistence farmers who cannot afford the subsidised fertiliser, my Government considers it important that Government creates income-generating

activities that will enable the poor farmers to earn money which they can use to buy inputs. And I am pleased to inform this august House that my Government has already designed such income-generating activities that will commence in the course of this year.

## **IRRIGATION DEVELOPMENT**

Mr. Speaker, Sir, my Government will continue to promote irrigation as a key aspect of our agricultural development strategy. Irrigation is very crucial if we are to reduce our over-dependence on rainfall for agricultural production.

Mr. Speaker, Sir, the Government is promoting a holistic irrigation initiative that has the potential to irrigate 70 percent of the arable land in Malawi. The Shire Valley Irrigation Project will source water from Shire River and irrigate 24,000 hectares in Chikwawa and Nsanje Districts. The plains of the Central and Northern regions will also source water from Lake Malawi under the same project. In addition, we will harness our rivers for irrigation, electricity and fisheries.

Furthermore, Government has expanded the national irrigation capacity by providing some 30,000-treadle pumps in rural communities on loan. In addition, the Ministry of Agriculture has acquired 60,000 treadle pumps and each constituency in the country will receive at least 400 treadle pumps for free distribution to the people. My Government has also embarked on a canal development programme that has so far covered 380 kilometres with the potential to irrigate about 11,600 hectares of land. Some irrigation schemes are currently being rehabilitated using Government as well as donor and NGO funds. We are also encouraging large scale farm enterprises to intensify the irrigation of food crops as part of our food security policy.

Mr. Speaker, Sir, I wish to inform the House that the Government has prepared an integrated irrigation and rural livelihoods project which will support irrigation development and technology transfer. Project preparatory work has been concluded and the World Bank will provide US\$33 million for this



project from this October onwards. Value adding to our agricultural production is one of the key aspects of this project.

### **LIVESTOCK DEVELOPMENT**

Mr. Speaker, Sir, within the agricultural sector, Livestock production including dairy and beef production will be intensified in order to reduce imports of animal products. The Government has started restocking its farms with 7,021 cattle. This will significantly increase the supply of breeding stock for smallholder livestock farmers and improve incomes and nutrition among our people. This year's budget on agriculture includes the allocation of funds to revamp and rehabilitate some of the non-functional dip tanks.

### **EMPOWERMENT OF RURAL POPULATIONS**

Mr. Speaker, Sir, a large percentage of our people in the rural areas continues to live in abject poverty. Many of these people have no access to basic social amenities such as clean water, health, housing and sanitation.

To alleviate these problems, my Government is determined to implement policies specifically designed to balance economic and social prosperity between the urban and rural areas. There is a clear need for us to economically transform rural areas as part of our integrated rural development strategy. This is why my Government has, with the support of Parliament, established the K5-billion Malawi Rural Development Fund (MARDEF). MARDEF will specifically provide loans to indigenous Malawians so that they can start new businesses or expand existing ones. I wish, through you, Mr. Speaker, Sir, to thank the august House for agreeing to raise the Fund to K5 billion. This will boost economic activities among the poor in our society.

Mr. Speaker, Sir, allow me also to explain that MARDEF does not belong to my political party. It is a national economic empowerment initiative which will provide loans to people in all parts of the country without following party-politics. The key objective of the new Fund is to address the income and

employment challenges of most rural people who lack access to financial capital to invest in businesses of their choice.

I am happy to report to this August House that the Fund has already started disbursing loans to people in various parts of the country.

Another important instrument for rural transformation is the One Village One Product (OVOP) initiative whose activities will now be implemented under the umbrella of the Ministry of Local Government and Rural Development. This arrangement has been made to ensure that all Assemblies participate effectively in OVOP activities.

### **ADMINISTRATION OF CHIEFS**

Mr. Speaker, Sir, in appreciation of the important role that Chiefs play in the governance and development of our country, my Government has increased chiefs' honoraria by an average of 100% with effect from February, 2005. These honoraria are paid to paramount Chiefs, Traditional Authorities, Senior Chiefs, Group Village Headmen and Headmen that are recognized as such by Government. In return for this incentive, the Government expects chiefs to adopt sound and accountable leadership for their people and to spearhead their social and economic development.

### **PROMOTING ACCESS TO LAND**

Mr. Speaker, Sir, let me now turn to the issue of land distribution. As the House is aware, land is our heritage and is a critical factor of production in Malawi. However, most Malawians lack enough land especially for agriculture. The vision of my Government is to make Malawi a nation where land is equitably accessed and effectively utilised for sustainable development. Therefore, we shall seek to address the problems of poor land accessibility and ineffective utilization. Initially, this will be achieved through the Customary Land Reform and Sustainable Rural Livelihoods Project. This Project will initiate reforms that will enable communities to regularise title to land and register customary tenure interests in land. This, it is hoped,

will encourage titled land to be put to productive use and investment for rural economic transformation and poverty reduction.

Mr. Speaker Sir, I wish to report to this august house that with financial support from the World Bank, the Government will continue to implement the US\$27 million Community Based Rural Land Development Project which is aimed at assisting rural land-constrained households, initially in the districts of Thyolo, Mulanje, Machinga and Mangochi. The project will provide resources to resettle the poor upon land so as to develop their skills and afford them opportunities for increasing their agricultural production.

In addition, the Government, with financial support from the European Union, implemented a Capacity Building Project to the tune of €2 million aimed at strengthening the institutional capacity for carrying out land reforms under the programme. The Project became fully operational in January, 2005.

### **IMPROVING THE TRANSPORT INFRASTRUCTURE**

Mr. Speaker, Sir, my Government strongly believes that the transport sector is a linchpin to economic growth. In that regard, proper maintenance of roads and the construction of new ones, the rehabilitation and expansion of the railway system, and the use of water transportation, will facilitate economic activity in the country and also reduce transportation costs. My Government has, therefore, placed high priority on the development of our transport infrastructure.

#### ***Re-Opening the Shire-Zambezi Waterway***

Mr. Speaker, Sir, perhaps the most important project to be implemented by my Government in this sector is the re-opening of the Shire-Zambezi River Waterway (the Sena Corridor). This Waterway was used up to the 1970s and its re-opening will enable us to open up the country to the Indian Ocean through the Chinde Port in Mozambique. This, Mr. Speaker, Sir, is a project that has tremendous potential to reduce transportation costs for our exports and imports. I am pleased to inform this

House that the Governments of Mozambique and Zambia have agreed to work very closely with us in the implementation of this project. We are currently planning to carry out detailed feasibility studies of the project components for possible funding. It is estimated that the project will attract investment funding of between US\$5 – US\$10 billion. The House will be fully apprised as the project develops.

I am also pleased to inform this Honourable House that the Government, supported by the British Government, has rehabilitated the Rivirivi Rail Bridge that was destroyed by floods in 2002, and reopened it to traffic in April, 2005. The rail line between Balaka and Salima will be open soon, after some repair works are completed.

I thank the British Government for the support that it provided on this project. I also wish to thank the Government of the Republic of China (Taiwan) that has given us four locomotives for use by Malawi. These developments will improve our rail transport system and contribute to the transformation of our nation.

### ***The construction of Roads***

Mr. Speaker, Sir, I am pleased to inform the House that our development partners recognize the importance of developing a sound road network. We have agreed with them that the improvement of our road transport system is an essential part of reducing transaction costs in our economy. With the support from the African Development Bank, the Government has now sourced all the required funds for the construction of the whole stretch of the Karonga-Chitipa Road. The construction of the Lufilya-Chitipa section of the road will start soon while procurement processes for the Karonga-Lufilya section is expected to start in April, 2006.

The construction of the Masasa-Golomoti-Monkey Bay Road, which will help to open up access to the Lake from the Central Region, is progressing satisfactorily and is expected to be completed by October this year. This project is funded by the European Union.

During the 205/06 financial year, my Government will also start the construction of the Zomba-Jali-Phalombe-Chitakale and the Naminga-Liwonde roads, with joint funding from the Kuwait Fund, BADEA and OPEC. The Government will soon commence the construction of the Limbe-Chisitu Road; the Mponela-Ntchisi Road; the Lumbadzi-Dowa Road; the Kamphata-Nkhoma Road and the Bunda-Mitundu Road in the Centre. Other roads that will be constructed or rehabilitated include the Jenda-Rumphu, the Mangochi-Monkey Bay, the Thyolo-Makwasa-Thekerani-Muona-Bangula Roads; the Rumphu-Nyika-Chitipa Road; the Dowa-Nkhotakota via Malomo Road and the Chiradzulu-Phalombe-Chiringa Road.

### ***Improving International Airports***

Mr. Speaker, Sir, the development of infrastructure will also include the upgrading of our international airports in Blantyre and Lilongwe. This is important for us to encourage tourism and other economic activity in this country. I am pleased to inform this Honourable House that we shall start the rehabilitation of the runway at the Kamuzu International Airport in August this year, using funding provided by the Arab Bank for Economic Development in Africa (BADEA).

### **EDUCATION**

M. Speaker, Sir, as we all know, a vibrant education sector is the key to the development of our human resource base and national development capacity. My Government is concerned that our education system has lately not been performing well especially in terms of quality. Many schools are in dilapidated condition; many students are having low passing grades and there is an increasing number of school drop-outs. It is for these reasons that I promised to institute major reforms in the education sector so that it can respond to the technological and development challenges of the 21<sup>st</sup> Century. Malawi can only effectively compete in the global village if its citizens are well trained and equipped for the challenges of globalisation.

I am pleased to report to this august House, Mr. Speaker, Sir, that the Education Review Conference that I promised last year was convened this year. It brought together stakeholders in education to review policies and strategies and suggest best practices for the sector in a fast changing world. Of particular significance is the need for us to ensure that our education system does not prepare our children for white-collar jobs alone, but for self-employment through custom-tailored technical skills training.

Mr. Speaker, Sir, Honourable Members, my Government is continuing with the implementation of several projects in the education sector. These include the rehabilitation of secondary schools and teacher training schools, the introduction of Sector Wide Approach (SWAP) in the education sector. Through the SWAP, the government has earmarked funds to rehabilitate primary schools, and to purchase teaching and learning materials. I am also pleased to inform this Honourable House that, under this SWAP, the World Bank has just granted Malawi a US\$32.3 million grant to support the Government in improving access and quality in education. The grant will help not only in constructing a primary school Teacher training College at Liwonde, but also improve facilities for training secondary school teachers at the Mzuzu University and University of Malawi. Another component of the project will address the health and nutrition problems of primary school pupils by providing iron tablets and treating debilitating diseases such as malaria, bilharzias and hookworms which often attack school-going children. I wish to thank the World Bank for this grant which was initially supposed to be a loan. I hope that other donors will soon participate in this SWAP arrangement.

## **HEALTH**

Mr. Speaker, Sir, Honourable Members of the House, the importance of the health sector in the development of any country cannot be over-emphasised. The financing of this sector will improve in the 2005/06 budget largely due to the

significant financial resources that will be invested in this sector through the Sector-Wide Approach (SWAP) in the health sector. Some donors have already committed US\$196 million for the implementation of a 6-year programme of work under the SWAP. The core of this programme is called the “Essential Health Package”. Part of this funding will be used to address the human resource constraints in this sector, including the topping-up of salaries for technical health personnel so that we can retain them within the country. I wish to thank the donors in question, who are the British Government’s Department for International Development, Norway, Sweden and the World Bank, for their support.

Mr. Speaker, Sir, in the last year, several achievements have been made in this sector and I wish to cite some of them here. Two of the finest constructed and equipped district hospitals in this region, namely; Thyolo and Chiradzulu District Hospitals were completed and made operational. Similarly, the electrification of Kabudula Community Hospital in Lilongwe was completed. Furthermore, twenty-five health centres in seven districts are currently being rehabilitated or reconstructed and a modern health centre has been completed at Mfera in Chikwawa District. Meanwhile, rehabilitation and construction works at Zomba Central Hospital and Chitipa and Nkhotakota District Hospitals are progressing well. The Orthopaedic Centre at Queen Elizabeth Central Hospital has been restored and is fully equipped. Additionally, funding has been secured for constructing and equipping two smaller orthopaedic centres at Kamuzu and Mzuzu Central Hospitals. At the same time, during the year, the Government procured a variety of vehicles, including 44 ambulances, to assist in the rapid transportation of patients and materials.

### ***The Fight Against HIV/AIDS***

Mr. Speaker, Sir, I am pleased to report that our fight against the HIV-AIDS pandemic intensified during the year. The Global Fund resources have begun to flow in support of both preventive and therapeutic ways of fighting the pandemic.

Each ministry or department has put in place measures to fight against HIV/AIDS with assistance from the National Aids Commission. This support has been used to implement work place prevention, treatment, care and support interventions. In addition, my Government has developed a public service work place policy on HIV/AIDS to provide for consistency in the development and implementation of work place HIV/AIDS programmes in the public service. Similar work is also being undertaken for the workplace in the private sector.

Mr. Speaker, Sir, perhaps the much-awaited event of the past year was the introduction of the antiretroviral therapy across the nation, bringing hope to those in need. A total of 59 facilities have been earmarked to be given these life-saving and life-prolonging drugs. Of these, 34 are now fully operational, and over 620 professionals have been trained in the management of the treatment regimen. In a space of just about one year, the number of those on ARVs has risen from 4,000 to 19,000. The number is likely to double in the coming few months as the remaining 25 facilities have already met the medical and clinical requirements for the administration of the drugs.

### ***The Fight Against Malaria***

Mr. Speaker, Sir, this Honourable House will be pleased to know that the Government has not forgotten the prevalence of malaria in our country. In fact, last year alone, 1.25 million mosquito nets were distributed to curb the prevalence of malaria. The treatment of mosquito nets rose from 7 percent to 61 percent in a space of one year. I am proud to say that, at this rate of progress, Malawi is on line to become one of the first three African nations to achieve the Abuja targets of bed-net coverage.

### **LABOUR AND VOCATIONAL TRAINING**

Mr. Speaker, Sir, I now turn to the labour and vocational training sector. The major concern of my Government in this area is to create more income and employment opportunities and enhance technical and entrepreneurial skills training for our



people, especially the youth. I am pleased to inform the Honourable House that normal enrolment in the seven public technical colleges managed by the Government increased from 600 in the 2003/04 school year to 800 in the 2004/05 year. Besides, there are almost 3,000 students on part-time basis. The 2005/2006 budget will create specific cost centres for each of these colleges so as to improve the flow of Government funding to them. Furthermore, TEVETA has implemented private sector programmes which have trained over 7,300 employees from various organisations in managerial and technical skills intended to promote skills at workplaces.

The informal sector has trained a total of 2,500 people through on-the-job training in projects managed by the Malawi Social Action Fund (MASAF), the Secondary Centre Development Programme (SCDP) and the Norwegian Association for People with Disabilities (NAD) in various occupation fields including electrical installation, bricklaying, carpentry, and tailoring.

## **GENDER AND SOCIAL DEVELOPMENT**

Mr. Speaker, Sir, my Government's position is that there cannot be any meaningful development in Malawi if gender and social progress issues are not mainstreamed in development activities. As I said in my inaugural speech a year ago, I will endeavour to empower women to prosperity. I shall continue to do this especially through the appointment of women into powerful decision-making positions. I have done this over the past year and I will continue to do so. This is an important way of demonstrating that women with adequate qualifications and experience will not be discriminated against in the public service.

Furthermore, Mr. Speaker, Sir, under the Gender mainstreaming programme, my Government has trained some parliamentary committees in gender budgeting and analysis. In addition, 67 planning and community development officers drawn from all the districts assemblies have been trained in gender analysis, planning and mainstreaming.

My Government will also prioritise social transformation programmes that will promote self-reliance of women at the community level. We need to do this as part of changing the dependency culture whereby people expect Government to provide most of their needs. We need to socially empower our people so that they can organise themselves into viable groups that can initiate and manage their own development processes through such programmes as One Village One Product (OVOP) and the Malawi Rural Development Fund referred to earlier. There is also need to train community leaders in the leadership skills necessary in a democratic society. My Government will conduct these social transformation programmes at the community level through Community Development Assistants (CDAs).

### **PERSONS WITH DISABILITIES**

Mr. Speaker, Sir, in another area of social development, my Government is committed to empowering persons with disabilities economically and politically in order to enable them to live fulfilling lives and contribute to national development. We have now prepared a **National Policy on the Equalisation of Opportunities for Persons with Disabilities** to translate this commitment into tangible actions and results. As a result of this, government ministries have started incorporating disability issues in their policies and programmes. We are supporting the training of ninety special teachers at Montfort College to increase the number of trained special teachers in the country. In turn, this training is expected to increase access to education and vocational training facilities for persons with disabilities thereby increasing their income and employment opportunities.

Mr. Speaker, Sir, I am pleased to report to this Honourable House that, following the renewal of donor confidence in the country, there has been a significant increase in goodwill and the inflow of cash and material resources to the disability sector. Let me specifically acknowledge the support that we

have been receiving from the Norwegian Association for the Disabled and the Norwegian Church Aid in this regard.

## **YOUTH, SPORTS AND CULTURE**

Mr. Speaker, Sir, the development of the youth through sports and culture is the way forward if our country is to effectively harness the potential of the youth through skills training. In this regard, my government is orienting the youth in vocational skills and giving them start-up materials for small-scale businesses. In the area of preventive health services, a total of 250 Peer Educators were trained in peer education and 600 youth clubs were supervised. In future, we will continue to train the youth in vocational skills and we have plans to provide 973 youths with soft loans. Furthermore, my Government is planning to establish a national Development Service for the youth which will train, equip and empower the youth to participate effectively in the development of our nation.

On sports, my Government has finalised the National Sports Policy which will guide the development and promotion of sports in the country. Besides, minority sports such as hockey, and cricket will continue to be introduced in schools.

Mr. Speaker, Sir, my Government recognises the importance of respecting our culture and traditions and identity. An increased sense of national identity helps to attain national unity, political stability and sustainable development. This is why I keep on reminding the general public about the need to respect the National Anthem and Colours because these are symbols of our national identity. Similarly, the Government has embarked on the rehabilitation of national monuments to improve cultural tourism. Construction works at the Karonga Museum were completed and the museum is now formally open. The construction of the mausoleum for our first Head of State, the late Dr. Kamuzu Banda, is currently underway and will be completed later this year.

## **CONCLUSION**

Mr. Speaker, Sir, in concluding my address to this August House, I wish to observe that during the past year, my Government has started to make significant achievements in improving our economy and living conditions in the country. I do not claim that we have implemented all that we set out to do a year ago. But we have started well. We shall continue with these strides in the coming years. My Government firmly believes that if Malawians work hard, our country will be transformed economically, socially and politically, and poverty will be reduced significantly. This is the challenge facing all of us. Let us pull together to survive as an economic entity.

Allow me, through you, Mr. Speaker, Sir, to thank the members of the August House for the support given to my Government during the past year. I appeal to Honourable Members to continue to support me and my Government in the coming years so that together we build the Malawi we want.

I also appeal to this August House to support this year's development budget because it sets out concrete steps by which our country can free itself from the "poverty trap"

I wish this August House very fruitful deliberations during this sitting of Parliament.

May God bless our country.