

GOVERNMENT OF MALAWI

MALAWI GROWTH  
AND  
DEVELOPMENT STRATEGY

2006 – 2011

DR BINGU WA MUTHARIKA

**HIS EXCELLENCY THE STATE PRESIDENT OF THE  
REPUBLIC OF MALAWI**

*“The overall objective of the Malawi Growth and Development Strategy is to reduce poverty through sustained economic growth and infrastructure development.”*

## Presidential Statement

The Malawi Growth and Development Strategy (MGDS) is the overarching operational medium-term strategy for Malawi to attain the nation's Vision 2020. The main thrust of the MGDS is to create wealth through sustainable economic growth and infrastructure development as a means of achieving poverty reduction. This is expected to transform the country from being a predominantly importing and consuming economy to a predominantly manufacturing and exporting economy.

The MGDS represents a policy shift from social consumption to sustainable economic growth and infrastructure development, particularly in rural areas through the development of rural growth centres. For the next five years emphasis will be on six key focus areas of agriculture and food security; irrigation and water development; infrastructure development; energy generation and supply; integrated rural development; and HIV and AIDS prevention and management. This policy shift does not ignore core social sectors of health and education but rather maintains a balance between the productive and social sectors of the economy. This is in recognition of the need to achieve the Millennium Development Goals (MDGs) that are also long-term development aspirations for Malawi.

The MGDS builds on the Malawi Economic Growth Strategy (MEGS) that emphasized the need to create a conducive environment for private sector investment to stimulate economic growth. The MGDS also incorporates lessons learnt from the implementation of the Malawi Poverty Reduction Strategy (MPRS). These have informed the choice of interventions and their implementation.

Government will spearhead the implementation of the MGDS. However, all stakeholders have varying responsibilities in the implementation process. Political-will, change of mindset and cooperation among the stakeholders will be particularly important for the successful implementation of the MGDS.

It is my sincere hope that the cooperation that prevailed during the development of the MGDS will continue in implementation in order to make Malawi a better nation for our people.

**Dr. Bingu Wa Mutharika**  
**STATE PRESIDENT OF THE REPUBLIC OF MALAWI**

## **FOREWORD**

The Malawi Growth and Development Strategy represent an important step in translating the vision of the nation into reality. The overriding philosophy of the MGDS is poverty reduction through sustainable economic growth and infrastructure development as a means of reducing poverty. The MGDS identifies six broad strategic themes that define the direction the country intends to take in the next five years. These are sustainable economic growth; social protection; social development; prevention and management of nutrition disorders, HIV and AIDS; infrastructure development; and improved governance.

The policy direction for Malawi enshrined in the MGDS is a reflection of the great vision by His Excellency the State President, Dr Bingu Wa Mutharika, to transform this country into a middle income industrial nation in the medium-term. Hence the MGDS is designed to generate sustained economic growth to bring about prosperity and reduce poverty in order to make life better for everyone.

The development process of the MGDS was participatory throughout to incorporate views of all stakeholders in the development process. More importantly the preparation of the MGDS has been country owned and led. This makes the MGDS a document for the nation. The MGDS will be implemented through the Government budget within the Medium Term Expenditure Framework (MTEF). However, other stakeholders such as the Private Sector, Civil Society Organizations, Donors and Co-operating partners have their responsibilities in the implementation process. Now the major task that lies ahead is to effectively implement this ambitious agenda that we have set for ourselves for the next five years. Paramount to the success of the MGDS will be the enhanced cooperation and collaboration among the various stakeholders. While Government will spearhead the implementation process, all stakeholders will be expected to complement these efforts through alignment and harmonization of their programmes and activities to the MGDS priorities.

Lastly, we would like to thank His Excellency the State President, Dr Bingu Wa Mutharika, for his vision, direction and commitment to transform this country so as to better the livelihoods of its people.

**Hon. Goodall Gondwe, MP**  
**Minister of Finance**

**Hon. David Faiti, M.P.**  
**Minister of Economic Planning**  
**and Development**

## **ACKNOWLEDGEMENTS**

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## ACRONYMS

ACB	Anti-Corruption Bureau
ADMARC	Agricultural Development and Marketing Corporation
AIDS	Acquired Immune Deficiency Syndrome
ART	Anti-retroviral therapy
ARV	Anti-retroviral
CAMA	Consumer Association of Malawi
CBO	Community Based Organizations
CDSS	Community Day Secondary School
CISANET	Civil Society Agriculture Network
CM	Collaborative Management
COMESA	Common Market for Eastern and Southern Africa
DA	District Assembly
DEC	Distance Education Centres
DEMIS	District Education Management Information System
DfID	Department for International Development
DHS	Demographic and Health Survey
DISTMIS	Department of Information, Systems and Technology Management Systems
DPDMA	Department of Poverty and Disaster Management Affairs
ESCOM	Electricity Supply Corporation of Malawi
EU	European Union
FAO	Food and Agricultural Organization
FBO	Faith Based Organizations
FDI	Foreign Direct Investment
FNSIS	Food and Nutrition Security Information System
GDP	Gross Domestic Product
GTZ	German Technical Co-operation
GWAN	Government Wide Area Network
HIPC	Highly Indebted Poor Country
HIV	Human Immunodeficiency Virus
ICT	Information, Communication and Technology
IHS	Integrated Household Survey
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IQ	Intelligent Quotient
ISO	International Standards Organization
IT	Information Technology
ITN	Insecticide Bed Treated Net
IWRM	Integrated Water Resource Management
JICA	Japanese International Cooperation Agency
Km	Kilometres
LA	Local Assembly
M&E	Monitoring and Evaluation
MACRA	Malawi Communication Regulatory Authority

MARDEF	Malawi Rural Development Fund
MAREP	Malawi Rural Electrification Programme
MASTA	Malawi Award for Scientific and Technological Achievement
MBC	Malawi Broadcasting Corporation
MBS	Malawi Bureau of Standards
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MDGs	Millennium Development Goals
MDHS	Malawi Demographic and Health Survey
MEGS	Malawi Economic Growth Strategy
MEJN	Malawi Economic Justice Network
MEPD	Ministry of Economic Planning and Development
MFI	Micro Finance Institutions
MGDS	Malawi Growth and Development Strategy
MIPA	Malawi Investment Promotion Agency
MIRTDC	Malawi Industrial Research and Technology Development Centre
MIS	Management Information System
MITS	Most Innovative Technology Stand
MK	Malawi Kwacha
MLGRD	Ministry of Local Government and Rural Development
MLHS	Ministry of Lands, Housing and Surveys
MMNRE	Ministry of Mining, Natural Resource and Energy
MMR	Maternal Mortality Rate
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOH	Ministry of Health
MOTPW	Ministry of Transport and Public Works
MP	Member of Parliament
MPRS	Malawi Poverty Reduction Strategy
MTEF	Medium Term Expenditure Framework
MTPSD	Ministry of Trade and Private Sector Development
MW	Mega watts
NABW	National Association of Business Women
NAC	National AIDS Commission
NAG	National Action Group
NASFAM	National Smallholder Farmers Association of Malawi
NDF	Northern Dark Fired tobacco
NEEP	National Economic Empowerment Policy
NFRA	National Food Reserve Agency
NGO	Non-Governmental Organizations
NRA	National Roads Authority
NRC	National Research Council
NRM	Natural Resource Management
NSO	National Statistical Office
OPC	Office of the President and Cabinet
OVC	Orphans and other Vulnerable Children
PA	Protected Area

PAC	Problem Animal Control
PEM	Protein Energy Malnutrition
PFMA	Public Finance and Management Act
PLHA	People Living with HIV and AIDS
PMCT	Preventive Mother to Child Transmission
PPA	Public Procurement Act
PPP	Public Private Partnerships
PRGF	Poverty Reduction and Growth Facility
PS	Principal Secretary
PSIP	Public Sector Investment Programme
PVA	Poverty Vulnerability Assessment
PWP	Public Works Programme
RBM	Reserve Bank of Malawi
SADC	Southern African Development Community
SAPP	Southern African Power Pool
SGR	Strategic Grain Reserve
SME	Small and Medium Enterprises
SMP	Staff Monitored Programme
SMP	Staff Monitored Programme
SNE	Special Needs Education
SOCAM	Society for Chartered Accountants of Malawi
SSAJ	Safety, Security and Access to Justice
SSM	Small Scale Miners
SWAp	Sector Wide Approach
TA	Traditional Authority
TB	Tuberculosis
TEVET	Technical, Entrepreneurial, Vocational Education and Training
TWG	Technical Working Group
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund Agency
UNICEF	United Nations Children's Fund
US\$	United States Dollar
USAID	United States Agency for International Development
VCT	Voluntary Counselling and Testing
VIP	Ventilated Improved Pit Latrine
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization



## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	XII
THE MALAWI GROWTH AND DEVELOPMENT STRATEGY .....	XII
MALAWI ECONOMIC GROWTH STRATEGY .....	XIII
MALAWI POVERTY REDUCTION STRATEGY IMPLEMENTATION REVIEW .....	XIII
MGDS RESOURCE ENVELOPE AND BUDGET FRAMEWORK .....	XIV
KEY FOCUS AREAS OF THE MGDS .....	XIV
MALAWI GROWTH AND DEVELOPMENT STRATEGY FRAMEWORK .....	XVI
CHAPTER 1: INTRODUCTION.....	1
1.1 OVERVIEW .....	1
1.2 MAIN ASSUMPTIONS OF THE MGDS .....	1
1.3 OUTLINE 2 .....	
CHAPTER 2: BACKGROUND .....	3
2.2 MALAWI POVERTY REDUCTION STRATEGY .....	3
2.4 MALAWI ECONOMIC GROWTH STRATEGY .....	4
2.5 MILLENNIUM DEVELOPMENT GOALS .....	4
2.6 MALAWI GROWTH AND DEVELOPMENT STRATEGY FORMULATION PROCESS .....	6
2.7 MALAWI GROWTH AND DEVELOPMENT STRATEGY FRAMEWORK .....	7
2.8 POVERTY, SOCIAL PROFILES AND VULNERABILITY .....	7
CHAPTER 3: MACROECONOMIC FRAMEWORK .....	10
3.1 MACROECONOMIC DEVELOPMENTS .....	10
3.2 MEDIUM TERM MACROECONOMIC PROSPECTS.....	10
3.2.1 Economic Growth .....	11
3.2.2 Monetary Policy Objective .....	11
3.2.3 Fiscal Policy Objective .....	11
3.3 MGDS Budget Framework.....	11
CHAPTER 4: KEY FOCUS AREAS OF THE MGDS .....	13
4.1 AGRICULTURE AND FOOD SECURITY .....	13
4.2 INFRASTRUCTURE DEVELOPMENT .....	14
4.3 ENERGY GENERATION AND SUPPLY.....	14

4.4	IRRIGATION AND WATER DEVELOPMENT.....	14
4.5	INTEGRATED RURAL DEVELOPMENT .....	15
4.6	PREVENTION AND MANAGEMENT OF HIV AND AIDS .....	15
CHAPTER 5:MGDS GROWTH AND DEVELOPMENT		
	FRAMEWORK .....	17
5.1	THEME ONE: SUSTAINABLE ECONOMIC GROWTH.....	18
5.1.1	Sub Theme One: Maximizing contribution to economic growth through potential growth sectors .....	19
5.1.2	Sub Theme Two Enabling Environment For Private Sector Development .....	29
5.1.4	Sub Theme Four: Export Led Growth .....	31
5.1.5	Sub Theme Five: Economic Empowerment.....	31
5.1.6	SUB THEME SIX: LAND AND HOUSING .....	33
5.2	THEME TWO:SOCIAL PROTECTION AND DISASTER MANAGEMENT .....	35
5.2.1	Sub Theme One: Protecting The Vulnerable.....	36
5.2.2	Sub Theme Two: Improving Disaster Risk Management .....	37
5.3	THEME THREE: SOCIAL DEVELOPMENT .....	39
5.3.1	Sub Theme One: Health and Population.....	40
5.3.2	Sub Theme Two: Education .....	42
5.3.3	Sub Theme Three: Gender .....	43
5.4	THEME FOUR: PREVENTION AND MANAGEMENT OF NUTRITION DISORDERS, HIV AND AIDS .....	45
5.4.1	Sub Theme One: Nutrition.....	46
5.4.2	Sub Theme Two: HIV and AIDS.....	47
5.4.3	Sub Theme Three: Interaction of Nutrition, HIV and AIDS .....	50
5.5	THEME FIVE: INFRASTRUCTURE DEVELOPMENT.....	51
5.5.1	Sub-Theme One: Transportation .....	51
5.5.2	Sub-Theme Two: Energy.....	56
4.5.3	SUB-THEME THREE: WATER SUPPLY AND SANITATION. ....	57
5.5.4	SUB-THEME FOUR: INFORMATION, COMMUNICATION AND TECHNOLOGIES.....	58
5.6	THEME SIX: IMPROVED GOVERNANCE .....	62
5.6.1	Sub Theme One: Macroeconomic Growth .....	63
5.6.2	Sub Theme Two: Public Policy Formulation, Fiscal Management, Public Sector Management and Corruption.....	63

5.6.3	Sub Theme Three: Decentralization .....	66
5.6.4	Sub Theme Four: Developing a Strong Justice System and Rule of Law .....	67
5.6.5	Sub Theme Five: Security .....	68
5.6.6	Sub Theme Six: Corporate Governance .....	69
CHAPTER 6: IMPLEMENTATION, .....		72
6.1	IMPLEMENTATION MODALITIES OF THE MGDS .....	72
6.2	PRIORITIZATION OF MGDS ACTIVITIES .....	73
6.3	COSTING OF ACTIVITIES .....	73
6.4	ROLES OF KEY STAKEHOLDERS IN THE IMPLEMENTATION OF THE MGDS .....	74
6.5	MONITORING AND EVALUATION .....	74
6.6	NEEDS ASSESSMENT .....	75
ANNEX 1: MGDS SUMMARY OPERATIONAL MATRIX .....		79
ANNEX 2: MGDS DETAILED MATRICES .....		105
ANNEX 3: MGDS COSTING SUMMARY .....		198
ANNEX 4: MGDS NEEDS ASSESSMENT SUMMARY .....		239
ANNEX 5: MGDS IMPACT INDICATORS .....		268

## **Executive Summary**

### **The Malawi Growth and Development Strategy**

The Malawi Growth and Development Strategy (MGDS) is the overarching strategy for Malawi for the next five years, from 2006/07 to 2010/2011 fiscal years. The purpose of the MGDS is to serve as a single reference document for policy makers in Government; the Private Sector; Civil Society Organizations; Donors and Cooperating Partners on socio-economic growth and development priorities for Malawi.

The MGDS is centered on achieving strong and sustainable economic growth, building a healthy and educated human resource base, and protecting and empowering the vulnerable. The pre-requisites for good performance of the strategy are infrastructure development and good governance. The MGDS is based on six thematic areas namely; sustainable economic growth; social protection; social development; management and prevention of nutrition disorders and HIV and AIDS; infrastructure development; and improved governance.

The thematic framework of the MGDS represents a policy shift towards economic growth and infrastructure development. Six key focus areas have been isolated from the six thematic areas. These are agriculture and food security; infrastructure development; irrigation and water development; energy generation and supply; integrated rural development; and prevention and management of HIV and AIDS. . These have been singled out as particularly necessary for achieving the overall medium-term objectives of the MGDS.

The new emphasis in the policy direction does not necessarily imply a decrease in investment in the social sectors, but rather seeks to strike an appropriate balance between the investment in economic growth and social services. The MGDS presents a policy framework that articulates issues related to both economic growth and social development.

The MGDS also recognizes the important role of the private sector in promoting economic growth, the need to invest in social development through education, health, reduction and mitigation of the negative consequences of HIV and AIDS. The need for improving governance cannot be overlooked hence the MGDS emphasizes macroeconomic governance, decentralization, rule of law and the promotion of human rights. Lastly, it recognizes the need to protect the most vulnerable that may not benefit from the process of economic growth through social protection.

The MGDS is a product of a highly consultative and participatory process that identified specific strategies and focus actions that will be pursued and implemented in the medium-term in order to attain the aspirations of the nation. It has also built on the Malawi Economic Growth Strategy (MEGS) that emphasizes the need to create a conducive environment for private sector investment to stimulate economic growth.

## **Malawi Economic Growth Strategy**

The Malawi Economic Growth Strategy (MEGS) was inspired from a joint realisation by Government and the private sector that the economy had been registering negative growth and that remedial measures had to be put in place to reverse the trend. This was in recognition of the fact that the MPRS could not adequately stimulate sustainable economic growth. There was therefore need for rapid broad-based growth to expand the sectoral sources of growth. This would deepen and sustain the gains from agriculture, achieve food security and make the economy less susceptible to external shocks like weather, changes in terms of trade, political developments in the region, and fluctuations in external aid flows.

The MEGS focused on strategies and actions that did not require substantial additional spending by Government and instead could be achieved through refocusing of existing resources by developing a more conducive set of policies that would stimulate private sector investment and trade. It was envisaged, in the medium term, that Government would create the enabling environment through policy reforms with financial and technical support from donors. In this regard, the MGDS could not re-invent the wheel but rather consolidate the economic growth policies and strategies from the MEGS and lessons from the MPRS to inform the new policy direction articulated in this document.

## **Malawi Poverty Reduction Strategy Implementation Review**

Poverty has not changed significantly for the past seven years. According to the Integrated Household Survey 2004/05, the current status of poverty shows that 52.4 percent of the population lives below the poverty line<sup>1</sup>, i.e. about 6.3 million Malawians are poor, with the poorest people in the Southern Region, and rural areas being poorer than urban areas (where poverty rates are at 25%). The poor still have poor socio-economic indicators with food security being a continuing threat to better life, ability to integrate the poor into the process of economic development, and problems of malnutrition. Female headed households are worse off and income inequality persists in Malawi with the richest 10 percent of the population having a median per capita income that is eight times higher (MK50,373 per person per annum) than the median per capita income of the poorest 10% (K6,370 per person per annum). Approximately 30% of the poor moved out of poverty during the period, while 30% of the non-poor moved into poverty. This suggests that there is continued economic vulnerability in Malawi.

On the economic front, the main macroeconomic indicators remained unsatisfactory with the increase of domestic debt stock as a major setback. Lack of fiscal discipline has in the past contributed to unsustainable increase in the domestic debt. The combination of high

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<sup>1</sup> The data from the IHS2 is not directly comparable to the past poverty levels. A change in survey instruments and methodology, required an effort to compute the poverty rates for the previous IHS using the current methodology. In this exercise, poverty estimates from IHS1 were estimated using regression models to impute expenditure per capita based on comparably measured household characteristics. The IHS1 poverty rates were calculated at 54%

interest rates and large stock of short-term domestic debt exacerbated pressure in the operation of the budget as most resources went into debt servicing.

The MGDS incorporates lessons learnt from this review while taking into consideration the current political, economic and social developments in the country. It has also been aligned with existing key sectoral strategies and policies from both private and public stakeholder institutions. Government will spearhead the implementation of the MGDS. However, all stakeholders have varying responsibilities in the implementation process to ensure the attainment of the set goals.

## **MGDS Resource Envelope and Budget Framework**

The successful implementation of the MGDS will depend on the resource envelope that will be revised from time to time. The total revenue and grants is currently programmed to average 38.5 percent of GDP for the next five years. Tax revenue is expected to remain at about 21 percent of the GDP in the medium term.

The total government expenditure is expected to average about 39 percent of the GDP in the current MGDS macroeconomic framework. However, capital expenditure still remains low but it is the intention of Government to increase it during the period of the MGDS. In the previous strategies, resource allocations were tilted towards general administration and social services. The emphasis of the MGDS is to balance between social and economic sectors. The overall fiscal balance is expected to average 1.0 percent of the GDP. The MGDS budget framework is supposed to create an enabling environment for private sector development and improve economic infrastructure such as road networks, energy, water systems and telecommunication.

In addition, Government will implement a number of structural reforms to strengthen public expenditure management, tax system and administration, parastatal reform, civil service reform, decentralization, and good governance.

## **Key Focus Areas of the MGDS**

The MGDS contains a set of focus areas identified as necessary to achieve its overall objective over the years through a national consensus. Implementation of these focus priority areas is expected to enable Malawi to move out of poverty, and hence meet its overall objectives. As outlined above, the key focus priority areas are agriculture and food security; infrastructure development; irrigation and water development; energy generation and supply; integrated rural development; and prevention and management of HIV and AIDS.

### **Agriculture and Food Security**

Agriculture is the single most important sector of the economy as it employs about 80 per cent of the workforce, and contributes over 80 per cent of foreign exchange earnings. Above all it also contributes significantly to national and household food security. However, agriculture in Malawi is characterized by low and stagnant yields, over

dependence on rain-fed farming which increases vulnerability to weather related shocks, low level of irrigation development, and low uptake of improved farm inputs among others. Consequently, Malawi continues to suffer from chronic food insecurity with many of the problems being structural and economic in nature. The goal is therefore to increase agriculture's contribution to economic growth, by not only increasing production for food security, but also for agro-processing and manufacturing for both domestic and export markets.

### **Infrastructure Development**

Better domestic and regional connectivity entails improving the current state of transport infrastructure. However, the state of Malawi's transport infrastructure is characterized by poor road network, poor and limited access to ports, limited air links, freight and rail capacity. The inadequacy of the transportation infrastructure results in high costs of production, where transportation represents 55 percent of costs, compared to 17 percent in other less developed countries. With the new policy direction, it is expected that improved transportation will contribute to reduced lead times on export, decreased cost of domestic trucking, lower costs of cross-border and transit trade with neighbouring countries, lower cost to reach domestic, regional and international markets (supply and distribution) and improved mobility and connectivity of rural producing communities to markets.

### **Energy Generation and Supply**

Energy is a crucial input into any industrial processing and serves as the life-blood for any economy. Malawi is relatively well endowed with a wide variety of energy resources but a full potential of the energy sub-sector remains far from being realized owing to a number of structural, operational and institutional challenges. The provision of energy in Malawi is inadequate, unreliable and inaccessible to all who need it largely on account of lack of competition in the sector, non-functioning power plants and inability to generate sufficient amounts of energy. The objective of the MGDS is to reduce the number and duration of blackouts, increase access to reliable, affordable electricity in rural areas and other targeted areas, improve coordination and the balance between the needs for energy and those of other high growth sectors such as tourism and mining.

### **Irrigation and Water Development**

Irrigation and water development is key to Malawi due to its direct linkages with agriculture and energy. Irrigation will contribute towards reduction of the over dependence on rain-fed agriculture while proper conservation of water will also contribute towards the generation of electricity. Key strategies include construction and promotion of small and medium scale irrigation schemes to enhance food and cash crop production.

### **Integrated Rural Development**

Malawi recognizes local Governments as central to national development and good governance as they promote community participation in decision-making. It is the intention of Government to devolve some central Government powers, functions and

resources to local authorities. Progress on this front has so far been below expectation mainly due to weak, poor and ineffective linkages between decentralization policy and other public policy reforms among others. The objective is to promote the growth and development of rural growth centres as a way of re-distributing wealth to all citizens while also mitigating the negative consequences of rural-urban migration.

### **Social Priorities of the MGDS**

In addition to the key focus areas, the MGDS also prioritizes social development in health, , education, economic empowerment and social protection among others. These and all other priorities are outlined in the six thematic areas of the MGDS. The MGDS recognizes that a healthy and educated population is necessary if Malawi is to achieve sustainable economic growth. With this, Malawi seeks to achieve and sustain Millennium Development Goals (MDGs). Areas of focus include the provision of the essential health package, development of health infrastructure, prevention and mitigation of the negative consequences of HIV and AIDS. In education, priority is on providing adequate learning and teaching materials, rehabilitation and construction of modern schools at all levels.

It is also a fact that while most may benefit from economic growth and development, some may be left out due to their inability to actively participate in the development process. Government has put up plans to provide social protection to these marginalized groups of people. These include the elderly, women, disabled and children. Social protection programmes will be developed in line with human capital needs to transform these groups to keep access to social basic needs.

### **Malawi Growth and Development Strategy Framework**

The MGDS framework is presented in six broad themes; sustainable economic growth; social protection; social development; prevention and management of nutrition disorders and HIV and AIDS; infrastructure development and improving good governance.

#### **Theme One: Sustainable Economic Growth**

The strategy for sustainable economic growth requires action on multiple fronts. These have been addressed specifically in the sub-themes outlined below:

##### **Sub-Theme 1: Maximizing the contribution to economic growth through the sources of growth**

High growth sectors will be positioned to realize economic growth in the longer term (by taking away constraints to growth) and increase employment in the medium term.

- **Tourism:** Malawi will be established as a principal and leading eco-tourism destination in Africa and domestic tourism will be increased. Strategies to be pursued include: increasing capacity to service additional tourists in international competitive accommodations; improving transportation links to tourism destinations; increasing attractiveness of national parks for tourism and eco-tourism and improving tourism marketing regionally and internationally.



- **Mining:** In the medium term, production will be increased and efforts geared towards value adding by all miners. The main strategies for mining include: developing a functioning institutional setting to promote mining, ensuring compliance by small, medium and large scale miners with environmental and safety standards; supporting small scale miners by integrating them in the minerals market and increasing their value added; and increasing investment by private sector companies in medium and large scale mining.
- **Integrated Cotton Industry:** The medium term outcome for the sector is to increase production of garments made from locally woven cotton cloth as opposed to imported synthetic fabrics. Key strategies include focusing efforts on identifying and negotiating trade opportunities at the global level. Due to the highly competitive nature of the industry, it will look for opportunities where it has a comparative advantage and not attempt to replicate all steps in the value chain.
- **Manufacturing:** The medium term outcome is to lay the foundation for manufacturing to take off. Key strategies include: improving the quality of products and productivity of both labour and capital; enhancing skills through better integration of science and technology into vocational training; improving standard certification capacity; developing additional incentives for investment including redefining the roles and responsibilities of support institutions.
- **Agro-processing:** The medium term expected outcomes for agro-processing are focused on tea, tobacco, sugar and cotton.
- **Core sectors of agro-processing**
- **Tea:** Tea production will be increased, especially clonal tea varieties that are competitive at the world market by focusing on increasing tea estate and smallholder profitability and reinvestment, as well as increasing value added in tea with the private sector taking a leading role.
- **Tobacco:** Malawi will maintain a position of market leader in burley, ensure quality and add value to tobacco through processing and manufacturing. Malawi will also increase production of flue cured and Northern Dark Fired tobaccos by rationalization of fees, creating a more efficient and fair system between farmers and auction floors, strengthening contract farming, and exploring additional markets for tobacco, including tobacco products. Common strategies for smallholder farmers include establishing cooperatives, providing farmers with inputs and better extension services, and irrigation.

- **Sugar:** In the medium term, sugar production will increase by 23 percent. The industry also expects to continue to move up the value chain. The main strategy is to promote out-grower schemes in the sugar industry.

**Agricultural Productivity:** It is expected that value adding and smallholder productivity will be increased while orienting smallholders to greater commercialization and international competitiveness and increased livestock production to meet domestic demand. Key strategies include: contracting farming, strengthening linkages of farmers to markets, creating a balance between domestic and export oriented markets and provide effective extension services.

**Conserving the natural resource base:** This strategy recognizes that sustainable use of natural resources contributes to many of the goals in the MGDS. This includes fisheries, forestry, and the environment.

**Fisheries:** Malawi will ensure sustained fish availability for food as well as income generation. Key strategies include: increasing and sustaining the productivity of small and large scale fisheries for both domestic and export markets; enforcing legislation to ensure sustainable production of fish; promoting the use of modern techniques of fishing; capacity building through community training; and development of small scale fish farming and deep-water fishing.

**Forestry:** The country will ensure sustainable use and management of forestry resources. Key strategies include: improving productivity and value added by the industrial forestry sector; increasing reforestation efforts for key areas; improving enforcement of regulations for forestry management; initiation of reforestation and environmental rehabilitation programmes in priority areas; and introducing incentives for private sector participation.

**Environmental Protection:** Efforts for environmental protection will focus on improving compliance with environment and natural resource management laws. Key strategies include: improving enforcement of environmental policies, legislation and cooperation in environmental, natural resource management and development; raising awareness of issues of protecting the environment; and incorporating environmental concerns in school curricula and establishment of an environmental management information system.

**Wildlife:** The overall goal is to conserve and manage protected areas and wildlife. In the medium term, the sub-sector is expected to conserve, manage and develop wildlife resources to effectively contribute towards sustainable development of biodiversity and the tourism industry in Malawi.

### **Sub-Theme Two: Enabling environment for private sector led growth**

The private sector is a recognized engine of growth. It is expected that in the medium term, there will be: an increase in the number of firms that are producing goods that are competitive in regional and international markets, in terms of both product quality and

price; and that the number of Malawian firms which are contributing to exports will increase as will the supply of goods for the domestic market.

The key strategies include: addressing the infrastructure constraints; ensuring sustained macro-economic growth; improving vocational training through the current educational system; and updating equipment to meet international certification standards; implementing tax reforms as defined by the tax review; and improving coordination for domestic and international investors to resolve problems in accessing information.

### **Sub Theme Three: Food Security**

Food will be available for all Malawians in sufficient quantities and qualities at affordable prices. Key strategies will include improving agricultural productivity and increase the variety of food available at household, national, and community levels; implementing policies to improve the functioning of the maize markets; improving the ability to import and distribute food through better domestic and regional connectivity; providing means for Malawian's to gain income and put in place effective social protection programs with improved targeting and implement a nutrition strategy while improving coordination and management of food aid.

### **Sub Theme Four: Export Led Growth**

Malawi continues to be a member of both SADC and COMESA. The national export strategy will include promoting production of goods and services where Malawi has comparative advantage to take advantage of the existing regional markets. Key strategies include: reducing the cost of reaching external markets by focusing on linkages to Mozambique through the Shire Zambezi waterway, reduced restrictions on air transport; reducing lead times on export and improve efficiency of customs operations, improve marketability of export products through improved certification, trade network and information for export.

### **Sub Theme Five: Economic Empowerment**

The productivity of rural communities and businesses will increase to enhance employment and income especially by increasing number of women and youths who actively participate in economic activities. Key strategies include: targeting infrastructure development to ensure that rural communities are linked to markets; developing rural cooperatives to lower transaction costs and helping communities with collective bargaining; strengthening the policy environment for micro-finance, including improved coordination of donor programs; offering vocational and other training for small businesses; and targeting women's participation in economic growth activities.

### **Sub Theme Six: Land and Housing**

The MGDS recognizes the importance of land as a basic factor of production as well as the sole source of livelihood for the majority of Malawians. However, inadequate access to land by majority of Malawians has been identified as one of the critical factors contributing to poverty in the country. The goal in the long term is to ensure tenure security and equitable access to land for the attainment of broad-based social and economic development through optimum and ecologically balanced use of land and land-

based resources. It is expected that in the medium term there will be an efficient use of land and land based resources and equitable access to land by all productive Malawians and other investors. Among the key activities, there will be need to promote and facilitate opportunities for lowering land transaction costs and enhance the operation of effective land markets, and support the privatisation of some land services in an effort to encourage the development of private sector participation in land sector activities.

## **Theme Two: Social Protection & Disaster Risk Management**

Protecting the most vulnerable will require action on four fronts namely:

- Caring for the most vulnerable with limited factors of production (malnourished under-five children, school-going children, orphans, pregnant and lactating mothers, and destitute families);
- Preventing the vulnerable from slipping into poverty due to economic shocks;
- Increasing the assets of the poor to enable them to engage in economic development activities; and
- Preventing disasters where possible and mitigating the negative impact of disasters on the vulnerable.

### **Sub Theme One: Protecting the vulnerable**

Protection of the vulnerable is designed to ensure that the most vulnerable people with limited factors of production are sufficiently cushioned through programmes to improve health and nutritional status of under-five children, school-age children, orphans, pregnant and lactating mothers and destitute families. The strategy will also focus on improving planning and integration of knowledge on the needs of the chronically poor; provision of opportunities for the poor farmers and rural communities to graduate from poverty by facilitating their integration in mainstream agricultural productivity and enabling them to accumulate wealth.

### **Sub Theme Two: Improving disaster risk management**

The main aim is to reduce the socio-economic impact of disasters as well as build a strong disaster management mechanism. The key strategy is enhancing disaster management, planning, and response. Among others, efforts will be made to promote the integration of disaster risk management into sustainable development planning and programming at all levels.

## **Theme Three: Social Development**

Social Development is critical in achieving economic growth and poverty reduction. This strategy is specifically focused on:

- providing essential health care and strengthening service delivery;
- improving the quality, relevance, access, and management of education at all levels; and
- promoting gender equality.

**Sub Theme One: Health and Population:** Improving health requires a multifaceted approach with a combination of preventive, educational and clinical measures. Key strategies include: increasing and retaining the number of well qualified health personnel; increasing availability and supply of drugs and preventing theft of drugs and equipment; improving health facilities and equipment; and improving financial management, monitoring and supervision of health care services.

**Sub Theme Two: Education:** In the education sector, emphasis will be on equipping students, especially at primary school level with basic knowledge and skills to enable them function as competent and productive citizens; to provide academic basis for gainful employment in the informal, private and public sectors; and to produce high quality professionals with relevant knowledge. Key strategies include the provision of teaching and learning materials, training of teachers, and construction of appropriate classrooms.

**Sub Theme Three: Gender :** The overall priority goal is to mainstream gender in the national development process to enhance participation of women and men, girls and boys for sustainable and equitable development. Key strategies include undertaking affirmative measures to include women in decision-making positions; and promotion of advocacy for gender equality.

#### **Theme Four: Prevention and Management of Nutrition Disorders, HIV and AIDS**

**Sub Theme One: Nutrition:** In the medium term, efforts will focus on ensuring effective utilization of quality food and the biological utilization of nutrients in the body; reduced levels of malnutrition among all Malawians; reduced incidences and cases of dietary related non-communicable diseases and micro-nutrient disorders; and increased productivity and availability of food crops. Key strategies include enhancing coordination of nutrition programmes, building capacity for nutritionists and dieticians, and community nutrition workers.

**Sub Theme Two: HIV and AIDS:** The MGDS incorporates strategies of the National Action Framework on AIDS and the UNAIDS three-ones principles – one agreed action framework, one national AIDS coordinating authority, and one agreed country level monitoring and evaluation system. It seeks to not only halt and reverse the spread of HIV and AIDS , but also to decrease the negative impact of the epidemic on people living with AIDS and reduce the economic and social consequences for those who care for people living with HIV and AIDS.

#### **Sub Theme Three: Interaction of Nutrition and HIV and AIDS:**

The HIV and AIDS pandemic has compounded the dual burden of malnutrition and disease. It increase the body's need for micronutrients, calories and protein while simultaneously decreasing the body's ability to work. This means that as more nutritious food is needed within a household, less labour is available with which to produce or obtain it. This leads to less nutritious food for everyone else in the household and inadequate diet for the person living with HIV and AIDS. The long-term goal is to

improve the nutritional status and support services for people living with and affected by HIV and AIDS. In the medium-term, It is expected that there will be increased knowledge of the interaction between nutrition and HIV and AIDS; improved and diversified dietary practices for people living with HIV and AIDS; and increased provision of HIV and AIDS-related nutrition interventions.

## **Theme Five: Infrastructure Development**

Infrastructure is critical to achieving the growth and social objectives of Government. The strategy is focused on five main areas, namely: transport; energy; water and sanitation; information and communication technologies; and science and technology research.

### **Sub Theme One: Transportation**

Investment in the transport infrastructure in roads, rail, air and water has direct impact on linking production and markets as well as improving access to social services. Improved transportation reduces transport costs and leads to creation of marketing networks. High quality and availability of transport facilities provide social benefits through improved access to social services: education, health, markets by facilitating mobility, especially for rural communities. In the short term, construction of these infrastructures will provide income through employment of people.

- **Roads:** In the medium term, efforts will be on improving mobility and accessibility of the population to key road corridors within Malawi and out of Malawi while facilitating the improved mobility and accessibility of rural communities to goods and services at low cost.
- **Water transport:** The key medium term outcome for water transport is improved inland shipping network that is active in local and international shipping, trade and tourism in a safe manner while protecting the environment. Efforts will also be directed towards plans to navigate the Shire so that the country could have direct access by water to the ports along the Indian Ocean.
- **Rail:** In the medium term, the rail sub-sector will be a well-managed, and viable system that promotes accessible, affordable and reliable movement of goods and people. Key strategies include: improving operational efficiency and commercial viability of railway; and levels of service to all users, including people with disabilities, at affordable cost; and promoting railway safety and environmental protection.

- **Air** : Malawi will attain and maintain a competitive, self-sufficient and sustainable civil aviation environment that ensures safety in accordance with national and international standards and enables the provision of services in a reliable and efficient manner. Key strategies include providing a safe, efficient and reliable aviation infrastructure.

**Sub Theme Two: Energy**

It is expected that the country will have reliable, sustainable and affordable energy supply in the medium-term. At the same time, rural communities will begin to use alternative energy supplies for power in under served areas while managing energy related environmental impacts. Key strategies include: promoting efficient energy generation, transmission, distribution and utilization; targeting electrification for key sectors such as mining, irrigation, and tourism that would stimulate economic growth and improve the financial viability of key utilities; reducing parastatal losses by improving management of ESCOM so as to have fair pricing and affordable rates; implementing the Malawi/Mozambique inter-connection grid; increasing access to sustainable energy systems through accelerated the Rural Electrification Programme; and developing public-private partnerships in energy and identification of reliable funding mechanisms.

**Sub Theme Three: Water Supply and Sanitation**

In the medium term, Malawi intends to increase access to water within 500m distance for all people, thereby ensuring that basic water requirements of every Malawian is met while the country's natural ecosystem is preserved. Key strategies include: empowering national authorities to manage water resources using integrated water resource management approach and establishing good monitoring systems; improving the quality of surface and ground water and developing a system for pollution control by among others improving the skills, technologies and techniques in water quality monitoring and pollution control and by preventing use of substances and aquatic plants that can pollute water resources.

**Sub Theme Four: Information, Communication and Technology (ICT)**

**Telecommunications** : The long term goal is to have a well developed, affordable and efficient telecommunications system accessible to those who need it. The expected medium term outcomes will be an effective, affordable and efficient telecommunications system. Key strategies include: developing a system that is conducive to business operations; and enacting appropriate legislation that promotes interest of new entrants.

**Information Technology** : In the medium term, the country shall have developed ICT infrastructure and improved e-governance. Broadcasting by radio and television will be the main focus for disseminating information to the public.

**Sub Theme Five: Research, Science and Technology**

The goal is to attain sustainable socio-economic development through the development and application of science and technology in order to improve industrial productivity and quality of goods and services.

## **Theme Six: Improved Governance**

Good governance requires action on seven fronts as follows:

- Achieving and sustaining macroeconomic growth,
- Strengthening public policy formulation and implementation in a transparent and responsive manner,
- Improving service delivery and accountability at the local level through decentralization,
- Developing a strong justice system and rule of law,
- Ensuring personal security,
- Establishing an institutional setting for good corporate governance, and
- Promotion of human rights.

### **Sub Theme One: Macroeconomic Growth**

The goal is to sustain economic growth, reduce dependency on foreign aid and generate investor confidence. In the medium term it is expected that Malawi shall achieve a stable environment with low inflation, lower interest rates, stable and non-volatile exchange rates, sustainable domestic and external debt.

### **Sub Theme Two: Public Policy Formulation, Fiscal Management, Public Sector Management, and Corruption:**

In Malawi, the public sector has in the past been characterised by poor management that has generated inefficiencies in the delivery of public goods and services. Government and its developing partners are already addressing some of the challenges with interventions such as wage policy reforms, civil service reforms, capacity constraints and eradicating corruption.

**Sub Theme Three: Decentralization:** In the medium term it is expected that local assemblies will be in full control of community planning at district level, ensure effective accountability and good governance, vibrant monitoring and evaluation system, clear and strengthened linkages of various policy reforms, and reduced conflicts of roles among various stakeholders at the district level.

**Sub Theme Four: Developing a strong justice system and rule of law:** It is expected that Malawi shall have a more responsive and effective judicial authority with sustained administration of justice, increased public confidence in the judicial system and improved ability of private sector to obtain equitable and fair settlement of disputes in reasonable time and at reasonable cost.

**Sub Theme Five: Security:** In the medium term, emphasis is to prevent and reduce crime levels. Key strategies include: improving the responsiveness of police to communities security needs by reducing the police-population ratio through recruitment and training of more officers; promoting effective prosecution and punishment; effective crime detection, investigation and prevention through the provision of adequate technical and financial support to the police; strengthening partnership for risk management



between private sector and the police for protection of business property; and enhancing community integration and participation in crime prevention, and detection through civic education.

**Sub Theme Six: Corporate Governance:** The implementation of the code of best practices on corporate governance in the medium term is expected to enhance private sector performance through reduced corruption and fraud and improve investor perceptions of Malawi as an attractive investment destination. This is expected to translate into increased levels of domestic and foreign direct investment. Key strategies include: popularising the need and role of the Institute of Directors to play a leading role in facilitating the adoption of good corporate governance code of best practices; mobilization of private sector support for this initiative which will facilitate the sustainable operations of the new institution and its operations.

**Sub Theme Seven: Human Rights**

Human rights are an integral part of the overall national development agenda. However, awareness of human rights is a concern among many people in Malawi. MGDS recognizes that empowering the most vulnerable groups that form the larger part of the population can effectively contribute to social, economic and political development of the country. In this regard the MGDS will therefore also focus on public awareness of human rights and acknowledgement of human rights responsibilities

**MGDS Implementation, Monitoring and Evaluation**

The MGDS implementation will involve all stakeholders including; the Executive, Parliament, Judiciary, civil society organisations, private sector and the general public. It is expected that donors and co-operating partners will align their support and activities to the MGDS. The main tool for implementing the MGDS will be the annual national budget through medium term expenditure framework. The Public Sector Investment Programme (PSIP) will be aligned towards the medium term outcomes and strategies in the MGDS. Budget submissions that either include activities outside the MGDS or exclude activities inside MGDS will be rejected. The monitoring of MGDS will be in accordance with the monitoring and evaluation master plan developed by Government in collaboration with the donor community. The stakeholders will align indicators in accordance with the MGDS themes and sub themes.

# Chapter 1: INTRODUCTION

## 1.1 Overview

The Malawi Growth and Development Strategy (MGDS) is the overarching strategy for Malawi for the next five years from 2006/2007 to 2010/2011 fiscal years. It presents a policy framework that articulates issues related to both economic growth and social development. The policy mix of the MGDS is aimed at achieving the medium-term development objectives for the country. The purpose of the MGDS is to serve as a single reference document for policy makers in Government, the Private Sector, Civil Society, Donors and Co-operating Partners on the country's socio-economic development priorities.

The MGDS is a product of a highly consultative and participatory process that identified specific strategies and focus actions that will be pursued and implemented in the medium-term in order to attain the aspiration of the nation as articulated in the Vision 2020. The MGDS builds on the Malawi Economic Growth Strategy (MEGS) that emphasized the need to create a conducive environment for private sector investment to stimulate economic growth. The MGDS also incorporates lessons learnt from the implementation of the Malawi Poverty Reduction Strategy (MPRS). The MGDS has also been aligned with existing key sectoral strategies and policies from both private and public stakeholder institutions.

The focus of the MGDS is poverty reduction through sustainable economic growth and infrastructure development. Government will spearhead the implementation of the MGDS. However, all stakeholders have varying responsibilities in the implementation process to ensure the attainment of the set goals. The MGDS is based on six thematic areas namely; sustainable economic growth; social protection; social development; prevention and management of nutrition disorders, HIV and AIDS; infrastructure development and improving governance. The MGDS recognizes that issues of HIV and AIDS, science and technology, gender, empowerment and environment are cross cutting hence have been streamlined within the six thematic areas.

## 1.2 Main Assumptions of the MGDS

The main assumptions of the MGDS are as follows;

- Malawi achieves a sustainable macroeconomic growth within a stable political and economic environment.
- Malawi attains a minimum annual growth rate of 6.0 percent of Gross Domestic Product (GDP) in order to meaningfully reduce poverty.
- Malawi qualifies for debt relief under the Highly Indebted Poor Countries (HIPC) and Multilateral Donor Debt Relief Initiative (MDDRI).
- Private sector invests and actively participates in socio-economic development activities.

- Public and private sector investment in infrastructure as a pre-requisite for the creation of an enabling environment is realized and institutionalised.
- There are adequate resources and capacity to provide educational needs at all levels, delivery of essential health package, prevention and mitigation of the socio-economic impacts of HIV and AIDS.
- Good governance is entrenched and institutionalised to avoid wastage of scarce financial and other resources that would have otherwise contributed to the achievement of sustainable economic growth and development.
- Effective social protection programmes are designed to mitigate negative side effects of growth and development.
- There is political will and change of mindset to enforce the implementation of the national strategy over its period.

### **1.3 Outline**

The MGDS is organized as follows: Chapter 1 informs the introduction, which presents an overview and main assumptions. Chapter 2 is the background and provides the purpose, objectives and rationale of the MGDS. Chapter 3 summarizes macroeconomic environment within which the MGDS will be implemented and chapter 4 presents the key focus areas of the MGDS. Chapter 5 outlines the strategic framework of the MGDS and outlines in detail the six thematic areas. Finally, chapter 6 presents the implementation, monitoring and evaluation framework.

## **Chapter 2: BACKGROUND**

The MGDS is not a stand-alone policy document. It has been derived on the basis of the current long-term policy goal of the country prescribed in the Vision 2020 and past experiences in the implementation of medium term development objectives such as the MPRS and MEGS. The MGDS is not an alternative to MPRS or MEGS or the Vision 2020, but rather an implementable medium term strategy that translates the goals and objectives that emerged from a nation-wide consultation process and are reflected in Vision 2020. It intends to build a broad political consensus on the direction for economic growth and wealth creation.

### **2.1 Malawi Vision 2020**

In the late 1990s, Malawi developed the Vision 2020, which was launched in 2000. This policy framework sets out a long-term development perspective for Malawi. It emphasizes long term strategic thinking, shared vision and visionary leadership, participation by the population, strategic management and national learning. The Vision 2020 states that “by the year 2020 Malawi as a God fearing nation, will be secure, democratically mature, environmentally sustainable, self-reliant with equal opportunities for and active participation by all, having social services, vibrant cultural and religious values and a technologically driven middle-income economy”. The fundamentals of the MGDS are based on the shared Vision 2020 and commitment of Malawians to improve their economic welfare.

### **2.2 Malawi Poverty Reduction Strategy**

In May 2002, the Government launched the MPRS which presented a first attempt to translate long-term strategy of Malawi Vision 2020 into medium term focused action plans. The MPRS became the overarching medium term strategy of the Government for reducing poverty in the country. The goal of the MPRS was to achieve “sustainable poverty reduction through empowerment of the poor.”

The MPRS was built around four strategic pillars namely: sustainable pro-poor growth; human capital development; improving the quality of life of the most vulnerable; and governance. In addition, it had four key cross cutting issues namely: HIV and AIDS, gender, environment, and science and technology. The implementation period for the MPRS was for a period of three years and it came to an end in the fiscal year 2004/05.

In the second half of 2005, the MPRS was reviewed to draw lessons from its implementation. These lessons are summarized in the report “Comprehensive Review of the MPRS 2005” and its findings informed the strategic direction of the MGDS. The notable achievement of the MPRS was the decline in poverty levels from 54.1 percent to 52.4 percent. Also important was the fact that Ministries and Departments tried to implement their activities in line with the MPRS framework. However, there were some short falls that hampered the implementation process. These included failure by

Ministries and Departments to translate the activities into the budget and MTEF, slow implementation of the devolution process, and that funding was not based on pillars.

## **2.4 Malawi Economic Growth Strategy**

Under the first pillar of the MPRS, sustainable propPoor growth, stakeholders noted that the strategies and actions were insufficient to achieve sustained annual economic growth of at least 6 percent. Further, the 2002/03 MPRS review revealed that housing and land policy issues among others were not well articulated to contribute effectively to broad based growth. While it identified certain sectors in terms of their growth potential, it neither focused on eliminating obstacles to growth on an economy-wide basis, nor did it sufficiently articulate the role of the private sector. Therefore, in July 2004, the Government of Malawi developed the MEGS in close collaboration with the private sector. The MEGS was not designed as an alternative to the MPRS, but rather as a complement to strengthen pillar one through investments that would directly impact economic growth.

The MEGS was indeed a joint realisation by Government and the private sector that the Malawi economy had been registering negative growth and that something had to be done in order to reverse the trend. Hence, the rationale for growth and diversification for Malawi was compelling because rapid broad-based growth was necessary to reduce poverty. Rapid broad-based growth was intended to expand the sectoral sources of growth, deepen and sustain the gains to be made from agriculture, and make the economy less susceptible to external shocks like weather, changes in terms of trade, political developments in the region, and fluctuations in external aid flows.

The MEGS identified and prioritised key potential sectors that could generate growth in addition to the core agricultural sectors of tobacco, sugar and tea. These included tourism, mining, manufacturing with particular emphasis to agro-processing, cotton, textiles and garments. The MEGS also emphasized the need for the creation of favourable environment for private sector participation as it envisaged that the private sector was the engine of growth in the modern liberalised and globalised world.

The MEGS focused on strategies and actions that did not require substantial additional spending by Government and instead could be achieved through refocusing of existing resources and by developing a more conducive set of policies that would stimulate private sector investment and trade in the immediate future. It was envisaged, in the medium term, that donor organisations would have a key role to play in creating a conducive environment for economic growth by supporting policy reforms and providing resources to support Government during the transitional period.

## **2.5 Millennium Development Goals**

Malawi as a nation remains committed to achieving the Millennium Development Goals (MDGs). The MGDS, being an over-arching strategic policy document for the next five years has been developed with strong linkages to achieve the MDGs. The emphasis to

promote economic growth and development does not in anyway substitute the need for providing social services which are particularly important to achieving the MDGs but rather it is envisaged that the benefits of economic growth will generate sustainable means for the provision of basic human needs to enable Malawi achieve the MDGs.

The MGDS has attempted to translate the MDGs for Malawi in a localized context. All MDGs are therefore addressed in the strategy within the targets and strategies in that localized context. These MDGs are important to Malawi as they reflect improvements in the wealth and welfare of the people of Malawi. The MGDS recognizes the importance of the MDGs hence its strategies have been aligned to the MDGs outcomes as follows:

- **Poverty:** The goal of the MGDS is to decrease poverty by 8.0 percent through a combination of: economic growth, economic empowerment and food security so that Malawians are less vulnerable to economic shocks; and take measures to protect those who temporarily fall into poverty through measures that increase assets for the poor. The strategy seeks to control fluctuations in poverty due to economic shocks to ensure that those who graduate from poverty stay above the poverty line and those above it do not fall into poverty.
- **Hunger:** The MGDS seeks to directly decrease the proportion of the population who suffer from hunger and to improve their nutritional status. Cycles of hunger are a factor in people moving into poverty. Food security is therefore one of the key priorities;
- **Education:** The MGDS seeks to increase enrolment to 95 percent and reduce the drop out rate to 5 percent by 2012. At the primary school level it is expected that there will be substantial reduction in absenteeism, repetition and dropout rates and high quality and relevant education. At the secondary and tertiary levels it is expected that there will be increased access and improved quality and relevant education for both sexes and people with special needs.
- **Gender:** The MGDS addresses gender by integrating targeted programs for women to enable women be part of economic growth such as targeted programs for business development and micro-finance. The strategy for gender directly targets mainstreaming gender into the programs of Government and disaggregates information by gender.
- **Child Mortality:** The MGDS addresses child mortality through improved access to essential health care services including integrated management of childhood illness and immunization, for example, oral rehydration therapy and antibiotics for diarrhoeal disease and acute respiratory infections. In addition, the strategy seeks to increase access to clean water and sanitation, improve the nutritional status of children and ensure food security;

- **Maternal Mortality:** The MGDS recognizes that little progress has been made on maternal mortality. It, therefore, seeks to improve the antenatal care and basic emergency obstetric care. Measures are being taken through the Health Sector Support Program to directly tackle health-related issues for maternal mortality. It is recognized that economic empowerment will also enable women to access better care services;
- **HIV and AIDS:** The MGDS incorporates the strategies of the National AIDS Framework and the three ones. It seeks to not only reduce the prevalence and incidence of HIV and AIDS but also decrease the negative impact of HIV and AIDS on people living with AIDS and to reduce the economic and social consequences for those who care for people living with HIV and AIDS;
- **Malaria:** The MGDS is tackling malaria through improvement of essential health care services, and realizing efficiency gains. It is expected that malaria incidences will decrease while the treatment of malaria will improve;
- **Environmental Sustainability:** The MGDS recognizes that managing natural resources is an essential aspect of environmental sustainability. Thus, not only does the strategy directly consider environmental sustainability in forestry resources and fisheries, enforcement and education of environmental standards, but also it seeks to identify areas, such as eco-tourism, which have a positive spill-over effect on economic sustainability; and
- **Access to water:** The MGDS seeks to improve access to clean water and sanitation in line with the MDGs. Malawi intends to increase access to water within 500m distance for all people, and thereby ensuring that basic water requirements of every Malawian are met while the country's natural ecosystem is enhanced.

The new emphasis in the policy direction does not necessarily imply a decrease in investment in the social sectors, but rather it seeks to strike an appropriate balance between investment in economic and social sectors. This would be achieved through reallocation of expenditure from non-priority sectors such as general administration to economic services and investment in productive sectors such as transport, energy and agriculture. In addition, it is recognized that intra social sector investment would be prioritised, stressing efficiency and effectiveness of social investment.

## **2.6 Malawi Growth and Development Strategy Formulation Process**

The Cabinet set up a Steering Committee to translate the Government's vision for Malawi into an operational strategy for the medium term. The Steering Committee in turn set up a Technical Working Group (TWG) to lead the formulation of Malawi Growth and Development Strategy.

The consultation process for preparing MGDS was done in two phases. The first phase started with internal Government discussions in order to develop a framework for further

consultations. The priorities and approach of the strategy benefited from working sessions within Government and available data and evaluations of the implementation of the MPRS. A number of consultative meetings and workshops were held with all stakeholders to seek their input in the strategy.

The second phase of the consultations involved the interface between the TWG with the MPRS Review Team. The findings of the comprehensive review of the MPRS whose consultations sought feedback from civil society on its implementation was incorporated into this document. In addition, the MGDS incorporated inputs from Integrated Household Survey, Malawi Demographic and Health Survey and the Malawi Poverty Vulnerability Analysis. Further consultations were held with other stakeholders that included Government, Parliament, Judiciary, private sector, civil society, donors and co-operating partners and the general public.

## **2.7 Malawi Growth and Development Strategy Framework**

The Strategy is centered on achieving strong and sustainable economic growth, building a healthy and educated human resource base, and protecting and empowering the vulnerable so that they can be productive contributors to the economy. The successful implementation of the Strategy will depend on good governance environment within which there is a sound economic environment, high quality service delivery, effective institutions and rule of law, an efficient and effective public sector, and reduction in corruption. It also recognizes the need to focus on infrastructure development to enable private sector operate effectively and efficiently in the economy.

For each of the thematic strategy areas, a detailed matrix has been developed and is presented in Annexes to this document. These matrices show the relationship between the longer term goals for Malawi, the expected medium term outcomes that should result from the priority actions and move the country closer to realizing the longer term goals, the constraints to achieving the expected medium term outcomes, and the proposed strategies and actions to address the constraints.

The detailed matrices have been translated into a policy matrix which summarizes how the Government, in partnership with all stakeholders will implement the MGDS. The actions in the policy framework are priority actions that will feed into the yearly budget. Monitoring of progress on the actions, outputs, and expected outcomes will enable the strategy to be changed as conditions change during implementation while maintaining policy coherence over the period.

## **2.8 Poverty, Social Profiles and Vulnerability**

Poverty has not changed significantly for the past seven years. According to Integrated Household Survey 2004/05, the current status of poverty shows that 52.4 percent of the population live below the poverty line<sup>2</sup>. This translates into about 6.3 million Malawians

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<sup>2</sup> The data from the IHS2 is not directly comparable to the past poverty levels. A change in survey instruments and methodology, required an effort to compute the poverty rates for the previous IHS using the current methodology. In this exercise, poverty estimates from IHS1 were estimated using regression models to impute expenditure per capita based on comparably measured household characteristics. The IHS1 poverty rates were calculated at 54%



who are poor, with the poorest people in the Southern Region and rural areas poorer than urban where poverty rates are at 25.0 percent. The poor still have poor socio-economic indicators with food security a continuing threat to better life, ability to integrate the poor into the economic fabric, and problems of malnutrition. As can be seen from Table 2.1 below, improvements in health indicators have been unsatisfactory.

Female headed households are worse-off and income inequality persists in Malawi with the richest 10 percent of the population having a median per capita income that is eight times higher (MK50,373 per person per annum) than the median per capita income of the poorest 10 percent (K6,370 per person per annum). However, the overall poverty figure masks fluctuations in poverty. That is approximately 30 percent of the poor moved out of poverty during the period, while 30 percent of the non-poor moved into poverty. This suggests that there is continued economic vulnerability in Malawi. In general, communities have experienced a decline in social and economic growth in the last 10 years.

Malawi also has a very young and rapidly growing population, and this is a key factor explaining Malawi's high and persistent poverty. More than half of the poor in Malawi are children. Malawi's total population in 2005 was estimated at 12.3 million, of which about 60 percent is under the age of 20. Poor households in Malawi are generally larger than non-poor households. When looking at average household size by income decile, the relationship is evident. Households in the poorest decile are more than twice as large as households in the richest decile.

**Table 2.1 : Trends of selected health indicators for Malawi**

Indicator	Baseline	MPRS target	Current situation
Maternal mortality rate	1,120/100,000 deliveries	400/100,000	1120/100,000
Deliveries conducted by trained health personnel	56%	-	58%
Contraceptive prevalence rate	25%		33%
Infant mortality rate	104/1,000	90	76
Under five mortality rate	189	150	133
Fertility Rate	6.3	5.5	6.0
Children underweight (%)	30	20%	22%
Under 1 immunization rate	54%	-	55%
ITN Coverage	13%	-	42%

*Source: MEPD*

In addition, social indicators have not improved significantly in the past several years. The MGDS is to reduce poverty levels of the country by 8 percent during the implementation period by creating necessary opportunities for development.

The Poverty Vulnerability Assessment for 2006 suggests that the major factors affecting the level of household poverty are:<sup>3</sup> household size, education, access to non-farm employment, access to irrigation, proximity to markets and trading centers, and access to tarmac roads. Access to larger landholdings and engagement in cash crop production also play an important role.

Recent trends in human development indicators broadly support the fact that there has been little progress in reducing poverty. The Human Development Index has stagnated since the mid-1990s. While there have been improvements in the education and literacy, several health indicators have worsened over the past decade. Among others, the number of physicians per population has fallen by half, and life expectancy has fallen from 46 years in 1987 to 37 years in 2005, largely due to the HIV and AIDS epidemic. Childhood immunization has also decreased from 82 percent in 1992 to 64 percent in 2004. Maternal mortality rates have increased from 620 in 1992 to 960 in 2004, although they are now on a decreasing trend. Child malnutrition has remained virtually unchanged since 1992, and almost half of children under five years of age in Malawi are stunted, and 22 percent are severely stunted<sup>4</sup>.

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<sup>4</sup> PVA Report June 2006

## Chapter 3: MACROECONOMIC FRAMEWORK

The prevalence of a favourable macroeconomic environment will create a precondition for sustainable economic growth and wealth creation. However, in the recent past, the country has experienced an unfavourable macroeconomic environment mainly due to fiscal indiscipline. This has resulted in high inflation rates, high interest rates, unstable exchange rates hence poor economic growth. It has also contributed to unsustainable increase in the domestic debt. The combination of high interest rates and large stock of short-term domestic debt has exacerbated pressure in the operation of the budget as most resources have gone into debt servicing.

### 3.1 Macroeconomic Developments

The economic performance of Malawi has been dismal between 2001 and 2004. The real Gross Domestic Product (GDP) averaged 1.5 percent per annum. Savings and investment ratios have remained low over the period largely on account of low disposable incomes. National savings as a share of GDP has remained below 3.2 percent while gross investment has been below 11.2 percent. This disparity shows that investments have not been driven by national savings.

### 3.2 Medium Term Macroeconomic Prospects

The macroeconomic framework for the MGDS is based on the commitment to the Poverty Reduction and Growth Facility (PRGF). Government is, therefore, committed to pursue sound economic policies geared at increasing and sustaining economic growth, reducing inflation rate, maintaining flexible exchange rate and improving foreign reserve position. In addition, increasing employment and improving the trade balance by enhancing the country's export capabilities. The medium term macroeconomic objectives are presented in Table 3.2 below.

**Table 3.1: Macroeconomic Medium-Term Objectives**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Inflation Rate	9.8	13.7	16.9	9.8	6.4	7.2	5.0	5.0	5.0
GDP Growth	3.9	4.6	1.9	8.3	5.6	6.0	6.0	6.0	6.0
Net Domestic Debt <sup>5</sup>	22.3	22.6	21.5	23.3	20.8	17.6	10	10	10
Fiscal Balance <sup>6</sup>	-0.9	-4.1	-1.3	-0.9	-0.7	-1.1	-1.0	-1.0	-1.0
Gross Reserves <sup>7</sup>	1.4	1.3	1.6	2.0	1.9	2.1	3.0	3.0	3.0

Source: IMF

<sup>5</sup> Percent of GDP

<sup>6</sup> Percent of GDP

<sup>7</sup> Months of imports, calendar year basis

### 3.2.1 Economic Growth

On average the economy is expected to grow by more than 6.0 percent annually during the period. This is expected to emanate from growth in the agriculture, manufacturing, mining as well as the service sectors. Consequently, per capita income is expected to increase from an average of US\$160 per person to an average of US\$450 by the end of 2011..

### 3.2.2 Monetary Policy Objective

The monetary policy objective is to achieve low inflation and sustainable low interest rates. Inflation rate is expected to come down to 5.0 percent by the end of 2011. Broad money is expected to anchor the monetary programme with foreign exchange sales and open market operations as the main policy instruments in influencing liquidity in the economy. The exchange rate policy will still remain market determined.

### 3.2.3 Fiscal Policy Objective

The medium term fiscal policy objective will strive to maintain fiscal discipline while balancing Government expenditure between productive and social sectors of the economy. It is expected that the underlying fiscal deficit will average 0.2 percent for the next five years. This will contribute to the creation of a favourable macroeconomic environment.

The fiscal programme targets a significant repayment of debt as a means of reducing the interest burden to around 3.0 percent of GDP for the next five years. The domestic debt stock is expected to decrease from 21.5 percent of GDP in 2005 to less than 10 percent of GDP in 2011. This is expected to give relief to the Government budget.

## 3.3 MGDS Budget Framework

The successful implementation of the MGDS will depend on the budget framework that will be revised annually. The total revenue and grants is currently programmed to average 38.5 percent of GDP over the period. Tax revenue is expected to remain at about 21.0 percent of GDP.

**Table 3.2: Budget Framework**

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
TRG <sup>8</sup>	38.8	43.5	39.7	38.5	37.3	38.5	38.5
Revenue	24.8	24.6	24.4	25.6	24.0	25.0	25.0
Tax Revenue	21.8	21.5	21.4	21.3	21.2	21.3	21.3
Grants	14.0	18.9	15.3	14.3	13.3	13.5	13.5
Total Expenditure	42.9	44.7	40.6	39.2	38.4	39.5	39.5
Current Expenditure	32.2	31.9	28.6	27.3	26.4	27.5	27.5
Capital Expenditure	10.4	12.8	12.0	11.9	12.0	12.0	12.0
Overall Balance	-4.1	-1.3	-0.9	-0.7	-1.1	-1.0	-1.0
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: MEPD

<sup>8</sup> Total Revenue and Grants

Total Government expenditure is expected to average about 39.0 percent of GDP. The overall fiscal balance is expected to average 1.0 percent of GDP. This budget framework is expected to stimulate economic growth and development.

## **Chapter 4: KEY FOCUS AREAS OF THE MGDS**

The MGDS has identified six focus areas where Government will concentrate its efforts in order to achieve the medium-term overall objective. These have been isolated from the six thematic areas of the MGDS that have been outlined in the next chapter. Implementation of these focus areas is expected to enable Malawi achieve its economic growth and development objectives. These areas are agriculture and food security; infrastructure development; irrigation and water development; energy generation and supply; integrated rural development; and prevention and management of HIV and AIDS.

These key focus areas represent a policy shift towards economic growth and infrastructure development. This does not in any way negate the importance of social sectors such as health and education. The MGDS recognises that a healthy and educated population is necessary to achieve sustainable economic growth and development. It also recognises the need to not only provide social protection means to the most vulnerable, but to also improve all aspects of governance. The following are the key focus areas:

### **4.1 Agriculture and Food Security**

Agriculture is the single most important sector of the economy as it employs about 80 per cent of the workforce, and contributes over 80 per cent of foreign exchange earnings. Above all it also contributes significantly to national and household food security. However, agriculture in Malawi is characterized by low and stagnant yields, over dependence on rain-fed farming which increases vulnerability to weather related shocks, low level of irrigation development, and low uptake of improved farm inputs among others. Consequently, Malawi continues to suffer from chronic food insecurity with many of the problems being structural and economic in nature. The goal is therefore to increase agriculture's contribution to economic growth, by not only increasing production for food security, but also for agro-processing and manufacturing for both domestic and export markets.

Main activities include;

- Improve agricultural productivity to increase the variety of food available at the household, community and national levels;
- Increase the value added to agricultural products by rural farmers and orient smallholder sub-sector to greater commercialization and international competitiveness.
- Strengthen linkages of farmers to markets by connecting rural communities, targeting rural roads and developing farmer organizations and market information.
- Enhance irrigation and water development to reduce over-dependence on rain-fed agriculture. In this connection, Government will construct and promote small and medium scale irrigation schemes.
- Enhance agriculture diversification to mitigate natural shocks such as drought by growing drought resistant food crops but also widening the agricultural export base.

## **4.2 Infrastructure Development**

Better domestic and regional connectivity entails improving the current state of transport infrastructure. However, the state of Malawi's transport infrastructure is characterized by poor road network, poor and limited access to ports, limited air links, freight and rail capacity. The inadequacy of the transportation infrastructure results in high costs of production, where transportation represents 55 percent of costs, compared to 17 percent in other less developed countries. With the new policy direction, it is expected that improved transportation will contribute to reduced lead times on export, decreased cost of domestic trucking, lower costs of cross-border and transit trade with neighbouring countries, lower cost to reach domestic, regional and international markets (supply and distribution) and improved mobility and connectivity of rural producing communities to markets.

Main activities include;

- Improving mobility and accessibility of the population to key road corridors within and out of Malawi while facilitating the improved mobility and accessibility of rural communities to goods and services in the rural areas at low cost.
- Implementing the Shire Zambezi Waterway programme in order to open up the country to the Indian Ocean.

## **4.3 Energy Generation and Supply**

Energy is a crucial input into any industrial processing and serves as the life-blood for any economy. Malawi is relatively well endowed with a wide variety of energy resources but a full potential of the energy sub-sector remains far from being realized owing to a number of structural, operational and institutional challenges. The provision of energy in Malawi is inadequate, unreliable and inaccessible to all who need it largely on account of lack of competition in the sector, non-functioning power plants and inability to generate sufficient amounts of energy. The objective of the MGDS is to reduce the number and duration of blackouts, increase access to reliable, affordable electricity in rural areas and other targeted areas, improve coordination and the balance between the needs for energy and those of other high growth sectors such as tourism and mining.

Main activities include;

- Interconnecting Malawi to the southern region electricity power pool.
- Targeting electrification to key sectors like mining, tourism and manufacturing.
- Implementing the rural electrification programme to contribute to the development of rural growth centres.
- Constructing multi-purpose dams that will among others be used for energy generation.
- Developing public-private sector partnerships in energy generation and supply.

## **4.4 Irrigation and Water Development**

Irrigation and water development is key to Malawi due to its direct linkages with agriculture and energy. Irrigation will contribute towards reduction of the over dependence on rain-fed agriculture while proper conservation of water will also

contribute towards the generation of electricity. Key strategies include construction and promotion of small and medium scale irrigation schemes to enhance food and cash crop production.

Main activities include;

- Constructing and promoting small and medium scale irrigation schemes to enhance food crop production.
- Constructing multi-purpose dams that apart from generating electricity will also be used for irrigation, piped water supply, as well as promoting fish farming.
- Improving sustainable access to water supply and sanitation in urban, peri-urban and rural areas by establishing water supply and sanitation systems using demand responsive and demand driven approaches, and the establishment of contingency water supply reserves and sanitation backups.
- Integrating rural water supply and participatory hygiene and sanitation transformation.

#### **4.5 Integrated Rural Development**

Malawi recognizes local Governments as central to national development and good governance as they promote community participation in decision-making. It is the intention of Government to devolve some central Government powers, functions and resources to local authorities. Progress on this front has so far been below expectation mainly due to weak, poor and ineffective linkages between decentralization policy and other public policy reforms among others. The objective is to promote the growth and development of rural growth centres as a way of re-distributing wealth to all citizens while also mitigating the negative consequences of rural-urban migration.

Main activities include;

- Promoting the growth and development of rural growth centers as a way of re-distributing wealth to all citizens. This will facilitate the linkage of production to markets. In addition, this will reduce and mitigate the impact of rural urban migration. .
- Implementing rural electrification programme effectively.
- Implementing a full and complete sector devolution.

#### **4.6 Prevention and management of HIV and AIDS**

Malawi like many other Sub-Saharan African countries has been severely affected by HIV and AIDS. This is a serious national problem from several perspectives; economic, social, cultural as well as political. The first case was reported in 1985 and to-date, despite so many years of national response, the impact remains devastating and the country's efforts are inadequate given the pace of the spread of HIV and AIDS. Poverty and HIV and AIDS are reciprocally influenced and Malawi happens to have more than 52.4 percent of its population living in poverty. Approximately 930,000 people are living with HIV and AIDS, including 70,000 children under the age of 15. According to the Malawi Demographic Health Survey (MDHS 2004), prevalence of HIV and AIDS was estimated at 12.8 percent of the population and around 30-35 percent of all pregnant



women aged between 15 and 49 years and 640,000 people have died of AIDS at a rate of 86,000-100,000 annually. HIV and AIDS is now the leading cause of death in the most productive age group, resulting in 50,000 to 70,000 adult and child deaths annually.

Nonetheless, Malawi still faces a number of challenges in containing the spread and impact of HIV and AIDS on development. Key constraints in containing the HIV and AIDS scourge are: hunger and poverty which make individuals more vulnerable to infection; inadequate supply of Anti-retrovirals (ARVs) and access to nutritious diets; low levels of education; limited institutional capacity; deep-rooted harmful socio-cultural values and practices, beliefs and traditions and poor coordination amongst the service providers.

HIV and AIDS requires a multi-pronged approach of prevention and treatment to reduce its spread and impact. Key strategies to be pursued include:

- Improving knowledge and capacity of young people, orphans, the elderly and physically challenged and other vulnerable groups to practice safer sexual intercourse and increase their access to HIV testing and counselling; and behaviour change.
- Initiating and strengthening joint planning, monitoring and evaluation processes among national authorities, stakeholders and development partners;
- Implementing and increasing equitable access to ARVs and treatment of opportunistic infections;
- Building and strengthening the capacity of public and private organizations to mainstream HIV and AIDS into their core businesses; and
- Promoting high quality community home-based care services, adequate nutrition, including provision of nutrition therapy for people living with HIV and AIDS (PLHA).

**Chapter 5:**

**MGDS**

**GROWTH AND DEVELOPMENT**

**FRAMEWORK**

This chapter summarizes the six themes of the Malawi Growth and Development Strategy. These are Sustainable Economic Growth; Social Protection; Social Development; Management and Prevention of Nutrition Disorders, HIV and AIDS; Infrastructure development and Improved Governance.

## 5.1 Theme One: Sustainable Economic Growth

Sustainable economic growth is central to Malawi's ability to reduce poverty, achieve the MDGs and gain food self-sufficiency. Without this growth, it will be impossible to deliver Government's vision of creating wealth and employment for all the people of Malawi, transforming from a consumption-based economy to a production-based economy, and gradually emerging as an industrial nation.

To this end, Malawi will seek to increase domestic and foreign investment in productive sectors and eliminate food shortages. It will also seek to promote exports by addressing supply constraints, to diversify the economy and ensure that this growth is shared among all Malawians. In the medium term, agricultural production and smallholder integration into commercial activities will remain a mainstay of the economy, while strategies to target high growth sectors are being pursued. The strategy for sustained economic growth requires action on multiple fronts in order to deliver on these national goals. These include: maximizing the contribution to economic growth through the potential growth sectors; ensuring food security; putting in place an enabling environment for private sector led growth; improving regional integration; and empowering rural communities to be part of economic activities.

Sustainable economic growth is comprised of six sub themes namely; potential growth sectors, enabling environment for private sector led growth, food security, export-led growth, economic empowerment, and land and housing. Table 5.1 presents a summary of the long-term goals and medium-term expected outcomes of the sub themes under sustainable economic growth.

**Table 5.1: Summary of Theme One: Sustainable Economic Growth**

Sub Theme	Long-Term Goal	Medium-Term Outcome
<b>1. Potential growth sectors</b>	<ul style="list-style-type: none"> <li>• Sustained Economic Growth of at least 6 per cent beginning in 2007</li> <li>• Increase in exports</li> <li>• Diversify economic base and sources of foreign exchange</li> <li>• Reduced environmental degradation</li> </ul>	<ul style="list-style-type: none"> <li>• High growth is realised in tourism, mining, cotton/textiles, manufacturing; and agro-processing;</li> <li>• Increased agricultural output mainly from tea, tobacco, sugar, cotton, maize and other crops.</li> <li>• Increased value added to agriculture and productivity of farmers and reorientation of smallholder sub-sector toward greater commercialisation and international competitiveness</li> <li>• Increased productivity and protection of natural resources (fisheries, forestry, mining, environment).</li> </ul>
<b>2. An enabling</b>	<ul style="list-style-type: none"> <li>• Increase private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Increased business enterprises that</li> </ul>

<b>environment for private sector led growth</b>	foreign and domestic investment	<ul style="list-style-type: none"> <li>contribute positively to economic growth and increase domestic market supply;</li> <li>Increased foreign direct investment ;</li> <li>Improved private sector competitiveness.</li> </ul>
<b>3. Food Security</b>	<ul style="list-style-type: none"> <li>No food shortages even in times of disasters (e.g. drought and floods).</li> <li>Increased exports of food staples.</li> </ul>	<ul style="list-style-type: none"> <li>Food is available in sufficient quantities and qualities and supplied through domestic production or imports;</li> <li>2 All Malawians have at all times physical and economic access to sufficient nutritious food required to lead a healthy and active life.</li> </ul>
<b>4. Export led growth</b>	<ul style="list-style-type: none"> <li>Malawi becomes a net exporter</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of businesses accessing the international markets with products</li> </ul>
<b>5. Economic Empowerment</b>	<ul style="list-style-type: none"> <li>Reduce income disparity,</li> <li>Increase in employment, and income</li> </ul>	<ul style="list-style-type: none"> <li>Increased employment and income of the poor from on and off farm activities;</li> <li>Increased productivity of rural communities / businesses and their contribution to economic growth;</li> <li>Women, youth and the disabled fully participate in economic activities.</li> </ul>
<b>6. Land and Housing</b>	<ul style="list-style-type: none"> <li>Ensure tenure security and equitable access to land</li> <li>Improved housing delivery systems, processes, procedures, and services with particular focus on vulnerable and low-income groups</li> </ul>	<ul style="list-style-type: none"> <li>efficient use of land and land based resources and equitable access to land by all productive Malawians and other investors.</li> <li>Provision of adequate and conducive framework for improved access</li> </ul>

### **5.1.1 Sub Theme One: Maximizing contribution to economic growth through potential growth sectors**

The economy has shown fluctuating, but generally low growth rates over the last decade. The real GDP growth has been highly variable, mainly because of the poor performance of the agricultural sector due to over-dependence on rainfed agriculture, unfavourable macro-economic environment and high cost of production. The low growth rates, coupled with a population growth rate of nearly 2.0 percent per annum, have resulted in a sharp fall in per capita consumption. In general, there has been limited progress on economic base diversification. Therefore, agriculture continues to be the main source of economic growth for Malawi. The industrial sector remains basic and is constrained by high real interest rates, high transport and energy costs. Overall, the economy is vulnerable to a

number of factors such as drought, high transport costs, and over-dependence on unreliable external aid.

Exports remain heavily concentrated in a narrow range of primary commodities, with tobacco accounting for over 70.0 percent of foreign exchange earnings. The majority of these commodities are sold at low and declining world prices. This is a result of limited value addition capacity within the manufacturing sector. Economic growth is further constrained by the land-locked nature of Malawi, low per capita income resulting in low effective demand within the country; unreliable infrastructure, chronic food insecurity and limited opportunities for exports. These represent special barriers to private investment and the strategies herein are designed to address these Malawi specific barriers.

For Malawi to achieve an annual economic growth rate of at least 6.0 percent, there must be a concerted effort by the private sector, Government, and all stakeholders to accelerate growth and economic diversification. In much as the economy continues to be driven by the agricultural sector, the other sectors of manufacturing, mining, tourism and agro-processing will play an important role in generating economic growth. As such the creation of a favourable macroeconomic environment will be a prerequisite for investment in these sectors.

#### **5.1.1.1 Potential Growth Sectors**

The goal is to increase productivity, diversify the economy and achieve export led growth. To attain this, potential growth sectors will be positioned to realise the targeted economic growth and increase employment. The MEGS identified tourism, mining, manufacturing, an integrated cotton industry and agro-processing as potential high growth sectors. Currently, these sectors face specific constraints that hinder their ability to reach full potential. MGDS will, therefore, focus on addressing these specific constraints and engage private sector in honest dialogue to implement strategies to achieve the desired medium term outcomes. .

#### **(a) Tourism**

##### **Long-term Goal**

Increase the contribution of tourism to GDP from 1.8 percent to 8.0 percent by 2011.

##### **Medium Term Expected Outcome**

To establish Malawi as a principal and leading eco-tourism destination in Africa. Apart from looking for tourists outside Malawi, there is also an opportunity to increase domestic tourism. According to the World Travel and Tourism Council, tourism is expected to generate 7.1 of new jobs annually in Malawi. It is expected that the contribution of the tourism sector to GDP will increase from 1.8 percent in 2005 to 8.0 percent by 2011. A number of constraints need to be addressed in order to achieve the expected outcome. These include; high transport costs and poor access roads to tourist destinations, poor and uncoordinated promotion activities, and threats to flora and fauna.

### **Key Strategies**

Government will work closely with the private sector to strategically diversify tourism products, identify niche opportunities, and make Malawi's tourist destinations a good value proposition against competitors in the region. To facilitate private sector investment in tourism Government will prioritise the construction and rehabilitation of roads and landing strips to key destinations, build capacity of communities in tourism through tailor-made courses in training institutions and coordinate efforts for a unified position on tourism promotion to reach potential customers in international and regional markets.

The main strategies include:

- Develop quality and diversified products and services based on the natural and cultural resource heritage to attract tourists;
- Increase capacity to service additional tourists in accommodation facilities that are competitive with other tourist destinations in the region, including transportation links to tourism destinations;
- Improve the reach of tourism products to domestic, regional and international markets; and
- Facilitate investment, infrastructure development and visitor management programmes in undeveloped areas with proven tourism potential.

## **b) Mining**

### **Goal**

To increase the contribution of the mining sector to GDP by at least 10 percent annually.

### **Medium Term Expected Outcome**

The medium term expected outcome for mining is to increase production output and value added by small, medium and large-scale miners, to supply industrial raw materials in the country (import substitution) and to begin exporting minerals. To achieve this, a number of constraints facing the sector need to be addressed. These include; lack of up-to-date information on mineral resources, poorly coordinated institutional setting, high initial investment costs and inadequate incentives for private sector to engage in medium scale mining. In addition, small-scale miners lack skills to add value to mineral products, while electricity disruptions threaten production and safety of miners.

### **Key Strategies**

Government will work with mining companies to accelerate the geological and mineral data acquisition and dissemination to strengthen public-private partnerships in infrastructure provision. It will continue to provide extension services to small-scale miners to learn value added skills. It will also improve the regulation and monitoring of mining to reduce threats to the environment, enforce safety standards, and reduce smuggling.

Main strategies include:

- Strengthening the institutional capacity of Geological Surveys to effectively promote mining, monitoring and enforcement of environmental safety standards;

- Ensuring compliance by small, medium and large scale miners to environmental and safety standards;
- Supporting small scale miners by integrating them into the minerals market and increasing their value added;
- Increasing investment by private sector companies in medium and large scale mining; and
- Providing up-to-date information and geographical mapping on mineral resources.

### **(c) Integrated Cotton Industry**

#### **Goal**

The long-term goal is to develop a vibrant cotton growing and processing industry.

#### **Medium-term Expected Outcome**

The medium term outcome for the sector is to increase production of garments made from locally woven cotton cloth as opposed to imported synthetic fabrics. This will require development of a local textile industry to increase the flow of cotton from growers and ginners, thereby having a positive impact on the cotton sector and opening up textile products for export. Currently, the linkages between the cotton sub-sector (production of lint cotton) and textile and garment production (manufacturing) are weak. In addition, there are opportunities for increased volumes of cotton lint export within the region, especially in South Africa and neighbouring countries.

#### **Key Strategies**

Government will encourage the integration of production, processing and marketing of cotton products.

Main strategies include:

- Producing raw cotton and ginning;
- Garment manufacturing for export markets;
- Reducing out of factory costs such as transportation; and
- Identifying and negotiating trade opportunities at the regional, international and global level.

#### **5.1.1.2 Manufacturing**

##### **Goal**

The long-term goal is to increase manufacturing output with growing value addition, export development and employment creation.

##### **Medium-term Expected Outcome**

The medium term outcome for the sector is to increase the contribution of the manufacturing sector to economic growth. Currently, the sector is small, output has stagnated and there is low capacity utilization across all sub-sectors. Capacity utilization

is hindered by high cost of doing business and poor management. Most firms use relatively simple technology and rely on imports for their intermediate inputs. In addition, the industry faces difficulties in accessing markets due to low product quality and high costs of inputs, poor infrastructure (roads, water, and energy) and a discretionary system of taxes, rebates and incentives.

### **Key Strategies**

The Government will work with the private sector to establish conditions for manufacturing to take off. The private sector will look for ways to strengthen the links with raw material sources, especially in the agricultural sector and consider additional processing in the rural areas. Main strategies include:

- Improving the quality of products and productivity of both labour and capital;
- Enhancing skills through better integration of science and technology into vocational training;
- Enhancing the capabilities of Malawi Bureau of Standards and other related bodies to perform their functions; and
- Developing additional incentives for investment including redefining the roles and responsibilities of support institutions, and working to target infrastructure phasing to the benefit of the manufacturing sector.
- Reducing the cost of doing business by reviewing licences and taxes.

### **5.1.1.3 Agro-processing**

#### **Goal**

The goal is to increase the contribution of agro-processing to economic growth, move up the value chain in key crops, and increase exportation of agro-processed products.

#### **Medium Term Expected Outcome**

The expected medium term outcome is to substantially increase the contribution of agro-processing to GDP. The food and agro-processing sub-sectors account for more than 30 percent of manufacturing output with value addition ranging between 30-35 percent. MEGS identified agro-processing as a high growth potential sector. Under the sector, processing largely concentrated on tobacco, tea, sugar and cotton. However, agro-processing of fruits and vegetables, rice, cassava, macademia, cashew nuts, irish potatoes and spices has potential for growth, but each of these are currently relatively small.

To achieve this, constraints facing the sector need to be addressed. These include poor and inadequate infrastructure such as roads and electricity. In addition, unfavourable macroeconomic environment, low level of vocational skills, weak marketing and distribution systems for raw crops, low productivity of smallholders, and high import duties on equipment.

#### **Key Strategies**

Main strategies include;

- Improving infrastructure for agro-processing,



- Reviewing the policy and regulatory frameworks impacting on agro-processing
- Building capacity for small scale enterprises, and
- Improving productivity of smallholder farmers.

#### **5.1.1.4 Core crops of agro-processing**

The agriculture sector has in the past been dominated by tobacco, tea and sugar as the major foreign exchange earners. In the medium term these crops are expected to continue to dominate amidst the challenges they are currently facing. The importance of these crops for this country cannot be overemphasized hence efforts will continue going towards these crops in order to maximise their economic contributions to the agriculture sector in particular and the economy in general. The overall goal is to achieve sustainable agricultural production and increased incomes for farmers.

##### **(a) Tea**

###### **Medium-term Expected Outcome**

The medium term expected outcome is to increase production of tea, especially clonal tea varieties that are competitive on the world market. Adoption of clonal tea is a result of the limited prospects for the low yielding varieties currently grown.<sup>9</sup> Though tea ranks next to tobacco as a major foreign exchange earner, its production faces a number of constraints including low private sector investment in irrigation, lack of appropriate factory shells, poor marketing system and high operational costs.

###### **Key Strategies**

The tea industry will focus on increasing tea estate and smallholder profitability and reinvestment, as well as value addition. The current strategies are centred on private sector taking a leading role, while Government focuses on the broader constraints, such as availability of reliable and cheap sources of power (electricity) and the creation of a favourable macroeconomic environment. The sub-sector and Government will work together to develop focused investment incentives and other measures to strengthen the industry.

Main strategies include;

- Promoting clonal tea variety to increase productivity,
- Refurbishing factories,
- Promoting market oriented processing of tea and
- Improving the marketing system.

##### **(b) Tobacco**

###### **Medium-term Expected Outcome**

The medium term expected outcome is to add value to tobacco and maintain a position of market leader in burley. Tobacco is the main export crop accounting for over 70.0 per cent of total export earnings. However, over the past several years, there has been a

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<sup>9</sup> Malawi Economic Growth Strategy

decline in average yields and profitability of Malawi's tobacco. The sub-sector faces a number of constraints which include widespread use of low quality seed, increased incidences of disease and pests due to inadequate crop rotation, and significant post-harvest losses due to inadequate curing barn infrastructure. The decline in profitability is also due to inefficiencies in the current marketing system. The industry also faces regional competition.

### **Key Strategies**

The main strategy is to increase production of flue cured, NDF tobaccos by rationalization of fees, creating a more efficient and fair system between farmers and auction houses, strengthening contract farming, and exploring additional markets for tobacco, including tobacco products.

Other strategies include;

- Establishing cooperatives,
- Promoting tobacco products processing,
- Providing farmers with inputs, and
- Enhancing extension services.

## **(c) Sugar**

### **Medium-term Expected Outcomes**

The medium term expected outcome is to increase the current production of sugar by 23 percent. For Malawi to compete successfully as an international player in the sugar market, it needs to ensure that its sugar industry is profitable and is able to reinvest in growing and processing. However, the sub-sector is faced with a number of constraints which include access to the major European markets, and poor transport linkages to ports

### **Key Strategies**

- Negotiating Economic Partnership Agreements (EPAs) with European Union to ensure fair trading of sugar,
- Promoting out-grower schemes for smallholders, and
- Improving inter modal transport for effective linkages to ports.

## **5.1.1.5 Agricultural Productivity**

Malawi's agriculture sector is characterised by low agriculture productivity. Low and stagnant yields have been influenced by a number of factors including; over-dependence on rain-fed farming, low level of irrigation development, low uptake of improved farm inputs, poor selection of varieties, and continued use of outdated agricultural practices. It is also influenced by declining soil fertility, poor land rights and administration. Smallholder livestock is characterized by low productivity due to high incidence of diseases, poor nutrition and breeding practices, seasonal lack of feed and the stocking of species that are genetically of low productive potential.

Low profitability of smallholder agriculture has also been influenced by weak links to markets, high transport costs, few farmer organizations, poor quality control and lack of information on markets and prices. In addition, due to high risks in agricultural production and poor access to credit, investment and re-investment have been poor. This is particularly the case with cotton.

### **Goal**

The long-term goal is to increase agriculture productivity.

### **Medium Term Expected Outcomes**

There are three main medium-term expected outcomes and these are;

- (a) Increased value added to agricultural products by rural farmers and orient smallholder sub-sector to greater commercialisation and international competitiveness;
- (b) Increased smallholder agricultural productivity, and
- (c) Increased livestock production.

### **Key Strategies**

Main strategies include:

- Strengthening linkages of farmers to markets by connecting rural communities, targeting rural roads and developing farmer organizations and market information,
- Encouraging the expansion and intensification of staple food production by smallholders,
- Providing effective extension services with more decentralized service delivery for agribusiness skills,
- Increasing use of pest resistant varieties and promotion of pest management,
- Promoting soil and water conservation and farming techniques;
- Promoting irrigation farming and
- Ensuring that existing land rights are recognized, clarified and secured by appropriate legislation.

#### **5.1.1.6 Conservation of the natural resource base**

Conservation of the natural resource base is an important factor that will contribute to the achievement of the sustained economic growth and development objectives of the MGDS. It is recognised that weak management of natural resources is a major problem in Malawi. This is exacerbated by population growth, environmental degradation, and encroachment of agricultural and settlement activities on forestry and marginal lands. There are three main areas of focus: fisheries, forestry, and wildlife conservation management. The goal is to improve management of fish species, forestry and wildlife biodiversity and reduce environmental degradation and conserve the natural resource base, while contributing to economic growth.

#### **(a) Fisheries**

Fish from Lake Malawi is a major source of the population's protein requirement, and the industry provides direct and indirect employment. However, this sub-sector is characterized by low productivity, declines in fishery levels due to over exploitation, poor

pre- and post-harvest handling by communities, and poor enforcement of legislation and preservation of fish.

**Goal**

The long-term goal is to maintain fish species and bio-diversity.

**Medium term expected outcome**

The medium term outcome is to ensure sustained fish availability for food and nutrition security as well as income generation. It is expected that an estimated 500 fish-ponds will be constructed/ rehabilitated and stocked with fish for breeding in the next five years.

**Key Strategies**

The main strategy is to increase and sustain the productivity of small and large scale fisheries for both domestic and export markets. To achieve this, the following actions will be pursued among others;

- Enforcing legislation to ensure sustainable production of fish;
- Promoting the use of modern techniques of fishing;
- Capacity building through community training; and
- Development of small-scale fish farming and deep-water fishing.

**(b) Forestry**

**Goal**

The long-term goal is to reduce environmental degradation.

**Medium term expected outcomes**

The medium term outcome is to ensure sustainable use and management of forestry resources. Currently there is a high rate of deforestation and uncoordinated management of forestry resources resulting in a lack of policy coherence. The denudation of forest cover accelerates soil erosion and also erodes natural resource-based livelihoods. This is also caused by high dependence on wood as a source of household energy, limited skilled manpower, and dependence on public forests for raw materials. An estimated 200,000 hectares of forest-land is expected to be replanted by year 2011 in order to reverse the negative impacts of deforestation.

**Key Strategies**

- Improving productivity and value added by the industrial forestry sector, while balancing it with sustainable practices;
- Increasing reforestation efforts for key areas;
- Improving enforcement of regulations for forestry management;
- Initiating afforestation and environmental rehabilitation programmes in priority areas; and
- Introducing incentives for private sector participation in forestry.

## **(c) Environmental Protection**

### **Goal**

The long-term goal is to conserve natural resource base through sustainable use and management of natural resources and the environment.

### **Expected medium term outcome**

The medium term expected outcome is improved compliance with environment and natural resource management laws. The main constraints to improved compliance include weak enforcement capacity, few economic incentives for compliance, and conflicting service delivery in management of natural resources. In addition, there is very limited environmental awareness in Malawi.

### **Key Strategies**

- Improving enforcement of environmental policies and legislation;
- Improving cooperation in environmental management, natural resource management and development;
- Raising awareness of issues of environmental protection;
- Incorporating environmental issues in school curricula; and
- Establishing of an environmental management information system.

## **(d) Wildlife**

### **Goal**

The long-term goal is to conserve and manage protected areas and wildlife.

### **Medium-term expected outcome**

The medium term expected outcome is to conserve, manage and develop wildlife resources to effectively contribute towards sustainable development of biodiversity and the tourism industry in Malawi. Wildlife forms a big percentage of tourism attraction. The sub-sector is constrained by a number of factors and these include; poaching, poor infrastructure development, Tsetse fly infestation, human-animal conflicts and understaffing.

### **Key strategies**

- Enforcing wildlife law;
- Improving protected area infrastructure;
- Eradicating tsetse flies in protected areas;
- Improving capacity and institutional building for collaborative management (CM);
- Improving capacity for problem animal control (PAC);
- Improving eco-tourism in protected areas; and
- Improving wildlife research and monitoring capacity.

## **5.1.2 Sub Theme Two: Enabling Environment For Private Sector Development**

Government recognizes that the private sector is an engine for growth and wealth creation. In Malawi, the private sector is not well developed. Private sector investment has remained very low averaging around 3.0 percent of GDP. This low level of investment has negatively affected the economy's ability to diversify the economic base and exports. This situation has arisen due to poor macroeconomic environment, high transportation costs, and supply-side constraints. The participation of private investors in the economy has also remained limited due to low investor confidence, poor management, and limited domestic market.

### **5.1.2.1 Enabling Environment for Private Sector Development**

#### **Goals**

The long-term goal is to create an enabling environment for private sector participation to increase domestic and foreign investment. Government will work with all relevant stakeholders including private sector support institutions and interest groups such as MIPA, and MCCCCI and other representative organizations to help align policies and programs to address the needs of the private sector.

#### **Medium Term Expected Outcome**

It is expected that in the medium term there will be an increase in the number of local firms producing goods that are competitive in regional and international markets. MEGS highlights a number of constraints currently facing the private sector in Malawi. These include deterioration of infrastructure, irregular power supply, unreliable water supply and sanitation services, low access to credit, high tax rates and high transport costs.

There is also a significant shortage of skilled workers to supply the private sector with a productive workforce. The education system is not producing enough graduates to meet current and future economic needs. Besides, training offered is inappropriate for business needs. This is further compounded by productivity losses due to high incidences of malaria, HIV and AIDS.

#### **Key Strategies.**

- Improving infrastructure especially access to reliable and seasonally priced electricity, water and improved inter-modal transport to regional and domestic markets through direct investment, privatisation, build, operate and transfer arrangements and public-private partnerships;
- Improving vocational training by focusing on improving the TEVET system;
- Improve worker productivity and ability of firms to produce quality products
- Implementing tax reforms;
- Improving coordination for domestic and international investors and access to information.
- Improving micro-finance schemes and programmes;
- Ensuring secure land registration and functioning land markets; and

- Promotion of occupational safety and labour protection.

### **5.1.3 Sub Theme Three: Food Security**

Malawi continues to suffer from chronic food insecurity at both household and national levels. The main contributing factors include over-dependence on rain-fed agriculture, low productivity, low incomes, poor road infrastructure, poor functioning markets, weak private sector participation, poor early warning system and poor mechanization. In addition, past food security policies<sup>10</sup> have been ineffective, resulting in stagnating aggregate food production and productivity, and poor functioning markets.

#### **Goal**

The long-term goal is to make Malawi a hunger-free nation.

#### **Medium Term Expected Outcome**

The medium term expected outcome is that food will be available for all Malawians in sufficient quantities and qualities, at affordable prices.

#### **Key Strategies.**

Ensuring food security is one of the highest priorities for Government. Main strategies include:

- Improving agricultural productivity,
- Implementing policies to improve the functioning of maize and other food crop markets;
- Improving the ability to import and distribute food through better domestic and regional connectivity;
- Implementing policies that do not distort the market and which reduce dependency on food aid;
- Putting in place an effective early warning system;
- Promoting income generating activities; and
- Improving the coordination and management of food aid and imports.

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<sup>10</sup> The Government's food security policy through most of the 1990s has had two primary objectives: (i) ensuring a minimum of 1.8 to 2.0 million metric tons of domestic maize production' and (ii) avoiding sharp increases in the maize price to consumers, especially during the lean season of November to March. The main instrument used to achieve the first objective has been the widespread promotion of hybrid maize and inorganic fertilizer packages through preferential or free distribution of seeds and fertiliser. To achieve the second objective, the Government relied on ADMARC to domestically buy maize at the time of harvest or import it and sell it during the rest of the year at (affordable) pan-territorial prices. Beginning in 1999/2000 pan-territorial prices were abolished, and the National Food Reserve Agency (NFRA) was created to manage the country's strategic grain reserve (SGR).

#### **5.1.4 Sub Theme Four: Export Led Growth**

##### **Goal**

The long-term goal is to turn Malawi from being a net importer to a net exporter and effectively integrate it into regional and international markets.

##### **Medium Term Expected Outcomes**

The medium term expected outcome is to increase the number of firms that are producing products that are competitive on regional and international markets. The national export strategy will include promoting production of goods and services where Malawi has comparative advantage to take advantage of the existing regional markets. There are a number of constraints to achieve this and these are unfavourable macroeconomic environment, poor infrastructure, high transport costs, unfavourable terms of trade, over-reliance on neighbouring countries for transportation of imports and exports due to the land-locked nature of Malawi, and lack of direct flights to Europe seriously undermines the potential for both tourism and the exportation of high value fresh agricultural and horticultural produce.

##### **Key Strategies.**

- Reducing cost of reaching external markets due to infrastructure by focusing on linkages through Mozambique, the Shire Zambezi waterway, and reduced restrictions on air transport;
- Reducing lead times on export and improved efficiency by improving the efficiency of customs, harmonizing border crossing with neighbours;
- Improving marketability of products to international markets by improving certification (coupled with efforts under the enabling environment) and developing science and technology;
- Improving trade network and information for firms for export; and
- Maximizing the benefits of trade through better knowledge.

#### **5.1.5 Sub Theme Five: Economic Empowerment**

Malawi's experience with economic empowerment programmes can be traced to the early 1960s. Despite the various initiatives by Government, donors, and NGOs, most Malawians are still involved in low-return, small-scale enterprises. The large-scale, high-value businesses are owned by foreigners and a minority of Malawians. Situational analysis as part of the development of National Economic Empowerment Policy shows that lack of empowerment is caused by a number of factors and manifests itself in the inability by the majority of citizens to control their economic destiny. It affects citizens depending on their race, gender, age, location and economic disposition.



Rural communities are most affected by lack of facilities and infrastructure supporting the development of businesses. With over 85.0 percent of the population living in rural areas, there is need to specifically target rural communities if a significant impact in empowering Malawians is to be made. This will require that private investment in these areas is fostered and the culture of handouts and political patronage to rural communities is curtailed.

Despite past efforts, women in Malawi remain marginalized compared to men. Women have less access to education, credit, land, and property. In addition, they have less access to employment opportunities both in the public and private sectors, technology, and other key market information to support their business activities. Unemployment among the youth has worsened over the last 20 years. Increasingly, the youth are completing their education with very little prospect of securing a job, or engaging in entrepreneurial activities. Due to lack of experience, very few employers are willing to recruit and train them on the job.

Finally, people with disabilities are usually the most affected in terms of access to assets and other facilities required to become economically empowered. They experience difficulties accessing financial services and capital, skills development programmes, and technology developments. They are also the most affected by poor infrastructure such as roads, communication, and buildings not designed to accommodate or meet their special needs. A coherent and integrated approach is needed to contribute towards solving the various causes of disempowerment, which exist in different sectors of the poor and disadvantaged in Malawi.

### **Goal**

The long-term goal is to create wealth for all people.

### **Medium Term Expected Outcome**

The medium term expected outcome is to increase the productivity of rural communities and businesses, employment and income, increase the number of women and youth who are actively participating in public and private sectors and to ensure that the urban poor are able to contribute to economic development. Despite the various economic empowerment initiatives that Malawi has undertaken so far, many challenges remain that hinder Malawians from exploiting their full potential to participate in wealth creation. These include weak linkages to markets and few incentives for rural communities to organize themselves for productivity enhancement, limited access to micro-credit and high default rates, lack of business advisory services or training opportunities, and an increase in rural-urban migration.

### **Key Strategies**

Economic empowerment has many facets, and therefore requires a multi-pronged approach. This requires proper coordination to avoid overlaps and conflicts. While many economic empowerment initiatives exist in Malawi, there is no overall coordinating institution. Many policies have not been implemented because there has been no specialised institution to take full responsibility and authority. To be effective, proper

coordination, management, monitoring and evaluation of all economic empowerment initiatives are needed. The main strategies include;

- Targeting infrastructure development to ensure that rural roads link rural communities to markets;
- Developing rural cooperatives to lower transaction costs of dealing with rural entrepreneurs and helping communities increase their bargaining power. This will be through targeted programs for rural areas complemented by current programs undertaken by agro-processing companies;
- Strengthening the policy environment for micro-finance, including improved coordination of donor programs to decrease market distortions. This will focus on providing innovative credit schemes and developing a network of practitioners while enhancing mechanisms to decrease the default rate;
- Offering vocational training and other training for small businesses; and
- Targeting women and their participation in growth through business programs.

### **5.1.6 Sub Theme Six: Land and Housing**

Land is a basic factor of production as well as an important source of livelihood for most Malawians. There are three legally recognised types of land tenure in Malawi: customary, private and public. Customary land tenure is the most widespread category. However, other sub-tenures that are commonly practised by customary landholders (renting and borrowing) are not legally recognised. Registered private land (freehold and leasehold) accounts for less than 8.0 percent of the land area. Inadequate access to land has been identified as one of the critical factors contributing to poverty in the country. The land sector impacts on poverty in three main ways: inequitable access to productive resources and processes, unequal land distribution, and land tenure insecurity. However, discrimination in access to land based on social status, economic status and gender is a major constraint. For example, it is easier for rich people to access land than the poor, or where influential members of clans make unilateral decisions on land, very often without prior knowledge of other members of the groups. In addition, the following constraints or challenges have to be addressed; rapid population growth; poor land use practices, lack of effective representation of vulnerable groups in land administration and use matters, lack of awareness about the land policy and its implications on people's livelihoods, poor formal land markets, and poor coordination among the existing network of field staff, NGOs, faith organizations, community based organizations etc on land matters.

#### **Goals**

The long-term goal is to ensure tenure security and equitable access to land for the attainment of broad-based social and economic development through optimum and ecologically balanced use of land and land-based resources.

#### **Expected Medium term Outcomes**

The medium term expected outcome is the efficient use of land and land based resources and equitable access to land by all productive Malawians and other investors.

**Key Strategies**

- promoting and facilitating opportunities for lowering land transaction costs and enhance the operation of effective land markets,
- supporting the privatisation of some land services in an effort to encourage the development of private sector participation in land sector activities;
- promoting community participation and public awareness at all levels,
- ensuring the adoption of environmentally sustainable land use practices, legislating land with provisions that enshrine tenure security not only to enhance tenure security, but also build confidence and encourage investment on land.
- Legislating of land that discourages discrimination on grounds of status, gender or vulnerability;
- Implementing transparent and accountable land allocation systems; and
- Increasing tax on land to realistic levels that will discourage underutilization and speculation.

## 5.2 THEME TWO: SOCIAL PROTECTION AND DISASTER MANAGEMENT

Achievement of sustainable economic growth and development by itself may not automatically translate into improved quality of life for the most vulnerable Malawians. It is therefore necessary to design programmes that will protect them as they may not be able to take advantage of the benefits from economic growth. It is also necessary to protect those that are not chronically vulnerable, but fall into vulnerability due to economic shocks from time to time. The recent poverty and vulnerability study noted that 95.0 percent of households surveyed reported at least one economic shock in the past five years, with most households experiencing more than one type of shock. Coupled with the findings that there was a 30 percent fluctuation in poverty between 1998 and 2005, the need to have programs that keep the non-poor from falling into poverty is essential.<sup>11</sup> Recent analysis suggests that small increases in expenditure growth can move people out of poverty, while economic shocks can quickly push people into poverty. Thus, social protection strategies should include measures to decrease the risk of shocks and strengthen resilience to shocks (such as those identified in food security and economic empowerment), and protect those who become vulnerable through social protection programs<sup>12</sup>.

There is also need for measures to protect the most vulnerable groups like the elderly, the chronically sick, orphans and other vulnerable children, malnourished children, lactating mothers and destitute families. Special groups of persons with disabilities<sup>13</sup> are also included in this category. These groups of people are vulnerable to risk and typically lack appropriate risk management instruments, which constrains them from engaging in higher return activities to enable them move out of chronic poverty. Populations affected by disasters also qualify for social protection since disasters affect the livelihoods and social economic asserts of affected groups. Social protection and disaster management are therefore necessary as they restore peoples' capacity to attain prosperity, create wealth and contribute to economic growth and development.

**Table 5.2: Summary of Theme 2; Social Protection and Disaster Management**

Sub Theme	Long Term Goals	Medium Term Expected Outcomes
Protecting the Vulnerable	Improvements in the socio-economic indicators of the most vulnerable	The most vulnerable with limited factors of production are sufficiently cared for as are the vulnerable who can be negatively impacted by economic shocks
Disaster Risk Management	Reduction in the socio-economic impact of disasters.	The impact of disasters on the vulnerable is reduced

<sup>11</sup> IHS2 data showed that 30% of the poor moved out of poverty during the period while 30% of the non-poor moved into poverty – thus not impacting the overall percentage of poor.

<sup>12</sup> Vulnerability to risks, food security and social protection in Malawi, Preliminary results of the poverty and vulnerability assessment, workshop, Lilongwe December 7-8, 2005

<sup>13</sup> The group "persons with disabilities" refers to persons with disabilities that are unable to create their own income and wealth.

Social protection is particularly important because it ensures that the vulnerable, who may be on the peripheral of economic activity and thereby not benefit from growth, are well protected. Three main areas of focus have been outlined. First is the sub theme on empowering farmers and rural communities by improving their integration into the economic market, increasing their productivity and contribution to economic growth. Secondly, the focus has been on the most vulnerable who may not be able to enjoy the benefits of growth and therefore there will be need to have plans in place for their protection. Lastly, focus has been on disaster management especially the scaling up of efforts to strengthen capacity for response. More importantly, there will be need to ensure that social protection programmes are formulated as a spring board for the poor and they should provide them with the capacity to come out of vulnerability and engage in productive work.

### **5.2.1 Sub Theme One: Protecting The Vulnerable**

Vulnerability can be defined as the likelihood of being harmed by unforeseen events, or susceptibility to exogenous shocks. The most vulnerable broadly include individuals or households affected by disasters; households headed by orphaned children, the elderly and single-parents (especially female heads); persons with disabilities; under-five children, lactating and pregnant mothers; orphans, and the unemployed and underemployed, and the land-constrained in rural areas. It is noted, however, that this general categorisation does not mean that all people or households falling under these categories are the most vulnerable. The determining factor is their inability to meet their basic needs and on the basis of poverty characteristics.

Currently, efforts to protect the most vulnerable have faced many problems. Most of the past market-based policies and interventions have been inefficient, fiscally unsustainable and mostly benefiting the non-poor than the poor. Consequently, all the market-based policies of social protection were abolished under the economic reforms. The administered programs are fragmented, uncoordinated and are poorly targeted. On the other hand, direct assistance and social welfare transfers are small in size and limited in coverage, largely due to financial constraints. The informal social protection, likewise, have become over-stretched and vulnerable to shocks due to increased poverty and the HIV and AIDS scourge.

Several key challenges and constraints have made it difficult to improve the quality of life of the most vulnerable. These include clear lack of focus in implementing cost-effective interventions especially the area of preventing and reducing the high prevalence of stunting and wasting in children less than two years of age. Inadequate planning and lack of integration regarding data on the country's development and growth strategies on the one hand and the risks and obstacles to these strategies on the other hand, posed by structural weaknesses and fluctuating resource needs for the chronically poor. Poor targeting has also been a constraint mainly due to insufficient data regarding the characteristics, location, challenges and needs of the vulnerable. Other constraints include

inadequate knowledge regarding processes, transfer mechanisms, power dynamics, and incentive structures of target communities; poor donor and stakeholder coordination in the design and delivery of programs, and this also touches on lack of coordination of social protection programs in general.

### **Goals**

The long-term goal is to improve the life of the most vulnerable.

### **Medium Term Expected Outcome**

The expected medium-term outcome is to increase assets of the poor to enable them to meaningfully engage in sustainable growth and contribute to poverty reduction.

### **Key Strategies**

In order to realize the goals and expected outcomes as outlined above, there is need to undertake the following strategies which complement efforts for economic empowerment and social development:-

- Providing efficient and effective support to the most vulnerable with very limited factors of production.
- Improving planning and integration of knowledge on the needs of the chronically poor.
- Providing of opportunities for the poor farmers and rural communities to graduate from poverty by facilitating their integration in mainstream agricultural productivity and enabling them to create wealth. Specifically, there shall be a provision of subsidized agricultural inputs to poor farm families; undertake public works programme (PWP).
- Promoting savings culture in PWPs, and
- Providing of capital for income generating activities through programmes such as MARDEF

## **5.2.2 Sub Theme Two: Improving Disaster Risk Management**

Malawi is frequently affected by natural disasters and calamities. Apart from disasters that hit traditional disaster-prone areas like the Lower Shire, acute food shortage is the worst form of humanitarian crisis in Malawi. Lakeshore areas are also prone to severe flooding during years of heavy rains. Hailstorms also destroy crops, livestock, and other infrastructure thereby reducing productivity and removing the sources of livelihoods. It is therefore important to harness wealth creation and poverty reduction by putting in place adequate disaster risk management measures that go beyond emergency response to preparedness, prevention and mitigation as well as rehabilitation and reconstruction. Nevertheless, disaster risk management efforts face a number of challenges and constraints among which are inadequate funding, poor response to disasters and lack of an effective early warning system.

### **Goal**

The long-term goal is the reduction in the socio-economic impact of disasters as well as building a strong disaster management mechanism.

**Medium Term Expected Outcome**

The expected medium-term outcome is reduced impact of disasters by improved disaster risk management.

**Key Strategies**

- Developing and strengthening institutions responsible for disaster risk management,
- Instituting necessary disaster risk management mechanisms
- Implementing mitigation measures in disaster prone areas;
- Integrating disaster risk management into sustainable development planning at all levels;
- Developing and strengthen coordination of institutions in disaster management and relief services;
- Establishing an early warning system for Malawi; and
- Timely provision of emergency relief assistance to affected populations while measures shall be instituted aimed at improving mitigation and rehabilitation of areas affected by disasters.

### 5.3 THEME THREE: SOCIAL DEVELOPMENT

A healthy and educated population is necessary to achieve sustainable economic growth. By building a healthy and educated population as well as achieving economic growth, Malawi seeks to achieve and sustain Millennium Development Goals localized to the Malawian context. Major economic sectors of agriculture and industry require an educated, skilled and healthy workforce to take on new challenges and achieve the goals of the sectors. The Strategy recognizes interrelated nature of issues such as education, health, and gender. These issues therefore have to be dealt with in a balanced manner, without neglecting any one of them if Malawi is to achieve economic growth and development. It is in this context that this Strategy proposes to address these issues in a coherent manner under one theme of social development. The overall goal of this theme is to develop human capital for full participation in the socio-economic and political development of the country.

**Table 5.3: Summary of Theme 3; Social Development**

Sub-theme	Goals	Medium Term Expected Outcomes
Health & Population	<ul style="list-style-type: none"> <li>• Increase life expectancy.</li> <li>• Decrease maternal mortality rates from 1,20 deaths per 100,000 by 50 %.</li> <li>• Decrease child morbidity and mortality including deaths due to diarrhoea especially in children under 5 years of age</li> </ul>	<ul style="list-style-type: none"> <li>• People have better access and use of health service               <ul style="list-style-type: none"> <li>-- Decreased cases of preventable diseases ( e.g. malaria and TB)</li> <li>-- Improved use of ORT for diarrhoea control</li> <li>-- Use of modern contraceptives</li> <li>-- ARV treatment regime are followed .</li> <li>-- Increased vaccination rates</li> <li>--Increase life expectancy at birth from 40 to 45 years.</li> </ul> </li> <li>• Reduce malaria cases by 50 %.</li> <li>• Improve TB cure to 70 %.</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Primary: To equip students with basic knowledge and skills to enable them to function as competent and productive citizens in a free society</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced absenteeism, increased net enrolment, reduced dropout among girls and boys</li> <li>• Improved learning outcomes</li> <li>• Retain girls to complete the primary cycle</li> <li>• Reduced absenteeism to 5% by 2012</li> <li>• Increased net enrolment to 95% by 2012</li> <li>• Reduced dropout by 50%</li> </ul>
	<ul style="list-style-type: none"> <li>• Secondary: To provide the academic basis for gainful employment in the informal, private and public sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced absenteeism by 50% by 2012</li> <li>• Increased net enrolment from 30% to 50% by 2012</li> <li>• Reduced dropout to 5%</li> <li>• Retain girls to complete the primary cycle</li> </ul>
	<ul style="list-style-type: none"> <li>• Tertiary: Provide high quality professional training in all fields</li> </ul>	<ul style="list-style-type: none"> <li>• Increase undergraduate enrolment by 40%</li> <li>• Increase post graduate enrolment ration to 10% of the undergraduate student population</li> <li>• 35% female enrolment by 2010</li> <li>• Improve curriculum to respond to national needs</li> </ul>
Gender	<ul style="list-style-type: none"> <li>• Contribution to socio-economic indicators and economic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance participation of women and men, girls and boys</li> <li>• Reduce gender inequalities (as measured by disaggregated access to services included in other parts of the strategy).</li> </ul>



### **5.3.1 Sub Theme One: Health and Population**

#### **(A) Health**

A healthy population is not only essential but also a pre-requisite for economic growth and development. There is a very close and strong correlation between health status and level of development. That is, countries with good health are highly developed, whereas those with poor health are underdeveloped.

Malawi's health situation based on the health indicators such as maternal mortality rate, child mortality rate, child and maternal malnutrition, life expectancy, access to health facilities is very unsatisfactory. While some achievements have been made after implementing a number of policies, some of the health indicators are the worst in the world. For instance, for every 100,000 live births, 1,120 mothers die due to limited access to quality reproductive and health services, infant mortality and child mortality are estimated at 76 and 133, respectively per 1000 live births due to limited access to health services and malnutrition. Though Government is making efforts to bring about improved health, it faces a number of challenges. These include inadequate health personnel, prevalence of diseases such as HIV and AIDS, tuberculosis, malaria and acute respiratory infections, and migration of health personnel to other countries. Recent assessments have shown that there are more than 100,000 people per qualified physician. There is inadequate supply of essential drugs due to budgetary constraints, which is compounded by pilferage. In general, the health infrastructures or facilities are very poor.

HIV and AIDS is a big challenge in attaining a healthy nation and this seriously affects development efforts in all sectors. The high prevalence of HIV and AIDS has seriously affected the healthy services delivery systems, subsequently the health status of the country's population. Detailed situation analysis on HIV and AIDS and measures currently in place to contain the scourge and challenges being faced are presented in the subsequent section on HIV and AIDS.

#### **Goal**

The long-term goal is to improve health of the population at all levels in a sustainable manner.

#### **Medium-term Expected Outcome**

The expected medium term outcomes are, among others, improved provision of essential health care services; reduced infant mortality rate from 76 to 60 per 1,000 live births; reduced child mortality rate from 133 to 90 per 1,000 live births; and reduced maternal mortality rate by 50 percent from the current level of 984 deaths per 100,000 live births.

#### **Key Strategies**

Successful achievement of the intended goals and expected outcomes will, to a greater extent, rely on what happens in other sectors like production of food in agriculture, disease treatment and prevention in the health sector, relevant curriculum in the education

sector and reduction of gender inequality. The targeted programs under the health sector support program will be complemented by educational efforts to improve nutrition, food production, and general improvements in infrastructure in rural areas. The Government will work with partners in the donor community, NGOs, and at the village level to leverage the resources devoted to the improvement in health related goals. Improving health requires a multifaceted or integrated approach with a combination of preventive, educational and clinical measures. By bringing these together, the costs of interventions can be minimized and their effectiveness maximized. The MGDS seeks such integration. Main strategies include the following:

- Increasing the retention of qualified health workers through a targeted program for health care workers;
- Improving working environment for health personnel;
- Increasing the availability and eliminating theft of drug supply;
- Improving health facilities through targeted facilities infrastructure (roads, water, health buildings, water, communication and medical equipment);
- Improving equipment at health care facilities, especially maternity services;
- Improving financial management, monitoring and supervision of health care facilities; and
- Providing comprehensive health services package that include treatment of diseases and infections, awareness programmes and education through Government and private hospitals.

## **(B) Population**

The MGDS recognises that there is a strong linkage between issues of population and health as such efforts from these two fronts compliment each other. However, there are other elements of population that cannot be conclusively addressed by efforts in the health sector alone because of its broad nature. These include population data analysis and dissemination for development planning. This is particularly important for the determination of total demand for goods and services in the economy.

### **Goal**

The long-term goal is to increase the number of people with good living standards.

### **Medium Term Expected Outcome**

The medium term expected outcomes include: increased life expectancy from 37 years to 45 years; reduced population growth rate from 2.0 percent to 1.5 percent per annum; reduced total fertility rate from 6.0 to 4.9; and increased contraceptive prevalence rate from 33.0 percent to 40.6 percent.

### **Key Strategies**

- lowering fertility in all reproductive age groups through advocacy programmes;
- Expanding the range and improving access and quality of health services focused on common health problems to reduce morbidity and mortality;

- Providing accessible, affordable and comprehensive reproductive health services through informed choices in order to enable them to attain their reproductive health rights and goals;
- Improving the quality of life of those infected and affected by HIV and AIDS;
- Enhancing programmes which increase awareness of the population, reproductive health and HIV and AIDS challenges; and
- Improving methods of collection, analysis and dissemination of demographic and socio-economic data, disaggregated by age, sex, districts, and Traditional Authority through capacity building.

### **5.3.2 Sub Theme Two: Education**

Education is the key for attaining prosperity. It is a catalyst for socio-economic development, industrial growth and an instrument for empowering the poor, the weak and the voiceless. Education enhances group solidarity, national consciousness and tolerance of diversity

Government is implementing a number of reforms in order to improve the current situation especially to increase access and retention at all levels; improve the quality and the relevance of education being provided; improve equity, management and supervision; and the training of more teachers for both primary and secondary levels. This will be achieved through construction of additional classrooms, provision of relevant school supplies, training of more teachers and upgrading the existing under qualified ones. Curriculum reviews and reforms are in progress to improve the relevance of education so that the system can produce both white-collar job seekers and blue-collar job providers and the self-employed. Effective policies and systems are being established to enhance equity in education and effective management of the education sector.

Improvement and relevance of the education system in Malawi continues to face a number of challenges due to poor policy decisions made over the past few years. These have negatively affected the quality and relevance of education being provided especially at primary and secondary levels. Such policies included the sudden declaration of the Free Primary Education Policy, the conversion of the former Distance Education Centres (DECs) to Community Day Secondary Schools (CDSS) and the use of untrained and under qualified teachers in the system due to inadequate number of professionally qualified teachers.

The relevance of education has also been negatively affected by lack of timely reviews and reforms of the school curricula, consistent with the current national needs and aspirations, and also through the unwarranted addition of irrelevant subjects to the old curricula and the removal of relevant subjects such as technical, vocational and entrepreneurship education subjects. Other factors compromising education quality and relevance include: backward cultural attitudes of education for girls, inadequate infrastructure including for people with special needs, internal inefficiencies such as high absenteeism, high repetition and dropout rates, and also lack of school inspection or ineffective supervision and monitoring. These have rendered the system to be inefficient.

The completion rates, pass rates and transitional rates from one class to the next and from one level to the next are very low.

### **Goals**

The education sector has identified three priority goals. These are to equip students, especially at the basic education level with basic knowledge and skills to enable them function as competent and productive citizens; at secondary level, to provide the academic basis for gainful employment in the informal, private and public sectors; and at tertiary level, to produce high quality professionals with relevant knowledge and skills in relevant fields.

### **Medium-term Expected Outcomes**

At pre-school level, the expected medium term outcome is to have an expanded infrastructure and increased access.

At primary school level the expected medium term outcome is to substantially reduce absenteeism, repetition and dropout rates.

At secondary and tertiary levels the expected medium term outcome is increased access and improved quality and relevant education for both sexes and students with special needs.

### **Key Strategies**

- Rehabilitating existing schools and building additional school infrastructure at all levels;
- Training more teachers;
- Improving the teaching-learning environment to reduce absenteeism, repetition and dropout rates for both sexes;
- Reviewing and reforming school curricula to address national needs;
- Implementing affirmative policies relating to selection of pupils and students to secondary and tertiary levels;
- providing a conducive environment for girls and students with special education needs to enhance equity; and
- Equipping managers with managerial skills through targeted training and induction.

### **5.3.3 Sub Theme Three: Gender**

Gender issues are an integral part of the overall national development agenda. Gender inequalities in accessing productive resources, development opportunities and decision making affect economic growth and development. The Gender Development Index for Malawi of 0.374 indicates that large disparities between men and women exist. Women who constitute about 51 percent of the population are marginalized in social and economic spheres such that they are unable to effectively contribute to social, economic and political development of Malawi. Education is a key factor for women empowerment. However women tend to have lower education levels than men leading to their lower participation in many areas of development. The main challenges are

social/cultural factors, limited access to means of production, and limited participation in social and economic activities. The abuse of human rights or gender-based violence is tilted towards women and children and has accelerated other factors in their disfavour such as spread of HIV and AIDS.. In addition, the coordination and implementation of gender related policies is weak in Malawi.

**Goal**

The long-term goal is to mainstream gender in the national development process to enhance equal participation of both sexes for sustainable development.

**Medium-term Expected Outcome**

The expected medium term outcome is reduced gender inequality.

**Key Strategies**

Gender is not a stand-alone subject, as such achievement of Government's goals and outcomes will very much depend on mainstreaming gender issues in all the other sectors.

Main strategies include;

- Strengthening the institutional capacity for effective co-ordination of gender policy implementation;
- Taking affirmative action to increase women and children decision makers in high levels of the public and private sectors;
- Promoting gender equality through advocacy; and
- Breaking the cultural/traditional factors which create and perpetuate gender inequalities.

## 5.4 THEME FOUR: PREVENTION AND MANAGEMENT OF NUTRITION DISORDERS, HIV AND AIDS

Nutrition has a significant influence on human capital development and subsequently on capacity and productivity of a person. Malnutrition undermines economic growth and perpetuates poverty. In Malawi, nutrition disorders are common. For example, the first nutrition study was conducted in 1929 and it revealed that stunting was at 56.0 percent and has since stagnated around 50.0 percent.

The prevalence of HIV and AIDS in Malawi is very alarming. Malawi ranks as the 9th country in the world affected by the HIV and AIDS pandemic. Despite advances made in understanding the natural history of HIV and AIDS, the epidemic continues to grow as displayed by high annual infection rates at close to 100,000, especially among youths; high HIV and AIDS morbidity and mortality rates; increasing mother-to-child transmission; increasing number of destitute orphans at 70,000 being added annually; child headed households currently accounting for 15.0 percent; and increased absenteeism and manpower attrition.

**Table 5.4: Summary of Theme 4: Prevention and management of nutrition disorders, HIV and AIDS**

Sub-theme	Long and medium term goal	Expected Outcome
HIV and AIDS	<ul style="list-style-type: none"> <li>Reduce the spread of HIV and AIDS in the general population and in high-risk subgroups</li> </ul>	<ul style="list-style-type: none"> <li>Behavioural change of at-risk groups</li> <li>Prevention of mother to child transmission, from blood supply/health facilities</li> </ul>
	<ul style="list-style-type: none"> <li>Improve the quality of life of those infected and affected by HIV and AIDS</li> </ul>	<ul style="list-style-type: none"> <li>Equitable treatment for PLHA and mitigate the health impacts for PLHV of HIV and AIDS (including ARVs)</li> </ul>
	<ul style="list-style-type: none"> <li>Mitigate the health, socio-economic and psychosocial impacts of HIV and AIDS on individuals, families, communities and the nation.</li> </ul>	<ul style="list-style-type: none"> <li>Minimize the pain, suffering, anxiety and loss of service delivery at the individual, household, community and national levels</li> <li>Decrease work time lost due to caring for PLHV and the amount of money at the household level for care giving</li> </ul>
Nutrition	<ul style="list-style-type: none"> <li>Active healthy life with reduced burden of diet-related, illness, deaths and disability among men, women, boys and girls living in Malawi</li> </ul>	<ul style="list-style-type: none"> <li>Effective utilization of food that encompasses the quality of the food allocated for consumption and the biological utilization of nutrients in the body</li> <li>Information is used in decision making on policies and program interventions and policies are well coordinated across the various ministries</li> </ul>
Interaction of Nutrition and HIV and AIDS	<ul style="list-style-type: none"> <li>To improve the nutritional status and support services for people living with and affected by HIV and AIDS.</li> </ul>	<ul style="list-style-type: none"> <li>Increased knowledge of the interaction between nutrition and HIV and AIDS;</li> <li>Improved and diversified dietary practices for people living with HIV and AIDS; and</li> <li>Increased provision of HIV and AIDS-related nutrition interventions.</li> </ul>

### **5.4.1 Sub Theme One: Nutrition**

Nutrition is associated with health in the sense that malnutrition can lead to ill health. Malnutrition is both a cause and a consequence of poverty in developing countries and continues to retard economic growth and development. The effect of under nutrition is wasting, under-weight, stunting and mental retardation, which has far reaching consequences. A poorly nourished body is primary and highly susceptible to infections such as Tuberculosis, malaria, diarrhoea, acute respiratory infections, HIV and AIDS. Under nutrition is a factor commonly associated with maternal and child/infant mortality. Protein-energy malnutrition (PEM) is very high in Malawi, with under-five children stunting at 48.0 percent; wasting at 5.0 percent, increasing to 9.0 percent during the lean periods. Micronutrient malnutrition such as sub-clinical Vitamin A deficiency is at 80.0 percent of pre-school children, 38.0 percent of school age children, 57.0 percent of child-bearing age women and 38.0 percent in men. Anaemia is at 73.0 percent of pre-school aged children, 22.0 percent of school aged children, 46.0 percent of non-pregnant women, 47.0 percent of pregnant women, and 17.0 percent of men. Iodine deficiency disorders are also common despite Malawi's adoption of Salt Iodization Act. It is estimated that 64.0 percent of children have low Intelligent Quotient (IQ) in areas with high iodine disorders.

The underlying causes of under-nutrition include household food insecurity resulting from inadequate food production or low incomes; poor child feeding and care practices; inadequate education and lack of knowledge which lead to poor food processing and utilization and sometimes cultural beliefs which deny women and children consumption of high nutritive value foods. In addition, poor institutional coordination of nutrition programmes has also been a big constraint.

#### **Goal**

The long-term goal is to ensure nutritional well-being of all Malawians.

#### **Medium-term Expected Outcome**

The key expected medium-term outcomes are effective utilization of quality food and the biological utilization of nutrients in the body; reduced levels of under nutrition; reduced incidences of dietary related non-communicable diseases and micro-nutrient disorders; increased human productivity; and strengthened structures and coordination for implementation of policy and programme and enhanced capacity for nutritionists and dieticians at all levels.

#### **Key Strategies**

Effective implementation of the nutrition strategies will require co-ordination among the key stakeholders. To successfully achieve the intended goal and outcomes, to a greater extent, will rely on what happens in other sectors like agriculture and food security, education, health and gender. Main strategies include;

- Promoting the control, prevention and treatment of micro-nutrient deficiency disorders particularly those caused by vitamin A, iodine and iron deficiencies;

- Promoting control, prevention and treatment of diseases that have direct impact on nutrition and human well-being;
- Intensifying community nutrition assessment, counselling, education and demonstration, supplementary and therapeutic feeding, referral to Nutrition Rehabilitation Units;
- Promoting the production of nutritious foods and livestock;
- Harmonizing and improving food and nutrition security information system for evidence based interventions;
- Reviewing and including nutrition in curricula of all learning and training institutions;
- Targeting the elderly, pregnant and lactating mothers, under five and school going children, orphans and the physically challenged with nutrition services to improve their well-being;
- Enhancing co-ordination of nutrition programmes;
- Building capacity for nutritionists, dieticians, and community nutrition workers;
- Producing, enacting and enforcing nutrition legislation; and
- Monitoring and managing dietary related non-communicable maladies.

#### **5.4.2 Sub Theme Two: HIV and AIDS**

HIV and AIDS is a socio-cultural, economic, political, development and health issue which has brought havoc to all sectors of the economy in Malawi and other developing countries in the process creating a big human power shortage of 25 - 60 percent. It is a social problem because of its negative consequences on the communities and social structures. It is a cultural issue because some cultural practices and beliefs fuel the spread of the disease and mask positive traits of the system while encouraging stigma, discrimination and denial. It is a political problem because a sick person will not contribute to the political development of the country. It is a health issue because it affects directly a large number of people and the health-care system itself or fabrics of society. HIV and AIDS is an economic issue as it leads to reduction in economic growth by reducing the productivity of the labour force and drains investment resources in all sectors. HIV and AIDS is a development issue because it affects negatively all sectors of the economy.

Malawi like many other Sub-Saharan African countries has been severely affected by HIV and AIDS. The first case was reported in 1985 and to-date, despite so many years of national response, the impact remains devastating and the country's efforts are inadequate given the pace of the spread of HIV and AIDS. Poverty and HIV and AIDS are reciprocally influenced and Malawi happens to have more than 52.4 percent of its population living in poverty. The national adult HIV prevalence in the reproductive age group of 15-49 years has slightly declined from 14.4percent in 2003 to 14.0 percent in 2005. HIV and AIDS prevalence among antenatal clients has also declined from 19.8 percent in 2003 to 16.9 percent in 2005. Approximately 930,000 people are living with HIV and AIDS, including 70,000 children under the age of 15. According to the Malawi Demographic Health Survey (MDHS 2004), prevalence of HIV and AIDS was estimated at 12.8 percent of the population and around 30-35 percent of all pregnant women aged



between 15 and 49 years and 640,000 people have died of AIDS at a rate of 86,000-100,000 annually. HIV and AIDS is now the leading cause of death in the most productive age group, resulting in 50,000 to 70,000 adult and child deaths annually. HIV and AIDS mortality rate is close to 700 deaths per 100,000 people. Out of Malawi's one million orphans, 500,000 have lost one or both of their parents to AIDS. A fifth of all households in Malawi take care of one or more orphans; 49 percent of these are female headed

Malawi's response to HIV and AIDS began in 1986, initially concentrating on preventing further transmission of the virus. Since then Malawi has demonstrated increased commitment to addressing HIV and AIDS through the establishment of the National AIDS Commission (NAC) in July 2001 to manage a multi-sectoral response to the pandemic. The country has made substantial investment to build and maintain a positive partnership with donors, bilateral and multilateral organizations and various stakeholders. Recently, Government has established the Malawi Partnership Forum on AIDS, where all stakeholders come under one umbrella for improved coordination and harmonization of the national response.

Over the past fifteen years the country has moved from a point of denial to a situation where there is almost universal awareness of HIV and AIDS. In response to the burden of the epidemic on the formal health care system, the Government has encouraged communities and households to take up the challenge of providing home based care and support. At present, public organizations, community-based organizations (CBOs), Civil Society organizations, public, and private sector institutions have all become engaged in various ways in the fight against HIV and AIDS. This has led to a dramatic increase in the number of community groups providing home based care as well as increased number of trained community home based care providers. In order to institutionalise work on nutrition, HIV and AIDS, the Department of Nutrition and HIV and AIDS in the Office of the President and Cabinet was created to coordinate these activities.

Nonetheless, Malawi still faces a number of challenges in containing the spread and impact of HIV and AIDS on development. Key constraints in containing the HIV and AIDS scourge are: hunger and poverty which make individuals more vulnerable to infection; inadequate supply of Anti-retrovirals (ARVs) and access to nutritious diets; low levels of education; limited institutional capacity; deep-rooted harmful socio-cultural values and practices, beliefs and traditions and poor coordination amongst the service providers.

**Goal**

The long term goal is to prevent further spread of HIV and AIDS and mitigate its impact on the socio-economic and psychosocial status of the general population and high risk groups.

### **Medium-term Expected Outcomes**

The medium-term expected outcomes include: behaviour change of people particularly the high risk groups which include the youth, commercial sex workers, mobile and other vulnerable populations; increased number of people accessing voluntary counselling and testing (VCT) and sexually transmitted infections (STI) management services; increased number of women accessing the Preventive Mother to Child Transmission (PMTCT) services; improved health status or extended life of the infected people through increased uptake of ARVs and nutritious diets and nutrition therapy; and community home based care services; protection and care of children and families affected by AIDS; and improved planning, management and coordination of all stakeholders and development partners in the fight against HIV and AIDS increased number of traditional counsellors trained in HIV and AIDS education;

### **Key Strategies**

HIV and AIDS requires a multi-pronged approach of prevention and treatment to reduce its spread and impact. Main strategies include:

- Improving knowledge and capacity of young people, orphans, the elderly and physically challenged and other vulnerable groups to practice safer sexual intercourse and increase their access to HIV testing and counselling; and behaviour change.
- Initiating and strengthening joint planning, monitoring and evaluation processes among national authorities, stakeholders and development partners;
- Implementing and increasing equitable access to ARVs and treatment of opportunistic infections;
- Building and strengthening the capacity of public and private organizations to mainstream HIV and AIDS into their core businesses;
- Promoting high quality community home-based care services, adequate nutrition, including provision of nutrition therapy for people living with HIV and AIDS (PLHA);
- Expanding services for prevention of mother to child transmission, testing and counselling, access to condoms, STI management, and access to behaviour change communication;
- Integrating the elderly, orphans and the physically challenged affected by HIV and AIDS into the mainstream development
- Promoting adequate nutrition, including provision of nutrition therapy that cover assessment, counselling, education and demonstration, supplementary feeding, therapeutic feeding, referral to health facility and production of high nutritive value foods for a nutritious diet to HIV and AIDS individuals;
- Producing, enacting and enforcing HIV and AIDS legislation.
- Improving the provision of support and protection of the infected and affected groups; and
- Building capacity at all levels in the national response to HIV and AIDS with special focus for local service delivery.

### **5.4.3 Sub Theme Three: Interaction of Nutrition, HIV and AIDS**

HIV and AIDS affects nutrition through increases in resting energy expenditure, reduction in food intake, poor nutrient absorption and loss, and complex metabolic alterations that culminate in weight loss and wasting. Malnutrition reduces overall immunity and increases the risk of diseases and related conditions, which expedite the progression of HIV into AIDS. HIV, in turn, destroys the natural immune system and increases the risk of infections and diseases. These diseases prevent adequate intake and uptake of vital nutrients. Additionally, both the disease itself and antiretroviral therapy increase the body's overall nutrient demand. As the virus progresses from Stage 1 to Stage 2, a child's energy demand increases by 10.0 percent, and by up to 20.0 percent at Stage 3. In HIV positive adults, caloric need can increase up to 30-40.0 percent above the normal recommended daily energy requirement in stage 3.

The HIV and AIDS pandemic has accordingly compounded the dual burden of malnutrition and disease. HIV and other chronic diseases increase the body's need for micronutrients, calories and protein while simultaneously decreasing the body's ability to work. This means that as more nutritious food is needed within a household, less labour is available with which to produce or obtain it. This leads to less nutritious food for everyone else in the household and inadequate diet for the person living with HIV/AIDS.

#### **Goal**

The long-term goal is to improve the nutritional status and support services for people living with and affected by HIV and AIDS.

#### **Medium-term Expected Outcomes**

The medium-term expected outcomes include increased knowledge of the interaction between nutrition and HIV and AIDS; improved and diversified dietary practices for people living with HIV and AIDS; and increased provision of HIV and AIDS-related nutrition interventions.<sup>14</sup>

#### **Key Strategies**

- Recruitment and training of adequate personnel;
- Reviewing and including nutrition, HIV and AIDS interaction in education curricula of all learning and training institutions;
- Compiling and disseminating best approaches to providing nutritional therapy to PLHA;
- Building capacity for nutrition service providers on specialised nutrition care for PLHAs;
- Providing workplace-based nutrition therapy to enhance positive living for PLHAs;
- Facilitating access to sustainable economic social protection for households affected by HIV and AIDS; and
- Building capacity at all levels with special focus on service delivery.

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<sup>14</sup> The main nutrition interventions include counselling on specific behaviours, prescribed/targeted nutrition supplements and linkages with food-based interventions and programmes.

## 5.5 THEME FIVE: INFRASTRUCTURE DEVELOPMENT

Infrastructure is one of the prerequisite for economic growth. It is key component for creating an enabling environment for private sector driven growth and provision of timely and quality social services. Provision of infrastructure in the areas of transport (road, rail, air and water), water supply and sanitation, electricity, telecommunications, and information technologies contribute to enhanced productivity of business establishments in the country. Infrastructure services are complementary in nature and must be provided as a package for maximum benefits of development endeavours set in this Strategy.

In general, infrastructure in Malawi is grossly inadequate, characterized by low availability, unreliability and expensive. Overall, the infrastructure limitations in Malawi can be attributed to weak transport infrastructure (network and condition); high cost of transportation resulting in high cost of goods and services; unreliable and expensive utilities (water, electricity, and telecommunication); weak capacity of information technology in both private and public sectors. This is compounded by Malawi's landlocked status, which is a major disadvantage to businesses as it increases the costs to importers and exporters relative to regional competitors. If the country is to register positive economic growth these limitations need to be addressed.

Development of infrastructure will contribute to the achievement of a number of the expected outcomes of the MGDS. Specifically, a well developed infrastructure will contribute to reduced cost of doing business in Malawi as it will improve its attractiveness as an investment destination; increased access to markets, clinics, schools, especially in rural areas and reduced incidence of water-borne diseases and environmental impacts from poor water usage and poor sanitation.

However, the provision of infrastructure is not an end in itself but provides an enabling environment for the economic and social activities. In line with the goals of the MGDS, infrastructure development would focus on provision of infrastructure services as a package, which will promote activities in the various sectors of the economy.

### 5.5.1 Sub-Theme One: Transportation

Investment in the transport infrastructure that is roads, rail, air and water has direct impact on linking production and markets. Improved transportation reduces transport costs and leads to the creation of better marketing networks. High quality and availability of transport facilities provide social benefits through improved access to social services: education, health, markets by facilitating mobility, especially for rural communities. In the medium-term, construction of these infrastructures will provide income through employment of people. Transport infrastructure in Malawi is characterised by poor road network, poor access to ports, limited air links and freight capacity, limited rail capacity and poor road condition that service productive and social sectors. The inadequacy of the transportation infrastructure results in high costs of production, where transportation represents 55.0 percent of costs, compared to 17 percent in other less developed countries.

Table 5.5: Summary of Theme 5; Infrastructure Development

Sub-theme	Long and medium term goals	Expected Outcome
Transport	Ensure the provision of a coordinated transport environment that fosters a safe and competitive operation of commercially viable, financially sustainable, and environmentally friendly transport services and enterprises	<ul style="list-style-type: none"> <li>• Improved mobility and accessibility of the population to key road corridors within Malawi and out of Malawi and facilitate the continued development of the country's rural areas.</li> <li>• By 2011, 71% of the road network will be in good condition, 18 % in fair condition with only 11 % in poor condition.</li> </ul>
Energy	The goal in the sub-sector is to reduce the number and duration of blackouts, increase access to reliable, affordable electricity in rural areas and other targeted areas (such as social facilities) and improve coordination and a balance between the needs for energy and the needs of other high growth sectors (such as tourism). In the medium term, it is expected that the country will have reliable and sustainable energy supply and increased access.	<ul style="list-style-type: none"> <li>o Reliable and sustainable energy supply and increased access.</li> <li>o Increased access from the current 6% to 10% by 2010 and 30% by 2020</li> <li>o biomass-commercial energy mix target of 75% - 25% is set for 2010.</li> <li>o Power supply is connected to SAPP.</li> </ul>
Water	The overall goal in Water is to ensure that water resources are well protected and that in the long term, costs of manufacturing are decreased and there is an increased ability to enter into different forms of manufacturing that require water. Furthermore, the reduction of water borne diseases is another priority goal. In the medium term, Malawi intends to increase access to water within 500m distance for all people, and thereby ensuring that basic water requirements of every Malawian are met while the country's natural ecosystem is enhanced.	<ul style="list-style-type: none"> <li>o Basic water requirements of every Malawian are met while the country's natural ecosystem is enhanced.</li> <li>o Increased access to water is within 500m distances.</li> </ul>
ICT Telecommunications	Ensure universal access, connectivity and affordable information and communications technology	Formation of public/private sector partnerships in the provision of telecommunications services.
Information Technology	Improve use of technology in companies, education, and service delivery	Increased technical skills and updated knowledge are used by public and private sector institutions
Broadcasting	Empower the nation and accelerate economic growth and development through the collection, analysis, processing and dissemination of accurate and timely information.	Developed its broadcast infrastructure using the modern telecommunication technologies and develop the sub-sector to be private sector driven and oriented.
Science & Technology	Develop, disseminate and promote utilization of technology to improve productivity and quality of goods and services	Well-coordinated science and technology generation and dissemination. Effective and efficient operation of science and technology institutions.

The high transport costs makes Malawian goods and services uncompetitive on the international markets. Malawi depends on regional road, rail routes and inland water transport systems for the transportation of the bulk of her exports and imports. It is also exposed to both tariff and non-tariff barriers which add to the cost of transportation. As such the development and construction of Shire Zambezi waterway will be a priority for the country in the next five years. This will connect Malawi directly to the Indian Ocean through Mozambique. Once completed this is envisaged to reduce import and export transportation costs by 60.0 percent.

#### **5.5.1.1 Road Transport**

High transport costs and poor access to some parts of the country remain an important threat to fostering economic growth in Malawi. High transport costs partly result from the country's landlocked position and small market size and also from the continuing inefficient operating environment faced by the domestic and international operators in spite of liberalization of the transport sector. Poor access roads mainly result from the deteriorating condition of the country's overall road network, especially in the rural areas. This problem is compounded by the enormous backlog for maintenance of the road infrastructure, unsafe and impassable road network (37 percent is in poor condition), lack of competition, road taxes increases the cost of trucking and poor logistics. Poor quality feeder roads also impact the ability of rural areas to engage in economic activities.

#### **Goal**

The long-term goal is to reduce cost of road transportation in order to contribute positively to economic growth.

#### **Expected Medium Term Outcome**

In the medium-term improved transportation is expected to contribute to reduced lead times on export, decreased cost of domestic trucking, lower costs of cross-border and transit trade, lower cost to reach domestic, regional and international markets and improved mobility and connectivity of rural communities to markets. Efforts will emphasise on improving mobility and accessibility of the population to key road corridors within and outside Malawi while facilitating improved mobility and accessibility of rural communities to goods and services in the rural areas at low cost.

#### **Key Strategies**

The strategies will concentrate on ensuring availability of adequate, safe, reliable, efficient and economical transport services in key corridors that meet the country's current road transport needs and aligned to the future vision. Main strategies will include:

- Providing adequate network of roads based on appropriate standards through rehabilitation and upgrading of "all weather" roads to meet sub-regional agreed standards;
- Undertaking routine road maintenance to clear backlog through use of modified "Performance-Based Term Maintenance Contracts";
- Building the capacity of local private sector to construct quality roads;

- Replacing timber-deck bridges with concrete decks;
- Maintaining urban and rural road networks;
- Upgrading all unpaved roads from fair to good condition;
- Involving the private sector in the monitoring and operations of road transport services;
- Implementing appropriate road user charges;
- Harmonising the country's highway code, road signs, signals and axle-load regulations within the region;
- Improving information coordination on the flow of cargo of regional and international carriage by encouraging private sector freight forwarding companies; and
- Creating one stop border post on all major transport corridors to allow for the smooth flow of traffic and developing an integrated approach to road safety.

### **5.5.1.2 Water Transport**

Water provides a better and cheaper alternative means of transport for certain parts of the country and as a link to the sea. Malawi has not benefited much from this mode of transport because the port system is inadequate to handle the present exports of agro-processing industry and imports. Furthermore, siltation at Beira, which is the nearest port, is a major constraint. Given the current transport bottlenecks, this mode of transport has been prioritised as an alternative means for export-led growth. Government, therefore, has an obligation to maintain the ports and explore ways to involve the private sector. In view of this, Government has prioritised the Shire Zambezi waterway project as the main activity in this sub-sector for the next five years.

#### **Goal**

The long-term goal is to open up the linkages to the sea.

#### **Expected Medium Term Outcome**

The expected medium term outcome is to ensure an active inland shipping network in local and international shipping, and that trade and tourism are facilitated in a safe manner while protecting the environment.

#### **Key Strategies**

For the water transport to be effective, the sub-sector will have to be closely linked to the rail and road networks. For instance developing the Shire Zambezi Waterways will demand that the rail from Nsanje to major commercial cities like Blantyre, Lilongwe and Mzuzu be developed or rehabilitated for maximum benefit. Main strategies will include:

- Developing an efficient and productive maritime transport system that meets national and regional requirements; and
- Dredging, opening up channels and acquiring badges or ships, which would navigate the Shire River through Zambezi and to the Indian ocean.

### **5.5.1.3 Air Transport**

Air transport is the most efficient and effective means of transportation. However, Malawi faces a number of constraints such as airfreight costs which are higher than neighbouring countries, and landing rights restrictions and fees are prohibitive hence uncompetitive. Facilities at major airports are either below international standards or not available. While Malawi is striving to become a productive exporting economy there are no proper storage facilities at the international airport. In light of this problem, the focus of the medium term will be to ensure that the international airports conform to international standards through the provision of the relevant services and facilities.

#### **Goal**

The long-term goal is to reduce the cost of air transportation while ensuring international competitiveness.

#### **Expected Medium Term Outcome**

In the medium term it is expected that Malawi will attain and maintain a competitive, self-sufficient and sustainable civil aviation environment that ensures safety in accordance with national and international standards and enables the provision of services in a reliable and efficient manner.

#### **Key Strategies**

The objective of an affordable air transport is to attract tourists and export of agro-processed products. This will call for availability of supportive accommodation facilities at the airports, availability of appropriate storage facilities and provision of appropriate information facilitates and packages to visitors. Strong public-private partnerships will be promoted to facilitate private investment. Main strategies include:

- Promoting and facilitating a competitive, sustainable and efficient air transport industry; and
- Providing a safe, efficient, reliable aviation infrastructure that complies with international standards.

### **5.5.1.4 Rail Transport**

#### **Goal**

The long-term goal is to have an efficient, affordable and effective rail network that eases pressure from the road network and provides an alternative means of transport both to people and transportation of goods.

#### **Expected Medium Term Outcome**

In the medium term, it is expected that the rail sub-sector will be a well-managed, viable and sustainable system that promotes accessibility as well as affordable and reliable movement of goods and people.



### **Key Strategies**

The development of the rail network will have to be linked to target areas such as ports, industrial sites and national borders. Main strategies include:

- Improving operational efficiency and commercial viability of the existing railway infrastructure and levels of service to all users including people with disabilities at an affordable cost; and
- Promoting railway safety and environmental protection.

## **5.5.2 Sub-Theme Two: Energy**

Energy is a crucial input into any industrial processing and serves as the life-blood for any economy. Malawi is relatively well endowed with a wide variety of energy resources such as biomass (firewood, charcoal, crop residues), coal, and perennial rivers for power generation and adequate sunshine for photovoltaic and photo-thermal applications. The full potential of the energy sub-sector remains far from being realized owing to a number of structural, operational and institutional challenges. A well-developed energy sub-sector can enhance stable supply of power, increased generation and transmission capacity for improved service delivery and increased output in the economic and social sectors, respectively. Increased generation and transmission capacity of electricity will support other programmes such as Malawi Rural Electrification Project (MAREP). The sub-sector also has strong backward and forward linkages with other sub-sectors, for instance, use of power transmission lines would also increase capacity for telecommunications.

The provision of energy in Malawi is inadequate, unreliable and inaccessible to all who need it. This is mainly due to lack of competition in the sector; siltation resulting from deforestation; poor farming practices and management; weeds and water hyacinth on the Shire River which affects hydro-generation; expensive spare parts which inhibit maintenance of equipment leading to frequent breakdowns; and lack of progress on regional interconnection and commitment to tap into other energy sources. In addition to these challenges is the limitation of public investment in power generation and widespread vandalism of equipment.

### **Goals**

The long-term goal is to generate sufficient amount of energy to meet the economic and social demands.

### **Medium Term Expected Outcome**

In the medium term, it is expected that the country will have accessible, reliable and sustainable energy supply. At the same time, rural communities will begin to use alternative energy supplies in underserved areas while managing energy related environmental impacts.

### **Key Strategies**

To achieve an efficient energy supply, strong inter-sectoral linkages especially with the water, natural resources and agriculture sectors will have to be established. An efficient supply of hydropower requires a constant supply of water through proper conservation of catchment areas, connections to neighbouring countries and exploring into other sources of energy. The sub-sector will also require strong public-private partnerships especially in generation, distribution and transmission. Main strategies include:

- Improving efficiency in generation, transmission and distribution;
- Ensuring provision of reliable electrification to key for mining, irrigation, business, tourism, and other economic activities.
- Improving management of Electricity Supply Commission of Malawi (ESCOM) and other service providers
- Accelerating implementation of Malawi-Mozambique inter-connection;
- Constructing mini hydro power stations along the Shire and other major rivers to supplement electricity supply in the three regions.
- Expanding the Rural Electrification Programme (increase resources, promote development of micro hydropower stations and use of solar energy for off grid power supply) and use of both grid and off-grid options;
- Ensuring that energy provision takes into account and puts in place measures to deal with negative environmental impacts that may set in; and

#### **4.5.3 Sub-Theme Three: Water Supply And Sanitation.**

Water is a very important resource for hydropower, irrigation, transport, agriculture, industrial use and the environment. Ensuring availability of water is therefore central to achieving the MGDS objectives.

Management of water supply and sanitation draws many players from donor community, public entities, civil society and private institutions. Significant progress has been made with the introduction of coordination structures for the various players in the sector. Despite this, the sector faces challenges, with the degradation of water resources, inadequate services coverage, increasing water demand as a result of increasing population, HIV and AIDS prevalence, insufficient capacity, inadequate promotion of hygiene and sanitation, lack of an integrated approach to water resources management and development, climate change and lack of mitigation measures for water-related disasters. The multi-sectoral nature of issues of protection, management and development of water resources has resulted in lack of coordination of water resource management. On water resource management, the challenges are several, and these include lack of good monitoring and evaluation system, and a good management information system resulting in improper documentation of information and lack of a consolidated database on water point allocations. In addition, vandalism and theft of water supply and sanitation facilities is wide spread in the sector.

### **Goals**

The long-term goal is to ensure that water resources are well protected and managed to meet both domestic and industrial demands.

### **Medium-Term Expected Outcome**

In the medium term, it is expected that Malawi have increased access to water resources averaging a distance of 500m from communities.

### **Key Strategies**

To achieve sustainable and integrated water resource management and development, Malawi will need more efficient and effective practices by among other things, empowering national authorities to manage using integrated water resource management approach and establish good monitoring systems. The provision of water will also be linked closely to agriculture and other environmental problems that affect water supply such as soil erosion due to poor farming practices. Main strategies include:

- Empowering national authorities to manage water resources using integrated water resource management approaches;
- Establishing good monitoring systems;
- Improving the quality of surface and ground water and developing a system for pollution control;
- Improving sustainable access to water supply and sanitation in urban, peri urban and rural areas by among others establishing water supply and sanitation systems using demand responsive and demand driven approaches;
- Establishing contingency water supply reserves and sanitation backups; and
- Integrating rural water supply with participatory hygiene and sanitation transformation.

## **5.5.4 Sub-Theme Four: Information, Communication and Technologies**

### **(a) Telecommunications**

The telecommunication sector plays an important role in economic growth and poverty reduction. Effective information dissemination and communication systems is critical for private sector development and service delivery. It benefits companies and the general public providing direct and fast access to information. MGDS recognises the importance of the telecommunication and information sub-sector in the creation of an enabling environment for private sector led growth as well as improving the quality of life. Currently telecommunications services are below regional standards. Statistics show that only about 4.0 percent of the total population is connected to ground telephone lines in the country. Mobile phone networks have of late improved the situation.

### **Goals**

The long-term goal is to ensure universal access to, connectivity and affordable information and communications technology.

### **Medium Term Expected Outcomes**

In the medium-term it is expected that Malawi shall have increased access to telecommunications services.

### **Key Strategies**

The implementation of an effective and efficient telecommunications strategy for Malawi will need to be in line with regional and international standards taking into account the issues of globalisation. Main strategies will include:

- Creating a conducive environment to attract investment in telecommunications;
- Enhancing the capacity of the regulatory body Malawi Communications Regulatory Authority (MACRA) to act as a competent referee in order to level the playing field; and
- Developing monitoring and periodically reviewing regulations.

### **(b) Information Technology (IT)**

The use of modern techniques of information technology (IT) is important and necessary for the acceleration of economic growth and development. The dynamics and demands of the modern world call for active adoption and use of modern IT. Malawi has made strides in the investment and use of IT. Nevertheless, there are a number of constraints and challenges that need to be addressed to effectively improve service delivery. These include high costs of IT equipment, inadequate trained IT personnel, and poor IT support infrastructure.

### **Goal**

The long-term goal is to improve service delivery in both public and private sector institutions through the use of IT.

### **Medium Term Expected Outcomes**

The medium term expected outcome is a well developed IT infrastructure and improved e-governance. In addition, there will be increased IT skills in both public and private sector institutions, and increased tele-density.

### **Key Strategies**

The implementation of an efficient IT strategy should take into account emerging needs of the industry at large in, particular, the high growth sectors such as tourism and manufacturing. Main strategies include:

- Developing a reliable, fast, adaptive and robust national IT infrastructure;
- Enacting an appropriate legislation that promotes and facilitates the country's participation in the information age;
- Facilitating the establishment of an efficient intra and inter-departmental, inter-sectoral, national and sub-national system of communication, for the necessary feedback in policy formulation, programme implementation, monitoring and review;
- Intensifying IT education and training in all sectors; and
- Improving IT access by all communities.

### **(c) Broadcasting**

Information dissemination through radio and television (TV) continues to be the main form of communication in Malawi. Development of these modes of communication will remain vital in the medium-term to ensure that the population both in urban and rural areas is actively involved in the development process. Currently, radio communication is on the increase due to active participation of private radio stations. Television communication is still in its infancy but rapidly growing owing to its high message retention rate estimated at 93.0 percent. TV communication has proved to be the best mode of disseminating information on various topical issues such as education, democracy, good governance, human rights, and health. As such it is an important tool that will contribute significantly to economic growth and development for Malawi.

#### **Goal**

The long-term goal is to improve the dissemination of accurate, unbiased and timely information to the general public for informed decision-making.

#### **Medium-term expected outcomes**

In the medium-term it is expected that the country shall have a developed broadcasting infrastructure using modern telecommunication technologies.

#### **Key Strategies**

- Developing and rehabilitating broadcasting transmitting stations;
- Improving broadcasting distribution and coverage;
- Developing local capacity to generate reliable and accurate news and programmes;
- Improving quality and unbiasedness of local-content programme production;
- Promoting the participation of private broadcasting stations; and
- Promoting community broadcasting services.

### **5.5.5 Sub Theme Five: Research, Science, and Technology Development**

Government recognizes the importance of research, science and technology in national socio-economic development. In this context, it has established national institutional structures that support the development of science and technology such as the National Research Council (NRC), Malawi Industrial Research and Technology Development Centre (MIRTDC) and a fully-fledged Department responsible for science and technology. Technology is generated through continuous research and development hence it calls for investment in research, technology development and transfer. However, despite these efforts, Malawi is extremely weak not only in scientific and technological development but also in its utilization. This weakness affects many aspects of the socio-economic development. Integration of science and technology in the national development planning process continues to face a number of constraints. Some of these

key constraints are; poor coordination of research, science and technology generation, weak institutional capacity, and inadequate funding to the relevant institutions.

### **Goal**

The long-term goal is to enhance development through the application of science and technology.

### **Expected medium term outcomes**

In the medium term, it is expected that the following outcomes will be attained:

- Well coordinated science and technology generation and dissemination;
- Effective and efficient operation of the science and technology institutions;
- Increased uptake on productivity and enhancement of technologies; and
- Prioritised and focused research and development.

### **Key Strategies**

- Establishing a National Science and Technology Commission as the apex body to coordinate all activities relating to research, science and technology;
- Strengthening the capacity of research, science and technology institutions;
- Generating and disseminating appropriate technology through public-private partnerships;
- Developing and commercialising science and technology in areas identified to contribute significantly to socio-economic development;
- Promoting the development and utilization of indigenous technology through the re-introduction of the “Malawi Award for Scientific and Technological Achievement (MASTA) and the Most Innovative Technology Stand (MITS)” at the Malawi International Trade Fair;
- Establishing research funding mechanisms to promote research by individuals and institutions, including formulation of legislation for private sector investment in local research, science and technology development; and
- Designing syllabi that achieve a balance of science and technology, arts and humanities in basic, secondary, higher and technical education levels.

## 5.6 THEME SIX: IMPROVED GOVERNANCE

The success of the strategies suggested in the first five themes depends much to the prevalence of good governance. The main tenets of good governance are issues to deal with good public sector management, absence of corruption and fraud, decentralization, justice and rule of law, security, good corporate governance, and respect of human rights. In addition, the need for political will and change of mindset within a democratic political environment is also envisaged to contribute positively towards the attainment of economic prosperity and poverty reduction. Malawi will, therefore, endeavour to address concerns in these areas as they underpin the achievement of all economic growth and social development objectives in the medium term.

**Table 5.6: Summary of Theme 5; Improved Governance**

Sub Theme	Long-Term Goals	Medium-Term Expected Outcomes
Macroeconomic Growth	Sustain economic growth, reduce dependency on foreign aid and generate investor confidence.	A favourable macroeconomic environment having low inflation rates at 5.0 %, lower interest rates, stable exchange rates, reduced Government borrowing and sustainable debts.
Public Policy Formulation	Free flow of information to consolidate democracy	Public well informed to participate in national development.
Fiscal Management	Eliminate distortions in macroeconomic fundamentals	Improve budget implementation
Corruption	Improve donor confidence	Corruption and fraud will be reduced.
Public Sector Management	Affordable, highly motivated, results oriented and productive civil service.	Improve the delivery of quality public goods and services.
Decentralization	Improve the efficiency and effectiveness of the public sector in service delivery to the communities	Local assemblies in full control of development planning and implementation
Justice and rule of law	Increase access to justice and entrenched rule of law	More responsive, efficient and effective judicial authority.
Security	Safe, secure and crime free nation	Reduced crime levels
Corporate Governance	Increased private sector investment	Increased domestic and foreign investment.
Human Rights	To increase awareness and upholding of human rights among all Malawians, particularly the most vulnerable through the promotion and protection of human rights.	enhanced awareness and practice of human rights and responsibilities among all Malawians, particularly the most vulnerable groups.

The need to address concerns in all these sub themes cannot be over emphasised, as it is evident that the achievement of the long-term national goals is dependent on good governance from all angles within the economy. As such, it is imperative that good governance creates a conducive environment for the implementation of both economic and social activities. However, the deliverance of good governance calls for collaborative efforts from all stakeholders because of the cross cutting nature of the issues at hand. Again, political will and change of mindset within a democratic political environment is also critical if anything is to be achieved. The country will, nevertheless, endeavour to address concerns in these areas through the various strategies put forward and thereby

contribute towards the achievement of all economic growth and social development goals.

### **5.6.1 Sub Theme One: Macroeconomic Growth**

Macroeconomic growth in a stable political and economic environment is a prerequisite for sustainable economic growth and wealth creation. In the past few years, the country experienced unstable macroeconomic environment mainly due to fiscal indiscipline. The macroeconomic fundamentals such as inflation, interest rates and exchange rates have not been suitable for economic growth and development. Interest rates still remain high to generate real investment. Inflation rates are high and fluctuating, while the Malawi Kwacha exchange rate against major currencies has been unstable and depreciating. Major challenges include the reduction of the unsustainable Government debt, privatisation of parastatals that continue to draw down on public resources, maintaining a sustainable fiscal deficit, unpredictable donor financing and external shocks such as increasing petroleum prices.

#### **Goal**

The long-term goal is the attainment of sustainable macroeconomic growth and development.

#### **Medium Term Expected Outcomes**

In the medium term, it is expected that Malawi shall achieve a favourable macroeconomic environment with low inflation (below 5.0 percent), lower interest rates, non-volatile exchange rates, reduced Government borrowing and sustainable debts.

#### **Key Strategies**

- Improving public finance management by adhering to the budget and good financial management systems as prescribed in the relevant Acts;
- Improving Government budget monitoring and evaluation;
- Improving the predictability of donor financing and holding donors accountable to their commitments;
- Improving the environment for private sector participation by reducing the crowding-out effects for private sector borrowing and the introduction of favourable tax reforms; and
- Improving donor-aid coordination.

### **5.6.2 Sub Theme Two: Public Policy Formulation, Fiscal Management, Public Sector Management and Corruption**

In Malawi, the public sector has been characterized by poor management that has generated inefficiencies in the delivery of public goods and services. Government and its developing partners are already addressing these challenges in the sector such as wage policy reform, civil service structure reform, capacity constraints and corruption. Despite



these efforts, poor civil service incentive structures, inadequate financial and material resources, poor implementation structures, inadequate capacity, political interference, transparency and accountability, fraud and corruption still remain major obstacles in the medium term. In light of this, the focus in the medium term will be on strengthening public policy formulation, fiscal management and eliminating corruption in addition to the on going reforms in the public sector. This will be premised on strong political will and management.

### **5.6.2.1 Public Policy Formulation**

Effective public policy formulation is important for proper decision-making. This requires involvement of all key stakeholders. It is also important that the general public has access to information to enhance effective participation in policy formulation.

#### **Goal**

The long-term goal is to promote free flow of information to allow the public to participate effectively in decision-making processes.

#### **Medium-Term Expected Outcomes**

In the medium term it is expected that the public will be well informed to participate in national development activities.

#### **Key Strategies**

- Improving public access to timely and accurate information by establishing community information centres;
- Strengthening information collection, processing, storage, retrieval and publication infrastructure. This will require the procurement of equipment for public news agencies, establish record management systems in the public sector, and introduce wire news subscription to public institutions;
- Enacting access to information legislation;
- Engaging private sector and other key stakeholders in policy formulation and evaluation;
- Engaging Parliament more in constructive discussion on the national development process as outlined in the Malawi constitution.

### **5.6.2.2 Fiscal Management**

Good fiscal management is important to ensure that public resources are allocated and spent on priority areas. This will be fundamental to achieve the targets and aspirations outlined in the MGDS. The central tool in fiscal management is the budgeting process, which since 1995 has been based on medium term expenditure framework (MTEF). The MTEF entails an output-focused approach based on costing of priority activities and projections of available resources. However, implementation of the MTEF has not been satisfactory. There have been huge variations in terms of planned (approved) expenditures and actual expenditures. Unbudgeted expenditures have exerted unnecessary pressures on the budget undermining the set priorities. Sector policies have remained unaffordable and resources have ended up being spread too thinly across so many activities thereby making little or no impact. This only shows lack of appreciation

of resource constraints both at political and technical levels. It is imperative that the situation be corrected to achieve the long-term goal.

### **Goal**

The long-term goal is adhere to sound fiscal management practices by spending within the available financial resources.

### **Medium-Term Expected Outcome**

In the medium term, it is expected that budget implementation will be improved.

### **Key Strategies**

- Ensuring that resources are spent on priority areas;
- Eliminating extra budgetary expenditures;
- Adhering to the Public Finance Management Act, Public Audit Act and Public Procurement Act;
- Improving Integrated Financial and Management Information System (IFMIS); and
- Linking the output-based budget to the Government accounting system.

### **5.6.2.3 Corruption**

Corruption retards economic growth and development by diverting resources from socio-economic development activities into coffers of a few. It discourages legitimate business investment, and reduces the public resources available for the delivery of public goods and services especially to the poor. Despite efforts to curb corruption, cases of corruption are still on the rise. The Anti-Corruption Bureau's effectiveness is hampered by inadequate human and financial capacity in addition to the need for reviewing other related laws. One of the main challenges in the medium term is, therefore, to ensure that corruption and fraud prevention is improved while offenders face the law.

### **Goal**

The long-term goal is to make Malawi a corruption-free country.

### **Medium-Term Expected Outcomes**

In the medium term, it is expected that corruption and fraud will be reduced. This will be achieved through improved transparency and accountability of goods and service delivery and zero tolerance to corrupt practices.

### **Key Strategies**

- Training specialised personnel in the field of corruption and fraud to improve human capacity in such institutions of the Anti Corruption Bureau (ACB), Auditor General and Accountant General;
- Promoting the accountability of the ACB and the Auditor General to Parliament;
- Reducing political interference in the public sector by redefining and separating roles between Cabinet Ministers and Principal Secretaries;
- Promoting transparency and accountability in the procurement and delivery of goods and services by enforcing the relevant rules and regulations; and

- Deepening the process of devolution of authority and resources to local Governments in order to improve transparency and accountability.

#### **5.6.2.4 Public Sector Management**

Public sector management is important to ensure effective delivery of public goods and services. However, the public sector in Malawi is characterised by low motivation due to inadequate remuneration, lack of proper incentives, inadequate material resources, and political interference among others.

##### **Goal**

The long-term goal is that Malawi should have a highly motivated, results oriented and productive civil service.

##### **Medium-Term Expected Outcome**

In the medium-term, it is expected that Malawi will have a highly motivated civil service leading to improved performance and services delivery.

##### **Key Strategies**

- Building capacity through appropriate training in the public sector for effective service delivery;
- Appointing and promoting staff based on merit and performance;
- Continuing with wage policy reforms in order to raise incentives in the civil service;
- Rationalising the civil service to ensure cost effectiveness of the delivery of public goods and services; and
- Implementing non-salary incentives performance management systems.

#### **5.6.3 Sub Theme Three: Decentralization**

Malawi recognizes local Governments as key to national development and good governance. The objective is to devolve central Government powers, functions and resources to Malawians through their local authorities known as assemblies. This approach is enshrined in the Decentralisation Policy (1998) and is backed by the Local Government Act (1998). The implementation of the programme since 2001 has met a number of constraints, which have slowed down the progress. These include weak, poor and ineffective linkages between decentralization policy and other public policy reforms, persistent power struggle and conflicts of roles between elected members such as Members of Parliament, Councillors and Traditional Authorities; weak institutional capacity, high turn over of key staff like accountants, economists and other specialists, ineffective participation of the local communities due to lack of information, knowledge and skills, and inadequate financial resources among others. However, with the advent of popular democracy and the fact that over 80.0 percent of the population resides in rural areas, it is still necessary that empowerment of people through democracy for effective popular participation and decision making in the development process should continue.

### **Goal**

The long-term goal is to enhance decision-making and participation of local communities in development planning and implementation.

### **Medium-Term Expected Outcomes**

In the medium term, it is expected that local assemblies will have full control of the process of development planning. It is also expected that there will be improvement in community participation, efficient accountability, good governance systems, vibrant monitoring and evaluation (M&E) systems, clear and strengthened linkages of various policy reforms, and reduced conflicts of roles among various stakeholders at the district level.

### **Key Strategies**

- Implementing full and complete sector devolution;
- Redefining roles of various local Government players to reduce operational conflicts and promote effective contribution to the development process;
- Establishing a vibrant M&E system which will ensure transparency and accountability; and
- Building capacity through training of various stakeholders to enhance their participation in development planning.

## **5.6.4 Sub Theme Four: Developing a Strong Justice System and Rule of Law**

The creation of a strong legal system that safeguards the interest of the nation and promotes the rule of law is also a fundamental factor for achieving sustainable economic growth and development. This, among others, is envisaged to create an enabling legal and regulatory framework that provides incentives for economic activities. The dynamics of the modern world that brought about multi-party democracy, globalisation, regional integration, and human rights calls for a coordinated approach to delivering justice and respect for the rule of law. It is with this background that all stakeholder institutions in the sector have a role to play if Malawi is to attain its medium term goals.

There are a number of constraints that need to be addressed in order to develop and enforce the rule of law in Malawi. These include shortage of legal experts to effectively and timely handle legal cases, lack of local capacity to train legal personnel, and high costs of legal services. In addition, high crime rates, lack of adequate access to justice, commitment to human rights and lack of respect of the rule of law are also critical issues that need to be tackled. However, there are also other cross-cutting constraints that affect delivery of justice and respect for rule of the law like institutional capacity, inadequate systems and procedures, HIV and AIDS pandemic, slow adoption of ICT and poor infrastructure.

### **Goal**

The long-term goal is to increase access to justice and entrenched rule of law.

### **Medium-Term Expected Outcomes**

In the medium-term, it is expected that Malawi shall have a more responsive and effective judicial authority with sustained administration of justice, increased public confidence in the judicial system and improved ability of the private sector to obtain equitable and fair settlement of disputes in reasonable time and cost.

### **Key Strategies**

- Improving the local institutional capacities for training legal personnel;
- Providing more court centres; with the introduction of traditional courts with appropriate jurisdiction in order to reduce time and cost for handling legal cases;
- Improving civil dispute settlement mechanism;
- Aligning various relevant laws with the Malawi Constitution and international laws; and
- Developing an informal legal system that is accessible, efficient, and equitable.

## **5.6.5 Sub Theme Five: Security**

Security is important in the country to safeguard human resources, infrastructure, goods and services. This is critical for creating an enabling environment for economic and social activities. Major challenges include inadequate police officers, equipment, and infrastructure. These need to be addressed in the medium term if crime prevention, detection, and investigation are to contribute effectively towards a safe and secure Malawi.

### **Goal**

The long-term goal is to make Malawi a safe, secure and crime free nation.

### **Medium Term Expected Outcomes**

The expected outcomes in the medium term include: reduced crime levels; improved methods of promoting public order; and improved partnership and participation of members of the public on all issues of safety and security.

### **Key Strategies**

- Improving the responsiveness of police to communities security needs by reducing the police population ratio through recruitment and training of more officers;
- Promoting effective prosecution and punishment;
- Enhancing effective crime detection, investigation and prevention through the provision of adequate technical and financial support to the police;

- Strengthening partnership for risk management between private sector and the police for protection of business property; and
- Enhancing community integration and participation in crime prevention, and detection through civic education.

### **5.6.6 Sub Theme Six: Corporate Governance**

Good corporate governance is an important factor within the creation of an enabling environment for rapid and sustainable private sector development. However, it is a relatively new phenomenon within the private sector context and as such, it requires support in order to ensure greater transparency and accountability of companies in the country. Strengthening good corporate governance will therefore be one of the key tools of addressing the problem of fraud and corruption within the private sector. In the past, the major problem has been lack of the code of good practices that would govern the operations of the private sector. This problem is now being addressed with the development of the code of best practices by the private sector. In addition, the Institute of Directors has been established so that it plays a leading role in championing corporate governance issues in the country. Efforts in the medium term will therefore emphasize on the implementation of the best practices with particular emphasis on transparency and accountability. This is expected to contribute towards reduction of fraud and corruption in the private sector.

#### **Goal**

The long-term goal is to institute good corporate governance practices in the private sector.

#### **Medium term expected outcomes**

In the medium-term, it is expected that there will be reduced corruption and fraud, and improved investor perceptions of Malawi as an attractive investment destination. This is expected to translate into increased levels of domestic and foreign direct investment.

#### **Key Strategies**

- Promoting the adoption of good corporate governance code of best practices;
- Popularising the role of the Institute of Directors to facilitate the adoption of good corporate governance code of best practices; and
- Mobilizing the support of the private sector to facilitate the sustainable operations of the new institution.

### **5.6.7 Sub Theme Seven: Human Rights**

The MGDS recognises the importance of human rights within the context of good governance and democracy. A rights based approach to development is the basis of equality and equity, both in the distribution of development gains and in the level of participation in the development process. Human rights are an integral part of the overall national development agenda. However, awareness of human rights is a concern among many people in Malawi. The key areas of concern in human rights awareness are the rights of vulnerable groups and how to exercise them, and roles of governance

institutions in promotion and protection of human rights. Empowering the most vulnerable groups that form the larger part of the population can effectively contribute to social, economic and political development of the country. In this regard the MGDS will therefore also focus on public awareness of human rights and acknowledgement of human rights responsibilities.

### **Goal**

The long-term goal is to increase awareness and upholding of human rights among all Malawians, particularly the most vulnerable through the promotion and protection of human rights.

### **Medium-term Expected Outcomes**

In the medium-term, the expected outcome is enhanced awareness and practice of human rights and responsibilities among all Malawians, particularly the most vulnerable groups.

### **Key Strategies**

- Raising awareness among the most vulnerable groups about their rights and how to exercise them, and the roles of the human rights bodies in promoting and protecting people's rights;
- Effective prosecution of human rights violation;
- Developing an appropriate legislation and administrative framework for the protection and promotion of human rights;
- Instituting human rights regulations in workplaces;
- Instituting effective monitoring and evaluation of human rights issues; and
- Integrating human rights in school curricula.

## **5.6.8 Implementation**

The successful implementation of various strategies suggested under this theme relies mainly on political will among other factors. Government and Parliament will have to demonstrate that policies and legislations being implemented take into account the nation's priorities. In addition, support from civil societies, donors and the public will be key for the achievement of the long-term goals and medium-term expected outcomes through the strategies suggested in this document. The maintenance of macroeconomic growth will be achieved through pursuance of prudent macroeconomic policies, tight fiscal and monetary policies and adherence to targets as outlined in the MGDS. Implementation of the MGDS will be done in collaboration with donors and private sector to contribute effectively to the overall goal of maintaining a conducive macroeconomic environment.

Elimination of corruption and fraud practices within the Government and Private sector circles will largely depend on the effectiveness of the Anti Corruption Bureau. The relevant Acts will have to be revised to ensure the autonomous nature of the institution and reduce political interference. The implementation of public sector reforms will

continue in the medium term. Also important is the regular review of the wage policy reform whose implementation will continue.

The private sector will play a leading role in entrenching of good corporate governance in Malawi. However, the civil society and public sector are the other stakeholders that will help facilitate successful outcomes of good corporate governance in the medium term. The implementation of the strategies under justice, rule of law and security will require a collaborated approach among the various stakeholders in the sector. These stakeholders include Government, Law Commission, Ombudsman, Anti Corruption Bureau, Civil Society, the public and donors. This is especially important because of the cross cutting nature of the issues that need to be addressed.



## **Chapter 6**

# **IMPLEMENTATION, MONITORING AND EVALUATION**

### **6.1 Implementation Modalities of the MGDS**

The MGDS has been comprehensively developed such that it allows all stakeholders to participate in the development of the country. Its implementation will, therefore, involve all stakeholders, that is, the three arms of Government: the Executive, Parliament, Judiciary, civil society organizations, private sector and the general public. Government will take a leading role in the implementation process through its consolidated budget. It is expected that donors and co-operating partners will align their support and activities to the MGDS.

The relationship between the MGDS and the budget is central to the successful implementation of this strategic document. The Ministry of Economic Planning and Development and the Ministry of Finance will ensure that all ministries and departments align their activities and prepare their budgets in accordance with the MGDS. Budget submissions that either include activities outside the MGDS or exclude activities inside it will be rejected. The MGDS was developed with active participation of line ministries, private sector, civil society and donors, hence it reflects the sector strategies and priorities to achieve the long-term vision of the country.

A summary operational table that is presented in Annex 1 has been developed to guide the implementation of the MGDS. This table represents strategies, actions and expected outcomes of the MGDS. As conditions change during implementation, progress made against the activities, outputs and medium term expected outcomes will be assessed to make necessary adjustments. Such assessment will be made based on information coming from sector ministries as well as other stakeholders.

To ensure that the MGDS is implemented in partnership, Government will facilitate thematic teams to review progress. These teams will be inter-ministerial and include members of civil society, private sector and donors. Some of these mechanisms are already established in some sectors such as Health. These approaches will serve as models on how to develop cross sector working groups for monitoring and adjusting implementation. The private sector will be included as an active partner in all of the working groups, and especially in building strong dialogue with Government on obstacles to private sector led growth.

A number of specific implementational issues have been mentioned under the six themes. The following have been identified as critical issues that must be pursued to achieve the set targets of the MGDS:

- Political-will and change of mindset. Government and Parliament should play their constitutional roles in ensuring that the ultimate objective of MGDS is achieved there by taking the country towards achieving the long-term goals.
- Government should improve donor coordination through the development and adherence to the Development Assistance Strategy (DAS).
- Donors and co-operating partners should align their support and activities to the MGDS. Government will lead the dialogue with donors on this alignment and seek to ensure that aid flows are predictable. On its part, it will seek to ensure that resources are disbursed in a timely manner.
- Cross cutting linkages should be established for implementation. There is need to develop strong inter-sectoral linkages to deal with cross cutting issues that may have many facets and require a multi pronged approach.
- There is need to develop a strong and motivated civil service that will ensure that Government remains committed to its policies, targets and obligations.
- There is need to put in place mechanisms and modalities for implementing activities that require heavy financial investments. These include development of public-private partnerships and build, operate and transfer.

## **6.2 Prioritization of MGDS activities**

This was done in two main stages. First, by the sector ministries, departments and other implementing stakeholders. At this stage activities were ranked into three priority categories. Category one comprised priority activities that should be implemented first. Category two comprised second priority activities while category three the last priority activities. At this stage, all activities were costed. These costs represent a realistic estimate of the total input cost required to implement that particular activity. Second prioritisation was done by the Ministry of Economic Planning and Development. This was done from two perspectives. Firstly, to rank activities in order of their importance or merit in terms of their overall contribution to the MGDS (intra-cluster prioritisation). These has been presented in Annex 3. Secondly, activities were prioritised based on key focus areas of the MGDS (inter-cluster prioritisation). This has been presented in Table 6.2.

## **6.3 Costing of Activities**

Costing of MGDS activities was done in Malawi Kwacha at 2005/06 fiscal year prices. Some of the activities are currently already being implemented and will continue to be implemented as they are not only necessary, but that financial resources were already committed to them. Other activities are totally new and require identification of financial resources to implement them. All the activities that require financing were called “additional activities” during the costing exercise.

The total cost of all activities in the MGDS over the five years period is estimated at K636.4 billion of which K269.0 billion is the cost of new activities or additional costs. Resources may not be adequate for full implementation of all activities. It is, therefore, proposed that priority should be given to first category activities and if resources would permit then second priority category activities would be considered next and so on. Tables 6.1 below present the summary of MGDS costing.

#### **6.4 Roles of key stakeholders in the implementation of the MGDS**

**Government:** The main responsibility of Government shall be to provide public goods and services as well as regulatory framework. These include roads, railways, airports, education, health services, and social services among others. It shall also provide the necessary environment and incentives to promote private sector activities. Government shall safeguard the interests of all Malawians by correcting market failures through policy, legal and regulatory framework reviews.

**Parliament:** The role of Parliament shall be to enhance Parliamentary oversight, transparency and accountability in the implementation of the MGDS. This will be done through MPs involvement in the scrutinization, consideration and approval of Government budgets, reviewing and making laws. It shall ensure that the budget is being used to provide resources for the prioritised activities in the MGDS. In this regard, the interests and priorities of Malawians shall be protected.

**Private Sector:** The main role of the private sector is to invest in both economic and social sectors to generate economic growth and create wealth. In this context, the private sector shall be expected to take up opportunities outlined in the MGDS. The scope of the private sector will be widened to involve them in the provision of other public goods and services through public-private sector partnerships.

**Civil Society:** The role of the Civil Society in the implementation of the MGDS is two fold; first, to implement some specific activities particularly within the context of the Governance theme, and second, to provide oversight and accountability functions in order to safeguard the interests of Malawians.

**Donors and Co-operating Partners:** The main role of donors and co-operating partners shall be to assist across the board with financial and technical resources to implement the activities in the MGDS. In doing so, they will be expected to support and align their activities in line with the priorities of the MGDS.

#### **6.5 Monitoring and Evaluation**

The monitoring of MGDS will be in accordance with monitoring and evaluation master plan developed by the Ministry of Economic Planning and Development, the Ministry of Finance, the Ministry of Local Government and Rural Development and the National Statistical Office. The stakeholders will align indicators in accordance with the MGDS

themes and sub themes. A set of impact level monitoring indicators has been developed and is presented in Annex 5. The summary operational matrix in Annex 1 provides a summary of objectives that can also be monitored by line ministries and will be used in the budget discussion processes and reviews of the MGDS to track progress toward the impact indicators during implementation.

## **6.6 Needs Assessment**

Government recognize that the various public institutions have inadequate human and capital resource requirements necessary for the successful implementation of the MGDS activities. As such, Government plans to build this capacity in order to mitigate their impact on the outcomes of the MGDS. A Needs Assessment (NA) exercise for the MGDS was, therefore, undertaken to determine the human and capital resources required to successfully implement the MGDS activities. This was done in consultation with the sector ministries and departments as well as other key stakeholders. The summary of the Needs Assessment is presented in Annex 4A and 4B. It is evident that both human and capital requirements are enormous and cannot be addressed at once. Government is committed to addressing these requirements annually through its budget. Other stakeholders such as donors and co-operating partners are expected to complement Government efforts in this area.

The human and capital resource requirements have been derived using the Needs Assessment (NA) approach which is a goal-based planning tool developed with the objective of determining the resource requirements in terms of infrastructure, human and financial in order to realise successful implementation of any goal-based strategy. The resource requirements represent an ideal case scenario that would be pursued to achieve the set goals in the MGDS.

The human resource requirements take into consideration of the existing; attrition; incremental number of staff to be recruited; and additional staff to be recruited. The number of existing staff is the stock in that year: the baseline is the actual number in place while the subsequent year is a sum of the previous year plus the attrition and the incremental staff to be recruited. Attrition is the number of human resources that are lost in the system either through death, dismissal, resignation and retirement; these leakages need to be replaced. The incremental number of staff to be recruited is generated in the model based on coverage indicators. Now, the total number of staff to be recruited is a sum of the attrition and the incremental number of staff; this represents additional human resource requires to the preceding year.

The NA approach is a medium-term to long-term and as such it has both strengths and weakness. The major strength of this tool is that it can form the basis of scenario based planning in terms of making the coverage indicators either more ambitious or less ambitious. On the other hand, the weakness of the NA approach is that it is difficult to estimate the future resource requirements with certainty; the unit costs and the exchange rate are bound to change. Secondly, the NA approach is unable to estimate human resource requirements by cadre.

**Table 6.1: MGDS COSTING SUMMARY**

**TABLE 6.1A: SUMMARY OF ALL NEW PRIORITY ONE ACTIVITIES IN KWACHA**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
THEME 1 TOTAL: Sustainable Economic Growth	6178995489	6341667394	5798332144	5633371194	5709103384	29661469603
THEME 2 TOTAL: Social Protection	320797696.7	233968396.7	230791466.7	142817070	186698830	1115073460
THEME 3 TOTAL: Social Development	2994025955	1879104453	1941936259	2090404552	2108555490	11014026709
THEME 4: Prevention and Management of Nutrition Disorders, HIV and AIDS	10839358252	12282366602	11843574802	11245642942	11245481654	57456424252
THEME 5 TOTAL: Infrastructure	5138873333	5603123333	7338693500	7622030100	5439805927	31142526193
THEME 6 TOTAL: Good Governance	3312977724	1424960978	1342174485	817855524	804645288.8	7702614000
TOTAL B: ALL THEMES	28785028449	27765191157	28495502656	27552121382	25494290573	1.38092E+11

**TABLE 6.1B: SUMMARY OF ALL NEW PRIORITY ONE IN PERCENT**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	Total 5yrs
THEME 1 TOTAL: Sustainable Economic Growth	21.5%	22.8%	20.3%	20.4%	22.4%	21.5%
THEME 2 TOTAL: Social Protection	1.1%	0.8%	0.8%	0.5%	0.7%	0.8%
THEME 3 TOTAL: Social Development	10.4%	6.8%	6.8%	7.6%	8.3%	8.0%
THEME 4: Prevention and Management of Nutrition Disorders, HIV and AIDS	37.7%	44.2%	41.6%	40.8%	44.1%	41.6%
THEME 4 TOTAL: Infrastructure	17.9%	20.2%	25.8%	27.7%	21.3%	22.6%
THEME 5 TOTAL: Good Governance	11.5%	5.1%	4.7%	3.0%	3.2%	5.6%
TOTAL B: ALL THEMES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**TABLE 6.1C: SUMMARY OF ALL PRIORITY ONE IN KWACHA**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
THEME 1: Sustainable Economic Growth	9170448039	9314619849	7886474349	7641942449	7727167329	41740652015
THEME 2: Social Protection	4821143030	4724313730	4528154800	4416847070	4460728830	22951187460
THEME 3: Social Development	7438237161	6259488193	6387021361	6623758386	6647073992	33355579092
THEME 4: Prevention and Management of Nutrition Disorders, HIV and AIDS	8288761845	8850140195	7520146595	6132698425	6038146855	36829893915
THEME 5: Infrastructure	5647023333	6169273333	7473543500	7756880100	5574655927	32621376193
THEME 6: Good Governance	7515402127	3057272331	3132030023	2273874912	2558198693	18496778087
TOTAL ALL THEMES	42881015535	38375107632	36927370628	34846001342	33005971625	1.85995E+11

**TABLE 6.1D: SUMMARY OF ALL PRIORITY ONE IN PERCENT**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
THEME 1: Sustainable Economic Growth	21.4%	24.3%	21.4%	21.9%	23.4%	22.4%
THEME 2: Social Protection	11.2%	12.3%	12.3%	12.7%	13.5%	12.3%
THEME 3: Social Development	17.3%	16.3%	17.3%	19.0%	20.1%	17.9%
THEME 4: Prevention and Management of Nutrition Disorders, HIV and AIDS	19.3%	23.1%	20.4%	17.6%	18.3%	19.8%
THEME 5: Infrastructure	13.2%	16.1%	20.2%	22.3%	16.9%	17.5%
THEME 6: Good Governance	17.5%	8.0%	8.5%	6.5%	7.8%	9.9%
TOTAL ALL THEMES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## Malawi Growth and Development Strategy

**TABLE 6.1E: SUMMARY OF ALL NEW ACTIVITIES IN KWACHA**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
THEME 1 TOTAL: Sustainable Economic Growth	8610565089	8879698994	7823264578	7502627395	7635899173	40452055228
THEME 2 TOTAL: Social Protection	1752999197	1666169897	1483010967	1395036570	1438918330	7736134960
THEME 3 TOTAL: Social Development	5212886599	20952710212	19225614054	18282469621	18310948601	97327677038
THEME 4: Prevention and Management of Nutrition Disorders, HIV and AIDS	15343047952	17388448102	15606200302	14533196642	14533180354	77404073352
THEME 5 TOTAL: Infrastructure	6671783333	6981915000	8772956999	8679830113	6357839134	37464324578
THEME 6 TOTAL: Good Governance	3529644057	1702423930	1489610724	985768719.2	959720821	8667168251
TOTAL B: ALL THEMES	41120926226	57571366134	54400657623	51378929060	49236506413	2.69051E+11

**TABLE 6.1F: SUMMARY OF ALL NEW ACTIVITIES IN PERCENT**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
THEME 1 TOTAL: Sustainable Economic Growth	20.9%	15.4%	14.4%	14.6%	15.5%	15.0%
THEME 2 TOTAL: Social Protection	4.3%	2.9%	2.7%	2.7%	2.9%	2.9%
THEME 3 TOTAL: Social Development	12.7%	36.4%	35.3%	35.6%	37.2%	36.2%
THEME 4: Prevention and Management of Nutrition Disorders, HIV and AIDS	37.3%	30.2%	28.7%	28.3%	29.5%	28.8%
THEME 5 TOTAL: Infrastructure	16.2%	12.1%	16.1%	16.9%	12.9%	13.9%
THEME 6 TOTAL: Good Governance	8.6%	3.0%	2.7%	1.9%	1.9%	3.2%
TOTAL B: ALL THEMES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**TABLE 6.1G: SUMMARY OF ALL ACTIVITIES IN KWACHA**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
THEME 1 TOTAL: Sustainable Economic Growth	9230433714	9375351381	8433655288	7785670945	7921584801	42746696128
THEME 2 TOTAL: Social Protection	7059599197	6962769897	6771610967	6683636570	6727518330	34205134960
THEME 3 TOTAL: Social Development	15927806826	14811337337	15406651979	16172848206	16827930474	79146574822
THEME 4 TOTAL: Prevention and Management of Nutrition Disorders, HIV and AIDS	15790241545	17679551695	15874187095	14880397125	14804695555	79029073015
THEME 5 TOTAL: Infrastructure	72325229333	72635361000	73995102999	73901976113	71579985134	3.64438E+11
THEME 6 TOTAL: Good Governance	11575885374	6068476858	5878635794	4445880415	4562382949	36882605691
TOTAL B: ALL THEMES	1.31909E+11	1.27533E+11	1.2636E+11	1.2387E+11	1.22424E+11	6.36448E+11

**TABLE 6.1H: SUMMARY OF ALL ACTIVITIES IN PERCENT**

SUMMARY BY THEME	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
THEME 1 TOTAL: Sustainable Economic Growth	7.0%	7.4%	6.7%	6.3%	6.5%	6.7%
THEME 2 TOTAL: Social Protection	5.4%	5.5%	5.4%	5.4%	5.5%	5.4%
THEME 3 TOTAL: Social Development	12.1%	11.6%	12.2%	13.1%	13.7%	12.4%
THEME 4 TOTAL: Prevention and Management of Nutrition Disorders, HIV and AIDS	12.0%	13.9%	12.6%	12.0%	12.1%	12.4%
THEME 5 TOTAL: Infrastructure	54.8%	57.0%	58.6%	59.7%	58.5%	57.3%
THEME 6 TOTAL: Good Governance	8.8%	4.8%	4.7%	3.6%	3.7%	5.8%
TOTAL B: ALL THEMES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## Malawi Growth and Development Strategy

**TABLE 6.2A: MINIMUM RESOURCE REQUIREMENTS TO KEY FOCUS AREAS (INTER CLUSTER PRIORITIZATION)**

Summary Table (K, Million)	2006/07	2007/08	2008/09	2009/10	2010/11	5YRS TOTAL
Agriculture and Food Security	300,440,425	300,440,425	295,313,425	295,313,425	295,313,425	1,486,821,123
Irrigation and Water Development	1,927,680,000	1,927,680,000	1,210,080,000	1,210,080,000	1,210,080,000	7,485,600,000
Transport and Communications	7,929,496,000	8,039,020,000	8,073,730,000	8,132,170,000	8,170,910,000	40,345,326,000
Energy generation and supply	648,800,000	648,800,000	217,500,000	217,500,000	217,500,000	1,950,100,000
Integrated rural development	1,402,500,000	1,459,560,000	1,503,966,000	1,569,312,600	1,641,194,260	7,576,532,860
Health	4,951,700,000	5,387,200,000	5,796,700,000	6,259,500,000	6,695,000,000	29,090,100,000
HIV and AIDS	8,142,648,150	9,575,804,550	8,870,421,950	8,437,619,450	8,437,619,450	43,464,113,550
Education	1,480,764,779	1,438,256,627	1,536,164,889	1,621,516,521	1,667,448,503	7,744,151,319
<b>Total</b>	<b>26,784,029,354</b>	<b>28,776,761,602</b>	<b>27,503,876,264</b>	<b>27,743,011,995</b>	<b>28,335,065,638</b>	<b>139,142,744,852</b>

**TABLE 6.2B: MINIMUM RESOURCE REQUIREMENTS TO KEY FOCUS AREAS (INTER CLUSTER PRIORITIZATION)**

Summary Table (%)	2006/07	2007/08	2008/09	2009/10	2010/11	5YRS TOTAL
Agriculture and Food Security	1.1%	1.0%	1.1%	1.1%	1.0%	1.1%
Irrigation, Water and Sanitation	7.2%	6.7%	4.4%	4.4%	4.3%	5.4%
Transport and Communications	29.6%	27.9%	29.4%	29.3%	28.8%	29.0%
Energy generation and supply	2.4%	2.3%	0.8%	0.8%	0.8%	1.4%
Integrated rural development	5.2%	5.1%	5.5%	5.7%	5.8%	5.4%
Health	18.5%	18.7%	21.1%	22.6%	23.6%	20.9%
HIV and AIDS	30.4%	33.3%	32.3%	30.4%	29.8%	31.2%
Education	5.5%	5.0%	5.6%	5.8%	5.9%	5.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>