Chapter 1

THE WORLD ECONOMIC OUTLOOK

1.1 International Economic Outlook

1.1.1 According to the International Monetary Fund's (IMF) World Economic Outlook released in April 2010, the global economy bounced back in the second half of 2009.However, the global activity is recovering at varying speeds, slowly in many advanced economies but very fast in most emerging and developing countries. The global economy contracted by approximately 1.0 percent in 2009 and it is projected to grow by about 4.2 percent in 2010 with a further 4.3 percent projection in 2011 (Figure 1.1; Table 1.1). The rebound came about as a result of policy stimulus implemented by most advanced and emerging economies in the form of expansionary fiscal and monetary policy. Policies to ensure recovery included: easing of financial conditions; normalization of trade; rebounding of capital flows; a turn in inventory cycle; and most importantly, the growth-stimulating policies. Inflationary pressures are expected to remain stable in most economies on account of well anchored inflation expectations and low levels of capacity utilization.

TABLE 1.1: WORLD ECONOMIC OUTPUT (ANNUAL PERCENT CHANGE, UNLESS OTHERWISE STATED)

	2007	2008	2009	2010[1]	2011[1]
World output	*5.2*	*3.0*	*-0.6*	*4.2*	*4.3*
Euro area	*2.7*	*0.6*	*-4.1*	*1.0*	*1.5*
Advanced economies	*2.7*	*0.5*	*-3.2*	*2.3*	*2.4*
United states	*2.1*	*0.4*	*-2.4*	*3.1*	*2.6*
United Kingdom	*2.6*	*0.5*	*-4.9*	*1.3*	*2.5*
Japan	*2.3*	*-1.2*	*-5.2*	*1.9*	*2.0*
Canada	*2.5*	*0.4*	*-2.6*	*3.1*	*3.2*
Germany	*1.2*	*1.2*	*-5.0*	*1.2*	*1.7*
Latin America	*5.7*	*4.3*	*-1.9*	*4.1*	*4.0*
Sub-Saharan Africa	*7.0*	*5.5*	*2.1*	*4.7*	*5.9*
Developing Asia	*10.6*	*7.9*	*6.6*	*8.7*	*8.7*
Middle east and North Africa	*6.2*	*5.1*	*2.4*	*4.5*	*4.8*

Source: IMF World Economic Outlook April 2010

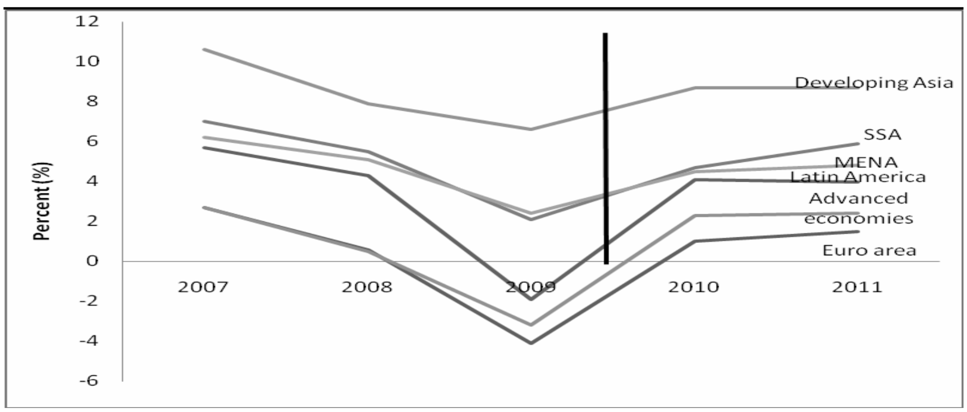
[1] Indicates projections

1.2 Advanced Economies

1.2.1 Output in advanced economies is expected to grow by 2.3 percent in 2010 against a growth of -3.2 in 2009. However, output is projected to remain low comparing to pre-crisis levels until second half of 2011. Output growth in the United States of America is projected to grow by 3.1 percent in 2010. The real GDP growth is bolstered by the fiscal stimulus which eased the monetary and fiscal policies substantially. However, private demand remains subdued and well below pre crisis levels. The recovery ahead is expected to be gradual particularly when the effects of the stimulus subside. The removal of policy stimulus will moderate growth to 2.6 percent in 2011. The recovery will be tempered by household's continued need to rebuild wealth, the expected slow but necessary process of financial sector repair and deleveraging and continued weakness in the labor market.

1.2.2 In advanced Europe, recovery is projected to be gradual and uneven among the euro area countries. The euro-area-wide GDP is expected to grow by 1 percent in 2011. The recovery is expected to moderate in Germany and France, where export growth is limited by external demand, investment is held by excess capacity and credit constraint, and consumption is tempered by high unemployment. In smaller euro area economies, recovery from the recession will be slow where growth is constrained by large fiscal or current account imbalances like in Greece, Ireland, Portugal and Spain. While outside the euro area, recovery in the advanced economies is similarly diverse. For instance, in the United Kingdom recovery is projected to continue at a moderate pace growing at 1.3 percent in 2010 and it is expected to rise to 2.5 percent in 2011.

FIGURE 1.1: COMPARISON OF GDP GROWTH RATES BY REGION



Data source: IMF World Economic Outlook April 2010

[1] Indicates projections

MENA-Middle East and Northern Africa, SSA-Sub-Saharan Africa

1.3 Economic Outlook for Asia

1.3.1 In the Asian region, the emerging economies particulary China and India, recovery was supported by a strong domestic demand. Output growth in China exceeded the government's 8 percent target in 2009 and it is expected to be close to 10 percent in 2010 and 2011. Growth in China is mainly built on infrastructure investment which is expected to turn toward stronger private consumption and investment. While in India, growth is projected to be 8.75 percent in 2010 and 8.5 percent in 2011 supported by rising private demand. In the region, consumption will strengthen as the labor market improves and investment is expected to be boosted by strong profitability, rising business confidence, and favorable financing conditions.

1.3.2 The strength in final domestic demand in India and especially China is expected to have a positive spillover for other Asian economies, particularly exporters of commodities and capital goods. In Korea, economic activity is expected to expand by 4.5 percent in 2010 and 5 percent in 2011, strongly accelerating from a 0.25 percent in 2009. This growth reflects not just strong export growth but also a continued boost in business investment in response to high capacity utilization and strong business confidence.

1.3.3 The ASIAN-five economies are projected to grow by 5.5 percent in 2010. Private domestic demand is expected to be the main driver of growth, with net exports playing lesser role than in the past. Indonesia seems to have proved resilience among the ASIAN-five economies with output growing at 4.5 percent compared to 1.75 percent for the whole region in 2009 which was based on strong domestic demand and less dependence on trade. Growth in the region is expected to accelerate to 5.4 percent in 2010 and 5.6 percent in 2011 reflecting a pickup in private investment.

TABLE 1.2: REAL OUTPUT AND CONSUMER PRICES IN SELECTED REGIONS (PERCENT CHANGE)

	REAL GDP			CONSUMER PRICES		
	2008	2009	2010[1]	2008	2009	2010[1]
Sub-Saharan Africa	*5.5*	*2.1*	*4.7*	*11.6*	*10.6*	*8.0*
Oil importers	*7.4*	*3.9*	*6.8*	*10.9*	*11.7*	*11.5*
Low-income	*5.8*	*4.3*	*4.7*	*12.4*	*12.9*	*7.0*
Middle-income	*3.6*	*-1.8*	*2.8*	*11.5*	*7.1*	*5.7*
Middle East and North Africa	*5.1*	*2.4*	*4.5*	*13.5*	*6.6*	*6.5*
Developing Asia	*7.9*	*6.6*	*8.7*	*7.4*	*3.1*	*5.9*
China	*9.6*	*8.7*	*10.0*	*5.9*	*-0.7*	*3.1*
ASEAN-5	*4.7*	*1.7*	*5.4*	*9.3*	*2.9*	*4.8*
Newly Industrialized Asia	*1.8*	*-0.9*	*5.2*	*4.5*	*1.3*	*2.3*

Source: IMF World Economic Outlook April 2010

[1] Indicates projections

1.4 Sub-Saharan Africa

1.4.1 Sub-Saharan Africa (SSA) has weathered the global crisis well and its recovery from the slowdown in 2009 is expected to be stronger than past downturns. The region managed to avoid a contraction in 2009, growing by 2.0 percent despite of its weak financial linkages with advanced economies. Similarly, some middle-income and oil-exporting economies were hit hard by the fall in commodity prices, weakened external demand for exports and decreasing external financing conditions. Growth in the region is projected to rise to 4.75 percent in 2010 and to 6.0 percent in 2011. The region's quick recovery reflects the relatively limited integration of most low-income into the global economy and the limited impact on their terms of trade, the rapid normalization in global trade and commodity prices, and the use of countercyclical fiscal policies. Mainly the

[1] Association of Southeast Asian Nations comprises of Indonesia, Malaysia, Philippines, Thailand and Vietnam

shocks from the global crisis hit hard SSA especially the middle-income economies through the trade channel reflecting their greater openness to trade. For instance, output in South Africa declined by 1.75 percent in 2009. With the rebound in world trade supporting the recovery, growth in South Africa is projected at 2.5 percent in 2010 and 3.5 percent in 2011, will be tempered by high unemployment, tight credit conditions, and the recent strength of their local currency.

1.4.2 In the region's low-income economies the slowdown in economic activity was more modest, owing to their more limited trade and financial integration. As a whole, the low-income economies' output is projected to grow by 4.75 percent in 2010 and 6.75 percent in 2011.

Chapter 2

MACROECONOMIC PERFOMANCE IN 2009 AND PROSPECTS FOR 2010 AND 2011

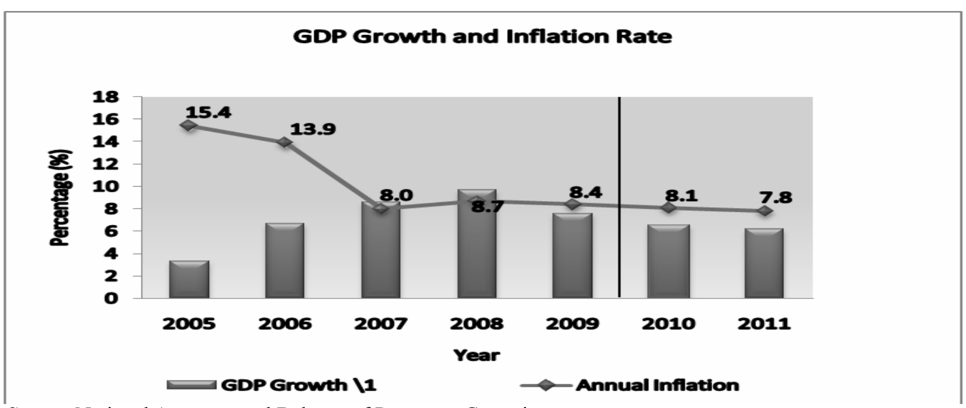
2.1 Overall Economic Performance

2.1.1 Malawian economy showed resilience during the turbulence of global recession that hit hard towards the end of 2008 and the first half of 2009. In 2009 the economy achieved a strong growth of 7.6 percent. The growth surpasses the set target of 6 percent outlined in the Malawi Growth and Development Strategy (MGDS).This overall growth is lower compared to 9.8 percent achieved in 2008. The growth is anchored on sound and prudent macroeconomic policies implemented by government.The strategic sectors that significantly contributed to the growth include: mining and quarrying; construction; information and technology; financial and insurance services; and agriculture among others.

2.1.2 In 2010, the real growth is expected to moderate to about 6.5 percent and for 2011 the growth is projected at 6.2. The projected slow down in overall growth for 2010 is on the premise of reduction in agriculture sector as a result of dry spells and heavy rains experienced in some parts of the country.

2.1.3 The country continues to experience a single digit inflation. The average inflation rate for 2009 stood at 8.4 percent down from 8.7 percent registered in 2008. The continual realisation of a single digit inflation is attributed to government's implementation of input subsidy programme which resulted in food surplus thereby suppressing the food inflation. Food inflation annual average was at 7.4 percent while non food inflation was at 9.6 percent. Prudent fiscal and monetary polices implemented by government also contributed to the successiful achievement of a single digit inflation. During the year, the world oil prices have been lower thereby easing the pressure on non-food inflation. In 2010 and 2011 the annual average inflation rate is projected to decline to 8.1 percent and 7.8 percent respectively.

FIGURE 2.1: GDP GROWTH AND INFLATION RATES



Source: National Accounts and Balance of Payments Committee
1 figures for 2010 and 2011 shows estimation and projections

2.1.4 Malawi Kwacha remained stable against the currencies of the major trading partners for a considerably period. However, in the last quarter of 2009, Malawi Kwacha started to weaken in a bid to bolster the country's resilience to exogenous shocks as well as to moderate persisting pressures on foreign exchange reserves. In 2009, the kwacha depreciated by 0.5 percent and traded on average at K141.1694 per US dollar from an average of K140.5259 per US dollar in 2008. This notwithstanding the kwacha firmed up against the British Pound, the Euro and the South African Rand by 15.2 percent, 4.8 percent and 1.2 percent and traded at K220.9463 per pound, K196.7167 per Euro and K17.0 per rand, respectively. This development was attributed to slow recovery from the recession by the major trading countries. During the same period under review, the Central Bank's interest rate remained stable at 15 percent.

2.2 Fiscal Performance

2.2.1 The fiscal performance of the Central Government budgetary operations was slightly impressive during the 2009/10 fiscal year compared to 2008/09 fiscal year. This is attributed to higher domestic revenues collections and a slight improvement in the grants. The fiscal deficit including grants for the 2009/10 financial year improved by 3.0 percentage points to 1.9 percent of GDP. However, the fiscal year faced some challenges which included: delay in approving programme for Malawi by the IMF and late disbursement to bugdet support by some other donors. Non-tax revenues were lower than expected owing to non-performance in some departmental collections. Similarly tax revenues underperformed when compared to target mainly on account of a slump in import duties as a result of a slowdown in import demand.

2.2.2 Total revenue and grants slightly reduced to 36.6 percent of GDP in the 2009/10 financial year compared to 40.5 percent of GDP in 2008/09 financial year. Nevertheless domestic revenues reduced at a lower rate to 23.8 percent of GDP in the 2009/10 financial year from 24.5 percent of GDP in 2008/09 financial year. Domestic revenues were still firm mainly on account of better performance in tax revenues and improved tax administration.

2.2.3 Total expenditure is estimated to decline to 37.3 percent of GDP in 2009/10 financial year from 45.4 percent of GDP in 2008/09 .This decline is as a result of government's effort to achieve fiscal restraint that will enable it to achieve a targeted domestic debt repayment of 2.1 percent of GDP whilst at the same time switching from a more consumption oriented budget to a more development focused budget. Government took this approach in a bid to ensure that more resources within the capital budget are channelled toward infrastructure development and agriculture sector in line with the MGDS.The 2009/10 capital budget therefore increased mainly on account of some major ongoing local and donor funded road projects.

2.3 Monetary Performance

2.3.1 Developments in the monetary sector were expansionary in 2009. Broadly defined money supply (M2) accelerated by 24.4 percent to K173.8 billion shored up by increased economic activity that manifested in aggressive deposit mobilization in the demand side. The Banking system continued to support the private sector as evidenced by an annual increase of 39.5 percent in resources availed to the sector. This notwithstanding net foreign assets declined substantially as RBM continued to support the market against a backdrop of deteriorating terms of trade.

2.4 Real Sector Performance in 2009 and Prospects for 2010

2.4.1 Agriculture

2.4.1.1 In 2009, the agriculture sector achieved a growth of 13.9 percent. The growth was mainly on account of continual input subsidy programme implemented by government. Tobacco production was very high following the favourable prices that were offered on the Auction Floors in 2008 marketing season. In 2010, growth in agriculture is estimated to slow down to 1.3 percent mainly as a result of dry spells and heavy rains experienced in some parts of the country. Prospects are promising in 2011 as growth is projected at 6.4 percent.

2.4.2 Mining and Quarrying

2.4.2.1 The mining sector grew by 12.8 percent in 2009 following the commencement of the uranium production at Kayerekera Mine in Karonga in the third quarter of the year. In 2010, the sector is projected to grow remarkably by 52.8 percent mainly as a result of anticipation of full production of uranium and increase in cement production. In 2011, the sector is projected to grow by 26.9 percent.

2.4.3 Manufacturing

2.4.3.1 The sector grew by 5.4 percent in 2009. Sugar, paint, tobacco processing, soap and detergents sub sectors performed well thereby contributing to the growth of the sector. In 2010 and 2011, the sector is projected to grow by 6.2 percent and 5.1 percent respectively.

2.4.4 Electricity, Gas and Water

2.4.4.1 The electricity, gas and water sector performed better in 2009 compared to previous years. The sector grew by 4.7 percent in 2009 and is projected to grow by 6.7 percent 2010. The growth is as a result of sound performance of some water boards mainly Lilongwe and Northern Region Water Boards while electricity sub-sector continued to face challenges with power generation and supply. In 2011, the sector is projected to grow by 8.2 percent on the anticipation of finalisation of the rehabilitation works at Tedzani hydro power station by the Millennium Challenge Cooperation.

2.4.5 Construction

2.4.5.1 The sector grew by 6.4 percent in 2009 mainly on account of major construction works carried out in the country. Of major projects are the parliament building and key road construction in all cities of the country. In 2010 the sector growth is estimated at 19.9 percent as a result of continued investments such as the five star hotel, national stadium and upgrading of roads in the City of Lilongwe and other parts of the country. However, in 2011, the sector is projected to slow down to 4.2 percent.

2.4.6 Wholesale and Retail

2.4.6.1 In 2009, the sector performed relatively lower than the previous years mainly on account of low disposable income as a result of unfavourable tobacco prices offered at the Auction Floors during the 2008/09 marketing season and the effects of the global financial crisis. The sector grew by 5.6 percent compared to 8.0 percent registered in 2008. In 2010 the sector is estimated to grow by 5.1 percent before picking up in 2011 to 6.8 percent on the premise of the global recovery and increase in household disposable incomes due to rebound in tobacco and other commodity prices on both international and local markets.

2.4.7 Accommodation and Food Services

2.4.7.1 In 2009, the sector grew by 13.2 percent. The government's commitment to improve road infrastracture in the country and massive advertisement of lodges and hotels is attributed to the growth. In 2009, the sector is estimated to grow by 17.9 percent. The growth is anticipated to emanate from an increased number of guests in lodges and hotels following the potential inflow of guests into the country for AU summits and meetings which Malawi is expected to host. In 2011, the growth of the sector is projected at 14.9 percent.

2.4.8 Transportation and Storage Services

2.4.8.1 The transport and storage sector registered a growth of 6.7 percent in 2009. The growth was supported by the influx of new bus in the country following the tax exemption policy which government introduced. The sector is expected to grow by 9.6 percent in 2010 mainly due to the anticipated re-introduction of city-line buses by major bus companies which will eventually increase passenger kilometers. Projection for the sector in 2011 is at 11.2 percent.

2.4.9 Financial and Insurance Services

2.4.9.1 In 2009, the sector registered a growth of 7.9 percent. The growth of the sector was on account of improved banking services. These services include introduction of new products such as e-banking and visa card. In 2010 and 2011, the sector is projected to grow by 9.8 percent and 6.6 percent respectively.

2.4.10 Information and Communication

2.4.10.1 The sector continued to perform well, however, growth was held back to 9.4 percent in 2009 compared to the previous year. The growth in the year emanated from increased number of subscribers due to introduction of economical handsets by the two major mobile phone companies. This has resulted in high volumes of airtime units sold. In 2010, the sector is projected to grow by 19.4 percent on account of continual availability of economical handsets on the market. Introduction of Fiber Optical Cable coupled with provision of rural booths and internet services will also bolster the growth of the sector. In 2011, the sector is projected to grow by 10.4 percent.

2.4.11 Public Administration and Defense

2.4.11.1 In 2009, the sector registered a growth of 4.9 percent. This growth was as a result of Government's drive to fill vacant positions in order to improve public service delivery particularly in health and education sub-sectors. In 2010 and 2011, the sector is projected to grow by 9.7 percent and 5.6 percent respectively.

TABLE 2.1: GROSS DOMESTIC PRODUCT (GDP) BY SECTOR OF ORIGIN

GDP by activity at constant market prices (in K'mn)[1]					
Sector	2007	2008	2009	2010[2]	2011[2]
Agriculture, forestry and fishing	122,632	136,432	165,678	167,903	179,143
Mining and quarrying	3,362	3,589	5,165	5,329	5,408
Manufacturing	29,508	33,095	51,898	55,135	57,920
Electricity, gas and water supply	5,944	6,178	6,528	6,965	7,538
Construction	17,425	18,833	18,227	21,859	22,772
Wholesale and retail trade	53,616	58,018	91,336	95,989	102,564
Transportation and storage	13,396	14,122	18,115	19,846	22,062
Accommodation and food services	6,709	7,207	8,967	10,574	12,146
Information and communication	9,412	14,243	23,688	28,278	31,218
Financial and insurance services	23,862	26,643	34,128	37,461	39,944
Real estate activities	16,385	16,907	22,806	25,005	25,994
Public administration and defense	12,311	13,478	15,617	17,126	18,085
GDP at constant market prices	377,730	414,240	524,551	558,427	593,055
Annual percentage growth rates					
Agriculture, forestry and fishing	*12.3*	*11.3*	*13.9*	*1.3*	*6.7*
Mining and quarrying	*4.7*	*6.8*	*12.8*	*52.8*	*26.9*
Manufacturing	*3.6*	*12.2*	*5.4*	*6.2*	*5.1*
Electricity, gas and water supply	*5.4*	*3.9*	*4.7*	*6.7*	*8.2*
Construction	*9.2*	*8.1*	*6.4*	*19.9*	*4.2*
Wholesale and retail trade	*4.6*	*8.2*	*5.6*	*5.1*	*6.8*
Transportation and storage	*5.5*	*5.4*	*6.7*	*9.6*	*11.2*
Accommodation and food services	*5.7*	*7.4*	*13.2*	*17.9*	*14.9*
Information and communication	*6.1*	*51.3*	*9.4*	*19.4*	*10.4*
Financial and insurance activities	*8.8*	*11.7*	*7.9*	*9.8*	*6.6*
Real estate activities	*3.7*	*3.2*	*5.5*	*9.6*	*4.0*
Public administration and defense	*3.2*	*9.5*	*4.9*	*9.7*	*5.6*
GDP at constant market prices	***8.6***	***9.8***	***7.6***	***6.5***	***6.2***

Source: National Accounts and Balance of Payments Committee

[1] GDP figures for 2007 & 2008 based on 2005 constant prices and 2009 to 2011 based at 2006 constant prices

[2] Figures for 2010 and 2011 shows estimations and projections

2.5 External Sector

2.5.1 In 2009, trade balance reduced to K49.9 billion from K108.1billion recorded in 2008. It is projected that in 2010, trade balance will continue to improve to K42.8 billion. The overall current account balance improved from K130.0 billion in 2008 to K79.9 billion in 2009 and is projected to be at K79.7 billion in 2010.

2.5.2 An average export price of tobacco increased from K372.35 per kg in 2007 to K579.62 per kg in 2008. However, in 2009, the average export price declined to K425.82.

TABLE 2.2: BALANCE OF PAYMENTS IN MILLIONS OF KWACHA (K' MILLION)[1]

	2007	2008	2009	2010	2011
Trade balance	(42,974.8)	(108,104.3)	(49,932.8)	(42,798.5)	(62,153.7)
Exports of Goods, fob	110,546.0	134,049.7	130,966.5	165,597.5	177,918.5
Imports of Goods, fob	153,520.8	242,154.0	180,899.3	208,396.0	240,072.2
Non-factor Services (net)	(24,061.3)	(36,942.2)	(35,303.6)	(40,965.0)	(48,760.0)
Receipts	10,286.4	11,598.1	10,315.7	11,387.7	12,024.3
Payments	34,347.6	48,540.3	45,619.3	52,352.8	60,784.3
Factor Services (net)	(3,155.2)	(3,461.2)	(5,407.1)	(8,874.9)	(8,867.7)
Receipts	563.7	548.7	546.2	579.0	616.6
Payments	3,718.9	4,010.0	5,953.3	9,453.9	9,484.3
Private Transfers (net)	10,908.3	18,466.0	10,738.0	12,948.5	12,948.5
Receipts	12,539.5	20,157.1	12,598.2	14,815.7	14,815.7
Payments	1,631.2	1,691.1	1,860.2	1,867.1	1,867.1
Current account balance	(59,283.0)	(130,041.8)	(79,905.6)	(79,689.8)	(106,832.9)
Capital account balance	64,590.7	140,568.8	101,808.1	141,636.9	130,761.6
Long-term Capital balance	64,507.2	140,482.9	101,716.1	141,538.5	130,656.3
Government Transfers (net)	37,506.7	85,539.7	71,160.2	87,903.6	86,625.1
Receipts	37,609.4	85,645.4	71,269.0	88,015.5	86,740.3
Payments	102.7	105.7	108.8	111.9	115.2
Government Drawings (net)	12,042.9	22,639.3	14,197.0	34,614.8	34,048.6
Receipts	13,165.5	23,475.0	15,924.5	37,479.4	37,479.4
Payments	1,122.6	835.7	1,727.5	2,864.6	3,430.8
Foreign Direct Investment	12,883.8	30,131.4	14,100.0	16,698.0	7,590.0
In Malawi	12,883.8	30,131.4	14,100.0	16,698.0	7,590.0
Public Enterprises (net)	1,570.5	1,654.5	1,704.7	1,749.9	1,803.8
Receipts	1,696.8	1,746.2	1,797.1	1,849.4	1,903.3
Payments	126.3	91.8	92.4	99.5	99.5
Private Sector (net)	503.3	518.0	554.2	572.2	588.9
Receipts	947.2	974.7	1,043.0	1,095.1	1,117.0
Payments	443.8	456.8	488.7	522.9	528.2
Short-term Capital (net)	83.5	85.9	91.9	98.4	105.2
Receipts	3,236.2	3,330.5	3,563.6	3,813.1	4,080.0
Payments	3,152.8	3,244.6	3,471.7	3,714.7	3,974.7
Errors and Omissions	(9,842.5)	(1,466.1)	(29,180.8)	-	-
Balance before debt relief	(4,534.8)	9,060.9	(7,278.4)	(14,046.0)	-
Debt Relief	155.4	-	-	-	-
Overall balance after debt relief	(4,379.4)	9,060.9	(7,278.4)	(14,046.0)	-
Change in NFA	4,379.4	(9,060.9)	7,278.4	14,046.0	-
Memorandum items:	-	-	-	-	-
Current account deficit/GDP(%)					
Excluding official transfers	(12.7)	(23.6)	(12.4)	(10.8)	(12.6)
Including official transfers	(4.7)	(8.1)	(1.4)	1.1	(2.4)

Source: National Accounts and Balance of Payments Committee

Figures for 2010 and 2011 shows estimations and projections

Figures for 2010 shows estimations

TABLE 2.3: SELECTED ECONOMIC, FISCAL AND FINANCIAL INDICATORS[1]

	2007	2008	2009*	2010*	2011*
OUTPUT AND PRICES					
GDP at constant market prices	*8.6*	*9.8*	*7.6*	*6.5*	*6.2*
GDP deflator	*7.3*	*8.9*	*8.8*	*10.8*	*8.4*
Inflation (end of period)	*7.5*	*9.9*	*7.6*	*7.9*	*5.3*
Inflation (annual average)	*8.0*	*8.7*	*8.4*	*8.1*	*7.8*
MONEY AND CREDIT (percent change)					
Money and Quasi Money	*36.1*	*33.1*	*17.1*	*12.4*	*10.5*
Net Foreign Assets	*20.7*	*-35.0*	*-108.1*	*2,260.3*	*69.5*
Net Domestic Assets	*44.2*	*60.8*	*37.6*	*-4.1*	*1.4*
Credit to the Government	*5.5*	*297.5*	*28.7*	*-12.7*	*-19.9*
Credit to the rest of the economy	*28.8*	*45.5*	*23.4*	*8.8*	*13.0*
CENTRAL GOVERNMENT[2]					
Revenue (excluding grants)	*19.0*	*21.3*	*24.5*	*26.2*	*25.4*
Expenditure and net lending	*30.8*	*41.4*	*45.4*	*41.1*	*37.4*
Overall balance	*-2.8*	*-5.0*	*-5.8*		
EXTERNAL SECTOR (US$ Mns)					
Exports f.o.b	110,546.0	134,049.7	130,966.5	165,597.5	177,918.5
Imports c.i.f	153,520.8	242,154.0	180,899.3	208,396.0	240,072.2
(months of import)	1.2	1.2	0.7	1.7	2.3
Kwacha per US$ (period average)	140.0	140.5	141.2		
DEBT STOCK AND SERVICES (%GDP)					
External debt (Public sector)	*22.6*	*16.0*	*19.2*	*22.0*	*23.9*
Net domestic debt (Central Govt)	*11.9*	*19.0*	*19.8*	*14.0*	*11.1*

Source: National Accounts and Balance of Payments Committee, MoF and RBM

[1] Percent changes, unless otherwise indicated

[2] Central Government Operations are in Fiscal Years

*estimates and projections

Chapter 3

AGRICULTURE, FOOD SECURITY AND NATURAL RESOURCES

3.1 Overview

3.1.1 This chapter reviews the performance of the Agriculture sector in terms of National Food Security and production; Farm Input Subsidy Programme and the newly established Sector Wide Approach (SWAp) for the 2009/10 financial year in comparison to the 2008/09 financial year. The chapter also reviews the performance of the fisheries and forestry sectors in the same year.

3.2 National Food Security

3.2.1 During the 2009/10 financial year, Malawi experienced a food surplus due to the high food production from the 2008/09 growing season. This was attributed to the good weather conditions and the Farm Input Subsidy Programme (FISP) implemented by Government. Consequently the proportion of total farm families in the country without food from own production from June 2009 to May 2010 varied from 1 percent to 12 percent which was lower when compared to the same period in 2008/09 which ranged from 6 percent to 18 percent.

3.2 Food and Livestock Production, Requirement and Expected Food Gap

3.2.1 Food Production

3.2.1.1 The 2008/09 Final National Agricultural Production Estimates released in June 2009 indicated a maize production estimate of 3,767,408 metric tonnes. This represents a 35 percent increase from the previous growing season of 2007/08 final production of 2,777,438 metric tonnes.

TABLE 3.1: FIVE YEAR NATIONAL PRODUCTION (METRIC TONNES)

Crop	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010*
Maize	2,611,486	3,444,655	2,777,438	3,769,408	3,206,847
Rice	91,450	113,166	114,885	137,130	106,105
Groundnuts	203,071	273,757	243,215	293,948	295,329
Tobacco	121,600	117,412	160,238	208,154	160,050
Cotton	58,569	63,290	76,761	72,664	27,557
Wheat	2,000	4,605	2,386	2,811	2,306
Sorghum	54,309	63,698	61,999	60,025	46,664
Millet	27,037	32,251	31,869	26,866	23,523
Pulses	344,586	415,551	387,347	501,376	452,588
Cassava	2,832,141	3,285,127	3,491,183	3,874,705	3,913,309
Sweet Potato	1,781,595	2,307,354	2,320,696	2,730,965	2,714,245

Source: MoAFS, April 2010,
*based on April 2010 Second Round Crop Estimates

3.2.1.2 The Malawi Vulnerability Assessment Committee (MVAC) report of November 2009, however, indicated that, despite the good rains, three districts in Southern Malawi namely; Chikhwawa, Nsanje and Balaka experienced some prolonged dry spells in 2008/2009 season which caused local production deficits. MVAC further reported that 147,492 people are missing food entitlements (1.1 percent of total country population) translating into US $2,282,000 cash equivalents and 6,678 MT maize equivalents.

3.2.1.3 The 2009/2010 crop season has seen most districts in the southern region affected by dry spells leading to localized crop production failure in these areas. The (MVA) Committee is currently carrying out an assessment which will inform the nation of how many people are missing food entitlements.

3.3.1 Fertilizer Subsidy Programme

3.3.1.1 The Government of Malawi through the Ministry of Agriculture and Food Security (MoAFS) implemented the Farm Input Subsidy Programme for the fifth time in 2009/10 growing season. The programme mainly administered maize, fertilizers for maize and legume seeds. This aimed at making seeds and fertilizers available to all poor resource smallholder farmers at affordable prices as one way of improving crop productivity hence increasing food security at both household and national levels in Malawi.

3.3.1.2 During the 2009/2010 Input Subsidy Programme, 160,000 metric tonnes of fertilizers were planned to be sold at a subsidized price of MK500.00 per 50kg through ADMARC and Smallholder Farmers Fertilizer Revolving Fund of Malawi (SFFRFM). The planned quantity of fertilizer constituted 80,000 metric tonnes of NPK and 80,000 metric tonnes of Urea. The maize seed subsidy was 8,000 metric tonnes and constituted both hybrid and OPV; and 1,600 metric tonnes of legume seeds (groundnuts, beans, soybeans and pigeon peas) as well as maize storage pesticides. The Ministry has also developed a Medium Term Plan (MTP) for FISP which will run from 2011 to 2015.

3.4 2009/2010 Weather Forecast

3.4.1 The 2009/10 Weather Forecast as forecasted by the Department of Climate Change and Meteorological Services models in September 2009 suggested that during 2009/2010 rainfall season, a greater part of Malawi would experience normal total rainfall amounts. However, just like in any El Nino season, extreme weather events such as floods and prolonged dry spells occurred in some areas. During this season, El Niño conditions have affected normal rainfall patterns over Malawi. The start of the main rains was mixed. The rains started early in some districts and late in others. The main rains in the north started early November which was one month earlier than normal. In the south and western parts of central Malawi the onset was between mid and end November which was about normal. In the lakeshore districts of Nkhotakota, Salima and some parts of Mangochi, effective rains came between early and mid December 2009.

3.4.2 The distribution and amount of the rainfall were poor in some parts of the country especially in the south. Prolonged dry spells caused wilting of crops and pastures. The worst affected districts included Nsanje, Chikhwawa, Mwanza, Neno, Phalombe and some parts of Thyolo, Mulanje and Blantyre. Total crop failure was reported in some districts especially in the south. The sporadic nature of rains coupled with soaring temperatures facilitated outbreaks of armyworms.

3.4.3 Over the central and northern regions, the onset of the rains appeared to be sporadic such that by 10th December 2009, field reports suggested that although the growing season had started, few farmers had planted by that time. However rains picked up such that crop production in these regions is good.

3.4.4 According to the Department of Climate Change and Meteological Services, as the main rainfall season comes to an end, easterly waves are expected to maintain locally heavy rains in some parts of Malawi especially during the better part of April before incursions of cool and moisture air brings Chiperoni weather over the country. Therefore, light to moderate rainfall will persist particularly over highlands and along the lakeshore districts in May and June 2010.

3.5 Agriculture Sector Wide Approach (ASWAP)

3.5.1 The Ministry of Agriculture and Food Security developed a programme based approach framework called the Agricultural Sector Wide Approach (ASWAP) to be implemented within a period of five years (2008 to 2013). The overall objective of the ASWAp is to improve food security and generate agricultural growth through increased productivity of food and cash crops, while ensuring sustainable use of natural resources.

3.5.2 ASWAp will operationalize the Malawi Growth and Development Strategy (MGDS) especially agricultural related areas such as food security, irrigation and disaster risk management. The ASWAp has four strategic pillars namely (*a*) Food Security and Risk Management (*b*) Commercial Agriculture, Agro-processing and Market Development (*c*) Sustainable Management of Natural Resources (*d*) Key Support Services which include: Technology Development and Dissemination; Capacity Building and Institutional Strengthening ; Cross Cutting issues of HIV/AIDS and Gender.

3.5.3 The programme is aligned to the Comprehensive African Agriculture Development Programme (CAADP) of the AU/NEPAD which is a strategy to put African agriculture on the path of strong and sustained growth. It incorporates principles and targets of CAADP such as the attainment of 6 percent annual sector growth rate and allocation of at least 10 percent of the national budget to the agricultural sector. The ASWAp shares the principal elements and priorities of CAADP and closely mirrors its emphasis on agricultural productivity.

3.5.4 During the period under review, Government signed the CAADP compact on 19th April 2010, with a backdrop of activities which started up with sensitization meetings with various stakeholders.

3.4 The Fisheries Sector

3.4.1 The Economic Role of the Fisheries Sector

3.4.1.1 Employment

3.4.1.1.1 The sector directly employs nearly 60,000 fishers and indirectly over 450,000 people who are involved in fish processing, fish marketing, boat building and engine repair. Furthermore, nearly 1.6 million people in lakeshore communities derive their livelihood from the fishing industry.

3.4.1.2 Food security

3.4.1.2.1 Fish provides over 70 percent of the dietary animal protein intake of Malawians and 40 percent of the total protein supply. It also provides vital vitamins, minerals and micronutrients. Much of the fish is consumed in rural areas thereby contributing significantly to daily nutritional requirements to some of the vulnerable groups such as HIV/AIDS victims, orphans and the poor.

3.4.1.3 Source of income

3.4.1.3.1 Fish landings (71,289 tonnes) in 2009 had a beach or landed value of MK16.9 billion. While the catches have remained almost the same for the past three years, the average beach price has almost doubled from MK116/kg in 2007 to MK237.64/kg in 2010. It is also expected that the market price and total revenue from the fisheries sector can be higher than those obtained using the beach or landed prices.

3.4.1.4 Foreign exchange

3.4.1.4.1 Lake Malawi has over 800 endemic fish species which are of both local and international scholarly importance and also act as a source of tourism attraction. Some fish species such as Mbuna are exported outside the country and this helps to bring much-needed foreign exchange.

3.4.2 Status of the Fisheries Sector - Main Fish Resources

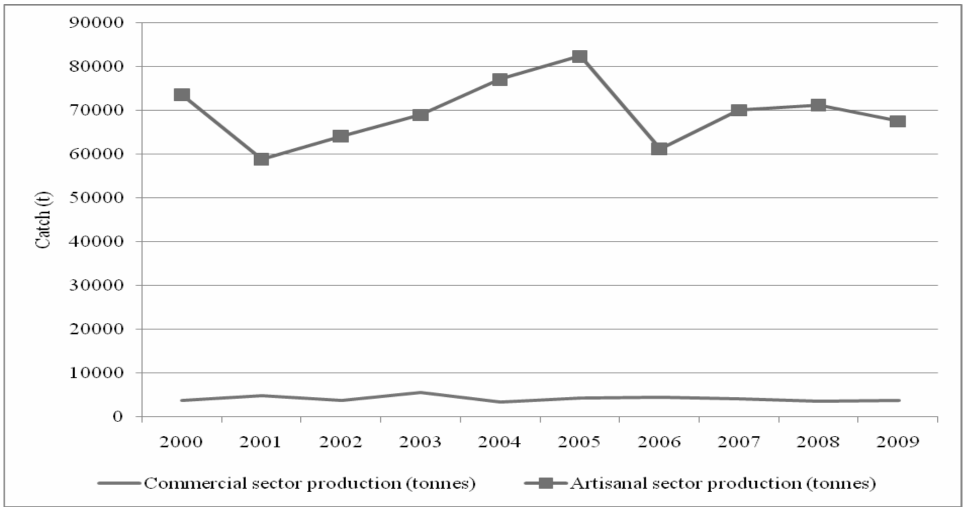
3.4.2.1 Major fishery Resource User Groups in Malawi

3.4.2.1.1 The Malawi fisheries are conventionally divided into three sub-sectors: the small-scale commercial sector (often called the traditional or the artisanal sector), the semi-industrial sector, and the commercial sector. Each of these sub-sectors contributes differently towards the total catch and employment.

3.4.2.2 The state of commercial and artisanal fisheries in Malawi

3.4.2.2.1 Since the late 1990s catches by the artisanal fishers have been fluctuating with the highest peak in 2000 and 2005. On the other hand, commercial sector landings have shown a uniform trend over the years implying that there have not been large investments by the large scale fishers or the targeted fish stocks especially by pair trawlers are declining. However, the offshore deep waters are still underexploited by the commercial fishers. Catches will only pick up when new and powerful vessels are introduced into the fishery.

FIGURE 3.1 TRENDS IN CATCHES FOR COMMERCIAL AND ARTISANAL FISHERIES (2000-2009)



3.4.2.3 Annual fish production and landed value by water body

3.4.2.3.1 National catch statistics show that in 2009 the total fish production from the fishing waters was 71,289 tonnes with the artisanal fisheries sector recording 67,537.43 tonnes and 3,752.7 tonnes for the commercial sector (Figure 3.1). Lake Malawi recorded the highest fish production of about 85 percent of the total fish production.

TABLE 3.1 FISH CATCH BY WATER BODY AND LANDED VALUE OF ALL FISH STOCKS

Year	Lake Malawi -Artisanal (tons)	Lake Malawi-Commercial (tons)	L Malombe (tons)	L Chilwa (tons)	L Chiuta (tons)	Lower & Middle Shire (tons)	TOTAL tons	Landed value (MK '000)	Beach Price (MK/kg)
2000	44775	3698	620	14,945	1,575	3,495	68489	1,814,070	26.49
2001	37603	4928	512	7,913	1,059	2,141	53643	1,517,483	28.29
2002	32038	3767	693	6,288	1,275	2,173	45369	1,175,815	25.92
2003	36730	5600	553	6,773	1,148	2,024	50382	2,661,210	52.82
2004	36610	3391	510	7,155	791	2,292	50240	4,876,300	97.06
2005	58859	4225	649	5,822	975	3,032	72913	7,145,474	98.00
2006	51796	4413	780	4,350	1,085	3,840	65484	6,810,336	104.00
2007	50527	4102	530	5,904	1,024	3,643	65200	7,563,200	116.00
2008	56846	3597	671	6,006	1,018	3,128	71266	9,478,378	133.00
2009	56850	3752	590	5879	1034	3184	71289	16,895,49	237.64

Source: Fisheries Department (2010)

3.4.2.4 Catch composition

3.4.2.4.1 In terms of catch composition, the traditional catch in 2009 was composed of 18 main species or groups of species, of which Usipa and Utaka were the two dominant species groups constituting about 42.1 percent and 13.9 percent, respectively. Chambo has declined over the years contributing about 11.3 percent to the southern Lake Malawi and Malombe catches.

3.4.2.5 Status of fishing fleet (craft) and fishers

3.4.2.5.1 Many different gears are employed in the small-scale fisheries. Dugout canoes and plank boats, with or without outboard engines, are the main fishing vessels. The main gear types are beach seines (chambo, kambuzi and mosquito nets), chilimira, fish traps, gillnets, handlines and longlines. The fisheries statistics for the various water bodies indicate that the number of fishermen, fishing gears and fishing crafts have steadily increased since the 1990s (Table 3.2).

TABLE 3.2: FRAME SURVEY COUNTS OF THE DOMINANT FISHING CRAFT, GEAR OWNERS, CREWMEMBERS AND FISHING GEARS OF MALAWIAN WATERS

Indicator	1999	2003	2007	2008	2009
Boat + engine	534	493	586	814	872
Boat-engine	3088	2999	3502	3360	2942
Dug out canoes	11457	11824	11215	11540	12053
Fishers (Gear owners)	13503	15542	13305	14065	13403
Crew	35347	42312	41993	41841	46123
Gillnets (normal)	43430	77668	67552	70606	75291
Ngongongo				13704	14979
Chikwekwesa				337	59
Gill net-video				0	8
Longlines	3954	2884	3902	5726	5740
Handlines				1563	1589
Kambuzi seines	345	385	438	484	399
Chilimira nets	2568	3079	2588	3491	3394
Fish traps	40078	27071	20460	15814	25362
Handlines	3084	1383	2414	1563	1589
Kandwindwi				98	98
Scoop nets	79	83	14	36	56
Cast nets	47	766	535	717	701
Chambo seines	62	71	70	212	89
Nkacha nets	258	309	279	238	315
Matemba seine	422	276	853	406	542
Chomanga	23298	24350	13371	5814	38506

Source: Fisheries Department (2010)

Note: Frame surveys were not conducted for the years 2000, 2001, 2002 and 2004

3.4.2.5.2 Further analysis of the 2009 frame survey by numbers, type and distribution of small-scale fishing craft in Malawi indicates that:

- Over 15,867 fishing crafts were recorded during the 2009 frame survey (Table 3.2) constituting 5 percent motorised plank boats, 19 percent non-motorised plank boats and 76 percent dugout canoes. For the past decade (1999 to 2009) only 5 percent increase of the fishing craft has been registered implying that no major investment. However, there has a shift in the use of powered boats since 1999 with an increase of about 39 percent. This shows that fishers have ventured into fishing in offshore waters having experienced declining catches in the inshore waters of Lake Malawi. Most of the crafts were recorded along Lake Malawi (81 percent) while Lakes Chilwa/Chiuta, Lower Shire and Lake Malombe accounted for 10 percent, 5 percent and 4 percent, respectively. Motorised plank boats increased by 7 percent from 814 crafts in 2008 to 872 in 2009 while non-motorised plank boats registered a substantial decrease of 12 percent despite the general increasing trend. Of the two types of canoes, planked canoes showed the largest increase and more than doubled from 343 units in 2008 to 764 in 2009 while dugout canoes remained rather stable increasing by less than 1 percent from 11,197 units in 2008 to 11,289 in 2009.
- Of the 59,526 fishers recorded countrywide during the 2009 frame survey, the majority were crewmembers (77 percent) while the rest were gear owners. Over 80 percent of the fishers were recorded in the Lake Malawi districts of Mangochi (26 percent), Nkhotakota (17 percent), Nkhata bay (13 percent), Salima (10 percent), Karonga (10 percent) and Likoma (5 percent) while Lake Malombe, Zomba and Lower Shire accounted for 8 percent, 7 percent and 5 percent, respectively. Since 1999 the fishers have slightly increased by 18 percent.
- The most important fishing gears in the Malawian waters are gillnets which are widely used in all waters and fish traps, most of which are used in Lake Chilwa. Others include seines (open and shore based) for higher capital fishing units.

3.4.3 Fish Markets and Fish Processing Methods

3.4.3.1 Present fish processing and marketing trends

3.4.3.1.1 Several methods are used to process fish in Malawi. The common processing methods include sun drying, which is most common for fish species like Kambuzi and Matemba; smoking, which is used on Chambo and Mlamba; para-boiling for usipa; and pan roasting for utaka (Copadichromis spp.). In some cases fish is frozen or iced to enable fish traders to transport the fish to distant rural and urban markets, as is the case with the MALDECO Fisheries Limited, the largest fishing company on Lake Malawi, which has shore based facilities, ice plants and chill storage facilities. There is a fish marketing and distribution network throughout the country, supplying fish to both rural and urban markets. Fish exports have been declining for the past two decades due to the increased domestic demand. Filleting is mostly done on Chambo, which is demanded by hotels.

3.4.3.1.2 Fish processing is mainly undertaken by either full-time or part-time beach processors, the latter appearing during the dry season. Both groups however serve a very important function to the fishermen as they constitute a permanent market outlet for fishers.

3.4.3.2 Major fish markets

3.4.3.2.1 The major markets of fish in Malawi include the urban centers (Blantyre, Zomba, Lilongwe and Mzuzu and other districts. Fish from Lake Malawi, Nkhotakota is sold in Mzuzu, Mzimba and Kasungu. Likewise fish from Likoma and Chizumulu Islands dominates Mzuzu market apart from Rumphi and Mzimba. Lilongwe market has fish from Lake Malawi (Salima and Nkhotakota) and sometimes from Mangochi especially Malembo area. Zomba market is dominated by fish from Lakes Chilwa, Chiuta, Malombe and Malawi. In Blantyre (Limbe and Blantyre markets) there is plenty of fish from Lakes Malawi, Chilwa, Chiuta and Lower Shire River.

Over the past decade, there has been a high proportion of imported dried fish (Tilapia and Barbus spp) from Tanzania which has dominated markets in Mzuzu, Kasungu, Lilongwe and Limbe. There is little imported fish from Tanzania at Blantyre and almost none at Zomba markets. Dried Kapenta from Zambia and frozen marine fish like mackerel from Namibia are also being sold in supermarkets or departmental stores and open markets in Limbe, Lilongwe and Mchinji.

3.4.3.4 Fish supply per capita

3.4.3.4.1 In the past, quantitative estimates of the importance of fish were made and in the 1980s fish comprised 40 percent of the total protein intake and 70 percent of animal protein. The supply of fish per person has, however, been steadily decreasing due to the population growth. In 1976 per capita annual supply was 12.9 kg, this had fallen to 9.4 kg in 1990 and then decreased further to 5.4 kg in 2009.

3.4.3.4.2 The current average per capita consumption of 5.4 kg/yr is by far less than the recommended 13-15 kg of the World Health Organisation (WHO). Despite this shortfall, the supply of fish continues to contribute significantly to food security and nutrition within the country. Almost all fish caught in the Malawian waters is used for human consumption. It is often consumed in small amounts with daily meals, which otherwise consist mainly of staple starch food items. Much of the fish is consumed in rural areas and thus contributes to the nutritional needs of some of the poorest people in the country, as it is easily accessible, available throughout the year and in times of drought, and affordable within the purchasing power of the majority of the population. Fish therefore guarantees a nutritionally balanced diet to a population suffering from high levels of malnutrition. Consequently, fish forms a very important component in the daily diet of the population in Malawi, constituting the cheapest source of animal protein compared with other animal protein sources like chicken, beef, lamb.

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 Overview

4.1.1 This chapter reviews the performance of the water sector including the newly established Greenbelt Initiative (GBI) and Water and Sanitation SWAp.

4.2 Irrigation Sector

4.2.1 As part of improving the implementation of programmes and activities in the Department of Irrigation through the Ministry of Irrigation and Water Development, a strategic plan has been developed that aims at ensuring that 120,000 hectares of land under manageable and effective irrigation system is developed by 2011.

4.2.2 During the 2009/2010 fiscal year 6,383 hectares were developed bringing the total area under Smallholder Irrigation to 39,618 hectares benefiting over 238,000 smallholder farmers growing mostly cereals, pulses and horticultural crops. The estate sector has over 48,000 hectares under irrigation and therefore the national total area under irrigation is in excess of 87,000 hectares. However, through efforts under greenbelt irrigation initiative (GBI) area under irrigation is targeted to reach 1 million hectares by 2014.

4.2.3 There were several irrigation projects that were implemented during the period. These projects include the Small Farms Irrigation project implemented in Lweya in Nkhata Bay District and Nkopola in Mangochi District targeting 400 hectares for each scheme. It is expected that the construction works for Phase I of the schemes will be completed by June, 2010. The Smallholder Crop Production and Marketing Project continued to implement its activities in 19 districts where it is developing gravity as well as pump based irrigation systems.

4.2.4 The Agricultural Production and Marketing Improvement Project is another project that is under implementation in Rumphi, Nkhata-Bay, Dedza, Ntcheu, Phalombe and Mulanje targeting to develop 324 hectares. Resources have also been provided for the development of Chilengo Irrigation Scheme in Chikhwawa district that will irrigate 240 hectares benefiting over 1,000 smallholder farmers.

4.3 The Greenbelt Initiative (GBI)

4.3.1 The government has formulated the Greenbelt Initiative (GBI) aimed at using the available water resource to increase production, productivity, incomes and food security at both household and national levels. This will ultimately achieve rapid and sustainable economic growth and development. The programme will be implemented throughout the country from the north to the south along the lakeshore and all perennial rivers and it targets coverage of 1 million hectares of land from 86,000 hectares which is already developed.

4.3.2 The Initiative seeks to contribute towards the green revolution of Malawi as it has the potential to transform Malawi from a predominantly consuming and importing country to a producing and exporting country. The initial planned projects to be implemented include: the Shire-Valley Irrigation Project, construction of multipurpose dams along Bua River in the central region and along South Rukuru River in the Northern region.

4.3.3 Currently, the Ministry is working in collaboration with the Ministry of Agriculture and Food Security in coming up with a full proposal for the GBI which will have seven components as follows: Infrastructure Development and Rehabilitation; Environmental Management; Technology Development and Dissemination; Agro-Processing and Market Development; Gender Issues; HIV/AIDS Mainstreaming; and Monitoring and Evaluation.

4.4.1 Water Sector

4.4.1.1 The following are the major achievements in the water sector by each programme during the period under review:

- The Ministry continued to implement the National Dispersed Borehole Construction Programme, under which a total of 83 boreholes have been constructed. A total of 22 boreholes were constructed under the Borehole Treasury Fund and 16 Ground Water Monitoring Boreholes were constructed in 10 districts. Currently, 26 monitoring boreholes are being monitored countrywide (monitoring boreholes are used to monitor quantity and quality of ground water).
- A draft Memorandum of Understanding (MOU) between the Republic of Malawi and the United Republic of Tanzania and Terms of Reference (ToRs) for the implementation of a detailed design of the Songwe River Basin Development Programme were developed.
- Equipment for Southern African Development Community (SADC) HYCOS has been procured during this period and will be installed in five stations. A total of four SADC HYCOS stations have so far been rehabilitated and HYDRA software installed. Training has been conducted on the HYDRA software.
- On Surface Water Monitoring, 80 percent of hydrological data has been computerized and digitalized into the HYDATA archive and 65 percent of the stations have been rehabilitated.
- On dam development, the construction of Lichenza Medium Dam has reached an advanced stage while two dams namely Livuwo dam in Nkhatabay and Luvwere dam in Mzimba are almost finished. Other 6 dam sites have already been designed and will be constructed in the next financial year.
- A total of 6 districts have had their water point mapping databases updated. 16 inspections under water pollution monitoring and water resources monitoring have been done in 16 districts, respectively.

- Activities under water quality services section include a total of 53 surface water sources (points) that have been monitored, 41 wastewater treatment facilities inspected and groundwater from 18 monitoring sites sampled and analyzed.

4.4.2 Water Supply Services

4.4.2.1 Rural Water Supply

4.4.2.1.1 During the period under review, the Ministry constructed 400 water points, reaching to about 80,704 new water users in 9 districts and trained 475 water point committees on Community Based Management (CBM) to repair and manage water points.

4.4.2.1.2 Under the African Catalytic Growth Fund (ACGF-NWDP), the following have been achieved:

- A total of 835 taps benefiting about 128,760 people were rehabilitated in 7 schemes of Lufilya, Nkhamanga, Lizulu, Ntonda, Mpira-Balaka, Zomba East and Chikhwawa East Bank and connected 238 new taps in the schemes as part of extension works.
- Water User Associations (WUA) have been formed in the 6 schemes and a Board of Trustees have been appointed to manage Mpira/Balaka Water Supply Scheme.
- Contractors are on site and working on construction/rehabilitation of treatment works of the 6 schemes (Chikhwawa East Bank, Zomba East, Mpira/Balaka, Nkhamanga and Lufilya), and works are on average 30 percent complete.
- Assessment of Water Supply Schemes in two of the three focus districts of Dedza, Chitipa and Chikhwawa has been finalized. Assessment report containing material requirements and scope of works for rehabilitation of Chikhwawa and Chitipa Schemes were prepared.
- Likoma Water Supply System construction has been completed and awaits launching.

4.4.2.2 Urban, Towns and Market Centre Water Supply

4.4.2.2.1 In urban areas, considerable progress has been registered in terms of new water connections made to new customers as well as replacement of old stuck meters as a way of reducing non-revenue water. In Blantyre, 383 connections were made during the period under review, bringing the total to 2,587 new connections made since 2008. This translates to a total of about 12,935 people benefiting from these connections. Furthermore 1,180 stuck meters were replaced during the period, bringing the total to 5,726 meters replaced since 2008. Currently, Blantyre Water Board has engaged Sogreah Consultants to carry out a study on new water sources as a way of coming with a long term solution to the problem of water availability in the city. The consultants produced the first and second progress reports. The consultants have concentrated on water demand projections.

4.4.2.2.2 In Lilongwe, a total of 5,750 meters have been used for new water connections and replacement of old and stuck meters. During the period under review, a total of 3,370 new meter connections were made, bringing the total of new connections to 5,750 thereby benefiting 25,000 people with improved water supply.

4.4.2.2.3 In September 2009, the Lilongwe Water Board also engaged Hydroplan consultants of German for detailed designs and Environmental Impact Assessment for an aqueduct. The assignment commenced in October 2009 and is expected to be completed by end June 2010. Further, a consultancy agreement for a study for Lilongwe's New Water Source was signed with Sogreah of France in September 2009. An Inception Report by Sogreah on methodology for site selection was reviewed by Lilongwe Water Board and the Ministry, which has also submitted the preliminary findings of the assessment.

4.4.2.2.4 In the Northern Region Water Board, construction works are underway in Mzuzu and Likoma water supplies. So far, procurement of material by the contractor; excavation of trenches for treating plant facilities; survey works for pipelines are underway in Mzuzu such that the construction works are almost complete. During the year, Sogreah submitted Preliminary Design reports for Mzimba and Mzuzu Dams.

4.4.2.2.5 In the Southern Region Water Board, a total of 1,045 new water connections were made for Mangochi, Liwonde, Balaka, Zomba, Ngabu and Mulanje Schemes and 3,775 old and stuck water meters have been replaced. Furthermore, in Zomba, a total of 29,500 meters of development pipeline has been laid. In total, 30,500 meters of development pipelines have been laid, representing 100 percent of all the pipe work that was procured.

4.4.2.2.6 In the Central Region Water Board, a total of 1,553 new water connections have been installed representing 30 percent of the revised additional connections target of 5,149. In addition, 3,314 out of the 6,701 water meters have been replaced in various areas of the central region representing 49 percent. Furthermore, installation of three steel plate water tanks of capacity 100 m3 each for Dwangwa, Mitundu and Linthipe Market Centre New Water Schemes was completed during the period under review. In addition, installation of a total of 14 km for the expansion of Dwangwa Water Supply Scheme has been installed and commissioned, representing 88 percent of the planned expansion work.

These achievements have been due to the implementation of the National Water Development Programme II (NWDP II) which started in the 2006/07 financial year. Under this programme, the Ministry is benefiting from funding from twelve different donors and cooperating partners who are funding different projects/components in different districts in the country within the NWDP II.

Despite these achievements in water supply, water shortages in areas such as Blantyre were still a recurrent issue. The Ministry is now planning to establish alternative water sources in order to alleviate the problems being faced.

4.1.2 Water Sanitation and Hygiene

The Ministry has been involved in the setting up of the Department of Sanitation and Hygiene which is under the Water Sanitation and Health (WASH) Project supported by the Dutch Government. The following are the achievements that have been made:

- A total of 324 boreholes were constructed resulting in a total of about 160,524 beneficiaries, and trained 475 water-point committees on how to operate and maintain the facilities.
- The project rehabilitated 188 water-points reaching approximately 47,000 users.
- Water quality monitoring was done on 1,949 water-points.
- About 48,790 new users had access to hygienic latrines.
- A total of 616 were triggered on Community-Led Total Sanitation (CLTS) and 148 villages achieved Open Defecation Free (ODF) status.
- During the year, the project constructed improved latrines and hand washing facilities benefiting 73,620 school pupils.

4.1.3 Water and Sanitation SWAp

Water and Sanitation Sector Wide Approach (SWAp) was launched in 2008 in order to harmonize programmes and improve efficiency in the sector. The sector now has a Sector Working Group (SWG) Steering Committee and six Technical Working Groups representing various sub-sectors. The Water and Sanitation SWAp is making good progress and there is clear indication of mutual trust and good working relationship between Government and development partners.

Proper institutionalization of the SWAp is expected during the 2010 Joint Sector Review when the Medium to Long-Term plans will be presented and linked to the Sector Investment Plan. Both Government and Development Partners will be able to commit themselves to an annual program of work and budget and at the same time start implementing a harmonized Monitoring and Evaluation reporting system.

4.2 Challenges facing the Irrigation and Water Development Sector

The following are the major challenges that are affecting the Sector:

- Inadequate funding resulting into some activities not being implemented;
- Inadequate institutional capacity especially at District level;

- Land tenure problems, which are affecting construction of permanent infrastructures for most of the motorized irrigation schemes; and
- Lengthy procurement procedures.

4.0 Prospects of the Irrigation and Water Sector in 2011

The 2011 outlook for the Irrigation and Water Sector is very promising with regard to improving availability of clean water and access to clean sanitation and hygiene facility to the communities. The NWDP II will continue to be the major program for improving access to clean water and sanitation and hygienic facilities. Most of the program activities which were at design stage will be fully implemented in 2010.

The same applies to programs planned for irrigation and construction of multipurpose dams as they are to be implemented in line with the Green Belt Irrigation Initiative as part of increasing the number of hectares under irrigation. The aim is to increase agricultural productivity hence increasing food availability and also income levels which consequently reduces poverty levels.

With the adoption of SWAp, it is hoped that more donors and cooperating partners will assist the sector implement various programmes in a harmonized manner hence improve the output and expected outcomes of set targets for the sector.

Chapter 5

TRANSPORT AND PUBLIC INFRASTRUCTURE

5.1 Overview

5.1.1 This chapter reviews the performance of the transport sector and highlights some of the major achievements of the sector during the reporting period.

5.2 Road Transport

The road transport particularly focuses on road maintenance and development projects implemented by the Roads Authority. The development programs in the road sector consist of on-going and newly planned projects for periodic maintenance, rehabilitation, upgrading and construction of roads. The main donors that contribute to the budget include: BADEA, OPEC, The Peoples Republic of China, European Union, Kuwait Fund, Saudi Fund and African Development Fund and also Government of Malawi through the Road Fund contribution.

5.1.1 Roads and Bridges Construction/upgrading

The Roads Authority (RA) with funding from Government of Malawi and donors has carried out several transport infrastructure projects during the period under review. Some of the projects were completed while others are on going. The projects were carried out mainly to facilitate agriculture output, industrial production, mining, tourism and employment among others. This has contributed positively to the country's overarching goal of poverty reduction through economic growth and infrastructure development. The projects include implementation of the Karonga-Chitipa road, Bunda-Mitundu, Mzimba-Mzalangwe, Nkhotakota-Msulira, Lilongwe Old Airport-Kasiya-Santhe, Mangochi Holiday Resorts, Mzimba Street in Lilongwe, Malowa-Goliati-Chiperoni, Ekwendeni-Ezondweni-Ntwaro, Lumbazi-Dowa-Chezi, Nsanje-Bangula, Chiradzulu-Miseu-Folo-Chiringa, Presidential Drive, and Jenda-Edingeni.

Under the Recurrent Programme the RA has carried out road maintenance programs as detailed in the following sections:

Periodic Maintenance: This programme consists of resealing roads such as Lilongwe-Nsipe Road and selected roads in Mzuzu City. These projects have covered a total length of about 200 kilometers mainly in Central and Northern Region and part of Southern Region.

Construction and Rehabilitation Programs: This program mainly encompasses the construction and reconstruction of badly deteriorated roads. These include the Chikhwawa-Nchalo-Bangula, Liwonde-Naminga, Mchinji-Kawere, Karonga-Chitipa, Jenda-Embangweni-Edingeni-Euthini-Rumphi, Blantyre-Zomba, Lilongwe West By Pass and sections of the Mangochi-Monkey Bay, among others.

Economic Feasibility and Detailed Design Projects: A number of road projects are earmarked for economic feasibility, preliminary engineering design and detailed engineering design. These include: Kamuzu Acadamy-Wimbe, Ntcheu-Tsangano-Neno-Mwanza, Mtwalo-Njakwa, Mangochi-Liwonde, Old Airport-Kwanyanda-Santhe and Kwanyanda-Kasiya, Rumphi-Nyika-Chitipa, Thabwa-Chitseko-Seven (East Bank), Chikhwawa-Chapananga-Mwanza and Mzuzu-Bua-Usisya Roads.

Backlog Rehabilitation Programs: In order to address the backlog maintenance of the city roads, the Roads Authority had undertaken several road rehabilitation works in the city of Blantyre, Lilongwe and Zomba. The total cost of the programme was MK6.5 billion and was estimated to cover 135.4 kilometers of roads in the three cities.

Roads Fund for the Road Programs: the establishment of the Roads Fund has contributed to an increase in financing for road maintenance and enhanced transparency and accountability in the use of roads funds. The total revenue expected for the 2009/10 fiscal year is MK8,786 million through the fuel level (contributing to 95 percent of roads fund), transit fees and others against MK5870million which was collected in the 2008/9.

5.1.2 Road Traffic and Safety Management.

The Department of Road Traffic, National Road Safety Council and Malawi Traffic Police continued to play a vital role in the Road Traffic Management to ensure road safety in the country. The Ministry had also continued with its effort to strengthen road traffic law enforcement and civic education in the country. With funding from the Malawi Government, the Road Traffic Department has acquired vehicles at the cost of K52 million to strengthen the road traffic enforcement.

The Department had also received full support from European Union on its programs which include the creation of the Road Traffic Authority, Axle Load Control and several studies in an effort to strengthen the road traffic management in the country. Axle Load Control aims at achieving safe transport and transport which does not impose additional costs on the road network, for instance, by overloading. The department has however faced some challenges within the period on the axle load control. The challenges include low coverage; poor quality of the existing buildings and equipment and low level of manpower and financial resources. The main challenge is to ensure the full strategic coverage of fixed weighbridges in all borders.

During the period under review, the National Road Safety Council has trained 300,000 pupils on road safety and 8,000 drivers on defensive driving. The council has also installed traffic lights at Machinjiri/Bakhresa intersection in Limbe, Area 25/M1 road junction in Lilongwe and at New National Bank Junction in Mzuzu worth MK10 million; procured 2 speed traps for the Malawi Police Services worth MK8 million, 3,000 breathalyzers worth MK500,000 and procured 3,000 reflective bibs for cyclists.

5.3 Marine

Through the Marine Department, the Ministry implemented a number of projects including the Acquisition and Installation of Aids to Navigation on Lake Malawi and procurement of a new concessionaire to run operations of Malawi Lake Services (MLS). The new concession on the management of Malawi Lake Services (MLS) has now been awarded to Mota-Engil - a Portuguese consortium.

Meanwhile the MLS has managed to run different passenger and cargo vessels to keep them in operation. MLS has transported many tons of cargo including fertilizer, maize and passengers to various ports in Malawi. Below is the table comparing the lake traffic volumes for 2008/09 and 2009/10 financial years.

TABLE 5.1: LAKE TRAFFIC VOLUMES

YEARS	CARGO (TONNES)	PASSENGERS
2008/09	22, 496	72, 095
2009/10	23, 140	71, 545

For effective and efficient operation of Malawi Ports, the department needs to establish Malawi National Ports Authority, rehabilitate existing Lake Ports and equipment and construct new jetties at Likoma Island and Nkhotakota.

5.2.1 Shire-Zambezi Water Way Project and Nsanje World Inland Port

The main focus during the period was on the supervision of the World Inland Port at Nsanje which is currently being constructed by Mota-Engil which has completed about 70 percent of the work. Within the year, the Government has also secured funding from the African Development Bank (AFDB) for the feasibility study of the project. Meanwhile the government is in the process of sourcing the appropriate bulges to apply on the Shire-Zambezi waters.

5.3 Air Transport

Air transport continued to play very strategic role in the economy of this country through tourism, and trade among others. Air Malawi has been the sole Malawian scheduled air services provider though facing financial challenges. Other operators include South Africa Airways, Kenya Airways and Ethiopian Airlines all of which provide scheduled international air services. Meanwhile most of the airlines such as Kenya and Ethiopian have increased their frequency in the country to about 7 flights a week. This demonstrates the economic potential of air transport industry in the country.

Through the department of Civil Aviation, the Ministry of Transport and Public Infrastructure has been implementing several projects in order to improve infrastructure in the Aviation Sector. The projects included the installation of the aeronautical equipment at Kamuzu and Chileka International Airports, rehabilitation of Chileka terminal, rehabilitation of the runway at Kamuzu

International Airport, upgrading of geodetic system amongst others. Over the period, the sector has acquired airport navigation equipment called Doppler Very High Frequency Omni-directional Radio Range Equipment and were installed at Kamuzu and Chileka Airports. The Ministry also procured firefighting equipments to enhance and improve safety in the Aviation Sector to meet the recommended standards as required by the International Civil Aviation Organization. With assistance from the Japanese Government, the Ministry will install solar power generation plants at the airport estimated at MK1 billion.

The Aviation Industry has performed well in the year 2009/10 as compared to the previous year on passenger traffic, cargo handled and number of domestic and international flights. Below is the table showing the number of flights, passengers departed and arrived and cargo handled in the airports.

TABLE 5.2: AVIATION STATISTICS FOR THE 2009/10 FISCAL YEAR

	2008/09	2009/10
Domestic Aircraft	4, 100	4, 304
International aircraft	4, 394	8, 918
Total aircraft	**8, 494**	**13, 222**
Domestic Passengers	47, 331	47, 006
International Passengers	246, 795	300, 967
Total Passengers	**294, 126**	**347, 973**
Domestic Cargo (Kg)	437, 055	445, 259
International Cargo (Kg)	6,111, 262	6, 742, 899
Total Cargo (Kg)	**6, 548, 317**	**7, 188, 158**

Source: Civil Aviation Department

5.4 Railways

Through the Institutional Reviews undertaken, the Ministry has created the Rail Transport Regulatory Unit to provide oversight over the rail sector. Within the same core activity the Ministry has reviewed the concession agreement of the Malawi Railways and consultations leading to a new agreement are ongoing.

Railway transport is considered to be one of the cheapest modes of transport and is very essential for the carriage of bulky goods such as mineral products and fuel products among others. Nacala Railway line is the most commonly used route on the rail transport. The rail line has been extended from Mchinji and Chipata in Zambia and construction works has been completed. The Central East African Railways (CEAR) has continued to play a major role in the transportation sector specifically the rail sector and the economic development of the country. On the basis of this development, CEAR has negotiated with the Zambian Government and the Zambian Railways on the operational agreements and train operation has since commenced but still waiting for the official opening. This entails that there will be a seamless connection between the two countries thereby bursting trade and other economic activities in these countries. The feasibility study of Chiromo Wash Away Bridge including the Sena rail line is also ongoing with funding from

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Chapter 6

MINING AND QUARRYING

6.1 Overview

In 2009 the performance of the Mining and Quarrying sector has improved tremendously as compared to the preceding year. The Mining sector has witnessed upward trends in most of the minerals mined and processed in terms of production levels and monetary values. This increase in production is as a result of continued demand by the consuming industries and the export market. This chapter reviews the performance of Malawi`s mineral sector in terms of mineral production, employment, domestic and export sales as well as a synopsis of new mineral exploration and assessment of existing exploration projects which are underway, as well as mineral licenses and mining investment opportunities currently available in the country.

6.1 Mineral Production

6.1.1 Coal production

Malawi has over 22 million tonnes of proven coal reserves in a number of coal fields across the country. Mchenga, Kaziwiziwi and Eland Coal Mine companies are largest producers of coal in Malawi. They produce almost 90 percent of all coal. They have a combined maximum capacity of up to 10,000 metric tonnes of coal production per month when they are all operating at full capacity. Mchenga Coal Mine which is located in the Livingstonia Coal Field has probable reserves of 2 to 5 million tonnes and proven reserves of 4 million tonnes of coal with ash content of 17 percent, a sulphur content of 0.5 percent and a calorific value of 6, 800 kcal/Kg. Mchenga Coal Mine together with Kaziwiziwi and Eland Coal Mines being bigger coal operators continued to monopolise the supply of coal for the provision of energy for different production processes in the tobacco, textile, brewery, food processing and ethanol industries. All these companies have embarked on further exploration programmes in order to boost production and meet the country's growing demand.

In general, coal remains the most mineral mined in the country. However, coal production in 2009 has only registered a slight increase in production as compared to preceding year owing to most of the existing mines maintaining their monthly productions rates despite high demands for the product in industries. Major coal mines however, slightly increased their productions where as other operators experienced a drop in production resulting into almost a steady production similar to last years. Overall, Mchenga Coal Mines Limited produced about 30 percent of the total production followed by Kaziwiziwi Coal Mines and Eland Coal Mines with a contribution of about 27 percent and 22 percent of the total coal production respectively.

TABLE 6.1: MINERAL PRODUCTIONS & MONETARY VALUES (2007-2009)

Production	2007		2008		2009	
Type	Quantity (tonnes)	Value (K Mns)	Quantity (tonnes)	Value (K Mns)	Quantity Value	Value
Coal	58 550	360	57 477	353.4	59,201	364
Cement Lime	42 088		45 980	29.94	47,150	30.7
Agriculture Lime	20 965	13.7	23 495	15.3	25,900	16.84
Other						
Uranium Concentrates	-	-	-	-	58,582	1,287
Granulated Clay	2 080	10.1	7 023	34.4	8,050	39.54
Dimension Stones	179	3.02	332	7.73	240.6	5.6
Rock aggregate	146,033	292.04	348,080	696.1	970,550	1,941
Clay Pottery	3 910	-	4 210	-	-	-
Gemstones	3. 7	2.02	11. 9	6.5	306.7	253.61
Terrazzo	1 560	1.6	10 150	10.4	12,355	12.7

Source: Department of Mines

6.1.2 Uranium concentrates production

The Kayerekera Uranium Mine which was commissioned by the State President Professor Bingu wa Muntharika on 17th April 2009 is probably the largest mining investment the country has ever had in the mining sector. Since its inception as at the end of the year 2009, the company has produced 58,582 Kgs of uranium concentrates valued at MK1.287 billion. The whole of this consignment had been exported to Canada by 31st December 2009 solely for nuclear power generation. The export of this consignment earned the Malawi Government up to MK385 million in terms of royalties and taxes in the mine's first ever contribution to the country's revenue generation. These royalties and taxes are only for the first two consignments of uranium concentrates exported by the company within three months of production from August to November 2009.

The Kayerekera Uranium Mines so far has been able to produce about 50 percent of its daily capacity and expected to reach full production capacity by April 2010. The designed capacity is to produce 3.3 million pounds of uranium concentrate (yellow cake) per year.

6.1.3 Cement Limestone production

Shayona Cement Corporation is the only local cement manufacturing company in Malawi with 85 percent of its raw materials being obtained locally. The company's use of local raw materials is expected to go up to 90 percent once it starts mining its own gypsum in the country. Shayona Cement currently enjoys 25 percent of the country's market share with the remaining market share being monopolised by Lafarge Cement company whose raw materials are almost 100 percent imported. Shayona's factory is located in Kasungu and it plans to explore gypsum in Dowa, Mponela and expand the factory to double its current production capacity.

During 2009, this country's sole producer of indigenous cement slightly increased its production by 3.5 percent over the same production of 2008. A steady increase is expected to continue over the next two to three-years period due to the continuous efforts by the company to expand its production capacity which has been triggered by continued high demand for cement. In 2008, there was an increase in the production of iron ore which is one of the ingredients of cement manufacturing.

6.1.4 Gemstone (Precious and Semi Precious Stones) Production

There has been a rapid and tremendous improvement in production of gemstones in 2009 as compared to the preceding year. Most of these gemstones are being exported to different parts of the world. Mzimba district remains the largest supplier of these gemstones followed by Chikhwawa and Ntcheu districts.

6.1.4 Agricultural Lime Production

Zalewa and Lime-Co companies are the major producers of agriculture lime, hydrated and slaked lime in the country with a combined production capacity of up to 3 000 metric tonnes of lime produced per month. Both companies have increased their production capacity in 2009 compared to 2008. Demand for agriculture lime from the tobacco estates, poultry and paint industries remained robust from within and outside the country especially in Mozambique.

6.1.5 Rock Aggregate Production

The country has experienced massive production of rock aggregate in 2009. There are a total of 24 operating quarries for production of rock aggregate both at commercial and project level. Out of the 24 only 9 are commercial quarries and the remaining 15 are project quarries. Combined production by quarrying companies and artisanal miners has registered a total of 970,550 tonnes of rock aggregate. Both increases are as a result of high demand for quarry stone as the country continues to experience an increase in the infrastructural development.

6.2 Employment Levels

The mining and mineral industry has continued to generate substantial employment (directly and indirectly) in the country. The coal mining industry has continued to be the largest employer in the mining sector. In general, there has been a tremendous increase in the levels of employment which can be attributed to the commencement of mining at Kayerekera Uranium Mine and bankable feasibility studies being undertaken at Kanyika and Tengani Heavy Mineral Sands projects. By 2009, the total employment in the mining sector was 11,565. It is also important to note that women account for only 10-20 percent of the workforce in the mineral sector. For example, in 2009 the level of employment was as follows:

TABLE 6.2: FORMAL EMPLOYMENT IN THE MINING SECTOR IN 2009

Sub-Sector	Workforce
Coal	1310
Cement Lime	110
Agricultural Lime	1392
Quarry Aggregate	4030
Cement manufacturing	648
Gemstones/Mineral Specimens	1176
Ornamental Stones	37
Clay/Pottery	115
Terrazzo	996
Other Industrial Minerals	1544
Exploration activities	207
Total	11,565

Source: Department of Mines

It is equally important to note that in Malawi the number of people employed in the mining sector may be slightly over 20,000 or more and it is generally difficult to get the actual number of small scale miners and artisanal miners since most of these operate unregulated in remote areas and are scattered country wide.

6.3 Export of Minerals

In 2009, export of minerals by different mine operators continued to be dominated by coal, rock aggregates, agricultural lime and more recently uranium concentrates (yellow cake) as shown in the table below. In 2009, the overall value of all mineral exports by these various operators amounted to over MK2 billion. Revenue generated by the Government from royalties, licence processing and ground fees amounted to MK450 million.

TABLE 6.3: MINERAL EXPORTS

Exports	2008		2009	
Type	Quantity (tonnes)	Value (MK)	Quantity (tonnes)	Value (MK)
Coal	3,500	19,600,000	6,830	27,293,000
Agriculture Lime	—	—	1,040	2,967,000
Other				
1. Granulated Clay	7 023	34,412,700	4,830	41,036,098
2. Dimension stones	332	1,640,000	167.8	3,927,600
3. Rock aggregate	—	—	8,285	21,955,250
4. Gemstones	11.9	34,760,000	186.95	215,458,905
5. Uranium concentrates		—	58.6	1,287,000,000

Most of Malawi's mineral exports have been to Tanzania, Mozambique, South Africa, Zambia and Canada. For instance:

- Coal is being exported by Eland Coal Mines to Mbeya Cement Company in Tanzania.
- Lime is being exported by Zalco to Mozambique.
- Granulated clay has continued to be exported to Mozambique and South Africa for fertilizer manufacturing by Optichem (2000) Ltd.
- Rock aggregate is being exported to Chipata in Zambia for construction of a railway line.
- Uranium concentrates are being exported by Paladin (Africa) Ltd to Canada.
- Gemstones continue to be exported to various parts of the world like India, Indonesia, China, U.S.A, Italy, and UK among others.

The average price of the minerals vary per individual operator/producer depending on quality or grade of mineral and their respective production costs since the country does not have fixed prices for particular minerals. However, the average price of uranium concentrate is around US$66 to US$70 per pound.

6.4 New Mining Operations and licenses.

In 2009, Government granted various licenses to prospecting mining companies and individuals as shown in Table 6.4 below:

TABLE 6.4: NEW MINING AND PROSPECTING LICENSES ISSUED IN 2008

Type of License	*Number issued*	*Mineral (s)*
Small Scale Operators		
Non-Exclusive Prospecting License	42	Gemstones, Ornamental stones
Mining Claim License	12	Gemstone, Ornamental stones
Reserved Minerals License	17	Gemstones, Ornamental stones
Large-Medium Scale Operators		
Exclusive Prospecting License	19	Uranium, Heavy mineral sands, Base metals andPlatinum Group Metals, Limestone, Gypsum, Iron ore, Glass sands
Mining License	7	Quarry aggregate, heavy mineral sands, limestone, Rare earth minerals
Reconnaissance License	4	Gold

Source: Department of Mines

6.5 Mining Investment Opportunities

During the period under review, a number of companies both local and foreign have vigorously continued to actively pursue intensive exploration for different minerals in various parts of the country. The minerals being pursued include heavy mineral sands, platinum group metals (PGMs), base metals, rare earth elements, coal and bauxite, among others.

6.5.1 The Kanyika Project

Globe Metals & Mining, an Australian company in partnership with Thuthuka Group, a South African company expect to start mining niobium at Kanyika in Mzimba district by the year 2012. The project is likely to start at a value of around $184 million. As shown in Table 6.5 below, the venture is currently undertaking the Bankable Feasibility Study (BFS) in order to come up with a bankable project plan by December 2010 and is expected to be used to secure financing, most likely from potential customers. The BFS which will also assist the company to come up with mine design and construction phase is estimated to cost around 10 to 20 million dollars on both BFS and Environmental Impact Assessment study. Some of the major activities being undertaken in the BFS are further bulk sampling for metallurgical tests which will be carried out in South Africa. The project with an estimated deposit of around 50 million tonnes of the multi commodity minerals, could earn Malawi in excess of US$100 million in foreign currency per annum, which if added to the Kayerekera Uranium project could provide a big boost to the country's foreign exchange earnings.

TABLE 6.5: MINING PROJECTS AT BANKABLE FEASIBILITY STUDY STAGE

Company	*Minerals Mined*	*District*	*Country of Origin*
The Kanyika Project (Globe Metals & Mining)	Niobium, Uranium, Zircon and Tantalite	Mzimba	Australia
The Bwanje Cement Project (Deco)	Limestone	Ntcheu/Dedza	Malawi

Table 6.6: Mineral Deposits, Reserves and Grade

DEPOSIT	LOCATION	DELIANATION RSRVS(Mn tones/grade)
Bauxite	Mulanje	28.8/43.9% Al2O3
Uranium	Kayelekera	12,5/0.15% Ur3O8
Monazite/Strontianite	Kangankhunde	
	Karonga/Chitipa	
Corundum	Chimwadzulu-Ntcheu	11.0/8% Sr and 2% REO
Graphic	Katengeza-Dowa	8.0/75.6gm per m3
Limestone	Malowa Hill-Bwanje	15/48% CaO, 1.2% MgO
	Chenkumbi-Balaka	10/46.1% CaO, 3.5% MgO
Titanium Heavy Mineral	Nkhotakota-Salima	700/5.6% HMS

Sands	Chipoka	
	Mangochi	680/6.0% HMS
	Halala (Lake Chilwa)	15/6.0 % HMS
Vermiculite	Feremu-Mwanza	2.5/4.9% (Med+Fine)
Coal	Mwabvi-Nsanje	4.7/30% ash
	Ngana-Karonga	15/21.2% ash
Phosphate	Tundulu-Phalombe	2.017% P2O5
Pyrite	Chisepo-Dowa	34/8% S
	Malingunde-Lilongwe	10/12% S
Glass Sands	Mchinji Dambos	1.6/97% SiO2
Dimension Stone	Chitipa, Mzimba	Blue, Black, Pink, Green
	Mangochi, Mchinji,Chitipa	Granite
Gemstones	Mzimba, Nsanje, Chitipa	Numerous pegmatites
	Chikhwawa, Rumphi, Ntcheu	and volcanics

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

Chapter 7

EDUCATION, SCIENCE AND TECHNOLOGY

7.1 Education Sector

The Ministry of Education, Science and Technology (MoEST) in collaboration with private and faith-based education providers, provides primary education, secondary education, technical education & vocational training, teacher education and higher education. However, the Ministry of Gender, Child Development and Community Development take lead responsibility in the sub-sector of basic education, which provides early childhood education while the Ministry of Youth Development and Sports leads the provision of sports and other services for the out-of-school youth.

7.1.1 Education Sector Achievements

7.1.1.1 Primary Sub-sector

The following are the major achievements made under the Primary Sub-Sector during the period under review;

- Construction of new classrooms in at least 80 primary schools across all the education divisions under the Schools Infrastructure Programme. This project is being supported by the Department for International Development (DfID)
- Orientation of 120 primary school administrators on leadership and management at Mpemba Staff Development Institute.
- Implementation of interactive radio instruction in which 5300 head teachers, 8000 standard 1 teachers and 6900 standard 2 teachers have been trained.
- Successful implementation of the new Primary School Curriculum (standards 2, 3 and 5- Primary Curriculum Assessment Reform-PCAR); Inspection and supervision visits to schools to ensure quality, relevance and efficiency of primary and secondary education improved. At least every school has been visited once.
- With support from DfID, (grants US$200 to each school) have been disbursed to all public primary schools under the Direct Support to Schools (DSS) project.
- Implementation of School Health and Nutrition (SHN) in 897 primary schools covering approximately 970,000 learners. The MoEST has also

approved the SHN strategy (2008-2018) and its related guidelines. The MoEST has also approved the HIV/AIDS Strategic Plan (2009-2012).

7.1.1.2 Secondary Sub-sector

During the period under review, the following are the achievements made under the Secondary Sub-Sector;

- Construction and rehabilitation of 25 CDSS under the ADF-IV project. 11 more CDSS` have been completed awaiting handover. Works are still on-going in the remaining CDSS`. The target for this project was 40 CDSS` .
- Under the ADF-V infrastructure development project, 18 CDSS` are being constructed, and, to date, about 75 percent of the work has been completed.
- Under the Education Sector Support Project (ESSUP), rehabilitation of 4 government national secondary schools (Mzuzu Government, Lilongwe Girls`, Dedza and Blantyre Secondary Schools) has been partially done. It is expected that with further support from government, all outstanding works in the 4 schools should be completed in the next 4 years.
- Rehabilitation of selected conventional secondary schools namely; Mulanje, Thyolo, and Masongola. 90 percent of the work has been done. This is a phased project and it is on-going, targeting other schools.
- Construction of girls` hostels in 17 secondary schools is in progress. This is on-going and to date works at two sites have been completed and in the remaining sites, works are at different levels of completion ranging from 10 percent to 70 percent.
- Disbursement of national bursaries to 188 Kamuzu Academy students has been done. The Ministry of Education Science and Technology selected the best 2 students from each Education District (a boy and a girl) to attend secondary education at Kamuzu Academy up to 2008 academic year.
- Provision of grants, totaling MK 40 million, to the Association for Christian Educators (ACEM) for 23 grant-aided secondary schools has been made. The grant is in addition to fees that students pay in these schools. These secondary schools are those that are owned by religious institutions. ACEM is the umbrella body for these schools. Teachers in these schools are public servants.

7.1.1.3 **Teacher Education**

The following are the major achievements accomplished under the Teacher Education activity in the period under review;

- 3,390 primary school teachers and 1,350 secondary school teachers have been trained. For primary teacher trainees, this is through the 1+1 programme where some primary school teachers spend 1 year in college for theoretical work and 1 year in the field for practical work. As for secondary school teachers, the training is at Mzuzu University, Chancellor College, and Domasi College of Education (DCE), which has two programmes, the Residential and the Distance mode.
- Construction of a fully fledged teacher training college in Machinga, which is scheduled to open in September, 2010.

7.1.1.4 **Higher Education**

During the period under review, the following are the major achievements made under the Higher Education Sub-Sector;

- Training of 750 students in vocational skills. These students are in 7 technical and vocational colleges spread across the country.
- Establishment of the Lilongwe University of Science and Technology (LUSTECH). A site has been identified for the University, and site plans and designs will be prepared very soon.
- Development of the public university out-sourcing guidelines for non-core functions and the universities have now successfully out-sourced some of their operations. This is being done in a phased manner

7.1.1.5 **Administration and Support Services**

During the period under review, the following are the achievements made under the Administration and Support services;

- Provision of nutritional support from the ministry headquarters and its six Educational Divisions to staff and teachers who have declared their HIV/AIDS sero status.
- Decentralization of education to local assemblies. District Education Plans have been developed for all education districts. These are used to mobilize resources at district level.
- Establishment of the Education Infrastructure Management Unit that acts as an umbrella body for all the project implementation units within MoEST.

7.1.2 The Millennium Development Goals (MDGs)

The primary Net Enrolment Rate is currently at 80 percent and this is an improvement from last year's rate of 79 percent although the change is quite insignificant. It is however projected that by 2015, the Net Enrolment Rate will be 88 percent which is below the MDG target of 100 percent.

The proportion of girls starting grade 1 who reach grade 5 without repeating a grade is at 76 percent, improving by about 1 percentage point over that of the pervious year. Going by the recent trend in this indicator, it is projected that this rate will reach about 91 percent by 2015, which is above the MDG target.

The ratio of boys to girls in primary school has also improved from 0.87 in 1992 to about 0.99 in 2008. This shows that the gender disparity at primary level has tremendously improved and Malawi is on course to meet the MDG target. However for secondary education, the gender disparity is still a challenge as the ratio is currently at 0.77. Projections indicate that a 1:1 ratio will not be attained by 2015 in secondary education.

7.1.3 Progress with Development Partners in 2009/2010, the Fast Track Initiative (FTI) and Sector Wide Approach (SWAp)

Currently there are several Development Partners (DPs) that are active in the education sector. These are DFID, GTZ/ KFW, CIDA, JICA, UNICEF, World Bank, World Food Programme, African Development Bank and USAID.

AID flows alignment to the MGDS has been very satisfactory in the Education Sector. With a Score of 85 percent, it implies that almost all aid flows are aligned to MGDS. Further, predictability of Aid has been very satisfactory. Almost 87 percent of the pledges were honoured by DPs.

The MoEST together with the DPs successfully executed the Education Joint Sector Review (JSR-2009) which was largely hinging on the Education SWAp and the FTI Fund. The MoEST, in collaboration with its DPs, has developed a 5-year Education Sector Implementation Plan (ESIP-2009-2013) that operationalizes the National Education Sector Plan.

The sector and the DPs participated in preparation of the joint Financing Agreement (JFA) and the Memorandum of Understanding (MOU) for the Education SWAp. These documents are being edited for signing.

SWAp structures are being established. The roadmap for the SWAp has been developed. The MoEST now has a SWAp Technical Advisor and Institutional Development Advisor to specifically look into education SWAp issues.

The MoEST is also in the process of applying for a Fast Track Initiative (FTI) Catalytic Fund and all the necessary procedures are almost complete and the formal submission of the application will be made in December, 2009. With support from DPs, a specialist has been hired to develop a SWAp procurement plan.

7.1.4 Challenges of the Education Sector that are impeding the attainment of MDGs

The challenges that the education sector faced in the period under review include the following:

- Shortage of teachers, especially in rural areas. The system currently has 45, 925 teachers. It needs 60,013 teachers to meet the recommended pupil-teachers ratio of 60:1 (EMIS 2008). The current average pupil-qualified teacher ratio is 90:1 (EMIS, 2008).
- Worsening of the pupil classroom ratio from 85: 1 in 2005, 104:1 in 2007 and 117: 1 in 2008 against the recommended intermediate target of 60:1. There are many temporary shelters, about 16 percent, in 2008 compared to 18 percent in 2007.
- Inadequate teachers houses with nearly 33,000 teachers un-housed in 2008.
- Lack of safe water and sanitation facilities in most schools.
- Limited access to secondary schools. Only 60,000 children started secondary school in the 2007/2008 school year.
- Limited access to tertiary education. On average, only 1,700 students graduate annually from University of Malawi and Mzuzu University. Access needs to expand if Malawi is to produce the professionals it needs to work, inter alia, in hospitals, schools, business and government.
- Huge gender disparities in the access to higher education. Female enrolment has remained around 30 percent in public institutions and around 45 percent in private institutions.

7.2 Science and Technology Sector

Science and Technology continues to foster economic development through implementation of the Malawi Growth and Development Strategy in the country. In 2009/10, science and technology sector continued to implement a number of initiatives and some notable achievements were made through the following endeavours: operationalisation of the National Commission for Science and

Technology (NCST), establishment of Lilongwe University of Science and Technology (LUSTECH), review of National Science, Technology and Innovation Policy, Ethanol Propelled Motor Vehicle Project, development of Science, Technology and Innovation Indicators, National Health Research Capacity Strengthening Initiative (NHSCI), implementation of the programme for Biosafety Systems and the Sustainable Development Network Programme (SDNP).

7.2.1 Operationalisation of the National Commission for Science and Technology (NCST)

In financial year 2009/10, the Government of Malawi through the Ministry of Education, Science and Technology made significant strides in terms of implementation of the MGDS. The Malawi Gazette Supplement of 20th February 2009, appointed the 14th November 2008 as the day on which the Science and Technology (S&T) Act No. 16 of 2003 came into operation. Following this notice, the National Commission for Science and Technology became fully operational by merging the then Department of Science and Technology (DST) and National Research Council of Malawi (NRCM). Through a press release dated 13th May 2009, the general public was informed on the role of the Commission, its composition and that the DST and NRCM ceased to exist accordingly. Currently, the Commission has 25 staff members.

The Members of the Board of commissioners are yet to be appointed. The NCST is expected to be an advisor to the Government and other stakeholders on all science and technology matters in order to achieve a science and technology - led development as articulated in the S&T Act. Although, the NCST has been made operational, challenges have already surfaced in the first year of its existence in terms of having in adequate budgetary resources and in adequate office accommodation for its staff.

7.2.3 Establishment of Lilongwe University of Science and Technology (LUSTECH)

In 2004, His Excellency, the State President, Ngwazi Professor Bingu wa Mutharika announced the establishment of the Lilongwe University of Science and Technology (LUSTECH). It is expected that the new university will have programmes that would emphasize science, technology and innovation for wealth creation and the improvement of people's welfare.

The unique feature of LUSTECH will, therefore, be its emphasis on industrial engineering, an area not being fully addressed by the existing universities in Malawi. LUSTECH will also be devoted to technological entrepreneurship to ensure that LUSTECH graduates acquire business skills and leave the university knowing that starting a business is a viable career option. It will also have strong links to industry and the private sector to help improve productivity and to promote the growth of the private sector.

LUSTECH has made strides in the FY 2009/10 as follows:

- LUSTECH draft Bill has been submitted for consideration by Cabinet and will be presented in the House during this sitting,
- University logo has been approved by Government,
- Initiatives to establish links and partnerships have started,
- Development Plan for ten year period has been finalised to guide the development of the University,
- Funding has been secured from the People's Republic of China and other development partners are also interested in supporting the development,
- Physical developments on the campus site at Bunda will start in the new financial year following the completion of the preliminary works such as master planning and designs,
- Curriculum development framework has been finalized and the development of course modules have begun following the completion of the training needs analysis exercise,
- Draft Conditions of Service for university staff have been prepared and recruitment of academic staff has been initiated, and
- Preparation has begun of a strategic implementation plan for the Secretariat to help guide its operations as a project implementation unit.

Future plans for LUSTECH include developmental activities of the University campus which will be done in two phases over a ten year period to ensure that LUSTECH is able to offer courses whilst some of the infrastructure is being developed.

7.2.4 **Review of National Science, Technology and Innovation Policy for Malawi**

The first Science and Technology Policy in Malawi was developed in 1991 and revised in 2002. The review of the policy was necessitated by among other things, the need to realign science and technology policy with the overall national strategy, the Malawi Growth and Development Strategy (MGDS) and ensure that it conforms to the current government policy format and includes additional priority areas of the current Government. Therefore, the current review had to take into account formulation of clear implementation plan with responsibilities of key stakeholders.

In this regard, the then Department of Science and Technology with assistance from United Nations Education, Scientific and Cultural Organization (UNESCO) started the review process of the science and technology policy in 2008. Consultations with policy makers for their contribution on the policy will be done in the month of May 2010. After incorporation of the comments, a final draft will be presented to Cabinet for consideration and approval.

7.2.5 **Ethanol Propelled Motor Vehicle Project**

The National Commission for Science and Technology continued to conduct research on ethanol as alternative source of fuel for vehicles in the country. The objective of the research is to contribute to the national economic development by promoting the use of ethanol as alternative fuel to petrol. The project is being implemented in collaboration with Lilongwe Technical College (LTC), Press Cane Limited and Ethanol Company of Malawi (ETHCO) through a public private partnership. In 2007, ETHCO procured a vehicle for research from Brazil and together with Press Cane, the two institutions have since the project inception in 2006 supplied free ethanol for experiments. LTC is responsible for undertaking the research activities. To date, LTC has converted 4 vehicles that run efficiently on ethanol.

In order to broaden the credibility and applicability of the research findings, the project procured additional 3 Nissan Tiidas for experiments with and without conversion kits in FY 2009/10. The on going experiments indicate that use of ethanol as compared to petrol is much environmentally friendly, more economically feasible and may prolong vehicles lifespan.

For Malawi to successfully benefit from use of ethanol as alternative fuel to petrol an estimated 100 million litres of ethanol would be needed. However, Malawi currently produces an average of 18 million litres of ethanol which is lower than the current installed combined capacity of 32 million litres from ETHCO and Press Cane. The low production is due to inadequate supply of molasses and this problem could be resolved by increasing national sugarcane hectarage through either expansion of sugarcane fields at Nchalo, Dwangwa, and the smallholder growers or development of the other national sugarcane potential sites. In general, the project progress and implementation is on right course. By June 2011, the project is expected to come up with the final report with recommendations to Cabinet and general public on ethanol utilisation for vehicles in the country.

7.2.6 **Development of Science, Technology and Innovation Indicators**

The programme started by developing science, technology and innovation indicators by collating the science versus non-science graduates by universities colleges in Malawi in 2007. In 2008, Malawi was among the 18 selected countries who participated in a flagship program of African Union as stated in the Consolidated Plan of Action (CPA) being implemented by NEPAD Agency. The program known as African Science, Technology and Innovation Indicators Initiative (ASTIII) offered an opportunity to develop the STI database for Malawi in a more professional way. In November 2008, pretesting of the questionnaires was done and in October 2009 and February 2010, research and development (R&D) survey for 2007/08, and Malawi Innovation Survey for 2008/09 were conducted respectively. However, only the results for R&D (2007/08) were finalized and meta-data was submitted as required by NEPAD.

R&D Survey results were classified by institution type and International Standard Industrial Classification (ISIC). The data includes R&D Human resources, research fields, Full Time Equivalent (FTEs), financial resources by income sources and allocations, Gross Expenditure on Research and Development (GERD) by institution type, research type, annual average labor costs by institution type, and research outputs by institution type.

Malawi spent approximately 1.41 per cent of its GDP on R&D in year 2007/08 of which Government sector and Not for Profit Organizations (NPO) shares were nearly 59 and 47 per cent respectively (Table 5.1). Business enterprises and others contributed the least to GERD. Malawi exceeded the AU-NEPAD target of allocating at least 1 per cent of its GDP on R&D. Malawi Government alone allocated less than 1 per cent of GDP to R&D although donors contributed part of the income.

TABLE 7.1: GERD BY SOURCE OF FUNDS

Sector	Amount (MK)	% of GERD	GERD as % of GDP
Government	3,277,549,140	*42*	*0.59*
Business	1,404,663,917	*18*	*0.25*
NPO	2,575,217,181	*33*	*0.47*
Other	546,258,190	*7*	*0.10*
TOTAL	7,803,688,428	*100*	*1.41*

Source: NCST and NEPAD Agency (2009)

7.2.7 National Health Research Capacity Strengthening Initiative

In 2004, Wellcome Trust and Department for International Development (DfID) committed £10 million each towards a joint programme of health research capacity strengthening (HRCS) in Africa. Later, the International Development Research Centre (IDRC) of Canada joined the initiative as implementing partner and funder. In October 2005, Scoping and Design Mission and consultations with key stakeholders were held. In November 2005, the Mission Report entitled "Programme Memorandum for a Collaborative Health Research Capacity Strengthening Programme in Kenya and Malawi" was presented to the funders. In 2006, Malawi and Kenya submitted proposals for the strengthening of health research capacity in their respective countries and in October 2007, the proposals for the HRCS Initiative were approved by funders.

The HRCS Initiative mission in Malawi is to foster the conduct and utilisation of high quality research that addresses the priority health needs of Malawians through the creation of an enabling research environment and through supporting stronger linkages between researchers and research users. The overall purpose of the initiative is to strengthen the health research capacity for the generation of scientific knowledge within Malawi, and improve its use in evidence-based decision making, policy formulation and implementation.

The HRCSI has made strides in year 2009/10 in terms of the following outputs:

- Developed guidelines for research grant and fellowship applications,
- Developed tools for evaluating research grant and MSc fellowship,
- Disbursed funds for an undergraduate research grant amounting to MK 924,000 to each of the following institutions; Chancellor College, College of Medicine, Kamuzu College of Nursing, Mzuzu University and Polytechnic. Each College was charged with the responsibility of awarding grants to 15 deserving final year students,
- Awarded MSc fellowships to 3 three students. The 3 awardees are studying at Chancellor College, Hasselt University in Belgium and Liverpool School of Health and Tropical Medicine respectively,
- Facilitated formation of National Health Research Agenda (NHRA) Task Force and identified 7 thematic research priority areas. The task force has members from Ministry of Health, NCST and research institutions, and
- Contributed MK420, 000 to College of Medicine towards the College's 13th research dissemination conference and open day.

7.2.8 **National Biotechnology and Biosafety Program in Malawi**

Malawi Government recognizes the important role technology plays to achieve food security and sustainable economic growth. In this regard, the Commission is encouraging safe development and application of various technologies including modern biotechnology. However, Malawi as a signatory to the Cartagena Protocol on Biosafety (2000), is obliged to put in place an appropriate policy and regulatory framework for research and utilization of modern biotechnology products.

In view of this, the thrust of the National Biotechnology and Biosafety program was to put in place a functional policy and regulatory framework for conducting R&D. Consequently, NCST facilitated the gazetting Biosafety Regulations and Guidelines and formulation and development of the Biotechnology and Biosafety Policy in 2008. The NCST has also facilitated the production of Standard Operating Procedures reference documents; namely Confined Trials Guidelines for Malawi, Trial Manager's Handbook and Inspectors handbook to guide the regulation and inspection of confined field trial research programmes in Malawi. In addition, NCST has supported public awareness programmes through radio and newsletter productions.

Following the passing of the Act, the National Biosafety Regulatory Committee was appointed and trained on their regulatory functions. As of now, Malawi has completed the basic requirements for regulating modern biotechnology and is ready to participate in modern biotechnology development.

7.2.9 **Malawi Sustainable Development Network Programme (SDNP)**

Malawi SDNP runs a nationwide Internet network that provides Internet services to the general public. Malawi SDNP manages and runs the Malawi Internet Country Code, the .mw country code top level domain (ccTLD) that gives Malawi its identity on the global Internet. The .mwccTLD was originally registered and operated abroad in USA and Malawi conducted consultations to bring this home for better country sovereignity and representation, development and operation, local and national community participation and better management.

To date Malawi SDNP has made significant achievements. Currently, there are 3,000 domains registered on the .mwccTLD in Malawi.

Malawi SDNP continued to play leadership roles on many Internet and related governance issues locally and internationally including the following:

- National ICT working group which works on the National ICT Policy
- Spearheaded the establishment of Malawi Internet Exchange (MIX) located at Malawi College of Medicine,
- Malawi SDNP chairs Malawi Internet Service Providers Association (MISPA) and hence MIX management
- Malawi SDNP sits as a council member on the Internet Corporation for Assigned Names and numbers (ICANN) and the Country Code Name Support Organization (ccNSO) of ICANN dealing with policies and technical issues pertinent to the operation and management of top level domains on the Internet based on respective country codes like the .mw for Malawi.
- Member of the Africa Top Level Domains (AFTLD) and its executive committee, African Network Operators Group (AFNOG) and African Network Information Centre (AFriNIC) Policy Development and management group (PDP-MG), and
- Runs the most comprehensive web site on national development issues for the country including: information on the environment, presidential and parliamentary elections, Malawi School Certificate Examination (MSCE) and University of Malawi first year selection results.

Chapter 8

TRADE AND PRIVATE SECTOR DEVELOPMENT

8.1.1 Overview

This chapter describes Malawi's performance in the trade sector during the period 2009/10. In addition, it presents the achievements in industry and private sector development during the period under review.

The goal of the Ministry of Industry and Trade as stipulated in its Strategic Plan is "to transform the economy from predominantly importing and consuming into a producing and exporting country, thereby contributing significantly towards sustainable economic growth, job creation and economic empowerment, generation of competitive exports and harnessing of local resources".

In order to transform the country, the Ministry of Industry and Trade adopted the government development strategy commonly known as Malawi Growth and Development Strategy (MGDS). The strategy stresses the role of the private sector as the "engine of growth" in Malawi. In view of this, the Ministry is leading to implement Private Sector Development Strategy as it recognizes that creation of enabling environment for private sector is a pre-requisite for health and sustainable economic and social development. The strategy addresses the cross cutting constraints to doing business in Malawi.

8.2 Overall Trade Performance in 2009

The performance in the external trade sub-sector, as considered in terms of trade balance, recorded a declining deficit on the current account from MK 153 billion to MK 95.3 billion in 2008 and 2009 respectively. During the period under review the total merchandise exports increased from MK125.3 billion to MK135.3 billion as compared to the value of exports in 2008. This represents an increase of about 8 percent. While imports declined from MK 278 billion to MK 230 billion, representing a decrease of 17 percent. The increase in exports was triggered by increased production, since in the previous year there were poor market prices being offered on tobacco and cotton which are among the major export commodities for Malawi.

TABLE 8.1:EXTERNAL TRADE-VALUE OF EXPORTS AND IMPORTS, 2002-2009 (K MNS)

	2002	2003	2004	2005	2006	2007	2008*	2009**
Total Imports	*53,657*	*76,650*	*101,555*	*140,179*	*164,603*	*187,029*	*278,477*	*230,750*
Total Exports	*31,427*	*51,672*	*52,672,*	*59,640*	*90,892*	*117,794*	*125,345*	*135 135,*
Total Balance	*-22,240*	*-24,978*	*-48,927*	*180,540*	*-73,711*	*-57,984*	*-153,132*	*-95,377*

Source: NSO and Ministry of Industry and Trade
Note:* Revised 2008 data ** Preliminary 2009 data

8.2.2 Malawi's Major Trading Partners

The Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and the European Union (EU) continue to be the major trading partners for Malawi[2].

Malawi exports to SADC countries increased slightly from MK 27 billion in 2008 to MK 29.6 billion in 2009, representing an increase of approximately 9.6 percent. While the imports from SADC declined from MK 190 billion to MK 51 billion resulting to a trade deficit of MK 21 billion in 2009 as compared to a deficit of MK 163 billion in 2008. The increase in trade deficit in 2008 is much explained by the fuel and fertilizer exorbitant prices in 2008. Since prices of the most imported products (fuel and fertilizer) stabilized in 2009 therefore resulted into a significant reduction of the trade deficit.

During the year under review exports to COMESA are estimated to have increased from MK 11.2 billion in 2008 to MK 15.4 billion in 2009, representing an increase of 37.5 percent whereas imports declined by 68.3 percent.

In 2009, Malawi registered a trade deficit with the EU unlike the previous year where it had recorded a trade surplus. During the year under review, exports declined from MK58 billion to MK31 billion as compared to 2008, representing a decrease of 39 percent while imports increased from MK 34.5 billion to MK 37.5 billion. This created a trade deficit of MK 5.5 billion as indicated in Table 7.2.

TABLE 8.2: MALAWI'S TRADE WITH SADC, COMESA AND EU 2002-2009 (K MNS)

	2002	2003	2004	2005	2006	2007	2008*	2009**
SADC								
Total Exports	5656.7	8505	14613.8	16581.3	2855.6	27166.9	27,353	29620
Total imports	30334.4	40753.6	58121.7	88597.1	98467.4	108936	190,810	51266
Trade Balance	-24677.7	-32248.6	-43507.9	-72016	-70008.8	-81769.1	-163,457	-21646
COMESA								
Total Exports	4350.6	7329	8986.1	8031.9	10513.2	15021	11,296	15449.1
Total imports	3902.6	8426.1	10880.3	21006.4	16453.7	18013	27,282	8624.3
Trade Balance	488	-1097.16	-1894.2	-12975	-5940.5	-2992	-15,986	-6824.8
EU								
Total Exports	9761.1	16050.9	15050.4	20973.3	35082.3	44567	52,695	31977
Total impotrs	7019.7	8395.31	13326.4	20529.9	24388.5	27195.7	34,538	37500.1
Trade Balance	2741.4	76655.59	1733	443.4	10693.8	17371.3	18,157	-5523.1

Source: NSO and Ministry of Industry and Trade
Note:*Revised 2008 data** Preliminary 2009 data

[2] *Note* that SADC and COMESA are not mutually exclusive and that trade with dual member countries such as Zambia and Zimbabwe is recorded both under SADC and COMESA

8.2.3 Malawi's Main Export and Import Products, 2002-2009 in Millions of Kwacha

Tobacco continue to dominate Malawi's export basket as it contributed about 60 percent of total export earnings amounting to MK106 billion in 2009. This implies that trade in Malawi is highly dependent on tobacco thereby vulnerable to external shocks such as changes in world prices. However, the revenue generated from tobacco in theprevious year was higher than that of 2008 which was MK 82 billion as indicated in Table 7.3. The increase is attributed to output of the crop and not the value of the commodity because the prices that were being offered at the Auction Floors during the period under review were low. Sugar and tea are still among the top three exportable commodities for Malawi.

TABLE 8.3:MALAWI'S MAIN EXPORT COMMODITIES, 2004-2008 (MILLIONS OF KWACHA)

	2002	2003	2004	2005	2006	2007	2008*	2009**
Tobacco	17.893.1	24,191.2	22303.5	31,621.1	54,810.3	51,729.6	82,917.0	106,602.0
Tea	2,827.8	3,481.5	5,132.5	5,909.9	6,514.9	7,281.7	5,191.4	9,655.5
Sugar	2,684.2	10,571.4	7,881.4	5,408.5	5,191.1	8,227.9	7,341.3	9,635.0
Apparel and Clothing	2,684.2	3,858.1	4,795.5	5,241.6	5,525.2	3,515.4	1,692.7	2,113.7
Cotton	260.8	483.9	2,224.3	1,847.1	1,832.7	3,062.2	3,070.3	2,612.0
Nuts	378.1	1,132.0	1,581.0	1,473.0	3,172.5	3,346.8	1,502.8	3,446.2
Pulses	218.8	494.1	608.3	327.9	617.8	1,814.9	846.7	2,332.2
Wood-swan and Plied	62.7	178.6	219.3	413.7	481.2	963.0	1,291.3	986.7
Natural Rubber	152.9	265.8	399.0	248.1	664.9	694.8	1,025.6	232.9
Coffee	175.6	245.1	217.5	321.3	201.7	514.9	203.7	281.1
Spices	224.0	141.2	170.7	174.0	569.0	190.4	442.6	675.3
Hides and Skins	32.1	31.5	44.0	67.5	113.3	122.4	138.3	121.7
Wooden Furniture				277.5	435.9	154.9	341.6	675.3

Source: NSO and Ministry of Industry and Trade
Note: *Revised 2008 data** Preliminary 2009 data

Fertilizer emerged as the major import commodity followed by petrol in the year under review. Fertilizer import value decreased from MK 47.3 billion in 2008 to MK 38.1 billion in 2009 as indicated in Table 7.4 below. And there was a slight increase in terms of petrol import value in 2009 as compared to the year 2008 and this was due to increase in fuel demand in the country regardless of stabilization of fuel prices at the international market. Among the imported products, paraffin, diesel and other fuels, coal and vehicles continue to dominate the import basket.

TABLE 8.4: VALUE OF SELECTED IMPORTS, 2001-2008 IN MILLIONS OF KWACHA

	2004	2005	2006	2007	2008*	2009**
Petrol	*3500.4*	*3252.1*	*4389.2*	*6011.1*	*7333.8*	*9046.7*
Paraffin	*859.2*	*1074.7*	*942.4*	*1317.1*	*1359.9*	*504.0*
Diesel and other Fuels	*5954*	*6684.5*	*9742.0*	*11427.2*	*14979.4*	*1646.6*
Fertilizer	*6980*	*13159.4*	*8550.3*	*26509.5*	*47398.6*	*38115.0*
Coal	*221.5*	*232.8*	*153.9*	*119.9*	*96.2*	*92.3*

Source: NSO and Ministry of Industry and Trade
Note:*Revised 2008 data** Preliminary 2009 data

The export sector has been largely affected by the shortage of foreign exchange on the market and disruption of fuel supply in the final quarter of 2009. These problems were exacerbated by other supply side constraints such as unreliable power supply and high general cost of transportation which is estimated at 56 percent. However, the foreign exchange problem is slowly improving and the supply of fuel is back to normal which is likely to improve the export performance in the subsequent years.

8.2.4 Trade Agreements

Malawi continues to participate actively in bilateral, regional and multilateral trade agreements with a view of benefiting through a wider market access and integrating into the global economy.

8. 2.5 Bilateral Trade Agreements

Malawi has an asymmetrical bilateral trade arrangement with South Africa, bilateral trade agreement with Zimbabwe, Mozambique, People's Republic of China and India. The Customs Agreement with Botswana has been essentially non-operational as the business community prefers to use the SADC preferences other than the Botswana-Malawi customs agreement. Through these agreements Malawi has managed to export some products to these markets.

8.2.6 Regional Trade Agreements

Malawi is a member of Common Market for Eastern and Southern Africa (COMESA) and Southern Africa Development Community (SADC). COMESA established a Customs Union in June, 2009, with a transition period of three years during which member states will be expected to meet all the requirements of Customs Union. Among these include aligning national tariff structures to COMESA Nomenclature and Common External Tariff, adoption of common set of customs procedures, and harmonizing the trade remedies laws. Similar program is being pursued under SADC which envisage the establishment of a Customs Union by the end of 2010.

However, COMESA, SADC and the Eastern Africa Community (EAC) agreed in October, 2008, to establish a Tripartite Free Trade Area (FTA) covering the three

Regional Economic Communities (RECs). The motivation to establish the Tripartite FTA stems from the overlapping membership of member states into the three RECS which was causing confusion to policy implementing bodies and the business community at large. Currently the membership of the tripartite region comprises of 26 countries, of which 22 are already participating in their respective FTA. Through this process the three RECs will harmonize their customs procedures, promote free movement of business persons, undertake joint implementation of inter-regional infrastructure programmes, and establish institutional arrangements to foster cooperation among the RECs. A Tripartite Task Force was established to spearhead the integration process and so far, a draft tripartite agreement has been developed and member states are considering it.

8.2.7 Multilateral Trade Agreements

Malawi continues to actively participate in the multilateral trade arrangement under the World Trade Organization framework with a view of safeguarding her interests by focusing on trade related development issues such as market access in agricultural and industrial products, preserving the existing trade preferences, provision of special and differential treatment to Least Developed Countries, and reduction of all forms of non-tariff barriers to trade. During the last Ministerial Conference, which was held in Geneva in December, 2009, member states committed themselves to conclude the Doha Round of negotiation by the end of 2010, necessitated by the emerging issues such as the global financial crisis and climate change.

Malawi is among the five countries that are yet to initial the Interim Agreement in the Eastern and Southern Africa (ESA) region along with Djibouti, Ethiopia, Eritrea and Sudan. Malawi continues to enjoy preferential market access to the European Union (EU) under Everything But Arms (EBA) initiative, which is part of the EU Generalized System of Preferences (GSP). Through this initiative, LDCs enjoys duty and quota-free access to EU for all imports save armaments. Malawi is concerned that it is likely that EBA arrangement may be withdrawn as it is unilateral in nature, hence, does not provide any guaranteed access of products to EU market in the long term. Under EBA, minor variation applies to sugar, banana and rice where quotas are used and Malawi sugar exports has benefited from this arrangement by obtaining a higher prices than world prices per ton. However, the EU has extended date of expiry of this regime to 2012 beyond which world prices will apply. This entails that the preferential treatment given to sugar from Malawi will be essentially eroded.

8.2.8 African Growth Opportunity Act (AGOA)

Malawi enjoys preferential duty and quota free market access to United States of America for 1800 product lines under African Growth and Opportunity Act (AGOA) since 2000. Utilization of this market access was higher in the early years, especially in textile and apparel products but has dropped since 2005 due to expiry of Multi-Fibre Agreement. Malawi Government is revisiting her AGOA

Strategy in an attempt to resuscitate high exportation of her products such as macadamia nuts, textiles and apparel clothing to the US markets.

8.2.9 Competition and Consumer Protection

The Ministry through the Competition and Fair Trading Commission (CFTC) implemented competition and consumer protection services to encourage competition and prevention of anti-competitive practices and other unfair business practices in the country. In light of this, the CFTC assessed and approved a number of mergers based on the prior consultations with various stakeholders. Most of the cases were approved subject to the implementation of undertakings that would address the competition and public interest concerns that had been raised during investigations. The Commission successfully resolved the takeover applications by accruing fair outcomes, in particular instance by influencing the companies to put up measures that are aimed at expanding the levels of investment and meeting social responsibility such as retention and creation of jobs. To this effect, the Commission analyzed the following mergers and takeovers, which were either approved outright or on conditions that certain conditions are met:

- Takeover of Africaleaf Malawi Limited by JT International Holding BV;
- Takeover of Oil & Protein Company by Cascade Holding; and
- Sale of tobacco processing factory by Alliance One Limited to Africaleaf Processors Limited.

Therefore, the consummation of those mergers that were approved by the CFTC with certain conditions aimed at alleviating the identified competition and public interest concerns, contributed most to the socio-economic benefits accruing to the consumers. By implication therefore, had the merger or takeover were allowed to proceed with identified competition and public interest concerns, then consumer welfare would have been compromised, and even adversely affected.

8.3 Industrial Performance

During the period under review the industrial sector's average contribution to GDP was 7.9 percent (GDP at constant 2005 prices), and some of the areas of facilitation were as follows:

8.3.1 Industrial Projects

The Ministry facilitates investment growth in Malawi, as one aspect of creating employment, reducing imports, increasing foreign exchange and transfer of technologies and skills. As such the following were the projects facilitated:

- **Plantation**: Citrefine Plantations Limited which is situated in Chikangawa, Mzimba has invested $1.2 million for the manufacturing of Eucalyptus oil to be exported to the United Kingdom. The company has employed 200 people;

- **Wood and Wood Products**: Raiply Export Processing Zone (EPZ) is a sister company to Raiply Ltd, it is in its first phase of operation, with an initial investment of US$10 million for the first phase and $20, million for the second phase. It currently employees 400 people, and will export Medium Density Fibreboards to the Republic of South Africa, Kenya and Botswana. It projected returns of $3,500,000 for the first phase;
- **Nyasa Tobacco Manufacturing Company**: A US$3 million tobacco cigarette finishing and packaging plant has been installed in Blantyre which employs 100 people;
- **Malawi Cotton Company**: The Company invested US$25 million in an integrated cotton processing plant and has created employment to approximately 1,100 people. The company commenced ginning operations in October. 2009 and is due to start producing cooking oil in 2010 and cotton yarn production in 2011;
- **Limphasa Sugar Corporation**: Limphasa Sugar Corporation has invested US$60 million into sugar plant in Nkhatabay and expected to employ 1,200 people in total. Production is expected to commence in 2011;
- **Business linkages**: The Ministry in collaboration with the Tea Association of Malawi and various other stakeholders has formed a tea task force with the aim of developing the tea industry; encouraging more local buyers on the auction floors and also strengthen the tea and coffee merchants association;
- **Cement Factory**: Funding has been sought for the establishment of a US$30 million Bwanje Cement Manufacturing Project in Ntcheu; and
- **Expansion**: Investment worth US$ 12.3 million by Bottling and Brewing Group Limited for a new soft drink plant and water waste treatment plant in Lilongwe is in its first phase. Investment of $1.6 million for a new bottling line and bottling hall in Mzuzu .The first phase of the project will represent an additional 60 percent of current capacity.

8.3.2 Rural Industrialization

The Ministry facilitates development of industrialization at local level in order to spread development countrywide and improve on technology and capacity and value addition. Some initiatives that the ministry has undertaken in collaboration with Ministry of Agriculture and Food Security include:

- Formation of an industry, agriculture, and trade nexus which will enhance collaboration between agriculture and industrialization, so that the two ministries work and move together in the same direction through the sharing of information in order to improve the problems of supply and demand.

- The government has also entered into an agreement with India in order to address challenges facing the development of micro and small enterprises in Malawi. The agreement encompasses transfer of appropriate technology, capacity building, enterprise linkages, and market opportunities for the micro, small and medium businesses in Malawi.
- District industrial profiles have been prepared outlining the raw material situation and industrial potential in the district in Malawi.

8.3.3 Cotton Development Initiative

The Ministry conducted cotton value addition and social enterprises trainings in Salima and Karonga districts where 400 cotton farmers and 20 Agricultural Extension Development Officers were trained on modern techniques of processing cotton and its by-products. The training also covered cotton cooperative and market aspects where farmers were taught market based international best practices which should lead to rising of farmers' income.

8.4 Private Sector Development

The Private Sector Development still remains crucial in fostering sustainable economic growth and reducing poverty in Malawi. The Ministry in collaboration with various departments facilitated a number of reforms aimed at improving the doing business climate in Malawi. In the area of construction, the Department of Physical Planning empowered City Planning Committees to reduce time required for approval by concentrating on large projects, leaving approvals for minor projects to technical committees, and capping the approval time for construction permits to 60 days.

In the area of trading across boarders, the Malawi Revenue Authority expanded its rapid customs clearance through risk-based customs system for reliable and honest business entities.

8.5 Investment and Investment Promotion

8.5.1 Global Investment Trends in 2009

Global inflows of foreign direct investment (FDI) fell by 39 percent from US$1.7 trillion in 2008 to a little over US$1.0 trillion in 2009. The decline in FDI was widespread across all major groups of economies. After experiencing a severe fall in 2008, FDI flows to developed countries continued their dramatic decline in 2009 (by a further 41 percent). FDI flows to developing and transition economies, which had risen in 2008, declined in 2009 (by 35 percent and 39 percent, respectively), as the impact of the global financial and economic crisis continued to unfold.

All components of FDI-equity capital, reinvested earnings and other capital flows (mainly intra-company loans) were affected by the downturn. However, the decrease was especially marked for equity capital flows, which are most directly related to transnational corporations' (TNCs) longer-term investments strategies. Regarding the mode of entry, cross-border mergers and acquisitions were the most affected, with a 66 percent decrease in 2009 as compared to 2008. The number of international Greenfield projects also declined markedly, though to a much lesser degree.

Global FDI into Africa declined to US$55 billion in 2009 from US$85 billion in 2008 representing 65 percent. However, Africa remains at the lowest end in terms of attracting FDI and in 2008 FDI into Africa was only 5.2 percent of global FDI. The largest recipients of this FDI were South Africa, Egypt and Morocco. The current financial crisis that is affecting developed economies will have a significant bearing on FDI flows into Africa. This is due to the fact that the financial institutions that provide funding for FDI have been affected as well by the global financial meltdown. However Africa is likely to be affected by the secondary effects of the global financial crisis through factors like prices of primary products and the flow of investments into the continent.

Africa's FDI inflows are biased towards countries with natural resources. South Africa is the largest recipient of FDI in the SADC region. In the effort to realize their FDI potential, many African countries have adopted new FDI policy measures and modified existing ones at the national level, and have entered into bilateral and other international investment arrangements. Reforms of investment laws have mainly aimed at liberalizing TNC entry and operations, and strengthening protections for foreign investment.

8.6 Investment Performance in Malawi

8.6.1 Investment Performance in 2009

In the year 2009 Malawi registered new investment pledges worth US$109.6 million. This represented a decline of 24 percent from the previous period. 31 percent of these investments came from Asia followed by local investments at 28 percent. Investments from the SADC region contributed about 22 percent of the total. In terms of the sectoral composition of the FDI, a bulk of these investments went to manufacturing (56 percent) and services (28 percent). Tourism and mining claimed 8 percent each of the total investment. These investments created 3,763 jobs compared to 25,908 jobs realized in 2008.

The decline in investment levels to Malawi during the period under review can be attributed to two factors. Firstly, 2009 was a general elections year for Malawi. As such foreign investors were waiting to see the outcome of the elections before they could commit their resources in the economy. Secondly, the global financial crisis could have played a role in affecting the performance of global investments and Malawi was not spared from this development. This can be evidenced from the fact that local investors have significantly contributed to investments realized in 2009.

8.7 Investment Promotion

8.7.1 Domestic Investment Promotion.

The Malawi Investment Promotion Agency concentrated its efforts in working with the Small and Medium Enterprises (SMEs) in 2009. With the support of UNDP, MIPA together with Ministry of Industry and Trade implemented Strengthening the SME Sector Project aimed at building and improving the capacities of SMEs in Malawi. This is expected to increase the existing investment levels at micro and medium scale. It is also hoped that the assisted companies have the potential of eventually graduating into large scale enterprises in the long run. Some of the activities that were done during the period under review were research on bottlenecks impacting SME growth, training the SMEs in business and credit management, documenting and publishing star performing entrepreneurs and updating MIPA's database of entrepreneurs, organizing and holding a bankers and SMEs Day as well as holding entrepreneurship networking events.

Another UNDP funded project, Growing Sustainable Business (GSB) focused on identifying pro-poor projects and seek the financiers for the same. Ten pro-poor projects were identified and have a capacity of creating employment and income among the poor entrepreneurs nationwide. The identified projects are mainly in the agro-processing sector since the sector has potential for growth.

8.8 Investment Mapping

In 2009 Malawi Investment Promotion Agency (MIPA) embarked on an investment mapping exercise in all the parts of the country. The purpose of this exercise was to profile unexploited investment opportunities available across the country in individual districts. Opportunities in various districts have been identified in the areas of cotton growing, commercial irrigation schemes, limestone mining, gold and gemstone mining, commercial rice farming, cassava starch processing, medium to large scale fish farming, glass making, and construction of hotels along the lake shore districts, among others. This exercise is on going and is expected to be finalized in 2010. Upon completion of the exercise, feasibility studies will be conducted and project profiles developed ready for marketing. One of the outputs of the exercise is to develop district investment opportunities guide.

8.9 Foreign Investment Promotion

The Agency carried out three foreign investment promotion missions in 2009. The countries that were visited were South Africa, United States of America and Uganda. In Uganda the Agency participated at the fifth Asia-Africa Business Forum that was organized by UNDP and the Japanese Government and Malawi presented the tourism investment opportunities available in the country.

8.10 Investment Facilitation

During the period under review, the Agency provided after care services to MIPA assisted companies nationwide. The aim of this exercise was to get feedback from investors in order to make the investment environment more conducive. During this exercise the Agency was able to appreciate problems that companies face and was able to communicate with relevant authorities like the Malawi Revenue Authority (MRA), Electricity Supply Corporation of Malawi (ESCOM) and Ministry of Home Affairs. Several gaps were identified and the Agency was also able to provide counseling and advisory services to potential investors. The counseling included information on investment procedures and advice on investment opportunities and information related to investment.

In 2009, MIPA took a leading role to hold a rapport with stakeholders to improve the investment cycle under the AGOA initiative. Several meetings held with exporters under AGOA revealed the problems they face and advice was given to Government for its proper intervention. Currently, MIPA is working with the Malawi Export Promotion Council (MEPC) and Ministry of Industry and Trade to promote and support the AGOA Initiative in Malawi through the development of Malawi AGOA Strategy.

The Ministry of Industry and Trade facilitated the Malawi-India Business Forum where over 120 Projects were showcased for investment. Malawi also participated in the 6th CII-Exim Bank Conclave on India Africa Project Partnership where projects worthy over US$500 million were showcased.

Despite efforts to improve the enabling environment for private sector development, Malawi is ranked 132 out of 183 economies compared to 131 rank scored in 2008 according to 2010 World Bank/IFC Doing Business report. In order to address this, the Ministry is facilitating the process of improving four indicators namely: dealing with construction permits, registering property, trading across boarders and enforcing contracts.

Although Malawi dropped down by a step compared to the previous year but she performed tremendously well in the paying taxes indicator where it ranked 24 from position 60 in the previous year. Malawi also made notable improvements in the closing a business indicator where it ranked 130 from 137 in the previous year.

In addition, the Ministry facilitated the opening of the Commercial Court and Business Growth Support (BUGS) branches in Lilongwe. This has tremendously reduced the distance that clients from the central and the northern regions have to travel to access commercial justice and business support services.

The Ministry has also facilitated the development of the Regulation of Liquidators fees down to 5 percent of value of assets or transaction thereby increasing rate of recovery to creditors from the company that is being liquidated.

8.11 Investor Applications

The Investment Approval Committee (IAC) meetings were held during the period under review. Prior to these meetings 14 company visits were made, 14 applications for investment certificates were received and 12 were approved. Letters for investors requiring Business Resident Permits (BRPs) and Temporary Employment Permit (TEPs) were sent with a letter of recommendation to the Ministry of Home Affairs for approval.

8.12 Improved Corporate Image and Promotional Materials

The Agency improved its corporate image and the promotional materials for local and international audience. To this effect, the Agency under the GSB Project renovated the billboards in Mchinji, Dedza, Mwanza and Karonga districts. Similarly, the Agency also reviewed and revamped the 2009 Investors Guide to Malawi and the promotional kit. During the period under review the Agency also produced two editions of the Trade and Investors Magazine. The Agency also updated its website to include information on the investment climate, opportunities and incentives outlined in the 2009/10 fiscal year as well as economic statistics like inflation for Malawi. MIPA's well managed website earned recognition from the Africa Investor as one of the most improved website in the COMESA Region.

8.13 Investment Prospects for 2010

In the short term, the negative impacts of the global financial squeeze are likely going to dominate the FDI inflow into developing countries. However, with some favourable factors at play like quick expansion of new activities like new energy and environment-related industries and the relative resilience of international companies will work as a cushion against further declines in FDI flows.

With support of the World Bank Initiative-BESTAP, MIPA will also review all trade and investment promotional materials. Through BESTAP the Agency will also develop a Management Information System (MIS) and carry out a road map study for investors. All these efforts strive to bring the country on the international investment destination map. Once the National Investment Policy is approved by Cabinet, it is hoped that the investment climate will be improved and the competitiveness of Malawi as good investment country will be realised.

8.14 Small and Medium Enterprises (SMEs) Promotion

The Ministry linked Malawi Dairy Industries and other SMEs with Belgian Technical Assistance Programme in a view to enhance product development. The Ministry also provided start up capital in form of materials such as mushroom houses, spawn and bee hives to various organized groups in Thyolo, Phalombe, Chiradzulu, Mchinji, Ntchisi, Machinga, Rumphi and Kasungu. It also initiated the vocational training to the youths in different trades in Chiradzulu, Thyolo and Mzimba districts.

8.15 Cooperative Development

The Ministry through the Cooperative Development Division promotes and develop Cooperative Sector in Malawi. The initiatives that the Ministry has done include supporting Savings Credit Cooperatives (SACCO), facilitated linkages between cooperatives (agricultural cooperatives) and prospective buyers

During the period under review, SACCOs in the country granted loans to members worth over MK756 million for productive purposes while during the same period, Community Savings and Investment Promotion (COMSIP) gave out loans to cooperative members amounting to MK175 million for farming and income generating activities. The agro-based cooperatives countrywide gave out loans in a form of farm inputs of about MK 250 million.

Currently, the Cooperative Division has registered 369 cooperatives societies country-wide and managed to train 60 cooperatives in 2009 in various needs including leadership skills and business management.

Chapter 9

ENERGY SECTOR

9.1 Overview

This Chapter reviews the performance of the Energy Sector in the economy during the 2009/2010 Financial Year (FY). In particular the Chapter has examined performance in the electricity, petroleum, coal and biomass sub-sectors and various renewable energy programmes. Issues of Electricity, Malawi Rural Electrification Programme, Petroleum, Promotion of Alternative Energy Sources Project, Programme for Biomass Energy Conservation, New and Renewable Energy Sources, Clean Energy Technologies, Coal and Energy Planning Modeling using International Atomic Energy Agency (IAEA) tools were on the Energy Sector agenda.

9.2 Electricity

In 2009 (FY ending in June), ESCOM sold 1,341.87 GWh of electricity compared to 1,218.59 GWh in the same period of the previous year. This represents a 10 percent increase in units sold. The number of registered consumers, however, grew by 9.4 percent from 172,924 in 2008 to 189,166 in 2009. The installed capacity for the interconnected system during the period in question was 285MW of which 265MW was available and 1,661.32GWh energy was generated (see Table 1 below).

TABLE 9.1: ELECTRICITY GENERATION AND CONSUMPTION (2005-2009)

YEAR	2005	2006	2007	2008	2009
Installed Hydro Capacity (MW)	284.5	284.5	285	285	285
Maximum Demand (MW)	232	241.7	251	259.67	273.01
Energy generation (GWh)	1,703	1,390.8	1453	1543	1661.32
Number of Consumers	155,589	163,147	164,795	172924	189166
Consumption Domestic (GWh)	377	417.3	437.54	456.63	516.10
General (GWh)	180	185.3	196.49	218.16	225.15
Power Demand (GWh)	491	503.3	--	521.9	584.27
Export (GWh)	7	10.6	17.4	21.93	16.35
Total Consumption GWh)	**1055**	**1,076.5**	**1,109.52**	**1218.59**	**1341.87**

Source: ESCOM

9.2.1 Demand Analysis and Planned Projects

According to the Base Scenario of the Power Demand Forecast carried out in August 2008, generation requirements are expected to increase to 408MW in 2010 and 829MW in 2020 respectively. Growth rates are generally higher in the second decade due to higher long-term economic growth rates. See Table 2 overleaf:

TABLE 9.2: FORECAST ENERGY AND POWER DEMAND

Item	Energy and Power				Average growth rate (% p.a.)		
	2008	2010	2015	2020	2008-10	2010-20	2008-20
Domestic (GWh)	456.63	548.86	827.77	1170.40	8.04	8.10	7.91
General (GWh)	218.16	266.32	409.63	563.60	10.36	7.60	8.19
Small Power (GWh)	226.87	271.50	402.60	566.24	8.01	7.53	7.58
Large Power (GWh)	295.03	364.00	576.07	827.33	6.98	8.84	8.20
Export (GWh)	21.93	33.24	53.54	86.22	27.23	10.00	13.98
Total Sales (GWh)	1218.59	1483.93	2269.61	3213.79	8.40	8.04	8.12
Works units (GWh)	6.31	6.77	10.94	16.10	8.30	8.20	8.12
Losses (GWh)	325	315	189.81	268.77	5.36	6.30	6.29
Generation (GWh)	1543	1662.39	2712.86	3842.05	7.96	7.88	7.85
Peak Load (MW)	242	317.82	474.52	671.93	8.62	7.91	7.97
Step Loads(MW)	4.15	25.6	37.1	37.1	187	7	32
Reserve Margin(MW)	29	37	55	75	10	10	10
Generation Requirements(MW)	324	408	603	829	12.13	7.52	8.00

Source: ESCOM

Based on figures in the table above, Domestic, General and Small Power Consumers have high growth rates of 8.04, 10.36 and 8.01 percents respectively in the period 2008 to 2010. This is explained by the very high GDP growth rates used as proxies for the income levels of these consumer categories.

Based on the demand forecast, some impetus in electricity demand will emanate from continued expansion of mining, irrigation and telecommunications activities owing to the prioritization of the mining sector, food security and popularity of mobile phones, and a modest expansion in government spending. Inter-tariff subsidies and the on-going tax reforms will increase disposable incomes of the domestic/general sector, which should result into higher appliance ownership and therefore high electricity consumption by this category. The power demand forecast also shows that with the present total installed capacity of 285MW, ESCOM is currently not able to meet demand and the reserve margin. Therefore, there is urgent need for capacity additions. With the projected peak demand of 408MW, 603MW and 829MW for years 2010, 2015 and 2020 respectively, the generation capacity of the country needs to be significantly increased in order to meet the projected demand and the required reserve margin.

In order to meet the projected demand, Government financed the implementation of Kapichira Hydro Power Project Phase II. Efforts to increase the generation capacity from other rivers other than Shire River are also at an advanced stage. This involves request to African Development Bank (AfDB) for financial resources to conduct a detailed feasibility study for hydropower generation from Lower Fufu on the South Rukuru River in Rumphi District. Furthermore, resources have been included in the 2010/2011 budget for quantification of coal resources and feasibility study for a coal fired power plant. The Department of Energy has also budgeted for feasibility studies of hydro power generation on Bua and Dwangwa Rivers under its Malawi Rural Electrification Program Treasury

Fund Budget. Discussions with the World Bank and the Mozambican Government are still going on to come up with appropriate agreements on the interconnection of the power system in Malawi to that of the Southern African Power Pool (SAPP) Grid to allow Malawi to participate in power trade in the region.

ESCOM has also completed the rehabilitation of Tedzani I and II Hydro Power Stations of 20MW each and the stations have since been commissioned in the period under review. In addition, ESCOM has embarked on projects to improve quality and security of power supply through major maintenance of the transmission and distribution network. Amongst the projects included are the rehabilitation of distribution network throughout the country and the reinforcement of a transmission line at 132 kV from Chintheche in Nkhatabay through Luwinga in Mzuzu to Bwengu in Rumphi District. There are also plans to construct a new 220kV line from Phombeya in Balaka through Lilongwe and Kasungu to Bwengu to supply the growing demand for electricity in the central and northern regions. The new transmission line will also be used to evacuate power from the planned 100MW hydropower station at Lower Fufu in Rumphi District and 150MW Songwe Hydro Power Station in Karonga. The same transmission line could be used to evacuate power from a coal fired power plant if the plant is located near the coal fields in Karonga or Rumphi.

9.2.2 Electricity Tariff Developments

A tariff study for ESCOM was commissioned in 2003 and the final report was presented to Government in July 2005. The study, among other factors had to derive a tariff structure, which removes the current distortions caused by non-uniform tariff increases for various consumer categories. The study further required deriving a tariff structure that reflects the cost of supply as well as tariffs for generation, transmission and distribution, in line with Government's policy of restructuring the electricity industry. The tariffs that were determined are based on long run marginal cost (LRMC), ESCOM's revenue requirements and national social objectives.

Since there were delays in implementing the tariff study, ESCOM reviewed the tariff study and modified some of the recommendations to take into account new requirements. Following this review, ESCOM applied to Government through MERA to adjust the tariff upwards by 54.1 percent gradually for a period of four years beginning July, 2009 to June 2013. However, Government approved average tariff increase of 56.22 percent; translating into a total budget of MK67 billion. This means a tariff adjustment from the current average of K6.01/KWh to K9.36/KWh. The implementation of the tariff has been phased out and spread over the first two years. The first increase of 36 percent was with effect from 1st December, 2009 and will run up to 30th November, 2010 and the remaining 20.22 percent to be implemented with effect from 1st December, 2010. This will run up to 30th November, 2013 subject to MERA's assessment of ESCOM's performance on the set targets in the preceding financial year.

9.2.3 Malawi Rural Electrification Programme (MAREP)

Malawi Rural Electrification Programme (MAREP) started way back in 1980 with ESCOM as the implementing agency through donor and own financing. Later on Government took over implementation of the programme in 1995 and DoEA was appointed as the implementing agent. The objective of MAREP is to increase access to electricity for people in peri-urban and rural areas as part of Government's effort to reduce poverty, transform rural economies, improve productivity and improve the quality of social services.

The programme is executed in Phases. Since MAREP inception, five phases have been implemented which involved extending power transmission and distribution lines to district administration centers, major trading centers, tobacco growing areas, and the development of the 4.5 MW Wovwe Hydro Power Plant.

9.2.3.1 MAREP Phase VI

The Government of Malawi is currently implementing MAREP Phase VI, during the 2009/2010 financial years which will electrify 54 trading centres (two in each district except Likoma which is fully electrified).Table 9.3 below shows the 54 targeted trading centres for MAREP Phase VI.

TABLE 9.3: MAREP PHASE VI TARGETED TRADING CENTRES

District	Name of Trading Centre	District	Name of Trading Centre
Chitipa	Kameme	Balaka	Kwitanda
	Chisenani		Phimbi
Karonga	Mulare	Mangochi	Chilipa
	Miyombo		Chiponde
Rumphi	Nkhozo	Machinga	Nampeya
	Ng'onga		Ngokwe
Nkhatabay	Kavuzi	Neno	Magaleta
	Usisya		Luwani
Mzimba	Eswazini	Mwanza	Thambani
	Luwerezi		Kasuza
Kasungu	Mpepa	Blantyre	Chikuli
	Kaphaizi		Dziwe
Nkhotakota	Msenjere	Zomba	Sunuzi
	Benga		Zaone
Salima	Kandulu	Chiladzulu	Chimwawa
	Khwidzi		Ndunde
Dowa	Bowe	Thyolo	Fifite
	Chisefulo		Lalakani
Ntchisi	Nthesa	Mulanje	Chinyama
	Kamsonga		Mathambi
Lilongwe	Kasiya	Phalombe	Nambazo
	Chilobwe		Chilinga
Mchinji	Mkanda	Chikhwawa	Mitondo
	Mikundi		Kakoma
Dedza	Kabwazi	Nsanje	Masenjere
	Chimoto		Kampata
Ntcheu	Kasinje		
	Kadzakalowa		

In the period under review, detailed designs of High and Medium Voltage Power Lines and Bills of Quantities have been prepared. In addition, tenders were evaluated, and the evaluation report was submitted to Office of Director of Public Procurement (ODPP). A No Objection from ODPP was granted. Contracts have been awarded to successful bidders and signed for the supply of materials. Using the remaining materials from MAREP Phase V, erection of poles in seven trading centers has been done.

9.2.4 Community Solar/Wind Hybrid Electrification Project

The Department of Energy, through MAREP is implementing Village Electrification Projects using Solar-Wind (Hybrid) Systems. The main thrust of this project is to experiment on the suitability of stand-alone renewable energy technologies for rural electrification in order to increase access to modern energy services by the rural communities. This is expected to transform the rural communities who are far from the national grid. The project concept is to electrify a village using a centralized Solar-Wind Hybrid System (60 percent Solar and 40 percent wind) with estimated system capacity of 25 kW. The area coverage of the village should be between 2 and 3 km radius with about 150 households each, including institutional (government) facilities such as staff houses, schools and clinics. Each house should have five lighting points and one socket outlet. The generated electricity is used for the provision of the following services to the village:

- Domestic and street lighting;
- Running electrical domestic appliances;
- Running refrigerators at the trading centre of the village; and
- Water pumping for piped water supply in the village.

Phase II of the project targeted three villages (150 households in each village). In the year 2009/10, DoEA finalised installation of solar/wind hybrid systems at Kadambwe and Mdyaka villages in Ntcheu and Nkhatabay districts respectively. Installation of solar systems at Chitawo Village in Chiradzulu District has been delayed. Government has also budgeted for the electrification of three additional villages during the 2010/2011 financial year.

Phase I of the project was successfully implemented in 2007/2008 financial year. The villages electrified under this Phase are Kadzuwa in Thyolo (Southern Region), Chigunda in Nkhotakota (Central Region) and Elunyeni in Mzimba (Northern Region).

9.3 Petroleum

9.3.1 Fuel Importation

Malawi imports of petroleum products in the first half of 2009/2010 Financial Year increased by 1.7 percent as compared to the same period of 2008/2009 Financial Year. Petrol and diesel imports increased by 8.9 and 2 percents respectively, while imports of paraffin registered a decline of 22.5 percent (See

Table 9.4 below). The decline in paraffin imports is largely due to the scarcity of paraffin of the required standard 38°C flash point, general scarcity of paraffin on the international market, and low demand for illuminating paraffin due to technological advances and rural electrification. Intermittent supply of paraffin due to contamination also contributed to the decrease in paraffin imports.

TABLE 9.4: FUEL IMPORTS (LITRES) 1998-2009

Year	Petrol	Diesel	Jet a-1	Paraffin	Avgas	Total
1998	94,891,902	133,358,649	9,834,643	28,917,577	226,455	267,229,226
1999	91,797,272	130,545,103	1,639,326	46,413,088	-	270,394,789
2000	84,896,135	124,905,868	7,238,749	31,397,224	107,269	248,545,245
2001	81,039387	125,106,968	8,800,186	18,921,235	356,926	234,224,702
2002	88,329,685	127,157,516	6,417,316	20,955,949	201,917	243,062,383
2003	92,976,658	136,408,597	11,911,286	23,652,991	213,898	253,038.246
2004	94,186,321	147,922,241	10,862,036	24,762,093	284,286	266,870,655
2005	84,023,978	152,664,646	9,267,805	21,838,787	235,537	258,527,411
2006	88,330,024	153,235,938	11,764,101	20,310,207	224,682	259,158,172
2007	91,289,689	167,120,445	13,001,437	18,232,957	259,393	289,903,921
2008	103,003,788	199,251,252	13,261,288	17,957,471	268,978	333,742,777
2009	112,236,705	203,302,459	9,758,855	13,916,949	254,470	339,469,438

Source: Malawi Energy Regulatory Authority (MERA)

In the year under review, there was shortage of petrol, diesel and paraffin. The shortage of these products was attributed to supply logistical problems emanating from, among others, congestion at the port of Beira and Tete Bridge, which is being rehabilitated in Mozambique. Nevertheless, total fuel volumes registered an increase as compared to the same period in the previous year.

Malawi continued to capitalize on the Beira, Nacala, Dar-es-Salaam and Mbeya routes for procurement of fuel in 2009. Based on the figures provided in table 9.5 below, about 60.3 percent of fuel imports came through Beira, 26.1 percent through Dar-es-Salaam, 13.2 percent through Nacala and 0.4 percent through Mbeya. During the period under review, fuel off-take from the Nacala Route doubled due to improvements in fuel handling by railway transportation.

TABLE 9.5: MALAWI FUEL IMPORTS PER ROUTE 1998-2009

		ROUTES				
Year	Beira	Nacala	Dar-es-Salaam	Mbeya	Gweru	Total
2000	126,761,107	42,149,779	51,806,647	20,481,694	-	41,199,227
2001	130,585,831	16,134,199	66,135,812	21,368,860	-	234,224,702
2002	130,763,489	10,140,307	77,013,269	28,879,927	-	246,796,992
2003	158,652,734	35,988,318	39,857,111	31,998,208	1,065,575	267,561,946
2004	160,122,393	37,361,892	37,361,892	32,024,478	-	266,870,655
2005	182,861,911	6,862,335	43,545,416	25,257,749	-	258,527,411
2006	88,508,579	2,717,997	53,336,864	14,594,732	-	59,158,172
2007	197,009,678	1,164,019	60,113,735	18,355,659	-	276,643,091
2008	214,596,975	20,687,513	56,618,685	28,309,338		320,212,511
2009	198,528,097	43,640,049	86,011,524	1,276,443	-	329,456,113

Source: Malawi Energy Regulatory Authority (MERA)

9.3.2 Petroleum Pricing

Since the establishment of MERA in December 2007, all energy pricing activities are handled by Energy Pricing Committee of MERA as per the requirement in the Energy Laws. For Petroleum Pricing, the Automatic Pricing introduced in 2000 continues to be the main principle behind fuel pricing. This system links pump prices to procurement costs and exchange rate movements with a 5% trigger band. The formula is managed by MERA under its Petroleum Pricing Committee (PPC), which meets once every month to assess changes in the agreed parameters that constitute the In-Bond Landed Cost (IBLC) and the value of the Malawi Kwacha against the US Dollar.

9.3.3 Pump Price Revisions

Table 9.6 below shows pump price revisions of fuel (in Malawi Kwacha per litre) for the past 5 years. During the year under review prices were revised in February 2010 which is 12 month after they were last reviewed as they remained constant for the rest of the financial year.

TABLE 9.6: PUMP PRICE REVISIONS FROM 2006-2010 (MK/LITRE)

Product	Sept-2006	Sept-2007	Jan-2008	June-2008	Feb-2009	Feb-2010
Petrol	160.80	200.90	200.90	251.20	213.50	256.20
Diesel	154.50	186.61	187.60	234.50	199.30	231.20
Paraffin	125.90	140.0	132.20	165.30	132.20	145.40

Source: Malawi Energy Regulatory Authority (MERA)

9.4 Promotion of Alternative Energy Sources Project (PAESP)

The Promotion of Alternative Energy Sources Project (PAESP) was launched in January 2007 with a goal to significantly increase the country's reliance on non-traditional fuels, for cooking and heating, thereby improving the state of the country's environment. The immediate objective of PAESP is to promote the utilization of various viable alternative energy sources (AES) to substitute firewood and charcoal as preferred fuels for cooking and heating in order to reduce deforestation in the long run. The project is being implemented by the DoEA in collaboration with other government departments and private sector institutions. Thirteen (13) AES were identified for promotion under PAESP as shown in Table 9.7 below:

TABLE 9.7: SELECTED ALTERNATIVE ENERGY SOURCES

ENERGY TYPE	ENERGY SOURCE
Biomass Based Fuels	Biomass Briquettes
Coal	Coal (Household) Stoves
Gas Based Fuels	Liquefied Petroleum Gas
	Bio-Gas [Methane]
Ethanol Based Fuels	Gel-Fuel
	Super Blu 80-Nol
	Ethanol for cooking and heating
Petroleum Based Fuels	Paraffin stoves
Electric Energy	
Distribution	New Connections
	Ready Boards
Generation	Wind Power Generation
Solar	
	Photo-voltaic
	Solar Thermal [Water Heating]
Biomass Conservation	Rocket Firewood Stoves

Source: DoEA

PAESP is currently concentrating on promotion of four viable and market-ready technologies namely biomass briquettes, liquefied petroleum gas (LPG), paraffin and ethanol in the cities of Lilongwe, Blantyre, Zomba and Mzuzu. At the moment, the project is being funded by Government alone. However, there is need for donor support to scale up activities of the project.

9.5.1 PAESP activities in period under review

The Department of Energy Affairs conducted a survey in the cities of Blantyre, Zomba, Lilongwe and Mzuzu to assess acceptability of biomass briquette technology by households. The survey was limited to those households that received biomass briquettes and the associated stoves from the Department for testing purposes.

The results showed that 76.8 percent of the households depend on firewood as their main source of energy for cooking and heating, while 20.7 percent, 1.8 percent, 0.5 percent and 0.2 percent of them rely on charcoal, biomass briquettes, electricity and crop residues respectively as their main sources of energy. The results also showed that, on average, the households spend MK2, 800 per month, on the main source of energy which is basically firewood.

About 60.8 percent of the households alleged that firewood is readily available while 14.9 percent alleged it is just available, and the remaining 24.3 percent allege it is scarce. It was found out that 30.5 percent of the households interviewed do not have alternative sources of energy; 32.9 percent use charcoal as an alternative, while 26.9 percent, 4.9 percent, 2.9 percent, 1.5 percent and 0.4 percent use firewood, crop residues, electricity, biomass briquettes and LPG respectively as alternatives. The results showed that 86.0 percent of the households find briquettes to be more efficient than firewood and charcoal; 10.4 percent alleged that biomass briquettes are less efficient while 3.6 percent alleged that the efficiency is the same.

The findings showed that about 52.4 percent are willing to pay between K3 and K5 for one biomass briquette; 22.6 percent between K5 and K10; 5.6 percent between K10 and K15; while 19.4 percent are willing to pay a price above K15 for one biomass briquette. The latter is a clear indication that the households are valuing the technology high and can therefore pay more than the prices suggested to them by the Department through the survey i.e. K5 per briquette.

Based on these findings, the Department recommended that PAESP should implement new and appropriate dissemination concepts, strategic methodological approaches, and organizational set-ups. The new strategy will include establishment of private sector-led market networks and outlets to ensure availability of the briquettes and the associated stoves. In implementing the new strategy, the Department has adopted these commercial approaches of promoting briquettes and stoves in conjunction with the Program for Biomass Energy Conservation (ProBEC) and Mulanje Renewable Energy Agency (MuREA). So far 109 people have been trained in Blantyre, 113 people in Zomba and 64 people in Mzuzu. Training of Lilongwe groups has already been planned. It is expected that successful implementation of the recommendations will facilitate mass production, dissemination, adoption and wide spread utilization of biomass briquette technology.

9.6 Programmes for Biomass Energy Conservation (ProBEC)

This is a SADC regional programme aimed at enhancing capacities and commitments of governments and development institutions to plan and integrate biomass energy conservation programmes. The project is being funded by the European Union and GTZ. The programme contributes to the improvement of quality of life for the poor rural and urban populations by enabling them to fulfill their energy needs in a socially and environmentally sustainable manner.

During the year under review, the concept of the Rocket Stove was applied to develop an energy saving furnace for curing tobacco. After developing the concept, focus was on promoting the use of this Rocket concept for curing Flue Cured Tobacco. Fuel saving stoves at household and institutional cooking in schools and restaurants were also promoted under the programme. ProBEC has trained NGOs and groups of women in Mulanje, Phalombe, Thyolo, Blantyre, Zomba, Machinga, Dedza, Ntcheu, Salima and Nkhotakota Districts. Eighty (80) groups of women are now producing and selling energy saving clay stoves. Alliance One Tobacco Company has since adopted the Rocket Stove for tobacco curing in all her small holder farmers under contract farming.

9.7 New and Renewable Sources of Energy

In 1999, the Department of Energy Affairs established National Sustainable and Renewable Energy Programme (NSREP) as an umbrella body for new and renewable sources of energy. NSREP aims at promoting renewable energy technologies (RETs) in the country including solar photovoltaic (PV) and photo-thermal systems, wind energy, biogas, biomass briquettes, ethanol, bio-diesel and gel fuel. The programme has been supported by UNDP, DANIDA, GEF and the Government of Malawi.

9.8 Clean Fuels Initiatives

There is renewed interest in bio fuels worldwide and SADC is also paying close attention to this development. The Ministry of Natural Resources, Energy and Environment, through DoEA, has been working with the Malawi Bureau of Standards (MBS) to come up with Bio fuels Standards. UNEP and UNDP provided resources for the development of these standards. Draft standards have been produced and have been approved by the Standards Board. It is expected that once gazetted, Malawi will have its own Biofuels standards to guide investors in biofuels. This development will assist a number of prospective investors in bio fuels which include a local company known as Bio Energy Resources Limited (BERL), Total Malawi Limited and D1 Oils. All these companies are interested to produce bio diesel from Jatropha plant by engaging small-scale farmers to cultivate the plant as a source of income. D1 Oils has a Jatropha Plantation in Balaka District. Total Malawi Limited has plans to stock bio fuels in its service stations across the country.

9.9 Coal

Mchenga Coal Mine continues to be the main coal mine in the country. The other mines are Kaziwiziwi and Jalawe in Rumphi District. Due to transportation costs and other factors, some industries, especially those located in the southern part of the country continue to import their coal requirements from neighbouring countries.

Industries such as the sugar, brewing, textile, ethanol, cement, tea, tobacco and other large public institutions such as prisons and hospitals are the main users of Malawi Coal. Due to a number of reasons, which include unavailability of appropriate cooking devices; lack of proper information on use of coal as an alternative domestic energy source; and the cost of coal compared to firewood and charcoal, coal is not used as a domestic fuel. Current production of coal is about 50 percent of the national demand of about 140,000 metric tonnes per annum.

The Ministry of Natural Resources Energy and Environment has planned to quantify all its coal resources in the country during the 2010/2011 financial year with the aim of determining the feasibility of using coal for power generation. It is expected that once quantified a coal fired power plant would be established to generate up to 300MW of electricity.

9.10 Energy Planning with Support from IAEA

Being a member of International Atomic Energy Agency (IAEA), Malawi was required to prepare a Country Programme Framework under the Technical Cooperation Programme to establish national capacity for effective and robust energy planning.

The activities are aimed at enhancing the national capacity in planning a sustainable energy development strategy by equipping the professionals with suitable analytical tools and the ability to create and maintain energy databases, thereby strengthening interaction between various institutions. They are also aimed at conducting planning studies for preparing national energy plan for future energy demand projections and long-term national energy supply plan which reflect a least-cost energy system.

The approach and methods proposed for these activities include national and regional trainings on energy balance compilation using two IAEA tools called Model for the Analysis of Energy Demand (MAED) designed to assess energy demand analysis and projection; and Model for Energy Supply System Alternatives and their General Environment (MESSAGE) which develops energy supply optimization by calculating a cheapest feasible energy investment plan to satisfy the given energy demand.

In the year under review, the working team finalised the energy demand assessment and developed three scenarios. A country report was also prepared and was presented at a national stakeholder consultative workshop for final comments as well as IAEA headquarters in Vienna Austria. Comments from these two meetings are being incorporated and once finalised the Department of Energy will start working on the Energy Supply Optimisation Model.

Chapter 10

TOURISM, WILDLIFE AND CULTURE

10.1 Tourism Sector

Tourism, in the medium to long-term, represents potentially a high growth export sector for Malawi, capable of making a substantial and continuing contribution to the country's economic and social development. Malawi international arrivals continue to grow with a growth rate of 1.5 percent in 2009 above the world's average downturn of 4 percent. This shows that the industry is on course to achieve its target contribution to Malawi's economy of 8 percent by 2011 as indicated in the Malawi Growth and Development Strategy (MGDS).

10.1.1 International Visitors to Malawi in 2009

The year 2009 has shown a slight increase in number of international tourist arrivals of 1.5 percent from 742,000 in 2008 to 752,000 in 2009. In the fifteen years from 1994 to 2009, Malawi tourism grew at an average annual rate of 12 percent, reflecting a booming tourism industry despite experiencing a drop of about 10 percent in 2000 and a substantial slowdown in 2004, 2008 and 2009. Despite the slow growth rates of international tourists in these years, tourists' expenditure has risen significantly by MK15 billion and K9 billion in 2008 and 2009 representing 33 percent and 15 percent increase respectively.

TABLE 10.1: INTERNATIONAL VISITORS TO MALAWI FROM 2004-2009

Year	2004	2005	2006	2007	2008	2009
Total Number of International Visitors	427,360	437,718	637,772	734,000	742,000	752,000
Percentage Growth	Baseline	22	45.7	15	1.1	1.5

Source: Department of Tourism, NSO, Department of Immigration

10.1.2 Tourist Expenditure

Earnings from tourism for 2009 as captured on visitors exit cards and records from accommodation occupancy statistics show that, on average expenditure per tourist was K81,566. Those on conference and convention spent K328,943 while those on business travel spent averaging K100,008 while those on holiday or vacation averaging K107,406, and those visiting friends spent an average of K14, 259

TABLE 10.2: INTERNATIONAL TOURISTS EXPENDITURES FROM 2004-2009 (MK'BILLION).

Year	2004	2005	2006	2007	2008	2009
Total Expenditures (MK'billion)	9.348	10.233	41,482	45.659	60.559	69.528
Percentage Growth	Baseline	11	300	10	33	15

Source: Department of Tourism, NSO, Department of Immigration

10.1.3 **Utilization of Accommodation Units**

National room occupancy rate increased from 57.6 percent in 2008 to 59.8 percent in 2009 whilst the national bed occupancy rate rose from 53.4 percent in 2008 to 55.1 percent in 2008. The increase could be attributed to growth in domestic tourism especially the business and meetings segment. The cities of Lilongwe, Blantyre and Mzuzu and the lakeshore districts recorded slight increase in room and bed occupancy rates as shown in the table below due to many accommodation units opened recently.

TABLE 10.3: HOTEL ROOM AND BED OCCUPANCY RATES FOR MALAWI ACCORDING TO ZONES, 2006-2009

	2006		*2007*		*2008*		*2009*	
Zone	*Roomy Occupancy (%)*	*Bed Occupancy (%)*	*Room Occupancy (%)*	*Bed Occupancy (%)*	*Room Occupancy (%)*	*Bed Occupancy (%)*	*Room Occupancy (%)*	*Bed Occupancy (%)*
Lilongwe	67	51	72.98	57.55	74.9	64.5	75.6	66.5
Blantyre	63	49	70.07	56.39	72.9	63.2	73.4	64.8
Mzuzu	59	41	62.31	52.31	64.8	58.6	66.2	61.7
Northern Lakeshore	36	21	61.02	44.54	63.5	49.9	65.8	53.2
Central Lakeshore	61	42	63.53	53.52	66.1	59.9	67.7	54.1
Southern Lakeshore	59	33	64.56	49.28	67.1	55.2	68.5	59.8
Protected Areas	31	20	42.98	33.15	46.4	37.2	46.8	39.2
Zomba/Liwonde/Balaka	47	24	57.75	47.65	60.1	53.4	63.9	57.9
Kasungu/ Mchinji/	25	19	44.08	41.22	47.6	46.2	52.9	48.3
Thyolo/ Phalombe/ Mulanje	44.16	36.64	31	21	49.9	42.0	52.4	47.9
Other Areas	40.89	34.39	29	23	48.6	41.1	51.5	46.6

Source: Department of Tourism

10.1.4 **World Tourism Prospects in 2010 and Beyond**

While international tourism worldwide is projected to increase by 3 to 4 percent, it is expected that Malawi tourism will grow much higher than the world's average considering its trend in the past years. This will be partially attributed to the achieved product diversification, extensive destination marketing, improved service delivery in the tourism enterprises and the forthcoming 2010 World Cup, which is expected to boost tourism in Malawi.

10.1.5 **Developments in Tourism Sector**

The country has achieved notable developments in a bid to improve the tourism industry. A number of them are in the areas outlined below.

- Construction for the International Conference Centre and a Hotel Complex in Lilongwe has started. This project, once completed, will contribute greatly towards economic development through the meetings, conferences and events it will be hosting in addition to accommodation, food and beverages.

- Tourism regulations continue to be enforced and there is intensified compliance to minimum standards in all accommodation units. Accommodation and Restaurants have been inspected by the Department of Tourism for licensing. For the sake of 2010 licensing, a total of 1060 units were inspected out of which 657 units were recommended for licensing, representing 62 percent compared to previous year's 55.78 percent. Furthermore, the department carried out trial star grading exercise to some hotels and managed to amend the Tourism and Hotels Act to incorporate star grading with actual grading expected to start in the 2010/11.
- Through open tendering, the Department of Tourism has identified a concessionaire to manage the Mpale Model village. The village is depicting a typical Yao culture and history. This is a new concept and a unique product in Malawi. This will, among other things, enhance competition and product diversification in the Southern Lakeshore part of the country.
- The Department of Tourism has also facilitated the upgrading of some 7.1km access roads of bitumen standards in Mangochi resort areas. Currently, the designing and procurement of contractor is in progress for the upgrading of 3.1km access roads to various resorts in Nkhatabay district. These developments are expected to improve the tourism sector.
- Upgrading of Kamuzu and Chileka International Airports has also significantly improved confidence of airlines servicing these airports and tourists.
- Several animal species have been translocated from Liwonde and Lengwe and Phirilongwe to Majete Wildlife Reserve whose animal population crashed.
- Under a concessionary arrangement, Majete Wildlife reserve has been given a major face lift. The reserve is fenced, 10 staff houses and new office block have been built, and more than 250km of road network has been constructed. Under co-management arrangements 450 muzzle loaders, 200 gin traps used by poachers have been confiscated and law enforcement in protected areas to reduce poaching has been intensified.

10.1.6 **Constraints to Development and Promotion of Tourism in Malawi**

Malawi possesses unique attributes that can make it one of the leading tourism destinations in the region. However, the following constraints limit the full realization of this potential.

- Inadequate resources for destination marketing.
- Reduced access to accommodation and infrastructure in tourist attraction areas, especially in the rainy season due to poor road infrastructure.

- Lack of direct long-haul flights that leads to more air costs and long travel time reducing the contribution of holiday tourists.
- Inadequate data-base for planning and monitoring tourism development.
- Low standards in some of the accommodation units and poor service delivery especially in rest houses and lodges.
- Late capture and production of tourism statistics due to manual collection of statistics. This leads to underestimating the contribution of the sector to the wellbeing of the economy.
- Reduced development and promotion of Malawi culture as a tourism product due to inadequate financial resources, inadequate personnel, lack of appropriate infrastructure, lack of training opportunities and outdated legal framework which make it difficult for enforcement of regulations in this democratic era.

10.2 **Wildlife Sector**

In the year under review the following are the major achievements that the sector registered in its efforts to contribute to development of eco-tourism in Malawi:

- Maintained 124 km of fences in Liwonde, Kasungu and Lengwe National Parks;
- Produced investment guidelines for investing in protected areas;
- Produced restocking guidelines to help in re-introducing animals that are extinct or threatened with extinction;
- Drafted hippo and crocodile management strategy to help with management of hippos and crocodile, which are some of the species that cause animal/ human conflict;
- 500 tsetse targets were installed in tsetse fly infested areas (Vwaza, Nkhota kota wildlife reserves and Kasungu National Park);
- 18 houses are being constructed in Nkhota kota and Salima;
- 116 km of tourist road infrastructure in Nkhotakota Wildlife Reserve re-opened and 266km maintained;
- 83 elephants translocated from Mangochi (Phirilongwe) to Chikhwawa (Majete Wildlife reserve);
- Constructed new entrance gates in Nkhota kota, Vwaza and Mwabvi;
- Constructed a conference hall at Nyala lodge in Lengwe;
- Constructed 4 game viewing hides in Lengwe National park;
- Rehabilitated Lifupa lodge in Kasungu; and
- Rehabilitated information rooms and staff houses at Lilongwe Nature Sanctuary and Michiru.

Chapter 11

EMPLOYMENT, GENDER, COMMUNITY SERVICES AND RURAL DEVELOPMENT

11.1 Labour Market

11.1.1. National unemployment rates

The National Welfare Monitoring Surveys for 2006 and 2007 have shown the national unemployment rates of 6 and 3 percent for the years 2006 and 2007 respectively. The national unemployment rates for males and females in the year 2006 were 5 and 7 percent respectively. In the year 2007 the national unemployment rates for the males and females were 4 and 2 percent respectively.

11.1.2 Rural and Urban Unemployment

In 2006 the rural and urban unemployment rates were 5 and 17 percent respectively. In the year 2007 the rural and urban unemployment rates were 2 and 11 percent respectively. Desegregation to males and females for rural areas in 2006 shows unemployment rates of 4 and 5 percent respectively. In 2006 and in urban areas the unemployment rates for males and females for the years were 11 and 25 percent respectively.

Desegregation of unemployment rates to males and females in rural areas for the year 2007 showed rates of three and two percent respectively. In the same year, 2007, the unemployment rates for males and females for urban areas were 13 and 9 percent respectively.

11.1.3 Fifteen to Twenty Year Category - Unemployment Rates

In the 15 to 24 year category the unemployment rates were 9 and 7 percent for the years 2006 and 2007 respectively. The desegregation to males and females in the 15 to 24 year category the 2006 unemployment rates were eight and 10 percent respectively. In the year 2007 the unemployment rates for males and females for the 15 to 24 years category were nine and five percent respectively.

11.1.4 Minimum Wages

Minimum wages are still a two-tier system comprising of segmented wage structures for the rural and urban areas. The minimum wage has been adjusted from K66.50 to K95.45 per day for 26 working days in a month plus a housing allowance of K10.00 for each day of the month for the rural areas while for the urban areas, the minimum wage has been adjusted from K87.50 to K117.30 per for 26 working days plus a housing allowance of K12.00 for each day of the month. The change has been made effect from 9th of October, 2007. These adjusted minimum wages have prevailed in the year 2008 through to 2009.

In a recent integrated sweeping labour inspections for various enterprises in Lilongwe, Zomba and Blantyre in which individual employees were interviewed, it is shown that all enterprises inspected are complying with Statutory Minimum Wages requirements. Another internal monitoring and evaluation report on the government run public employment services on the Blantyre , Lilongwe, Zomba and Mzuzu Labour offices show that employers are willing to pay a minimum of K5,000. Average minimum going wages at the four urban centers were as follows; Blantyre K5,900, Zomba K4,500, Lilongwe K6,700, and Mzuzu K3,500.

Segmented minimum wages for craftsmen are as follows Malawi Craft Certificate Holders K6,500, Malawi Advanced Craft Certificate Holders K7,500; For tradesmen is as follows Tradesmen Grade III K5,500, Tradesmen Grade II K6,500, Tradesmen Grade I K7,500 per month. These minimum wages also prevailed in 2008 through to 2009.

11.1.5 **Child Labour**

As part of efforts to address the problem of child labour, A National Child Labour Study was conducted in 2002 and it comprised a Household's, Street Kids' and Children in Sexual Exploitation Surveys. The study was funded by the International Labour Organization / International Program for the Elimination of Child Labour- Statistical Information Monitoring Program on Child Labour (ILO/IPEC-SIMPOC) in the ILO office in Geneva. The final report has been compiled, launched and disseminated. The report has documented 3.2 million children were found to be working. Out of these 1.4 million were classified to be in child labour most of whom (99 percent) were classified as unpaid family workers. The level of children in worst forms of child labour was at least 71 percent (this refers to those among child labour). A related study called Multiple Cluster Survey, conducted in the year 2006 sponsored by UNICEF, has shown that child labour was at 38 percent by 2006.

The ILO/IPEC has also recently (2006) installed and launched a child labour control project worth an equivalent of US$ 2 million to combat child labour in the country. The emphasis will be on domestic child labour. In 2009 the project has injected another US$ 2 million. This is a step toward a time bound project for the elimination of child labour in the country. This may be implemented along side approval of the National Action Plan and/or the approval of the draft Policy on the Elimination of Child Labour.

The project has facilitated the production of the national Action Plan for the envisaged time bound project. In related efforts too, the UNICEF and Ministry of Labour in collaboration with the social dialogue partners and allied stakeholders have produced a draft policy document on child labour fight.

Government has continued to support the Fight against Child Labour with part II funding since 2007 now totaling K 5 Million for both 2007/08 and 2008/09 financial years. Data show decrease of child labour since 2006. There is need for another comprehensive study to show need for further increase in budgetary support to the continued momentum.

11.1.6 **Labour Relations**

In respect to the right to associate and freedom to organize and collective bargaining, the number of registered unions has increased to 29 in 2009 from 28 in 2008. The total number of collective bargaining agreements also increased from 47 in 2008 to 48 in 2009. Evidence shows that Collective Bargaining machinery assists in pushing acceptable conditions of service at the work place.

Through Trade Testing Services, in 2009, the Ministry has issued 3,313 trade test certificates, an increase from 1,789 trade test certificates issued in 2008. The performance of trade testing in 2008 was more supported by the capital budget part two funding than the ORT one. In 2007, 1,059 certificates were issued in 18 different trades.

The trade testing services have examined 5, 907 in 2008 artisans due to financing on part II of capital budget and in 2009 the number tested rose to 8, 306 partly due to increased allocation of Other Recurrent Transaction funds in last half of 2009. The economy needs an additional minimum of 8,000 artisans with quality assurance each year. The trade testing services are crucial to skills development and quality assurance of such skills. It is also a system that in the process produces as many as possible of the needed artisans country wide. In addition the certification into grades I, II, III does promote increase in income for those that sit and pass the examinations. In an attempt to reach the target of US$ 460 per capita per annum, the trade testing services provides an excellent public administration tool and strategy.

11.1.7 **Employment of Expatriates**

Malawi continued to experience inflow of human resources from other countries due to the growing demand for skilled human resources amid its shortage locally. The recorded number of expatriates that were issued with employment permits in 2009, 2008, 2007, and 2006 were 652, 467, 803, 1,015 respectively. Most expatriate workers are managerial, professional, technical and related workers. Tables below are distributions by countries of origin and occupation for 2007 and 2009.

TABLE 11.1: REPORTED NUMBER OF EMPLOYMENT PERMITS FOR EXPATRIATES BY COUNTRY OF ORIGIN 2006 - 2009

Country of Origin	*2006*	*As %age of total*	*2007*	*As %age of total*	*2008*	*As %age of total*	*2009*	*As % age of total*
American	71	7.0	69	8.6	21	4.5	47	7.1
British	132	13.0	90	11.2	32	6.9	49	7.5
Chinese	33	3.3	45	5.6	34	7.3	54	8.3
Canadian	18	1.8	16	2.0	13	2.8	6	0.9
Filipino	15	1.5	2	0.2	4	0.9	8	1.2
French	7	0.7	1	0.1	2	0.4	8	1.2
German	19	1.9	18	2.2	9	1.9	7	1.1
Indian	243	23.9	190	23.7	122	26.1	184	28.2
Italian	32	3.2	19	2.4	6	1.3	7	1.1
Kenyan	12	1.2	10	1.2	8	1.7	13	2.0
Dutch/Netherlands	17	1.7	19	2.4	4	0.9	10	1.5
Nigerian	13	1.3	10	1.2	12	2.6	11	1.7
Pakistani	22	2.2	32	4.0	10	2.1	28	4.3
South African	115	11.3	61	7.6	41	8.8	34	5.2
Sri Lankan	24	2.4	20	2.5	4	0.9	19	2.9
Tanzanian	13	1.3	18	2.2	4	0.9	11	1.7
Zambian	37	3.6	29	3.6	5	1.1	11	1.7
Zimbabwean	67	6.6	54	6.7	69	14.8	37	5.7
Other	125	12.3	110	13.7	67	14.3	109	16.7
Total	**1,015**	**100**	**803**	**100**	**467**	**100**	**652**	**100**

Source: Ministry of Home Affairs (Immigration Department)

TABLE 11.2: RECORDED NUMBER OF EMPLOYMENT PERMITS BY PLACE PERMITTED TO WORK IN MALAWI 2006 - 2009

Place	*2006*	*As %age of total*	*2007*	*As %age of total*	*2008*	*As %age of total*	*2009*	*As % age of total*
Blantyre	578	56.9	431	53.7	288	61.7	327	50.2
Balaka	5	0.5	2	0.2	0	0.0	0	0.0
Lilongwe	326	32.1	279	34.7	147	31.5	252	38.7
Mangochi	36	3.5	12	1.5	3	0.6	14	2.1
Mulanje	8	0.8	8	1.0	1	0.2	3	0.5
Mzuzu	22	2.2	27	3.4	6	1.3	12	1.8
Zomba	9	0.9	14	1.7	10	2.1	10	1.5
Other Districts	31	3.1	30	3.7	12	2.6	34	5.2
Total	**1,015**	**100**	**803**	**100**	**467**	**100**	**652**	**100**

Source: Ministry of Home Affairs (Immigration Department)

TABLE 11.3: REPORTED NUMBER OF EMPLOYMENT PERMITS FOR EXPATRIATES BY OCCUPATION OF ORIGIN 2006 - 2009

Profession	*2006*	*As %age of total*	*2007*	*As %age of total*	*2008*	*As %age of total*	*2009*	*As % age of total*
Accountant	49	4.8	56	7.0	30	6.4	41	6.3
Administrators	11	1.1	16	2.0	23	4.9	28	4.3
Agronomist	6	0.6	3	0.4	4	0.9	0	0.0
Consultant	12	1.2	10	1.2	8	1.7	8	1.2
Director	22	2.2	35	4.4	14	3.0	62	9.5
Engineer	42	4.1	84	10.5	40	8.6	41	6.3
Lecturer	18	1.8	17	2.1	5	1.1	7	1.1
Manager	218	22.7	214	26.7	113	24.2	164	25.2
Medical Doctor/Officer	12	1.2	26	3.2	20	4.3	49	7.5
Pastor/Priest/Minister	173	17.2	172	21.4	65	13.9	101	15.5
Project Coordinator	18	1.8	9	1.1	19	4.1	6	0.9
Sister/Nun	9	0.9	4	0.5	2	0.4	5	0.8
Teacher/Tutor	145	14.4	64	8.0	35	7.5	36	5.5
Technician	89	8.8	20	2.5	28	6.0	41	6.3
Volunteer	6	0.6	19	2.4	15	3.2	17	2.6
Other	185	1.8	54	6.7	46	9.9	46	7.1
Total	**1, 015**	**100**	**803**	**100**	**467**	**100**	**652**	**100**

Source: Ministry of Home Affairs (Immigration Department)

11.1.8 **Occupational Safety and Health**

The number of pressure vessels examined increased in 2008 to700 from 600 in 2007. The performance in 2006 generally showed a peak and general performance is beginning to peak up again 2009. The registration of work places is crucial to business start ups and the trend in registration of work places is generally upward.

TABLE 11.4: REGISTERED WORKPLACES AND NUMBER OF INSPECTIONS CONDUCTED 2005-09

ACTIVITY/YEAR	2005	2006	2007	2008	2009
Inspections conducted	139	321	282	191	213
Pressure vessels examined	233	721	644	745	464
Registered workplaces	174	278	296	238	301
Industrial accidents reported and investigated	7	11	8	6	10

Source:Ministry of Labour

NOTE:The figures for 2006 adjusted

In terms of facilitating payment for workers' compensation for occupational injuries or diseases, Table 9.4 below provides details on workers' compensation for the years 2005 through to 2009.

TABLE 11.5: WORKERS' COMPENSATION FOR THE YEAR 2005-2007 OF INSPECTIONS CONDUCTED 2005 - 2009

ACTIVITY/YEAR	2005	2006	2007	2008	2009
Cases paid	395	701	1,545	1,117	1,331
Amount paid in K '000'	28,580	64,657	196,816	186,470	163,218

Source: Ministry of Labour, Statistics Unit/Workers Compensation Department

The Ministry has also embarked on registration of employers in its efforts to establish workers' compensation fund. In the years 2006 through to 2008 there has been an increase in cases paid and amount received. The Ministry has continued to review Workers' compensation Act to accommodate aspirations for the introduction of the Workers' Compensation Fund that must begin in 2010.

11.1.7 **HIV and AIDS at the Workplace**

On HIV and AIDS, the Ministry has published report on HIV and AIDS Workplace Policies and Programmes that aims at providing information on policy and programme activities. The results show that at the time of the survey in November 2007 there was not enough evidence that there existed a business establishment that had an HIV and AIDS policy that was both Comprehensive and Anti - Discriminatory. The Ministry has also produced the final draft on National Workplace Policy and continues to offer business establishments with technical assistance on the development of their workplace policies.

The Ministry is also implementing an ILO project on HIV and AIDS prevention and impact mitigation in the transport sector through the United Nations Development Program. The development objective is to reduce the impact of HIV and AIDS in Sub Saharan Africa by addressing the world of work vulnerabilities and strengthening the application of the policy and legal frameworks for the protection of infected and affected men and women workers. The immediate objective is to increase knowledge on HIV and AIDS and more responsible attitudes to risk behaviour of men and women workers and their families, help limit the spread of HIV and AIDS in the transport sector. This project is financed at US$1,003,095 and covers Malawi, Mozambique, Zimbabwe and South Africa. The project in Malawi has employed a national coordinator located at Labour headquarters, produced a national work plan and allocated MK35 million by November, 2006. The project has in October 2007, so far implemented a Peer Educator Training for Air Malawi including capacity building on reduction of stigma and discrimination at MK350 000. The training also included raising awareness, openness on fears and concerns surrounding the infection, gradual shifting to action. In addition, in the year 2007 the project retained participatory planning of activities, launched the project, trained 42 Trainers of Trainers and also relevant desk officers/focal persons on HIV and AIDS issues. The trainee participants spanned road, rail, air, marine transport sub sectors including Government Ministries. The fight against the pandemic in the transport sector will need a further hand from other players for sustainability including National AIDS

Commission and utility vehicles for mobility for project coordinators. There is need to expedite approval of the proposals at international level to remove gaps in the fight against the plight in the transport sector. The project continues in 2008 because of late start and slacks beyond control.

The project has changed management- has a new National Coordinator since April 20, 2008. The last National Coordinator left in December, 2007.The present management has allocated US$350 thousand for the following major plans: Rapid Assessment of HIV and AIDS in the Transport Sector2008 (An Establishment Based Study); Policy Clarifying Dialogue; Transport Sector Capacity Building ;Behavioral Change Interventions Program based on the National AIDS Commission's National Behavioral Change and Communications Strategy.

The Rapid Assessment will: Identify capacity needs and gaps of the Transport Sector; Study working conditions in the sector; Identify high risk geographical areas; Address transport sector policies, rules and legislation in relation to high risk behavior.

11.2 **Gender, Child Welfare and Community services**

11.2.1 **Gender mainstreaming**

In the 2009/10 financial year, the sector intensified its pursuit to make men and women equitably participate and benefit from the development process in line with the gender sub theme of the MGDS. The aim is to ensure that women are active participants, and not passive recipients, in the development process. As a direct consequence of this, female representation in the civil service has increased from 19.2 percent in 2007 to 23 percent in 2010. Representation of women in parliament has also increased from 14 percent in 2005 to 22 percent in 2010.

Since the promotion of gender equality requires supportive institutional and legal structures, the ministry facilitated the signing of the SADC Protocol on Gender and Development to create an enabling environment that is responsive to gender issues. In coordination with the Malawi Law Commission and other stakeholders, the Ministry is also developing a Gender Equality Statute and an Anti Human Trafficking Bill and to ensure that gender is entrenched in the country’s development process, 27 Officers from district assemblies and 7 UN Officers were trained in gender mainstreaming and analysis.

During the period under review, the sector also accomplished the following:

- Commemorated International Women’s Day under the theme “Equal Rights, Equal Opportunities: Progress for All”;
- Finalized development of the Malawi Gender Development Index;
- Advocated for the enactment of Deceased Estates (Wills, Inheritance and Protection) Bill; and

- Submitted a country report on the progress of implementing the COMESA Gender Mainstreaming Strategy and Action Plan and developed the AU report.

11.2.2 **Women, Girls and HIV/AIDS Program (WGHA)**

Under this program, the Ministry conducted trainer of trainers (TOT) seminars for 192 district task force members on management of community victim support units (CVSUs). It also conducted 47 meetings to lobby chiefs to modify harmful cultural practices that spread HIV and AIDS in Thyolo and Balaka. 75 duty bearers were trained on gender related laws (Prevention of Domestic Violence Act (PDVA), Human Trafficking and Gender Equality Statute).

11.2.3 **Child Development**

Children constitute a large proportion of the Malawian population and as they progress through the cycle of life, many of them face challenges that impede their survival, growth and development. In this view, the Ministry has been implementing programs to ensure that children are well protected, cared for and supported.

11.2.3.1 **Orphans and other Vulnerable Children**

To allow children to grow and achieve their potential, the Ministry has been supporting Orphans and other Vulnerable Children (OVC) in various ways across the country. In the 2009/10 financial year, the Ministry supported over 8,000 OVC with school fees. It also developed quality improvement standards for the care of Orphans and Other Vulnerable Children.

11.2.3.2 **Social Cash Transfer**

About 65,243 children, of whom 78 percent are orphans, have been assisted with cash in 7 districts under the Social Cash Transfer (SCT) Scheme. The government intends to upscale the program to cover more districts across the country targeting 63,000 more individuals. Under the same program, the Ministry facilitated a needs assessment of the beneficiaries of the scheme in Chitipa and trained 35 Social Welfare Officers on the same.

11.2.3.3 **Early Childhood Development**

The Ministry recognizes that the first 8 years of life of a person are crucial for optimal development. Early Childhood Development (ECD) program is therefore very pertinent as it gives chance to children in the 0 to 8 years age group to grow in an environment conducive to development of intelligence and other social relations. In 2009/10, the ministry implemented several ECD activities:

- It developed ECD plan as part of the Education Sector Implementation Plan (ESIP);
- Launched National ECD Strategic Plan (2009-2014) and the National ECD Advocacy and Communication Strategy;

- Supervised ECD centers and accredited and certified 30 trained ECD trainers and 560 caregivers;

11.2.3.4 **Child Survival and Development**

The Ministry also achieved the following under the Child Survival and Development program:

- Hosted a regional conference in Justice for Children for Eastern and Southern Africa;
- Launched the Family Survivor Kits for child headed households. Distribution of the kits will start in mid April targeting over 7000 child headed households by May 2010.

The Ministry also embarked on a program aimed at identifying and rehabilitating street children especially targeting the urban areas of Lilongwe, Blantyre, Zomba and Mzuzu. The exercise is being supported by a number of NGOs in the four cities who are hosting some of the children that have been rescued from the streets. Other children are being hosted at Chilwa and Mpemba Reformatory institutions and the Social Rehabilitation Centre in Lilongwe.

11.2.4 **Community Development**

11.2.4.1 **Economic Empowerment**

The Ministry held consultative meeting with representatives of women entrepreneurs from various business associations and came out with resolutions on how to promote women business entrepreneurship. It also installed 20 sewing machines at Magomero Community Development College, which are being used to train women in tailoring. To ensure high service standards, it provided supervisory and backstopping services on economic empowerment in Chikhwawa, Nsanje, Mzimba and Rumphi districts.

The ministry trained 114 Community Development Assistants in women economic empowerment and in turn, they equipped 20,000 rural beneficiaries (70 percent of which were women) with production skills to enable them carry out production oriented businesses. In the coming financial year, the plan is to link the trained business groups to micro finance institutions while also emphasizing on developing more women entrepreneurs at the community level.

11.2.4.2 **Adult Literacy Program**

The following are some of the major achievements of the year under the Adult Literacy program:

- Opened 8,000 classes for adult literacy representing 100 percent increase on the previous year. Total enrolment was estimated at 220,000, representing a 120 percent increase on the previous year;
- Finalized development of Chuma ndi Moyo primers and training manual for adult literacy program and provided teaching and learning materials for adult literacy classes;
- Recruited 3,600 new literacy instructors. The total is now at 7,600;
- Sensitised all 28 District Community Development Officers and community members on Mass Adult Literacy Project;
- Conducted leadership training for Traditional Authorities and MPs for Balaka and Machinga focusing on Mass Adult Literacy and Early Childhood Development; and
- The country also commemorated International Literacy Day on 8th September 2009.

11.3 Integrated Rural Development

The Malawi Growth and development Strategy (MGDS) has recognized Integrated Rural Development as one of the key priority areas to ensure broad based economic growth and development in the country. In this context, Government has singled out the establishment of Rural Growth and Market Centres in both the urban and semi-urban centres as critical developmental components within the realm of Integrated Rural Development.

11.3.1 Achievements

The sector has made significant achievements during the 2009/2010 financial year in various spheres of projects implementation as presented below.

11.3.2 Rural Growth Centres

The development of Rural Growth Centres has reached advanced stages especially in Nthalire, Nambuma and Neno, growth sites. The current situation reveals that the community hall and the Library are at roofing stages whilst the community ground and the bus depot are at brick wall level in Nthalire. In Nambuma, the community ground and the bus depot are at brick work level whilst the community hall is at roofing stage and the library at ring beam level. In Neno, the community hall, the community ground and the library are at finishing level whilst the bus depot is at roofing stage.

The Table below shows the set of development activities that were undertaken at growth centres of Neno, Nambuma and Nthalire in the period under review.

TABLE 11.6: ACTIVITIES IN THE OLD SITES OF THE RURAL GROWTH CENTRES 2009/2010

Rural Growth Centre	*Infrastructure*
Neno	1. Rehabilitation of the DCs Administration Office 2. District Commissioners house. 3. Market Kiosks, slaughter house 4. Community Hall and ground 5. Library, Bus depot and a Borehole.
Nthalire	1. Community Hall and ground 2. Bus depot 3. Administration block 4. Butchery and slaughter house 5. Markets sheds and shops
Nambuma	1.Bus depot 2.Market shops and sheds 3.Slaughter house 4.Opening up of access roads

The sector has also commenced phase two of the project which is focusing on Jenda, Mkanda, Malomo, Chitekesa and Chapananga rural growth centres. In all these sites, production of Land Use Maps and Urban Structures Maps has been done. The current development is the commencement of procurement of works on the construction of market facilities.

11.3.4 **Market Development Programme**

Construction of markets has been one of the great achievements of the sector. Currently, Thyolo market has been completed whilst the rest of the markets are at different levels of construction. Notable progress can be seen at Ekwendeni Market which is almost at finishing stage. Enukweni, Matawale, Dwangwa and Mangochi markets are either at roofing or beaming stages. In view of the significance of market centres in promoting economic development, there is need for deliberate efforts to speed up the construction process, so that the project can scale up to other rural areas where the need for such facilities is a prerequisite.

The following Table 2 highlights the different infrastructural activities that are been implemented at the five market centres.

TABLE 11.7: ACTIVITIES IN THE MARKET CENTRES

Market Centre	*Infrastructure*
Enukweni	Market sheds and Kiosks Bus depot
Dwangwa	Market sheds and Kiosks Bus depot
Matawale	Market sheds and kiosks Office block Abolution block Second hand clothes block
Mangochi	Market sheds Market kiosks Store room
Ekwendeni	Market sheds and Kiosks Bus depot Slaughter house and office Butchery Abolution blocks Office for the assembly

11.3.4 **Outlook for 2010/2011 Financial Year.**

11.3.4.1 **Rural Growth Centers**

The information in the following tables depicts the set of infrastructural activities to be provided at each rural growth centre and funding sources of the projects in the next financial year.

TABLE 11.8: ACTIVITIES IN THE FIRST SET RURAL GROWTH CENTRES 2010/2011 FY

Centre	*Infrastructure*	*Funding Source*
Nthalire	1. Standard police station complete with staff houses 2. Butchery	LGRD
Nambuma	1. Standard police station complete with staff houses 2. Butchery 3. Health Centre	LGRD
Neno	Provision of hospital amenities: 1. Mortuary 2. Laundry & Kitchen 3. Guardian Shelter	LGRD

TABLE 11.9: ACTIVITIES IN THE SECOND SET RURAL GROWTH CENTRES 2010/2011 FY

Centre	*Infrastructure*	*Funding Source*
Jenda	Market Road By-Pass Bus depot	LDF Ministry of Transport & Public Infrastructure
Malomo	Market	LDF
Mkanda	Market	LGRD
Chapananga	Market	LGRD
Chitekesa	Market	LDF

11.3.4.2 **Market Development Programme**

Construction activities within the Market Development Programme will concentrate on completion of the works on the 6 markets at Enukweni, Ekwendeni, Dwangwa, Mataware, Mangochi, Bvumbwe and Thyolo Bus Depot which started in the 2009/2010 Fiscal Year, and also construction of 3 new ones at Lizulu, Tsangano, Jenda, Limbuli and Nkhamenya.

Tables below show the markets to be completed and the new ones to be constructed respectively.

TABLE 11.10: COMPLETION OF OLD MARKETS 2010/2011 FINANCIAL YEAR

Market	*Type of Activity*	*Funding Source*
Enukweni	Completion	LGRD
Ekwendeni	Completion	LGRD
Dwangwa	Completion	LGRD
Mataware	Completion	LGRD
Mangochi	Completion	LGRD
Bvumbwe	Completion	LGRD
Thyolo	Completion of Bus Depot	LGRD

TABLE 11.11: NEW MARKETS TO BE CONSTRUCTED IN 2010/2011 FY

Market	*Type of Activity*	*Funding Source*
Nkhamenya	New Construction	LGRD
Lizulu	New Market and Road By-Pass Construction National Road Safety Council	LGRD
Tsangano	New Market and Road By-Pass Construction National Road Safety Council	LGRD
Limbuli	New Construction	LGRD

11.3.5 **Challenges of the Sector**

The implementation of these projects within this sector has been derailed due to various constraints which have impeded progress. The most notable challenge has been in adequate funding since most of these projects are infrastructure in nature and they require a lot of financial resources and also the local contractors are very slow to finish the job within a given financial year. The other challenge is the scarcity of building materials especially in the remotest areas.

Chapter 12

PUBLIC HEALTH, SANITATION, AND HIV AND AIDS MANAGEMENT

12.1 Health Sector

The policy goal of the health sector is to raise the level of the health status of all Malawians through the development of a healthy care delivery system capable of promoting health, preventing, reducing and curing diseases and reducing the occurrence of premature death in the population.

The overall objective of the Ministry is to develop a health delivery system that is pro-active and responsive to the prevailing needs and problems of the population. This is to be achieved by focusing on an Essential Health Package (EHP) of cost-effective interventions provided free of charge at the point of delivery with emphasis on the poor, women, and children. In the past year, the Ministry continued to implement various programmes and reforms in pursuit of the policy goal and objectives.

12.1.2 Major Achievements

Good progress has been made in the year 2009. Among the achievements recorded include continued increase in EHP coverage (number of facilities able to deliver general OPD services; immunizations, family planning and maternity services) from 74 percent to 85 percent; utilization of OPD services in health facilities from 1170 to 1235 per 1000 population; proportion of one year children immunized against measles from 84 percent to 89 percent; proportion of births attended by skilled attendance from 48 percent to 52 percent and increase in the percentage (80 percent to 88 percent) of HIV pregnant women who receive complete ARV prophylaxis to reduce mother to child transmission. The number of people receiving Anti Retroviral Treatment (ART) has increased from 30,000 in 2005 to 169,965 in 2009.

Significant progress has also been made cumulatively over the years, in the provision of child health services with the recent improvements in child health indicators reflecting this. The under five mortality rate reduced from 189/1000 live births in 2000 to 122/1000 live births in 2006 while infant mortality rate reduced from 104/1000 live births in 1992 to 72/1000 live births in 2006 (MICS 2006).

The maternal mortality ratio has also reduced from 1,120 per 100,000 live births in 2000 to 807 per 100,000 live births in 2006 (MICS 2006). The country has also adopted an aggressive approach towards training, recruitment and retention of human resources for health, including the donor assisted top-ups for health workers and a six year Emergency Human Resource Plan (2004-2010).

On infrastructure, the percentage of health facilities satisfying the minimum infrastructure requirements increased from 17 percent in 2005 to 55 percent in 2009. In addition, a number of projects were completed in 2009. This includes the construction of an Orthopedic Wing at Kamuzu Central Hospital, Bwaila Maternity Wing and 3 laboratories in three districts. In addition, construction of 250 staff houses in rural areas and rehabilitation of 250 other houses was completed. Furthermore, 42 basic Emergency obstetric care (BEmOC) facilities as well as several health centres are being constructed across the country. In addition, the Ethel Mutharika Maternity Wing, which was being constructed with assistance from the Clinton Hunter Foundation, was completed in the first quarter of 2010.

On Human Resource Development, 871 health workers were trained (Pre-service alone) in various cadres in the year 2009. Out of this number were 45 medical doctors, 64 state registered nurses and 362 nurse technicians.

The MoH is also currently working with CHAM in the implementation of Service Level Agreements (SLAs) to ensure that care is provided free of charge at the point of delivery. These agreements have largely focused on maternal and neonatal care. To date, there are over 70 agreements in place.

12.1.3 **Challenges**

The Ministry of Health is confronted with a lot of challenges in its implementation of various programmes and the notable ones are listed below:

- Shortage and pilferage of drugs and other essential supplies;
- Shortage of health workers;
- Poor access to health care services as a result of both geographical and economic factors, especially affecting women, children and the poor;
- Lack of essential utilities such as water, electricity and communications in some facilities.
- Weak multi-sectoral collaboration at national and district level;

12.2 **Nutrition**

12.2.1 **Nutrition**

Nutrition remains one of the major determinants of both economic growth and development in the country. It plays a significant level in determining the level of individual human productivity and contribution to development. Malnutrition and nutrition disorders affect the human well being as well as the wealth status of the population by affecting cognition and adult earnings. In efforts to reduce nutrition disorders in the country, the sector implements activities with focus on the following areas:

- Prevention and control of various forms of nutrition disorders focusing on pregnant and lactating women, children 0 to 2 years, under-five children, school aged children, people living with HIV, people in emergency situation and other vulnerable groups.

- Promoting access and quality of nutrition and related services to facilitate effective management of nutrition deficiency disorders among various population groups with focus on under five children, pregnant and lactating women, people living with HIV, adolescence and adults
- Creation of an enabling environment that adequately provides for the delivery of nutrition services and implementation of the nutrition programmes, projects and interventions.

The sector has specifically implemented the following interventions:

12.2.1.1 **Prevention of Malnutrition Disorders**

- Facilitated sugar fortification by coordinating several meetings regarding sugar fortification.
- Formulated food calendars.
- Reviewed six food groups.
- Trained nutrition Officers in Essential Nutrition Actions.
- Conducted supervision for child health day's campaign.

11.2.1.2 **Management of nutrition disorders and Treatment**

- Officially opened the Kapeni Multipurpose Centre in Blantyre under Project Malawi.
- Provision of vita meal to PLHIV. Supervision of vita meal distribution to CBOs and support groups was also conducted.
- Have reviewed and consolidated catering guidelines for Malawi.

11.2.1.3 **Creation of an Enabling Environment**

- Launched the national nutrition policy.
- Conducted the National Micronutrient Survey and in the process of writing the report. Several meetings have been conducted to finalise the report.
- Produced a joint annual workplan for the nutrition sector.
- Translated the National Nutrition Policy and strategic plan summary into vernacular languages.
- Supervised Infant and Young Child Feeding, food supplements in primary school and food manufacturing industries.
- Conducted Nutrition Assessment.
- Conducted training of service providers in nutrition care and support re-

design of nutrition surveillance system and new child growth standards.

- Documented Infant and young child feeding best practices.

12.3 HIV and AIDS

In the fight against the HIV and AIDS Pandemic, the sector has implemented a number of activities during the period under review following the National HIV and AIDS Action Framework (NAF) pillars namely:

- Prevention and Behaviour Change;
- Treatment, Care and Support;
- Impact Mitigation;
- Mainstreaming, Partnership and Capacity Building;
- Research and Development;
- Monitoring and Evaluation; and
- Resource Mobilisation.

Specifically, the following activities were implemented:

12.3.1 Behaviour Change

12.3.1.1 HIV and AIDS Communication Products

- 72 percent (1,803,122 out of 2,500,000) of communication products were distributed during the reporting period.
- 28 percent (5,500 out of 20,000) of copies of communication products were produced and distributed to people with special needs.
- 84 percent (1,686 out of 2,000) of radio programs were produced and aired to various social groups to cover different thematic areas on HIV and AIDS.
- In addition 90 percent (180 out of 200) of television programs/jingles/spots were also produced on thematic areas.

12.3.1.2 Community involvement in HIV Prevention

- 68 percent (677 out of 1,000) of cinema/video shows were conducted in rural and urban areas targeting most at risk populations during the reporting period.
- 72 percent (722 out of 1,000) of interactive drama shows were conducted in rural and urban settings to provide teaching on various thematic areas.
- 96 percent (96 out of 100) of new radio listening clubs were formed and provided with various forms of material and technical support.

- 120 percent (359 out of 300) of existing radio listening clubs were provided with financial and material support.
- 37 percent (1,872 out of 5,000) of opinion leaders were also trained on interpersonal/interactive communication.

12.3.1.3 **Interventions for Young People**

Various interventions were implemented in order to prevent new HIV infections and mitigate its impact among young people.

- 51 percent (51,393 out of 100,000) of young people were reached with youth friendly health services.
- 90 percent (3,600,771 out of 4,000,000) of in and out-of-school youths were reached with life skills education interventions.
- 2,328 youth leaders were trained in interpersonal and interactive life skills education.
- Introduced National Secondary School quiz programme. Several working sessions regarding the programme have been conducted.

12.3.1.4 **Condom Programming**

Condom programming has continued to be one of key strategies aimed at reducing sexually transmitted infections, including HIV. The following interventions were conducted under this strategy.

- 2,891,377 socially marketed condoms (2,844,500 male and 46,877 female) and 5,994,928 free condoms (5,405,564 male and 589,364 female) were distributed to end users, against annual targets of 20,000,000 and 15,000,000, respectively.
- Condom promotion sessions were conducted to increase knowledge levels and promote condom uptake.
- Community based condom distribution agents were trained to improve condom distribution at community level.

12.3.1.5 **HIV Testing and Counselling (HTC)**

During the period under review, HTC services continued to be offered through static, outreach and door-to-door services.

- 23 percent (16 out of 70) of new Hospital Treatment Centre services sites were established and operational.
- 45 percent (524 out of 1,180) of HTC counsellors were trained to increase the number of HTC service providers and quality programme scale up.
- 33 percent (535,685 out of 1,650,000) (200,343 males and 335,342

females) of clients were tested and Referral to other HIV and AIDS related services were strengthened due to trainings offered to HTC Service providers.

- 51 percent (51,225 out of 100,000) of Sexually Transmitted Infection (STI) cases were diagnosed and managed according to guidelines for HIV testing services and received their results.

12.3.1.6Prevention of Mother to Child Transmission (PMTCT)

Progress has been made for the Prevention of Mother to Child Transmission (PMTCT) programme following the scale up plan.

- 87 percent (26 out of 30) of new Antenatal Clinics were established and 95 percent (544 out of 574) of Antenatal Clinics were reported to be operational throughout the year.
- 100 percent of new HIV+ pregnant women attending ANC received a complete course of ARV prophylaxis against an annual target of 80 percent.
- 67 percent (20,058 out of 30,000) of children born to HIV+ mothers received ARV prophylaxis for PMTCT.
- 16 percent (1,243 out of 7700) of HIV+ pregnant women were reported to be on ART.
- 14 percent (279 out of 2000) of service providers were trained on PMTCT.
- 108 percent (26 out of 24) new facilities were providing Early Infant Diagnosis (EID) to exposed infants.
- 88 percent (44 out of 50) of facilities were providing Early Infant Diagnosis to infants.

12.3.1.6 **Post Exposure Prophylaxis**

Awareness, knowledge levels and uptake of Post Exposure Prophylaxis (PEP) services have been major challenges and in order to address these challenges the following interventions were implemented under PEP.

- 57 percent (172 out of 300) of awareness and advocacy campaigns on use and availability of PEP were conducted in the communities.
- 79 percent (236 out of 300) of health facilities (all static ART sites) were available to provide the service.

12.3.2 **Treatment, Care and Support**

12.3.2.1 **Strengthening Systems for HIV and AIDS Services**

The scaling up of HIV and AIDS services has called for corresponding investments in human resources, infrastructure, equipment and systems that are required for effective service delivery.

- 12 new sites were established for HIV and AIDS services.

- 339 Antiretroviral Therapy (ART) service delivery points were operational out of which 236 were static while 103 were outreach sites.
- 87 percent (52 out of 60) of CD4 count machines were available at both public and private health facilities for patient monitoring.
- 8688 service providers were supported with salary top ups including 3,888 health workers and 4,800 Health Surveillance Assistants.
- Human resource requirements for the ART programme were also strengthened through continued support for 5 ART supervisors and 51 UN volunteer doctors.
- 67 percent (190 out of 285) of students in various institutions were trained on ART. The trained students included medical students, pre-medics, pharmacists, nurses and laboratory technicians.
- 63 percent (628 out of 1000) of expert patients, volunteers and community members were trained in ART adherence.

12.3.2.2**Antiretroviral Therapy Programme**

The ART programme continued to scale up during the reporting period and still remains one of the critical interventions for eligible PLHIV.

- 21,322 new patients were enrolled on the programme. 39 percent of these were males and 61 percent were female. About 91 percent were adults (15 years and above) whilst 9 percent were children (14 years and less).
- 288,163 ART patients excluding transfers out (35,009) were registered in the 339 service delivery points. 64 percent (183,147 out of 288,163) were on treatment whilst 10 percent (30,150 out of 288,163) had died.
- Efforts were also directed towards strengthening of TB/HIV collaboration. About 35 percent of HIV infected TB cases received HAART against annual target of 60 percent.
- 19 percent (9,612 out of 50,000) of ART patients were under Therapeutic feeding Programme in 157 sites.

12.3.3 **Community Home Based Care (CHBC)**

Community home based care activities continued to be implemented as one way of decongesting the formal health system and also ensuring treatment adherence, among others.

- 69 per cent (1,380 out of 2,000) of CHBC providers were trained to effectively conduct community based care activities.
- 96 per cent (96,164 out of 100,000) of households with chronically ill patients were provided with various forms of support to care for the patients.

12.3.4 **HIV and AIDS Mainstreaming and Decentralisation**

The overall goal for this priority area is to increase the involvement and contribution of the public sector, private sector and civil society in the HIV and AIDS response.

12.3.4.1 **Capacity building for HIV and AIDS Mainstreaming**

Capacity building efforts focused on developing a clear and common understanding on HIV and AIDS mainstreaming among implementing agencies.

- 60 percent (12 out of 20) of orientation and sensitization meetings with key partners in all sectors, including LA personnel were conducted using mainstreaming guidelines. 74 percent (148 out of 200) of people were reached during the meetings.

12.3.4.2 **Advocacy for HIV and AIDS Mainstreaming**

In order to secure and sustain high level commitment for financing, mobilization and implementation of HIV and AIDS interventions, the following activities were conducted during the reporting period.

- 45 percent (9 out of 20) of advocacy sessions were conducted on HIV and AIDS mainstreaming targeting high level leadership (Cabinet Ministers, Members of Parliament, Principal Secretaries, Chief Executive Officers and District Commissioners) in order to promote integration of HIV and AIDS in sectoral and organisational policies, strategies and operational plans.
- 85 percent (68 out of 80) of organisations have incorporated strategic documents.

12.3.4.2 **Scaling up Workplace Programmes**

Efforts were directed towards scaling up organizational HIV and AIDS work place programmes.

- 45 percent (45 out of 100) of work place committees were established in various sectors.
- 71 percent (214 out of 300) of peer educators were trained in HIV and AIDS in order to enhance their knowledge.
- 209 percent (314 out of 150) of institutions in all sectors have active work place programmes.

12.3.4.3 **National HIV and AIDS Prevention Strategy**

In the period under review, National AIDS Commission also finalised the development of the National HIV and AIDS Prevention Strategy which was developed to respond to the current gaps in HIV prevention interventions. The strategy is aimed at reducing new HIV infections in order to further mitigate the burden and impact of HIV and AIDS in Malawi.

12.3.5 **Challenges**

The sector experiences quite a number of challenges. Some of the major challenges include the following:

- Inadequate financial resources and low cash flows for both ORT and Development Budget.
- Inadequate mainstreaming of Nutrition, HIV and AIDS in Sectoral programmes.
- In adequate structural capacity at all levels to implement the high impact nutrition HIV and AIDS interventions at household and district assembly levels.

Chapter 13

YOUTH DEVELOPMENT AND EMPOWERMENT

13.1 Overview

The Ministry of Youth Development and Sports contributes to national development through the promotion of youth empowerment and sporting programmes. The Ministry focuses on ensuring that Malawi's youths, who represent a significant proportion of the population[3], are educated, healthy, well-trained, vibrant and productive through the Ministry's strategic areas of focus, including improvement in youth livelihoods; reduction in illiteracy and innumeracy levels among out of school youths; improvement in youth participation in development initiatives; improvement in youth health and productivity; and improvement in coordination and effective delivery of youth programmes.

13.2 Major Achievements

The following are the major achievements, which the youth development sector achieved in the 2009/2010 financial year.

13.2.1 Youth Livelihood and Economic Empowerment

The Ministry continued to rehabilitate and equip former Malawi Young Pioneer Centers with focus on the Neno Youth Development Centre where capital assets were acquired, staff recruited and 186 youths trained in vocational and entrepreneurial skills under the Integrated Youth Development Programme supported by the United Nations Development Program (UNDP). The Programme aims to economically empower the youth and improve their livelihoods. The Ministry also facilitated the establishment of the Youth Enterprise Development Fund (YEDF) which was launched in February 2010 to ease youth access to enterprise development and financing. The Ministry undertook sensitization campaigns in all the districts in collaboration with the Ministry of Education and Malawi Rural Development Fund (MARDEF) and young people are ready to access application forms in their respective districts.

13.2.2 Youth Participation

The Ministry also established youth participation structures, including 120 new youth clubs and convened one meeting to plan and design the Complementary Basic Education (CBE) programme to be implemented in youth clubs. The CBE programme aims at improving numeracy and literacy among the youth.

Other youth transformative activities included the Internship Programme under which 12 student interns were attached to the Ministry to empower them with work ethic skills on a voluntary basis for a period of 3 to 6 months.

Further, the Ministry collaborated with the Malawi Institute of Management (MIM) and the Manhattanville College to initiate the Global Student Leadership

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[3] 40% of the population is aged between 10-29 years according to the Population and Housing Census of 2008

Training programme to train young people in entrepreneurship. The first cohort of 16 youth leaders has graduated from the programme.

The Ministry also undertook activities to improve youth participation in development initiatives such as tree planting exercises to reduce environmental degradation. In this regard, a million trees have already been planted by the youth to-date. Further, to facilitate youth participation in various social and economic activities, the Ministry established new youth participation structures at the local level, with over 100 new youth clubs established. Girls in these clubs have been trained in leadership skills and 100 clubs have been provided with standard packages. Through the National Youth Development Service, the Ministry provided vocational skills tools to about 60 youths in all the three regions.

13.2.3 **Healthy and productive youth**

In the quest to improve youth health and productivity, the Ministry trained over 1,000 youths in sexual reproductive health, HIV and AIDS and life skills. Some of these youth were trained as peer educators and in youth mobilization skills.

13.2.4 **Sports Programmes and Infrastructures development**

For the improvement and development of Sports programmes and infrastructures, the Ministry trained 72 sports personnel in Sports Business Management and 50 Journalists in positive reporting of sports issues. The Ministry also renovated Kamuzu Stadium and BAT Football Ground to improve the appearance and standard of auxiliary facilities. In addition, the Ministry secured funding and land for the construction of National Stadium and Indoor Sports Complex at Area 48 and commenced the construction of a sports complex at Area 17 under Olympi-Africa Project through the Malawi Olympic Committee. The latter project will have facilities that cater for various sporting disciplines.

13.2.5 **Public Private Partnerships**

The Ministry also continued to engage private sector companies to sponsor sporting events. In this regard, the Ministry conducted four partnership meetings with private sector and submitted five sponsorship proposals of which three were supported by various companies. For instance, private sector contributed over MK22 million towards the national football team's preparations for the Africa Nations Cup. The increased collaboration between Government and the private sector is positively reflected in the improved standard of play by the national team and subsequent qualification to the Africa Nations Cup.

13.3 **Major Plans for the 2010/2011 Fiscal Year**

For the 2010/11 Fiscal Year, the Ministry's major activities will focus on the full establishment and operationalization of the National Youth Development Center at Neno as well as training and provision of start-up tools to over 500 youths under the Integrated Youth Development Programme. The activities will also revolve around capacity building of the youth to equip the youth with relevant skills for accessing the Youth Enterprise Development Fund (YEDF). These include orientation and sensitization of districts on the operations of the Fund, sensitization and mobilization of the youth, training and mentorship of the youth.

The Ministry also plans to increase number of youth participation structures at the local level in FY2010-11. As such, over 100 youth structures, including youth clubs, youth networks, youth NGOs and youth centres will be established. The Ministry also plans to strengthen over 160 youth coordination structures at community (Youth Action Committees), district (Youth Technical Committee) and national (Technical Working Group on Young People and National Steering Committee) levels. To improve youth health and productivity, the Ministry plans to train about 600 youth counselors and peer educators to serve their fellow youth in youth centres and youth clubs.

In Sports, the Ministry plans to train 340 sports personnel in sports business management and 3,000 athletes, host about 4 international competitions and programs and rehabilitate and construct about 4 sports infrastructures. The Ministry will continue to renovate BAT and Kamuzu Stadiums and commence construction of the National Stadium and In-door Sports Complex. To develop sports at grass-roots level, the Ministry plans to procure and distribute sports equipment to Youth Centres and Community Centres, introduce more sports programmes for the youth in these Centres and conduct sport talent identification and development programme in schools and rural areas.

13.4 **Opportunities and Challenges**

Recent developments in the Youth Development and Sports sector offer major opportunities to develop the youth in Malawi and show tangible results in the near future. These developments include the adoption of Sector Based Approaches to planning and implementation through the Sector Working Groups, the inclusion of Youth Development and Empowerment under the nine priorities of Government and the re-definition of the sector's strategic direction. However, major challenges still exist, including low staffing levels and capacities, lack of sector visibility, inadequate funding for district youth activities and programmes, under-developed monitoring and evaluation system and inadequate and dilapidated youth structures and offices at the local level.

Chapter 14

CLIMATE CHANGE AND THE ENVIRONMENT

14.1 Overview

The Environmental Affairs Department planned in the year 2009/2010 to facilitate the review and development and implementation of environmental policies and legislation, monitor the implementation of the strategic plans in various aspects of the environment such as the National Environmental Action Plan, and the National Biodiversity Strategy.

The department was further required to process a number of Environmental Impact Assessment for development projects, monitor the implementation of management plans in the course of the implementation of the development projects, and conduct environmental audits and inspections in various areas that pose pollution to the environment.

The department also planned to prepare Environmental Outlook Report for Malawi and conduct environmental education and public awareness.

14.2 Achievements

14.2.1 Environmental policy and legislative framework.

A draft Environment and Natural Resources Management (ENRM) Evaluation and Monitoring Framework and a draft Sustainability Criteria have been developed. The ENRM Evaluation and Monitoring Framework will assist in the evaluation and monitoring of the implementation of ENRM issues in the MGDS. The Sustainability Criteria will help assess the sustainability of development actions of the different sectors to the environment, economy and society.

A draft Environmental monitoring framework for Kayerekela mining was also developed. The framework will help coordinate the different sectors in the monitoring of the various aspects of environment that could be impacted by the mining activities.

The preparation of the draft Nuclear law for Malawi was completed. The law will help meet compliance in the minimum levels of radioactive particles acceptable to be released in the environment from mining, energy, health and other industries. Radioactive particles above a certain threshold are hazardous to the environment.

The department facilitated the Malawi delegation at the United Nations Framework Convention on Climate Change in Copenhagen, Denmark December, 2009. Malawi negotiated as a party to the convention and will benefit from some issues on the convention with respect to technology transfer and capacity building of the institutions involved in climate change issues and the financial resources for implementing programmes in the area.

To address the phase out of use of ozone depleting substances, custom officials were trained on monitoring aspects of the type of refrigeration that were banned for importation in the country based on the Montreal Protocol and naturalized in the Environmental Management Act in Mwanza, Mangochi, Mchinji and Karonga districts. As an enforcement measure of the ban, Malawi Revenue Authority impounded 32 fridges that were not ozone friendly during the first half of the year that entered through the Mwanza border.

14.2.2 **Environmental Impact Assessment and pollution control**

The department conducted 4 technical committee meetings and 3 National Council for Environment meetings to review Environmental Impact Assessment documents for different development projects. During the period under review, 8 development projects were approved for implementation at an investment cost of MK 1.9 billion and 3 development projects were deferred to add some more information to ensure that environmental sustainability is achieved on the implementation of projects.

As a means to monitor compliance to the implementation of Environmental Management Plans for the approved development projects, the department monitored 14 projects in the period. No major faults were noted in the monitoring exercises that could attract a penalty based on the Environmental Management Act.

In the general pollution control, the department inspected 30 industries and sites during the period. Four tobacco companies at Kanengo Industrial area were fined for dumping tobacco factory waste in non approved sites to MK6 million. The Blantyre City Assembly has to repair a Chirimba broken down sewerage line to allow industries in the area utilize the sewerage line for their factory effluents. Similarly, the Lilongwe City Assembly has to repair its Lumbazi Housing area sewerage line to take care of the sewer from the area.

14.2.3 **Environmental information, education and public awareness**

The department has processed the procurement of the consulting firm / individual that will prepare the Environmental Outlook Report for Malawi. The work is expected to start soon after the Office of the Director of Public Procurement has approved the findings of the selected bidders.

An environmental awareness campaign on climate change was conducted from November to December, 2009 to sensitize the public on climate change challenges on Malawi Broadcasting Radio one and the Malawi Television. The exercise was targeted to inform the general public how different sectors were affected on climate change impacts. Furthermore, public awareness of the District Environmental Sub Committees in Mwanza, Mchinji and Karonga districts on the phase out of ozone depleting substances was made in the respective districts to strengthen compliance against importation of banned substances and obsolete equipment in refrigeration industry.

Chapter 15

POVERTY REDUCTION PROGRAMME

15.1 **Overview**

The Malawi Growth and Development Strategy (MGDS) is the overarching strategy aimed at reducing poverty through economic growth and wealth creation. This chapter reviews progress in the implementation of the strategy in the 2008/09 financial year.

15.2 **Achievements in 2009**

According to the third review of the MGDS in 2009 and compared to the 2007/2008 review, the overall performance improved slightly in both priority and thematic areas. There were mixed results in that performance of some sectors improved slightly while that of others remained constant. Overall performance for all priority sectors was satisfactory with respect to achieving MGDS outcomes, core sector outputs and development projects targets. Much of the satisfactory performance was attributed to improved funding. Overall performance for thematic areas was above average except for themes of Social Development and Infrastructure Development which had average performance. Poor performance was mainly due to untimely disbursement and lengthy procurement procedures.

15.3 **MGDS Policy Alignment**

The review found that inconsistencies between output activities in the MGDS and those in the output based budget remains a problem. In some cases there was a mismatch between the outcomes and outputs and activities outlined in the MGDS matrix with those listed in the output based budget. Another finding was that ministries and departments do not reprioritise their activities once their estimates are cut following budget ceilings. Consequently, funding which is lower than the original estimates is spread too thinly across many activities thereby negatively affecting achievements of planned sector outputs.

15.4 **MGDS Performance by Key Priority Areas**

15.4.1. **Agriculture and Food Security**

For the third successive year, agriculture and food security performed above average. The sector maintained its remarkable progress in maintaining food security owing to the input subsidy program and favourable weather conditions. The country registered a surplus of about 1.3 million metric tonnes which was more than double the surplus of 500,000 metric tonnes registered in 2007/08. The percentage of food secure households was somehow constant at 99 percent as compared to 99.5 percent registered in 2007/08. Per capita cereal availability increased from 231kg in 2007/08 to 285.7kg. Per capita meat availability continued to increase from 8 kg in 2006/07 to 10.1 kg and 11.2 in 2007/08 and 2008/09 respectively. Performance of development projects as compared to 2007/08 remained constant and satisfactory as 75 percent of the projects achieved their output targets.

15.4.2. **Irrigation and Water Development**

This sector had an above average performance as compared to an average performance in 2007/08. Percentage of population with access to improved sanitation doubled from 47 percent in 2007/08 to 94 percent in 2008/09.The percentage of population with access to safe portable water also increased slightly from 76 percent in 2007/08 to 80 percent in 2008/09. The sector also managed to achieve 2 of its 4 core sector outputs. Development projects performance improved from 68 percent in 2007/08 to 76 percent.

15.4.3. **Transport Infrastructure Development**

The sector maintained its above-average performance it registered in 2007/08. The sector achieved 5 of its 9 indicator targets. For example, the percentage of roads in good condition was at 33 percent surpassing its annual target of 30 percent. The sector also achieved 3 of its 4 core sector output targets which included the completion of the preliminary phase of the Shire Zambezi Waterway and road network condition improved. Development projects performance improved from 76 percent to 90 percent in 2008/09.

15.4.4 **Energy Generation and Supply**

For the second successive financial year this sector was rated as having had an average performance. The sector achieved 2 out of the 3 annual indicator targets. The percentage of households with access electricity increased marginally from 7.8 to 8 percent whereas the percentage of population using solid fuels declined from 82 percent to 77 percent in 2008/09. The sector managed to achieve 2 out of three core sector output targets. The core sector output target that was not achieved was reduction in levels of brown outs and blackouts which still remains a big problem. Development projects performance improved as 75 percent of the projects achieved their output targets as compared to 50 percent in 2007/08.

15.4.5 **Integrated Rural Development**

For this review, assessment of this sector was based on the performance of programmes directly under Ministry of Local Government and Rural Development and District Assemblies. The review rated the sector as having had an average performance. The sector succeeded in meeting 50 percent of its core sector output targets. Notably, slow progress was observed on one core sector output target of requisite infrastructure for rural and urban economic transformation due to inadequate funding. Development projects performance declined slightly to 72 percent from 75 percent in 2007/08.

15.4.6 **Nutrition, HIV and AIDS**

Just like in the two previous reviews, this sector was rated as having performed above average. The sector managed to achieve all its 7 indicator targets for 2008/09. For example, HIV/AIDS prevalence rate among pregnant women aged 15-24 years remained constant at 12.3 percent which was the target. The prevalence rate for the age group 15-49 also remained constant at 12 percent having which was also the annual target. The percentage of HIV+ pregnant women receiving a complete course of ARV prophylaxis to reduce the risk of MTCT declined from 78% in 2007/08 to 75 percent in 2008/09 which was above the target of 50 percent. In terms of core outputs, the sector managed to achieve 5 out of 6 core outputs and 85.7 percent of the projects achieved their targets.

15.5 MGDS Performance by Thematic Areas

15.5.1 Sustainable Economic Growth

This thematic area is comprised of six sub-themes namely; potential growth sectors, enabling environment for private led growth, export-led growth, conservation of natural resource base, economic empowerment, land and housing.

In general, all sectors under this sub-theme performed above average in achieving annual indicator targets, core output targets and development projects performance. These sectors include; trade and private sector development; mining; tourism; culture; forestry conversation and management; environmental protection; and wildlife management. In total, 11 out 13 annual indicator targets were achieved, 66 percent of development projects met their targets and 41 out of 56 core output targets were achieved.

15.5.2 Social Protection and Disaster Risk Management

The sector performed above average unlike in the previous review when its performance was below average. The sector achieved all its annual indicator targets and 8 out of 10 core indicator targets were met. Some of the annual indicators include; proportion of disadvantaged receiving conditional and unconditional transfers; and number of households reached by public works programme.

15.5.3 Social Development

The sector analysed under this theme were health, education, gender, and youth and sports development. Overall, sectors under this theme had an average performance. Only 24 out of 42 annual indicator targets were achieved, 67 percent of development projects implemented met their output targets and 7 out of 11 core sector outputs were successful. Of the three sectors, only gender performed above average whereas the rest had an average performance.

15.5.4 Infrastructure Development

This sub-theme is comprised of technology and research development; and air and rail transport. Overall, this theme had an average performance. Out of 9 annual indicator targets, only 4 were achieved. About 68 percent of development projects implemented achieved their targets and about 60 percent of the core output targets were met. Average performance for this theme was attributed to an above average performance by technology and research development. Five out of 6 core output targets were met and 61 percent of development projects met their output targets. Air and rail transport, on the other hand had an unsatisfactory performance. About 55 percent of annual indicator targets were not met and only

1 of the 4 core output targets was achieved. Only development projects performance was satisfactory as 75 percent of the development projects achieved their targets.

15.5.5 **Improved Governance**

This theme is comprised of two sub-themes namely; economic governance and democratic governance. The review rated this theme as having had an above average performance. Economic governance sub theme performed above average just like in the previous review. The sub-theme managed to meet 7 out of the 9 annual indicator targets and 14 out of 18 core indicator targets. However development projects performance was average as 56 percent of the projects implemented met their targets.

Democratic Governance Sub-theme performed above average unlike during the previous review when most institutions had an average or below average performance. The institutions that performed above average include; the Anti Corruption Bureau; justice and the rule of law; national security; and public administration. Only the human right sub-sector performed poorly as evidenced by poor performance on annual indicator targets and core sector output targets or lack of data.

Chapter 16

BANKING AND FINANCE

16.1 The Banking System

The stock of money supply (M2) increased steadily by K34.1 billion (24.4 percent) to K173.8 billion in 2009. Growth in M2 was shored up by increased economic activity coupled with sizeable government's recourse to central bank resources. The counterparts to the monetary expansion in 2009 were firstly an increase of K27.8 billion (33.1 percent) in net credit to government largely due to substantial Ways and Means advances accessed in the year. Secondly, high economic activity supported growth in the stock of outstanding loans and advances to the private sector that increased by K26.9 billion (39.5 percent). Acceleration in M2 was however partly restrained by a decline of K24.2 billion in net foreign assets as the RBM continued to support the market.

The growth in M2 was spread in all demand categories attributed largely to aggressive deposit mobilization by commercial banks. Specifically, deposit mobilization by the banking system grew by K19.0 billion for term (time and savings deposits), K9.1 billion for demand deposits and K4.1 billion for foreign currency deposits. The increase in foreign currency deposits largely reflected project financing for the mining sector while the rise in kwacha deposits was on account of precautionary reserves by most corporates in order to purchase foreign exchange.

16.2 Commercial Banks

The consolidated position of the commercial banks sustained momentum as evidenced by an increase of K40.5 billion in both assets and liabilities to K205.2 billion in 2009. Reflective of the aggressive deposit mobilization, private sector deposits constituted the major source of commercial banks' funds recording an increase of K30.7 billion in 2009. Capital accounts also contributed K7.5 billion to the increase mirroring profitability that prevailed notwithstanding. All other liabilities also rose by K2.4 billion in 2009. The commercial banks invested most of their resources in the domestic economy. Credit to the private sector recorded an annual increase of K26.9 billion and the bulk of the resources were availed to the commercial and industrial sectors to facilitate purchases of agricultural inputs and inventory accumulation. Aligned with robust economic activity and the subsequent expansion of the banks' deposit base, commercial banks' placements with the RBM improved by K10.2 billion in 2009. Investments in the foreign sector also increased annually by K3.9 billion. Meanwhile, lending to central government declined by K891.2 million at the commercial banks.

16.3 Reserve Bank

Total resources of the Reserve Bank of Malawi increased by K10.2 billion to K153.6 billion in 2009. The foreign sector contributed significantly towards availability of Central Bank’s resources recording an increase of K13.8 billion following an augmentation of US$80.1 million (SDR51.4 million) of Special Drawing Rights (SDR) allocation by the IMF in August 2009. Commercial banks' reserves with the Central Bank also exerted an expansionary effect increasing on an annual basis by K12.1 billion. These developments notwithstanding the unsectored liabilities of the monetary authorities exerted a dampening effect to RBM resources, declining by K12.0 billion on account of accommodative monetary policy through intensified discount window activities. Furthermore, official sector deposits also declined by K5.6 billion in 2009. Notably, most of the RBM resources were utilized in supporting the fiscal authorities as evidenced by an increase of K21.7 billion in lending to the central government. In addition all other assets of the RBM also increased by K3.1 billion whist commercial banks' accessed K1.0 billion of the Reserve Bank resources. Meanwhile, investments in the foreign sector declined substantially by K14.5 billion due largely to unavailability of foreign exchange.

16.4 Government Securities Market

16.4.1 Treasury bill Primary Market

Total subscriptions in 2009 amounted to K239.2 billion compared to a total of K168.7 billion in 2008. This represented an annual increase of 41.8 percent in 2009 compared to a lower increase of 9.0 percent recorded in 2008. The increase reflected higher than normal liquidity conditions, higher yields as well as lack of alternative investment avenues.

A total of K134.5 billion of Treasury bills were issued through the weekly Treasury bill auctions. In addition, Ways and Means advances extended to Government were converted to Treasury bills and these amounted to K73.1 billion thereby bringing total Treasury bill issues in the year to K207.6 billion compared to K193.4 billion in 2008. Year on year, normal issues grew at a slower rate of 1.5 percent while OMO Treasury bill issues grew by 20.0 percent.

During the review period, total Treasury bill maturities amounted to K191.4 billion, 22.9 percent higher than the 2008 maturities. Normal maturities were unchanged at K131.3 billion while OMO Treasury bill maturities at K60.1 billion were 152.5 percent higher than those during a similar period in 2008.

TABLE 16.1: TREASURY BILLS PRIMARY MARKET (FACE VALUES K'BILLION)

	2008	2009					
	Annual	*1st Qtr*	*2nd Qtr*	*3rd Qtr*	*4th Qtr*	*Annual*	*% Change from 2008*
Total Subscription	168.7	68.1	40.2	48.6	82.3	239.2	41.8
Issues	193.4	33.2	68.5	71.7	34.2	207.6	7.3
- Normal	132.5	33.2	38.1	34.0	29.2	134.5	1.5
- OMO Stock	60.9	0.0	30.4	37.7	5.0	73.1	20.0
Maturities	155.7	39.3	72.0	51.4	28.7	191.4	22.9
- Normal	131.9	30.2	38.8	33.6	28.7	131.3	-0.5
- OMO Stock	23.8	9.1	33.2	17.8	0.0	60.1	152.5
Net Issues (+)/maturities(-)	37.7	-6.1	-3.5	20.3	5.5	16.2	-57.0
T-Bill debt stock at Face Value	122.3	116.0	112.2	132.6	139.3	139.3	13.9
T-Bill debt stock at Cost Value	112.7	106.7	103.9	121.3	127.5	127.5	13.1

Source: RBM

16.4.2 **Domestic Debt Stock**

Total domestic debt stock rose by 17.9 percent in 2009 and amounted to K172.7 billion on account of increases in Treasury bill stock and outstanding Ways and Means advances. Outstanding Ways and Means advances totalled K10.6 billion in 2009 while 2008 with no Ways and Means advances.

The stock of Treasury bills rose by 13.0 percent to K127.5 billion in 2009 from K112.8 billion in 2008. Reserve Bank of Malawi holdings of Treasury bills rose by 20.6 percent to K66.8 billion mainly due to conversions of Ways and Means advances into OMO Treasury bills. Holdings by Discount houses rose by 22.5 percent to K8.7 billion whilst those of non-bank sector rose by 8.6 percent to K22.8 billion.

The stock of Local Registered Stocks (LRSs) declined albeit slightly on account of a reduction in the holdings of discount houses and other financial institutions. Treasury notes held by Reserve Bank of Malawi remained unchanged at K31.1 billion.

TABLE 16.2: HOLDINGS OF TREASURY SECURITIES BY SECTOR (K'BILLION)

	2008	2009				
	4 Qtr	*1st Qtr*	*2nd Qtr*	*3rd Qtr*	*4th Qtr*	*% Change from 2008*
Total Domestic Debt Stock (cost)	147.5	141.4	138.2	157.6	172.7	17.1
Of which T-bill holdings by:						
Reserve Bank of Malawi	55.4	46	45.9	61.5	66.8	20.6
Commercial Banks	29.3	29.9	28.6	28.6	29.2	-0.3
Discount Houses	7.1	7.8	7.9	9.0	8.7	22.5
Foreign Sector	0	0	0	0	0	_
Non-banks	21	23	21.1	22.2	22.8	8.6
Total T-bill Stock	112.8	106.7	103.5	121.3	127.5	13.0
Of which LRS holdings by:						
Commercial Banks	2.5	2.5	2.5	2.5	2.5	_
Discount Houses, other fin. Institutions	1	1	1	0.9	0.9	-10.0
Non Banks	0.1	0.1	0.1	0.1	0.1	-
Reserve Bank of Malawi	0	0	0	0	0	_
Total Local Registered Stock	3.6	3.6	3.6	3.5	3.5	-2.8
Holdings of T-notes by RBM	31.1	31.1	31.1	31.1	31.1	_
Ways and Means Advances	0	0	0	1.7	10.6	_

Source: RBM

16.5 **Treasury Bill Yields**

In 2009, yields for the 182 and 273-day tenors increased by 253 basis points and 113 basis points, respectively, to average 12.5 percent and 12.7 percent. In 2008 the yields for these tenors averaged 9.97 percent and 11.5 percent, respectively. Yields on the 91-day tenor lost 88 basis points and averaged 10.5 percent during the year under review. The combined effect of these movements pushed up the all-type yield by 92 basis points to average 11.9 percent.

16.6 **Capital Markets**

16.6.1 **Outstanding Local Registered Stocks (LRS)**

There was redemption of stock amounting to K97.0 million and a conversion of stocks amounting to K437.0 million in 2009. However, no issue of LRS took place during this period. As a result the outstanding stock of LRS closed off at K3.5 billion at the close of the year under review compared to K3.6 billion recorded at the end of preceding year.

16.6.2 **Secondary Market in LRS**

The LRS market recorded no activity during the year as investors showed continued preference to hold onto their instruments which offer higher yields in the range of 20.0 percent to 38.0 percent, compared to short term Treasury Bills whose yields were under 10.0 percent during the review period.

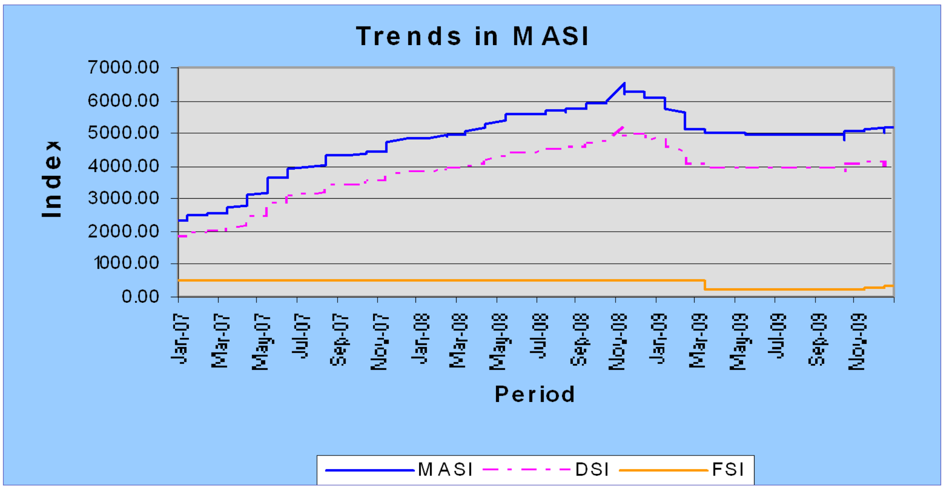
16.6.3 **Share Markets**

16.6.3.1 **Primary Share Market**

There was no new listing on the Malawi Stock Exchange (MSE) during the review period. As such the number of counters on the Stock Exchange remained at fifteen (15).

16.6.3.2 **Secondary Share Market**

During the year, a total of 592.4 million shares valued at K2,877.6 million were transacted in 1795 deals compared to 598.8 million shares that exchanged hands for a turnover of K8,277.1 million in 3269 deals in the preceding year. The Malawi All Share Index (MASI) closed off 936.20 points lower at 5,154.95 points from 6,091.15 points recorded at the opening of the review period. The decrease in MASI was attributed to the drop in Domestic Share Index (DSI) which fell from 4,815.55 to 4,087.19 points during the period under review. The Foreign Share Index (FSI) registered an increase from 521.59 points to 314.21 points during the review period. During the same period in the corresponding year, the MASI closed off at 4,849.79 points.



Market capitalisation closed off at K1,172.1 billion from K1,838.3 billion recorded at the close of the preceding year. In the corresponding year, market capitalisation stood at K1,769.2 billion.

Chapter 17

PUBLIC ENTERPRISES

17.1 Overview

This chapter reviews performance of the parastatal organizations in the financial year 2009/10 compared to 2008/09. These companies are Government-owned entities that are mainly involved in the production of goods and services, with the requirement to substantially or fully cover their costs.

The Statutory Bodies being reported on include Northern Region Water Board (NRWB), Central Region Water Board (CRWB), Lilongwe Water Board (LWB), Southern Region Water Board (SRWB), Blantyre Water Board (BWB), Air Malawi (QM), Malawi Housing Corporation (MHC), Malawi Posts Corporation (MPC), Electricity Supply Commission of Malawi (ESCOM), Agricultural Development and Marketing Corporation (ADMARC), Malawi Communication and Regulatory Authority (MACRA) and Airport Development Limited (ADL).

Most of these institutions commonly operate in regulated markets, where prices are largely determined by independent price regulators like the Malawi Energy Regulatory Authority (MERA) and the Malawi Communication and Regulatory Authority (MACRA). To a certain extent, water tariffs adjustment requires ministerial approval as well. The influence of regulators decisions on pricing and revenue has an effect on the profitability of these parastatal organizations.

17.2 Performance

17.2.1 Blantyre Water Board (BWB)

BWB strengthened the operations of the kiosk management unit and came up with best management arrangements on water supply to low income areas. It also implemented an operational and institutional improvement contract aimed at reducing physical and commercial non revenue water in the distribution system and installed individual meters on all connections.

TABLE 17.1: NON FINANCIAL PERFORMANCE OF BWB

Performance Targets	*2009-10 (1st Half)*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
No. of new connections	610	1,500	1,165	1,000
Levels of non revenue water	*47 %*	*52 %*	*45 %*	*40 %*

17.2.1.1 Profitability

The Board sold a total of 7.4 million cubic metres against a budget of 8.2 million cubic metres. This represents an adverse percentage variance of 5.3 percent from the budget. The sales volume translates to K1, 009 billion against budgeted revenues of K1, 019 billion. The timely implementation of tariff helped in enhancing the sales revenue in the period.

In general terms, the Board performed well in both expenditure control and revenue generation. It budgeted to generate total revenues amounting to K1.02 billion in the first half of the financial year. It, however, generated total revenue of K1.01 billion falling short of the budget by K10 million representing a negative variance of 1 percent.

The operating profit margin was 11.5 percent compared to 8 percent registered in the same period the previous year. The better performance in the margin was a result of the efficiency in the tariff adjustment process as well as a result costs control measures deployed in the period.

Overall, the Board registered a net profit after tax of K5 million arising mainly from the increased tariff, controlled expenditure and new connections. In light of the improved financial results, the Board operated with tight cash flows which hampered some progress with regard to new connections and delivery of services. Table 17.2 below shows the financial performance indicators as at 31st December, 2009.

TABLE 17.2: FINANCIAL PERFORMANCE OF BWB

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	1,009	1,883	1,538	1,155
Total Expenditure	1,004	1,799	1,432	1,259
EBIT 115,693	174	106	(71.5)	
Net Profit	5,075	2.300	(99.6)	(144)
Current ratio	1.18	0.6	0.7	0.6
Debtors collection days	249	137	224	203

17.2.1.2 **Summary of Challenges**

- Low water tariff - This means that the Board is operating at a loss in the provision of potable water.
- Aged water systems resulting in huge levels of unaccounted for water currently at 52 percent.
- Huge demand of potable water in the areas of operation not matching with levels of investment.
- Delayed payments by Government institutions and private customers resulting in delayed services and forcing the Board to resort to short term bank borrowings.
- Huge trade receivables - Resulting in borrowing to cover up the financial gap and complement working capital.

17.2.2 **Northern Region Water Board (NRWB)**

The Board increased the number of from 68 percent to 76 percent thus increasing the level of accessibility to portable water. The focus is to increase the level to 85 percent by 2014 as outlined in the strategic plan of the Board.

The Board reduced the levels of Non Revenue Water from 31 percent recorded in the 2008-09 financial to 28 percent. This was achieved by among others, replacing 1,500 stuck meters and rehabilitating the pipework system. Table 17.3 below shows the non financial performance indicators.

TABLE 17.3: NON FINANCIAL PERFORMANCE OF NRWB

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Levels of Potable Water Accessibility	76 %	68%	66%	62 %
Number of connections per employee	117	101	81	73
Number of Customers	28,534	25,254	22,160	18,236
Number of New Connections	3,280	3,093	3,924	1,876
Percentage of Unaccounted for Water	28 %	31 %	32.6 %	35.5 %

17.2.2.1 **Profitability**

In the reporting period, the Board realised K989 million as revenues against revenues of K906 million realised in the same period the previous year. This represents a 9 percent increase on the 2008-09 results. The growth is as a result of the average tariff adjustment of 15 percent as well as the 13 percent growth on the consumption due to improved growth of metered customers.

The Board augmented the growth in metered consumers that has been registered in the previous financial year. It replaced 1,500 stuck meters in order to reduce the unaccounted for water that comes about due to the stuck meters. Table 17.4 below shows the financial performance indicators for the Board.

TABLE 17.4: FINANCIAL PERFORMANCE OF NRWB

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	426,486	714,632	473,166	372,797
Total Expenditure	326,041	616,275	496,475	388,538
EBIT 100,728	99,230	-23,766	-15,741	
Return on Total Assets	*17 %*	*28 %*	*19 %*	*15 %*
Current Ratio	*137 %*	*123 %*	*122 %*	*43 %*
Profit Margin	*16 %*	*-26 %*	*-110 %*	*-157 %*
Debt Collection Days	74 days	50 days	52 days	44 days

The 2009-10 first half registered a net profit of K49 million. The net profit was mainly attributed to expenditure control and a tariff adjustment that was approved by Government. Debt equity swap that was undertaken in the period also contributed to the bottom line as borrowing expenses were derecognised in light of the conversion. Planned growth and new water connections partially contributed to the significant improvement of financial results.

17.2.2.2 **Summary of Challenges**

- Delayed payments by Government institutions and private customers. The Board is currently faced with delays from Government institutions that also happen to be the major customers.
- Low tariffs - the cost of producing water is much higher than the selling price.
- Aged water systems that resulted in huge levels of unaccounted for water.
- Unpaid tax arrears due to low tariff levels.
- Dwindling water supply underground resources in Chitipa.

17.2.3 **Lilongwe Water Board (LWB)**

The Board improved the accuracy and timeliness in meter reading and billing and is in the process of consolidating the system for hand delivery of water bills. Collection inefficiency was revealed as the Board did not achieve the targets including the reaction to faults and requests for new connections.

Management was fully aware of the need for increasing revenue and cutting costs, thus reducing losses and eventually turning the Board into a profit making entity. Table 17.5 below shows the non financial performance targets for the year.

TABLE 17.5 NON FINANCIAL PERFORMANCE OF LWB

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Number of clients	35,731	32,673	30,740	28,881
Number of new connections	1,886	1,170	2,151	1,100
Levels on Non Revenue Water	*29.8%*	*31 %*	*30 %*	*28 %*

17.2.3.1 **Profitability**

In the reporting period, the Board realised K989 million as revenues against revenues of K906 million realised in the same period the previous year. This represents a 9 percent increase on the 2008-09 results. The growth is as a result of the average tariff adjustment of 15 percent as well as the 13 percent growth on the consumption due to improved growth of metered customers. Table 17.6 below shows the financial performance for the 2009-10 financial year.

TABLE 17.6: FINANCIAL PERFORMANCE OF LWB

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	989	1,640	1,403	1,178
Total Expenditure	628	1,279	1,204	1,030
EBIT	361	360	199	148
Return on net Assets	*2.2 %*	*0.58 %*	*-22 %*	*-9 %*
Current Ratio	2.6:1	3.5:1	3.4:1	3.7:1
Debt Collection Days	101days	116 days	116 days	91 days

17.2.3.2 **Summary of Challenges**

- High Non Revenue Water losses which come in the wake of using old/ageing plant and systems.
- Ever increasing operating costs due to rising costs of inputs and use of inefficient and time expired plant and equipment.
- Declining commercial performance due to the ever increasing trade receivables. Of main concern are Government institutions which owes the Board K431 million at the reporting period.
- Operating tariff rates mostly being less than capital and operating cost recovery rate, resulting in the inability by the Board to rehabilitate, upgrade and extend the plant and systems. For example, the Board is producing one litre at 9 tambala and selling it at 8 tambala.
- Conflicts in legal instruments, of specific interest being the Local Government and Waterworks Acts, resulting in good initiatives being frustrated.
- Weak enforcement of regulations and standards by the Water Resources Board, resulting in the proliferation of boreholes, which increase the risk of system contamination and loss of revenue on the part of the Board.
- Lack of capital investment for new water source development to enable the Board meet any future demands in the various water supply areas and heavy dependency on external funding for the sector.
- Heavy catchment area degradation, due to uncontrolled cultivation, poor crop husbandry practices and developments within controlled buffer zones.

17.2.4 **Southern Region Water Board (SRWB)**

SRWB's sales volume decreased in the reporting period from the budgeted 5.1 million cubic metres to 3.3 million cubic metres representing 35 percent shortfall. However, the Board managed to improve operational efficiencies of water supply, treatment and distribution systems.

Maintenance of existing system at current design capacities were rehabilitated in all the operating schemes in addition to the establishment and strengthening of the faults management systems. Table 17.7 below shows the non financial performance indicators as at the end of the reporting period.

TABLE 17.7: NON FINANCIAL PERFORMANCE OF SRWB

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Number of customers	31,391	28,211	25,746	22,685
Number of new connections	3,180	2,465	2,245	1,728
Levels of unaccounted for water	*29 %*	*29 %*	*25 %*	*28 %*

17.2.4.1 **Profitability**

The Board realised total revenue amounting to K332 million against the budget of K485 million representing 31 percent performance below the budget. This resulted in the posting of a net profit of K11 million against the budgeted profit of K58 million. The low budget performance is as a result of delayed implementation of tariff adjustment. Table 17.8 below shows the financial performance indicators for the period ending December, 2009.

TABLE 17.8: FINANCIAL PERFORMANCE OF SRWB

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	332	727	633	507
Total Expenditure	250	716,789	625,762	578,008
EBIT 82	11,096	7,870	(74,019)	
Current ratio	0.11	0.12	0.13	0.12
Profit Margin	*21 %*	*22 %*	*25 %*	*14 %*
Debtors collection days	214	135	164	117

17.2.4.2 **Summary of Challenges**

- High non revenue water-Resulting in huge direct operating costs and less revenues
- Ever increasing operating costs due to the structure of the business and high levels of non revenue water
- Low tariff rates - Effectively leading to a loss from the core business of providing for potable water
- Inadequate capital investment - This has heavily affected the levels of service delivery at only 70 percent reached in the region

- Delayed payments by Government and Private customers - This has affected the expansion programme of the Board and the quality of service

17.2.5 **Central Region Water Board (CRWB)**

The Board planned to rehabilitate most of its pipe work system by using internal and external resources. It focused on reducing unaccounted for water from 22 percent as at the beginning of the reporting period to 20 percent. This was achieved through the partial maintenance of the reticulation system.

The Board also endeavoured to provide high quality, reliable supply of potable water to consumers in a cost effective and efficient manner. It achieved this by expanding services within the existing schemes and to unserved areas as a growth strategy and reduced risks associated with the existing customer profile.

CRWB has also started implementing major expansion projects under the National Water Development Project and Infrastructure Services Projects. Under these projects, the Board will continue upgrading and expanding most of the systems it currently operates. This will result in connection of new customers that will augur well with the growth strategy currently being pursued. Table 17.9 below shows the non financial performance indicators.

TABLE 17.9: NON FINANCIAL PERFORMANCE OF CRWB

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Number of customers	18,878	15,878	13,378	12,540
Number of new connections	1,150	2,500	1,108	1,259
Levels of unaccounted for water	*20 %*	*22 %*	*24 %*	*22 %*

17.2.5.1 **Profitability**

The Board realised total revenue amounting to K295 million against the budgeted K273 million representing above the budget performance of 8 percent. The Boards financial performance during the reporting period shows an increase in operating profit before interest and depreciation as compared against the budget.

Overall, the Board posted a net profit of K23 million compared to a budgeted net profit of K2 million. Negotiations are underway for the Board to hand over the Likuni Scheme to Lilongwe Water Board. Sales, therefore anticipated to decline as a result of the handover earmarked in the current financial year. Table 17.10 below shows the financial performance indicators for the period ending December, 2009.

TABLE 17.10: FINANCIAL PERFORMANCE OF CRWB

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total revenue	295	518	415	348
Total expenditure	271	778	663	629
EBIT 25	21	13	(12)	
Net profit after Tax	23	(257)	(245)	(280)
Current ratio	0.84	0.45	0.37	0.23
Profit margin	*16.65%*	*14 %*	*14 %*	*8 %*

17.2.5.2 **Summary of challenges**

- Poor Cash flow position - This is as a result of huge uncollected bills from Government and private customers.
- Aged infrastructure - The network was laid years back and ought to be replaced and rehabilitated.
- Poor and inadequate water sources.
- Low tariffs - Effectively forcing the Board to operate at a loss in the provision of potable water.
- High operating costs.

17.2.6 **Malawi Housing Corporation (MHC)**

The project programmes underway in the reporting period are a clear manifestation that the Corporation is now more focused on addressing the housing needs of the many Malawians within the context of the number of 5000 housing units expected to be delivered in the next five years.

The underlying corporate objective was to ensure that all activities harnessed the notion of shared resource utilisation. The Corporation finalised the land conveyance and survey of all land earmarked for development both in the cities and town assemblies. It continued soliciting funding and started construction of student hostels for the public universities. Table 17.11 below shows the non financial performance indicators.

TABLE 17.11: NON FINANCIAL PERFORMANCE OF MHC

Performance Targets	*2009-10 1st Half Units*	*2008-09 Audited Units*	*2007-08 Audited Units*	*2006-07 Audited Units*
House Maintenance	1,300	1,996	1,770	1,482
Plot Development	970	650	342	652
Construction of Houses	996	652	80	120

17.2.6.1 **Profitability**

The short to medium term financial goal of the Corporation continues to be the desire to achieve a break-even in the rent income account. This goal can only be realised if the revenues and expenditure are properly aligned in recognition of the prevailing market circumstances. Table 17.12 below shows the financial performance indicators.

TABLE 17.12: FINANCIAL PERFORMANCE OF MHC

Performance Targets	*2009-10 1st Half* *K'millions*	*2008-09 Audited* *K'millions*	*2007-08 Audited* *K'millions*	*2006-07 Audited* *K'millions*
Total Revenues	395	855	732	724
Total Expenditure	389	749	603	671
EBIT	7	102	118	52
Net Profit after Tax	6	106	80	58
Return on Operating Assets	*0.043%*	*1 %*	*1 %*	*1 %*
Current Ratio	0.97:1	0.92:1	1:1	1.07:1
Rent collection days with Govt Arrears	78 days	77 days	64 days	67 days
Rent Collection Days without Gov Arrears	55 days	88 days	39 days	37 days

MHC continued operating with challenges some of which require immediate shareholder's intervention like the rent control. The Corporation activities were significantly constrained by the continued interventions by Government on rent increase proposals that were meant to adjust the Corporations rental levels to reflect the market rates.

The Corporation's huge land bank has also become a target for encroachment and MHC is trying to curb this problem by among other things, developing perimeter roads around its virgin land, plot development and selling land to private sector. Below is the summary of challenges.

17.2.6.2 **Summary of Challenges**

- Lack of contractors capacity - MHC's trying to address the challenge by hammering out contracts that provide for stringent conditions of applications.
- Delay in the provision of utility services - the utility providers fail to provide in good time their services on house construction project sites, e.g. 23 houses were not connected to electricity at Ngumbe resulting in a loss of K460, 000.
- Cost of building materials - house construction has high percentage of imported materials which traditionally land at very expensive prices.
- Staff turnover - high staff turnover due to natural attrition, the HIV pandemic and competition for key profession in the employment market.

17.2.7 **Air Malawi (QM)**

The airline operated with a vision of adhering to its strategic plan by, among other things, achieving a return on capital of 10 percent thereby achieving a strong and sustainable profitability that build a financially sound airline.

The reporting period witnessed the airline focusing on robust and strong operations, by being a market leader through increasing the network and achieving the largest market share in its operated markets. During the six month period to December 2009, Air Malawi limited continually operated under severe constraints of insufficient working capital and the debt burden which it inherited from the expansion programme of the year 2005.

Both Boeings 737-300 and 500 are out of service and have undergone maintenance service in South Africa. The service on the B737-300 was a major check and placements of instruments to conform to the IATA Operational Safety Audit (IOSA) requirements. The check was to be done in 3 weeks but due to financial constraints Air Malawi has been unable to redeem its aircraft from the maintenance facility.

The B737-500, which was leased to Rwanda Air of Rwanda, had both of its engines' lives expired towards the end of the year 2008 and were supposed to go for overhaul. Due to financial constraints, QM was unable to service them thereby losing the contract it had with Rwanda Air. The Aircraft is parked in Johannesburg.

The ATR42-320 which used to fly between Lilongwe and Blantyre and regional destinations to Harare, Lusaka and Dar es Salaam, was grounded for mandatory maintenance in conformity with IATA Operational Safety Audit (IOSA) requirements. As a result of this, a 30-Seater was hired to replace the ATR. Table 17.3 below shows the non financial performance as at December, 2009.

TABLE 17.13: NON FINANCIAL PERFORMANCE OF AIR MALAWI

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Number of passengers	93,251	192,521	157,986	114,656
Number of Flights	1,973	3,311	2,111	3,983
Number of new agreements	1	-	1	2
Market share	*50 %*	*42 %*	*40 %*	*40 %*
Number of cancelled flights	-	26	27	30
Number of destination	7	8	8	9

17.2.7.1 **Profitability**

Total revenue for the six months is below budget by 36 percent (K1.7 billion against a budget of K2.4 billion. Revenues went down largely because of the operation of a smaller aircraft (a 30 seater) as opposed to a 48 seater which was budgeted for.

Direct operating costs are 26 percent lower than budget. This is because the operations did not achieve a full capacity as the budget had assumed that domestic and some regional routes would be operated on an ATR-42 which is a 48 seater and ended up operating a 30 seater.

Total overheads are 16 percent below budget and this is larger because of savings in salaries where a 20 percent increase was provided for in the budget but was not paid for. An aircraft impairment of K165 million was also provided for in the budget due to the uncertainties surrounding the redemption of the two B737s stuck in South Africa. This has not been provided for in the accounts until year end after valuation from a competent valuer.

The airline has made a loss of K371 million compared to a projected profit of K139 million in the budget. This is because of the decline in passenger numbers as well as the suspension of Nairobi which also affected largely on our Dar es Salaam route.

QM expected an increase in ad hoc charter revenue but only realized K31 million from K238 million. The charters were all for deportees from South Africa. Table 17.14 below shows the financial performance of the airline as at the end of December, 2009.

TABLE 17.14: FINANCIAL PERFORMANCE OF AIR MALAWI

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	1,654	2,600	3,078	3,602\Total
Expenditure	2,025	2,461	4,000	5,0001
EBIT	(234)	273	(703)	(1,184)
Net profit after Tax	(370)	139	(922)	(1,398)
Return on Total Assets (%)	*-7.83%*	*3%*	*-21.46%*	*-30.67%*
Return on Operating Assets	*14%*	*28%*	*-15%*	*-13%*
Current Ratio	0.28:1	0.65: 1	0.59:1	0.48:1
Profit Margin	*-22.42%*	*12 %*	*-10 %*	*-9 %*
Debt Collection Days	78	58	119	175

17.2.7.2 **Summary of Challenges**

- Lack of adequate working capital - resulting in insolvency and inability to meet the short term obligations
- Unclear support from the shareholder which has resulted in suppliers dealing cautiously with the airline and on cash basis only. Government has also not provided the letter of consent and guarantee in time
- Absence of the monitoring body - the airline is currently operating without Board of Directors
- Old aircraft fleet which has forced the airline to hire to continue flight operations

- Huge staff turnover as a result of the shadow of liquidation - almost all the pilots resigned and have since been employed in the neighbouring countries
- Strategically, the shareholder would still have to pay out huge amount of money in liquidation or continuity of operations

17.2.8 **Electricity Supply Corporation of Malawi (ESCOM)**

ESCOM relatively achieved some of the targets in the reporting period. The targets were agreed upon with the shareholder through the comprehensive Performance Plans and Budgets (PMPB) negotiations and in shareholders letter expectations. Table 17.15 below shows the non financial targets as at the end of December 2009.

TABLE 17.15: NON FINANCIAL PERFORMANCE OF ESCOM

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
New Connections	3,401	12,264	13,122	8,348
Access to Electricity	*9 %*	*8 %*	*7 %*	*6%*
Distribution Line Construction (km)	209	720	544	771`
Total Energy Generated (GWh)	913.97	1,683	1,552	1,451
Generation Plant Availability (%)	91.89	90	82	77
Distribution faults/100 customers per yr	8	20	18	18
Distribution Transformers Vandalised	58	0	26	32
Peak Demand	273.01	259	242	251

17.2.8.1 **Profitability**

The Corporations realised total revenues amounting to K4, 6 billion compared to a budget of K5.6 billion. The Corporation's tariff increase of 23 percent was approved by MERA in the course of the reporting period. Tremendous improvements were made in new connections as 3,401 new customers were connected. The full completion of rehabilitation works on Tedzani I and II improved revenue generation.

Commercial operation of the Optic Fibre Communication (OFC) network continued, albeit at a much slower pace than anticipated. By the end of the reporting period only two customers had been connected though negotiations with prospective business partners and customers were in advanced stage. We noted that OFC project is not attracting much attention from executive management. Table 17.16 below shows the financial performance indicators as at December, 2009.

TABLE 17.16: FINANCIAL PERFORMANCE OF ESCOM

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	4,650	8,729	7,858	6,687
Total Expenditure	4,143	8,381	9,430	7,514
EBIT	743	1,058	(787)	(577)
Net profit after Tax	580	348	(1,571)	(827)
Return on Total Assets (%)	*8%*	*3%*	*-3%*	*-2%*
Return on Operating Assets	*14%*	*28%*	*-15%*	*-13%*
Current Ratio	0.40:1	0.65: 1	0.59:1	0.48:1
Profit Margin	*16%*	*12 %*	*-10 %*	*-9 %*
Debt Collection Days	80	100	119	175

The Corporation operated with inadequate cash flows and high overheads as evidenced in the trend of expenditure over the period. The inadequate cash flows of the Corporation were largely contributed by the costing and pricing of electricity. It is costing K11 to produce one unit of electricity, currently which is sold at K6 effectively leading to a loss of K5. The first tariff revision will streamline the pricing of electricity in the medium term.

The shareholder and the operating environment have not taken on board the Public Private Partnerships particularly in the form of Independent Power Producers (IPP). ESCOM ought to seriously consider the development of IPP to allow the potential Independent Power Producers to generate additional power for the grid.

17.2.8.2 **Summary of challenges**

- Low tariff - MERA should swiftly act on the tariff structure for the corporation. The cost of producing a unit of electricity is at K11 and sold at 65 effectively operating with a deficit of K5.
- ESCOM continues operating with huge trade receivable of around K2.3 billion. This has forced it to resort to bank overdraft of approximately K1 billion.
- The current structure does not support the unbundling strategy hence operating with huge staff costs.
- Inadequate power supply remains a challenge despite having Tedzani I and II on grid.
- Huge overhead costs due to nature and configuration of the business.
- Least costs plans and power plants recommended by ESCOM as the most economically attractive strategies have not been approved by MERA.
- Generation capacity and the use of independent power producers have not been fully explored by ESCOM and MERA.

- The operating structure, traditions and lack of business acumen that does not tally with commercial environment.

17.2.9 **Agriculture Development and Marketing Corporation (ADMARC)**

The Corporation's non financial performance targets are largely in line with the overall Government objective of hunger eradication and agricultural food sustainability as reflected in the Malawi Growth Development Strategy (MGDS).

During the year, ADMARC was selling maize at K60.00 per kg as directed. However, the commercial prices during the same period ranged from K45-K52 per kg. Coupled with abundant supply of maize in the council market all over the country, consumers noticeably chose the alternative. The Corporation handled 139,889MT of the fertilizer subsidy.

Purchasing activities over the period largely comprised maize. The budgeted tonnage could however not be attained due to lack of finances. The sourcing of funds for the current season purchases from the various financial institutions was delayed because the Corporation could not liquidate borrowings for the previous season purchases. Table 17.17 below shows the non financial performance targets for ADMARC as at the end of December, 2009.

TABLE 17.17: NON FINANCIAL PERFORMANCE OF ADMARC

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Maize Bought	45,047MT	44,482	88,228	150,552
Number of Markets	702	771	1,068	1,164
Groundnuts Bought	53 MT	2,187	3,665	5,300
Rice Bought	2MT	2,905	20	10,570
Maize Sold	156MT	65,665	82,555	155,898
Farm Inputs Sold	2,741	280	119,589	107,200
Avg Stock Holding per Month	8,474MT	4,420	17,800	23,817
Avg Stock sold per Month	806MT	2,118	17,800	23,722
Number of Seasonal Markets	491	456	361	304

17.2.9.1 **Profitability**

The performance of ADMARC for the first half year was not good. A total of K614 million operating loss was incurred against a budgeted profit of K550 million. This resulted in the overall net loss of K165 million as at the end of the reporting period. All commodities trading accounts produced gross profit except for groundnuts which made a gross loss of K30 million. The overall loss was incurred as a result of below the budget performance in almost all the commodities being traded. Table 17.18 below shows the financial performance indicators as at the end of December, 2009

TABLE 17.18: FINANCIAL PERFORMANCE OF ADMARC

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	1,649	4,442	3,239	2,016
Total Expenditure	1,383	6,411	4,075	4,244
EBIT	266	-1,211	-550	-169
Net Profit after Tax	-165	-1,968	-551	-169
Return on Total Assets	*-3 %*	*-42 %*	*-6 %*	*-17%*
Current Ratio	1.:1	1.1:4	1:1	1:1
Profit Margin	*-10 %*	*-44.3 %*	*-17 %*	*-4%*
Debt Collection Days	92	92	92	105
Interest on Loans and Bank Overdraft	432	756	146,620	257

The first half performance was primarily based on the overriding assumption that Government would reimburse ADMARC all the costs incurred in 2007-08 and 2008-09 in running social functions.

The Corporation is still struggling in sourcing loans from the banks without the shareholder guarantee. The Government refund and support is critical to the realisation of the 2009-10 Performance Management Plans and Budgets. Table below is the summary of challenges for ADMARC.

17.2.9.1 **Summary of challenges**

- Delays in accessing financing and getting Government consent.
- Lack of marketing strategies.
- High overhead and fixed costs as a result of the structure of the network.
- Compromised business principals that that has eaten up part of the operating working capital and finance.
- Internally generated resources used on fertiliser subsidy programme without a corresponding refund.

17.2.10 **Malawi Posts Corporation (MPC)**

The overall strategic objectives for MPC in the reporting period was to ensure that the business plan achieves among others, an increase in revenue base through the introduction of new product lines and that it enhances the use of Information Communication Technologies (ICT) in order to achieve efficiency in service delivery and enhance partnerships with other players in the industry to bring about synergies and growth in traditional mail volumes.

MPC further continued in the provision of universal service obligation and promote sustainable development of the postal sector and its economy through the adoption and implementation of Integrated Postal Reform and Development Plan (IPDP).

TABLE 17.19: NON FINANCIAL PERFORMANCE OF MPC

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Level of Service delivery	94	89	90	91
Number of clients (post cargo and bulk mail) corporate	75	44	62	75
Volume of Mail	21,453,176	20,356,993	21,902,770	21,151,788
Volume of letters per employee	22,000	21,795	21,820	23,425
Number of Expedited Mail Service (EMS)	77	67	N/A	N/A
Telecentres to rural areas	6	N/A	N/A	N/A
EMS and parcel collection points	4	N/A	N/A	N/A

MPC controlled and reduced costs through, among other things, the abolition of unnecessary over time, subcontracting of some services and the implementation of the costs reduction strategies that were implemented in the course of the calendar year.

The first half of the year registered a net profit from operations of K16 million against a budgeted loss of K10 million for the same period. The registered net profit from operations is before taking into account the financial contribution from Government. The financial year 2008-09 made a loss of K149 million, representing 50 percent down from a loss of K286 million realised in 2007-08.

Total operating revenues amounted to K491 million (excluding subvention) against a budgeted amount of K597 million representing 18 percent below the budget performance. The main reason for the underperformance in revenue generation is that the budget had assumed increased revenue arising from increased postal rates. However, in actuality mail volume went down more than anticipated (in reaction to the new rates), and so the anticipated revenue levels were not achieved. Table 17.20 below shows the financial performance indicators for the period ending December, 2009.

TABLE 17.20: FINANCIAL PERFORMANCE OF MPC

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	683	856	822	833
Total Expenditure	475	1,049	1,108	1,044
Net Operating Profit	208	(193)	(286)	(211)
Return on Assets	*2 %*	*(38 %)*	*30 %*	*(22 %)*
Current Ratio	0.7:1	1.4:1	0.57:1	1.4:1
Long term debts (including tax debts and severance provision)	426	528	441	342
Total Capital Employed	808	863	923	931
Gearing	*53 %*	*61 %*	*47 %*	*36 %*

The Corporation operated with serious challenges that included ever declining volumes of letter mail due to competition and technology advancement studies have shown that letter mail business is declining by 2 percent every year. This therefore entails reduction of revenues and that MPC should vigorously be in continuous search of other sources of revenues in order for it to survive.

The second serious challenge is the fact that regulatory framework has largely remained unchanged since 2003. The current framework poses the following risks: lack of clear definition of Universal Service and its funding mechanism. This entails that few profit making post offices have to cross subsidise the huge number of loss making post offices. Currently as mentioned above, there are only 58 post offices that are profit making out of a total of 178 post offices country wide. This scenario is not sustainable in the long run.

The existence of several unlicensed postal operators in the industry whose activities are not subjected to regulatory compliance and scrutiny, have created uneven playing field for the Corporation. The reserved area is encroached because there is no monitoring and policing mechanism by the regulator, MACRA. These have resulted in reduced revenues because there is competition in an area which only MPC, as a public postal operator is supposed to operate. For example, other private postal operators are delivering mails of less than 500 grams against the licence requirement.

17.2.10.1 **Summary of Challenges**

- Operating with a high number of loss making post offices.
- Small profit on postage stamps.
- High operating costs due to the structure of the business.
- Unfavourable legal framework.
- Huge inherited tax and pension bills.

17.2.11 **Malawi Communications and Regulatory Authority (MACRA)**

There are a number of achievements which had been realised in the reporting period. The Authority finished the licence review for all the major telecommunication operators in the sector. This exercise was aimed at aligning the licences with the trends in technology as regards service provision as well as expected service Quality of Standards. Table 17.21 below shows the non financial performance results as at the end of December, 2009.

TABLE 17.21: NON FINANCIAL PERFORMANCE OF MACRA

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Number of mobile operators	2	2	2	2
Number of fixed line operators	2	1	1	1
Number of internet service providers	10	10	1	1
Number of mobile users (Teledensity)	17	12	8	4.8
Number of courier operators	15	8	1	1
Number of commercial radio stations	7	7	7	6
Number of community radios	4	4	4	4
Number of Religious stations	11	10	8	7
TV Stations	2	2	2	1

17.2.11.1 **Profitability**

The Authority has registered accumulated surplus of over K252 million in the reporting period against K96 million registered during the same period the previous year. The first half budget anticipated an overall surplus of K517 million. The Authority registered an increase in revenue by 54 percent from K469 million in December the previous year to K720 million as at the reporting period. Major revenue increases have been registered in levies with 63 percent increase from K341 million at the beginning of the period to K556 million.

Overall operating costs as at the reporting period amounted to K529 million as compared to K432 million in the same period the previous year, representing a 22 percent increase. The Authority has a number of special on off projects which have been scheduled for the current financial year.

On equity side, the profit reserves have increased from K1.4 billion to K1.6 billion representing an increase of 14 percent. The increase is largely attributed to the surplus registered in the period. The Authority has further paid a dividend of K200 million as interim dividend to the shareholder. Table 17.22 below shows the financial results as at December, 2009.

TABLE 17.22: FINANCIAL PERFORMANCE OF MACRA

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	735	1,450	N/a	N/a
Total Expenditure	529	1,501	N/a	N/a
Net Profit after Tax	252	489	N/a	N/a
Return on Assets	*12 %*	*2 %*	*N/a*	*N/a*
Current Ratio	5.60	5.05	N/a	N/a
Debt Collection Days	188	167	N/a	N/a

17.2.11.2 **Summary of Challenges**

- Failure to finalise the review of the Communication Act.
- Bad working relationship with other private operators especially in broadcasting sector.
- Poor monitoring over broadcasting services.
- Failure to issue mobile licenses to new operators.

17.2.12 **Airport Development Limited (ADL)**

From the year 2006-07 to the first half of 2009-10 financial years, the Company operating activities were mainly characterised by maintenance and rehabilitation exercises. In line with its strategic objective, the Company incurred developments and maintenance works in the last three years. For instance, ADL carried out maintenance work at Lumbadzi Housing Estate, painted buildings, commercial buildings, road markings at Kamuzu International Airport.

In the reporting period, ADL has embarked on an ambitious project of constructing an ultra modern office complex in the City Centre. In addition to the strategic objectives to 2013, the company is tirelessly working on collecting its rent arrears from the housing estate in Lumbadzi which has so far exposed them to K82 million financing gap. Below is a table of the Non financial performance as at the end of December, 2009.

TABLE 17.23: NON FINANCIAL PERFORMANCE OF ADL

Performance Targets	*2009-10 1st Half*	*2008-09 Audited*	*2007-08 Audited*	*2006-07 Audited*
Number of tenants	903	903	900	898
Number of new clients	0	23	42	3
Number of residential houses	845	845	845	845
Office space let (sq m)	28,027	28,027	27,942	27,840
Lettable space produced (sq m)	28,027	28,027	28,027	28,027

17.2.12.1 **Profitability**

ADL generated income amounting to K200 million in the reporting period. Total operating expenditure for the Company was K179 million resulting in a net profit of K21 million. The strategic objective of the company in the reporting period was to generate a positive return on shareholders' investment through cost control and revenue maximisation. The period has indeed started showing signs of recovery for the Company as evidenced by the financial performance indicators. Table 17.24 below shows the financial performance indicators as at December, 2009.

TABLE 17.24: FINANCIAL PERFORMANCE OF ADL

Performance Targets	*2009-10 1st Half K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*	*2006-07 Audited K'millions*
Total Revenue	200	430	319	271
Total Expenditure	179	357	277	239
Net Operating Profit	21	401	331	243
Return on Assets	*1 %*	*12 %*	*12 %*	*10 %*
Current Ratio	0.61:1	1:1	1:1	0.48:1
Profit Margin	*10.64%*	*16.78%*	*13.36%*	*12.01%*
Debt Collection Days	249	283	283	281

17.2.12.2 **Summary of Challenges**

- High delinquency rate at Lumbadzi Housing Estate
- Airport likely to be classified unsuitable by international regulatory bodies
- Non-receipt of passenger service fees from Government
- Huge liabilities of City Assembly and Malawi Revenue Authority

Chapter 18

PUBLIC FINANCE

18.1 Overview

18.1.1 This chapter reviews Central Government budgetary operations for the 2009/10 fiscal year vis-à-vis the 2008/09 fiscal year and outlines the functional and economic classification of estimates for the 2010/11 financial year. The rest of the chapter is ordered as follows; Section two presents a summary of Central Government Budgetary Operations, Section three outlines the Domestic Revenue, Section four focuses on recurrent expenditures, Section five summarises the development budget, section 6 provides some highlights of the 2010/11 budget and finally the last section presents the implementation challenges of the 2010/11 budget.

18.2 Summary of Central Government Budgetary Operations

18.2.1 The main objective of the 2009/10 budget was to ensure a tight fiscal policy essential to reduce inflationary and real exchange rate pressures and help bolster reserves. To achieve this, government targeted a net repayment of domestic borrowing of around 2.1 percent of GDP which would be achieved by undertaking additional measures to cut lower priority expenditures or shore up revenues while at the same time protecting pro-poor spending. Furthermore, our fiscal and financial policy was aimed at emphasising development against consumption. In addition, Government continued to implement medium term policies of promoting economic growth, ensuring food security in the country and civil service wage reform in the 2009/10 fiscal year. Government continued to align expenditure with the priorities of the MGDS.

18.2.2 The fiscal performance of the Central Government budgetary operations was slightly impressive during the 2009/10 fiscal year than the previous year in the wake of higher domestic revenues collections and a slight improvement in the grants. However the fiscal year faced some challenges. For instance the year was characterised by delayed approval of the IMF programme for Malawi and delayed budget support from other donors in the absence of the programme. Nontax revenues were lower than expected owing to non-performance in some departmental collections. Similarly tax revenues underperformed when compared to target mainly on account of a slump in import duties reflecting a slowdown in import demand owing to low foreign exchange reserves. Table 18.1 gives a summary of Central Government budgetary operations. The year under review recorded a fiscal deficit including grants of 0.7 percent of GDP which was 4.2 percent lower than the previous fiscal year.

TABLE 18.1: CENTRAL GOVERNMENT BUDGETARY OPERATIONS 2008/2009—2010/2011

	2008/09 Approved	2008/09 Revised	2009/10 Approved	2009/10 Revised	2010/11 Estimate
Total Revenue and Grants	208,071	224,112	244,293	263,217	287,117
Domestic Revenue	118,166	135,731	163,200	171,135	201,748
Grants	89,905	88,381	81,093	92,082	85,369
Total expenditure and net lending	229,525	251,356	256,835	268,418	297,084
Recurrent expenditure	172,308	193,499	188,247	195,457	216,907
Development expenditure	57,217	57,857	66,588	71,761	77,877
Net lending			2,000	1,200	2,300
Deficit					
Excluding Grants	-111,359	-115,625	-93,635	-97,283	-95,336
Including Grants	-21,454	-27,244	-12,542	-5,201	-9,967
Financing	21,453	27,244	12,542	5,201	9,967
Foreign Loans	22,863	19,337	18,975	17,885	21,036
Borrowing	24,503	20,460	20,443	19,286	23,092
Repayment	-1,640	-1,123	-1,468	-1,401	-2,056
Domestic Borrowing (net)	-1,410	6,354	-6,433	-15,050	-11,920
Privatisation Proceeds				2,300	850
Other Financing(Include Special T-bills)		1,553	-	-	-
	As a percent of GDP				
Revenue (Excluding Grants)	*21.3*	*24.5*	*25*	*23.8*	*24.9*
Revenue (Including Grants)	*37.6*	*40.5*	*37.4*	*36.6*	*35.4*
Total Expenditure	*41.4*	*45.4*	*39.3*	*37.3*	*36.7*
Recurrent expenditure	*31.1*	*34.9*	*28.8*	*27.2*	*26.8*
Development expenditure	*10.3*	*10.4*	*10.2*	*10*	*9.6*
Deficit (Excluding Grants)	*-20.1*	*-20.9*	*-14.3*	*-13.5*	*-11.8*
Deficit (Including Grants)	*-3.9*	*-4.9*	*-1.9*	*-0.7*	*-1.2*
GDP at Current Market Prices	**553,820**	**553,820**	**653,709**	**719,835**	**810,000**

Source: Ministry of Finance

18.2.3 Total revenue and grants slightly reduced to 36.6 percent of GDP in the 2009/10 financial year compared to 40.5 percent of GDP in 2008/09 financial year. Nevertheless domestic revenues reduced at a lower rate to 23.8 percent of GDP in the 2009/10 financial year from 24.5 percent of GDP in 2008/09 financial year. Domestic revenues were still firm mainly on account of better performance in tax revenues and improved tax administration.

18.3 Domestic Revenue

18.3.1 Gross tax revenues in nominal terms increased from K119 billion in 2008/09 financial year to K148.5 billion in 2009/10 financial year (Tables 18.1 and 18.2). This represents a growth of 20.6 percent of GDP. This outurn arose from a significant growth registered under taxes on goods and services as well as taxes on income and profits. Similarly, non-tax revenue registered a growth of 4.3 percent of GDP compared to a lower growth of 2.9 percent of GDP in the previous year. This performance in non tax revenues was buoyed by sound performance in fuel levies. The performance of the domestic revenue collections continues to mirror the overall growth of the economy.

TABLE 18.2: CENTRAL GOVERNMENT REVENUE 2008/2009 - 2010/2011

	2008/09 Approved	2008/09 Revised	2009/10 Approved	2009/10 Revised	2010/11 Estimate
A. GROSS TAX REVENUE	107,300	119,398	146,420	148,550	178,196
1. TAXES ON INCOME AND PROFITS	44,760	48,638	61,520	64,205	76,147
Companies	12,830	14,350	17,700	20,171	24,874
Individuals	31,720	33,738	43,200	43,348	50,506
Non Resident Tax	720	750	700	691	942
P.A.Y.E	23,200	24,588	32,500	32,830	36,910
Withholding Tax	6,300	6,700	8,000	7,827	9,936
Fringe Benefit Tax	1,500	1,700	2,000	2,000	2,718
Other*	210	550	620	686	767
2. TAXES ON GOODS AND SERVICES	49,550	57,100	68,900	68,483	83,616
VAT	33,800	38,700	45,500	45,575	56,602
Excise Duties	15,750	18,400	23,400	22,908	27,014
3. INTERNATIONAL TRADE TAXES	12,990	13,660	16,000	15,862	18,433
Customs Duties	12,990	13,660	16,000	15,862	18,433
Import Duties	12,800	13,500	15,800	15,662	18,228
Miscellaneous Duties	90	160	200	200	205
4. *Less*: TOTAL TAX REFUNDS	3,000	3,000	6,520	8,520	7,000
5. NET TAX REVENUE	104,300	116,398	139,900	140,030	171,196
6. NET NON TAX REVENUE	10,866	16,333	23,301	31,105	30,552
B. NON TAX REVENUE	**10,866**	**16,333**	**23,301**	**31,105**	**30,552**
Stabilization Fund	216	5,250	3,060	-	-
Departmental Receipts	5,144	5,145	10,072	15,014	9,263
Other Revenue (dividends etc)	250	250	300	700	1,800
Receipts from PIL	5,688	5,688	9,869	13,391	19,489
RBM Profits	-	-	-	2,000	-
GROSS DOMESTIC REVENUE	118,166	135,731	169,721	179,655	208,748
NET DOMESTIC REVENUE	115,166	132,731	163,201	171,135	201,748
(as a per cent of GDP)					
GROSS TAX REVENUE	*19.4*	*21.6*	*22.4*	*20.6*	*22.0*
Taxes on Income and Profit	*8.1*	*8.8*	*9.4*	*8.9*	*9.4*
Taxes on Goods and Services	*8.9*	*10.3*	*10.5*	*9.5*	*10.3*
International Trade Taxes	*2.3*	*2.5*	*2.4*	*2.2*	*2.3*
NET TAX REVENUE	*18.8*	*21.0*	*21.4*	*19.5*	*21.1*
NON-TAX REVENUE	*2.0*	*2.9*	*3.6*	*4.3*	*3.8*
GRAND TOTAL	*21.3*	*24.5*	*26.0*	*25.0*	*25.8*
GDP at Current Market Prices	**553,820**	**553,820**	**653,709**	**719,835**	**810,000**

Source: Ministry of finance
*includes dividend taxes

18.4 **Central Government Recurrent Expenditures**

18.4.1 In nominal terms total expenditures increased from MK251.1 billion in 2008/09 to MK268.4 billion in 2009/10 (Table 18.1). This was mainly attributed to a high domestic debt repayment and interest payment to support the target of 1.5 percent of GDP net repayment. The expenditure is higher than initially forecasted because the carry-over debt stock from the 2008/09 financial year was greater than what had been budgeted for.However, going forward, Government is converting ways and means advances from RBM which attracts high interest rates of 15 per cent to cheaper paper like treasury bills with low interests of less than 10 per cent. This measure is expected to reduce the interest cost on debt.

18.4.2 Tables 18.3 and 18.4 present the functional and economic classifications of the recurrent budget respectively. As a proportion of GDP, recurrent expenditure was 27.2 percent of GDP during the 2009/10 financial year, a decrease from 34.9 percent of GDP registered in 2008/09. Total expenditure is expected to decrease to 36.7 percent of GDP in 2010/11 financial year. General Public Services and Social Community Services continued to account for the largest share of total recurrent expenditure in 2009/10 financial year with respective shares of 11.7 and 9.7 percent of GDP. This trend is expected to continue in 2010/11 with General Public Services and Social and Community Services accounting for 9.7 and 11.1 percent of GDP respectively not withstanding a slowdown in general public services. The decline in general public services reflects the continued Government commitment to fiscal prudence. It is thus expected that the gains from these savings are expected to be channelled to economic services in a bid to ensure that more resources within the economic services budget are channelled toward infrastructure development and agriculture sector in line with the MGDS.

18.4.3 The Economic Services registered a slight moderation to 5.8 percent of GDP in 2009/10 financial year from 7.5 percent of GDP in 2008/09 financial year. This reflects sustained efforts by Government to strike a balance between the Social and Economic Sectors for sustainable economic growth as set out in the MGDS and simultaneously ensuring fiscal restraint.

TABLE 18.3 FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE 2008/2009-2010/2011

	2008/09 Approved	2008/09 Revised	2009/10 Approved	2009/10 Revised	2010/11 Estimate
General Public Services	**73,931**	**83,023**	**80,741**	**83,863**	**78,762**
General Administration	58,490	65,683	63,878	66,347	62,514
Defence Affairs	7,437	8,351	8,122	8,436	6,395
Public Order and Safety Affairs	8,004	8,989	8,742	9,080	9,853
Social and Community Services	**61,404**	**68,956**	**67,060**	**69,653**	**90,190**
Education Affairs and Services	23,659	26,569	25,839	26,838	39,344
Health Affairs and Services	17,611	19,776	19,233	19,976	44,872
Social Security and Welfare Affairs Services	14,985	16,828	16,366	16,998	1,801
Housing and Cummunity Amenity Services	3,625	4,070	3,959	4,112	3,427
Recreational, Cultural & Other Social Services	429	482	469	487	746
Broadcasting , Publishing Affairs & Services	1,095	1,230	1,196	1,242	0
Economic Services	**36,973**	**41,521**	**40,379**	**41,941**	**47,955**
Energy and Mining Services	261	293	285	296	586
Agriculture and Natural Resources	32,630	36,643	35,636	37,014	31,225
Tourism Affairs and Services	-	-	-	-	591
Physical Planning and Development	1,036	1,163	1,131	1,175	1,086
Transport and Communication Services	1,636	1,838	1,787	1,856	12,186
Industry and Commerce	545	613	596	619	1,136
Labour Relations and Employment Services	615	690	671	697	738
Scientific and Technological Services	250	281	273	284	211
Other Economic Services	0	0	0	0	198
Total Recurrent Expenditure	**172,308**	**193,499**	**188,181**	**195,457**	**216,907**
	As a per cent of GDP				
General Public Services	*13.3*	*15.0*	*12.4*	*11.7*	*9.7*
Social and Community Services	*11.1*	*12.5*	*10.3*	*9.7*	*11.1*
Economic Services	*6.7*	*7.5*	*6.2*	*5.8*	*5.9*
Total Recurrent Expenditure	*31.1*	*34.9*	*28.8*	*27.2*	*26.8*
GDP at Current Market Prices	**553,820**	**553,820**	**653,709**	**719,835**	**810,000**

Source: Ministry of Finance

18.4.4 Recurrent expenditure as shown in the Economic Classification table (see Table 18.4), indicates that a large proportion of funds were allocated to gross consumption covering compensation of employees and consumption of goods and services. Gross consumption accounted for 17.8 percent of total GDP in 2009/10 fiscal year, representing a decrease from 22.9 percent of GDP in 2008/09 financial year. In 2010/11, gross consumption is expected to account for 15.3 percent of GDP. The declining trend in the variable is as a result of government's effort to ensure that more resources are channelled toward development expenditure more particularly infrastructural development and agriculture. On the other hand, interest on debt which accounted for 5.4 percent of GDP in 2009/10 will decrease in 2010/11 to 2.5 percent of GDP.

TABLE 18.4: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT GOVERNMENT EXPENDITURE 2008/2009-2010/2011

	2008/09 Approved	2008/09 Revised	2009/10 Approved	2009/10 Revised	2010/11 Estimate
Gross Consumption	**112,752**	**126,619**	**123,139**	**127,900**	**124,112**
Compensation of Employees	55,482	62,305	60,592	62,935	58,572
Use of Goods and Services	57,270	64,314	62,546	64,965	65,540
Less: Fees, Sales and Recoveries					
Net Consumption	112,752	126,619	123,139	127,900	124,112
Interest on Debt	32,531	36,531	35,527	36,901	20,127
Pensions and Gratuities	9,694	10,886	10,587	10,996	7,217
Grants, Subventions and Transfers	2,772	3,113	3,027	3,144	34,836
Local Authorities	206	231	224	233	13,200
Public Bodies	2,522	2,832	2,754	2,860	18,070
Private	2	2	2	2	-
Abroad	43	48	47	48	3,566
Gross Fixed Capital Formation	8,853	9,942	9,669	10,042	19,855
Loans and Capital Transfers	5,707	6,409	6,232	6,473	10,761
Total Recurrent Expenditures	**172,308**	**193,499**	**188,181**	**195,457**	**216,907**
Grand Total	**172,308**	**193,499**	**188,181**	**195,457**	**216,907**
	(as a per cent of GDP)				
Gross Consumption	*20.4*	*22.9*	*18.8*	*17.8*	*15.3*
Interest on Debt	*5.9*	*6.6*	*5.4*	*5.1*	*2.5*
Pensions and Gratuities	*1.8*	*2.0*	*1.6*	*1.5*	*0.9*
Grants, Subventions and Transfers	*0.5*	*0.6*	*0.5*	*0.4*	*4.3*
Gross Fixed Capital Formation	*1.6*	*1.8*	*1.5*	*1.4*	*2.5*
Total Recurrent Expenditures	*31.1*	*34.9*	*28.8*	*27.2*	*26.8*
GDP at Current Market Prices	**553,820**	**553,820**	**653,709**	**719,835**	**810,000**

Source: Ministry of Finance

18.5 **Development Expenditure**

18.5.1 The functional and economic classification of development expenditure is presented in tables 12.5 and 12.6 respectively. Total development expenditure in nominal terms increased from MK57.8 billion in 2008/09 financial year to MK71.6 billion percent of GDP in 2009/10. The increase is largely on account of an increase in actual outlays under social and community services as well as economic services. The 2009/10 capital budget increased mainly on account of some major ongoing local and donor funded road projects.

18.5.2 Total resource envelope and expenditure for the development budget is expected to slow down further to 9.6 percent of GDP in 2010/11 fiscal year. Nevertheless the rate of decline during the same period is similar to that in the recurrent budget to ensure that equally more resources are earmarked for infrastructural development. Furthermore, the functional classification in table 18.5 shows that the development budgetary resources will be largely channelled to the economic sector which will account for 5.3 percent of GDP with transport and communications services taking larger amounts.

TABLE 18.5 FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2008/2009-2010/2011

	2008/09 Approved	2008/09 Revised	2009/10 Approved	2009/10 Revised	2010/11 Estimate
General Public Services	**12,439**	**12,578**	**14,476**	**15,601**	**15,564**
General Administration	11,385	11,512	13,250	14,279	13,563
Defence Affairs	323	327	376	405	284
Public Order and Saftey Affairs	731	739	850	916	1,716
Social and Community Services	**24,074**	**24,343**	**28,017**	**30,194**	**19,189**
Education Affairs and Services	5,117	5,174	5,955	6,418	7,681
Health Affairs and Services	13,098	13,245	15,243	16,428	5,772
Social Security and Welfare Affairs and Services	656	664	764	823	1,726
Housing and Cummunity Amenity Services	4,796	4,850	5,581	6,015	3,250
Recreational, Cultural and Other Social Services	309	313	360	388	586
Broadcasting and Publishing Affairs and Servies	97	98	113	122	174
Economic Services	**20,704**	**20,936**	**24,095**	**25,968**	**43,124**
Energy and Mining Services	894	904	1,041	1,122	2,777
Agriculture and Natural Resources	6,719	6,795	7,820	8,427	9,562
Tourism Affairs and Services					511
Physical Planning and Development					
Transport and Communication Services	12,641	12,783	14,712	15,855	29,225
Industry and Commerce	439	443	510	550	1,049
Labour Relations and Employment Services	11	11	13	14	
Scientific and Technological Services					
Total Development Expenditure	**57,217**	**57,857**	**66,588**	**71,762**	**77,877**
		As a per cent of GDP			
General Public Services	*2.2*	*2.3*	*2.2*	*2.2*	*1.9*
Social and Community Services	*4.3*	*4.4*	*4.3*	*4.2*	*2.4*
Economic Services	*3.7*	*3.8*	*3.7*	*3.6*	*5.3*
Total Development Expenditure	*10.3*	*10.4*	*10.2*	*10.0*	*9.6*
GDP at Current Market Prices	**553,820**	**553,820**	**653,709**	**719,835**	**810,000**

Source: Ministry of Finance

18.5.3 In the economic classification of the development expenditure shown in table 18.6 Gross consumption continued to dominate followed by gross fixed capital formation. In 2009/10 financial year, gross fixed capital formation stood at 3.8 percent of GDP while Gross consumption was at 5.0 percent of GDP. Gross consumption is expected to decrease to 2.8 percent of GDP while Gross fixed capital formation is projected to increase to 6.8 percent of GDP in 2010/11 financial year on account of more road construction projects both locally and foreign financed.

TABLE 18.6: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2008/2009-2010/2011

	2008/09 Approved	2008/09 Revised	2009/10 Approved	2009/10 Revised	2010/11 Estimate
Gross Consumption	**28,829**	**32,651**	**33,551**	**36,158**	**23,003**
Compensation of Employees	1,969	2,231	2,292	2,470	894
Use of Goods and Services	26,860	30,420	31,259	33,688	21,109
Grants	6,786	7,685	7,897	8,511	1,000
Gross Fixed Capital Formation	**21,602**	**24,465**	**25,139**	**27,093**	**54,874**
Building	8,658	9,806	10,076	10,859	9,339
Construction Works	5,261	5,958	6,123	6,599	26,381
Services	2,922	3,309	3,401	3,665	12,224
Equipment	4,760	5,391	5,540	5,970	6,930
Total Development Expenditures	**57,217**	**64,801**	**66,588**	**71,762**	**77,877**
(as a per cent of GDP)					
Gross Consumption	*5.2*	*5.9*	*5.1*	*5.0*	*2.8*
Compensation of Employees	*0.4*	*0.4*	*0.4*	*0.3*	*0.1*
Use of Goods and Services	*4.8*	*5.5*	*4.8*	*4.7*	*2.6*
Gross Fixed Capital Formation	*3.9*	*4.4*	*3.8*	*3.8*	*6.8*
Total Development Expenditures	*10.3*	*11.7*	*10.2*	*10.0*	*9.6*
GDP at Current Market Prices	**553,820**	**553,820**	**653,709**	**719,835**	**810,000**

Source: Ministry of Finance

18.6 Highlights of the 2010/11 Budget

18.6.1 The 2010/11 budget has been formulated in a way that it should continue to stick to the priorities within priorities as outlined in the MGDS. Through the budget, Government is committed to ensure that the stable macroeconomic environment prevails but at the same time without losing focus on domestic debt reduction, food security, infrastructure development, and energy generation, among others. To support domestic debt reduction Government is converting ways and means advances from RBM which attracts high interest rates of 15 per cent to cheaper paper like treasury bills with low interests of less than 10 per cent. This measure is expected to reduce the interest cost on debt.

18.6.2 On the revenue side, Government will continue with the various improvements in tax administration and enforcement. In the 2010/11 FY, government will continue with new reforms and improvements on the previous policies which will include; Tax decentralization; Tax computerization; Payment of taxes through banks; Expansion of tax base; and Tax Harmonization.

18.6.3 Regarding non-tax revenue, In the 2010/11 FY, government will focus on improving non-tax revenue administration through introduction of payments of fees and charges through the Banks in order to avoid risks associated with cash handling by officers. Government also intends to improve on monitoring of non-tax revenue functions by using a holistic approach where the exercise will involve Auditor General and Accountant General. Furthermore, government plans to improve on timely capturing of non tax revenue data on IFMIS in order to enhance funding decision and liquidity management. Government will also improve on Appropriation-In-Aid by ensuring that a special funding budget line has been approved for departments to effect payment without problems. Finally Government will continue to revise and enhance user fees implementation by all remaining departments.

18.6.4 Comparative statistics of the fiscal aggregates as ratios of GDP is as follows: Total revenue and grants will decline to 35.4 per cent of GDP in 2010/11 from 36.6 percent registered in 2009/10. Domestic revenue is estimated to increase to 24.9 percent of GDP in 2010/11.

18.6.5 The 2010/11 budget will continue to implement the input subsidy programme. The cost of the subsidy programme is expected to reduce as fertilizer prices have slowed down on the international market.

18.7 **Major Challenges of the Budget**

Within a background of the economic and functional analysis undertaken above, the budget still faces a few challenges. These include the ongoing global financial crisis which may negatively affect donor inflows, delays in disbursement of funds for budgetary support and particularly for donor funded projects which account for a substantial part of the nation’s development budget. Ultimately, these challenges continue to restrict smooth implementation of the budget on one hand while the high domestic debt service costs continue to divert a lot of scarce budgetary resources away from financing current development plans and improving public service delivery.