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MALAWI GOVERNMENT

ANNUAL ECONOMIC REPORT 2011

Ministry of Development Planning and Cooperation

ANNUAL ECONOMIC REPORT 2011

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Chapter 1

THE WORLD ECONOMIC OUTLOOK

1.1 International Economic Outlook

1.1.1 The April 2011 *World Economic Outlook* (WEO) by the International Monetary Fund (IMF) indicates that the world economic recovery continued as predicted in October 2010 WEO and remained unchanged from the forecast made in the January 2011. The growth of the global economy decelerated to about 3.8 per cent during the second half of 2010 from a growth of about 5.3 per cent during the first half of the year. The slowdown reflected a loss of confidence from the recession in 2008. But as the fears of depression receded towards the end of 2009, confidence picked up, hence, businesses started rebuilding their depleted inventories. This resulted into a sharp rebound in industrial production and trade which lasted through the first half of 2010. The larger output gaps were in advanced economies that suffered large financial shocks and closing or closed gaps were experienced in emerging and developing economies. Unemployment remained relatively high thereby exerting pressure on inflation in emerging and developing countries.

1.1.2 In both 2011 and 2012, the global economy is estimated to grow by 4.5 per cent per annum. This will be a modest growth compared to 5.0 per cent projection in 2010. The advanced economies are expected to grow by about 2.4 per cent in 2011 while the emerging and developing economies are estimated to grow faster (Table 1.1). The growth will be a result of improvements in financial markets, buoyant activity in many emerging and developing countries and growing confidence in advanced economies, notwithstanding new volatility caused by fears about disruptions in oil supply system.

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

	2008	2009	2010	2011p	2012p
World output	*3.0*	*-0.5*	*5.0*	*4.4*	*4.5*
Euro area	*0.6*	*-4.1*	*1.7*	*1.6*	*1.8*
Advanced economies	*0.5*	*-3.4*	*3.0*	*2.4*	*2.6*
United states	*0.4*	*-2.6*	*2.8*	*2.8*	*2.9*
United Kingdom	*0.5*	*-4.9*	*1.3*	*1.7*	*2.3*
Japan	*-1.2*	*-6.3*	*3.9*	*1.4*	*2.1*
Canada	*0.4*	*-2.5*	*3.1*	*2.8*	*2.6*
Germany	*1.2*	*-4.7*	*3.5*	*2.5*	*2.1*
Latin America	*4.3*	*-1.7*	*6.1*	*4.7*	*4.2*
Sub-Saharan Africa	*5.5*	*2.8*	*5.0*	*5.5*	*5.9*
Developing Asia	*7.9*	*7.2*	*9.5*	*8.4*	*8.4*
Middle east and North Africa	*5.1*	*1.8*	*3.8*	*4.1*	*4.2*

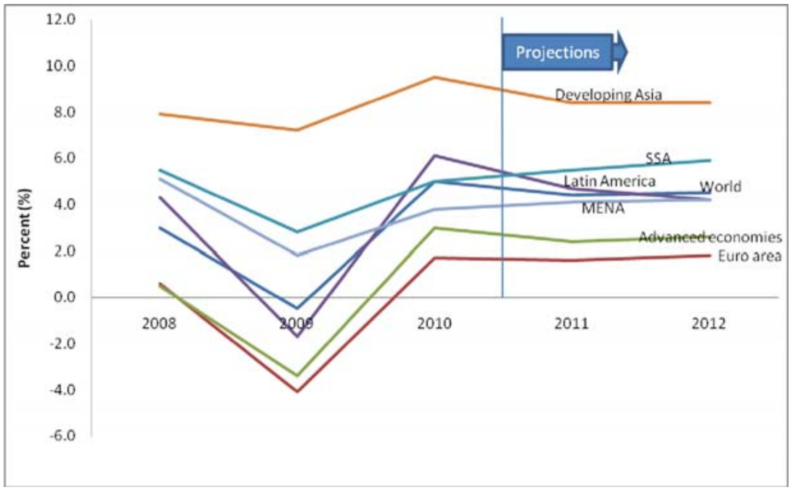
Source: IMF World Economic Outlook April 2011
p Indicates projections

1.2 **Advanced Economies**

1.2.1 Growth of output in advanced economies is projected at 2.4 per cent in 2011, a decline of about 0.6 per centage point from a growth of 3.0 per cent registered in 2010. This is a modest growth from that attained in 2010 considering the depth of recession in these countries. Various forces are behind this growth estimate including that the advanced economies such as the United States, are experiencing investment recovery in industrial production resulting from low interest rates, easing of financing conditions, a generally healthy corporate balance sheet and increasing profitability. At the same time, consumption is being spurred by reduced job layoffs, a gradual recovery of employment, and a resumption of previously postponed purchases of durable goods. Deleveraging is thus expected to continue at its present pace, except in a few economies in the euro area that are still struggling with the financial crisis. Headline inflation is projected to be below 2.0 per cent in 2011, settling at about 1.5 per cent during the course of 2012 as food and energy price hikes abate and wages accelerate only gradually amid weak labor markets.

1.2.2 Growth projections in many advanced European countries are expected to be gradual and uneven. Advanced Europe's real GDP is projected to grow by 1.8 per cent in 2011 and 2.0 per cent in 2012. Emerging Europe's growth is expected to be 3.8 per cent in 2011 and 4.0 per cent in 2012. Economic prospects across the region are likewise divergent, largely reflecting differences in the state of public and private sector balance sheets and the stance of macroeconomic policies. For instance, in Germany, growth is expected to moderate from 3.5 per cent in 2010 to 2.5 per cent 2011, mainly due to the withdrawal of fiscal support and a slowdown in external demand growth. Growth in the United Kingdom is projected at 1.8 per cent in 2011 as necessary front-loaded fiscal consolidation dampens domestic demand. In France, growth is projected to be modest, at 1.5 per cent, as consumption growth is subdued by the retrenchment of fiscal stimulus and export growth is weakened by slowing external demand. Growth is projected to be much lower in the periphery of the Euro area because these economies are suffering a sharp and protracted contraction in public and private balance sheets (which is needed to resolve fiscal and competitiveness imbalances) and also face more severe structural unemployment problems.

FIGURE 1.1: COMPARISON OF GDP GROWTH RATES BY REGION



Data source: IMF World Economic Outlook April 2011

[1] Indicates projections

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

1.3 Economic Outlook in Asia

1.3.1 Broad-based recovery is continuing in most Asian economies, supported by strong export performance, buoyant private domestic demand, and in some cases rapid credit growth. Even though growth moderated from cyclical highs to more sustainable rates, Asia continues to outpace other regions. With the notable exception of Japan, which was affected by the earthquake and tsunami, output gaps in much of the region have closed or are quickly closing, inflation is on the rise, and overheating is becoming a concern. At the same time, limited progress has been made on external rebalancing in emerging Asia. Growth in China is expected to remain robust at 9.6 per cent in 2011 and 9.5 per cent in 2012 compared to growth of 10.3 in 2010, with the drivers of growth shifting increasingly from public to private demand. Consumption is expected to be buttressed by rapid credit growth, supportive labor market conditions, and continued policy efforts to raise household disposable income. In India growth is expected to moderate but remain above trend, with GDP growth projected at 8.3 per cent in 2011 and 7.8 per cent in 2012 boosted by infrastructure and corporate investment.

1.3.2 Japan had one of the fastest growing economies among the advanced economies. The country's economy grew by 4.0 per cent in 2010. The growth was driven by sizable fiscal stimulus and a rebound in exports. Due to the damage by the earthquake and tsunami, it is expected that growth will be at 1.5 per cent in 2011 before recovering to 2.0 per cent in 2012. Similarly, in Australia, the flooding disaster in key mining and agricultural regions is expected to affect growth negatively in early 2011, but this will be offset by stronger private investment in mining and stronger commodity exports. As such GDP is projected to grow by 3.0 per cent in 2011 and 3.5 per cent in 2012.

1.3.3 The ASIAN-5 economies[1] are projected to expand by 5.5 per cent in 2011 and 5.7 per cent in 2012. The ASEAN-5 will be led by Indonesia, where strong consumption and a recovery in investment will raise growth to 6.3 per cent in 2011 and 6.5 per cent in 2012. Growth in the newly industrialized Asian economies (NIEs) (Hong Kong SAR, Singapore) is expected to moderate to a more sustainable 5.0 per cent in 2011 with exports and private consumption being important drivers of the growth.

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

	REAL GDP			CONSUMER PRICES		
	2010	2011p	2012p	2010	2011p	2012p
Sub-Saharan Africa	*5.0*	*5.5*	*5.9*	*7.5*	*7.8*	*7.3*
Oil importers	*6.5*	*6.9*	*7.0*	*12.4*	*10.8*	*9.4*
Low-income	*5.3*	*5.9*	*6.5*	*6.2*	*7.5*	*6.8*
Middle-income	*3.1*	*3.7*	*4.0*	*4.4*	*5.2*	*5.8*
Middle East and North Africa	*3.8*	*4.1*	*4.2*	*6.9*	*10.0*	*7.3*
Developing Asia	*9.5*	*8.4*	*8.4*	*6.0*	*6.0*	*4.2*
China	*10.3*	*9.6*	*9.5*	*3.3*	*5.0*	*2.5*
ASEAN-5	*6.9*	*5.4*	*5.7*	*4.4*	*6.1*	*4.7*
Newly Industrialized Asia	*8.4*	*4.9*	*4.5*	*2.3*	*3.8*	*2.9*

Source: IMF World Economic Outlook April 2010
p Indicates projections

1.4 Sub-Saharan Africa

1.4.1 According to the April 2011 *Regional Economic Outlook* for Sub-Saharan Africa, the region has recovered from the global financial crisis and the region is now second to developing Asia in the rate of expansion. Output gap in many of the region's economies are starting to close with an exception of South Africa. Domestic demand growth remains robust, trade and commodity prices rebounded, and macroeconomic policies continue to be accommodative. Terms-of-trade gains are supporting the region's external balances, and the gradual reorientation of exports toward faster-growing regions such as Asia has been sustained, hence, growth is projected to expand by 5.5 per cent in 2011 and 6.0 per cent in 2012. Growth in the region is being led by the low income countries (LICs), which are projected to expand by 6.0 per cent in 2011 mainly due prospects of oil production in countries like Ghana and enhanced investments in infrastructure and improving agricultural production in the non-oil countries. However, a sharper-than-expected pickup in fuel and food prices could adversely affect many of the region's economies thereby, exerting inflationary pressures (Table 1.2). This could have major social and fiscal costs in the LICs.

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

1.4.2 The expected strengthening of oil prices in 2011 will help sustain the recovery in the region's oil exporters. Following the sharp rebound in oil production in Nigeria, oil output is expected to stabilize in 2011, and the economy is set to expand by 7.0 per cent. Most other oil exporting economies are planning to use the buoyancy of global oil markets as an opportunity to return to fiscal surpluses and rebuild reserves, but fiscal policy remains procyclical in Nigeria due to the failure to adhere to the oil-price-based fiscal rule, which links spending to long-term average oil prices. In marked contrast to the robust growth in most of the region, recovery is expected to be relatively weak in South Africa, the region's largest economy which is expected to grow by only 3.5 per cent in 2011, a rate that is insufficient to reverse the substantial job losses of the past two years. The outlook primarily reflects the lack of strong domestic demand, as private investment is held back by excess capacity.

Chapter 2

MACROECONOMIC PERFORMANCE IN 2010 AND PROSPECTS FOR 2011 AND BEYOND

2.1 Overall Economic Performance

2.1.1 During 2010/11 fiscal year, Malawi continued to implement the medium term development strategy, the Malawi Growth and Development Strategy (MGDS). In the year, the economy continued to outperform the growth target set out in the strategy by registering a real GDP growth of 6.7 percent. However, this was relatively lower compared to a growth of 8.9 percent achieved in 2009. The less than expected outturn in 2010 was as a result of the scaling down of investment and production especially in the manufacturing, wholesale, retail trade and distribution, transport, and information and communication sectors.

2.1.2 The performance of the economy is expected to improve in 2011 with a projected GDP growth of 6.9 percent. This growth will emanate from the agriculture and fisheries, mining, manufacturing and services sectors. However, in 2012 growth is projected to slowdown to 6.6 percent.

2.1.3 Despite escalating world commodity prices for oil and food, Malawi's average inflation rate for 2010 stood at 7.4 percent compared to 8.4 percent registered in 2009. The end of period inflation stood at 6.3 percent. The slowdown in inflation rate was a result of food surpluses (maize) in the country following successful implementation of the 2009/10 Farm Input Subsidy Program (FISP). Average food inflation stood at 2.9 percent while non-food inflation was at 9.9 percent in 2010. As a result, Government reduced the bank lending rate from 15.0 percent to 13.0 percent in 2010, which assisted to spur private sector investment. The economy is projected to further maintain the single digit inflation in 2011 and 2012, which is projected to be at 7.0 and 6.9 percent, respectively. The major assumption is that government will continue the implementation of the Farm Input Subsidy Programme and the sound fiscal and monetary policies.

2.2 Fiscal Performance

2.2.1 The fiscal performance of the Central Government budgetary operations was better during the 2010/11 fiscal year than the previous year in the wake of higher domestic revenue collections. Consequently, the overall financing position improved slightly with a fiscal net domestic borrowing for the 2010/11 financial year expected to reduce by 1.5 percent of GDP. Budget implementation faced some challenges, including delays in the disbursement of budget support from some donors due to delayed approval of the IMF programme for Malawi. This also affected the achievement of some of the fiscal targets. Nontax revenues are expected to be higher than projected owing to excellent performance in many departmental collections. Similarly, tax revenues are expected to over-perform when compared to targets mainly on account of improved tax administration and compliance.

2.2.2 Domestic revenue improved to 24.4 percent of GDP in the 2010/11 financial year compared to 22.5 percent of GDP in 2009/10 financial year. Domestic revenues were still firm mainly on account of better performance in tax revenues and improved tax administration. Net tax revenues in 2010/11 improved to 20.1 percent of GDP compared to 18.4 percent of GDP in the preceding fiscal year. On the other hand, nontax revenues in nominal terms improved by MK1.4 billion from the previous year. Net tax revenues in 2011/12 are estimated to improve by 0.3 percent of GDP and non-tax revenues in the same year are expected to improve by the same margin.

2.2.3 With respect to total expenditure, 2010/11 fiscal year is expected to close at 35.5 percent of GDP, an increase of 0.3 percent from the previous year partly on account of increased resources channelled towards infrastructure development.

2.2.4 Looking forward, total expenditure is estimated to decline to 30.5 percent of GDP in 2011/12 financial year from 35.5 percent of GDP in 2010/11. 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 1.5 percent of GDP whilst at the same time switching from a more consumption oriented budget to a more investment 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 2010/11 capital budget therefore increased mainly on account of some major ongoing local and donor funded road projects.

2.3 **Monetary Sector Performance**

2.3.1 During the year 2010/11 developments in the monetary sector were expansionary as broadly defined money supply (M2) increased by 16.1 percent to K203.6 billion in March 2011 anchored mainly by increased economic activity. The downward bank lending rate adjustment by the Reserve Bank of Malawi (RBM) effected in August 2010 was followed by reductions in the commercial banks prime lending rates and this induced private sector borrowing. As such, net domestic assets expanded by 23.1 percent (K38.2 billion) to K203.6 billion in March 2011 compared to an expansion of 11.4 percent (K16.9 billion) to K165.4 billion in June 2010. This notwithstanding, net foreign assets dwindled owing to RBM's continued support to the market.

2.4 **Real Sector Performance in 2010 and Prospects for 2011**

2.4.1 **Agriculture**

2.4.1.1 In 2010, performance of the agriculture sector, which also includes forestry and fishing, registered a real growth rate of 2.0 percent from the growth of 13.1 percent in 2009. The slow growth is a result of lower production of maize in 2010 compared to 2009 due to the dry spells in some parts of country as well as reduced sugar production due to prolonged wet conditions.

2.4.1.2 In 2011, the agriculture sector is estimated to register a growth of 6.4 percent. This will be on account of effective delivery of FISP for the 2010/11 growing season and expected favourable weather conditions. In 2012, the sector is expected to grow by 7.3 percent on account of the Green Belt Initiative.

2.4.2 Mining and Quarrying

2.4.2.1 The performance of the mining and quarrying sector improved significantly in 2010 as it grew by 80.2 percent compared to 4.9 percent recorded in 2009. This is largely attributed to the growth in uranium mining. In addition, this remarkable growth emanates from increased coal production due to high demand for industrial use by tobacco, brewery and cement companies. Rock aggregate production also increased due to road construction and rehabilitation and to the infrastructure development taking place in the country. In 2011, the sector is projected to grow by 33.1 percent on the account of higher growth registered in 2010 as companies attain their optimal production levels and due to the high demand. The sector is projected to grow by 15.6 percent in 2012.

2.4.3 Manufacturing

2.4.3.1 The manufacturing sector grew by 4.3 percent in 2010 from 4.8 percent registered in 2009. The slowdown trend is on account of both supply and demand side constraints. On the demand side, some companies experienced reduced production, due to falling demand and increased inflow of cheap substitutes or counterfeit products. The performance of the sector in 2011 is projected at 3.5 percent. In 2012 the sector is projected to grow by 6.6 percent.

2.4.4 Electricity, Gas and Water

2.4.4.1 The growth of the sector slowed down to 3.3 percent 2010 from 6.6 percent achieved in 2009. It is expected that in 2011, the sector will grow by 4.3 percent. This slowdown is mainly due to decreased electricity generation caused by the temporary closure of Unit 6 of Nkula B, which normally generates 20 Megawatts of electricity. It is worth noting that the slight growth experienced in this sector emanates from the water subsector as a result of increased demand and new connections across all water boards. In 2012, the sector is projected to grow by 6.8 percent based on the assumption that Unit 6 of Nkula B will be rehabilitated completely and due to reforms currently being undertaken in the sector.

2.4.5 Construction

2.4.5.1 The construction industry registered a growth of 16.5 percent in 2010 from 7.4 percent registered in 2009. In 2011, the sector is expected to achieve a growth of 9.0 percent. The remarkable growth will be a result of major construction works including for roads and buildings, being undertaken in all the major cities of the country. The industry is expected to moderate to 6.2 percent in 2012.

2.4.6 Wholesale and Retail Trade

2.4.6.1 The performance of the sector slightly improved from 6.6 percent registered in 2009 to 5.8 percent in 2010. In 2011, the sector is expected to grow by 6.5 percent and by 5.9 percent in 2012.

2.4.7 Transportation and Storage Services

2.4.7.1 In 2010, the sector registered a growth of 4.2 percent from 8.9 percent registered in 2009. The sector is projected to grow by 5.8 percent in 2011. The slow growth in 2010 owes mainly to the fuel supply disruptions experienced in the country that affected transportation companies. In 2012, the sector is expected to grow by 5.7.

2.4.8 Accommodation and Food Services

2.4.8.1 The sector grew by 8.2 percent in 2010 from 13.2 percent in 2009. This declining trend is expected to continue in 2011 when the sector is expected to grow by 6.8 percent. The downward trend is due to the declining revenue generation experienced in most hotels. However, improvements are anticipated in the sector's growth estimates considering that reforms have been undertaken including the introduction of hotel grading system. In 2012, the sector is projected to grow by 4.9 percent.

2.4.9 Information and Communication

2.4.9.1 In 2010, the sector recorded a growth of 9.2 percent from 10.5 percent recorded in 2009. In 2011, the sector is expected to grow by 7.3 percent. The slowdown emanates from losses made by big telecommunications companies due to vandalism. In addition, other mobile operators had planned to install more towers but only managed to install a few. In 2012, the sector is expected to grow by 6.1 percent.

2.4.10 Financial and Insurance Services

2.4.10.1 In 2010, growth of the sector was 10.6 percent from 7.8 percent registered in 2009. In 2011 the sector's growth is projected to be 9.2 percent. The growth is mainly emanating from the boom in the insurance services both in real estates and for motor vehicles among other key areas where premiums have gone up. In 2012 the sector is expected to grow by 8.6 percent.

2.4.11 Public Administration and Defence

2.4.11.1 The sector grew by 5.8 percent in 2010 from 4.9 percent achieved in 2009 mainly due to the recruitment exercise which Government embarked on during the year. However, not all the vacant posts were filled hence a lower than expected growth in sector in the year. In 2011, the sector is expected to grow by 6.0 percent as Government aims to continue with the recruitment exercise. In 2012 the sector is expected to moderate to 4.6 percent.

TABLE 2.1: GROSS DOMESTIC PRODUCT (GDP) BY SECTOR OF ORIGIN (2007 CONSTANT PRICES IN K'MN)

Sector	2007	2008	2009	2010	2011*	2012*
Agriculture, forestry and fishing	147,966	154,157	174,304	177,732	189,189	203,059
Mining and quarrying	5,804	7,883	8,268	14,903	19,839	22,931
Manufacturing	53,006	63,328	66,347	69,169	71,579	76,286
Electricity, gas and water	8,299	8,717	9,289	9,596	10,011	10,692
Construction	16,044	16,475	17,697	20,621	22,477	23,869
Wholesale and retail trade	99,578	118,742	126,584	133,985	142,715	151,128
Transportation and storage	18,651	21,697	23,629	24,614	26,040	27,521
Accommodation and food service activities	10,342	11,123	12,595	13,632	14,564	15,270
Information and communication	13,970	22,087	24,409	26,652	28,608	30,364
Financial and insurance activities	30,473	25,979	28,003	30,983	33,845	36,758
Real estate activities	24,731	29,592	33,178	36,834	38,403	39,659
Public administration and defence	12,991	13,953	14,637	15,488	16,418	17,173
GDP in constant 2007 prices	510,539	553,100	602,567	642,816	687,150	732,809
Annual percentage growth rates						
Agriculture, forestry and fishing		*4.2*	*13.1*	*2.0*	*6.4*	*7.3*
Mining and quarrying		*35.8*	*4.9*	*80.2*	*33.1*	*15.6*
Manufacturing		*19.5*	*4.8*	*4.3*	*3.5*	*6.6*
Electricity, gas and water		*5.0*	*6.6*	*3.3*	*4.3*	*6.8*
Construction		*2.7*	*7.4*	*16.5*	*9.0*	*6.2*
Wholesale and retail trade		*19.2*	*6.6*	*5.8*	*6.5*	*5.9*
Transportation and storage		*16.3*	*8.9*	*4.2*	*5.8*	*5.7*
Accommodation and food services		*7.6*	*13.2*	*8.2*	*6.8*	*4.9*
Information and communication		*58.1*	*10.5*	*9.2*	*7.3*	*6.1*
Financial and insurance activities		*(14.7)*	*7.8*	*10.6*	*9.2*	*8.6*
Real estate activities		*19.7*	*12.1*	*11.0*	*4.3*	*3.3*
Public administration and defence		*7.4*	*4.9*	*5.8*	*6.0*	*4.6*
GDP in constant 2007 prices		*8.3*	*8.9*	*6.7*	*6.9*	*6.6*

Source: MDPC, National Accounts and Balance of Payments Committee
*Estimates

2.5 External Sector Performance

2.5.1 Trade deficit worsened to MK106.2 billion in 2010 from MK54.3 billion recorded in 2009. It is projected that trade deficit will continue to worsen in 2011. This is mainly due to the reduction in value of Malawian exports due to the reduction in volumes of Malawi's major exports mainly tobacco, while that of imports has been increasing. Apart from this, the country experienced deteriorating terms of trade in real terms with its trading partners during the year, for instance, the average export price of tobacco remained almost the same at US$4.13 in 2010 from US$4.12 in 2009 and is projected to remain at US$4.13 in 2011.

TABLE 2.2: BALANCE OF PAYMENTS (K'MILLION)

	2007	2008	2009	2010	2011*
Trade balance	(25,814.41)	(108,568.93)	(54,318.46)	(106,233.19)	(114,812.23)
Exports of Goods, fob	110,545.96	134,049.68	167,913.25	177,246.94	194,060.59
Imports of Goods, fob	135,988.67	242,154.02	221,841.61	283,112.08	308,584.69
Non-factor Services (net)	(20,899.17)	(37,471.08)	(38,670.30)	(48,363.18)	(51,231.18)
Receipts	14,425.20	16,674.21	16,003.76	18,468.49	22,163.81
Payments	35,324.36	54,145.29	54,674.06	66,831.67	73,395.00
Factor Services (net)	(3,155.22)	(3,461.24)	(5,374.69)	(8,600.75)	(8,706.13)
Receipts	563.73	548.71	578.65	622.64	660.65
Payments	3,718.95	4,009.95	5,953.35	9,223.39	9,366.79
Private Transfers (net)	7,854.16	17,785.07	14,170.75	15,206.60	15,865.77
Receipts	9,485.32	19,476.20	16,031.00	17,057.58	17,732.91
Payments	1,631.16	1,691.13	1,860.25	1,850.99	1,867.14
Current Account Balance	(42,014.63)	(131,716.19)	(84,192.70)	(147,990.52)	(158,883.78)
Capital Account Balance	64,788.05	110,305.38	97,101.80	102,385.03	104,374.75
Long-term Capital balance	64,704.58	110,219.47	97,009.88	102,286.68	104,269.52
Government Transfers (net)	37,704.13	85,770.56	77,527.85	84,406.25	84,139.60
Receipts	37,774.43	85,849.66	77,618.65	84,509.49	84,256.98
Payments	70.30	79.10	90.80	103.24	117.38
Government Drawings (net)	12,042.86	9,607.62	9,761.08	6,975.96	8,638.62
Receipts	13,165.50	10,443.30	11,488.60	9,078.26	11,090.87
Payments	1,122.64	835.68	1,727.52	2,102.30	2,452.25
Foreign Direct Investment	12,883.76	12,691.71	7,720.57	8,764.83	8,841.32
In Malawi	12,883.76	9,963.50	7,720.57	8,764.83	8,841.32
Abroad		(2,728.21)			
Foreign Portfolio Investment	258.90	(419.50)	(105.00)	(88.50)	(204.30)
Assets	362.50	1,006.80	249.20	539.50	598.50
Liabilities	621.40	587.30	144.20	451.00	394.20
Public Enterprises (net)	1,570.51	1,654.49	1,470.62	1,593.17	2,086.65
Receipts	1,696.84	1,746.25	1,797.09	2,027.52	2,287.50
Payments	126.33	91.76	326.47	434.35	200.85
Private Sector (net)	503.33	495.10	529.76	546.47	563.34
Receipts	947.17	951.86	1,018.49	1,069.42	1,122.89
Payments	443.84	456.76	488.74	522.95	559.55
Short-term Capital (net)	83.47	85.90	91.92	98.35	105.24
Receipts	3,236.23	3,330.47	3,563.60	3,813.05	4,079.97
Payments	3,152.76	3,244.56	3,471.68	3,714.70	3,974.73
Errors and Omissions	(27,308.20)	27,272.61	8,801.10	23,185.59	-
Balance before debt relief	(4,534.78)	5,861.80	21,710.20	(22,419.90)	-
Debt Relief	155.38	-	-	-	-
Overall balance after debt relief	(4,379.40)	5,861.80	21,710.20	(22,419.90)	-
Change in NFA	4,379.40	(5,861.80)	(21,710.20)	22,419.90	-
Memorandum items:					
Current account deficit/GDP (percent)					
Excluding official transfers	(9.03)	(23.88)	(13.09)	(19.98)	(18.70)
Including official transfers	(0.93)	(8.33)	(1.04)	(8.59)	(8.80)

Source: National Accounts of Balance of Payments Committee

*Estimates

TABLE 2.3: SELECTED ECONOMIC, FISCAL AND FINANCIAL INDICATORS1

	2007	2008	2009*	2010*	2011*
OUTPUT AND PRICES (Percentage changes)					
GDP at 2007 constant market prices	—	8.3	8.9	6.7	6.9
GDP deflator	7.3	8.4	7.4	7.1	7.0
Inflation (end of period)	7.5	9.9	7.6	7.2	6.9
Inflation (annual average)	8.0	8.7	8.4	7.4	7.0
MONEY AND CREDIT (percentage change)					
Money and Quasi Money	36.9	33.1	23.9	17.8	21.3
Net Foreign Assets	11.7	-10.1	-15.5	13.0	-5.2
Net Domestic Assets	25.2	43.2	39.5	4.9	26.5
Credit to the Government	1.0	59.8	19.4	-11.8	11.2
Credit to the rest of the economy	16.4	22.1	19.4	14.5	17.4
CENTRAL GOVERNMENT[2] (Percentage of GDP)					
Revenue (excluding grants)	19.0	21.3	22.5	34.4	24.3
Expenditure and net lending	30.8	41.4	35.2	35.5	30.5
Overall balance	-2.8	-5.0	-0.7	-1.5	0.4
EXTERNAL SECTOR (US$ millions)					
Exports f.o.b	789.73	957.63	1,190.87	1,177.82	1,278.40
Imports c.i.f	971.49	1,729.92	1,573.34	1,881.31	2,032.84
(months of import)	3.5	2.4	1.9	3.1	2.2
Kwacha per US$ (period average)	140.0	140.5	141.2	1505	150.8
DEBT STOCK AND SERVICES (Percentage of GDP)					
External debt (Public sector)	22.6	16.8	17.9	18.7	18.6
Net Domestic debt (Central Government)	11.9	19.9	22.0	15.3	11.8

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

[1] Percent changes, unless otherwise indicated

[2]Central Government Operatiion are in Fiscal Years

*estimates and projections

Chapter 3

AGRICULTURE, FOOD SECURITY AND NATURAL RESOURCES

3.1 Overview

This chapter reviews the performance of the Agriculture sector in terms of National Food Security and production; Farm Input Subsidy Programme; and Sector Wide Approach (SWAp) for the 2010/11 financial year. The chapter also reviews the performance of the fisheries and forestry sectors in the same period.

3.2 Agriculture Sector

3.2.1 National Food Security

According to the Food Security Surveillance system, the food situation in the country improved in all the three regions during the reporting period (July 2010-June 2011) compared to the same time the previous season.

The proportion of total farm families in the country without food from own production from July 2010 to June 2011 varied from 1 per cent to 6 per cent which was lower when compared to the same period in the previous season from July 2009 to June 2010 which was at 1 per cent to 12 per cent. National food availability remained stable even through the lean season, due to carryover stocks from the 2010 season. The national cereal availability remains stable with adequate national stocks pegged at more than 200,000 MT in the ADMARC and the SGR stocks.

3.2.2 Food and Livestock Production, Requirement and Expected Food Gap

3.2.2.1 Food Production

The 2009/10 Final National Agricultural Production Estimates released in June 2010 indicated a maize production estimate of 3,419,409 metric tons. This represented a 9.0 per cent decrease from the 2008/09 final production of 3,769,102 metric tons. The decrease was due to dry spells which were experienced in most parts of the country especially in the southern Malawi.

During the period under review, irrigation was intensified in most of the districts that were affected by dry spells. The Ministry of Agriculture implemented a subsidy programme for maize producation under irrigation and this improved food security in the targeted areas.

For the 2010/11 marketing year, Malawi required 2.5 million metric tons of maize comprising 2.2 million metric tons of maize for food, 41, 047 metric tons for seed, 60,000 metric tons for the Strategic Grain Reserve and 250,000 metric tons for feed and industrial use. This left the country with a food surplus of about 800,000 metric tons.

TABLE 3.1: NATIONAL PRODUCTION IN METRIC TONS (2006-2011)

CROP	2006/07	2007/08	2008/09	2009/10	2010/11*
Maize	3,444,655	2,777,438	3,769,102	3,419,409	3,847,278
Rice	113,166	114,885	137,130	110,106	123,403
Groundnuts	273,757	243,215	293,948	297,487	310,008
Tobacco	117,412	160,238	208,154	172,972	173,936
Cotton	63,290	76,761	72,664	29,165	52,347
Wheat	4,605	2,386	2,811	2,341	1,799
Sorghum	63,698	61,999	60,025	53,932	73,690
Millet	32,251	31,869	26,866	24,495	39,358
Pulses	415,551	387,347	501,376	470,489	540,412
Cassava	3,285,127	3,491,183	3,874,705	4,000,986	4,318,650
Potato	2,307,354	2,320,696	2,730,965	2,897,888	3,292,369

Source: MoAFS, April 2011,

* based on April 2011 Second Round Crop Estimates

Table 3.2: FOOD SURPLUSES/DEFICITS (2006-2011) IN METRIC TONS

	Season				
	2006/07	2007/08	2008/09	2009/10	2010/11*
Surplus	1.3	0.5	1.3	0.8	1.1

Source: MoAFS, April 2011,

* based on April 2011 Second Round Crop Estimates

For 2010/11 season, the second round crop released in April 2011 indicated maize production estimate of 3,847,278 million metric tons which is an increment by 12.5 per cent when compared to 2009/10 final round estimate.

3.2.2.2 Farm Input Subsidy Programme

The Government of Malawi through the Ministry of Agriculture and Food Security (MoAFS) implemented the Farm Input Subsidy Programme for the fifth season on maize fertilizers, maize and legume seeds in 2009/10 crop season. This was 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.

During the 2009/10 Input Subsidy Programme, 160,000 metric tons of fertilizers were sold at 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 tons of NPK and 80,000 metric tons of Urea. The maize seed subsidy was 8,000 metric tons and constituted both hybrid and OPV; and 1,600 metric tons of legume seeds (groundnuts, beans, soybeans and pigeon peas) as well as maize storage pesticides. The Ministry is developing the Medium Term Plan (MTP) for FISP which runs from 2011 to 2016.

3.2.3 2010/11 Weather Forecast

The Department of Climate Change and Meteorological Services (DCCMS) issued the Seasonal Rainfall Forecast for 2010/11 growing season on 1st September 2010. The bottom line of the 2010/11 rainfall this season would be adequate for agricultural production as the greater part of Malawi would experience normal to above normal total rainfall.

Generally, effective rains started between end of November and mid December 2010 and most areas received good rains with better distribution and intensity. However, from January, 2011 localized areas started experiencing dry spells which intensified during the second half of February, 2011. The impact was most severe in localized low lying areas in the south particularly for the late planted crop and in such cases local maize wilted permanently before reaching maturity.

In March, 2011 high rainfall intensity caused water logging soil conditions and flooding in low lying areas particularly in Mzimba, Karonga, Nkhotakota , Salima and Nsanje districts. Cumulative rainfall situation at end of March 2011 indicated that a greater part of Malawi had experienced normal rainfall with better distribution this season compared to same period last season.

Dry conditions prevailed over the country during the month of April 2011. This facilitated harvesting and drying of matured crops. Harvesting of maize, which is the staple food for Malawians, progressed well throughout the country. This has led to improvement in food security at household level as most farm families have food from their own production.

3.2.4 Agriculture Sector Wide Approach (ASWAp)

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 (2008-2013). 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.

The ASWAp will operationalise the Malawi Growth and Development Strategy (MGDS) in agricultural related areas such as food security, irrigation and disaster risk management. The ASWAp has four strategic pillars, namely: food security and risk management; commercial agriculture, agro-processing and market development; sustainable management of natural resources; and key support services, (i) technology development and dissemination (ii) capacity building and institutional strengthening (iii) cross cutting issues, HIV and AIDS, and gender.

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 6.0 per cent annual sector growth rate and allocation of at least 10 per cent 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.

3.3 The Fisheries Sector

3.3.1 The Socio-economic Role of the Fisheries Sector

3.3.1.1 Employment

The fisheries sector is of great importance to Malawi’s economy as a source of employment, food, rural income, export, import substitution and bio-diversity. The sector directly employs nearly 59,873 fishers and indirectly over 500,000 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.

3.3.1.2 Food Security

Fish provides over 70 per cent of the dietary animal protein intake of Malawians and 40 per cent 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 and AIDS victims, orphans and the poor.

3.3.1.3 Source of Income

Fish landings (95,724 tons) in 2010 had a beach or landed value of MK19.9 billion (approx USD 121.3 million). The average beach price almost doubled from MK116/kg in 2007 to MK210/kg in 2010.

3.3.1.4 Foreign Exchange

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, thereby earning foreign exchange.

3.3.2 Status of the Fisheries Sector

3.3.2.1 Major Fishery Resource User Groups in Malawi

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.

3.3.2.2 Total Annual Fish Production by Water Body

National catch statistics from all water bodies for Malawi show that total catches for 2010 were at 95,724 tons and about 84.22 per cent of the catch originated from Lake Malawi, followed by 8.38 per cent from Lake Chilwa whilst Lake Malombe and Lake Chiuta contributed 3.49 per cent and 2.66 per cent respectively.

TABLE 3.3: FISH CATCH CONTRIBUTION BY WATER BODY (2005- 2010)

Year	Lake Malawi -Artisanal (tons)	Lake Malawi -Commercial (tons)	Lake Malombe (tons)	Lake Chilwa (tons)	Lake Chiuta (tons)	Lower & Middle Shire (tons)	TOTAL (tons)	Landed value (MK '000)	Beach price (MK/kg)
2005	58,859	4,225	649	5,822	975	3,032	72,913	7,145,474	98
2006	51,796	4,413	780	4,350	1,085	3,840	65,484	6,810,336	104
2007	50,527	4,102	530	5,904	1,024	3,643	65,200	7,563,200	116
2008	56,846	3,597	671	6,006	1,018	3,128	71,266	9,478,378	133
2009	56,850	3,752	590	5,879	1,034	3,184	71,289	16,895,493	238
2010	80,623	3,470	3,336	8,019	2,549	1,197	95,724	19,900,000	210

Source: Fisheries Department, 2010

In terms of catch composition, the traditional catch is composed of 18 main species or groups of species, of which usipa and utaka are the two dominant species groups with an average total contribution of 58 per cent and 8 per cent respectively.

3.3.2.3 Annual Fish Production and Landed Value

The 2010 catch trends together with 2011 and 2012 projections in fish production per fish species and the estimated revenue gained by the small scale fishers is shown in 3.4. Table 3.4 show the catch dominance of Usipa (E. sadella) followed by Utaka (Copadichromis spp).

3.3.2.4 Fish Sales

In terms of fish sales, whatever was produced by the sector was wholesomely translated into monetary value as reflected in Table 3.4. With the intensification of deep water fishing through the loans that were provided by the just phased out 'Lake Malawi Artisanal Fisheries Development Project' (LMAFDP) as well as promotion of the adoption of the fishing gear technology that was devised by the phased 'small scale offshore fishery technology development project' (SOFTDP), the sector's level of production is expected to continue rising from 94,724 tonnes to 99,460 and 96,618 tons in 2011 and 2012 respectively thereby increasing the sectors amount of income accrued from these fish sales.

TABLE 3.4: FISH CATCH AND VALUE (2010-2012)

Fish Species		2010		2011		2012	
Local Name	*Scientific Name*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*
Chambo	Oreochromis spp.	2,238	469,959,000	2,350	516,954,900	2,283	513,598,050
Kambuzi	Lethrinops spp. & Allied genera	5,190	1,089,942,000	5,450	1,198,936,200	5,294	1,191,150,900
Kasawala	Juvenile Oreochromis spp.	1,068	224,175,783	1,121	246,593,362	1,089	244,992,106
Chisawasawa	Lethrinops spp. & Allied genera	601	126,266,700	631	138,893,370	613	137,991,465
Kampango	Bagrus meridionalis	560	117,537,000	588	129,290,700	571	128,451,150
Mbaba	Buccochromis spp. & Allied genera	3,434	721,066,500	3,605	793,173,150	3,502	788,022,675
Mcheni	Rhamphochromis spp.	1,138	238,910,700	1,195	262,801,770	1,160	261,095,265
Mlamba	Bathyclarias & Clarias spp.	1,467	308,090,855	1,540	338,899,941	1,496	336,699,292
Mpasa	Opsaridium microlepis	4,304	903,793,800	4,519	994,173,180	4,390	987,717,510
Nchila	Labeo mesops	2	323,400	4,519	355,740	2	353,430
Sanjika	Labeo cylindricus	34	7,116,900	36	7,828,590	35	7,777,755
Usipa	Engraulicypris sardella	54,860	11,520,595,800	57,603	12,672,655,380	55,957	12,590,365,410
Utaka	Copadichromis virginalis & relatives	7,964	1,672,433,700	8,362	1,839,677,070	8,123	1,827,731,115
Ndunduma	Diplotaxodon spp	350	73,602,900	368	80,963,190	357	80,437,455
Nkholokolo	Synodontis nyassae	13	2,694,300	13	2,963,730	13	2,944,485
Makumba	Oreochromis shiranus & relatives.	3,271	686,949,861	3,435	755,644,847	3,337	750,738,062
Matemba	Barbus paludinosus & relatives	4,919	1,032,997,157	5,165	1,136,296,873	5,017	1,128,918,322
Other Tilapia	Tilapia rendalli & others	340	71,463,000	357	78,609,300	347	78,098,850
Others	Various spp	2,972	624,071,744	3,120	686,478,919	3,031	682,021,263
TOTAL		**94,724**	**19,891,991,101**	**99,460**	**21,881,190,211**	**96,618**	**21,739,104,561**

3.3.2.5 Status of Fishing Fleet (craft) and Fishers

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. Table 3.5 show the fisheries statistics on the number of fishermen, fishing gears and fishing crafts since 1998.

TABLE 3.5: FRAME SURVEY COUNTS OF THE DOMINANT FISHING CRAFT, GEAR OWNERS, CREWMEMBERS AND FISHING GEARS OF MALAWIAN WATERS

Indicator	**1998**	**1999**	**2003**	**2007**	**2008**	**2009**	**2010**
Boats with engine	578	534	493	586	814	872	960
Boats without engine	3240	3088	2999	3502	3360	2942	2613
Dug-out canoes	14306	11457	11824	11215	11540	11289	10785
Planked canoes						764	1227
Gear owners	14471	13503	15542	13305	14065	13403	14538
Crew members	37488	35347	42312	41993	41841	46123	45335
Gillnets (normal)	32941	43430	77668	67552	70606	75291	63225
Ngongongo				13704	14979	19303	
Chikwekwesa					337	59	90
Longlines	2753	3954	2884	3902	5726	5740	5791
Kambuzi seines	546	345	385	438	484	399	408

Chilimira nets	2584	2568	3079	2588	3491	3394	3349
Fish traps	38255	40078	27071	20460	15814	25362	34644
Handlines	4400	3084	1383	2414	1563	1589	660
Kandwindwi					98	98	106
Scoop nets	21	79	83	14	36	56	29
Cast nets	37	47	766	535	717	701	705
Chambo seines	106	62	71	70	212	89	85
Nkacha nets 204	258	309	279	238	315	241	
Matemba seine	498	422	276	853	406	542	690
Chomanga	35579	23298	24350	13371	5814	38506	44847

Source: Fisheries Department (2011)

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

Further analysis of the 2010 frame survey by numbers, type and distribution of small-scale fishing craft in Malawi indicates that over 15,585 fishing crafts in four categories motorised plank boats, non-motorised plank boats, planked canoes and dugout canoes were recorded during the 2010 frame survey. Overall dugout canoes (69 per cent) and plank boats without engines (17 per cent) were the most common fishing crafts followed by planked canoes and plank boats with engines with 8 per cent and 6 per cent, respectively. Most of the crafts were recorded on Lake Malawi (78.1 per cent) followed by Lake Chilwa (12.3 per cent), Lower Shire (5.6 per cent), Lake Malombe (2.6 per cent) and Lake Chiuta (1.5 per cent). General trends in numbers of fishing, crafts from 1998 to 2010 are shown in Figure 3. In all fishing crafts show a general increasing trend although between 2009 and 2010 a slight decrease of 6 per cent from 15,867 to 15,585 crafts was registered.

Motorised plank boats increased by 10 per cent from 872 crafts in 2009 to 960 in 2010 while non-motorised plank boats registered a substantial decrease of 12 per cent from 2942 crafts in 2009 to 2613 in 2010. Of the two types of canoes, planked canoes showed a general increasing trend while dugouts remained rather stable decreasing slightly by 4 per cent to 10785 in 2010. On the other hand planked canoes increased by 61 per cent from 764 units in 2009 to 1227 in 2010. The substantial increase in numbers of motorised plank boats and planked canoes witnessed currently is indicative of increasing investment in the fisheries sector especially in Lake Malawi where there are vast and distant fishing grounds.

Of the 59,873 fishers recorded countrywide during the 2010 frame survey, the majority were crewmembers (76 per cent) while the rest were gear owners. Over 76 per cent of the fishers were recorded along Lake Malawi while Lake Chilwa, Lower Shire Lake Malombe and Lake Chiuta accounted for 12 per cent, 8 per cent, 5 per cent and 1 per cent, respectively. Majority of fishers along Lake Malawi were recorded in Mangochi (21 per cent), Nkhotakota (15 per cent), Nkhata bay (12 per cent) and Salima with 9 per cent.

During the 2010 frame survey, the number of fishers increased slightly by 0.6 per cent from 59,526 in 2009 to 59,873. Of the fishers, only gear owners have undergone substantial increase in numbers rising by 8.5 per cent from 13,403 in 2009 to 14,538 in 2010 while the number of crew members decreased slightly by 1.7 per cent from 46,123 in 2009 to 45,335 in 2010.

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.

3.3.3 Fish Markets and Fish Processing Methods

3.3.3.1 Present Fish Processing and Marketing Trends

Several methods are used to process fish in Malawi. The most common processing methods include; (*a*) sun drying, which is most common for fish species like Kambuzi and Matemba; (*b*) smoking which is used on Chambo and Mlamba; para-boiling for usipa and (*c*) 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.

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.

3.3.3.2 Major Fish Markets

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, Rumphi and Mzimba markets. Lilongwe market has fish from Lake Malawi (Salima and Nkhotakota) and sometimes from Mangochi. 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 the Lower Shire River.

3.3.3.3 Fish Imports and Exports

Fish imports have generally increased for the past years with 2010 registering total fish imports of 2,481,269kg valued at MK96,219,166 (USD 506,416), table 4. Most of the fish imports came from Zimbabwe, South Africa, Tanzania, Mozambique, Namibia, Lebanon, India and China. Exports of fish products are limited in volume and go only to the neighbouring countries of Zambia, Zimbabwe and South Africa.

TABLE 3.6: FISH IMPORTS AND EXPORTS (EXCLUDING LIVE FISH)

	Fish Imports		*Fish Exports*	
Year	*Kwacha*	*Quantity (kg)*	*Kwacha*	*Quantity (kg)*
2002	31,316,011	430,197	18,683,792	159,516
2003	96,847,528	1,126,183	277,000	12,874
2004	113,451,386	2,059,384	58,200	7,500
2005	117,190,390	1,950,296	4,520,700	46,200
2006	251,131,920	3,355,700	7,884,526	117,600
2007	276,173,161	3,450,945	941,842	27,700
2008	310,478,798	6,247,305	1,853,756	23,640
2009	144 793 305	1,576,002	12 718	22
2010	96,219,166	2,481,269	0	0

Table 3.7: EXPORTS OF AQUARIUM FISH

	Fish Exports	
Year	*Kwacha*	*Quantity (kg)*
2002	17,007,692	32,966
2003	110,006,110	72,168
2004	159,770,862	85,652
2005	83,864,482	254,542
2006	422,433,990	1,170,266
2007	72,131,888	62,554
2008	78,563,518	63,802
2009	27 979 356	14,961
2010	21,474,834	11,781

Furthermore, Malawi exports aquarium fish to various countries in Europe, America, Asia and within Africa. This is the only fisheries sector that is promoted by the Malawi Export Promotion Council (MEPC) as it is considered to have a steady supply of the commodity. The total exports of aquarium fish for 2010 amounted to 11,781kg generating revenue of MK21,474,834 (USD 113,025).

3.3.3.4 Fish Supply per Capita

The current average per capita consumption of 7.3 kg/yr in 2010 is by far less than the recommended 13-15 kg of the World Health Organisation (WHO). This has been a declining trend since 1976 when per capita anuual supply was 12.9 kg falling gradually to 9.4 kg in 1990 to the current levels.

3.3.4 Status of Aquaculture in Malawi

3.3.4.1 Distribution, Number and Size of Farms in Rural Aquaculture

The goal of fish farming is to increase and sustain fish production from small-scale to large-scale farming operations by encouraging farmers to adopt fish farming system for food supply and income. In Malawi a typical small-holder fish farmer has one or two small ponds about $200m^2$ or less usually located in close proximity to a seasonal wetland (dambo). The number of these small holder farmers has increased recently and the National Aquaculture Centre at Domasi estimated that there were approximately 4050 fish farms in 2002 and that the numbers had increased to 6,000 farmers with 10,000 ponds in 2008.

In the northern region of the country, small holder aquaculture is being practiced in the upland areas of (Chisenga, Mphompha, Nchenachena, Mzuzu and Chikwina) and the lowlying areas of Limphasa. Within the central region, rural aquaculture is undertaken along the lakeshore areas (Salima and Nkhotakota), Mchinji, Lilongwe, Kasungu, Dedza and Ntcheu, whilst in the southern region the system is being practised along the Lakeshore areas (Mangochi), along the Shire River, in Mwanza, Neno, Zomba, Mulanje, Phalombe, Thyolo, Blantyre and the Lower Shire. Thus, although there are distinct, regional biophysical, political and economic differences among the various categories of farmers, their distribution is relatively even across the country.

3.3.4.2 Production Trends from Small Holder Fish Farmers

Fish production from small holder farmers has steadily increased from 1,600 tonnes in the 2008 to 2,500 tonnes in 2010. This production comprised 93 per cent tilapia (Oreochromis shiranus-makumba, Tilapia rendalli- chilunguni, Oreochromis mossambicus and Oreochromis karongae-Chambo), 5 per cent catfish (Clarias gariepinus-mlamba) and 2% exotic species of common carp (Carpio cyprinus) and rainbow trout (Onchorhynchus mykiss).

TABLE 3.8: ESTIMATED PRODUCTION LEVELS (TONNES) AND VALUE (US$) OF THE MAJOR CULTURED FISH SPECIES

Species	*Estimated units*	*Year*							
		1997	1998	1999	2000	2001	2002	2003	2010
Oreochromis shiranus/	Production (t)	190	270	565	500	600	670	680	850
mossambicus	Value (US$)	309 100	309 100	565 000	550 000	575 000	649 600	696 000	869,550
Tilapia rendalli	Production (t)	0	0	-	-	12	70	85	630
	Value (US$)	0	0	-	-	13 800	11 200	42 000	113,647
Clarias gariepinus	Production (t)	47	30	12	15	18	10	17	42
	Value (US$)	7 700	12 000	14 400	18 000	18 000	11 200	17 000	42 000

Cyprinus carpio	Production (t)	25	10	8	10	10	8	4	30
	Value (US$)	15 000	10 000	8 000	10 000	10 000	8 960	5 600	42,000
Oncorhynchus mykiss	Production (t)	-	-	5	5	8	4	15	48
	Value (US$)	-	-	20 000	17 500	57 200	24 800	96 000	307,200
Total major species (t)		**262**	**310**	**590**	**530**	**648**	**752**	**801**	**1600**
Total value (US$)		**331800**	**331100**	**607400**	**595500**	**674000**	**705760**	**856600**	**1374397**

3.3.4.3 Production of Fingerling

Quality production of fingerlings remains one of the major constraints to aquaculture development in Malawi. Hence programmes under fingerling production aim at production of high quality fingerlings from certified hatcheries using screened brood stock from Government and private hatcheries. The improved capacity in fingerling production is envisaged as a catalyst for the development of commercial out-grower schemes promoted by the Government through Presidential Initiative on Aquaculture Development (PIAD). Establishment of the nuclear hatcheries to supply fingerlings to fish farmers in fish farming schemes as well as to other farmers is the key activity under this initiative. The main activities have focused on: (i) rehabilitation of government hatcheries; (ii) provision of good quality brood stock; (iii) establishment of pilot private sector catfish hatcheries through a FAO TCP; and (iv) production of hatchery guidelines.

With support from USAID the Department of Fisheries procured a modern hatchery which was installed at National Aquaculture Centre (NAC) and was officially launched in April 2010. The hatchery is composed of three units, namely: Brood stock unit (for the production of eggs), Incubation Unit (for hatching the eggs) and the Nursery (for nursing the hatchlings to young fish which are commonly called fingerlings). The hatchery has an average egg hatchability of 90 per cent with an average survival rate of 85 per cent. As part of the achievements under this component, a total number of 2,500 broodstock (Tilapia) were collected from the wild and stocked at the NAC, Domasi to prevent the decrease in genetic variations.

Production of fingerlings from the government hatcheries has therefore increased from around 200,000 in 2006 to over 2 million fingerlings in 2010 of which more than half have been distributed to farmers and the rest stocked at government stations. Under the FAO TCP, four hatcheries (1 in Thyolo, 1 in Mulanje, 1 in Zomba and 1 in Mzuzu) have been established as a pilot private sector catfish hatcheries initiative

3.4 The Forestry Sector

3.4.1 Forest Resources

Forest resources in Malawi cover an estimated 27 per cent of the 9.4 million hectares. About 11 per cent of this area is National Parks and Wildlife Reserves, 10 per cent is in Forest Reserves and 7 per cent is on customary estate. Plantation forests constitute about 1 per cent of the total land area under forest cover.

However, the country continues to suffer from forest degradation largely because of poverty, population growth, agricultural expansion, infrastructural development and over dependency on wood fuel for energy. Over 93 per cent of the population depends on biomass energy for heating and lighting. It is estimated that forest resources in Malawi are declining at a very alarming rate of 2.6 per cent per annum. The decline in the resource is attributed to deforestation.

In Malawi, biomass satisfies about 83.4 per cent of household energy demand. The remaining 16.6 per cent comes from electricity (for lighting and to a lesser extent for cooking), paraffin and candles (for lighting). The biomass is principally firewood (80 per cent), charcoal (8.8 per cent) and crop and industrial residues (11.2 per cent). The continued destruction of forests has resulted in reduced capacities for forests to provide the desired goods and services in the country.

Household firewood and charcoal consumption, currently estimated at 7.5million tons per annum exceeds sustainable supply by 3.7 million tons, leading to an annual destruction of 50, 000 to 75, 000 hectares of natural forests. In the past 25 years, forest resources have declined from 47 per cent to 28 per cent of which 21 per cent are in protected reserves. The resultant deforestation damages catchment areas leading to siltation and seasonal dry-up of streams. The subsequent siltation of Lake Malawi and the Shire River interferes with the hydropower generation. Sedimentation in lakes and rivers has caused a loss in fish biodiversity and production. Flash floods, in addition to threatening lives of people each year, wreak havoc on Malawi roads and bridge infrastructure.

3.4.2 Forest Policy and Legislation Implementation

Forestry in Malawi has in the recent past undergone a process of devolution by transferring of power closer to the people who live with and depend on trees and forest resources for their day to day household and economic needs. This has been achieved through forestry policies and legislation that recognise and encourage greater involvement of rural communities in the conservation and management of trees and forests, and sharing the resources and environmental benefits that they provide.

The role of non-governmental organisations, the private sector, faith-based organisations and other civil society groups has been critical in supporting rural communities with natural resource management activities as a means of improving the livelihoods of individuals, households and communities through sustainable management of trees and forests.

3.4.3 Employment

The Forestry sector employs significat number of people in the formal sector (government, private and non-governmental organisations) and informal sector mainly through, mobile and pit sawing. It is estimated that 92,800 people owe their livelihoods to charcoal. This figure includes 46,500 producers, 12,500 bicycle transporters, 300 transporters and 33,50 traders.

As part of social cash transfer, smallholder farmers benefited over the sale of seedlings through the Presidential Initiative on Tree Planting. The Department bought 1,350,000 seedlings from 244 smallholder farmers to the tune of MK54,000,000. This translates into an income average of MK221,311.48 thereby improving the livelihoods of people.

3.4.4 Conservation and development of natural woodlands and plantations

The Department of Forestry continued to manage 90,000 hectares of forest plantations. Industrial forest plantations comprising pine species cover 74,000 hectares whilst fuel wood and poles plantation mainly of *eucalyptus* species make up 23,000 hectares. The bulk of the industrial plantations (53,000 hectares) are in the Viphya in the Northern region of the country.

During 2010, 1,154.85 hectares were replanted in government plantations. In line with the forestry policy, the private sector especially wood processing industries such as Raiply participated in the replanting as part of the agreement with government. Raiply has planted 461.7 hectares in the year.

3.4.5 Forest Utilisation and Marketing

There are 11operators and 8 cooperatives harvesting forest produce on the main government plantation of Viphya thereby contributing to the creation of jobs for Malawians. According to records available (CD1 Forms), in the 2010/11 financial year, mobile sawmillers exported 5,935 m^3 of wood to countries like South Africa, Zimbabwe, Kenya, Mozambique and Zambia. Raiply also exported 38m^3 of wood. This has resulted in the realisation of the foreign exchange and contributed to the GDP.

3.4.6 Forest Fires

In the 2010/11 financial year, fire damaged 10,276.18 hectares of industrial wood plantations in the country, out of which 8,560.18 hectares of the area affected by fire was in the Viphya plantations, an increase from 697.86 hectares from last year. The central region lost trees on 1,395.42 hectares mainly from fires caused by hunters while the southern region lost 320.58 hectares in government plantations to fires.

3.4.7 Natural Woodlands

The Department continued to manage an estimated 1,100,000 hectares of natural forest reserves. The reserves continue to provide the protective functions of the water catchments for some of the major rivers that are also sources of water for the major urban areas in addition to reducing soil erosion, conserving biodiversity that contributes to ecotourism.

Natural forests continued to be used as safety nets by the rural people. Most of the rural people derived their livelihoods from the forests through sales of timber, poles, firewood, honey, mushrooms, wild fruits, thatch grass, brooms, reeds and medicinal plants.

The major challengess associated with the management of forest reserves were illegal charcoal production, theft of valuable timber trees, encroachment for human settlement and opening up of gardens. Charcoal production is rampant in forest reserves close to the major urban areas of the country.

Due to inadequate resources and mismanagement of forest reserves, the department is promoting participatory forest management where communities are required to enter into a co-management agreement with the Department of Forestry.

3.4.8 Budget allocation and Revenue Collection

In the 2010/11 financial year the department was allocated MK106,770,000 on Other Recurrent Transactions (ORT) and MK150,000,000 on development projects. In terms of revenue, the department was expected to collect MK385,331,675.91, but the amount collected was MK433,621,315.77 as of May 2011. Table I below shows that the major operators and that the main source of revenue for the department is the sale of logs on the Viphya plantations The major sources of revenue are royalties on forestry produce, sale of logs and firewood to wood industries, sale of forest produce on customary estate and administration fees, licences and miscellaneous, concessions. The revenue on customary estate is dependent on the patrols undertaken by forest staff and the volume of confiscated illegally obtained forest products.

Table 3.9: SUMMARY OF LOG SALES FOR VIPHYA PLANTATIONS 2010/11 SEASON

Operator	*Area (Ha)*	*Voulume (M3)*	*Amount (MK)*
Raiply Malawi Ltd	109.30	404,183.43	56,455,846.86
AKL Timbers	3.30	745.25	397,244.15
Leopard Match Ltd	4.0	243,490.91	8,949,697.90
Cooperative Societies	514.07	60,468.27	72,071,100.00
Individual Operators	176.10	294,534.60	30,441,584.06
Total	**806.77**	**1,003,422.46**	**168,315,472.97**

The forestry sector has greater potential to collect more revenue and significantly contribute to GDP and to the attainment of MGDS objectives and goals.

3.4.9 Tree Planting and Plantation Rehabilitation

In 2010/11 financial year as of April 2011 a total of 51,167,154 tree seedlings were planted by different stakeholders (smallholder farmers, communities, private sector, Village Natural Resources Management Committees and Non Governmental Organisations.) The total area replanted with trees is far less than an annual estimated deforestation of 50,000 hectares.

3.4.10 Forestry Programmes and Projects

The department is currently implementing the following programmes/projects;

3.4.10.1 Forestry Replanting and Tree Nursery Project (FOREP)

FOREP is a government of Malawi supported project which aims at rehabilitating the degraded industrial forest plantations to ensure sustainable supply of timber to both the wood processing and the construction industries. The project encourages planting and management of trees in selected industrial timber plantations. During the year under review, the department with funding of MK85,000,000 planted 578.23 hectares in different industrial softwood plantations. In addition, the project funds assisted in the protection and management of the old stands within the plantations.

3.4.10.2 Tree Planting and Management for Carbon Sequestration and Other Ecosystems Services (TPMCSOES)

This is another Malawi government supported project in the department of forestry. The project promotes tree planting and management by giving financial support to farmers. Farmers are financially compensated for the land that they put aside for tree growing and subsequently paid for trees that survive. In the 2010/11 financial year, MK50,000,000 was allocated to implement the activities of the profects farmers were registered. Since the inception of the programme in 2006/07, a total of 397 farmers have planted 631.5 hectares of trees in all the constituencies of the country. In the year under review, a social cash transfer of MK10,622,360 was provided to 133 farmers participating in the programme through purchase of seedlings and compensation for planting and caring for trees. thereby benefiting farmers that participated with an average income of MK79,867.37.

3.4.10.3 Community Vitalisation and Afforestation in Middle Shire (COVAMS)

The objective of the project which is financially supported by the JICA and Malawi Government is to rehabilitate the watershed of the Middle Shire through tree planting thereby reducing sedimentation of Shire River and promotion of income generating activities.

Other potential projects which the department will implement in the near future are:

Improved Forest Management for Sustainable Livelihoods Programme (IFMSLP): The programme aims at improving the management of trees and forest resources and access to income generating opportunities and enhancing rural livelihoods through sustainable management of forest areas in the country. It is financially supported by the European Union and aims at improving the livelihoods of local communities in twelve districts through the provision of forest goods and services and the development of forest based enterprises. The first phase ended in August 2009 and second phase was approved in December 2009 when the financial agreement was signed. However, the Programme Estimate I for Phase II was approved in March 2011 and the actual financing of the programme became effective on 1st April 2010. The programme addresses poverty and forest degradation through promoting greater community involvement in forest management. The IFMSLP has developed interventions that aim at contributing towards increased household income and food security. The interventions range from tree planting and forest conservation to the promotion of forest based income generating activities such as honey, mushroom and timber production and processing.

Forestry Preservation Programme: The government of Japan through the "Hitoyama Initiative" will give the Department of Forestry MK3 billion grant aid for the Forestry Preservation Programme. The programme will aim at enhancing protection of forest reserves and the conservation of biodiversity. The programme is expected to start in 2011/12 financial year and the grant agreement has already been signed between the two governments.

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 Overview

The goal of the Irrigation and Water Development sector is to ensure that water resources are well protected and managed to meet agricultural, domestic and industrial demands. This chapter highlights the achievements made by the sector during the period from July 2010 to June 2011.

4.2 Irrigation Sector

4.2.1 In the year under review, a total of 40,784 hectares were placed under irrigation, reaching over 356,728 beneficiaries growing cereals and horticultural crops. An estimate of 2,824 hectares were developed in the 2010/11 financial year.

4.2.2 During the 2010/11 financial year, significant progress was made on the rehabilitation of smallholder irrigation schemes under Irrigation Rural Livelihoods and Agricultural Development Project (IRLADP), namely; Nkhate in Chikhwawa, Muona in Nsanje, Limphasa and Likangala in Zomba covering 1,797 hectares. In addition, a number of smallholder irrigation schemes were being developed across the country through the Malawi Irrigation Development Support Programme (MIDSUP) and the Smallholder Crop Production and Marketing Project (SCPMP).

4.2.3 The Small Holder Crop production and Marketing Project (SCPMP), the Malawi Irrigation Development Support Programme and the Small Farms irrigation project are some of the programmes /projects that were being implemented. These will ensure the development of 43 irrigation schemes to cover 2,759 hectares of land and to benefit 72,449 farmers in 2011/12 financial year.

4.2.4 The Green Belt Initiative (GBI) seeks to transform Malawi from predominantly consuming and importing country to a producing and exporting country. Under this initiative the Ministry of Irrigation and Water Development in collaboration with the Ministry of Agriculture and Food Security and other stakeholders has developed a concept note and roadmaps for the programme sites. The programme has six components as follows: Infrastructure Development and Rehabilitation; Environmental Management; Technology Development; Gender Issues; HIV and AIDS Mainstreaming; and Monitoring and Evaluation. The Ministry of Irrigation and Water Development developed Terms of Reference for consultancy services to Nthola Ilora Ngosi in Karonga and Mnema site in Salima. Presensitization meetings were conducted with district councils who had come up with roadmaps to roll out the programme in their respective sites. Adverts would be published for consultancy to carry out preliminary designs for Karonga programe site.

4.3. Water Resources Development

4.3.1 In order to ensure that basic water requirements are met in the country while at the same time ensuring the country's ecosystem is well protected and conserved, the following major achievements were registered in the 2010/2011 financial year:

- Construction of Lichenza dam was at advanced stage while four dams namely Livuwo dam in Nkhata bay, Luvwere dam in Mzimba, Chimvu dam in Thyolo and Nakhurumutu dam in Mulanje were completed in the period under review. Since the 2007/08 financial year twenty-one (21) out of the planned twenty-seven (27) small community earth dams were constructed and the remaining six (6) dams were designed awaiting construction.
- In order to improve on disaster management, the sector continued to rehabilitate and improve the old (existing) monitoring stations including the Flood Forecasting and Warning System. Under the period of review, six (6) SADC Hydrological Cycle Observation Stations (HYCOS) that were installed under Phase I of the SADC regional project were rehabilitated.
- The Ministry of Irrigation and Water Development continued to implement the National Dispersed Borehole Construction Programme, under which a total of 100 boreholes were drilled in order to ensure that the rural population have access to water and sanitation. Under the Ground Water Monitoring project, a total of 34 monitoring boreholes were constructed in 2009/10 out of which 30 were being monitored and one of these had been installed with an automatic recorder to monitor quantity and quality of ground water.
- Under the Songwe- River Basin Development project, a trans-boundary water resources development project implemented by the Malawi and Tanzania Governments, a Memorandum of understanding (MOU) for the implementation of detailed design of the project was signed and the grant was also signed by the Government of Malawi with African Water Facility (AWF). Three cascading dams will be constructed for hydropower generation, water supply, irrigation, tourism, and flood control and river course stabilization. This project will contribute to socio-economic development in the two countries.

4.4 Water Supply Services

To ensure that clean and potable water and basic and improved sanitation services are available to the people under the water supply services in the period under review, a number of activities were undertaken.

4.4.1 Rural Water Supply

4.4.1.1 With the financial assistance from the African Catalytic Growth Fund (ACGF-NWDP), the following have been achieved:

- Construction of 560 new boreholes benefiting about 140,000 new users; rehabilitation of 220 boreholes benefiting approximately 55,000 users; rehabilitation of 912 taps benefiting additional 109,000 people; and rehabilitation of Chilombwe, Kalitsiro and Lizulu rural water schemes and Nkhamanga gravity-fed piped water supply schemes.
- Completion of the construction and rehabilitation of treatment works for Mapelera, Livunzu, Mbadzi and Limphangwe for Chikhwawa East Bank schemes and Lufilya in Karonga, Ntonda in Ntcheu, Nkhamanga in Rumphi, while work on Zomba East, and Mpira/Balaka is in progress. A total of 195 km of pipeline were laid in all the seven schemes.
- Detailed design of Water Supply Schemes in the three focus districts of Dedza, Chitipa and Chikhwawa were finalized and funds were identified. Construction work will start soon.
- The formation and post construction training of Water Users Associations (WUAs) in all the seven schemes under ACGF were finalized and Boards of Trustees were elected.

4.4.2 Urban Water Supply

4.4.2.1 In the Blantyre Water Board, 53 kiosks were completed, 1,125 new water connections were made and 1,230 stuck meters were replaced in Blantyre City.

4.4.2.2 In the Central Region Water Board, 1,339 new water connections were made and 4,379 stuck meters were replaced. Funds have been identified for Kasungu, Kochilira/Kamwendo and Salima Lakeshore water schemes.

4.4.2.3 In Lilongwe City, a total of 4,000 new meter connections were installed benefiting 32,000 people with safe water supply.

4.4.2.4 In the Northern Region Water Board, construction of water works in Mzuzu and Likoma was completed. Construction works was underway in Chizumulu water supply.

4.4.2.5 Funds have been identified for Songwe, Mzimba raw water works and Distribution networks for Mzuzu Water Supply. Design work for Chilumba, Rumphi, Nkhata Bay and Mzimba as well as tender documents were finalized and were awaiting identification of funds for tendering of works.

4.4.2.6 In Southern Region Water Board, a total of 2,275 new water connections were installed in Mangochi, Liwonde, Balaka, Zomba, Ngabu and Mulanje schemes and 1,647 old and stuck meters have been replaced with financing from ACGF.

4.4.3 Challenges facing the Irrigation and Water Development Sector

The following are the major challenges facing the sector:

- Insufficient plant and equipment;

- Decreasing yields in most water sources;
- Ageing infrastructure in urban water boards of Blantyre and Lilongwe resulting in high Non-Revenue Water (NRW);
- Inadequate institutional capacity especially at Regional and District level in terms of number of personnel and lack of skills; and
- Wide-spread vandalism and theft of water facilities.

4..4.4 Prospects of the Irrigation and Water Sector in 2012

The irrigation and Water Development sector will continue to endevour improving the availability of clean water and sanitation and hygiene facilities to communities. The National Water Development Programme (NWDP) which is the major programme in the sector will continue ensuring that the vision for the sector, which is water and sanitation for all and prosperity through irrigation, is realized. The Government has also negotiated an additional financing amounting to US$ 120 Million under NWDP. These resources will be utilized up to 2015. With the development of the SWAp process, implementation of programmes is expected to be done in a harmonized manner thereby improving the outputs and expected outcomes of set targets for the sector.

Chapter 5

TRANSPORT AND PUBLIC INFRASTRUCTURE

5.1 Overview

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

Road transport focuses on road maintenance and development projects implemented by the Roads Authority. The development programmes in the road sector consist of ongoing 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, Japan /JICA, Kuwait Fund, Saudi Fund and African Development Fund. In all cases, the Government of Malawi is responsible for expropriation and administration of costs.

Ongoing projects consist of the implementation of projects that have secured funding from previous years, contracts that have been signed and require annual allocation for continued execution of activities.

5.2.1 Roads and Bridges Construction/Upgrading

The Roads Authority (RA) with funding from Government of Malawi and its Development partners carried out several transport infrastructure projects during the period under review. Some of the projects were completed while others were ongoing. The projects were carried out mainly to facilitate agriculture production and marketing, industrial production, mining, tourism and employment generation 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 following: Karonga-Chitipa, 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 roads.

Under the Recurrent Programme the RA carried out road maintenance programmes as detailed below:

Periodic Maintenance: This programme consisted of resealing programmes funded by various donors. These projects include the Lilongwe-Nsipe Road, which is at an estimated 73.4 per cent completion and rehabilitation of selected urban roads in Lilongwe and Mzuzu Cities, which were completed. These projects covered a total length of about 240 kilometres mainly in Central and Northern Regions.

Construction and Rehabilitation Programmes: This programme was for the construction and reconstruction of badly deteriorated roads. These projects included 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 were earmarked for economic feasibility and preliminary engineering design and also for detailed engineering design once those projects have passed the feasibility stage. These included: 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.

5.2.2 Road Traffic and Safety Management.

The Ministry of Transport and Public Works has completed the necessary consultations and has prepared a Cabinet Paper on the same. Within the financial year, 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 also continued with its efforts to strengthen road traffic law enforcement and civic education in the country.

The Department has also received full support from European Union on its programmes which include the creation of the Road Traffic Authority, Axle Load Control and implementation of several studies in an effort to strengthen the road traffic management in the country. Axle Load Control aims at achieving a safe transport and transport which does not impose additional costs on the road network, for instance, by overloading. However, the number of vehicles weighed has decreased due to breakdown of the weighbridges at Muloza, Songwe and Mchinji. As part of the solution, semi permanent weighing stations are being constructed for portable weighbridges at various sites countrywide. In addition, the department carried out sensitization meetings with various stakeholders on the consequences of overloading.

A multi-sector National Road Safety Master Plan for Malawi is being prepared as well as training of traffic law enforcement officers was conducted with the aim of providing a safe, efficient and sustainable road network in the country. Furthermore, a driver trainer training school was introduced aimed at standardizing driver training in Malawi as currently each driving school has its own ways of training drivers. A driver instructor’s manual and curriculum has been developed and, 8 motorcycles and 4 vehicles were procured to kick-start the school. A highway code was developed and is currently sold in all NRSC offices. It is envisaged that this will improve on driver behaviour and will play a major role in reduction of road accidents.

5.3 Marine

For quite some time, the Water Transport sub-sector did not perform well. Continued lack of significant capital investment coupled with poor marketing strategies contributed to the decline in the performance of the subsector. In September 2010, Government indentified another concessionaire, Mota-Engil to run the Malawi Lake Services as Malawi Shipping Company Limited on a Public Private Partnership (PPP) arrangement. This was in line with Government's policy goal for water transport which aims at fostering an efficient and productive maritime transport system that will contribute towards local and international trade and tourism and ensure safety of life and property and the prevention of pollution of the marine environment.

Through the Marine Department, the Ministry implemented projects like the Acquisition and Installation of Aids to Navigation on Lake Malawi. The Department managed to regulate water transport through licensing and inspection of boats and other equipment. The Marine Training College also continued to provide training and currently, the student population is above 30.

During the period under review, the main lake ports including: Chilumba, Nkhata-Bay, Chipoka and Monkey-Bay which is also equipped with slipway and vessel repair facilities. Chipoka was the only port linked to the railway network (Salima-Nkaya section) and all the ports were served with good, all-weather roads. The lake ports suffered from periodic fluctuations in the level of the lake, which compounded the shipping problems, especially at Chipoka. However, for effective and efficient operation of Malawi Ports, the department needs to establish Malawi National Ports Authority, and plans are underway for rehabilitation of existing Lake Ports and equipment and also construction of new jetties at Likoma Island and Nkhotakota.

In addition, lake transport comprised of a number of minor landing facilities for passengers and their goods. The main operational vessels during the period were MV Ilala, MV Katundu, MV Karonga and MT Viphya and Pontoon. The MV Mtendere and Tanker Ufulu require a great deal of maintenance work to resume operations. There were also a number of tugs, barges and pontoons, all of which required substantial investment in rehabilitation.

5.3.1 Traffic Volumes on Lake Malawi

From Table 5.1, it can be seen that the cargo handled for the past six years has been growing steadily with an average of 8 per cent per annum. On the other hand, there have been variations in the increase of passenger traffic on the lake. This was because of the improved conditions of the roads along the lakeshore and that many people prefered to use the road other than the lake.

TABLE 5.1: TRAFFIC VOLUMES ON LAKE MALAWI

		FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/2010	Jul 2010 Mar 2011
Freight	Tones	14,380	17,885	21,214	22,496	23,140	19,890
	Annual Change (%)		24.4	18.6	6.0	2.9	-14.0
Passengers	NO.	62,037	58,656	68,308	72,095	71,545	59,890
	Annual Change (%)		-5.4	16.5	5.5	-0.8	-16.3

5.3.2 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 under construction. Mota-Engil took a very positive step in completing the construction of the first phase of the port, which includes a 206 meter quay for berthing of vessels. Within the year, the Government secured funding from African Development Bank (AfDB) for the detailed feasibility study of the project. In addition, the Nsanje Urban Development Plan (NUDP) was developed by the Department of Physical Planning.

5.4 Air Transport

The Department of Civil Aviation issued Air Service Permits for both scheduled and non scheduled flights. It also renewed the operations permit for Nyasa Air Taxi to operate non-scheduled flights domestically.

The department successfully facilitated three Bilateral Air Service Agreements (BASA) with other airlines and Governments. Within the period, the recent and reviewed BASA to be signed was with South Africa.

Through the department, the Ministry of Transport and Public Infrastructure implemented several projects in order to improve infrastructure and safety in the Aviation Sector to meet the recommended standards as required by the International Civil Aviation Organization (ICAO). The projects include: rehabilitation of Chileka terminal, Rehabilitation of the runway at Kamuzu International Airport, upgrading of Karonga Airport, reconstruction of Likoma Airport, the installation of the aeronautical equipment at Kamuzu and Chileka International Airports, upgrading of geodetic system acquisition of airport navigation equipment and fire fighting equipment.

As part the new Nsanje World Inland Port and Nsanje City development, the Government has determined that there should be a new airport at Nsanje. A site has been identified and preliminary site surveys undertaken. A full feasibility study and detailed design is underway.

Air transport continued to play strategic role in the economy through tourism, and trade among others. Air Malawi has been the sole Malawian scheduled air services provider. 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 into the country to about 7 flights a week. This demonstrates the economic potential of air transport industry in the country.

5.5 Railways

The Rail Transport subsector continued to provide the rail transport services. Within the period under review, the Ministry of Transport and Public Works carried out an assessment of the rail network through the Transport Sector Investment Plan and this will guide the Ministry on investment plans.

During the period under review, the Ministry also carried out railway safety promotion and environmental protection activities such as safety inspections and occurrence investigations. Progress was made with respect to updating legal instruments. However, this has been limited by non-availability of adequate professional staff in the relevant division.

The rail network, on the large part, is heavily dilapidated requiring extensive and urgent repairs, in order for operations to continue. During the reporting period, these spots were identified along the rail network in conjunction with CEAR. Together with the Privatisation Commission and CEAR scrap railway material was sold to fund the emergency spot repairs. The procurement process for the contractors to carry out the spot repairs is underway.

The Government of Malawi signed a Memorandum of Understanding (MoU) with a Brazilian company called VALE to construct a 137.4 km rail line from Moatize Coal Mine to Nkaya and to rehabilitate the existing 99.8 km Nacala corridor line from Nkaya to the port of Nacala mainly for the transportation of coal. The project will work as a complementary to the Shire Zambezi water way project and enhance the Government of Malawi's efforts of establishing a multimodal system of transport. The project has no cost to Government of Malawi as all investment costs will be met by VALE. This project will also facilitate shipping lines to call at the ports within the region which will also support barges that will navigate the Shire-Zambezi Waterway and serve the Nsanje World inland Port.

The Sena Corridor Development Master Plan study including the feasibility study of Chiromo Bridge wash away is in progress with funding from the Government of Japan.

Chapter 6

MINING AND QUARRYING

6.1 Overview

During 2010, the performance of the mining and quarrying sector experienced significant growth in terms of both production and monetary value compared to the preceding year. Despite the overall growth, certain categories of the sector experienced a decline in production and exports. The mining sector has witnessed and monetary values. This increase in production is a direct result of continued demand by the consuming industries, and an increase in the export market. This chapter reviews the performance of Malawi`s mineral sector in terms of mineral production, domestic and export sales, employment opportunities, as well as a synopsis of new mineral exploration and assessment of existing exploration projects which are underway, mineral licenses and mining investment opportunities currently available in the country. The chapter also highlights the achievements made in the exploration activities, seismological equipment and geo-information project being implemented by the Geological Survey Department.

6.2 Mineral Production

6.2.1 Coal production

The three companies, Mchenga, Kaziwiziwi and Eland, have continued to be the sector's largest players, producing almost 95 per cent of all coal production in Malawi. The companies have a combined maximum capacity of up to 10,000 metric tons of coal production per month when they are all fully operational.

CPL-Mchenga Coal Mines which is located in the Livingstonia coal field has probable reserves of over 2-5 million tonnes and proven reserves of 4 million tonnes of coal with ash content of 17 per cent, a sulphur content of 0.5 per cent and a calorific value of 6 800 kcal/Kg. The company, together with Kaziwiziwi and Eland Coal Mines, continued to monopolise the supply of coal for the provision of energy for production processes in the cement, tobacco, textile, brewery, food and ethanol industries. Besides mining, the three companies have all embarked on expansion projects by among other activities continuing with further exploration outside their current mining areas so as to increase their respective production capacities and to meet the ever growing demand for coal.

In addition, the company conducted drilling in its coal prospect area by using the drilling machine hired from the Department of Geological Survey. Slightly above 1,100 m of depth was drilled.

Malawi has over 22 million tonnes of proven coal reserves in a number of coal fields across the country.

In general, coal remains one of the most energy mineral mined in the country for industrial use. Coal production in 2010 registered an increase in production as compared to preceding year due to continued high demand. Eland and Kaziwiziwi Coal Mines almost doubled their production to almost equal the production capacity of CPL-Mchenga Coal Mines which used to contribute about 60 per cent of the country's coal production in the last five years. Mchenga Coal Mines Limited produced about 30 per cent of the total production followed by Kaziwiziwi Coal Mines and Eland Coal Mines with a contribution of about 29.7 per cent and 28 per cent of the total coal production, respectively. Almost 20 per cent of coal produced was exported to Tanzania Cement factories by Eland Coal Mines. Most of the coal exported by the company was washed coal grit (processed and free from impurities) which fetched high market value than non washed coal.

TABLE 6.1: MINERAL PRODUCTIONS & MONETARY VALUES (2008-2010)

Production	2008		2009		2010	
Type	*Quantity (tons)*	*Value (K'million)*	*Quantity (tons)*	*Value (K'million)*	*Quantity (tons)*	*Value (K'million)*
Coal	57,477	353.4	59,201	364	79,186	627.2
Cement Limestone	45,980	29.9	47,150	30.7	57,296	38.8
Agriculture Lime	23,495	15.3	25,900	16.8	31,790	123.4
Uranium Concentrates	-	-	58,582	1,287	772.622	18,394.4
Granulated Clay	7,023	34.4	8,050	39.5	1,020	5.3
Dimension Stones	332	7.7	240	5.6	435	13.8
Rock aggregate	348,080	696.1	970,550	1 941	989,750	2,050
Clay Pottery	4 210	-	-	-	-	-
Gemstones	11	6.5	306	253.6	206.9	606.0
Terrazzo	10,150	10.4	12,355	12.7	4,434	19.1

Source: Department of Mines

Comments:

- Note that coal production was slightly increased due to higher demands for industrial use especially the tobacco processing companies, cement and brewery companies both within and outside the country.
- Rock aggregate production increased tremendously due to a number of roads and infrastructure development taking place in the country.
- Rock aggregate production figures is from companies operating quarries and small scale operators (artisanal miners) operating country wide, with the commercial quarries producing almost 300,000 metric tons of rock aggregate worth MK751, 492,860.00. The rest of production has been contributed by project quarries and artisanal small scale miners.
- No pottery and cement production figures were available during compilation of data.

6.2.2 Uranium Concentrates Production

As at the end of 2010, the Kayerekera Uranium Mine produced slightly over 885,344.49 kgs of uranium concentrates valued almost at $128,767,308.61 (MK19.57 billion). The company has so far exported fifteen times in the year 2010 as compared to the pervious year. Out of the total production in 2010, the company exported 726,088.89 kg of uranium concentrates (yellow cake) worth $113,460,876.09 (MK17.246 billion). This consignment had been exported between January and December 2010 in 15 different consignments to Canada for energy generation. The export of this consignment earned the Malawi Government up to MK272,306,102 ($1 to MK152 exchange rate) in terms of royalties (calculated at 1.5 per cent of the total gross value of exported consignment). The designed capacity of the company is to produce 3.3 million pounds (1, 500 tons) of uranium concentrate (yellow cake) per year.

6.2.3 Cement Limestone Production

Shayona Cement Corporation is the only local cement manufacturing company in Malawi with 85 per cent of its raw materials obtained locally. The company's use of local raw materials is expected to go up to 90 per cent once it starts mining gypsum in the country. Shayona Cement currently enjoys 30 per cent of the country's market share with the remaining market share being monopolised by Lafarge Cement Company whose raw materials are almost 100 per cent imported.

The company, whose factory is located in Kasungu, plans to explore for gypsum in Dowa, Mponela and to expand the factory in order to double its current production capacity.

During 2010, the country witnessed the construction of a new cement company in Mangochi, Chilipa by Zagaf Cement which is likely to start production by 2013. Another cement factory in the pipeline is the Bwanje Cement Company to be located in Golomoti, Ntcheu-Dedza area. It is anticipated that the two operators will increase supply of locally manufactured cement and help to reduce prices.

6.2.4 Gemstone (Precious and semi precious stones) Production

The gemstone sector continued to experience improvement in production in 2010 as compared to the preceding year. Most of these gemstones were exported to different parts of the world. Mzimba district remains the largest supplier of the gemstones followed by Chikhwawa and Ntcheu districts.

These gemstones have been categorized into dimension stones or ornamental stones and precious or semi-precious stones, with the ornamental stones being dominated by rose, quartz and agate, mostly from Mzimba and Chikhwawa districts, respectively.

6.2.5 Agricultural, Calcitic and Hydrated Lime Production

Zalco, Lime-Co and Flouride companies are the largest producers of agriculture, hydrated and calcitic lime in the country with a combined production capacity of up to 3,500 metric tons of lime products per month. All the three companies increased their production capacities by 2010 as compared to their productions capacities in 2009.

Demand for agriculture lime from the tobacco estates, poultry and paint industries remained robust from within the country. Production of hydrated lime was mostly dominated by medium to small scale operators like the Lirangwe Lime Makers Association, Balaka Lime Makers Associations, among others. Most of these operators increased their production capacities owing to overwhelming support they are getting from OVOP in terms of monetary and equipment assistance.

6.2.6 Rock Aggregate Production

The country experienced massive production of rock aggregate during 2010. There are a total of 12 operating quarries for production of rock aggregate both at commercial and project level. Out of these, 6 are commercial quarries and the remaining 6 are project quarries. Combined production by quarrying companies and artisanal miners registered a total of 989,750 tons 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.

6.3 Employment Levels

During 2010, the mining and mineral industry continued to generate substantial employment (directly and indirectly) in the country. By 2008 the coal mining companies used to be the largest employer in the mining sector. However, with recent developments taking place in the sector there was a tremendous increase in the levels of employment especially at Kayerekera Uranium Mine alone which employs almost the same number of people working under all coal mining companies. The total employment in the mining sector companies by 2010 was around 3,800 with almost around 13,500 involved in the small scale mining activities country wide. It is also important to note that women account for 10-15 per cent of the workforce in the mineral sector.

TABLE 6.2: FORMAL EMPLOYMENT IN THE MINING SECTOR BY 2010

Sub-Sector	Workforce
Coal	907
Uranium Mine	859
Cement Limestone	90
Agricultural,Calcitic and Hydrated Lime	1,640
Quarry Aggregate production	12,030
Cement manufacturing	511
Gemstones/Mineral Specimens	1,260
Ornamental Stones	46
Terrazzo	1,340
Other Industrial Minerals	2,144
Exploration activities	195
Total	21,022

Source: Department of Mines

The number of self-employed people in the mining sector, especially small scale operators, may be slightly over 20,000 and it is generally difficult to estimate the number of Small Scale Miners (SSM) and artisanal miners since most of these operate unregulated in remote areas and are scattered country wide. This also means that the actual production statistics from this sub-sector remains partial and to some extent unaccounted for.

6.4 Export Sale of Minerals

6.4.1 Export of Minerals

Export of minerals in 2010 by different mine operators continued to be dominated by coal, ornamental/dimension stones, gemstones, and uranium concentrates (yellow cake). The overall value of all mineral exports by these various operators amounted to over MK17.7 billion in 2010 including uranium exports.

Revenue generated by the Government through the Department of Mines between January and December 2010 amounted to MK172,567,309.62 in terms of royalties, licence processing and ground fees. But in overall, it is estimated that the Government has so far earned slightly over MK2 billion during the review period from the whole minerals sector's contribution to the country's revenue generation in respect of royalties, licencing fees and various taxes.

It has to be noted that the royalties charged for exports of minerals and licencing fees are still far on the lower side compared to other countries within the SADC region.

TABLE 6.3: MINERAL EXPORTS

Exports	2008		2009		2010	
Type	*Quantity (tons)*	*Value (Malawi Kwacha)*	*Quantity (tons)*	*Value (Malawi Kwacha)*	*Quantity (tons)*	*Value (Malawi Kwacha)*
Coal	3,500	19,600,000	6,830	27,293,000	15,500	122,699,932.00
Uranium cake	-	-	58.58	2,967,000,000	726.008	17,246,053,165.09
Other						
1 Granulated Clay	7 023	34,412,700	4,830	41,036,098	1,020	5,353,000.00
2 Dimension stones	332	1,640,000	167.8	3,927,600	435.9	13,861,901.00
3 Rock aggregate	-	-	8,285	21,955,250	9,946.22	25,433,028.00
4 Gemstones	11.9	34,760,000	186.95	215,458,905	122.967	372,859,987.37
5 Rock/Soil samples	-	-	-	-	16.43	725,000.00

Comments:

- Coal was exported by Eland Coal Mines to Mbeya Cement Company And Gypsum Company in Tanzania.

- Granulated clay has continued to be exported to Mozambique and South Africa for fertilizer manufacturing by Optichem (2000) Ltd.
- Rock aggregate was 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, Malaysia, South Africa, China, U.S.A, Italy, and UK.

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. The average price of uranium concentrate is around $66-$70 per pound.

6.5 New Mining Operations And Licences

In 2010, Government granted various licenses to prospecting mining companies and individuals as follows.

TABLE 6.4: NEW MINING AND PROSPECTING LICENCES ISSUED IN 2010

Type of Licence	*Number issued*	*Mineral (s)*
Small Scale Operators		
Non-Exclusive Prospecting Licence	62	Gemstones,Ornamental stones
Mining Claim Licence	41	Gemstone,Ornamental stones
Reserved Minerals Licence	41	Gemstones,Ornamental stones
Large-Medium Scale Operators		
Exclusive Prospecting Licence	36	Uranium, Heavy mineral sands, Base metals and Platinum Group Metals, Limestone,Gypsum, Iron ore, Glass sands.
Mining Licence	5	Quarry aggregate, heavy mineral sands,limestone, Rare earth minerals.
Reconnaissance Licence	0	

Source: Department of Mines

6.6 Mining Investment Opportunities

During the year under review, a number of companies both local and foreign have vigorously continued to actively pursue intensive exploration for 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 other minerals.

Generally, the year 2010 experienced a boom in mining exploration activities, almost slightly higher than 2009 with a number of companies, both locals and foreign, acquiring new exploration areas. The major projects in the pipeline being undertaken was the Kanyika multi-commodity project in Mzimba, the two cement factories in Golomoti by Bwanje Cement Company and Zagaf Cement Sales in Mangochi which is currently under construction phase.

6.6.1 The Kanyika Project

During the year 2010, Globe Metals and Mining embarked on intensive public consultations with different stakeholders and the local community around the project area to update them on the progress of the project which is at an advanced level of Environmental Impact Assessment. Globe Metals & Mining, an Australian company, has recently partnered with a Chinese Company after their partnership with a South African company named Thuthuka Group were terminated. The Kanyika project is still expected to kick-start mining niobium at Kanyika in Mzimba district by the year 2012 in a project likely to start at a value of around \$184 million. The company continued to undertake the bankable feasibility study in order to come up with a bankable project plan. The BFS which will also assist the company to come up with mine design and construction phase is estimated to cost around 10-20 million dollars on both BFS and Environmental Impact Assessment (E.I.A.) study.

The project with an estimated deposit of around 50 million tons 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.

In overall this project is expected to be the largest mining project after the Kayerekera project as it will involve processing of four different mineral products unlike the Kayerekera which is mainly uranium production.

6.6.2 Rare Earth Element Exploration

The Department of Geological Survey during the year under review was involved in Rare Earth Elements (REE) ground truthing exercise. This activity was conducted in conjunction with the Japan Oil, Gas and Metals National Economic Corporation (JOGMEC). The Southern region of Malawi has potential for these minerals. Areas such as Salambidwe, Thyolo, Machinga, Mulanje among others were visited. Rock and soil samples were analysed both at the GSD Analytical Laboratory and in Japan. Follow up studies were proposed for the Mangochi Area.

Within the year, Lancaster Corporation Company which was recently granted an exploration licence for rare earths and other metals intensified exploration for rare earth elements in the Songwe hills in Phalombe district. Lynas Corporation from Australia acquired the mineral rights for the Kangankunde rare Earth deposit from

Rare Earths Company Limited. The company is yet to start mining operations after mobilization of other resources.

There is great demand for these minerals at World Market especially with the view that China has closed its exports for the minerals to other countries. This has prompted other countries such as Japan to seek alternatives. SADC countries in which Malawi is a member have been earmarked as potential targets for these minerals by JOGMEC.

6.7 Seismological Equipment and Geo-Information Project

Malawi is one of the countries that lie within the great East African Rift System (EARS). This being the case it is prone to geological hazards such as earthquakes and volcanoes. The Northern part of Malawi (Karonga and Rumphi) experienced a series of micro earthquakes within the year.

In response to the 2009 Karonga Earthquake which destroyed a lot of infrastructure and killed 4 people, the Government of Malawi provided financial resources to the Department of Geological Survey to procure seismological equipment to be installed across the country. This was in a bid to improve monitoring of seismic activities in the country.

The following milestones have been achieved in this project:

- 10 seismological equipment have been procured;
- 8 seismic stations have been installed in Karonga, Bangula, Lilongwe, Mzuzu, Zomba and Chileka;
- Construction of 2 other vaults at Neno, Nkhotakota and Vwaza were completed and will be installed soon; and
- 4 desk top computers and 2 laptops were procured to help in the scanning and digitizing of geological information in a bid to automate all the GSD analogue data.

6.8 MINING PROJECTS AT BANKABLE FEASIBILTY STUDY STAGE

TABLE 6.5: MINING PROJECTS AT BANKABLE FEASIBILTY 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

6.9 MINING PROJECTS AT CONSTRUCTION PHASE

TABLE 6.6: MINING PROJECTS AT CONSTRUCTION PHASE

Company	*Minerals Mined*	*District*	*Country of Origin*
Zagaf Cement Sales	Limestone for cement manufacturing	Mangochi	Malawian

TABLE 6.7: KNOWN MINERAL DEPOSITS, RESERVES AND GRADE

DEPOSIT	LOCATION	DELIANATION RESERVES (Million tonnes/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 Sands	Nkhotakota-Salima	700/5.6% HMS
	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 Mangochi, Mchinji,Chitipa	Blue, Black, Pink, Green Granite
Gemstones	Mzimba, Nsanje, Chitipa Chikhwawa, Rumphi, Ntcheu	Numerous pegmatites and volcanics

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

Chapter 7

ENERGY SECTOR

7.1 Overview

This Chapter reviews the performance of the Energy Sector in the economy during the 2010/2011 financial year. In particular, the Chapter examines 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 and modeling using modern tools to improve technical and economic performance of energy supply industries featured highly in the energy sector agenda.

7.2 Electricity

In 2010/2011 financial year, ESCOM sold 1,476.057 GWh of electricity compared to 1,341.87 GWh in the same period of the previous year. This represents a 10 per cent increase in units sold. The number of registered consumers grew by 4.9 per cent from 189,166 in 2009 to 198,473 in 2010. The installed capacity for the interconnected system during the period in question was 287MW of which 265MW was available and 1661.3GWh energy was generated (see Table 7.1 below).

Table 7.1: ELECTRICITY GENERATION AND CONSUMPTION (2002-2010)

YEAR	2005	2006	2007	2008	2009	2010
Installed Hydro Capacity (MW)	284.5	284.5	285	285	285	287
Maximum Demand (MW)	232	241.7	251	259.67	273.01	276.2
Energy Generation (GWh)	1,703	1,390.8	1,453	1,543	1,661.3	1,899
Number of Consumers	155,589	163,147	164,795	172,924	189,166	198,473
Consumption						
Domestic (GWh)	377	417.3	437.54	456.63	516.10	520.05
General (GWh)	180	185.3	196.49	218.16	225.15	227.10
Power Demand (GWh)	491	503.3	-	521.9	584.27	591.36
Export (GWh)	7	10.6	17.4	21.93	16.35	14.67
Total Consumption GWh)	1,055	1,076.5	1,109.52	1,218.59	1,341.87	1,476.05

Source: ESCOM

7.2.1 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 7.2 below.

Table 7.2: FORECAST ENERGY AND POWER DEMAND

Item	*Energy and Power*				*Average growth rate (% p.a.)*		
	2008	2010	2015	2020	2008-2010	2010-2020	2008-2020
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 Table 7.2 above, domestic, general and small power consumers have high growth rates of 8.0 per cent, 10.3 per cent and 8.0 per cent, respectively, in the period 2008-2010. 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 287MW, 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 increased accordingly in order to meet the projected demand and the 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. During the same period Government requested for expression of interest to develop the following hydro-power plants: Mpatamanga on Shire River, Chasombo and Chizuma on Bua River, Chimgoda on Dwambazi River and Kayelekera on north Rukuru River.

ESCOM completed the rehabilitation of Tedzani I and II Hydro Power Stations of 20MW each and the stations were commissioned in the period under review. In addition, ESCOM embarked on a number of projects to improve quality and security of power supply through major maintenance of the transmission and distribution networks. Amongst the projects included are: 1) rehabilitation of distribution network throughout the country and 2) 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.

7.2.2 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 per cent gradually for a period of four years beginning July, 2009- June 2013. However, Government approved average tariff increase of 56.2 per cent; 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 will be phased and spread over the first two years. The first increase of 36 per cent was with effect from 1st December, 2009 - 30th November, 2010 and the remaining 20.2 per cent to be implemented with effect from 1st December, 2010 – 30th November, 2013 subject to Authority's assessment of ESCOM's performance on the set targets in the preceding financial year.

7.3 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 centres, major trading centres, tobacco growing areas, and the development of the 4.5 Mega Watt Wovwe Hydro Power Plant.

7.3.1 MAREP Phase VI

The Government of Malawi is currently implementing MAREP Phase VI, during the 2010/2011 financial years which will electrify 54 trading centres (two in each district except Likoma which is fully electrified).Table 3 below shows the 54 targeted trading centres for MAREP Phase VI.

Table 7.3: MAREP PHASE VI TARGETED TRADING CENTRES

District	*Name of Trading Centre*	*District*	*Name of Trading Centre*
Chitipa	Kameme	Balaka	Kwitanda
	Ifumbo		Phimbi
Karonga	Mulare	Mangochi	Chilipa
	Miyombo		Katuli
Rumphi	Katowo	Machinga	Nampeya
	Ng'onga		Ngokwe
Nkhata bay	Kavuzi	Neno	Neno mission
	Usisya		Luwani
Mzimba	Eswazini	Mwanza	Thambani
	Luwerezi		Kalanga
Kasungu	Mpepa	Blantyre	Chikuli
	Kaphaizi		Dziwe
Nkhotakota	Msenjere	Zomba	Sunuzi
	Benga		Zaone
Salima	Kandulu	Chiladzulu	Chimwawa
	Khwidzi		Chitela
Dowa	Bowe	Thyolo	Mlenga

	Thonje		Lalakani
Ntchisi	Nthesa	Mulanje	Chinyama
	Kamsonga		Chimbalanga
Lilongwe	Kasiya	Phalombe	Nambazo
	Msambo		Mulomba
Mchinji	Mkanda	Chikwawa	Mitondo
	Mikundi		Kunyinda
Dedza	Kabwazi	Nsanje	Masenjere
	Chimoto		Kamphata
Ntcheu	Kasinje		
	Kadzakalowa		

In the period under review procurement of construction materials for MAREP Phase VI was done. During the same period Malawi Government and ESCOM Ltd signed construction contract for the phase. All construction materials have been delivered to MAREP stores by the suppliers.

7.3.1.1 Status of MAREP Phase VI Construction Work

Construction work for MAREP phase six started in the period under review. Out of the 54 targeted trading centres, 11 were completed and electrified. Construction work is in progress in 13 trading centres country wide. The completed and electrified centres are shown in table 4 below:

TABLE 7.4: MAREP PHASE SIX COMPLETED AND ENERGIZED TRADING CENTRES

REGION	DISTRICT NAME	No.	TRADING CENTRE NAME	DATE OF COMMISSIONING
North	Karonga	1	Mlare	December, 2010
Centre	Ntcheu	2	Kadzakalowa	December, 2010
	Salima	3	Kandulu	April, 2011
		4	Nkhwidzi	January, 2011
	Ntcheu	5	Kasinje	April, 2011
South	Thyolo	6	Mlenga	February, 2011
	Chikhwawa	7	Mitondo	May, 2011
	Nsanje	8	Masenjere	May, 2011
	Mulanje	9	Chinyama	April, 2011
		10	Chimbalanga	April, 2011
	Zomba	11	Zaone	February, 2011

According to the agreed work programme with the contractor, most of the centres will be completed by the end of October 2012.

7.3.2 Community Solar/Wind Hybrid Electrification Project

The Department of Energy, through MAREP is implementingVillage 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 per cent Solar and 40 per cent wind) with estimated system capacity of 25 kW. The area coverage for 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 will be used for the provision of the following services to the village:

- Domestic and street lighting;
- Running electrical domestic appliances; and
- Running refrigerators at the trading centre of the village.

Phase II of the project targeted three villages (150 households in each village) namely: Kadambwe in Ntcheu district, Mdyaka in Nkhatabay district and Chitawo in chiradzulu district. DoEA finalised installation of solar/wind hybrid systems at Kadambwe and Mdyaka in the last financial year. In the period under review, installation of solar systems at Chitawo Village is still in progress. The project has been delayed due to under performance of the contractor. Government has also budgeted for the electrification of three additional villages during the 2010/2011 financial year.

7.4 Petroleum

7.4.1 Fuel Importation

The importation of petrol, diesel and paraffin decreased by 9.86 per cent, 8.25 per cent and 23.55 per cent respectively in 2010 compared to the previous year (See Table 7.5 below). The decrease of importation of petroleum products was largely due to logistical problems. Additionally, paraffin imports decreased due to scarcity of the paraffin of the required standard 38˚ flash point, general scarcity of paraffin at the ports (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 7.5: FUEL IMPORTS (LITRES) 1999 – 2010

Year	*Petrol*	*Diesel*	*Jet a-1*	*Paraffin*	*Avgas*	*Total*
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	81,039,387	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
2010	101,173,574	186,539,556	-	10,639,538	-	298,352,668

Source: Malawi Energy Regulatory Authority (MERA)

In the year under review, there was shortage of petrol, diesel and paraffin. The shortage of petrol and diesel was attributed to supply logistical problems emanating from, among others, congestion at the port of Beira and Tete Bridge. While for paraffin, the shortage was attributed to general scarcity of the product at international market.

As it has been always the case, Malawi capitalized on the Beira, Nacala, Dar-es-Salaam and Mbeya routes for procurement of fuel in 2010. Based on the figures provided in Table 5 below, about 70.77 per cent of fuel imports came through Beira, 14.35 per cent through Dar-es-Salaam, 7.28 per cent through Nacala and 7.61 per cent through Mbeya.

TABLE 7.6: MALAWI FUEL IMPORTS PER ROUTE 2000 – 2010

			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
2010	211,143,990	21,708,391	42,803,344	22,296,943	-	298,352,668

Source: Malawi Energy Regulatory Authority (MERA)

7.4.2 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 under a multi-sector 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. On a number of occasions, Government has suspended the principles of automatic pricing and opted to manage the price structure in a way that minimizes the impact of the fuel price increase on the economy as well as to recover import losses due to the loss in value of the Malawi Kwacha against the US Dollar and the high prices of fuel at the international market.

7.4.3 Pump Price Revisions

Tables 7.7 below shows pump price revisions of fuel (in Malawi Kwacha per litre) for the past 4 years. In 2009, the prices were revised in February only and they remained constant for the rest of the year.

TABLE 7.7: PUMP PRICE REVISIONS FROM 2008-2011 (MK/LITRE)

Product	Jan. 2008	June 2008	Feb. 2009	Dec. 2010	Feb. 2011
Petrol	200.90	251.20	213.50	256.20	290
Diesel	187.60	234.50	199.30	231.20	260
Paraffin	132.20	165.30	132.20	145.40	155

Source: Malawi Energy Regulatory Authority (MERA)

7.5 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 the table below.

TABLE 7.8: SELECTED ALTERNATIVE ENERGY SOURCES

ENERGY TYPE	ENERGY SOURCE
Biomass Based Fuels	Biomass Briquettes
Coal	Coal (Household) Stoves
Gas Based Fuels Bio-Gas [Methane]	Liquefied Petroleum Gas
Ethanol Based Fuels Super Blu 80-Nol Ethanol for cooking and heating	Gel-Fuel
Petroleum Based Fuels Electric Energy Distribution New Connections Ready Boards	Paraffin stoves
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 three viable and market-ready technologies namely biomass briquettes, liquefied petroleum gas (LPG) and biogas in the cities of Lilongwe, Blantyre, Zomba and Mzuzu. At the moment, the project is being funded by Government and UNDP under the Poverty and Environmental Initiative (PEI) Project.

7.5.1 PAESP Activities in Period Under Review.

In the period under review, the Department assessed old biomass briquette producing groups and identified new production centres in all the regions. So far 10 new production centres were identified in all the regions and 472 people were trained in production of briquettes as follows: 159 in Blantyre; 133 in Zomba; 94 in Mzuzu; and 86 in Lilongwe. Under the Poverty and Environment Initiative, the Department trained a total of 135 briquette producers in Dedza, Balaka and Liwonde.

Considering the potential of the biogas technology, the Department of Energy Affairs plans to construct, on pilot basis, 38 biogas plants in 38 villages across the country i.e. 15 in the Southern Region; another 15 in Central Region and 8 in the Northern Region. In collaboration with the Ministry of Gender, the Energy Department of the Mzuzu University and the Livestock Department of the Ministry of Agriculture and Food Security, the Department of Energy Affairs has identified potential sites for the construction of 25 demonstration biogas plants in the South, Central and Northern regions. The pilot's plants will target dairy cattle farmers who are already stall-feeding their animals. The project will be funded by Government to a tune of K20 million.

7.6 Programmes for Biomass Energy Conservation (ProBEC)

The Department has been implementing the programme since its inception. 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 was 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. The programme winded up in December, 2010. So far the Programme has achieved the following;

- Applied the concept of the Rocket Stove 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;
- Promotion of fuel saving stoves in households, institutions such as schools and in restaurants throughout the country;
- It has trained NGOs and groups of women in Mulanje, Phalombe, Thyolo, Blantyre, Zomba, Machinga, Dedza, Ntcheu, Salima and Nkhotakota Districts on production of fuel saving clay stoves. Eighty (80) groups of women are now producing and selling energy saving clay stoves; and

- It has trained independent entrepreneurs in the designing and production of the stove in all the three regions. Alliance One Tobacco Company has since adopted the Rocket Stove for tobacco curing in all her small holder farmers under contract farming.

The activities of the project have been carried over by the Department of Energy Affairs and MuREA for sustainability purposes.

7.7 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.

7.8 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 the 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. To support sustainable biofuel production and use, a set of biofuels standards should be developed. The Ministry of Natural Resources, Energy and Environment through the Department of Energy Affairs, and working in collaboration with the Malawi Bureau of Standards (MBS) developed biodiesel standards and are now complete and in force while a bio-oil (vegetable oil) is under development. The Malawi Energy Regulatory Authority (MERA) has regulating authority on biofuels with a generic biofuels framework, and it is working with MBS to ensure adherence to set standards.

7.9 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 and 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 per cent of the national demand of about 140,000 metric tons per annum.

7.10 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 Technical Cooperation activities with Malawi are focusing on strengthening national capability for energy planning.

The activities are aimed at 1) 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, and 2) 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 period under review, the Department finalised the energy demand assessment and completed a country report on the same. It is expected that the report will be published by the IAEA towards the end of 2011. Also in the period under review, the Department started analysing energy supply options to meet the projected demand. The study will be completed by December 2011.

Chapter 8

TRADE AND PRIVATE SECTOR DEVELOPMENTS

8.0 Overview

This chapter describes Malawi's performance in the trade sector during the period 2010/11. In addition, it presents the achievements in industry and private sector development during the period under review.

8.1 Trade Performance

8.1.1 Overall Performance in 2010

The performance of the external trade sub-sector, in terms of trade balance, recorded an increasing deficit in the current account from MK 54.3 billion in 2009 to MK 106.2 billion in 2010. Total merchandise exports increased by about 5.5 per cent from MK167.9 billion in 2009 to MK 177.2 billion in 2010. Imports also increased from MK 221.8 billion to MK 283.1 billion in 2010, representing a growth of 27.6 per cent. The increase in exports is attributable to increased production of sugar and tea.

TABLE 8.1: EXTERNAL TRADE -VALUE OF EXPORTS AND IMPORTS, 2007-2011 IN MILLIONS OF KWACHA

	2007	2008	2009	2010	2011*
Export of Goods, fob	110,546.0	134,049.7	167,913.3	177,246.9	194,060.6
Import of Goods	135,988.7	242,154.0	221,841.6	283,112.1	308,584.7
Trade Balance	-25,814.4	-108,568.9	-54,318.5	-106,233.2	-114,812.2

Source: NSO and Ministry of Industry and Trade
Note: * Revised 2009 data ** Preliminary 2010 data

8.1.2 Malawi's Major Trading Partners

The Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and the European Union (EU) continued to be the major trading partners for Malawi. Malawi exports to SADC countries decreased from MK 49.9 billion in 2009 to MK 31.0 billion in 2010, representing a reduction of about 38 per cent. The imports from SADC increased from MK 134.7 billion to MK 138.3 billion resulting in a trade deficit of MK 107.2 billion in 2010 compared to a deficit of MK 84.8 billion in 2009. The decrease in trade deficit in 2009 was mostly attributed to the stability in the prices of fuel and fertilizer. In 2010, the prices of most imported products fluctuated and this contributed to an increase in the trade deficit.

During the year under review, exports to COMESA were estimated to have increased from MK 30.3 billion in 2009 to MK 32.9 billion in 2010, representing an increase of about 9 per cent whereas imports increased by about 8 per cent.

During the year under review, exports to EU decreased from MK 74.1 billion in 2009 to MK 57.3 billion in 2010, representing a decrease of 22.6 per cent while imports increased from MK 42.4 billion to MK 44.2 billion in 2010. This resulted in a trade surplus of MK 13.1 billion as indicated in Table 8.2.

TABLE 8.2: MALAWI'S TRADE WITH SADC, COMESA AND EU 2003-2010 IN MILLION OF KWACHA

	2003	2004	2005	2006	2007	2,008	2009*	2010**
SADC								
Total Exports	8,505	14,613.8	16,581.3	28,458.6	27,166.9	27,353	49,900	31,060
Total Imports	40,753.6	58,121.7	88,597.1	98,467.4	108,936	190,810	134,654	138,270
Trade Balance	-32,248.6	-43,507.9	-72,015.8	-70,008.8	-81,769.1	-163,457	-84,754	-107,210
COMESA								
Total Exports	7,329.0	8,986.1	8,031.9	10,513.2	15,021	11,296	30,300	32,885
Total Imports	8,426.1	10,880.3	21,006.4	16,453.7	18,013	27,282	32,700	35,311
Trade Balance	-1,097.1	-1,894.2	-12,974.5	-5,940.5	-2,992	-15,986	-2,400	-2,426
EU								
Total Exports	1,6050.9	15,059.4	20,973.3	35,082.3	44,567	52,695	74,100	57,348
Total Imports	8,395.9	13,326.4	20,529.9	24,388.5	27,195.7	34,538	42,400	44,209
Trade Balance	7,655.6	1,733.0	443.4	10,693. 8	17,371.3	18,157	31,700	13,139

Source: NSO and Ministry of Industry and Trade

Note: *Revised 2009 data ** Preliminary 2010 data

8.1.3 Malawi's Main Export and Import Products, 2003-2010 in Millions of Kwacha

Tobacco continues to dominate Malawi's export basket though its contribution was relatively lower in 2010 with total export earnings amounting to MK 87.5 billion compared to MK 106.6 billion in 2009 as indicated in table 8.3. The decrease in revenue generated in 2010 was attributed to the reduced market prices for tobacco. Besides tobacco, sugar and tea were among the top three exportable commodities for Malawi. The sector has also experienced an increase in the exports of pulses and apparel and clothing to MK 4.1 billion and MK 2.8 billion, respectively. Cotton export earnings declined by 5 per cent but are expected to increase in 2011 due to favourable prices offered on the market.

TABLE 8.3: MALAWI'S MAIN EXPORT COMMODITIES, 2003-2010 IN MILLIONS OF KWACHA

	2003	2004	2005	2006	2007	2008	2009*	2010**
Tobacco	24,191.2	22,303.5	31,621.1	54,810.3	51,729.6	82,917.0	106,602.0	87,490.0
Tea	3,481.5	5,132.5	5,909.9	6,514.9	7,281.7	5,191.4	9,655.5	12,079.0
Sugar	10,571.4	7,881.4	5,408.5	5,191.1	8,227.9	7,341.3	9,635.0	10,371.0
Pulses	494.1	608.3	327.9	617.8	1,814.9	846.7	2,332.2	4,181.0
Apparel and Clothing	3,858.1	4,795.5	5,241.6	5,525.2	3,515.4	1,692.7	2,113.7	2,838.0
Cotton	483.9	2,224.3	1,847.1	1,832.7	3,062.2	3,070.3	2,612.0	2,478.0
Nuts	1,132.0	1,581.0	1,473.0	3,172.5	3,346.8	1,502.8	3,446.2	2,424.0
Natural Rubber	265.8	399.0	248.1	664.9	694.8	1,025.6	232.9	1,433.0
Coffee	245.1	217.5	321.3	201.7	514.9	203.7	281.2	712.0
Wood-Sawn and Plied	178.6	219.3	413.7	481.2	963.0	1,291.3	986.7	576.0
Spices	141.2	170.7	174.0	569.0	190.4	442.6	675.3	334.0
Hides and Skins	31.5	44.0	67.5	113.3	122.4	138.3	121.7	97.0
Wooden Furniture	-	-	277.5	435.9	154.9	341.6	675.3	58.0

Source: NSO and Ministry of Industry and Trade

Note: *Revised 2009 data ** Preliminary 2010 data

Fertilizer emerged as the major import commodity followed by pharmaceutical products in the year under review. Fertilizer import value decreased from MK 38.1 billion in 2009 to MK 30.8 billion in 2010 as indicated in table 8.4 below. Pharmaceutical products registered an import value of MK 19.7 billion. Among the imported products, petroleum, diesel and other fuels, coal and vehicles continued to dominate the import basket.

TABLE 8.4: VALUE OF SELECTED IMPORTS, 2003-2010 IN MILLIONS OF KWACHA

	2003	2004	2005	2006	2007	2008	2009*	2010**
Fertilizer	4,556	6,980	13,159	8,550	26,509	47,399	38,115	30,833
Pharmaceutical products	-	-	-	-	-	-	-	19,682
Diesel and other fuels	4,211	5,954	6,685	9,742	11,427	14,979	1,647	17,509
Vehicles	-	-	-	-	-	-	-	17,431
Petroleum	2,761	3,500	3,252	4,389	6,011	7,334	9,047	8,705
Paraffin	664	859	1,075	942	1,317	1,359	504	576
Coal	86.2	222	233	154	119	96	92	158

Source: NSO and Ministry of Industry and Trade

Note: *Revised 2009data ** Preliminary 2010 data

The export sector was largely affected by the shortage of foreign exchange on the market and disruption of fuel supply. These problems were exacerbated by other supply side constraints such as unreliable power supply and high general cost of transportation. However, the supply of fuel is likely to improve the export performance in the subsequent years.

8.1.4 Trade Agreements

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

8.1.4.1 Bilateral Trade Agreements

Malawi has an asymmetrical bilateral trade arrangement with South Africa and symmetrical bilateral trade agreements with Zimbabwe and Mozambique, which facilitate the duty and quota free export of a number of Malawi products to these markets.

8.14.2 Regional Trade Agreements

Malawi is a member of COMESA and SADC. COMESA launched 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 included aligning national tariff structures to COMESA Nomenclature and Common External Tariff, adoption of common set of customs procedures, and harmonizing the trade remedies laws. The SADC region launched a Free Trade Area in January 2008, of which Malawi is a member although not yet fully liberalized. SADC envisages the establishment of a Customs Union by 2012.

In October 2008, COMESA, SADC and the Eastern Africa Community (EAC) agreed 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 were 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.

8.1.4.3 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 (LDCs), 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 have not yet initialed the Interim Economic Partnership Agreement in the Eastern and Southern Africa (ESA) region along with Djibouti, Ethiopia, Eritrea and Sudan. Malawi exports, however, continue 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. It should, however, be noted that EBA arrangement is unilateral in nature, hence, does not provide any guaranteed access of products to EU market in the long term. Furthermore, the EU is in the process of reviewing the whole GSP scheme by 2013 where a revised version of GSP is expected to come in effect in 2014.

8.1.4.4 Unilateral Preferential Trade Arrangements

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 dropped since 2005 due to expiry of Multi-Fibre Agreement. Malawi Government revised the AGOA Strategy in an attempt to resuscitate exports of products such as macadamia nuts, textiles and apparel clothing to the US markets.

Malawi also benefited from a duty free agreement with Peoples Republic of China and India’s Duty Free Tariff Preference (DFTP) Scheme offered to LDCs, in addition to the EBA initiative described in 8.1.4.3 above.

8.1.5 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 and takeovers 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 Pannar Seed (Malawi) Limited by Pioneer Hi-Bred Research RSA (Proprietary) Limited;
- Acquisition of 50 per cent share capital in BP Malawi Limited by Puma Energy (Malawi) holdings Ag;
- Takeover of Massmart Holdings Limited (parent company of Fame Discount World Limited/ Game Malawi) by Wal-Mart Stores, Inc;
- Acquisition of 49 per cent stake in Nico Life Insurance Company Limited by Sanlam Developing Markets Limited;
- Acquisition of 60 per cent shares in Blue Financial Services Limited by Mayibuye Group (Proprietary) Limited; and
- Merger between Ori Meat Products Limited and Ori Estate Limited.

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, the mergers or takeovers were not allowed to proceed without identified competition and public interest concerns, thereby avoiding compromising consumer welfare.

8.2 Industrial Performance

8.2.1 Industrial Projects

The Ministry of Industry and Trade complimented Government efforts to realize the goal of transforming Malawi from a consuming and importing country to a producing and exporting economy by ensuring a developed manufacturing industry.

The development in the industry sector triggered employment opportunities for people in rural areas as well as those in the urban areas, thereby creating wealth mobilization and transformation of resources. Some of the projects that contributed to industrial development are as follows:

- Coin Tech Organic Fertilizer and Agro Systems Africa Inc: The ministry is facilitating the establishment of this fertilizer company, originating from South Africa. The initial investment is US$10 million and 200 people are expected to be employed.
- Centrifine Oil Plantations Limited: The Company has planted 392 hectares of eucalyptus trees to be used in the production of eucalyptus oils to be used in pharmaceutical industries. The company has created employment opportunity for approximately 300 people. Installation of machinery is underway and production of eucalyptus oil is scheduled to commence in due course.
- Pharmaceutical Industry: The Ministry has finalized discussions on an investment proposal for the establishment of Victoria Pharmaceutical

Industry. The company will be manufacturing syringes, at a capacity of 70 million syringes per month. The company will also manufacture other medical supplies for the domestic and export market. This will assist the country to effectively provide health care services including for HIV and AIDS related illnesses.

- Expansion of existing project:
- Raiply has been expanded and this will result in creating jobs for 180 more people, and increase export earnings through diversification into new export products of soft wood. The company will be using state of the art machinery which will enhance utilization of wood by minimizing wood wastage in its production process. Maximum usage of wood including the waste wood which used to be thrown away will be ensured.
- Vizara Estates Limited has expanded its rubber plantation by 120 hectares and this has increased Malawi's rubber exports.
- The Sugar Industry has expanded with the emerging of new players such as Limphasa Sugar Corporation and Mtalimanja Sugar Corporation with 400 and 100 Hectares of land planted with cane respectively. The expansion also includes the extension of Illovo Sugar Limited in Dwangwa. These developments have increased availability of sugar to cope with the increasing consumer demand and increased employment by more than 2,200 especially in light of the out growers schemes and farmers clubs/cooperatives that the crop engages in.
- Other expansion areas include the production of pharmaceutical supplies. Pharmaceutical companies such as SADM Medicals are expanding and advancing into industrial technology.
- The Milling industry has also expanded its production capacity and industrial technology. One example is Bakhresa Milling Company.

8.2.2 Agro- processing

- ***Tobacco***

  The country is moving towards tobacco processing and the manufacturing of cigarettes. This is evident by the developments by Jubilee Company and Africa Leaf (JTI) International to manufacture tobacco cigarettes in the country.

- ***Cotton***

  The Ministry is encouraging manufacturing of fabrics. Companies such as Knit Wear Industries besides Mapeto Limited have been facilitated to take ground. Efforts to promote full participation of small holder farmers in cotton processing and value addition are in progress.

8.3 Private Sector Development

For the 2011 "Doing Business Survey" conducted by the World Bank Group, reforms were registered in the areas of 'Registering Property' and 'Enforcing Contracts'. Malawi eased property transfers by cutting the wait for consents and registration of legal instruments by half, leading to a jump of 20 places in the international rankings (from 101 to 81 out of 183 economies). Improvements in contract enforcement were also acknowledged, with the ceiling for commercial claims that can be brought to the magistrate's court raised. This resulted in Malawi rising 21 places from 142 to 121 in the rankings.

The view that the private sector must play a crucial role as the engine of growth in Malawi is enshrined in the MGDS. To this end, the high-level Public Private Dialogue Forum continued to provide an opportunity for key stakeholders from government and the private sector to discuss and formulate agreed plans to overcome the current constraints facing the private sector. The Ministry also developed a communication strategy which aims to sensitize politicians, other government ministries, the private sector and the public to the work it is undertaking to improve Malawi's business environment.

8.3.1 Investment and Investment Promotion

8.3.1.1 Global Investment Trends in 2010

Global Foreign Direct Investment (FDI) flows have fluctuated over the past three years. This is evident from the decline of FDI by 16 per cent and 37 per cent in 2008 and 2009, respectively. However the trend reversed from the last quarter of 2009. In 2010 global FDI rose to US$1.2 trillion from US$1.0 trillion in 2009. According to United Nations Conference on Trade and Development (UNCTAD)'s World Investment Report 2010 there are two reasons that explain the positive trend in FDI flow in the year under review. Firstly, the relative concentration of transition and developing economies as both origin and destination of global FDI has been rising. Secondly, the global financial crisis did not seriously affect the growing internalisation of production although it seriously affected FDI growth.

Africa is witnessing a rise in new sources of FDI mainly through the activities of transnational corporations (TNCs) and increasing interest from Asian countries like China, Malaysia, India and the Gulf Cooperation Council.

8.3.1.2 Investment Performance in 2010

In 2010, the Malawi Investment Promotion Agency (MIPA) registered new investment pledges worth US$115.5 million. This represented an increase of 7.4 per cent from the previous period. Asia was a leading continent as the origin of investors at 37 per cent of the registered investments followed by local investments at 30 per cent. Investments from the SADC region contributed about 17 per cent of the total. In terms of the sectoral composition of the FDI, a bulk of these investments went to manufacturing (33 per cent) and services (29 per cent).

The agricultural sector registered 21 per cent of the total investment. These investments created 3,239 jobs compared to 3,763 jobs created in 2009.

8.3.1.2 Investment Promotion

8.3.1.2.1 Domestic Investment Promotion.

MIPA continued to implement two United Nations Development Programme (UNDP) funded projects in 2010. Under the Strengthening SME Sector Project, the Agency concentrated its efforts to promoting domestic investment by working with the small and medium enterprises (SMEs). During the first quarter of 2010, the Agency organized a networking event for the SMEs in the Central Region of Malawi.

The Growing Sustainable Business (GSB) focused on enhancing the pro-poor projects mainly in the agricultural sector. Ten pro-poor projects were identified in the previous year and have a capacity of creating employment and income among the poor entrepreneurs nationwide. Services provided by the Agency to entrepreneurs in the identified pro-poor projects included capacity building programmes (trainings and provision of equipments) and identifying financiers and markets for their products.

In order to help promote the development of Micro, Small and Medium Enterprises (MSMEs) in Malawi, the Ministry developed a new Private Sector Development Program with US$22 million funding by UNDP, the EU and the African Development Bank.

8.3.1.2.2 Foreign Investment Promotion

During the review period, MIPA developed a marketing plan for investment promotion with the aim of restrategizing its investment promotion efforts. The purpose of developing a marketing plan was to identify sectors that Malawi should prioritise when marketing the investment opportunities available in the country based on the national development agenda as enshrined in the Malawi Growth and Development Strategy.

The Ministry of Industry and Trade facilitated private sector participation to the Malawi Business Forum which was held as part of His Excellency President Professor Bingu wa Mutharika's state visit to India in November 2010. A total of forty companies participated in the forum, thus enabling the Malawian private sector to make contacts with their counterparts in India with a view to developing future ventures together. The Government of India has also pledged to support the Government of Malawi in a number of ways, including: through the provision of an incubator for entrepreneurial and business skills development; training of trade officers; support to SMEs strategy development; support to the cotton industry; and support for pigeon peas production and marketing.

The Ministry is also considering setting up a Special Economic Zone with the support of the Chinese government. A concept paper has been developed and identification of land for the possible location is underway. A recent study tour to Zambia provided valuable insights on the potential benefits from such a zone.

8.3.1.2.3 Investment Facilitation

Malawi is currently ranked 133 out of 183 economies in the 2011 World Bank/IFC Doing Business report. In order to improve this situation, the Ministry has been pursuing an ambitious reform agenda to improve the business environment.

A range of other reforms are also in the process of being developed and implemented. For instance, the Ministry has finalized seven bills: namely the Export Processing Zones (Amendment) Bill, Business Licensing Bill, Insolvency Bill, Companies (Amendment) Bill, Malawi Bureau of Standards Bill, Business Registration Bill and Personal Property Security Bill. All seven bills with accompanying cabinet papers were submitted to and subsequently approved by the Cabinet Committee on Legal Affairs. They are now awaiting full Cabinet approval before being submitted to Parliament for consideration. These bills should substantially reduce the cost of doing business and improve the overall investment climate in Malawi.

8.3.1.2.4 Aftercare Program

The aim of the program is to identify problems encountered by investors during implementation and operations of their investment. The exercise enables the agency to offer assistance to investors through direct consultations and cooperation with relevant ministries and government agencies. The exercise also enables the agency to support companies in planning expansion, diversification and other reinvestments.

During the exercise investors raised a number of constraints that are affecting their operations. Some of the problems that are increasing the cost of doing business are high telecommunication costs, unreliable power supply, intermittent fuel and forex supply, access to fiscal incentives, and absence of industrial land for expansion or new projects. The investors also stated that time taken to obtain Business Resident Permits (BRP) and Temporary Employment Permits (TEP) was affecting their operations.

8.3.1.3 Investor Applications

MIPA received a total of 40 applications for investment certificates in different sectors of the economy. 31 out of these applications, qualified for an award of an investment certificate.

8.3.1.4 Investment Prospects for 2011

The recovery of the developed economies from the recession continued to register positive results. These, coupled with Government's vision and commitment to transform Malawi into a productive industrial base, gives the sector the urge and added advantage to attract more investment to the country. Once the marketing plan for investment promotion is completed the sector will have a more focused way of marketing Malawi's opportunities and prioritized sectors. Further support from the Business Environment Strengthening Technical Assistance Project (BESTAP) will also aid trade institutions to carry out a number of activities like the investment incentives review, and develop a business plan for investment promotion, among others.

8.3.2 Small and Medium Enterprises (SMEs) Promotion

8.3.2.1 SME Development

Government continued to support the development of the SME sector. In this regard, promotion of small scale enterprises at local level was one of the key interventions aimed at enhancing the capacity and capability of SMEs in production, packaging, costing, and marketing.

In order to encourage participation in export trade, 16 enterprises were supported with training, technical assistance and production equipment worth US$ 344 million benefiting 16,000 entrepreneurs mostly residing in rural areas. The enterprises supported under this initiative will generate annual revenue estimated at K120 million per year of which K90 million will be in export earnings. The SMEs were also supported in the production and processing of coffee, sugar, dairy, vegetables, rice and animal feeds.

8.3.2.2 SME Promotion

The Ministry with technical assistance of the Flanders Technical Assistance Programme is supporting SMEs engaged in the production of macadamia nuts. The beneficiaries of the programme are being helped to export macadamia nuts to Europe for use in the manufacture of chocolates and cosmetics.

Under the Bee-keeping Development Programme, 200 entrepreneurs were supported with training, equipment and harvesting gear. These enterprises are now able to produce honey worth K12 million per annum for both domestic and industrial use.

Efforts have also been made to increase access to microfinance by small businesses. This has culminated in the launching of Microfinance Transparency. This is an initiative that will ensure that pricing of microfinance products by micro financing institutions is done in such a manner that it does not unduly exploit beneficiaries of microfinance services. Disbursements by the microfinance institutions were in the region of K12 billion by December, 2010. In order to strengthen and deepen the microfinance sector, Government introduced the Microfinance Act. This will ensure that activities of microfinance providers are done to the benefit of the economy.

Regarding the poultry industry, the ministry through the Malawi Industrial Research and Technology Development Centre (MIRTDC) developed technology for small scale automated egg incubators. This technology once commercialized will reduce the shortage of day-old chicks.

The Ministry organized a Joint Craft Exhibition for small scale enterprises from Malawi and Tanzania in order to increase their access to markets. This exhibition generated on-spot sales and business deals worth K15 million.

8.3.2.3 Cooperative Development

The Ministry provided the institutional framework for cooperative promotion and supported cooperative capacity development through provision of technical services. These services include; education and training, development of business potential with emphasis on entrepreneurial and managerial capacities, strengthening competitiveness, supporting access to markets and finance, and promotion of savings and investments.

8.3.2.3.1 Performance of the Cooperative Sector

The cooperative sector continues to grow with an annual growth rate of about 7 per cent. Currently, the country has 672 registered cooperatives of which 40 have been registered during the year under review. Cooperative membership is at 250,000.

8.3.2.3.2 Promoting Access to Finance through Financial Cooperatives

The cooperative sector also played a vital role in promoting a savings culture and access to finance among ordinary Malawians through Savings and Credit Cooperatives (SACCOs) and Community Savings and Investment Promotion (COMSIP) Cooperatives. These financial cooperatives have accumulative share capital of over MK2.85 billion and have granted loans to members in excess of MK2.97 billion and annual savings in excess of MK210 million.

The sector is expected to grow as more SACCOs and COMSIP cooperatives are undertaking outreach initiatives. In addition, it is envisaged that the enactment of the Financial Cooperatives Act will ensure sustainability and growth of the financial cooperatives.

In the year under review, 45 cooperatives were linked to financial institutions country wide. Non-financial cooperatives also providde productive and provident loans to individual members thereby increasing their production levels and contribution to the attainment of food security. 70 cooperatives were able to access loans in the form of processing equipment. These processing machinery are expected to augment value addition activities and new product development for the agro-based cooperatives.

Chapter 9

EDUCATION, SCIENCE AND TECHNOLOGY

9.1 Education

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. Two other ministries take the lead responsibility in subsectors of basic education: the Ministry of Gender, Child Development and Community Development leads the provision of Early Childhood Development (ECD), while the Ministry of Youth Development and Sports leads the provision of sports and other services for the out –of—school youth.

9.2 Sector Achievements

9.2.1 Primary Sub-sector

Under the primary sub-sector, the following achievements were registered:

- Under the Schools Infrastructure Programme of the SWAp, new classrooms are being constructed. As of third quarter, over 100 classrooms have been constructed;
- Through the SWAp and Fast Track Initiative resources, primary school teacher houses are being constructed;
- 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 (PCAR); Inspection and supervision visits to most of the schools have been conducted to ensure quality, relevance and efficiency of primary education;
- Teaching and learning materials have been distributed to 5,300 primary schools;
- Through the SWAp, grants have been disbursed to all public primary schools under the Direct Support to Schools (DSS) project; and
- School Feeding Programme is being scaled up to cover all public schools.

9.2.2 Secondary Sub-sector

Under the secondary sub-sector, the following achievements were achieved:

- 20 new CDSS` have been constructed or rehabilitated and handed over under ADF IV. 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, about 18 CDSS` are being constructed, and, to date, about 80 per cent of the works were completed;
- 6 CDSS (Chikhwaza CDSS-Mulanje, Dziwe CDSS- Balaka, Mseche CDSS-Lilongwe Rural, Namalomba CDSS-Balaka, Nanjiriri CDSS-Blantyre Urban, Nankumba CDSS-Blantyre Rural) are currently being re-constructed/expanded under the Japanese Grant Aid project;
- Government national secondary schools (Mzuzu Government, Lilongwe Girls`, Dedza and Blantyre secondary schools) are being rehabilitated. It is expected that with additional resources from the SWAp, all outstanding works in the 4 schools should be completed in the next financial year;
- Rehabilitation of selected conventional secondary schools is on-going; Mulanje, Thyolo, and Masongola secondary schools have been rehabilitated and progress is at above 95 per cent completion;
- Construction of girls` hostels in 17 secondary schools is in progress. This is on-going and to date works at 3 sites (Wenya, Chamakala and Kasakula secondary schools) have been completed and in the remaining sites, works are at different levels of completion ranging from 10 per cent to 90 per cent;
- Through SWAp, disbursement of national bursaries to targeted secondary school students is being facilitated; and
- OVC grants for Community Day Secondary School have been disbursed.

9.2.3 Teacher Education

A number of activities were undertaken in the teacher education including the following:—

- Training of primary school teachers through the Initial Primary Teacher Education (IPTE) is being conducted in all public TTCs;
- About 8000 primary school teachers are currently being trained through Open and Distance Learning (ODL);
- About 300 Secondary school teachers have been trained in Sciences and Mathematics through the project entitled ‘Strengthening of mathematics and Science in Secondary Education (SMASSE);’
- A fully fledged teacher training college in Machinga was officially opened and
- Ground breaking ceremony for a new TTC in Chiradzulu was done.

9.2.4 Higher Education

The following activities were undertaken under high education;

- Training of over 800 students in vocational skills in 7 technical and vocational colleges spread across the country. These colleges are also admitting students in parallel programmes;
- Rehabilitation of all public technical colleges;
- Expansion/rehabilitation of UNIMA campuses through SWAp and ESSUP;
- Refinement and submission of NCHE and other bills to justice and cabinet; and
- Ground breaking ceremony for the Malawi University of Science and Technology (MUST) in Thyolo was done.

9.2.5 Administration and Support Services

The activities below were undertaken 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 and AIDS sero status;
- Decentralization of education to local assemblies; District Education Plans have been developed for all education districts;
- Provision of Teaching and Learning Materials has been been partially devolved to Local Assemblies;
- Establishment of the Education Infrastructure Management Unit (EIMU) that acts as an umbrella body for all the Infrastructure projects implementation units within Ministry of education;
- Inspection of 500 primary schools has been done; and
- Inspection of 250 secondary schools has been done.

TABLE 9.1: SELECTED NESP/ESIP INDICATOR PERFORMANCE (PRIMARY AND SECONDARY EDUCATION)

Indicator	*Base (Year 2009)*		*Current Status (2010 School Calendar)*		*Indicator Target (Year 2013)*	
	Primary	*Secondary*	*Primary*	*Secondary*	*Primary*	*Secondary*
Repetition rate	*17%*	*	*14%**	*5%*	*	
Drop-out rate	*12%*	*	*10.3%*	*	*0%*	*
Pupil qualified Teacher Ratio (PqTR)	92:1	70:1	91:1	*	60:1	*
Net Enrollment Rate (NER)	*79%*	*13%*	*83%*	*14%*	*10 0%*	*
Gross Enrollment Rate	115	19	115	21	100	*
Survival rate (std 8)	*38%*	*	*48%*	*	100	*
Pupil-Textbook Ratio	3:1	*	5:1	*	1:1	*

Pupil-Classroom ratio	116:1	42:1	101:1	41:1	40:1	40:1
Completion rate	*51%*	*	*	*	*	*
% Orphans	*13%*	*19%*	*11%*	*20%*	*	*
% Special Needs Education learners	*2%*	*1%*	*2%*	*1%*	*	*
Transition rate	na	*49%*	na	*38%*	na	*50%*
PSLCE Pass Rate	*69%*	na	*	na	*	na
JCE Pass Rate	na	*62%*	na	*60%*	na	*
MSCE Pass Rate	na	*38%*	na	*53%*	na	*60%*
Exp. on secondary education as a % of total expenditure on education	na	*15%*	na	*13%*	na	*
Public Exp. on primary education as a % of total public exp. on education	*51%*	na	*55%*	na	*64%*	na
Education Budget as a percentage of total Government budget	*14%*		*16%*		*	

TABLE 9.2: THE EDUCATION MILLENNIUM DEVELOPMENT GOALS (MDGs)

Indicator	*Year 2000*	*Current Status (2009/10)*	*2015 Target*	*Feasibility of achieving the goal*
NER in Primary schools (%)	78	83	100	UNLIKELY TO BE MET (although it is reported that the target will unlikely be MET, progress on some indicators is very good and it is expected that the projected values could be surpassed moving towards the 2015 targets
Proportion of pupils starting grade 1 reaching grade 5 (%)	69	74	100	
Literacy Rate (15-24 years) (%)	68	84	100	
Ratio of girls to boys in primary education	0.91	1.03	1	UNLIKELY TO BE MET (although the overall goal is unlikely to be MET, substantial progress has been made on some indicators, i.e. Gender gap at primary school level has been closed
Ratio of girls to boys in secondary education	0.60	0.79	1	
Ratio of Literate women to men (15-24 years old)	0.82	0.94	1	

9.2.6 Information Management Systems/Data Management

The following are the achievements under the information management systems and data management:

- The Education Management Information System (EMIS) booklet for 2010 was published;
- The process of School Mapping started and is on-going and is expected to be carried over to the 2011/12 FY; and
- Various efforts to improve data management in the Ministry have been put in place.

9.2.7 Policy And Planning Issues

A number of activities were undertaken in the policy and planning including the following:

- Norms and guidelines for primary school construction have been developed and ready for dissemination;
- Draft guidelines on school maintenance have been developed;
- Free Primary Education (FPE) policy drafted;
- Draft education policy has been reviewed;
- Draft TEVET Act was reviewed and revised;
- Guidelines for automatic promotion, repetition and class sizes have been drafted awaiting approval;
- SNE Policy Guidelines have been disseminated; and
- MDGs annual review is being conducted to be finalized by June, 2011.

9.2.8 Progress With Development Partners (DPs), The Fast Track Initiative (FTI) and Sector Wide Approach (SWAP)

The following progress was made with development partners:

- Currently, there are several development partners (DPs) who are active in the education sector. These are ADB, CIDA, DFID, EU, GIZ/KFW, Iceland, Ireland, JICA, Norway, UNICEF, USAID, World Bank, WFP and UNESCO;
- Predictability of aid has been satisfactory. Over 99 per cent of the pledges were honoured by DPs in the 2010/11 FY. All the pool partners have since honoured their commitments and have disbursed to the education sector the agreed funds;
- MoEST together with the DPs successfully executed an Education Joint Sector Review (JSR) in December, 2010 which largely hinged on the education SWAp and the FTI Funds and progress in implementation of activities;
- A total of three (3) Sector Working Group (SWG) meetings have been successfully conducted by the Ministry of Education together with the Development Partners in the last three quarters;
- Quarterly progress reports have been timely produced and submitted to the OPC;
- All the 8 Sector Working Groups (SWG) and 4 Systems Task Forces (STFs) have been meeting in the last 3 quarters and reports from all meetings have been consolidated;

- MoEST is also benefiting from the EFA Fast Track Initiative (FTI) Catalytic Fund. The Ministry has since received US$ 15 Million in the 2010/11 FY which is being used for implementation of activities;
- A SWAp procurement plan for the 2010/2011 Financial Year has been developed and is in use; and
- The 2010/11 Programme of Work (PoW) was finalized and is being implemented.

9.2.9 Sector Challenges

The sector faced a number of challenges including the following:

- Serious shortage of teachers, especially in rural areas. The system needs about 60,013 qualified teachers to meet the recommended pupil- qualified teacher ratio of 60:1 by 2013;
- The current pupil-qualified teacher ratio of 91:1 is too high (EMIS, 2010);
- The primary pupil-classroom ratio has been worsening from 85: 1 in 2005 to about 101:1 in 2010/11 against the recommended 40:1. There are many temporary shelters (16 per cent) in 2008 compared to about 20 per cent in 2010/11;
- Inadequate teachers' houses with nearly 30,000 teachers un-housed in 2010;
- Lack of safe water and sanitation facilities in most schools;
- At secondary level, access remains limited. Only about 70,000 children started secondary school in the 2010/2011 school year;
- Access to tertiary education remains a challenge. Access needs to expand if Malawi is to produce the professionals it needs to work, inter alia, in hospitals, schools, business and government. On average, only 1,700 students graduate annually from the University of Malawi and Mzuzu University and other private universities; and
- There is still gender disparity in the access to higher education; Female Enrollment has remained at around 30 per cent in public institutions and at around 45 per cent in private institutions.

9.3 Science and Technology

In 2010/11, a number of initiatives were undertaken in the science and technology sector and some notable achievements were made through the following endeavours: the establishment of Public Universities in Malawi, Ethanol Propelled Motor Vehicle Project, National Health Research Capacity Strengthening Initiative (NHRCSI), and implementation of the Programme for Biosafety Systems (PBS) among others.

9.4 Establishment of Public Universities in Malawi

In the next five years the Government would establish 5 new Public Universities: Malawi University of Science and Technology (MUST) in Thyolo; University of Bangula in Chikhwawa with special faculties devoted to cotton research and water resources management; University of Marine Biology in Mangochi to advance the Presidential Initiative on Aquaculture; Lilongwe University of Agriculture and Natural Resources that will be achieved by upgrading and transforming the Bunda College of Agriculture into a fully fledged university; University of Nkhotakota; and University of Mombera in Mzimba district to specialize in Livestock Research.

In 2010 a Secretariat for Malawi Universities Development Programme (MUDP) was established to service the appointed Public Universities Working Committee (PUWC) and to oversee the establishment of the five new public universities.

The State President laid a foundation stone for the construction of MUST at Ndata Farm in Thyolo. The University is expected to cost US$ 18 million and will accommodate 3,000 students and host the following schools: the Malawi Institute of Technology, Academy of Medical Sciences, the Ndata School of Climate and Earth Sciences, the School of African Culture and Heritage, and the University Teaching Hospital.

The site for the construction of the University of Marine Biology has been identified in Mangochi in the area of Chief Makawa and programmes have been developed.

9.5 Ethanol Propelled Motor Vehicle Project

In FY 2010/11, 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 a complementary fuel to petrol in motor vehicles.

In year 2010, the remaining project’s components were concluded and results indicate that use of ethanol can enable the country to make foreign exchange savings through the reduction of petrol imports. By substituting petrol with ethanol, the use of ethanol could contribute to energy security and reduce vehicle running costs. In addition, vehicles can run on 20:80 ethanol/petrol blending ratio without any modification.

In financial year 2010/11, ethanol driven motor vehicles were displayed at the Malawi Confederation of Chambers of Commerce and Industry 9th Technology Fair in Blantyre and at a Climate Change Adaptation and Mitigation Exhibition in Lilongwe in October and November 2010 respectively. The exhibitions drew participants from the SADC and COMESA regions. The Climate Change and Mitigation Exhibition was a complementary activity to a three day international conference on climate change. Sensitization campaign was strengthened through production of more than 1,000 brochures on the progress of the project. These brochures have been distributed to stakeholders and the general public within and outside the country.

The expansion of the ethanol industry is expected to increase the share of bio-fuels in the total energy mix and thereby reduce the country's dependence on fossil fuels as stipulated in the Malawi Energy Policy (2003). By end of June 2011, the project is expected to come up with the final report with recommendations to the cabinet.

9.6 National Health Research Capacity Strengthening Initiative (NHSCI)

The HRCSI 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 end 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.

Malawi is in the second year of implementation of this joint programme of health research capacity strengthening in Africa funded by Wellcome Trust and Department for International Development (DfID).

In the year 2010/11, the following are the highlights of achievements made under the Health Research Capacity Strengthening Initiative:

- Processed fellowships for 8 students (4 doctoral and 4 masters level studies);
- Developed Institutional Grant Guidelines, Post Graduate Student Guidelines and funded Research Grants in various studies: As a result of developing guidelines, the project has:
  - awarded 2 research grants to senior researchers;
  - supported 7 Junior Researchers to develop competitive research proposals;
  - awarded grants to 30 best undergraduate students at College of Medicine; and
  - awarded 1 student a Taipei Medical University Scholarship;
- Organized meetings of the Task Force to review a mental health sub theme research gap analysis report as part of the process to complete the development of the a National Health Research Agenda; and
- Organized information and knowledge management programmes to discuss research and development opportunities and constraints in Malawi: Specifically, it organized an interactive forum between researchers and policy makers in collaboration with Malawi Knowledge Network (MAKNET), a Malawi Polytechnic Programme.

9.7 Programme for Bio-safety Systems in Malawi

The Government recognizes the important role technology plays to achieve food security and sustainable economic growth and continues to support the Programme for Bio-safety Systems (PBS) in Malawi which is funded by Programme for Bio-safety Systems in the United States of America.

In year 2011, the Programme has 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, it has supported public awareness programmes through radio and newsletter productions.

The focus of biotechnology activities in the year 2010 was aimed at facilitating the preparation and submission of the first Confined Field Trials (CFT) in Malawi. During the reporting period, the Programme provided technical back up to Bunda College in the preparation of CFT application for both Bolgard II (Bt) insect resistant and Roundup Ready Flex herbicide tolerant (HT) cotton. The Programme also worked hand in hand with the Environmental Affairs Department (EAD) to obtain technical review of the Bt-cotton CFT application submitted by Bunda College.

Chapter 10

TOURISM, WILDLIFE AND CULTURE

10.1 Overview

The sector represents a potentially high growth export sector for Malawi, capable of making a substantial contribution to the country's economic and social development. Malawi international arrivals continue to grow with a growth rate of 5 per cent in 2010 just below the world's average growth of 6 per cent. In the medium and long-term, the sector has the potential to become one of the main sources of foreign exchange to the national economy.

10.2 International Visitors to Malawi in 2010

The year 2010 registered a slight increase in number of international visitors arrivals by 2.8 per cent from 755,000 in 2009 to 776,000 in 2010. In the fifteen years from 1994 to 2010, Malawi tourism grew at an average annual rate of 12 per cent, reflecting a booming tourism industry despite recording a substantial slowdown in 2008 and 2009. Despite the slow growth rates of international tourists in these years, tourists' expenditure rose significantly from MK60.5 billion in 2008, to MK69.5 billion in 2009 and to MK76 billion in 2010.

Internationally, Malawi tourism has experienced almost similar growth rate as the world average growth of 6-7 per cent. The Africa region continued its overall dominance as a source of visitors to Malawi in 2010 followed by Europe and the USA. However, new arrivals are picking up from Asia and the far East.

TABLE 10.1: INTERNATIONAL VISITORS TO MALAWI FROM 2005-2010

Year	2005	2006	2007	2008	2009	2010
Total Number of International Visitors	437,718	637,772	734,000	742,000	755,000	776,000
percentage growth	*45.8*	*45.7*	*15.1*	*1.1*	*1.8*	*2.8*

Source: Department of Tourism, NSO, Department of Immigration

TABLE 10.2: INTERNATIONAL TOURISTS' EXPENDITURES FROM 2005-2010 IN MK' BILLION

Year	2005	2006	2007	2008	2009	2010
Total Expenditures (MK' billion)	10.233	41.482	45.659	60.559	69.528	76.000
percentage growth	*11*	*305.4*	*10.0*	*32.6*	*14.8*	*9.3*

Source: Department of Tourism, NSO, Department of Immigration

Malawi continues to demonstrate remarkable growth in the number of tourists as the global economy continues to recover positively impacting tourism performance worldwide. In the decade (2000 to 2010) there was a steady rise in the number of visitors, from 227,000 in 2000 to 776,000 in 2010. In 2010, the work/business segment registered an increase of about 4 per cent (381,300 in 2010 from 366,000 in 2009). The holiday vacation segment grew by 37 per cent (from 179,000 in 2009 to 245,500 in 2010). Those visiting friends or relatives in the decade grew on average by 16.5 per cent, significantly dropped by about 33 per cent in 2010 (from 190,000 in 2009 to 127,000 in 2010). The average number of nights spent in 2010 was 9.1 compared to 8.4 in 2009.

10.2.1 International Tourism Receipts

In 2010, international tourism receipts are estimated to have reached US$ 919 billion worldwide (693 billion euros), up from US$ 851 billion (610 billion euros) in 2009. In real terms (adjusted for exchange rate fluctuations and inflation) international tourism receipts increased by 5 per cent as compared to an almost 7 per cent growth in arrivals, showing the close relation between both indicators and confirming that in recovery years, arrivals tend to pick up faster than receipts.

10.3 Leading Source Market

The top 10 ranking of international tourism spenders shows China moving to third position. Chinese expenditures quadrapled since 2000, thus achieving the fastest growth in this category over the last decade. Other changes in the ranking of international tourism expenditure include the rise of Canada and Australia to the 6th and 10th positions respectively.

In the 2010 rankings of the first ten destinations by international tourist arrivals and receipts, China has also maintained its position. In arrivals, China has overtaken Spain and now ranks third after France and the USA, while in terms of receipts it ranks fourth, overtaking Italy. The only other change in the ranking by receipts came from Hong Kong (China), which moved from the 12th to the 9th position. France continue to lead the ranking of the world's major tourist destinations in terms of arrivals and ranks third in receipts while the USA ranks first in receipts and second in arrivals.

10.4 Utilization of Accommodation Units

There was a steady increase in number of visitors staying in hotels/inns/lodges and rest houses during the year under review and a decline in those who were staying with relatives and friends. This means that most of the visitors were coming for economic activities in the country.

National room occupancy rate slightly increased to 60.5 per cent in 2010 from 59 per cent in 2009 whilst the national bed occupancy rate rose from 55.1 per cent in 2009 to 56.1 per cent in 2010. The increase could be attributed to growth in domestic tourism especially the business and meetings segment. The cities of Lilongwe, Blantyre and Mzuzu and other districts registered very moderate growth while the Northern lakeshore districts recorded higher increase room possibly due to Mining in Karonga. The central and southern lakeshore registered a slump due to among other things reduction in meetings due to Government policy to ban workshops at the lakeshore during the last half of the year under review.

TABLE 10.3: HOTEL ROOM AND BED OCCUPANCY RATES FOR MALAWI ACCORDING TO ZONES, 2007-2010

	2007		2008		2009		2010	
Zone	Room Occu-pancy (%)	Bed Occu-pancy (%)	Room Occu-pancy (%)	Bed Occu-pancy (%)	Room Occu-pancy (%)	Bed Occu-pancy (%)	Room Occu-pancy (%)	Bed Occu-pancy (%)
Lilongwe	*72.98*	*57.55*	*74.9*	*64.5*	*75.6*	*66.5*	*75.6*	*66.5*
Blantyre	*70.07*	*56.39*	*72.9*	*63.2*	*73.4*	*64.8*	*73.4*	*64.8*
Mzuzu	*62.31*	*52.31*	*64.8*	*58.6*	*66.2*	*61.7*	*68.2*	*62.7*
Northern Lakeshore	*61.02*	*44.54*	*63.5*	*49.9*	*65.8*	*53.2*	*70.8*	*63.2*
Central Lakeshore	*63.53*	*53.52*	*66.1*	*59.9*	*67.7*	*54.1*	*60.7*	*52.1*
Southern Lakeshore	*64.56*	*49.28*	*67.1*	*55.2*	*68.5*	*59.8*	*62.5*	*57.8*
Protected Areas	*42.98*	*33.15*	*46.4*	*37.2*	*46.8*	*39.2*	*48.8*	*43.2*
Zomba/Liwonde/Balaka	*57.75*	*47.65*	*60.1*	*53.4*	*63.9*	*57.9*	*65.9*	*59.6*
Kasungu/ Mchinji/	*44.08*	*41.22*	*47.6*	*46.2*	*52.9*	*48.3*	*56.9*	*51.3*
Thyolo/ Phalombe/ Mulanje	*31*	*21*	*49.9*	*42.0*	*52.4*	*47.9*	*55.4*	*51.9*
Other Areas	*40.89*	*34.39*	*29*	*23*	*48.6*	*41.1*	*56.1*	*54.5*

Source: Department of Tourism

10.5 Tourist Expenditure

Earnings from tourism for 2010 as captured on visitors exit cards and records from accommodation occupancy statistics show that average expenditure per tourists was K99,216. Those on conference and convention spent an average of K328,943 while those on business travel spent an average of K115,008, those on holiday or vacation averaged K147,406, and those visiting friends spent an average of K20, 259.

10.6 World Tourism Prospects in 2011 and Beyond

The prospects for 2011 are good as shown by International tourist arrivals growing by close to 5 per cent during the first months of 2011, consolidating the 7 per cent rebound registered in 2010. During the early months of the year, Interim Update of the UNWTO World Tourism Barometer shows growth was positive in all world (sub) regions during January and February 2011, with the exception of the Middle East and North Africa. South America and South Asia led growth (both at +15 per cent), followed by Sub-Saharan Africa (+13 per cent) and Central and Eastern Europe (+12 per cent).

Asia and the Pacific, the region with one of the fastest growth rates in 2010, saw its pace of growth slowdown (+6 per cent), although from a very strong performance the previous year. Results were better than expected for Europe (+6 per cent), boosted by the recovery of Central and Eastern Europe, and the temporary redistribution of travel to destinations in Southern and Mediterranean Europe due to developments in North Africa (-9 per cent) and the Middle East (-10 per cent). The Americas (+5 per cent) was in line with the world average, with strong results for South America and the Caribbean, but rather weaker growth in North and Central America. Worldwide, international tourist arrivals surpassed 124 million in the first two months of 2011, up from 119 million in the same period of 2010, with emerging economies (+6 per cent) continuing to grow at a faster pace than advanced ones (+4 per cent).

These results confirm that in spite of several challenges, the recovery of international tourism, which was remarkably strong last year is consolidating according to UNWTO Secretary-General speech, in Istanbul, Turkey, opening a Special Event on 'Promoting Tourism for Sustainable Development and Poverty Reduction' in the framework of the 4th United Nations Conference on the Least Developed Countries (LDC-IV). This development is especially positive for emerging economies and developing countries, particularly for Africa where tourism is increasingly recognized as a driver of development, exports and jobs",

10.7 2011 Tourism Global Forecast

According to the forecast prepared by UNWTO at the beginning of the year, international tourist arrivals are projected to increase by some 4 per cent to 5 per cent in 2011. The impact of recent developments in North Africa and the Middle East, as well as the tragic earthquake and tsunami that hit Japan in March, are not expected to substantially affect this projected growth.

Results for North East Asia, North Africa and the Middle East are below initial forecasts, but destinations in Europe and South America are so far performing better than anticipated. On the whole, and as in previous similar situations, a temporary redistribution of traffic, together with an increase in intra-regional travel as opposed to interregional, is likely to occur. The fall in demand in Tunisia, Egypt and Japan is expected to have bottomed out and the recovery of these important destinations will surely be consolidated during the year.

10.8 Developments/Opportunities for the Tourism Sector

During 2008/2009 fiscal year, the tourism industry continued to grow as the private sector continued to respond to the investment incentives introduced in the 2007/08 financial year. This has seen significant increase of new entrants on the market especially in the accommodation and car hire sub-sectors and expansion and refurbishment of existing hotels. In additional to investment incentives, strong performance of the country's economy and the country's participation at international investment forums and workshops have contributed to increase in the investment and the number of enquiries from potential investors who are looking for investment opportunities in the sector increased in the year.

The International Conference Centre and a Hotel complex in Lilongwe, once completed, will contribute greatly towards economic development through the meetings, incentives, conferences and events it will be hosting in addition to accommodation and food and beverages.

Tourism regulations are being enforced and there is intensified compliance to minimum standards in all accommodation units. Accommodation and restaurants were inspected by the Department of Tourism for licensing. For the sake of 2010 licensing, a total of 1150 units were inspected out of which 806 units were recommended for licensing, representing 70 per cent compared to previous year's 62 per cent.

To ensure that services in Hotels of Malawi are in line with International Standards, the Ministry introduced star grading exercise during the year and some of the top hotels have been graded and awarded star grades ranging from 1 star to four stars.

The Department of Tourism has completed and concessioned the Mpale Model Village, which is now operational addition to 'must visit' places in Mangochi. 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, through the Development Budget, has facilitated the upgrading of some 7.1 km access roads to bitumen standards in Mangochi resort areas. Currently, the designing and procurement of contractor is in progress for the upgrading of 3.1 km of access roads to various resorts in Nkhatabay district. These developments are expected to improve the tourism sector;

- Upgrading of Kamuzu International Airports have significantly improved confidence of airlines servicing these airports and tourists as a result more airlines are making assessment to start their flights to Malawi;
- Several animal species have been translocated from Liwonde and Lengwe and Phirilongwe to Majete Wildlife Reserve whose animal population crashed resulting in increase in wildlife at Majete which is fast becoming a prime wildlife destination;
- The improvement of infrastructure in the National Parks and Wildlife Reserves has contributed to wildlife management due to better working environment for staff which has further improved tourists visits in these areas. Under a concessionary arrangement, modern eco-lodge are being constructed in the Majete and Nkhotakota Wildlife reserves;
- A number of national monuments, for example, the Independence Arch have been rehabilitated;

- The rehabilitation and construction of roads national wide is improving access to some of the tourists' attraction areas as such tourists mobility has greatly improved.

10.9 Constraints to Development and Promotion of Tourism

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

- Inadequate resources for destination marketing. The cost of marketing is very expensive and the ORT and 1 per cent marketing levy is not adequate. It would be better if the Government adjust the levy to 3 per cent;
- Perception by some local Malawians that the services offered by tourism facilities are expensive. This has a negative effect on domestic tourism;
- 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 ad 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. Specifically, the challenge still remains there is still need to sensitize SMEs in the industry on the importance of engaging skilled staff in the management of tourism enterprises to ensure efficient service delivery which is crucial to the industry;
- 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;
- Low levels of wildlife in the protected areas due to poaching has resulted in the reduction of tourists visits to some National Parks and Wildlife reserves; and
- Reduced development and promotion of Malawi culture as 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.

Chapter 11

INTEGRATED RURAL DEVELOPMENT

11.1 Overview

The Malawi Growth and Development Strategy (MGDS) recognized integrated Rural Development as one of the key priority to transform rural areas into socially, politically and economically viable enclaves that contribute positively to the reduction of poverty and overall sustainable development in Malawi. The MGDS recognizes that broad based economic growth can only be attained if the rural poor, who are in majority, fully participate in social, political and economic activities.

The Government has therefore adopted the implementation of Rural Growth Centres (RGCs) programme and the construction of market centres both in the urban and semi-urban centres as critical developmental components within the realm of Integrated Rural Development. The Ministry of Local Government and Rural Development undertook various activities during the 2010/2011 fiscal year and plans to undertake various other activities in the 2011/12 fiscal year within the strategic areas of focus. In this report, the implementation of activities during the 2010/2011 fiscal year are in line within strategic areas of focus of the Ministry.

11.2 Major Achievements During the FY 2010/11

11.2.1 Rural Growth Centres (RGCs) Programme

Under this programme, Government completed the construction of basic social infrastructure in two of the RGCs. These are Neno and Nthalire in Chitipa Districts, respectively. As regards to Nambuma in Dowa District which is the other RGC under first phase, the remaining works are completion of a Police Unit and Health Centre, expected to be through by August 2011.

Regarding the second phase of RGC, work began at Chitekesa in Phalombe district while Urban Structure Plans for Jenda in Mzimba, Malomo in Ntchisi, Mkanda in Mchinji and Chapananga in Chikhwawa was completed, in readiness for the infrastructure to be invested. Table 11.1 depicts the progress of RGCs construction that has been registered in the financial year 2010/2011 under review.

TABLE 11.1: SHOWS ACHIEVEMENT AND CURRENT STATUS OF RURAL GROWTH CENTRES

Name of the RGC	*Completed Structures*	*Outstanding works*	*Remarks*
1. Nthalire	1.Community hall 2.Bus depot 3.Library 4.Police unit & staff houses	Community Ground Butchery & slaughter house	The centre is ready for handover to district council despite that other structures were missed out in initial design
2. Neno	1.Community hall 2.Bus depot 3.Library 4.Community ground	mortuary, laundry & kitchen and guardian shelter were not initial design	Ready for hand over despite that some other structures were not included in the initial design
3. Nambuma	1.Community hall 2.Bus depot 3.Library 4.Community ground	Standard Police unit with staff house and health centre	Almost ready for hand over to the council despite that the other structures were missed in the initial design

In addition to achievements registered in the three RGCs mentioned above, the ministry has also made strides in inaugurating the construction works at the newly proposed Chitekesa RGC for the following infrastructure; bus depot, market shed, hawker /shops, community ground and community hall.

11.2.2 Markets Development Programme

The construction and completion of market structures has been one great milestone in the sector in terms of infrastructure development in the rural and urban areas. Currently, construction of Thyolo Boma, Matawale, Mangochi, Dwangwa and Ekwendeni markets are almost completed and just waiting for handovers to respective district councils whilst Enukweni and Bvumbwe markets are also at completion stage. In addition, the Ministry commenced the construction of Limbuli and Nkhamenya markets, respectively, in January 2011 and the markets are expected to be completed in October 2011. Table 11.2 depicts the progress of markets construction that has been achieved during the previous financial year 2010/2011.

TABLE 11.2: MARKETS UNDER CONSTRUCTION

Name of the RGC	*Completed Structures*	*Outstanding works*	*Remarks*
1. Mangochi	1.Market Kiosks 2. Market sheds 3.Ablution block 4.Butchery 5. fence	NA	The market is almost ready for handover to district council
2. Matawale	1.Market Kiosks 2. Market sheds 3.Ablution block 4.Butchery 5. Fence	NA	The market is almost ready for handover to district council
3. Thyolo Boma	1.Market Kiosks 2. Market sheds 3.Ablution block 4.Butchery 5. Fence	Construction of Bus depot	Almost ready for hand over to the council despite that other structure like bus depot were missed in initial design
4. Bvumbwe	1,Market Kiosks 2. Market sheds 3.Ablution block 4.Fence	Slaughter house	The market is ready for handover to district council later in year after completion of slaughter house
5. Ekwendeni	1.Market Kiosks 2. Market sheds 3.Ablution block 4.Butchery 5. Bus depot	NA	The market is almost ready for handover to district council
6. Enukweni	1.Market Kiosks 2. Market sheds 3. Bus depot	1.Ablution block 2.Butchery 3.Slaughter house 4.Fence 5. Water pump	The market structure was split into two and the other facilities were not provided hence need to be included in the design
7. Dwangwa	1.Market Kiosks 2. Market sheds 3.Ablution block 4. Bus depot	1.Butchery and 2.slaughter house 3.Fence 4.Transfering utility facilities	Structure left initial to be included in the market design
7. Nkhamenya	NA	Inaugurated construction	Expected to be completed in October, 2011
Limbuli	NA	Inaugurated construction of works	Expected to be completed in October, 2011

11.3 Major Plans for the 2011/2012 Fiscal Year

For the 2011/12, Fiscal Year, the Ministry's major activities will focus on the full establishment and operationalisation of the rural growth centres and markets. For, example, finishing the construction of health centre and standard police unit with staff houses at Nambuma, health centre staff houses and butchery at Nthalire and finally mortuary, laundry and kitchen and guardian shelter at Neno.

The ministry plans to commence phase II of the project, focusing on Jenda, Mkanda, Malomo, Monkey-Bay and Chapananga RGCs. In all these sites production of land use and urban structures maps were completed. The structures that will be included in new RGCs are: market shops and sheds, library, butchery, slaughter houses, hawker shops, kiosks, community halls, community centre grounds, bus depot, opening access roads and etc.

In terms of rural and urban markets, the ministry has plans to concentrate on completion of the works that started in 2010/11 fiscal year which include the following: Enukweni, Limbuli and Nkhamenya markets and construction of two new markets at Tsangano and Lizulu, respectively.

11.4 Opportunities and Challenges

Recent developments in the Integrated Rural development as one of key priorities in MGDS offer major opportunities to resuscitate the rural economies and transform them into potential engines for economic growth that will contribute to sustainable growth and resulted in re-distribution of wealth to all citizens while also mitigating the negative consequences of rural-urban migration.

Despite that there were some achievements in other projects in the 2010/11 fiscal year, the implementation of these projects within the sector had still some major challenges. The most notable ones include the following:

- Operationalisation constraints emanating from the fact that Integrated Rural Development Strategy (IRDS) is still in draft form;
- Failure by contractors to comply with deadlines in the implementation plan, ultimately raising actual and overhead costs of the projects;
- Inconsistence and inadequate funding for construction of these projects which are infrastructure in nature and that they require a lot of resources led to limited tendering of construction works for chapananga and Mkanda rural growth centres;
- Delayed valuations and award of the certificate of payments to contractors derailed the progress of construction works in these projects. In addition, the flow of funds to the contractors were not timely and in so doing caused erratic supply of construction materials to the sites, hence reducing the pace at which construction works can be done;
- Scarcity of construction materials especially in the remotest areas; and
- Problem of proper identification of an appropriate site for Lizulu market.

Chapter 12

PUBLIC HEALTH, SANITATION, NUTRITION, 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 by improving access, quantity, cost-effectiveness and quality of the Essential Health Package (EHP) and related services so as to alleviate the suffering caused by illness and promoting good health, thereby contributing to poverty reduction.

The overall objective of the Ministry of Health is to develop a health delivery system that is pro-active and responsive to the prevailing needs and problems of the population. This is achieved by focusing on an EHP of cost-effective interventions provided free of charge at the point of delivery with emphasis on the poor, women, and children.

12.2 Major Achievements

The health sector continued to make progress towards achieving its objectives of increasing access to health care services. Evidently, a number of facilities that have a potential to provide Basic Emergency Obstetric Care (BEmOC) services increased by 27 per cent from 71 to 98 facilities. There has also been an increase in EHP coverage (number of facilities able to deliver general OPD services; immunizations, family planning and maternity services) from 9 per cent in 2002 to 74 per cent in 2010, utilization of OPD services in health facilities from 1,290 in 2009 to 1,316 per 1,000 population in 2010; proportion of one year children immunized against measles was at 88 per cent whereas the proportion of births attended by skilled attendance had increased from 52 per cent to 58 per cent. The sector also recorded an increase in the percentage of HIV pregnant women who receive complete ARV prophylaxis to reduce mother to child transmission from 66 per cent to 79 per cent. The number of people receiving Anti Retroviral Treatment (ART) has increased from 169,965 in 2009 to 216,432 in 2010. Furthermore, a total of 1,885,670 Insecticide Mosquito Nets (ITNs) were distributed during the year which contributed towards prevention of malaria. There has also been an increase in the TB cure rate from 83 per cent to 86 per cent. This demonstrates positive outcome in the efforts to reduce disease burden in the country.

Significant progress has also been made in the provision of child health services over the years as shown by recent improvements in child health indicators. For example, the under five mortality rate reduced from 122 deaths per 1000 live births in 2006 to 112 deaths per 1000 live births in 2010 while infant mortality rate reduced from 72/1000 live births in 2006 to 66/1000 live births (MICS, 2006; DHS 2010).

The maternal mortality ratio has also reduced from 807 per 100,000 live births in 2006 to 675 per 100,000 live births in 2010 (MICS 2006; DHS 2010). 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 remained at 55 per cent in 2010 just as was the case in 2009. In addition, a number of projects were completed in 2010. 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, a total of 752 health workers graduated from various health training institutions in various cadres in the year 2010. Out of this number, 62 were medical doctors, and 309 were nurses.

The MoH is also currently working with CHAM in the implementation of Service Level Agreements (SLAs) to ensure that health care is provided free of charge at the point of delivery. These agreements have largely focused on maternal and neonatal care. These agreements have increased from 61 in 2009 to 72 agreements in 2010.

12.2.1 Challenges

The health sector is confronted with a number of challenges in its implementation of various programmes. Some of these challenges are listed below:

- Shortage of drugs and other medical supplies in the hospitals and health centers due to frequent drug stock outs at the Central Medical Stores (CMS);
- 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;
- Delays by utility providers like ESCOM in connecting power to newly constructed facilities;
- Weak multi-sectoral collaboration at national and district level;
- Inadequate human resources-the Ministry require additional financial resources to continue training the Health Workers; and
- Shortage of space and dilapidated infrastructure in some of the hospitals.

12.3 Sanitation

12.3.1 Water Sanitation and Hygiene

To ensure that programmes on sanitation and hygiene are promoted, the National Sanitation Policy was developed and sensitization meetings on the process were underway. This policy aims at ensuring that the provisions of sanitation services in Malawi are well implemented by all stakeholders and the policy also clearly defines the roles and responsibilities of different stakeholders in the provision of improved sanitation facilities.

A grant from the Global Sanitation Fund facility was obtained in order to ensure that the Policy is operationalized. This Grant will enable the sector to provide improved sanitation and hygiene services to the rural areas in selected number of districts. In the first Phase of the Programme, Rumphi, Nkhotakota, Ntchisi, Balaka, Phalombe and Chikhwawa districts were targeted, and preparatory works are already underway.

Under the Water Sanitation and Health (WASH-UNICEF) project supported by the Dutch Government, the following achievements have been registered:

- A total of 523 new water points were constructed in the 14 districts reaching an estimated 157,000 people;
- A total of 108 boreholes were rehabilitated giving access to safe water to about 22,000 people;
- A total of 570 water point committees were trained to manage water points;
- 191 area mechanics were trained in the maintenance of water facilities to provide backup support to water point committees;
- 1,266 villages were triggered for Community Led Total Sanitation (CLTS) while 495 villages attained Open Defecation Free status;
- 285 latrines were constructed in different schools in the impact districts; and
- 1,570 teachers were trained in Three Key Hygienic Practices in schools in the impact districts.

12.3.2 Water and Sanitation SWAp

The sector is moving towards a Sector Wide Approach (SWAp) in order to harmonize programme and improve efficiency. There has been considerable progress made in the sector towards the Irrigation, Water and Sanitation SWAp. The sector now has a sector working group, the SWAp secretariat and 6 technical working groups namely (1) Water Resources (2) Water for Production (3) Water Supply (4) Sanitation and Hygiene Promotion (5) Institutional Development and Capacity Building and (6) Monitoring and Evaluation. Terms of References for the Technical Working groups have been developed. A sector performance review was done in the period under of review from which recommendations were made to provide guidance into the undertakings regarding the development and institutionalization of the SWAp.

Plans are underway to develop the sector investment plan through which both Government and Development Partners will be able to commit themselves to an annual programme of work and budget and at the same time start implementing a harmonized Monitoring and Evaluation reporting system.

12.4 Nutrition

Nutrition remains one of the major determinants of both economic growth and development in the country. It plays a significant role 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 implemented activities with focus on the following areas:

- Prevention and control of various forms of nutrition disorders focusing on pregnant and lactating women, children from 0-2 years old, 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; and
- Creation of an enabling environment that adequately provides for the delivery of nutrition services and implementation of the nutrition programmes, projects and interventions.

12.4.1 Prevention of Malnutrition Disorders

The sector implemented the following interventions in prevention of malnutrition disorders:

- Facilitated training of Nutrition HIV and AIDS Officers, District Executive Committee (DEC) and Civil Society in Nutrition, HIV and AIDS;
- Conducted Essential Nutrition Actions (ENA) training of trainers for 3 people per district in 15 districts;
- Supported districts to conduct ENA training for service providers in 15 districts;
- Oriented focal persons in public sectors on Nutrition, HIV and AIDS mainstreaming;

- Oriented Stakeholders and trained service providers and counsellors to the revised and new nutrition guidelines in the context of HIV and AIDS;
- Conducted DEC HIV and AIDS Mainstreaming; and
- Conducted supervision for child health days campaign.

12.4.2 Management of Nutrition Disorders and Treatment

The sector implemented the following interventions in management of nutrition disorders and treatment:

- Conducted joint bi-annual supervisory and monitoring visits to CBOs and other grants recipients to track resource utilisation, service delivery centres and all programmes on nutrition, HIV and AIDS;
- Provided vita meal to PLHIV. Supervision of vita meal distribution to CBOs and support groups was also conducted; and
- Conducted joint annual MGDS review of nutrition, HIV and AIDS sector.

12.4.3 Creation of an Enabling Environment

The sector implemented the following interventions in creating an enabling environment:

- Finalised production of Nutrition HIV and AIDS documentaries (Audio Visual, TV and Print and Pictorial);
- Disseminated the National Nutrition Policy and Strategic Plan/Advocacy and lobbying;
- Developed job AIDS for the integration of ENA in the nutrition programmes, projects, child survival programmes and other development interventions and activities at all service delivery points;
- Supervised Infant and Young Child Feeding, food supplements in primary school and food manufacturing industries;
- Conducted nutrition assessment; and
- The sector is also in the process of harmonising planning, monitoring and reporting framework for all sectors in the Nutrition, HIV and AIDS sector.

12.5 HIV and AIDS

In the fight against the HIV and AIDS pandemic, the department of Nutrition, HIV and AIDS implemented a number of activities during the period under review in line with 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.

12.5.1 Behaviour Change

12.5.1.1 HIV and AIDS Communication Products

The following were the achievements registered in the HIV and AID communication:

- 43 per cent (1,084,378 out of 2,500,000) of communication products were distributed during the reporting period;
- 32 per cent (6,380 out of 20,000) of copies of communication products were produced and distributed to people with special needs;
- 45 per cent of radio programmes were produced and 40 per cent were aired to various social groups to cover different thematic areas on HIV and AIDS; and
- 95 per cent of television programmes/jingles/spots were produced on thematic areas.

12.5.1.2 Community involvement in HIV Prevention

A number of interventions were made as follows;

- 70 per cent of cinema/video shows were shown in rural and urban areas targeting most at risk populations during the reporting period;
- 80 per cent of interactive drama shows were conducted in rural and urban settings to provide teaching on various thematic areas;
- 96 per cent of new radio listening clubs were formed and provided with various forms of material and technical support;
- 120 per cent of existing radio listening clubs were provided with financial and material support;
- 304 district officials were trained as trainers in interpersonal/interactive communication to equip community members with knowledge and skills on effective management of HIV and AIDS communication modes; and
- 50 per cent of opinion leaders were also trained on interpersonal/interactive communication.

12.5.1.3 Interventions for Young People

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

- 100 per cent of young people were reached with youth friendly health services;
- 95 per cent of in and out-of-school youths were reached with life skills education interventions; and
- National Secondary School quiz programme were conducted. Several working sessions regarding the programme have also been conducted.

12.5.1.4 Condom Programming

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

- 6,634,472 socially marketed condoms (6,579,960 male and 54,512 female) and 7,035,661 free condoms (6,454,156 male and 581,505 female) were distributed to end users, against annual targets of 20,000,000 and 15,000,000, respectively;
- 52 per cent of community based condom distribution agents were trained to improve condom distribution at community level; and
- 120 per cent of the targeted district personnel were trained in comprehensive condom programming.

12.5.2 HIV Testing and Counselling (HTC)

During the period under review, HTC services continued to be offered through static, outreach and door-to-door services. The following are the achievements under this intervention:

- 45,833 tests were conducted representing 31 per cent of the target at 772 HTC sites spread across the country;
- 255 new HTC counselors, trainers and supervisors were trained against an annual target of 440; representing 58 per cent; and
- 52 per cent of Sexually Transmitted Infection (STI) cases were diagnosed and managed according to guidelines for HIV testing services and received their results.

12.5.3 Prevention of Mother to Child Transmission (PMTCT)

Progress was made for the Prevention of Mother to Child Transmission (PMTCT) programme following a scale up plan. The following are the achievements made in the period under review:

- 75 per cent of pregnant women attending ANC were counseled and tested for HIV;
- 82 per cent of new HIV positive pregnant women attending ANC received a complete course of ARV prophylaxis;
- 87 per cent of children born to HIV positive mothers received ARV prophylaxis for PMTCT;
- 20 per cent of HIV positive pregnant women were reported to be on ART; and
- 100 per cent of service providers were trained on PMTCT.

12.5.4 Post Exposure Prophylaxis

Several interventions were implemented under Post Exposure Prophylaxis (PEP) services. Below are the achievements:

- A total of 270 people accessed PEP at 406 facilities;
- 84 per cent (252 out of 300) of awareness and advocacy campaigns on use and availability of PEP were conducted in the communities; and
- 79 per cent (236 out of 300) of health facilities (all static ART sites) were available to provide the service.

12.5.5 Treatment, Care and Support

12.5.5.1 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. The following are the major achievements under this intervention:

- 3,888 health workers and 4,800 HSAs were supported with salary top ups;
- 5 ART Supervisors and 30 UNV doctors were also supported with salary top ups;
- Conducted pre-service training for medical personnel was conducted; and
- Human resource requirements for the ART programme were also strengthened through continued support for 5 ART supervisors and 51 UN volunteer doctors.

12.5.5.2 Antiretroviral Therapy Programme

The ART programme continued to scale up during the reporting period under review and still remained one of the critical interventions for eligible PLHIV. The following achievements were registered:

- 326,640 persons with advanced HIV and AIDS started on ART and 237,621 (91 per cent adults, 9 per cent children) PLHIV were alive and still on treatment;
- About 78 per cent (Adults) and 74 per cent (children) of the population were retained on ART after initiation;
- 406 ART sites were operational representing 102 per cent; and
- In order to enhance community referral and treatment adherence, 346 expert patients/volunteers as well as 707 community service providers were trained.

12.5.5.3 Local Production of ARVs

The Department has spearheaded development of a project proposal on local production of ARVs. A consultant was hired to do the task and the final draft is out.

A delegation of five people from the sector attended a conclave on India –Africa partnership to have in depth discussions with Indian counter-parts on production of ARVs.

12.5.5.4 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. 627 volunteers and 514 CHBC providers were trained in CHBC and palliative care. Over 29,202 households with chronically ill patients received support to provide care for the patients, and 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 against an annual target of 150,000.

12.5.6 Impact Mitigation

12.5.6.1 Support to PLHIV, OVC and Affected households

A number of interventions were implemented aimed at promoting economic empowerment of PLHIV, OVC and other affected households. Some of these interventions are as follows:

- A total of 581 vulnerable groups and 3,579 vulnerable young people were trained in vocational and entrepreneurship skills;
- 798 young artisans (aged 14-29) were trained in business management and entrepreneurship skills including HIV and AIDS, representing 87 per cent of the annual target of 900; and
- A total of 33,220 households (95 per cent) were provided with social support (targeted inputs, cash transfer) whilst 24, 325 households with OVC were provided with financial, psychosocial, material and medical support against annual targets of 35,000 and 50,000 respectively.

12.5.6.2 Mainstreaming and Decentralisation

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

12.5.6.2.1 HIV and AIDS Mainstreaming

12.5.6.2.1.1 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:

- A total of 1,916 people were trained in HIV and AIDs mainstreaming against an annual target of 250; and
- 11 grant recipient organizations were supported on coordination, networking and capacity building interventions.

12.5.6.2.1.2 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:

- Leadership from the private , public and civil society sectors was engaged to ensure HIV and AIDS is mainstreamed;
- 50 per cent 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 organizational policies, strategies and operational plans; and
- The 2 per cent Other Recurrent Transactions (ORT) guidelines were disseminated alongside mainstreaming guidelines during advocacy sessions.

12.5.7 Interaction of Nutrition, HIV and AIDS

Advocacy sessions on nutrition, HIV and AIDS were conducted reaching the general public, and nutrition management were provided to 50 PLHIV.

12.5.8 Policy Development

In the period under review, the sector finalised development of Community Nutrition, HIV and AIDS Worker Training Manual. The manual is aimed at extending nutrition, HIV and AIDS knowledge to reach rural masses for greater impact.

12.5.9 Capacity Building

The sector recognises that capacity enhancement is essential for effective output deliverance. During the period under review, the sector conducted the following:

- Training session for DPDs, DACs and Sector Planners in project cycle management; and
- Training session for DNHA staff members in their respective fields

12.5.10 Challenges

The sector experiences a number of challenges including the following:

- Inadequate financial resources and low cash flow;
- Inadequate mainstreaming of Nutrition, HIV and AIDS in sectoral programmes; and
- Inadequate 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

While the youth comprise a significant proportion of Malawi's population[3], their active participation in economic development initiatives continues to be impeded by a number of social, cultural, economic and political challenges. These include high illiteracy rate, limited access to technical vocational and entrepreneur education, unemployment and under-employment, lack of scientific awareness, exploitation by adults, poverty, HIV and AIDS pandemic, limited access to SRH, HIV and AIDS services, low participation of male and female youth in various development programmes (environmental management, conservation, protection and rehabilitation) and under-developed, inadequate and dilapidated sports facilities. The Ministry of Youth Development and Sports focused on five strategic areas to address these challenges during the year, including the improvement of youth and athlete livelihood, the improvement in literacy and numeracy levels among the youth, increasing youth participation in development initiatives, the improvement in youth health and productivity, and the improvement in coordination and effective delivery of youth empowerment and sporting programmes.

13.2 Major Achievements During the FY 2010/11

13.2.1 Youth Livelihood and Economic Empowerment

In a bid to economically empower youth in the country, the Ministry trained 1, 791 youth groups in enterprise development and over 400 young people were equipped with vocational and entrepreneurial skills and provided with start-up tools. Subsequent to the establishment and launch of the Youth Enterprise Development Fund (YEDF) in February 2010 and in order 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). Consequently, the first phase of loan disbursement in this financial year had 226 individual young people accessing loans from the Fund such that 11,659 loans worthy MK676,630,850 were disbursed and equipment worthy MK29,460, 194 was given to some youth beneficiaries. The beneficiaries have started operating various enterprises including metal fabrication, irrigated farming, poultry and bakery.

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

13.2.2 Youth Participation

In the period under review, the Ministry established 161 youth structures (Youth Clubs, Networks, NGOs) and strengthened 161 coordination structures (Youth Action Committees at Community level, Youth Technical Committees at district level and Technical Working Group at National level). Through a total of 15 coordination meetings throughout the country, District Youth Officers trained youth clubs in management and leadership skills for proper management of the clubs and Youth Action Committees. The Ministry also established 64 youth participation structures, including 41 youth clubs, 4 district networks, 18 T/A based networks and 1 Youth Action Committee.

13.2.3 Healthy and Productive Youth

The Ministry provided the youths of Malawi with information to allow them make informed choices about their sexual behavior. The youth were practically equipped with life skills, covering such areas as decision making, assertiveness and goal setting. During the year under review, 100 youth counselors and peer-educators were trained to serve their fellow youth in youth centres and clubs. It is estimated that 16,000 out-of-school youth were reached with these life skills.

13.2.4 Youth and Sports Infrastructures Development

The Ministry continued with the rehabilitation and maintenance of existing sports and youth infrastructures. The rehabilitation of Kamuzu Stadium, BAT ground and Kamuzu Institute for Sports is on-going to improve the appearance of sports facilities in Malawi. In addition, the construction and rehabilitation of former Malawi Young Pioneer training bases into National Youth Development Centres scaled up at the Neno Youth Development Centre under the Integrated Youth Development Programme supported by the United Nations Development Programme (UNDP). Construction of facilities commenced during the year and several production units were set-up, including crop production and fish farming. Over 300 youths around Neno district have been trained in agricultural skills in various production areas.

13.3 Major Plans for the 2011/2012 Fiscal Year

For the 2011/12 Fiscal Year, the Ministry plans to scale up construction works at the Neno Youth Development Centre and construct and rehabilitate seven youth and sports district offices. The Ministry has identified ten youths and four staff members to undergo training at the Songhai Centre in Benin before the end of 2011. The ten youth and staff of Neno will act as youth trainers and mentors at Neno when they return from Benin. Under the Youth Enterprise Development Fund, it is expected that about 17,318 youths will access loans amounting to MK1 billion in 2011/12 financial year. Within youth enterprise development, the Ministry will focus on establishment of business incubation centres and village polytechnics as well as development of youth business premises in districts. In addition, the Ministry plans to train 1,500 youths in entrepreneurial, livelihood and business management skills as well as youth counseling and sports education. Further, the Ministry plans to establish and strengthen 200 youth participation structures at national, district and community levels. Furthermore, the Ministry plans to train 700 youths in basic literacy and numeracy at club level. Finally, the Ministry will continue to rehabilitate 3 existing sports facilities and commence construction of 2 new ones.

13.4 Opportunities and Challenges

The Youth Development and Empowerment priority area offers major opportunities to develop the youth in Malawi. The establishment of the Youth Enterprise Development Fund reflects the commitment of the Government to support the youth in their efforts to improve their well-being. The Ministry of Youth Development and Sports is in the final stages to finalize the formulation of its Strategic Plan in response to its inclusion among the nine priorities of Government. The adoption of Sector Based Approaches to planning and implementation through the Sector Working Groups has resulted in increased efforts by various stakeholder to coordinate, fund and implement youth programmes under the Gender, Youth Development and Sports Sector Working Group whose institutionalization is underway. However, major challenges still exist, including lack of sector visibility, inadequate funding for district youth activities and programmes, and inadequate and dilapidated youth structures and offices at the local level.

Chapter 14

CLIMATE CHANGE AND THE ENVIRONMENT

14.1 Overview

This chapter examines the performance of climate change and the environment in the 2010/2011 financial year. Most areas in Malawi are vulnerable to the adverse impacts of droughts, floods, high temperatures and soil-water stress and availability. The economic costs of these eventualities to society are very high with respect to rehabilitation of affected areas, provision of infrastructure, relief provisions, lost crop production and people’s property. Adequate financial resources are required if adaptive and mitigation measures against climate change impacts. Sound and sustainable management and utilization of the environment and natural resources are to provide vital role in boosting the economy.

14.2 Climate Change

Efforts were made to finalize the approval by the Global Environmental Facility of a project to pilot community climate adaptive measures in the climate vulnerable districts in the country. The project, which is financed by the African Development Bank, will improve community engagement, community vulnerability assessment, community action planning and the implementation of community adaptation actions that will include small scale irrigation, promotion of sustainable livelihoods enterprises such as rearing of guinea fowls, rabbits, goats and poultry.

Monitoring of the implementation of projects and programmes by sectors of the National Adaptation Programmes of Action indicates that a majority of sectors are implementing activities within the projects and programmes at the community level. However, there has not been much effort by sectors except the Department of Disaster Management and Preparedness which implements programmes on a larger scale to address the impacts of climate change on the communities in particular and the people of Malawi in general.

Government developed guidelines based on the United Nations Framework Convention on Climate Change requirements for appraisal of projects that would qualify accessing financial support from the Clean Development Mechanism (CDM) Board. Currently, two sensitization workshops for private sector have taken place to inform potential beneficiaries on the facility. This has led in part to the processing and submission of three Project Identification Notes (PIN) to the CDM Board for consideration to allow project proponents to develop them into projects on CDM.

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 the border districts in the country. As a result of the capacity enhancement in the MRA, seizures of second hand refrigerants have been made by custom officials in Mwanza and Songwe border posts.

14.3 Environment and Natural Resources Management

In the 2010/2011 financial year, environment and natural resources management covered a number of areas including the enforcement of compliance of industries to discharge effluents into natural water courses in accordance with the acceptable environmental standards; and to ensure that city, municipal, town and district council management of effluents and waste also are discharged and disposed according to the acceptable standards.

14.3.1 Pollution Control

In the period under review, 34 premises were inspected in industry and local authorities. In many of these places inspected, industries followed remedial actions they were advised to undertake previously. However, in a few circumstances, some failed to adhere to the recommended sanitary measures such as allowing effluent with biochemical oxygen demand (BOD) of 38mg/ litre which is higher than the acceptable standard. Industries were advised to correct the situations.

14.3.2 Enforcement of Environmental Impact Assessment

Government approved several environmental impact assessments for different developers according to Section 24 of the Environmental Management Act, 1996. The investment cost of MK2.6 billion is expected on projects of the approved environmental impact assessments in the areas of water treatment plants, quarrying and soft drink plants.

On other development projects, 24 projects were monitored on how they are implementing the Environmental Management Plans for the approved EIAs out of the 30 projects planned to be monitored. The results of the monitoring visits indicated compliance by some developers by incorporating the stipulated environmental management plans in the project implementation. For example, the construction of the fence at Lengwe National Park has reduced human-animal conflicts in the area. Waste management problem at the Majete Wildlife Reserve which was anticipated because of the construction of the tourist lodge is properly addressed by management. However, in case of installation of fuel depots, the question of safety against fire is serious and is being monitored by MERA on the sites.

Specifically, for Kayerekela Uranium Mining project, monitoring visits were made to enforce the implementation of Environmental Management Plans to address impacts to the environment and human health. The mine complied in a number of areas.

14.3.3 Biodiversity Conservation

Government has prepared guidelines for biodiversity management. The guidelines for sustainable use of biological resources provide mechanisms for the conservation and sustainable use of the genetic and biological resources for the benefit of the people of Malawi. This will contribute to their economic well being particularly soon after the regulations for access to and benefit sharing of genetic and biological resources are adopted. These will regulate access and sustainable use of the genetic resources for the benefit of the communities in the source of origin and the people of Malawi in general through royalties, fees on permits and licenses.

14.3.4 Environmental Legislation

Government submitted the Atomic Energy Bill to Parliament for enactment. The bill is useful for Malawi to implement various technologies and programmes in the mining, health, agriculture, energy and water sectors, which shall increase the economic contribution of the sectors to the national economy.

Currently, Government has established the inventory of radioactive sources in the health and industrial sectors. The established inventory is useful for monitoring purposes to ensure that the radioactive sources are safe and secure against the environment and human health.

14.3.5 Environmental Information, Education and Public Awareness

Government prepared the National Environmental Outlook Report for Malawi, which presents the status, trends and the future scenarios of the environment in the country. A summary for different sector issues has been developed for use by decision makers.

In relationship to the preparation of the National Outlook Reports, the Government has conducted district training sessions for the preparation of Districts Outlook Reports in Machinga, Dedza, Ntcheu, Mwanza and Lilongwe districts. These districts have started preparation of the districts Environmental Outlook Reports. The reports provide information for environmental planning to address areas that need improvements for sustainable development at both the district and the national levels.

14.4 Weather Monitoring and Prediction Services

The Department of Meteorological services continued to monitor and predict weather and climate conditions over Malawi. The Department continued to issue short and medium range forecasts, advisories and severe weather warnings for tropical cyclones and Mwera warnings through the print and electronic media.

The Department also issued seasonal rainfall forecast for the 2010/2011 rainfall season and regular rainfall advisories and updates on the onset, progress and cessation of the season for planning purposes.

14.4.1 Aviation Weather Services

The Department has continuously been collecting and providing weather information for safe and smooth operations of aircrafts at Kamuzu and Chileka International Airports and Mzuzu and Karonga aerodromes.

In addition, the Department also supports safe and smooth operations of aircraft during VVIP events.

The department is currently preparing to implement the Quality Management System (QMS) for aviation weather services. Under the QMS, meteorological services for aviation services are supposed to meet a certain predefined standard. The department is currently conducting training on the same, the first one being that for internal auditors. Currently manuals and standard operational procedures are being prepared in readiness for the full implementation of QMS in 2012.

14.4.2 Public Weather Services

The department embarked on a public awareness campaign including using electronic media on weather, climate and climate change in some districts. It also commemorated the World Meteorological Day in an open day event held at Chisitu Primary School in Mulanje on 23rd March, 2011. During the event local communities were sensitized on the operations of the department as well as on climate change issues.

14.4.3 Infrastructural Development

On infrastructural development, the department continues to procure, install and/or upgrade equipment in all stations across the country. With funding from the World Bank, the department supplied both conventional instruments and Automatic Weather Stations (AWSs) across the country. The department procured two sets of wind equipment that will be installed at Kamuzu and Chileka international airports.

On Information and Communication Technology (ICT), the department procured and supplied computers to all stations. The Database Management System (DBMS) has been improved and the PUMA Satellite Receiving station in the department has been revamped. This has significantly improved the quality of forecasting by the department. An automatic plotter has also been procured and is in the process of being installed at the central forecasting office. This will greatly improve the capacity to produce forecasts in a timely manner.

14.4.4 Challenges

Challenges facing the department include inadequate and delayed funding which made some activities not be implemented during the reporting period and lack of equipment and instruments and unavailability of fuel which negatively affected the operations of the department.

Chapter 15

EMPLOYMENT, GENDER AND COMMUNITY DEVELOPMENT

15.1 Employment

Labour statistics, calculated using standard definitions is needed to determine the number, level and type of employment created in the year. This is one of the challenges to be addressed in the future. As a proxy, Malawi uses the Welfare Monitoring Surveys.

15.1.2 National Unemployment Estimates

15.1.2.1 The 2009 Welfare Monitoring Survey estimates that national unemployment rates have remained low since 2008 (It should be noted that unemployment is calculated differently from standard definitions). Unemployment rate differed between urban and rural areas with 3 percentage points between the two, in favour of the rural areas. The present Public Works (that pays K200 per day) and the Farm Input Subsidy Programmes have tended to reduce unemployment rates especially in the rural areas.

15.1.2.2 According to the Welfare Monitoring Surveys, the trend of employment estimates shows an increasing share of the Agriculture, Forestry, Fishing and Hunting from 2006 to 2009. The subsistence farmer, the wage/salary and the self- employed are the three statuses that contain huge workforce. The subsistence farmer, casual worker, unpaid family business worker, self employed worker (own account worker) are all called vulnerable workers because most of them usually work in hazardous environments that lack minimum labour and occupational safety and health standards. The wage/salaried workers are largely subjected to minimum labour and occupational safety and health standards and are assumed to work in decent environment. The employment to population ratio, the proportion of the employed living below poverty line, the proportion of own account and contributing family workers are the three measures that the Ministry used to demonstrate gains from quality of employment.

TABLE 15.1: GROWTH OF LABOUR PRODUCTIVITY

Year	*Gross Domestic Product (Mk'million)*	*Total Employed*	*% Change in Labour Productivity*	*Compound Labour Productivity*	*Annual Growth Rate*
2006	347,950	5,366,111	0.06		
2010	558,427	6,043,465	0.09	42.5	9.3

Source: Ministry of Labour, own calculations

15.1.2.3 Over the period from 2006 to 2009, growth in labor productivity has marginally increased from 0.06 per cent to 0.9 per cent. This indicates that labour productivity is concentrated in Mlimi category and self employment with little education levels. Government has thus enhanced efforts in investing in human capital to improve labour productivity.

TABLE 15.2: PERCENTAGE DISTRIBUTION OF CURRENTLY EMPLOYED PERSONS AGED 15 YEARS AND ABOVE BY TYPE OF PAYMENT IN MAIN JOB TO BACKGROUND CHARACTERISTICS, MALAWI 2006 TO 2009

YEAR	*Mlimi (not paid)*	*Wage/Salary*	*Ganyu*	*Unpaid family business worker*	*Self employed*	*Other*
2006	71	11	3	2	13	0
2007	71	12	3	3	10	1.4
2008	76	8	1	1	8	0.2
2009	78	8	2	1	8	3

Source: Ministry of labour

15.1.2.4 Table 15.2 indicates the employment statuses namely that wage/salary earners and the unpaid family business workers have gradually shifted to subsistence farmer status. This shift is a total of three to five percent of the work force depending on the tabulated statuses, from 2006 to 2009. The shift looks to be in step with the aspirations of the rural development policy. Both the self-employed and the unpaid family business worker statuses are classified as vulnerable workers. In most cases they work without or with little earnings- not commensurate with their tasks and in poor working conditions (that is, long hours of work, no 'paid leave', no protective clothing). This puts to question decent work environment. The wage/salaried employees are the bulk of formal employees and some of its workers' shift to 'Mlimi' status raises questions of preferences for better conditions of work than must have been in the formal sector. The traditional shift of labour as we approach Vision 2020-a Middle Income Country, should be toward manufacturing, services not mlimi status which has connotation of primary production in the agriculture sector. The shift also provides evidence of the many employment opportunities there are in agriculture, opportunities for high valued crops' production and a further connection to increased processing (manufacturing).

15.1.3 Minimum Wages

15.1.3.1 The prevailing minimum wage is now at K178.25 per day for 26 working days in a month plus a housing allowance of K10.00 for each day of the month for rural areas. The minimum wage for urban area is K178.25 per day for 26 working days in a month plus a housing allowance of K12.00 for each day. This was effected in January, 2011. Minimum wages are therefore, still a two-tier system comprising segmented wage structures for the rural and urban areas. Distribution of income is also performed through incomes earned through various forms of employment apart from social benefits like cash transfers, various subsidies. Wages that are above poverty line provide opportunity for many wage/salary earners to graduate out of poverty through various enterprising initiatives. This is one fundamental measure of decent work environment which should more often than not be matched with labour productivity.

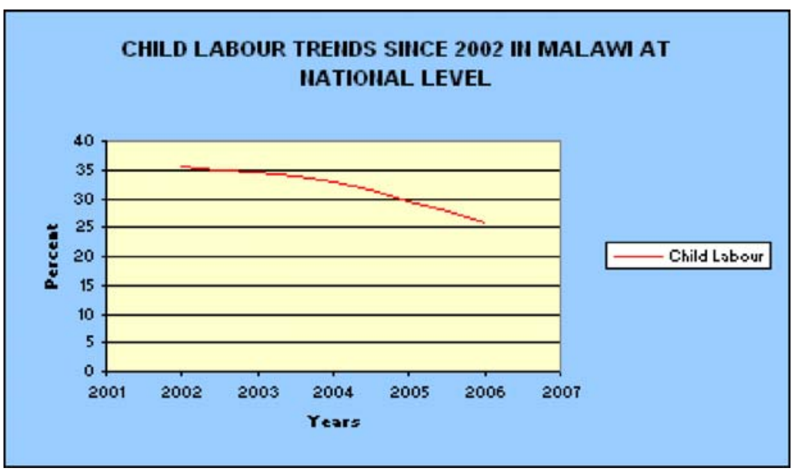
15.1.3.2 Before this development the minimum wage was at K95.45 per day for 26 working days in a month plus a housing allowance of K10.00 for each day of the month for the rural areas while for the urban areas, the minimum wage was K117.30 per day for 26 working days plus a housing allowance of K12.00 for each day of the month. This change was effected from 9th of October, 2007.

15.1.3.3 Segmented minimum wages for craftsmen per 26 days for each month are as follows: Malawi Craft Certificate Holders K6,500, Malawi Advanced Craft Certificate Holders K7,500; while 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 have prevailed in 2008 through to 2011. The Ministry of labour is preparing ground work for adjusting the skilled workers' wages after revising the statutory minimum wages.

15.1.4 Child Labour

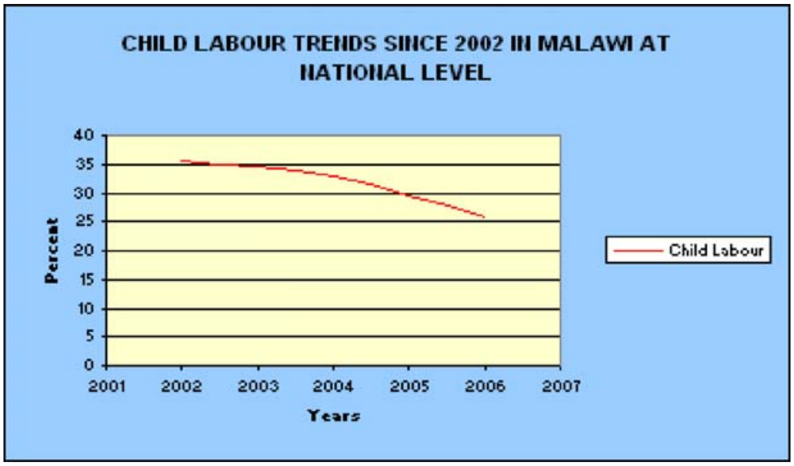
15.1.4.1 The Malawi Child Labour Study Report 2002, Demographic Health Survey Report 2004 and Multiple Cluster Survey Report 2006 have documented a decline on child labour in percentage terms. Child Labour efforts between 2002 and 2008 culminated to a withdrawal of about one and a half million children from child labour according to estimates.

Figure 15.1:



Source: Ministry of Labour

Figure 15.2:



Source: Ministry of Labour

15.1.4.2 The Rural Urban differentials have shown the lag in child labour elimination in rural areas as shown in figure 15.2 above.

15.1.4.3 A look at the regional structure shows declines in all the three regions. Starting from 2010, social partners lead by the Ministry of Labour have put a ten year National Action Plan to combat child labour. The social partners' efforts have resulted also in a draft policy document on the fight against child labour.

15.1.5 Labour Inspections

15.1.5.1 The Ministry of labour continued to conduct labour inspections throughout the country as a way of enforcing labour legislation as well as monitoring the labour market dynamics. Table 15.3 indicates the number of labour inspections conducted from 2006 to 2009. Sweeping Integrated Labour Inspections were conducted in October, 2007 and also in January and February, 2008 under the capital budget project called Modernization of Labour Inspections. During the inspections, the following infringements were checked; lack of holidays; unpaid overtime; absence of written terms of conditions of employment; unattended water and sanitation problems especially shops; locking in of bakery workers in bakeries at night; lack of funeral management policies (lack of decent working conditions); lack of HIV and AIDS policies; presence of sexual abuse, and conspicuously use of abusive and foul language. A total of K1.4 million on holidays and overtime infringements was paid on the spot witnessed by Labour Officers during the blitz type of inspections.

Table 15.3: REGISTERED CUMULATIVE NUMBER OF LABOUR INSPECTIONS CLASSIFIED BY TYPE, YEAR (2006, 2007, 2009)

LABOUR INSPECTIONS	TOTAL		
	2006	*2007*	*2009*
ROUTINE	856	261	431
FOLLOW UP	1,485	40	183
LABOUR COMPLAINTS	160	531	1023
WORKERS COMPESATION	368	222	433
SPECIAL VISITS	0	7	8
OTHER VISITS	170	24	243
SWEEPING INSPECTIONS	0	884	0
TOTAL	**3,039**	**1,969**	**2,321**

Source: Ministry of Labour

15.1.5.2 To enforce minimum labour standards table 15.3 shows the efforts that the Ministry has made and continues to make thorough labour inspections. There is increased number of inspections in labour signaling claim of infringements most of which are wage losses.

TABLE 15.4: AVERAGE NUMBER OF STRIKING WORKERS AND MAN DAYS LOST CLASSIFIED BY TYPE, YEAR.

STRIKE COMPONENT YEAR	2006	2007	2008	2009
STRIKING WORKERS	60	132	3,000	457
MANDAYS LOST	2	968	6,000	7,25
BUSINESS ESTABLISHMENTS	1	5	1	11

Source: Ministry of Labour

15.1.5.3 Table 15.4 shows that strikers continue to exist but at a low scale. Most of the strikes are on clamour for wage progression.

15.1.5.4 In respect to the right to associate and freedom to organize and collective bargaining, 2 prospective unions applied for registration with the Ministry. Out of which, one has been registered and the other has been rejected, bringing the number of registered unions to 28 by 2008. By 2009, the number has increased to 29. In terms of collective bargaining agreements, the total number of collective bargaining agreements signed by 2008 was 47 and by 2009 the number rose to 48, reports show that by 2010 change has not been observed. Evidence shows that collective bargaining machinery assists in pushing acceptable conditions of service at the work place.

15.1.6 Trade Testing Services

15.1.6.1 Through trade testing services, the Ministry has in 2010 registered a total of 7,392 candidates in the two series of trade testing exercises. The Ministry has administered both practical and theory tests to 7,477 registrants out of which 85 registrants finally wrote their practical examinations as a backlog from 2009 series. In the same year, 2010, the Ministry certified 2,986 successful candidates into grades I, II, and III. In 2009, the Ministry issued 3,313 trade test certificates.

15.1.6.2 The economy needs an additional minimum of 8,000 artisans with quality assurance each year. This therefore, requires testing of a minimum of 16 thousand registrants each year assuming our current capacity to certify remains at half the number that we test each time. 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.

15.1.7 Employment of Expatriates

15.1.7.1 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 2010, 2009 and 2008 were, 652, and 467 respectively. Most expatriate workers are in administrative and managerial, professional, technical and related fields.

TABLE 15.5: REPORTED EMPLOYMENT PERMITS FOR EXPATRIATES BY COUNTRY OF ORIGIN (2007- 2010)

Country of Origin	*2007 Number*	*As percentage of the total*	*2008 Number*	*As percentage of the total*	*2009 Number*	*As percentage of the total*	*2010 Number*	*As percentage of the total*
American	69	8.6	21	4.5	47	7.1	71	6.1
British	90	11.2	32	6.9	49	7.5	87	7.5
Chinese	45	5.6	34	7.3	54	8.3	66	5.7
Canadian	16	2.0	13	2.8	6	0.9	15	1.3
Filipino	2	0.2	4	0.9	8	1.2	14	1.2
French	1	0.1	2	0.4	8	1.2	4	0.3
German	18	2.2	9	1.9	7	1.1	17	1.4
Indian	190	23.7	122	26.1	184	28.2	416	35.8
Italian	19	2.4	6	1.3	7	1.1	23	1.9
Kenyan	10	1.2	8	1.7	13	2.0	15	1.3
Dutch/Netherlands	19	2.4	4	0.9	10	1.5	12	1.0
Nigerian	10	1.2	12	2.6	11	1.7	4	.3
Pakistani	32	4.0	10	2.1	28	4.3	31	2.7
South African	61	7.6	41	8.8	34	5.2	100	8.6
Sri Lankan	20	2.5	4	0.9	19	2.9	22	1.9
Tanzanian	18	2.2	4	0.9	11	1.7	13	1.1

Zambian	29	3.6	5	1.1	11	1.7	17	1.4
Zimbabwean	54	6.7	69	14.8	37	5.7	82	7.1
Other	110	13.7	67	14.3	109	16.7	153	13.2
Total	803	100	467	100	652	100	1162	100

Source: Ministry of Home Affairs (Immigration Department)

TABLE 15.6: RECORDED EMPLOYMENT PERMITS BY PLACE PERMITTED TO WORK IN MALAWI (2007-2010).

Place	*2007 Number*	*As percentage of the total*	*2008 Number*	*As percentage of the total*	*2009 Number*	*As percentage of the total*	*2010 Number*	*As percentage of the total*
Blantyre	431	53.7	288	61.7	327	50.2	590	50.8
Balaka	2	0.2	0	0.0	0	0.0	0	0.0
Lilongwe	279	34.7	147	31.5	252	38.7	461	39.7
Mangochi	12	1.5	3	0.6	14	2.1	19	1.6
Mulanje	8	1.0	1	0.2	3	0.5	7	0.6
Mzuzu	27	3.4	6	1.3	12	1.8	23	2
Zomba	14	1.7	10	2.1	10	1.5	15	1.3
Other Districts	30	3.7	12	2.6	34	5.2	47	4.0
Total	803	100	467	100	652	100	1162	100

TABLE 15.7: REPORTED EMPLOYMENT PERMITS FOR EXPATRIATES BY OCCUPATION OF ORIGIN (2007-2010)

Profession	*2007 Number*	*As percentage of the total*	*2008 Number*	*As percentage of the total*	*2009 Number*	*As percentage of the total*	*2010 Number*	*As percentage of the total*
Accountant	56	7.0	30	6.4	41	6.3	84	7.2
Administrator	16	2.0	23	4.9	28	4.3	19	1.6
Agronomist	3	0.4	4	0.9	0	0.0	2	0.2
Consultant	10	1.2	8	1.7	8	1.2	14	1.2
Director	35	4.4	14	3.0	62	9.5	40	3.4
Engineer	84	10.5	40	8.6	41	6.3	106	9.1
Lecturer	17	2.1	5	1.1	7	1.1	9	.8
Manager	214	26.7	113	24.2	164	25.2	361	31.1
Medical Doctor/Officer	26	3.2	20	4.3	49	7.5	39	3.4
Pastor/Priest/Minister	172	21.4	65	13.9	101	15.5	117	10.1
Project Coordinator	9	1.1	19	4.1	6	0.9	34	2.9
Sister/Nun	4	0.5	2	0.4	5	0.8	6	0.5
Teacher/Tutor	64	8.0	35	7.5	36	5.5	103	8.9
Technician	20	2.5	28	6.0	41	6.3	74	6.4
Volunteer	19	2.4	15	3.2	17	2.6	20	1.7
Other	54	6.7	46	9.9	46	7.1	134	11.5
Total	803	100	467	100	652	100	1162	100

Source: Ministry of Home Affairs (Immigration Department)

TABLE 15.8: MAJOR CLASSES OF OCCUPATIONS OF TEMPORARY EMPLOYMENT PERMITS HOLDERS AND THEIR TRENDS BY YEAR

CLASS	*2006*	*2007*	*2008*	*2009*	*2010*
Administrators/Managers	269	274	169	260	454
Professionals	121	179	102	139	245
Pastors/Priests/Ministers	173	172	65	101	117
Teacher/Tutor/Lecturer	163	64	40	43	112
Technicians	89	20	28	41	74

Source: Ministry of Home Affairs (Immigration Department)

15.1.7.2 The number of workers supplied in large quantities through the temporary employment permits (TEPs) are managers and professionals. The teacher/lecturer and religious pastors/priest/minister classes are professional classes and are separated for purposes of following up on their supply into this country. Recently there has been a boom in religious ministries.

15.1.7.3 The Ministry manages Public Employment Services (PES) throughout the country. Available information shows that most of all vacancies registered in the PES offices cater for technical and operational classes. Vacancies for the managerial, professional workers are usually advertised in the newspapers before an investor can import labour.

15.1.8 Occupational Safety and Health

15.1.8.1 The registration of work places is crucial to business start ups and the trend in registration of work places is generally upward.

TABLE 15.9: NUMBER OF OCCUPATIONAL SAFETY AND HEALTH INSPECTIONS CONDUCTED, 2006–2010

Activity	2006	2007	2008	2009	2010
Inspections conducted	321	282	191	213	254
Pressure vessels examined	741	644	745	464	404
Industrial accidents reported and investigated	11	8	6	10	17
Registered workplaces	278	296	238	301	306

15.1.8.2 In terms of facilitating payment for workers' compensation for occupational injuries or diseases, Table 15.10 below provides details on workers' compensation for the years 2006 through to 2010.

TABLE 15.10: WORKERS' COMPENSATION FOR THE YEARS (2006-2010)

Activity	2006	2007	2008	2009	2010
Cases Paid	701	1,545	1,117	1,331	722
Amount Paid in K '000'	64,657	196,816	186,470	163, 218	123,107

15.1.8.3 The Ministry has also embarked on registration of employers in its efforts to establish workers' compensation fund. The Ministry has continued to review Workers' compensation Act in 2010 to provide further foundation for the establishment of the Workers' Compensation Fund. On the claims, the information has shown that claims per person for 2008 and 2010 approach K200,000 while those for 2006, 2007 and 2009 approach K100,000. There is need to increase occupational safety and health inspections to reduce accidents.

15.1.9 HIV and AIDS at the Workplace

15.1.9.1 On HIV and AIDS, the Ministry has published a report on HIV and AIDS workplace policies and programmes to provide information on policy and programme activities. The results show that at the time of the survey in November, 2007 there was not enough evidence of a business establishment that had an HIV and AIDS policy that was both comprehensive and anti-discriminatory. The Ministry has also produced a National Workplace Policy and continues to offer business establishments with technical assistance on the construction of their workplace policies. The Ministry has also assisted 22 and 35 infected on ARV in 2007, 2009 respectively.

15.2 Gender, Children and Community Development

15.2.1 The Ministry of Gender, Children and Community Development is mandated to provide policy direction and guidance for the promotion of welfare and protection of all gender groups. The vision of the Ministry is to have economically and socially empowered women, men, girls and boys. To realize this vision, the Ministry implements its programmes through three main function areas namely Gender Affairs, Child Development and Community Development. The implementation of the Ministry's activities is guided by a five year strategic plan developed in line with the nation's overarching development policy, the Malawi Growth and Development Strategy (MGDS).

15.2.1 Gender Affairs

15.2.1.1 Gender Mainstreaming

15.2.1.1.1 As the National Gender Machinery, the Ministry continues to provide guidance and technical services to ensure effective gender responsive policies, programs and projects to enable the country achieve gender equality. In 2010/11 financial year, the Ministry developed a gender mainstreaming curriculum for the Mpemba Staff Development Institute. This is one of the processes of building the capacity in gender mainstreaming at the institution. As part of efforts of ensuring gender mainstreaming and budgeting at District Council level the ministry disseminated gender mainstreaming and budgeting guidelines to 111 District Council officers from across the nation. District Officers are using the guidelines in budgeting, planning and implementation of District initiatives. The Ministry also oriented 25 Public Sector Gender Focal Point Officers in gender analysis.

15.2.1.2 Women in Decision Making Positions

15.2.1.2.1 The Ministry developed a program on Increasing Participation of Women in Politics (50-50 campaign). been mobilized from development partners to support the program.

15.2.1.3 Gender Related Laws and Legislatives

15.2.1.3.1 The promotion of gender equality requires supportive institutional and legal structures. In this regard, 80 district law enforcement officers and duty bearers were trained on the prevention of the Domestic Violence (PDV) Act and are now aware of their role in implementing the PDV Act. To create an enabling legal environment that is responsive to gender issues, the Ministry in coordination with the Law Commission and other stakeholders has gazetted the Gender Equality Statute and the Human Trafficking Bill. The Ministry also continued to lobby for the enactment of the two outstanding Gender related bills i.e. Marriage, Family relations and Divorce and Wills and Inheritance bills.

15.2.1.4 Gender Based Violence

15.2.1.4.1 Gender Based Violence (GBV), especially violence against women, has been recognized as a severe impediment to poverty reduction. To reduce cases of GBV, the Ministry developed a National Response (2008-2013) to combat Gender Based Violence. As part of the response, in the 2010/11 financial year the Ministry carried out the following:

- Trained 21 service providers in Psycho Social Support (from Police, Social Welfare and VSU) and are effectively providing the services to GBV survivors;
- Trained 40 survivors of GBV in Psycho Social Support who have now been integrated into their communities;
- Conducted a GBV stakeholder mapping which has provided a picture on interventions, gaps and best practices in GBV programming;
- Commemorated 16 days of activism against Gender Based Violence and International Women's day;
- In collaboration with the Police, the Ministry has established 100 Community Victim Support Units (CVSU) since the 2009/10 financial year;

- Assessed 150 CVSUs for support in Income Generating Activities (IGAs); and
- Finalised the development of GBV guidelines.

15.2.1.5 Women, Girls and HIV and AIDS programme (WGHA)

15.2.1.5.1 The Ministry is also implementing a program that aims at reducing Women and Girls' vulnerability to HIV and AIDS. In 2010/11 financial year the Ministry developed 16 radio programs and jingles on harmful cultural practices that promote gender inequalities and the spread of HIV and AIDS. It also trained 160 community facilitators who are spearheading the implementation of the WGHA program at community level. The Ministry also conducted community mobilization and sensitization campaigns on retention of girls in schools and on cultural/traditional factors that create and perpetuate gender inequalities. The Ministry with support from UNAIDS also disbursed a total sum of MK23,528,763 to four NGOs/CBOs to implement Women, Girls and HIV and AIDS projects in the districts of Nsanje, Mangochi, Ntcheu and Chitipa.

15.2.2 Community Development

15.2.2.1 Economic Empowerment

15.2.2.1.1 Recognizing that poverty levels in Malawi have a distinct gender dimension as shown by several low human development indicators on women, the Ministry is committed to enhancing the economic empowerment of the grassroots with primary focus on women as key beneficiaries. In this regard, the Ministry has been engaging the target beneficiaries in various aspects of entrepreneurship development through formation of business groups and training them in business management and productions skills in various enterprises of their choice. Under this program, the Ministry during the year under review accomplished the following:

- Trained 32 business groups in business management;
- Trained 27 staff in business enterprise development;
- Facilitated the formation of 5 cooperatives in Chikhwawa, Nsanje, Mchinji, Chiradzulu and Ntcheu;
- Conducted upgrading training to 10 business groups in the production skills of bee keeping, fish farming, weaving, tomato processing, goat rearing and dairy farming to facilitate their transformation into cooperatives;
- Linked 200 business groups to various credit institutions countrywide; and
- With support from UNICEF & DFID, MK2 million was disbursed to 40 Community Victim Support Units for income generating activities across the country.

15.2.2.2 Community Mobilization and Capacity Building

15.2.2.2.1 The Ministry continued to build capacity of local leaders and the communities themselves on issues of community development. This ensured identification of existing communities` problems, which has facilitated development of solutions to solve them either through local mobilization of resources, or engaging outside stakeholders for technical and financial support depending on the nature of the problem. An important aspect in terms of community mobilization and capacity building of local leaders is the creation of an enabling environment for the effective implementation of development programs and projects by various development players working in rural communities.

15.2.2.2.2 The Ministry trained 87 Community Development Assistant (CDA) in a basic course in community development. These CDAs are expected to significantly facilitate the initiation of community based development programmes as they work closely with local leaders in identifying local problems while also capacitating the local leaders in leadership skills.

15.2.2.2.3 Under the Home Management Program, the ministry reviewed the Home Management curricula which will be used to train CDAs who in turn will train communities in proper household resource mobilization and utilization.

15.2.3 Child Development

15.2.3.1 Children constitute a large proportion of the Malawian population. More importantly, they are future leaders. 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 and cared for.

15.2.3.1 Orphans and other Vulnerable Children

15.2.3.1.1 To allow children grow and achieve their potential, the Ministry has been supporting orphans and other vulnerable children (OVC) in various ways across the country. In the 2010/11 financial year, the Ministry supported over 15,000 OVC with education support to enable them to remain in school and perform well.

15.2.3.2 Social Cash Transfer

15.2.3.2.1 Over 4 million Malawian children live in poverty that is characterised by low income, low literacy, food insecurity and child malnutrition (which is at 48 percent). Additionally, 13 percent of the children are orphaned due to HIV and

AIDS; 50 percent of under-5s are stunted; and 15 percent of children of primary school age have not enrolled due to poverty, hunger and cultural barriers.[1] In an effort to reduce this situation, the Ministry is implementing the Social Cash Transfer Scheme targeting ultra poor and labour constrained households to reduce the impact of poverty. During the year under review, 106,534 individuals (representing 28,138 households), of which over 75 percent are children, have been provided with cash transfers. Currently the project is in seven districts namely, Mangochi, Machinga, Phalombe, Salima, Chitipa, Likoma and Mchinji. Plans are underway to upscale the programme to cover more districts across the country.

15.2.3.3 Early Childhood Development

15.2.3.3.1 The Ministry recognizes that the first eight 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 to grow up in an environment conducive for physical and mental development while also building advantageous social relations. In the 2010/11 financial year, the following were accomplished:

- Provided materials to 132 ECD centres across the country;
- Inaugurated the First Lady as an Ambassador for Early Child Development initiatives in Malawi;
- Reviewed ECD training and learning materials i.e. Memonto, Parenting Education, Supervisor, CBCC Centre Management, Basic Training and ECD Curriculum Guides;
- Sensitized 139 Members of Parliaments on M'mera Mpoyamba;
- Developed early learning standards; and
- Trained Caregivers in four districts of Salima, Balaka, Zomba, and Blantyre.

15.2.3.4 Child Protection

15.2.3.4.1 Malawian children are highly vulnerable to abuse, violence, exploitation, discrimination and neglect. Currently, there are 3.1 million[2] children that have grow-up in violent homes, witnessed domestic violence or experienced its negative effects. To ensure that the Malawian children are protected, the Ministry is implementing child protection programs. In 2010/11 financial year, the following achievements were made:

- 130 children were rehabilitated in the rehabilitation institutions;
- Provided reformatory services to 200 children in conflict with the law at Chilwa Reformatory Centre and Mpemba Boys Home;

[1] UNICEF(June2008), Social Protection Profile, p.i
[2] Government of Malawi (2000), Malawi Demographic Health Survey

- Trained 30 Social Workers on rehabilitation;
- Conducted 12 Children Parliament sessions in 12 twelve districts;
- Renovated Lilongwe Social Rehabilitation Centre to effectively provide its services;
- Established child protection committees in 12 districts in every Traditional Authority;
- Assessed three child helpline call centres i.e. YONECO in Zomba, CEYCA in Lilongwe and YOSWO in Mzuzu;
- Conducted stakeholders orientation on child rights and child protection;
- Finalized the Psychosocial support – Journey of Life Training manuals;
- Conducted identification, verification and re-integration of street children in Lilongwe City. Thirty children were identified and seven were successfully re-integrated into their families;
- Conducted a training in basic social work and rehabilitation of children on the streets of Lilongwe for 30 Officers from service providers;
- Provided educational, kitchen and recreational equipment to the Social Rehabilitation Centre;
- Linked three children to Primary and Secondary Schools at the Social Rehabilitation Centre; and
- Conducted training on child protection case management system and child protection system mapping and assessment for 31 Officers from different Ministries and Non-Governmental Organizations.

Chapter 16

POVERTY REDUCTION PROGRAMMES

16.1 Overview

The Malawi Growth and Development Strategy (MGDS) has been the overarching strategy for the period 2006-2011. The strategy aimed at reducing poverty through economic growth and wealth creation. This chapter reviews progress in the implementation of the strategy. Currently the Government is developing of MGDS II for the period 2011-2016.

16.2 Achievements in 2010

Overall, the review showed that performance improved for both the key priority areas and the thematic areas in comparison to the two previous reviews. The improved performance was partly attributed to adequate funding levels. Being the final annual review of the strategy, there was an attempt to assess performance of the strategy during the whole implementation period. Overall assessment showed that achievements were registered in a number of areas. For example poverty declined from 50.4 per cent in 2005 to 39 per cent in 2010 and economic growth averaged over 7.0 per cent which was higher than the 6.0 per cent annual growth targeted in the MGDS. Other notable achievements included improved food security situation, increased income per capita, reduced interest and inflation rates. Progress towards adherence to Paris Declaration Principles by the Cooperating Partners was slow despite commitments made during the Paris Declaration in 2005 and renewed at the Accra Agenda for Action in 2008.

16.3 MGDS Policy Alignment

All sectors formulated their goals and targets in line with MGDS priorities. Thus, their policies, programmes and projects were aligned to the MGDS during its implementation period. The MGDS was aligned to the Millennium Development Goals (MDGs) and the Vision 2020. In order to ensure that all MGDS compliant projects and activities were prioritised, the government provided financial support to projects in the Public Sector Investment Programme (PSIP) through the National Budget. There was also a policy shift on donor support whereby donors were encouraged to support MGDS compliant projects or activities. However, inconsistencies were noted between output activities in the MGDS and those in the output based budget. In some cases there was also mismatch in outcomes, outputs and activities outlined in the two documents.

16.4 MGDS Performance by Key Priority Areas

16.4.1 Agriculture and Food Security

For the fourth successive year, this key priority area performed above average. The country registered a surplus of 800,000 metric tons which was lower than the 1.3 million metric tons registered in 2008/09. The reduction is attributed to prolonged dry spells that hit some parts of the country especially in the Southern Region. The percentage of food secure households declined slightly to 98 per cent from the 99 per cent registered in 2008/09. Per capita cereal availability declined from 285.7 kg to 270 kg while per capita meat availability increased from 11.2 kg to 13 kg during the same period. The increase in per capita meat availability could be attributed to good management especially in the disease control. Quantity of fish landed in aquaculture also increased from 1,800 MT to 2,500 MT. Performance of development projects was satisfactory as 83 per cent of development projects met their targets when compared to 75 per cent in 2008/09.

16.4.2 Irrigation and Water Development

The sector performed above average just like in 2008/ 09. The percentage of population with access to safe potable water increased from 80 per cent in 2008/09 to 84 per cent in 2009/10. The percentage of population with access to basic sanitation remained constant at 93 per cent and the sector managed to achieve two of its three core sector outputs' targets. These were improved sustainable access to water supply and sanitation in urban, peri-urban and market centres, and improved quality of surface and groundwater and system of pollution control. The output that failed to meet its targets was on irrigation farming promotion. The sector implemented 24 projects during the period under review. Development projects performance declined slightly as 70 per cent of development projects achieved their targets compared to 76 per cent in 2008/09. Some projects failed to meet their targets due to inadequate resources.

16.4.3 Transport and Infrastructure Development

The sector had an average performance as compared to above-average performances during the two previous reviews. This is attributed to poor performance of development projects whereby only 32 per cent of them met their targets as compared to 90 per cent in 2008/09. However, the performance on annual outcome indicator and core outputs was somewhat satisfactory. Six out of 10 annual indicators and 5 out of 6 core outputs achieved their targets. The core sector output achieved included the completion of phase one of the Shire-Zambezi Waterway project.

16.4.4 Energy Generation and Supply

The sector was rated as having performed above average as compared to the two previous reviews when it had an average performance. Satisfactory progress was noted in two of the three annual indicators. The number of new trading centres connected to electricity increased from 40 in 2008/09 to 81 in 2010 which was higher than the annual target of 54. The percentage of households with access to electricity also increased from 8 per cent to 10 per cent during the same period. However, there was no progress in reducing the percentage of population using solid fuels which increased slightly from 97 per cent to 98 per cent in 2009/10. This is largely attributed to lack of alternative energy sources in rural areas and intermittent power failure and high electricity tariffs in urban areas. The sector achieved two of its three core sector output targets, increased access to reliable and sustainable energy supply, and increased use of alternative energy supply for power by rural communities in underserved areas. However, progress in reduction of levels of brown outs and black outs has been slow despite rehabilitation works at Tedzani I and Tedzani II.

16.4.5 Integrated Rural Development (IRD)

The assessment of progress made towards achievement of the IRD outcomes was based on the performance of programmes directly under Ministry of Local Government and Rural Development (MLGRD) and District Councils. However, it is worth noting that measuring performance for this sector is complemented by performance of other sectors that contributes significantly to the MLGRD programmes, which reflect growth in the rural economy such as the income per capita and percentage of food secure households under the agricultural sector. The sector achieved five out of eight annual targets representing about 63 per cent achievement rate. There was less progress on some of the sector outputs especially on infrastructure development due to inadequate and erratic funding. About 78 per cent of the projects met set targets.

16.4.6 Nutrition, HIV and AIDS

For the third consecutive year, this key priority area was rated as having performed above average. The sector managed to achieve 5 of its 7 annual indicator targets. For instance, HIV prevalence among pregnant women aged 15-24 years was constant at 12.3 per cent when compared to 2008/09. HIV and AIDS Prevalence among 15-49 age group also remained at constant at 12 per cent and the same was the case for percentage of people with advanced HIV and on ART who are still alive 12 months after start of ART which also remained constant at 78 per cent. The percentage of HIV+ pregnant women attending ANC receiving a complete course of ARV prophylaxis to reduce the risk of MTCT declined from 75 per cent to 71 per cent which was above the annual target of 65 per cent. The sector managed to achieve 14 out of 15 core outputs targets and 67 per cent of the development projects also achieved their targets.

16.5 MGDS Performance by Thematic Areas

16.5.1 Sustainable Economic Growth

This thematic area was 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; and land and housing. Just like in the previous review this thematic area was rated as having performed above average as all sectors performed well in achieving their annual indicator targets, core output targets and development projects performance. In total, 8 out of 9 indicators' targets were achieved, 67 per cent of the development projects performed well and 40 out of 49 core sector outputs' targets were achieved. Sectors assessed under this theme were: trade and private sector development; mining; tourism; culture; forestry conservation and management; environmental protection; wildlife management; and land management and housing.

16.5.2 Social Protection and Disaster Risk Management

This theme was comprised of social support, and disaster risk management. Just like in the previous review, the theme was rated as having performed above average. All the four annual indicators achieved their targets and about 64 per cent of development projects achieved their targets. The annual indicators include the proportion of the disadvantaged receiving conditional and unconditional transfers which increased from 33 per cent in 2008/09 to 37 per cent in 2009/10; the number of households reached by targeted input programme which increased from 1.5 million to 1.6 million; and the number of households reached by public works programme which also increased from 130,000 to 335,225. In terms of core outputs, 9 out of 14 achieved their targets.

16.5.3 Social Development

Sectors assessed under this theme were health; education; gender; and youth and sports development. The review rated this theme as having performed above average unlike the average performance registered in 2008/09. The sector achieved 12 out of 22 annual indicators' targets, and 10 out of 13 core outputs' targets. For example, the health sector achieved all the four core sector outputs' targets which included the number of qualified health workers in health centres, and availability of quality EHP services. This was attributed to the ability of the sector in retaining staff within the country and construction of more facilities with those able to perform basic obstetric care featuring highly. The education sector achieved one of the two sector output targets which was on increased education access at all levels. About 81 per cent of development projects implemented under this theme also achieved their targets.

16.5.4 Infrastructure Development

Assessment of this theme was done on technology and research development; and air and rail transport. Overall, this theme was rated as having performed above average unlike in the previous review when it had an average performance. All the 13 annual indicators and 69 per cent of development projects achieved their targets. Some of the indicators on technology and research include teledensity which increased from 12 in 2008/09 to 17.75 in 2009/10 which was above the annual target of 15, and mobile density which increased from 11.16 to 16.9. For Air and rail transport, some of the indicators included percentage of runways in good condition which increased from 65 per cent to 80 per cent and total annual freight (rail) which increased from 256,387 to 384,182. In addition, 5 out of 7 core outputs under this theme achieved their targets.

16.5.5 Improved Governance

This theme was comprised of two sub-themes namely economic governance and democratic governance. Overall, the theme was rated as having performed above average. This was the case because 20 annual indicators out of 30 and 94 per cent of development projects achieved their targets. In addition, 27 core outputs achieved their targets against a total of 30 core outputs. Of the two sub-themes, good performance was registered under economic governance which achieved 6 out of 8 annual indicator targets, all targets on 13 core outputs, and 89 per cent of development projects also achieved their targets. For democratic governance many institutions performed above average but proper assessment for some was hindered by lack of adequate data such as justice and rule of law, and human rights sub-sectors.

Chapter 17

PUBLIC ENTERPRISES

17.0 Overview

This chapter reviews performance of the parastatal portfolio in the financial year 2009/10. The review also extends to providing a brief overview of midyear unaudited results up to December, 2010.

The review covers the following parastatals; Northern Region Water Board (NRWB), Central Region Water Board (CRWB), Lilongwe Water Board (LWB), Southern Region Water Board (SRWB) and Blantyre Water Board (BWB) under the water utility portfolio; the Malawi Housing Corporation (MHC) and Airports Development Limited under the property development and management portfolio; the Malawi Posts Corporation (MPC) and Malawi Communication and Regulatory Authority (MACRA) under the Telecommunications portfolio; Electricity Supply Commission of Malawi Limited (ESCOM), ADMARC Limited and Air Malawi.

17.1 Water Utility Portfolio

17.1.1 Blantyre Water Board (BWB)

BWB continues to strengthen its operations in all areas. During the year under review, the focus was on putting best management practices in order to reduce the high levels of non revenue water currently averaging 48 per cent to 51 per cent. This is a major challenge faced by the Board which is a consequence of aged water pipes and meters. To address this challenge, Government is seeking funding from development partners under the Second National Water Development Project to provide funding for projects that will reduce the water losses and enable the Board to deliver its services efficiently. Once the project is completed, it is expected that water losses should reduce to below 20 per cent within the next two years.

The Board realised total revenue of K2.4 billion during the year under review compared to K1.9 billion in the previous year. Net profit after tax achieved was K76.8 million compared to K30.3 million losses in the previous year. Despite this performance, it is clear that reducing water losses will have a significant impact on the Board's performance. The Board continued to operate with tight cash flows which constrained progress with regard to new connections and delivery of services. There is need to continue addressing the long debtor days in order to free cash resources for reinvestment into operations.

Mid year to December 2010 unaudited results shows a loss of K3.3 million. The key to unlocking this position is reduction in the water loss levels, increase in tariff and efficient management of working capital. Table 17.1 shows the financial performance indicators as at 31st December, 2010.

TABLE 17.1: SELECTED PERFORMANCE STATISTICS OF BWB

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	1,111	2,402	1,883	1,538
Total Expenditure	1,004	2,158	1,799	1,432
PAT	107	142	174	106
Net Profit	*(3.2)*	*76.8*	*(30.9)*	*(99.6)*
Current ratio	*1.48*	*1.5*	*0.6*	*0.7*
Debtors collection days	208	249	137	224

The Board continued to focus on the following challenges:

- Low water tariff. There is need to continue a gradual increase of the tariff rates in order to achieve cost reflective tariff rates. This is an ongoing process;
- Aged water systems resulting in huge levels of unaccounted for water currently at over 50 per cent; and
- Huge trade receivables, which resulted in borrowing to cover up the financial gap and complement working capital. Aggressive debt collection measures continue to be implemented to mitigate this challenge.

17.1.2 Northern Region Water Board (NRWB)

NRWB's performance shows an improved trend in operations. Revenues continued to grow on account of increased volumes sold and enhancement of the customer base. However, due to high financing costs, the Board realised a net loss position of K90.0 million from a profit before interest and tax position of K76.0 million. Despite the loss, this result is a substantial improvement on previous year, which had a loss of K464.6 million. To ensure a return to profitability, the Board has embarked on a drive to enhance its revenue base by instituting operational programmes that will reduce water loss levels to 27 per cent from the current 30 per cent and also increase the customer base. There is also a drive to continually increase the tariff rates to achieve cost reflective rates which will enable the Board operate profitably.

Unaudited results up to December 2010 show improved performance with profit after tax leveraging at K35.9 million. Tight working capital management practices and cost control measures continue to be applied in the management of the entity.

TABLE 17.2: SELECTED PERFORMANCE STATISTICS OF NRWB

Performance Targets	*2010-11 first half*	*2009-10 Audited K'000*	*2008-09 Audited K'000*	*2007-08 Audited K'000*
Total Revenue	520,825	853,549	714,632	473,166
Total Expenditure	464,693	777,548	616,275	496,475
PAT	35,997	(90,401)	(464,680)	(521,600)
Return on Total Assets	*9%*	*15%*	*28 %*	*19 %*
Current Ratio	*102%*	*94%*	*123 %*	*122 %*
Profit Margin	*7%*	*-11%*	*-72 %*	*-110 %*
Debt Collection Days	80 days	72 days	46 days	52 days

17.1.3 Lilongwe Water Board (LWB)

During the year under review, the Board registered a marginal increase in revenues at K1.7 billion compared to K1.6 billion in the previous year. Overall the Board realised a loss of K11.0 million. The marginal increase in revenue against increased costs including high interest costs accounted for this loss position. Management has instituted measures to ensure a return to profitability. The measures cover various cost control strategies, reduction in water losses, and enhancement of the revenue base by connecting more customers to the water supply grid. These measures have started to yield results as is demonstrated in the unaudited six months results to December 2010 which show a profit after tax of K104.0 million.

TABLE 17.3 : SELECTED PERFORMANCE STATISTICS OF LWB

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	1,160	1,772	1,640	1,403
Total Operating Expenditure	826	1,512	1,279	1,204
PAT	105	(11.0)	46	(367.0)
Current Ratio	1.83:1	1.01:1	3.5:1	3.4:1
Debt Collection Days	113	113	116 days	116 days
Number of clients	37.993	36,822	32,673	30,740
Number of new connections	1,171	2,977	1,170	2,151
Levels on Non Revenue Water	*27%*	*36%*	*31 %*	*30 %*

17.1.4 Southern Region Water Board (SRWB)

The Board realised total revenue amounting to K945.2 million compared to K735.0 million in the previous year. The Board made a profit of K30.0 million lower than previous year in which a profit of K56.7 million was made. The lower profit in the year is due to the higher than water loss level at 31 per cent than in previous year which was at 28 per cent. The Board has embarked on various projects aimed at replacing the old pipe network with a view of reducing levels of water losses. There are also plans to procure leak detection devices which will help reduce maintenance lead times and also reduce water losses. As is the case with the other water boards, the Board continued to increase its tariffs gradually with a view to achieving a cost reflective tariff. Table 17.4 shows the financial performance indicators for the period ending December, 2010.

TABLE 17.4: SELECTED PERFORMANCE STATISTICS OF SRWB

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	531.3	945.2	735	634
Total Expenditure	415.5	915.2	678.9	625
PAT	31.3	30.0	56.7	7.80
Current ratio	6.3	6.2	9.8	3.7
Profit Margin	*5.8%*	*3%*	*8 %*	*1%*
Debtors collection days	152	181	221	116

17.1.5 Central Region Water Board (CRWB)

CRWB continued to show improved performance since return to profitability two years ago. During the year under review, the Board achieved a profit position of K20.3 million compared to a loss of K251.2 million in the previous year. The result is a combination of increase in revenues, reduction in costs especially financing costs, and control over water losses which has been maintained at 23 per cent during the year under review. The Board will also benefit 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 enhance the income earnings base and further improve performance of the Board. Results to December 2010 show a profit of K16.5 million.

TABLE 17.5: SELECTED PERFORMANCE STATISTICS OF CRWB

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total revenue	361	589	518	415
Total expenditure	345	568	778	663
EBIT	17.6	25	21	13
Net profit after Tax	16.5	20.3	(257)	(245)
Current ratio	0.75	0.65	0.25	0.37
Profit margin	*12.88%*	*12.9%*	*15.8 %*	*14 %*
Number of customers	16,598	18,878	15,878	13,378
Number of new connections	753	1,150	2,500	1,108
Levels of unaccounted for water	*24%*	*20 %*	*22 %*	*24 %*

17.1.6 Challenges in the Water Utility Portfolio

The following are the common challenges faced by parastatals in the water utility category during the period under review:

- Tight Cash flow position. This resulted from debt collection challenges and low tariffs. Management continued to implement measures that will mitigate the impact of this challenge;
- Aged infrastructure. Most of the distribution network equipment is old and results in heavy leakages. This has seen water loss level rising to 50 per cent as is the case with Blantyre Water Board. Efforts to replace the systems are underway and it is hoped that water losses be reduced to below 20 per cent;
- Poor and inadequate water sources;
- High operating costs. The nature of the water distribution business is such that operating costs are high. Management continued to implement cost control measures with a view to arresting potential run-away costs; and
- Inadequate financial resources for capital investment for new water source development to enable the Board meet any future demands in the various water supply areas. This has resulted in slow growth in customer base and distribution network. Efforts continue to be applied to address the challenge.

17.2 Property Development and Management

17.2.1 Malawi Housing Corporation (MHC)

MHC made a profit after tax (excluding surplus on revaluation reserves) of K11.8 million compared to a profit of K111.0 million in the previous year. The corporation continued to harness resources to ensure maximum utilisation of such resources. The drive to beef up the land bank continued in all corners of the country. As a strategic move, the corporation is building capacity in its contracting unit. This is where the future lies as pieces of valuable land continue to decrease. In the year under review, there was substantial investment in construction equipment. This will reduce equipment hiring expenses and therefore increase profitability.

TABLE 17.6: SELECTED PERFORMANCE STATISTICS OF MHC

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenues	523	982	855	732
Total Expenditure	436	954	749	603
Net Profit after Tax	31	11.8	111	80
Return on Operating Assets	0.18	.11	*1 %*	*1 %*
Current Ratio	2.27:1	1.94:1	0.92:1	1:1
Rent collection days	40days	89days	77 days	64 days

17.2.2 Airport Development Limited (ADL)

ADL generated income amounting to K395.0 million in the reporting period compared to K430.0 million in the previous period. Despite the increased revenues, profitability reduced ending up with a net loss of K15.0 million against a profit of K72.2 million in the previous year. The poor performance in the year under review is a result of substantial provision for bad debts due to long overdue debtors in the residential housing portfolio. Measures to collect such debts are under way in the current year. Focus in managing the debt book is key if profitability is to be achieved. Mid year to December 2010 shows improved results. The company made a profit of K21.0 million. Continued focus on debt collection and cost control measures should result in a profit at the end of the year.

TABLE 17.7: SELECTED PERFORMANCE STATISTICS OF ADL

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	225	395	430	319
Total Expenditure	203	410	357	277
PAT excl. Revaluation surplus	22	(15)	72.2	32.6
Return on Assets	*1%*	*1 %*	*12 %*	*12 %*
Current Ratio	0.63	0.61:1	1:1	1:1
Profit Margin	*9.78%*	*-3.68%*	*16.78%*	*13.36%*
Debt Collection Days	279	323	283	283

17.2.3 Challenges in the Property Development and Management Portfolio

The following are the challenges in this portfolio:

- Inadequate contractors' capacity;
- Delay in the provision of utility services. The utility providers fail to provide in good time their services on house construction project sites, thereby delaying completion resulting to unforeseen cost over runs;
- Cost of building materials. House construction has high percentage of imported materials which traditionally land at very expensive prices;
- Inadequate construction equipment;
- Debt collection challenges;
- High cost of financing construction projects; and
- High risk of delinquency due to non payment of rentals. This applies more to ADL which has a portfolio with core long overdue amounts.

17.3 Power Portfolio

17.3.1 Electricity Supply Corporation of Malawi (ESCOM)

ESCOM made a modest profit of K86.4 million during the year under review compared to a loss of 982.9 million in the previous year. The modest profit is on account of a large provision for bad debts made in the year amounting to K1.1 billion. This is a major area of focus and management is in the process of procuring an efficient billing system and increasing the number of prepaid meters in order to mitigate the risk of bad debts. Turnover grew substantially at K10.4 billion but the net positive effect has not been realised due to bad debts provisions. The two tariff increases in the past eighteen months are now showing a positive impact. However, the need for gradual increase in tariff remains a vital input in the turnaround strategy of the company.

Mid year results show a profit after tax of K1.1 billion. Management continues to closely monitor costs, efficiently manage working capital resources and manage procurement processes efficiently.

TABLE 17.8: SELECTED PERFORMANCE STATISTICS OF ESCOM

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	7,146	10,491	8,729	7,858
Total Expenditure	4,797	9,892	8,381	9,430
EBIT	2,530	743	1,058	(787)
Net profit after Tax	2,210	86	(982.9)	(2,793)
Current Ratio	2.9:1	0.40:1	0.65: 1	0.59:1
Profit Margin	*16%*	*6%*	*-5 %*	*-24 %*
Debt Collection Days	101	120	100	119
New Connections	4,096	8,582	12,264	13,122
Access to Electricity	*8.9%*	*8.9 %*	*8 %*	*7 %*
Generation Plant Availability (%)	94.83	91.89	90	82
Distribution faults/100 customers per year	11	24	20	18

Government is committed to improving Escom's ability to deliver its services efficiently. Using own resources, Government has financed the Kapichira phase II generation project amounting to U$55.0 million. Once completed, an additional 64 megawatts will be fed into the grid. This will reduce the power supply gap which currently exists. Government has also signed a grant financing agreement with the United States Government under the Millennium Challenge Corporation (MCC) to finance projects in the energy sector. The total funding amounts to U$350.0 million. The focus in Electricity Supply will be towards improving and strengthening the transmission and distribution systems. This will reduce technical losses which are currently at 22 per cent. It will also enable evacuation of any additional power from future generation plants including power from Kapichira phase II.

Government is also in discussions with the World Bank for funding in the energy sector. Escom will also benefit out of this funding once concluded. Some transmission projects, which could not be accommodated under the MCC funding will be included under bank's funding. To free more power even with the current generation facilities, the World Bank funding will also allocate funding towards demand side management activities in ESCOM.

17.4 Telecommunication Portfolio

17.4.1 Malawi Posts Corporation (MPC)

The overall strategic objectives for MPC in the reporting period was to ensure that the business plan achieves, 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. The strategy saw an increase in turnover from K856.0 million in the previous reporting period to K965.0 million in the year under review. Profitability increased from a loss of K193.0 million in previous year to a profit of K140.0 million in the year under review. The drive for better results and efficiencies remains a continuing process. One key challenge faced by the corporation is that of unprofitable postal branches. There is continuous focus to ensure that innovative ways are developed to turn such branches into profitable centres. Mid year results to December 2010 show a profit position of K11.0 million.

With dwindling trends in physical mail, MPC continues to leverage on technology based products and other new products. The route taken will help sustain the organisation's profitability and keep its relevance in the economy. Continued implementation of cost control strategies will further consolidate the business profitability in the current year.

Mid year results show a profit after tax of K1.1 billion. Management continues to closely monitor costs, efficiently manage working capital resources and manage procurement processes efficiently.

TABLE 17.9: SELECTED PERFORMANCE STATISTICS OF MPC

Performance Targets	*2010-11 first half*	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	546	965	856	822
Total Expenditure	535	825	1,049	1,108
Net Operating Profit	11	140	(149)	(286)
Return on Assets	*2%*	*14 %*	*(38 %)*	*30 %*
Current Ratio	0.36:1	0.77:1	.50:1	0.55:1
Total Capital Employed	792	971	863	923
Gearing	*19%*	*48%*	*61 %*	*47%*

Key challenges include continued declining volumes of physical letter mail, uneconomical postal offices, high operating costs due to the nature of the business and relatively lowly regulated regime in other sectors of the postal business such as the courier business.

17.4.2 Malawi Communications and Regulatory Authority (MACRA)

MACRA continues to post commendable results over the years. During the year under review, revenues grew to K1.7 billion from K1.4, and profit after tax was K611.0 million against K489.0 million profits in the previous year. There is potential for growth and improved performance as more operators enter the telecommunication industry. Mid year results to December show a profit position of K236.0 million.

Mid year results show a profit after tax of K1.1 billion. Management continues to closely monitor costs, efficiently manage working capital resources and manage procurement processes.

TABLE 17.10: SELECTED PERFORMANCE STATISTICS OF MACRA

Performance Targets	*2010-11 first half*	*2009-10 Audited K'Millions*	*2008-09 Audited K'Millions*	*2007-08 Audited K'Millions*
Total Revenue	819	1,711	1,450	N/a
Total Expenditure	605	1,099	1,501	N/a
Net Profit after Tax	236	611	489	N/a
Return on Assets	*13%*	*29 %*	*2 %*	N/a
Current Ratio	1.08	4.5	5.05	N/a
Debt Collection Days	628	238	167	N/a
Number of Mobile Operators	2	2	2	2
Number of Fixed Line Operators	2	2	1	1
Number of Internet Service Providers	10	10	10	1
Number of Mobile Users (Teledensity)	18	17	12	8
Number of Courier Operators	16	15	8	1
Number of Commercial Radio Stations	7	7	7	7
Number of Community Radios	4	4	4	4
Number of Religious Radio Stations	11	11	10	8
TV Stations	2	2	2	2

17.5 Air Malawi (QM)

The airline operated at below capacity due to financial challenges. Most of its equipment were not operational during the year under review, forcing the air line to lease aircrafts for its operations. This has proved to be an expensive way of operating. Passenger levels reduced substantially during the year. Consequently, turnover reduced from K2.6 billion in previous year to K1.6 billion. The air line made a loss after tax of K1.1 billion. During the previous year the air line also incurred a loss of K1.3 billion. Such levels of losses are unsustainable. Government is reviewing restructuring options for the air line. The objective is to halt the downward trend in overall performance of the air line.

TABLE 17.11 : SELECTED PERFORMANCE STATISTICS OF QM

Performance Targets	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	1,654	2,600	3,078
Total Expenditure	2,025	2,461	4,000
Net profit after Tax	(1,169)	(1,471)	(922)
Return on Operating Assets (%)	*-70.6%*	*-51.2%*	*-21.46%*
Current Ratio	0.24:1	0.28: 1	0.59:1
Debt Collection Days	190	177	119

17.6 ADMARC LIMITED

17.6.1 Performance of ADMARC

The Corporation continued to play a key role in hunger eradication and agricultural food sustainability in line with the overall Government objective as outlined in the Malawi Growth Development Strategy (MGDS). Due to the continued years of maize surplus situation in the country, ADMARC's intervention activities in the maize market were very limited. This resulted in the corporation holding on to most of its stocks for longer than usual thereby reducing its margins substantially. Consequently, turnover reduced from K4.2 billion to K1.8 billion. The company made a loss of K2.3 billion during the year compared to a loss of K1.9 billion in the previous year. Such magnitude of losses is a heavy strain on the company's resources.

To address the challenges in the maize business, the company is increasing its presence in the commercial crop marketing with a view to realizing decent margins. However, these efforts have met with the challenge of inadequate financial resources due to failure to liquidate borrowings from the previous season.

TABLE 17.12: SELECTED PERFORMANCE STATISTICS OF ADMARC

Performance Targets	*2009-10 Audited K'millions*	*2008-09 Audited K'millions*	*2007-08 Audited K'millions*
Total Revenue	1,649	4,442	3,239
Total Expenditure	1,383	6,411	4,075
EBIT	266	-1,211	-550
Net Profit after Tax	(2,271)	(1,968)	(551)
Return on Total Assets	*-46 %*	*-42 %*	*-6 %*
Current Ratio	1.:1	1.1:4	1:1
Debt Collection Days	97	92	92

17.6.2 Challenges of ADMARC

The parastatal faced a number of challenges in the period under review and these include the following:

- Delays in accessing financing;
- Lack of marketing strategies; and
- High overhead and fixed costs as a result of the structure of the network.

17.7 Restructuring of Parastatals

Following Government's decision to streamline the parastatal sector with a view to utilising the various synergies that exist within the sector and also reduce duplication in the provision of services and therefore costs, the following parastatals will be affected as follows:

- The Blantyre Water Board will expand its services to take over all water facilities which are within the southern Region boundaries. BWB will then be renamed Southern Region Water Board;
- The current Southern Region Water Board will be renamed Eastern Region water Board and will be responsible for the Eastern region; and
- The Central region Water Board will be merged with the Lilongwe Water Board.

Chapter 18

BANKING AND FINANCE

18.1 Overview

18.1.1 During the year 2010/11 developments in the monetary sector were expansionary, as broadly defined money supply (M2) increased by 16.1 per cent to K203.6 billion in March 2011 anchored mainly by increased economic activity. The downward Bank rate adjustment by the Reserve Bank of Malawi (RBM) effected in August 2010 that was followed by reductions in the commercial banks prime lending rates induced a 23.1 per cent (K38.2 billion) expansion in net domestic assets to K203.6 billion in March 2011 compared to an expansion of 11.4 percent (K16.9 billion) to K165.4 billion in June 2010. This notwithstanding, net foreign assets dwindled owing to RBM's continued support to the market.

18.2 The Banking System

18.2.1 The stock of money supply (M2) increased by K28.3 billion (16.1 per cent) to K203.6 billion in March 2011 compared to an expansion of K19.9 billion (12.8 per cent) to K175.3 billion recorded in June 2010. The monetary expansion was anchored mainly on K38.2 billion creation of net domestic assets that was somewhat offset by a K9.9 billion decline in net foreign assets (NFA).

TABLE 18.1: MONETARY SURVEY (K'MILLION)

	End month balances				Changes during periods			
	Jun-2008	Jun-2009	Jun-2010	Mar-2011	Jun-2008	Jun-2009	Jun-2010	Mar-2011
A. Net Domestic Credit								
1. Credit to government (i+ii)	62,180.0	87,219.7	80,454.7	113,881.3	45,933.3	25,039.7	-6,765.0	33,734.6
i. Monetary Authorities	35,688.8	58,713.6	86,146.7	91,084.9	38,049.7	23,024.8	27,433.1	4,938.2
ii. Commercial Banks	26,491.2	28,506.1	18,744.5	22,796.3	7,883.6	2,014.9	-9,761.6	4,051.8
2. Credit to statutory bodies	3,984.6	4,554.1	6,389.7	4,662.0	1,381.7	569.5	1,835.6	-1,727.7
3. Credit to private sector (gross)	59,947.3	83,201.1	111,307.6	127,352.1	19,011.5	23,253.8	28,106.5	16,044.5
B. Narrow Money (M1)	**68,085.8**	**79,842.5**	**89,075.2**	**97,950.5**	**23,697.5**	**11,756.7**	**9,232.7**	**8,875.3**
4. Currency outside banks	31,545.5	29,276.9	32,496.6	27,431.6	11,552.4	-2,268.6	3,219.7	-5,065.0
5. Private sector demand deposits	36,540.4	50,565.6	56,578.6	70,518.9	12,145.2	14,025.2	6,013.0	13,940.3
C. Quasi-money	61,376.3	75,522.0	86,233.2	105,628.7	14,168.1	14,145.7	10,711.2	19,395.5
D. Money Supply (M2)1 (B+C)	129,462.1	155,364.6	175,308.4	203,579.2	37,865.6	25,902.5	19,943.8	28,270.8
E. Net Foreign Assets	28,184.5	6,858.6	9,860.1	-65.4	-2,596.9	-21,325.9	3,001.5	-9,925.5
6. Monetary Authorities	21,393.5	3,490.7	4,594.8	-9,415.3	-456.2	-17,902.8	1,104.1	-14,110.1
7. Commercial banks	6,791.0	3,367.9	5,265.2	9,349.8	-2,140.7	-3,423.1	1,897.3	4,084.6

Source: Reserve Bank of Malawi

18.2.2 The rise in net domestic assets (NDA) to K203.6 billion in March 2011 is explained by a K23.9 billion increase in the commercial banks' NDA coupled with a K12.0 billion rise in NDA of the monetary authorities. On the other hand, the decline in NFA to negative K65.4 million in March 2011 was attributed to a K14.0 billion drop in the monetary authorities' NFA that was partly offset by a K4.1 billion increase in NFA of the commercial banks.

18.2.3 From the demand side, K18.9 billion of the total M2 increase was accounted for by term (time and savings) deposits while demand and foreign currency deposits contributed K13.9 billion and K532.1 million, respectively. The accumulation of deposits reflected increased economic activity during the year under review. Meanwhile, currency in circulation dropped by K5.1 billion reflecting largely intensification of mop up operations undertaken during the period.

18.3 Commercial Banks

18.3.1 Commercial banks continued to strengthen their resource position in 2010/2011 with their consolidated assets and liabilities position rising to K254.1 billion in March 2011 from K185.1 billion recorded in June 2009. Reflecting increased economic activity in 2010/2011, private sector deposits, at K173.2 billion in March 2011, were the major source of funds as they increased by K34.3 billion between June 2010 and March 2011 following another increase of K15.6 billion between June 2009 and June 2010. Capital accounts accounted for K5.2 billion of the total accumulated resources, reflecting profitability of investments undertaken by the commercial banks during the review period. Unsectored liabilities rose by K4.4 billion due to commercial banks' borrowings whereas deposits of the official sector increased by K1.6 billion during the period June 2010 to March 2011 on account of inflows earmarked for various government donor projects. Meanwhile, liabilities to non-residents dropped by K2.2 billion in March 2011 due to low supply of foreign exchange on the market that induced investors to draw down their foreign currency denominated account holdings.

18.3.2 In terms of utilisation, domestic credit constituted the main channel of investment as it grew by K21.2 billion between June 2010 and March 2011 compared to foreign sector credit which grew by K1.9 billion during the same period. Commercial bank's credit extended to the private sector increased by K16.0 billion. Specifically, K9.3 billion was availed to the commercial and industrial sector due to the continued input and fertiliser subsidy programme followed by personal loans (K4.2 billion), agriculture sector loans (K2.4 billion) and mortgage loans (K1.3 billion). Meanwhile, a total of K445.0 million foreign exchange loans were repaid during the period under review.

18.3.3 Net credit to the central government increased by K6.6 billion to K28.8 billion in March 2011 on account of a K6.9 billion increase in the commercial banks' holdings of Treasury bills. Meanwhile, K272.3 million of the local registered stocks matured during the review period.

18.4 Reserve Bank

18.4.1 The resource position of the Reserve bank of Malawi (RBM) dropped by K518.6 million to K164.1 billion in March 2011 in contrast to an expansion of K37.4 billion to K164.6 billion recorded in June 2010. The outturn was attributed to respective decreases in official sector deposits and currency in circulation of K18.0 and K5.1 billion that was almost offset by increases in unsectored liabilities, foreign sector deposits and commercial banks' deposits of K15.3 billion, K4.1 billion and K3.1 billion, respectively.

18.4.2 Despite the decrease in its resources, the RBM used K11.3 billion of its available resources to extend credit to the central government in form of uptake of Treasury bills. The Bank reduced its investment in the foreign sector by K9.8 billion while unsectored assets contracted by K1.2 billion. Meanwhile, the commercial banks and parastatals' repaid K524.8 million and K314.6 million of their outstanding debts with the RBM during the review period, respectively.

18.5 Money Market

18.5.1 Total subscriptions in 2010 amounted to K134.6 billion compared to a total of K239.2 billion in 2009. This represented an annual decrease of 43.7 percent in 2010 compared to an increase of 41.8 percent recorded in 2009.

TABLE 18.2: TREASURY BILLS PRIMARY MARKET (K'BILLION)

	2009	Qtr 1	Qtr 2	Qtr 3	Qtr 4	2010
Total subscription	239.2	154.7	154.7	154.7	154.7	154.7
Issues	207.6	191.4	60.1	131.3	16.2	109.6
Maturities	209.4	117.5	117.5	117.5	117.5	117.5
OMO Portfolio	60.1	17.8	17.8	17.8	17.8	17.8
Normal	131.3	99.7	99.7	99.7	99.7	99.7
Net Issues(+)/maturities(-)	16.2	-7.9	-7.9	-7.9	-7.9	-7.9
Memorandum Items:						
Ways & Means Advances (end-period)						
Conversions(period total)	27.0	27.0	27.0	27.0	27.0	27.0
Treasury bill debt stock	127.5	84.4	84.4	84.4	84.4	84.4

Source: Reserve Bank of Malawi

18.5.2 A total of K86.4 billion of Treasury bills were issued through the weekly Treasury bill auctions, while K109.2 billion Treasury bills were converted from Ways and Means advances to the Government, thereby bringing total Treasury bill issues in the year to K195.6 billion compared to K207.6 billion in 2009. Overall, the subscriptions did not match the roll-over target and this forced Government to rely on the central bank for financing the gap. This explains the

49.4 per cent increase in OMO issues to K109.2 billion from 73.1 billion in 2009. During 2010, Treasury bill maturities amounted to K205.3 billion, 7.3 per cent higher than total maturities in 2009. Normal maturities decreased to K104.7 billion from K131.3 billion while OMO Treasury bill maturities at K100.6 billion were 67.4 percent higher compared to 2009.

18.6 Domestic Debt Stock

18.6.1 Total domestic debt stock reduced by 10.4 per cent in 2010 and amounted to K154.7 billion from K172.7 billion in 2009. The stock reduced following a decrease in Treasury bill stock, Local registered Stocks (LRS) and Treasury notes held by the Reserve Bank of Malawi. There were no outstanding Ways and Means advances at the close of 2010.

TABLE 18.3: TREASURY BILL HOLDINGS BY SECTOR (K' BILLION)

(end –period)	2009	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2010
Total Treasury bills Stock	127.5	121.2	125.0	128.8	120.7	120.7
Held by:						
Reserve Bank	66.8	64.0	74.5	80.2	73.0	73.0
Banks	29.2	26.4	23.0	22.9	26.6	26.6
Discount Houses	8.7	7.4	5.0	5.2	16.5	4.6
Non-banks	22.8	22.7	22.5	20.5	4.6	16.5

Source: Reserve Bank of Malawi

18.6.2 The stock of Treasury bills declined by 5.3 per cent to K120.7 billion in 2010 from K127.5 billion in 2009. The Reserve Bank of Malawi holdings of Treasury bills rose by 9.3 per cent to K73.0 billion mainly due to conversions of Ways and Means advances into OMO Treasury bills. However, this was not enough to raise the Treasury bill stock since Commercial banks, Discount Houses and the Non-banks sectors reduced their holdings by higher margins: 8.9 percent, 47.1 per cent and 27.6 per cent respectively.

18.6.3 Local Registered Stocks (LRS) declined to K3.4 billion from K3.5 billion due to redemption of K0.15 billion in November and December 2010. Furthermore, Treasury notes held by Reserve Bank of Malawi reduced to K30.6 billion from K31.1 billion in 2009, following redemption of K0.5 billion in February 2010.

18.7 Share Market

18.7.1 Primary Share Market

18.7.1.1 The number of counters on the Stock Exchange remained constant at fifteen (15) in 2010 in the absence of new stock listings on the local bourse during the period under review.

18.7.2 Secondary Share Market

18.7.2.1 During 2010, a total of 592.4 million shares valued at K2, 877.6 million were transacted in 1,795 deals compared to 598.8 million shares that exchanged hands for a turnover of K8,277.1 million in 3,269 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 beginning of the review period. The decrease in MASI was attributed to the drop in Domestic Share Index (DSI) which fell from 4,815.55 points 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. In 2008, 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. Market capitalisation closed off at K1,278.5 billion whereas during the same period in the previous year, it stood at K1,172.1 billion.

Chapter 19

PUBLIC FINANCE

19.1 Overview

19.1.1 The following chapter reviews Central Government budgetary operations for the 2010/11 fiscal year vis-à-vis the 2009/10 fiscal year and outlines the functional and economic classification of estimates for the 2011/12 financial year. The rest of the chapter is ordered as follows; section 19.2 presents a summary of central government budgetary operations, section 19.3 outlines the total revenue, section 19.4 focuses on recurrent expenditures, section 19.5 summarises the development budget, section 19.6 provides some highlights of the 2011/12 budget and the last section presents the implementation challenges of the 2011/12 budget.

19.2 Summary of Central Government Budgetary Operations

19.2.1 The main objective of the 2010/11 budget was to ensure a tight fiscal policy essential to reduce inflationary and real exchange rate pressures and help bolster reserves. To achieve this, fiscal authorities targeted a net repayment of domestic borrowing of around 1.5 percent of GDP which would be achieved by undertaking austerity measures to cut low priority expenditures, shore up revenues while at the same time protecting pro-poor expenditures. Both fiscal and monetary policies were aimed at reorienting expenditure away from consumption towards development. In line with MGDS, Government continued to implement medium term policies that aimed at promoting economic growth and ensuring food security in the country and also undertook civil service wage reform in the 2010/11 fiscal year.

19.2.2 The fiscal performance of the Central Government budgetary operations was relatively improved during the 2010/11 fiscal year compared to the previous year on account of continued higher domestic revenue collections. Although total revenues and grants were 12.8 percent higher than in 2009/10, much of this growth was on account of domestic revenues which grew by 24.2 percent while grants declined by 8.4 percent. Nontax revenues are expected to be higher than expected owing to excellent performance in fuel levies as well as departmental fees and user charges collections. Similarly tax revenues are expected to over-perform when compared to target mainly on account of improved tax administration and compliance. During the year there were some fiscal challenges, including delayed disbursement of budget support from some donors due to delayed release of statements of assessment by the IMF on Malawi's ECF program. By and large, this delay explains the underperformance of Grants.

19.2.3 During the fiscal year, total expenditures and net lending grew by 15.5 percent. Much of this growth was on account of growth in net lending (91.7 percent), growth in development expenditures which were projected at 18.5 percent while recurrent expenditure grew by 13.9 percent. The year under review recorded a fiscal deficit including grants of 1.5 percent of GDP. Going forward to 2011/12 fiscal year, fiscal deficit including grants is estimated to decline to 0.4

percent of GDP. This decline is also a result of government's effort to achieve fiscal restraint that will enable it to achieve a targeted domestic debt repayment of 1.5 percent of GDP whilst at the same time switching from a more consumption oriented budget to a more development focused budget. Table 19.1 gives a summary of Central Government budgetary operations.

TABLE 19.1: CENTRAL GOVERNMENT BUDGETARY OPERATIONS 2009/2010-2011/2012

	2009/10 Approved	*2009/10 Revised*	*2010/11 Approved*	*2010/11 Revised*	*2011/12 Estimate*
Total Revenue and Grants	**244,293**	**263,217**	**287,117**	**296,908**	**307,709**
Domestic Revenue	163,200	171,135	201,748	212,574	242,476
Grants	81,093	92,082	85,369	84,334	65,233
Total expenditure and net lending	**256,835**	**268,418**	**297,084**	**309,995**	**303,724**
Recurrent expenditure	188,247	195,457	216,907	222,643	233,828
Development expenditure	66,588	71,761	77,877	85,052	69,897
Net lending	2,000	1,200	2,300	2,300	0
Deficit					
Excluding Grants 1a	-93,635	-97,283	-95,336	-97,421	-61,248
Including Grants 1b	**-12,542**	**-5,201**	**-9,967**	**-13,087**	**3,985**
Financing	**12,542**	**5,201**	**9,967**	**13,087**	**-3,985**
Foreign Borrowing (Net)	18,975	17,885	21,037	24,948	11,378
Borrowing	20,443	19,286	23,093	27,004	13,747
Repayment 2a	-1,468	-1,401	-2,056	-2,056	-2,369
Domestic Borrowing (Net) 2b	-6,433	-15,050	-11,920	-11,861	-15,363
Privatisation Proceeds		2,300	850		
Other Financing (Include Special T-Bills	-	-	-		-
		(As percentage of GDP)			
Revenue (Excluding Grants)	*21.42*	*22.46*	*23.12*	*24.36*	*24.31*
Revenue (Including Grants)	*32.06*	*34.55*	*32.90*	*34.02*	*30.85*
Total Expenditure	*33.71*	*35.23*	*34.04*	*35.52*	*30.45*
Recurrent expenditure	*24.71*	*25.65*	*24.86*	*25.51*	*23.45*
Development expenditure	*8.74*	*9.42*	*8.92*	*9.75*	*7.01*
Deficit (Excluding Grants)	*-12.29*	*-12.77*	*-10.93*	*-11.16*	*-6.14*
Deficit (Including Grants)	*-1.65*	*-0.68*	*-1.14*	*-1.50*	*0.40*
Domestic Borrowing (Net)	*-0.84*	*-1.98*	*-1.37*	*-1.36*	*-1.54*
GDP at Current Market Prices	***761,936***	***761,936***	***872,638***	***872,638***	***997,298***

1a & 1b: + indicates a fiscal surplus/- indicates a fiscal deficit

2a & 2b: + indicates a net borrowing position/- indicates a net repayment position

Source: Ministry of Finance

19.3 Total Revenue and Grants

19.3.3 Although total revenues and grants grew in comparison to their level last year, its relative share in GDP was stable. In 2010/11 total revenues and grants represented 34.0 percent of GDP while the same was 34.6 percent in 2009/10.

19.4 Domestic Revenue

19.4.1 Domestic revenue improved both in absolute and relative terms. While they grew by 24 percent in 2010/11 over their level in 2009/10 and as a share of GDP domestic revenues in 2010/11 represented 24.4 percent of GDP compared to 22.5 percent of GDP in 2009/10 financial year. Domestic revenues were still firm mainly on account of better performance in tax revenues and improved tax administration. Net tax revenues in 2010/11 improved to 20.4 percent compared to 18.4 percent in the preceding fiscal year. This outturn arose from a significant growth registered under taxes on goods and services as well as taxes on income and profits. Nontax revenues in 2010/11 fiscal year rose to 4.3 percent of GDP from 4.1 percent in the 2009/10 fiscal year on account of sound performance in fuel levies. Looking forward, net tax revenues in 2011/12 are estimated to increase to 20.4 percent of GDP from 20.1 percent of GDP buoyed by fuel levies. The performance of the domestic revenue collections continues to mirror the overall growth of the economy.

TABLE 19.2: CENTRAL GOVERNMENT REVENUE 2009/2010 - 2011/2012

	2009/10 Approved	2009/10 Revised	2010/11 Approved	2010/11 Revised	2011/12 Estimate
A. GROSS TAX REVENUE	**146,420.00**	**148,550.00**	**178,195.88**	**183,022.00**	**211,656.68**
1. TAXES ON INCOME AND PROFITS	61,520.00	64,205.00	76,147.19	76,171.67	86,813.06
Companies	17,700.00	20,171.00	24,874.09	23,354.21	27,240.58
Individuals	43,200.00	43,348.00	50,506.34	52,151.97	58,814.39
Non Resident Tax	700.00	691.00	941.99	1,019.91	1,167.80
P.A.Y.E	32,500.00	32,830.00	36,910.27	36,921.73	42,775.38
Withholding Tax	8,000.00	7,827.00	9,936.32	11,423.34	11,680.10
Fringe Benefit Tax	2,000.00	2,000.00	2,717.76	2,787.00	3,191.12
Other*	620.00	686.00	766.76	665.49	758.10
2. TAXES ON GOODS AND SERVICES	**68,900.00**	**68,483.00**	**83,615.93**	**87,608.68**	**102,811.94**
VAT 45,500.00	45,575.00	56,601.69	59,156.15	69,733.79	
Excise Duties	23,400.00	22,908.00	27,014.24	28,452.53	33,078.15
3. INTERNATIONAL TRADE TAXES	**16,000.00**	**15,862.00**	**18,432.76**	**19,241.64**	**22,031.68**
Customs Duties	16,000.00	15,862.00	18,432.76	19,241.64	22,031.68
Import Duties	15,800.00	15,662.00	18,227.76	19,044.57	21,806.04
Miscellaneous Duties	200.00	200.00	205.00	197.07	225.64
4. *Less*: TOTAL TAX REFUNDS	6,520.00	8,520.00	7,000.00	8,000.00	8,152.40
5. NET TAX REVENUE	**139,900.00**	**140,030.00**	**171,195.88**	**175,022.00**	**203,504.28**
B. NON TAX REVENUE	**23,301.00**	**31,105.00**	**30,552.41**	**37,552.41**	**38,972.51**
Stabilization Fund	3,060.00				
Departmental Receipts	10,072.00	15,014.00	9,263.00	14,869.37	13,300.43
Other Revenue (dividends etc)	300.00	700.00	1,800.00	1,917.83	2,195.92
Receipts from PIL	9,869.00	13,391.00	19,489.41	20,765.22	23,476.17
RBM Profits		2,000.00			
GROSS DOMESTIC REVENUE	169,721.00	179,655.00	208,748.29	220,574.41	250,629.20

NET DOMESTIC REVENUE	163,201.00	171,135.00	201,748.29	212,574.41	242,476.80
Percent of GDP					
GROSS TAX REVENUE	19.2	19.5	20.4	21.0	21.2
Taxes on Income and Profit	8.1	8.4	8.7	8.7	8.7
Taxes on Goods and Services	9.0	9.0	9.6	10.0	10.3
International Trade Taxes	2.1	2.1	2.1	2.2	2.2
NET TAX REVENUE	18.4	18.4	19.6	20.1	20.4
NON-TAX REVENUE	3.1	4.1	3.5	4.3	3.9
GRAND TOTAL	22.3	23.6	23.9	25.3	25.1
GDP at Current Market Prices	**761,936.32**	**761,936.32**	**872,637.67**	**872,637.67**	**997,298**

Source: Ministry of Finance

19.5 Central Government Recurrent Expenditures

19.5.1 Total expenditures and net lending in 2010/11 fiscal year were projected at K297.1 billion at the beginning of the financial year and revised upwards to K309.9 billion at the mid year. On the one hand, recurrent expenditures increased from MK195.4 billion in 2009/10 to an estimated MK222.6 billion in 2010/11 (Table 19.1). This was mainly attributed to increased resources that became available during the year, which necessitated corresponding increases in social spending and investment, without jeopardizing the attainment of a high domestic debt repayment target of 1.5 percent of GDP as agreed with the International Monetary Fund (IMF) under the current extended facility credit facility programme. As a result, measures were put in place in the second half of the year to ensure improved disbursement of pledged donor funds to maximize overall inflows into the Budget, while being supported by measures to control spending. With indications that donor inflows increased in the course of the financial year in line with Government projections, and that spending would be contained within the projected limits, the expectation is that government will achieve its goal of repaying substantial amounts of its domestic debt. Going forward and building on macro-fiscal developments, it is estimated that recurrent expenditure will reduce to 23.4 percent of GDP in 2011/12 from 25.5 percent in the previous fiscal year.

19.5.2 Tables 19.3 and 19.4 present the functional and economic classifications of the recurrent budget, respectively. Although total recurrent expenditure grew by 13.9 percent, the allocation within different functional groups varied. Whereas Community Services and Economic Services grew by 45.1 percent and 46.3 percent respectively, spending on general public services in 2010/11 were 71 percent of their level in 2009/10 reflecting a move toward a leaner and more efficient public service. Relative to GDP, total expenditure is expected to reduce to 30.5 percent of GDP in 2011/12 financial year from 35.5 percent of GDP in the present year in order to achieve a targeted domestic debt repayment of 1.5 percent of GDP. Relative to GDP, within recurrent expenditures, spending on general public services has steadily declined while economic services and Social Community Services have marginally grown overtime, accounting for the largest share of total recurrent expenditure in 2010/11 financial year with respective shares of 11.6 and 7.0 percent of GDP. Going forward, Economic services and general public services are both expected to contribute the equivalent of 6.5 percent, whilst social community services is estimated to contribute 10.5 percent in 2011/12.

19.5.3 In line with aims and objectives of the MGDS and broader Millennium Development Goals (MDGs), within Social and Community Services allocation to health affairs has grown by 117 percent, followed by education (62 percent) and recreational, cultural and other services. Consistent with recent economic developments, within Economic Service sub-function, the single largest growing sub-sector is transport and communication which grew by 377 percent followed by Physical Planning and Development which grew by 147 percent in 2010/11. This reflects sustained efforts by Government to ensure sustainable economic growth as set out in the MGDS by improving and supporting the economic services through physical infrastructure development.

TABLE 19.3: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE 2009/2010-2011/2012

	2009/10 Approved	2009/10 Revised	2010/11 Approved	2010/11 revised	2011/12 estimate
General Public Services	**80741**	**83863**	**60850**	**60231**	**64658**
General Administration	63878	66347	45402	42448	42448
Defence Affairs	8122	8436	6065	6798	7087
Public Order and Safety Affairs	8742	9080	9382	10985	15124
Social and Community Services	**67060**	**69653**	**93131**	**101032**	**104675**
Education Affairs and Services	25839	26838	37100	43726	47426
Health Affairs and Services	19233	19976	42639	43418	37010
Social Security and Welfare Affairs Services	16366	16998	8311	8610	13140
Housing and Cummunity Amenity Services	3959	4112	3405	3508	4990
Recreational, Cultural & Other Social Services	469	487	784	787	847
Broadcasting , Publishing Affairs & Services	1196	1242	892	984	1261
Economic Services	**40379**	**41941**	**62926**	**61379**	**64495**
Energy and Mining Services	285	296	1679	1733	1722
Agriculture and Natural Resources	35636	37014	29724	32783	29290
Tourism Affairs and Services	-	-	716	739	700
Physical Planning and Development	1131	1175	2857	2907	2960
Transport and Communication Services	1787	1856	10776	8869	12622
Industry and Commerce	596	619	474	489	482
Labour Relations and Employment Services	671	697	312	320	359
Scientific and Technological Services	273	284	112	112	350
Other Economic Services	0	0	16276	13428	16011
Total Recurrent Expenditure	188,181	195,457	216,907	222,643	233,828
(as a per cent of GDP)					
GENERAL PUBLIC SERVICES	10.6	11.0	7.0	6.9	6.5
SOCIAL AND COMMUNITY SERVICES	8.8	9.1	10.7	11.6	10.5
ECONOMIC SERVICES	5.3	5.5	7.2	7.0	6.5
TOTAL RECURRENT EXPENDITURE	24.7	25.7	24.9	25.5	23.4
GDP at Current Market Prices	**761,936**	**761,936**	**872,638**	**872,638**	**997,298**

Source: Ministry of Finance

19.5.4 Recurrent expenditure as shown in the Economic Classification table (see Table 19.4), 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 the equivalent of 18.2 percent of total GDP in 2010/11 fiscal year, representing an increase of 3.5 percent of GDP in 2009/10 financial year. In absolute terms, Gross consumption grew by 24 percent and in 2011/12 it is expected to grow by 4 percent. This notwithstanding, relative to GDP, its share is expected to decline to 16.7 percent of GDP. The decrease in the share of consumption related expenditures to GDP is as a manifestation of government's commitment to ensure that more resources are channelled toward development expenditure, more particularly towards infrastructural development and agriculture. On the other hand, interest on debt declined to 2.3 percent of GDP in 2010/11 and is expected to further decline to 2.0 percent of GDP at the close of 2011/12, on account of a reduction in domestic debt stock and meeting the targeted debt repayment of 1.5 percent of GDP .

TABLE 19.4: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE 2009/2010-2011/2012

	2009/10 Approved	2009/10 Revised	2010/11 Approved	2010/11 Revised	2011/12 Estimate
Gross Consumption	**123,139**	**127,900**	**156,394**	**159,031**	**166,497**
Compensation of Employees	60,592	62,935	57,748	57,948	66,008
Use of Goods and Services	62,546	64,965	98,647	101,083	100,488
Less: Fees, Sales and Recoveries	-	-			
Net Consumption	123,139	127,900	156,394	159,031	166,497
Interest on Debt	**35,527**	**36,901**	**20,127**	**20,127**	**19,795**
Pensions and Gratuities	**10,587**	**10,996**	**7,400**	**7,600**	**12,000**
Grants, Subventions and Transfers	**3,027**	**3,144**	**32,986**	**35,885**	**35,536**
Public Bodies	224	233	11,757	11,757	13,930
Local Authorities	2,754	2,860	21,229	24,128	21,606
Private	2	2	0	0	0
Abroad	47	48	0	0	0
Gross Fixed Capital Formation	**9,669**	**10,042**	**0**	**0**	**0**
Loans and Capital Transfers	**6,232**	**6,473**	**0**	**0**	**0**
Total Recurrent Expenditures	**188,181**	**195,457**	**216,907**	**222,643**	**233,828**
Grand Total	**188,181**	**195,457**	**216,907**	**222,643**	**233,828**
(As percent of GDP)					
Gross Consumption	14.1	14.7	17.9	18.2	16.7
Interest on Debt	4.1	4.2	2.3	2.3	2.0
Pensions and Gratuities	1.2	1.3	0.8	0.9	1.2
Grants, Subventions and Transfers	0.3	0.4	3.8	4.1	3.6
Gross Fixed Capital Formation	1.1	1.2	0.0	0.0	0.0
Total Recurrent Expenditures	21.6	22.4	24.9	25.5	23.4
GDP at Current Market Prices	761,936	761,936	872,638	872,638	997,298

Source: Ministry of Finance

19.6 Development Expenditure

19.6.1 Development Budget Expenditure in 2010/11 fiscal year was estimated at K77.8 billion at the beginning of the financial year and was revised upwards to K85 billion at the mid year in line with the projected new inflows to the Budget. The functional and economic classification of development expenditure is presented in tables 19.5 and 19.6, respectively. In absolute terms, total development expenditure is expected to increase to 9.8 percent of GDP in 2010/11 up from 9.4 percent of GDP in 2009/10 financial year. The increase is consistent with governments drive to ensure more resources are channelled towards infrastructure development. The 2010/11 capital budget increased mainly on account of some major ongoing local and donor funded road projects.

19.6.2 Going forward development expenditure in 2011/12 is expected to slow down to 7.0 percent of GDP. In 2011/12 the decrease is largely on account of a decrease in actual outlays toward economic services, however this is offset by an increase in resources towards general public services and social and community services accounting for an increase of 1.8 percent and a constant real contribution of 2.2 percent of GDP respectively, with education, health and general administration taking larger amounts.

TABLE 19.5: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2009/2010-2011/2012

	2009/10 Approved	2009/10 Revised	2010/11 Approved	2010/11 Revised	2011/12 Estimate
General Public Services	**14,476**	**15,600**	**13,017**	**11,140**	**17,601**
General Administration	13,250	14,279	11,016	9,418	14,873
Defence Affairs	376	405	284	284	685
Public Order and Saftey Affairs	850	916	1,716	1,437	2,043
Social and Community Services	**28,016**	**30,194**	**17,118**	**19,584**	**21,856**
Education Affairs and Services	5,955	6,418	4,744	4,744	6,540
Health Affairs and Services	15,243	16,428	3,505	3,505	5,541
Social Security and Welfare Affairs and Services	764	823	2,715	2,715	1,224
Housing and Cummunity Amenity Services	5,581	6,015	5,614	5,765	7,827
Recreational, Cultural and Other Social Services	360	388	540	2,855	500
Broadcasting and Publishing Affairs and Servies	113	122	0	0	224
Economic Services	**24,096**	**25,968**	**47,742**	**54,328**	**30,440**
Energy and Mining Services	1,041	1,122	1,124	2,952	1,022
Agriculture and Natural Resources	7,820	8,427	5,925	11,314	11,875
Tourism Affairs and Services	0	0	708	788	2,150
Physical Planning and Development	0	0	0	0	1,083
Transport and Communication Services	14,712	15,855	39,645	38,934	14,231
Industry and Commerce	510	550	0	0	0
Labour Relations and Employment Services	13	14	0	0	80
Scientific and Technological Services			341	341	0
Total Development Expenditure	**66,588**	**71,762**	**77,877**	**85,052**	**69,897**
(As percentage of GDP)					
GENERAL PUBLIC SERVICES	1.9	2.0	1.5	1.3	1.8
SOCIAL AND COMMUNITY SERVICES	3.7	4.0	2.0	2.2	2.2
ECONOMIC SERVICES	3.2	3.4	5.5	6.2	3.1
TOTAL DEVELOPMENT EXPENDITURE	**8.7**	**9.4**	**8.9**	**9.7**	**7.0**
GDP at Current Market Prices	**761,936**	**761,936**	**872,638**	**872,638**	**997,298**

Source: Ministry of Finance

19.6.3 In the economic classification of the development expenditure shown in table 19.6 Gross consumption continued to dominate followed by gross fixed capital formation. In 2010/11 financial year, gross fixed capital formation stood at 4.6 percent of GDP while Gross consumption was at 4.9 percent of GDP. An upsurge in gross consumption in 2010/11 was largely explained by outlays toward use of goods and services. In 2011/12 fiscal year gross consumption is expected to decrease to 3.5 percent of GDP, while Gross fixed capital formation is projected to slow down to 2.6 percent of GDP.

TABLE 19.6: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2009/2010-2011/2012

	2009/10 Approved	2009/10 Revised	2010/11 Approved	2010/11 Revised	2011/12 Estimate
Gross Consumption	**33,551**	**36,158**	**39,239**	**42,854**	**35,218**
Compensation of Employees	2,292	2,470	2,681	2,927	2,406
Use of Goods and Services	31,259	33,688	36,558	39,927	32,812
Grants	**7,897**	**8,511**	**9,236**	**10,087**	**8,290**
Gross Fixed Capital Formation	**25,139**	**27,093**	**29,401**	**32,110**	**26,389**
Building	10,076	10,859	11,784	12,870	10,577
Construction Works	6,123	6,599	7,161	7,821	6,427
Services	3,401	3,665	3,977	4,344	3,570
Equipment	5,540	5,970	6,479	7,076	5,815
Total Development Expenditures	66,588	71,762	77,877	85,052	69,897
(as percentage of GDP)					
Gross Consumption	4.4	4.1	4.5	4.9	3.5
Compensation of Employees	0.3	0.3	0.3	0.3	0.2
Use of Goods and Services	4.1	3.9	4.2	4.6	3.3
Gross Fixed Capital Formation	3.3	3.1	3.4	3.7	2.6
Total Development Expenditures	8.7	8.2	8.9	9.7	7.0
GDP at Current Market Prices	761,936	761,936	872,638	872,638	997,298

Source: Ministry of Finance

19.7 Highlights of the 2011/12 Budget

19.7.1 For the first time in Malawi's history, the 2011/12 budget will be a zero-deficit budget. All recurrent expenditures will be funded from domestic resources. Grants will be tied to specific projects and activities in order to enhance transparency in execution, monitoring and also to avoid unplanned domestic borrowing incurred when grants are either delayed or fall short of its targets. Consequently, Government will maintain the targeted domestic debt servicing of around 1 to 1.5 percent of GDP. The 2011/12 budget also reflects government's decision to reorient expenditures away from consumption towards development.

19.7.2 Government intends to increase the tax revenue to GDP ratio by around 0.5 percent of GDP per year until fiscal year 2014/15. This will be achieved mainly by broadening the tax base and improved tax administration.

19.7.3 Starting this year, the budget has been formulated within a medium term budget framework. Revenue and expenditure estimates are for the next three years and this rolling window will continue in future. This framework is in line with the new Malawi Growth and Development Strategy, which is medium term strategy.

19.7.4 In the medium term tax policy reforms will continue to aim at facilitating domestic production, enhancing value addition, encouraging exports and investments in productive sectors through various tax policy instruments whilst enhancing revenue yield.

19.7.5 Government further intends to introduce new tax policy reforms and to improve on the previous tax policies. These include: automation of tax collection operations, tax payment through banks, electronic filing of tax returns, aligning import tariffs with regional integration agreements, and review of withholding tax regime. In addition Government plans to introduce other reforms in the collection of consumption taxes through introduction of Electronic Tax Registers (ETRs) and installation of container cargo scanners to curb smuggling among others.

19.7.6 In an effort to improve the efficiency and effectiveness of collecting more non tax revenue, various non-tax policy reforms have been introduced. Among major reforms being implemented include review of user fees and charges to reflect their economic value; improved methods of forecasting and estimation of non-tax revenues; monitoring of all non-tax revenue collecting departments; payment of revenue through banks; and introduction of Appropriation-Aid System as an incentive to revenue collection.

19.7.7 The 2011/12 budget will continue to implement the input subsidy programme. The cost of the subsidy programme is expected to go up as fertilizer prices and fuel prices have gone up at the international markets.

19.8 Major Challenges of the Budget

19.8.1 Within a background of the economic and functional analysis undertaken above, the budget still faces a few challenges. These include the ongoing global fuel crisis due to political unrest in the Middle East and North Africa which may affect domestic prices and cost of distribution and transportation. In addition, although Malawi was spared the brunt of the global financial crisis, hangover effects from 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. Furthermore another serious challenge that this budget faces is the delayed disbursement of foreign grants, which poses a risk in the successful implementation of the fiscal program. Ultimately, these challenges continue to restrict smooth implementation of the budget on one hand while the resulting high domestic debt service costs as a result of Government opting to borrow domestically to cover up the foreign grants shortfalls, continue to divert a lot of scarce budgetary resources away from financing current development plans and improving public service delivery. Rising oil and fertilizer prices on the international market may affect implementation of the budget. Low tobacco prices on the auction floors also poses challenges with possible negative effects on incomes thereby reducing tax revenue collections.