ANNUAL ECONOMIC REPORT 2015

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Chapter 1

THE WORLD ECONOMIC OUTLOOK

1.1 World Output

1.1.1 World Output Developments in 2014

Global output growth remained static at 3.4 percent in 2014 as in the previous year, reflecting a pickup in advanced economies against a slowdown in emerging market and developing economies. Despite the slowdown, emerging markets and developing economies still accounted for about 75 percent of the global growth in 2014.

TABLE 1.1: WORLD OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2013	2014	2015	2016
Global Growth	***3.4***	***3.4***	***3.5***	***3.8***
Sub-Saharan Africa	***5.2***	***5.0***	***4.5***	***5.1***
Advanced Economies	***1.4***	***1.8***	***2.4***	***2.4***
United States of America	*2.2*	*2.4*	*3.6*	*3.3*
Euro Area	*-0.5*	*0.9*	*1.5*	*1.6*
Germany	*0.2*	*1.6*	*1.6*	*1.7*
France	*0.3*	*0.4*	*1.2*	*1.5*
United Kingdom	*1.7*	*2.6*	*2.7*	*2.3*
Japan	*1.6*	*-0.1*	*1.0*	*1.2*
Canada	*2.0*	*2.5*	*2.2*	*2.0*
Emerging Market and Developing Economies	***5.0***	***4.6***	***4.3***	***4.7***
Developing Asia	*7.0*	*6.8*	*6.6*	*6.4*
China	*7.8*	*7.4*	*6.8*	*6.3*
India	*6.9*	*7.2*	*7.5*	*7.5*
Commonwealth of Independent States	*2.2*	*1.0*	*-2.6*	*0.3*
Emerging and Developing Europe	*2.9*	*2.8*	*2.9*	*3.2*
Latin America and the Caribbean	*2.9*	*1.3*	*0.9*	*2.0*
Middle East and North Africa	*2.4*	*2.6*	*2.9*	*3.8*

Source: IMF World Economic Outlook April 2015

Advanced economies registered a growth of 1.8 percent in 2014. Growth in the United States was higher than projected during the last three quarters of 2014 on account of declining unemployment rate, lower oil prices and improved consumer confidence. Economic activity in the euro area was however weaker than expected. Nevertheless, the region registered positive growth of 0.9 percent supported by lower oil prices and higher net exports. Economic performance in emerging and developing economies fell short of expectations and registered a growth of 4.6 percent in 2014 compared to a growth rate of 5.0 percent in 2013. The slowdown was largely attributed to declining investments in China which adversely affected commodity prices. As a result, there was a weak growth momentum in commodity exporting countries and others with close trade links to China.

1.1.2. World Output Prospects for 2015 and 2016

Global output growth has been revised downwards by 0.3 percentage points to 3.5 percent in 2015, reflecting weaker projected growth in emerging markets. The growth in 2015 will be driven by a rebound in advanced economies to 2.4 percent, supported by the decline in oil prices, with the United States playing the most important role.

For emerging markets, in contrast, growth is projected to decline in 2015. Factors explaining the decline include sharp downward revisions of growth for oil exporters, especially countries facing difficult initial conditions in addition to the oil price shock (for example Russia and Venezuela); a slowdown in China that reflects a move toward a more sustainable pattern of growth that is less reliant on investment; and a continued weakening of the outlook for Latin America resulting from a softening of other commodity prices. However, in emerging market oil importers, a more limited pass-through to consumers of the windfall gains from lower oil prices will reduce the expected boost to growth, as lower prices are likely to accrue in part to governments in the form of savings from energy subsidies.

In 2016, global growth is projected to rebound to 3.8 percent on account of a pickup in emerging and developing economies, primarily reflecting a partial waning of setbacks to domestic demand and production in a number of countries, including Brazil and Russia.

1.2. Regional Output

1.2.1. Regional Output Developments in 2014

The Sub-Saharan Africa region continues to register strong economic growth. The region registered a growth rate of 5.0 percent in 2014 down from 5.2 percent in 2013. The slowdown in growth is mainly due to declining commodity prices and the epidemic in Ebola-affected countries. Despite these setbacks, oil-importing countries benefited from the fall in global oil prices leading to lower imported prices and inflation rates. Elsewhere in the region, growth was driven by strong investment in mining and infrastructure and by private consumption.

TABLE 1.2: REGIONAL OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2013	2014	2015	2016
Global Growth	***3.3***	***3.3***	***3.5***	***3.7***
Sub-Saharan Africa	***5.2***	***5.0***	***4.5***	***5.1***
Tanzania	*7.3*	*7.2*	*7.2*	*7.1*
Zambia	*6.9*	*5.4*	*6.7*	*6.9*
Mozambique	*7.4*	*7.4*	*6.5*	*8.1*
Zimbabwe	*4.5*	*3.2*	*2.8*	*2.7*
South Africa	*2.2*	*1.5*	*2.0*	*2.1*
Nigeria	*5.4*	*6.3*	*4.8*	*5.0*

Source: IMF World Economic Outlook April 2015

Malawi’s three immediate neighbours, Tanzania, Mozambique and Zambia, continued to register high growth rates in 2014, though there was a slowdown in growth for the Zambian economy as it grew at 5.4 percent in 2014 down from 6.9 percent in 2013. Mozambique and Tanzania continue to register high growth rates of above 7.0 percent. Growth in South Africa fell from 2.2 percent in 2013 to 1.5 percent in 2014, on account of industrial strikes in the mining sector, low business confidence and electricity supply constraints.

1.2.2. Regional Output Prospects for 2015 and 2016

Growth in the Sub-Saharan Region remains strong but is expected to slow to 4.5 percent in 2015 from 5.0 percent in 2014. The projected slowdown is on account of the adverse effects of the Ebola epidemic and declining prices in both fuel and non-fuel commodities which will weigh heavily on the regions exports. In contrast, projected growth in the region.s oil importers is broadly unchanged, as the favourable impact of lower oil prices is offset to a large extent by lower prices of commodity exports. South Africa’s growth rate is expected to rise to 2.0 percent this year, and 2.1 percent in 2016, reflecting more binding electricity supply constraints and a tighter fiscal stance in 2016 than previously projected. Downside risks remain, such as a rebound of oil prices, further weakening of growth in Europe or in emerging markets, such as China, which could reduce demand for exports from the region and restrain foreign direct investment.

1.3. Inflation and World Commodity Prices

1.3.1. Inflation and World Commodity Prices in 2014

Headline inflation in advanced economies remained stable at 1.4 percent in 2014 as in the previous year. In the euro area, headline inflation turned negative in December 2014, and medium-term inflation expectations have dropped substantially since mid-2014, although they have stabilised somewhat after the European Central Bank’s recent action on quantitative easing. In emerging markets, lower prices for crude oil and other commodities, including food, contributed to a reduction in inflation to an average of 5.1 percent from 5.9 percent in the preceding year, with the notable exception of countries suffering sizable exchange rate depreciations, such as Russia.

TABLE 1.3: CONSUMER PRICES AND WORLD COMMODITY PRICES (ANNUAL PERCENTAGE CHANGE)

	2013	2014	2015	2016
Consumer Prices Growth				
Advanced Economies	*1.4*	*1.4*	*0.4*	*1.4*
Emerging Market and Developing Economies	*5.9*	*5.1*	*5.4*	*4.8*
Sub-Saharan Africa	*6.5*	*6.3*	*6.6*	*7*
Commodity Prices Growth				
Oil	*–0.9*	*-7.5*	*-39.6*	*12.9*
Non-fuel	*-1.2*	*-4.0*	*-14.1*	*-1.0*

Source: IMF World Economic Outlook April 2015

International prices for both fuel and non-fuel commodities registered a decline in 2014. Oil prices fell by 7.5 percent whereas non-fuel commodity prices decreased by 4.0 percent. Despite the overall decline, prices for sugar and mild coffee increased by 5.4 percent.

1.3.2. Inflation and World Commodity Price Prospects in 2015 and 2016

Inflation is projected to decline in 2015 in both advanced economies and most emerging markets and developing economies, primarily due to the decline in oil prices. The pass-through of lower oil prices into core inflation is expected to remain moderate, in line with recent episodes of large changes in commodity prices.

Inflation in advanced economies is projected to drop to 0.4 percent in 2015 and rise in 2015 to 1.4 percent but generally remain below central bank targets. The projected pick-up in economic activity, together with the recovery in oil prices and the impact of the euro depreciation, is assumed to bring about an increase in both headline and core inflation starting in the second quarter of 2015. In emerging market economies, the decline in oil prices and a slowdown in activity are expected to contain inflationary pressures to 5.4 percent in 2015 and 4.8 percent in 2016. However, countries that experienced large nominal exchange rate depreciations are a notable exception to this trend.

Oil prices are projected to decline further by 39.6 percent in 2015, averaging $58.14 per barrel in the United States. Prices are however expected to pick up by 12.9 percent in 2016, to an average of $65.65 per barrel. Similarly, overall non-fuel commodity prices are projected to decline by 14.1 percent in 2015 and 1.0 percent in 2016. On the other hand, prices for tea are projected to pick up on account of dry weather conditions in Kenya that has reduced supply, whereas expectations of nuclear power generation in Japan and increased capacity in China is likely to boost uranium prices.

1.4. Global Financial Sector

1.4.1. Global Financial Sector Developments in 2014

The drop in long-term interest rates, looser monetary policy, and compressed spreads in advanced economies were supportive of economic recovery in 2014. Factors influencing the decline in interest rates include lower inflation expectations, resulting from continuing weakness of inflation outcomes, the sharp decline in oil prices and weak domestic demand in the euro area and Japan. Financial stability concerns associated with a protracted period of low interest rates remain important issues particularly in advanced economies with modest slack. According to the October 2014 Global Financial Stability Report, despite the steady recovery in stock markets since the crisis, investment has remained subdued.

TABLE 1.5: LONDON INTERBANK OFFER RATES (PERCENTAGE)

	2013	2014	2015	2016
London Interbank Offered Rate (LIBOR)				
On US Dollar Deposits (six months)	*0.7*	*1.9*	*0.0*	*0.0*
On Euro Deposits (three months)	*0.0*	*0.0*	*0.0*	*-0.1*
On Japanese Yen Deposits (Six Months)	*0.1*	*0.2*	*0.0*	*0.1*

Source: IMF World Economic Outlook April 2015

Accommodative monetary policies by the Bank of Japan and the European Central Bank also played a role in reducing term premiums. Although the Federal Reserve wound down its asset purchases in late 2014, economic recovery in the United States has been stronger than expected resulting in increased demand for U.S. assets, as reflected in a sharp appreciation of the dollar. Furthermore, subdued inflationary pressure has exerted a downward pressure on long-term US Treasury yields. Similarly, monetary policy conditions have eased in several emerging market oil importers on account of reduced inflationary pressures being supported by declining oil prices.

1.4.2. Global Financial Sector Prospects in 2015 and 2016

Global financial conditions are assumed to remain accommodative in 2015 and 2016, with some gradual tightening. This is primarily due to the rise in 10-year yields on US Treasury bonds, as the expected date for a move from the zero-bound rates in the US approaches. The process of normalising monetary policy in the United Kingdom and the United States is assumed to proceed smoothly, without large and protracted increases in financial market volatility or sharp movements in long term interest rates.

1.5. International Trade

1.5.1. International Trade Developments in 2014

Growth in world trade registered a marginal slowdown in 2014 to 3.4 percent from 3.5 percent in the previous year. Part of this slowdown is explained by weaker than expected GDP growth. Annual growth in imports for emerging market economies slowed to 3.7 percent from 5.5 percent. In contrast, demand for imports in advanced economies increased by 3.3 percent on account of declining global oil and commodity prices. With regard to exports, declining investment in China and falling commodity prices led to a decrease exports from developing economies during 2014.

TABLE 1.6: WORLD IMPORTS AND EXPORTS (ANNUAL PERCENTAGE CHANGE)

	2013	2014	2015	2016
World Trade Volume (Goods and Services)	***3.5***	***3.4***	***3.7***	***4.7***
Imports (percentage Change)				
Advanced Economies	*2.1*	*3.3*	*3.3*	*4.3*
Emerging Market and Developing Economies	*5.5*	*3.7*	*3.5*	*5.5*
Exports (Percentage Change)				
Advanced Economies	*3.1*	*3.3*	*3.2*	*4.1*
Emerging Market and Developing Economies	*4.6*	*3.4*	*5.3*	*5.7*

Source: IMF World Economic Outlook April 2015

Capital flows to and from advanced economies remained relatively subdued, in line with the post crisis pattern. Global current account imbalances remained broadly stable in 2014, after several years of contraction.

1.5.2. International Trade Prospects for 2015 and 2016

Looking ahead, global trade is projected to increase by 3.7 percent and 4.7 percent in 2015 and 2016, respectively. The continued high growth rates in the developed world are expected to spur trade in 2015 and 2016.

For the first time since 1998, oil exporting countries are projected to register aggregate current account deficits. The most notable development in this respect is the projected fading of the aggregate current account surplus in fuel exporters in 2015. Oil exporters are projected to return to current account surpluses with the recovery in oil prices, but these surpluses are expected to be smaller than during the past decade.

Growth in exports in emerging markets and developing economies is expected to be higher than imports, at 5.3 percent in 2015 and 5.7 in 2016. Economic growth in advanced economies is expected to drive up demand for imports from these countries.

Chapter 2

MACROECONOMIC PERFORMANCE IN 2013 AND PROSPECTS FOR 2014 AND 2015

2.1 Overall Economic Performance and Forecast

In 2014, Malawi attained GDP growth of 6.0 percent. All sectors of the economy were estimated to have registered positive growth rates in the year, except the mining and quarrying sector which was negatively affected by the suspension of operations at the Kayelekera Uranium Mine. In particular, growth was driven by the agricultural, manufacturing and wholesale and retail trade sectors, as well as information and communication. Most firms attributed the positive growth to higher crop production, the steady decline in inflation rates, the availability of fuel and foreign exchange, and the reliability of electricity supply. Despite these positive outcomes, higher growth potential was dampened by the instability of the exchange rate, high interest rates, high cost of inputs, such as utilities and fuel and financial mismanagement in the public sector christened as cashgate.

Initial estimates for GDP growth in 2015 expect the economy to expand by 5.4 percent, a marginal decrease from the 6.0 percent growth rate registered in 2014. The marginal slowdown in growth is mainly attributable to reduced performance in the agricultural sector which is the driving force of the economy. Adverse weather conditions, including the late onset of rains, floods that plagued some part of the country in January 2015 and the dry spells experienced in many districts are some of the underlying factors of slower growth in the sector. This will also translate to lower growth rates in other sectors of the economy, mainly manufacturing and wholesale and retail trade, as performance in such sectors is directly linked to performance in agriculture.

Nevertheless, the economy will continue growing as macroeconomic fundamentals are expected to continue to improve. In particular, the economy will benefit from lower fuel prices, due to a significant decrease in global oil prices in 2015, lower inflation rates, a more stable exchange rate and greater availability of fuel and foreign exchange. On the other hand, some challenges faced by businesses in 2014 are expected to remain, namely: high interest rates and the high cost of utilities.

In 2016, the economy is projected to perform better than in 2015 and it is estimated to grow at a rate of 6.5 percent. The increase in growth is attributed to continued favourable macroeconomic fundamentals, particularly a decreasing rate of inflation, and an expected stable exchange rate, among others. In addition, the strong real GDP growth for the year is on the premise that the country will experience normal weather conditions which would result in a rebound in agricultural output.

TABLE 2.1: GDP BY ACTIVITY AT CONSTANT PRICES, (IN MK' MILLION)

	Constant 2010 Prices (in K'million)				
Sector	2012	2013	2014	2015*	2016*
Agriculture, forestry and fishing	326 761	347 179	368 910	389 013	412 397
Mining and quarrying	11 240	12 021	11 467	11 695	12 067
Manufacturing	104 303	110 096	116 921	123 891	132
Electricity, gas and water supply	14 331	15 118	15 624	16 186	16 990
Construction	32 344	32 980	34 986	36 834	38 558
Wholesale and retail trade	169 568	182 885	193 304	203 606	219 217
Transportation and storage	29 591	31 168	32 861	34 938	36 726
Accommodation and food services	20 989	22 065	23 397	24 124	25 298
Information and communication	42 150	45 292	50 343	53 603	56 762
Financial and insurance services	56 060	58 171	60 103	64 131	69 021
Real estate activities	90 735	92 962	94 462	96 607	99 366
Professional and support services	3 245	3 422	3 605	3 828	3 996
Public administration and defense	22 254	22 854	24 017	25 530	27 084
Education	28 127	29 651	31 706	33 780	35 901
Health and social work activities	29 424	30 911	32 557	34 556	36 729
Other Services	53 288	56 225	59 282	62 769	67 065
GDP at constant market prices	**1 091 543**	**1 159 845**	**1 229 714**	**1 296 312**	**1 380 883**
GDP at current prices	**1 425 230**	**1 927 840**	**2 529 951**	**3 106 220**	**3 706 311**

Source: National Statistical Office (NSO) and Department of Economic Planning and Development (DEPD)
*Projections

TABLE 2.2: SECTORAL SHARES TO GDP (IN PERCENTAGES)

	Constant 2010 prices (in K'million)				
Sector	2012	2013	2014	2015*	2016*
Agriculture, forestry and fishing	*29.9*	*29.9*	*30.0*	*30.0*	*29.9*
Mining and quarrying	*1.0*	*1.0*	*0.9*	*0.9*	*0.9*
Manufacturing	*9.6*	*9.5*	*9.5*	*9.6*	*9.6*
Electricity, gas and water supply	*1.3*	*1.3*	*1.3*	*1.2*	*1.2*
Construction	*3.0*	*2.8*	*2.8*	*2.8*	*2.8*
Wholesale and retail trade	*15.5*	*15.8*	*15.7*	*15.7*	*15.9*
Transportation and storage	*2.7*	*2.7*	*2.7*	*2.7*	*2.7*
Accommodation and food services	*1.9*	*1.9*	*1.9*	*1.9*	*1.8*
Information and communication	*3.9*	*3.9*	*4.1*	*4.1*	*4.1*
Financial and insurance services	*5.1*	*5.0*	*4.9*	*4.9*	*5.0*
Real estate activities	*8.3*	*8.0*	*7.7*	*7.4*	*7.2*
Professional and support services	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*
Public administration and defense	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Education	*2.6*	*2.6*	*2.6*	*2.6*	*2.6*
Health and social work activities	*2.7*	*2.7*	*2.6*	*2.7*	*2.7*
Other Services	*4.9*	*4.8*	*4.8*	*4.8*	*4.8*

Source: National Statistical Office (NSO) and Department of Economic Planning and Development (DEPD)

Table 2.3: ANNUAL PERCENTAGE GROWTH RATES, (IN PERCENTAGES)

Sector	*Constant 2010 prices* (*in K'million*) 2012	2013	2014	2015*	2016*
Agriculture, forestry and fishing	*-0.7*	*6.2*	*6.3*	*5.4*	*6.0*
Mining and quarrying	*14.9*	*6.9*	*-4.6*	*2.0*	*3.2*
Manufacturing	*-1.1*	*5.6*	*6.2*	*6.0*	*7.1*
Electricity, gas and water supply	*2.4*	*5.5*	*3.4*	*3.6*	*5.0*
Construction	*2.5*	*2.0*	*6.1*	*5.3*	*4.7*
Wholesale and retail trade	*2.2*	*7.9*	*5.7*	*5.3*	*7.7*
Transportation and storage	*4.9*	*5.3*	*5.4*	*6.3*	*5.1*
Accommodation and food services	*5.2*	*5.1*	*6.0*	*3.1*	*4.9*
Information and communication	*6.7*	*7.5*	*11.2*	*6.5*	*5.9*
Financial and insurance services	*6.1*	*3.8*	*3.3*	*6.7*	*7.6*
Real estate activities	*3.8*	*2.5*	*1.6*	*2.3*	*2.9*
Professional and support services	*2.4*	*5.5*	*5.3*	*6.2*	*4.4*
Public administration and defense	*4.5*	*2.7*	*5.1*	*6.3*	*6.1*
Education	*5.9*	*5.4*	*6.9*	*6.5*	*6.3*
Health and social work activities	*4.1*	*5.1*	*5.3*	*6.1*	*6.3*
Other Services	*5.6*	*5.5*	*5.4*	*5.9*	*5.5*
GDP at constant market prices	***2.1***	***6.3***	***6.0***	***5.4***	***6.5***
GDP at current prices	***23.8***	***35.3***	***31.2***	***22.8***	***19.3***

Source: National Statistical Office and Department of Economic Planning and Development (DEPD)

2.2 Real Sector Performance in 2014 and Prospects for 2015 and Beyond

2.2.1 Agriculture

In 2014, the sector grew by 6.3 percent, attributable to high agriculture and tobacco production as reported in the Third Round Crop Estimates and the Tobacco Control Commission, respectively. In particular, good rains meant that maize grew by 9.3 percent; potatoes by 9.6 percent; rice by 5.5 percent and pulses by 8.8 percent. Moreover, tobacco production grew by 13.8 percent as sales on the Tobacco Auction Floors went up from 168.6 million kilograms in 2013 to 192.0 kilograms in 2014.

In 2015 the sector is expected to grow by 5.4 percent. The slowdown in growth is mainly attributable to the decline in the growth in crop and animal production from 7.4 percent in 2014 to 6.0 percent in 2015. This reduction can be explained by the adverse weather conditions, such as the late onset of rains, the January 2015 floods, the uneven distribution of rainfall and dry spells that have negatively affected the sector. On the other hand, tobacco, tea and sugar were not heavily impacted by the weather shocks as such total agricultural output is still increasing, albeit modestly, over the period.

In 2016, the sector is expected to grow at 6.0 percent, on the assumption that weather conditions will be favourable and that production will resume its expected trajectory.

2.2.2 Mining and Quarrying

In 2014, the Mining and Quarrying sector contracted by 4.6 percent mainly on account of the suspension of production of uranium at Kayelekera Uranium Mine as the company continued to make losses due to low prices on the international market. According to Paladin (Africa) Limited, the suspension of production will remain as such in the course of 2015 and 2016.

The sector will rebound in 2015, with a growth rate of 2.0 percent. This is because mineral exploration is expected to increase pending the release of the results of the countrywide Geo-Physical Airborne Survey. In addition, new projects such as Kanyika Niobium Project will boost the growth in the mining sector. The stabilisation of the exchange rate and greater availability of foreign exchange in the country are also some of the contributing factors to the growth in the sector as most of the spare parts for mining machinery are imported.

In 2016, the mining sector is expected to grow by 3.2 percent as it is anticipated that mining of traditional minerals and mineral exploration will continue to grow.

2.2.3 Manufacturing

In 2014, the manufacturing sector is estimated to have grown by 6.2 percent. This growth is attributable to increased production estimates in several sub-sectors such as processing of tobacco, dairy products; flour products; and wood products, among others. Tobacco processing was the biggest driver of growth in the sector, with output expected to have increased by 22.9 percent, largely in line with the growth rate witnessed in tobacco production. Other manufacturing firms benefitted from the availability of fuel and foreign exchange, increasing stability of the exchange rate and a more constant supply of electricity. On the other hand, growth potential was constrained by high interest rates and a fast rate of depreciation, combined with an increase in the inflation rate from September to December 2014.

The sector is expected to grow by 6.0 percent in 2015, down from 6.2 estimated in 2014. The growth can be attributed to the increasing stability of the exchange rate and the decline in the inflation rate, reducing the cost of operations as imported raw materials and fuel become cheaper. The adverse weather conditions have had an offsetting effect on production in manufacturing. While there was an increase in power outages that negatively affected the agro-processing companies, other companies have experienced higher demand for materials such as plastic sheets and food stuffs, among others, as a result of the floods.

The expected stable macroeconomic environment is also key in explaining the growth in the sub-sectors of the manufacturing industry, including agro-processing. Therefore, despite the expected lower agricultural output, most agro-processing companies are reporting an increase in production due to lower cost of inputs and availability of fuel and foreign exchange, leading to significant growth observed in some sub-sectors of manufacturing such as packaging, paint, steel and cement production.

In 2016 the sector is expected to grow by 7.1 percent, on the premise that agricultural sector will grow at a higher rate and on account of improved macroeconomic variables compared to 2015.

2.2.4 Electricity, Gas and Water

The utilities sector grew by 3.4 percent in 2014. While a higher growth rate was expected, it was revised downwards on account of more load shedding than expected despite the commissioning of Kapichira II at the beginning of the year, as well as water losses in the last quarter which reduced the number of units sold.

The utilities sector is expected to grow by 3.6 percent in 2015 due to the fact that ESCOM is engaged in rehabilitation and modernisation of its infrastructure, and it is planning to increase its capacity generation from 290MW to 439MW. A higher growth rate would have been achieved in 2015, if it were not for the damage sustained to power stations due to the January floods.

The expansion plans by ESCOM will continue in 2016. Furthermore, the water sector is also expected to experience moderate growth in 2016 due to the commissioning of new water projects and an increasing customer base, among others. These developments are expected to influence growth in the sector. Hence, the sector is expected to grow by 5.0 percent in 2016. The challenges of vandalism and aged equipment, however, are hindering further growth in the sector.

2.2.5 Construction

In 2014, the construction sector grew by 6.1 percent due to major construction projects taking place. In particular, the Vale Railway Project undertaken by Mota Engil and the Gateway Shopping Mall in Lilongwe were completed towards the end of the year.

The construction sector is estimated to grow by 5.3 percent in 2015. Growth in 2015 is driven by the construction of the Bingu Stadium which is in its final phase. In addition, the reconstruction of damaged infrastructure due to the January floods is expected to contribute to the growth in the sector in 2015 and 2016. In addition, the sector remains constrained by high interest rates and a significant built-up of non-payment by Government.

In 2016, the sector is projected to grow by 4.7 percent due to the infrastructure projects which are expected to continue to be executed in the year. Donor-funded projects such as the construction of secondary schools, teacher training colleges, community technical colleges and libraries in education sector will also add to the growth in performance in construction sector.

2.2.6 Wholesale and Retail

In 2014 the sector grew by 5.7 percent. The sector benefitted from the ease in inflation rates and an increase in wages leading to high purchasing power of consumers. New investments in the sector were also apparent. For example, in Lilongwe, both Chipiku and Sana opened new flagship stores and the Gateway

Shopping Mall opened towards the end of the year. In Mzuzu, Shoprite made a significant investment into a new supermarket.

The wholesale and retail trade is estimated to grow by 5.3 percent in 2015. The stabilisation of the exchange rate and the reduction in fuel prices will ease off inflation. These developments will lead to the improvement in the demand for goods and services, and low cost of operations. However, the reduction in agricultural production negatively affected the growth of the sector.

In 2016, the sector is expected to grow by 7.7 percent as a result of expected stability in the macroeconomic conditions. In view of this, most companies are expected to continue experiencing growth in revenues and performance.

2.2.7 Transportation and Storage Services

Transportation and storage services sector is estimated to have grown by 5.4 percent in 2014. Growth was driven by an increase in freight volumes by rail transport, as CEAR added four locomotives to its business, as well as an increase in passenger volumes due to the coming in of Malawian airlines. In addition, road-freight transportation improved due to high crop production and improvements in the wholesale and retail trade sector.

Growth is estimated to be at 6.3 percent in 2015 compared to 5.4 percent registered in 2014. This growth will mainly be driven by the reduction in fuel prices, the stabilisation of the kwacha and lower inflation. In addition, it is expected that performance will improve significantly in rail transport following the completion of the Moatize-Nacala Corridor Project.

The sector is projected to grow by 5.1 percent in 2016 partly due to the expected growth in the wholesale and retail trade sector and the modern depots that are to be built in Mzuzu and Lilongwe.

2.2.8 Accommodation and Food Services

The sector is estimated to have grown by 6.0 percent in 2014. Tri-partite elections in May, 2014 led to an increased demand in accommodation and related services by local politicians and foreign observers monitoring the elections on behalf of international organisations. Nevertheless, the growth rate was revised downwards from the September 2014 estimate, as the increase in the fuel price and inflation rate experienced in the fourth quarter of 2014 eroded purchasing power of consumers and increased in operating costs.

The sector is estimated to grow by 3.1 percent in 2015 because Government, in a drive to control expenses and with the absence of Budget Support, is spending less on travel and conferences which are a major revenue source for most hotels.

The sector is expected to grow by 4.9 percent in 2016 due to the opening of the Five Star Hotel next to Bingu International Conference Centre which will expand activities in tourism and conferences in the country.

2.2.9 Information and Communication

The sector recorded the growth of 11.2 percent in 2014 mainly due to the high proceeds from sales from publications as there was increased readership around the time of the national elections, including advertising. Mobile phone operators also saw increased sales due to the same tri-partite elections.

In 2015, the information and communication sector is estimated to grow by 6.5 percent. The sector is expected to continue registering high sales mainly due to the expansion of the communication network by mobile phone companies.

In 2016, the sector is projected to grow by 5.9 percent as it is expected to benefit from increased sales of units, high internet subscriptions and consolidation of new services such as mobile banking due to favourable economic conditions. Growth potential for this sector remains strong as internet service providers seek to further increase their customer base and mobile phone operators have also high potential to increase sales of units and internet subscriptions. Therefore, mobile phone companies continue to undertake major investments in infrastructure to support these services.

2.2.10 Financial and Insurance Services

Financial and insurance services sector grew by 3.3 percent in 2014 as the sector benefitted from high interest rates and increased foreign exchange transactions. However, the growth for the sector could have been higher than reported if it were not revised downwards due to the fact that the exchange rate was more volatile than expected and the high incidence of non-performing loans due to high interest rates.

The growth for the sector is estimated at 6.7 percent in 2015. This is mainly because the sector is currently benefiting from general economic improvements, including stable exchange rate and decreasing inflation. In addition, bank charges and increased foreign exchange transactions are contributing to high profits. The coming in of a new bank, New Finance Bank, is also expected to spur growth in 2015. With regards to insurance, gross written premiums are expected to increase by 27 percent in 2015 contributing further to the growth of the sector.

In 2016, the sector is projected to grow by 7.6 percent due to continued stability in macroeconomic fundamentals and increased profits. Growth is also expected to be boosted by an expansion in customer base due to introduction of new technologies such as mobile banking which will allow traditional financial service providers to reach into new markets.

2.2.11 Real Estate

The real estate sector is estimated to grow by 2.3 in 2015 compared to 1.6 percent registered in 2014. Growth remains moderate due to completion of construction projects such as the Gateway Shopping Mall and the Gorge Dream town in Area 49 in Lilongwe.

In 2016, the sector is projected to grow by 2.9 percent. This is partly due to expected construction of about 1,000 housing units by Malawi Housing Corporation in collaboration with investors from Kuwait.

2.2.12 Professional and Support Services

Growth rate in the professional and support services sector is estimated at 5.3 percent in 2014. While growth potential remained high, activity in the sector was constrained by exchange rate instability, high inflation rate and non-payment by customers in 2014.

The sector is expected to grow by 6.2 percent in 2015 on account of improved macroeconomic performance. In addition, demand for legal and audit services have increased due to the cash gate scandal experienced in 2013.

The sector is expected to grow by 4.4 percent on assumption that demands for legal services and audits will continue to increase into 2016.

2.2.13 Public Administration and Defence

The sector is projected to grow by 6.3 percent in 2015, up from 5.1 percent in 2014. The increase in growth can be explained by the growth in the wage bill which was implemented in October 2014. In addition, Public Service reforms introduced in February 2015 are expected to improve productivity in public administration.

The sector is anticipated to continue growing in 2016 at an increasing rate of 6.1 percent. Further to the reasons cited above, the continued growth can be explained by an expected increase in employment in the civil service with particular focus on increased recruitment of primary school teachers.

2.2.14 Education

The sector is estimated to grow by 6.5 percent in 2015 compared to 6.9 percent registered in 2014. With the construction of new secondary schools, libraries and the development of community technical colleges, this sector is expected to grow significantly over the period. In addition, the growth can partly be explained by a planned recruitment of 11,000 teachers over 2015/16 and 2016/17 fiscal years.

Furthermore, public enrolment rates continue to increase owing to both population growth and Government's commitments to achieve the education targets of the Millennium Development Goals. With regards to private schools, though enrolment rates vary across institutions, revenues are expected to increase as the Malawian economy improves. Hence, the sector is expected to continue growing, at 6.3 percent in 2016.

2.2.15 Human Health and Social Work Activities

The sector is estimated to grow by 6.1 percent in 2015, up from 5.3 in 2014. The number of in-patients in public and private hospitals continue to increase owing to population pressure particularly in urban areas. In addition, the number of people seeking health services in private hospitals has increased due to the recruitment of specialised doctors. In 2016 the sector is projected to grow by 6.3 percent.

2.3 Prices

2.3.1 Inflation Rates in 2014

The annual average inflation rate for 2014 was at 23.8 percent, down from 27.3 percent in 2013. The end period inflation was at 24.2 percent, up from 23.5 percent in December 2013. The annual average inflation rate for food was 21.2 percent and for non-food items was at 26.8 percent. Looking beyond 2014, average inflation rates for 2015 and 2016 are estimated at 16.4 percent and 12.0 percent, respectively.

TABLE 2.4: INFLATION RATES, 2012–2016

YEAR	2012	2013	2014	2015*	2016*
Inflation rate (end of period), percent	*34.6*	*23.5*	*24.2*	*15.6*	*10.3*
Inflation rate (annual average), percent	*21.3*	*27.3*	*23.8*	*16.4*	*12.0*

Source: National Statistical Office and Department of Economic Planning and Development (DEPD)
*Projections

In particular, inflation was on a downward trend until July 2014. This was due to the harvesting period which slowed down food prices and the appreciation of the Kwacha due to the tobacco marketing season, making imported goods cheaper. From August, 2014 onwards, inflation increased and reached 24.2 percent in December, 2014, a higher inflation rate than the same period in 2013. The onset of the lean period together with the unexpected and rapid depreciation of the exchange rate meant that both food and non-food inflation increased. Between September and December, 2014 the Kwacha depreciated from K402.05 per US dollar to K486.30 per US dollar, representing a depreciation of 21 percent. As a result, Malawi was unable to benefit from the global drop in oil prices. According to the Reserve Bank of Malawi, the Kwacha depreciated faster than anticipated due to the uncertainty regarding the resumption of Budget Support, which was suspended in late 2013, the increasing liquidity due to Government borrowing from the Reserve Bank and the negative returns on Kwacha holdings.

2.3.2 Inflation Projections for 2015

The January 2015 headline inflation figures fell 3 percentage points from 24.2 percent in December 2014 to 21.2 percent. This is mainly on account of a significant fall in non-food inflation due to the decline in fuel prices. As the exchange rate began to stabilise at the end of 2014 and global oil prices continued to drop, the Malawi Energy Regulatory Authority (MERA) was able to adjust fuel prices downwards in January 2015 by an average rate of 10 percent. In addition, MERA proceeded to adjust fuel prices in February 2015, reducing the average price by around 10 percent once more. Food inflation also decreased from 22.1 percent in December 2014 to 21.5 in January 2015. Although food prices actually increased, the rate of increase was much lower than the corresponding rate in the preceding year.

The annual average inflation rate for 2015 is projected at 16.4, which represents a 7.4 percentage point drop from the annual average rate in 2014. The decrease is mainly attributed to a significant drop in non-food inflation due to lower import prices, as a result of lower global oil prices and increasing stability in the exchange rate. Food inflation is also expected to experience an overall drop of around 3 percentage points. However, the overall decrease in food inflation is not as fast as previously expected due to adverse weather conditions, including floods which devastated the southern part of the country in January 2015 and dry spells experienced in the country. These conditions are likely to affect food supply and push food prices upwards, especially from September, 2015 onwards following the commencement of the lean period. The overall effect of this year’s weather patterns on food prices may be more significant depending on the response to potential food shortages.

2.3.3 Inflation Projections for 2016

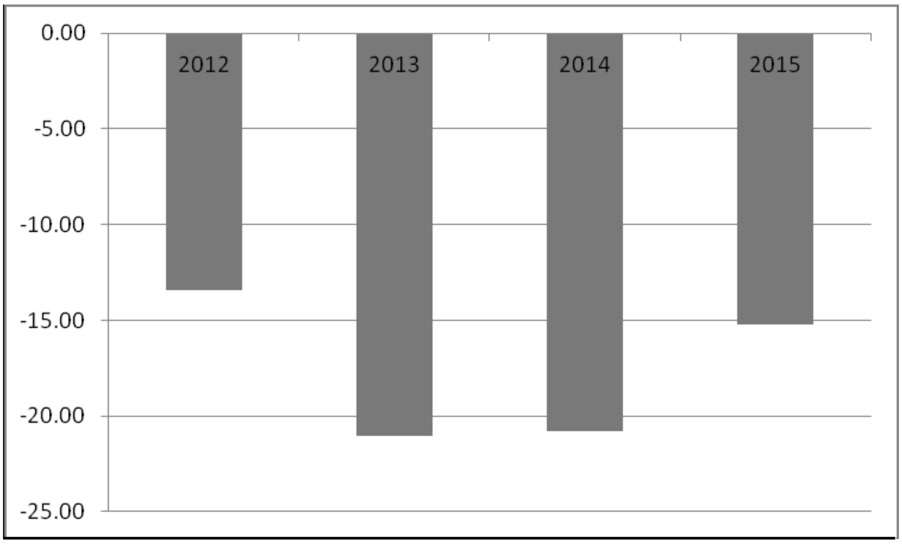
In 2016, the inflation rate is expected to continue its downward trajectory and reach an annual average rate of 12 percent. As oil prices are forecast to start increasing (based on IMF commodity estimates) the overall fall in non-food inflation will not be as significant as in 2015. On the other hand, the non-food inflation rate is still expected to decrease due to greater stability of the Malawi kwacha and a lower rate of depreciation. Food inflation is expected to fall further, on the premise that the country will not experience another weather related shock that disrupted the harvest in 2015. In addition, the IMF is forecasting that world food prices will fall by 1.8 percent in 2016. From 2017 onwards, the country is expected to achieve a single digit inflation rate.

2.4 Balance of Payments

2.4.1 Current Account Balance 2014-2015

Malawi posted a current account deficit of US$1,236.8 million in 2014 which is projected to decrease by around 11 percent to US$1,100.3 million. The current account deficit is being driven by continuous deficits on the nets exports of Goods and Services.

FIGURE 2.1: CURRENT ACCOUNT BALANCE AS A PERCENTAGE OF GDP



Source: Department of Economic Planning and Development

As a percentage of GDP, while between 2013 and 2014 there was no significant change, in 2015 the current account deficit will drop by around 5 percentage points from -20.8 percent in 2014 to -15.2 percent. This is mainly on account of improvements in the trade balance and current transfers. Net exports of goods are set to increase by 8.0 percent from a deficit of US$1,406.2 in 2014 to US$1,291.2 in 2015. This is mainly due to a combined increase in exports and decrease in imports between 2014 and 2015. In addition, current transfers are expected to increase by 19.1 percent from US$606 million in 2014 to US$721.9 in 2015, most likely due to an increase in grants from international and non-governmental organisations to fund the relief effort following the January 2015 floods disaster.

In the medium term, Government is putting in place economic reforms, including the launching of the National Export Strategy, aimed at reducing the current account deficit. This will be achieved by improvements in the exports sector coupled with a decrease in import dependency.

2.4.1.1 Goods Balance in 2014 and 2015

In 2014, exports remained at roughly the same value as in 2013 at US$1,430.0 million. While there was a significant reduction in Uranium exports due to the suspension of production at the Kayelekera mine, this was offset by increases in other exports, primarily tobacco, pulses and edible nuts. In 2015, exports are estimated at US$1,507.4 million representing a 5.4 percent growth, while in 2016 they are expected to continue growing by 1.3 percent to US$1,526.3 million. This is mainly on account of the projected growth in exports of tobacco, tea and sugar.

Imports grew by 4.4 percent in 2014 to US$2,836.2 million. This was due to a marginal increase in values of all major imports, including petroleum products and fertiliser. In 2015, a fall in the import value of 1.3 percent is estimated mainly due to the fall in world oil prices which has been translated to the local market. In addition, the steady appreciation and increasing stabilisation of the kwacha is expected to lower import prices. As the demand for imports is assumed inelastic, a decrease in import prices is not expected to increase purchasing of imports by a significant amount.

TABLE 2.5: EXPORT VALUES OF TRADITIONAL COMMODITIES (US$ MILLION)

	2013	2014	2015
Tobacco	135.7	147.0	175.4
Tea	43.4	44.3	46.1
Sugar	175.9	151.7	191.3
Cotton	14.4	12.0	10.1
Coffee	1.0	1.2	0.9
Pulses	40.0	43.4	46.6
Uranium	1.7	0.6	-

Source: National Statistical Office and Department of Economic Planning and Development

2.4.2 Capital and Financial Account Balance 2014-2015

Malawi is mainly financing its imports through foreign capital grants, foreign loans to General Government and Monetary Authorities as well as foreign direct investment. Positive inflows allowed Malawi to run a Capital Account surplus of US$574.6 million in 2014 and it is forecast to increase by 19.8 percent to US$688.6 million in 2015. In 2014, the net inflow of funds into the Financial Account was US$933.4 million, which is set to increase significantly in 2015 to US$1,476.3 million. This increase can mainly be explained by growth in foreign direct investment into Malawi, a significant increase in “Other Investment” and a lower rate of accumulation of Reserves as Malawi has already reached its target of 3 months of import cover in international currency reserves.

TABLE 2.6: BALANCE OF PAYMENTS (US$ million)

	2012	2013	2014	2015
Current Account Balance (Net)	**(767.9)**	**(1 099.8)**	**(1 236.8)**	**(1 100.3)**
Goods (Net)	**(1 077.7)**	**(1 292.3)**	**(1 406.2)**	**(1 291.2)**
Exports of Goods, fob	1 259.9	1 407.3	1 414.4	1 491.0
Imports of Goods, fob	(2 346.6)	(2 708.0)	(2 829.2)	(2 791.0)
Services (Net)	**(118.1)**	**(129.4)**	**(137.5)**	**(175.9)**
Exports of Services	105.3	109.6	100.5	**119.6**
Imports of Services	(223.4)	(239.1)	(238.0)	(295.5)
Income (Net)	**(41.9)**	**(262.7)**	**(299.1)**	**(355.1)**
Income Receipts	2.9	2.2	3.4	3.8
Income Payments	(44.7)	(264.9)	(302.5)	(358.8)
Current Transfers (Net)	**469.8**	**584.6**	**606.0**	**721.9**
Current Transfers Receipts	484.1	597.5	620.8	737.1
Current Transfers Payments	(14.2)	(13.0)	(14.8)	(15.2)
Capital Account (Net)	**359.6**	**603.1**	**574.6**	**688.6**
Current Account Receipts	359.8	603.3	574.7	688.8
Current Account Payments	(0.2)	(0.1)	(0.2)	(0.2)
Financial Account (Net)	**94.8**	**929.1**	**933.4**	**1 476.3**
Foreign Direct Investment (Net)	**(47.8)**	**630.3**	**719.5**	**862.2**
Foreign Direct Investment Abroad	4.5	4.1	4.7	5.7
Foreign Direct Investment in Malawi	(52.3)	626.1	714.8	856.6
Portfolio Investment (Net)	**8.3**	**7.6**	**8.7**	**10.4**
Portfolio Investment Assets	0.1	0.1	0.1	0.1
Portfolio Investment Liabilities	8.2	7.5	8.5	10.2
Other Investments (Net)	**159.6**	**477.0**	**391.9**	**648.9**
Other Investment Assets	3.1	(32.3)	(18.6)	52.1
Other Investment Liabilities	156.5	509.3	410.5	596.8
Reserve Assets	**(25.3)**	**(185.8)**	**(186.7)**	**(45.2)**
Net Errors and Omissions	**313.4**	**(432.4)**	**(271.2)**	**(1 064.6)**

Source: National Statistical Office

2.5 Fiscal Performance

During the year 2014/15, the Government continued pursuing policies and reforms aimed at driving the economy out of the numerous macroeconomic and fiscal challenges. The exchange rate volatility during the first half of the year posed a challenge to the economy but towards the end of 2014 the currency stabilised due to some interventions that the Government implemented. Furthermore, the country was hit by natural calamities like floods and a prolonged dry spell which disturbed the country's growth projection. Donor support during the year has also not been as planned thereby putting pressure on domestic resources which forced the government to resort to domestic borrowing. During the same period, the IMF concluded the 5th and 6th review of the Extended Credit

Facility (ECF) programme. It is expected that this will unlock donor support in the 2015/16 fiscal year.

In the 2014/15 fiscal year, total revenues and grants increased compared to the 2013/14 fiscal year. As a percentage of GDP, total revenues and grants reached 24.5 percent in 2014/15 compared to 23.7 percent in 2013/14. This increase was largely on account of improvements in tax administration and new budget support grants as a result of the public finance management measures that the Government has been implementing. With regard to domestic revenue collection, major improvements were reported under individual and corporate income taxes. The performance in domestic revenue is also a result of numerous reforms being implemented by the Malawi Revenue Authority (MRA) aimed at improving tax revenue collection in the country. Domestic revenue as a percentage of GDP was 20.2 percent in 2014/15 fiscal year down from 20.5 percent in the 2013/14 fiscal year. Domestic resources during 2014/15 also underperformed compared with the projections by about 3 percent. In addition, grants as percentage of GDP increased from 3.5 percent in 2013/14 to 4.8 percent in 2014/15. Despite the suspension of budgetary support by the Common Approach to Budgetary Support group (CABS), the country received budget support of about K13.6 billion from the African Development Bank (AfDB) and there was an increase in programme grants and dedicated grants from 3.3 percent of GDP in 2013/14 to 4.3 percent of GDP in 2014/15. During the 2014/15 fiscal year budget support was channelled directly to the implementing partners. The overall financing position improved from 6.3 percent of GDP in 2013/14 fiscal year to 4.2 percent, while the overall fiscal deficit improved from 5.8 percent in 2013/14 to 4.3 percent in 2014/15. Net domestic borrowing also improved as it declined from 4.3 percent to 1.3 percent of GDP.

With respect to the 2015/16 fiscal year, total revenues and grants as percentage of GDP are expected to reach 22.6 percent, a decline from the 2014/15 percentage. Domestic revenues are expected to reach 19.8 percent which is lower than the 2014/15 fiscal year, while grants as a percentage of GDP are expected to slow down to 2.9 percent. The slight downward trend of domestic revenues as percentage of GDP is an indication that Malawi’s tax base is less responsive to the growth in income. It also shows that the tax base is narrow hence Government efforts to broaden the tax base including taxing of the informal sector.

In the 2014/15 fiscal year total expenditure as percentage of GDP declined slightly from 29.6 percent in 2013/14 fiscal year to 28.7 percent. Recurrent expenditure also slowed down from 24.9 percent of GDP to 22.0 percent of GDP, while development expenditure increased from 4.6 percent of GDP to 6.8 percent of GDP on account of an increase in project grants. Moving into 2015/16, total expenditure as percentage of GDP is expected to drop further to 27.6 percent of which 21.0 percent is recurrent expenditure and 6.6 percent development expenditure. As noted, recurrent expenditure as percentage of GDP is declining indicating that there is more emphasis on boosting development expenditure which is key to robust growth compared to consumption expenditure.

The Government is committed to ensuring that the macroeconomic environment of the economy continues to improve and stabilise. The Government will ensure that policies aimed at reducing inflation and lowering interest rates are in place while stabilising the exchange rate. As such, tightening of fiscal policy will continue to be the policy stance of the Government while ensuring that sectors that are the main drivers of the economy are well supported. Fiscal policy will complement the monetary policy objectives as the latter continues to focus on dealing with stabilising inflation and ensuring a stable exchange rate. Furthermore, in 2015/16 the Government will endeavour to finance all recurrent expenditures with domestic resources as was the case during 2014/15 fiscal year.

2.6 Monetary Policy Developments

During the 2014/15 fiscal year, the primary focus of monetary policy remained to maintain price stability as well as a viable balance of payments position whilst ensuring that sufficient credit is availed to the private sector for sustainable economic growth. In order to achieve these objectives, Reserve Bank (RBM) employed a number of monetary policy instruments both in the domestic market and foreign exchange market. For instance, in anticipation of a favourable inflation outlook and to support the recovery process, the RBM reduced the Bank rate by 250 basis points to 22.50 percent in July 2014, which in turn induced a 202 basis points decrease in commercial banks. average base lending rate to 35.10 percent by end-July 2014. Consequently, the annual growth in private sector credit rose markedly to 25.1 percent in July 2014 from 18.4 percent recorded at the end of the 2013/14 fiscal year. Growth in credit to private sector declined to 13.7 percent as of end-February 2015 following tightening of the stance of monetary policy through interest rates hike effected in October 2014 when the inflationary outlook pointed to heightening of upside risks**.**

Chapter 3

AGRICULTURE AND NATURAL RESOURCES

3.1 Overview

This chapter reviews performance of the Agriculture and Natural Resources sector for the 2014/15 fiscal year. The chapter is divided into three sections namely, agriculture sector, fisheries sector and forestry sector.

3.2 Agriculture Sector

The section reviews weather forecast, crop and livestock production, national food security, Farm Input Subsidy Programme (FISP), Agriculture Sector Wide Approach (ASWAP) and the Water Sector Wide Approach.

3.2.1 2014/15 Weather

According to the weather update by the Department of Climate Change and Meteorological Services, widespread pre-season rainfall was experienced around mid-October in 2014. This was then followed by a long dry spell in November 2014. The effective rainfall onset was in December 2014 and was delayed for more than one month in some areas in the country. However, the country experienced extremely heavy rains that resulted in severe flooding in January, 2015 that washed away crops and some crops were submerged in flood waters. Consequently, the continuous rains also hampered farm operations such as weeding, fertilizer application and spraying of pesticides. It was also reported that most rains were confined to January and February which was followed by dry conditions from mid-February to March 2015 and an early cessation was experienced resulting in a very short growing season.

3.2.2 Crop Production

The second round of the Agricultural Production Estimates Survey (APES) projects that the national maize production will go down from 3,978,123 metric tons in the 2013/14 marketing season to 2,876,660 metric tons in 2014/15 marketing season, representing a 28 percent decrease. The decrease is attributed to a very short rain season characterized by incessant heavy rains resulting in floods and then dry spells. Forecasts for 2015 tobacco production project 181,860 metric tons in 2014/15, a decrease of 5.27 percent from 191,968 metric tons in 2013/14. The decrease is generally attributed to decrease in yield per hectare due to rainfall distribution which was incessant in some areas whereas others experienced dry spells. Also, inadequate inputs and a late distribution of inputs have attributed to the decline in the projected production levels of tobacco. Groundnuts production is estimated at 310,980 metric tons, which is a decrease of 22 percent from 397,503 metric tons produced in 2014. The table below gives a summary of production figures in metric tons for all major crops.

TABLE 3.1: NATIONAL CROP PRODUCTION IN METRIC TONS

Crops	2013/2014 Third Round	2014/2015 Second Round	Percentage Change
Maize	3,978,123	2,876,660	*-27.7*
Rice	132,002	114,108	*-13.6*
Groundnuts	397,503	310,980	*-21.8*
Tobacco	191,968	181,860	*-5.3*
Cotton	132,337	90,835	*-31.4*
Wheat	1,160	1,319	*13.7*
Sorghum	93,187	84,562	*-9.3*
Millet	42,202	37,190	*-11.9*
Pulses	716,163	720,330	*0.6*
Cassava	5,102,692	5,048,102	*-1.1*
S/Potato	4,209,699	5,039,332	*4.4*
Potato	1,023,981	1,084,603	*5.9*

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.3 Livestock Production

All major livestock species registered increases except sheep which is mainly attributed to low sheep meat demand. The increase in all classes of livestock were mainly due to improved and good management practices including disease control resulting in more births than deaths and high breeding prolificacy in pigs and good control of African Swine Fever. A number of 80,000 Black Australorp chickens have been produced and distributed to farmers through the government livestock farms with an aim of improving the local chicken meat through cross-breeding. Control of major diseases continued during the reporting period with 15,000 cattle vaccinated against Foot and Mouth Diseases. In addition, over 300,000 dogs were vaccinated against rabies in order to protect the general public from zoonotic diseases.

TABLE 3.2: LIVESTOCK CENSUS

Commodity	Third Round Livestock Production Estimates 2013/2014	Second Round Livestock Production Estimates 2014/2015	Percentage Change
All cattle	1,316,799	1,357,679	*3.10*
Beef cattle	1,252,420	1,288,465	*2.88*
Dairy pure	14,710	15,435	*4.93*
Dairy crosses	49,669	53,779	*8.27*
Goats	5,882,106	6,318,277	*7.42*
Sheep	269,830	269,689	(*0.05*)
All pigs	3,128,599	3,488,892	*11.52*
All chickens	68,177,602	73,612,306	*7.97*
Indigenous chickens	31,712,686	35,188,016	*10.96*
Broilers	28,542,805	29,664,080	*3.93*
Layers	7,050,649	7,745,009	*9.85*
Black australorp	871,462	1,015,201	*16.49*

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.4 National Food Security

In general, all eight Agricultural Development Divisions (ADDs) reported that the food situation was better during the period from January to March 2015 compared to the same time last season. The only exception was the Nsanje District where 24 percent of farm families were without food compared to 10 percent as reported for the same period last year. This was attributed to bumper harvest that was realized in most parts of the country last season. Prices of food commodities in the season under review were relatively lower and stable compared to last year. Food was available in all the districts and maize prices ranged from K70.00 to MK150.00 per kg. However, it was noted that maize prices were rising despite some farmers having started harvesting their crop. It is believed that some traders are hoarding the crop in order to create an imbalance in supply and demand on the market. This is based on the understanding that there will be a maize shortage as a result of the floods and the dry spells.

TABLE 3.3: NATIONAL FOOD SITUATION AS AT 30TH MARCH, 2015

	2014/2015 SEASON			2013/2014 SEASON		
ADD	Total Farm families	Farm families without food	%Farm Families without food	Total farm families	Farm families without food	%Farm families without food
Karonga	136,532	7,378	*5*	136,532	9,434	*7*
Mzuzu	381,413	29,772	*8*	362,160	42,818	*12*
Kasungu	639,897	56,178	*9*	642,676	64,681	*10*
Lilongwe	865,124	52,981	*6*	832,688	92,868	*11*
Salima	200,749	9,231	*5*	192,912	23,753	*12*
Machinga	835,583	107,235	*13*	835,583	161,306	*19*
Blantyre	894,636	137,157	*15*	866,328	186,723	*22*
Shire Valley	185,609	30,834	*17*	170,851	6,626	*4*
Total	**4,139,543**	**430,766**	***10***	**4,039,730**	**588,209**	***15***

Source: Ministry of Agriculture, Irrigation and Water Development

3.2.5 Agriculture Sector Wide Approach (ASWAp)

The Ministry of Agriculture, Irrigation and Water Development continued to implement its sectoral overarching policy framework, that is, the Agriculture Sector Wide Approach (ASWAp) for operationalizing and delivering the agriculture targets in the MGDS II. The focus of ASWAp is on the promotion of agricultural growth through increased productivity for food security and increased incomes. During 2014/15, the Ministry began to access funds from the negotiated US$120 million Multi-Donor Trust Fund (MDTF) which formed the Second Additional Financing for the Agriculture Sector Wide Approach Support Project (ASWAp-SP). The additional financing aims at scaling up ongoing activities to increase the number of farmers receiving support from the project as well as expanding interventions for diversification and access to markets. The MDTF is managed by the World Bank but so far contributions came from the European Union (EU), Flanders International Cooperation Agency (FICA), United Kingdom Department for International Development (DfID), United States Agency for International Development (USAID), Royal Norwegian Ministry of Foreign Affairs and the International Cooperation and Department of Foreign Affairs and Trade of the Republic of Ireland.

Besides ASWAp-SP the Ministry also continued to implement a number of discrete projects under the ASWAp framework such as the Agriculture Infrastructure Support Project (AISP) funded by the African Development Bank (AfDB); the Smallholder Irrigation and Value Addition Project funded by the Global Agriculture and Food Security Programme (GAFSP); the Irrigation Rural Livelihoods and Agriculture Development Project (IRLADP) funded by the World Bank; the Agriculture Productivity Programme for Southern Africa (APPSA) funded by the World Bank; the Sustainable Agriculture Production Programme (SAPP) funded by the International Fund for Agricultural Development (IFAD); and the Farm Incomes Diversification Project (FIDP) funded by the European Union. The IRLADP and FIDP closed within the financial year, but successor projects have been under preparation.

3.2.6 Farm Input Subsidy Programme (FISP)

The 2014/15 FISP targeted a total of 1.5 million beneficiaries in all the 28 districts across the country. Each target beneficiary was issued with a total of four coupons: two fertilizer coupons to purchase one 50 kg bag of NPK and one 50 kg bag of Urea and also two seed coupons to purchase either 5 kg of hybrid or 8 kg of OPV maize seed and certified legume (3 kg soya or 2 kg of beans/groundnuts/pigeon peas/cowpeas). The programme supplied a total of 150,000 metric tons of fertilizer (75,000 metric tons of NPK and 75,000 metric tons of Urea), a minimum of 7,500 metric tons of maize seed and a minimum of 3,000 metric tons of certified legume seed.

To improve efficiency, the programme took the following measures:–

1. Fertilizer escorts to retail markets by Malawi Police Service (MPS);
2. The Ministry handed over fertilizer procurement to SFFRFM;
3. Piloted e-voucher in 18 districts, that is, 13 districts on seed only (Karonga, Chitipa, Dowa, Ntcheu, Salima, Nkhota-kota, Machinga, Mangochi, Mulanje, Chiradzulu, Mwanza, Chikhwawa and Nsanje) and 5 districts on both seed and fertilizer (Rumphi, Mzimba, Mchinji, Lilongwe and Blantyre);
4. Tracking vehicles delivering fertilizer to retail markets using ESOKO system;
5. Vetting of transporters and ADMARC/SFFRFM market clerks by Malawi Police Service; and
6. Authentication of vehicles transporting fertilizer through the Road Traffic Directorate.

3.3 The Fisheries Sector

3.3.1 The Socio-economic Role of the Fisheries Sector

3.3.1.1 Employment

The Fisheries sector which is composed of capture fisheries, aquaculture and aquarium fish trade sub-sectors has continued to be one of the major sources of employment. During the year 2014, it had directly employed nearly 56,070 fishers compared to 55,695 fishers in 2013 (Frame Survey Report, 2014).

Further, the sector indirectly employed over half a million people who are engaged in other ancillary activities such as fish processing, fish marketing, boat building and engine repairs. It is also on record that the fish industry supports over 1.6 million people in lakeshore areas and makes substantial contributions to their livelihoods. Thus, approximately 9 percent, 18 percent, 15 percent, 9 percent and 30 percent of the total population in Karonga, Nkhata Bay, Nkhotakota, Salima and Mangochi are, respectively, supported by the fish industry. In addition, 13 percent of the people in Zomba, Machinga and Phalombe districts, as well as 6 percent of the people in the Lower Shire Valley derive their livelihood from fishing.

3.3.1.2 Food and Nutrition Security

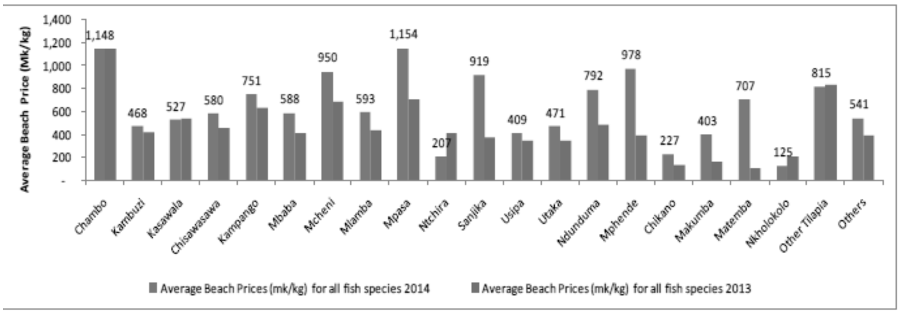
The Fisheries Sector contribution to food and nutrition security has continued to be paramount. With the production of 116,128 tonnes, fish has continued to be the main source of animal protein in the country contributing over 70 percent of the dietary animal protein intake of Malawians and 40 percent of the total protein supply. 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 of 116,128 tonnes in 2014 had a landed value of MK74.33 billion (approx USD 165.19 million) as opposed to the fish landings of 109,889 tonnes with a beach value of MK52.42 billion (approx USD 117.8 million) in 2013.

The national average beach price increased to MK640.09 per kilogram in 2014 from the national average beach price of K477.05 per kilogram in 2013. Chambo and Mpasa fetched the highest average beach prices of MK1154/kg and MK1148/kg, respectively, followed by Mphende (MK978/kg), Mcheni (MK950/kg), other Tilapias (MK815/kg), Ndunduma (MK792/kg) and Kampango (MK751/kg). Besides, Nkholokolo, Ntchira and Chikano recorded the lowest average beach prices of MK125/kg, MK207/kg and MK227/kg, respectively, as shown in figure 3.1 below. Poor households afford to purchase fish in Malawi because most fish species have low prices, and this inturn improves people’s diets.

FIGURE 3.1: AVERAGE BEACH PRICES FOR ALL FISH SPECIES FOR 2014 AND 2013

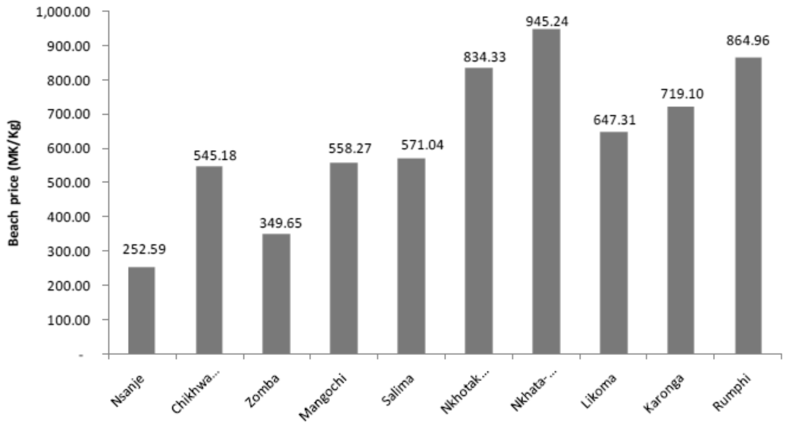


Source: Department of Fisheries

3.3.1.3.1 Average Beach Prices by District

In general, average beach prices for all fish species were highest in NkhataBay (MK945/kg) followed by Rumphi (MK864/kg), Nkhotakota (MK834/kg), Karonga (MK719/kg) and Likoma (MK647). However, the lowest average beach prices were registered in Zomba (MK349/kg) and Nsanje (MK252/kg) as shown in figure 3.2 below. The rise in beach prices for Nkhata Bay can be explained by the high value fish that is caught using gillnets whilst the lower prices in Zomba and Nsanje are due to the low value fish species found in Lake Chilwa and Shire River System.

FIGURE 3.2: AVERAGE BEACH PRICES IN KWACHA PER KILOGRAM BY DISTRICT 2014



Source: Department of Fisheries

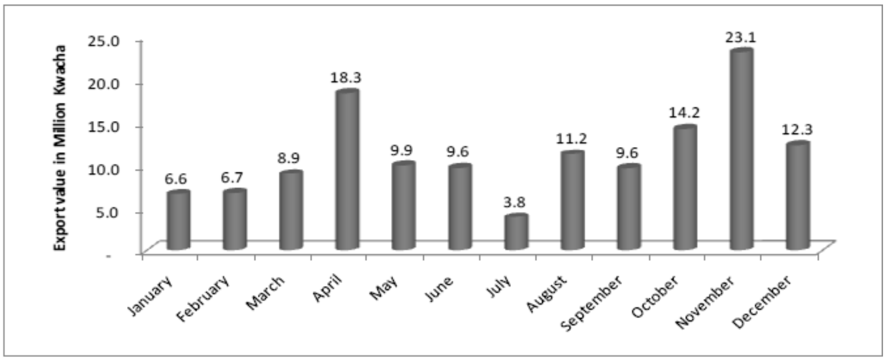
3.3.1.4 Foreign exchange through Fish Exports

Lake Malawi has over 800 endemic fish species which are of both local and international scholarly importance and also act as a source of tourism attraction.

Some fish species such as Mbuna are exported outside the country and this helps to bring much-needed foreign exchange.

During the reporting period of 2014, Malawi exported live ornamental fish to various countries such as Canada, China, Denmark, France, Germany, Hong Kong, Sweden, South Africa, United Kingdom (UK) and United States of America (USA). Cumulatively from January to December 2014, a total of 38,522 live fishes have been exported generating total income of MK134.13 million. More exports were made during the months of April and November as depicted in Figure 3.3 below. These exports are higher compared with the year 2013 that cumulatively amounted to 30,373 individual live fishes and generated total income of MK103.9 million (USD244,975.33)

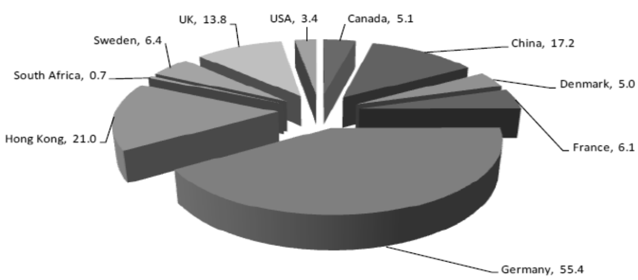
FIGURE 3.3: EXPORT OF LIVE ORNAMENTAL (AQUARIUM) FISH ON A MONTHLY BASIS



Source: Department of Fisheries

The largest market for the aquarium traders in the period was Germany that imported more than any other country valued at MK55.4 million. In this respect, Germany absorbed 41 percent of the total fish exported followed by Hong Kong (16 percent), China (13 percent), and United Kingdom (10 percent) valued at MK21.0 million, MK17.2 million and MK13.8 million, respectively.

FIGURE 3.4: TOTAL EXPORT VALUE (MK MILLION) OF LIVE ORNAMENTAL (AQUARIUM) FISH TO VARIOUS COUNTRIES IN 2014 (JAN–DEC)



Source: Department of Fisheries

The least markets were Sweden, France, Canada, Denmark, USA and South Africa which imported 5 percent, 5 percent, 4 percent, 4 percent, 3 percent and 1 percent of the total fish, respectively. Despite the fact that Germany imported the highest number of fish, the average price of fish offered was lower by almost half of price offered by Hong Kong which imported 16 percent. Hong Kong offered MK5,077.44 per fish while Germany offered MK2,191.13 per fish. The least average fish prices were offered by China and UK which were MK1,279.83 per fish and MK1,752.45 per fish, respectively.

3.3.2 Status of the Fisheries Sector

3.3.2.1 Total annual fish production by water body

National catch statistics from all water bodies for Malawi show that total fish production registered an increase from 109,889 tonnes in 2013 to 116,889 tonnes in 2014. Lake Malawi alone had a total landing of 107,739 tonnes when artisanal and commercial production figures, 105,284 tonnes and 2,455 tonnes, respectively, are added. Lake Malombe production was at 4,170 tonnes. Thus, when this is considered in terms of contribution by water body, about 92.78 percent of the catch originated from Lake Malawi, followed by 3.59 percent from Lake Malombe whilst Lake Chilwa and Shire River contributed 2.49 percent and 0.89 percent respectively.

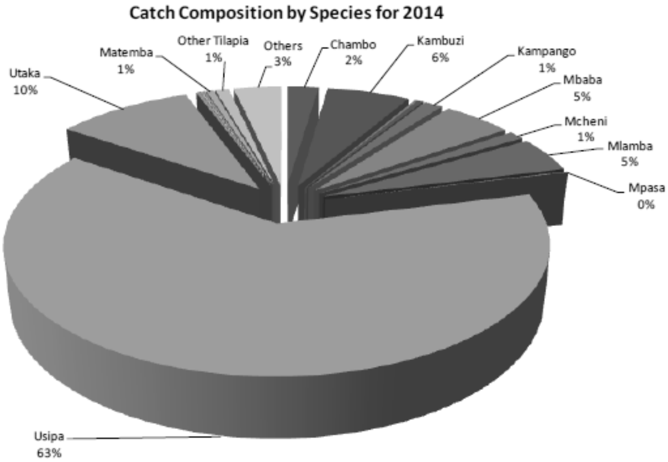
TABLE 3.4: FISH CATCH CONTRIBUTION BY WATER BODY IN TONNES FOR 2004-2014

Year	Lake Malawi-Artisanal (tonnes)	Lake Malawi-Commercial (tonnes)	Lake Malombe (tonnes)	Lake Chirwa (tonnes)	Lake Chiuta (tonnes)	Upper Lower & Middle Shire (tonnes)	TOTAL (tonnes)	Landed value (MK'000)	Beach price (MK/kg)
2004	36,730	5,600	553	6,773	1,148	2,024	50,382	2,661,210	52.82
2005	36,610	3,391	510	7,155	791	2,292	50,240	4,876,300	97.06
2006	58,859	4,225	649	5,822	975	3,032	72,913	7,145,474	98.00
2007	51,796	4,413	780	4,350	1,085	3,840	65,484	6,810,336	104.00
2008	50,527	4,102	530	5,904	1,024	3,643	65,200	7,563,200	116.00
2009	56,846	3,597	671	6,006	1,018	3,128	71,266	9,478,378	133.00
2010	56,850	3,752	590	5,879	1,034	3,184	71,289	16,895,493	237.64
2011	80,623	3,470	3,336	8,019	2,549	1,197	95,724	19,900,000	210.00
2012	56,923	1,296	4,109	16,960	2,627	451	82,366	18,944,180	230.00
2013	106,769	2,367	1,608	7,993	1,322	269	120,328	35,903,597	298.38
2014	102,079	1,867	1,847	2,982	290	823	109,889	52,422,568	477.05

Source: Department of Fisheries

In terms of catch composition, the traditional catch is composed of 18 main species or groups of species, of which Usipa, Utaka, Kambuzi, Mbaba, Mlamba and Chambo are the six dominant species with an average total contribution of 63 percent, 10 percent, 6 percent, 5 percent, 5 percent and 2 percent, respectively (Figure 3.5).

FIGURE 3.5: PERCENT SPECIES COMPOSITION OF TOTAL NATIONAL CATCHES FOR 2014



Source: Department of Fisheries

3.3.2.2 Annual Fish Production and Landed Value

The 2014 catch trends together with 2015 and 2016 projections in fish production per fish species and the estimated revenue gained by the small scale fishers is shown in Table 3.5. In terms of fish sales, whatever was produced by the sector gained a total of MK74.33 billion (approx USD 165.19 million). The catch contributions for 2015 and 2016 are expected to rise due to a projected increase in some fish species such as Usipa (*Engraulicypris sardella*), Mlamba (*Bathyclarias & Clarias spp*) and Mbaba (*Buccochromis spp. & Allied genera*) due to favourable climatic change at the lake and availability of more water in Lake Chilwa. This is expected to give the value amounting to MK78.18 billion and MK81.35 billion for 2015 and 2016, respectively.

TABLE 3.5: FISH CATCH AND VALUE FOR 2014 AND ESTIMATES FOR 2015 AND 2016 FOR MAJOR SPECIES

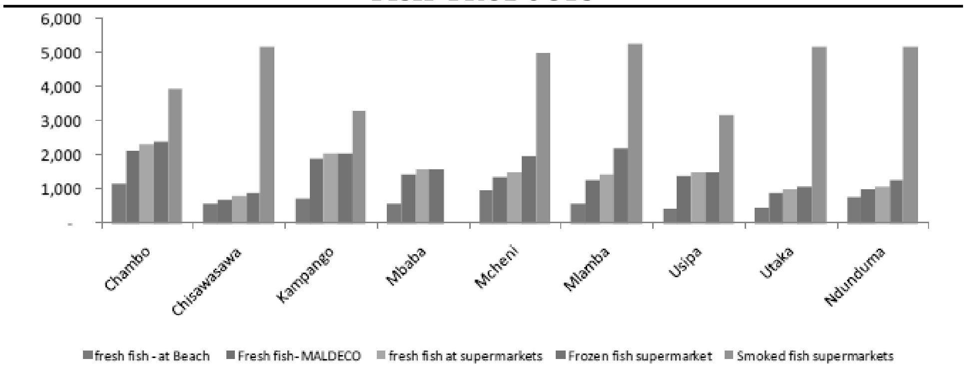
Fish Species		2014		2015		2016	
Local Name	**Scientific Name**	**Quantity**	**Value (MK)**	**Quantity**	**Value (MK)**	**Quantity**	**Value (MK)**
Chambo	Oreochromis spp.	2737.36124	1,752,157,556	2,792	1,842,791,587	2,820	1,917,620,094
Kambuzi	Lethrinops spp. & Allied genera	7078.106	4,530,624,870	7,220	4,764,980,959	7,292	4,958,468,065
Kasawala	Juvenile Oreochromis spp.	243.15	1 55,637,884	248	163,688,580	250	170,335,328
Chisawasawa	Lethrinops spp. & Allied genera	699.89039	4 47,992,840	714	471,166,211	721	490,298,414
Kampango	Bagrus meridionalis	1547.86	9 90,769,707	1,579	1,042,019,352	1,595	1,084,331,653
Mbaba	Buccochromis spp. & Allied genera	5798.45	3,711,529,861	5,914	3,903,516,540	5,974	4,062,022,969
Mcheni	Rhamphochromis spp.	1402.82	8 97,931,054	1,431	944,378,424	1,445	982,725,912
Mlamba	Bathyclarias & Clarias spp.	5313.828412	3,401,328,428	5,420	3,577,269,287	5,474	3,722,528,100
Mpasa	Opsaridium microlepis	71.66	45,868,849	73	48,241,512	74	50,200,410
Nchila	Labeo mesops	2.99	1,913,869	3	2,012,868	3	2,094,603
Sanjika	Labeo cylindricus	4307	27,568,676	44	28,994,724	44	30,172,086
Usipa	Engraulicypris sardella	71968.69	46,066,438,782	73,408	48,449,322,108	74,142	50,416,658,218
Utaka	Copadichromis virginalis & relatives	11734.02	7,510,828,862	11,969	7,899,342,264	12,088	8,220,103,435
Ndunduma	Diplotaxodon spp	1440.49	922,043,244	1,469	969,737,868	1,484	1,009,115,103
Nkholokolo	Synodontis nyassae	158.25	101,294,243	161	106,533,900	163	110,859,822
Makumba	Oreochromis shiranus & relatives.	220.204638	140,950,787	225	148,241,762	227	154,261,276
Matemba	Barbus paludinosus & relatives	630.005791	403,260,407	643	424,119,899	649	441,341,737
Other Tilapia	Tilapia rendalli & others	1135.384	726,747,945	1,158	764,340,509	1,170	795,377,366
Others	Various spp	3901.857568	2,497,540,011	3,980	2,626,730,515	4,020	2,733,391,693
TOTAL		**116,128**	**74,332,427,873**	**118,451**	**78,177,428,868**	**119,635**	**81,351,906,282**

Source: Department of Fisheries

3.3.3 Fish Market Prices for Various Fish Products

The retail outlet market and beach prices have continued to increase during the year 2014. Thus in terms of fish products, Kampango products had highest market prices followed by Chambo and Mcheni as in Figure 3.6 below. In all cases, the information generated has demonstrated that fish is sold in various forms depending on species, that is, sun dried, which is most common for fish species like Usipa, Utaka, Kambuzi and Matemba; smoked which is used on Chambo, Kampango and Mlamba; para-boiled for usipa; pan-roasting for utaka and Kambuzi; and fresh (frozen or iced) to enable fish traders to transport the fish to distant rural and urban markets.

FIGURE 3.6: FISH MARKET PRICES (MK/KG) FOR VARIOUS FISH PRODUCTS



Source: Department of Fisheries

The 2014 prices show that in all cases the retail outlet supermarket prices were the highest as shown in figure 3.6 above and Table 3.6 below. The general upward trend in fish retail prices seems to have been caused by a number of different factors such as the devaluation of Malawi Kwacha which resulted in increased landing and transportation costs, supply and demand fluctuations, and seasonality.

TABLE 3.6: FISH MARKET AVERAGE PRICES FOR VARIOUS FISH PRODUCTS IN KWACHA PER KILOGRAM

Avg price for various fish products per kg	Chambo	Chisawasawa	Kampango	Mbaba	Mcheni	Mlamba	Usipa	Utaka	Ndunduma
Fresh fish at Beach	1,145	580	751	588	950	593	409	471	792
Fresh fish MALDECO	2,110	700	1,910	1,420	1,360	1,290	1,400	880	1,000
fresh fish at supermarkets	2,330	800	2,070	1,570	1,500	1,420	1,500	990	1,100
Frozen fish supermarket	2,390	880	2,070	1,570	1,980	2,200	1,500	1,090	1,260
Smoked fish at supermarkets	3,960	5,180	3,300	–	5,000	5,280	3,190	5,180	5,180
Fillets	7,600	–	5,800	–	–	5,280	–	–	–

Source: Department of Fisheries

3.3.3.4 Fish Supply per Capita

In terms of per capita fish consumption, the sector continues to register fluctuating trends due to fluctuating fish production levels. There was a slight increase from 7.79kg/person/year in 2013 to 8.12kg/person/year in 2014 as shown in Table 3.7 below.

TABLE 3.7: PER CAPITA FISH SUPPLY FROM 2004 TO 2014 WITH ESTIMATED POPULATION GROWTH

Year	Population	Total catch (kg)	Fish supply/ kg/person/yr
2004	11,100,000	50,240,000	4.53
2005	11,300,000	72,913,000	6.45
2006	11,500,000	65,484,000	5.69
2007	11,700,000	65,200,000	5.57
2008	13,100,000	71,266,000	5.44
2009	13,300,000	71,289,000	5.36
2010	13,500,000	95,724,000	7.09
2011	13,700,000	81,070,000	5.92
2012	13,900,000	120,328,000	8.66
2013	14,100,000	109,889,000	7.79
2014	14,300,000	116,127,778	8.12

Source: Department of Fisheries

The current average per capita consumption of 8.12 kilogram per person per year is still less than the recommended rate of 13-15 kg per person per year of the World Health Organisation (WHO). However, the current Fisheries and Aquaculture Policy focuses on fish quality and value addition as a means of promoting adoption of best practices including sanitary and phytosanitary (SPS) requirements that will enhance quality, hygiene and sanitation, and value addition for fish and fish products so that the annual catch that is lost through post-harvest spoilage and insect infestation is reduced. This will ensure continued availability of fish in required amounts that will avert the per capita consumption deficit.

The Department of Fisheries facilitated the installation of an ice making machine in 2014 as one way of ensuring that fish quality within the value chain is maintained thereby allowing fishers and fish traders to accrue more benefits from their investments. One such facility is at Malembo fish landing centre in Mangochi. It is also expected that similar facilities will be installed and commissioned by June 2015 at Limbe Market, Zomba Market, Nkhotakota, Likoma and Nkhata Bay.

3.3.3.5 Status of Fishing Fleet (Craft) and Fishers

During the year 2014, different gears were used in the small-scale fisheries. Dugout canoes and plank boats, with and without outboard engines, were the main fishing vessels. The main gear types used in the year were beach seines (chambo, kambuzi and mosquito nets), chilimira, fish traps, gillnets, handlines and longlines. When compared with 2013, the fisheries statistics for the various water bodies indicate that the number of gear owners decreased by 6.76 percent whilst the total number of fishermen and their fishing crafts increased when compared with 2014 figures (Table 3.8).

TABLE 3.8: FRAME SURVEY COUNTS OF FISHING CRAFT, GEAR OWNERS, CREWMEMBERS AND FISHING GEARS 1998-2014

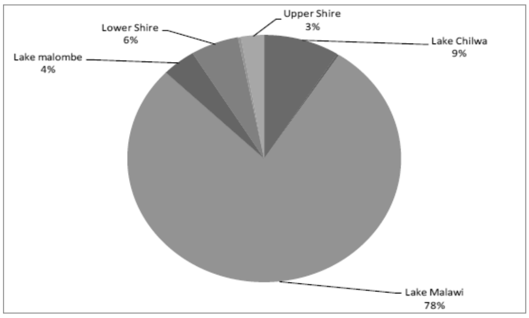
Indicator	1998	1999	2003	2007	2008	2009	2010	2011	2012	2013	2014	%increase/ decrease
Boats with engine	578	534	493	586	814	872	960	1,003	1,211	1,280	1,352	5.62
Boats without engine	3,240	3,088	2,999	3,502	3,360	2,942	2,613	2,570	2,582	2,396	2,989	24.75
Dug-out canoes	14,306	11,457	11,824	11,215	11,540	11,289	10,785	10,663	11,089	10,918	10,935	0.16
Planked canoes						764	1,227	1,098	833	996	1,382	38.76
Gear owners	14,471	13,503	15,542	13,305	14,065	13,403	14,538	14,1461	2,761	12,383	11,546	(6.76)
Crew members	37,488	35,347	42,312	41,993	41,841	46,123	45,335	47,003	45,764	43,312	44,524	2.80
Gillnets (normal)	32,941	43,430	77,668	67,552	70,606	75,291	63,225	52,560	60,716	43,560	26,398	(39.40)
Ngongongo					13,704	14,979	19,303	10,351	24,311	23,031	28,376	23.21
Chikwekwesa					337	59	90	257	7,674	246	157	(36.18)
Longlines	2,753	3,954	2,884	3,902	5,726	5,740	5,791	5,182	150,397	6,321	5,723	(9.47)
Kambuzi seines	546	345	385	438	484	399	408	261	200	174	145	(16.67)
Chilimira nets	2,584	2,568	3,079	2,588	3,491	3,394	3,349	3,053	2,931	3,059	3,129	2.29
Fish traps	38,255	40,078	27,071	20,460	15,814	25,362	34,644	24,832	16,690	21,941	44,585	103.20
Handlines	4,400	3,084	1,383	2,414	1,563	1,589	660	748	870	584	646	10.62
Kandwindwi					98	98	106	117	79	79	113	43.04
Scoop nets	21	79	83	14	36	56	29	59	54	47	44	(6.38)
Cast nets	37	47	766	535	717	701	705	824	782	694	439	(36.74)
Chambo seines	106	62	71	70	212	89	85	177	129	110	117	6.36
Nkacha nets	204	258	309	279	238	315	241	289	524	274	311	13.50
Matemba seine	498	422	276	853	406	542	690	855	587	662	1,194	80.36
Chomanga	35,579	23,298	24,350	13,371	5,814	38,506	44,847	45,862	67,354	51,102	56,609	10.78

Source: Fisheries Department

From Table 3.8, further analysis of the 2014 frame survey by numbers, type and distribution of small-scale fishing craft in Malawi indicates that:–

1. Over 16,658 fishing crafts were recorded of which 8.12 percent were motorised plank boats, 17.94 percent were non-motorised plank boats and 65.64 percent were dugout canoes. It has also been noted that the sector is fast adopting the plank canoes which currently are contributing 8.30 percent to the total number of crafts;
2. Of the 56,070 fishers recorded countrywide during the 2014 frame survey, the majority were crew members (79.41 percent) while the rest (20.59 percent) were gear owners. About 78 percent of the fishers were recorded in the Lake Malawi districts of Mangochi (27 percent), Nkhotakota (14 percent), Nkhata Bay (13 percent), Karonga (9 percent), Salima (8 percent) and Likoma (7 percent) while Lake Chilwa, Lake Malombe, Lower Shire and Upper Shire accounted for 9 percent, 4 percent, 6 percent and 3 percent, respectively; and
3. When considered in terms of fish traps and matemba seine nets, the figures have almost doubled, that is, about 44,585 fish traps were recorded in 2014 when compared with 21,941 fish traps in 2013. Similarly, more matemba seine nets (1,194) were recorded in 2014 compared to 662 seine nets in 2013. The increase could be attributed to increased level of fishing activities in Lake Chilwa and Lake Chiuta following its recovery from the recession which occurred in 2012.

FIGURE 3.7: DISTRIBUTION OF FISHERS IN ALL MAJOR WATER BODIES OF THE COUNTRY



Source: Department of Fisheries

3.3.4 Performance of Aquaculture Sector

The sector continued to implement aquaculture activities through the National Aquaculture Strategic Plan (NASP) that provides a guiding framework for the development of aquaculture in Malawi. The aquaculture sub-sector contributed about 4,742.4 tonnes of fish harvested from all production systems which ranged from cage culture to pond culture as shown in Table 3.9 below.

TABLE 3.9: ESTIMATED PRODUCTION LEVELS (TONNES) AND VALUE (US$) OF THE MAJOR CULTURED FISH SPECIES

Species	Estimated units	Years								
-	-	2000	2001	2002	2003	2010	2011	2012	2013	2014
Oreochromis shiranus/m ossambicus	Production (tons)	500	600	670	680	850	1420	2186	2,578	3,299.84
	Value (US$)	550,000	575,000	649,600	696,000	869,550	1,219,780	1,877,774	2,704,783	3,462,122.87
Tilapia rendalli	Production (tons)	-	12	70	85	630	862	633	641	820.48
	Value (US$)	--	13,800	11,200	42,000	113,647	740,458	543,747	813,460	1,041,229.13
Clarias gariepinus	Production (tons)	15	18	10	17	42	175	262	333	426.24
	Value (US$)	18,000	18,000	11,200	17,000	42,000	150,325	225,058	339,786	434,925.58
Cyprinus carpio	Production (tons)	10	10	8	4	30	76	67	71	90.88
	Value (US$)	10,000	10,000	8,960	5,600	42,000	65,284	57,553	88,884	113,771.92
Oncorhyn chus mykiss	Production (tons)	5	8	4	15	48	98	84	82	104.96
	Value (US$)	17,500	57,200	24,800	96,000	307,200	56,078	72,156	103,511	132,493.89
Total major species (tonnes)		**530**	**648**	**752**	**801**	**1600**	**2631**	**3232**	**3,705**	**4,742.40**
Total value (US$)		**595,500**	**674,000**	**705,760**	**856,600**	**1,374,397**	**2,260,029**	**2,776,288**	**4,050,425**	**5,184,543.40**

Source: Department of Fisheries

The Sector facilitated the verification of existing fish farms countrywide thereby generating a database of all fish farmers and their ponds. This exercise enabled the sector to have a basis for estimating its production from fish farming. The exercise further formed a basis for strategically targeting the kind of support to be provided to progressive fish farmers. Some of the requirements to these progressive farmers include harvesting nets, quality seed (fingerlings) as well as training. The verification exercise has revealed that in total there are approximately 6,167 fish farmers practicing fish farming with a total pond area of 225.56 hectares with 9,041 fish ponds in all the twenty seven districts as shown in Table 3.10 below.

The verification exercise has yielded information relating to the fact that both small and large scale fish farmers exist in the country with the former being predominant. The small scale fish farmers mostly practice semi-extensive aquaculture system and are set up within mixed agriculture farms. Essentially, small scale activities aim at feeding the family or sell the products in the surrounding locality in the rural community. Thus, fish farming has a role of food and nutrition security. On the other hand, the large scale fish farmers have small to mid-size commercial operations and essentially these are able to cover costs and deliver returns to the farmers

TABLE 3.10: SUMMARY OF ALL FISH FARMERS, PONDS AND TOTAL POND AREA FOR MALAWI AS OF 2014

District	No of Fish Farmers	No of Ponds	Total pond area (sq metre)	Total pond area (ha)
Balaka	54	91	32,203	3.22
Blantyre	251	310	253,020	25.30
Chikhwawa	61	85	41,516	4.15
Chiradzulu	93	108	22,072	2.21
Chitipa	223	355	63,120	6.31
Dedza	128	274	46,750	4.68
Dowa	138	167	7,000	0.70
Karonga	58	67	60,454	6.05
Kasungu	222	239	55,733	5.57
Lilongwe	216	292	21,140	2.11
Machinga	94	140	41,528	4.15
Mangochi	323	515	102,868	10.29
Mchinji	288	416	105,032	10.50
Mulanje	642	922	160,362	16.04
Mwanza	330	478	78,616	7.86
Mzimba	345	468	145,379	14.54
Neno	181	246	33,070	3.31
NkhataBay	213	876	315,401	31.54
Nsanje	9	23	5,894	0.59
Ntcheu	187	207	69,095	6.91
Ntchisi	392	440	101,129	10.11
Nkhotakota	79	140	33,945	3.39
Phalombe	197	262	50,965	5.10
Rumphi	296	375	101,820	10.18
Salima	57	127	43,101	4.31
Thyolo	601	702	84,854	8.49
Zomba	489	716	179,559	17.96
TOTAL	**6,167**	**9,041**	**2,255,625**	**225.56**

Source: Department of Fisheries

3.3.5 Challenges

There are a number of challenges faced by the sector, some of which are as follows:–

1. Insufficient number of technical and support staff to implement the planned programmes. This is evidenced by continued data gaps regarding fish landed from both capture fisheries and the aquaculture sub-sectors which provide gross underestimation of the fisheries sector to the country's economy;
2. Insufficient number of equipment and facilities for monitoring the enforcement of fisheries regulations in all water bodies as well as conducting research in the deep water offshore fishing grounds on Lake Malawi. Utility vehicles in most of the field stations are old and are not being replaced due to limited financial resources. As such, their continued use goes with high operation and maintenance costs;
3. Delayed processing of funds for various field activities generally affect implementation of planned activities;
4. Limited access to quality fingerlings and inadequate availability of quality formulated fish feeds are some of the challenges that impeded progress of the initiatives towards efficient and effective implementation of up-scaling fish production from aquaculture in Malawi; and
5. The threat posed by the HIV and AIDS scourge on the welfare of human resources in the Department of Fisheries cannot be overemphasised.

3.4 The Forestry Sector

This section reviews the sector's performance and contribution to the economy in the financial year 2014/15 in accordance with forest legislation and interventions outlined in the Malawi Growth and Development Strategy II (MGDS II). The section focuses on forest utilization and marketing; budget allocation and revenue collection; tree planting and plantation rehabilitation; and various programmes being implemented in the sector.

3.4.1 Forest Utilisation and Marketing

There were 47 timber export licences and 1,231 export permits issued to RAIPLY Malawi, Vizara Timber plantation and various individuals for forest products that are exported to various countries. By 5 April, 2015, these licences and permits generated revenue amounting to MK8,505,000.00.The products were exported to the Republic of South Africa, Mozambique, Kenya, Tanzania, Botswana, India, Zimbabwe, China, Zambia, Germany, France and other countries. The total export value was US$7.8 million (MK3.3 billion) as shown in Table 3.11

TABLE 3.11: EXPORT VALUE FOR FOREST PRODUCTS FOR 2014/15 FINANCIAL YEAR (AS AT 5 APRIL 2015)

		Export Value	
Forest Product	Quantity	In US Dollars	In Malawi Kwacha
MDF Block boards (sheets)	41,143	1,011,218.19	439,879,912.00
Shutter ply boards (sheets)	64,090	1,715,672.18	746,317,400.00
Kiln dried timber	1,745	429,310.67	186,750,142.00
Block boards (sheets)	3,460	90,769.09	39,484,553.00
Plywood (sheets)	4,615	63,586.38	27,660,076.00
Laminated boards (sheets)	17,304	231,035.00	100,500,542.40
Wood and Lumber (sheets)	25,000	166,147.00	19,937,720.00
Rubber timber (m3)	547.69	272,361.68	118,477,333.00
Pine timber (m3)	26,320	3,781,609.19	1,645,000,000.00
Colombo roots(kg)	21,000	65,078	28,309,050.00
Total		**7,826,787.38**	**3,352,316,728.40**

Source: Department of Forestry
Exchange rate used: $1=MK435.

3.4.2 Budget Allocation, Expenditure and Revenue Collection

In the 2014/15 financial year, the Department of Forestry was allocated K136,898,753.00 as compared to K131,611,813 in 2013/14 FY under Other Recurrent Transactions (ORT). There was a 4 percent increase in the budget allocation compared to 29 percent increase in the previous FY. Table 3.12 below shows the allocations and expenditures per Cost Centre.

TABLE 3.12: COST CENTRE BUDGETARY ALLOCATIONS AND EXPENDITURES FOR 2014/15 FY AS OF 30TH MARCH, 2015

Cost Centre	Approved Budget (MK)	Actual Funding (MK)	Budget Balance (MK)
Department of ForestryHeadquarters	34,397,720	20,946,435	13,451,285
Forestry Research Institute of Malawi	12,104,672	6,395,222	5,709,450
Regional Forestry Office South	18,739,105	9,678,713	9,060,392
Regional Forestry Office Centre	15,000,000	7,731,215	7,268,785
Regional Forestry Office North	16,702,303	8,674,710	8,027,593
Malawi College of Forestry and Wildlife	18,888,965	10,080,051	8,808,914
Viphya Plantations	21,065,988	11,296,488	9,769,500
Total	**136,898,753**	**74,802,834**	**62,095,919**

Source: Department of Forestry

With nine months into the budget, 55 percent of the approved budget has been funded so far. It is evident that funding levels are low and the cost centres are struggling to fulfil their planned tasks. For example, management of Viphya Plantations requires huge capital investment in terms of vehicles, tractors, fire-fighting equipment and maintenance of infrastructure (plantation roads, houses, communication equipment and others). The three Regional Forestry Offices have 24 plantations with a total of 37,304 hectares and 83 forest reserves. Due to such funding levels, these establishments are under threat from encroachment because of lack of frequent patrolling and law enforcement.

Forestry Research Institute of Malawi (FRIM) which is mandated to provide information, improved tree germplasm and to carry out stakeholder-oriented research on the sustainable management, utilization and conservation of trees and forests in Malawi, is unable to collect and process tree seed. As such, the quality of trees planted is of inferior quality. Malawi College of Forestry and Wildlife is also unable to train more technical staff in time resulting in the decline of forestry services in the country.

With regards to revenue collection, the major sources revenue for the Department of Forestry in the year under review were sale of logs, concessions, licences, royalties on forestry produce and firewood sales. Most revenue was collected from Viphya Plantations and Regional Forestry Offices in the Centre and South. Table 3.13 below shows revenue collected by the Department.

If adequately supported, the forestry sector has a great potential to collect more revenue, increase its contribution to GDP and attain the goals of the MGDS II which aims at reducing poverty.

Therefore, there is need to invest more in this sector especially in the development and management of timber, pole and fuel wood plantations in Malawi.

TABLE 3.13: REVENUE COLLECTED BY THE DEPARTMENT OF FORESTRY AS 10TH APRIL, 2015

Source of revenue	**Amount Collected (MK)**
Sale of farm produce	70,000.00
Sale of firewood	35,312,836.00
Forest seed sales	2,344,751.00
Phytosanitary Certificates	1,290,200.00
Log sales	309,070,627.95
Licence Fees	44,773,327.70
Miscellaneous Fees	3,409,100.00
Concessions	237,348,137.91
Rent Malawi Government houses	1,218,091.00
Royalties on Forestry Produce	16,626,298.00
Accommodation and Hall hire	536,100.00
Receipts on certificates	12,465,000.00
Total Revenue	**664,464,469.56**

Source: Department of Forestry

3.4.3 Tree Planting and Plantation Rehabilitation

3.4.3.1 2014/15 Forestry Season

The target for tree planting in 2014/15 season was 70,449,900 seedlings which were expected to be planted by different stakeholders such as smallholder farmers, communities, private sector, Village Natural Resources Management Committees and Non-Governmental Organisations. The production was 64,265,619 seedlings and the actual seedlings planted in three regions during the

National Forest Season are 47,163,367. By the same time last year, 63,196,846 seedlings were planted as shown in Table 3.14 below.

TABLE 3.14: TREE PLANTING IN THE 2014/15 NATIONAL FOREST SEASON

Region	Target	Production	Seedlings Planted as of March 2015
North	10,000,000	9,400,000	6,859,334
Centre	41,479,900	40,000,000	28,652,497
South	18,970,000	14,865,619	11,651,536
Total	**70,449,900**	**64,265,619**	**47,163,367**

Source: Department of Forestry

3.4.3.2 Plantation Rehabilitation

A total of 2,965.3 hectares have been planted in the government plantations. Details of replanting of harvested or bare areas in these plantations are shown in Table 3.15 below and the replanting was possible and achieved with financial support from the Forestry Development and Management Fund.

TABLE 3.15: TREE PLANTING IN GOVERNMENT PLANTATIONS IN 2014/15 SEASON

Name of Plantation	Target for Planting (hectares)	Area planted (hectares) as of March 2015
Viphya Plantations	2,400.0	1,811.6
Chongoni	200.0	201.2
Dzalanyama	115.0	78.0
Dedza	70.0	90.6
Dzonzi-Mvai	55.0	53.7
Kaombe	264.0	259.5
Katete	20.0	20.0
Dowa Hills	20.0	15.0
Ngala	112.5	107.0
Zomba Plantations	200.0	95.0
Chigumula	8.0	4.0
Likhubula	20.0	7.5
Nanchidwa	120.0	100.0
Eastern Outerslopes	5.0	3.0
Michiru	5.0	10.0
Nauko	5.0	2.2
Fortlister	10.0	7.0
Total	**3,639.5**	**2,965.3**

Source: Department of Forestry

3.4.4 Forest Development and Management Fund (FDMF)

The FDMF became operational in the 2011/12 FY. This aims at supporting and increasing the conservation and management of forest resources and forest land in Malawi. In the year under review, the Department of Forestry was allocated MK900 million. The major expenditures for the FDMF in the year under review were:

1. Tree Planting and Management;
2. Contract work in government plantations for various silvicultural operations;
3. Law enforcement; and
4. Training of Forestry Assistants at Malawi College of Forestry and Wildlife.

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 Overview

The main policy objectives for Irrigation and Water Development sector are to achieve sustainable and integrated water resources management systems; increase availability and accessibility of water and sanitation services for social economic growth and development; develop the institutional capacity of the water and sanitation sector; increase agricultural production; and finally enhance food security through irrigation development. This chapter, therefore, provides a synopsis of the major achievements during the 2014/15 financial year as well as providing a summary of the prospects for the 2015/16 financial year.

4.2 Irrigation

In line with the Government's overall development agenda as stipulated in the Malawi Growth and Development Strategy II (MGDS II), the country continues to focus on small, medium and large scale irrigation development. Hence, during the year under review various irrigation initiatives have been implemented and others are still in progress. Some of these initiatives include the Malawi Irrigation Development Support Programme (MIDSUP), Small Farms Irrigation Project (SFIP), Green Belt Initiative, Irrigation Rural Livelihood and Agricultural Development Project (IRLADP), Agriculture Infrastructure Support Project (AISP), Climate Adaptation for Rural Livelihoods and Agriculture (CARLA) Project and Smallholder Irrigation and Value Addition Project (SIVAP).

Through these initiatives a total of 2,385 hectares have been developed for smallholder irrigation bringing the total of land under smallholder irrigation to 51,501 hectares benefiting 424,808 farmers. Additionally, about 52,499 hectares of irrigation land fall under estates. Therefore, the total area developed for irrigation currently stands at 104,000 hectares.

In addition, a number of feasibility and design studies have been carried out during the reporting period and others are still in progress. In particular, under the Rural Infrastructure Development Programme (RIDP) detailed designs have been prepared for eleven irrigation projects covering 6,785 hectares. Furthermore, seven preparatory studies for the Shire Valley Irrigation Project (SVIP) which seeks to develop 42,500 hectares in Chikhwawa and Nsanje districts are underway. Similarly under the Small Farms Irrigation Project (SFIP), design review studies for Phase II covering about 800 hectares are underway. Under the Irrigation Rural Livelihoods and Agriculture Development Project (IRLADP) feasibility studies are being conducted covering 4,880 hectares.

The sub-sector has also undertaken a strategic study during the same period for the formulation of the Irrigation Master Plan and Investment Framework that forms the basis for future irrigation development. The plan focuses on three pillars namely: Sustainable Irrigation Development; Sustainable Irrigation Management; and Capacity Building needs of the Irrigation Sector.

4.3 Water Resources Management and Development

Availability of water resources is a catalyst for socio-economic development of the country. Therefore, Government has embraced an integrated approach to water resources management to properly manage the country.s precious resource and make it readily available for multipurpose usage such as domestic, industrial/municipal water supply, irrigation, hydropower generation, and tourism, among other activities.

During the reporting period, the sector continued with the implementation of various activities and programmes including the Shire River Basin Management Programme (SRBMP), Songwe River Basin programme, and Development of Water Retention Structures, among others. Under the Shire River Basin the sector continued with implementation of the various components of the Shire Basin Planning, Catchment Management and Infrastructure Upgrading Programme. The main objective of this programme is to increase sustainable social, economic and environmental benefits by effectively and collaboratively planning, developing and managing the Shire River Basins natural resources.

In addition, the sector commenced construction works for the upgrading of the Kamuzu Barrage in Liwonde during the period under review. This intervention aims at improving the monitoring and regulation of water from Lake Malawi to the Shire River System, and further improves the management of the floating weeds thereby enhancing hydropower generation and other uses downstream. Under the same programme, the sector has also embarked on development of catchment plans for the targeted catchment areas in the Shire River Basin of Upstream Kapichira in Blantyre, Chingale in Zomba and Machinga, Upper Wamkulumadzi in Neno and Upper Lisungwi in Ntcheu. The plans stipulate the rehabilitation activities that need to be undertaken in these catchment areas as one way of reducing sediments into the Shire River which adversely affect the efficient production of hydropower in the middle Shire. These activities will improve livelihoods of 230,000 people.

Furthermore, under the SRBMP work has initiated to improve flood management structures in the lower Shire in collaboration with other initiatives. This will result in flood zone demarcations, infrastructure investments designed to protect dense settlements and having an improved flood forecasting and early warning system for the lower Shire. This will greatly contribute to safety of people and their property in Chikwawa and Nsanje.

The Songwe River Basin Development Programme is a joint programme between the Government of the Republic of Malawi and the Government of the United Republic of Tanzania whose ultimate goal is to contribute to improved living conditions of the basin population and the socio-economic development in the two countries. Under the programme, the sector has completed the construction of an access road to the dam site, and has also finalized the preparation of the detailed designs for the dam as well as preparation of a draft business plan for the programme. Amongst several benefits, the two countries will improve hydropower generation and supply, irrigation and trade once the programme is implemented in full.

Through the Water Retention Development Programme and the Integrated Water Resources Development Projects, the sector has finalized the construction of a small dam at Biriwiri in Ntcheu and further commenced construction of Kaherere Earth Dam in Mzimba for multipurpose uses such as fishing and irrigation, among others. The sector has also drilled 103 boreholes for various stakeholders across the country through the Treasury Borehole Fund.

4.4 Water Supply

During the period under review, implementation of various projects/programmes has been undertaken and the programmes/projects aim at ensuring that the population in the country has increased access to safe/potable as per the aspirations enshrined in the MGDS II, Millennium Development Goals (MGDs) and the World Summit on Sustainable Development (WSSD).

4.4.1 Rural Water Supply

In a quest to ensure that the rural communities have access to portable water supply the sector continued with rehabilitation and construction of various rural water supply schemes.With financial assistance from JICA, the sector continued to implement the selected Market Centres and Rural Water Supply Project in Mchinji and Kasungu where a total of 54 new boreholes have been constructed and 280 boreholes rehabilitated. In addition to the construction and rehabilitation of these water points, the project also constructed market centre water systems at Mkanda in Mchinji and Santhe in Kasungu. To date, both at Mkanda and Santhe about 85 percent of the work regarding laying down of transmission main lines has been done and the project will benefit 7,051 and 7,485 people, respectively.

Under the National Water Development Programme, the sector has completed the major rehabilitation works (treatment works and transmission lines) of the water supply systems of Chapananga in Chikwawa, Mvula in Dedza and Misuku in Chitipa. The sector has also laid down about 88 percent transmission lines for the Usisya-Usingini Water Supply scheme in Nkhata Bay.

4.4.2 Urban Water Supply

During the same period, significant progress has been made in the other projects being implemented in the sector aimed at improving urban water supply with support from the IDAunder the National Water Development Programme (NWDP II). The sector has finalized the rehabilitation of Mudi Pumping Station, completed construction of three reservoirs each of pumping capacity of 5000 m^3 at Kameza, Chimwankhunda and Chigumula in Blantyre together with their booster stations, pumping and supply pipelines. The sector also finalized the rehabilitation of Walkers Ferry Treatment Plant which will increase operational production capacity of treated water from the current 78,000 m^3 per day to 96,000 m^3 per day.

Under the same NWDP II, Government has completed construction of storage facilities at Lilongwe Air Wing, supplied and installed transport of the main pump and seven pump sets and associated works and finalized construction of 100 water kiosks to benefit 25,000 people in various low income areas such as Areas 38, 46, 49, 56, 59 and 62, Sankhani, Malemia and Njewain Lilongwe. During the same period, the sector finalized the construction of Songwe Water Supply System and also undertook integration and expansion of Salima lakeshore and Kasungu water supply schemes.

Furthermore, the five Water boards, namely: Lilongwe, Blantyre, Southern Region, Central Region and Northern Region supply water services to the urban and town centres. In terms of performance between 2013 and 2014, the overall water supply coverage increased by 7 percent (Table 4.1).

TABLE 4.1: URBAN WATER COVERAGE BY WATERBOARDS

Water Board	Population Served 2013	2014	Increase in population served	Coverage Increase in Percentages
Lilongwe (LWB)	524,738	580,349	55,611	*11*
Blantyre (BWB)	578,398	597,251	18,853	*3*
Central Region (CRWB)	192,066	201,745	9,679	*5*
Northern Region (NRWB)	223,452	253,478	30,026	*13*
Southern Region (SRWB)	278,932	289,799	10,867	*4*
TOTAL	**1,797,586**	**1,922,622**	**125,036**	***7***

Source: Irrigation Water and Sanitation Sector Performance Report, 2014

At the same time, the percentage of the population with access to safe drinking water within 30 minutes walk in the service areas of these water boards remained even at 75.4 percent depicted in Table 4.2. The figure remained the same as there would be need for a survey to establish the actual levels of accessibility with the new developments that have taken place.

TABLE 4.2: PERCENTAGES OF PEOPLE WHO ARE WITHIN LESS THAN 30 MINUTES WALK FROM WATER SOURCE

Water Board	2012	2013	2014
Lilongwe	74.5	74.5	74.5
Blantyre 75.0	75.0		75.0
Central Region	75.0	77.0	77.0
Northern Region	74.9	74.9	74.9
Southern Region	75.6	75.6	75.6
Average	**75.0**	**75.4**	**75.4**

Source: Water Boards Reports, 2014

These achievements are attributed to the continuous improvement and rehabilitation works of the water supply schemes which the water boards have been undertaking through the National Water Development Programme.

In terms of Non-Revenue Water (NRW) which assesses utility efficiency, on average, the Water Boards managed to reduce it from 32.65 percent in 2013 to 31.4 percent during the reporting period as per Table 4.3 below. A high proportion of NRW is due to factors such as physical leakages in the distribution system that are largely due to ageing and variations in pressure, unauthorized water use and inaccuracies in billing or meter reading.Reduction in NRW implies an increase in supply to customers and increased revenues from water sales.

The Water Boards continue to implement activities aimed at reducing NRW through replacement of aged water distribution infrastructure and increased responses to pipeline bursts just to mention a few.

TABLE 4.3: NON REVENUE WATER IN WATER BOARDS

Water Board	2013 (Percent)	2014 (Percent)
Lilongwe	35	35
Blantyre	42	38
Central Region	25	22
Northern Region	34	33
Southern Region	27	29
Overall	**32.6**	**31.4**

Source: Water Boards Reports, 2014

The average number of debtor days between 2013 and 2014 remained constant (116 debtor days). Blantyre Water Board registered the highest drop from 143 to 103 debtor days. However, as noted in Table 4.4 below, the debtor days for the other Water Boards have either increased or remained unchanged and they are still on the higher side. This in turn affects the collection ratio which averages 0.8 across water boards instead of the actual 1.0.

Bill-collection efficiency (amount collected/amount billed multiplied by 100) must reach the ideal level where the amount billed is equal to the amount collected. However, as the average number of debtor days shows, this is not the case. Reaching the ideal would depend on other external factors such as delays by government institutions to pay water billsto which the Water Boards have no control.

TABLE 4.4: AVERAGE NUMBER OF DEBTOR DAYS

Water Board	2013 Debtor Days	2014 Debtor Days
Lilongwe	86	120
Blantyre	143	103
Central Region	95	90
Northern Region	85	104
Southern Region	170	161
Average	**116**	**116**

Source: Water Boards Reports, 2014

4.5 Sanitation and Hygiene

During the period under review, the sector completed the drafting of a Bill called National Sanitation Legislation and Regulations to guide the management and disposal of both solid and liquid waste. The draft bill awaits stakeholders. review. Once the Bill is enacted it will support the rolling out of the National Sanitation Policy (2008) and various activities and programmes which promote sanitation being undertaken by various players in the sector.

With financial assistance from SHARE UK, the sector also completed a number of research activities in the areas of Solid Waste Management, Hand Washing with Soap and Management of Menstrual Hygiene in schools, among others.The research activities have provided the sector with useful results which will assist the stakeholders in coming up with proper sanitation and hygiene interventions based on informed decisions.

Furthermore, the sector has been implementing and will continue to implement a project under Global Sanitation Fund (GSF) of the United Nations Water Supply and Sanitation Collaboration Council (WSSCC). The project is called Accelerating Sanitation and Hygiene Practices in Malawi that is being implemented targeting six districts, namely: Rumphi, Nkhotakota,Ntchisi, Balaka, Phalombe and Chikwawa. The Project will assist Government to achieve the targets it set for itself for sanitation and hygiene promotion in the second Malawi Growth and Development Strategy (MGDS II) as well as in the Vision 2020.Achievement of these targets will also assist Government efforts to attain the Millennium Development Goals (MDGs) targets. The ultimate objective of the project is to assist Government to achieve improved health for all its citizens as it ensures the creation and maintenance of an improved public health environment and socio-economic development by eliminating open defecation and promoting accelerated access to improved sanitation.

4.6 Prospects for 2015/2016 Fiscal Year

4.6.1 Planned Programmes for the 2015/16 Financial Year

During the coming financial year the sector will continue to implement various activities in irrigation, water resources and supply management in order to realise its goal of water and sanitation for all and prosperity through irrigation.

With regards to Irrigation, the sector will continue with the implementation of the various projects including the Malawi Irrigation Development Support Programme, Support to ASWAp-GBI Component 2, Small Farms Irrigation Project (SFIP), and the Green Belt Initiative (GBI). Through these initiatives the sector plans to develop close to 5,000 hectares of land for irrigation farming which is expected to benefit over 20,000 new farmers in 2015/16 financial year.

Furthermore, the sector plans to develop a number of smallholder irrigation schemes covering 1,930 hectares and 2,000 hectares under the Agriculture Infrastructure Support Programme (AISP) and Green Belt Initiatives, respectively. Construction works for these projects has already commenced in the 2014/15 financial year.

Under the Smallholder Irrigation and Value Addition Project (SIVAP), the sector will develop four new irrigation schemes and commence rehabilitation of five existing schemes in the 2015/16 financial year. Similarly under the Shire Valley Irrigation Project (SVIP), the sector will ensure that all the seven preparatory studies are completed and adequate financing is sourced as it has the potential of turning the Lower Shire into a food basket as well as opening up various accompanying economic opportunities.

During the 2015/2016 financial year, the sector will start full implementation of the Sustainable Water and Sanitation Infrastructure for Improved Health and Livelihoods under Water Supply and Sanitation. The sector will engage consultancy services for the preparation of the necessary documentation for the rehabilitation and expansion of 12 gravity fed schemes which will also include construction of $600m^3$ localized storage reservoirs and break pressure tanks and construct 2,925 communal water points. Under the same programme, the sector plans to commence construction of 450 new boreholes and promote catchment protection and management. The project will further commence construction of 166 sanitation facilities at public institutions such as schools, health and market centres.

The sector will also continue with implementation of the Chitipa Water Supply Project which, upon finalization, will supply water to the growing town of Chitipa and the surrounding areas. Plans are also underway to conduct detailed designs for the construction of Lambilambi Dam which is a potential water source for Mzuzu City as well as the surrounding areas.

Furthermore, under Water Resources Management the sector will continue with the implementation of the Shire River Management Programme, the Songwe River Management Programme and the Development of Water Retention Infrastructures under the Water Resources Management Programme. The sector will also continue assisting various clients in the drilling of boreholes through the Borehole Treasury Fund as well as operationalization of the Water Resources Authority.

4.7 Challenges Facing the Sector

Despite the progress registered above, the sector faces a number of problems such as vandalism of infrastructure; inadequate funding which affects the implementation of planned activities; environmental degradation which is contributing towards dwindling water resources; and land disputes which affect construction of permanent infrastructures such as Irrigation Schemes.Worse still this year, the sector has been affected by the floods which negatively affected the water supply and irrigation infrastructure; and in some cases even washed away the infrastructure. The Sector is also facing challenges in meeting the ever increasing water demand emanating from population growth.

Chapter 5

TRANSPORT AND PUBLIC INFRASTRUCTURE

5.1 Overview

This chapter reviews the performance of the transport sector during the 2014/15 financial year.

5.2 Road Transport and Safety

5.2.1 Roads Sub-Sector

In general, the roads sub-sector has not performed well during the year under review. This is mainly due to underfunding, huge arrears and poor delivery of project outputs by contractors.

However, a number of projects have been completed during the year under review, and these include:

1. The rehabilitation of the Zomba – Blantyre Road with funding from the African Development Bank and Government of Malawi;
2. The construction and upgrading of the Lilongwe West Bypass Road from Bunda turn-off to Kaunda Road on the Lilongwe Mchinji Road with funding from the African Development Bank and Government of Malawi; and
3. The Ngabu-Bangula Road with funding from the Government of Malawi.

There are several projects which are scheduled to begin in the 2015/16 fiscal year and these include:

1. Lilongwe Old Airport – Kasiya – Santhe Road Construction Project with funding from Government of Malawi;
2. The Njakwa – Livingstonia – Chitimba Road Design and Construction Project also with funding from the Government of Malawi;
3. Karonga – Songwe Road Rehabilitation Project with funding from the World Bank;
4. Mzuzu – Nkhata Bay Road Rehabilitation and Liwonde – Mangochi Road Rehabilitation Project with funding from the African Development Bank;
5. Lirangwe – Chingale – Machinga Road construction with funding from the Kuwait Fund.

In order reduce traffic congestion, there are plans to expand and dualize some road sections and these include the following:

1. Expansion and dualization of the road from the Lilongwe Area 18 Roundabout – New Parliament Building – Kamuzu Central Hospital Roundabout to Paul Kagame on Amina Roundabout with Funding from Government of Malawi and African Development Bank;

2. Illovo roundabout - Midima Road expansion and dualization with funding from the Government of Malawi;

Over the years, a number of road projects have faced constrained financial resources which in turn are affecting timely implementation. Additionally, the financial challenges from previous years have resulted into huge liabilities accumulated due to delayed payments, interest charges and price escalations.

In order to address this, a strategy was developed during the year prioritising the following:

1. Prioritized payment for all contracts that were completed but have outstanding payments;

2. Termination, repackaging and re-advertising some selected contracts; and

3. Provision of adequate funding for some selected projects to ensure completion.

5.2.2 Road Traffic Services

5.2.2.1 Review of the MALTIS and Vehicle inspections

Currently, the process of upgrading the Malawi Traffic Information System (MALTIS) is at an advanced stage with completion expected before the end of the 2014/15 FY. The upgrading of the MALTIS will assist in improving current operating conditions through data capturing and traffic management in the country.

During the period under review, the Department of Road Traffic and Safety Services has advanced with the outsourcing of vehicle inspections to private operators which is expected to be implemented before end of 2015. The outsourcing of vehicle inspection services will help in reducing congestion at the Department offices and improve service delivery.

5.3 Rail Sub-sector

During the period under review, the private operator VALE Logistics completed the construction of a 138 km railline from Kachaso in Chikwawa passing through Mwanza and Neno Districts to join the existing railway network at Nkaya junction in Balaka District. The private operator has also completed the upgrading of the section between Nkaya and Nayuchi. Meanwhile, passenger and freight operations will commence before the end of the financial year. The completion of the rail construction project will provide a cheaper transport alternative to the people living along the track and also provide an opportunity for them to engage in socio economic activities.

Furthermore, feasibility and design studies are underway for the Sena railway rehabilitation and reconstruction between Limbe and Marka in Nsanje. In addition to this, the procurement of consultants for the feasibility study for the Nkaya-Salima-Lilongwe-Mchinji rail line is at an advanced stage.

5.4 Civil Aviation

During the year under review, a number of projects continued to be implemented for air transport and these include the following:

1. Rehabilitation of Terminal Building at Chileka International Airport; and
2. Replacement of air navigation and firefighting equipment at Chileka and Kamuzu International Airports.

Government realizes the need for efficiency and effectiveness in the air transport sector and, to that effect, a number of reforms have started being implemented during the period under review. One such reform is the establishment of an autonomous Civil Aviation Authority (CAA). The creation of such an authority would ensure the proper separation of functions and allow the implementation of all the Critical Elements of an effective safety oversight system. It would also improve financial and economic viability of the aviation industry in Malawi. Consultations have been undertaken and the review of the Civil Aviation Act is in progress. It is expected that the Civil Aviation Authority would be operational by July, 2016.

5.5 Marine

One of the programmes that would assist government to reduce transport costs is the realization of the Shire-Zambezi Waterway Project. The project aims at reopening the Shire-Zambezi Waterway from the inland port of Nsanje in Malawi to the Indian Ocean port of Chide in Mozambique, a distance of approximately 238 kilometers. The project when implemented will reduce transport costs as it will provide a direct waterway access from Malawi to the Indian Ocean thus enabling barges and medium sea-going vessels to operate between Chinde and Nsanje. A feasibility study by a German consultant, Hydroplan, will be finalized before the end of the 2014/15 FY in order to inform and give direction to Government on the implementation of this project.

5.6 Plant, Vehicle Hire and Engineering Services (PVHES)

One of the reforms being undertaken within the transport sector is the re-capitalisation of Plant Vehicle Hire and Engineering Services (PVHES). This will lead to more equipment being available at PVHES thereby ensuring that local contractors have easy access to earth moving equipment which has not been the case in the recent past. Empowerment of PVHES will also enhance the capacity of local contractors to compete favourably for works in the country. Meanwhile, the Ministry is in the process of identifying a strategic partner for PVHES who will provide the required financing.

5.7 Multi-Modal Transport

In the 2015/16 FY, the Government plans to commence a detailed Transport Sector Investment Programme to allow Government to plan for the transport sector effectively taking into consideration the key processes that lead to optimum and efficient allocation and use of limited resources in the sector. The document will be used to lobby for investment in the sector from the private sector, foreign investors and development partners. Implementation of the Programme will bring about coordinated and competitive development of all transport modes and enhancement of intermodal transport along the corridors.

5.8 Challenges during the year

During the year under review, several challenges were encountered, including lack of adequate funding particularly on government funded projects for both roads and civil aviation and the inadequate fuel levy which is used for maintenance of roads. The fuel levy is fixed per litre and its value has been eroded due to the depreciation of the Kwacha and the resulting increasing costs of maintenance over the years. In this regard, the Ministry is consulting the Ministry of Finance to consider reviewing the fuel levy. In addition, heavy rains and floods have affected transport infrastructure as a number of roads and bridges have been damaged due to heavy rians and floods. The rail network has also been affected by the floods.

Chapter 6

MINING AND QUARRYING

6.1 Overview

The Mineral sector continued to experience growth in the year 2014/15. Mineral exploration and production also increased as a result of continued demand by the consuming industries, and the export market. Thus, this report 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.

6.2 Mineral Production

Malawi has a number of minerals, ranging from coal, cement, uranium and gemstones, among others. In terms of volumes rock aggregates, coal, cement and agricultural lime prove to be important with production levels of 1.04 million tonnes, 63,673 tonnes, 57,850 tonnes and 20,206 tonnes, respectively, in 2014. For details, Table 6.1 below summarizes the mineral production levels and monetary values realised from the minerals.

TABLE 6.1: MINERAL PRODUCTIONS & MONETARY VALUES

	2013 (Actual)		2014 (Actual)		2015 (Projection)	
Type	**Quantity (tonnes)**	**Value (K'million)**	**Quantity (tonnes)**	**Value (K'million)**	**Quantity (tonnes)**	**Value (K'million)**
Coal	67,024	826.68	63,673	785.35	60,674	885.45
Cement	60,895	42.99	57,850	40.84	67,870	50.74
Agricultural Lime	21,269	207.68	20,206	197.30	27,206	319.00
Other						
Uranium Concentrates	1,347	49,090	1,065	13,800	-	-
Phosphate	11,783	17.34	11,194	16.47	12,184	196.50
Rock aggregate	1,092,808.3	1748.48	1,038,168	1,661.05	1,111478	1,517.90
Gemstones	116.3	20.40	110	19.38	210	36.40

Source: Department of Mines
Note: - denotes not available

6.2.1 Coal Production

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 for industrial use in the country. Coal productions in 2014 declined due to non-availability of fuel for processing and transportation. In 2015, production is projected to increase due to increased demand as there are companies that are venturing into coal fired power production.

The Mchenga, Kaziwiziwi, Malcoal and Eland Coal Mine Companies continued to be the sector’s largest producers of coal in Malawi, contributing about 95 percent. The companies have a combined maximum capacity of up to 10,000 metric tonnes of coal production per month. The coal is mainly used for provision of energy for different production processes in the cement, tobacco, textile, brewery, food processing and ethanol industries. Besides, mining the companies have all embarked on expansion projects by continuing with exploration outside their current mining areas so as to increase their respective production capacities and meet the ever growing demand for coal.

6.2.2 Uranium Concentrates Production

The Kayelekera Uranium Mine which was commissioned in 2009 has remained the largest mining investment in the country.s mining sector. Despite the economic slowdown that the country was undergoing, production of uranium concentrates kept increasing. The designed capacity of the plant was to produce 3.3 million pounds (1,500 tonnes) of uranium concentrate (yellow cake) per year. The continued decline in the price of uranium, following the Fukushima accident, has forced the company to suspend mining and processing operations in 2014 until price improves. For the past two years, the price of uranium has been below US$40 per pound.

6.2.3 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 tonnes of lime products per month. All the three companies increased their respective production capacity in 2014 as compared to their production in the previous year. 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 and Balaka Lime Makers Associations, among others. Most of these operators have increased their production capacity owing to overwhelming support they are getting from One Village One Product programme (OVOP) in terms of monetary and equipment assistance.

6.2.4 Rock Aggregate Production

The production of rock aggregates declined in 2014 due to the slowdown of economic activities in the country which included construction and rehabilitation of roads and a number of infrastructures. In 2015, there are prospects that the production will pick up as the economy is stabilizing. There are more than 20 operating quarries for production of rock aggregate both at commercial and project level. Out of these only 6 are commercial quarries and the rest are project quarries.

6.2.5 Phosphate Production

Apatite deposits suitable for the manufacture of compound phosphate fertilizers are found at Tundulu in Phalombe District. The phosphates are contained in a carbonatite complex and occur as apatite sovite and apatite carbonatite. Drill indicated reserves amounting to 2 million tonnes and averaging 17 percent P_20_5 have been outlined to a depth of 100 metres. There is potential for increasing the ore reserves by investigating the adjacent areas capped by agglomerate. Part of the Tundulu area is being developed by Optichem for phosphate mining to be used in the production of fertilizer.

6.3 Employment Opportunities in the Mining Sector

6.3.1 Employment Levels

Employment levels in the sector declined significantly in 2014. The decline was as a result of reduced production of Quarry Aggregate which employs a large number of people and the suspension of Kayelekera Uranium Mine. It is also worth noting that the sector also employs about 13,500 artisanal and small scale miners scattered across the country. In 2015, there are prospects that there will be some increase in employment due to the increased economic activities.

Out of the total workforce in the sector, women account for only 10-15 percent. However, the number of self-employed people in the mining sector especially small scale operators is over 22,000 though it is generally difficult to get the actual number of artisanal and small scale miners since most of these operate in remote areas and are unregulated. This, therefore, means that the actual production statistics from the sub-sector remains partial and to some extent unaccounted for.

TABLE 6.2: FORMAL EMPLOYMENT IN THE MINING SECTOR BY 2015

Workforce	2013	2014	2015
Coal	637	606	706
Uranium Mine	703	300	288
Agricultural, Calcitic and Hydrated Lime	1,677	1,593	1,781
Quarry Aggregate production	8,573	8,144	9,016
Cement manufacturing	106	101	145
Gemstones/Mineral Specimens	124	117	201
Ornamental Stones	30	29	33
Terrazzo	57	54	67
Other Industrial Minerals	884	839	723
Exploration activities	177	168	171
Total	**12,968**	**11951**	**13131**

Source: Department of Mines

6.4 Export Sale of Minerals

6.4.1 Export of Minerals

Export of minerals in 2015 by different mine operators continued to be dominated by coal, ornamental/dimension stones and gemstones, as shown in Table 6.3 below. Revenue generated by the Government through the Department of Mines only between the period July, 2014 to March 2015 amounted to MK1,418,111,267.21 in terms of royalties, licence processing and ground fees.

TABLE 6.3: MINERAL EXPORTS

Type	2013 (Actual)		2014 (Actual)		2015 (Projection)	
	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)
Coal	9,310	103,151	8,845	97,993.45	7,835	107,893.45
Uranium cake	1,347	49,090	500	13,800	-	-
Other						
Dimension stones	387	11,198,125	36,795	10,638,218.75	38,745	11,718,118.00
Rock aggregate	24	162,687.50	23	154,553.13	28	1684,563.15
Gemstones	109	15,409,041.80	104	14,638,589.70	110	17,698,599.70
Rock/Soil samples	100	4,673,240	95.0	4,439,578	98	4,939,678

Source: Department of Mines
Note: - denotes not available

Coal was exported by Eland Coal Mines to Mbeya Cement Company and Gypsum Company in Tanzania. Gemstones continue to be exported to various parts of the world like India, Indonesia, Malaysia, South Africa, China, U.S.A, Italy, UK and other countries. The average price of the minerals vary per individual operator depending on quality or grade of mineral and the respective production costs since the country does not have fixed prices for particular minerals.

6.5 New Mining Operations and Licenses

In 2014/15, Government granted various licenses to prospecting mining companies and individuals as presented in table 6.4 below.

TABLE 6.4: NEW MINING AND PROSPECTING LICENCES ISSUED IN 2014

Type of Licence	Number Issued	Mineral (s)
Small Scale Operators		
Non-Exclusive Prospecting Licence	78	Gemstones, Ornamental stones
Mining Claim Licence	78	Gemstone, Ornamental stones
Reserved Minerals Licence	48	Gemstones, Ornamental stones
Large-Medium Scale Operators		
Exclusive Prospecting Licence	47	Uranium, Heavy mineral sands, Base metals and Platinum Group Metals, Limestone, Gypsum, Iron ore, Glass sands
Mining Licence	11	Quarry aggregate, heavy mineral sands, limestone and Rare earth minerals
Reconnaissance Licence	3	Graphite and rare earth

Source: Department of Mines

6.6 Mining Investment Opportunities

6.6.1 Mineral Potential of the Country

Malawi produces cement, coal, rock aggregates, dolomite, limestone, and some artisanal salt for domestic consumption. Apart from industrial mineral production which services local demand and the Kayelekera Uranium Mine, Malawi's mineral sector is still in its infancy stage. However, there is potential for heavy mineral sands, bauxite, phosphate, uranium and rare earth element deposits. Artisanal and small scale mining activities have grown considerably and are source of livelihood for many families in rural areas.

A regional geochemical drainage reconnaissance survey prior to 1973 showed several anomalies considered to be worthy following up (Table 6.5). Local and international companies are both actively engaged in the exploration for various minerals over Malawi. Potential exploration targets include gold, uranium, platinum group of minerals (PGMs), base metals, nickel and copper, dimension stone, phosphates, heavy mineral sands, graphite, and coal. Government procured Sanders Geophysics Limited (SGL) which is undertaking a countrywide airborne geophysical survey. It is expected that the survey will generate invaluable data that will provide baseline data to potential investors and other interested parties.

TABLE 6.5: KNOWN MINERAL DEPOSITS, RESERVES AND GRADE

DEPOSIT	LOCATION	DELIANATION RESERVES (Million tonnes/grade)
Bauxite	Mulanje	28.8/43.9% Al_2O_3
Uranium	Kayelekera	12,5/0.15% Ur_3O_8
Monazite/ Strontianite	Kangankhunde	11/ 8% Strontianite and 60% REO
Graphite	Katengeza-Dowa	8.0/75.6gm per m^3
Limestone	Malowa Hill-Bwanje	15/4% CaO, 1.2% MgO
	Chenkumbi-Balaka;	
	Chikoa-Livwezi-Kasungu	10/46.1% CaO, 3.5% MgO
Titanium bearing Heavy Mineral	Chipoka	700/5.6% HMS
Sands	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
	Mchenga	5/17% Ash, 0.5% Sulphur and calorific value of 6,800kcal/kg
Phosphate	Tundulu-Phalombe	2.017% P_2O_5
Pyrite	Chisepo-Dowa	34/8% S
	Malingunde-Lilongwe	10/12% S
Glass Sands	Mchinji Dambos	1.6/97% SiO_2
Dimension Stone	Chitipa, Mzimba, Mangochi, Mchinji,Chitipa	Blue, Black, Green, and Pink Granite
Gemstones	Mzimba, Nsanje, Chitipa, Chikwawa, Rumphi, Ntcheu	Numerous pegmatites and volcanic

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

6.6.2 Pipeline Projects

A number of international and local companies are actively engaged in mineral exploration and mine development for various minerals. The minerals being sought after include rare earth elements, Niobium, Uranium, Zircon, Tantalite, Limestone and heavy mineral sands.

During the year under review, a number of companies, both local and foreign, have vigorously continued to pursue intensive exploration for different minerals in various parts of the country. The minerals being pursued include heavy mineral sands, platinum group metals (PGMs), base metals, rare earth elements, coal and bauxite, among other minerals. Generally the year 2015 experiences an increase in exploration activities compared to 2014. The major projects in the pipeline include the Kanyika multi-commodity project in Mzimba, Ntcheu and Mangochi cement production by Bwanje Cement Company and Cement Products Limited, respectively. A summary of potential mining projects are presented in Table 6.6.

TABLE 6.6: POTENTIAL MINING PROJECTS

Company	Minerals to be Mined	Site	Country of Origin	Status
Globe Metals & Mining	Niobium, Uranium, Zircon and Tantalite	Kanyika, Mzimba	Australia	Mining Agreement Negotiation
The Bwanje Cement Project (Deco)	Limestone	Ntcheu/ Dedza	Malawi	Bankable Feasibility Study
Lynas Corporation	Rare earth elements Balaka	Kangankunde,	Australia	Bankable Feasibility Study
Tengani Titanium Minerals Ltd	Heavy mineral sands	Tengani, Nsanje	Malawi	Bankable Feasibility Study
Cement Products Ltd	Limestone for cement manufacturing	Mangochi	Malawi	Started Production
Mkango Resources limited	Rare Earth Metals	Songwe, Phalombe	Canada	Feasibility Study

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

During the year 2015, Globe Metals and Mining continued negotiations for a Mining Agreement on the development of the Kanyika Niobium Mine. The Kanyika project is still expected to kick start mining niobium at Kanyika in Mzimba district by the year 2016 and the project is likely to start at a value of around US$220 million. The company has continued to undertake the feasibility study in order to come up with a bankable project plan. The project with an estimated deposit of around 50 million tonnes of the multi-commodity minerals comprising niobium, tantalum, zircon and uranium could earn Malawi in excess of US$100 million in foreign currency per annum which could provide a big boost to the country’s foreign exchange earnings.

Chapter 7

ENERGY

7.1 Overview

This chapter reviews the performance of the Energy Sector in the 2014/15 fiscal year in terms of developments in the electricity, petroleum, coal and biomass sub-sectors and various renewable energy programmes.

7.2 Electricity

In the period under review, the Electricity Supply Corporation of Malawi Ltd (ESCOM) sold 1,460.35 GWh of electricity compared to 1,429.68 GWh in the same period in the previous year, representing a two percent increase in units sold largely owing to a 6.33 percent increase in domestic consumption and a 4.15 percent increase in industrial sector (Power Demand) consumption compared to previous year. There was also an increase in the number of registered consumers by 13.12 percent from 238,211in 2013 to 269,469 in 2014. The installed capacity for the interconnected system during 2014 was 351MW.

TABLE 7.1: ELECTRICITY GENERATION AND CONSUMPTION (2007-2014)

YEAR	2007	2008	2009	2010	2011	2012	2013	2014
Maximum (Peak) Demand (MW)	251.03	241.88	259.67	273.01	277.75	277.88	279.73	323.91
Energy generation (GWh)	1,453.06	1,543.00	1,642.02	1,809.17	1,871.88	1,911.51	1,828.2	1,906.51
Number of Consumers	164,795	175,157	189,166	194,459	205,045	218,164	238,211	269,469
Consumption Domestic (GWh)	434.63	461.56	502.08	571.56	593.85	596.10	577.65	614.20
General (GWh)	197.55	213.73	226.16	253.70	250.43	244.47	214.96	183.26

Source: ESCOM Ltd

7.2.1 Demand Analysis and Planned Projects

In the period under review, the sector continued to monitor the Base Scenario of the Power Demand Forecast carried out in 2011. According to the study, generation requirements were estimated to increase to 408MW in 2010 and 829MW in 2020, respectively. The growth rates captured by the study are generally higher in the second decade due to higher long-term economic growth rates (Table 7.2).

The study further showed that Domestic, General Consumers and Export have high growth rates of 12.0 percent, 14.0 percent and 27.2 percent respectively in the period 2012-2015. This is explained, firstly by the very high GDP growth rates used as proxies for the income levels of these consumer categories and secondly, by increased expectation of regional power trading opportunities to exist once the Malawi–Mozambique Interconnection project is implemented.

TABLE 7.2: FORECAST ENERGY AND POWER DEMAND

	Energy and Power				Average growth rate (percentage per annum)		
	2012	**2015**	**2020**	**2025**	**2012-2015**	**2015-2020**	**2012-2025**
Domestic (GWh)	596.10	1,035.00	1,564.00	2,186.00	12.0	8.60	8.75
General (GWh)	244.47	551.00	859.00	1,190.00	14.0	9.29	9.29
Small Power (GWh)	214.76	404.00	575.00	787.00	8.01	7.32	7.23
Large Power (GWh)	390.12	624.00	918.00	1,275.00	10.0	8.03	7.92
Export (GWh)	21.1	50.00	53.54	86.22	27.23	10.00	13.98
Total Sales (GWh)	1,466.52	2,664.00	3,969.54	5,524.22	12.0	8.38	8.37
Losses (GWh)	444.98	468	712.46	968.78	5.36	6.30	6.29
Generation (GWh)	1,911.5	3,132	4,682	6,493	11.05	8.38	8.37
Peak Load (MW)	277.88	534	798	1,106	8.62	7.91	7.97
Step Loads(MW)	25	25.6	37.1	50	187	7	32
Reserve Margin(MW)	32	37	55	75	10	10	10
Generation Requirements(MW)	335	596	890.1	1,231	16.47	9.86	15.0

Source: ESCOM Ltd

Based on the demand forecast, the study revealed that 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 income of the domestic sector, which should result in higher appliance ownership and resultant high electricity consumption. 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 desired reserve margin. Therefore, there is urgent need for capacity additions. With the projected peak demand of 534MW, 798MW and 1,106MW for years 2015, 2020 and 2025, respectively, the generation capacity of the country needs to be increased accordingly in order to meet the projected demand and the reserve margin.

In an effort to meet the projected demand in the country, the Government is undertaking hydropower plant feasibility Studies at Chasombo and Chizuma. The studies are underway and the preliminary results show that it is both feasible and economically viable to generate hydropower from these sites. In addition to this, plans are underway to implement Kapichira Phase III.

7.2.2 Electricity Tariff Developments

The tariff study that was conducted by ESCOM from 2003 and presented to Government in July 2005, required deriving a tariff structure that reflects the cost of generation, transmission, distribution and other operation costs 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.

Malawi Energy Regulatory Authority (Authority) received an application from the Electricity Supply Corporation of Malawi (ESCOM) to review the electricity tariff base in September, 2013.

The ESCOM base tariff was last reviewed in 2009 and the implementation of this base tariff was concluded in December 2013. The Authority observed that the implementation of 2009 base tariff has resulted in significant improvements in the financial position of ESCOM reflected by the improved return on capital employed and shareholder's fund. ESCOM's working capital improved from negative to positive as the liquidity position also improved.

The Authority, therefore, observed that the tariff increase requested by ESCOM is aimed at building on its improved financial position to enhance its capacity and capability for better service delivery for its existing customers and increasing access to electricity services to a larger section of the population as the demand for electricity services continues to grow at an average of 12 percent per annum.

Following a detailed review and analysis of the ESCOM application and stakeholder inputs in the review process, the Authority approved an average tariff increase of 37.28 percent for ESCOM to be implemented in a phased manner over a four (4) year period starting from 4th April, 2014. The implementation of the approved tariff shall be subject to ESCOM demonstrated achievements in meeting the set performance targets. The first increase of 13.5 percent was effect from 4th April 2014, 8.9 percent will apply in the third year and 1.9 percent will be implemented in 2017, the last year of implementation of the second base tariff. In the period under review, the average electricity tariff is K35.69 per KWh which is expected rise to K43.24 per KWh over the next two year period.

7.2.3 Malawi Rural Electrification Programme

The Malawi Rural Electrification Programme (MAREP), having been started by ESCOM in 1980 and taken over by Government as the implementing agency in 1995, has so far registered a lot of success. The programme aims at increasing access of electricity to 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 has so far seen six phases being implemented through extension of power transmission and distribution lines to district administration centres, major trading centres, tobacco growing areas, and the development of the 4.5 MW Wovwe Hydro Power Plant.

In the period under review, the Government of Malawi has electrified a total 81 targeted trading centres through MAREP Phase VII. Table 7.3 below shows the 81 targeted trading centres electrified and 52 benefiting trading centres.

TABLE 7.3: MAREP PHASE SEVEN TRADING CENTERS (TCS)

No.	DISTRICT	TARGET TC	Benefiting TC
1	Chitipa	Kapenda	Mwamkumbwa
		Kapirinkhonde	Kavukuku
		Therere	
2	Karonga	Mwaulambo	Ngelenge
		Khwawa	Khwawa II
		Lupaso	
3	Rumphi	Mphompha	
		Kamphenda	Jeka
			Mwazisi Admarc
		Nkhozo	Mjuma
			Kawaza
4	Mzimba	Manyamula	EPA
		Kazuni	Kazuni II
			Vwaza Parks Office
			Polepole
		Madede	Chamaliwa
5	Nkhatabay	Kalowa	
		Old Maula	
		Khondowe	Chiwisi
			Bunga
			Ruarwe
6	Kasungu	Gogode	
		Kamboni	Malepera
		Kakwale	
7	Nkhotakota	Liwaladzi	Kautaka
		Mpamatha	
		Ntosa	Chisaka
8	Ntchisi	Chinguluwe	
		Kangorwa	Liwonde
			Mpamila
		Kangolusa	
9	Dowa	Kayembe	
		Kasuntha	Kasuntha II
			Kamphenga
		Chisepo	
10	Salima	Chagunda	Tembwe
		Pemba	
		Kambwiri	
11	Lilongwe	Chiunjiza	
		Chadza	Kadziyo
		Santhe	Chibungo
12	Mchinji	Nkhwazi	
		Gumba	Sunama
		Zulu	
13	Dedza	Magomero	Chafumbwa
		Mganja	
		Kanyama	Kasumbu
14	Ntcheu	Bilira	Sharpevalley
			Bwanje
			Pengapenga
			Chitsulo
			Mwalawoyera
		Njolomole	
		Kaloga	

No.	DISTRICT	TARGET TC	Benefitting TC
15	Blantyre	Madziabango	
		Mpingo	
		Lundu	Linjidzi
16	Chiradzulu	Muyere	
		Thuchila	
		Mauwa	
17	Thyolo	Gombe	
		Thomasi	
		Didi	
18	Mulanje	Mithande	
		Chikuse	
		Mpholiwa	
19	Phalombe	Nyedzelera	
		Maliro	Tamani
			Mora
			Chitekesa
			Saidi
			Mkhwayi
			Khongoloni
			Miteketa
		Likanani	
20	Chikwawa	Ndakwera	Tomali
		Nsenjere	
		Gumbwa	
21	Nsanje	Sankhulani	
		Lulwe	Lulwe II
		Nthondo	
22	Mangochi	Lungwena	
		Maiwa	
		Malombe	Kwisimba
23	Balaka	Khwisa	
		Nsimuke	
		Nandumbo	
24	Machinga	Molipa	
		Likhonyowa	Mbanira
			Namanja
			Mphonde
		Ngwepere	
25	Zomba	Masaula	
		Ngwelero	
		Mateketa	
26	Mwanza	Kasuza	Nkantho
			Kadoole
		Njanjama/Thawale	
		Chidowole	
27	Neno	Nsambi	
		Kanono	Kanono T-Off
			Tchenga
		Mizemba	

Source: ESCOM Ltd

7.2.4 Community Solar/Wind Hybrid Electrification Project

The Department of Energy, through MAREP is implementing Village Electrification Projects using Solar-Wind (Hybrid) Systems. The main thrust of this project is to experiment on the suitability of stand-alone renewable energy technologies for rural electrification in order to increase access to modern energy services by the rural communities. This is expected to transform the rural communities which are far from the national grid. The project concept is to electrify a village using a centralized Solar-Wind Hybrid System (60 percent Solar and 40 percent wind) with estimated system capacity of 25 kW. The area coverage for the village is between 2 km and 3 km radius with about 150 households each, including institutional facilities such as staff houses, schools and clinics. Each house has five lighting points and one socket outlet. The electricity is 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 I of the project targeted three villages, namely: Elunyeni in Mzimba district, Kadzuwa in Thyolo district and Chigunda in Nkhotakota district. Phase II of the project targeted another three villages which are Kadambwe in Ntcheu district, Mdyaka in Nkhatabay district and Chitawo in Chiradzulu. However, it was noted that the solar/wind powered facilities in these targeted villages are no longer functioning due to failure of batteries to work and that other parts of the facilities were struck by lightning. As such, efforts to renovate the facilities are underway.

7.2.5 Promotion of Alternative and Renewable Energy Sources

Initially, 14 alternative energy sources were identified for promotion (Table 7.4). However, as outlined in the table, the Department has mainly been focusing on promotion on the use of biomass briquettes and biogas as viable and market-ready alternative energy sources to charcoal and firewood. More importantly, efforts to promote usage of biogas technology for energy production are underway. For example, the Department has plans to construct 3 pilot biogas plants for demonstration purposes. It is anticipated that the programme will be rolled out to 38 villages across the country and dairy cattle farmers will be targeted. Capacity building on use of renewable energy and energy efficiency practices has also been the main focus area in the 2014/15 fiscal year. During this period, the Department has built the capacity of 14 District Councils on use of renewable energy technologies and energy efficiency practices. These District Councils will serve as hubs that will be responsible for extending the knowledge on these technologies to the grassroots communities.

Key renewable energy technologies included biomass briquettes, biogas and solar dryers. With regard to energy efficiency practices, many of these practices are encapsulated in the promotion of green charcoal concept. Key practices within the green charcoal concept included production of charcoal from sustainable sources like early maturing trees, modern and efficient charcoal production kilns, and also replacement of jiko charcoal stoves with at least 18 percent efficient charcoal stoves.

TABLE 7.4: SELECTED ALTERNATIVE AND RENEWABLE ENERGY SOURCES

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

Source: Department of Energy Affairs

7.2.6 Renewable Energy Demonstration Centre

The Ministry of Natural Resources, Energy and Mining through the Department of Energy Affairs installed various renewable energy technologies namely solar/wind hybrid system for electricity generation and water pumping. Biogas technology for cooking was also completed. The renewable energy technologies were installed at the Department of Energy Affairs offices behind the Natural Resources College. In the period under review, these centres have continued to serve as demonstration centres for showing how best and efficient the renewable energy technologies can be utilized.

7.2.7 Energy Saver Bulbs

The Government of Malawi through the Ministry of Natural Resources, Energy and Mining has been implementing the Energy Efficient Lighting Project with support from Department for International Development (DfID) from April 2011 to December 2013. The project aimed at reducing the overall system peak demand of Electricity Supply Corporation of Malawi Ltd (ESCOM) and expanding the level of electrification. Two million units of good quality compact fluorescent lamps (CFLs) were purchased under the project to replace incandescent bulbs. About 1.3 million CFLs were distributed and installed free of charge to the residential household customers, small and medium size companies and public buildings. Furthermore, some CFLs were designated to be sold at a subsidised price in selected places such as Post Office. The revenue generated from this approach was to support in procuring and supplying these lamps in the market at an affordable price. This initiative contributed to the achievement of at least 52

MW savings of electricity. In the period under review, efforts have been underway to develop policies/regulatory framework to justify use of the revenue for the continuation of the initiative.

7.3 Energy Sector Support Project

In an effort to increase the reliability and quality of electricity supply in the major load centres in Malawi, Government started implementing the Energy Sector Support Project with support from World Bank. The project intends to achieve this objective by strengthening the existing electricity network, performing generation and transmission feasibility studies for hydro power improvements, improving demand side management and energy efficiency measures and building capacity of the energy sub sector through technical assistance.

In the period under review, the Government has signed contracts on feasibility studies for Fufu Hydropower site, Chimgonda and Mpatamanga hydropower site, Backbone transmission line, supply of generation spare parts for hydropower stations, Bagasse Cogeneration study and Wind Measurement study. Furthermore, a preliminary Wind Assessment report has been produced and the procurement of consultancy for geothermal pre-feasibility study is at an advanced stage.

7.4 Petroleum

7.4.1 Fuel Importation

Overall, imports of petroleum products during 2014/15 Fiscal Year decreased by 17 percent thus lower than that of preceding year. As shown in the Table 7.5 below, there was a slight decrease in the importation of petrol. However, importation of diesel and paraffin decreased by 25 percent and 12 percent, respectively, as compared to that of last year. The decline in the importation of petroleum products is attributed to the relatively higher fuel pump prices in the country following the introduction of the Automatic Fuel Pricing mechanism which has resulted in local pump prices reflecting international fuel prices. The country has in the past two years also experienced more increases in fuel prices than decreases derived from the international trends.

With regards to petrol volume, which is mainly used to run personal vehicles, consumers adjusted their consumption patterns in light of higher fuel pump prices by decreasing luxury trips and switching to cheaper modes of transportation. Furthermore, as the pump price of diesel in the country is relatively expensive compared to the region, to minimise fuel costs, both wet and dry cargo trucks undertaking cross border trips have been opting to refuel in neighbouring countries hence contributing to the dwindling demand in the local market during the period under review. In addition to this, the scaling down and the temporary shutdown of mining operations at Kayelekera Uranium Mine significantly reduced the demand for diesel as the mine operates fully on diesel generators to power its mining operations.

With regard to paraffin, the flooding of chargeable torches/lamps on the Malawian market, has provided the consumers of paraffin especially in the rural areas a cheaper substitute for their lighting needs, hence a further decline was noted on paraffin imports.

As it has always been the case, Malawi capitalized on the Beira, Nacala, Dar-es-Salaam and Mbeya routes for procurement of fuel in 2014. Based on the figures provided in Table 7.6, about 81 percent of fuel imports were procured through Beira, 15 percent through Dar-es-Salaam and 4 percent through Nacala.

TABLE 7.5: FUEL IMPORTS (LITRES) 1999–2014

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	81,039387	125,106,968	8,800,186	18,921,235	356,926	234,224,702
2002	88,329,685	127,157,516	6,417,316	20,955,949	201,917	243,062,383
2003	92,976,658	136,408,597	11,911,286	23,652,991	213,898	253,038.246
2004	94,186,321	147,922,241	10,862,036	24,762,093	284,286	266,870,655
2005	84,023,978	152,664,646	9,267,805	21,838,787	235,537	258,527,411
2006	88,330,024	153,235,938	11,764,101	20,310,207	224,682	259,158,172
2007	91,289,689	167,120,445	13,001,437	18,232,957	259,393	289,903,921
2008	103,003,788	199,251,252	13,261,288	17,957,471	268,978	333,742,777
2009	112,236,705	203,302,459	9,758,855	13,916,949	254,470	339,469,438
2010	101,173,574	186,539,556	11,710,626	10,639,538	318,087.5	310,381,382
2011	104,825,891	189,983,124	12,838,968	10,254,955	126,422	318,029,360
2012	99,593,583	205,213,866	7,525,000	6,565,312	261,700	319,159,461
2013	108,885,428	212,460,625	9,896,951	1,749,159	223,686	333,215,849
2014	108,885,190	159,798,758	7,785,520	1,533,155	133,067	278,135,690

Source: Malawi Energy Regulatory Authority (MERA)

TABLE 7.6: MALAWI FUEL IMPORTS PER ROUTE 2000–2014

		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
2011	167,765,872	17,240,701	50,845,869	13,343,270	0	249,195,712
2012	258,442,871	7,552,721	35,918,180	–	9,458,989	311,372,761
2013	268,560,053	10,715,210	43,819,950	–	–	323,095,212
2014	225,767,402	11,367,566	41,000,722	–	–	278,135,690

Source: Malawi Energy Regulatory Authority (MERA)
Note: - denotes not available

7.4.2 Petroleum Pricing

Since the establishment of the Malawi Energy Regulatory Authority (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 Mechanism 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 $\pm$5 percent trigger band. The formula is managed under a multi-sector Petroleum Pricing Committee, 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.

In the period under review, price adjustments were effected on all petroleum products. For instance, since September 2014, one litre of petrol decreased from MK 796.20 to MK696.30 while diesel declined from MK805.50 to MK705.50 (Table 7.7).

TABLE 7.7: PUMP PRICE REVISIONS FROM 2007-2014 (MK/LITRE)

Product	Sep 2007	Feb. 2009	Feb 2010	Nov 2011	May 2012	May 2013	Apr 2014	Sep 2014	Nov 2014	Jan 2015	Feb 2015
Petrol	200.9	213.5	256.20	380.0	490.0	714.1	839.0	796.2	856.7	760.40	696.30
Diesel	186.6	199.3	231.20	360.0	475.0	693.9	853.4	805.5	865.9	785.40	705.50
Paraffin	140.0	132.2	199.00	171.0	171.0	171.0	719.3	719.3	756.1	678.80	609.30

Source: Malawi Energy Regulatory Authority (MERA)

7.4.3 Construction of Strategic Fuel Reserve

In an effort to increase the reliability and security of fuel in Malawi, Government planned to construct three strategic fuel reserves, one in each region. In the period under review, Government has finalized the construction of the three fuel reserves. Commissioning of the fuel reserves will be conducted in the 2015/2016 fiscal year.

7.4.4 Energy Planning with Support from IAEA

As 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 i) 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 ii) 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 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. Using MAED model, electricity peak demand was projected to be 700 MW in 2015, 1,237 MW in 2020, 2,141 MW in 2025 and 3,622 MW in 2030.

Having produced two draft reports using IAEA MESSAGE and MAED approaches, ongoing consultations for the two reports recommended that the two reports should be reviewed to accommodate new development initiatives. Therefore, in the period under review, plans and efforts to review the reports and ensure that the process is complete by June 2015 are underway.

7.5 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 continued 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 locally mined coal. Due to a number of reasons, which include unavailability of appropriate cooking devices; lack of proper information on use of coal as an alternative domestic energy source; and the cost of coal compared to firewood and charcoal, coal is not used as a domestic fuel. Current production of coal is about 50 percent of the national demand of about 140,000 metric tonnes per annum.

In the previous year, the Ministry started implementing the Kammwamba coal fired power generation project which is expected to have a 300MW capacity. A feasibility study including an Environmental and Social Impact Assessment (EIA) was completed. In the period under review, sensitization meetings with the district councils were conducted and efforts to facilitate land demarcation and way leave assessments are underway.

Chapter 8

TRADE AND PRIVATE SECTOR DEVELOPMENT

8.1. Overview

This chapter reviews the external trade performance and highlights major achievements of the trade and private sector development during the 2014/15 Fiscal Year.

The report, therefore, focuses on core areas of creating a conducive and regulatory environment, formulating and implementing policies on trade for industry development and competitiveness. It also focuses on the progress of ensuring the expansion of products and services from Malawi on domestic and international markets.

8.2. Overall Trade Performance between 2012 and 2014

The overall external trade performance indicates a traditionally rapid growth of imports as compared to exports. From Table 8.1 below, the mid-year statistics in the 2014 show that exports could not keep pace with imports, representing a trade deficit of MK352.9 billion. Imports are mostly dominated by traditional products such as fertilizer, coal, pharmaceuticals, petroleum and other fuels.

TABLE 8.1: VALUE OF EXPORTS AND IMPORTS, 2012- 2014 IN MILLIONS OF KWACHA

	2012	2013	2014
Total Exports	292,101	434,708	210,608.47*
Total Imports	660,533	1,030,648	563,557.74*
Trade Balance	(368,431)	(595,939)	(352,949.27)*

*Jan–June 2014 Statistics
Source: National Statistical Office

8.2.1 Malawi's Major Trading Partners

The Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), and the European Union (EU) continue to be the major trading partners for Malawi[1]. The 2014 mid-year statistics show that Malawi registered a trade deficit with SADC and COMESA but registered a trade surplus as traditionally expected with the EU (Table 8.2).

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

TABLE 8.2: MALAWI'S TRADE WITH SADC, COMESA AND EU 2012–2014 IN MILLIONS OF KWACHA

	2012	2013	2014
COMESA			
Total Exports	40,027	51,979	36,611.53*
Total Imports	48,442	86,017	48,612.48*
Trade Balance	(8,414)	(34,037)	(12,000.95)
SADC			
Total Exports	268,132	91,864	54,729.67 *
Total Imports	55,810	438,821	217,449.08 *
Trade Balance	212,321	(346,956)	(162,719.41)
EU			
Total Exports	1,790	133,897	81,063.81 *
Total Imports	88,819	155,214	54,421.95*
Trade Balance	(87,029)	(21,317)	26,641.86

*Jan–June 2014 Statistics
Source: National Statistical Office (NSO)

8.2.2 Malawi's Main Export and Import Products, 2012- 2014

Tobacco continues to dominate Malawi's export basket with total export earnings amounting to K258.2 billion. The increase in revenue generated could particularly be attributed to the favourable market prices for tobacco. It is also clear from the table below that sugar is of late becoming an important export commodity bypassing tea which was second in importance from tobacco in 2012 for example.

TABLE 8.3: MALAWI'S MAIN EXPORT COMMODITIES, 2012-2014 IN KWACHA

	2012	2013	2014
Tobacco	157,210,625,908	202,795,617,140	258,216,888,381.00*
Tea	173,178,369,222	31,013,223,072	30,530,055,666.06*
Sugar	10,339,429,668	41,191,574,695	38,331,807,326.50*
Pulses	11,099,441,442	11,236,817,607	31,511,226,260.21*
Apparel and Clothing	3,503,917,456	3,804,302,728	–
Rubber	2,223,310,546	3,026,229,718	–
Nuts	3,080,406,776	5,007,352,626	–
Coffee	19,041,777,691	33,621,867,950	–
Cotton	12,130,055,090	8,943,245,084	8,558,865,203.98*
Spices (Hs 904)	681,930,847	1,110,632,762	–
SKIN & HIDES (HS 410)	515,390,020	663,100,318	–
Wood (HS 4407)	3,041,132	3,916,307,230	–
Wood Furniture (4420)	1,761,323,380	5,157,257	–

*Estimations
Source: NSO

On the imports side, fertiliser remains the dominant import for Malawi following the nature of our economy that is predominantly agricultural. Hence, a lot of money is used for importing this into Malawi. Other noticeable imports are petroleum products (Table 8.4).

TABLE 8.4: VALUE OF SELECTED IMPORTS, 2012-2014 IN KWACHA

	2012	2013	2014
Fertilizer	71,696,820,835	125,439,817,639	145,180,046,644.72*
Pharmaceutical Products	59,619,182,273	79,130,419,624	–
Diesel and other fuels	80,524,662,815	95,718,845,873	95,769,563,265.03*
Petroleum	1,807,148,820	49,110,756,860	58,870,068,851.15*
Paraffin	937,438,475	2,717,380,994	815,375,678.18*
Coal	445,943,320	1,226,228,377	1,552,082,919.33*

*Estimations
Source: NSO

8.2.3 Trade Agreements

Malawi integrates into regional and multilateral trading systems, as such it continues to actively participate in bilateral, regional and multilateral trading agreements. These are summarized in the sections presented below.

8.2.3.1 Bilateral Agreements

Malawi has asymmetrical bilateral trade arrangement with South Africa; bilateral agreements with India, China, Mozambique, Zimbabwe, Zambia;and Tanzania and has a customs agreement with Botswana. The bilateral trade agreement between Malawi and Zimbabwe was to provide better terms for Malawian firms in terms of investment. Malawi and Mozambique signed a bilateral trade agreement that provides for duty free trade between the two countries, with only limited number of excluded products. This agreement provides for significantly enhanced trade opportunities for Malawi's private sector.

8.2.3.2 Regional Trade Agreements

At regional level, Malawi is a member of COMESA and SADC. COMESA member states including Malawi took steps to consolidate the Free Trade Area (FTA) and to implement the Customs Union that was launched in Zimbabwe in June, 2009. The preparatory requirements included aligning national tariff structures to COMESA Common Tariff Nomenclature and the Common External Tariff, adoption and domestication of the Customs Management Regulations and submission of lists of sensitive and excluded products. Malawi is also participating in trade in services liberalization under COMESA. Members States agreed to initially liberalize four priority sectors namely Financial Services, Tourism, Transport and Communications. Presently, Malawi submitted schedules of specific commitments in two sectors, financial services and communication, and it is expected that schedules of specific commitments will be submitted in the remaining two sectors by the end of June 2015.

Under SADC, Malawi has been phasing down tariffs with the SADC region gradually and progressively. Malawi has fully implemented commitments to remove tariffs for trade with the rest of SADC Member States except for trade with South Africa where 86 percent tariff liberalisation has been achieved. The SADC Protocol of Trade implementation was aimed at creating an SADC FTA which was achieved in 2008. It is now moving towards the direction of establishing a Customs Union.

COMESA, SADC and the Eastern Africa Community (EAC) agreed to establish a Tripartite FTA in October 2008, covering the three Regional Economic Communities (RECs). The motivation to establish the Tripartite FTA emerges from the overlapping membership of Member States into the three RECS that is causing confusion to policy implementing bodies and the business community at large. Therefore, the three RECs will harmonize their trade regimes and customs procedures, promote free movement of people, establish legal and institutional arrangements to foster cooperation among them and also undertake joint implementation of inter-regional infrastructure development programmes. The Tripartite integration process anchors on three pillars namely: market integration; infrastructure development; and industrial development. At present, there is already cooperation and implementation of programmes in areas such as elimination of non-tariff barriers and infrastructure development under the Comprehensive Tripartite Trade and Transport Facilitation Programme. The Tripartite trade negotiations are also progressing well with three technical working groups established and transacting work. Member States also agreed to liberalize 60 percent to 85 percent of their tariff lines at the time the Tripartite FTA enters into force. Malawi also co-championed the Accelerated Programme on Economic Integration (APEI) which is an initiative agreed upon by Malawi, Mauritius, Mozambique, Seychelles and Zambia. The initiative is in line with the process of regional integration based on the principles of variable speed adopted at the regional level by the Ministers of Finance and Central Bank Governors of Common Market for Eastern and Southern Africa (COMESA) and Southern Africa Development Community (SADC) countries in 2011.

8.2.3.3 Multilateral Trade Agreements

Malawi is a member of the World Trade Organization (WTO) as well a beneficiary of the African Growth Opportunities (AGOA) and Everything But Arms (EBA) Agreement. In this regard, the country continues to participate in the WTO trade negotiations under the Doha Development Agenda. Malawi’s concern as a Least Developed Country(LDC) is to safeguard her interest by focusing on trade related development issues such as market access, preservation of existing preferences, provision of special and differential treatment to poor countries and the reduction of technical barriers to trade, non-tariff barriers and other distorting measures. Malawi strives for a comprehensive breakthrough under the Doha DevelopmentAgenda. Malawi is currently benefiting from the Enhanced Integrated Framework (EIF) for trade related technical assistance which has the objective of promoting the integration of LDCs into the global economy, and mainstreaming trade issues into national development strategies as well as coordinating donor assistance into the trade sector.

8.3 Industrial Performance

During the period under review the industrial sector undertook a number of activities in the following areas of facilitation.

8.3.1 Industrial Development Services

The Ministry has made substantial progress in the area of industrial development in boosting the performance of the manufacturing sector, whose contribution to the Gross Domestic Product (GDP) has remained constant at 10 percent. Following the progress made in industrial development, there are high prospects that the contribution will increase due to reforms being implemented in the sector such as the National Industry Policy aimed at expanding and diversifying industrial production as well as increasing foreign exchange earnings. The policy will replace the outdated Integrated Industry and Trade Policy of 1998 and is linked to the SADC Industrialization Policy. It outlines a number of focus areas that have high potential to contribute to transformation of Malawi’s economy. Some of these include assembly, agro-processing, oil seed products, sugar and sugar cane products, cotton and textiles, leather and leather products, pharmaceuticals and mining.

In addition, the Ministry has introduced the Industrial Rebate Scheme which makes it obligatory for companies benefiting from the scheme to add value of their products by at least 20 percent.

The lack of an internationally accreditation body in Malawi has necessitated the construction of the Standards, Quality and Accreditation Infrastructure at the Malawi Bureau of Standards in Blantyre. The laboratory shall accelerate and promote exports based on cluster development being emphasized in the Malawi National Exports Strategy.

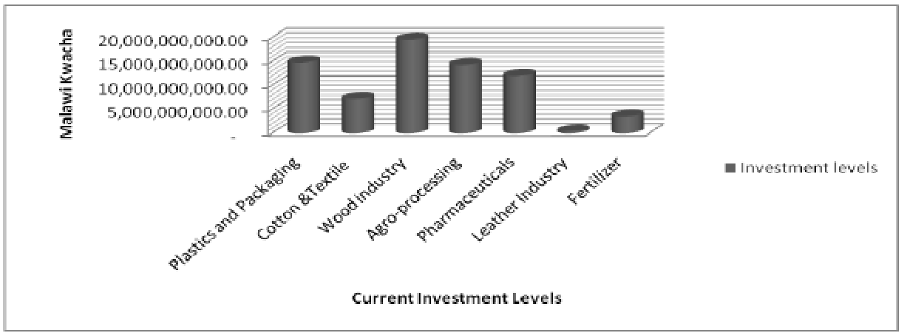
8.3.2 Value Addition and Value Chains

An internal working study by the Ministry of Industry and Trade (MoIT) in 2014 covering about 50 manufacturing companies revealed important challenges to local manufacturing. This presented an opportunity for the start of the development of a National Industrial Upgrading and Modernisation Programme (IUMP). Figure 8.1 shows the levels of investments in the various sectors of the 50 selected companies. Highest levels are in the wood industry with leather at the lowest end. Some of the challenges identified by the internal working study in the manufacturing sector include:

1. Low demand for local products, with great appetite for imported goods;
2. Insufficient raw materials;
3. Low productivity;
4. Erratic electricity and water supply; and
5. Problems regarding general security.

For Micro, Small and Medium Enterprises in particular the challenges mentioned included lack of access to finance and an excessive registration fee under the Malawi Revenue Authority.

FIGURE 8.1: INVESTMENT LEVELS



Source: Industrial Survey report, MoIT, 2014

8.4 Private Sector Development

Following the 2014 Doing Business Survey conducted by the World Bank Group, reforms were registered in the area of starting a business. Malawi made starting a business easier by streamlining company name search and registration by eliminating the requirement for inspection of company premises before issuance of a business license. Despite this improvement, the country's ranking in this indicator dropped 8 places from position 149 to 157 out of 189 economies. The drop occurred as other countries reformed faster than Malawi. Improvements in time taken in connecting to electricity were also acknowledged, with ESCOM subcontracting the private sector to carry out external connection work. This resulted in the country's ranking on this indicator to move 2 ranks from 183 in 2014 to 181 in 2015. The reduction in stamp duty fee from 3 percent to 1.5 percent was also recognized in the 2015 World Bank Doing Business Report. As an overall ranking, the country saw itself jumping 11 ranks upwards from 174 to 164. The significant contribution to this jump came from the change that happened in the methodology which the World Bank uses to undertake these rankings.

The view that the private sector must play a crucial role as the engine of growth in Malawi is enshrined in the Malawi Growth and Development Strategy (MGDS II). To this end, the high-level Public Private Dialogue (PPD) Forum has 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 endangering the private sector. The Ministry has also developed a communication strategy which aims at sensitizing politicians, other government ministries, the private sector and the general public on the work it is undertaking to improve Malawi's business environment.

8.5 Investment Developments and Promotion

8.5.1 Global Investment Trends in 2013 and Policies

Global Foreign Direct Investment (FDI) as reported by the United Nations Conference on Trade and Development (UNCTAD) rose by 9 percent in 2013 to US$1.45 trillion. According to UNCTAD, FDI flows may reach US$1.7 trillion in 2015 and US$1.8 trillion in 2016. Developing economies maintained their lead in 2013. FDI flows to developed countries increased by 9 percent to US$566 billion, which is 39 percent of global flows, while those to developing economies reached a new high of US$778 billion, representing 54 percent of the total FDI flows. The remainder of US$108 billion went to transition economies.

FDI flows to all major developing regions increased. Africa saw increased inflows (4 percent), sustained by growing intra-African flows. Such flows were in line with leaders' efforts towards deeper regional integration although the effect of most regional economic cooperation initiatives in Africa on intra-regional FDI has been limited. FDI flows into the Southern Africa doubled to US$13 billion. This is primarily due to record high flows to South Africa and Mozambique. In both countries, infrastructure was the main attraction, with investments in the gas sector in Mozambique also playing a role.

Most investment policy measures remain geared towards investment promotion and liberalization. At the same time, the share of regulatory or restrictive investment policies increased in 2013.

8.5.2 FDI inflows in Malawi

FDI inflows in Malawi are expected to take an upward trend in the coming year. The half year pledges for the year 2014/15 are over US$1 billion. In the medium term, FDI flows into the country is expected to increase as well. This is due to an oncoming release of the results of the geo-physical mapping survey which will inform on the mineral occurrences across the country and the commitment through the Millennium Challenge Account to reform the energy sector to allow Independent Power Producers (IPP).

8.5.3 Investment Pledges in Malawi

During the year 2013/14,the Malawi Investment and Trade Centre (MITC) registered a total of US$758,638,102 worth of investment pledges. This represents a 70 percent increase in pledged investment from US$ 445,116,880 in 2012/13 financial year.

The energy sector received the most pledges accounting for 40 percent of the total amount. All the pledges in the energy sector originated from 5 companies. Manufacturing received the second highest investment pledges and accounted for 25 percent of the total and 12 companies pledged investment in this sector. This is the highest number registered relative to all the other sectors.

In terms of location, domestic companies followed by Asian companies made most of the pledges, accounting for over 50 percent of the total amount that was pledged. Other regions, representing North, Central and South America as well as Australia and New Zealand made pledges in energy sub-sector. The pledge was in energy and it amounted to US$300 million (Table 8.5).

TABLE 8.5: INVESTMENT PLEDGES BY SECTOR, LOCATION AND NUMBER COMPANIES

	Location and Investment Pledge in '000 US Dollar						
Sector	Asia	Local	EU	Africa	Other	Total	Percent
Energy	500	2,000	1,400	1,000	300,000	304,900	*40*
Manufacturing	41,125	121,900	-	30,320	-	193,345	*25*
Infrastructure	-	5,000	-	56,500	-	5,057	*0.7*
Mining	100	-	-	-	-	100	*0.0*
Service	80,012	1,660	-	5,000	-	86,672	*11*
Tourism	-	-	1,302	-	-	1,302	*0.2*
Transport	-	167,200	-	-	-	167,200	*22*
Waste Management	-	-	-	63	-	63	*0.0*
Total	**121,637**	**297,760**	**2,702**	**36,540**	**300,000**	**758,638**	***100***

Source: MITC database

8.5.4 Investment Promotion Activities

The main source of investment pledges has been "walk in" investors. However, there have been efforts to motivate investment through promotional activities. In the 2013/14 financial year, a number of investment promotional activities were conducted such as the India Malawi Business Forum which was an inward Mission that comprised 15 business delegates from India. Furthermore, MITC in collaboration with Monitor Deloitte hosted an Agriculture Investment Forum that was aimed at marketing investment profiles that were developed with the support of Monitor Deloitte.

In addition to the promotion activities, an internal Investment Approval Committee was formed within MITC. This has resulted in the reduction of time taken to make a determination on an application to be registered as an investor. The response time has been reduced to within five working days from 20 working days. Unfortunately, this move has not resulted into granting key permits to within 21 days because the issuance of other permits remains the domain of responsible agencies that follow their own procedures. As a response, MITC plans to establish a one stop shop to mitigate the problem.

However, it is a fact that investment promotion in Malawi continues to face a number of challenges such as delay in processing land especially land with basic facilities (water, electricity and internet connectivity) and lack of already developed factory shells, among others.

8.6 Small and Medium Enterprises (SMEs) Promotion

8.6.1 SME Development

Government continues to support the development of the SME sector. In this regard, a revised Micro, Small and Medium Enterprises (MSMEs) Policy and

Strategy is being finalized to set appropriate direction for initiatives in the sector. A number of enterprises have been linked to technical assistance programmes over the year. Some of the technical assistance programmes include Local Economic Development (LED) programme under Local Development Fund, promotion of agriculture and development of agribusinesses and SMEs under partnership programme between Governments of Malawi and the United States of America's African Development Foundation (GoM-USADF). A number of SMEs have been assisted to enhance their competitiveness through capacity building. The SMEs have generated a number of jobs and contributed to improved livelihoods of a number of people thereby significantly contributing to the government agenda stipulated in the Malawi Growth and Development Strategy (MGDS II).

8.6.2 SME Promotion

The Ministry facilitated improved access to markets by SMEs. In this regard, 10 SMEs were supported to participate in the 11thNational Agriculture Fair (NAF) that gave the SMEs an opportunity to showcase their products and also learn from their fellow agro-producers. The SMEs were able to generate sales worth more than MK561,700 and secured business deals worth more than MK11, 229,670 over a 6 month period after the NAF.

8.7 Cooperative Development

The Ministry facilitated the formation of a Marketing Union for One Village One Product (OVOP) Cooperatives in Malawi. It is envisaged that the Union will take over the roles of product development, packaging and labelling and antenna shop management. These roles are currently being taken by the OVOP Support fund.

The Ministry managed to finalise construction of six factory shells for selected cooperatives including Mlare Cotton in Karonga, Kachere Mango in Blantyre, Mitole Cotton in Chikwawa, Bwaila Meat in Zomba, Zumulu Rice Cooperative in Machinga and Zokoma Honey producers in Mangochi. It is envisaged that this will enhance the financial position of the Cooperatives due to removal of the cost of paying rentals. The Ministry also conducted cooperative member education for newly formed groups in Mwanza, Balaka, and Neno.

8.8 Competition and Fair Trading Commission (CFTC)

The CFTC has recorded major achievements in terms of enforcement of the Competition and Fair Trading Act and creation of public awareness and advocacy. It investigated and resolved over 27 cases relating to anti-competitive and unfair business practices. The CFTC also reviewed eight applications for authorization of mergers and acquisitions which were notified to the COMESA Competition Commission in line with the COMESA Competition Regulations which entered effect in January 2012. In addition, the Commission has mooted cooperation agreements with key stakeholders to ensure effective enforcement of the Competition and Fair Trading Act. The cooperation arrangements cover sectoral regulators such as the Reserve Bank of Malawi, the Malawi Bureau of Standards and Malawi Energy Regulatory Authority as well as competition authorities of neighbouring countries, that is, Zambia and Tanzania. Cooperation with sector regulators has facilitated the creation of synergy between the regulators and the CFTC in the regulation of markets in Malawi. In addition, cooperation with competition authorities of neighbouring countries has created a framework for dealing with cross border anti-competitive business practices which have become prevalent due to regional integration processes that Malawi is involved in.

Chapter 9

EDUCATION, SCIENCE AND TECHNOLOGY

9.1 Overview

The Ministry of Education, Science and Technology (MoEST) in collaboration with the private sector as well as faith-based organizations provides primary, secondary, teacher and tertiary education. Other ministries take the lead in the provision of non-formal education. The Ministry of Gender, Child Development and Community Development leads in the provision of Early Childhood Development (ECD), Ministry of Youth Development and Sports leads in the provision of sports and other services for the out-of-school youth and Ministry of Labour leads in the provision of technical education and vocational training.

This brief report highlights some key achievements in the education sector in the 2014/15 Financial Year in line with the annual work plans drawn from the Education Sector Implementation Plan II (ESIP II; 2013-2017).

9.2 Key Sector Achievements

9.2.1 Primary Education Sub-sector

Access to primary education has significantly increased as demonstrated by the growth in enrolment from 4.4 million in 2013/14 to 4.6 million in 2014/15, representing about a 4 percent increase. The majority of primary school learners continue to be in rural areas, accounting for 86 percent of total enrolment in 2014.The primary net enrolment ratio (NER)[2] increased from 83 percent in 2010 to about 88 percent in 2014. This shows that there is movement in the right direction as the targeted rate is 100 percent.Looking at the performance as shown in table 9.1, the Net Intake Rate[3] (NIR) which is the percentage of 6-year old children in society entering the education system at standard one, is currently at 97 percent which indicates a high access rate to primary education in Malawi.In 2014, there were 103,042 children with special education needs enrolled in primary schools throughout the country, representing approximately 2.2 percent of the total enrolment in primary education.

Currently, the aggregate primary school Gender Parity Index (GPI), which is the ratio of girls to boys at primary education, is at 1.01, which essentially means that overall there are now more female pupils than male pupils in primary education in Malawi. However, when analysed per grade, it is evident that there are more boys than girls as we move from standard one to standard eight. This is largely attributed to the high girl drop-out rate at senior primary school level.

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[2] The net enrolment rate is the proportion of primary school learners who are of the school-going age of 6 to 13 years old, to the total population of the official primary school-going age. It is calculated by dividing the number of learners in primary school who are 6 to 13 year old by the number of children in the population who are aged 6 to 13 years.

[3] NIR is calculated by dividing the number of new entrants in standard 1 who are 6 years old by the total population of children aged 6. A high NIR shows a high degree of access to primary education at the official primary school entrance age.

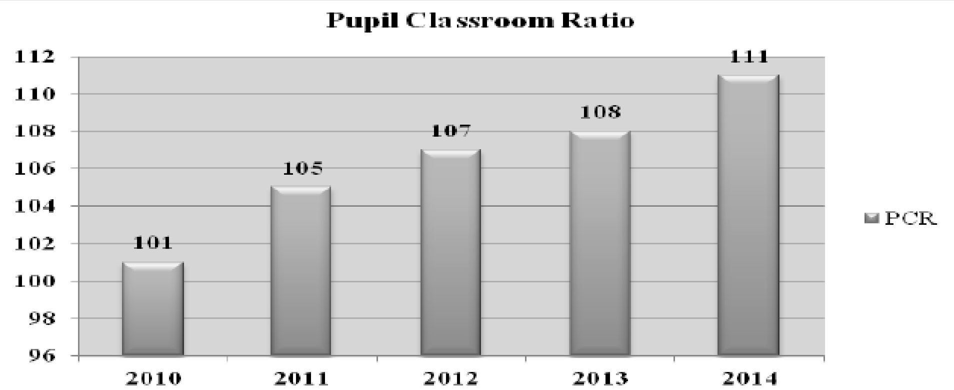
TABLE 9.1: PERFORMANCE INDICATORS FOR ACCESS TO PRIMARY EDUCATION

Indicator	2014 Value	2014 Target	Level of Performance Achievement- (Actual/Target)*100 (%)
Primary Girls to Boys Ratio (GPI)	1.01	1.0009	100.1
Special education needs (SEN) as percent of total enrolment	2.2	2.35	94
Net Intake Rate (NIR) (%)	97	90.5	107
Primary Classroom Ratio (PCR)	111:1	90:1	81
Primary Enrolment	4,670,279	4,537,335	103

Source: MoEST

In an attempt to expand access, the MoEST has since 2012, constructed 1,746 new classrooms, 237 teacher houses, 407 latrines and 12 girls' hostels through the Local Development Fund (LDF) approach. In addition, the MoEST has built 699 latrines, 55 administration blocks and 130 teachers' houses through its infrastructure unit. This has significantly helped in increasing access to primary education and even reducing teacher attrition rate as houses provide an incentive to teachers to stay in rural areas. Despite all the investments in classroom construction, the pupil to classroom ratio has been increasing over the years notably from 101:1 in 2010/11 to 111:1 in 2014/15. This is largely due to the rapid growth in enrolment which is suppressing efforts in providing additional classroom space.

FIGURE 9.1: TREND IN PUPIL TO CLASSROOM RATIO



Source: EMIS Data

In terms of internal efficiency of the primary education system, the Primary School Completion Rate[4] is around 52 percent (Boys 56 percent and Girls 47 percent). Repetition rate[5] has worsened from 18.7 percent in 2013 to 19.7 percent in 2014 (19.9 percent for boys and 19.5 percent for girls), indicating that potentially resources continue to be wasted through continuous financing of repeaters. During the ESIP II period, the MoEST will ensure that class repetition rate is substantially reduced to about 5 percent by 2017.

The MoEST intends to provide adequate Teaching and Learning Materials (TLMs) to all primary schools and thus procurement of TLMs is on-going and the pupil to textbook ratio has significantly been reduced to around 2:1 in 2014/15 FY from about 4:1 in 2013/14 FY. In an effort to enhance capacity of local authorities in the delivery of education services, the MoEST continues to implement the Primary School Improvement Programme (PSIP) in which every public primary school is receiving grants[6] through their individual school bank accounts to implement School Improvement Plans (SIPs). This is the second year of implementation and all school management committees have been trained in project management techniques (planning, procurement, contract management and financial management).

In 2014, only 62.2 percent of candidates who sat for the examination passed the Primary School Leaving Certificate Examinations (PSLCE), down from 63.2 percent in 2013. This calls for a special investigation on the causes of declining learning outcomes for the primary education sub-sector.

9.2.2 Secondary Education Sub-sector

The total number of secondary schools has increased from 1,190 in 2013 to 1,313 in 2014 (1,008 public schools and 305 private schools).Secondary school enrolment has increased by 13 percent from 307,216 in 2013 to 346,604 in 2014.

Out of the total secondary school enrolment in 2014, 274,736 (79.3 percent) were enrolled in public secondary schools. It is noted that there are more males than females in the secondary school sub-sector which is fundamentally the challenge of high drop-out rate of female pupils at primary school level leading to a lower girl transition rate from primary to secondary level (see Figure 9.2 below).

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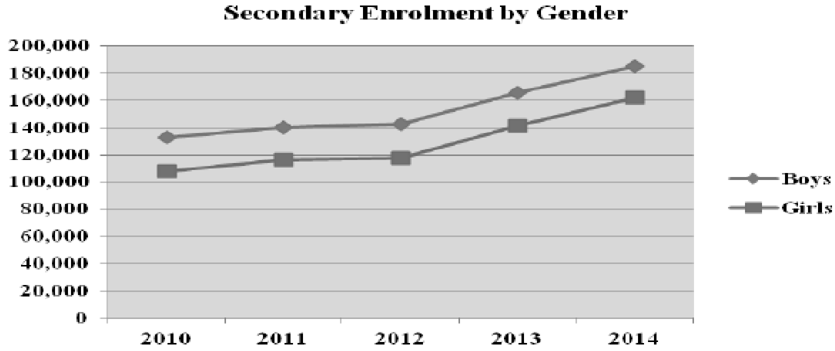
[4] In Malawi, primary completion rate is defined as the ratio of the total number of learners successfully completing (or graduating from) standard 8 to the total number of children of the official primary school graduation age (13 year olds) in the population.

[5] Repetition rate is defined as the total number of learners who are enrolled in the same class/standard as the previous year, expressed as a percentage of the total enrolment in primary education.

[6] Grants in the PSIP take various forms: School Improvement Grants (SIGs), District Improvement Grants (DIGs), and Zonal Improvement Grants (ZIGs). Amounts disbursed depend on the formula that is largely correlated to enrolments.

FIGURE 9.2: TREND IN SECONDARY ENROLMENT BY GENDER



Source: MoEST

The average student classroom ratio at secondary education level increased by 7.7 percent from 52:1 in 2013/14 to 56:1 in 2014/15. This is due to a slight improvement in the transition rate from primary to secondary in the 2013/14 school calendar.

The MoEST intends to refurbish/upgrade all Community Day Secondary Schools (CDSSs) to acceptable standards. Thus, eleven (11) secondary schools are being re-constructed under Phase III of the Japanese Grant Aid Project and these include Kabwabwa, Mbinzi, Mlodza and Mwatibu CDSS in Lilongwe, Zomba Urban CDSS and Chimwalira Secondary School in Zomba, Nkhorongo CDSS in Mzuzu, Umbwi Secondary School in Dedza, Kabekere CDSS in Ntcheu, Mwalawanyenje CDSS in Kasungu and Enukweni CDSS in Mzimba. Civil works have just commenced and progress is over 25 percent and expected to be completed in September, 2016.

In an attempt to increase access at secondary level, the MoEST is constructing two fully fledged secondary schools in Thyolo and Machinga. Progress to date on civil works at Machinga Secondary School is about 10 percent but works have delayed due to funding delays. A consultant was identified for the construction of Tumbwe Boarding Secondary School. It is expected that a contractor will be engaged by the end of 2014/2015 FY. In addition, the MoEST is refurbishing all national secondary schools in the country and thus rehabilitation works at four (4) national secondary schools (Dedza, Mzuzu Government, Blantyre and Lilongwe Girls) is averaging 70 percent completion rate.

In an attempt to reduce girl drop-out, through the LDF approach, the MoEST is constructing 12 girls' hostels and civil works are averaging 85 percent and these are expected to be completed at the end of 2014/15 FY. Furthermore, in order to increase access and retention in secondary education, the secondary school bursary scheme was introduced. The bursary targets orphans and other vulnerable students attending secondary education. The number of beneficiaries has tremendously increased by 288 percent from 3,165 in 2010 to 12,283 in 2014. In addition, in a drive to increase retention of students, about 1,680 students (1,121 boys and 559 girls) out of the target 4,000 students benefited from the cash transfer programme by the end of the second quarter of 2014/15, representing close to 50 percent target coverage.

The secondary school curriculum has been successfully reviewed and implementation started in phases with form one currently rolling out in 2014/15 school term. This has been done to ensure the secondary school curriculum adapts to the changes in the global economy. Procurement of Teaching and Learning materials including mobile science kits[7] for the new curriculum is on-going.

The Junior Certificate of Education (JCE) pass rate slightly increased from 72 percent in 2013 to 73.3 percent in 2014. However boys are still outperforming girls (79 percent boys and 66.9 percent girls).The Malawi School Certificate of Education (MSCE) pass rate increased from 52.5 percent in 2013 to 54.9 percent in 2014. However girls are still performing lower than boys (61.3 percent boys and 47 percent Girls). The ESIP II has outlined targeted interventions to ensure that learning outcomes are improved among female learners.

9.2.3 Teacher Education

9.2.3.1 Primary School Teacher Situation

The MoEST continues to train primary school teachers and the Pupil to Qualified Teacher Ratio (PQTR) at primary school level has substantially reduced to 78:1 in 2014 and is projected to further go down to 68:1 in the next two years.There are currently 66,732 primary school teachers (39,057 male and 27,675 female), representing a 2.6 percent increase from the previous year. Of the 66,732 teachers, about 60,241 are qualified teachers.As of November, 2014, 10,216 newly graduated teachers were waiting to be employed. In addition, 9,508 teachers are expected to graduate as qualified primary school teachers by November 2015. Thus, there is an urgent need to recruit all newly graduated teachers so as to move towards achieving the targeted pupil teacher ratio of 60:1 by 2017.

In an attempt to increase the number of qualified teachers, the MoEST is constructing new Teacher Training Centres (TTCs) across the country. For example, progress on construction works at Chiradzulu TTC is over 88 percent while construction of Phalombe TTC was completed and awaiting handover and is expected to open in April, 2015.The MoEST is currently waiting for a no-objection from the World Bank to engage a consultant for the construction of the Special Needs Institute for training of Itinerant Teachers[8]. In addition, a consultant has been engaged for the construction of three (3) new TTCs in Mchinji, Chikhwawa, and Rumphi districts under the support of BADEA. Designs are ready and tendering process will commence shortly.

In an effort to improve management of primary school teachers, the MoEST in 2014/15 FY successfully piloted the decentralization of payment of teacher salaries to local councils. As a result teacher salaries are now being paid through

[7] Mobile Science Kits are being procured to improve access to science facilities in most of the CDSSs where there are no science laboratories.
[8] Itinerant Teachers are specialized teachers that are trained to handle learners with special educational needs.

the districts. Hence, the pilot was successful and all six education divisions are now being piloted on this reform.

9.2.3.2 Secondary School Teacher situation

The secondary education sub-sector currently has 10,577 teachers of which 3,513 are degree holders, 3,986 are diploma holders, and 3,145 are under-qualified[9]. The shortfall in secondary teachers is about 9,000 teachers. The MoEST is now liaising with Ministry of Finance, Economic Planning and Development (MoFEPD), Department of Human Resources Management and Development (DHRMD), and Teaching Service Commission (TSC) to recruit all qualified teachers.

The Student to Qualified Teacher Ratio (SQTR) and Student to Teacher Ratio (STR) for public secondary schools have improved from 27:1 to 26:1 and 70:1 to 44:1, respectively, between 2013 and 2014.Consultancy services were procured for the construction of a Secondary Teachers Training College in Lilongwe. Civil Works commenced and progress is around 35 percent and scheduled to be completed in July, 2016. This project is funded through Japan's Grant Aid for Community Empowerment.

9.2.4 Higher Education

The Higher Education sub-sector in Malawi is still relatively under developed and comprises only four (4) public universities, namely:the University of Malawi, Mzuzu University, Lilongwe University of Agriculture and Natural Resources (LUANAR) and the Malawi University of Science and Technology (MUST); and eleven (11) relatively smaller private universities.

Selection into the public universities continues to be based on teaching space and not bed space as was the case in the past. This has resulted in an increased enrolment in higher education from 7,867 in 2008 to about 13,000 in 2014. At Sub-Saharan region level, this is still very low as it represents 80 students per 100,000 inhabitants compared to 299 per 100,000 inhabitants for the Sub-Saharan region. The private universities only contribute about 11 percent of the total students in higher education institutions.

Despite low enrolment, the share student enrolment has increased in higher education institutions from 33.9 percent in 2008 to 39.3 percent in 2014. This has been possible with the several initiatives some of which include policy shift by the Government to admit students into public universities based on teaching space; the establishment of the Malawi University of Science and Technology (MUST); the establishment and expansion of the Lilongwe University of Agriculture and Natural Resources (LUANAR); the set-up of the National Council of Higher Education (NCHE) to regulate both private and public universities and harmonize university selection; the introduction of parallel programmes which are non-residential; the implementation of Higher Education Science and Technology (HEST) project funded by the Government and African

[9]Under-qualified teachers are those that have other qualifications not relevant to teaching.

Development Bank (AfDB) supporting infrastructure development and capacity building at Mzuni, Chancellor College and the Malawi Polytechnic as well as TEVET colleges; the Skills Development Project funded by the World bank supporting infrastructure development and capacity building at Chancellor College, the Polytechnic, Mzuni, LUANAR and TEVETA; and the on-going establishment of Mombera University in Mzimba district for veterinary sciences to support livestock and animal husbandry in Malawi. The Student Loan Bill was recently approved by the Parliament and this will potentially expand access to higher education institutions in the country.

The key challenge for the higher education subsector is that government subvention for public universities continues to be the major source of financing. About 75 percent to 85 percent of the recurrent budget in public universities is borne by the Government and this is not sustainable. During the ESIP II period, the MoEST will ensure that viable measures are implemented to ensure that public universities are able to generate their own funds and are able to recover costs borne by administering the education loans to students.

9.3 Education Budget Achievements 2014/15

9.3.1 2014/15 Education Budget

Under the Joint Financing Arrangement (JFA), the budget ceilings for the Education Sector Recurrent and Part 2 Development votes are calculated by MoFEPD including commitments from the Pool Partners. The provisional and final budgets for 2014/15 were approved by Parliament in June and October 2014, respectively.

The overall approved budget for the Education Sector for 2014/15 was K129.3 billion. The revised budget totals to MK158.5 billion (MK21 billion Personal Emoluments and MK2.4 billion for leave grants for primary school teachers). Out of the total revised budget, MK99.1 billion was funded, out of which a total of MK87.9 billion has been utilized (88.7 percent).The total education sector budget comprises MK89.3 billion for Personal Emoluments (PE), of which MK60.7 billion has been funded; MK14.78 billion for ORT[10] which includes Headquarters, Divisions, Teacher Training Colleges (TTCs), of which MK11.99 billion has been funded and MK7.8 billion utilized; MK10.6 billion for Districts' ORT, of which MK8.68 was funded and MK3.7 billion has been utilized; MK31.88 billion for education subventions, of which MK15.9 billion has been utilized; MK3.4 billion for Development Part 2 (which consist of both Government funds and Development Partners' pooled funds), of which MK1.8 billion has been utilized; and Development Part 1 (which is discrete funding from Development Partners), amounted to K5.6 billion of the total.

[10]ORT is Other Recurring Transactions; ORT plus PE comprises the whole recurrent budget.

9.3.2 Financial Performance for the Quarter and Year-to-Date

The table below is a summary of the funding and expenditure in the three quarters of 2014/15.

TABLE 9.2: FUNDING AND EXPENDITURE FOR THREE QUARTERS IN 2014/15

Summary of Key Indicators for 2014/15 FY (as of 30th March, 2015)

PE	Approved Budget K millions	Revised Budget K millions	Fund Kmillions	Exp Kmillions	% Budget Funded	% Funding Spent	% Budget Spent
MoEST HQ,TTS, Divs	13,477.8	22,244.8	10,876.1	11,012.1	48.9%	101.3%	49.5%
DEMs	49,041.1	67,082.1	48,324.5	48,425.4	72.0%	100.2%	72.2%
	62,518.9	**89,326.9**	**60,717.1**	**59,437.4**	**68.0%**	**97.9%**	**66.5%**
ORT							
HQ & other	5,632.3	5,632.3	4,229.5	2,377.2	75.1%	56.2%	42.2%
Divs & Sec Sch.	3,463.4	3,463.4	3,208.2	2,228.3	92.6%	69.5%	64.3%
TTC	5,688.9	5,688.9	4,548.5	3,195.9	80.0%	70.3%	56.2%
	14,784.6	**14,784.6**	**11,986.1**	**7,801.4**	**81.1%**	**65.1%**	**52.8%**
Total MoEST	**77,303.5**	**104,111.5**	**72,703.3**	**67,238.8**	**69.8%**	**92.5%**	**64.6%**
DEMs ORT	8,232.3	10,632.3	8,684.0	3,713.7	46.0%	42.8%	19.7%
Subventions	31,876.7	31,876.7	15,938.4	15,938.4	50.0%	100.0%	50.0%
Dev. Part 1 MoEST	5,641.2	5,641.2	-	0.0	0.0%	-	0.0%
Dev. Part 2 MoEST	3,375.0	3,375.0	1,824.7	1,023.6	54.1%	56.1%	30.3%
LDF	2,850.0	2,850.0	-	-	0.0%		0.0%
Treasury-funded	**123,637.5**	**152,845.5**	**99,150.3**	**87,914.5**	**64.9%**	**88.7%**	**57.5%**
TOTAL	**129,278.8**	**158,486.8**	**99,150.3**	**87,914.5**	**62.6%**	**88.7%**	**55.5%**

Note: DEM-District Education Manager; TTC-Teacher Training College; Divs-Divisions; All funding is as of the end of third quarter except for expenditure for DEMs; ORT and LDF are as of the end of second quarter.

9.3.3 Funding by Treasury

Funding is provided by Treasury to Cost Centres (CCs) each month, usually based on the monthly cash forecast requirements of CCs indicated to Treasury before the year started, adjusted by any later forecasts. During the three quarters, Treasury funded a total of K99.15 billion to CCs, which is 62.6 percent of the 2014/15 revised budget. As shown in the summary table, PE and ORT (HQ, Divisions, Secondary Schools and TTCs) are performing well with budget utilization rates of 68 percent and 69.8 percent, respectively, by the end of third quarter. However, budget utilization as compared to the funded amount, is slow in District Education Managers (DEMs) ORT as it utilized only 42.8 percent of the funded amounts. Furthermore, Development Part 2 projects have only utilized 30.3 percent of the budget amounts by the end of third quarter.

9.3.4 Discrete Development Projects

Funding from Discrete Partners (DPs) towards development projects is not included in the budget. Such partners include AfDB, USAID, JICA and China as well as most of the funding from UNICEF. That funding is spent through the DPs. own bank accounts and is managed by their own project management units.Thus, it is not accounted for within Government systems.

9.4 Key Implementation Challenges

Persistent low funding levels on key programmes and infrastructure projects has led to delays in the completion of most on-going programmes and projects. There is still a significant number of teachers that have graduated from the TTCs that are awaiting to be recruited by the Government. There is need for continued dialogue among MoFEPD, DHRMD, and the MoEST to ensure that all graduated teachers are recruited instantly so as to reach the targeted pupil teacher ratio.

Commitments from pool partners are uncertain due to the recent revelations in weak public finance management. The ESIP II financing sources have not been concretely established and so predictability in disbursement is low. This has adverse implications on most on-going projects. Capacity levels are still low in the MoEST and this has adversely affected implementation on key programmes. Coordination on various government departments and stakeholders on key education programmes remains weak.

9.5 Science and Technology

9.5.1 Biotechnology and Biosafety Systems in Malawi

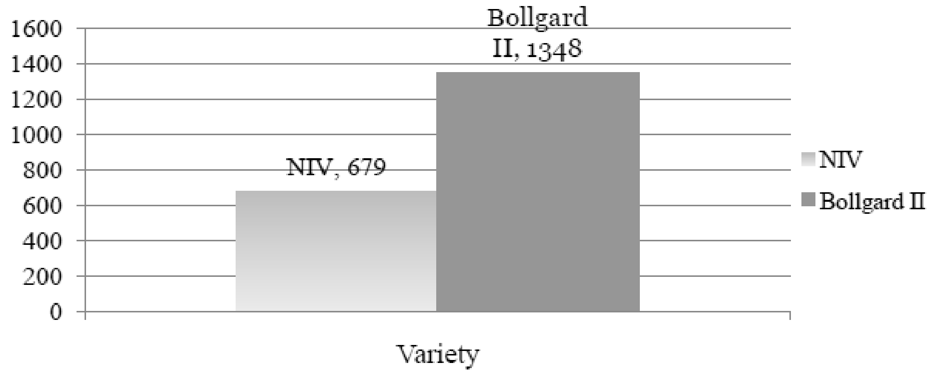
Malawi Government recognizes the important role technology plays to achieve food security and sustainable economic growth. In this regard, the National Commission for Science and Technology (NCST) is encouraging safe development and application of various technologies including modern biotechnology. Malawi as a signatory to the Cartagena Protocol on Biosafety (2000) successfully put in place an appropriate policy and regulatory framework for research and utilization of modern biotechnology products in 2008.

In view of this, the National Biotechnology and Biosafety program reported the following major outputs during the period under review:

9.5.1.1 Confined Field Trials

Malawi continues to make progress on Biotechnology (Bt) cotton research. During the first year, Confined Field Trial (CFT) was undertaken at Bunda College of Agriculture and the preliminary results were encouraging. From Figure 9.3 below, physical examination of the bolls of Bt cotton were much bigger in size compared to the conventional cotton. The yield per acre of Bt cotton was almost twice (1.98 times) the yield of conventional cotton, that is, comparing conventional cotton (NIV) and Bollgard II (Bt cotton). The high yield from Bollgard II has potential to double the income of the farmer.

FIGURE 9.3: SEED COTTON YIELD OF DIFFERENT COTTON VARIETIES (DP486 NIV, & DP486 BG II) (KG/HA)



Source: MoEST

Multi-location trials for Bt cotton were undertaken at Chitala in Salima, Toleza Farm in Balaka, Makoka in Zomba and Kasinthula in Chikhwawa with the aim of determining efficacy of Bt gene in controlling bollworm infestation in traditional cotton growing areas as shown in Table 9.4 below.

TABLE 9.4: TRIAL LOCATIONS

CFTs Trial Site	Category	Status	Year
LUANAR (Bunda)	1st trial	Completed	2012/13
Chitala	1st Multi-location trial	Completed	2013/14
Toleza	1st Multi-location trial	Completed	2013/14
Makoka	1st Multi-location trial	Completed	2013/14
Kasinthula	1st Multi-location trial	Completed	2013/14
LUANAR (Bunda)	2nd trial	Not Completed	2014/15

The results of CFT conducted at Bunda were disseminated whereas the results for the other multi-trial sites will be included in the next report. Although CFTs are still on-going, prima facie evidence shows that Bollgard II is able to control bollworm infestation leading to high yields. The variety appears suitable to the local environment. Results from the traditional growing areas and Bunda second trial will be included in the next report. Stakeholders were updated on the field trials during a field day meeting on 29th May 2014.

9.5.1.2 Environment Biosafety Audit

One important aspect of the trials is to conduct an Environmental Biosafety audit to ensure that implementation of the trial activities in these sites comply with national and international regulatory requirements. To that effect, a joint biosafety audit led by an Independent Auditor, accompanied by representatives from Lilongwe University of Agriculture and Natural Resources (LUANAR), Environmental Affairs Department (EAD), Department of Agriculture Research (DARS), NCST, Programme for Biosafety Systems (PBS) and Monsanto was carried out from 7th to 10th April 2014 in all the trial sites. The auditor found that the trials were professionally conducted and followed international and national standards. However, it was found that there is a need to train members of staff at the new CFT sites in record keeping and data management. The training in data management was therefore conducted in July 2014.

9.5.2 Information Society Technologies for Africa (IST – AFRICA)

IST-Africa initiative is a strategic collaboration between one European partner, IIMC (Ireland), and 18 African Ministries and Councils responsible for ICT and IST adoption, policy and research. IST-Africa focuses on reducing the digital divide in Africa through supporting activities and implementation of the 8th Africa-European Union (EU) Strategic Partnership; skills transfer to support research capacity building and IST development in Africa; and community building to support EU-African research cooperation. Horizon 2020 sets out the priorities and thematic areas, including ICT for 2014 – 2020, with the aim to jointly address major challenges where significant added value is expected to be gained from a world-wide research and development cooperation. In this context, the European Commission has co-funded IST-Africa since 2006 to promote African-European research cooperation and support Information Society and ICT aspects of the Africa-EU Strategic Partnership.

9.5.2.1 Call for Proposals

Horizon 2020 commenced in January 2014 as the new Framework Programme to implement the Innovation Union with research and innovation funds amounting to EUR80 billion for the period 2014 to 2020. Horizon 2020 addresses all research and innovation funding that was previously provided through the Framework Programmes for Research and Technical Development (FP7), Competitiveness and Innovation Programme (CIP) and European Institute of Innovation and Technology. Under Horizon 2020, two Calls for Proposals were conducted in January 2014 and September 2014 for prospective projects to be implemented before 2020.

Malawian participation has evolved over the life of the previous FP7 framework. Since 2008, 18 projects were funded under this programme. The most prominent themes with Malawi participation have been in the areas of Health (8 projects), Infrastructure (5 projects), Environment (2 projects) and ICT (2 projects). Malawi as a country stands to benefit through the participation of Malawian researchers in the programme. Fourteen (14) projects have been initiated through the FP7 by NCST and other organisations and are still in progress.

CHAPTER 10

TOURISM, WILDLIFE, CULTURE AND INFORMATION

10.1 World Tourism Outlook in 2014 and Prospects of 2015

2014 proved to be yet another successful year for the world tourism sector. As reported by the World Travel and Tourism Council (WTTC), the direct contribution of the sector to the world GDP grew by 3.5 percent, up from 3.4 percent in the previous year. However, the actual growth of the Travel and Tourism sector in 2014 was 3.5 percent as opposed to the 4.3 percent forecast. The main reasons for the weaker Travel and Tourism performance include unexpected developments during 2014 such as Ukraine-Russia conflict, Ebola in West Africa, political instability in countries like Thailand, Syria and Libya and the increase in terror attacks in Nigeria and Kenya.

In terms of total contribution, the sector claimed 9.8 percent of the global GDP which represents US$7.6 trillion in 2014, and is forecast to rise by 3.7 percent in 2015. Travel and Tourism also contributed significantly to global employment in the year, directly supporting 105,408,000 jobs which is 3.6 percent of total employment. This is expected to rise by 2 percent in 2015. If jobs that are indirectly supported by the industry, the sector was responsible for 9.4 percent of total employment which translates to about 276,845,000 jobs and this is expected to rise by 2.6 percent in 2015. Visitor exports generated US$1.8 trillion, 5.7 percent of total exports, while Travel and Tourism investment in 2014 was US$814.4 billion, representing 4.3 percent of total investment.

In the Sub-Saharan Africa region, Travel and Tourism directly contributed US$44.5 billion, that is, 2.6 percent of total GDP in 2014. The total contribution of Travel and Tourism to GDP was US$114.8 billion, representing about 6.8 percent of GDP in 2014. In terms of employment, the sector directly supported 2.5 percent of total employment, which translates to about 5,972,000 jobs. Spending by international tourists within the region for both business and leisure trips, including spending on transport, but excluding international spending on education, also called visitor exports, generated US$31.5 billion, which is 6.9 percent of total exports in the year. Investment in the sector amounted to US$18.6 billion, which is 5.5 percent of total investment.

10.2 Tourism in Malawi

Tourism in Malawi directly contributed MK82 billion, 3.5 percent of the total GDP in 2014, and it is forecast to rise by 0.8 percent in 2015. The sector's total contribution to GDP was MK170 billion, 7.3 percent of GDP in 2014, and this is forecast to rise by 1.6 percent in 2015. In 2014, Travel and Tourism directly supported 108,500 jobs, 2.9 percent of total employment. The total contribution of the sector to employment, including jobs indirectly supported by the industry, was 6.3 percent of total employment, which is about 233,000 jobs. Visitor exports, through about 800,000 visitors, generated MK15 billion or 1.9 percent of total exports in 2014. Investment in the sector amounted to about MK11 billion or 2.8 percent of total investment, which is expected to rise by 5.5 percent in 2015.

10.2.1 Major achievements in the 2014/15 financial year

The Government earmarked Tourism as one of the key priority sectors within the Malawi Growth and Development Strategy (MGDS II), that has the capacity to drive this country to economic prosperity. Its mission is to develop and promote tourism, conserve and manage wildlife, uphold and promote Malawi's national identity so as to ultimately turn Malawi into an attractive and competitive tourism destination in the region.

10.2.1.1 Marketing Initiatives

In order to attract foreign tourists, the Ministry continued to market the destination in Europe, China and Africa. As a result, over 500 tour operators in Europe, are packaging Malawi as a tourist destination on their product portfolio.

10.2.1.2 New Properties and Ventures

New properties and ventures have opened their doors to the general public. The Bingu International Conference Centre and Presidential Hotel were officially opened in May 2015. This is a hospitality establishment which will be able to attract high level conferences and conventions both locally and internationally. The Ministry further facilitated development of other new hospitality establishments such as Grand Palace hotel in the City of Mzuzu which was officially opened in October 2014. This has contributed to increased number of accommodation rooms in the country. Through the newly launched Investment Opportunities Compendium, which stimulated and promoted more investments in tourism sector, more investors have also expressed interest to invest in Tourism in Malawi especially along the lakeshore districts such as Salima and Mangochi.

10.2.1.3 Capacity Building

In order to ensure that there is qualified hospitality personnel and overall improvement in skills in the tourism sector, Government continued to facilitate the development of Malawi Institute of Tourism, and Lingadzi Campus in Lilongwe. So far, the Ministry completed all the bidding processes and has procured the contractor to construct this new campus.

The Ministry through the Department of National Parks and Wildlife constructed 21km fence line in Liwonde National Park with financial and technical support from Central and East Railway Company (CEAR). This complemented the already existing efforts to curb poaching through 1,200 law enforcement patrols in the protected areas. In addition, the Government also maintained houses, roads as well as bridges to improve the working conditions and accessibility to the protected areas. As a result, visitor statistics and number of tourists are increasing especially to Liwonde National Park. The Ministry also embarked on the development of National Elephant Action Plan (NEAP) as a key strategy for the management of population in the next 10 years and capacity building for the rangers on anti-poaching operations. It is worth noting that recent animal surveys indicate increase in animal population, especially elephants in Liwonde National Park and Vwaza Game Reserve.

In its efforts to promote and preserve Malawi's cultural diversity, Government, through the Ministry of Information, Tourism and Culture trained four school and community groups in preserving tangible and intangible cultural heritage, documented twelve national monuments, developed a culture databank and supported five institutions with record management skills.

10.2.1.4 Memorandum of Understanding in the Field of Tourism

Government in 2014/15 fiscal year signed Memorandums of Understanding (MoUs) on cooperation in the field of Tourism with countries like Zimbabwe and Egypt to have a joint effort in the promotion of sustainable tourism development. This will enhance regional integration in tourism and multi-destination packaging.

10.2.1.5 Policy Development and Planning

In the financial year that just ended, the Cabinet approved the National Cultural Policy. This is a major achievement since the cultural sector has been operating without a policy. It also finalized a draft Classification Bill which is currently at the Ministry of Justice and Constitutional Affairs for legal advice.

The Wildlife sector over the years has been guided by the Wildlife Policy of 2000 and supported by the Wildlife Act of 1996 which was amended in 2004. The 2000 Wildlife Policy has been overtaken by a number of emerging issues such as climate change, mining and HIV and AIDS. As such, the Ministry, in the 2014/2015 financial year, commenced the review of the Wildlife Policy and also developed the Malawi 2020 Tourism Development Strategy which is a roadmap for the overall development in the tourism sector.

10.2.1.6 Quality Assurance

To improve the standard and quality of services in the tourism industry, the Government carried out inspection of 1,321 accommodation and restaurant enterprises. Through this process, it licensed 884 enterprises which met the minimum standards, representing a 6 percent improvement from last year. Over 3,000 films were licensed during the financial year. In addition, Government introduced the Star Grading exercise to improve service delivery of the hospitality industry and ensure value-for-money accommodation. At the moment, 10 properties have been graded and the highest have achieved a four-star rating.

10.2.1.7 Community Empowerment

In order to promote community participation in tourism and wildlife conservation, the Ministry facilitated the promotion of the Revenue Sharing Scheme through the Wildlife Fund Order where 25 percent of concession and park fees from protected areas is channeled to the local communities living close to protected areas for their social and infrastructure development. For example, the local communities in Nyika and Vwaza through the Nyika-Vwaza Association and the Upper Shire Association for the Conservation of Liwonde National Park are benefitting from the revenue sharing scheme and enhanced alternative livelihoods of communities through the promotion of income generating activities such as beekeeping, jam-making, guinea fowl farming, cultural tourism, arts and crafts, and other wildlife related activities. In addition, over 1,200 bee keeping clubs from local communities living close to protected areas harvested around 10 tonnes of honey translating into MK6 million. The Ministry also initiated the creation of Youth in Tourism and Women in Tourism Networks to support community based tourism, gender equality and economic empowerment of women.

10.2.2 Challenges and Constraints to Development and Promotion of Tourism

The tourism sector in Malawi has great potential for growth. However, it continues to face a number of challenges that are frustrating its efforts to become one of the leading tourism and investment destinations in the region and the world at large. Some of the major challenges are as follows:

1. Poor funding during the 2014/2015 fiscal year greatly affected the sector as the Ministry could not pay subscription fees to regional and international bodies, whose expertise in the field is necessary for a successful tourism sector. In addition, security of protected areas suffered due to non-payment to law enforcement personnel;

2. While the launch of the Tourism Investment Opportunities Compendium last year has increased the number of investors willing to invest in Malawi, there is lack of land to cater for such investments. There is also a limited number of specific tourism investment incentives to spur the development of the sector;

3. Dilapidated infrastructure and poor access roads has greatly affected usage of cultural infrastructure and access to tourist attraction sites; and

4. The sector also faces high encroachment and poaching in protected areas. This has led to a decline of key animal species such as elephants, buffaloes and antelopes. The problem is exacerbated by the lack of appreciation by communities surrounding protected areas of the importance of wildlife, and inadequate law enforcement due to poor conditions of service. Furthermore, ivory trafficking and illegal wildlife trade has been escalating with recent evidence that organized international crime syndicates are using Malawi as a source and transit route for their illegal wildlife trade.

10.2.3 Plans for the Next Financial Year

In the 2015/16 financial year, the overall objective of the tourism sector shall be to increase awareness of Malawi both locally and internationally as a destination for leisure travel and tourism investment. The campaign aims at buoying visitors currently at 800,000 to 1,000,000 mark which will subsequently increase visitor expenditure by over MK20 billion. The sector will also see the development of additional 500 rooms countrywide.

The tourism sector currently faces the lack of data collection capacity. In this regard, the Ministry plans to develop a framework for the implementation of the Tourism Satellite Accounting (TSA) system which is a method of measuring the direct economic contribution of tourism consumption to a national economy and a standard framework for organizing tourism statistics endorsed by the United Nations Statistical Commission and United Nations World Tourism Organization (UNWTO). In terms of policy development, the sector will see the commencement of the review of Tourism Policy and Tourism Law and the conclusion of the Wildlife Policy and legislation review.

The Ministry also plans to conduct aggressive marketing campaigns through the implementation of the market-specific marketing strategies targeting tour operators, travel agents, travel press and consumers. In order to enforce standards in hygiene, safety and quality of service, it will intensify inspections, licensing and grading of all tourism enterprises. In its continued efforts to identify and promote investments, the Ministry will also identify potential sites for tourism development and intensify investment promotion.

Plans are also there to establish and operationalize National Arts and Heritage Council of Malawi, mobilize communities in cultural heritage preservation and conduct research in the sector on wildlife and various aspects of culture. The Ministry also plans to develop a natural resource conservation programme, develop and strengthen partnerships with neighbouring countries in wildlife conservation, recruit and deploy staff members to fill existing vacancies in order to improve efficiency in service delivery and reduce poaching and human animal conflicts. In addition, the Ministry will continue building staff houses in various national parks and game reserves, involving local communities living close to protected areas in the ownership and management of wildlife, and enhancing general public awareness and understanding of the importance of wildlife conservation and management.

10.3 Information and E-Government

10.3.1 Major achievements in the 2014/15 financial year

In the 2014/15 financial year, the Government through the Department of Information provided policy direction in the sector through the development of the National Civic Education Policy. It continued to inform the nation through the production of five editions of the Boma Lathu Newspaper with 20,000 copies produced for each edition; the installation and commissioning of the Digital Terrestrial Television (DTT) network; the maintenance of an uninterrupted running of the DTT network and provision of signal distribution services to 10 local television broadcasters. The Department also launched the Digital Migration Awareness campaign in April, 2015 aimed at raising public awareness on digital television broadcasting.The Ministry through the Department of E-Government trained 20 ICT personnel in various fields including computer networking, bandwidth management, network security and system development. In addition, an approval of the Electronic Transactions and Management Bill by Cabinet and the process to review the Communications Act 1998 was in progress.The major challenges facing the information sector are inadequate and obsolete infrastructure, plant and equipment as well as poor and intermittent funding.

10.3.2 Plans for the next Financial Year

Through the Department of Information and Civic Education, the Ministry plans to produce and publish 4,800 stories on government and general public events and activities; develop documentaries on Government development initiatives and other activities; produce and disseminate information, education and communication materials on topical issues; develop the National Information Policy; and finalize the National Civic Education Policy. It also plans to increase Digital Terrestrial Television (DTT) network coverage to at least 80 percent of the country, and increase the number of TV broadcasters on the DTT network from the current 10 to 20. The Department will also facilitate the migration of at least 80 percent of the public to Digital TV Broadcasting through the procurement and supply of 300,000 Set Top Boxes (STBs) to the public.

The Ministry though the Department of E-Government plans to enhance Government Wide Area Network (GWAN) uptime to 98 percent through the Financial Reporting and Oversight Improvement Project (FROIP) and Regional Communications Infrastructure Project (RCIP II). In addition, it will train public servants on how to use ICTs to speed up service delivery, conduct ICT Mass Literacy campaigns so that the general public is sensitized on how to use and embrace the various e-government solutions, and facilitate the implementation of the Regional Communications Infrastructure Project (RCIP II) through the World Bank. This is in order to ensure that ICT infrastructure is modern and conforms to international standards.

Chapter 11

INTERGATED RURAL DEVELOPMENT

11.1 Overview of Integrated Rural Development Sector

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

Recently, there has been a consensus among stakeholders about the importance of decentralization in facilitating the implementation of Integrated Rural Development initiatives on a sustainable basis. In this regard, a functioning decentralized system of local governance is considered as a critical prerequisite for potential success of the Integrated Rural Development (IRD). Several reasons were advanced by stakeholders that justified a functional decentralized local governance system as critical for IRD success. Most stakeholders argued that decentralization provides an institutionalized and predictable framework for organizing, coordinating, implementing, monitoring and evaluating grass-root development efforts as well as bringing the government machinery closer to the people. In addition, decentralization empowers the people and, therefore,it is a catalyst for sustainable development.

The Government of Malawi has, therefore, adopted the implementation of Rural Growth Centres (RGCs) Development Programme and the construction of market centres both in the rural and semi-urban centres as critical development components within the realm of Integrated Rural Development. In order to achieve this important objective, the Ministry continued implementing various activities during the 2014/15 fiscal year and plans to undertake several activities in the 2015/16 fiscal year. This report highlights the activities that have been implemented during the 2014/15 fiscal year in tandem with the strategic focus areas of the Ministry.

11.2 Major Achievements during the 2014/15 FY

The following sub-sections give some of the major achievements and plans for the Ministry.

11.2.1 Rural Growth Centres (RGCs) Development Programme

Rural Development is at the centre of poverty reduction in rural areas. To this end, the Ministry under this programme has completed the construction of Nthalire Rural Growth Centre and the facilities are currently in use. Although the development of these Rural Growth Centres have potential to generate economic gains which can lead to improvements in rural livelihoods in both medium and long term, most of these have poor road networks. For instance, Chitipa and Neno boast of having luxurious Nthalire and Neno Rural Growth Centres which cannot easily be accessed by road. Requisite infrastructure is, therefore, a necessary condition to encourage possible future entrepreneurs and investors in these rural growth centres.

TABLE 11.1: ACHIEVEMENTS AND CURRENT STATUS OF RURAL GROWTH CENTERS IN MALAWI

Name of the RGC	Completed Structures	Outstanding works	Remarks
Nthalire	1. Community hall 2. Bus depot 3. Library 4. Police unit and staff houses 5. Community Ground	No outstanding works	1. The structures are operational but final payment has not been made to the contractor. 2. The Council has identified the need for a Butchery which will be constructed by its own resources.
Nambuma	1. Community hall 2. Bus depot 3. Library 4. Community ground 5. Police Unit 6. Health Centre	1. Power connection 2. Final painting and flooring especially the Police unit and Health Centre 3. VIP stand for the stadium 4. Fixing shelves for the library	1. Ready for use although power is not connected. However, the service provider has already been paid. 2. The contractor has been advised to speed up the finalization of outstanding works and thus painting, flooring and fixing of the shelves.
Chitekesa	1. Market kiosks 2. Market sheds 3. Bus depot	1. Community Hall and library at roofing stage 2. Community ground 3. Perimeter fence	Construction works stalled for three months due to flood victims who occupied the whole premises and facilities hence forced contractor to move away from the site.
Chapananga	1. Market kiosks 2. Market sheds 3. Bus depot	1. Community Hall 2. Community ground 3. Library	The construction works stalled due to freezing of accounts of contractors and currently the Ministry is waiting for direction on legal issues on the same.
Mkanda	1. Market kiosks 2. Market sheds 3. Bus depot	1.Community Hall 2. Community ground 3. Library	The construction works stalled due to freezing of accounts of contractors and currently the Ministry is awaiting for direction on legal issues on the same.

Source: Ministry of Local Government and Rural Development Reports

With regard to the first phase of construction, works at Mkanda and Chapananga Rural Growth Centres in Mchinji and Chikhwawa districts, respectively, are at advanced stages nearing completion points and they are at 92 percent completion rate, that is, construction of markets and bus depots. During the second phase of the programme, the Ministry continued with construction works at Chitekesa in Phalombe district. However, construction works stalled due to the freezing of accounts of contractors. Hence, the Ministry did not register significant progress in the construction of the second phase of the Rural Growth Centres in the year under review due to budget cuts during the mid-year budget review and this was also compounded by the cash-gate scandal.

However, Government is committed to ensuring that the Rural Growth Centres are contributing to halting rural urban migration. In this regard, it is expected that the investments that will be made in RGC will create a conducive environment for the rural populace to accept these areas as better places to live rather than migrating to urban areas for greener pastures. The Government is therefore, expected to complete the second phase of Rural Growth Centers construction during the 2015/2016 Fiscal Year. In view of the developments highlighted in table 11.1 above, the Ministry has not achieved much significant progress in the year under review as compared to the same period last year. This is largely on account of reduced funding which has to a large extent derailed implementation of planned works.

11.2.2 Markets Development Programme (Urban and Rural Markets)

During the 2014/2015 fiscal year, the Ministry finalized the construction of Enukweni market in Mzimba district. The slow rate of achieving most of the milestones emanated from the freezing of the development budget due to the cash-gate scandal.

The analysis in Table 11.2 reveals that although construction of most of the markets was completed during the 2013/14 fiscal year, traders are shunning away from using the facilities due to outstanding basic amenities such as connection to electricity, water and access to roads. This revelation emphasizes the importance of integrating some of the key stakeholders during the planning stages of such huge investments such as Ministry of Transport and Infrastructure Development and utility providers such as ESCOM and Water Boards in order to curb such challenges. In this regard, the notion of Integrated Rural Development can generate quick wins if completion of such projects would be fully fledged without outstanding issues.

TABLE 11.2: PROCESSES UNDER MARKET CONSTRUCTION

Name of Market	Completed Structures	Outstanding works	Remarks
Matawale	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Butchery 5. Fence 6. Market Pavements	Power Connection by ESCOM	Ready for use though power is not connected whilst the market pavement is waiting for correction of defects.
Ekwendeni	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Butchery 5. Bus depot	Power Connection by ESCOM	Ready for use but power is not yet connected but the service provider has been paid.
Enukweni	1. Market Kiosks 2. Market sheds 3. Bus depot 4. Slaughter house 5. Water pump 6. Butchery	Power Connection by ESCOM	Ready for use but power is not yet connected but the service provider has been paid.
Dwangwa	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Bus depot 5. Fence	1. Power connection by ESCOM. The connection has been done only at the Bus depot. 2. Two more additional structures which were not from initial design (Restaurant and Butchery)	1. Bus depot awaiting reallocation of facilities by ESCOM 2. The two additional structures to be funded by District Fund for Local Authorities (DFLA)
Nkhamenya	1. Market sheds 2. Slaughter house 3. Market kiosks 4. Butchery	1. Power Connection by ESCOM 2. Water connection	1. Quotation was submitted to the Ministry but awaiting for payments 2. The council is working on water supply
Limbuli	1. Market sheds 2. Slaughter house 3. Market kiosks 4. Bus terminal	1. Power Connection by ESCOM	Ready for use but power is not yet connected although the service provider has been paid.
Nsanje	No completed structure	1. Market 2. Bus depot 3. Markets sheds 4. Butchery	The project has stalled due to cuts in budget allocations during the Mid-year Budget review. However, the Ministry has planned to continue construction of the market during the 2015/2016 fiscal year.

Source: Ministry of Local Government and Rural Development Reports

11.3 National Decentralization Programme II (NDPII)

The Government is committed to decentralising functions to local authorities as a means of promoting local governance and accelerating participatory democracy. Under this programme, almost 12 sectors have devolved to local governments (*see* Table 11.3). Funds for the devolved sectors are disbursed directly to local authorities. However, the devolution process for Immigration, Labour and Youth is still under way.

TABLE 11.3: ACHIEVEMENT AND CURRENT STATUS ON COMPLETE DEVOLUTION OF FUNCTIONS TO COUNCILS

Output	Currents Status	Remarks
Sectors devolved	12 Sectors devolved (Agriculture, Health, Education, Environment Affairs, Natural Resources, Housing,Water, Lands and Physical Planning, Transport and Public Works, Gender and Community Services, National Registration Bureau and Commerce).	Regarding Immigration, Labour and Youth the process is under way.
Enhanced Participation and ownership of Local Level Development Programmes	1. Three Urban Developments Plans (UDPs) for Zomba City, Mzuzu City, Lunchenza Municipalit have been updated and aligned to MGDS II. 2. Seven Socio-Economic Profiles (SEPs) and District Development Plans (DDPs) have updated and aligned to MGDS II (Balaka, Nkhotakota, Nkhata Bay, Rumphi, Blantyre, Ntcheu, Kasungu). 3. Four councils (Mangochi, Mzimba, Ntchisi & Phalombe) have mainstreamed Local Economic Development activities in their SEPS/DDPs.	With regard to Blantyre City and Lilongwe city the review of their UDPS is underway. Only 7 out of 28 district councils have not updated their SEPs/DDPs but the Ministry has planned to backstop this process during the 2015/16 FY.
Guidelines for the management of devolved functions implemented.	14 Guidelines for the management of devolved functions reviewed and implemented (Agriculture, Health, Education, Environment Affairs, Natural Resources, Housing, Water, Lands and Physical Planning,Transport and Public Works, Gender and Community Services, National Registration Bureau, Commerce, Youth and Labour)	Due to financial constraints the annual targets have been reduced to realistically match the budget.
Integrated Financial Management Information Systems (IFMIS) rolled out	28 Councils with operational IFMIS.	Frequent monitoring visits are undertaken to assess the performance of IFMIS in Councils.

Source: Ministry of Local Government and Rural Development Reports.

Table 11.3 above analyses the significant progress the Ministry has achieved against planned milestones. This entails that quite significant investment has been made in empowering the rural populace in local level development. This tenet is an integral input in promoting political and economic governance at the local level.

11.4 Major Plans for the 2015/16 Fiscal Year

During the 2015/16 Fiscal Year, the Ministry under the Rural Growth Centre Development Programme will continue construction works at Chitekesa, Mkanda and Chapananga in Phalombe, Mchinji and Chikwawa districts, respectively, while the Ministry will embark on the construction of Nsanje market. Furthermore, the Ministry will continue to facilitate devolution of functions to local authorities under the National Decentralisation Programme II. Consistent with the MGDS II, the Ministry intends to update and align the Social Economic Profiles (SEPs) and the District Development Plans (DDPs) for the remaining 7 Districts.

11.5 Opportunities and Challenges

11.5.1 Opportunities

The fact that Integrated Rural Development is one of the nine (9) key priorities in the MGDSII offers major opportunities to resuscitate rural economies and transform them into potential engines of economic growth. This will contribute to sustainable growth and result in re-distribution of wealth to all citizens while also mitigating the negative consequences of rural-urban migration.

Another opportunity noted is the collaboration with the Department of Buildings in the Ministry of Lands, Housing and Urban Development. This has ensured availability of technical expertise in the councils.

11.5.2 Challenges

The construction of Rural Growth Centres and Markets in the year under review experienced the following challenges and risks:

1. The main challenge has been inadequate budgetary allocation and low funding. A typical Rural Growth Centre and market are supposed to have a network of access roads to various social infrastructures constructed at a centre. These access roads are not provided for in the budget. This has been evidenced at Ekwendeni and Enukwenu where vendors are refusing to occupy the markets due to a poor road network;
2. Delays on legal direction on the way forward on the freezing of accounts of contractors due to the cash-gate scandal has derailed the construction works at Chapanaga and Mkanda for instance;
3. The use of local contractors is another challenge since most of the local contractors have inadequate capacity to deliver project outputs as per the contract agreement. This lead to an increase of overhead costs for the projects like Nthalire and Nambuma RGCs;
4. The change in design of infrastructure to include the needs for additional facilities is not easy to accommodate. This is a problem when it comes to

construction of additional infrastructures at a particular centre and tends to delay execution of works by the contractors;

5. There have been cost escalations for project construction materials which exert pressure on the budget. This directly delays project implementation and leads to long duration of project execution;

6. Delays in compensation in most sites has affected the progress, hence delayed execution of works by the contractor;

7. There is slow pace of decentralization due to inadequate skills and erratic resources; and

8. There is resistance to devolution coming from both political and administrative leadership. For instance, there is a subtle form of resistance to devolution in various government line ministries.

Chapter 12

PUBLIC HEALTH, SANITATION, NUTRITION, HIV AND AIDS MANAGEMENT

12.1 Overview

This chapter reviews the performance, and highlights some of the major developments regarding public health, sanitation, nutrition, HIV and AIDS management.

12.2 Public Health

According to the World Health Organization, health is a state of complete physical, mental and social well-being and not merely the absence of disease and infirmity.

12.2.1 Major Developments on Health Indicators

The Maternal Mortality Rate[11] (MMR) declined from 984 deaths per 100,000 live births in 2004 (NSO, 2005) to 675 deaths per 100,000 live births in 2010 (NSO, 2011). The Malawi Millennium Development Goals (MDG) End-line Survey carried out by National Statistical Office in 2013/14 found out that the MMR further declined to 574 deaths per 100,000 live births in 2014 (NSO, 2014). According to the National Statistical Office (NSO) 2008 Population Projections, Infant Mortality Ratio[12] for the year 2013 was estimated at 40 deaths per 1,000 live births. However, the 2014 Malawi Millennium Development Goals End-line Survey (MES) estimated a high value of 53 deaths per 1,000 live births. The MES established a slight decline of Full Immunization Coverage[13] rate from 71.8 percent in 2010 as reported in the Demographic and Health Survey (DHS) to 17.5 percent in 2014. Malaria Incidence declined from 214 cases per 1,000 population in 2012/13 Financial Year (FY) to 202 cases per 1,000 population in 2014/15 FY. Malaria ranks fourth among the causes of death accounting for 8 percent of mortality (Bowie, 2011). Yet, it is important to note that success has been registered in Malaria inpatient deaths from having around 54 deaths per 1,000 population in 2002/03 to having less than one death per 1,000 population from 2012/13 to 2014/15 FY.

12.2.2 Malawi's Health Sector Strategic Plan

The Malawi Health Sector Strategic Plan (HSSP) (2011-2016) is the successor to the Programme of Work (2004-2010) which guided the implementation of interventions aimed at improving the health status of people of Malawi. The overall goal of the HSSP is to improve the quality of life of all people in Malawi

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[11] Deaths during pregnancy, childbirth, or within two months after delivery or termination of pregnancy, per 100,000 births within the 7-year period preceding the survey.

[12] Probability of dying between birth and the first birthday.

[13] Percentage of children age 12-23 months who received all vaccinations recommended in the national immunization schedule by their first birthday (excluding recently introduced ROTA and PCV).

by reducing risk to health and the occurrence of premature deaths, thereby contributing to the social and economic development of the country. The broad objectives of the HSSP are to increase coverage of the Essential Health Package (EHP) interventions, paying attention to the impact and quality. In 2014/15 financial year, Government continued to implement various programmes in pursuit of the goal above.

12.2.2.1 Increase Coverage of Essential Health Package

To improve access and coverage to quality health care delivery, Government is focusing on three areas: Construction and rehabilitation of health facilities; Service Level Agreements; and improved transportation system. Government is committed to achieving the World Health Organization (WHO) target that the entire population lives within 8 km of health facility. However, this is a long term objective and some progress has been made towards this goal.

12.2.2.1.1 Improving Access and Coverage of Services

The Ministry of Health (MoH) has several infrastructure projects that are underway. The MoH development budget for the 2014/15 FY was MK6.53 billion, of which MK458 million was from Development Partners. As at half of the financial year, the Ministry was allocated funding for the Development Budget amounting to MK1.84 billion. Most of these resources were allocated in the second quarter of the financial year (October-December 2014) since in the first quarter there was a provisional budget before the passage of the full budget. This affected the cash flow of the Ministry and subsequently it had some negative implications on progress of infrastructure projects.

12.2.2.1.1.1 Progress of Main Construction works

Government is currently constructing 140 new staff houses and five flats under the Umoyo Housing Project as a way of solving accommodation problems faced by the health work force. As at the mid of the 2014/15 FY, progress was at an average of 60 percent for the staff houses and 5 percent for the flats. Besides, construction of 15 health centres is currently in progress. Progress as at the mid of the financial year was at 15 percent against an annual target of 30 percent. However, the Construction of a new warehouse at Central Medical Stores Trust (CMST) was completed and the building was handed over to management.

For secondary health care delivery, rehabilitation is underway for Balaka and Nsanje District hospitals and the progress is at 40 percent and 50 percent, respectively. Construction of the new Nkhata-Bay District Hospital is at 97 percent completion against the target of 100 percent by the end of the FY. For Phalombe, construction of a new district hospital will start soon. In addition, contraction of the National Cancer Centre will commence soon at Kamuzu Central Hospital in Lilongwe.

Government is also currently carrying out rehabilitation works at the Queen Elizabeth Central Hospital (QECH), Zomba Central Hospital (ZCH), Kamuzu Central Hospital (KCH), and Mzuzu Central Hospital (MCH). For all the four referral hospitals, the progress is below the target mostly due to funding problems.

12.2.2.1.2 Service Level Agreements with Christian Health Facilities

To improve access to the Essential Health Package, Government entered into agreements with facilities especially those under Christian Health Association of Malawi (CHAM). The idea is to have all citizens within the recommended 8km of a public facility. Currently, 76 out of the 175 CHAM Facilities have Service Level Agreements (SLAs) with the Government representing 43 percent of CHAM facilities, and the same percentage was recorded in 2013/14 FY. 70 CHAM Facilities are located on a distance of more than 8km to the nearest Government Facility, of these 45 have SLAs with the Government representing 64 percent.

12.1.2.2.1.3 Transport System

There is a critical shortage of ambulances for District and Central Hospitals. The 2014 Basic Emergency Obstetric Care Survey established that only 33 percent of facilities have functioning ambulances. The national need for ambulances based on 1/50,000 population is approximately at 300. As of December 2014, there were only 100 ambulances. However, there are plans to procure one ambulance for each District Health Office (DHO) annually to ease the transportation problems.

12.2.2.2 Strengthening the Performance of the Health System

12.2.2.2.1 Human Resources for Health System

In 2014/15 the Ministry of Health updated the Integrated Human Resource Management Information System (IHRIS) using data collected from Human Resource Head count. As of now, Human Resource for Health (HRH) information in the system is over 95 percent complete. Overall, the data indicates that there is some progress made towards reducing the vacancy rates, going down from from 36 percent in 2013/14 to 34 percent in 2014/15. For pre-service training under the review period, Government supported 1,006 students with tuition fees which amounted to MK574,798,100. 534 students graduated between July and December 2014. Out of these, the Ministry of Health was able to recruit 207 nurse midwives, 15 medical doctors and 80 medical assistants. The rest, mainly nurses, were recruited by CHAM. For in-service training, Government is continuing to support a total of 270 health workers in various specialization programmes, including eight medical specialists, five pediatricians, eight obstetrician and gynecologists, five surgeons, two anesthetists, two radiologists, and two histopathologists.

12.2.2.2.2 Essential Medicines and Supplies

A quantification exercise to estimate the need for health commodities for the 2014/15 FY was finalized during the period under review. The results show that an estimated 69 million dollars (31 billion Kwacha) worth of health commodities was needed to provide health services for the fiscal year. This estimate is for essential medicines and supplies and does not include programme supported commodities like HIV/AIDS, Malaria and Family Planning commodities.

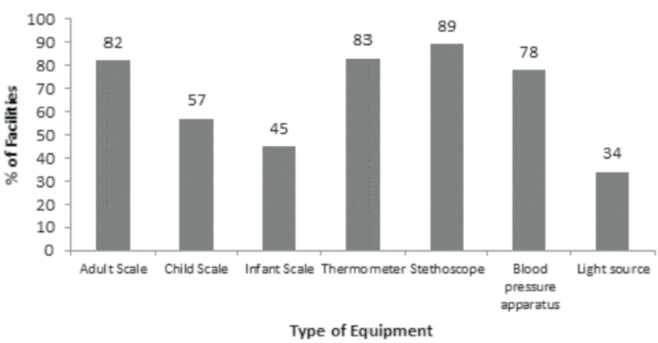
Ministry of Heatlh (MoH) introduced the role of Zonal Pharmacists to further strengthen the zonal health supervision teams. Since the establishment of these roles, we have seen commendable improvement in reporting compliance and support available to subnational logistics operations. The Zonal Pharmacist roles are currently occupied by officers acting in this capacity, while the Ministry is finalizing plans to fill these positions permanently.

Despite these laudable strides and improvements in service delivery, the system continues to face challenges in terms of shortage of both human and financial resources.

12.2.2.2.3 Medical Equipment

The Ministry of Health has released the first Service Provision Assessment (SPA) Report. The SPA provides a comprehensive overview of the country's health care services and its capacity to provide quality care. Figure 12.1 shows the availability of basic equipment from the 997 facilities surveyed. As shown in the figure, there is scarcity of child and infant scales and light source with the latter being available at only 34 percent.

FIGURE 12.1: AVAILABILITY OF BASIC EQUIPMENT (N=997)[14]



The first six months of the 2014/15 financial year has been marked by progress in procuring specialised medical equipment. Procurement of five standby generators to deal with power supply issues for selected district hospitals is in process and one has been delivered to Mchinji District Hospital. Procurement of two oxygen

[14] Malawi Service Provision Assessment 2013-14

plants for KCH and QECH is underway. Procurement of two incinerators for KCH and QECH has been initiated following an identified need for this equipment. Basic equipment for 60 Basic Emergency Obstetric Care sites have been procured and some have already been delivered and commissioned. Procurement of mortuary units for five district hospitals is completed, and one mortuary unit has already been delivered to Mchinji District Hospital. Screening for Breast Cancer will be available at central hospitals as soon as the four newly acquired mammography machines are installed. Three digital radiography machines are at an advanced stage of procurement for KCH, QECH and Mzuzu Central Hospital (MCH). These machines will address the problems that the central hospitals face in meeting demand for x-rays. Additionally, procurement of X-Ray machine ceiling mounted for Salima District Hospital and an X-Ray tube for Karonga District Hospital is underway. A Thermo-lumient dosimeter reader for monitoring occupationally exposed workers to radiation was donated by the International Atomic Energy Agency and is awaiting installation and commissioning at KCH.

12.2.2.3 Resilient Health System – Responding to Unforeseen Events in the Region

12.2.2.3.1 Ebola

The Ebola outbreak in West Africa required the health systems of countries in the region including Malawi to bolster infection control, and monitor the progress of the outbreak in West Africa. This diverted resources to disaster management and set-up services that could respond the situation if the disease ever came to the countries. Malawi introduced screening of passengers at Chileka and Kamuzu International Airports. At the beginning of August all other ports of entry, both land, air and lake commenced screening procedures. Three central hospitals QECH, KCH and MCH and 6 border districts have been designated as treatment and management centres for Ebola. Laboratory staff have been trained specially for handling of potential Ebola infected specimens and protocols in place for transfer of suspected specimens to South Africa. In addition, Rapid Response Teams have been appointed and trained in all the central and district hospitals as a first line to respond to any suspected cases.

12.2.2.4 Improved Equity and Efficiency of the Health System

12.2.2.4.1 Health Financing

The total estimated funding from all sources towards the Health Sector was K452 billion. However, according to the Resource Mapping Round Three Report (MOH, 2014), a total of K272 billion is available for the 2014/15 FY meaning that there is a financing gap of MK180 billion according to the Health Sector Strategic Plan (HSSP). Of the available resources, approximately K65 billion comes from the MoH Pool representing 24 percent of the total resource envelope, K56 billion comes from the National Aids Commission (NAC) Pool representing 20 percent and the rest K151 billion are Discrete Project resources which account for 56 percent of the total resources.

With regard to the K65 billion MoH Pool resources, K59 billion are from Government representing 91 percent of the resources while the balance of K6 billion are from Pool Partners representing 9 percent of the resources. Compared to previous Fiscal Years when Government was only contributing less than half of the MoH Pool resources, the 2013/14 and 2014/15 Fiscal Years are unique as Government has contributed 89 percent and 91 percent of the MoH Pool resources respectively. This is a fundamental shift from all past Government contributions and this comes about as a result of the withholding of Donor Partner resources in the MoH Pool following the cash-gate scandal. Without this arrangement in place and if Government did not quadruple its resources to the Health Sector in the year under review, the health service delivery could have been severely paralyzed and this could have led to the reversal of all the gains the Health Sector has achieved in the past decade.

12.2.2.4.2 Performance of SWAp Pool Account

The SWAp Pool Account constitutes all health resources that go through the Ministry of Health Headquarters, Central Hospitals and District Councils. The Ministry of Health Headquarters and Central Hospitals are part of Vote 310, and District Councils are part of 900 series Votes (Table 12.1). The Health Sector was provided with a total of MK65 billion covering Other Recurrent Transactions (ORT), Personal Emoluments (PE) and Development Budget resources.

TABLE 12.1: 2014/15 SWAP POOL ACCOUNT PERFORMANCE

Budget Category	2014/15 Approved Provision (MK)	2014/15 Revised Budget (MK)	Disbursements by Mid Year (MK)	Absorption Rates (%)
PE – Vote 310	29,037,646,770	29,037,646,770	18,616,342,437	*64*
ORT – Vote 310	15,146,855,505	15,146,855,505	4,973,949,845	*33*
Total	**44,184,502,275**	**44,184,502,275**	**23,590,292,282**	***53***
Gov't Funded Project Resources	5,725,044,839	5,725,044,839	1,149,489,528	*20*
Total Capital	**5,725,044,839**	**5,725,044,839**	**1,149,489,528**	***20***
DHO ORT	6,000,000,000	6,000,000,000	3,320,101,507	*55*
DHO Drug Budget	9,500,000,000	9,500,000,000	3,492,942,632	*37*
Total Transfers to DHO ORT	**15,500,000,000**	**15,500,000,000**	**6,813,044,139**	***44***
Total Health Sector Resources	**65,409,547,114**	**65,409,547,114**	**31,552,825,949**	***48***

Source: Ministry of Health

Of the MK65 billion SWAp Pool resources, disbursed resources as at 31 December 2014 were MK32 billion representing an absorptive capacity of around 48 percent. PE had the highest absorption capacity of 64 percent followed by DHOs with an absorption capacity of 44 percent. ORT had the absorption capacity of 33 percent while Government Funded Projects had the least absorption capacity of 20 percent. On ORT for the Ministry of Health, Central Hospitals and Zonal Offices, a total of K5 billion was spent by 31 December 2014 against its annual revised budget of K15.1 billion, implying that it utilized 33 percent of its annual revised budget. On the other hand, DHO's used up K6.8 billion of the K15.5 billion provisions meaning that they absorbed 44 percent by 31 December 2014. On Government funded Development Budget resources, a total of MK1.2 billion was used against an annual Budget provision of MK5.7 billion implying that only 20 percent of the resources were used in the first half of the 2014/15 FY.

12.3 Nutrition, HIV and AIDS

Government recognizes that a healthy population is necessary for sustainable economic growth and development. Improving nutrition of a country's population has significant economic and social benefits as it reduces morbidity and mortality, improves the learning capacity of school children and increases productivity of the general population. To ensure an adequate nutrition and HIV-free population, Government will among others, continue to implement programmes, projects and strategies that fall under the priority area five of the MGDS II that is, Public Health, Sanitation, Malaria and HIV and AIDS Management and Theme two of Social Development particularly Sub-theme six of Nutrition.

12.4 Nutrition Achievements

According to recent studies (DHS, 1992, 2000, 2004, 2010 and Support Nutrition Improvement Component (SNIC) Baseline survey 2014) funded by World Bank and Canadian International Development Agency (CIDA), malnutrition still stands out as one of underlying causes of underdevelopment in Malawi, with stunting, wasting and underweight being among the highest in the world:

TABLE 12.2: TRENDS IN SITUATION OF NUTRITION INDICATORS IN PERCENTAGE, 1992 TO 2014

Year	1992	2000	2004	2010	2014*
Stunting	*48.7*	*49.0*	*48.0*	*47.1*	*41.8*
Underweight	*27.2*	*25.0*	*22.0*	*12.8*	*2.6*
Wasting	*5.4*	*5.5*	*5.0*	*4.0*	*3.2*

Source: DHS (1992, 2000, 2004, 2010) and *SNIC Baseline survey

In order to reduce malnutrition, the nutrition sub-sector in collaboration with various stakeholders has attained the following achievements:

1. Policy and Strategy:—
    i. Intensified implementation of the Nutrition Services Delivery through the scaling up of Nutrition and 1000 special days initiative in all 28 districts. This is in line with Nutrition Education and Communication Strategy

(NEC) to influence behavioural change and social mobilisation. As such, 25 out of 28 districts have rolled out Scaling Up Nutrition (SUN) interventions;

ii. Conducted a SNIC baseline survey in all districts of Malawi to establish the core status of nutrition indicators before the onset of a project funded by World Bank and CIDA;

iii. Drafted a Bill on Nutrition currently awaiting approval;

iv. Reviewed the National Nutrition Policy and Strategic Policy and National Nutrition Strategic Plan awaiting approval;

v. Developed and disseminated the National Nutrition Monitoring and Evaluation Plan, now awaiting printing; and

vi. 75 percent (15 out of a target of 20) of district nutrition coordination committees revamped and/or established.

2. Training:

i. 84 line ministries' officers from the district councils (MoH, MoAFS and MoLG&RD) were trained to effectively track nutrition indicators;

ii. 82 percent of central level staff (9 out of 11) have been trained in different speciality areas related to nutrition, HIV and AIDS for focussed programming; and

iii. 57 percent of community health workers, supervisory staff and health workers (6,000 out of a target of 10,500) were trained on nutrition programmes.

3. Communication and Education:

i. 87 percent of nutrition promotion materials (13000 out of a target of 15000) were produced and disseminated;

ii. 14 messages were developed on stunting, anaemia, malaria, and family planning;

iii. 19 simplified communication products were repackaged for communities in line with stunting, anaemia and malaria; and

iv. 86 percent of Information, Education and Communication (IEC) materials (6 out 7) on stunting, anaemia, malaria focusing on maternal and child nutrition were created for the faith based community.

4. Patient and Population Services:

i. 87.5 percent of Severe Acute Malnutrition (SAM) cases (35,000 out 40,000) were admitted in Community Management of Acute Malnutrition (CMAM) programme;

ii. 89.7 percent of under-five children and lactating mothers (3,500,000 out of 3,900,000) were reached with Vitamin A supplementation;

iii. 63 percent of PLHIV, TB patients and other chronically ill patients (12,580 out of 20,000) were provided with nutrition support; and
iv. 101 percent of pupils (1,620,216 out of 1,600,000) benefited from the school meals programme.

12.5 HIV and AIDS

12.5.1 HIV Testing and Counselling

As of September 2014, 550,425 people were tested and counselled for HIV between July and September 2014. 95 percent of these tests were performed at health facilities and five percent were conducted outside health facilities. Four percent of the facility based tests were conducted in facilities providing HIV Testing and Counselling (HTC) only. Out of a total of 32,347 people newly diagnosed with HIV this quarter, 93 percent were tested at health facilities, six percent were tested at stand-alone HTC sites and two percent were community-based testing (MOH, 2014). 275,014 (50 percent) of people tested were patients receiving provider-initiated testing and counselling (PITC); 272,264 (49 percent) accessed voluntary counselling and testing, door-to-door, community-based testing.

12.5.2 Prevention of Mother to Child Transmission (PMTCT) of HIV

The implementation of PMTCT Option B+[15] has effectively integrated PMTCT and anti-retroviral therapy (ART) services. The programme aims at initiating lifelong ART for all HIV infected women as early as possible in pregnancy. ART may be started and continued at antenatal care (ANC), labour and delivery, and ART clinics. All infants born to HIV-infected women are supposed to start daily Nevirapine (NVP) prophylaxis for the first six weeks of life. Nevirapine syrup is given to women at ANC at the earliest opportunity to take home with instructions of how to give it to the new-born.

As of September 2014, 85 percent of the estimated 13,317 HIV infected pregnant women were on ART. This is based on 6,220 women at maternity who were already on ART when getting pregnant and 5,063 women who newly initiated ART in pregnancy. An additional 1,655 breastfeeding women started ART due to Option B+, bringing the total number newly started on ART under Option B+ to 6,718. Most women starting ART while breastfeeding were probably identified late in maternity or early in the postnatal period; but this group may also include some women who re-initiated after interrupting ART in pregnancy. 8,420 infants were confirmed to have started NVP prophylaxis at maternity.

12.5.3 Tuberculosis and HIV Interventions

Tuberculosis (TB) is one of the most important HIV-related diseases in Malawi and a considerable proportion of (mainly early) deaths on ART are attributed to

[15] Providing lifelong ART to all pregnant and breastfeeding women living with HIV regardless of CD4 count or WHO clinical stage

undiagnosed TB. 508,599 (98 percent) of all patients retained on ART were screened for TB at their last visit before end of September 2014. 5,583 (1 percent) patients were new TB suspects and had presumably been referred for examination by a clinician and for TB investigations. 1,667 (less than 1 percent) patients had confirmed TB (clinical or lab based). Out of these, 1,528 (92 percent) were confirmed to be on TB treatment and 139 (8 percent) had not yet started or had interrupted TB treatment.

12.5.4 Access to Sexual Transmitted Infection Treatment and Coverage

A total of 54,427 Sexual Transmitted Infections (STIs) cases were treated as of September 2014. Considering the 88 percent completeness of reporting among the visited sites, this number is estimated to represent a total of 61,849 STI cases treated. This is equivalent to 63 percent STI treatment coverage of the expected 98,600 STI cases in the population. Out of 54,427 documented clients treated, 41 percent were male and 59 percent were female. 4,162 (13 percent) of female STI clients were pregnant. 37,014 clients (68 percent) were 25 years and above, 13,050 (24 percent) were 20-24 years and 4,363 (8 percent) were under 20 years old.

12.5.6 Major Achievements under HIV and AIDS Sector

The last ten years have witnessed significant progress in the delivery of efficacious HIV prevention, care, treatment, and programme strengthening interventions, leading to the decline in new HIV infections in much of Sub-Saharan Africa including Malawi. According to UNAIDS HIV Estimates (BBSS, 2014), Malawi is among the countries worst affected by the HIV epidemic, with 10.6 percent prevalence in the 15-49 year old population. In the interim, the most recent epidemic modelling estimates 10.3 percent prevalence, indicating a slight reduction since 2010. SPECTRUM modelling also estimates that 26,000-34,000 new infections occurred in 2014. During the period under review, the HIV and AIDS sub-sector in collaboration with various stakeholders has registered the following milestones:

1. Policy and Strategy:—

    i. Drafted a bill on HIV and AIDS prevention and management. The draft bill is awaiting Cabinet consideration before enactment by the National Assembly;

    ii. Developed the Integrated Annual Work Plan (IAWP) and mid-year review; National HIV and AIDS budget; review and dissemination of the National HIV and AIDS Strategy (NSP); Multi-Donor (Global Fund Grant) proposals; independent review of National Response; and Malawi HIV and AIDS Epidemic Update as part of SADC information;

    iii. Conducted a mapping exercise to providers of school bursary and revised the guidelines for the district school bursary scheme;

iv. Conducted a mapping exercise for HIV and AIDS funding partners and implementers to assess the resource envelope towards national response. This is an important component for resource mobilisation; and

v. Conducted a One Site Assessment for PMTCT sites for renovation under a World Bank Project.

2. Training and Technical Support:—

i. During the period under review, 142 STI service providers were trained in the STI Syndromic Management Approach. Of these service providers, consisting of clinicians and nurses, 78 were from the public sector and 64 were from the private sector. A total of 21 trainers of trainers attended a refresher course on STI treatment guidelines. Ministry of Health is currently developing new STI treatment guidelines;

ii. 50 Intensive HTC Training Sessions were conducted;

iii. Technical support supervisory services were provided to 20 data sources;

iv. Monitoring, technical, advisory and quality assurance services were provided on behavioural change interventions on HIV and AIDS;

v. Technical support and supervision was provided to 30 service delivery sites;

vi. Mobilisation of six critical partners to work in underserved areas of HIV and AIDS programming (e.g. youth, tourism, informal sector, construction, mining, male involvement in HIV and AIDS services, agriculture); and

vii. 21 programmes were supervised and mainstreamed with HIV and AIDS in civil society and the public and private sectors.

3. Communication and Education:—

i. 51 percent of information, education and communication materials (769,993 out of 1,500,000) on HIV and AIDS prevention produced and disseminated;

ii. With regards to radio and TV communication: 300 radio hours aired on HIV and AIDS messages; 600 radio and TV slots on HTC, PMTCT, ART, VMMC were aired; 61 percent (61.3 out of 100) of TV hours on HIV and AIDS messages were used on the facilitation of HIV and AIDS Prevention, Treatment and Impact Mitigation;

iii. A national conference on social and behaviour change was held to provide adequate information on HIV and AIDS behavioural change, prevention, treatment and impact mitigation;

iv. Social mobilisation campaigns to protect AIDS-related rights and eliminate HIV associated stigma were conducted;

v. 167 percent (1504 out of 900) of mutual faithfulness sessions and sex and sexuality education were conducted targeting influential community groups, sexual partners, the elite and individuals;

vi. Interactive outreach audio-visual shows on HIV testing and counselling (HTC), VMMC, PMTC, ART and other thematic areas were conducted in communities, schools and places of entertainment/hot spots targeting the general, vulnerable and most-at-risk population;

vii. 6 videos were translated and produced into local languages to meet information needs of rural Malawians;

viii. 6 research and academic institutions were supported to provide evidence-based information on HIV for strategic planning and programming;

ix. 2816 people were trained to be peer educators on HIV and AIDS communication;

x. 4389 performance and interactive sessions (including public lectures, expert talks) were conducted in schools, communities and workplaces to provide information on HIV and AIDS prevention, counselling and treatment;

xi. 15 zone-based orientation sessions for community groups, traditional and opinion leaders on the values of indigenous knowledge on HIV Prevention, media management and content development on HIV and AIDS were conducted;

xii. 6 regional capacity building workshops with HIV and AIDS reporters and educational media companies were conducted; and

xiii. 29 local stars were mobilised (music groups, actors, sportsmen, artists) as HIV and AIDS ambassadors.

4. Patient and Population Services:—

i. 60.4 percent (40,478,216) of condoms were distributed during the reporting period, against a target of 67,000,000 (57,000,000 free and 10,000 socially marketed). Out of these, 24,108,849 (23,111,879 male and 996,970 female) condoms were distributed freely through the Ministry of Health (MoH) and Community Based Organisations (CBOs), among others. Out of the total number of condoms distributed, 16,369,367 (16,330,799 male and 38,568 female) socially marketed condoms were distributed by Banja La Mtsogolo and Population Services International (PSI) through various outlets;

ii. During the reporting period, 57 percent of the expected 98,600 quarterly STI cases in the population were managed at health facilities. About 45 percent of the managed STI cases were offered HTC and received test results. The rate of HIV status ascertainment at STI clinics remained low. This is likely due to sub-optimal implementation of provider initiated testing and counselling, combined with weak back-referral systems, which may lead to incomplete documentation of new HIV test results at the STI clinics. There is therefore need to improve on the integration of STI and HTC services in order to improve on the reported numbers of STI clients tested for HIV;

iii. More than 117 health facilities are offering voluntary male medical circumcision (VMMC) and neonatal circumcision services. A total of 83,847 medical male circumcisions were reported during the period, against the annual target of 250,000. Two VMMC campaigns (one major) were conducted during the period and that contributed to more numbers of men circumcised. To increase demand for VMMC, a total of 2,537 VMMC demand creation sessions were conducted during the reporting period. Furthermore, 64 VMMC training of trainers (ToT) and 40 service providers were trained in VMMC and neonatal male circumcision. Currently, plans are underway to scale up the intervention country-wide and also improve routine reporting by health facilities;

iv. Malawi had 694 static anti-retroviral therapy (ART) sites, managed by Government, NGOs and the private sector. A total of 688,360 people were initiated on ART, and 486,795 (70 percent) were retained alive on ART. A total of 444,270 adults and 42,525 children (under 15 years) were estimated to be alive on ART. Since the commencement of implementation of the new integrated ART/PMTCT Policy, as per the WHO recommendations, there has been a remarkable increase in the number of people on ART;

v. 98 percent (2,950,000 out of 3,000,000) of people who received universal HIV counselling and testing for HIV and received their test focusing on services for young people, couples and other key and vulnerable populations.

Chapter 13

YOUTH DEVELOPMENT AND EMPOWERMENT

13.1 Overview

The Youth and Sports sector contributes to national development through the promotion of youth empowerment and sporting programmes. The sector focuses on ensuring that Malawi's youth, who represent significantly over 70 percent of the country's population, are educated, healthy, well-trained, vibrant and productive. Specifically, Youth Development and Empowerment is among the pillars that the Government is implementing through the second Malawi Growth and Development Strategy (MGDS II) in order to empower the youth socially, economically and politically.

In order to fulfil its mandate, the Ministry of Youth and Sports focused on five strategic programme areas during the 2014/15 financial year and these are:

1. Improvement of youth athletes livelihoods;
2. Improvement in literacy and numeracy levels among the youth;
3. Increasing youth participation in development initiatives;
4. Improvement in youth and athletes' health and productivity; and
5. Improvement in coordination and effective delivery of youth empowerment and Sports development programmes.

13.2 Major Achievements in the 2014/2015 Fiscal Year – Youth Department

13.2.1 Youth Economic Empowerment Programme

The Ministry is implementing the Youth Economic Empowerment Programme which seeks to enhance capacity of the Youth of Malawi to be job creators in order to uplift their income – earning capacity. The overall objective of the programme is to reduce the high unemployment rate amongst young people in the country. Major components of the programme include Youth Enterprise Development Fund (YEDF), Neno Integrated Youth Development Centre, and the National Youth Service. Major achievements of the programme are presented in the sub-sections below.

13.2.1.1 Construction of National Youth Development Centre

The Ministry constructed the National Youth Development Centre at Neno under the Integrated Youth Development Project with support from Government and United Nations Development Programme (UNDP). The Centre core focus is to impart practical agricultural skills on the youth who would like to take up farming as a business and self-employment. At present, the Centre has two hostels, a cafeteria, two dwelling houses and several production units. These production units include 23 acres for maize production, poultry production with capacity of 1500 broilers and egg layers giving 30 crates of eggs per day, piggery with capacity of 75, five bee apiaries and three fish ponds. So far the Centre has managed to train 50 youths in various fields of farming from the communities surrounding the Centre. When completed, the Centre will offer skills training opportunities for 300 youths per intake.

13.2.1.2 Training of Youth in Technical Vocational and Enterprise Skills

The Ministry trained over 7146 youth in technical, vocational and enterprise development skills across the country. The objective behind this initiative is to inculcate entrepreneurship culture among young people and provide them with the necessary skills and start-up capital to enable them to run commercially viable businesses. Ultimately, this is meant to reduce unemployment among young people and, at the same time, contributing to the economic development of the country.

13.2.1.3 Signing of Memorandum of Understanding with Local Enterprises

The Ministry signed a Memorandum of Understanding with Universal Industries and Chibuku Products Limited on Agri-Business for young people. Under the agreements, Universal Industries and Chibuku Products Limited provided seeds for Irish Potatoes, Sorghum, Soya beans and Cassava to over 80 youth clubs and networks as start-up capital for establishing small scale agri-business ventures. In addition, Universal Industries also provided the youth with other products such as biscuits as part of the capital for establishing the small scale agri-business ventures. A total of 2000 youths were reached through this initiative.

13.2.1.4 Launch of Agri-Business Programme

The Ministry with financial assistance from UNICEF launched an Agri-Business Programme for Youths from 1st to 17th December, 2014 in Nsanje, Thyolo, Machinga, Mangochi, Nkhotakota, Nkhatabay, Salima, Chitipa and Dedza tareting 5000 youths. Under the programme, youth were trained in agriculture entrepreneurial skills and vocational skills and were provided with farm inputs to enable them to grow crops of their choice. Overall, 140 youth clubs benefited from the Agribusiness Programme. So far, this programme has reached 3200 youths across the country.

13.2.2 Youth Health, Guidance and Counselling Programme

The programme aims at ensuring that the country has healthy and productive young people. Major accomplishments under this programme include:

1. The Ministry with financial support from UNFPA carried out "condomize" campaigns in Mchinji, Ntchisi, Mangochi, Thyolo, Neno, Dowa, Zomba, Salima, Mzimba and Nkhata-Bay. The Ministry managed to reach out to over 20,000 youths and distributed 180,000 condoms. In

addition, HIV testing and counselling was also done in all the areas where the campaign took place. The main objective of the campaign is to increase condom use among the youths in order to reduce unplanned pregnancies, HIV and sexually transmitted infections (STIs);

2. The Ministry held review meetings from 11th to 14th August, 2014 with district youth stakeholders for the Joint Programme for Adolescent Girls (JPAG) in Chikwawa and Mangochi districts. This carried out with technical and financial support from United Nations Population Fund (UNFPA). The objective of JPAG is to improve adolescent girl's access and utilisation of services related to sexual reproductive health, education, livelihood and gender based violence;
3. The Minister facilitated the signing of the 'Protect the Girl Campaign' Initiatives which was presided over by His Excellency the President, Professor Arthur Peter Mutharika, and this was held at Sanjika Palace on 28th August, 2014. The aim of the campaign is to fight HIV and AIDS among the youth through football because football is a crowd puller hence a suitable vehicle for disseminating HIV and AIDS messages to the youth and the general public; and
4. The Ministry with financial support from the UNFPA under the Safeguard Young People Programme undertook a number of activities including reviewing of Manuals for Comprehensive Sexuality Education Standardization in Lilongwe; conducting public forum with parliamentarians for evidence-based advocacy and improved country coordination of advocacy efforts in Chikhwawa and Mangochi; conducting community based sexuality education for out of school youths; and training of new Parliamentarians especially young women in leadership in Chikhwawa.

13.2.3 Youth Participation and Leadership Programme

The Youth Participation and Leadership Programme aims at enhancing the opportunity of youths to participate in key decision making processes and ensure that they are given leadership roles. This is based on the realisation that the battle to lift the plight of Malawian Youth can only be won if the youth themselves actively participate and where possible assume leadership roles. The major achievements under this programme include the following:

1. Over 6,468 youths were trained in leadership skills across the country. These were drawn from over 200 youth clubs that are currently registered with district youth offices. In addition, the Ministry facilitated establishment and strengthening of more than 120 youth clubs and thus providing space for more than 10,000 youths to enjoy their participation rights. In addition, over 62,500 youth were trained in life skills across the country; and

2. The Ministry with financial assistance from the UNICEF is constructing youth centres in Thyolo and Mzuzu. Currently, the youth centre in Thyolo is at a very advanced stage with 70 percent of construction works already completed. As for the Mzuzu Youth Centre, the Ministry managed to secure land from Mzuzu City Council and preliminary processes for the commencement of the construction phase are underway. It is expected that the Mzuzu Youth Centre will be completed by December, 2016. Once completed, the two youth centres will provide social and development services to more than 50,000 youths in Mzuzu and Thyolo.

13.3 Major Achievements in the 2014/2015 Fiscal Year – Sports Department

13.3.1 Infrastructure Development

The Ministry embarked on construction and rehabilitation of sports facilities and the major achievements are presented below.

13.3.1.1 Construction of a National Stadium in Lilongwe

The project commenced in July 2012 and is expected to be completed in November 2015. The objective of the project is to construct an internationally FIFA recognized sports facility in the capital. The beneficiaries of this project are football and truck events athletes, youth and the general public. The facility will provide entertainment to the masses and it will continue to provide employment and supporting economic activities of the community. It will also generate revenue for government through gate collections and hires for non-football functions. The Ministry in collaboration with the Department of Buildings continued to provide financial and technical support for the construction of the Bingu National Stadium in Lilongwe. Presently, the project is 70 percent complete and it is expected that the construction works will be completed by November, 2015. Once completed, the 40,000 seater stadium will have state of the art facilities and will be the first of its kind in Malawi capable of hosting both local and international games.

13.3.1.2 Rehabilitation of Kamuzu Institute for Sports

The Ministry carried out rehabilitation works at the Kamuzu Institute for Sports in Lilongwe. The Ministry plans to transform the facility into a centre of excellence where youth and athletes will be able to access all the required information service and facilities to enable them develop to their full potential.

13.3.2 Sports Development and Mass Participation

The Ministry implemented a number of activities under this programme and these include the following:

1. The Ministry facilitated Malawi's participation in the 2014 African Union Sports Council (AUSC) Under-20 Youth Games in Bulawayo, Zimbabwe from 4th to 14th December, 2014 where Malawi won 8 medals (1 gold medal, 4 silver medals and 3 bronze medals). The Ministry also facilitated Malawi's participation in the 2014 Common Wealth Games in Glasgow, Scotland. The teams that participated in the games comprised Netball, Judo, Weight Lifting, Athletics, Tennis, Boxing, Cycling and Swimming. The Malawi Netball Team successfully defended its ranking of number one (1) in Africa and number five (5) in the world;
2. The Ministry finalised the development of the zero draft Guidelines for Construction of Standard Sports facilities from 29th to 31st July, 2014. Once completed, the guidelines will help ensure that sports facilities in Malawi comply with national and international standards thereby helping improve Malawi sports teams competiveness at all levels;
3. The Ministry hosted 2015 African Union Sports Council (AUSC) Region 5 meetings from 1st to 10th November, 2014 at Golden Peacock Hotel in Lilongwe. The AUSC meetings were attended by Malawi, Namibia, Zimbabwe, Mozambique, Botswana, Angola, Namibia, South Africa and Zambia. The objective of the meeting was to discuss various issues pertaining to the development of sports within Africa; and
4. The Ministry facilitated the establishment of the Malawi Anti-doping Organization (MADO). The Ministry also facilitated the training of 10 MADO Board Members at Malawi National Council of Sports. MADO was established to oversee the fight against doping in sport in Malawi.

13.4 Other Notable Achievements

Other notable achievements include the following:

1. The Ministry with funding from the National Aids Commission carried out a nationwide orientation exercise for stakeholders at district level on the 2013 National Youth Policy and youth work implementation mechanisms in Malawi. The stakeholders that were oriented included councillors, District Executive Committee Members, Representatives of Non-Governmental Organizations, Chiefs, and Representatives of Youth Clubs and Youth Networks. In total, 32 District Councils, 32 District Youth Networks and 160 Youth Clubs were oriented on the National Youth Policy;
2. The Ministry in collaboration with Ministry of Gender, Children, Disability and Social Welfare carried out District Orientations on Sector Working Group Guidelines and Harmonization of Coordination Structures in line with the Joint Sector Strategic Plan. The purpose of the exercise was to institutionalize the Gender, Children, Youth and Sports Sector Working Group at the district level; and

3. The Ministry with financial assistance from the UNICEF facilitated implementation of a Functional Literacy Programme in 90 centres targeting over 3,740 youth across the country. The basic objective of the programme is to provide out of school youth with basic literacy and numeracy skills in order to improve their functionality in society. The programme also aims at enticing out of school youth to go back to school through the Back to School Campaign component that is within the programme.

13.5 Challenges

The Youth Sector has had a number of challenges, which negatively affected implementation and quality of service delivery over the period under review. Key among these challenges were the following:

1. Inadequate resources to implement youth and sports initiatives in the country. In the 2014/15 Financial Year, the annual budget for Youth and Sports was less than 1 percent of the national budget. This allocation is disproportionate compared to the youth population which is now estimated at over 60 percent of the population. Consequently, the scope of the planned activities as per the Ministry's strategic plan and the MGDS II is curtailed in order to operate within the confines of available financial resources. Implication of this is that planned targets which would have made significant difference in the lives of young people are in most cases not being met; and
2. The Youth and Sports Sector has also to deal with the negative mind-set of the youth which largely makes them by-standers in issues that directly affect their lives. There is need for the youth to take a proactive stance on any issues that affect them. Unless the youth themselves take a leading role and begin to demand for what is rightfully theirs, even if Government may put in place good programmes for the youth, such initiatives may not be of much benefit.

13.6 Planned Activities for Youth and Sports in 2015/16

In the 2015/16 FY, the Ministry plans to undertake the following:

1. Recapitalize of the Youth Enterprise Development Fund (YEDF) and review the current YEDF Operational Guidelines to ensure that the Fund benefits the youth of Malawi on a sustainable basis as well as being in line with the aspirations of the Government. In addition, the Ministry through the Malawi Rural Development Fund (MARDEF) Secretariat will intensify efforts to recover the outstanding loans so that the funds recovered revolve to benefit other youths;
2. Strengthen the Monitoring and Evaluation of youth programmes now that the Sector has devolved its functions to local authorities to ensure that implementation responds to the aspirations of the Revised National Youth Policy;

3. Complete of the development of Neno Integrated Youth Centre and commence the training of over 1200 youth per year in commercial farming;
4. Scale-up efforts towards professionalization of Youth and Sports work in the country by introducing youth and sports development programmes in Universities and other training institutions in order to provide opportunities for training of youth and sports workers;
5. Continue to develop and improve sports infrastructure in the country by constructing Mzuzu Youth Centre, Rehabilitating Kamuzu Institute for Youth and Kamuzu Stadium. The Ministry will also complete the construction of the Bingu National Stadium in Lilongwe;
6. Scale up mass participation in sport and sports for all programmes in order to promote sport among the general public for healthy living. The Ministry also plans to train sports personnel in sport administration and sport business management in order to improve productivity and management of sports in the country. Furthermore, the Ministry plans to revamp and scale up promotion of physical education and school sport in order to develop sports from the grassroots; and
7. Continue to train youth and athletes in vocational, business development, entrepreneurship and life skills in order to promote entrepreneurship among young people. The Ministry will also continue implementing youth guidance and counselling programmes in order to promote healthy living among young people.

Chapter 14

CLIMATE CHANGE AND THE ENVIRONMENT

14.1 Overview

In the fiscal year 2014/15, the Department of Climate Change and Meteorological Services planned to continue with the initiatives to improve the monitoring, analysis and prediction of weather, climate and climate change in Malawi, thus keeping up with trends of the world meteorological community. The Environmental Affairs Department is mandated to provide cross-sector coordination in Environment and Natural Resources Management through monitoring, overseeing compliance, and provision of technical and information services. This chapter provides the performance of environment programmes in the 2014/15 financial year. In the year, Malawi experienced dry spells in some parts of the country during critical stages of crop development. On the other hand, some areas received more rains that triggered flooding.

Furthermore, natural resources and environmental degradation through infrastructural development, industrial waste and effluents and residential waste were addressed in a number of programmes such as environmental impact assessment, pollution control, enforcement of compliance on sound environmental management, environmental information, education and public awareness and monitoring of the programmes. Without any immediate action to address the environmental challenges occurring from these development projects and industries, the country would pay a high cost to society in economic terms.

Adequate financial resources are required if all these programmes to address climate change, natural resources and environment are to be realized in order for sound and sustainable management and utilization of the environment and natural resources.

14.2 Services Provided to the General Public

The Department provides the following services to the general public and specialized users:

1. Aviation weather services at Kamuzu and Chileka International Airports, and Mzuzu and Karonga aerodromes;
2. Up-to-date weather information, forecasts and warnings of severe weather such as tropical cyclones and Mwera warnings through the print and electronic media;
3. Climate Change projections, information and advisories;
4. Climatological data, information and advisories for planning and operations in agriculture, forestry, health, water resources, construction, commerce, environment, insurance, tourism and other social and economic sectors;

5. Seasonal rainfall forecasts and regular rainfall advisories on the onset, progress and cessation of the season;
6. Crop yielding forecasts using crop weather models;
7. Daily rainfall data for crop weather insurance programme; and
8. Ten-day rainfall and agro-meteorological bulletins.

14.3 Achievements

14.3.1 Weather and Climate Monitoring and Forecasts

The Department collected observed climate data at the end of every ten-day period and at the end of every month from 21 meteorological conventional stations, 43 automatic weather stations and over 200 volunteer weather stations and carried out quality control of collected climate data and stored it safely for future use by various users for socio-economic activities. Using the collected ten-day climate data, the Department produced a ten-day rainfall and agro-meteorological bulletin every ten days and distributed them to various users to be used for different social economic activities in the country. In addition, the Department produced and issued daily and five-day weather forecasts, advisories and severe weather warnings for tropical cyclones and Mwera warnings from observed weather information. These were used in various economic activities in agriculture, fishing, tourism, transport, insurance activities such as crop weather insurance in all 28 districts in the country through the print and electronic media. Furthermore, the Department produced and issued seasonal rainfall forecast for the 2014/15 rainfall season and regular rainfall advisories and updates on the onset, progress and cessation of the season for planning purposes in various sectors of social and economic activities such as agriculture, construction, health, disaster risk reduction, water resources management and energy in the country.

14.3.2 Aviation Weather Services

Malawi is a signatory of several international conventions including that of International Civil Aviation Organisation (ICAO) and the World Meteorological Organisation (WMO). ICAO in collaboration with WMO recommends and regulates standards and best practices of safe air navigation to ensure efficiency and regularity of air travel. The Department is a key implementing entity of ICAO convention and assists Government to live up to its international commitment.

The Department has continuously been collecting and providing weather information at Kamuzu and Chileka International Airports and Mzuzu and Karonga aerodromes for safe and smooth non-interrupted operations of aircrafts. In addition, the Department provided weather information to support safe and smooth operations of aircraft during Very Very Important Persons (VVIP) events.

In order to ensure that quality meteorological information is timely shared internationally, ICAO and WMO recommend that Quality Management Systems (QMS) should be practiced in all National Meteorological Services (NMSs). All

National Meteorological Services are expected to pursue ISO 9001:2008 certification of their Aviation Weather Services. Member countries have to show proof that the implementation process for the qualification requirement is underway. The Department is in the process of implementing the Quality Management System (QMS) for aviation weather services to meet a certain predefined international standard (ISO 9000). Training is currently being conducted on the same and so far all-weather observers and forecasters have been trained on QMS. Currently, manuals and standard operational procedures have been prepared and are yet to be printed in readiness for the full implementation of QMS.

14.3.3 Climate and Climate Change Services

Climate change is the sub-programme that is among the priorities of the second Malawi Growth and Development Strategy (MGDS II). The Department, therefore, continued to carry out various functions in areas such as climate data management, climatic data collection, improvement and maintenance of a reliable network of stations, climate change projections, scientific research on climate trends as well as climate change evidence and indicators and public awareness activities on understanding of climate change information. This has resulted in an increase of uptake, use and application of climate data and information by various socio-economic sectors in the country to support development activities such as in agriculture, forestry, health, water resources, construction, commerce, environment, insurance, tourism and other socio-economic sectors.The Department, therefore, retrieved the stored and quality controlled climate data from its archives, analysed it to usable formats and disseminated it to users for planning of various national socio-economic activities in agriculture, road construction, tourism, dam construction and insurance including crop weather insurance, among others.

The Department has continued rendering its services in support of the crop weather insurance initiative at both micro and macro levels. The Department has improved its communication mechanism to and from stations as well as external communication to ensure smooth flow of data and information on a daily basis. The programme is aimed at contributing to the adaptation strategy of small and medium scale farmers to the adverse effects of climate change.

On climate change initiatives, the Department continued to play its key role in representing Malawi at the ongoing United Nations Framework Convention on Climate Change (UNFCCC) negotiations including participation at UNFCCC conference of parties in Peru in December 2014. The Department is also implementing activities under the multi-sectoral African Adaptation Programme (AAP) and Climate Change Programme, where different initiatives are being implemented to assist Malawi’s adaptation to climate change and this aims at building the resilience of communities to climate change. Currently, the Department is running seven district climate information centres in Nsanje, Chikwawa, Mulanje, Zomba, Salima, Kasungu and Karonga, and these are serving as Climate Change Information Centres for communities at district level which are also conduits for early warning messages in addition to Climate Change Adaptation Learning Centres.

14.3.4 Public Weather Services

The Department embarked on a public awareness campaign on weather, climate and climate change in some districts by using electronic media. It also commemorated the World Meteorological Day in an open day event held at Mpatsa Community Day Secondary School in Nsanje district on 23rd March 2015. During the event, local communities were sensitized on the operations of the Department as well as on climate change issues.

14.3.5 Infrastructural Development

The Department continued to procure, install and/or upgrade meteorological equipment in all stations across the country. This is done with funding from Least Developed Countries Fund (LDCF) under the 'Strengthening Climate Information and Early Warning Systems in Malawi for Climate Resilience Development and Adaptation to Climate Change' Project of Global Environmental Facility (GEF) with technical assistance from United Nations Development Programme (UNDP).

The project has also supported the Department to procure computers for all stations, to improve the Database Management System (DBMS) in the country for update safe keeping of climate data for use by various users in the country. The Department also serviced and maintained its 43 Automatic Weather Stations and 21 main stations. In addition, the Department planted a number of volunteer station rain gauges and the global telecommunication system.

14.3.6 Human Resource Development

The Department which always requires very skilled personnel to produce and deliver its services is training six officers in Bachelor of Science in Meteorology in China and Russia with the assistance of the World Meteorological Organization. The Department also trained nine officers in postgraduate Diploma in Meteorology with the assistance from the UNDP under the 'Strengthening Climate Information and Early Warning Systems in Malawi for Climate Resilience Development and Adaptation to Climate Change' Project of the Global Environmental Facility (GEF).

14.3.7 International Relations and Cooperation

The Department is affiliated to a number of International Organizations such as World Meteorological Organization (WMO) which is funding the Global Framework for Climate Services Adaptation Programme in Malawi. The Department participated at the 16th Session of the WMO African Regional Association where the focus was on regional aspects, the status of the implementation of the Association's current strategic plan and the preparation of the future WMO strategic plan. The Department is also a member of the Meteorological Association of Southern Africa (MASA) whose current Chair is the Director of the Department. The Department is also affiliated to the African Centre for Meteorological Applications for Development (ACMAD) where the Director is a Member of Board of Directors.

14.3.8 Challenges

Some activities failed to be implemented due to inadequate and delayed funding. Lack of equipment, adequate human resource and instruments also hindered smooth operations and execution of some activities.

14.4 Environment

14.4.1 Environment and Natural Resources Management

Environment and natural resources management were addressed through a number of areas that included the enforcement of compliance of industries to discharge effluents into natural water courses in accordance with the acceptable environmental standards, and that city, municipal, town and district council management complied with acceptable standards of effluents discharges and waste disposal.

14.4.2 Environmental Impact Assessment (EIA) and Pollution Control

The Government continued to facilitate integration of environmental considerations into development planning and implementation through the Environmental Impact Assessment (EIA) process. Government reviewed 37 EIA applications with respect to environmental sustainability for various projects and issued 21 EIA certificates with terms and conditions for implementation and 22 Environmental Management Plans were reviewed and approved. Furthermore, Government continued to conduct environmental compliance monitoring to industries and potentially polluted sites to ensure environmental sustainability. A total of 14 sites were inspected and environmental and pollution abatement advice was provided. These included Tsabango One Primary School in Area 23; Kamuzu Central Hospital; Carlsberg Malawi Ltd in Lilongwe; Independence Drive Road Rehabilitation Project in Lilongwe; Lafarge Cement Company in Blantyre; Central Poultry Limited Farm in Lilongwe; Sunseed Oil Ltd in Lilongwe; Chimera Breweries Ltd in Chikwawa; Suncrest Creameries in Blantyre; tea estates in Thyolo; Dimakis Chickens Ltd in Thyolo; Presscane Limited in Chikwawa; Fombe Waste Disposal site in Chikwawa and Area 38 dump site in Lilongwe.

In addition, Government is developing an integrated pollution control and waste management strategy that will address the pollution and waste management challenges in the country. In this area, protocols to phase out the use of thin plastics have been put in place. The rationale for regulating the use of thin plastics, mainly plastic bags, is to reduce and control the negative impacts associated with indiscriminate use and disposal of the thin plastic bags and encourage reuse and use of alternative environmental friendly carrier bags. Furthermore, Government will roll out the implementation plan for the Polluter Pays Principle that promotes proportionate involvement of polluters to share costs of activities that contribute to pollution and deterioration of the environment. Under this principle, polluters are liable for the costs of measures taken by authorities to abate, control and prevent the pollution.

14.4.3 Biodiversity Conservation

In the financial year, the Department has implemented various programmes on biodiversity management as follows:

1. Government has developed a National Biodiversity Strategy and Action Plan (2015 – 2025) in line with the Malawi Growth and Development Strategy II and the Global Biodiversity Strategic Plan and its Aichi Targets. The strategy will guide the implementation of biodiversity management programmes in the country;
2. Government prepared the fifth national report on the Convention on Biological Diversity for Malawi in accordance with Article 26 of the Convention and Decision X/10 of the Conference of the Parties. The report is a key source of information for implementation of biodiversity programmes in the country. It is also an important tool for biodiversity planning at the local and national levels;
3. Government ratified the Nagoya Protocol under the Convention of the Biological Diversity. Government is also developing legislations to regulate access and benefit sharing of biological and genetic materials in the country. The regulations will assist in controlling bio-trade in the country and facilitate fair and equitable sharing of benefits arising from the utilization of biological resources in the country; and
4. The Department monitored harvesting of GMO Cotton at a Confined Field Trial in Chitala, Salima District. The objective of the inspection was to monitor compliance of the licencee to the Biosafety Act of 1992 and Biosafety Regulation of 2007 and the terms and conditions of the licence during the harvesting of the GMO cotton. Small samples of GMO Cotton were collected, bagged and sealed and then transported to Bunda College. The samples will eventually be sent to South Africa for testing. The remaining GMO Cotton was incinerated in the presence of the inspector from Environmental Affairs Department (EAD).

14.4.4 Policy Guidance and Legal Enforcement of the Protection of the Environment

Government facilitated the establishment of the Atomic Energy Regulatory Authority to oversee the safe use of radiation sources, nuclear material and other radioactive materials in order to protect the public and the environment against harmful exposure to ionizing radiation in mining, industries and hospitals, among others. This will be useful particularly now as Government is implementing the mining growth and investment strategy and planning to establish a national Cancer Radiotherapy Centre. In addition, Government promoted and implemented safeguards for safe application of nuclear sciences and technology in the sectors of mining, agriculture, water quality monitoring and health for cancer treatment. Government also conducted an inventory on radioactive sources in the country. The inventory will assist the Department in monitoring the use of the radioactive materials in the country.

The Department revised EMA Bill and this was submitted to the Ministry of Justice and Constitutional Affairs for vetting. The draft Environment Management Regulations (Plastic Regulations) were also developed and submitted to Ministry of Justice for vetting too. The regulations will ban production, importation, distribution and use of thin plastics in Malawi.

14.4.5 Environmental Information, Education and Public Awareness

In the year, the Government of Malawi continued with the implementation of the National Environment and Climate Change Communication Strategy through the various initiatives as follows:

1. The Department continued conducting training and supervisions of the District Environment Sub-Committees (DESCs) in Karonga, Mchinji, Dowa, Mangochi and Blantyre on the production of the District State of Environment and Outlook reports. All districts in the country are expected to prepare environmental and outlook reports which provide information for environmental planning to address areas that need improvements for sustainable development. Due to financial limitations, the districts are at different levels with this process. However, Mchinji, Mangochi and Blantyre have completed and published the reports;
2. Environmental messages were developed on waste management, plastics and bushfire. The messages developed into jingles and aired on MBC, Zodiak and Capital FM. Billboards on tree planting, alternative energy sources and waste management were displayed in Lilongwe;
3. Panel discussions were held on phase out of thin plastics. These were aired on MBC TV;
4. Two studies were conducted on Indigenous Knowledge Systems on Sustainable Management of Environment and Natural Resources Management (ENRM) and the development of Community Based Land Use Planning Guidelines. The studies were aimed at establishing local

knowledge for management of natural resources. In addition, the studies provided opportunity for development of community based land use planning guidelines;

5. During the period the Department commenced preparations for National Climate Change and ENRM Symposium which is scheduled for mid-2015. The symposium is aimed at creating a forum for exchange of information and knowledge on environment, climate change, disaster risk management and natural resources management in the country;

6. A needs assessment of Climate Change, Environment and Natural Resource centres was conducted, aiming at establishing technical and resource needs in the resource centres of Karonga, Kasungu, Salima, Zomba, Chikwawa, Nsanje and Mulanje. The centres will provide information on climate change, environment and natural resources to district communities;

7. Government supported five officers to participate in the Leadership for Environment and Development (LEAD) Fellowship Programme. The programme is aimed at building capacity for young managers in environment and natural resources management;

8. Government continued updating information on the environment climate change and natural resources management website, http://www.nccpmw.org;

9. Government facilitated integration of Sustainable Land Management (SLM) principles in the Fisheries and Forestry Policy that have recently been revised to ensure that they support mainstreaming of SLM in the country. In addition, Government supported training of more than 75 percent of technical personnel and 70 percent of lead farmers in Balaka, Blantyre Mwanza and Neno in various aspects of SLM practices. The practices include ridge alignment, gully control, manure making and conservation agriculture. Almost 42,000 hectares have been put under SLM in the four districts with different tree species including indigenous and exotic fruit trees. An additional 5,000 hectares are under naturally recovering forest patches particularly within the forest reserves. The project has scaled-up best land management practices through afforestation, conservation agriculture, ridge alignment, planting of vetiver grass and natural regeneration of trees. River bank protection and catchment conservation has been achieved, with rivers such as the Mwaye River in Balaka that used to dry up as early as April in the past are now having water flows. Furthermore, through the SLM Project, the Department supported activities for scaling up of best SLM and livelihood practices with NGOs and the One Village One Product Programme (OVOP) working in the Shire River Basin where the project is targeting the communities; and

10. During the period, the Department supported communities in Balaka, Blantyre, Mwanza and Neno in adoption of bee keeping and fish farming as alternative livelihoods to charcoal production. In addition, the Department supported piloting of 4 efficient kilns for charcoal production in Chikangawa through Citrifine plantations with the aim of the promotion of sustainable charcoal production in the country.

Chapter 15

EMPLOYMENT, GENDER, CHILDREN AND SOCIAL WELFARE

15.1 Overview

This chapter reviews developments in the labour market and social service sectors. The second part summarizes the labour and employment issues and development. This is followed by the performance of the gender and community services, education and health sectors.

15.2 Developments in the Labour Market

The development of an established Coherent Labour Market Information System (LMIS) has been on-going during the period under review. The LMIS will improve data collection, analysis, interpretation and dissemination of up-to-date labour market information. The country is moving towards combining one stop centres in all the districts to make labour information easily available and accessible. The LMIS is expected to be completed in September 2015. A data verification exercise was conducted to assess data management and usage. Results show glaring shortfalls at all levels and recommendations were made accordingly. The National Statistical Office (NSO) and the Ministry assessed data user requirements to improve labour statistics collection by departments and usage.

Furthermore to provide better strategic direction of the Ministry, a draft Strategic Plan and a Policy on National Employment and Labour have been prepared and due for completion by end of current financial year. These policy documents considered government focus areas such as manpower development through skills development.

15.2.1 The Labour Force Sample Survey 2012

Malawi published a comprehensive stand-alone Labour Market Survey which was completed in 2013. The survey generated reliable information on employment and unemployment situation including other labour force characteristics. Out of the total estimated population of 15.4 million people, the working population is 7.8 million people of which 5.5 million people are employed representing an employment rate of 80 percent. Males have a higher employment rate than females at 86 percent and 74 percent, respectively. While 1.4 million are unemployed representing 21 percent, of which 14 percent are males and 26 percent are females. The labour force stands at 7 million people and the labour participation rate is quite high at 89.4 percent.

A majority of employed people are engaged in agriculture, forestry and fishing (64 percent), and wholesale, retail and repair of motor vehicles (16 percent). Overall, 55 percent of persons in employment are self-employed while 89 percent of working persons are in informal employment setups. There are marked differences in involvement in informal employment between rural (91 percent) and urban (69 percent). Disaggregation of employment by occupation shows that technical and associated professional constitutes only 0.3 percent, craft and related trade workers constitutes as low as 4.2 percent while plant and machine operators and assemblers constitute a dismal 5.2 percent. This low contribution in employment by technical occupations can partly be explained by lack of relevant skills in these occupations. As such, Government has accordingly prioritised manpower development to meet the skills gap in the labour market through rehabilitation and expansion of existing technical colleges as well as construction of new ones including the community colleges.

15.2.2 Minimum Wage

The prevailing statutory minimum wage is at K551 per day for 26 working days in a month for both rural and urban areas since January 2014. Labour complaints are mostly on unpaid claims in lost wages, holidays and termination of contracts. The 2013 Labour Force Survey (LFS) shows that the level of compliance to the minimum wage is currently at about 40 percent. However, there has been a great improvement in the compliance as regards minimum wage, with a challenge in the domestic sector as access must be with the consent of the employer or if there is no consent a warrant is issued by the court. The Employment Act provides for the revision of the wage at least once every three years subject to the needs of workers and their families, the general level of wages, the cost of living, social security benefits and the relative living standards of other social groups and economic factors, including requirements of economic development, levels of productivity and any effect the wage might have on employment. There is general consensus to embark on enterprise or sector specific minimum wage in view of different levels of respective sector contributions to GDP. Nevertheless, there is need for frequent minimum wage reviews based on set principles.

TABLE 15.1: REGISTERED LABOUR COMPLAINTS, JOBSEEKERS AND VACANCIES BY NUMBER AND SEX

Indicators	Total	Male	Female
Labour Complaints Registered	47,475	40,128	7,347
Labour Complaints Settled	47,475	40,128	7,347
Jobseekers Registered per Month	970	686	284
Jobseekers Placed per Month	400	396	4
Vacancies Registered per Month	686	-	-

Source: Ministry of Labour: Quarterly Labour Statistical Bulletin-2013
Note: - denotes not known or not provided.

15.2.3 Trade Testing Services

The mission for the National Trade Testing Services (NTTS) is to assess and certify skilled craft persons in various prescribed trades (vocational occupations) complimenting the skills development pillar in the Ministry of Labour and Manpower Development. Skills assessment and certification is conducted in 53 technical institutions and to external applicants throughout the country. There are 40 prescribed trades but assessment is conducted in 20 active trades at Grade 3, Grade 2 and Grade 1 levels. The Department tests an average of 9,000 candidates per year. It is important to note that 9 percent are female candidates and 48 percent of the candidates are from the informal sector (external candidates).

The NTTS administered both May 2014 and November 2014 National Trade Test examinations in all technical colleges in Malawi. The examinations were also administered to external applicants from industry as an initiative of formalizing the informal sector. No cases of cheating or examination leakages were reported. In the 2014/15 fiscal year, a total of 7,114 candidates were registered for Grade 3, Grade 2 and Grade 1 tests and revenue amounting to K46,975,000.00 was collected in form of examination fees. This was dully deposited into the consolidated account. A total of 6,548 candidates were tested in both theory and practical tests across the country, representing a 92 percent attendance rate. The Trade Test Examination Pass Rate improved from 52 percent to 56.4 percent in the period under review. The NTTS produced a total of 5,004 Trade Test Certificates in the same period thereby clearing backlog by 80 percent.

The Department further undertook an evaluation of condition of its infrastructure and draft 'bills of quantities' were produced for the rehabilitation of buildings. Using the development budget, the Trade Testing Department has procured model motor vehicle engines and heavy duty welding machines as a means of modernizing workshop equipment for use by candidates during practical tests. The Department is also in the process of digitizing its systems for an improved service delivery and ICT equipment for the first phase was procured and delivered to all regional trade testing centres.

The Department is poised to implement Phase 2 of the 'Modernisation of Trade Testing Services' project funded by the Government of Malawi and the key activities include:

1. Procurement of additional workshop machinery and ICT equipment;
2. Improvement of infrastructure through rehabilitation of existing ones and the construction of new examination halls;
3. Filling of critical vacancies; and
4. Procurement of modern vehicles for timely delivery of services.

Meanwhile, the National Trade Testing Services Department is positioning itself to assume the role of being the only assessment and awarding body in the Technical, Enterpreneurial and Vocational Education and Training (TEVET) sector under the unified assessment system. The environmental scan (initial stakeholders meetings) for this initiative was conducted by consultants from November to December 2014. This initiative is being funded by the UNESCO's CapEFA Project and also by the Government of Malawi through the Technical, Enterpreneurial and Vocational Education and Training Authority (TEVETA). This will enable the Trade Testing Department to have a new Legal Mandate (Act) and expand its capacity in testing and certification services in the TEVET sector, covering the newly launched Community Technical Colleges and juvenile and reformation centres across the country.

15.2.4 Technical, Entrepreneurial and Vocational Education and Training (TEVET)

In 2012, the Ministry of Labour graduated 4,200 trainees and 700 of these were formal students. In the same year the Ministry enrolled 6,300 students in seven technical colleges. These included technical and commercial trainees. In the last quarter of 2013, the Ministry graduated 667 males and 132 females in building and construction trades. The Ministry also enrolled 1,795 males and 803 females in the same quarter. The TEVET system through the Capacity Building for Education for All (CapEFA) Project has embarked on TEVET policy and Act review. It is also harmonizing TEVET curricula, assessment and certification. In 2013, the TEVET system through Better Education for Africa Rise (BEAR) Project ran programmes in curriculum development in agro-processing and construction; established Teacher Development Centre (Centre for Excellence at Lilongwe Technical College); and a Labour Market Information System Gap Analysis to properly identify and define technical occupations for the development of training programmes.

15.2.5 Child Labour

Efforts on the fight against child labour have been understood by all sectors and are being mainstreamed in all sectors of the economy. In the year 2013, the Ministry of Labour organized a national conference on the fight against child labour. In addition, the Ministry conducted three meetings one in each region for the popularization of the List of Hazardous Work for Children. The list elaborates the worst forms of child labour. It should be noted that child labour also includes children in sexual exploitation and those in the streets.

15.2.5.1 The Child Labour Survey 2014

The meeting in 2013 agreed to scale up removal of child labour and to carry out another National Study on Child Labour. This sample survey will cover a Child Labour Household Based Survey, Street Kids Survey, and an Institutional Based Sexual Exploitation of Children Survey; and this will provide information on whether child labour fight situation has improved in Malawi.

15.2.6 Labour Inspections

To enforce minimum labour standards, the Ministry conducted some labour inspections in 2014 through to 2015. During this period, labour inspections ranged from 1,344 in 2013 to a maximum of 1,714 in 2014. The labour inspections are crucial to realize decent work conditions for all workers. These ultimately assist workers to escape poverty and improve their standard of living. It should be noted that the total minimum number of inspections per year is supposed to be 13,440. However, only about 1,000 are actually conducted on annually. Though the statutory maximum working hours per week is 48 hours, the survey revealed that usual working hours are less at 40 hours per week and the actual mean working hours per week are 35 hours. This clearly shows that there are problems that compromise labour productivity. However, it also turned out that 17 percent of all employed people had excess of work per week. Although this is a good pointer to hard working spirit, it is too low especially considering that the average monthly earnings are low for the majority of people. In addition, 27 percent of the employed population in Malawi are underemployed, further contributing to labour unproductivity.

TABLE 15.2: CUMULATIVE NUMBER OF LABOUR INSPECTIONS PER MONTH PER DISTRICT

	2011	2012	2013
Registered Labour Inspections	1,680	1,344	1,714

Source: Ministry of Local Government and Rural Development

Job seekers that were registered at the labour offices in 2014 were more than the vacancies that employers registered, implying existence of unemployment concerns in the country. The females that registered in 2014 were at 30 percent of the total number of jobseekers.

15.2.7 Freedom of Association and Collective Bargaining

Evidence has shown that collective bargaining assists in improving conditions of service at the workplaces. However, membership to unions and employees associations in Malawi among workers is low. There has not been any new collective bargaining agreements signed since 2009 and no new unions registered from 2014 to date. The survey shows that only two percent of people in employment are members of trade unions and only one percent are members of Employees' Associations. The low percentages are attributed to lack of knowledge about trade unions and employee associations and the benefits that accrue from being a member. This calls for scaling up sensitization by the Ministry.

15.2.8 Industrial Disputes and Strikes

Harmonious and peaceful industrial relations are a pre-requisite for national development. In view of this, the country experienced a number of industrial disputes and strikes between July and October, 2014. 23 industrial strikes were reported to the Ministry during this period. The period between July 2013 and June, 2014, the country had industrial disputes in business establishments in Lilongwe, Mzuzu and Blantyre. The demand for wage/salary increment was the major cause of the industrial actions. Through negotiations and proactive action by employers, trade unions and the Ministry of Labour and Manpower Development, the situation has since been under control.

15.2.9 Occupational Safety and Health

In order to ensure occupation safety and health of workers in workplaces, the Ministry conducted a number of inspections and examinations in these places. Looking at the trends, the inspections conducted have varied with time from a maximum number 321 inspections in 2006 to minimum of 134 inspections in 2013 (Table 15.3). The inspections generate data on occupational safety and health issues in workplaces.

TABLE 15.3: NUMBER OF OCCUPATIONAL SAFETY AND HEALTH INSPECTIONS CONDUCTED, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
Workplace Inspections conducted	321	282	191	213	254	142	245	134
Pressure vessels examined	741	644	745	464	404	209	233	200
Industrial accidents reported & invesgtd	11	8	6	10	17	3	19	20
Registered workplaces	278	296	238	301	306	223	315	143

Source: Ministry of Labour

The registration of work places certifies business establishments to be occupational safety and health decent workplaces. This service has also improved its total revenue collection. In terms of facilitating payment for workers' compensation for occupational injuries or diseases, a number of cases have been reported and compensations paid accordingly. Table 15.4 below provides details on workers' compensation for the years 2006 through to 2013.

TABLE 15.4: WORKERS' COMPENSATION

Activity	2006	2007	2008	2009	2010	2011	2012	2013
Cases Paid	701	1,545	1,117	1,331	722	637	822	7,556
Amount Paid in K '000'	64,657	196,816	186,470	163,218	123,107	168,621	188,267	218,484

Source: Ministry of Labour

The average costs per case in 2013, 2012, 2011, and 2010 were K29,915, K229,000, K300,000 and K200,000, respectively. In 2013, there were a lot of cases that involved minor injuries which attracted lower values in Kwacha. In the same year between July and September, 203 cases were settled at an average value of K563, 000 per case. In this case, there were huge claims from white collar officers. Between October and December, 2013, 103 cases were settled at the average value of K221,000 per case. The Labour Force Survey shows that incidence of occupational injury in 2012 was at 0.33 and this was negligible and displays commendable efforts in combating indecent work places. However, compensation of the reported cases was at 1.5 percent. This suggests need for scaling up compensation and improvement of compensation process coordinations.

15.2.10 HIV and AIDS at the Workplace

The Ministry assisted 34 officers with food supplements in 2014. The HIV and AIDS programmes at workplace have extended to the informal sector which is the most neglected in the national interventions. The Ministry of Labour in collaboration with International Labour Office trained 50 informal sector workers in building their capacity in developing an informal sector HIV workplace policy which is now in draft form. The policy includes issues of economic empowerment as a model and prevention strategy to reduce HIV vulnerability. This followed standards highlighted in the International Labour Office-HIV recommendations No 200 (2010) and it encourages companies to include HIV and AIDS clauses in their collective bargaining agreements (CBAs).

15.3 Gender Affairs

15.3.1 Gender mainstreaming

The Ministry of Gender is the National Gender Machinery, and it continues to provide guidance and technical services for effective gender responsive policies, programmes and projects to enable the country achieve gender equality. In the 2014/15 financial year, the Ministry:

1. Facilitated the institutionalization of short and long term courses in gender in tertiary institutions. LUANAR has commenced three programmes namely: Diploma, Bachelors and Masters in Gender and Development. UNIMA (Chancellor College) has also institutionalized a Bachelor of Science in Gender and Development; while Malawi University of Science and Technology and Mzuzu University are finalizing their gender policies;
2. Reviewed the sectoral gender related policies, strategies, guidelines and standards to incorporate gender related emerging issues. Recommendations were made and presented to, and approved by the Gender Technical Working Group;
3. Developed Gender Responsive Budgeting Manual which guided the 2015/16 budget process;
4. Trained 60 District Officers on Gender Related Laws in Salima, Zomba and Mzuzu;
5. Commemorated World Rural Women’s Day on 17th October, 2014 and this was patronized by 5,000 people;
6. Held a National Gender Conference from 26th to 28th November 2014 at Malawi Sun Hotel in Blantyre and the conference which attracted 300 participants. The major output of the conference was a Communiqué;
7. Finalized the Ministry’s Policies on Gender, Social Welfare, Community Development and the elderly;
8. Trained 10 Directors and Deputy Directors from the Ministry of Health on the institutionalization of Gender at the Eastern and Southern African Management Institute (ESAMI) in Arusha, Tanzania in February, 2015;

9. Trained 10 Directors, Deputy Directors and Gender Focal Points in the Education Sector on the national Girls Education Strategy, the National Girls Education Communication Strategy and Gender Budgeting;
10. Facilitated the development of 2015/16 Gender Budgets in the Education and Transport Sectors;
11. Organized the Commission on the status of women following regional and national consultations and attended the Conference in New York, USA;
12. Mobilized four public universities (UNIMA, LUANNAR, Mzuzu and MUST) to develop institutional gender policies which will be completed by June, 2015;
13. Developed the Action Plan for the National Plan of Action for the National Gender Machinery;
14. Conducted a capacity building workshop for female parliamentarians on the Marriage Bill; and
15. Procured and distributed 1,500 solar lamps, 4,000 mathematical instruments, 855 cooking stoves and 4,000 calculators for girls in community day secondary schools in Dedza and Nsanje.

15.3.2 Gender Based Violence

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 in 2014/15 financial year achieved the following:

1. Finalized the National Plan of Action to Combat Gender Based Violence;
2. Finalized the Income Generating Activities training manual;
3. Raised awareness on women's rights during the commemoration of 16 Days of Activism under the theme: 'Peace in my Home to Peace in Malawi'; and
4. Raised awareness of women's rights at the commemoration of International Women's Day.

15.4 Community Development

15.4.1 Economic Empowerment

The Ministry is committed to enhance the economic empowerment of the grassroots with a primary focus on women as key beneficiaries. The Ministry has been engaging the target beneficiaries in various aspects of entrepreneurship development such as formation of business groups and training in business management and production skills in enterprises of their choice. During the 2014/2015 financial year, the Ministry accomplished the following:—

1. Facilitated the formation of 4,751 business groups with a membership of 113,252 comprising 80,535 female and 32,717 males;
2. Facilitated the formation and promotion of 250 cooperatives under the Community Savings and Investment Promotion (COMSIP); and
3. Linked 22 cooperatives to COMSIP Union for value chain projects in bakery, poultry, irrigation farming, piggery and soap making.

15.4.2 Community Mobilization and Capacity Building

The Ministry continues to build the capacity of local leaders and the community on community development which facilitates problems identification and finding solutions, culminating into local mobilization of resources and engaging outside stakeholders for technical and financial support. 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 projects and programmes by various development players working in rural communities. In 2014/15 financial year, the Ministry achieved the following:—

1. Finalized the review of the Community Leaders Manual;
2. Initiated the establishment of 1,900 community projects;
3. Facilitated the completion of 3,460 community projects;
4. Trained100 youth clubs in leadership and constitutional development; and
5. Trained 20 school management committees in infrastructure maintenance.

15.4.2 Home Management and Nutrition

Home Management and Nutrition aims at improving the living and nutritional status of community members by promoting home improvement, hygiene and sanitation, food utilization, meal planning and consumption, and dietary diversification. In the 2014/15 financial year, the following were achieved:—

1. Facilitated the development of a social enterprise manual for the Nutrition and Health promotion in cooperatives. 134 villages have been identified and cooperatives undertaking the project have mobilized MK47.2 million in readiness for the social enterprise approach;
2. Trained 58 nutrition and health promoters and 23 extension workers in facilitating the nutrition and health promotion social enterprise model; and
3. Provided nutrition support to work place people living with HIV.

15.5 Adult Literacy

Adult Literacy has two sub-programmes namely Basic Adult Literacy and Post Literacy. Basic Adult Literacy Programme involves provision of basic literacy and numeracy skills to illiterate adults in mother tongue languages whose education attainment equivalency is standard 4. Post Literacy programme involves provision of post literacy initiatives to graduates of Basic Adult Literacy that offer them opportunities to practice what they have learned to prevent them from relapsing into illiteracy and to allow them become productive citizens. This includes the provision of easy to read booklets and newspapers on various themes. English classes and tailor made vocational and entrepreneurial trainings are also provided. In 2014/15 financial year, the following were achieved:—

1. Opened 8000 adult literacy classes in the 2015 Learning Cycle with 124,000 enrolled;
2. Printed and distributed over 500,000 learner assessment tools;
3. Printed and distributed 250,000 teaching and learning materials for the 2015 learning Cycle;
4. Distributed 20,000 Adult Literacy Teaching and Learning materials to some disaster affected areas;
5. Reviewed Learners' Primer and Teachers Guide book; and
6. Commemorated the 2014 International Literacy Day in Mwanza under the theme 'Literacy for Sustainable Development' where more than 5,000 people mostly adults attended.

15.6 Child Development

Under the Child Development functional area, the Ministry promotes the development, care, protection and justice of children. The Ministry strengthens the capacity of families and communities to provide support, care and protection to vulnerable children, the aged, marginalized families and those affected by HIV and AIDS. Furthermore, it promotes access to Early Learning and Stimulation to children.

15.6.1 Orphans and other Vulnerable Children

To allow children grow and achieve their potential, the Ministry supports Orphans and other Vulnerable Children (OVC) in various ways across the country. During the 2014/15 Financial Year, the Ministry achieved the following:—

1. Facilitated provision of education and material support to 1,200 OVC;
2. Inspected 50 orphanages;
3. Inspected 200 children's corners in Mchinji, Balaka, Ntcheu, Zomba, Machinga, Nkhotakota and Salima; and
4. Trained 2,250 OVC in vocational skills.

15.6.2 Social Cash Transfer

The Social Cash Transfer Programme is a poverty alleviation programme targeting 10 percent of the ultra-poor and labour constrained households. The project is being implemented in 18 districts namely Mangochi, Machinga, Phalombe, Salima, Chitipa, Likoma, Mchinji, Thyolo, Balaka, Neno, Mwanza, Nsanje, Zomba, Mulanje, Mzimba, Chikwawa, Dedza and Nkhatabay. During the 2014/15 financial year, the Ministry made the following achievements:—

1. Provided monthly cash transfers to 110,333 households benefitting 446,419 individuals;
2. The E-Payment of Cash transfers using Smart-Card and Mobile Money commenced in Mchinji, Machinga and Balaka covering 14,156 out of 30,230 households;
3. Linked Social Cash Transfer (SCT) Households to the Village Savings and Loans initiative. A total of MK55,385,943 was shared out by 130 groups in the initiative;
4. Linked SCT households to the Climate Change initiative. A total of 8,300 households in Balaka will use energy saving cook stoves and the carbon sinks money was used to build a rural clinic;
5. Trained officers in 9 districts on case management;
6. Trained 18 officers from the Ministry and some districts in social protection design and implementation; and
7. Trained 288 district officers in the implementation of the Social Cash Transfer Programme.

15.6.3 Early Childhood Development

The Ministry recognizes that the first eight years of life of a person are crucial for optimal development. Early Childhood Development (ECD) programme 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. During the 2014/15 financial year, the following were achieved:—

1. Supplied 1,450 Community Based Child Care Centres with vita meal for nutritional support to children in Mangochi, Lilongwe, Dedza, Chiradzulu, Liwonde, Blantyre and Zomba benefitting over 150,000 children;
2. Trained 1,338 caregivers on effective delivery of ECD services;
3. Trained 111 Parenting Educators to facilitate parenting education and support for parents of children aged 0-3 to promote acceptable development of children;
4. Oriented and empowered 111 government officers from 10 educationally low-performing districts on school Quality Improvement and ECD service provision and on planning for transition from Community Based Childcare Centre (CBCC) to lower primary school;

5. Developed guidelines for transition from CBCCs to lower primary education for successful integration of children in standard one, two, three and the transition class in CBCCs;
6. Developed a harmonized ECD delivery strategy to improve coordination of ECD service delivery;
7. Supervised 11,200 ECD centres benefitting 1,425,000 children;
8. Conducted an advocacy meeting with 27 Parliamentary Committee members from the Budget and Finance, Social and Community Services and Education committees for more financial and logistical support towards the implementation of Early Childhood Development programmes; and
9. Facilitated the construction of 49 ECD centres financed by Government technical support and partners.

15.6.4 Child Protection

Malawian children are highly vulnerable to abuse, violence, exploitation, discrimination and neglect. Currently, there are 2.4 million[16] children that have grown up in violent homes, witnessed domestic violence or experience its negative effects. As such, the Ministry is implementing a coordinated mechanism for the identification, assessment, referral and provision of appropriate support services for vulnerable and at risk children through the use of an innovative case management system. The approach has been mainstreamed into various rehabilitative and remedial services like One Stop Centres, Community Victim Support Units and Police Victim Support Units. During the2014/15 financial year, the following achievements were made:—

1. Trained 34 participants in Psycho Social Support and Children's Corners management;
2. Reviewed and pretested the Journey of Life Training manual and supervised and pre-tested five Journey of Life community workshop training covering 8,000 members;
3. Trained 102 District Social Welfare Staff and Child Protection Workers in Case Management and Journey of Life;
4. Assisted a total of 1,062 (500 male and 562 female) vulnerable people with assorted clothes and other necessities;
5. Reviewed the Child Help-Line Terms of Reference and developed the implementation road map;
6. Facilitated the training of 40 officers and head teachers on the reduction of teenage pregnancies;
7. Trained 38 participants on Community Victim Support Mobile reporting skills;

[16] Government of Malawi (2010), Malawi Demographic Health Survey

8. Provided cell phones to 38 Community Victim Support technicians;

9. Developed data collection tools for the Child Protection Information Management System;

10. Provided reformatory services to 76 children in conflict with the law at Chilwa Reformatory Centre and Mpemba Boys Home, and 300 at Social Rehabilitation Centre;

11. Provided family and counselling services to 478 men and women;

12. Assisted 375 male and female destitutes through repatriation and other forms of social assistance;

13. Validated the user friendly version of the Child Care Protection and Justice Act and other prevention of the Gender Based Violence Act; and

14. Conducted a study on violence against children and young women to understand the magnitude and develop the intervention strategy.

CHAPTER 16

SOCIAL SUPPORT AND POVERTY REDUCTION PROGRAMMES

16.1 Overview

This chapter outlines performance of selected Government efforts in reducing poverty and improving the welfare of its citizens as well as the attainment of the Millennium Development Goals (MDGs). It discusses social support interventions designed to meet the needs of vulnerable households and selected achievements towards poverty reduction in some social sectors.

16.2 Social Support

Social support was prioritized to enable the poor and vulnerable benefit directly from economic growth. The objective of social support is to reduce poverty and vulnerability and move the poor out of poverty. Six interventions have been prioritized and if implemented at full scale are geared to reach five million people.

16.2.1 Social Cash Transfer Programme

The programme is being implemented in 18 districts and reaching 98,718 households. The target is to reach 193,400 households by December 2015 in targeted districts at full scale. At the national level, the targeted outreach is 315,000. The programme is being implemented in Mzimba, Zomba, Mulanje, Neno, Mwanza, Nsanje and Chikhwawa with funding from the European Union; Mchinji, Likoma, Chitipa, Salima, Mangochi, Machinga and Phalombe with funding from Germany's KFW; Dedza and Nkhata Bay with funding from the World Bank; Balaka with funding from Irish Aid and Thyolo with funding from Malawi Government. Plans to revise monthly transfer levels per household to an average of MK4000 per month from MK1700 per month are awaiting the approval of the Steering Committee. The proposed transfer levels are meant to restore the value that has been eroded by inflation.

16.2.2 The School Meals Programme

The objective of the programme is to increase access to education and ease the short term hunger that slows learning on the basis that well-fed children are more alert in class especially girls who are often differentially excluded from education. This promotes human capital development in the long run and helps break intergenerational cycles of poverty and hunger. The target group is all primary school going children. The programme is so far being implemented in 34 education districts and reaching approximately 1.8 million learners. Districts that have the worst education, nutrition and poverty indicators are prioritized for implementation. The programme is funded from the Government of Malawi, FAO, WFP, Mary Meals, GIZ through GOPA, FISD, Millennium Village, and Good Goal Foundation.

16.2.3 Public Works Programme

The benefits of the Public Works Programme have been in the form of consumption smoothing at the household level as well as giving households the means to timely purchase inputs. In addition, communities have benefited through rural feeder roads, bridges, forestry and dams. The rural feeder roads have eased the access to markets, health facilities and other social services. Recently, the wage rate of the programme has been revised upwards to MK485 per day to cater for the rising cost of living. The largest public works programme in Malawi, which is implemented by the Local Development Fund (LDF) mechanism, is anticipated to reach 600,000 beneficiaries. However, the roll out has delayed due to late disbursement of financial resources from the World Bank. The Public Works Programme (PWP) under MASAF IV will adopt the watershed management approach. This approach is due to the observation that the country has a reduced resilience to weather related shocks which is being exacerbated by climate change. Land degradation is a major contributing factor to food insecurity as the soils have lost their productive capacity. The watershed management approach will focus on rehabilitating major catchment areas in the 28 districts with a long term goal of retaining the productivity of the soils for agricultural production to build food security, livelihoods and resilience against disasters. The MASAF III PWP reached a total of 593,700 beneficiaries; EU Rural Infrastructure Development Programme (RIDP) reached 14,089 individuals; Irrigation Rural Livelihoods and Agriculture Development Project (IRLADP)reached 677,502 and WFP reached 9,273 people with its PWP.

16.2.4 Village Savings and Loans

The Village Savings and Loans are mainly implemented by the private sector and Civil Society Organizations. COMSIP Cooperative Union is a private sector entity that implements the programme in all the 28 districts of the country and has managed to form 4,500 groups that are saving and lending; and these have mobilized savings that are in excess of MK1.4 billion. The loans that group members take from their respective groups are mostly utilized on productive investments. COMSIP Cooperative Union receives technical and financial support from the Local Development TST and The World Bank, respectively. Civil Society Organizations take a key role in Village Savings Implementation. According to findings of a mapping exercise that the Department of Economic Planning and Development conducted together with CARE Malawi, it was established that the CSOs have created 3,451 groups that have a membership of 610,578 people, 483,220 of which are women. The total savings by these groups is in excess of MK4 billion.

16.2.5 Microfinance

Microfinance enables the poor to save and access loans which can be used either to invest in anincome-generating activity or to meet consumption needs without the need to sell assets. Government has plans to increase the number of households who have access to Microfinance products. As such, through the

Ministry of Finance, Economic Planning and Development, Government has instituted a Technical Working Group on Microfinance to coordinate activities and it is also in the process of establishing an Apex fund which will provide seed funds.

16.3 Status on Millennium Development Goals (MDGs)

The country has made considerable progress in achieving most of the goals that form the MDGs.

Out of the eight MDGs that were put forward during the Millennium Summit, the country is on course to achieving four of them which include reducing child mortality; combating HIV and AIDS, Malaria and other diseases; ensuring environmental sustainability; and developing global partnership for development. On the other hand, the country will not be able to achieve the other four goals, namely eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equity and empower women; and improving maternal health by the end of the year. Considering that issues of reducing poverty, improving health and education service delivery as well as achieving gender equality and empowering women were already identified as priority focus areas during the post 2015 consultations, Government will continue implementing interventions to ensure that significant progress is made on the four goals that are lagging behind beyond 2015.

Chapter 17

PUBLIC ENTERPRISES

17.1 Overview

This chapter reviews the performance of the parastatal portfolio in the 2013/14 fiscal year for selected commercially oriented parastatals.The review shows mixed results with some parastatals such as ESCOM and MACRA achieving remarkable results whilst others such as ADMARC and MHC showing consistently poor performance. Liquidity remains a common challenge. It is imperative that commercial parastatals must provide services to the public at commercial prices in order to sustain their operations and mitigate the risk of negatively impacting on the national budget.

17.2 Water Utility Portfolio

17.2.1 Blantyre Water Board (BWB)

The Board registered a loss of K424.6 million in 2013/14 compared to the previous year's surplus of K59.8 million. Revenue grew by 49.7 percent while operating expenses grew by 24.1 percent. The growth in revenue in 2013/14 was slightly lower as compared to 57 percent in 2012/13. This slowdown in revenue growth was largely due to a lower magnitude of tariff adjustment made in the year. Tariff increase in the current year averaged 32 percent as compared to prior year's tariff increase that averaged 95 percent. The large increase in operating costs is largely on account of the cost of electricity which grew by 38.3 percent from K2.1 billion to K2.9 billion. It is apparent that the Board should continue adjusting its tariffs to a level where they become cost effective to ensure that the Board's operations are self sustaining and also enable it to deliver its service effectively.

The Board's major operational challenge in the year under review was still high levels of water losses which averaged 38 percent of total water pumped yet this was an improvement from the previous year's non-revenue water that averaged 40 percent.The reduction was a result of the loans and grants that the Board accessed under the second National Water Development Programme (NWDP) to rehabilitate, upgrade and also expand water supply systems. The Board is still making some efforts to reduce water losses to an average of 25 percent and this will positively impact on the Board's delivery of services and financial performance.

The statement of financial position shows a growth in non-current assets of 81.8 percent. This is largely from current work in progress, capitalisation and revaluation of some assets. The current ratio was at 1.63:1 due to high trade receivables. High trade receivables continue to be a challenge to the Board and to mitigate such a risk, the Board continues to aggressively collect its debts. Gearing was at 76 percent as a result of borrowings through Government for the rehabilitation of the water systems under NWDP.

The Board continues focusing on reducing the levels of water losses as this will have a wider positive impact on the finances and operations. Tariffs should be focused on to ensure that they are cost effective.

TABLE 17.1: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR BWB

Statement of comprehensive income for the year ended 30th June 2014

Turnover	2014 MK millions	2013 MK millions
Core business	7,010.2	4,434.6
Other	583.8	683.6
Total operating income	**7,594.0**	**5,118.2**
Expenses	(6,306.2)	(4,879.9)
Financing costs	(124.3)	(62.2)
Operating profit /(Loss)	1,287.8	99.8
Profit/(Loss) before tax	995.3	
Taxation	(1,420.0)	(40.0)
Surplus/(Loss) after tax	(424.6)	59.8
Revaluation surplus		
Total comprehensive income	**(424.6)**	**59.8**

Highlights	2014/15	2013/14
Revenue Growth (%)	49.70	57
Increase in Expenses (%)	24.10	69
Surplus growth (%)	-810	-71
Dividend paid	0	0
Increase in receivables (%)	-2	108
Increase in current liabilities (%)	-19	70
Current Ratio	1.63	1.33
Net current assets	846.0	546.4
Gearing (%)	76	60
Return on Equity (%)	-6	1
Return on Capital (%)	-6	1

Statement of financial position as of 30th June, 2014

Assets	2014 MK millions	2013 MK millions
Non-Current assets	19,316.0	10,627.10
Trade receivables	1,529.6	1,553.40
Other current assets	666.3	657.90
Total	**21,511.9**	**12,838.4**
Equity and liabilities		
Capital reserve	1,434.0	1,434.00
General reserves	5,810.0	3,238.90
Other reserves	(317.4)	107.20
Total equity	**6,926.5**	**4,780.10**
Long term borrowings	5,259.9	2,848.00
Non-Current Liabilities	7975.5	3,545.40
Current Liabilities	1,349.9	1,664.90
Total liabilities	**14,585.3**	**8,058.3**
Total	**21,511.9**	**12,838.4**

Source: Blantyre Water Board (BWB)

17.2.2 Southern Region Water Board (SRWB)

Results show a 33 percent decline in profitability from K395.4 million in 2013 to K265.9 million in 2014. The decline in profitability is largely due to failure to connect new customers as planned during the year under review because of excessive and crippling cashflow challenges the Board experienced in 2014. SRWB sells close to 70 percent of its water to Government institutions such as Police, Prison, and Defence Force, among others, and when these institutions do not pay their water bills on time it negatively affects implementation of expansion plans. In addition, total revenue only grew by 21 percent whereas operating expenses grew by 30 percent, thereby reducing profitability further.

SRWB continues to face challenges such as environmental degradation of catchment areas, inadequate carrying and storage capacity, inadequate water supply coverage, power outages, unsustainable and poor financial growth and high water losses, currently at 32.3 percent. However, this is expected to reduce as the Board continues to rehabilitate its water infrastructure, employ preventative maintenance strategies and involve communities in replanting trees and looking after the catchment areas.

The Statement of Financial Position shows a 298 percent growth in non-current assets. This is in respect of the work in progress funded under the second National Water Development Program. The current ratio is at 2.0:1 and this is a reflection of a healthy position. Management continues to manage this risk by employing aggressive debt collection strategies. Going forward, management is desparately looking for financing to install prepaid meters as a way of mitigating the risk of bad debts.

TABLE 17.2: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR SWRB

Statement of Comprehensive Income for the year ended 30th June

Turnover	2014 MK millions	2013 MK millions
Core business	2142.7	1,773.1
Other	103.2	135.0
Total	**2,245.9**	**1,852.4**
Expenses	(1,700.3)	(1,306.6)
Financing costs	16.5	4.2
Operating profit before other income	205.7	343.9
Taxation		
Surplus	265.9	395.4
Revaluation surplus	0	0
Total comprehensive income	**265.9**	**395.4**

Statement of Financial Position as at 30th June

Assets	2014 MK millions	2013 MK millions
Non-Current assets	17,516.2	5,884.1
Trade receivables	1,144.1	720.0
Other current assets	526.6	744.4
Total	**19,186.8**	**7,348.4**
Equity and liabilities		
Capital reserve	6,560.4	4,799.0
General reserves	7,835.1	612.9
Other reserves	743.9	478.1
Total	**15,139.4**	**5,890.0**
Long term borrowings	3,070.9	918.0
Non-Current Liabilities	135.0	136.3
Current Liabilities	841.4	404.0
Total	**19,186.8**	**7,348.3**

Highlights	2014	2013
Revenue Growth (%)	21	43
Increase in Expenses (%)	30	26
Surplus growth (%)	-33	188
Dividend paid	0	0
Dividend pay out	0	0
Increase in receivables (%)	59	36
Increase in current liabilities (%)	108	69
Current Ratio	2.0:1	3.6:1
Net current assets	829.2	1051.6
Gearing (%)	20	16
Return on Equity (%)	2	7
Return on Capital (%)	2	7

Source: Southern Region Water Board (SRWB)

There is a positive outlook despite a high environmental cost prevailing in the economy. There has to be continued employment of cost control measures, network expansion programmes and efficient revenue management measures in the 2014/15 financial year.

17.2.3 Lilongwe Water Board (LWB)

Lilongwe Water Board has been facing profitability challenges. However, in the year under review, the Board made a profit of K389 million against a loss of K348 million in 2013. There are key challenges that the Board is facing. The tariff rates are lower than the cost of producing the water. Government is currently reviewing the tariff regime and it is expected that this could be adjusted. Secondly, the Board continues to experience high water losses due to poor infrastructure as well as theft of pipes. Under NWDP II, the Board has accessed funding to improve the infrastructure. Thirdly, the exchange rate is continuing to affect the Board's operations as some of the materials used are imported. The forth challenge is failure by government to pay for water consumed by some of its institutions such Malawi Police and Malawi Defence Force, among others. This greatly affects the Board's operations as cashflow becomes a challenge.

Revenues grew by 46 percent whilst expenses increased by 22 percent compared to the previous year. The increase was mainly attributed to, among other things, the revised water tariff that was effected in March, 2014. Non-revenue water, however, had a negative impact as the Board lost 34.5 percent of water production due to the old distribution infrastructure, resulting in selling only 65.5 percent. Efforts to improve the system are underway and currently the Board is awaiting parliamentary approval of a loan from the European Investment Bank to fund a special project called the Lilongwe Water Efficiency Project. Any reduction in water losses will markedly translate into improved performance. Plant maintenance, electricity and other operating expenses grew by 22 percent due to not only inflationary impact, but also the aged infrastructure that requires more finances to maintain. Overall, the performance of the Board is improved compared to the previous year. However, the revenue reserve was still negative as at 30 June, 2014.

The Statement of Financial Position shows that liquidity improved compared to the previous year with a current ratio of 1.23:1 and net current assets of K510.3 billion. Debtors at the end of the year grew by 84 percent compared to the previous year. All this signals liquidity improvements in the performance. The review of the tariff will, amongst other efforts, substantially help address the challenges that the institution is currently facing.

The Board will continue to focus on managing its working capital optimally. The review of the tariff regime is key to the Board's survival. In addition, Management will continue focusing on controlling costs and ensuring that maintenance services are not compromised.

TABLE 17.3: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR LWB

Statement of Comprehensive Income for the year ended 30th June

Turnover	2014 MK millions	2013 MK millions
Core business	5,077.4	3,267.9
Other	(175.1)	89.6
Total operating income	**4,902.3**	**3,357.5**
Expenses	(4,357.0)	(3,567.6)
Financing costs	(251.4)	(213.4)
Operating profit before other income	408.0	(423.5)
Taxation	(19.1)	76.2
Surplus	389.0	(347.3)
Revaluation surplus	-	-
Total comprehensive income	**389.0**	**(347.3)**

Highlights	2014	2013
Revenue Growth (%)	46	42
Increase in Expenses (%)	22	59
Surplus growth (%)	212	-408
Dividend paid	0	0
Dividend pay out	0	0
Increase in receivables (%)	91	40
Increase in current liabilities (%)	19	173
Current Ratio	1.23:1	0.75:1
Net current assets, MK	510.3	(445.9)
Gearing (%)	27	38
Return on Equity (%)	3	0
Return on Capital (%)	3	0

Statement of Financial Position as at 30th June

Assets	2014 MK millions	2013 MK millions
Non-Current assets	18,670.1	14,061.2
Trade receivables	1,787.6	933.6
Other current assets	919.9	459.8
Total	**21,377.6**	**15,454.6**
Equity and liabilities		
Capital reserve	3,103.4	3,860.6
General reserves	6,943.6	6,572.2
Other reserves	2,335.9	(811.7)
Total	**12,382.9**	**9,621.0**
Long term borrowings	3,287.5	3,703.9
Non-Current Liabilities	3,510.1	290.2
Current Liabilities	2,197.2	1,839.3
Total	**21,377.6**	**15,454.4**

Source: Lilongwe Water Board (BWB)

17.2.4 Central Region Water Board (CRWB)

Central Region Water Board's financial performance during the year which ended on 30th June 2014 shows a reduction of 31 percent in operating profit before interest and depreciation as compared to the previous year. Sales volume amounted to 5.404 million cubic metres against 5.416 million cubic metres in the previous year, representing a reduction of one percent. A tariff increase of 10 percent for institutional customers and 15 percent for commercial customers were effected in August 2013 but there was no tariff increase on individual customers and communal water points. Overall, the Board reported a profit of K202.4 million after interest, depreciation and tax compared to K56.4 million in the previous year, representing over 100 percent growth over the previous year. The return on equity and capital were at 16 percent each, which are both higher than previous year.

Operating expenses grew by 4 percent as compared to 43 percent in the previous year. The increases were mainly due to increases in the purchase price of water and power from Lilongwe Water Board and ESCOM, respectively; fuel prices and insurance premiums; water treatment chemicals, machinery and administration costs. These costs were a result of high inflation and the depreciation of the Kwacha experienced during the year under review. The Board produced 7.097 million cubic metres of water in the reporting period and sold 5.404 million cubic metres. Non-revenue water accounted for 24 percent of the amount produced compared to 23 percent in the previous year. Non-revenue water worsened due to frequent pipe bursts, tank leakages, possible illegal connections and metering inaccuracies.

TABLE 17.4: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR CRWB

Statement of Comprehensive Income for the year ended 30th June 2014

Turnover	2014 MK millions	2013 MK millions
Core business	1,405.1	1,321.0
Other	-	-
Total operating income	**1405.1**	**1,321.0**
Expenses	(1310.7)	(1,259.2)
Financing costs	(18.2)	(5.3)
Operating profit before other income	94.4	136.6
Taxation	(267.0)	0
Surplus	202.4	56.4
Revaluation surplus	15.1	493.8
Total comprehensive income	**540.8**	**1,059**

Highlights	2014	2013
Revenue Growth (%)	6	43
Increase in Expenses (%)	4	46
Surplus growth (%)	259	46
Dividend paid	0	0
Dividend pay out	0	0
Increase in receivables (%)	20	68
Increase in current liabilities (%)	-26	16
Current Ratio	0.97:1	0.75:1
Net current assets, MK	(19.80)	(263.40)
Gearing (%)	84	41
Return on Equity (%)	16	8
Return on Capital (%)	16	6

Statement of Financial Position as at 30th June 2014

Assets	2014 MK millions	2013 MK millions
Non-Current assets	6,608.60	4,274.50
Trade receivables	536.9	446.5
Other current assets	233.3	362.1
Total	**7,378.80**	**5,083.10**
Equity and liabilities		
Capital reserve	3,739.0	3,241.9
General reserves	696.2	794.0
Other reserves	(978.7)	(1,181.6)
Total	**3,456.5**	**2,854.3**
Long term borrowings	2,904.5	1,156.8
Non-Current Liabilities	227.6	856.0
Current Liabilities	790.0	1,072.0
Total	**3,922.1**	**5,083.1**

Source: Central Region Water Board (CRWB)

Fixed assets grew by over 55 percent during the year on account of the rehabilitation programme under NWDP II whose objective is to revamp the reticulation systems to water delivery services. Cashflow constraints continued to be a major challenge arising from delay in payment of water accounts by trade debtors particularly Government institutions at 189 debt collection days, while private debt was at 65 debt collection days. Institution debtors increased from K317 million in June 2013 to K413 million in June 2014, representing a 30 percent increase in arrears. This is evidenced by the liquidity ratio of 0.97:1 which signals a tight liquidity position. Gearing has gone up to 84 percent from 41 percent in the previous year on account of the funding under NWDP II. To address this challenge, the Board continues to pursue plans to install prepaid meters as a measure to reduce long debt collection days.

17.2.5 Northern Region Water Board (NRWB)

The financial results for the year which ended June 2014 reflect considerable growth of K3,443.6 million from K185.5 million in the previous year, representing more than 100 percent increase in profitability. This growth is mainly on account of the increase in of water sales volume which grew by 7 percent compared to the 2012/13 sales volumes. Water sales revenues grew by 47 percent largely on account of the water tariff increase. In particular, the tariff increased by the 15 percent in May 2013 and a further 30 percent in August 2013. Overall, total operating costs were up by 29 percent above last year's performance. Specifically compared to last year, chemical costs were down by 15 percent, plant and vehicle operations were up by 19 percent, electricity up by 38 percent, salaries and benefits up by 34 percent and administration and general expenses up by 44 percent. The average daily cash collection exceeded the average daily cash expenditure and this is an improvement compared to previous year's performance.

The level of non-revenue water averaged 35.9 percent. This was a slump compared to the previous year's registered loss of 34 percent. Karonga, Chilumba and Mzuzu registered significant pipe bursts that largely contributed to the dismal performance. A project to replace these pipelines is underway and the situation is expected to improve once the project is completed.

Cash continued to be a major challenge during the year. The debtors' days as at June 2014 averaged 99 days from 85 days in the previous year. Non-payment of water bills particularly from public institutions negatively impacted the debtor's position during the year. Public institutions debtor's days averaged 231. Debtor's days from individual household customers averaged 51. Total trade debtors were MK661 million up from MK384 million for the previous year.

The current ratio for the Board as at June 2014 improved to 1.2:1 from 0.9:1 for the previous year. The defensive interval ratio which measures how long the Board can continue to pay its expenses from its existing liquid assets without receiving any additional cash inflow increased to 130 days from 60 days in the previous year, reflecting increased revenues compared to the expenditure growth. Trade creditors averaged MK355 million in June 2014 up from MK315 million in June 2013, a reflection of the cashflow challenges resulting from tied up capital in debtors as well as the rising costs of goods and services. However, this position was partially mitigated by the overdraft facility in place.

TABLE 17.5: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR NRWB

Statement of Comprehensive Income for the year ended 30th June

Turnover	2014 MK millions	2013 MK millions
Core business	2,439.2	1,658.4
Other	3,436.2	349.5
Total	**5,875.4**	**2,007.9**
Expenses	(2,147.2)	(1,661.8)
Financing costs	(197.8)	(158.8)
Operating profit before other income	1,073.8	185.8
Taxation	(86.8)	-
Surplus	3,443.6	185.8
Revaluation surplus	-	-
Total comprehensive income	**3,443.6**	**185.8**

Highlights	2014	2013
Revenue Growth (%)	193	34
Increase in Expenses (%)	29	44
Surplus growth (%)	1753	-28
Dividend paid	0	0
Dividend pay out	0	0
Increase in receivables (%)	59	39
Increase in current liabilities (%)	60	143
Current Ratio	1.2:1	0.9:1
Net current assets	184.5	(78.2)
Gearing (%)	21	22
Return on Equity (%)	44	4
Return on Capital (%)	44	4

Statement of Financial Position as at 30th June

Assets	2014 MK millions	2013 MK millions
Non Current assets	11,999.4	6,536.5
Trade receivables	722.2	454.2
Other current assets	661.2	216.7
Total	**13,382.8**	**7,207.4**
Equity and liabilities		
Capital reserve	3,975.0	3,975.0
General reserves	6,858.9	3,633.5
Other reserves	(2,976.9)	(3,195.0)
Total	**7,857.0**	**4,413.5**
Long term borrowings	1,673.6	962.5
Non Current Liabilities	2,653.5	1,082.3
Current Liabilities	1198.9	749.1
Total	**5,526.0**	**7,207.4**

Source: Northern Region Water Board (NRWB)

17.3 Property Development and Management

17.3.1 Malawi Housing Corporation (MHC)

The Malawi Housing Corporation's performance continued to deteriorate further in the year under review. The Corporation registered a loss of K42.6 million before asset revaluation compared to a loss of K38.4 million in the preceding year. This represents an 11 percent further increase in losses. The last two years have been worse as MHC performance remains negative. An 18 percent increase in revenue growth was offset by a 19 percent increase in expenses. The provision for bad debts which increased by 80 percent from K64.5 Million to K115.8 is one of the major cost items that contributed to the increase in expenses alongside general increase due to inflation. The Corporation's performance was improved by revaluation surplus which, however, also increased at a declining rate of 40 percent compared to the previous year.

The Corporation's core business is property development and management. The Corporation has consistently made losses on its rental account for years due to sub-optimal rental charges not commensurate with increasing costs. The gradual rental adjustments over the years remain very low and the Corporation is unable to recover costs. The decline in the revaluation surplus might be an indication of a deteriorating state of its properties which might worsen if investments in property maintenance are limited and working capital remains very tight. Government is currently reviewing the situation, including a review of the Act that created the Corporation.

TABLE 17.6: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR MHC

Statement of Comprehensive Income for the year ended 30th June

Turnover	2014 MK millions	2013 MK millions
Core business	1,619.4	1,434.1
Other	371.3	255.7
Total	**1,990.7**	**1,689.8**
Expenses	(2,019.9)	(1,701.3)
Financing costs	-	(6.9)
Operating profit before Tax	(29.2)	(18.4)
Taxation	(13.4)	(20.0)
Profit after tax	(42.6)	(38.4)
Revaluation surplus	5,362.6	8,984.5
Total comprehensive income	**5,320.0**	**8,946.1**

Highlights	2014	2013
Revenue Growth (%)	18	29
Increase in Expenses (%)	19	36
Profit / Surplus growth (%)	-11	-121
Dividend paid	0	0
Dividend pay out	0	0
Increase in receivables (%)	59	33
Increase in current liabilities (%)	21	4
Current Ratio	0.95:1	0.63:1
Net current assets	(147.4)	(934.6)
Gearing (%)	0	0
Return on Equity (%)	0	0
Return on Capital (%)	0	0

Statement of Financial Position as at 30th June

Assets	2014 MK millions	2013 MK millions
Non Current assets	47,470.6	42,889.4
Trade receivables	816.4	512.5
Other current assets	2,094.7	1,041.6
Total	**50,381.7**	**44,443.5**
Equity and liabilities		
Capital reserve	10.3	10.3
General reserves	7,129.0	6,915.3
Other reserves	40,024.9	34,834.5
Total	**47,164.2**	**41,760.1**
Long term borrowings	159.0	165.7
Non Current Liabilities	-	-
Current Liabilities	3,058.5	2,517.7
Total	**50,381.7**	**44,443.5**

Source: Malawi Housing Corporation (MHC)

The Statement of Financial Position shows an increase of 10.7 percent in non-current assets due to the asset revaluation at year end. With a current ratio of 0.95:1, liquidity remained tight during the year and management continued to prioritise expenditure towards high impact areas. The Corporation should continue to employ cost management and cost recovery measures and investments in property development to maximize revenues as well as portfolio growth. In the short to medium term, the Corporation should aim at, amongst others, resolving the issue of sub-optimal rentals for its properties for sustainability of its operations, improvements in services and property maintenance. The corporation should also put extra effort in debt collection to improve its profit levels.

17.3.2 Airport Development Limited (ADL)

In the current 2013/14 financial year, ADL's profit increased by 188 percent from K55.2 million in 2012/13 to K159.2 million. The increase in profit was realised from growth in revenue from the company's core business and reduction in expenditure which increased by 7 percent only as compared to the preceding year when it was 83 percent. Overall revenue grew by 18 percent to K978.5 million from K818.1 million in the previous year. Substantial growth in income was observed in the following items: rentals increased by 39.6 percent to K471.5 million from K337.7 million in the preceding year; a 29 percent increase in handling fees to K158.6 million from K123 million in the previous year; and a 42.2 percent increase in duty free shop income to K80.6 million in 2014 from K56.7 million in 2013. There is also an improvement in bad debts recovery with recovered debt income increasing from K9.2 million in the preceding year to K33.8 million, representing a 267.4 percent increase. However, there was no provision for bad and doubtful debts in the current financial year, representing a 100 percent reduction from K131.7 million to zero which has contributed to the decline in expenses. Nevertheless, the recovered bad debts are K97.9 million less than the provision for the preceding financial year (2012/13). Despite registering profit, the return on equity of 1.36 percent is quite unsatisfactory.

The cost items that contributed to a relatively low increase in expenses include fuel purchases which dropped by K80.2 million from K173.9 to K93.7 million, representing a 46.1 percent reduction, and a 30 percent reduction in financing costs from K20.8 million in the preceding financial year to K14.4 million.

No major changes were registered in the statement of financial position. There was no revaluation of assets conducted in the current financial year. Similarly, the company did not embark on major capital investments apart from maintenance services. The company registered a 138 percent increase in receivables which boosted the net current assets level to K48.2 million from a negative position of K81.5 million in the preceding financial year. The current ratio improved to a relatively stronger position at 1.12:1 as compared to the weak position at 0.72:1 in the preceding year. Gearing is zero as the company does not have substantial long term borrowings.

ADL plans for a more profitable 2014/15 financial year. To achieve this, the company should continue instituting cost control measures and putting extra efforts in debt collection to strengthen its current profit position to enable further investments. It is advisable to maintain a list of debtors, enforce debt collection and deadlines. Finding long lasting solutions to outstanding rentals has potential to improve the company's net worth. The company's management should continue to strategise and identify more funding opportunities for property development.

TABLE 17.7: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR ADL

Statement of Comprehensive Income for the year ended 30th June

Turnover	2014 MK millions	2013 MK millions
Core business	978.5	818.1
Other	54.4	58.8
Total	**1,032.9**	**876.9**
Expenses	(859.3)	(800.9)
Financing costs	(14.4)	(20.8)
Net profit before tax	159.2	55.2
Taxation	-	-
Profit after tax	159.2	55.2
Revaluation surplus	-	4,159.8
Total comprehensive income	**159.2**	**4,215.0**

Statement of Financial Position as at 30th June

Assets	2014 MK millions	2013 MK millions
Non Current assets	11,925.4	11,894.7
Trade receivables	385.4	161.8
Other current assets	66.7	47.1
Total	**12,377.5**	**12,103.6**
Equity and liabilities		
Capital reserve	132.8	132.8
General reserves	771.3	770.1
Other reserves	10,834.4	10,675.3
Total	**11,738.5**	**11,578.2**
Long term borrowings	-	-
Non Current Liabilities	235.02	235.0
Current Liabilities	403.94	290.4
Total	**12,377.5**	**12,103.6**

Highlights	2014	2013
Revenue Growth (%)	18	46
Increase in Expenses (%)	7	83
Surplus growth (%)	188	-66
Dividend paid	0	0
Dividend pay out	0	0
Increase in receivables (%)	138	-22
Increase in current liabilities (%)	39	15
Current Ratio	1.12:1	0.72:1
Net current assets	48.2	(81.50)
Gearing (%)	0	0
Return on Equity (%)	1.36	0
Return on Capital (%)	1	0.5

Source: Airport Development Limited (ADL)

17.4 Power Portfolio

17.4.1 Electricity Supply Commission of Malawi Limited (ESCOM)

ESCOM continues to register good results. Profit after tax was K9.9 billion translating into a return on equity of 21 percent slightly lower than 25 percent realised in the previous year. Revenues grew by 44 percent against 53 percent growth in expenses. Increase in revenues was mainly on account of a tariff adjustment which ESCOM effected 13.5 percent in April 2014. Kapichira phase II became effective in December 2013. However, ESCOM continues to focus on clearing backlog of maintenance of its plant and equipment to ensure its sustainability hence the hike in expenses. This trend on increased maintenance expenses will continue until the plant and machinery is maintained to satisfactory standards.

The statement of financial position is stronger than previous year's with the current ratio improved to 6.2:1 from 5.6:1 in previous year. With progressive tariff adjustments and efficient working capital management, these ratios should continue to improve.With this strong liquidity position, management continues to prioritize expenditures on maintenance, under the backlog and current maintenance requirements. This is key to ensuring that the infrastructure is kept in a good state. Technical losses are still a challenge. This is largely due to old infrastructure, theft of electricity and, in part, own usage of power. Efforts are continuously employed to reduce such losses.

TABLE 17.8: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR ESCOM

Statement of Comprehensive Income for the year ended 30th June 2014

Turnover	2014 MK millions	2013 MK millions
Core business	48,535.7	33,613.9
Other	710.6	789.3
Total	**49,246.3**	**34,403.2**
Expenses	(34,571.3)	(22,540.8)
Financing costs	(1721.8)	(22.4)
Operating surplus	16,396.9	11,840.0
Taxation	(6439.6)	(6773.5)
Surplus	9957.2	5066.5
Revaluation surplus	(461.1)	3787.0
Total comprehensive income	**9,496.1**	**8,853.5**

Statement of Financial Position as at 30th June 2014

Assets	2014 MK millions	2013 MK millions
Non-Current assets	44,876.8	51,813.9
Trade receivables	8,696.4	6,151.1
Other current assets	23,346.2	13,614.7
Total	**76,919.4**	**71,579.7**
Equity and liabilities		
Capital reserve	28,667.0	27,667.4
General reserves	5,330.3	5,791.0
Other reserves	11,322.8	1,344.1
Total	**45,320.1**	**34,802.5**
Long term Borrowings	0.0	12,786.1
Non-Current Liabilities	26,469.2	20,459.7
Current Liabilities	5,130.1	3,531.4
Total	**76,919.4**	**71,579.7**

Highlights	2014	2013
Change in Revenue (%)	44	43.1
Change in Expenses (%)	53	53.4
Surplus growth (%)	97	96.5
Dividend paid	0	0
Dividend pay out	0	0
Change in receivables (%)	41.4	41.3
Change in current liabilities (%)	45.3	45.3
Current Ratio	6.2	5.6
Net current assets	26,912.5	16,234.4
Gearing (%)	-	37
Return on Equity (%)	21	25
Return on Capital (%)	21	25

Source: Electricity Supply Commission of Malawi (ESCOM)

17.5 Telecommunication Portfolio

17.5.1 Malawi Posts Corporation Limited (MPC)

The turnover of Malawi Posts Corporation increased by 45 percent to MK3,226.9 million in 2014 from MK2,218.6 million in 2013. On the other hand, the Corporation incurred many expenses as they increased by 55 percent to MK3,273.1 million in 2014 from MK2,106 million in 2013. This increase is mainly attributed to increases in computer expenses, advertising costs and remuneration of employees. The total comprehensive income grew to MK4,346 million in 2014 from MK 44 million in 2013.

TABLE 17.9: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR MPC

Statement of Comprehensive Income for the year ended 30th June

Turnover	2014 MK millions	2013 MK millions
Core business	2,808.3	1,796.4
Other	418.7	422.2
Total	**3,226.9**	**2,218.6**
Expenses	(3,273.2)	(2,106.0)
Financing costs	(101.1)	(59.9)
Net profit before tax	(147.3)	52.8
Taxation	(23.8)	(8.6)
Surplus	(171.1)	44.1
Revaluation surplus	4,517.7	-
Total comprehensive income	**4,346.6**	**44.1**

Highlights	2014	2013
Revenue Growth (%)	45	45
Increase in Expenses (%)	55	35
Surplus growth (%)	-488	-151
Dividend paid	0	0
Dividend pay out	0	0
Increase in receivables (%)	23	27
Increase in current liabilities(%)	27	37
Current Ratio	0.70:1	0.69:1
Net current assets	(748.13)	(601.26)
Gearing (%)	34	352
Return on Equity (%)	61	-40
Return on Capital (%)	-1	259

Statement of Financial Position as at 30th June

Assets	2014 MK millions	2013 MK millions
Non-Current assets	7,125.16	644.77
Trade receivables	1,089.84	885.19
Other current assets	641.72	459.48
Total	**8,856.71**	**1,989.45**
Equity and liabilities		
Capital reserve	385.82	385.82
General reserves	-	-
Other reserves	(666.70)	(495.60)
Total	**(280.88)**	**(109.78)**
Long term borrowings	-	-
Non-Current Liabilities	2,140.24	153.28
Current Liabilities	2,479.69	1,945.94
Total	**4,339.05**	**1,989.45**

Source: Malawi Posts Corporation (MPC)

Regarding the financial position, the current ratio is at 0.70 and this signals that the overall debt burden for the Corporation is relatively high. The rate of return on capital employed worsened by 1 percent in 2014. This is largely a result of the increase in capital employed as the Corporation reported more assets than current liabilities as it incurred more expenses that the turnover realised in the year. The level of assets for the Corporation improved as a result of the revaluation of an office building and plant and machinery in 2014. Contrary to the trend in assets, the level of equity worsened in 2014 as a result of accumulated losses since the Corporation reported the same level of capital reserves as in 2013 at MK385.8 million.

17.5.2 Malawi Communications and Regulatory Authority (MACRA)

MACRA reported 99 percent growth in profits to MK6,641 million in 2014 from MK3,377 million in 2013. The Authority introduced interconnection fees and license renewal fees in 2014. In addition, the company reported significant increases in levy income and licensing and frequency fees. On the other hand, expenses only grew by 33 percent. This resulted in profits for the Authority growing by 376 percent to MK3,195 in 2014 from MK671 million in 2013. The Authority remitted MK2.2 billion as dividends to the Government in the reporting period.

TABLE 17.10 STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR MACRA

Statement of Comprehensive Income for the year ended 30th June			Statement of Financial Position as at 30th June		
Turnover	2014 MK millions	2013 MK millions	**Assets**	2014 MK millions	2013 MK millions
Core business	6,489.9	3,263.8	Non Current assets	2,761.9	1,810.6
Other	151.9	114.0	Trade receivables	3,604.8	1,369.6
Total	**6,641.79**	**3,377.9**	Other current assets	873.8	582.4
Expenses	(3,292.5)	(2,476.6)	**Total**	**7,240.5**	**3,762.6**
Financing costs	(153.5)	(229.8)			
Operating profit before Tax	3,195.8	671.5	**Equity and liabilities**		
Taxation	-	-	Capital reserve	400.20	169.2
Profit after tax	3,195.8	671.5	General reserves	223.08	223.1
Revaluation surplus	-	-	Other reserves	2,571.16	1,822.9
Total comprehensive income	**3,195.8**	**671.5**	**Total**	**3,194.44**	**2,215.2**
			Long term borrowings	350.293	710.2
			Non Current Liabilities	1,770.00	0
			Current Liabilities	1925.745	837.1
			Total	**7,240.48**	**3,762.6**
Highlights	2014	2013			
Revenue Growth (%)	99	48			
Increase in Expenses (%)	33	52			
Profit / Surplus growth (%)	376	1			
Dividend paid	0	0			
Dividend pay out	0	0			
Increase in receivables (%)	163	33			
Increase in current liabilities(%)	130	10			
Current Ratio	1.8:1	2.33:1			

Source: Malawi Communications and Regulatory Authority (MACRA)

The level of current liabilities for the Authority increased by 130 percent over the previous year. Nevertheless, the Authority continues to operate with no liquidity stress as the current ratio was reported at 1.8:1. This position concurs to the reported growth in net current assets to MK2,552 million in 2014 from MK1,114 million in 2013.The Authority registered a return on equity of 100 percent in 2014. This implies that the management of the Authority is very effective in employing shareholders equity to fund its operations. Furthermore, the return on capital employed for the Authority for 2014 increased to 63 percent compared to 31 percent in the previous year.

17.6 Agriculture Portfolio

17.6.1 Tobacco Control Commission (TCC)

Tobacco Control Commission registered a growth of 18 percent in turnover to MK1.45 billion in 2014 from MK1.22 billion in 2013. This is a result of a significant increase in revenue from classification levy, licenses and permits. Regardless, the Commission reported an operating loss in 2014 as expenses increased by 49 percent to MK1.54 billion in 2014 from MK1.03 billion in 2013. This is largely on account of increases in expenditure related to employees.

TABLE 17.11: STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR TCC

Statement of Comprehensive Income for the year ended 30th June			Statement of Financial Position as at 30th June		
Turnover	2014 MK millions	2013 MK millions	**Assets**	2014 MK millions	2013 MK millions
Core business	1,454.2	1,218.3	Non Current assets	1,583.5	1,295.2
Other	1.4	16.8	Trade receivables	466.6	333.7
Total	**1,455.6**	**1,235.1**	Other current assets	348.2	304.9
Expenses	(1,537.1)	(1,034.5)	**Total**	**2,398.3**	**1,933.9**
Operating surplus	(81.50)	200.6			
Financial Costs	95.6	17.2	**Equity and liabilities**		
Taxation	-	-	Capital reserve	1,470.6	1,207.2
Surplus	14.1	217.8	General reserves	(50.2)	200.5
Revaluation surplus	-	129.2	Other reserves	73.5	72.1
Total comprehensive income	**14.1**	**347**	**Total**	**1,493.9**	**1,479.8**
			Long term borrowings	353.6	-
			Non Current Liabilities	-	-
			Current Liabilities	550.8	454
			Total	**2,398.3**	**1,933.8**
Highlights	2014	2013			
Changes in Revenue (%)	17.9	29			
Changes in Expenses (%)	48.6	29			
Surplus growth (%)	-93.5	82			
Dividend paid	0	0			
Dividend pay out	0	0			
Changes in receivables (%)	39.8	81			
Changes in current liabilities(%)	21.3	143			
Current Ratio	1.48:1	1.40:1			
Net current assets	264.0	304.9			
Gearing (%)	24	0			
Return on Equity (%)	0.9	21			
Return on Capital (%)	0.9	21			

Source: Tobacco Control Commission (TCC)

The financial position of the Commission remained relatively strong in 2014. The level of current liabilities increased by 23 percent to MK550 million in 2014 from MK454 million in 2013. The Commission, however, continues to operate under no liquidity stress as the current ratio was reported at 1.5:1, a relative increase from 1.4:1 reported in 2013. On the other hand, return on equity and return on capital employed worsened compared to the position in 2013. Both ratios dropped to 0.9 percent in 2014 from 21 percent in 2013, respectively. This implies that management was less effective in employing shareholder's equity and capital to generate resources for the Commission.

17.6.2 Agriculture Development and Marketing Corporation Limited (ADMARC)

ADMARC continues to perform poorly over a number of years. Substantial costs still remain high thereby continuing to reduce the Corporation's ability to compete successfully with the private sector. However, even though the Corporation no longer receives subventions from the national budget that used to beef up its working capital, Government still requires it to continue providing social function through pan-territorial and pan-seasonal marketing services in all parts of the country, thereby worsening the situation. In the period ending 30th June 2014, the Corporation registered a loss after tax of K906.0 million. Despite Government taking over ADMARC's loan and overdraft servicing obligations, the Corporation has still not been able to make a profit.

The Corporation's financial position remains weak and the company does not have its own resources to fully finance its activities. The current ratio was still very low at 0.62:1 indicating the company's vulnerability to meet its liabilities. Due to liquidity challenges, access to financing facilities without shareholder support is limited. Overall, the financial position is gloomy and Government remains committed to restructuring the company to ensure its profitability and self sustaining.

ADMARC remains a challenge both financially and operationally. Therefore, there is need to assess the best way by which the company should be structured operationally and financially for its survival.

TABLE 17.12: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION FOR ADMARC

Statement of Comprehensive Income for the year ended 30th June

Turnover	2014 MK millions	2013 MK millions
Core business	8,139.6	7,592.6
Other	1,894.7	2,163.9
Total	**10,034.3**	**9,756.5**
Expenses	(10,917.0)	(10,758.5)
Financing costs	(61.30)	(844.50)
Profit/(loss) before tax	190.7	(998.40)
Taxation	(362.6)	327.0
Profit/(loss) after tax	(906.0)	(1516.7)
Share of profits of associates	1,096.6	518.2
(Loss)/profit for the year	(171.9)	(671.4)
Total comprehensive income	**421.5**	**(514.3)**

Statement of Financial Position as at 30th June

Assets	2014 MK millions	2013 MK millions
Non Current assets	34,268.4	27,907.9
Trade receivables	1,562.9	697.4
Other current assets	3,630.3	1,123.8
Total	**39,461.6**	**29,729.1**
Equity and liabilities		
Capital reserve	7,809.8	7,809.8
General reserves	16,312.2	15,718.7
Other reserves	(1,847.9)	(1,675.9)
Total	**22,274.1**	**21,852.6**
Long term Borrowings	0	0
Non Current Liabilities	8,790.6	3,475.6
Current Liabilities	8,396.7	4,400.9
Total	**17,187.3**	**7,876.5**

Highlights	2014	2013
Changes in Revenue (%)	2.8	196
Changes in Expenses (%)	1.5	167
Surplus growth (%)	-40.3	-303
Dividend paid	0	0
Dividend pay out	0	0
Changes in receivables (%)	124.1	-17
Changes in current liabilities(%)	90.8	-58
Current Ratio	0.62:1	0.41:1
Net current assets	(3,203.5)	(2,579.7)
Gearing (%)	0	0
Return on Equity (%)	1.9	-7
Return on Capital (%)	1.9	-6

Source:Agriculture Development and Marketing Corporation (ADMARC)

CHAPTER 18

BANKING AND FINANCE

18.1 Overview

During the 2014/15 fiscal year, monetary policy aimed at maintaining price stability as well as a viable balance of payments position, whilst ensuring that sufficient credit was availed to the private sector for sustainable economic growth. The instruments employed by the Reserve Bank to achieve this objective included open market operation, liquidity reserve requirement and purchases and sales of foreign exchange.

Following the monetary policy actions of the Reserve Bank of Malawi, the annual growth rate in broad money supply (M2) declined persistently from 25.8 percent in June 2014 to 15.0 percent at the end of February 2015. Despite the monetary contraction, headline inflation remained high during the first half of the 2014/15 fiscal year mainly due to depreciation of the Kwacha against the uncertainty in resumption of the general donor budgetary support that was exacerbated by speculations. The rate of inflation, however, declined to 19.7 percent by end-February 2015 from a pick of 24.5 percent in August 2014.

18.2 The Banking System

Broad money (M2) liabilities grew by K15.3 billion to K579.4 billion as of end-February 2015 from K564.1 billion recorded at the end of the 2013/14 fiscal year. The upturn reflected aggressive deposit mobilisation especially in fixed deposit placements that saw term (time and savings) deposits increasing by K25.3 billion during the period. Demand deposits also increased by K15.3 billion between June 2014 and February 2015. Meanwhile, foreign currency denominated deposits declined by K5.3 billion, part of which was relocated to relatively high yield-earning term deposits placements. Currency in circulation also decreased by K5.0 billion due to a slowdown in the transactional demand for money during the lean period. On an annual basis, the M2 stock grew by 15.0 percent as of end-February 2015, a slowdown from an annual increase of 25.8 percent reported at the end of the 2013/14 fiscal year.

With regards to the counterparts, the K15.3 billion expansion in M2 reflected net foreign inflows that saw net foreign assets (NFA) growing by K117.4 billion between June 2014 and February 2015. Net domestic assets (NDA) decreased by K102.2 billion during the period under review.

The upturn in NFA of the banking system was attributed largely to an increase in supply of foreign exchange following capital inflow amounting to US$250.0 million, receipt of foreign financing for donor supported projects, and purchases from the market. During the period the PTA Bank, a non-resident bank, purchased Treasury notes amounting to K122.3 billion which were initially being held by the Reserve Bank. This development coupled with tight monetary policy contributed to a significant decrease in NDA of K102.2 billion from K452.7 billion recorded at the end of the 2013/14 fiscal year to K350.6 billion by end-February 2015, of which net domestic credit to the central government accounted for K75.9 billion.

TABLE 18.1: MONETARY SURVEY (K' MILLION)

	End-period balances				Changes during periods			
	2012 Jun	2013 Jun	2014 Jun	2015 Feb	2012 Jun	2013 Jun	2014 Jun	2015 Feb
A. Net Domestic Credit								
1. Credit to government (i+ii)	169,386.9	152,934.7	235,548.4	159,628.2	62,093.3	-17,288.5	82,613.7	-75,920.1
i. Monetary Authorities	136,282.5	110,695.2	152,065.5	34,864.5	50,644.9	-26,423.6	41,370.3	-117,201.0
ii. Commercial Banks	33,104.4	42,239.5	83,482.9	124,763.8	11,448.4	9,135.1	41,243.4	41,280.9
2. Credit to statutory bodies	17,087.6	17,775.4	5,706.3	4,003.0	3,275.4	687.8	-12,069.0	-1,703.3
3. Credit to private sector (gross)	207,900.9	231,786.5	274,453.3	295,764.7	45,167.6	23,885.6	42,666.8	21,311.4
B. Narrow Money (M1)	221,324.6	191,415.6	244,924.4	239,955.7	77,317.0	22,489.5	53,508.8	-4,968.7
4. Currency outside banks	61,523.9	85,680.1	99,886.6	79,573.6	24,397.6	24,156.2	14,206.6	-20,313.1
5. Private sector demand deposits	159,800.7	105,735.6	145,037.8	160,382.1	52,919.5	-1,666.7	39,302.2	15,344.4
C. Quasi-money	135,262.8	256,890.5	319,221.6	339,441.8	13,680.1	69,229.2	62,331.1	20,220.1
D. Money Supply (M2) (B+C)	356,587.4	448,306.1	564,146.0	579,397.5	90,997.1	91,718.7	115,839.9	15,251.5
E. Net Foreign Assets	-3,839.1	107,971.2	111,397.6	228,826.2	-8,115.5	112,614.6	3,426.3	117,428.6
6. Monetary Authorities	-43,071.4	49,493.5	63,017.7	171,087.3	-37,505.4	93,369.2	13,524.2	108,069.6
7. Commercial Banks	39,232.3	58,477.8	48,379.9	57,738.9	29,389.9	19,245.5	-10,097.9	9,359.0

Source: Reserve Bank of Malawi

18.2.1 Commercial Banks: Sources and Uses of Funds

During the period ending February 2015, commercial banks' resource envelope expanded by K83.2 billion to K774.0 billion from K690.8 billion registered at the end of June 2014. The bulk of the resources amounting to K29.5 billion were private sector deposits which comprised K20.9 billion term deposits and K15.5 billion demand deposits following aggressive deposit mobilisation by the banks; but these were somewhat offset by depletion of K6.9 billion foreign currency deposits. The capital account of commercial banks further contributed K28.2 billion to the generated resources following banks' realisation of profits and retained earnings during the period, whereas official sector deposits accounted for K12.5 billion and this was mainly attributed to increases in deposits of both government and statutory bodies. Unsectored liabilities of the commercial banks contributed K20.9 billion to the accumulated resources. Meanwhile, commercial banks' liabilities to non-residents dropped by K7.8 billion during the review period as the commercial banks took advantage of the increase in their external reserves to reduce foreign obligations.

In terms of utilisation, commercial banks used their resources to boost their investments in both domestic and foreign sectors. In particular, K39.3 billion was invested in government Treasury bills while K21.3 billion was lent to the private sector. Investments in the foreign sector through fixed deposit placements increased by K1.6 billion, whereas deposits at the Reserve Bank plus till money rose by K11.5 billion. Uncategorised investments increased by K11.3 billion following procurement of fixed assets.

18.2.2 Reserve Bank: Sources and Uses of Funds

At the Reserve Bank, the resources increased by K11.1 billion to K491.2 billion by end-February 2015 from K480.2 billion reported at the end of the 2013/14 fiscal year. The upturn was attributed to official sector deposits which accounted for K18.9 billion to the resources mainly due to project funds coupled with proceeds from net Treasury bill issues as the Reserve Bank of Malawi aims to reduce net claims on government. Unsectored liabilities also contributed K12.0 billion largely attributed to interest income earned on lending to the central government. Commercial banks deposits plus till money accounted for K8.3 billion of the resources accumulated by the RBM during the review period. The above inflows were, however, somewhat offset by a K20.3 billion decrease in currency in circulation and decrease of K7.9 billion in liabilities to non-residents. The reduction in external obligations partly reflected repayments to the International Monetary Fund.

With regard to usage, the RBM relocated its portfolio investment from domestic investments to foreign investments. This development increased foreign sector investments by K100.2 billion between June 2014 and February 2015 as the RBM purchased foreign exchange from the market following capital inflow of US$250.0 million during the period. The central bank reduced its domestic investments, mainly lending to the central government, by K98.3 billion during the same period. The outturn mainly reflected the purchase of Treasury notes by the PTA Bank which was held by the Reserve Bank.

Chapter 19

PUBLIC FINANCE

19.1 Introduction

This chapter presents the performance of the central Government budgetary operations during the 2014/15 fiscal year compared with the 2013/14 fiscal year. Furthermore the section presents the medium term framework for the next three fiscal years thus 2015/16 to 2017/18 fiscal years. The chapter is outlined as follows: section two outlays the summary of central government budgetary operations; section three describes the performance of total revenues and grants; section four and five present the performance of central government recurrent expenditures and development expenditure respectively. Finally the chapter ends with highlights of the 2015/16 budget in section six and major implementation challenges of the 2015/16 budget in section seven.

19.2 Summary of the Central Government Budgetary Operations

The 2014/15 budget was formulated with the theme of restoring fiscal discipline as a foundation for poverty reduction. The aim was to stabilize the economy and induce inclusive growth after the cash gate scandal. The budget framework was designed in a way that all recurrent expenditures are financed by domestic resources amidst uncertainty on budgetary support by development partners. The budget was formulated on the assumption of an annual average inflation of 15.6 percent and GDP growth rate of 6.1 percent coupled with lower interest rates. These assumptions were key to a stable macroeconomic environment and consequently growth of the economy amid numerous challenges faced during the 2013/14 fiscal year. Furthermore the budget was anchored on reducing accumulation of arrears and net domestic borrowing.

The 2014/15 budget was implemented within the assumption of no budgetary support from development partners hence the government stance was on raising enough resources domestically to finance the budget. Furthermore, expenditure control measures were used extensively to ensure that expenditures were within the budget framework. The reforms at the Malawi Revenue Authority (MRA) aimed at strengthening revenue collections, including the use of more electronic fiscal devices, were among key factors to collecting more revenues. The Government Departments which collect revenues, for instance Immigration, Malawi Police and Road Traffic Directorate, were also supported financially so as to carry out their functions effectively.

During the 2014/15 fiscal year, the Government continued its commitment in increasing spending to social sectors such as Health, Education, Agriculture and Social Protection Programmes. The Farm Input Subsidy Programme (FISP), Cement and Iron sheets subsidy, social cash transfers, public works programmes and school feeding programmes were prioritised during the fiscal year.

During the implementation of the budget, the exchange rate depreciated rapidly which affected the implementation of the budget until around mid-year when the currency started to appreciate. The economy was also hit by floods towards the end of the second quarter. The floods were followed by drought in most parts of the country which has significantly affected the maize prospects by about 27.5 percent decline from the 2014 maize production. Nevertheless amid the challenges, the Government received drought support from multiple partners which included the World Bank Drought recovery grant and there is hope for more support for drought recovery.

During the year under review, total expenditures and net lending marginally declined by 0.7 percentage points from the previous fiscal year to 28.8 percent of GDP. This expenditure outturn was against a resource envelope (including grants) of 24.5 percent of GDP. The decline in expenditures is largely due to the decline in other recurrent expenditure which was reduced as a result of poor donor inflows so as to spend within the domestic resource basket. Interest on debt also went down from 4.8 percent of GDP to 3.8 percent of GDP. On the contrary, there was an increase in wages and salaries as percentage of GDP from 6.4 percent to 7.1 percent due to salary adjustments during the onset of the fiscal year. Overall, the fiscal deficit in 2014/15 significantly declined to 4.3 percent of GDP from 5.8 percent and was largely financed by domestic borrowing amounting to 1.3 percent of GDP.

For the 2015/16 fiscal year, total expenditure and net lending is estimated at 27.7 percent of GDP which is a further decline from the 2014/15 value of 28.9 percent. Total expenditure as percentage of GDP is estimated at 27.6 percent of which 21.0 percent is recurrent expenditure while 6.6 percent is for development. The fiscal deficit is projected to worsen to 5.3 percent of GDP from 4.3 percent but the Government will continue to implement efforts to lower the deficit further than the projected 5.3 percent. The deficit is not expected to be eliminated within a year as the Government has commitments, for example interest payments and other significant expenditures, which cannot be cut but the target is to reduce the deficit to insignificant levels in the short term. Furthermore, the Government endeavours to reduce domestic borrowing and maximise domestic revenue collection. Table 19.1 gives a summary of the Central Government budgetary operations.

TABLE 19.1: CENTRAL GOVERNMENT BUDGETARY OPERATIONS 2013/14-2017/18

	2013/14 Actual	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Projection	2017/18 Projection
Total Revenue and Grants	**517,736.58**	**641,013.86**	**683,344.46**	**763,480.37**	**928,667.16**	**1,067,398.04**
Domestic Revenue	441,145.69	530,696.91	550,583.56	666,348.66	762,518.62	901,348.50
Grants	76,590.89	110,316.95	132,760.90	97,131.70	166,148.54	166,049.54
Total Expenditure and Net Lending	**645,076.59**	**739,124.45**	**804,008.73**	**936,520.05**	**978,039.24**	**1,021,156.84**
Recurrent Expenditure	544,851.83	540,913.45	613,844.41	709,531.67	734,392.66	770,960.26
Development Expenditure	100,224.76	196,211.00	189,164.32	223,988.39	240,646.58	247,196.58
Net Lending	-	2,000.00	1,000.00	3,000.00	3,000.00	3,000.00
Deficit						
Excluding Grants 1a	(203,930.90)	(208,427.54)	(253,425.17)	(270,171.39)	(215,520.62)	(119,808.34)
Including Grants 1b	**(127,340.01)**	**(98,110.59)**	**(120,664.27)**	**(173,039.69)**	**(49,372.08)**	**46,241.20**
Financing	**137,752.12**	**107,114.64**	**117,397.24**	**173,039.69**	**49,372.08**	**(46,241.20)**
Foreign Borrowing (Net)	44,605.26	92,114.64	80,595.98	113,113.50	88,339.25	86,439.75
Borrowing	53,879.02	102,890.31	100,995.98	130,810.00	107,435.05	107,435.05
Repayment 2a	(9,273.75)	(10,775.67)	(20,400.00)	(17,696.50)	(19,095.80)	(20,995.30)
Domestic Borrowing (Net) 2b	93,146.85	15,000.00	36,801.26	25,000.52	(35,958.05)	(133,731.08)
		As Percentage of GDP				
Revenue (Including Grants)	*23.72*	*23.01*	*24.53*	*22.63*	*26.82*	*28.29*
Revenue (Excluding Grant)	*20.21*	*19.05*	*19.76*	*19.75*	*22.02*	*23.89*
Grants	*3.51*	*3.96*	*4.77*	*2.88*	*4.80*	*4.40*
Total Expenditure	*29.55*	*26.53*	*28.86*	*27.76*	*28.24*	*27.06*
Recurrent Expenditure	*24.96*	*19.41*	*22.03*	*21.03*	*21.21*	*20.43*
Development Expenditure	*4.59*	*7.04*	*6.79*	*6.64*	*6.95*	*6.55*
Deficit (Excluding Grants)	*(9.34)*	*(7.48)*	*(9.10)*	*(8.01)*	*(6.22)*	*(3.18)*
Deficit (Including Grants)	*(5.83)*	*(3.52)*	*(4.33)*	*(5.13)*	*(1.43)*	*1.23*
Domestic Borrowing (Net)	*4.27*	*0.54*	*1.32*	*0.74*	*(1.04)*	*(3.54)*
GDP at Current Prices	**2,182,633.00**	**2,786,114.83**	**2,786,114.83**	**3,374,067.34**	**3,463,009.59**	**3,773,031.40**

Source: Ministry of Finance, Economic Planning and Development

19.3 Total Revenues and Grants

Table 19.2 shows that as a share of GDP, total revenues and grants increased from 23.7 percent in 2013/14 fiscal year to 24.01 percent in 2014/15 fiscal year mainly on account of grants which slightly improved from 3.5 percent of GDP to 4.7 percent of GDP. The outturn on grants was on account of new budget support grants as a result of the public finance management reforms that the government implemented after the "cash gate" fiscal fraud. However, a lot of development partners have not been forthcoming with grants as they await for more progress in Public Finance Management reforms. Nevertheless, with the recent resumption of the IMF Extended Credit Facility (ECF) supported programme more aid is expected in the coming years. On the other hand, net domestic revenues slightly declined from 20.2 percent of GDP in 2013/14 fiscal year to 18.7 percent of GDP in 2014/15 fiscal year despite remarkable performance on taxes in income and profits and non-taxes on fuel levies and parastatal dividends.

19.3.1 Domestic Revenues

Table 19.2 indicates that the performance of domestic revenues particularly taxes on income and profits mirrored the good overall growth of the economy. Taxes on income and profits maintained their higher levels of around 8 percent of GDP in

2014/15 fiscal year just as in 2013/14 fiscal year. This was mainly on account of better performance in economic activities following the continued availability of foreign exchange and fuel as well as salary increments in both the public sector and private sector. However, overall taxes declined marginally from 18.03 percent of GDP in 2013/14 to 17.5 percent in 2014/15 and this was particularly due to challenges on taxes in international trade and taxes on goods and services. Taxes in international trade declined from 1.9 percent of GDP in 2013/14 to 1.9 percent of GDP in 2014/15 and this was on account of a decline in volumes of taxable imports. Similarly, taxes on goods and services declined from 7.7 percent of GDP in 2013/14 to 7.5 percent of GDP in 2014/15. A marginal performance in taxes on goods and services particularly Value Added Taxes (VAT) was on account of non-compliance of some operators of Electronic Fiscal Devices that were implemented by the Malawi Revenue Authority (MRA) during the year.

On the other hand, non-tax revenues marginally improved in 2014/15 fiscal year with a slight increase to 2.6 percent of GDP from 2.4 percent in 2013/14 fiscal year. The slight improvement in non-tax revenues was on account of improved collections from dividends and fuel levies particularly road levy, rural electrification levy and storage levy.

Going forward, vibrant growth in the economy is expected in 2015/16 fiscal year and beyond as macroeconomic fundamentals become relatively stable. As such, domestic revenue collections are expected to steadily increase over the period due to an expansion in economic activities in the various sectors of the economy including agriculture, manufacturing, electricity gas and water supply, information and communication, as the benefits of the economic reforms begin to bear fruit. As such, total tax revenues are expected to increase to 18.0 percent of GDP in 2015/16 fiscal year from 17.6 percent of GDP in 2014/15 fiscal year and this is on account of increases in taxes on income and profits, goods and services and international trade. In addition, with regards to taxes on goods and services, it is envisaged that going forward the loss incurred during the 2014/15 fiscal year due to non-compliance will be offset by an expected rise of the VAT which will be enhanced by penalties that have been charged on non-compliant operators.

TABLE 19.2: CENTRAL GOVERNMENT REVENUE 2013/14-2017/18

	2013/14 Revised	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Projection	2017/18 Projection
A. GROSS TAX REVENUE	**393,584.05**	**487,706.45**	**490,186.16**	**607,603.74**	**700,504.23**	**826,594.99**
1. TAXES ON INCOME & PROFITS	**183,707.28**	**229,304.33**	**240,815.85**	**298,521.51**	**334,606.95**	**394,836.20**
Companies	47,698.49	60,850.68	64,056.65	74,846.34	86,164.57	101,674.19
Individuals	99,256.84	123,427.86	130,204.98	168,330.53	184,685.85	217,929.30
Non Resident Tax	3,319.79	4,067.17	3,581.38	4,961.94	5,759.11	6,795.75
P.A.Y.E	91,442.03	113,853.75	121,001.95	156,650.12	171,128.92	201,932.13
Fringe Benefit Tax	4,495.03	5,506.94	5,621.65	6,718.46	7,797.82	9,201.43
Withholding Tax	33,715.13	41,305.36	42,572.51	50,805.59	58,488.39	69,016.30
Other*	3,036.81	3,720.44	3,981.70	4,539.05	5,268.14	6,216.41
2. TAXES ON GOODS & SERVICES	**168,306.86**	**207,473.62**	**198,979.56**	**246,943.93**	**293,782.58**	**346,663.45**
VAT	126,049.16	154,426.41	145,036.61	182,754.14	218,667.79	258,027.99
Excise Duties	42,257.70	53,047.22	53,942.95	64,189.79	75,114.80	88,635.46
3. INTERNATIONAL TRADE TAXES	**41,569.91**	**50,928.49**	**50,390.75**	**62,138.29**	**72,114.69**	**85,095.34**
Customs Duties	41,569.91	50,928.49	50,390.75	62,138.29	72,114.69	85,095.34
Import Duties	41,114.53	50,370.58	49,859.34	61,452.06	71,324.69	84,163.13
Miscellaneous Duties	455.38	557.91	531.41	686.23	790.00	932.20
4. Less: TOTAL TAX REFUNDS	5,170.98	12,193.22	12,889.52	15,189.94	16,812.10	19,838.28
5. NET TAX REVENUE	**388,413.07**	**475,513.23**	**477,296.64**	**592,413.80**	**683,692.12**	**806,756.71**
B. NON TAX REVENUE	**52,785.93**	**55,183.68**	**73,283.57**	**73,934.87**	**78,826.50**	**94,591.80**
Stabilization Fund						
Departmental Receipts	10,667.08	14,290.45	13,459.77	15,853.00	20,578.25	24,693.90
Other Revenue (dividends etc)	24,255.80	17,955.08	35,993.43	24,546.09	25,855.31	31,026.37
Receipts from PIL	8,281.07	10,415.10	11,406.64	18,798.13	14,997.75	17,997.30
Rural electrification levy	8,367.54	11,073.04	11,073.05	13,287.65	15,945.18	19,134.22
Storage levy	1,214.44	1,450.00	1,350.68	1,450.00	1,450.00	1,740.00
GROSS DOMESTIC REVENUE	**446,369.99**	**542,890.12**	**563,469.73**	**681,538.61**	**779,330.72**	**921,186.78**
NET DOMESTIC REVENUE	**441,199.00**	**530,696.91**	**550,580.21**	**666,348.66**	**762,518.62**	**901,348.50**
		Percent of GDP				
GROSS TAX REVENUE	*18.03*	*17.50*	*17.59*	*18.01*	*20.23*	*21.91*
Taxes on Income and Profit	*8.42*	*8.23*	*8.64*	*8.85*	*9.66*	*10.46*
Taxes on Goods and Services	*7.71*	*7.45*	*7.14*	*7.32*	*8.48*	*9.19*
International Trade Taxes	*1.90*	*1.83*	*1.81*	*1.84*	*2.08*	*2.26*
NET TAX REVENUE	*17.80*	*17.07*	*17.13*	*17.56*	*19.74*	*21.38*
NON-TAX REVENUE	*2.42*	*1.98*	*2.63*	*2.19*	*2.28*	*2.51*
GRAND TOTAL	*20.45*	*19.49*	*20.22*	*20.20*	*22.50*	*24.42*
GDP at Current Market Prices (fiscal year)	**2,182,633.00**	**2,786,114.83**	**2,786,114.83**	**3,374,067.34**	**3,463,009.59**	**3,773,031.40**

Source: Ministry of Finance, Economic Planning and Development

19.4 Central Government Recurrent Expenditures

Despite a projected total recurrent expenditure of K540.9 billion, as of end of 2014/15 fiscal year total recurrent expenditures amounted to K613.8 billion thereby missing the projection by 13 percent. The 2014/15 total recurrent expenditure is above the 2013/14 total recurrent expenditure by almost K69 billion. The increase in recurrent expenditure implies that as a percent of GDP, total recurrent expenditure closed at 22.0 percent down from 24.9 percent in 2013/14 fiscal year. For the 2015/16 fiscal year the projected total recurrent expenditure will be K709 billion representing 21.0 percent of GDP and will increase further to K734 billion in 2016/17 representing 21.2 percent of GDP. It is the policy stance of government that all recurrent expenditure is financed by domestic resources hence the increase in recurrent expenditures for the 2016/17 fiscal year is due to the projected increase in domestic resources during the same period.

Tables 19.3 and 19.4 present Functional and Economic classifications of the recurrent budget respectively. Table 19.3 shows the different allocations of total recurrent expenditure using the functional classification. Overtime social and community services have enjoyed a significant portion of total recurrent expenditure. This trend has been declining recently with economic services benefitting from the reduction in social and community services. In 2014/15, despite having the lions' share, total recurrent expenditure on social community services was 9.0 percent down from 9.5 percent in 2013/14 and is expected to decline further to 8.2 percent in 2015/16. Economic services also enjoy a fair share of the recurrent expenditure during the 2014/15 fiscal year of 7.6 percent of GDP while Expenditures on General Public Services was about 5.3 percent of GDP in 2014/15 and is expected to improve to 5.8 percent of GDP in 2015/16 fiscal year.

These allocations are in line with the Government's commitment in supporting social and community services and economic services since they are priority areas in the MGDS II. In the medium term, the Government will continue to put much focus on these services particularly health, agriculture, trade and education in order to achieve the country's development objectives and goals.

With regards to economic classification as shown in table 19.4, gross fixed capital formation has the lion's share of recurrent expenditures with expenditure of 22.0 as percentage of GDP in 2014/15 down from 24.9 percent in 2013/14. This is in line with government policy stance of supporting economics services which are among the priority areas of MGDS II. Gross consumption is the second largest share under economic classification having about recurrent expenditure of 12.6 percent of GDP in 2014/15 down from 14.8 percent of GDP. This decline in gross consumption reflects government commitments to boost growth through investment rather than consumption.

TABLE 19.3: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE 2013/14 – 2017/18

	2013/14 Actual	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Projection	2017/18 Projection
General Public Services	**183,558.53**	**156,341.67**	**148,996.79**	**196,400.21**	**162,534.78**	**177,208.96**
General Administration	140,621.33	114,615.48	99,424.35	137,553.39	108,833.02	119,763.19
Defence Affairs	20,381.40	16,759.25	18,333.69	19,170.68	20,508.62	21,943.80
Public Order and Safety Affairs	22,555.80	24,966.94	31,238.75	39,676.14	33,193.14	35,501.97
Social and Community Services	**208,474.80**	**212,147.05**	**252,062.87**	**275,416.39**	**339,919.17**	**363,931.67**
Education Affairs and Services	102,101.20	113,315.42	138,626.15	141,785.54	154,975.32	167,928.17
Health Affairs and Services	75,175.50	56,266.17	70,425.08	66,583.21	74,590.12	80,472.89
Social Security and Welfare Affairs Services (social protection)	23,833.10	27,464.40	27,773.38	53,168.15	96,216.49	100,996.47
Housing and Community Amenity Services	5,976.30	13,638.19	13,742.35	12,200.00	12,431.98	12,732.49
Recreational, Cultural & Other Social Services	1,388.70	1,462.88	1,495.90	1,679.49	1,705.26	1,801.66
Economic Services	**152,818.50**	**172,424.72**	**212,784.75**	**237,715.07**	**231,938.72**	**229,819.63**
Mining and Manufacturing and environmental protection	6,460.80	4,786.76	5,716.76	5,867.91	6,113.29	6,957.47
Agriculture and Natural Resources	85,951.60	68,151.36	80,408.97	72,191.90	70,733.14	76,196.42
Tourism Affairs and Services	7,277.60	521.33	422.88	-	-	-
Transport and Communication Services	12,071.20	14,665.72	15,984.33	29,037.76	31,063.46	34,442.54
General Economic, Commercial and Labour Affairs	2,589.80	3,155.60	3,414.04	4,220.50	5,440.82	5,755.94
R & D Economic Affairs and public debt	38,467.50	81,143.96	106,837.78	126,397.00	118,588.00	106,467.25
Total Recurrent Expenditure	**544,851.83**	**540,913.45**	**613,844.41**	**709,531.67**	**734,392.66**	**770,960.26**
		Percent of GDP				
GENERAL PUBLIC SERVICES	*8.41*	*5.61*	*5.35*	*5.82*	*4.69*	*4.70*
SOCIAL AND COMMUNITY SERVICES	*9.55*	*7.61*	*9.05*	*8.16*	*9.82*	*9.65*
ECONOMIC SERVICES	*7.00*	*6.19*	*7.64*	*7.05*	*6.70*	*6.09*
TOTAL RECURRENT EXPENDITURE	*24.96*	*19.41*	*22.03*	*21.03*	*21.21*	*20.43*
GDP at Current Market Prices (fiscal year)	**2,182,633.00**	**2,786,114.83**	**2,786,114.83**	**3,374,067.34**	**3,463,009.59**	**3,773,031.40**

Source: Ministry of Finance, Economic Planning and Development

TABLE 19.4: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE 2013/14 – 2017/18

	2013/14 Actual	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Projection	2017/18 Projection
Gross Consumption	**323,311.12**	**324,746.98**	**352,458.26**	**398,961.00**	**405,966.61**	**447,153.34**
Compensation of Employees	140,026.26	163,294.94	198,012.00	228,690.00	227,796.86	247,855.04
Use of Goods and Services	183,284.86	161,452.03	154,446.26	170,271.00	178,169.75	199,298.30
Less: Fees, Sales and Recoveries	-	-	-	-	-	-
Net Consumption	**323,311.12**	**324,746.98**	**352,458.26**	**398,961.00**	**405,966.61**	**447,153.34**
Interest on Debt	**97,939.14**	**80,359.94**	**105,783.00**	**125,497.00**	**132,618.00**	**105,475.00**
Pensions and Gratuities	**19,581.00**	**24,880.97**	**25,271.00**	**43,148.00**	**92,980.17**	**99,901.79**
Grants, Subventions and Transfers	**104,020.68**	**110,925.52**	**130,332.64**	**141,925.28**	**102,827.89**	**118,430.41**
Local Authorities	21,765.47	21,969.27	21,969.27	23,066.28	24,214.54	25,425.27
Public Bodies	35,405.12	39,070.55	42,855.27	39,265.00	39,630.75	45,312.54
Private	46,850.09	49,885.70	65,508.10	79,594.00	38,982.60	47,692.60
Abroad						
Gross Fixed Capital Formation	**544,851.94**	**540,913.40**	**613,844.89**	**709,531.28**	**734,392.67**	**770,960.54**
Loans and Capital Transfers	-	-	-	-	-	-
Total Recurrent Expenditures	**544,851.94**	**540,913.40**	**613,844.89**	**709,531.28**	**734,392.67**	**770,960.54**
Grand Total	**544,851.94**	**540,913.40**	**613,844.89**	**709,531.28**	**734,392.67**	**770,960.54**
			Percent of GDP			
Gross Consumption	*14.81*	*11.66*	*12.65*	*11.82*	*11.72*	*11.85*
Interest on Debt	*4.49*	*2.88*	*3.80*	*3.72*	*3.83*	*2.80*
Pensions and Gratuities	*0.90*	*0.89*	*0.91*	*1.28*	*2.68*	*2.65*
Grants, Subventions and Transfers	*4.77*	*3.98*	*4.68*	*4.21*	*2.97*	*3.14*
Gross Fixed Capital Formation	*24.96*	*19.41*	*22.03*	*21.03*	*21.21*	*20.43*
Total Recurrent Expenditures	*24.96*	*19.41*	*22.03*	*21.03*	*21.21*	*20.43*
GDP at Current Market Prices(fiscal year)	**2,182,633.00**	**2,786,114.83**	**2,786,114.83**	**3,374,067.34**	**3,463,009.59**	**3,773,031.40**

Source: Ministry of Finance, Economic Planning and Development

19.5 Development Expenditure

The functional and economic classification of development expenditures are presented in Tables 19.5 and 19.6 respectively. Table 19.6 below of functional classification of development expenditures suggests that, with an increase from 4.6 percent of GDP to 6.8 percent of GDP in resources toward economic services, the 2014/15 development budget reflected a development-oriented fiscal policy stance that underpinned fiscal budget for the year to ensure that government spurs economic growth through economically productive sectors including infrastructure development. The outturn reflected the Government's commitment of resources towards economically productive sectors as opposed to non-productive sectors. The productive sectors included Mining, Agriculture, Tourism, Transport and communication in line with the MGDS II prioritisation.

However, a decrease from 2.1 percent of GDP to 1.5 percent of GDP in general public services signalled Government's effort to implement fiscal consolidation to ensure that it remains on track with its domestic borrowing targets while at the same time responding to the reduction in external inflows from development partners. Going forward into 2015/16 fiscal year, the trend is expected to be sustained as total development expenditure is envisaged to be maintained above 6.6 percent of GDP and further increased to 6.9 percent of GDP with more resources channelled towards economic services. The increase is partly on account of funds allocated for infrastructure projects on irrigation, roads and public universities, schools and colleges, namely University of Malawi, Malawi University of Science and Technology, Lilongwe University of Agriculture and Natural Resources and Mzuzu University, as well as construction of primary school blocks, technical colleges and secondary schools across the country.

Under the economic classification as shown in Table 19.6 below, the increase in gross fixed capital formation from 0.9 percent of GDP in 2013/14 to 1.6 percent of GDP in 2014/15 signalled the Government's commitment to enhance more productivity capacity in the economy by adding more stock to infrastructure as supported by continued construction of roads and more improvements in the electricity sector through the Malawi electrification programme resources, among other projects. This trend is expected to increase into 2015/16 fiscal year as the resources allocated increase from 1.6 percent of GDP in 2014/15 to 2.2 percent of GDP. In the medium term, development expenditure is projected to be maintained at the same high levels.

TABLE 19.5: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2013/14-2017/18

	2013/14 Revised	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Projection	2017/18 Projection
General Public Services	**46,943.56**	**47,437.64**	**42,206.58**	**46,800.77**	**48,166.55**	**56,376.51**
General Administration	40,765.51	43,228.63	39,267.77	43,015.81	38,269.21	43,246.80
Defence Affairs	6,032.57	1,210.00	875.00	535.00	1,689.54	4,127.01
Public Order and Safety Affairs	145.47	2,999.01	2,063.81	3,249.96	8,207.80	9,002.70
Social and Community Services	**17,509.55**	**26,095.41**	**24,450.06**	**34,745.31**	**41,998.52**	**45,693.40**
Education Affairs and Services	4,941.78	9,016.25	9,282.45	11,120.34	11,782.13	9,952.00
Health Affairs and Services	9,002.62	9,409.44	8,257.74	15,692.78	23,689.29	22,663.29
Social Security and Welfare Affairs Services (social protection)	1,784.41	3,970.08	4,085.61	1,244.57	1,318.44	1,834.44
Housing and Community Amenity Services	1,780.74	3,009.63	2,617.58	1,145.00	4,213.67	10,753.67
Recreational, Cultural & Other Social Services	-	690.00	206.68	5,542.62	995.00	490.00
Economic Services	**35,771.66**	**122,678.29**	**122,507.94**	**142,442.33**	**150,481.97**	**145,127.91**
Mining and Manufacturing and environmental protection	-	156.76	126.66	-	-	-
Agriculture and Natural Resources	35,771.66	95,626.32	98,555.46	95,990.92	99,335.59	92,944.11
Tourism Affairs and Services	-	87.48	66.99	-	-	-
Transport and Communication Services	-	23,590.44	20,847.96	40,937.29	45,296.12	44,430.85
General Economic, Commercial and Labour Affairs	-	3,217.30	2,910.86	5,514.11	5,850.25	7,752.95
R & D Economic Affairs and public debt	-	-	-	-	-	-
Total Development Expenditure	**100,224.76**	**196,211.34**	**189,164.58**	**223,988.41**	**240,647.03**	**247,197.82**
Percent of GDP						
GENERAL PUBLIC SERVICES	*2.15*	*1.70*	*1.51*	*1.39*	*1.39*	*1.49*
SOCIAL AND COMMUNITY SERVICES	*0.80*	*0.94*	*0.88*	*1.03*	*1.21*	*1.21*
ECONOMIC SERVICES	*1.64*	*4.40*	*4.40*	*4.22*	*4.35*	*3.85*
TOTAL DEVELOPMENT EXPENDITURE	***4.59***	***7.04***	***6.79***	***6.64***	***6.95***	***6.55***
GDP at Current Market Prices (fiscal year)	**2,182,633.00**	**2,786,114.83**	**2,786,114.83**	**3,374,067.34**	**3,463,009.59**	**3,773,031.40**

Source: Ministry of Finance, Economic Planning and Development

TABLE 19.6: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2013/14-2017/18

	2013/14 Revised	2014/15 Approved	2014/15 Revised	2015/16 Estimate	2016/17 Projection	2017/18 Projection
Gross Consumption	**38,025.50**	**84,140.90**	**73,934.34**	**95,574.16**	**111,500.23**	**112,508.41**
Compensation of Employees	3,330.50	5,681.90	6,780.56	10,677.87	18,964.40	17,609.88
Use of Goods and Services	34,695.00	78,459.00	67,153.78	84,896.29	92,535.83	94,898.53
Grants	**41,045.62**	**71,781.58**	**71,559.42**	**52,921.93**	**64,715.53**	**64,715.53**
Gross Fixed Capital Formation	**21,172.90**	**40,289.44**	**43,670.53**	**75,492.52**	**64,430.36**	**69,972.08**
Construction Works	6,977.80	14,067.00	11,887.77	19,938.61	16,643.80	18,861.73
Services	3,022.10	4,247.54	5,758.40	15,898.01	9,903.05	9,167.87
Equipment	6,130.10	15,832.00	19,123.45	21,856.23	26,034.09	27,960.37
Total Development Expenditure	**100,244.02**	**196,211.93**	**189,164.29**	**223,988.61**	**240,646.12**	**247,196.03**
		Percent of GDP				
Gross Consumption	*1.74*	*3.02*	*2.65*	*2.83*	*3.22*	*2.98*
Compensation of Employees	*0.15*	*0.20*	*0.24*	*0.32*	*0.55*	*0.47*
Use of Goods and Services	*1.59*	*2.82*	*2.41*	*2.52*	*2.67*	*2.52*
Gross Fixed Capital Formation	*0.97*	*1.45*	*1.57*	*2.24*	*1.86*	*1.85*
Total Development Expenditure	*4.59*	*7.04*	*6.79*	*6.64*	*6.95*	*6.55*
GDP at Current Market Prices (fiscal year)	**2,182,633.00**	**2,786,114.83**	**2,786,114.83**	**3,374,067.34**	**3,463,009.59**	**3,773,031.40**

Source: Ministry of Finance, Economic Planning and Development

19.6 Highlights of the 2015/16 Budget

During the 2015/16 Budget the Government will remain committed to fiscal consolidation while protecting social expenditure. Over the medium term, the budget will reflect a prudent fiscal stance whereby all recurrent transactions will be largely financed by domestically generated resources with a modest net domestic borrowing of 1.1 percent of GDP. In a quest to subdue the burden of liabilities that have haunted the Government for the past five years, repayment of outstanding arrears to suppliers of goods and services will be one of the Government's priorities. The Government will clear these arrears using the zero coupon bonds, thereby giving the Government room for expenditure for other priority expenditures. Going forward, the Government is determined to avert accumulating new arrears. To support this effort, the Government is instituting mechanisms for regular monitoring and reporting on arrears and strengthening commitment controls.

In a quest to increase revenue collection, the Government is implementing a number of measures to strengthen revenue administration and improve taxpayer compliance. For instance, the Government is stepping up modernization efforts at the Malawi Revenue Authority (MRA). Some of these efforts include upgrading of the tax administration system to a web-based platform, general IT systems at the customs and up-scaling of automation of business processes, which include full operationalization of cargo scanners and full roll out of electronic fiscal devices.

In line with the Government's action plan to address the weaknesses in public financial management, exposed by the "cash gate scandal", the Government is in the process of procuring a robust Enterprise Resource Planning (ERP) software that will go a long way in strengthening controls, and enhancing reporting on the use of public resources. With regards to the current Integrated Financial Management Information System (IFMIS) significant enhancements are being made on the system controls. In order to monitor transactions as they occur, the Government has created the consolidated government, ways and means, and the debt and aid account in the system.

19.7 Major implementation challenges of the 2015/16 Budget

The 2015/16 fiscal year budget still faces a number of implementation challenges. These include uncertainty surrounding full resumption of budget support from the country's development partners as most of the development partners have not yet resumed aid disbursements pending full implementation of the Public Finance Management Reforms. In this regard, the 2015/16 budget will rely more on domestically generated revenues as was largely the case with the 2014/15 fiscal year budget with more risk of high domestic borrowing if some development partners will not disburse as pledged. This may result in high domestic debt service costs which may potentially pose a risk to the successful implementation of the fiscal programme and also crowd out private sector development as interest rates continue to rise.

Recent increases in the international oil prices due to disruptions of supply on account of tensions in the Middle East may affect implementation of the 2015/16 budget. Lastly, low tobacco prices on the auction floors may also pose challenges with possible negative effects on incomes thereby reducing tax revenue collections.