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MALAWI GOVERNMENT

ANNUAL ECONOMIC REPORT 2014

Ministry of Finance, Economic Planning and Development

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Chapter 1

THE WORLD ECONOMIC OUTLOOK

1.1 World Output

1.1.1 World Output Developments in 2013

World ouptut in 2013 remained subdued but picked up in the latter six months of the year. Continued sluggish growth in Advanced Economies, with a contraction being registered in the Euro Area, was a significant contributing factor to weak world Gross Domestic Product (GDP) growth of 3.0 percent, according to the World Economic Outlook (WEO) produced by the International Monetary Fund (IMF). The economic recovery is further advanced in the United States, which has now benefitted from 10 quarters of consecutive economic growth and whose GDP is now 5.6 percent higher than its pre-crisis peak according to the World Bank's Global Economic Prospects Report.

TABLE 1.1: WORLD OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2012	2013	2014	2015
Global Growth	***3.2***	***3.0***	***3.6***	***3.9***
Sub-Saharan Africa	***4.9***	***4.9***	***5.4***	***5.5***
Advanced Economies	***1.4***	***1.3***	***2.2***	***2.3***
United States of America	*2.8*	*1.9*	*2.8*	*3.0*
Euro Area	*-0.7*	*-0.5*	*1.2*	*1.5*
Germany	*0.9*	*0.5*	*1.7*	*1.6*
France	*0.0*	*0.3*	*1.0*	*1.5*
United Kingdom	*0.3*	*1.8*	*2.9*	*2.5*
Japan	*1.4*	*1.5*	*1.4*	*1.0*
Canada	*1.7*	*2.0*	*2.3*	*2.4*
Emerging Market and Developing Economies	***5.0***	***4.7***	***4.9***	***5.3***
Developing Asia	*6.7*	*6.5*	*6.7*	*6.8*
China	*7.7*	*7.7*	*7.5*	*7.3*
India	*4.7*	*4.4*	*5.4*	*6.4*
Commonwealth of Independent States	*3.4*	*2.1*	*2.3*	*3.1*
Emerging and Developing Europe	*1.4*	*2.8*	*2.4*	*2.9*
Latin America and the Caribbean	*3.1*	*2.7*	*2.5*	*3.0*
Middle East and North Africa	*4.2*	*2.4*	*3.2*	*4.4*

Source: IMF World Economic Outlook April 2014

Growth in *Emerging and Developing Markets* was more robust than in developed economies in 2013, although it was uneven and concentrated towards the final two quarters of the year. Overall growth in *Emerging and Developing Markets* was registered at 4.7 percent in the year under review. Relatively strong performance in Asia and Mexico was offset by sluggish growth in South Africa, Turkey, Indonesia and Brazil.

Whilst higher than *Advanced Economies*, growth rates in *Emerging and Developing Markets* remain significantly lower than before the Global Financial Crisis. Weaker export demand emanating from developed countries, as well as more challenging global financial flows, have led to declining growth rates in major emerging markets including China and India.

1.1.2 World Output Prospects for 2014 and 2015

Global output is expected to pick up further in 2014 and 2015. In 2014, the IMF is predicting that global economic growth will reach 3.6 percent, whilst in 2015 it is expected to be at 3.9 percent. It should be noted that this is still significantly below the pre-crisis world growth rates of over 5 percent per annum.

The impetus for higher world growth is mainly emanating from an expectation of greater momentum in *Advanced Economies*, which should, in turn, act as a catalyst for higher world export demand, and hence higher growth rates in *Emerging and Developing Markets*. Overall, the IMF is predicting that fiscal contraction, which has been a major drag on economic growth in developed countries, will be tapered owing to improving fiscal fundamentals. On the other hand, the accommodative monetary policy stance being followed by Central Banks is expected to remain largely unchanged. The combination of these two policy stances should be favourable to growth in developed countries. The United States is forecasted to register a 2.8 percent growth rate in 2014 and a 3.0 percent growth rate in 2015, up from 1.9 percent in 2013. Growth in the Euro Area is expected to rebound to 1.2 percent in 2014 and 1.5 percent in 2015, up from -0.5 in 2013. Within Europe, growth is expected to be strongest in the core countries including Germany, where improving labour market conditions and improving consumer confidence are translating into higher domestic demand. The United Kingdom is forecast to register a growth of 2.9 percent in 2014 and 2.5 percent in 2015, on the back of higher consumer spending and a strengthening housing market. On the other hand, continued problems of indebtedness and unemployment are hindering investment and production in the Euro Area periphery.

Amongst *Emerging and Developing Markets*, growth is anticipated to pick up marginally from 4.7 percent in 2013 to 4.9 percent in 2014 and 5.3 percent in 2015. Higher growth rates in the developed world should translate into higher demand for exports from emerging markets. This trend is likely, however, to be offset by tighter financial conditions, as credit flows revert to developed countries where yields are set to increase in line with higher growth forecasts. Growth in China is expected to remain relatively consistent at 7.5 percent in 2014 and 7.3 percent in 2015, a marginal decline from the 7.7 percent growth in 2013. Chinese authorities seem set to continue their policy of restraining credit and investment growth in the economy as they seek to move towards a more balanced economic growth path supported by increased domestic demand. Indian economic growth is estimated to increase from 4.4 percent in 2013 to 5.4 percent in 2014 and 6.4 percent in 2015 led by higher investment and stronger export growth associated with the depreciation of the Rupee.

1.2 Regional Output

1.2.1 Regional Output Developments in 2013

Sub-Saharan Africa continues to register strong economic growth, above the average for the Emerging and Developing Markets, and only somewhat below Asian growth rates. In 2013 Sub-Saharan Africa grew at 4.9 percent, unchanged from the previous year. If South Africa is excluded from the analysis, growth rates in the continent topped 6.0 percent in 2013. Expansion in 2013 was under-pinned by strong agricultural output and investment into natural resources and infrastructure, with Gross Fixed Capital Formation expenditure increasing by 7.2 percent in Sub-Saharan Africa according to the World Bank. Furthermore, a 6.2 percent increase in remittance inflows, as well as falling inflation, boosted private consumption on the continent.

TABLE 1.2: REGIONAL OUTPUT (ANNUAL PERCENTAGE CHANGE)

	2012	2013	2014	2015
Global Growth	***3.2***	***3.0***	***3.6***	***3.9***
Sub-Saharan Africa	***4.9***	***4.9***	***5.4***	***5.5***
Tanzania	*6.9*	*7.0*	*7.2*	*7.0*
Zambia	*7.2*	*6.0*	*7.3*	*7.1*
Mozambique	*7.2*	*7.1*	*8.3*	*7.9*
Zimbabwe	*10.6*	*3.0*	*4.2*	*4.5*
South Africa	*2.5*	*1.9*	*2.3*	*2.7*
Nigeria	*6.6*	*6.3*	*7.1*	*7.0*

Source: IMF World Economic Outlook April 2014

The immediate neighbours of Malawi, that is, Zambia, Tanzania and Mozambique, all registered growth rates in excess of 6 percent. Growth in South Africa was, however, depressed to 1.9 percent. This could be attributed to industrial relation problems, in particular in the mining sector, as well as weak confidence, which impacted upon both consumer spending and investment.

1.2.2 Regional Output Prospects for 2014 and 2015

In 2014, growth in Sub-Saharan Africa is expected to pick up to 5.4 percent and remain relatively stable in 2015 at 5.5 percent. Improving macroeconomic policies on the continent, as well as greater levels of political stability are reaping rewards in terms of investment and output. Consumption expenditure is expected to continue to rise, buoyed by higher remittance inflows and falling inflation. Overall, the IMF is predicting that four of the world’s six fastest growing economies in 2014 will be in Africa.

Growth in Malawi’s immediate neighbours is expected to remain robust. Zambia is projected to grow by 7.3 percent in 2014 and 7.1 percent in 2015. Tanzania is forecast to grow by 7.2 percent in 2014 and 7.0 percent in 2015. Finally, Mozambique, which is undertaking significant supply-side investments into its mining and transport infrastructure, is set to register 8.3 percent growth in 2014 and 7.9 percent in 2015. South Africa's growth is also predicted to pick up in 2014 to 2.3 percent and in 2015 to 2.7 percent on the back of fewer industrial relations problems and higher external demand.

Downside risks remain, however, in particular for commodity exporters within Sub-Saharan Africa. Slower growth in key emerging markets, and a rebalancing of the Chinese economy, is likely to reduce the demand for commodity exports and, hence, this will lead to lower projected commodity prices. In turn, this will damage exports earnings from oil and other natural resources.

1.3 Inflation and World Commodity Prices

1.3.1 Inflation and World Commodity Price Developments in 2013

Increases in global consumption prices continued to be restrained in 2013 by persistent output gaps in the advanced economies, as well as declining global commodity prices. In 2013, consumer prices rose by only 1.4 percent in *Advanced Economies* and 5.8 percent in *Emerging Market and Developing Economies*, both down on the previous year. Lower consumer price growth was aided by a 0.9 percent fall in the world price of oil as well as a 1.2 percent fall in other non-fuel world commodity prices. Sub-Saharan Africa as a whole benefitted from strong harvests, which lowered food prices, as well as more prudent monetary policy exercised by Central Banks.

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

	2012	2013	2014	2015
Consumer Prices Growth				
Advanced Economies	*2.0*	*1.4*	*1.5*	*1.6*
Emerging Market and Developing Economies	*6.0*	*5.8*	*5.5*	*5.2*
Commodity Prices Growth				
Oil	*1.0*	*-0.9*	*0.1*	*-6.0*
Non-fuel	*-10.0*	*-1.2*	*-3.5*	*-3.9*

Source: IMF World Economic Outlook April 2014

1.3.2 Inflation and World Commodity Price Prospects in 2014 and 2015

Looking ahead to 2014 and 2015, world oil prices are expected to remain stable. Supply disruptions, owing to political instability in several OPEC member states, including Libya, Syria and Yemen are likely to be offset by rising oil supply from non-OPEC members, in particular the United States and Canada. Overall, the IMF is predicting that crude oil prices will only grow by 0.1 percent in 2014 before falling by 6.0 percent in 2015, by which time supply disruptions in OPEC member states should have abated.

Non-fuel commodities are also expected to see falling prices in 2014 and 2015, in line with the slower growth of Chinese demand for raw materials. Early agricultural production estimates for 2014 are suggestive that food production in the world will outstrip food demand for most major crops, thus leading to falling world food prices.

Owing to lower international commodity prices, as well as continued output gaps, consumer prices in *Advanced Economies* are set to remain low and stable in 2014 and 2015. Forecasted inflation for *Advanced Economies* is 1.5 percent in 2014 and 1.6 percent in 2015, marginally higher than the 1.4 percent growth in consumer prices registered in 2013. Consumer price outlooks for the Euro Area suggest that prices will rise by 0.9 percent, with some commentators warning of the potential of a deflationary risk. Low consumer prices, however, should allow Central Banks to continue accommodative monetary policies in Europe and America.

Emerging and Developing Economies are set to register a decline in inflation rates to 5.5 percent in 2014. Lower international commodity and trading prices, in conjunction with monetary policy tightening in many economies, should serve to dampen inflationary pressures. This process is likely to continue into 2015, when the IMF is predicting that consumer prices will grow by 5.2 percent in *Emerging and Developing Economies*.

1.4 Global Financial Sector

1.4.1 Global Financial Sector Developments in 2013

Global interest rates remain low on the back of the unprecedentedly low Base Rates being implemented by Central Banks in Europe and the United States. The six-month London Interbank Offer Rate (LIBOR) on US Dollar deposits averaged only 0.4 percent in 2013. Owing to positive rates of inflation, global real interest rates remain negative, fuelled by a savings glut from *Emerging Markets*, and suppressed investment demand in *Advanced Economies*.

In spite of these developments in *Advanced Economies*, several *Emerging and Developing Markets* are facing increasing financial costs. Increased yield prospects in developed countries, as well as concern over market fundamentals and political risks in developing countries, has led to higher risk premia associated with investment in *Emerging and Developing Markets*. Moreover, depreciating currencies in many countries is increasing the domestic financing burden associated with foreign denominated loans.

TABLE 1.4: LONDON INTERBANK OFFER RATES (PERCENTAGE)

	2012	2013	2014	2015
London Interbank Offered Rate (LIBOR) (percent)				
On US Dollar Deposits (six months)	*0.7*	*0.4*	*0.4*	*0.8*
On Euro Deposits (three months)	*0.6*	*0.2*	*0.3*	*0.4*
On Japanese Yen Deposits (Six Months)	*0.3*	*0.2*	*0.2*	*0.2*

Source: IMF World Economic Outlook April 2014

For most Sub-Saharan African economies, portfolio investment flows, are a less significant source of foreign finance than Net Foreign Direct Investment. Net Foreign Direct Investment (FDI) flows into Sub-Saharan Africa were estimated at US$43 billion in 2013, a 16.2 percent rise on the previous year, according to the World Bank. The bulk of FDI inflows into Africa continued to be concentrated into the extractive resource industry.

Fiscal balances in the Sub-Saharan Africa continued to be problematic. Public debt on the continent has risen from 29.0 percent of GDP in 2008 to 34.0 percent of GDP in 2013, according to the World Bank.

1.4.2 Global Financial Sector Prospects in 2014 and 2015

Global interest rates are likely to rise slowly in the medium term, with the World Bank deeming it unlikely that the extra monetary stimulus inflows in Advanced Economies will be rapidly withdrawn in response to the more sure-footed recovery that is taking hold in Europe and America. Falling inflation rates, accompanied by the potential for deflationary risks in some Western economies, should allow Central Banks greater scope to retain very low base rates and monetary expansion.

On the other hand, international investor sentiment appears to be increasingly concerned by *Emerging and Developing Market* risk and there is an indication of a flight to safe assets including US Treasury Bills. Increasing concern over the growth potentials of key *Emerging Markets* could contribute to a significant reversal of capital flows and hence this may impact on the course of monetary policy in these countries. Turkey, for instance, has more than doubled its interest rates in a bid to retain internal capital in the country.

With regards to Sub-Saharan Africa, the World Bank is expecting a slow-down in the growth of FDI inflows, although no substantial reversal is anticipated. Net FDI flows are forecasted to average US$44.3 billion in 2014-2016, roughly in-line with the levels received in 2013. Potential risks remain, however, owing to the effects of a slowdown in demand for raw materials, particularly from China.

1.5 International Trade

1.5.1 International Trade Developments in 2013

The growth in international trade has slowed substantially relative to the pre-crisis years. Between 1996 and 2005, exports from *Advanced Economies* grew at an average rate of 5.9 percent per annum and imports grew by 6.5 percent per annum. The corresponding figures for *Emerging and Developing Markets* were 8.7 and 8.0 percent, respectively. In this context, a 2.3 percent growth in *Advanced Economies'* exports in 2013 and 1.4 percent increase in imports are a substantial slowdown from before the financial crisis. The picture was the same in the *Emerging and Developing Economies*, which saw exports grow by 4.4 percent in 2013, whilst imports grew by 5.6 percent. Trade deficits worsened in many developing countries, with imports growing at a faster rate than exports. In Africa, the inflow of FDI and foreign aid, allowed countries to finance higher trade deficits.

TABLE 1.5: WORLD IMPORTS AND EXPORTS (ANNUAL PERCENTAGE CHANGE)

	2012	2013	2014	2015
World Trade Volume (Goods and Services)				
Imports (percentage Change)				
Advanced Economies	*1.1*	*1.4*	*3.5*	*4.5*
Emerging Market and Developing Economies	*5.8*	*5.6*	*5.2*	*6.3*
Exports (percentage Change)				
Advanced Economies	*2.1*	*2.3*	*4.2*	*4.8*
Emerging Market and Developing Economies	*4.2*	*4.4*	*5.0*	*6.2*

Source: IMF World Economic Outlook April 2014

1.5.2 International Trade Prospects for 2014 and 2015

Prospects for global trade currently look positive, with higher growth rates in *Advanced Economies* set to act as a catalyst for faster development in world trade. The IMF is forecasting the *Advanced Economies'* imports will expand by 3.5 percent in 2014 and 4.5 percent in 2015. This will be fuelled by a growth of consumption and investment spending in these economies, which have higher import intensities than government consumption. Some of this extra demand for imports will be met by higher exports from *Emerging and Developing Economies*, which are set to grow by 5.0 percent in 2014 and 6.2 percent in 2015.

These positive forecasts are not without potential down-side risks. Around half of Sub-Saharan African countries rely on oil or minerals for the bulk of their export earnings, and thus any drop in the international price of such goods will have a significant impact on the value of the continent's earnings.

The IMF is predicting that the growth rate in imports will be slightly higher than for exports for *Emerging and Developing Economies*. Imports are set to grow by 5.2 percent in 2014 and 6.3 percent in 2015. The World Bank is attributing this continued growth in imports to high demand from consumers in developing countries, as rising real incomes and remittances allow for higher consumption. Current Account deficits are expected to widen for most African countries in 2014 and 2015.

Chapter 2

MACROECONOMIC PERFORMANCE IN 2013 AND PROSPECTS FOR 2014 AND 2015

2.1 Overall Economic Performance and Forecast

In 2013, Malawi attained GDP growth of 6.1 percent. All sectors of the economy were estimated to have registered positive growth rates in the year. In particular, there was a significant rebound in the growth rates of agriculture and manufacturing, following declines in these sectors in 2012. In the agricultural sector, this was mainly attributed to 111.3 percent increase in tobacco output from 79.8 million kg in 2012 to 168.7 million kg in 2013. Growth in the manufacturing sector also rebounded in 2013 owing to higher agricultural inputs; a constant supply of foreign exchange and fuel; the appreciation and stabilization of the Kwacha between April and August 2013; and the steady decline in inflation rates between February and September, 2013. However, the contraction in fiscal expenditure in the last quarter of 2013, high interest rates, the increased cost of raw materials and power blackouts remained major challenges for businesses.

It is estimated that the economy will expand by 6.3 percent in 2014, a marginal increase from the 6.1 percent growth registered in 2013. Except for the mining sector, which is expected to contract in 2014, all the other sectors of the economy are anticipated to register positive growth rates. The positive growth is attributed to the steady decline in inflation rates, availability of foreign exchange and the higher crop production. Despite high growth prospects, firms are still expected to face several challenges such as high interest rates, high electricity costs, high transport costs and fluctuations of the Malawi Kwacha.

In 2015, the economy is projected to continue performing well and it is anticipated to register a growth rate of 5.8 percent. Businesses are generally confident that the macroeconomic fundamentals such as inflation and exchange rate will improve in the economy.

Table 2.1: GDP BY ACTIVITY AT CONSTANT PRICES, (IN MK' MILLION)[1]

	Constant 2010 Prices (in K'million)				
Sector	2011	2012	2013	2014*	2015*
Agriculture, forestry and fishing	329,026	326,761	346,182	367,230	381,478
Mining and quarrying	9,786	11,240	12,091	11,147	11,388
Manufacturing	105,474	104,303	110,276	116,339	120,814
Electricity, gas and water supply	13,990	14,331	14,712	15,931	17,265
Construction	31,545	32,344	34,118	36,022	38,172
Wholesale and retail trade	165,981	169,568	176,902	187,942	197,670
Transportation and storage	28,222	29,591	31,236	32,849	34,699
Accommodation and food services	19,959	20,989	21,940,	23,473	24,122
Information and communication	39,488	42,150	45,371	50,318	54,972

[1] Please note that the GDP numbers were rebased to use 2010 prices and thus past years figures are different from previous economic reports, which used 2009 and 2007 base prices.

Financial and insurance services	52,847	56,060	58,990	62,132	66,201
Real estate activities	87,421	90,735	92,962	95,119	97,368
Professional and support services	3,169	3,245	3,426	3,588	3,784
Public administration and defense	21,290	22,254	22,854	24,493	24,954
Education	26,548	28,127	29,651	31,353	33,113
Health and social work activities	28,258	29,424	30,893	32,276	34,016
Other Services	50,469	53,288	56,225	59,282	62,457
GDP at constant market prices	**1,069,252**	**1,091,543**	**1,157,601**	**1,230,008**	**1,301,879**
GDP at current prices	**1,150,917**	**1,452,230**	**1,924,110**	**2,441,155**	**2,838,776**

Source: National Statistics Office (NSO) and Department of Economic Planning and Development (MEPD) * Means Projections

Table 2.2: SECTORAL SHARES TO GDP (IN PERCENTAGES)

Constant 2010 prices (in K.million)					
Sector	2011	2012	2013	2014*	2015*
Agriculture, forestry and fishing	30.8	29.9	29.9	29.9	29.3
Mining and quarrying	0.9	1.0	1.0	0.9	0.9
Manufacturing	9.9	9.6	9.5	9.4	9.3
Electricity, gas and water supply	1.3	1.3	1.3	1.3	1.3
Construction	3.0	3.0	2.9	2.9	2.9
Wholesale and retail trade	15.5	15.5	15.3	15.3	15.2
Transportation and storage	2.6	2.7	2.7	2.7	2.7
Accommodation and food services	1.9	1.9	1.9	1.9	1.9
Information and communication	3.7	3.9	3.9	4.1	4.2
Financial and insurance services	4.9	5.1	5.1	5.1	5.1
Real estate activities	8.2	8.3	8.0	7.7	7.5
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	1.9
Education	2.5	2.6	2.6	2.5	2.5
Health and social work activities	2.6	2.7	2.7	2.6	2.6
Other Services	4.7	4.9	4.9	4.8	4.8

Source: National Statistics Office (NSO) and Department of Economic Planning and Development (MEPD)

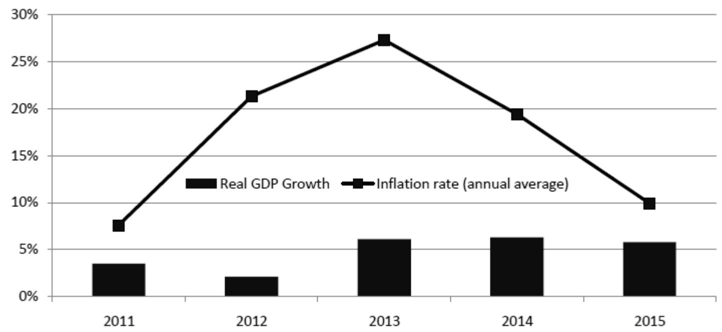
Table 2.3: ANNUAL PERCENTAGE GROWTH RATES, (IN PERCENTAGES)

Constant 2010 prices (in K.million)					
Sector	2011	2012	2013	2014*	2015*
Agriculture, forestry and fishing	6.1	(0.7)	5.9	6.1	3.9
Mining and quarrying	(7.0)	14.9	7.6	-7.8	2.2
Manufacturing	1.6	(1.1)	5.7	5.5	3.8
Electricity, gas and water supply	2.6	2.4	2.7	8.3	8.4
Construction	0.5	2.5	5.5	5.6	6.0
Wholesale and retail trade	2.4	2.2	4.3	6.2	5.2
Transportation and storage	1.7	4.9	5.6	5.2	5.6
Accommodation and food services	3.3	5.2	4.5	7.0	2.8
Information and communication	4.4	6.7	7.6	10.9	9.2
Financial and insurance services	9.2	6.1	5.2	5.3	6.5

Real estate activities	4.8	3.8	2.5	2.3	2.4
Professional and support services	2.8	2.4	5.6	4.8	5.4
Public administration and defense	6.1	4.5	2.7	7.2	1.9
Education	5.6	5.9	5.4	5.7	5.6
Health and social work activities	3.8	4.1	5.0	4.5	5.4
Other Services	5.7	5.6	5.5	5.4	5.4
GDP at constant market prices	**3.5**	**2.1**	**6.1**	**6.3**	**5.8**
GDP at current prices	**11.4**	**23.8**	**35.0**	**26.9**	**16.3**

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

FIGURE 2.1: REAL GDP GROWTH AND ANNUAL AVERAGE INFLATION RATES (2010-2014)



Source: Department of Economic Planning and Development

2.2 Real Sector Performance in 2012 and Prospects for 2013 and Beyond

2.2.1 Agriculture

The growth of the agricultural sector in 2013 was estimated to have been 5.9 percent from -0.7 registered in 2012. The main growth driver of the sector in 2013 was tobacco. The Tobacco Control Commission data shows that sales on the Tobacco Auction Floors were 168.7 million kilograms. This represents a 111.3 percent growth relative to 2012. Growth in other cash crops, such as maize, was relatively weak, with output only increasing by 0.4 percent, up to 3.6 million metric tons.

In 2014, the sector is expected to grow by 6.1 percent. This growth is attributable to high agriculture production as reported in the First Round of Crop Estimates, especially in maize and tobacco owing to the good rains that the country experienced during the 2013/14 growing season. The Crop Estimates show that maize is expected to increase by 10.2 percent; rice by 6.2 percent; pulses by 7.8 percent and Irish potatoes by 6.2 percent. Moreover, The Tobacco Control Commission is anticipating that tobacco output in 2014 will reach 194 million kilograms, which represents a 25.2 percent increase over last year.

In 2015, the forecast for growth has been conservatively estimated at 3.9 percent. This slow-down is the result of base-effects, that is, the high expected levels of output in 2014 are likely to reduce the growth rate in 2015. In particular, tobacco and maize, should have reached stable production levels, following their rebounds in 2013 and 2014. Hence, the production levels for these have been maintained for 2015. Still, growth in 2015 will be driven by an expansion in production of rice, groundnuts, pulses and legumes, resulting from the production and marketing up-scaling programmes by Government.

2.2.2 Mining and Quarrying

The growth for this sector was estimated at 7.6 percent in 2013 from 14.9 percent in 2012. This is mainly attributable to lower levels of uranium output in the second half of the year. Production at the Kayelekera Uranium Mine slowed in the second half of the year due to maintenance work on the plant and low prices of uranium at the international market.

In 2014, the Mining & Quarrying sector is expected to contract by 7.8 percent. The expected contraction is attributed to the suspension of production at Kayelekera Uranium Mine as the company continued to make losses due to low prices on the international market.

In 2015, however, the sector is expected to grow by 2.2 percent, owing to moderate growth in traditional mineral outputs including rock quarry aggregate, agricultural lime, coal and gemstones. It is possible that the actual attained level may be considerably higher if Paladin resumes production of uranium at Kayelekera or if significant investments are made in the sector following the conclusion of the Geo-Physical Airborne Survey.

2.2.3 Manufacturing

The manufacturing sector was estimated to have grown by 5.7 percent in 2013 compared to -1.1 percent registered in 2012. Tobacco processing was the biggest driver of growth in the sector, with output expected to have increased by 95.1 percent, largely in line with the growth rate witnessed in the production of tobacco. Other manufacturing firms benefitted from the more stable macroeconomic environment relative to 2012. Foreign exchange and fuel scarcity problems had eased in the sector. Moreover, firms had benefitted from the appreciation and stabilisation of the Kwacha between April 2013 and September 2013. The combination of these positive supply shocks means that capacity utilisation in the sector had significantly improved.

In 2014, the manufacturing sector is estimated to grow by 5.5 percent. This growth is attributable to increased production estimates in several sub-sectors such as processing of tobacco, tea and sugar; beer production; dairy products; flour products; and wood products, among others. As well as the growth in agro-processing, other companies in the manufacturing sector are expected to benefit from higher demand linked to higher disposable incomes and a more constant supply of electricity following the rehabilitation of Kapichila II Power Station.

In 2015, the sector is projected to grow by 3.8 percent. This slow-down in growth can be attributed to slower growth rates in the agro-processing subsector, in line with a slow-down in the agricultural sector. Moreover, slow rates of capacity utilisation growth, and a lack of major investment projects in the sector, will limit growth in 2015.

2.2.4 Electricity, Gas and Water

The growth rate for 2013 was estimated at 2.7 percent compared to 2.4 percent registered in 2012. The utilities sector is expected to grow by 8.3 percent in 2014. This follows an anticipated improvement in sales of electricity since ESCOM have added 64 MW to the National Grid after commissioning of Kapichila II Power Station early this year. The water sub-sector is also anticipating an improvement in the losses from non-revenue water as well as an increase in water production through increased investment in the sub-sector. For example, the Water Boards are investing in construction, extension and rehabilitation of a number of water supply schemes through the National Water Development Programme, which receives funding from the World Bank and EU/EIB, amongst other donors.

In 2015, the sector is projected to grow by 8.4 percent mainly due to the continued improvement in the supply of electricity and the completion of refurbishment projects of generators and transmission lines. Further, Nkula A Power Station is expected to be commissioned in the year and this will bring an additional generation capacity of 6MW to the national grid.

2.2.5 Construction

Growth in the construction sector for 2013 was estimated to have been 5.5 percent compared to 2.5 percent registered in 2012. The sector is estimated to grow by 5.6 percent in 2014. The sector is currently benefitting from major construction projects. In particular, Mota Engil has been undertaking major construction work for the VALE Railway Project in the south of the country. Other major projects being undertaken include the National Football Stadium in Area 47 in Lilongwe and Gorge dream town, a major housing project in Area 49. In addition, the construction work on the Gateway Shopping Mall in Lilongwe continued in September 2013, and is due for completion later in 2014.

In 2015, the sector is projected to grow by 6.0 percent. This estimate is based on the assumption of a cautious increase in government and donor funded projects as it is expected that Budget Support will be resumed and reflected in the 2014/15 Budget. Moreover, greater stability with regards to the Kwacha should aid the sector.

2.2.6 Wholesale and Retail

The wholesale and retail trade sector was estimated to have grown by 4.3 percent in 2013. The sector is estimated to grow by 6.2 percent in 2014. This is partly because the sector is expected to benefit from the ease in inflation rates in the year, leading to an improvement in demand for goods and services as real wages are set to rise. For instance, PIL and MERA indicate that fuel imports in 2014 will increase over the 2013 levels due to anticipated increase in economic activity in the country. New investment in the sector is also apparent. In Lilongwe, both Chipiku and Sana have opened new flagship stores and the Gateway Shopping Mall is due to open in the second half of the year. In Mzuzu, Shoprite made a significant investment into a new super-market.

In 2015, the sector is projected to grow by 5.2 percent. This is due to the expectation of rising real wages as inflation slows down, and greater stability of the Kwacha. Sales at the new stores listed above should be consolidated by the end of 2015. Growth is expected to be slower than 2014 owing to the higher base in 2014 (as many new stores were opened in this year), as well as a projected slow-down in the growth rates of agriculture and manufacturing.

2.2.7 Transportation and Storage Services

The transportation sector was estimated to have grown by 5.6 percent in 2013 compared to 4.9 percent registered in 2012. Rail transport, in particular, had a good year with freight volumes growing by 16.6 percent and passenger volumes growing by 10.0 percent. Road transportation benefitted from greater availability of fuel in 2013. In addition, Malawian Airlines started operating toward the end of the year.

The sector is estimated to grow by 5.2 percent in 2014. This growth will be driven by an anticipated increase in Rail volumes when the Moatize-Nacala corridor opens. Air transportation will also improve with the coming in of Malawian Airlines. Finally, road-freight transportation is anticipated to benefit from the bumper crop production as well as the improvements in the wholesale and retail trade sector. Bus operators are also expecting higher passenger volumes.

In 2015 the sector is projected to grow by 5.6 percent. Again, this growth is attributed to the improvement in the agriculture sector and the wholesale and retail trade sector together with increased performance in the rail transport after completion of Moatize-Nacala corridor project towards to the end of this year.

2.2.8 Accommodation and Food Services

In 2013, the sector registered a 4.5 percent growth compared to 5.2 percent registered in 2012. Furthermore, the sector is estimated to grow by 7.0 percent in 2014. The major reason given by hotels for this higher growth is a major increase in conference activities linked to the Tri-partite elections held in May, 2014 as well as an increase in visitor numbers linked to the commencement of operations of Malawian Airlines and placement of advertisements on CNN.

In 2015, the sector is estimated to grow by 2.8 percent. This slow-down in growth is attributable to the one-off spike in growth in 2014, as a result of the elections and the introduction of Malawian Airlines.

2.2.9 Information and Communication

In 2013, the information and communication sector was estimated to have grown by 7.6 percent compared to 6.7 percent registered in 2012, owing to continued strong growth of telecommunication providers and internet service providers. In 2014, the sector is estimated to grow by 10.9 percent based on the prediction by publishers of a large increase in sales, as people were expected to increase their readership around the time of the national elections. Mobile phone operators are also predicting to continue increasing sales of airtime units as disposable incomes in the country rise as a result of reduced inflation levels. New television stations have also been rolled out, adding on the business in the sector.

In 2015, the sector is projected to grow by 9.2 percent. Growth potential for this sector remains strong as internet service providers seek to increase their customer base and mobile phone operators have large potential to increase sales of airtime units, internet subscriptions as well as consolidating new services such as mobile banking. Mobile phone companies continue to undertake major investments into infrastructure to support these services.

2.2.10 Financial and Insurance Services

The financial and insurance services sector registered a growth of 5.2 percent in 2013 compared to 6.1 percent recorded in 2012. The sector has benefited from the more stable economic environment in 2013, registering higher profits on the back of increased foreign exchange transactions and high interest rates. Counteracting this was the increase in non-performing loans. With regards to insurance, gross written premiums increased significantly, owing to the fact that many assets. values are implicitly Dollar-linked such as automobiles.

The sector is estimated to grow by 5.3 percent in 2014. The sector is currently benefiting from the high interest rates and increased foreign exchange transactions which lead to registering high profits. However, the benefits would have been more if it were not for the expected increase in non-performing loans in the year. Insurance firms are also anticipating an increase in their gross written premiums in 2014, although fraudulent claims are also on the rise.

In 2015, the sector is projected to grow by 6.5 percent citing the same reasons. Growth in the medium term is expected to be driven by an expanding customer base, largely due to the introduction of new technologies, including mobile banking, allowing traditional financial service providers to reach into new markets.

2.2.11 Real Estate

The real estate sector was estimated to have grown by 2.5 percent in 2013 compared to 3.8 percent registered in 2012. Occupancy rates increased across the year as a whole, in line with the improved macroeconomic environment. However, a lack of major investments in the sector limited growth.

In 2014, the real estate sector performance expectations are mixed. Overall, the sector is expected to grow by 2.3 percent. Major suppliers in the sector expect to complete some projects which will in turn improve performance in the subsequent years. For example, MPICO is predicting a large increase in rental income as it is set to open the Gateway Shopping Mall in June 2014.

In 2015, the sector is projected to grow by 2.4 percent attributable to an increase in available housing stock for rent such as the Gorge dream town in area 49 to be completed in the year as well as consolidation of rental incomes emanating from the new Gateway Shopping Mall. However, the sector is not expected to have any significant growth in occupancy rates of existing installations, as occupancy rates were consolidated during the economic recovery in 2012, 2013 and 2014.

2.2.12 Public Administration and Defence

In 2013, the Public Administration and Defence sector was estimated to have grown by 2.7 percent compared to 4.5 percent registered in 2012. The revisions to the 2013/14 budget made in light of the Suspension of Budget Support meant a significant reduction in available resources for the sector, thus impacting negatively upon productivity and compensation of employees. The sector is expected to grow by 7.2 percent in 2014. In 2015, the sector is provisionally projected to grow by 1.9 percent based on cautious assumptions regarding the growth in public expenditure and the recruitment of new employees in the public sector.

2.2.13 Education

The Education sector was estimated to have grown by 5.4 percent in 2013 compared to 5.9 percent registered in 2012. Public enrolment rates continued to increase owing to both population growth and a focus to achieve the educational goals of the Millennium Development Goals. The number of children enrolled in primary school education is expected to increase significantly and the sector is estimated to grow by 5.7 percent. This too will be driven by higher enrolment rates linked to population growth and policy drive to achieve education policy such as increasing national literacy rates in the country. In 2015, the sector is projected to grow by 5.6 percent due to similar reasons.

2.2.14 Human Health and Social Work Activities

The Human Health sector was estimated to have grown by 5.0 percent in 2013 compared to 4.1 percent registered in 2012. The sector is estimated to grow by 4.5 percent in 2014. The number of in-patients in public and private hospitals continues to increase owing to population growth particularly in urban areas. In 2015, the sector is projected to grow by 5.4 percent, again driven by higher population rates in urban areas as well as higher disposable incomes to spend on private hospitals.

2.3 Prices

The annual average inflation rate for 2013 was at 27.3 percent, up from 21.3 percent in 2012. The end period inflation was at 23.5 percent, significantly down from 34.6 percent in December 2012. The annual average inflation rate for food was 23.3 percent and for non-food was 30.7 percent. Looking beyond 2013, average inflation rates for 2014 and 2015 are estimated at 19.4 percent and 9.9 percent, respectively.

TABLE 2.4: INFLATION RATES, 2011-2015

YEAR	2011	2012	2013	2014*	2015*
Inflation rate (end of period), percent	9.8	34.6	23.5	14.2	9.0
Inflation rate (annual average), percent	7.6	21.3	27.3	19.4	9.9

Source: National Statistics Office and Department of Economic Planning and Development
Note: * Means Projections

Especially, high rates of inflation were experienced at the beginning of the year, largely due to the carry over effects from the devaluation of the Kwacha in May 2012 and the subsequent depreciation that increased the prices of imported goods, and wage and input costs for domestic firms, which subsequently revised their prices upwards. Inflation in the country peaked in February 2013 at 37.9 percent; but this fell sharply in subsequent months until reaching its trough in September 2013 at 21.7 percent. This was a result of a strengthening of the Kwacha against major trading currencies including the US Dollar between May and August 2013. In addition, average food prices in the economy fell every month from April to August 2013.

Inflation trends began picking up again from October 2013 with a rise in non-food inflation, owing to the depreciation of the Kwacha, following the suspension of Budget Support. Between the start of September to the end of the year, the Kwacha depreciated from K338.60 per US Dollar to K435.10 per US Dollar. Food inflation rates also began to increase as a result of higher maize prices, linked to the limited growth in maize output in 2013.

The average inflation figures showed that year-on-year inflation rates rose again in January 2014. Overall inflation stood at 25.9 percent, which was 2.4 percentage points higher than the December 2013 average inflation rate. Food inflation was registered at 24.1 percent and non-food inflation and 27.7 percent.

Inflation rates are forecast to fall over the course of 2014. The annual average inflation rate for 2014 is projected at 19.4 percent, which represents a drop of 7.9 percentage points from the annual average rate for 2013. Year-on-year inflation rates have fallen modestly from the beginning of the year. The year-on-year inflation rate was 25.9 percent in January, 2014 and this had further fallen to 23.9 percent by April 2014. Inflation rates are forecast to fall more quickly in the latter half of the year, when the country should benefit concurrently from an appreciating Kwacha (linked to the Tobacco sales at the Auction Floors) and falling food prices (linked to good crop production recorded in 2014). The

Kwacha appreciated from around 435 Kwacha to the US Dollar to less than 400 Kwacha to the US Dollar as of the end of May 2014.

The first round of the Agricultural Production Estimates Survey revealed that Malawi is set to benefit from strong growth in major consumption crops this year. Overall, maize production is set to register a 10.2 percent growth over 2013 levels, far outstripping population growth. Rice production is set to grow by 6.3 percent and potato production by 6.2 percent. Hence, the increased harvest should tame the rate at which food prices will rise in 2014 relative to 2013.

Additionally, the IMF is predicting that world food prices will decline by 10.3 percent in 2014. Annual average food inflation is forecast at 17.7 percent, mainly on account of high prevailing inflation rates at the start of the year linked to limited maize growth in the 2013 harvest. However, year-on-year inflation rates are forecast to fall sharply following the 2014 harvest with end-period rate of 9.3 percent which is significantly lower than Malawi.s end-period inflation of 14.2 percent in 2013.

Projections for inflation in 2015 suggest that overall inflation rates will return to single digits. Overall annual average inflation is forecast at 9.9 percent, whilst end-period inflation is forecast at 9.0 percent. Year-on-year food inflation at the start of 2015 is set to be relatively low on account of the expectation of a good harvest in 2014. This will restrain the increase in food prices during the lean season. Annual average food inflation is forecast at 8.3 percent, whilst the end period rate is forecast at 8.1 percent, on the assumption that rainfall in 2015 will be at average levels. The IMF is forecasting that world food prices will fall by 2.4 percent in 2015.

Non-food inflation will continue to fall in 2015, largely owing to greater expected stability of the Kwacha against the US Dollar and other trading currencies, with depreciation being in-line with Purchasing Power Parity estimates. Annual average non-food inflation is forecast at 11.4 percent, down 9.6 percentage points on the 2014 annual average. End-period non-food inflation is forecast at 9.8 percent. The country should benefit from a significant reduction in world oil prices with the IMF forecasting that the price of spot crude oil will fall by 5.2 percent.

2.4 Balance of Payments

2.4.1 Current Account Balance 2013-2014

Malawi posted a Current Account Balance of negative US$1,211.7 million in 2013, which is set to remain fairly stable in 2014 at negative US$1,281.2 million. The Current Account deficit is being driven by continuous deficits on the net exports of Goods and Services. Net exports of Goods and Services registered a cumulative deficit of US$1,481.1 million in 2013 and this is set to rise to negative US$1,605.5 million in 2014, on account of import growth continuing to outstrip the growth in exports. Net income receipts in 2013 were also negative, at negative US$107.0 million and are set to rise marginally to negative US$115.2 million in 2014. This was somewhat offset by positive inflows of current transfers amounting to US$376.4 million in 2013, which is forecast to rise to US$439.5 million in 2014. 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 slow-down in import growth.

2.4.1.1 Goods Balance in 2013

Malawi continues to post a deficit with regards to its net exports of goods. In 2013, the country posted a Goods Balance deficit of US$1,364.9 million (f.o.b). This represents a 26.6 percent rise over the Goods Balance deficit posted in 2012 and was mainly driven by a strong increase in imports, in response to pent up demand. Overall, exports grew by 8.6 percent in 2013, reaching US$1,378.9 million as producers substituted into the producing goods for exports in response to the greater price incentive following the devaluation of the Kwacha.

Having said this, there was a slight fall in the value of tobacco exports in 2013 to US$604.7 million from US$641.5 million in 2012. This was driven by a significant reduction in export volumes from 182.7 million kg in 2012 to 145.1 million kg in 2013. The main reason for this reduction was the low levels of carry-over stocks in the first six months owing to the poor production volumes witnessed in 2012. However, exports picked up since June 2013, following on from a significant growth in production volumes in the year. The value of uranium exports in 2013 was recorded as US$133.5 million in 2013, roughly the same as the US$136.4 million exported in 2012. Exports of uranium slowed down in the last 6 months owing to lower prices and production shutdowns for maintenance at the Paladin plant in August 2012. Uranium prices fared badly in 2013. Hence, the price Paladin received for uranium exports fell by 35.0 percent and this severely affected the value of uranium exports from Malawi in the year. In spite of marginal falls in both tobacco exports and uranium exports, Malawi benefited from higher exports of tea, sugar and edible nuts in the year.

Imports in 2013 grew by 16.9 percent from US$2,355.8 million to US$2,750.7 million (f.o.b) recorded in 2012. This growth was mainly on account of pent-up demand for imports for both intermediate inputs into the production process as well as for final demand consumption. Import levels were lowered in 2012 by fuel and foreign exchange shortages, in particular, in the first four months of the year, which drastically reduced import levels. In 2013, increased availability of foreign exchange and fuel imports led to increase in imports. In 2013 the value of petroleum imports increased from US$287.5 million to US$361.3 million 2012. Fertilizer imports have grown from US$271.4 million in 2013 to US$335.8 million in 2012.

2.4.1.2 Goods Balance in 2014

In 2014, the country is forecast to register a Goods Balance deficit of US$1,465.5 million, which is a 7.4 percent increase over 2013. This is mainly on account of expected slow growth of exports in 2014, which is linked to the suspension of

Uranium production by Paladin. Exports are set to grow by 1.7 percent in 2014 to US$1,411.0 million, mainly on account of higher tobacco exports. This is premised on large carry-over stocks for export in the first few months of 2014 and high forecasted production in the year. The Tobacco Control Commission is estimating that 2014 exports will reach 169.0 million kg. In value terms, tobacco exports are predicted to attain US$710.7 million in 2014. Initial international price data for 2014 suggests that the world price of tobacco has risen relative to 2013. In the first four months of 2014 the price of US imported tobacco was up 12 percent on the same period in 2013 and the World Bank is estimating that overall 2014 prices are set to be 2.8 percent up on last year.

Growth in imports is forecast to slow down to 4.5 percent in 2014, registering a value of US$2,876.5 million. Rising incomes and increased demand for industrial inputs are the key factors behind the growth in imports in 2014. Working against this trend is a relative price effect, which owing to the depreciation of the Kwacha has increased the local currency price of imported goods, thus curtailing demand. Moreover, cuts to the government budget and the suspension of the Kayelekera Uranium Mine will slow down the demand for imports from these two sectors.

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

	2013	2014
Tobacco	604.71	710.72
Tea	82.95	71.92
Sugar	113.81	117.38
Cotton	26.44	22.06
Coffee	3.83	3.55
Pulses	29.68	28.59
Uranium	133.54	9.61

Source: NSO and MEPD

2.4.2 Capital and Financial Account Balance 2013-2014

Malawi is mainly financing its imports through foreign capital grants as well as foreign loans to General Government and Monetary Authorities as well as the foreign direct investments. Positive inflows allowed Malawi to run a Capital Account surplus of $217.1 million in 2013, which is forecast to rise to $291.3 million in 2014. In 2013, the net inflow of funds into the Financial Account was US$114.5 million, which is set to decline to $69.2 million in 2014. Malawi continues to invest into the accumulation of reserve assets, in order to meet the Reserve Bank.s objective to accumulate around US$660 million, which represents 3.5 months of import cover in medium term. In 2013, the country invested $185.8 million into reserve assets and this is set to increase to $298.6 million in 2014.

TABLE 2.6: BALANCE OF PAYMENTS (US$ million)

	2011	2012	2013	2014
Current Account Balance (Net)	**(827.9)**	**(838.5)**	**(1,211.7)**	**(1,281.2)**
Goods (Net)	**(1,089.5)**	**(1,077.87)**	**(1,364.9)**	**(1,465.5)**
Exports of Goods, fob	1,539.2	1,278.0	1,387.9	1,411.0
Imports of Goods, fob	(2,628.7)	(2,355.8)	(2,752.8)	(2,876.5)
Services (Net)	**(150.6)**	**(119.7)**	**(116.2)**	**(140.1)**
Exports of Services	90.1	109.3	114.7	106.1
Imports of Services	(240.7)	(229.1)	(230.9)	(246.1)
Income (Net)	**(106.7)**	**(110.9)**	**(107.0)**	**(115.2)**
Income Receipts	2.4	3.3	2.6	2.9
Income Payments	(109.1)	(114.2)	(109.5)	(118.1)
Current Transfers (Net)	**518.8**	**469.8**	**376.4**	**439.5**
Current Transfers Receipts	532.8	484.1	389.4	453.8
Current Transfers Payments	(14.0)	(14.2)	(13.0)	(14.2)
Capital Account (Net)	**458.3**	**359.6**	**217.1**	**291.3**
Current Account Receipts	458.4	359.8	217.3	291.4
Current Account Payments	(0.1)	(0.2)	(0.1)	(0.1)
Financial Account (Net)	**476.3**	**207.7**	**114.5**	**69.2**
Foreign Direct Investment (Net)	**79.2**	**79.7**	**72.6**	**79.1**
Foreign Direct Investment Abroad	(49.6)	(49.8)	(45.4)	(49.5)
Foreign Direct Investment in Malawi	128.8	129.5	118.0	128.5
Portfolio Investment (Net)	**1.2**	**1.2**	**1.1**	**1.2**
Portfolio Investment Assets	0.1	0.1	0.1	0.1
Portfolio Investment Liabilities	1.1	1.1	1.0	1.1
Other Investments (Net)	**287.2**	**152.2**	**226.7**	**287.6**
Other Investment Assets	(31.6)	(14.4)	(76.7)	(73.7)
Other Investment Liabilities	318.8	166.5	303.4	361.3
Reserve Assets	**108.7**	**(25.3)**	**(185.8)**	**(298.6)**
Net Errors and Omissions	**(106.7)**	**271.1**	**880.0**	**920.7**

Source: National Statistical Office

2.5 Fiscal Performance

In 2013, the country continued to implement a series of tough economic reforms that started in 2012. These reforms were designed to restore macroeconomic stability and create a market based economy that would help provide a solid foundation for sustainable economic growth in future. However, mid-way through the year, the economy experienced economic turbulence largely on account of the massive fiscal fraud which resulted in the withdrawal of Budget Support by development partners. As a result of this, domestic revenue became the major source of financing the recurrent budget and this necessitated an upward revision of domestic revenue target that was initially programmed.

Despite these challenges, fiscal performance of the Central Government budgetary operations was fairly impressive during the 2013/14 fiscal year compared to the previous year with respect to higher domestic revenue collections than was initially projected. This was largely driven by a remarkable outturn on taxes on goods and services followed by taxes on income and profits as a result of exchange rate adjustment.

However, due to the withdrawal of budget support, there was a decline in revenue (including grants) to 23.7 percent of GDP in 2013/14 fiscal year from 28.2 percent of GDP in 2012/13 fiscal year. As a result, the overall financing position worsened in 2013/14 fiscal year as there was a significant increase in the fiscal deficit to 6.0 percent of GDP compared to 1.7 percent of GDP in 2012/13. Consequently, the fiscal net domestic borrowing position for the 2013/14 fiscal year increased to 3.9 percent of GDP from a net repayment of 0.2 percent of GDP in 2012/13. Going forward in 2014/15 fiscal year, total revenues and grants are expected to marginally increase to 24.1 percent of GDP largely on account of improved efficiency in domestic revenue collection through measures such as expansion in the use of electronic fiscal and scanning devices.

Total expenditures marginally declined to 29.7 percent in 2013/14 fiscal year from 29.9 percent in the previous year largely on account of reduced development expenditure even though recurrent expenditure increased to 25.2 percent of GDP in 2013/14 fiscal year from 23.7 percent in 2012/13 fiscal year. Going forward in 2014/15 fiscal year, expenditures are expected to decline further to 28.1 percent of GDP due to a combination of enhanced fiscal discipline and limited resource base as a result of non-disbursement of Budget Support by Development Partners.

Government fiscal policy will continue to complement monetary policy in dealing with inflation and exchange rate volatility in 2014/15. Therefore, tightening of the fiscal policy will continue in 2014/15

fiscal year. Based on the outturn of the 2013/14 budget, all recurrent transactions will be fully financed by domestic resources whereas development expenditures will be financed by foreign grants so as to ensure macroeconomic balance and resource predictability.

2.6 Monetary Policy Developments

During the 2013/14 fiscal year, the focus of monetary policy remained primarily low and stable inflation whilst ensuring that sufficient credit is availed to the private sector for sustainable economic growth. The Reserve Bank (RBM), therefore, employed a number of monetary policy instruments under its monetary policy framework aimed at achieving its objectives and supporting the Government.s economic growth objectives. Resultantly, headline inflation dropped from 27.9 percent recorded at the end of the 2012/13 fiscal year to 24.0 percent by March 2014. In order to facilitate the flow of resources to the private sector, the RBM maintained the Bank rate at 25.00 percent throughout the 2012/13 fiscal year, despite the developments in macroeconomic fundamentals pointing to the hike in the rate. This and other policy measures induced commercial banks to slightly revise downwards their interest rates structure, which saw the base lending rate declining to an average of 37.13 percent by March 2014 from 40.83 percent reported at the end of the 2012/13 fiscal year. The annual growth rate in private sector credit stood at 15.7 percent in March 2014 compared to 11.5 percent recorded at the end of the 2012/13 fiscal year, whereas its composition in total domestic credit was at 59.1 percent compared to 57.6 percent registered as of end-June 2013.

Chapter 3

AGRICULTURE AND NATURAL RESOURCES

3.1 Overview

This chapter reviews performance of the Agriculture and Natural Resources sector for the 2013/14 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), Farm Input Loan Programme (FILP), Agriculture Sector Wide Approach (ASWAP) and the initiatives undertaken in the sector under the country's Economic Recovery Plan (ERP).

3.2.1 2013/2014 Weather

According to the seasonal weather report released by the Department of Climate Change and Meteorological Services, the overall rainfall pattern was favorable for crop development. However, some parts of the country were hit by dry spells in the month of March. This resulted into permanent crop damage in some areas like Karonga and army worm outbreaks in Ntcheu and Kasungu. On the other hand, high intensity rainfall was experienced during the season resulting into floods and wash-aways in Machinga and Rumphi districts.

3.2.2 Crop Production

Second Round National Crop Estimates projects maize production for 2014 at 3,929,015 metric tones from 3,639,866 metric tons representing an 8 percent increase from the 2013 final round. The increase is attributed to improved uptake of fertilizer with the implementation of the farm input loan scheme and favorable weather. Forecasts for 2014 tobacco production project 163,940 metric tons, which is an increase of 23 percent from 132,849 metric tons in 2013/14. The increase is attributed to good prices offered last year and improvement in yield because of the Integrated Production System. Groundnuts production is estimated at 414,861 metric tons, which is an increase of 9 percent from 380,800 metric tons produced in 2013. 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	Third Round 2012/2013	Second Round 2013/2014	Percentage Change
Maize	3,639,866	3,929,015	*8*
Rice	125,156	130,811	*5*
Groundnuts	380,800	414,861	*9*
Tobacco	132,849,214	163,940,470	*23*
Cotton	158,826	140,858	*-11*
Wheat	1,784	1,160	*-35*
Sorghum	87,568	92,378	*7*
Millet	39,262	42,456	*8*
Pulses	660,655	723,644	*10*
Cassava	4,813,699	5,139,144	*7*
S/Potato	3,846,930	4,218,676	*10*

Source: Ministry of Agriculture and Food Security

3.2.3 Livestock Production

All major livestock species registered increases except for the broiler chickens. The increase is attributed to good animal husbandry and management practices by both smallholder and commercial farmers. The Presidential Initiative on Small Stock Production and Small Stock Pass-on Program for goats and sheep has also contributed to the growth in livestock.

TABLE 3.2: LIVESTOCK CENSUS

Animal Class	Third Round Livestock Production Estimates 2012/2013	First Round Livestock Production Estimates 2013/2014	Percentage Change
All cattle	1,241,749	1,284,244	*3.4*
Beef cattle	1,181,067	1,221,647	*3.4*
Dairy Cattle	60,682	62,597	*3.1*
Goats	5,356,545	5,682,026	*6.1*
Sheep	255,928	264,496	*3.4*
Pigs	2,754,414	3,013,383	*9.4*
All chickens	61,370,456	64,154,551	*4.5*
Indigenous chicken	27,729,334	30,255,762	*9.11*
Broilers	26,514,963	26,451,701	*-0.24*
Layers	6,309,880	6,599,030	*4.58*
Black australorp	816,279	848,058	*3.89*

Source: Ministry of Agriculture and Food Security

3.2.4 National Food Security

In comparison to the same period last year, the Northern region and the Central region reported increases in percentage of farm households (FH) with no food from their own production, where as the Southern region reported a decrease of 5 percent. Nationally, 14 percent of farm households did not have food of their own this year compared to last year’s 12 percent. Farm households without food of their own were surviving through casual labour, buying from local markets, small-scale businesses, selling livestock, fish, charcoal and firewood. Food was available in all the districts and maize was selling in the range of K80.00 to K180.00 per kg.

TABLE 3.3: NATIONAL FOOD SITUATION AS AT 10TH MARCH, 2014

Region	Total Farm Households (FHs)	2013/2014 FHs Without Food	Percentage of FHs Without Food	Total Farm FHs	2012/2013 (FHs) Without Food	Percentage of FHs Without Food
North	498,987	53,743	*9*	507,268	37,023	*7*
Central	1,667,807	234,725	*13*	1,667,807	194,175	*10.7*
South	1,884,606	373,154	*19.3*	1,861,093	425,817	*24*
National	4,051,400	661,622	*14*	4,036,168	657015	*12*

Source: Ministry of Agriculture and Food Security

3.2.5 Agriculture Sector Wide Approach (ASWAp)

The Ministry of Agriculture and Food Security continued to implement the Agriculture Sector Wide Approach as an overarching framework for operationalising the MGDS II. The overall objective is to improve food security and promote agricultural growth through increased productivity. During the 2013/14 financial year, the Government negotiated the second additional financing and signed the agreement in April, 2014 under the Multi-Donor Trust Fund. Grant funds amounting to US$120 million were secured from different donors earmarked to finance different components of ASWAP Support Project. The donors supporting the programme include European Union (EU), World Bank, Flanders International Cooperation (FICA), United Kingdom Department for International Development (DFID), United States Agency for International Development (USAID), Royal Norwegian Ministry of Foreign Affairs and International Cooperation and the Department of Foreign Affairs and Trade of the Republic of Ireland. The additional financing mainly aims at scaling up of ongoing activities to increase number of farmers receiving support from the project. It also aims to expand interventions in the field of agriculture diversification and access to markets. Key under this financing is support towards legume production and marketing as well as improving the agricultural business environment.

3.2.6 Farm Input Subsidy Programme (FISP)

The 2013/14 FISP targeted a total of 1,500,000 beneficiaries across the country. The beneficiaries were given two coupons to purchase two 50 kg bags of fertilisers (1 bag NPK and 1 bag Urea), a coupon to buy either 5 kg of hybrid maize seed or 8 kg of OPV maize seed and a coupon to enable them buy legume seed of their choice (3 kg soya or 2 kg of beans/cow peas/pigeon peas). In-order to reach out to 1.5 million beneficiaries, the programme supplied 150,000 metric tons of fertilizers (75,000 metric tons of NPK and 75,000 metric tons of Urea) and 7,500 metric tons and 3,000 metric tons of maize and legume seeds, respectively.

To improve efficiency, the programme piloted the use of electronic vouchers in seed redemption. This was done in six districts, Blantyre, Mangochi, Lilongwe, Mchinji, Mzimba and Rumphi.

3.2.7 Farm Input Loan Programme (FILP)

During the reporting period the Malawi Government in collaboration with MARDEF implemented the FILP to complement the FISP, targeting middle farmers who can sustainably produce for the nation. The programme offers favourable conditions of accessing loans. A total of 25,505 farmer groups out of 25,612 who applied benefitted and the total fertilizer supplied was 52,964 metric tons.

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 source of employment. During the year 2013, it had directly employed nearly 55,695 fishers as compared to 58,525 fishers who were employed in 2012 (Catch Assessment Survey, 2013). The sector, however, indirectly employed over 550,000 people who are involved in fish processing, fish marketing, boat building and engine repair. Furthermore, the fishing industry has continued to support nearly 1.6 million people in lakeshore communities and makes substantial contributions to their livelihoods, by supporting approximately 9 percent, 18 percent, 15 percent, 9 percent and 30 percent of people in Karonga, Nkhata Bay, Nkhota Kota, Salima and Mangochi, respectively. In addition, 13 percent of people in Zomba, Machinga and Phalombe districts, as well as 6 percent of people in Lower Shire Valley derive their livelihood from fishing.

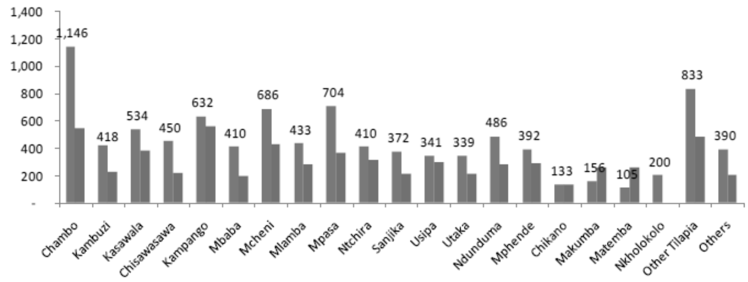
3.3.1.2 Food and Nutrition Security

The Fisheries Sector contribution to food and nutrition security. With a production of 109,889 tonnes, fish has continued to be the main source of animal protein in the country with the contribution of 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 109,889 tonnes in 2013 (Catch Assessment Survey, 2013) had a beach or landed value of K52.42 billion (approx US$ 117.8 million) whereas in 2012 the amount was 120,328 tonnes with a beach or landed value of K35.62 billion (approx US$ 92.5 million). The national average beach price was at K477.05 per kg. Chambo fetched the highest average beach price of K1146 per kg followed by other Tilapias (K833/kg), Mpasa (K704/kg), Mcheni (K686/kg) and Kampango (K632/kg) whilst Matemba, Chikano and Makumba recorded the lowest average beach prices of K105/kg, K133/kg and K156/kg, respectively. The low prices of these fish species allows the poor households to afford them and, therefore, improve their diets.

FIGURE 3.1: AVERAGE BEACH PRICES FOR ALL FISH SPECIES FOR 2013 AND 2012

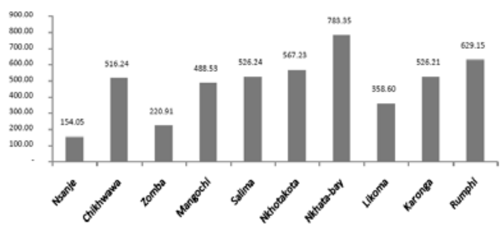


Source: Department of Fisheries

3.3.1.3.1 Average Beach Prices by District

In general, average beach prices for all fish species were the highest in NkhataBay (K783/kg) followed by Rumphi (K629/kg), Nkhotakota (K567/kg), and Salima & Karonga (K526/kg) whilst the lowest average beach prices were registered in Nsanje, Zomba and Likoma. The high beach prices for NkhataBay can be explained by the high value of fish that is caught using gillnets whilst the lower prices in Zomba and Nsanje are due to the low value fish species caught in these districts such as Chikano, Mphende and Mlamba.

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



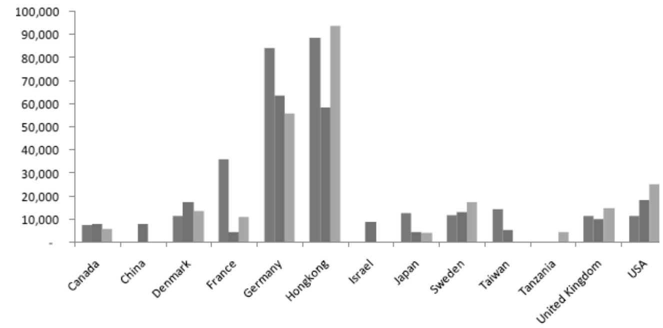
Source: Department of Fisheries

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.

In 2013, fish exports through aquarium fish trade were made to various countries in America, Europe, Asia, Middle East and Africa. Germany and Hong-Kong were the biggest export markets in 2011, 2012 and 2013 (Figure3.3). The exports for 2013 amounted cumulatively to 30,373 individual live fishes that generated total revenue of K103,946,143 (US$244,975.33), whilst in 2012 a total of 19,874 individual live fishes generated total revenue of K59,149,083 (US$218,990)

FIGURE 3.3: EXPORT OF LIVE ORNAMENTAL (AQUARIUM) FISH TO VARIOUS COUNTRIES IN 2013, 2012 AND 2011



Source: Department of Fisheries

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 had registered a decrease from 120,328 tonnes in 2012 to 109,889 tonnes in 2013 (Catch Assessment Survey, 2013). Lake Malawi alone had a total landing of 103,946 tonnes when artisanal and commercial production figures are added (102,079 tonnes and 1,867 tonnes, respectively) followed by Lake Chilwa at 2,982 tonnes. Thus, when considered in terms of contribution by water body, about 94.59 percent of the catch originated from Lake Malawi, 2.71 percent from Lake Chilwa whilst Lake Malombe and Shire River contributed 1.68 percent and 0.74 percent, respectively.

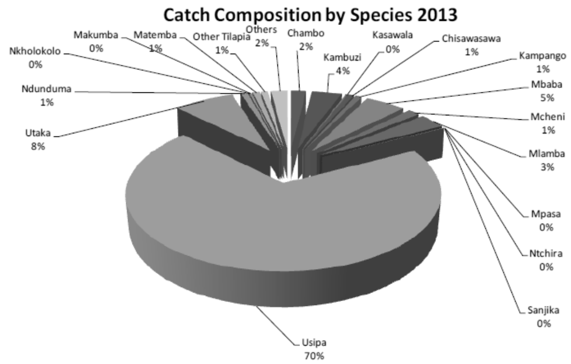
TABLE 3.4: FISH CATCH CONTRIBUTION BY WATER BODY IN TONS FOR 2003-2013

Year	Lake Malawi-Artisanal (tons)	Lake Malawi-Commercial (tons)	Lake Malombe tons	Lake Chirwa tons	Lake Chiuta tons	Lower & Middle Shire tons	TOTAL tons	Landed value (MK'000)	Beach price (MK/kg)
2003	36,730	5,600	553	6,773	1,148	2,024	50,382	2,661,210	52.82
2004	36,610	3,391	510	7,155	791	2,292	50,240	4,876,300	97.06
2005	58,859	4,225	649	5,822	975	3,032	72,913	7,145,474	98.00
2006	51,796	4,413	780	4,350	1,085	3,840	65,484	6,810,336	104.00
2007	50,527	4,102	530	5,904	1,024	3,643	65,200	7,563,200	116.00
2008	56,846	3,597	671	6,006	1,018	3,128	71,266	9,478,378	133.00
2009	56,850	3,752	590	5,879	1,034	3,184	71,289	16,895,493	237.64
2010	80,623	3,470	3,336	8,019	2,549	1,197	95,724	19,900,000	210.00
2011	56,923	1,296	4,109	16,960	2,627	451	82,366	18,944,180	230.00
2012	106,769	2,367	1,608	7,993	1,322	269	120,328	35,903,597	298.38
2013	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, Mbaba, Kambuzi, Mlamba and Chambo are the six dominant species groups with an average total contribution of 70 percent, 8 percent, 5 percent, 4 percent, 3 percent and 2 percent, respectively.

FIGURE 4.4: PERCENT SPECIES COMPOSITION OF TOTAL NATIONAL CATCHES FOR 2013



Source: Department of Fisheries

3.3.2.3 Annual Fish Production and Landed Value

The fish catch for 2013 was at 109,889 tonnes and it is expected that in 2014 and 2015 the catches will increase. Hence, the there is an expectation of increased trends in fish production in Malawi as shown in Table 3.5. The catch in 2013 had a total value of K52.42 billion (approximately US$117.8 million). The catch contributions for 2014 and 2015 are expected to rise due to a projected increase in abundance and catch for Usipa (Engraulicypris sardella) which is influenced by climatic changes at the lake. This would translate to increased projected accrued value of K57.26 billion and K60.69 billion for 2014 and 2015, respectively.

TABLE 3.5: FISH CATCH AND VALUE FOR 2013 AND ESTIMATES FOR 2014 AND 2015 FOR MAJOR SPECIES

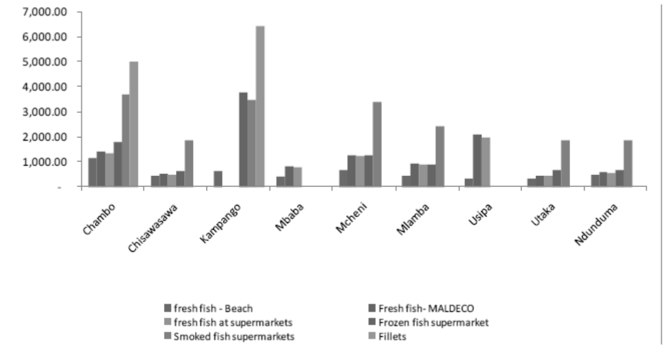
Fish Species		2013		2014		2015	
Local Name	Scientific Name	Quantity(mt)	Beach Value (MK)	Quantity (mt)	Beach Value (MK)	Quantity (mt)	Beach Value (MK)
Chambo	Oreochromis spp.	2,058.79	982,146,247	2,517	1,283,573,100	2,567	1,360,587,486
Kambuzi	Lethrinops spp. & Allied genera	4,144.45	1,977,109,873	4,439	2,264,032,800	4,528	2,399,874,768
Kasawala	Juvenile Oreochromis spp.	179.52	85,638,585	180	91,555,200	183	97,048,512
Chisawasawa	Lethrinops spp. & Allied genera	873.19	416,553,357	961	490,048,800	980	519,451,728
Kampango	Bagrus meridionalis	902.95	430,754,41	980	499,606,200	999	529,582,572
Mbaba	Buccochromis spp. & Allied genera	5,612.77	2,677,573,511	5,858	2,987,559,600	5,975	3,166,813,176
Mcheni	Rhamphochromis spp.	1,640.71	782,699,250	1,946	992,582,400	1,985	1,052,137,344
Mlamba	Bathyclarias & Clarias spp	3,694.44	1,762,433,258	4,626	2,359,260,000	4,719	2,500,815,600
Mpasa	Opsaridium microlepis	56.20	26,810,210	86	43,962,000	88	46,599,720
Nchila	Labeo mesops	8.75	4,174,188	13	6,502,500	13	6,892,650
Sanjika	Labeo cylindricus	29.81	14,220,861	40	20,303,100	41	21,521,286
Usipa	Engraulicypris sardella	76,839.82	36,656,436,131	77,361	39,454,191,600	78,908	41,821,443,096
Utaka	Copadichromis virginalis & relatives	8,343.84	3,980,429,850	7,182	3,662,830,200	7,326	3,882,600,012
Ndunduma	Diplotaxodon spp	1,011.32	482,450,468	845	430,878,600	862	456,731,316
Nkholokolo	Synodontis nyassae	2.08	992,264	3	1,570,800	3	1,665,048
Makumba	Oreochromis shiranus & relatives.	311	44 148,573,150	711	362,834,400	726	384,604,464
Matemba	Barbus paludinosus & relatives	984.94	469,864,201	1,085	553,319,400	1,107	586,518,564
Other Tilapia	Tilapia rendalli & others	912.85	435,476,524	972	495,811,800	992	525,560,508
Others	Various spp	2,281.19	1,088,241,546	2,462	1,255,665,900	2,511	1,331,005,854
TOTAL		**109,889**	**52,422,577,884**	**112,267**	**57,256,088,400**	**114,512**	**60,691,453,704**

Source: Department of Fisheries

3.3.3 Fish Market Prices for Various Fish products

The retail outlet market and beach prices were higher in 2013 than in 2012. Thus in terms of fish products, Kampango products had highest market prices followed by Chambo and Mcheni (Figure 5). Fish in the country 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 3.5: FISH MARKET PRICES IN KWACHA PER KILOGRAMME (MK/KG) FOR VARIOUS FISH PRODUCTS



Source: Department of Fisheries

The 2013 prices show that in all cases the retail outlet market prices were high. The general upward trend in fish retail prices is attributed to a number of different factors, such as the devaluation of Kwacha which resulted in increased landing and transportation costs, supply and demand fluctuations and seasonality.

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 decrease from 8.66 kg/person/year in 2012 to 7.79 kg/person/year in 2013 as shown in table 3 below.

The current average quantity per capita consumption of 7.79 kg/person/year is still less than the recommended 13 kg to 15 kg/person/year by 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, sanitation and value 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.

TABLE 3.6: PER CAPITA FISH SUPPLY FROM 2003 TO 2013 WITH ESTIMATED POPULATION GROWTH

Year	Estimated Population	Total catch (kg)	Fish supply/ kg/person/yr
2003	10,900,000	50,382,000	4.62
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

Source: Department of Fisheries

3.3.3.5 Status of Fishing Fleet (Craft) and Fishers

Dugout canoes and plank boats, with or without outboard engines, are the main fishing vessels. The main gear types are beach seines (chambo, kambuzi and mosquito nets), chilimira, fish traps, gillnets, hand-lines and long-lines. The fisheries statistics for various water bodies indicate that the number of fishermen, fishing gears and fishing crafts have steadily increased since the 1990s.

Further analysis of the 2013 frame survey by numbers, type and distribution of small-scale fishing craft in Malawi indicates that:

1 Over 15,590 fishing crafts were recorded during the 2013 frame survey constituting 8.21 percent motorised plank boats, 15.37 percent non-motorised plank boats and 70.03 percent dugout canoes. It is also noted that the sector is fast adopting the plank canoes which currently are contributing 6.39 percent to the total number of crafts; and

2 Of the 55,695 fishers recorded countrywide during the 2013 frame survey, the majority were crewmembers (77.8 percent) while the rest were gear owners. Over 80 percent of the fishers were recorded in the Lake Malawi districts of Mangochi (31 percent), Nkhotakota (15 percent), Nkhata bay (16 percent), Salima (10 percent), Karonga (10 percent) and Likoma (5 percent) while Lake Malombe, Zomba and Lower Shire accounted for 8 percent, 7 percent and 5 percent, respectively.

TABLE 3.7: FRAME SURVEY COUNTS OF THE DOMINANT FISHING CRAFT, GEAR OWNERS, CREWMEMBERS AND FISHING GEARS OF MALAWIAN WATERS

Indicator	1998	1999	2003	2007	2008	2009	2010	2011	2012	2013
Boats with engine	578	534	493	586	814	872	960	1,003	1,211	1,280
Boats without engine	3,240	3,088	2,999	3,502	3,360	2,942	2,613	2,570	2,582	2,396
Dug-out canoes	14,306	11,457	11,824	11,215	11,540	11,289	10,785	10,663	11,089	10,918
Planked canoes						764	1,227	1,098	833	996
Gear owners	14,471	13,503	15,542	13,305	14,065	13,403	14,538	14,146	12,761	12,383
Crew members	37,488	35,347	42,312	41,993	41,841	46,123	45,335	47,003	45,764	43,312
Gillnets (normal)	32,941	43,430	77,668	67,552	70,606	75,291	63,225	52,560	60,716	43,560
Ngongongo					13,704	14,979	19,303	10,351	24,311	23,031
Chikwekwesa					337	59	90	257	7,674	246
Longlines	2,753	3,954	2,884	3,902	5,726	5,740	5,791	5,182	150,397	6,321
Kambuzi seines	546	345	385	438	484	399	408	261	200	174
Chilimira nets	2,584	2,568	3,079	2,588	3,491	3,394	3,349	3,053	2,931	3,059
Fish traps	38,255	40,078	27,071	20,460	15,814	25,362	34,644	24,832	16,690	21,941
Handlines	4,400	3,084	1,383	2,414	1,563	1,589	660	748	870	584
Kandwindwi					98	98	106	117	79	79
Scoop nets	21	79	83	14	36	56	29	59	54	47
Cast nets	37	47	766	535	717	701	705	824	782	694
Chambo seines	106	62	71	70	212	89	85	177	129	110
Nkacha nets	204	258	309	279	238	315	241	289	524	274
Matemba seine	498	422	276	853	406	542	690	855	587	662
Chomanga	35,579	23,298	24,350	13,371	5,814	38,506	44,847	45,86	267,354	77,060

Source: Fisheries Department

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 3,705 tonnes of fish harvested from all production systems which ranged from cage culture as well as pond culture.

During the same period, the number of fish farmers has also grown from 6,010 to 6,230 and ponds from 9,500 to over 9,876 ponds. A total of over 2,590,000 fish fingerlings have been produced and distributed to over 3,500 fish farmers countrywide.

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

Species	*Estimated units*	*Years*								
-	-	1999	2000	2001	2002	2003	2010	2011	2012	2013
Oreochromis shiranus/mossambicus	Production (tons)	565	500	600	670	680	850	1420	2186	2,578
	Value (US$)	565,000	550,000	575,000	649,600	696,000	869,550	1,219,780	1,877,774	2,704,783
Tilapia rendalli	Production (tons)	-	-	12	70	85	630	862	633	641
	Value (US$)	-	-	13,800	11,200	42,000	113,647	740,458	543,747	813,460
Clarias gariepinus	Production (tons)	12	15	18	10	17	42	175	262	333
	Value (US$)	14,400	18,000	18,000	11,200	17,000	42,000	150,325	225,058	339,786
Cyprinus carpio	Production (tons)	8	10	10	8	4	30	76	67	71
	Value (US$)	8,000.00	10,000	10,000	8,960	5,600	42,000	65,284	57,553	88,884
Oncorhyn	Production (tons)	5	5	8	4	15	48	98	84	82

chus mykiss	Value (US$)	20,000	17,500	57,200	24,800	96,000	307,200	56,078	72,156	103,511
Total major species (tons)		**590**	**530**	**648**	**752**	**801**	**1600**	**2631**	**3232**	**3,705**
Total value (US$)		**607,400**	**595,500**	**674,000**	**705,760**	**856,600**	**1,374,397**	**2,260,029**	**2,776,288**	**4,050,425**

Source: Department of Fisheries

3.3.5 Challenges

1. Limited financial resource is a major setback in the implementation of the 2013-2014 annual workplan for the Department of Fisheries. This is evidenced by the fact that even after getting an approved ORT Budget of K49 million, the sector has so far been funded 27 percent of the approved budget. Additionally, the Presidential Initiative on Aquaculture Development Project which had the approved budget of K80 million has received no funding since July 2013. In absence of such support, the development of the sector is further jeopardized and, hence, food insecurity as it relates to availability of fish cannot be overcome in the medium term;
2. Inadequate capacity for technical staff and stakeholders (fishers and fish farmers), affect adoption rate of the various technologies for the sector. There is need for continued training at all levels;
3. Insufficient number of technical and support staff to implement the planned programs. This is evidenced by data collection gaps regarding fish landed from both capture fisheries and the aquaculture sub-sectors.
4. 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;
5. Insufficient number of equipment and facilities to monitor enforcement of fisheries regulations in all water bodies as well as to conduct research in the deepwater 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; and
6. The threat posed by the HIV and AIDS scourge on the welfare of human resources in the Department of Fisheries cannot be overemphasized.

3.3.6 Future for the Sector

1. Aquaculture development continues to be a core strategy for increased fish supply in the country considering that fishing in natural waters has biological limitations with commercial fish species like Chambo being fished above maximum sustainable levels in Lake Malawi;
2. The participatory fisheries management strategy as part of governance reforms that the Government adopted in the 1990s will have to be strengthened for development of appropriate common property regimes in various fishing areas;

3. Fish quality and health remains a key issue for promoting fish marketing both within and across the Malawi boarders;
4. Human resource capacity issues are a necessity for delivery of quality services while taking into account HIV and AIDS, climate change and variability and child labour within the fishing industry. Capacity to develop technologies is a central area that needs great attention; and
5. Above all, enhanced collaboration of all stakeholders within the fishing industry including relevant government departments, Non-Governmental Organisations (NGOs), Community Based Organisations (CBOs), academic institutions and the private sector is of paramount importance for sustainable management of the fisheries resources and development of aquaculture in the country.

3.4 The Forestry Sector

This section reviews forestry sector performance and contribution to the economy in the financial year (FY) 2013/14 in accordance with forest legislation and interventions outlined in MGDS II. Hence, it focuses on forest utilization and marketing; budget allocation and revenue collection; tree planting and plantation rehabilitation; and various programmes and projects being implemented in the sector.

3.4.1 Forest Utilisation and Marketing

Two timber export licences and 166 export permits were issued to mobile saw millers, RAIPLY Malawi and various individuals to export forest products to various countries such as Republic of South Africa, Mozambique, Kenya, Tanzania, Botswana, India, Zimbabwe, China, and Zambia. The values for forest products exported from the country are summarised in Table 3.9 below.

TABLE 3.9: EXPORT VALUES FOR FOREST PRODUCTS FOR 2013/14 FINANCIAL YEAR (UP TO APRIL 2014).

Type of Forest Product	Export Value US Dollar	Export Value Malawi Kwacha
Wood and Lumber- Sawn Softwood Timber	2,956,649	1,188,572,714.84
Medium Density Fibre (MDF Plain Boards)	2,108,678	847,688,405.22
Plywood	264,580	106,361,155.15
Kiln Dried Treated Timber	450,940.6	181,278,124.87
Shutter Ply (Boards)	2,041,026	820,492,448.59
Block Boards	245,216.2	98,576,913.93
Laminated Pine	96,554.84	38,815,046.77
Nature Curios	1,259.27	506,224.61
Assorted Cane Furniture	961.24	386,420.00
Total	**8,165,865**	**3,282,677,453.98**

Source: Department of Forestry

3.4.2 Budget Allocation, Expenditure and Revenue Collection

In the 2013/14 fiscal year, the Department of Forestry was allocated K131,611,813 as compared to K101,923,818 in 2012/13 on Other Recurrent Transactions (ORT), reflecting a 29 percent increase in the budget allocation. The Department has seven Cost Centres and budget allocation to respective allocations and expenditure are shown below.

From the approved budget, it is evident that funding levels are very low. There is huge balance remaining before the close of the year. All cost centres are unable to fulfil their tasks commensurate with requirements of their mandate. For example, replanting in 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 Regional Forestry Office (Centre) has nine plantations of 15,382.72 hectares and 23 forest reserves; Regional Forestry Office (South) has 15 plantations amounting to 21,922.88 hectares and 40 forest reserves; and Regional Forestry Office (North) has 20 forest reserves, some with unique vegetation (rain forest in Nkhata Bay).

Due to such funding levels, all these establishments are under threats of encroachment because law enforcement is not carried out adequately. 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 and 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 into decline of forestry services in the country.

TABLE 3.10: COST CENTRE BUDGETARY ALLOCATIONS AND EXPENDITURES FOR 2013/2014 FY (BY APRIL 2014)

Cost Centre	Approved Budget (Kwacha)	Expenditure (Kwacha)	Budget Balance (Kwacha)
Department of Forestry Headquarters	32,217,351.00	9,069,416.00	23,147,935.00
Forestry Research Institute of Malawi (FRIM)	11,573,845.00	3,855,052.00	7,718,793.00
Regional Forestry Office (South)	16,543,771.00	5,509,254.00	11,034,517.00
Regional Forestry Office (Centre)	13,249,476.00	4,330,667.00	8,918,809.00
Regional Forestry Office (North)	10,736,081.00	5,969,029.00	4,767,052.00
Malawi College of Forestry and Wildlife	21,269,296.00	7,332,874.00	13,936,422.00
Viphya Plantations	26,021,993.00	11,421,248.00	14,600,745.00
Total	**131,611,813.00**	**47,487,540.00**	**84,124,273.00**

Source: Department of Forestry

For revenue, the major sources 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 then Regional Forestry Offices, Centre and South. Table 3.11 below shows revenue collected by various cost centres by March, 2013.

TABLE 3.11: REVENUE COLLECTED BY THE DEPARTMENT OF FORESTRY BY 30TH MARCH IN THE 2013/14 FY.

Cost Centre	Type of Forest Product/Services								
	Licence Fees (Kwacha)	Seed Sales (Kwacha)	Royalty on Forest Produce (Kwacha)	Firewood Sales (Kwacha)	Log Sales (Kwacha)	Rent Government Houses (Kwacha)	Concessions (Kwacha)	Miscellaneous -Receipts (Kwacha)	Total Revenue Collected (Kwacha)
Headquarters	17,343,700.	-	-	-	-	-	-	-	17,343,700
Forestry Research Institute of Malawi (FRIM)	2,000	1,542,079.64	-	-	-	-	-	2,560,950	4,105,029.64
Regional Forestry Office (RFO) South	297,800.00	120,695,669.77	2,474,860.00	23,303,400.00	320,340.00	3,532,600.00	150,624,669.77		
Regional Forestry Office (RFO) Centre	552,400.00	10,335,922.00	27,614,643.00	94,133,540.00	403,020.00	133,039,525.00			
Regional Forestry Office (RFO) North	138,050.00	-	3,819,180.00	2,819,140.00	415,300.00	2,850.00	-	7,194,520.00	
Malawi College of Forestry and Wildlife (MCFW)	-	-	-	37,171,330.00	12,000.00	59,000.00	359,400.00	37,601,730.00	
Viphya Plantations	19,548,573.00		1,920,070.00	13,805,500.00	373,420,154.30	414,360.60	201,165,609.56	2,972,820.00	613,247,087.46
Total	**37,882,523.00**	**1542079.64**	**136,770,841.77**	**83,885,473.**	**491,272,394.30**	**749,550.00**	**201,224,609.56**	**9,828,790.00**	**963,156,261.27**

Source: Department of Forestry

The forestry sector has a great potential to collect more revenue and increase its contribution to GDP and the attainment of the goals of the MGDS II, which aims at reducing poverty. However, there is need to invest more in the sector especially in the development and management of timber, pole and fuelwood plantations in Malawi.

3.4.3 Tree Planting and Plantation Rehabilitation

The target for tree planting in 2013/2014 FY was 60 million seedlings. The trees were expected to be planted by different stakeholders such as smallholder farmers, communities, private sector, Village Natural Resources Management Committees and Non-Governmental Organisations.

TABLE 3.12: TREE PLANTING IN THE 2013/14 NATIONAL FOREST SEASON

Region	Target	Production	Planted by April 2014
North	-	8,951,355	7,390,427
Centre	38,855,485	32,979,476	40,784,733
South	-	-	15,021,686
Totals	**60,000,000**		**63,196,846**

Source: Department of Forestry
Note: - means not given.

3.4.5 Forestry Programmes and Projects

The Department is currently implementing a number of programmes/projects in different districts in different regions in the country. Some of these are highlighted below.

3.4.5.1 Improved Forest Management for Sustainable Livelihoods Programme (IFMSLP)

The programme's aim was to improve the management of trees and forest resources, access to income generating opportunities and enhancing livelihoods of rural community through sustainable management of forest areas in the country.

The programme was financially supported by the European Union and implemented in twelve districts (Chitipa, Karonga, Rumphi and Mzimba in the north; Kasungu, Ntchisi, Dedza and Ntcheu in the centre; and Nsanje, Chikhwawa, Machinga and Zomba in the south) through the provision of forest goods and services and the development of forest based enterprises.

The last and second phase started in April, 2011. The IFMSLP developed interventions that aim at contributing towards increased household income and food security. The interventions are tree planting and forest conservation and promotion of forest based income generating activities such as honey; mushroom production; and timber production and processing. The programme phased out on 28th February, 2014 and is left to the community to utilise the knowledge and skills acquired during the implementation period.

3.4.5.2 Forestry Preservation Programme

The Government of Japan through the "Hitoyama Initiative" is supporting the Government of Malawi through K6 billion grant aid to the Department of Forestry for Forestry Preservation Programme. The programme purchased equipment for both monitoring and management of forest resources. The programme provided equipment such as Global Positioning Systems (GPS), pocket compasses, digital cameras, transceiver, binoculars amongst others which were procured for gathering information on area and land cover. Through Asia Air Survey, 17 maps for 17 forest reserves were produced for forest resource monitoring and inventories. The targeted districts are Mangochi, Blantyre, Machinga, Zomba, Mwanza, Dowa, Mchinji, Lilongwe and Nkhata Bay.

The programme is also enhancing capacity in the area of Geographical Information Systems (GIS) and Image Processing for the Department of Forestry staff. Vehicles and other equipment were handed to Malawi Government. The programme phased out but there are a few activities going on.

3.4.5.3 Forest Development and Management Fund (FDMF)

The FDMF became operational in the 2011/12 FY. Its aim is to augment the conservation and management of forest resources and forest land in Malawi. In the year under review, the Department of Forestry was allocated K439 million from the revenue collected. Specifically, major expenditures for the FDMF in the year under review were on:

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.

A detail of replanting of harvested or bare areas in government plantations as supported by the Forestry Development and Management Fund made a lot of progress. For example, a total of 3523.79 hectares were planted by April, 2014.

TABLE 3.13: TREE PLANTING IN GOVERNMENT PLANTATIONS IN HACTARES IN 2013/14 FINANCIAL YEAR

Name of Plantation	Area planted
Viphya	2648.00
Zomba Mountain	122.00
Chongoni	113.50
Dedza Mountain	123.70
Dzalanyama	152.00
Dzonzi-Mvai	30.00
Katete Fuel Wood	5.00
Dowa Hill Fuel Wood	15.20
Kaombe	196.00
Ngala Fuel Wood	63.00
Ndirande	17.140
Chigumula	100
FortLister	24.75
Nauko Fuel Wood	3.50
Total	**3,523.79**

Source: Department of Fisheries

Chapter 4

IRRIGATION AND WATER DEVELOPMENT

4.1 Overview

The goal of the sector is to ensure that water resources are well protected and managed to meet agricultural, domestic and industrial demands. This chapter highlights the developments in the sector during the period July 2013 to June 2014 and the prospects for the 2014/15 fiscal year.

4.2 Irrigation

In order to ensure that household and national food security is achieved, a total of 2,132 hectares of land have been developed and 461 hectares of irrigable land have been rehabilitated for the smallholder farmers. This brings the total developed land to 101,615 hectares with 49,116.04 hectares under smallholder farmers and 52,498.93 hectares under estates.

Hence, during the 2013/14 financial year, significant progress has also been made on both development and rehabilitation of smallholder irrigation schemes through implementation of a number of projects. The Smallholder Crop Production and Marketing Project (SCPMP), Rural Infrastructure Development Programme, Malawi Irrigation Development Support Programme (MIDSUP), Development of Medium Scale Irrigation Project (MIDP), Small Farms Irrigation Project (SFIP), the Green Belt Initiative, Irrigation Rural Livelihood and Agricultural Development Project (IRLADP), Agriculture Infrastructure Support Project (AISP) were some of the on-going projects implemented in the year. These projects will ensure development of another combined 2,759 hectares of land for irrigation to benefit 72,449 additional farmers.

4.3 Water Resources Management and Development

Availability of water resources is a catalyst for socio-economic development in the country. Government has, therefore, embraced an integrated approach to water resources management to properly manage the country's precious resource and make it readily available for multiple uses such as domestic, industrial/municipal water supply, irrigation, hydropower generation, tourism, fish farming, livestock production, recharging groundwater resources and sustaining the ecosystem.

Through the National Water Development Programme (NWDP), the sector is finalizing detailed plans to enable the construction of new water sources for the cities of Lilongwe and Blantyre namely Diamphwe Dam Site and new intake point on Shire River (upstream of Walkers Ferry), respectively. The development of these new water sources is very crucial for addressing the water problems in the two cities. Apart from just targeting the two urban cities, the sector is also identifying new raw surface water sources for Kasungu (Along Dwangwa River) and Mponela (along Kasangadzi River). In addition, the sector is also considering ground water sources from which water would be reticulated and supplied to communities. During the financial year, the sector commenced feasibility studies and drilling of exploratory boreholes for Dedza, Madisi, Ntchisi, Balaka, Namwera and Ngabu townships.

Under the Shire River Basin Management Programme that is financed by the World Bank, the sector finalized preparation of the detailed designs and it is now in the process of procuring contractors to undertake necessary works for the upgrading of Kamuzu Barrage at Liwonde, which will improve regulation of the Lake Malawi - Shire River System and weed management. The programme is also laying foundation for more integrated planning and modernized system operations for the Shire River Basin. Through this programme, the sector will also concentrate on rehabilitating and managing sub-catchments in Ntcheu, Neno, Zomba and Blantyre, and protected areas of Lengwe and Liwonde National Parks and Forest Reserves in Neno and Mangochi in order to reduce soil erosion and improve people's livelihoods. Furthermore, the Program is supporting community-level flood adaptation investments in Chikhwawa and Nsanje districts.

During the reporting period, the sector also continued with the implementation of the Songwe River Basin Development Programme which is a joint programme between the Government 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. Amongst several benefits the two countries will have improved hydropower generation, irrigation and trade once the programme is finalized. The sector is also finalizing the development of the detailed designs for one of the three multi purpose dams to be constructed through the programme.

4.4 Water Supply

Government is implementing a number of programmes/projects to ensure all the people in the country have access to safe/potable water supply. The strategies in these programmes /projects will enable the country to achieve the aspirations enshrined in the MGDS II, the UN Millennium Development Goals (MDGs) and the World Summit on Sustainable Development (WSSD) targets of 2015.

4.4.1 Rural Water Supply

In order to ensure that the rural population has access to potable water supply, the sector constructed 48 new boreholes across the country through the National Dispersed Borehole Construction Programme, 50 boreholes under Borehole Treasury Fund, and a total 600 boreholes through the Chinese funded Borehole Construction Programme.

The Sector also continued with implementation of the Selected Market Centres and Rural Water Supply Project for Mchinji and and Kasungu (funded by JICA). During the financial year, all preparatory works for the rehabilitation of 280 boreholes and construction of 54 new boreholes were finalized and civil works have commenced. In addition to rehabilitation and construction of boreholes which are point water sources, the project will also construct two market centre water supply systems from groundwater sources at Mkanda in Mchinji and Santhe in Kasungu. The boreholes from which water will be reticulated have been finalized and currently other associated works such as construction of tanks and laying of reticulation pipes are at an advanced stage.

Through National Water Development Programme (ADF component) a total of 2,643 boreholes have been constructed and handed over whilst 811 old boreholes have been rehabilitated. All these boreholes are benefiting at least 580,200 people in the rural areas.

The sector has also been constructing/rehabilitating a number of gravity fed water supply schemes across the country. Some of the schemes are Mvula in Dedza, Usisya-Usingini in Nkhata Bay, Chapanga and East Bank in Chikhwawa, Misuku in Chitipa, Nkhamanga (Katizi) in Rumphi, and Lizulu and Ntonda in Ntcheu just to mention some. To date, the sector has finalized the construction of treatment works for Lizulu and Mtonda as well as rehabilitation of Chikhwawa East Bank Water Supply

4.4.2 Urban Town and Market Centres Water Supply

In the urban, town and market centres water supply services is provided by the five water boards (Lilongwe, Blantyre, Southern Region, Central Region and Northern Region water boards). Overall, water supply coverage has increased by 11 percent between 2012 and 2013. However, during the reporting period, the percentage of the population with access to safe drinking water within the service areas of these water boards averaged at 78.6 percent as presented in table 4.2

TABLE 4.1: WATER COVERAGE BY THE WATER BOARDS

Organization	Population Served		Increase in population served	Percentage Increase
	2012	2013		
Blantyre Water Board	523,022	578,398	55,372	*11*
Lilongwe Water Board	484,834	524,738	39,904	*8*
Central Region Water Board	158,623	192,066	33,443	*21*
Northern Region Water Board	223,452	239,967	16,515	*7*
Southern Region Water Board	232,002	261,180	29,178	*13*
TOTALS	**1,621,933**	**1,796,349**	**174,412**	***11***

Source: Irrigation water and Sanitation Sector Performance Report, 2013

2 It is important to note that this figure only provides for the population within the areas being served by the water boards. While some areas being served by water boards may be regarded as urban by NSO others may not while others which NSO considers as urban may not be served by water boards. This therefore means that the 75.4% does not conflict with the 95% of urban water supply reported in JMP (which uses NSO data).

TABLE 4.2: ACCESS LEVELS IN WATER BOARD SUPPLY AREAS (PERCENT)

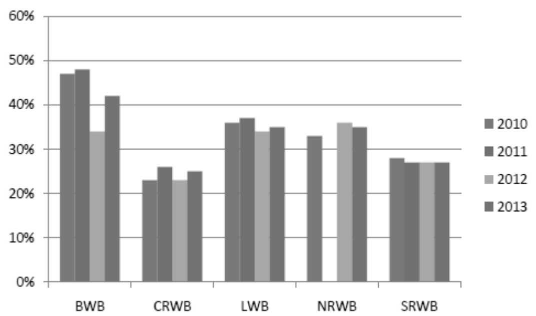
	2012	2013
Blantyre Water Board	*74.5*	*77.0*
Lilongwe Water Board	*75*	*85.0*
Central Region Water Board	*75*	*77.0*
Northern Region Water Board	*74.9*	*77.0*
Southern Region Water Board	*75.6*	*77.0*
AVERAGE	***75.0***	***78.6***

Source: Irrigation water and Sanitation Sector Performance Report, 2013

These achievements are as a result of several projects that the water boards are implementing. For instance, the water boards constructed/extended/rehabilitated of a number of water supply schemes under NWDP (with funding from World Bank and EU/EIB among other donors).

Another important performance indicator for the water boards is the percentage of Non-Revenue Water (NRW) which is most appropriate in assessing utility efficiency. NRW is the percentage of the total water produced for which no revenues have been received. During the reporting period NRW averaged around 33 percent across all the water boards as outline in figure 4.1. A high proportion of NRW is due to factors such as physical leakages of tanks and pipes as a result of ageing infrastructure and variations in pressure, non-payment of water bills and inaccuracies in billing or meter reading.

FIGURE 4.1: LEVELS OF NON- REVENUE WATER



Source: Irrigation water and Sanitation Sector Performance Report, 2013

On average, the debtor days for all water boards are still on the higher side (averaging 107 days) as outline in Table 4.3 below. This is because most of the debtors are government institutions who usually take a long time to settle bills. 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), the ideal level where the amount billed is equal to the amount collected. Reaching the ideal efficiency would depend on other external factors such as power outages or delays by government institutions to pay their bills, on which the water boards have no control.

TABLE 4.3: AVERAGE NUMBER OF DEBTOR DAYS

Organization	Average Debtor Days 2012	Average Debtor Days 2013
Blantyre Water Board	187	117
Central Region Water Board	100	77
Lilongwe Water Board	95	86
Northern Region Water Board	82	86
Southern Region Water Board	379	170
Average	**168.6**	**107.2**

Source: Irrigation water and Sanitation Sector Performance Report

4.5 Prospects for The 2014/15 Fiscal Year

The sector will continue with implementation of the current projects such as the Green Belt Initiative, Small Farms Irrigation Project, Malawi Irrigation Support Programme and the Irrigation, Rural Livelihood and Agriculture Development Project (IRLADP). In addition to the on-going projects/programmes, the sector plans to develop new irrigation schemes covering 2,050 hactares and rehabilitate existing irrigation schemes covering 1,295 hactares of land under the Smallholder Irrigation and Value Addition Project (SIVAP) that is funded by AfDB. Through the Agriculture Infrastructure Support Programme (AISP), the sector will finalize construction of 1,200 hactares of smallholder irrigation schemes in Neno, Chikhwawa and Nsanje districts, to benefit 10,655 farmers. In 2014/15, the sector will finalize preparation of Irrigation Master Plan and Investment Framework and preparatory studies for the Shire Valley Irrigation Project under IRLADP and detailed designs for medium and large scale irrigation schemes under the RIDP, SFIP, and Shire River Basin Management Project. In addition, existing schemes such as Domasi, Kaombe, Khwisa, Lifuliza, Chonanga and Wovwe will be rehabilitated. Furthermore, the sector will also finalize to the operationalization of the Irrigation Fund.

In order to support the rolling out of the National Sanitation Policy (2008) and implementation of the initiatives and programmes currently underway in many areas of Malawi the sector, with financial support from the World Bank under the National Water Development Programme, will facilitate the process of preparing a draft bill for the enactment of a Nation Sanitation Legislation and Regulations to guide the management and disposal of both solid and liquid waste. This will enable the nation to enforce some of the stipulations laid out in the National Sanitation Policy (2008).

With funding from the DfID through UNICEF, there will also be an implementation of a WASH project in 15 of the 28 Districts which, among others, aims at providing adequate improved sanitation facilities, urinals, and hand washing facilities to 50 primary schools, targeting at least 30,000 pupils.

The sector also plans to construct a total of six (6) multipurpose dams across the country to make water resources readily available for multiple uses such as domestic, irrigation, fish farming, livestock production, recharging groundwater resources and sustaining the ecosystem. Government will also continue the implementation of the ongoing projects such as the Shire River Basin Management Programme and Songwe River Basin Development Programme. To increase the population with access to safe water supply, the sector will continue with implementation of the National Water Development Programme, and other projects under the Public Sector Investment Programme (PSIP).

4.6 Major Challenges Facing The Sector

Despite the progress highlighted above, the water sector faces a number of challenges such as vandalism of water supply infrastructure; inadequate funding to the sector; ageing infrastructure; dwindling water resources, that is, streams, dambos and rivers; inadequate production capacity of water due to increased water demand; lack of equipment (Plants and Machinery) for undertaking construction of dams and boreholes; and land disputes which affect construction of permanent infrastructures in irrigation schemes.

Chapter 5

TRANSPORT AND PUBLIC INFRASTRUCTURE

5.1 Overview

This chapter reviews the performance of the transport sector during the 2013/14 financial year. In particular, the chapter evaluates developments and performance of various programmes and projects in the sector.

5.2 Road Transport

5.2.1 Road Infrastructure

5.2.1.1 General performance of the roads sub-sector

On the whole, the roads sub-sector has performed well in the period under review in spite of the challenges such as unstable exchange rate, rising costs of road construction and unpaid certificates to contractors and consultants that faced the economy. One of the major set backs has been under-funding of projects that were wholly financed by government and this has contributed to the delays in completing the projects in a timely manner. Hence, under-funding negatively affected the sub-sector performance, leading to gross arrears, surcharges and delayed benefits to the road users and the general public.

2.12.1.2 Recurrent programme

Under the Recurrent Programme, the Roads Authority (RA) has carried out road maintenance programmes such as:

(i) *Routine Maintenance.* This programme targeted the entire road network, but due to limited funding, it was not possible to address all the maintenance needs on the whole road network. Total approved budget for the routine maintenance for 2013/2014 is MK7.9 billion. Overall coverage for routine maintenance was 35 percent of the planned works in the period under review;

(ii) *Periodic Maintenance and spot rehabilitation:* This programme catered for works that were carried out at intervals of several years in what is also termed preventive maintenance. Under this activity, sectional and periodic rehabilitation of paved roads of about 33 km was planned to be carried out. However, about 65 percent of the planned activities were achieved during the period under review; and

(iii) *Pothole Patching:* This programme was formulated with a view to patching potholes on both rural paved roads and selected city roads. A budget of K878 million was approved to cater for this programme. The main objective of this programme is to address and cover a number of areas that may have developed potholes due to the old age and effects of traffic on most of the roads. By end March 2014, about 55 percent of the planned works were carried out despite heavy rains and scarcity of inputs such as bitumen and cement, among others.

5.2.1.3 Rehabilitation of roads

Most periodic maintenance and rehabilitation of paved roads was financed by the EU and Malawi Government. These projects include the Chikhwawa – Nchalo – Bangula road and Lilongwe – Nsipe road. These projects were completed by December 2013. On the other hand, the Zomba – Blantyre road and Liwonde – Naminga roads are on-going. A number of notable projects that have been earmarked for implementation in the fiscal year 2014/15 and these include construction of Jenda – Edingeni road (Phase I Jenda – Chindoka (15km)); upgrading of Ntcheu – Tsangano – Mwanza road; feasibility of Rumphi – Nyika – Chitipa road; Mzuzu – Nkhata Bay road; and rehabilitatition of Mangochi – Liwonde road, among others.

5.2.3 Road Traffic Services

During the year, the Department of Road Traffic and National Road Safety Council were merged to become Road Traffic and Safety Services in order to improve efficiency and avoid overlaps of functions that existed between the two organizations. As a result, the merge has indeed led to improved efficiency and reduced overlaps of functions as intended. In order to capacitate the newly established entity, Government on 1st July 2013 created a Treasury Fund which allows the department to use part of the revenues they collect for their operations.

5.2.3.1 Review of the MALTIS and vehicle inspections

Currently, there is a process of upgrading Malawi Traffic Information System (MALTIS) with an objective of improving current operating conditions through data capturing; and traffic management in the country was also progressing well within the period under review. On Road Infrastructure Protection, the Department of Road Transport and Safety Services (DRTSS) engaged a consultant to review the axle load strategy. Meanwhile, the consultant has carried out axle load survey to determine the extent of vehicle overload in the country. DRTSS had done relevant processes of procuring two more additional portable weighbridges. For instance, the department made some progress in hiring a consultant and a contractor to construct Dedza fixed weighbridge. The department had also engaged a consultant to look at the possibilities of outsourcing vehicle inspections to the private sector.

5.2.3.2 Road accidents

In the 2013/14 financial year, the number of accidents has increased tremendously to 5463 accidents from 1720 accidents reported in 2012/13. The growth in accidents is mainly due to over speeding; drivers failure to comply with road signs; and also driving under the influence of alcohol. However, fatal accidents decreased to 601 from 768 fatalities registered in 2012/13 fiscal year. Five hundred fifty one (551) people were killed in the period under review. Southern region reported a high number of accidents while Lilongwe as a district reported a high number of accidents and fatalities in the period.

There are a number of challenges which the sub-sector is facing. For instance, the sub-sector lacks equipment such as operational vehicles to carry out effective and efficient law enforcement exercises and failure to implement and deliver sufficient road safety programs to the public. This is largely attributed to lack of adequate financial and human resources, which is also a critical challenge to the sub-sector. To reduce the rate of accidents, the Directorate of Road Traffic and Safety Services plans to intensify on law enforcement. This will mean procurement of more law enforcement equipment, among other measures.

5.3 Air Transport

During the period under review, the Malawian Airlines which has a shareholding structure of 51 percent by Malawi Government and 49 percent by Ethiopian Airlines commenced its operations. However, Government plans to offer 31 percent of the shares to the general public by the end of 2014. The airline is providing services to domestic routes and regional routes which include Johannesburg. The commencement of services by Malawian Airlines has increased competition among airlines on regional routes which has led to decrease in fares by over 20 percent. It is expected that the operation of the airline will contribute to the growth of the tourism industry.

Meanwhile, the airline is planning to include more routes for its services. However, the sustainability of the airline is being negatively affected by high fuel costs which are over 30 percent more in Malawi than those in other countries within the SADC region.

5.4 Rail Transport

In the railway sub-sector, Government has resorted to public private partnership by entering into concession agreements to promote efficiency, encourage private participation and also enable the Government of Malawi to earn revenue through concession fees. Currently, there are two existing concession agreements, that is, between the Government of Malawi and CEAR, the Govewrnment of Malawi and VALE, respectively.

5.4.1 The CEAR Concession

During the year under review, Government reviewed the Concession Agreement to overcome some challenges that were identified in the course of its implementation. The revised Concession Agreement was signed on 30th September, 2013. Below are some of the benefits from the revised Agreement:

(i) CEAR cleared all the arrears of the concession fees totalling US$2.8 million;

(ii) The minimum concession fee has been revised upwards from US$500,000 per annum to US$1,000,000. The regular concession fee will be 5 percent of gross revenue;

(iii) The previous agreement provided for a Government subsidy of US$450,000 per annum to CEAR as Passenger Service Obligation. This arrangement is made with an operator where there are no alternative means of transport for the travelling public. This arrangement has since been scrapped and CEAR will provide the service as part of its corporate responsibility;

(iv) The Concessionaire is obliged to rehabilitate the Nkaya-Nayuchi as well as the Limbe-Nkaya lines at an estimated cost of over US$135 million. It is expected that compensation to those who will be affected by this development will be in excess of MK200 million; and

(v) CEAR has introduced new passenger coaches to improve its local passenger services. They are also in the process of bringing in six locomotives to enhance their services.

5.4.2 The VALE Concession

In December, 2011 Government signed a Concession Agreement with Vale, a Brazilian mining company and holder of one of the major mining concessions in Moatize, Tete Province, for the construction of a new 136 km, 20.5 ton axle load capacity rail line in Malawi under a Build, Own, Operate and Transfer Scheme. The Concession Agreement allows VALE to construct a railway line from Chapananga passing through Mwanza and Neno to join the existing railway line at Nkaya. In addition, the private investor will rehabilitate and upgrade the existing railway line from Nkaya to Nayuchi.

This project will provide a cheaper transport alternative to the people living along the railway track and also provide an opportunity for them to engage in economic activities. Construction of the line was commissioned in November, 2012. The cost of the project is US$1 billion and is expected to be completed by December, 2014 and operations will commence in January, 2015. The project has employed over 3,500 Malawians.

5.4.3 Review of the Malawi Railways Act

Government recognises that a strong regulatory framework is a pre-requisite for the smooth management of projects under Public Private Partnership (PPP) arrangements. Therefore, in order to strengthen the legal framework for the rail sub-sector and allow private sector participation, the Railways Act of 1907 has been reviewed to take into account of the new developments and is pending enactment by parliament.

5.5 Marine

5.5.1 Shire- Zambezi Waterway Project

One of the programmes that would assist government to reduce the transport cost 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 km. The project will provide a direct waterway access from Malawi to the Indian Ocean when implemented ,thus enabling barges and medium sea-going vessels to operate between Chinde and Nsanje. Meanwhile, a feasibility study by a German consultant, Hydroplan is underway. The consultant has been procured with financial assistance from the African Development Bank to undertake a detailed feasibility study of the Navigability of the Shire-Zambezi Waterway. The consultant commenced the study in November, 2013 and the study is expected to be finalized by February, 2015. So far, an Inception Report has been produced by the consultant and has already been reviewed by Malawi Government and the Governments of Mozambique and Zambia. In this regard, the finalization of the detailed feasibility study will give direction to involved governments on future implementation of this project.

5.5.2 Introduction of New Passenger Vessel

Following one of the key requirements of the Consession Agreement which was signed between the Malawi Shipping Company and the Malawi Government, the Malawi Shipping Company commenced the construction of an US$8.5 million vessel which has a capacity of 120 passengers and 20 tons of cargo. The vessel has a service speed of 20 knots and will be launched in June, 2014. This will greatly improve water transport on Lake Malawi, especially for the communities living on Likoma and Chizumulu islands. During the same period, another state of the art passenger vessel with a capacity of 80 passengers and 5 tons of cargo was launched. The project was financed by a local Malawian investor, through a loan from a local bank.

5.5.3 Concessioning of Lake Malawi Ports

During the year under review, Government has concessioned the operations of Lake Malawi ports to Malawi Ports Company Limited, in which Mota-Engil (Malawi) Limited is the main shareholder with effect from July, 2013. The concession, among other things, grants the Concessionaire the right to finance, manage, operate and maintain the Malawi Lake ports as provided in the Concession Agreement. This arrangement will ease some of the financial burdens which government had been incurring in the maintenance and rehabilitation of the ports.

5.5.4 Review of the Malawi Inland Water Shipping Act 1995

Although the Malawi Government had concessioned the shipping and port services to the private sector in 2010 and 2013, respectively, with the view of improving efficiency and effectiveness in the water transport sub-sector, the regulatory framework and the enabling legislation are lacking and outdated. The Inland Waters Shipping Act which is the principal regulatory legislation applicable to the maritime transport sub-sector was last reviewed in 1995. The provisions of this Act were established prior to the concessioning of the lake shipping and port services. The Act, therefore, does not provide a facilitative environment for the operations of the said concessions. It is in this light that the Marine Department which is entrusted with the responsibility of overseeing and ensuring the promotion of a safe, reliable, effective and efficient water transport system in Malawi embarked on review of the Act with assistance from the European Union.

Chapter 6

MINING AND QUARRYING

6.1 Overview

The Mining sector continued to experience tremendous growth in the period under review. Mineral exploration and production increased as a result of continued demand by the consuming industries, and the export market. Thus, this section 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

Table 6.1 below summarizes the mineral production levels and monetary values realised from the minerals.

TABLE 6.1: MINERAL PRODUCTIONS & MONETARY VALUES (2012-2014)

	2012 (Actual)		2013 (Actual)		2014 (Projection)	
Type	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)
Coal	70,552.07	870.194	67,024	826.68	63,673	785.35
Cement	64,100	45.25	60,895	42.99	57,850	40.84
Agricultural Lime	22,388.82	218.61	21,269	207.68	20,206	197.30
Other						
Uranium Concentrates	1,180.00	33,190.15	1,347	49,090	500	13,800
Phosphate	12,403.39	18.25	11,783	17.34	11,194	16.47
Rock aggregate	1,150,324.5	1,840.50	1,092,808.3	1748.48	1,038,168	1,661.05
Gemstones	122.4	21.470	116.3	20.40	110	19.38

Source: Department of Mines

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. 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 with a combined maximum capacity of up to 10,000 metric tonnes of coal production per month. 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 of projects by, among other activities, 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 Kayerekera 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 on increasing. In 2014, the company was projected to produce 1,065 tonnes valued at MK449,309.63 million. 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 until the 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 capacities in 2014 as compared to their production levels 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 small to medium 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 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. There are more than 20 operating quarries for production of rock aggregate both at commercial and project levels. 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 P205 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 for the use in fertiliser production.

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.

Out of the total workforce in the sector, women account for only 10 to15 percent. However, the number of people who are self-employed in the mining sector, especially small scale operators, is over 20,000 and 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 also 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 2014

Workforce	2012	2013	2014
Coal	671	637	606
Uranium Mine	740	703	300
Agricultural, Calcitic and Hydrated Lime	1,765	1,677	1,593
Quarry Aggregate production	9,024	8,573	8,144
Cement manufacturing	112	106	101
Gemstones/Mineral Specimens	130	124	117
Ornamental Stones	32	30	29
Terrazzo 60	57	54	
Other Industrial Minerals	930	884	839
Exploration activities	186	177	168
Total	**13,650**	**12,968**	**11951**

Source: Department of Mines

6.4 Export Sales of Minerals

6.4.1 Export of Minerals

Export of minerals by different mine operators in 2014 continued to be dominated by Coal, ornamental/dimension stones, gemstones, and uranium concentrates (yellow cake). Revenue generated by the Government through the Department of Mines between July, 2013 and February 2014 amounted to MK1,132,247,374.30 in terms of royalties, licence processing and ground fees.

TABLE 6.3: MINERAL EXPORTS

Type	2012 (Actual)		2013 (Actual)		2014 (Projection)	
	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)	Quantity (tonnes)	Value (K'million)
Coal	9,800.0	108,580.00	9,310.0	103,151.00	8,845.0	97,993.45
Uranium cake	1,179.5	33,190.15	1,347.0	49,090.00	500.0	13,800
Other						
Dimension stones	407.7	11,787,500.00	387.0	11,198,125.00	36,795.0	10,638,218.75
Rock aggregate	25.0	171,250.00	24.0	162,687.50	23.0	154,553.13
Gemstones	115.0	16,220,044.00	109.0	15,409,041.80	104.0	14,638,589.70
Rock/Soil samples	104.9	4,919,200.00	100.0	4,673,240.00	95.0	4,439,578

Source: Department of Mines

Comments:

- 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 etc.

6.5 New Mining Operations and Licences

In 2014, Government granted various licenses to prospecting mining companies and individuals. A lot of licences were issued in both small and large scale operators domain. For instance, non-exclusive prospecting and mining claim were dominant to the small scale operators involved in the mining of Germstones and ornamental stones while non-exclusive prospecting licences were largely issued to large scale operatiors interested in mining uranium heavy mineral sands, base metals and platinum group, and glass sands, among others.

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	76	Gemstones, Ornamental stones
Mining Claim Licence	58	Gemstone, Ornamental stones
Reserved Minerals Licence	36	Gemstones, Ornamental stones
Large-Medium Scale Operators		
Exclusive Prospecting Licence	63	Uranium, Heavy mineral sands, Base metals and Platinum Group Metals, Limestone, Gypsum, Iron ore, Glass sands
Mining Licence	14	Quarry aggregate, heavy mineral sands, limestone and Rare earth minerals
Reconnaissance Licence	1	Graphite

Source: Department of Mines

6.6 Mining Investment Opportunities

6.6.1 Mineral Potential of the Country

Malawi produces cement, coal, crushed stone for aggregates, dolomite, limestone, and some artisanal salt for domestic consumption. Apart from industrial mineral production which services local demand and the Kayerekera 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 conducted prior to 1973 showed several anomalies worthy following up (refer to Table 6.5). Local and international companies are both actively engaged in the exploration for various minerals in 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 hired 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 tones and grade)
Bauxite Mulanje	28.8; 43.9% Al2O3	
Uranium	Kayelekera	12.5; 0.15% Ur3O8
Monazite/ Strontianite	Kangankhunde	11; 8% Strontianite and 60% REO
Corundum	Chimwadzulu-Ntcheu	?
Graphite	Katengeza-Dowa	8.0; 75.6gm per m3
Limestone	Malowa Hill-Bwanje	15; 48% CaO and 1.2% MgO
	Chenkumbi-Balaka; Chikoa-Livwezi-Kasungu	10; 46.1% CaO and 3.5% MgO
Titanium bearing Heavy Mineral Sands	Nkhotakota-Salima	
	Chipoka	700; 5.6% HMS
	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	2.0; 17% P2O5
Pyrite	Chisepo-Dowa	34; 8% S
	Malingunde-Lilongwe	10; 12% S
Glass Sands	Mchinji Dambos	1.6; 97% SiO2
Dimension Stone	Chitipa, Mzimba, Mangochi, Mchinji, Chitipa	Blue, Black, Green, and Pink Granite
Gemstones	Mzimba, Nsanje, Chitipa, Chikhwawa, Rumphi, Ntcheu	Numerous pegmatites and volcanic

Source: Geological Surveys Bulletins and Private Companies Mineral Exploration Reports

Note: *The semi colon seperates quntity and grade in the last column of the table.*

6.6.2 Pipeline Projects

A number of both 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 actively pursue intensive exploration for different minerals in various parts of the country. The minerals being pursued include heavy mineral sands, platinum group metals (PGMs), base metals, rare earth elements, coal and bauxite among other minerals. Generally, the year 2014 experienced a decline in exploration activities compared to previous years with a few companies both local and foreign being actively engaged in exploration. The major projects in the pipeline include the Kanyika Multi-Commodity Project in Mzimba. In Ntcheu and Mangochi, cement production is carried out 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

Compan	*Minerals to be Mine*	*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	Kangankunde, Balaka	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 Limted	Rare Earth Metals	Songwe, Phalombe	Canada	Feasibility Study

Source: Department of Mines

During the year 2014, Globe Metals and Mining were involved in negotiations for a Mining Agreement on the development of the Kanyika Niobium Mine. The Kanyika Project is still expected to kick start mining of 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 bankable 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, would earn Malawi in excess of US$100 million in foreign currency per annum which if added to the Kayerekera Uranium Project, this would 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 2013/14 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, ESCOM sold 1,429.68 GWh of electricity compared to 1,466.52 GWh in the same period of the previous year, representing a 2.51 percent decrease in units sold largely owing to a 12.07 percent decline in industrial sector (Power Demand) consumption. The number of registered consumers, however, grew by 9.1 percent from 218,164 in 2012 to 238,041 in 2013. The installed capacity for the interconnected system increased to 351 MW by December, 2013.

TABLE 7.1: ELECTRICITY GENERATION AND CONSUMPTION (2004-2013)

YEAR	2007	2008	2009	2010	2011	2012	2013
Installed Hydro Capacity (MW)	285	285	285	286	287	287	351
Maximum (Peak) Demand (MW)	251.03	241.88	256.67	273.01	277.75	277.88	279.73
Energy Generation (GWh)	1,453.00	1,543.00	1,661.32	1,822.20	1,887.70	1,911.5	1,835.40
Number of Consumers	164,795	172,924	189,166	196,780	213,022	218,164	238,041
Consumption Domestic (GWh)	437.54	456.63	516.10	578.28	640.46	596.10	577.65
General (GWh)	196.49	218.16	225.15	217.66	221.41	244.47	214.96
Power Demand (GWh)	-	521.90	584.27	646.36	708.45	604.88	613.82
Export (GWh)	17.40	21.93	16.35	21.20	21.20	21.10	23.82
Total Consumption (GWh)	1,109.52	1,218.59	1,341.87	1,463.50	1,585.13	1,466.52	1,429.68

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 829 MW in 2020 from 408 MW in 2010. 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: FORECAST ENERGY AND POWER DEMAND

	Energy and Power				Average Growth Rates (percent 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	10.00	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	12.00	8.38	8.37
Losses (GWh)	444.98	468.00	712.46	968.78	5.36	6.30	6.29
Generation (GWh)	1,911.50	3,132.00	4,682.00	6,493.00	11.05	8.38	8.37
Peak Load (MW)	277.88	534.00	798.00	1,106.00	8.62	7.91	7.97
Step Loads(MW)	25.0	25.6	37.1	50.0	187.0	7.0	32.0
Reserve Margin(MW)	32	37	55	75	10	10	10
Generation Requirements(MW)	335.00	596.00	890.10	1,2310	16.47	9.86	15.00

Source: ESCOM Ltd

The study further showed that Domestic, General Consumers and Exports 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.

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, popularity of mobile phones, and a modest expansion in government spending. Inter-tariff subsidies and the on-going tax reforms will increase disposable incomes of the domestic/general sector, which should result in higher appliance ownership and, hence, high electricity consumption by this category. The power demand forecast also shows that with the present total installed capacity of 351MW, 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 undertook hydropower plant feasibility studies at Chasombo and Chizuma in 2012/13 financial year. Furthermore, the government is undertaking hydropower feasibility studies at Lower Fufu, Kholombidzo, Chimgonda and Mpatamanga sites. 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, Kapichira Phase II was commissioned in December, 2013, adding 64MW to the national grid.

7.2.1.1 Feasibility Studies and Status of Kapichira II

Feasibility studies for hydropower at Chasombo and Chizuma with potential of 50MW for each site along Bua River have been completed with funding from the MAREP Fund and a report has been submitted to the Ministry of Natural Resources, Energy and Mining and other stakeholders.The results will be used by investors as a basis for making investments to generate power and sell to ESCOM, thereby assisting in meeting the energy demand for the nation.

In the period under review, 64 MW Kapichira phase II has been commissioned. With this increase in generation ESCOM will be in a position to extend the grid to supply Kayerekera Uranium Mine with 10MW.

7.2.2 Electricity Tariff Developments

The tariff study that was conducted by ESCOM from 2003 and presented to Government in July 2005, and this study was commissioned to derive 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 (MERA) 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 period of four (4) year, starting from 4th April, 2014. The average electricity tariff, therefore, will change from the current average of K31.54 per KWh to K43.24 per KWh over the four year period.

The implementation of the approved tariff shall be phased and spread over four years and will be subject to ESCOM demonstrated achievements in meeting the set performance targets. The first increase of 13.5 percent was effected on 4th April 2014, while 18.18 percent, 8.9 percent and 1.9 percent will be implemented in second year, third year and last year (2017) of implementation of the second base tariff, respectively.

The Authority further approved cross-subsidies between customer groups in favour of domestic customers and the resource poor of the population.

7.2.3 Malawi Rural Electrification Programme (MAREP)

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 so far has implemented six phases through the 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 had electrified a total 27 targeted trading centres through MAREP Phase VII by January, 2014. A total of 81 trading centres will be electrified by the end of MAREP Phase VII. Table 7.3 below shows that 27 trading centres electrified by January, 2014.

TABLE 7.3: MAREP PHASE SEVEN TRADING CENTRES (TC) BY DISTRICTS

NORTHERN REGION

Number	*District Name*	*Targetted TC Name*
1	Chitipa	Kapirinkhonde
2	Karonga	Lupaso
3	Rumphi	Nkhozo
4	Mzimba	Manyamula
5	Nkhatabay	Kalowa

CENTRAL REGION

Number	*District Name*	*Targetted TC Name*
6	Kasungu	Kakwale
7	Nkhotakota	Mpamatha
8	Ntchisi	Kangolusa
9	Dowa	Kayembe
10	Salima	Kambwiri
11	Lilongwe	Chadza
12	Mchinji	Nkhwazi
13	Dedza	Mganja
14	Ntcheu	Njolomole

SOUTHERN REGION

Number	*District Name*	*Targetted TC Name*
15	Blantyre	Lundu
16	Chiradzulu	Muyere
17	Thyolo	Gombe
18	Mulanje	Mpholiwa
19	Phalombe	Maliro
20	Chikhwawa	Gumbwa
21	Nsanje	Sankhulani
22	Mangochi	Lungwena
23	Balaka	Nandumbo
24	Machinga	Molipa
25	Zomba	Mateketa
26	Mwanza	Thawale
27	Neno	Mizemba

Source: Ministry of Natural Resources, Energy and Mining

7.2.4 Community Solar/Wind Hybrid Electrification Project

The Department of Energy through MAREP is implementing Village Electrification Projects by using Solar-Wind (Hybrid) Systems. The main thrust of this project is to experiment on the suitability of stand-alone renewable energy technologies for rural electrification in order to increase access to modern energy services by the rural communities. This is expected to transform the rural communities who are far from the national grid. The project concept is to electrify a village using a centralized Solar-Wind Hybrid System (60 percent Solar and 40 percent wind) with estimated system capacity of 25 kW. The area coverage for the village is between 2 and 3 km radius with about 150 households each, including institutional (government) facilities such as staff houses, schools and clinics. Each house has five lighting points and one socket outlet. The generated electricity is used for providing the following services to the villages: 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, Chigunda in Nkhotakota district. Phase II of the project targeted other three villages namely Kadambwe in Ntcheu district, Mdyaka in Nkhatabay district and Chitawo in Chiradzulu. In the period under review, Chitawo village was commissioned under the community solar-wind hybrid system. The project delayed due to under performance of the previous contractor and vandalism by villagers.

7.2.5 Promotion of Alternative and Renewable Energy Sources

The Department of Energy initially identified 14 alternative energy sources for promotion. Table 7.4 gives a listing of energy type and source.

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	
Distribution	New Connections
Generation	Ready Boards
	Wind Power Generation
Solar	Photo-voltaic
	Solar Thermal (Water Heating)
Biomass Conservation	Rocket Firewood Stoves

Source: DoEA

Currently, the Department is concentrating on promotion of two viable and market-ready alternative energy sources to charcoal and firewood, namely biomass briquette and biogas. The briquettes were promoted through groups which were producing and selling them. In 2013/14 financial year, it was noted that there is slow uptake of the briquette technology owing to a number of factors which include group dynamics and marketing of the technology. In view of this, the Ministry of Natural Resources, Energy and Mining decided to change strategy, that is, to start working with entrepreneurs with financial muscle and who would take briquette production as a business venture. However, there has not been any progress registered in the period under review due to lack of funding.

7.2.6 Biogas Production and Utilization

In an effort to promote usage of biogas technology for energy production, the sector planned to construct three pilot biogas plants for demonstration purposes. The plan is to roll out to 38 villages across the country. Dairy cattle farmers who are stall-feeding their animals are to be targeted. UNDP was to fund construction of the three biogas demonstration plants through contractors. The other plants were to be funded by ORT. However, in the period under review there was no progress due to lack of funding.

7.2.7 Renewable Energy Demonstration Centre

The Ministry through the Department of Energy Affairs has installed various renewable energy technologies such as solar/wind hybrid system for electricity generation and water pumping. Biogas technology for cooking and construction has been completed. The renewable energy technologies have been installed at the

Department of Energy Affairs offices behind Natural Resources College. The objective is to demonstrate how best and efficient the renewable energy technologies can be utilized. The centre was funded by the UNDP.

7.1.8 Capital Hill Solar Street Lights Project

In order to maximise security, the Ministry of Natural Resources, Energy and Mining embarked on a project to install solar street lights at the Capital Hill with funding from People's Republic of China. A total of 220 street lights have been installed. The street lights were launched on 16th April, 2014.

7.2.8 Presidential Initiative on Clean Cook Stoves

The Department of Energy Affairs has embraced a Presidential Initiative on clean cook stoves. Under the initiative, clean cook stoves are to be promoted to two million households by 2020. This is part of the country's commitment as a signatory to the Global Alliance on clean cook stoves which aims at adoption of clean cook stoves by 100 million households by 2020 worldwide. In addition to be a clean source of energy, the clean cook stoves will also benefit users through sell of carbon credits.

In the period under review, more than 12 groups have been trained in production of clean cook stoves with financial support from American Government. The overarching objective of the study is to establish a niche for the promotion of clean cook stoves. A clean cook stove Task Force has been established to oversee the promotion of the stoves.

7.2.9 Energy Saver Bulbs

Government through the Ministry of Natural Resources, Energy and Mining has been implementing the Energy Efficient Lighting Project (EELP) 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 (IBs). 1.3 million CFLs were targeted to be distributed and installed free of charge to the residential household customers, small and medium size companies and public buildings.

By December, 2013, a total of 1.2 million energy saver bulbs were installed in 27 districts saving about 51 MW of electricity. At the time of reporting, the installation works are expected to commence in Mwanza district to complete installations in all districts.

7.2.10 The Project for Introduction of Clean Energy by Solar Electricity Generation System in Malawi

The Government of Malawi received a grant from JICA under the Clean Energy Development Initiative of US$6.0 million to install Grid Connected Solar Project at Kamuzu International Airport (KIA). The beneficiary of the project is the

Airport Development Limited (ADL) which will be using the generated electricity for its operation.

The planned capacity to be installed was 459 KW. However, there was surplus money and it was increased to 830 KW. ADL will solely depend on the electricity from solar during the day and ESCOM electricity will be a back up. In the period under review, the project at the airport was completed and commissioned.

7.3.11 Energy Sector Support Project

In an effort to increase the reliability and quality of electricity supply in the major load centres in Malawi, Government, with support from World Bank, started implementing the Energy Sector Support Project. The project intends to achieve this objective by strengthening the existing electricity network, performing generation and transmission feasibility studies for hydropower 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, Government has signed contracts on feasibility studies on backbone transmission line, supply of generation spare parts for hydropower stations and wind measurement study. Furthermore, the consultancy for Fufu Hydropower Feasibility Study has been procured, and procurement of consultancy for Chimgonda, Mpatamanga, Bagasse and geothermal is in progress.

7.2.12 Geothermal Feasibility Study

Government intends to conduct Geothermal Feasibility Studies under the Energy Sector Support Project (ESSP) which is funded by the World Bank. The studies were initially put on hold in order to sort out the issue of three licenses issued by the Department of Mines to a Geothermal Resources Project Limited Company for exploration and the licenses have expired this year. In the period under review, the Ministry of Natural Resources, Energy and Mining has initiated the procurement of consultancy services for the geothermal feasibility studies, and short-listing of prospective consultants was done in May, 2014.

7.3 Petroleum

7.3.1 Fuel Importation

Overall, imports of petroleum products during 2013/14 fiscal year slightly increased by 4 percent above that of preceding year. The importation of petrol and diesel increased by 9 percent and 4 percent, respectively, as compared to that of 2012/13 fiscal year, while Paraffin decreased by 73 percent. The significant improvement in the petroleum supply situation during the period under review is due to improvement in the availability of forex which proved to be a challenge in 2012/13. The decrease in importation of paraffin is due to scarcity of paraffin of the required standard 38˚ flash point on the international market. Furthermore, there has been an increased demand for the imported fuel due to expanded base of socio-economic activities.

TABLE 7.5: FUEL IMPORTS (LITRES) 1999 – 2013

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

TABLE 7.6: MALAWI FUEL IMPORTS PER ROUTE 2000 – 2013

	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

Source: Malawi Energy Regulatory Authority (MERA)

As it has been always the case, Malawi capitalized on the Beira, Nacala, Dar-es-Salaam and Mbeya routes for procurement of fuel in 2013. Based on the figures provided in Table 7.6, about 83 percent of fuel imports were procured through Beira, 14 percent through Dar-es-Salaam and 3 percent through Nacala.

7.3.2 Petroleum Pricing

Since the establishment of MERA in December 2007, all energy pricing activities are handled by Energy Pricing Committee of MERA as per the requirement in the Energy Laws. For petroleum pricing, the automatic pricing introduced in 2000 continues to be the main principle behind fuel pricing. This system links pump prices to procurement costs and exchange rate movements with a 5 percent trigger band. The formula is managed under a multi-sector Petroleum Pricing Committee (PPC), which meets once every month to assess changes in the agreed parameters that constitute the In-Bond Landed Cost (IBLC) and the value of the Malawi Kwacha against the US Dollar. On a number of occasions, Government has suspended the principles of automatic pricing and opted to manage the price structure in a way that minimizes the impact of the fuel price increase on the economy as well as to recover import losses due to the loss in value of the 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, one litre of petrol rose by 17.5 percent while diesel rose by 23 percent (Table 6).

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

Product	Sept. 2007	Jan. 2008	June 2008	Feb. 2009	Feb. 2010	Nov. 2011	May 2012	May 2013	Apr. 2014
Petrol	200.90	200.90	251.20	213.50	256.20	380.00	490.00	714.09	839.00
Diesel	186.61	187.60	234.50	199.30	231.20	360.00	475.00	693.90	853.40
Paraffin	140.0	132.20	165.30	132.20	199.00	171.00	171.00	171.00	719.30

Source: Malawi Energy Regulatory Authority (MERA)

7.3.4 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 in 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 plans 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, 1237 MW in 2020, 2141 MW in 2025 and 3622 MW in 2030.

In the period under review, a country report using MESSAGE was produced. The preliminary results obtained using the MESSAGE model were presented to various stakeholders. The results show that, in the short-term, Malawi should promote usage of energy saver bulbs, interconnect with the neighbouring countries and finalise Kapichira Phase II, while in the medium-term, the country should develop coal-fired power plant, construct new hydropower plants on Shire and Bua Rivers in order to meet the projected peak electricity demand. In the long-term, the country should, among others, develop hydropower plants on Songwe River, a joint project with the United Republic of Tanzania. MEM is in the process of finalising and publishing the results from the two studies.

7.4 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 neighboring 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 period under review, the Ministry of Natural Resources, Energy and Mining started implementing Kammwamba Coal-fired Power Generation Project which is expected to have a 300MW capacity. Environmental Impact Assessment (EIA) has been completed and a report has been submitted to the Ministry. Furthermore, a Memorandum of Understanding has also been signed between the Endeavor Holdings Limited and Intra Energy to implement Pamodzi Coal-fired Project in Salima which is expected to generate about 240 MW of electricity upon completion.

Chapter 8

TRADE AND PRIVATE SECTOR DEVELOPMENT

8.1 Overview

This chapter describes Malawi's performance in the trade sector during the period 2013/14. In addition, it presents the achievements in industry and private sector development during the period under review.

The role of trade and private sector development in the national economy is identified under the sustainable economic growth thematic area of the Second Malawi Growth and Development Strategy (MGDS II). It aims to do this by providing an enabling environment for private sector participation and development, fostering job creation, and empowering rural communities.

The Malawi National Export Strategy (NES) provides a strategic approach for the achievement of trade, industry and private sector development's contribution to the MGDS II. It also provides a clearly prioritised road map for building Malawi's productive base to generate sufficient exports to match the upward pressure on Malawi's imports through prioritization of three key sectors, namely: Oil seeds, sugar cane, and manufactures, including agro-processing. Moreover it focuses on investing in key binding constraints, in particular, improving the business environment; investing in economic institutions and human capital; and targeting regional markets.

8.2 Overall Trade Performance between 2011 and 2013

The performance of the external trade sub-sector, in terms of trade balance, has worsened in the past three years. The overall trade deficit has been widening from K167.4 billion in 2011 to K368.4 billion in 2012 and stood at K595.9 billion in 2013. During the period under review, the total merchandise exports has doubled from K213.1 billion in 2011 to K434.7 billion in 2013. The increase in exports is attributed to favourable production of goods such as tobacco, sugar, tea, pulses, and coffee. However, this increase in exports could not keep pace with imports which have almost tripled over the period from K380.6 billion in 2011 to K1,030.6 billion in 2013. Malawi's imports continued to be dominated by pharmaceutical products, fertiliser, and petroleum and petroleum products.

TABLE 8.1: EXTERNAL TRADE -VALUE OF EXPORTS AND IMPORTS, 2011-2013 IN MILLIONS OF KWACHA

	2011	2012	2013
Total Exports	213,150	292,101	434,708
Total Imports	380,621	660,533	1,030,648
Trade Balance	(167,470)	(368,431)	(595,939)

Source: NSO

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[3]. Generally, Malawi registered trade deficit with all these major trading partners against its usual trade surplus with the EU.

Malawi exports to SADC countries decreased by 49 percent from K181.3 billion in 2011 to K91.8 billion in 2013. While the imports from SADC increased by 774.6 percent from K50.1 billion to K438.8 billion in 2013, resulting in a trade deficit of K346.9 billion in 2013 as compared to a deficit of K107.2 billion in 2010.

During the year under review, exports to COMESA increased slightly by 8.4 percent from K47.9 billion in 2011 to K51.9 billion in 2013, which in contrast represents a slowed growth as compared to an average growth of 9 percent in a comparable period. Imports on the other hand have also been on the upsurge by 141 percent from K35.6 billon in 2011 to about K86 billion in 2013.

Exports to the EU has been the most impressive, recording about 1,233 percent increament against an increase in import of about 221 percent. However, the huge increase in exports have not managed to keep pace with the volume of imports, creating a trade deficit. But the good news is that the trade deficit is narrowing from K87 billion in 2012 to K21 billion in 2013. In contrast, this is a deploring situation as Malawi has mostly registered a trade surplus with the EU in the past.

TABLE 8.2: MALAWI'S TRADE WITH SADC, COMESA AND EU 2011-2013 IN MILLIONS OF KWACHA

	2011	2012	2013
COMESA			
Total Exports	47,938	40,027	51,979
Total Imports	35,615	48,442	86,017
Trade Balance	12,322	(8,414)	(34,037)
SADC			
Total Exports	181,312	268,132	91,864
Total Imports	50,173	55,810	438,821
Trade Balance	131,139	212,321	(346,956)
EU			
Total Exports	10,038	1,790	133,897
Totals Imports	48,317	88,819	155,214
Trade Balance	(38,278)	(87,029)	(21,317)

Source: NSO and Ministry of Industry and Trade

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

8.2.2 Malawi's Main Export and Import Products, 2011-2013 in Millions of Kwacha

Tobacco continues to dominate Malawi's export basket with total export earnings amounting to K202.7 billion as compared to K88.9 billion in 2011. The increase in revenue generated in 2012 and 2013 could particularly be attributed to the favourable market prices for tobacco. Besides tobacco, sugar, coffee, tea, and pulses constitute Malawi.s top five export products. Cotton exports earnings are also on the increase from K7.6 billion in 2011 to K12.1 billion in 2012 and then declined to K8.9 billion in 2013.

TABLE 8.3: MALAWI'S MAIN EXPORT COMMODITIES, 2011-2013 IN KWACHA

	2011	2012	2013
Tobaccco	88,901,279,193	157,210,625,908	202,795,617,140
Tea	13,517,883,162	173,178,369,222	31,013,223,072
Sugar	33,520,809,879	10,339,429,668	41,191,574,695
Pulses	4,313,549,579	11,099,441,442	11,236,817,607
Apparel And Chothing	2,731,702,756	3,503,917,456	3,804,302,728
Rubber	2,326,006,751	2,223,310,546	3,026,229,718
Nuts	1,865,305,718	3,080,406,776	5,007,352,626
Coffee	14,839,941,290	19,041,777,691	33,621,867,950
Cotton	7,608,231,609	12,130,055,090	8,943,245,084
Spices (Hs 904)	288,062,864	681,930,847	1,110,632,762
SKIN & HIDES (HS 410)	150,976,292	515,390,020	663,100,318
Wood (HS 4407)	908,319,773	3,041,132	3,916,307,230
Wood Furniture (4420)	922,180,149	1,761,323,380	5,157,257

Source: NSO

Fertilizer emerged as the major import commodity followed by diesel and other fuels and pharmaceutical products in the year under review. Fertilizer import value increased from MK29.1 billion in 2011 to MK125.4 billion in 2013 as indicated in Table 8.4 below. Fertilizer, diesel and other fuels, pharmaceutical products, and petroleum continue to dominate Malawi's imports, most often constituting to over 90 percent of all imports.

TABLE 8.4: VALUE OF SELECTED IMPORTS, 2011-2013 IN KWACHA

	2011	2012	2013
Fertilizer	29,186,706,091	71,696,820,835	125,439,817,639
Pharmaceutical products	28,053,793,536	59,619,182,273	79,130,419,624
Diesel and other fuels	19,778,780,196	80,524,662,815	95,718,845,873
Petroleum	24,293,615,048	1,807,148,820	49,110,756,860
Paraffin	575,437,728	937,438,475	2,717,380,994
Coal	276,060,594	445,943,320	1,226,228,377

Source: NSO

8.2.3 Trade Agreements

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

8.2.3.1 Bilateral Trade Agreements

Malawi has an asymmetrical bilateral trade arrangement with South Africa and symmetrical bilateral trade agreements with Zimbabwe and Mozambique, which facilitate duty free and quota free exports on a number of Malawi products to these markets. A Customs Agreement with Botswana is essentially non-operational as the business community prefers to use the SADC preferences rather than this agreement.

8.2.3.2 Regional Trade Agreements

Malawi is a member of COMESA and SADC. COMESA launched a Customs Union in June, 2009, with a transition period of three years during which member states would be expected to meet all the requirements of Customs Union. Among these include aligning national tariff structures to COMESA Nomenclature and Common External Tariff; adoption of common set of customs procedures; and harmonizing the trade remedies laws. The SADC region launched a Free Trade Area in January 2008, to which Malawi is a member. Malawi has fully implemented commitments to remove tariffs for trade with the rest of SADC region except for trade with South Africa where 85 percent tariff liberalization has been achieved. SADC envisaged the establishment of a Customs Union by 2012 which never materialized.

In October 2008, COMESA, SADC and the Eastern Africa Community (EAC) agreed to establish a Tripartite Free Trade Area (FTA) covering the three Regional Economic Communities (RECs). The motivation to establish the Tripartite FTA stems from the overlapping membership of member states into the three RECs, which were causing confusion to policy implementing bodies and the business community at large. Currently, the membership of the tripartite region comprises 26 countries, of which 22 are already participating in their respective FTA. Through this process, the three RECs will harmonize their customs procedures, promote free movement of business persons, undertake joint implementation of inter-regional infrastructure programmes, and establish institutional arrangements to foster cooperation among the RECs. A Tripartite Task Force was established to spearhead the integration process and so far, a draft tripartite agreement has been developed and Member States are considering it.

8.2.3.3 Multilateral Trade Agreements

Malawi continues to actively participate in the multilateral trade arrangement under the World Trade Organization framework with a view of safeguarding her interests by focusing on trade related development issues such as market access in agricultural and industrial products, preserving the existing trade preferences, provision of special and differential treatment to Least Developed Countries

(LDCs), and reduction of all forms of non-tariff barriers to trade. During the last Ministerial Conference, which was held in Bali in December, 2013, Member States concluded the first ever partial agreement under the Doha Round of negotiations on Trade Facilitation which include substantial provisions on special and differential treatment to LDCs like Malawi. Malawi is currently working on its commitments under this agreement.

Malawi is among the five countries that have not yet initiated the Interim Economic Partnership Agreement in the Eastern and Southern Africa (ESA) region along with Djibouti, Ethiopia, Eritrea and Sudan. Malawi exports, however, continue to enjoy preferential market access to the European Union (EU) under Everything But Arms (EBA) initiative, which is part of the EU Generalized System of Preferences (GSP). Through this initiative, LDCs enjoy duty and quota-free access to EU for all imports save armaments. It should, however, be noted that EBA arrangement is unilateral in nature. Hence, it does not provide any guaranteed access of products to EU market in the long term. Furthermore, the EU has been in the process of reviewing the whole GSP scheme by 2013. The revised version of GSP is expected to come in effect in 2014.

8.2.3.4 Unilateral Preferential Trade Arrangements

Malawi enjoys preferential duty and quota free market access to United States of America for 1,800 product lines under African Growth and Opportunity Act (AGOA) since 2000. Utilization of this market access was higher in the early years, especially in textile and apparel products; but it has dropped since 2005 due to the expiry of the Multi-Fibre Agreement. Malawi together with other key developing countries have called for the re-authorization of AGOA before October 2015 for at least 15 years and to make the preference more favourable than it was. Malawi also benefits from a duty free agreement with People's Republic of China and India's Duty Free Tariff Preference (DFTP) Schemes offered to LDCs, in addition to the EBA initiative described in 8.2.3.3 above.

8.2.3.5 Competition and Consumer Protection

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

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

The consummation of these approved mergers by the CFTC met certain conditions aimed at alleviating the identified competition and public interest concerns. This ensured that they contributed socio-economic benefits without adversely affecting consumers.

8.3 Industrial Performance

During the period under review the industrial sector undertook the following areas of facilitation:

8.3.1 Industrial Projects

The Ministry complimented the efforts of Government in realizing the goal of transforming Malawi from a consuming and importing country to a producing and exporting economy by ensuring a developed manufacturing industry. The development in the industry sector triggered employment opportunities for people in rural areas as well as those in the urban areas, thereby creating wealth mobilization and transformation of resources.

Industrial development is considered a central tool in promoting economic transformation of any country. During the period under review, the Ministry of Industry and Trade undertook a variety of activities in facilitating industrial projects. Some of the projects that contributed to industrial development are listed below.

8.3.1.1 Agro-Processing Industry

8.3.1.1.1 MM Operations Ltd

The Ministry facilitated the opening and commissioning of large scale fruit processing facility for Malawi mangoes in Salima. The factory will be producing mango and banana concentrate and puree for export to countries in Africa and Europe. The company has employed 600 permanent staff and 4,000 smallholders have been registered. It is expected that by end of 2018, the company will generate US$55,000. The company intends to expand its operations by adding extra 3,000 hectares of land before the end of 2014. This would mean increased productivity, employment and foreign exchange generation.

8.3.1.1.2 Crown Agro Industries Limited

This is a subsidiary of Crown Group of Companies that is operating an integrated poultry farm in in Ntcheu along the Zalewa Road. Crown has since installed an ultra-modern abattoir with the capacity to slaughter up to 1,000 chickens per hour. The company also rears layers whose eggs are being sold countrywide at a relatively lower price, giving consumers their value for money.

Currently, another factory is being constructed for production of feed for own consumption as well as for exports to regional markets such as Zambia and Zimbabwe. The employment level at the company now stands at 500 permanent staff. This is in addition to more workers that are employed on temporary basis. This project has created business for locals within the area who provide maize and soya for the manufacturing of the feeds at a relatively good price.

8.3.1.1.3 Cotton Industry

The government is promoting development of the Cotton Industry by encouraging value addition along the cotton value chain. The Ministry of Industry and Trade facilitated the construction and commissioning of three ADMARC cotton ginneries in Chikhwawa, Balaka and Karonga as well as Mapeto's Cotton Ginneries in Salima. With all this development, the country's cotton processing capacity has increased significantly to the extent that Malawi is likely to earn around K6 billion from cotton per year.

8.3.1.1.4 Phamacuetical Industry

Under the Buy Malawi Campaign championed by the Ministry, Central Medical Stores Trust signed a five year agreement with five pharmaceutical companies, including Malawi Pharmacies Limited, Pharmanova Limited, SADM, Health Net Limited, and Kentam Products. Under the agreement, the manufacturers are currently supplying twenty one pharmaceutical products and medical supplies. This initiative will stimulate local production and consumption of pharmaceutical products, thereby accomplishing import substitution.

8.4 Private Sector Development

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

The view that the private sector must play a crucial role as the engine of growth in Malawi is enshrined in the MGDS II. To this end, the high-level Public Private Dialogue 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 facing the private sector. The Ministry has also developed a communication strategy which aims to sensitize politicians, other government ministries, the private sector and the public to the work it is undertaking to improve Malawi's business environment.

8.5 Investment Developments and Promotion

8.5. 1 Global Investment Trends in 2012 and Policies

According to United Nations Conference on Trade and Development (UNCTAD), Global Foreign Direct Investment (FDI) fell by 18 percent to US$1.35 trillion in 2012. Economic fragility and policy uncertainty in a number of major economies gave rise to caution among investors. Furthermore, many Trans-National corporations (TNCs) reprofiled their investments overseas, including through restructuring of assets, divestment and relocation.

UNCTAD forecasts FDI in 2013 has remained close to the 2012 level, with an upper bound estimate of US$1.45 trillion. FDI flows may then reach the level of US$1.6 trillion in 2014 and US$1.8 trillion in 2015. However, significant risks to this growth scenario remain. Factors such as structural weaknesses in the global financial system, the possible deterioration of the macroeconomic environment, and significant policy uncertainty in areas crucial for investor confidence present downside risks.

FDI inflows to Africa rose for the second year running by 5 percent to US$50 billion, making it one of the few regions that registered year-on-year growth in 2012. FDI outflows from Africa almost tripled to US$14 billion in 2012. Transnational corporations from the South are increasingly active in Africa, building on a trend of a higher share of FDI flows to the region coming from emerging markets in recent years. In terms of FDI stock, Malaysia, South Africa, China and India (in that order) are the largest developing country investors in Africa.

FDI inflows in 2012 were driven partly by investments in the extractive sector in countries such as the Democratic Republic of the Congo, Mauritania, Mozambique and Uganda. At the same time, there was an increase in FDI in consumer-oriented manufacturing and services, reflecting demographic changes. Between 2008 and 2012, the share of such industries in the value of greenfield investment projects grew from 7 percent to 23 percent of the total.

At least 53 countries and economies around the globe adopted 86 policy measures affecting foreign investment in 2012. The bulk of these measures (75 percent) related to investment liberalization, facilitation and promotion, targeted at numerous industries, especially in the service sector. Privatization policies were an important component of this move. Other policy measures included the establishment of Special Economic Zones (SEZs).

Restrictive investment policies were applied particularly to strategic industries, such as extractive industries. In general, governments became more selective about the degree of FDI involvement in different industries of their economies.

8.5.2 Investment Performance in Malawi in 2013/14

During the period under review, MITC registered new FDI pledges worth US$656 million. In terms of origin of the investments, Asia was the leading continent at 52 percent of the total registered investment pledges followed by local investors at 42 percent. FDI from Africa accounted for 6 percent of total global FDI.

In terms of the composition of the investment pledges in the year energy and agriculture/agro processing accounted for 46 percent and 21 percent, respectively. Tourism accounted for 19 percent of the pledges. These investments are anticipated to create 6,242 jobs.

In the year 2013/14 there has been changes in the investment approval process. In August, 2013, the last physical investment approval committee comprising of various stakeholders in the country met. Thereafter, the stakeholders were approving the investments virtually. In January, 2014, an internal investment committee comprising of MITC staff was formed by the Board of MITC to replace the multi-agency investment approval committee. This was done to facilitate speedy approval of investments. Currently, it takes five days to respond to an investment submission.

Over the year, a total of 26 investment projects were received. Out of these requests, only three submissions were rejected. Table below show the sectors of the approved investments.

TABLE 8.5: YEAR 2013/14 INVESTMENT CERTIFICATES APPROVALS BY SECTOR

Sector	Number of Companies
Agriculture/Agro-processing	7
Manufacturing	5
Tourism	3
Energy	4
Other sectors	7
Total	26

Source: MITC

8.5.2.1 Key Constraints to FDI Inflows

Investment promotion in the country still faces a number of challenges some of which are; delays in getting permits from Department of Immigration; and delays in land allocation to put up the investment projects by Ministry of Lands, Housing and Urban Development.

8.5.3 Prospects for FDI in 2014/15 and the Medium Term

FDI inflows in Malawi are expected to take an upward trend because of opportunities in various sectors of the economy such as mining, agriculture and agro-processing, manufacturing and services. The investment promotion efforts of Malawi Investment and Trade Centre (MITC) have been enhanced by the merger of Export Promotion and Investment. This coupled with the increase in the number of inquiries paint a rosy picture for future FDI inflows into Malawi.

8.5.4 Investment Promotion Activities

8.5.4.1 Foreign Investment Promotion

Investment promotion during the year was done in various ways some of which are: MITC hosted a number of business delegations that were looking for investment opportunities in the country; MITC undertook an investment mission to China; and MITC undertook an agriculture investment forum which was aimed at flagging out investment opportunities in the sector.

8.5.5 Investor Services

8.5.5.1 Aftercare Programme

MITC managed to undertake aftercare to 7 companies within the locality of Lilongwe. The following challenges were highlighted: high corruption rate; delays in getting feedback from various Government agencies; absenteeism of workers due to HIV related illnesses; an unstable economy; and lack of clarification of government on issues of incentives and other issues affecting investments.

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, promotion of small scale enterprises at local level has been one of the key interventions aimed at enhancing the capacity and capability of SMEs in production, packaging, costing, and marketing. In order to encourage participation in export trade, 16 enterprises were supported with training, technical assistance and production equipment worth US$344 million, benefiting 16,000 entrepreneurs mostly residing in rural areas. The enterprises supported under this initiative are likely to generate annual revenue estimated at K120 million per year, of which K90 million will be in export earnings. The SMEs were also supported in the production and processing of coffee, sugar, dairy, vegetables, rice and animal feeds.

8.6.2 SME Promotion

The Ministry, with technical assistance of the Flanders Technical Assistance Programme, is supporting SMEs engaged in the production of macadamia nuts.

The beneficiaries of the programme are being helped to export macadamia nuts to Europe for use in the manufacture of chocolates and cosmetics. Under the Bee-keeping Development Programme, 200 entrepreneurs were supported with training, equipment and harvesting gear. These enterprises are now able to produce honey worth K12 million per annum for both domestic and industrial use. Efforts have also been made in order to increase access to microfinance by small businesses. This has culminated in the launching of Microfinance Transparency. This is an initiative that will ensure that pricing of microfinance products by microfinance institutions does not unduly exploit beneficiaries of microfinance services. Disbursements by the microfinance institutions were in the region of K12 billion by December, 2010. In order to strengthen and deepen the microfinance sector, Government has introduced the Microfinance Act. This will ensure that activities of microfinance providers are done to the benefit of the economy. Regarding the poultry industry, the Ministry through the Malawi Industrial Research and Technology Development Centre (MIRTDC) has developed technology for small scale automated egg incubators. This technology once commercialized will reduce the shortage of day-old chicks. The Ministry also organized a Joint Craft Exhibition for small scale enterprises from Malawi and Tanzania in order to increase their access to markets. This exhibition generated on-the-spot sales and business deals worth K15 million.

8.7 Cooperative Development

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

8.7.1 Performance of the Cooperative Sector

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

8.7.2 Promoting Access to Finance through Financial Cooperatives

The cooperative sector also played a vital role in promoting a savings culture and access to finance among ordinary Malawians through Savings and Credit Cooperatives (SACCOs) and Community Savings and Investment Promotion (COMSIP) Cooperatives. These financial cooperatives have accumulative share capital of over K2.85 billion and have granted loans to members in excess of K2.97 billion and annual savings in excess of K210 million. The sector is expected to grow as more SACCOs and COMSIP Cooperatives are undertaking outreach initiatives. In addition, it is envisaged that the enactment of the Financial

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

Chapter 9

EDUCATION

9.1 Overview

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

9.2 Key Sector Achievements

9.2.1 Primary Sub-sector

Under the Education Sector Wide Approach (SWAp), the sector has added 1,483 new classrooms. 910 of which were constructed through the Local Development Fund (LDF) and the rest were constructed under the Education Infrastructure Management Unit (EIMU). However, 700 more classrooms are to be constructed, 310 through LDF and 390 through EIMU.

Apart from the classrooms, 350 latrines and 178 teachers houses have been constructed through LDF while EIMU has built 699 latrines, 55 administration blocks and 130 teachers' houses. Altogether, the Ministry has built 308 teachers' houses and 1,049 latrines. In the 2013/14 fiscal year, construction has just started on 100 classrooms, 35 ablution blocks, 8 administration blocks and 12 girls hostels through LDF.

Construction of a new primary school in Area 47 in Lilongwe (Mkwichi Primary School) was completed and the school is now open. Construction was done with funding from the People`s Republic of China.

The Ministry-run Complementary Basic Education (CBE) program now operates in 10 districts, in 600 established centres. 173,000 learners' books and 20,000 facilitators' guides were procured. In addition, funding was provided to NGOs to help manage their CBE activities in the districts.

The Primary School Improvement Plan (PSIP) has been rolled out to all districts. The program seeks to give more autonomy to schools and school communities by ensuring access to resources at the school level for effective planning and implementation of school-based improvement initiatives. K4.7 billion has been disbursed to all primary schools in the 2013/14 FY.

9.2.2 Secondary Sub-sector

Phase 2 of the Japanese Community Day Secondary Schools (CDSS) Grant Aid Project is underway and 6 sites have been identified for the project (Mkwichi in Lilongwe, Matenje in Salima, Liwaladzi in Nkhotakota, Zolozolo in Mzuzu, Mpamba in Nkhatabay and Ezondweni CDSS` in Mzimba). The progress is currently at 80 percent on average and construction is expected to be complete by August, 2014.

Eleven schools have been identified for Phase 3 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. Construction will start in the next financial year.

A consultant was identified for construction of Thumbwe Boarding Secondary School, and the same consultant will be used for the construction of Machinga Secondary School. Sites were handed over on 16th October, 2013. Construction of a new secondary school, Matapwata, in Thyolo was completed and was handed over. Disbursement of bursaries to targeted students is being done and so far 8,035 students have benefited in this FY. Currently, 12,000 students are benefiting from bursaries.

The Secondary curriculum has been reviewed and implementation is expected to start in September, 2014. Procurement of teaching and learning materials is in progress.

9.2.3 Teacher Education

3,500 teachers have been added into the system from Open Distance Learning (ODL) training while 3,469 teachers were added from Initial Primary Teacher Education (IPTE) regular two-year teacher training program. Continuous Professional Development has been carried out in all 34 education districts in Teacher Development Centres for 12,795 teachers. 9,144 teachers have been trained in continuous assessment in primary education. 28,439 student teachers were provided with teaching and learning materials. Currently, the Ministry is receiving applications for ODL 5 and IPTE 10.

In-service training was conducted for 400 students to provide teaching practice opportunities to students pursuing diplomas and Bachelor degrees at Domasi College of Education. Secondary school teachers have been trained in financial literacy. This provides teachers with knowledge, skills and attitudes for effective teaching of financial education content in the reviewed curriculum. Works are on-going on construction of a new Teachers Training College (TTC) in Chiradzulu funded by UNICEF. Progress is at over 70 percent. Construction of Phalombe TTC is at an advanced stage, and this should be complete this year. Progress is at over 95 percent.

The Ministry is waiting for a no-objection from the World Bank to identify a consultant for the construction of the Special Needs Institute. In addition, the consultant has been engaged for the construction of three new TTCs in Mchinji, Chikhwawa, and Rumphi districts under the support from BADEA. The consultant is currently working on designs and these will be ready by August, 2014. Consultancy service was procured for the construction of a Secondary Teachers Training College in Lilongwe. Site hand over was done in March, 2014. Works commenced in April, 2014. This project is funded through Japanese Grant Aid for Community Empowerment.

9.2.4 Tertiary Education

Malawi University of Science and Technology was handed over to the Malawi Government in December, 2013. The Ministry is pursuing possibilities of Public Private Partnership in the construction of staff houses. New Campus for Kamuzu College of Nursing has been constructed in Blantyre with help from Ministry of Health and Global Fund. Phase 1 of construction at the Lilongwe campus is complete. Draft Bill on Higher Education Financing was submitted to Cabinet, awaiting parliament deliberations and recommendations.

TABLE 9.1: THE EDUCATION MILLENNIUM DEVELOPMENT GOALS (MDGs)

Indicator	*Year 2000*	*Current Status (2013/14)*	*2015 Target*	*2015 Projection*	*Feasibility of achieving the goal*
NER in Primary schools (percent)	78	86	100	92	Unlikely to be met (although it is reported that the target will unlikely be met, progress on some indicators is very good and it is expected that the projected values could be surpassed moving towards the 2015 targets)
Proportion of pupils starting grade 1 reaching grade 5 (percent)	69	64	100	75	
Literacy Rate (15-24 years) (percent)	68	79.6	100	95	
Ratio of girls to boys in primary education	0.91	1.00	1	1	Unlikely to be met (although the overall goal is unlikely to be met, substantial progress has been made on some indicators such as Gender gap at primary school level has been closed)
Ratio of girls to boys in secondary	0.6	0.82	1	0.9	
Ratio of Literate Women to men (15-24 years old)	0.82	0.94	1	1	

Source: Ministry of Education, Science and Technology

The project on 'Higher Education for Science & Technology' (HEST) is underway, hence, lectures and students are currently benefiting from the capacity development component. An ICT consultant and M & E consultant have been engaged. Construction of lecture rooms at Chancellor College is awaiting tendering. The Council for Higher Education commenced recruitment of the executive management, and interviews were held for the Chief Executive and the Deputy.

9.3 Education Budget Achievements in 2013/14

9.3.1 2013/14 Education Budget

Under the Joint Financing Arrangement (JFA), the budget ceilings for the Education Sector Recurrent and Part 2 Development votes are calculated by the Ministry of Finance (MoF), including commitments from the Pool Partners. The 2013/14 budget was approved by Parliament in June, 2013. The overall Education Sector budget that was approved for 2013/14 was K110 billion, of which K57.9 billion was funded, and of the total that was funded, K50.7 billion has been utilized (87.6 percent). The total budget comprises K44.6 billion for Personal Emoluments (PE), of which K22.9 billion has been funded; K12.8 billion for Other Recurring Transactions (ORT) which includes Headquarters, Divisions, Technical Colleges and TTC, of which K6.4 billion has been funded and K2 billion has been utilized; K8.1 billion for Districts' ORT, of which K3.9 billion has been utilized; and subvention K25 billion to Education Institutions (K9.94 billion); and Development Part 1 which is discrete funding from Development Partners, amounted to K4.5 billion of the total.

Funding from other Discrete Partners - especially all the funding to the Education Sector from USAID, JICA and China - and most of the funding from UNICEF is not included in the budget. That funding is spent through DPs' own bank accounts managed by their own project management units, which is why it is not accounted for within the Government of Malawi (GoM) systems. Such funding is referred to as "off-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 2013/14.

TABLE 9.2: FUNDING AND EXPENDITURE FOR THREE QUARTERS IN 2013/14

PE	Budget K million	Fund Adj	Exp K millions	Budget K millions	Funding funded	Budget spent	Spent
HQ & other	429.2	-	384.6	411.6	89.6%	107.0%	95.9%
DEMs	35,396.3	-	18,844.0	18,844.0	53.2%	100.0%	53.2%
Divs	8,254.4	-	3,315.0	3,315.0	40.2%	100.0%	40.2%
Colls	-	-	103.5	163.5		157.9%	
TTC	612.4	-	299.9	299.9	49.0%	100.0%	49.0%
DPSM	-	-					
	44.692.2	**-**	**22,947.1**	**23,034.0**	**51.3%**	**100.4%**	**51.5%**
ORT							
HQ % other	4,703.5	-	2,097.8	662.3	44.6%	31.6%	14.1%
Divs	2,113.6	-	1,439.2	517.3	68.1%	35.9%	24.5%
Colls	346.5	-	176.0	341.3	50.8%	193.9%	98.5%
TTC	5,657.0	-	2,695.7	971.7	47.7%	36.0%	17.2%
	12,820.6	**-**	**6,408.7**	**2,492.5**	**50.0%**	**38.9%**	**19.4%**
Total MoEST	**57,512.8**	**-**	**29,355.8**	**25,526.6**	**51.0%**	**87.0%**	**44.4%**
DEMs ORT	8,134.0	-	5,825.5	3,934.9	71.6%	67.5%	48.4%
Subventions	25,238.0	-	18,730.4	18,730.4	74.2%	100.0%	74.2%
Dev. Part 2 MOEST	9,783.0	-	1,567.5	778.2	16.0%	49.6%	8.0%
Dev. Part 2 MOEST	4,453.1	-	1,002.8	342.9	25.0%	100.0%	7.7%
LDF	5,880.1	-	1,469.2	1,469.2	25.0%	100.0%	25.0%
Treasury-Funded	**106,547.86**	**-**	**56,948.39**	**50.439.25**	**53.4%**	**88.6%**	**47.3%**
TOTAL	**111,000.9**	**-**	**57,951.2**	**50,782.2**	**52.25**	**87.6%**	**45.7%**

NB: DEM-District Education Manager; TTC-Teacher Training College; Divs-Divisions; LDF- Local Development Fund

9.3.3 Funding By Treasury

Funding is provided by Treasury to Cost Centres (CCs) each month, and this is usually based on the monthly cash forecast requirements of CCs indicated to Treasury before the year started, adjusted by any later forecasts. In the Finance Monitoring Report (FMR) the actual funding provided in each quarter is compared with the "planned" result, taken as 25 percent of the year's budget in each quarter. During the three quarters, Treasury funded a total of K56.9 billion to CCs, which is 53.4 percent of the approved budget.

As shown in the summary Table 9.3, funding for Development Parts 1&2, as well as LDF, was very low compared to the other budget lines, meaning that most construction project have been at a stand-still. Development part 1 was funded 22.5 percent, Part 2 was funded 16 percent with LDF at 25 percent. These were the lowest funding levels in the Ministry, while the other budget lines were funded at or above 50 percent with the exception of ORT for HQ and TTCs which were funded at 44.6 percent and 47.7 percent, respectively. However, some budget lines were better funded, for instance, the subventions, which were 74.2 percent funded, with a total funding of K25.2 billion. ORT at Local Councils for District

Education Managers' (DEM) offices were 71.6 percent funded with total funding of K8.1 billion and ORT at Divisions was 68.1 percent funded with funding of K2.1 billion.

9.4 Discrete Development Projects

Funding from Discrete Partners towards development projects is not included in the budget. Such partners include: AfDB, USAID, JICA, China and 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 and such funding is referred to as "off-budget".

9.4.1 Donors

9.4.1.1 Funding From Pool Donors

Of the overall approved budget, K26.7 billion is from E-SWAp pool partners. So far, K6.2 billion of the pool funding has been utilized. The table below provides a summary of the disbursements of the pool funding. As seen in the table, most of the funding is being utilized for the Primary School Grants Programme and construction and upgrading of education facilities.

TABLE 9.3: FUNDING LEVELS FROM POOL DONORS;

MoEST **Education Sector FMR for the Quarter ended 31st December 2013**

Annex 4: Eligible expenditures report

Utilisation of Pool Donor funds statement	**Actual 2011/12**			**2013/14**		**Forecast**
	Total year to 2012/13 K millions	Budget Year K millions	Supplemý Budget K millions	Act qtr to 31/12/13 K millions	Act cumul to 31/12/13 K millions	6 months to 30/06/14 K millions
Balance brought forward					668.8	95,548.1)
Donor funds received	33.412.7	26,710.4	-	-	-	12,225.7
Utilisation of Donor funds on eligible expenditures as below	(32,743.9)	(26,710.4)	-	(2,164.9)	(6,216.9)	(6,677.6)
Balance carried forward	**668.8**	**-**	**-**	**(2,164.9)**	**(5,548.1)**	
Eligible expenditures:						
Eligible expenditures until 21/11/10	1,607.8	-	-	-	-	-
1: Construction and Upgrading of Education facilities	12,279.7	9,698.5	-	271.2	2,190.1	2,424.6
2: Direct support to disadvantaged Children	1,647.6	1,973.9	-	27.3	58.2	493.5
3: Textbooks and other TLMs	5,167.2	5,638.8	-	62.6	456.2	1,409.7
4: New teacher recruitment and training	7,028.0	3,404.4	-	16.5	265.0	851.1
5: CPD and teacher managements	1,784.7	430.1	-	25.3	117.2	107.5
6: Primary school grants programme	2,570.4	4,767.9	-	1,728.7	2,959.6	1,192.0
7: Planning and budgetary management	658.4	796.9	-	33.2	170.6	199.2
Total eligible expenditures	**32,743.9**	**26,710.4**	**-**	**2,164.9**	**6,216.9**	**6,677.6**

1. This special report shows utilisation of pool donor fund against eligible expenditures, according to the revised JFA creteria. The report is cumulative over the four year term of the pooling arrangement and starts with effect from 1/7/10

2. The top part of this report is the summary, showing income, utilisation of that income on the eligible expenditures and then balance of unutilised funds carried forward. The bottom part shows the eligibe expenditure totals from the summary analysed into the seven components described in the JFA

Source: Ministry of Education, Science and Technology

9.5 Key Challenges

The sector faces serious shortage of teachers, especially in rural areas. The current pupil-qualified teacher ratio (PqTR) is at 76:1 and this is too high (EMIS, 2013). In this respect, more teachers need to be recruited if the sector is to reach the target of 60:1 by 2015. The primary pupil-classroom ratio has been worsening from 85:1 in 2005 to about 108:1 in 2013/14. This can be attributed to the continued increase in enrollment pegged at the rate of 4 percent per annum in the 2012 Education Sector Performance Report (ESPR) as well as the low rate of classroom construction. Inadequate teachers' houses, even though some houses have been built through LDF, is still a challenge, and there is still a long way to go before this problem can be resolved. Lack of housing, safe water and sanitary facilities are some of the factors that are contributing to the shortage of teachers in rural areas.

TABLE 9.4: CHALLENGES FACING EDUCATION SECTOR

Indicator	*Base (Year 2012/13) Calendar)*		*Current Status (2013/14 School*		*Indicator Target (Year 2017/18)*	
	Primary	*Secondary*	*Primary*	*Secondary*	*Primary*	*Secondary*
Repetition rate (%)	*24.5*	*	*19*	*	*5*	*
Drop-out rate (%)	*10.5*	*	*11*	*	*5*	*
PqTR	*95:1*	*70:1*	*76.1*	*49:1*	*60:1*	*
Net Enrolment Rate (NER) (%)	*86*	*13*	*86*	*14*	*100*	*
Gross Enrolment Rate	*116.5*	*19*	*116*		*106*	*
Survival rate for std 8 (%)	*38*	*	*31*	*	*100*	*
Pupil-Textbook Ratio	*4:1*	*	*3:1*	*	*1:1*	*
Pupil-Classroom ratio	*100:1*		*108:1*	*55:1*	*60:1*	*40:1*
Completion rate (%)	*50*	*	*52*	*	*	*
Orphans (%)	*13*	*19*	*11*	*20*	*	*
SNE learners (%)	*2*	*1*	*2*	*1*	*	*
Transition rate (%)	*na*	*49*	*na*	*38*	*Na*	*50*
PSLCE Pass Rate (%)	*69*	*Na*	*	*Na*	*75*	*Na*
JCE Pass Rate (%)	*na*	*62*	*na*	*72*	*Na*	*100*
MSCE Pass Rate (%)	*na*	*38*	*na*	*52*	*Na*	*65*
Exp. on secondary education as a % of total expenditure on education (%)	na	14	na	13	Na	20
Public Exp. on primary education as a percent of total public exp. on education	*50*	*Na*	*55*	*Na*	*64*	*Na*
Education Budget as a percent of total Government budget		*14*		*20*		*

NB: SNE- Special Needs Eductaion

High repetition and dropout rates are indicative of the inefficiencies of the education system, and these are currently reported to be at 19 percent and 11 percent, respectively (EMIS 2013). At secondary level, access remains limited. Out of possible 224,420 pupils in standard 8 in 2012, only 79,402 entered form one in 2013, representing a transition rate of about 35 percent.

There is a distinct absence of support in tertiary education to meet its high unit costs which are more convenient for the small affluent population of the country, thus restricting access to higher education. Therefore, access to tertiary education remains a challenge. In view of this, access needs to expand if Malawi is to produce the professionals it needs to work, inter alia, in hospitals, schools, business and government. On average, only 1,700 students graduate annually from the University of Malawi and Mzuzu University and other private universities. There is still gender disparity in the access to higher education; female enrolment has remained at around 30 percent in public institutions and at around 45 percent in private institutions. The low funding of infrastructure projects has led to delays in the completion of most projects. Commitments from pool partners is uncertain due to governance and management issues and public sector reforms.

Chapter 10

TOURISM, WILDLIFE AND CULTURE

10.1 World Tourism Outlook in 2013 and Prospects for 2014

The world tourism industry continued to grow in the year 2013. Its contribution to the world economy was estimated at 9.5 percent, about US$7 trillion in 2013 up from the 9.3 percent estimated in 2012 by the World Tourism and Travel Council (WTTC). Its direct contribution to the world economy grew by 3.1 percent in 2013, contributing US$2.2 trillion to the world Gross Domestic Product (GDP). Travel and tourism also continued to outperform the wider economy with its growth estimated at 3 percent in comparison to 2 percent of the wider economy. Not only did the industry outpace the growth of the wider economy; but also grew faster than other significant industries such as financial and business services, retail and distribution, public services, transport and manufacturing.

In terms of employment, travel and tourism supported nearly 266 million jobs which translate to 1 in 11 of all jobs in the world. According to WTTC, about 1.4 million additional jobs were generated directly in the sector in 2013, and in total, 4.7 million new jobs were created as a result of tourism activities. The total contribution of travel and tourism to employment grew by 1.8 percent in 2013. Investment in the industry, on the other hand, grew by 3 percent.

International tourism expenditure grew by 4 percent and reached US$1.3 trillion. This is exceeding WTTC previous forecast which was 3.1 percent. However, the growth in international tourism expenditure was partially offset by weaker growth in domestic tourism expenditure and tourism investment which grew by 3 percent rather than the 3.2 percent predicted at the start of the year. The South East Asia region led the world in travel and tourism with estimated economic and employment growth of 7.9 percent and 4.1 percent, respectively. This is exceeding economic growth of 6.8 percent predicted at the start of the year.

In the year 2014, WTTC predicts that travel and tourism growth will continue to outpace growth in the whole economy with 4.3 percent growth compared to 2.8 percent predicted for the whole economy. Investment in the industry is forecast to increase by 5.6 percent. Visitor exports, which is the measure of money spent by international tourists, is expected to grow by 4.8 percent and the sector is expected to generate around 6.5 million new jobs.

International tourism exceeded expectation in 2013 despite global economic challenges. According to the latest United Nations World Tourism Organisation (UNWTO) World Tourism Barometer, international tourist arrivals grew by 5 percent in 2013, reaching a record 1,087 million arrivals. An additional 52 million international tourists travelled the world in 2013. For the year 2014, UNWTO forecasts 4 percent to 4.5 percent growth. This is above the long term projections. Demand for international tourism was strongest for destinations in Asia and the Pacific (6 percent), Africa (6 percent) and Europe (5 percent). The leading sub-regions were South-East Asia (10 percent), Central and Eastern Europe (7 percent), Southern and Mediterranean Europe (6 percent) and North Africa (6 percent).

For the Africa region, the total contribution of travel and tourism to GDP was US$170.7 billion, about 8.5 percent of GDP, in 2013, and it is forecast to rise by 4.1 percent in 2014. For the sub-Saharan Africa region, in particular, its total contribution was US$95.7 billion, about 6.9 percent of GDP, and it is forecast to increase by 4.3 percent in 2014. The industry also contributed 6.9 percent of total employment in Africa. This is about 19,348,000 jobs and it includes jobs indirectly supported by the industry. The expectation is that this will rise by 1.8 percent in 2014. In Sub-Saharan Africa, the industry's total contribution to employment was 5.8 percent of total employment which translates to about 13,411,000 jobs.

10.2 Tourism in Malawi and Major achievements in the 2013/2014 Fiscal Year

The Tourism sector in Malawi is one of the sectors that have potential to significantly contribute to the social and economic development of the country. Over the years the sector has been steadily growing in terms of its contribution to GDP, employment and general social and economic development. In 2013, travel and tourism directly contributed about 4.5 percent of Malawi's GDP. The expectation is that in 2014, the sector will grow by 3.3 percent. However, the total contribution of the sector to the GDP was 8 percent and the vision is to increase this to 13 percent by the year 2018. It directly supported 3.8 percent of total employment with no prospects of significantly changing the rate in the near future. The sector's total contribution to employment, including jobs indirectly supported by the industry, was estimated at 7.6 percent. The forecast is that this will grow by 0.3 percent in 2014. Visitor exports generated 4 percent of the total exports in 2013 with the prospects of growing by 0.6 percent in 2014. Travel and tourism investment constituted 2.6 percent of Malawi's total investment in 2013 and is expected to grow by 5.9 percent in 2014.

The government, realizing the potential that lies in the sector, has put tourism as one of the priority areas for growth. 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.

In 2013/2014 financial year, the country's target was to attract at least 800,000 international tourists. So far, about 793,451 international tourists have visited the country. This is already higher than the 2012's figure of 770,341 and it is promising that by the end of the financial year the target of 800,000 will have been reached. The achievement comes amidst several challenges such as unstable exchange rate and lack of regular and adequate funding to the tourism sector.

In the medium term, the sector's aim is to bring about a million high-paying visitors into Malawi. This will help to create about 300,000 additional direct and indirect jobs and increase its annual contribution to the economy to K400 billion. In order to achieve these medium term sector targets, there are several activities which the sector planned and implemented in the 2013/2014 financial year. These include development and marketing of tourism products, development of support infrastructure and capacity development through policy and law enforcement as well as institutional reform and strengthening.

10.2.1 Capacity Development

The Ministry, with the aim of improving planning, implementation, coordination and effective delivery of tourism, wildlife and cultural programs, is implementing a capacity development program through policy, legal and institutional reforms and strengthening human resource development. One of the programs the sector is implementing in order to achieve this is the construction of an additional hospitality training school in Lilongwe. This is in order to increase the number of qualified personnel that work in the tourism and hospitality sector. Currently, evaluation of the bids for the construction of the college has been completed and the matter is in the hands of Department of Buildings to proceed with the process. The new Malawi Institute of Tourism campus will provide the much needed skilled labour force to match with the ever-growing skilled labour demands of the sector. The sector also reviewed its strategic plan, commenced the review of the Tourism Policy, Parks and Wildlife Policy and has just completed the review of the Cultural Policy.

Tourism regulations provide that tourism enterprises undergo inspection, licensing and grading. This helps to improve the standard and quality of service. In 2013, 1,133 tourism enterprises were inspected against the target of 1,000. 72.29 percent of the inspected enterprises were licensed out of a target of 70 percent. Five properties were also graded for star award. With the aim of enforcing regulations and preserving Malawi's culture and innocence of children, the sector licensed 54 film libraries, film theatres and shops. This was against a target of 90, and also less than 70 libraries, film theatres and shops which were licensed in 2012. The reason for the drop in the number could be reduced funding which greatly affected the sector's operations. Filming and public entertainment permits issued in 2013/14 financial year, however, registered an increase with 12 having been issued against 9 that were issued in 2012. The number of confiscated pornographic materials also rose from 244 in 2012 to 282 in 2013. Two antipiracy raids were conducted and an estimate of 400,000 were reached with anti-piracy message.

Building capacity of the personnel working in the sector greatly helps to improve the sector service delivery. To achieve this, 20 operators within film and public entertainment sector underwent training and 18 officers were trained in digitization of Audio Visio collection of archives. In addition, five officers working in the Department of Parks and Wildlife are undergoing training in various institutions such as Lilongwe University of Agriculture and Natural Resources, Mzuzu University in the country and outside the country at Southern

Africa Wildlife College. About 45 artists were also commissioned for proverbs inspired exhibition.

The sector increased its capacity to hold international conferences and events through the finalization of the Bingu International Conference Centre, the Presidential Hotel and the Presidential villas in Lilongwe. The facility, which also has an amphitheater, has the capacity to hold up to 5,000 people in one sitting and is temporarily being run by Sunbird Hotels. Currently, the government is in the process of identifying a permanent operator of the hotel, presidential villas and the conference centre. The facility will not only increase the country's capacity to hold international conferences and events; but it will also increase employment provided by the sector to the economy.

10.2.2 Product Development

The vision of the tourism sector is to make Malawi a preferred tourist destination with well conserved wildlife resources and unique cultural heritage. In order to achieve this, there is need to develop and improve the Malawian tourism products. In the 2013/14 financial year, tourism investment and promotion resulted in a number of developments. One of these developments is the development of the Chongoni Rock Art World Heritage Site, 75 percent of which constitutes the newly constructed office block, an information centre and an artisan workshop. The sector also undertook the rehabilitation of Chichiri Museum and conservation of Nkhotakota Old Mosque. It carried out the restoration of endangered archives and conducted research on traditional architectural design and natural history.

In the wildlife subsector, a number of projects were undertaken in order to improve the countries wildlife products. The first one was trans-locating animals and restocking animals in protected areas. In this project, the sector produced guidelines for restocking protected areas. Wildlife reserves that are over-populated with certain species are being depopulated by trans-locating those species to lesser populated wildlife reserves. To add to this, 192 km of electric fence was maintained in the 2013/14 financial year. This helped to achieve 30 percent reduction in Problem Animal Control reports. The sector also wants to promote ecotourism which is the tourism to exotic or threatened ecosystems to observe wildlife or to help preserve nature. To achieve this, the Ministry issued three ecotourism concessions. It also maintained 120 km of tourist roads in Nkhotakota, Lengwe and Liwonde to ease accessibility of these areas. All these helped to achieve revenue collection of K85 million against the target of K48.4 million.

In order to involve and empower communities in wildlife conservation, two additional wildlife Community Based Organisations and 100 wildlife clubs were formed in 2013. Construction of 14 staff houses in National Parks and Wildlife Reserves also commenced and is at 40 percent completion. 1,700 patrols were conducted in the financial year in order to combat poaching. 330 tsetse targets were set in wildlife parks in order to address health issues of tourists in these protected areas. This adds to the efforts the sector is undertaking to mitigate the impact of trypanosomiasis, which is commonly called sleeping sickness.

10.2.3 Marketing and Communication

Marketing and communication is a very important tool necessary to achieve the promotion of Malawi as one of the top world tourist and investment destinations. To achieve this, the sector participated in various international travel and tourism fairs around the world. Malawi was also advertised as a tourist and investment destination on international media such as CNN and Sawubona, an inflight magazine for South African airways. The international media adverts were also complemented by adverts on local media such as MBCTV and Zodiak Broadcasting Station in order to promote domestic tourism.

The results of the publicity campaign are that the number of hits on the official Malawi Tourism website has increased by over 1,000 percent. A similar increase was also noted on the Malawi Investment and Trade Centre's official website. Likes on the official Malawi Tourism Facebook Page jumped by over 500 percent and there is increased interest among tour operators to package Malawi. All these show that the campaign increased Malawi's visibility as a tourism and investment destination. However, there is a time lag before the actual benefits start accruing. In the short term, it is expected that tourist arrivals will increase by 5 percent to 10 percent, investment enquiries will increase by about 8 percent and tourism revenue receipts will increase by at least 5 percent in 2014.

10.3 Planned Activities and Developments for the Tourism Sector in the 2014/2015 Fiscal Year

In the coming financial year, the sector has planned several activities in order to take advantage of tourism opportunities arising in the region and the world at large. The activities are in the field of capacity development, product development, marketing and communication and support infrastructure and facilitation.

10.3.1 Capacity Development

In capacity development the next financial year will witness the start of the actual construction work of the ultra-modern Lilongwe Campus of the Malawi Institute of Tourism at Lingadzi Inn in response to the ever-growing demand for skilled labour in the sector. To supplement this effort, training of those already employed in the sector will continue in order to improve service delivery. For instance, two staff members in the Department of Culture will undergo training in culture related courses. To help improve the standard of tourism and hospitality services so that they meet international standards, the sector will continue with the implementation of the star grading system to grade tourism properties. This will be complemented by the usual inspection exercises to enforce compliance with minimum standards. It will also continue with the process of reform through the review of the Tourism and Wildlife policies. It also plans to review the Country Brand.

Blantyre Cultural Centre, formerly known as French Cultural Centre, is undergoing rehabilitation which will help revive the centre and make it fully operational. The rehabilitation includes the open air theatre, public toilets, auditorium, one staff house, servant quarters, offices, library and classrooms. This will help to boost the culture and entertainment industry by providing venue and other related facilities for hosting events. In addition to this, the Ministry will carry out the redevelopment of the amphitheater which was part of the Bingu International Conference Centre Project. This will involve the provision of stage lights and the construction of an ablution block, a car park and a fence.

The tourism sector uses manual data collection methods. These methods are slow and also lead to underestimation of the contribution the sector makes to the economy. As such, the sector plans to venture into a project aimed at improving data collection and access of information in the sector. This will help in timely and accurate collection of data and promote ease of access to information.

10.3.2 Product Development

In the next financial year, the sector plans to rehabilitate and develop cultural infrastructure. It plans to continue with the development of National Monuments and Construction of Cenotaph. The facility will include a site information centre comprising an auditorium and library, an office block, VIP lounge, security personnel changing room and an ablution block. It will also include a perimeter fence, a gate house and provision of visitor facilities such as garden chairs. Funds permitting, the sector will also commence the construction of purpose-built archival building, museum and antiquities research centre and arts centre.

In parks and wildlife, the focus of product development will continue to be on trans-locating and restocking animals and developing ecotourism infrastructure, facilities and services in the country's protected areas. 600 animals are planned to be trans-located in the coming financial year. With support from the World Bank and the Norwegian Government, Government will continue to improve the effective management of the Nyika National Park. The sector also plans to reduce poaching and improve wildlife conservation by carrying out 2,488 long patrols and 1,604 short patrols, 148 anti-poaching patrols and 26 law enforcement meetings. It also plans to maintain 192 fence lines and purchase 35,000 rounds of ammunition in order to reduce reports of problem animals. This will be complemented with construction of 25 km of solar-powered fences in Kasungu National Park and Vwaza Game Reserve. Communities around the protected areas will continue to be empowered through the formation and training of 16 CBOs, 272 awareness meetings and the promotion of 25 income generating activities. In order to continue addressing health issues in wildlife reserves, especially the issue of trypanosomiasis, there are plans to develop four collaborative tsetsefly programs and set 75 tsetse targets.

10.3.3 Marketing and Communication

The government will continue engaging the tourism private sector and intensify marketing efforts to promote the country as a competitive tourism destination in the region. To position itself as a preferred tourist destination, Malawi will continue strategic advertising in major television networks and other media. The target is to advertise Malawi through 15 international and 15 local media and publication houses. There are plans are to increase representation in key source markets such as China, Germany, United Kingdom and South Africa. Promotion of Malawi as a leading destination for conferences and events will also continue as a result of the modern conference and events facilities available in Lilongwe.

10.3.4 Support Infrastructure and Facilitation

The Government plans to continue with upgrading of access roads to bitumen standard at Senga Bay in Salima district and other areas. This will help ensure that all areas of tourism value are easily accessible through a seamless road network. In addition, sector collaboration with the private sector and relevant government ministries and departments will continue in order to facilitate easy movement and entry of tourists into Malawi. This will be done by improving the process of issuance of visa for tourists and facilitating local, regional and international air access into and around Malawi.

10.4 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. The major problem which the sector is facing continues to be inadequate financial, human and material resources available for sector programs so as to have a meaningful impact on the sector's growth. Lack of enough law enforcement personnel in the protected areas to help curb the illegal activities in these areas is a very good example of lack of human resources.

There is also lack of financial resources to support the proper management of tourism establishments such as protected areas and provision of support infrastructure such as access roads. Inadequate and irregular funding is negatively affecting the sector in that tourism development projects are taking longer time to complete than initially planned. This also fails to support destination marketing of Malawi. Some specific challenges that the tourism sector is facing are summarized as follows:

1. Currently, the tourism sector uses manual methods of collecting and producing statistics. These methods are slow and they lead to late capture of data and may also lead to underestimation of the sector's contribution to the economy. In addition to this, there is inadequate data-base for planning and monitoring tourism development;
2. Conflicting policies are also a challenge to the tourism sector. Policies from other sectors of the economy, for instance policies that promote mining in tourist attraction sites such as Mulanje Mountain, challenge the conservation and promotion of areas of tourism value;
3. There is lack of zoned prime land and consistent sector-specific incentives for private sector investment and development;

4. Malawi lacks direct long-haul flights to and from large tourism markets around the world. This leads to high air costs and long travel times, thereby reducing the contribution of holiday tourists;
5. There is a growing perception by some local Malawians that the services offered by tourism facilities are expensive and mostly meant for foreigners. This is negatively affecting domestic tourism;
6. Access to tourism attraction sites such as lakeshore resorts, national parks and wildlife reserves also proves to be a challenge especially during the rainy season due to poor road infrastructure. This is despite the efforts that Government is making to improve the accessibility of such facilities. This greatly reduces tourist visits to these areas;
7. Lack of qualified personnel working in the tourism industry is not only a result of lack trained personnel in the field but also a result of lack of appreciation by Small and Medium Enterprises in the industry on the importance of engaging skilled staff in the management of tourism enterprises. This results in low standards in some of the accommodation units and poor service delivery especially in rest houses and lodges;
8. There are continued high levels of human/wildlife conflicts which result in loss of life and property. This substantially contributes to low public support. Illegal activities in protected areas such as poaching are also contributing highly to depopulation of wildlife in the protected areas. This in turn, results in the reduction of tourist visits to some National Parks, Wildlife Reserves and Nature Sanctuaries;
9. Some tourists that visit the country have their trips organized by foreign travel agents and tour operators. This means mostly their tour packages are already paid for in the off-shore accounts of the tour operators. Malawi, therefore, loses the foreign exchange earnings which would have been earned had it been that the tour packages were paid for locally;
10. Health risks that are associated with some tourist attraction sites such as bilharzia along the lake and sleeping sickness in some wildlife reserves are also negatively affecting the industry;
11. The tourism sector currently uses an outdated legal framework; and
12. The HIV/AIDS pandemic, just like in other sectors, has also greatly affected the tourism sector. It has contributed to the reduction in the number of capable human resources in the sector and also diverted resources that would have been used for further development of the sector.

CHAPTER 11

INTEGRATED RURAL DEVELOPMENT

11.1 Overview of Integrated Rural Development Sector

The MGDS II recognizes Integrated Rural Development as one of the nine (9) key priority areas. Its main thrust is to transform rural areas into socially, politically and economically viable enclaves that contribute positively to the reduction of poverty . MGDS II also recognizes that broad based economic growth can only be attained if the rural poor, who are a majority, fully participate in social, political and economic activities.

Of late, there has been a consensus among stakeholders about the importance of decentralization in facilitating the implementation of Integrated Rural Development (IRD) initiatives on a sustainable basis. Thus, a functioning decentralized system of local governance is considered as a critical prerequisite for a potential success of 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, 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 in such a way that it becomes the catalyst for sustainable development. This is the case because within the framework of functional decentralization, communities are effectively empowered to analyze their own problems and needs, tackle them, search for feasible solutions and strive for remedial actions.

The Government of Malawi has, therefore, adopted the implementation of Rural Growth Centres (RGCs) Programme and the construction of market centres both in the rural and semi-urban centres as critical development components within the realm of IRD. The Ministry of Local Government and Rural Development continued implementing various activities during the 2013/2014 fiscal year and plans to undertake several activities in the 2014/15 fiscal year. This report cumulatively highlights the activities that have been implemented during the 2013/14 fiscal year in line with the strategic focus areas of the Ministry.

11.2 Major Achievements During the 2013/14 FY

The following are highlights of the major achievements during the 2013/14 Fiscal Year:

11.2.1 Rural Growth Centres (RGCs) Programme

Under this programme, the Ministry has completed construction of the basic social infrastructure in one Rural Growth Centre at Nthalire in Chitipa district whilst at Nambuma in Dowa district only the Police Unit was constructed and completion has been delayed because of compensation issues.

Regarding phase II of Rural Growth Centres, works have begun at Chitekesa in Phalombe; The first phase of construction works that include construction of the market, bus depot and community ground has been completed. In addition, the first phase of construction works at Mkanda and Chapananga Rural Growth Centres in Mchinji and Chikhwawa, respectively, are substantially complete which translate into 90 percent completion. However, in the year under review, the Ministry did not register significant progress in the construction of the second phase of the Rural Growth Centres due to lack of funding. Table 11.1 depicts the work progress of the RGCs achieved.

TABLE 11.1: ACHIEVEMENT AND CURRENT STATUS OF RURAL GROWTH CENTRES

Rural Growth Centre	*Completed Structures*	*Outstanding works*	*Remarks*
Nthalire	1. Community hall 2. Bus depot 3. Library 4. Police unit & staff houses 5. Community Ground 6. Butchery & slaughter house	No outstanding works	Works are now in defects liability period
Nambuma	1. Community hall 2. Bus depot 3. Library 4. Community ground 5. Police Unit	Health Centre	Works are now in defects liability period
Chitekesa	1. Market 2. Bus depot	1. Community Hall 2. Community ground 3. Library	Construction works almost completed but delayed due to luck of funds
Chapananga	1. Market 2. Bus depot	1. Community Hall 2. Community ground 3. Library	Structures substantially completed but need funds to complete the remaining structures
Mkanda	1. Market 2. Bus depot	1. Community Hal 2. Community ground 3. Library	First phase of the construction works have been completed and currently, works has stalled due to lack of funds

Source: Ministry of Local Government and Rural Development

11.2.2 Markets Development Programme (Urban and Rural Markets)

Under this programme, four markets are substantially completed and these are Limbuli, Nkhamenya, Dwangwa and Enukweni. On the other hand, the site for construction of Nsanje Market has been handed over to the contractor to start working even though advance payment is yet to be paid. In view of this, the request for financing was submitted to the Treasury in August, 2013.

TABLE 11.2: PROGRESS OF MARKETS CONSTRUCTION ACHIEVED DURING THE PREVIOUS FINANCIAL YEAR (FY 2013/2014).

Name of the 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	Power connection fee yet to be paid due to lack of funds
Ekwendeni	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Butchery 5. Bus depot	Power Connection by Escom	Ready for use and ESCOM has submitted connection to the Ministry
Enukweni	1. Market Kiosks 2. Market sheds 3. Bus depot 4.Slaughter house 5. Water pump 6. Butchery	Power Connection by Escom	Power connection fee yet to be paid due to lack of funds
Dwangwa	1. Market Kiosks 2. Market sheds 3. Ablution block 4. Bus depot 5. Slaughter house 6. Butchery 7. Fence 8. Parking bay	Power Connection by Escom	Bus depot awaiting reallocation of facilities by Escom
Nkhamenya	1. Market sheds 2. Slaughter house 3. Market kiosks	1. Power Connection by Escom	1. Awaiting for Escom to provide Quotation to the Ministry
	4. Butchery	2. Water connection	2. The council is working on water supply
Limbuli	1. Market sheds 2. Slaughter house	1. Waste disposal pit	1. The market is substantially complete and the Council is looking for funds for waste disposal pit
	3. Market kiosks	2. Power Connection by Escom	2. Awaiting for Escom to provide Quotation to the Ministry
	4. Bus terminal		

Nsanje	No completed structure	1. Market 2. Bus depot 3. Markets sheds 4. Butchery	Contractors mobilized and commenced work on the foundation of Nsanje market.

Source: Ministry of Local Government and Rural Development

11.3 National Decentralization Programme

Under this programme, almost 12 sectors have devolved to local governments. The sectors are 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. Funds for the devolved sectors are provided directly to local councils. 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	1. 12 Sector 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)	Immigration, Labour and Youth the process is under way.
Enhanced Participation ownership of Local Level Development Programmes	1. Three Urban Developments Plans (UDPs) for Zomba City, Mzuzu City, Lunchenza Municipal have been updated and aligned to MGDS 2. Nine Social Economic Profiles (SEPs) and District Development Plans (DDPs) have updated and aligned to MGDS II (Nsanje, Phalombe, Mzimba, Ntchisi, Zomba, Neno, Mulanje, Karonga, Mangochi) 3. Four councils (Mangochi, Mzimba, Ntchisi & Phalombe) have mainstreamed Local Economic Development activities in their SEPS/DDPs	Blantyre City and and Lilongwe city the plans are underway to review (UDPS)
Guidelines for the Management of devolved functions implemented	1. 14 Guidelines for the management of devolved functions reviewed and implemented (Agriculture, Health, Education, Environment Affairs, Natural Resources, Housing, Water, Lands and Physical	Due to financial the annual targets have been reduced to realistically match the budget.

	Planning, Transport and Public Works, Gender and Community Services, National Registration Bureau, Commerce, Youth and Labour)
Integrated Financial Management Information Systems (IFMIS) rolled out.	1. 28 Councils with operational IFMIS.

Source: Ministry of Local Government and Rural Development

11.4 Major Plans for the 2014/15 Fiscal Year

The Ministry's major activities will focus on completing the minor construction works at Nambuma for phase I and full commencement of construction works at Mkanda, Chapananga and Chitekesa Rural Growth Centres. Under the urban and rural markets, the Ministry plans to start the construction of Nsanje, Tsangano and Lizulu markets respectively. With regards to National Decentralization process, the Ministry plans to complete devolution of functions from the remaining sectors to councils and update all SEPS/DDPs and align them to MGDS II.

11.5 Opportunities and Challenges

11.5.1 Opportunities

The fact that IRD is one of the nine key priorities in the MGDS II offers major opportunities to resuscitate the 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. In addition, it will also contribute to mitigating 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. Inadequate budgetary allocation. A typical Rural Growth Centre is 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;
2. Most local contractors use lack adequate capacity to deliver projects as per contract agreement;
3. Inadequate supervision and monitoring of the construction work in the Rural Growth Centres as due to lack of funding. This makes tracking of progress very difficult;
4. Delayed compensation of the surrounding communities has also affected the progress as experienced in the sites of Nambuma and Chitekesa. This has resulted into delayed execution of works by the contractors;
5. Change in design of infrastructure to accommodate the needs of additional facilities is not easy to accommodate. This is a problem when it comes to

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

6. High costs of project construction materials exert pressure on the lower budget provision. This directly delays project implementation and leads to long duration of project execution; and

7. Postponement of the service providers for instance ESCOM has delayed in re-routing the power lines at Dwangwa Market.

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

Health is a state of complete physical, mental and social wellbeing (World Health Organisation, 1946). It is critical when considering the health of the nation that more than just the number of patients treated is considered. It is preferable to look at health from both welfare and cost effectiveness viewpoints in order to prevent illness through addressing education, sanitation and the social issues of health.

12.2.1 Major Developments on Health Indicators

Malawi had a Maternal Mortality Rate of 675 per 100,000 live births in 2010/11 and is targeting to further reduce this. UN estimates a Maternal Mortality Ratio of 510 per 100,000 for 2013. The Infant Mortality Rate fell from 76 per 1,000 live births in 2004 to 66 per 1,000 live births in 2010. According to NSO 2008 Population Projections, Infant Mortality Ratio for the year 2013 was estimated to be around 40 per 1,000 live births. There is a huge reduction in incidence of malaria from 332 cases per 1000 population in 2011/12 fiscal year to 214 cases per 1000 population during the 2012/13 fiscal year. These results demonstrate a 53 percent decline in clinical incidences of Malaria, especially among children aged less than five years. Malaria inpatient deaths declined from 54 deaths per 1,000 population in 2002/3 to less than one death per 1,000 population in 2011/12 and 2012/13. Further, the country continues to register successes in TB treatment. For all forms of TB cases registered in 2012, treatment success rate among new smear positive cases went up to 90 percent in 2013. Default rate among new smear positive cases stands at 3 percent while the death rate is at 9 percent, up from 7 percent in 2011.

12.2.2 Malawi's Health Sector Strategic Plan (2011-2016)

The Malawi Health Sector Strategic Plan (HSSP) (2011-2016) is the successor to the Program of Work (PoW) which covered the period 2004-2010 and guided the implementation of interventions aimed at improving the health status of the people of Malawi. The overall goal of the HSSP is to improve the quality of life of all the people of Malawi by reducing the risk of ill 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 interventions, paying attention to impact and quality; strengthen the performance of the health system to support delivery of EHP services; reduce risk factors to health; and improve equity and efficiency in the delivery of quality EHP services.

The implementation of the HSSP provides the roadmap for meeting MDGs and MGDS II health goals. The EHP is designed to facilitate delivery of a basic and cost-effective primary health package. In 2013/14 financial year, Government continued to implement various programmes and reforms in pursuit of the policy goal and objectives indicated above.

12.2.2.1 Increase Coverage of Essential Health Services

In a bid 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 (SLAs); and improved health transport system. Government is committed to achieving the WHO target that the entire population lives within 8 km of a health facility. However, this is a long term objective and progress has been made over the last year in improving access as Malawi moves towards this goal.

12.2.2.1.1 Improving Access and Coverage of Services

Development of Infrastructure: Government of Malawi is in the process of rehabilitating its central hospitals. In Mzuzu, plans to renovate the Major laboratory and the Computed Tomography (CT) scan room have been made and the works are in progress. Similarly at Kamuzu Central Hospital in Lilongwe renovations on various wards are being carried out and these include High Dependency Units, the Operating Theatre and CT scanning room. At Queen Elizabeth Hospital in Blantyre, a number of wards are being renovated, including the Operating Theatre, CT room, the Acute Respiratory Infections ward, and various other departments. At Zomba Central Hospital, various wards and administration block are also under renovations.

For secondary health care delivery, rehabilitation at a number of district hospitals (including Nsanje, Dedza, Balaka and Bwaila) are underway. The funding for these works is being provided both by Government and its development partners. A state of the art district hospital is also being constructed in Nkhata Bay and this is expected to finish by end of the 2013/14 fiscal year. Besides, the construction of a district hospital in Phalombe will commence soon. The Ministry is also constructing 15 health centres across the country.

Government is also rehabilitating most of its health centres to ensure power and water are available throughout the year. 85 percent of facilities in Malawi are currently able to operate throughout the year with power and water. The target of 100 percent by end of 2015 is expected to be achieved. In a bid to motivate its staff both in hard to reach areas and central hospitals, 140 houses under Umoyo Housing Project are under construction in various districts. The Ministry of Health planned to carry out upgrades of Domasi, Mponela and Edingeni Health Centres into community hospitals. However, construction has only commenced in Domasi due to financial challenges.

The Ministry has also finished phase one of construction of the new warehouse at Central Medical Stores Trust. Currently, Government is waiting for funding from the Global Fund to complete the installation and fittings of shelves, racks, CCTV Cameras and cold rooms.

12.2.2.1.2 Developing Service Level Agreements with Christian Health Association of Malawi (CHAM)/private-for-profit health provider

In order to further improve access to health care, Government has identified gaps which can better be filled by continued partnership with not-for-profit as well as private (for profit) entities that play a critical role in the sector. Currently, 76 Service Level Agreements (SLAs) are in force for a total of 84 facilities in the country whereby the government pays nongovernment facilities to provide access to health services free at point of delivery in hard to reach areas. This will continue and Government will constantly be monitoring these in order to achieve better services that are efficient, equitable and value for money.

12.2.2.1.3 Improving the Health Transport System

In an effort to improve access through referrals between facilities, Government procured 28 ambulances in the 2012-13 financial year. These will improve timely access to higher levels of service when needed. The Government, through the Ministry, plans also to procure at least one ambulance for each district health office (DHO) annually and to introduce gate way clinics and trauma centres across the country, which will ensure better access to quality health care services in the country.

12.2.2.2 Strengthen the Performance of the Health System to Support Delivery of EHP Services

12.2.2.2.1 Human Resources for Health

In a bid to improve health care services, Malawi is seeking to improve both the quantity and quality of the health workforce. Under the review period, the target was to recruit 1,906 health personnel and as at mid-year, 219 had already been recruited. In terms of human resources for health (HRH) management, a variety of improvements have been made. This is being addressed through expansion, maintenance and integration of Human Resource Management Information System (HRMIS) with existing management databases. Key activities included scaling up of the training of key health workers in the use of HRMIS at all levels; and orienting directors, and managers at all levels in human resource policy, planning, data management and dissemination. Supported by a team of volunteers from VSO and funded by USAID through SSDI, the IRHIS database has been established and work is continuing in 10 pilot sites. A review of health surveillance assistants job descriptions is also underway and a report on proposed task shifting is awaiting comments from stakeholders.

12.2.2.2.2 Essential Medicines and Supplies

The supply of drugs and other medical supplies has been a major challenge in the recent past in Malawi. Although in 2013 there was a marked overall improvement in the supply of essential medicines, drug stock-outs have been a persistent problem. Key among the factors that explain the low medicine supply in public hospitals is the inadequate financial resources. In order to improve the supply of drugs and other medical supplies, reforms have been carried out and additional resources have been provided to address the problem. These include turning of Central Medical Stores (CMS) into a trust, construction of CMS warehouse, and procurement of emergency drugs kits, containing all the essential medicines and supplies required to run a hospital.

The kit system was introduced during 2011/12 financial year in response to acute drug shortages in public health facilities. The kit system also serves as a mechanism for recapitalisation of CMS, which was owed a large amount of money by the public health facilities. These kits made a substantial impact at the primary health care level with a reduction in stock-outs from 47 percent in 2011 to 28 percent in 2012

The phasing out of kits in September 2013 led to most health facilities to increasingly experience supply problems. Knowing that the kits program would be expiring in September 2013, the DFID second phase drug supported program would come in and replace it to prevent stock-outs. However, this did not materialize due to a number of challenges. As a result, the drug supply situation became a challenge in the period under review.

12.2.2.2.3 Medical Equipment

Malawi has an acute shortage of qualified maintenance staff for medical equipment. The country has five qualified engineers and twenty technicians in this field, representing 0.4 engineers per one million population and 1.4 technicians per one million population. Almost all the technicians are in-house trained because training for biomedical engineers and technicians has been offered abroad in South Africa, Europe and America. In trying to address this situation, Government is building the capacity of medical equipment and infrastructure maintenance services through the provision of training to medical engineers both at central and district level. The Ministry of Health (MoH) has also been carrying out preventive and corrective maintenance that is quality assured, regular and comprehensive. Similarly, the Ministry has been conducting regular inventories of all medical equipment as a way to improve efficiency.

12.2.2.3 Reduce Risks to Health

12.2.2.3.1 Improving the Living and Working Environment and Reducing Risk Behaviours

Over the last few years, illnesses related to lifestyle have constituted a significant proportion of the burden of diseases in Malawi. The Ministry has currently a vibrant non-communicable disease programme that is fighting some of the key causes of both mental and physical illness such as alcohol, poor diet and lack of exercise. Alcohol is often used as self-medication for trauma and mental illness especially in the younger members of society. The National Alcohol Policy serves as a guide to limit the excessive use of alcohol. Hence, this prevents the health problems associated with alcohol abuse.

12.2.2.4 Improved Equity and Efficiency of the Health System

12.2.2.4.1 Health Financing

Malawi faces a challenge of limited financial resources for health. Delivering preventive and curative services to fight HIV, Malaria, and other disease requires substantial resources, and it is vital that government finds ways to mobilise more funds for health, while also increasing the efficiency with which available resources are utilised. To address this challenge, MOH is now developing a national Health Financing Strategy to guide health sector financing. The strategy will propose new options such as a visa fee for travellers visiting Malawi in order to raise additional revenues for health and it will also identify cost efficiencies to be achieved throughout the health system.

At the same time, the Ministry seeks to expand revenue collection from paying services at central hospitals, where patients receive enhanced hospitality for a fee. By upgrading the paying, the central hospitals will be able to earn revenue from clients who might otherwise frequent private-sector health providers. This can then be used to subsidise the services provided in the non-fee wards. In addition, the fee structure will be revised to take into consideration the recent movements in the macro dynamics, and reforms will be introduced for the hospitals to retain the revenues generated. The reform will empower hospitals to spend the additional funds at their discretion to meet operational needs.

To promote transparency and increase the efficiency of health spending, the Ministry has also adopted an innovative resource mapping exercise. Each year, the Ministry produces budget information on both on-budget and off-budget resources. The information specifies how much funding the health sector will have, where it is coming from, to which districts it is going, and exactly which health services that funding is buying for Malawi. This information provides the MOH with a complete view of health resources as it drafts its annual budget and the information is being used to allocate funds to fill critical gaps and is being used by partners on where their funds could most effectively be spent.

12.2.2.4.2 Partnerships

A Public Private Partnership (PPP) unit has been established in the MOH to co-ordinate issues of PPP with the view to improve efficiency in the delivery of health services in the country. Although it is still in its infancy, the Ministry has through the unit signed Memorandum of Understanding (MoU) with various NGOs, both local and international, in an attempt to improve efficiency in co-ordinating the delivery of health services.

12.3 Sanitation

The Government has identified its vision as "sanitation for all in Malawi" and has set out a mission to ensure that all people in Malawi own and have access to improved sanitation facilities, practise safe hygiene and recycling of liquid and solid waste. Currently, national access to improved sanitation was at 51 percent (with urban population at 49 percent and 51 percent for the rural population). Sanitation programmes are currently co-ordinated under the National Water Development Programme II (NWDP II), which runs from 2007 to 2015, and this is a collection of water and sanitation development projects in the Ministry of Agriculture, Irrigation and Water Development. Sanitation support and funding are currently provided under the NWDP II by the following development partners: the Global Sanitation Fund of the UN Water Supply, the Sanitation Collaborative Council, EU/EIB, AfDB, and AusAID.

12.3.1 Major Developments in Sanitation

The government registered the following achievement during the reporting period:

1. Facilitated the construction of 11,000 improved sanitation facilities in households in the low income areas of Lilongwe and Blantyre. This was done with financial assistance from EU/EIB under NWDP II;

2. Constructed 420 improved sanitation facilities in 110 Primary Schools, 19 Market Centres, and 21 Health Centres with financial assistances from AfDB under NWDP II. These interventions benefitted 216,139 people in the districts of Lilongwe, Machinga, Zomba and Mulanje;

3. Constructed 112 improved sanitation facilities in 13 Primary Schools, 7 Market Centres and 2 Health Centres with financial assistances from AusAID under NWDP. This benefitted 89,150 people in the districts of Lilongwe, Machinga, Zomba and Mulanje;

4. Enabled 153,008 people live in Open Defecation Free Environments, triggered 1,156 communities on Community Led Total Sanitation, facilitated construction of 125,304 improved sanitation facilities, and reached 821,498 *Stakeholders/communities* with hygiene messages with funding from the Global Sanitation Fund. In terms of capacity building, the programme has so far trained 1,230 Extension Service Workers and 6 District Coordinating Teams. These programmes were targeted Rumphi, Nkhotakota, Ntchisi, Balaka, Phalombe and Chikhwawa;

5. In order to replicate the initiatives under these programme in the rest of the districts in Malawi; the sector developed and adopted an "Open Defecation Free Malawi, 2015 Strategy", a Social or Sanitation Marketing and Hygiene Promotion Strategy (for peri-urban and rural areas), and a "Hand Washing Concept" which will enable the country implement a National Hand Washing Campaign; and

6. The sector has, in line with the National Sanitation Policy (2008), developed a National 10 Year Sanitation Investment Plan and Strategy in order to provide a framework for managing and disposal of both liquid and solid waste nationwide.

12.3.2 Sanitation and Hygiene Promotion Services

In order to support the rolling out of the National Sanitation Policy, 2008 and implementation of the initiatives and programmes currently underway in many areas of Malawi, the sector will facilitate the process of preparing a draft bill for the enactment of a Nation Sanitation Legislation and Regulations to guide the management and disposal of both Solid and Liquid waste. The Ministry will do this with financial support from the World Bank under the National Water Development Programme. This will enable the nation to enforce some of the stipulations laid out in the National Sanitation Policy (2008). With funding from the DfID through UNICEF, there will also be an implementation of a WASH Project in 15 of the 28 districts which, among others, aims at providing adequate improved sanitation facilities, urinals, and hand washing facilities to 50 primary schools, targeting at least 30,000 pupils.

12.4 Nutrition

According to recent studies (DHS, 1992, 2000, 2004, 2010), malnutrition has consistently remained one of the major underlying causes of underdevelopment in this country, with major indicators like stunting, wasting and underweight being among the highest in the world.

FIGURE 12.1: TRENDS IN SITUATION OF NUTRITION INDICATORS IN PERCENTAGE, 1992 TO 2010 IN MALAWI

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

Source: DHS (1992, 2000, 2004, 2010)

Malnutrition, therefore, contributes to about 38 percent of all infant deaths associated with Protein-Energy Malnutrition (PEM). Between 1960s and early 2000s, stunting has been on average around 46 percent, 22 percent were under weight and wasting was over 5 percent which is among the highest figures in Sub-Saharan Africa. However, other recent studies have shown that the trends are showing significant improvements.

In an effort to reduce malnutrition, the sub-sector implemented activities with the focus on the following areas:

1. Prevention and control of the most common nutrition disorders among women, men, boys, girls in Malawi with emphasis on vulnerable groups;

2. Increasing access to timely and effective management of the most common nutrition disorders among women, boys, girls in Malawi with emphasis on vulnerable groups; and

3. Creation of an enabling environment for the effective implementation of nutrition services and programmes.

As a policy coordinating institution in the Office of President and Cabinet (OPC), Department of Nutrition, HIV and AIDS (NHA) is reviewing policy documents such as National Nutrition Policy, National Nutrition Strategic Plan, Infant and Young Child Nutrition Strategy and Community Nutrition Training Manual. The Department is also developing the National Nutrition Bill and IEC materials for nutrition interventions. These IEC materials have been finalised and distributed to most district councils so that the communities can easily access them.

In an effort to continue reducing malnutrition levels in Malawi, the Department has registered the following achievements in the 2013/2014 financial year:

1. Nutrition education and communication strategy has been rolled out in all districts to enhance Behavioural change and social mobilisation;

2. Scaled up community based management of malnutrition for early case detection in all the districts;

3. Intensified implementation of the Nutrition Services Delivery through the Scaling Up of Nutrition and 1,000 special days initiative in all the 28 districts;

4. Over 105,000 acute malnourished under-five children diagnosed and treated in nutrition rehabilitation units across the country;

5. The community infant and young child counselling cards for the care groups have been developed and translated into vernacular languages;

6. Anaemia declined to less than 54 percent from 80 percent in under five children;

7. District Nutrition Coordinators have been placed in all the 28 districts;

8. 30 monitoring and Nutrition officers from sector ministries and departments from districts were trained in data analysis for the sustainability of integration in nutrition surveillance;

9. 200 against a target of 150 middle level managers from different ministries and district councils have been trained in nutrition programmes; and

10. The Nutrition Technical Working Groups (TWGs) were reviewed from 7 to 5.

12.5 HIV and AIDS

Since the discovery of the first HIV case in Malawi, the Government has put in place policies and strategies meant to guide the effective implementation of the response to the epidemic. A multi-sectoral response to the epidemic is largely based on a set of agreed priorities, strategies and actions that have been spelt out in various documents. In 2013/14 financial year, the Department concluded a number of studies such as,

1. Demographic and Economic Modelling For Long Term Sustainability of HIV and AIDS Response in Malawi for the next 50 years mainly to prevent the impacts of HIV and AIDS in demographic, macro and micro-economic factors in Malawi. The study looked at four scenario which are no AIDS, AIDS without ART, AIDS with ART and AIDS with ART stopped; and

2. Modes of HIV Transmission Analysis and HIV Prevention Response, which has revealed that most new infections are occurring in stable relations. Investment Case for HIV and AIDS National Response, which intends to enhance efficiency and effectiveness in HIV programming and implementation. The knowledge products have necessitated the mid-term review of National HIV and AIDS Strategic Plan (NSP) 2011 - 16. The review has also been necessitated by the fact that the country intends to submit a concept to Global Fund and the New Funding Model (NFM) that requires a robust NSP.

In the fight against the pandemic, a number of activities were implemented during the period under review namely. Some of them are Non-Biomedical Prevention Interventions; and Biomedical Prevention Interventions.

12.5.1 Non-Biomedical Prevention Interventions

Non-biomedical interventions largely focused on curtailing multiple and concurrent partnerships by increasing HIV comprehensive knowledge amongst key and vulnerable population as well as the general population, intensifying safer sex education, and creating a supportive environment for HIV programme implementation. In this respect, a number of non-biomedical prevention interventions were implemented as highlighted below.

12.5.1.1 HIV and AIDS Communication Media

Various communication products were developed and distributed in the period under review. A total of 1,090,605 IEC materials were produced and distributed during the period and 5,111,988 materials were cumulatively produced and distributed during the four year period. These messages focused on various thematic areas such as sex and sexuality, HIV Testing and Counselling, Anti Retroviral Therapy/Prevention of Mother to Child Transmission, harmful cultural practices, condom use, discordance, voluntary medical male circumcision (VMMC), and multiple and concurrent partnerships.

TABLE 12.1: IEC MATERIALS DISTRIBUTED FROM 2011 TO 2014

Year	2011	2012	2013	2014
Number of IEC materials Distributed	1,979,605	997,494	1,044,284	1,090,605

Source: DNHA

In 2013/14 fiscal year alone, 139 hours of radio and 47 hours of TV airtime were used on HIV and AIDS programmes. The aired programmes covered various thematic areas mentioned above. A total of 3,758 performance and interactive sessions in schools, communities and workplaces were also conducted. Public lectures and expert talks on HIV and AIDS were also delivered during these sessions. This brings a cumulative achievement of the annual target to 107 percent, which is higher than 44 percent achieved during the same period in the 2012/13 fiscal year.

Furthermore, 421 (84 percent of annual target) religious, traditional and other opinion leaders in the communities were oriented on safe sexual practices; risks of multiple and concurrent sexual partnerships; and harmful cultural practices. Lastly, 280 mutual faithfulness sessions and sex and sexuality education targeting influential community groups, sexual partners, the elite and individuals were conducted as well.

12.5.1.2 Condom Programming

A total of 40,757,850 condoms were distributed during the reporting period, of which 24,876,140 condoms were distributed freely through the Ministry of Health (MoH) and Community Based Organisations (CBOs), and 15,881,710 socially marketed condoms were distributed by Banja La Mtsogolo and Population Services International (PSI) through various outlets. There has been an improvement in female condom uptake, but the achievement is still lower than the expected progress by the end of the period. Innovative approaches need to be devised to increase uptake of female condoms and ensure empowerment of women to negotiate for use of female condoms.

In FY 2013/14, 948,096 male and female condoms were distributed to young people through YFHS, youth clubs and Community Based Condom Distribution Agents (CBDAs), peer educators, and counsellors.

TABLE 12.2: ANNUAL TOTAL CONDOM DISTRIBUTION FROM 2011 TO 2014

Year	2011	2012	2013	2014
Free Distribution	7,035,661	13,122,698	29,876,224	15,881,710
Socially marketed	6,634,472	13,338,381	9,979,361	15,200,000
Total	*13,670,133*	*26,461,079*	*39,855,585*	*40,757,850*

Source: DNHA

12.5.2 Biomedical Prevention Interventions

12.5.2.1 Sexually Transmitted Infections

Sexually transmitted infections (STIs) are of major public health importance within the National Response to HIV and AIDS in Malawi as sexual transmission of HIV is closely linked to the presence of an STI. Although prevention, rather than treatment, is the preferred method to control the spread of STIs, early detection and treatment are also effective in reducing the consequences of STIs. Therefore, effective case management of STIs not only reduces viral shedding in genital secretions, but has also been demonstrated to reduce HIV incidence.

During the reporting period, 62 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 poor 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 numbers of STI clients tested for HIV.

12.5.2.2 Male Circumcision Interventions

Medical male circumcision is one of the successful HIV prevention tools in the fight against HIV over the past decade. Scientific evidence indicates that male circumcision provides partial protection for men against HIV infection and reduces the likelihood of genital ulcers that increase the chances of HIV infection during sex with an infected partner. Being a one-time intervention, medical male circumcision provides men life-long partial protection against HIV and other STIs. However, it should always be considered as part of a comprehensive HIV prevention package of services and be used in conjunction with other methods of prevention, such as female and male condoms. Table 12.3 below shows progress made by Malawi on VMMC.

TABLE 12.3: PROGRESS MADE ON VMMC

Fiscal Year	2011/12	2012/13	2013/14
Number of Males Circumcised	4,606	45,441	50,208

Source: DNHA

By end of the period under review, a total of 117 health facilities were offering VMMC and neonatal circumcision services. A total of 50,208 medical male circumcisions were reported during the period 2013/14 against the annual target of 250,000. One VMMC campaign was also conducted in 2013 and that contributed to high numbers of men circumcised. To increase demand for VMMC, a total of 2,500 VMMC demand creation sessions were conducted during the reporting period. Furthermore, 64 VMMC TOTs and 40 service providers were trained in VMMC and neonatal male circumcision.

12.5.2.3 HIV Testing and Counselling

HIV Testing and Counselling (HTC) is an important part of the Government of Malawi's HIV prevention and care programmes. Early testing and diagnosis can help people with HIV to receive the care and support they need in order to maintain their health. HIV testing is also an effective part of HIV prevention as it provides an opportunity for one-to-one counselling and prevention education that can help people assess their risk and protect themselves and others from HIV infection.

As at September 2013, HTC services were provided in 825 static (607 within and 218 outside of health facilities) and 534 outreach HTC sites. Out of these, 186,217 received the service as couples. Since 2003, at total of 13,507,473 HIV tests have been conducted, which include initial and subsequent testing. Since the introduction of the 'first time HTC access' indicator in July 2007, a total of 4,831,242 people have been tested. This shows that there is a significant proportion of the Malawi population, currently estimated at 15 million, which needs HTC services. Table 12.4 shows the declining trend in HTC uptake over the four year period. There is need, therefore, to scale-up the HTC programme through various campaigns and other innovative HTC programming.

TABLE 12.4: TOTAL NUMBER OF PEOPLE TESTED PER ANNUM FROM 2011 TO 2013

Year	2010/11	2011/12	2012/13	2013/14
Number of People Tested	1,732,672	2,515,484	2,188,952	1,735,224

Source: DNHA

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

PMTCT continued to be an essential intervention to reduce HIV incidence in the population and to virtually eliminate new HIV infections in children. There is a risk of transmitting HIV to children during pregnancy, childbirth and breastfeeding, and women need to be helped to lower this risk as MTCT is the primary cause of all HIV infections in children below fifteen years of age. When effectively and appropriately implemented, PMTCT has a high potential to prevent infection in babies who would otherwise be born HIV positive. Enrolling women in PMTCT, therefore, provides early access to treatment and improved health to the HIV positive women themselves and protects their children and partners.

As at September 2013, 83 percent of pregnant women attending antenatal care (ANC) were counselled, tested for HIV and received results. Furthermore, 89 percent of (known) HIV infected women attending ANC received ARVs to reduce the risk of mother to child transmission. Sites providing ARV/PMTCT services also increased to 675, translating to more than 100 new ART/PMTCT sites established in one year. This an improvement in that there were 573 sites during the same time in 2012/13 fiscal year. This is a good development as it improves accessibility to PMTCT sites and services in the country.

TABLE 12.5: ACCESS TO ART FOR PMTCT 2011-2013

Year	2011	2012	2013
Pregnant women accessing ART for PMTCT	32,039	37,066	45,360

Source: DNHA

12.5.3 Treatment, Care and Support

HIV and AIDS is fast becoming a chronic condition, manageable through the use of antiretroviral (ARV) medications. Under good health care conditions, the provision of antiretroviral HIV drugs has helped in improving the quality of life of people infected with HIV such that PLHIV are now enjoying a life-span that is not significantly different from that of an uninfected person. The drugs slow down the replication of HIV within the body, but it must be remembered that they are a treatment method and not a cure.

By the end of September 2013, the country had 675 static anti retroviral therapy (ART) sites, managed by Government, NGOs and the Private Sector. A total of 641,158 people were initiated on ART, and 459,261 (72 percent) were retained alive on ART. A total of 417,963 adults and 41,298 children (<15 years) were estimated to be alive on ART (Table 12.6).

Since the commencement of implementation of the new integrated ART/PMTCT Policy as per the WHO recommendations, there has been a tremendous increase in the number of people on ART. By June 2011, just before the new guidelines were implemented, a total of 382,953 patients had been initiated on ART, and 276,987 (72 percent) were retained alive on ART. The rate of increase in the number of people on ART was highest between July 2011 and September 2012. This increase is also explained by the sharp increase in the number of static ART sites from 449 in June 2011, to 675 in September 2013. By September 2013, 78 percent of adults and 80 percent of children were retained alive on ART, 12 months after ART initiation.

During the period under review, Malawi started discussions on how to implement the 2013 WHO ART guidelines which recommend that the following individuals be eligible for ART: adults living with HIV with cd4 counts less than 500 ml, all children diagnosed with HIV under 5, children 5-14 with cd4 of less than 500, pregnant women living with HIV, people co-infected with HIV and tuberculosis, and HIV sero-discordant couples.

TABLE 12.6: ACCESS TO ART 2011 – 2014

Year	2011	2012	2013	2014
People Ever started ART	382,953	505,055	615,646	641,158
People alive and on ART	276,897	369,436	443,221	459,261

Source: DNHA

12.5.4 Impact Mitigation Interventions

In addition to its tremendous toll on life, HIV and AIDS has had a significant economic impact at the family, community, and national level. It has affected traditional economic and social safety nets, orphaned a significant number of children at a tender age, rendered many families despearate, undermined increases in productivity, threatened the viability of development investments, and overburdened already strained government budgets. Mitigation efforts are vitally important in reducing the health, economic and social consequences of the pandemic.

12.5.4.1 Access to Impact Mitigation Interventions by PLHIV and Other Vulnerable Groups

From 2011 to 2013 a total of 46,978 (21,668 male and 25,310 female) orphans and other vulnerable children were provided with education bursaries for them to attain secondary school education. In 2013/14 alone, a total of 2,105 vulnerable young people were trained in vocational skills during the quarter, bringing the cumulative achievement to 140 percent of the annual target.

A total of 8,212 orphans and other vulnerable children were provided with various forms of support, including medical, material, financial and psychosocial support and this led to the cumulative achievement to 12 percent against the set annual target. Despite the reported low figure, a number of implementers are reaching out to this target group but reporting in most cases has been an issue.

TABLE 12.7: EDUCATION SUPPORT TO VULNERABLE CHILDREN

Year	2010/11	2011/12	2012/13
Education Support to Male Vulnerable Children	11,087	3,899	5,259
Education Support to female Vulnerable Children	16,158	3,899	6,742
Total	*27,245*	*7,732*	*12,001*

Source: DNHA

National AIDS Commission and the entire National Response to HIV and AIDS attach great importance to issues of empowering PLHIV. This is based on the understanding that people living with HIV have unique expertise to bring to the table, in as far as strengthening and improving programme delivery is concerned.

In 2013/14, a total of 330 opinion and traditional leaders were oriented to facilitate modification of harmful cultural practices, stigma and discrimination, and promotion of gender equality, representing a 110 percent achievement of annual target. Furthermore, 1,308 PLHIV were referred to health facilities from support groups for medical attention of other ailments, representing a 13 percent achievement of annual target. There is, therefore, an apparent need to strengthen referrals to care facilities.

12.4.5 Sustaining HIV and AIDS Research Agenda

Research is essential in as far as planning and implementation of evidence based interventions is concerned. During the period, progress was made on various studies. For instance, a draft report for the Acceptability of the Female Condom Study was produced. In addition, the study on Evaluation of the Social Cash Transfer was concluded and a final report was submitted. The National AIDS Spending Assessment Study was also concluded during the same period and a final report was issued.

The revision of the HIV and AIDS Research Strategy was underway and by December, 2013, consultants carrying out data analysis and report writing. The revised strategy will be discussed in a consultative workshop to be conducted in the next quarter. The Behavioural Surveillance Survey for 2014 also commenced in the period under review and by December 2013, data collection had started. The draft report is expected around June, 2014. The Research and Surveillance Technical Working Group continued to meet in the period under review.

12.4.6 Mainstreaming and Linkages

Mainstreaming HIV and AIDS into national development pro¬cesses remains a key approach to addressing both direct and indirect effects of the epidemic. By ensuring the integration of planning, resource and programming issues, mainstreaming enables a more efficient multi-sectoral and multi-stakeholder response. By September, 2013, 39 mainstreaming orientation and advocacy sessions with leadership in the public sector, private sector, civil society and local councils were conducted, against an annual target of 30 sessions.

A total of 149 (50 percent of 2013/14 annual target) people in major social sector organizations were oriented in HIV and AIDS mainstreaming. Furthermore, NAC and key partners conducted technical and monitoring support visits for HIV and AIDS mainstreaming and capacity building to all sectors, including monitoring implementation and effectiveness of workplace programmes.

12.4.7 Resource Mobilisation and Utilization

The period under review, the country submitted an interim funding application proposal to the Global Fund, amounting of US$114.9 million for financing activities in the treatment and bio-medical prevention programmes. Further, the Department has submitted various funding options which are supposed to be considered by Ministry of Finance and Economic Development. Some of the proposed options are airline levy, airtime levy, sin taxes, and general taxation to support the sector.

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 a significant proportion of over 70 percent of the country's population, are educated, healthy, well-trained, vibrant and productive. Specifically, Youth Development and Empowerment is among the 9 key priority areas that the Government is implementing through the MGDS II.

In order to fulfil its mandate, the Ministry of Youth and Sports focused on five strategic programme areas during the 2013/14 financial year and these are improvement of youth livelihoods; improvement in literacy and numeracy levels among the youth; increasing youth participation in development initiatives; improvement in youth and athletes' health and productivity; and improvement in coordination and effective delivery of youth empowerment and development programmes. The following are highlights of the major achievements and plans for the 2014-15 fiscal year.

13.2 Major Achievements in the 2013/14 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 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.

The Youth Enterprise Development Fund (YEDF) was established by Government and launched on 20th February 2009 with a vision of addressing the challenges that the youth in Malawi should be provided with knowledge, essential skills, competences and opportunities to engage in micro, small and medium enterprises as a self employment mechanism. To date, more than MK1.8 billion has been disbursed to 62,302 young people across the country in the form of cash and equipment and the repayment rate is pegged at 41 percent. In additional, motorbike taxis were distributed on loan to youth currently operating bicycle taxis (Kabaza) in all the 4 regions of the country, benefiting over 2,000 youths.

The Ministry launched the National Youth Service Programme on 2nd November, 2013 in Neno. The National Youth Service Programme is a holistic approach to youth development which aims at empowering young people to make them active participants in the economic development of the country. So far, three centres (Mikuyu, M'Mbelwa Farm Institute and Neno Youth Development Centre) have been identified as initial pilot centres for the programme. Other centres are to follow after the three have been firmly established. The National Youth Service Programme is expected to create about 18,000 jobs annually for the youth of Malawi.

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 was officially opened during the launching of the National Youth Service Programme by the State President on 2nd November, 2013. The Centre focuses on imparting practical agricultural skills to 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, piggery with capacity of 75, 5 bee apiaries and 3 fish ponds. So far, the Centre has managed to train 300 youths in various fields of farming. When completed, the Centre will offer skills training opportunities for 300 youths per intake.

As far as training is concerned, over 4,000 youths have been trained in various technical, vocational and entrepreneurial skills facilitated by TEVETA and various non-state actors using formal and non-formal approaches. In addition, 20 youth officers have been trained by ILO to be master degree trainers in entrepreneurship and are expected to reach out to more than 1,000 youths by June, 2014.

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. In 2013/14FY, the Ministry embarked on a "condomize campaign" with financial supports from UNFPA. The objective of the campaign was to increase condom uptake and de-stigmatize condom use among the population. Through the campaign, the Ministry distributed over 600,000 condoms and reached over 10,000 people across the country;
2. Over 50,000 marginalized adolescents and young people were reached with sexual and reproductive health information and life skills in a bid to reduce cases of teen age pregnancies, early marriages and HIV infection; and
3. The Ministry developed the 'Issues Affecting Youths Manual' to guide trainers of youths on the issues that affect youths in their daily lives. Furthermore, the Ministry was able to train 100 peer educators on issues affecting the youth who in turn were able to reach out to over 22,000 youths across the country.

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 to 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 5,000 youths were trained in leadership skills across the country. These youth were drawn from over 200 youth clubs that currently registered with district youth offices. In addition, the Ministry facilitated establishment of more than 1,000 youth clubs and thus, providing space for more than 20,000 youths to enjoy their participation rights;
2. Devolved functions from the central level to the local authorities in order to bring services closer to the youth and provide for better and district-specific youth programming. At the moment, 32 youth offices are managed by qualified officers;
3. A state of the art Multi-purpose Youth Learning Centre (MYLC) is under construction in Mulanje after many years of stagnation. The Centre will provide social and development services to more than 5,000 youths in Mulanje; and
4. Convened 6 district youth parliamentary forums which brought together 10,000 young people to discuss issues that affect their development. In addition, the Ministry strengthened capacity of 142 youth NGOs to effectively function as youth participation structures through National Youth Council.

13.3 Major Achievements in the 2013/2014 Fiscal Year – Sports Department

13.3.1 Infrastructure Development

The Ministry embarked on construction and rehabilitation of sports facilities in the country and the major achievements are:

1. *Construction of a National Stadium in Lilongwe:* The objective of the project is to construct an internationally FIFA recognized sports facility in the Capital City. 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 to the community. It will also generate revenue for government through gate collections and hires for non-football functions. The project is being implemented with a grant from the Chinese Government amounting to K22 billion. The project commenced in July, 2012 and the project is at an advanced stage (about 40 percent complete). At the moment, the contractor is erecting the stand for the stadium and the project is expected to be completed in December, 2015;
2. *Rehabilitation of Kamuzu Stadium:* The Ministry embarked on Floodlight Installation Project at Kamuzu Stadium in 2011. MK Electrical Installation Limited of South Africa and Sharma Electrical Company of Malawi were contracted to undertake the floodlight installation works. The project is in

its final stage, and four towers have been erected and floodlights have been fixed, awaiting cabling and standby generators; and

3. *Rehabilitation of Kamuzu Institute for Sports:* The Ministry carried out rehabilitation works at the Kamuzu Institute for Sports in Lilongwe. These works included road maintenance, installation of gym equipment, replacing worn out fixtures and fittings and the planting of grass on the football pitch.

13.3.2 Sports Development And Mass Participation

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

1. Trained 840 teachers in Primary School Football Coaching under Eleven for Health Football Program. In addition, the Ministry trained 300 personnel as trainers of football coaches. Furthermore, 49 sports federation officers are under training in Sports Business Management with University of Pretoria;
2. A significant number of youths participated in the Presidential Initiative on Sports across the country. In total, about 1,100 football teams and 677 netball teams participated in completion;
3. The country participated in a number of international Sports competitions and these included the World Cup, COSAFA, Zone VI (under 17 Football team), Africa Youth Championship, Fast 5 Netball Competition and African Netball Championship; and
4. Malawi hosted several sports events such as African Netball Championship, World Cup games, pool competition, Africa Cup of Nations Games, and trainings in Sports.

13.4 Other Notable Achievements

The Ministry hosted the SADC Youths Forum from 7th to 8th April, 2014 at the Bingu International Conference Centre. The purpose of the Forum was to provide a platform for youth in SADC to consult among themselves and come up with recommendations on key youth issues and priorities. The Youth Forum was held under the theme, "Youth Empowerment and Participation for Sustainable Development", and was attended by 60 delegates representing the National Youth Coordinating Structures from Member States of SADC, Civil Society Youth Networks, Pan-African Youth Union, Regional Economics Communities (RECS), United Nations Agencies, youth experts, and the private sector.

The Ministry launched the National Youth Policy on 12th August, 2013 in Ntcheu. The Overall Objective of the policy is to provide a framework that guides youth development and implementation of all youth programs that contribute to the improvement in the welfare of the youths in Malawi. In addition, the Ministry printed pocket sized youth policy documents and distributed to youth structures across the country through the National Youth Council. Furthermore, the Ministry conducted regional dissemination meetings with youth leaders in all the four regions of the country.

13.5 Challenges

Just like any sector that is dynamic and complex, the Youth Sector has had a number of challenges for the period under review. Key among these challenges were the following:

1. Inadequate resources to implement youth and sports initiatives in the country. The scope of some of the planned activities had to be curtailed in order to operate within the confines of available resources. Implication of this was that planned targets which would have made significant difference in the lives of young people could not be met; and

2. Negative mindset of the youth. The Youth and Sports Sector has also to deal with the negative mindset of the youth which largely makes them by-standers in issues that 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 puts in place good programmes for the youth, such initiatives may not be of much benefit to the youth who are not interested.

13.6 Future Programming in the Sector of Youth and Sports in 2014/15

In the 2014/15 fiscal year, the Ministry plans to undertake the following:

1. The Ministry will seek to recapitalize the YEDF and will 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 this Government. In addition, the Ministry through MARDEF Secretariat will intensify efforts to recover the outstanding loans so that the funds recovered revolve to benefit other youths;

2. The Ministry will seek to adequately resource the National Service Programme as it has the potential of reaching out to the most vulnerable youth in the rural setting. In addition, the Ministry will firmly roll out the National Youth Service Programme which is still in its early phase of establishment. The programme will be rolled out to Ngapani in Mangochi, Ntonda in Ntcheu, Hewe in Rumphi and M'Mbelwa Farm Institute in Mzimba districts;

3. Strengthen the Monitoring and Evaluation of youth programmes single the sector has devolved its functions to local authorities to ensure that implementation responds to the aspirations of the Revised National Youth Policy;

4. Complete the development of Neno Integrated Youth Centre and commence the training of over 1200 youth per year in commercial farming;

5. 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;

6. The Ministry will continue to develop and improve sports infrastructure in the country by constructing a state of the art National Indoor Sports Complex in Lilongwe. The Ministry will also complete the construction of the National Stadium in Lilongwe and finalize rehabilitation of the Kamuzu Stadium in Blantyre; and

7. The Ministry will commence the construction of a Youth Centre in Mzuzu. The construction of the facility will provide a place for youth to indulge in productive activities such as skills building and sporting activities thereby helping them refrain from indulging in risky behaviours.

Chapter 14

CLIMATE CHANGE AND THE ENVIRONMENT

14.1 Overview

This chapter provides the performance of environment and climate change programmes in the 2013/2014 financial year. In the year, Malawi experienced dry spells in some parts of the country and during critical stages of crop development while other areas received more rains that triggered flooding. The economic costs of climate change eventualities to society are very high with respect to rehabilitation of affected areas, provision of infrastructure, relief provisions, lost crop production and damage to peoples' property.

Furthermore, natural resources and environmental degradation through infrastructural development, industrial wastes and effluents, and residential waste were addressed in a number of programmes such as environmental impact assessment, pollution control, enforcement on 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 high costs 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.

14.2 Climate Change

Climate change is one of the major challenges the word is facing nowadays. Many African countries that depend on agro based economy are most vunerable to the impacts of climate change as it causes drought, dry spells, flooding among other problems.

In order for Malawi to address these climate change impacts, government is engaged in the international negotiations in the conference of parties of the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol. This aims to stabilize the greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.

At the national level, Government has developed the National Climate Change Policy to guide programming of climate change activities and has also developed the National Climate Change Investment Plan to guide investments and help catalyze money for climate change work. Overall, the policy and the Investment Plan will facilitate the implementation of adaptation and mitigation measures to address climate change impacts in the country.

Government is also developing the Nationally Appropriate Mitigation Areas (NAMAs) and National Adaptation Plan (NAP) to define areas that require mitigation and adaptation measures. Currently, the National Investment Plan has developed bankable projects in some of the mitigation and adaptation areas.

To address the phase out of use of ozone depleting substances (ODS), Government has trained a total of 120 refrigerant technicians on good practices that minimize the emission of ozone depleting substances into the atmosphere. The training will strengthen the capacity of refrigerant technicians on the phase out of ozone depleting substances in the country. Government has also trained 72 customs officers on ozone issues so that they assist in monitoring and controlling imports of ozone depleting substances in the country.

14.3 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.

14.3.1 Environmental Impact Assessment (EIA) and Pollution Control

The Government continued to facilitate integration of environmental considerations into development planning and implementation through the use of EIA. The Government reviewed 38 EIA applications with respect to environmental sustainability for various projects and issued 22 EIA permits. The projects that were assessed included those in the following areas: (Nsipe-Liwonde-Mangochi Road, Ntcheu-Tsangano-Neno-Mwanza Road); Infrastructure (Expansion of Kamuzu International Airport in Lilongwe, Expansion of Chileka International Airport in Blantyre, Construction of Namiyasi International Airport in Mangochi, Upgrading of Kamuzu Barrage in Liwonde) and Water (Raw Water Conveyance Systems for Lilongwe River in Lilongwe, Raw Water Source for Chitipa and Expansion Works for Chitipa, Chilumba, Rumphi and Nkhatabay Water Supply Schemes), Mining (Kanyika Niobium Mine in Mzimba, Clay Pozzolan mining in Ntcheu).

Government undertook country wide public consultations on the proposed oil exploration in Lake Malawi to be undertaken by Surestream Petroleum (Malawi). The consultations were done with the purpose of getting views of the public including interested and affected parties on the EIA of the proposed exploration which will be done through airborne and seismic surveys. The views are currently being incorporated into the EIA and will be taken into account during implementation of the surveys. Furthermore, Government continued to conduct environmental compliance monitoring of industries and the environment in general, to ensure environmental sustainability.

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. In addition, government will roll out the implementation plan for the Polluter Pays Principle. The Polluter Pays Principle promotes proportionate involvement of polluters to share costs of activities that contribute to pollution and deterioration of the environment on the polluter. Under this principle, polluters are liable for the costs of measures taken by authorities to abate, control or prevent the pollution.

14.3.2 Biodiversity Conservation

In the period under review, the department has implemented various programmes on biodiversity management as follows:

1. Government has developed a National Biodiversity Strategy and Action Plan (2011-2020) 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 to 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 national and local level;
3. Government prepared instruments for Malawi’s ratification to 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 biotrade in the country and facilitate fair and equitable sharing of benefits arising from the utilization of biological resources in the country; and
4. Government has also undertaken compliance monitoring on the confined Field Trials of Genetically Modified BT. Cotton intended for introduction in Malawi at Bunda College of the Lilongwe University of Agriculture and Natural Resources. The objective of the trials is to show the potential of BT. Cotton on pest control and management which could promote the commercial expansion of cotton industry in the country.

14.3.3 Environmental Legislation

14.3.3.1 Environment Management Bill

Government sensitized stakeholders in the northern, central and southern regions on the provisions in the revised Environment Management Bill. The stakeholders included traditional leaders, district commissioners, government representatives, NGOs, and the Private sector. The comments from the sensitization meetings were incorporated into the Environment Management Bill which was then submitted to the Ministry of Justice and Constitutional Affairs for vetting and submission to Parliament.

14.3.3.2 Plastics Regulations

Government drafted Environment Management (Plastics) Regulations and submitted them to Ministry of Justice and Constitutional Affairs for vetting and gazzetting.

14.3.3.3 Radiation Protection

The Atomic Energy Act No.16 of 2011 provides for the establishment of an Atomic Energy Regulatory Authority (AERA). Government has been facilitating the process of operationalizing the AERA. Government prepared a 2014-2015 Financial Year budget for the operationalization of the AERA which has been submitted to the Office of the President and Cabinet and the Ministry of Finance and Economic Planning and Development for approval. In accordance with section 6 of the Atomic Energy Act the Ministries responsible for Mines, Energy, Health, Labour, Foreign Affairs, Justice, and Finance, Department of Environmental Affairs and also representatives of Malawi Congress of Trade Unions (MCTU) and Council for Non-Governmental Organizations of Malawi (CONGOMA) nominated competent persons from their institutions to represent them on the Board of the AERA. The names of the nominated board members were submitted to the State President for appointment.

Government has compiled and publicized information on radiation safety and security on the Ministry of Environment and Climate Change website http://www.nccpmw.org/index.php/radiation-safety-and-security.This website page contains information on what radiation is, authorization and notification, inspections and enforcement and it also has application forms for members of the public who want to apply for licences for various radiation activities. Government also developed application forms and guidelines to be used by applicants when applying for licences for various radiation activities including, importation, transportation, possession, use and storage of radiation sources and radioactive material and minerals. Government issued various licences for the activities mentioned above.

In addition, Government continued to conduct the inventory of radiation sources in northern, southern and central regions of the country in order to develop a national register of radiation sources to ensure effective regulation of these sources. Government also continued to build the capacity of Malawians in the atomic energy field through training in the areas of mining, water, health, radiation monitoring and project management.

In order to establish and upgrade a comprehensive national security structure which is consistent with international standards Malawi as a Member State of International Atomic Energy Agency (IAEA) initiated the development of Integrated Nuclear Security Support Plan (INSSP) for the country.

14.3.3.4 Biosafety

Government approved an application by Bunda College in collaboration with Monsanto to conduct multi location field trials of BT. Cotton in Salima, Balaka, Chikhwawa and Zomba and to continue to conduct field trials at Bunda College. Government continues to conduct ongoing inspections of the confined field trials at the locations mentioned above to ensure compliance with the Biosafety Act of 2002 and the Biosafety (Management of Genetically Modified Organisms) Regulations of 2007 and conditions of the licence that was granted to Bunda College.

The Ministries and institutions responsible for Health, Agriculture, Labour, Gender, Industry and Trade, Justice, Forestry Research Institute of Malawi (FRIM), Malawi Police Service, Department of Nutrition, HIV/AIDS, Department of National Parks and Wildlife, Consumers Association of Malawi (CAMA), Coordination Union for the Rehabilitation of the Environment (CURE), Malawi Bureau of Standards (MBS) and Malawi Revenue Authority (MRA) nominated new members to sit on the National Biosafety Regulatory Committee (NBRC). The NBRC is a committee entrusted with the regulation of biotechnology activities in Malawi, as called for in the Biosafety legislation. The new members of the NBRC were trained on biotechnology and biosafety.

14.3.3.5 Licences and Permits

Government issued a number of licenses and permits to regulate the use, transportation, storage and disposal of waste, hazardous waste and chemicals. Government reviewed the Environment Management (Chemicals and Toxic Substances Management) (Amendment) Regulations, 2013 and the Environment Management (Waste Management and Sanitation) (Amendment) Regulations, 2013 in order to amend the schedule of fees. The reviewed fees will be put into the Environmental Management Fund and will be used for improved protection and management of the environment and sustainable utilization of natural resources thereby contributing to the sustainable growth of Malawi.

14.3.4 Environmental Information, Education and Public Awareness

In the period under review the Government of Malawi continued with implementation of the National Environment and Climate Change Communication Strategy which was launched on 20th January 2013 through the various initiatives as follows:

1. Continued conducting trainings and supervisions of the District Environment Sub Committees (DESCs) in Karonga, Ntchisi and Blantyre on the production of the District State of Environment and Outlook reports. All the districts in the country are expected to prepare environment and outlook reports which provide information for environmental planning to address areas that need improvements for sustainable development. However, due to financial limitations, the districts are at different levels with this process. While some

districts like Ntcheu, Dedza, Mwanza, Zomba, Machinga and Phalombe have completed and published the document, all other districts are at drafting stage;

2. After producing the video on Biodiversity thematic area in the fiscal year 2012/2013, the government continued with production of the videos on various thematic areas as follows; Environment and Economic development, Population and Human Settlements, Energy, Industry and Mining, Health and Environment, Land and Agriculture, Forests and Woodlands, Water Resources, Atmosphere and Climate Change, Education and Public Awareness, Exploring the Future of Malawi using Scenarios;

3. The Government also developed the policy briefs on all the thematic areas captured in the National State of the Environment and Outlook Report targeting the key Government Ministries and Departments and the private sector institutions in order to raise awareness on issues of the environment. The areas included; Biodiversity, Environment and Economic development, Population and Human Settlements, Energy, Industry and Mining, Health and Environment, Land and Agriculture, Forests and Woodlands, Water Resources, Atmosphere and Climate Change, Education and Public Awareness, Exploring the Future of Malawi using Scenarios;

4. In September 2013, Malawi for the first time in 30 years hosted the 31st Annual Conference for Environmental Education Association of Southern Africa (EEASA). EEASA is a regional body established to facilitate education on environmental and sustainable development throughout the SADC. Hosting of the conference rotates around all the SADC countries which include: South Africa, Mozambique, Malawi, Lesotho, Swaziland, Namibia, Botswana, Zambia, Zimbabwe, DRC, Seychelles, Angola, Mauritius, Madagascar and Tanzania. The conference was held under the theme “Green Economy: Insights and Perspectives for Environmental Education in Southern Africa”;

5. Malawi as a party to the United Nations Framework Convention on Climate Change (UNFCCC) participates at the Conference of the Parties (COP). Within the year, COP 19 was held in Warsaw, Poland. A public debriefing was therefore made through the stakeholders meeting which was held at the Capital Hotel and also through the pullout in the Nation Newspaper. During the meeting, participants were also briefed on the proposed Environmental management bill;

6. The Government produced the dramatized/comedy radio and TV programmes by Chindime and Samalani. The radio programme is currently being aired on Capital radio but the plan is to air it on MBC radio and TV and Zodiak radio. The Government also recognise efforts by the various stakeholders like the Corporate and Social Communication (COSCOM) who produced a children’s cartoon film on environmental education which was launched as part of 2013 World Environment Day commemorations;

7. The Government supports all the District Councils in the country in the implementation of the Local Development Fund (LDF) funded projects

through the process of screening the proposals, identifying the safeguards and preparing the Environmental and Social Managements Plans (ESMPs) for mitigating the identified negative effects while enhancing the positive ones. Further, we also supervise, monitor and assess the Councils on the implementation of the safeguards in reference to both the Environmental Management Act (1996) and the World Bank, funders of the Local Development Fund;

8. The Government supported three officials to undergo the capacity building trainings in the areas of Population, Environment and Development nexus, EIA, Gender and HIV/AIDS; and

9. Finally, the Government continued updating information on the Climate Change and Environment website which is accessible on http://www.nccpmw.org

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 functional National Steering Committee for the establishment of the Country's Coherent Labour Market Information (LMI) system has met four times in its early stages of building the information system. The last meeting was in May, 2013. The LMI system development is being financed by the African Development Bank under Higher Education, Science and Technology Project in the Ministry of Education, Science and Technology. The Ministry of Labour has also contributed to the National Statistical System Strategic Plan for the labour subsector. Its purpose is to build a coherent National Statistical System. The Ministry has developed a website for labour market. The website has forms that include job seekers' forms, which job seekers themselves will have an opportunity to fill using internet in their search for jobs. The employers are also expected to use this system to shortlist their prospective workers. The website will provide labour market data which will be transformed into databases for use in following up labour market trends.

15.2.1 The Labour Force Sample Survey 2012

The Ministry of Labour and National Statistical Office under the Competitiveness and Job Creation Support Project conducted the 2012 National Labour Force Sample Survey, which was supported by the financial resources from the African Development Bank. This survey also included a few questions on child labour.

15.2.2 Minimum Wages

The prevailing statutory minimum wage is now at K551 per day for 26 working days in a month for both rural and urban areas. This change has been effected from January 2014. The statutory minimum wage from December 2012 to December 2013 was at K317.

Labour complaints are mostly on unpaid claims in lost wages, holidays and termination of contracts. 20 percent of the total labour complaints registered were from female workers. Job seekers that registered at the labour offices in 2013 were more than the vacancies that employers registered, implying existence of unemployment concerns in the country. The females that registered in 2013 were at 30 percent of the total number of jobseekers. It is important to note that job seekers or employers are not obliged to use our public employment services in their job searching or prospective worker searching, respectively.

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

Through Trade Testing Services, Ministry of Labour from November to December, 2012 (November to December series) registered and tested 5,047 candidates. In the exercise, 4,036 were graded into trade test grades I, II and II. From November to December, 2013, 2,546 males and 2,564 females were trade tested and certified in various grade I, II, and III. The Ministry has usually carried out two series. The other one was slated for the period between April and May 2014 (April to May series).

15.2.4 Technical, Enterprenurial, Vocational Eduction and Training (TEVET)

In 2012, Ministry of Labour graduated 4,200 trainees. Some of these were formal students (700). In the same year the Ministry enrolled 6,300 students in seven technical colleges. These trainees included vocational and technical training, and secretarial studies recruits. In the last quarter of 2013, the Ministry graduated 667 males and 132 females in building and construction trades. In the same quarter, the Ministry also enrolled 1,795 males and 803 females.

The TEVET system through the Capacity Development for Africa Project has embarked on TEVET policy and Act review. It is also harmonizing the vocational training and testing, and implementing the harmonized curriculum. In 2013, the TEVET system through Better Education for Africa Rise ran programmes in curriculum development in agro-processing, and in building and construction; Establishment of Teacher Development Centre (Centre for Excellence at the 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 child labour fight 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. This is needed in classifying 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. Ministry of Labour, National Statitical Office and the International Labour Office. International Programme for the Elimination of Child Labour are now ready to conduct a national sample survey on child labour in Malawi in 2014. 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 2011 through to 2013. During this period, labour inspections ranged from 1,344 in 2012 to a maximun of 1,714 in 2013. The inspections are done through the devolved labour offices in the local authorities. The labour inspections are crucial to realize decent work conditions for all workers. These ultimately assist workers to escape from poverty and improve their standard of living. It should be noted that total minimum number of inspections per year are supposed to be 13,440. To this effect, the plans are that by 2016, 80 percent of all workplaces should be decent.

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 Local Government and Rural Development.

15.2.7 Freedom of Association and Collective Bargaining

In respect to the right to associate and freedom to organize collective bargaining, the number of registered unions has increased to 37. In 2013, the Ministry registered the Medical Doctors of Malawi Union and The Lilongwe University of Agriculture and Natural Resources Workers' Union. In 2012 the Ministry registered the Paladin Africa Ltd Local Workers' Union.

The total number of collective bargaining agreements signed by 2008 was 47 and the number marginally rose to 48 by in 2009. However, the number of agreements has not changed over a period of time to 2013. Evidence has shown that collective bargaining machinery assists in pushing acceptable conditions of service at the workplaces.

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, 2012. On average, 23 industrial strikes were reported to the Ministry. The period between July and September, 2013, the country had 16 industrial disputes in business establishments in Lilongwe and Blantyre. The demand for wage/salary increment was the major cause of the industrial actions. Through various interventions (negotiations) and proactive action by employers, trade unions and the Ministry of Labour, 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 inspections and examinations in these places. Looking at the trends, the inspections conducted have varied with time from a maximum number conducted in 2006 and minimum 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

Activity	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 and investigated	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 in the months 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. In the months between October and December, 2013, 103 cases were settled at average value of K221,000 per case.

15.2.10 HIV and AIDS at the Workplace

The Ministry assisted 34 officers with food supplements in 2014. In both 2013 and 2012, the Ministry assisted 35 officers with food supplements in each year. The HIV and AIDS programmes at workplace have extended to the informal sector which is the most neglected in the national interventions. Through that the Government and the Ministry of Labour in collaboration with International Labour Office has trained 50 informal sector workers to build 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 has followed standards highlighted in the International Labour Office-HIV recommendations No 200 (2010) and encourage companies to include HIV and AIDS clauses in their collective bargaining agreements (CBAs).

15.3 Gender Affairs

15.3.1 Gender Mainstreaming

As the national gender machinery, the Ministry of Gender, Children, Disability and Social Welfare continues to provide guidance and technical services to ensure effective gender responsive policies, programs and projects to enable the country achieve gender equality. In 2013/14 financial year, the ministry accomplished the following activities under gender mainstreaming:

1. Trained 60 Commissioners in Service Commissions on the Gender Equality Act;
2. Reviewed the National Programme on Increasing Women Representation in Politics and Decision Making;
3. Launched the 50-50 campaign to increase female representation in parliament and local councils;
4. Trained 261 female parliamentary and 418 female local councils candidates on public speaking, media relations and national governance in readiness for 2014 Tripartite Elections campaign;
5. Trained 24 officers from the Ministries of Health, Agriculture and Food Security and Transport and Public Works;
6. Produced and distributed 26,100 campaign materials for female parliamentary candidates and
7. Produced media campaign messages on promoting female candidates on MBC TV and all Radio Stations.

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 2013/14 financial year achieved the following:

1. Raised awareness of women's rights through the commemoration of 16 days of Activism against Gender Based Violence and International Women's day;
2. Facilitated the formation of Community Action Groups against Gender Based Violence in Ntcheu and Chiradzulu; and
3. Trained 300 Community Victim Support Units on management of GBV cases.

15.4 Community Development

15.4.1 Economic Empowerment

The Ministry is committed to enhancing the economic empowerment of the grassroots with primary focus on women as key beneficiaries. The Ministry has been engaging the target beneficiaries in various aspects of entrepreneurship development through formation of business groups and training them in business management and production skills in various enterprises of their choice. During the 2013/2014 financial year, the Ministry accomplished the following:

1. Facilitated the formation of 2, 880 business groups;
2. Trained 3,600 COMSIP groups in financial literacy;
3. Trained 2,162 business groups in business and credit management, marketing and group dynamics;
4. Linked 300 female business groups to viable markets; and
5. Conducted refresher training for 40 community development assistants (CDAs) on microenterprise marketing management.

15.4.2 Community Mobilization and Capacity Building

The Ministry continues to build capacity of local leaders and the communities themselves on issues of community development. This has ensured identification of existing communities' problems, which have facilitated development of solutions to solve them either through local mobilization of resources, or engaging outside stakeholders for technical and financial support depending on the nature of the problem. An important aspect in terms of community mobilization and capacity building of local leaders is the creation of an enabling environment for effective implementation of development programs and projects by various development players working in rural communities. In 2013/14 financial year, the Ministry achieved the following:

1. Trained 380 project committees to undertake LDF funded projects;
2. Initiated the establishment of 2,858 projects;

3. Facilitated the completion of 2,640 community projects;
4. Trained 80 youth clubs in leadership and constitutional development;
5. Trained 10 school management committees in infrastructure maintenance;
6. Trained 21 water point committees in community based management of boreholes; and
7. Trained 15 borehole committees in community based management of boreholes.

15.3.3 Home Management and Nutrition

Home Management and Nutrition aims at improving the living and nutritional standards by promoting home improvement, hygiene and sanitation, food utilization and dietary diversification. In the 2013/14 financial year, the following were achieved:

1. Trained 13 groups with a total of 1,288 people in dietary diversification, six food groups, food preparation using locally available resources, food utilization, storage and nutrition to HIV/AIDS infected people; and
2. Trained 20 community development assistants and 38 chiefs' spouses on home improvement and food utilization.

15.4 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 and this includes provision of easy to read booklets and newspapers of various themes and English classes and tailor made vocational and entrepreneurial trainings. In 2013/14 financial year, the following were achieved:

1. Opened 7,600 adult literacy classes with an enrolment of 255,160 learners;
2. Procured and distributed 45,000 English Primers to 600 English classes in 28 districts; and
3. Raised the profile of adult literacy education through commemoration of International Literacy Day.

15.5 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.

15.5.1 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 2013/14 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 children's corners in Mchinji, Balaka, Ntcheu, Zomba, Machinga, Nkhotakota and Salima; and
4. Trained 3,692 OVC in vocational skills.

15.5.2 Social Cash Transfer

Over 4 million Malawian children live in poverty that is characterised by low income, low literacy, food insecurity and child malnutrition which is at 48 percent. Additionally, children are orphaned due to HIV/AIDS; 50 percent of under-fives are stunted; and 15 percent of children of primary school age have not enrolled due to poverty, hunger and cultural barriers[5]. The Social Cash Transfer Programme is a poverty alleviation programme targeting 10 percent of the ultra poor and labour constrained households. Currently, the project is being implemented in nine districts namely: Mangochi, Machinga, Phalombe, Salima, Chitipa, Likoma, Mchinji, Thyolo and Balaka. The programme is being scaled up to 8 additional districts. During the 2013/14 financial year, the Ministry made the following achievements:

1. Provided monthly cash transfers to 28,946 households (119,438 individual beneficiaries);
2. Developed a Communication Strategy for the Social Transfer Programme;
3. Supported impact evaluation of the Social Cash Transfer Programme in Traditional Authorities Ndindi and Maganga in Salima and Bwananyambi in Mangochi; and
4. Reviewed the M&E System for the Social Cash Transfer Programme.

15.5.3 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 2013/14 financial year, the following were achieved:

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[5] UNICEF (June 2008), *Social Protection Profile*, p.i

1. Established 250 new Community Based Child Care Centres (CBCCs);
2. Upgraded and rehabilitated 8 ECD Centres;
3. Upgraded 29 CBCCs;
4. Trained 1,372 ECD Caregivers;
5. Conducted 3 regional sensitization campaigns to raise the profile of ECD; and
6. Distributed food items to 100 CBCCs.

15.5.4 Child Protection

Malawian children are highly vulnerable to abuse, violence, exploitation, discrimination and neglect. Currently, there are 2.4 million[6] children that have grown-up in violent homes, witnessed domestic violence or experienced its negative effects. As such, the Ministry is implementing a coordinated mechanism for the identification, assessment and referral and provision of appropriate support services for vulnerable and 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 the 2013/14 financial year, the following achievements were made:

1. Developed two draft copies (reader and child friendly) versions of the Child Care, Protection and Justice Act;
2. Trained 170 child protection workers in case management and journey of life;
3. Inspected 104 child care institutions;
4. Assessed the child cases through the Child Case Review Board; and
5. Provided reformatory services to 122 children in conflict with the law at Chilwa Reformatory Centre and Mpemba Boys Home.

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

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

The programmes that Government is implementing in Social Protection to reduce the vulnerability of the poor now reach out to four million people. The list of the programmes is provided below.

16.2.1 Social Cash Transfer Programme

The programme is targeting 10 percent of the most vulnerable in the country. With funding from Government, the European Union, German Government, UNICEF and Irish Aid, the programme is operational in nine districts of the country namely: Chitipa, Salima, Mangochi, Phalombe, Thyolo, Mchinji, Likoma and Balaka. This financial year, the programme will roll out to nine additional districts of Chikhwawa, Mwanza, Mulanje, Mzimba, Zomba, Neno, Nsanje, Nkhatabay and Dedza. Government plans to roll out the programme to all 28 districts and at full scale, the programme will have reached 315,000 households benefiting 1.5 million Malawians. Government will continue paying out these grants because many households are ultra-poor and labour constrainted.

16.2.2 The School Meals Programme

The programme performed well last year with more partners coming in to support the programme than before. The programme has increased enrolment and attendance rates while at the same time addressing issues of malnutrition amongst vulnerable children. The programme is now benefitting 2,332 schools thereby reaching about 1.6 million pupils at a cost of K6.7 billion.

16.2.3 Public Works Programmes

In Malawi, this programme has delivered food, income and agricultural inputs, as well as employment opportunities to under-employed households. Apart from transferring resources to the poor, public works projects have also built and maintained assets such as forests, rural feeder roads, and upgrading bridges from timber to concrete decks to connect areas of production to markets. Government has scaled up the Programme and is now reaching 796,777 people. The wage rate will also be adjusted upwards to reflect the cost of living. This financial year government will start implementing MASAF IV Programme as one of the key instruments for addressing poverty reduction and promoting inclusive growth.

16.2.4 Village Savings and Loans

Interventions are being implemented through programmes by COMSIP Cooperative Union, CARE Malawi, Action Aid, World Vision and Plan Malawi, among others. Approximately, 300,000 individuals (of which 75 percent of the beneficiaries are women) are in Village Savings and Loans groups with accumulative savings of over K1 billion.

16.2.5 Microfinance

Government has plans to increase the number of households that have access to microfinance products. In this financial year, Government through the Ministry of Fiinance, Economic Planning and Development will institute a Technical Working Group on Microfinance to coordinate activities under microfinance and create an Apex fund. This initiative will complement the already existing efforts by Government in Malawi Rural Development Fund.

16.2.6 Farm Input Subsidy Programme (FISP)

The 2013/14, FISP targeted a total of 1,500,000 beneficiaries across the country. The beneficiaries were given two coupons to purchase two 50 kg bags of fertilisers (1 bag NPK and 1 bag Urea), a coupon to buy either 5 kg of hybrid maize seed or 8 kg of OPV maize seed and a coupon to enable them buy legume seed of their choice (3kg soya or 2 kg of beans/cow peas/pigeon peas). In-order to reach out to 1.5 million beneficiaries, the Programme supplied 150,000 metric tons of fertilizers (75,000 metric tons of NPK and 75,000 metric tons of Urea) and 7500 metric tons and 3000 metric tons of Maize and legume seeds, respectively. To improve efficiency, the programme piloted the use of electronic vouchers in seed redemption. This was done in six districts of Blantyre, Mangochi, Lilongwe, Mchinji, Mzimba and Rumphi.

16.2.7 Farm Input Loan Programme (FILP)

During the reporting period, Government in collaboration with MARDEF implemented FILP to complement the FISP, targeting middle farmers who can sustainably produce for the nation. The programme offers favourable conditions of accessing loans. A total of 25,505 farmer groups out of 25,612 who applied benefitted and the total fertilizer supplied was 52,964 metric tons.

16.3 Status on Millennium Development Goals

The country has made considerable progress in achieving most of the goals that form the MDGs. Of the eight, the country is on course to meet MDG targets on child mortality; combating HIV and AIDS, malaria and other diseases; ensuring environmental sustainability; and developing global partnership for development. The MDG targets that may not be met include: eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; and improving martenal health. Government has formulated the MDGs Acceleration Framework (MAF) with the view to accelerate progress on the four MDGs that are lagging behind. The MAF has identified four intervention areas namely: improving girl child school attendance especially at secondary education level and above; improving economic status of women including young women; promoting partcipation of women in decision making positions; and reducing gender based violence. Government is optmistic that should adequate resources be channelled to the identified intervention areas, the country would be able to accelerate progress in the four MDGs that are lagging behind.

Chapter 17

PUBLIC ENTERPRISES

17.1 Overview

The period under review in this chapter is 2012/13 fiscal year and the chapter covers selected commercially oriented parastatals. The review shows mixed results with some parastatals such as ESCOM achieving remarkable results whilst others such as Lilongwe Water Board and ADMARC show 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 Southern Region Water Board (SRWB)

Surplus in the year under review grew from K137.0 million to K395.4 million, translating into over 100 percent growth. This is on account of 43 percent increase in revenues and a corresponding growth of 26 percent in costs. Management continued to manage costs whilst driving revenues up. Compared to previous year, the return on equity doubled from 3 percent in previous year to 6 percent in 2012/13 fiscal year. Although this is low, it shows potential for better performance in the future.

SRWB continues to face challenges with high water losses, currently at 26.9 percent. However, this is expected to reduce as the Board continues to rehabilitate its equipment and also employ preventative maintenance strategies.

The Statement of Financial Position shows a 30 percent growth in non-current assets. This is in respect of work in progress funded under the second National Water Development Programme. The current ratio is at 3.6:1 and this is a reflection of a healthy position. Management continues to manage this risk by employing aggressive debt collection strategies. During the previous year, management piloted the use of prepaid meters as one way of reducing debt levels. Going forward, management will gradually install prepaid meters as a way of mitigating the risk of bad debts.

There is a positive outlook despite high cost environment prevailing in the economy. There has to be continued employment of cost control measures and efficient revenue management measures in the 2013/14 financial year.

TABLE 17.1: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	1,773.1	1,174.0
Other	79.3	121.7
Total	**1,852.4**	**1,295.7**
Expenses	(1,457.0)	(1,158.4)
Financing costs	—	—
Operating profit before income	395.4	137.3
Taxation	—	—
Surplus	395.4	137.3
Revaluation surplus		—
Total comprehensive income	**395.4**	**37.3**

Statement Of Financial Position As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	5,884.1	4,502.9
Trade receivables	720.0	529.1
Other current assets	735.6	317.4
Total	**7,339.7**	**5,349.4**
EQUITY AND LIABILITIES		
Capital reserve	5,716.8	4,349.0
General reserves	612.9	548.9
Other reserves	478.1	82.5
Total	6,807.8	4,980.4
Long term borrowings	—	—
Non-Current Liabilities	127.9	129.9
Current Liabilities	404.0	239.1
Total	**7,339.7**	**5,349.4**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	43%
Increase in Expenses	26%
Surplus growth	188%
Dividend paid	0
Dividend pay out	0
Increase in receivables	36%
Increase in current liabilities	69%
Current Ratio	3.6:1
Net current assets	1051.6
Gearing	0%
Return on Equity	6%
Return on Capital	6%

17.3 Blantyre Water Board (BWB)

The Board registered a surplus of K59.8 million in the year under review. However, this was a decline of over 100 percent from previous year's surplus. Revenue grew by 57 percent while expenses grew by 69 percent. The growth in revenue is largely due to an increase in tariffs during the year in addition to the increase in volume of water sold. The large increase in costs is largely on account of cost of electricity which grew by over 100 percent from K0.98 billion to K2.07 billion. ESCOM increases its tariff as part of the automatic tariff adjustment when certain economic fundamentals change. 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. There were more new connections done and this also helped in the growth in income.

The Board's major operational challenge in the year under review was the high levels of water losses which averaged 40 percent of total water pumped. Under the second National Water Development Programme, the Board has accessed loan and grant funding to rehabilitate, upgrade and also expand water supply systems. Works are at advanced stages and it is hoped that once completed, the water losses should reduce to average 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. This is largely from current work in progress funded under the NWDP II. Current ratio is at 1.33:1 and this signals the need to manage working capital. Debtors continue to be a challenge. There was over 100 percent growth in debtors and this increases the risk of bad debts. To mitigate such a risk, the Board continues to aggressively collect its debts. The initiative to introduce prepaid meters is now in progress after the pilot phase done last year and this proved to be a success. Gearing rose to 60 percent from 32 percent of previous year, on account of the borrowings through Government for the rehabilitation of the water systems under NWDP.

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

TABLE 17.2: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	4,434.6	2,657.8
Other	83.6	600.1
Total	**5,118.2**	**3 ,257.9**
Expenses	(4,956.2)	(2,939.0)
Financing costs	(62.2)	42.1)
Operating profit before income	99.8	276.9
Taxation	(40.0)	(69.0)
Surplus	59.8	207.9
Revaluation surplus	—	—
Total comprehensive income	**59.8**	**207.9**

Statement Of Financial Position As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	10,627.10	7,770.50
Trade receivables	1,553.40	747.80
Other current assets	657.90	621.50
Total	**12,838.40**	**9,139.80**
EQUITY AND LIABILITIES		
Capital reserve	1,434.00	1,433.96
General reserves	3,238.90	,524.70
Other reserves	107.20	(238.39)
Total	4,780.10	4,720.27
Long term borrowings	2,848.00	1,491.05
Non-Current Liabilities	3,545.40	1,952.00
Current Liabilities	1,664.90	976.56
Total	**12,838.40**	**9,139.88**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	57%
Increase in Expenses	69%
Surplus growth	-71%
Increase in receivables	108%
Increase in current liabilities	70%
Current Ratio	1.33:1
Net current assets	546.4
Gearing	60%
Return on Equity	1%
Return on Capital	1%

17.4 Central Region Water Board (CRWB)

Turnover grew by 43 percent against the same level of growth in expenses. The Board registered a surplus (before revaluation surplus) of K238.0 million from K163.5 million of the previous year, representing a 46 percent growth on previous year. The return on equity and capital were at 8 percent and 6 percent, respectively, which are both higher than previous year. The better performance is due to both volume and tariff increases which were experienced during the year. The Board continued to gradually adjust its tariff in order to achieve cost effective levels.

Expenses grew by 46 percent from K0.860 billion to K1.2 billion. Major increases were registered in electricity, chemicals and administration costs. These costs were a result of high inflation and the depreciation of the Kwacha experienced during the year under review. The level of water losses averaged 26 percent of total water pumped. This is the same level as recorded in the previous year. Continued rehabilitation of equipment and high rate of response to faults will continue to be key to reduce water losses.

Fixed assets grew by over 90 percent during the year. This is on account of the rehabilitation programme under NWDP II whose objective is to revamp the reticulation systems to water delivery services. Debt collection remains a challenge requiring continued focus. Average debtors collection days increased from 95 in the previous fiscal year to 98 days and this needs to be reduced. Therefore, Management plans to install prepaid meters as a measure to reduce long debt collection days. The liquidity ratio of 0.75:1 signals tight liquidity position. Gearing has gone up to 41 percent from 14 percent in previous year. This is on account of the funding under NWDP II.

The Board is expected to continue focusing on revenue management and rehabilitation of its equipment. There will be need for continued management of costs at all operational levels.

TABLE 17.3: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	1,321.0	875.7
Other	183.3	173.3
Total	**1,504.3**	**1,049.0**
Expenses	(1,259.2)	(860.9)
Financing costs	(5.3)	(7.4)
Operating profit before income	239.8	180.7
Taxation	(1.8)	(17.2)
Surplus Revaluation	238.0	163.5
Surplus	493.8	12.1
Total comprehensive income	**731.8**	**175.6**

Statement Of Financial Position As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	4,274.5	2,314.3
Trade receivables	446.5	265.4
Other current assets	362.1	307.4
Total	**5,083.1**	**2,887.1**
EQUITY AND LIABILITIES		
Capital reserve	3,471.3	2,890.9
General reserve	564.6	86.0
Other reserves	(1,181.6)	(1,252.1)
Total	2,854.3	1,724.8
Long term borrowings	1,156.8	238.4
Non-Current Liabilities	-	-
Current Liabilities	1,072.0	923.9
Total	**5,083.1**	**2,887.1**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	43%
Increase in Expenses	46%
Surplus growth	46%
Divedend paid	0%
Dividend paid out	0%
Increase in receivables	68%
Increase in current liabilities	16%
Current Ratio	0.75:1
Net current assets	-263.4
Gearing	41%
Return on Equity	8%
Return on Capital	6%

17.5 Northern Region Water Board (NRWB)

Results show a 28 percent decline in profitability from K257.5 million to K185.5 million. This is despite an increase of 34 percent in revenues. The decline is a result of a 44 percent increase in expenses. Specifically, interest expenses grew by over 100 percent from K57.2 million in previous year to K161.0 million. The Board had returns on capital and equity of 3 percent and 4 percent, respectively, which are both very low. As with the other water boards, NRWB faces the challenge of high levels of water loses currently averaging 34% during the year under review. Efforts to reduce this level of water losses are underway funded by the loans under the National Water Development Programme.

The Statement of Financial Position shows gearing of 22 percent whilst current ratio is at 0.90:1. Hence, the liquidity position of the Board is relatively weak. Management continues to employ efficient working capital management strategies. Key is to reduce collection periods of the board's debts.

For future, debt collection, cost control measures and efficient working capital management will be key for the survival of the Board. There is need to continue managing costs but also focus on reducing water losses. There is need to develop an automatic tariff adjustment formula based on changes in economic parameters as is the case with the electricity sector. This will help reduce the latency between change in economic parameters and tariff adjustment. Efforts to reduce water losses should continue to be employed as this will have a positive impact on the performance of the Board.

TABLE 17.4: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income
For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	1,658.4	1167.7
Other	348.0	329.2
Total	**2,006.4**	**1496.9**
Expenses	(1,661.8)	(1,157.5)
Financing costs	(158.8)	(56.8)
Operating profit before other income	185.8	282.6
Taxation	—	(25.1)
Surplus	185.8	257.5
Revaluation surplus	—	—
Total comprehensive income	**185.8**	**257.5**

Statement Of Financial Position
As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	6,536.5	5,993.6
Trade receivables	454.2	326.5
Other current assets	216.7	93.8
Total	**7,207.4**	**6,413.9**
EQUITY AND LIABILITIES		
Capital reserve	3,975.0	3,960.5
General reserves	3,633.5	3,546.2
Other reserves	(3,195.0)	(3,279.1)
Total	4,413.5	4,227.6
Long term borrowings	962.5	777.5
Non-Current Liabilities	1,082.3	1,100.8
Current Liabilities	749.1	308.0
Total	**7,207.4**	**6,413.9**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	34%
Increase in Expenses	44%
Surplus growth	-28%
Dividend paid	0
Dividend pay out	0
Increase in receivables	39%
Increase in current liabilities	143%
Current Ratio	0.9:1
Net current assets	(78.20)
Gearing	22%
Return on Equity	4%
Return on Capital	3%

17.6 Lilongwe Water Board (LWB)

Lilongwe Water Board continues to face profitability challenges. In the year under review, the Board made a loss of K347.3 million against a loss of K68.4 million in the previous year. There are two key challenges that the Board is facing. First, 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.

Revenues grew by 42 percent whilst expenses increased by 59 percent on previous year. It is apparent that cost increases outweighed the gains on revenues, hence, more effort needs to be employed to control costs. During the year under review, water losses averaged 36 percent, a challenge requiring urgent attention of the Board. Any reduction in water losses will markedly translate into improved performance. Plant maintenance and operating expenses grew by over 80 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 poor.

Statement of Financial Position shows that liquidity was a challenge and weak with a current ratio of 0.75:1 and net current liabilities of K736.0 million. Debtors at the end of year doubled compared to previous year. All this signals liquidity challenges. The review of 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 should continue focusing on controlling costs and ensuring that maintenance services are not compromised.

TABLE 17.5: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income
For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	3,267.9	2,261.4
Other	89.6	94.9
Total	**3,357.5**	**2,356.3**
Expenses	(3,567.6)	(2,239.3)
Financing costs	(213.4)	(8.3)
Operating profit before other income	(423.5)	108.7
Taxation	76.2	(177.0)
Surplus	—	(68.3)
Revaluation surplus	—	—
Total comprehensive income	**(347.3)**	**(68.3)**

Statement Of Financial Position
As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	14,061.2	14,037.0
Trade receivables	933.5	668.0
Other current assets	459.8	511.1
Total	**15,454.5**	**15,216.1**
EQUITY AND LIABILITIES		
Capital reserves	3,860.5	3,860.6
General reserves	6,572.2	6,766.8
Other reserves	(811.7)	(255.1)
Total	9,621.0	10,372.3
Long term borrowings	3,704.0	4,145.7
Non-Current Liabilities	290.2	25.2
Current Liabilities	1,839.3	672.9
Total	**15,454.5**	**15,216.1**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	42%
Increase in Expenses	59%
Surplus growth	-100%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	40%
Increase in current liabilities	173%
Current Ratio	0.7:5 .1
Net current assets	(446.00)
Gearing	38%
Return on Equity	0%
Return on Capital	0%

17.7 Tobacco Control Commission (TCC)

With a surplus growth of 82 percent, TCC results are a marked improvement on previous year's. Turnover grew by 29 percent from K959.0 million to K1.3 billion whilst expenses grew by the same percentage. The growth in turnover is on account of better tobacco prices in the 2013 selling season and also the positive effect of the devaluation of the Kwacha.

However, most cost increases were a result of general price increases experienced in the economy. Management continued to implement cost containment measures to control costs.

Statement of Financial Position is relatively strong. The increase in non-current assets is on the back of the Commission's ongoing office complex project. Liquidity ratios show reasonable position as at year end. The current ratio is 1.4:1 in spite of financing of the office complex from own resources which exerted pressure on cash resources.

TCC is vulnerable to the tobacco market forces on the local auction floors and also worldwide demand fluctuations. Weather conditions as well as availability of farm inputs, especially to the smallholder tobacco growers who account for a large proportion of the tobacco on the floors, play a key role in exposing TCC to risks. Currently the tobacco selling season has commenced and the prices ruling on the floors are within Government regulated minimums. There have not been many disruptions on the floors so far.

TCC expects to generate a surplus in the coming year. The office complex project costs could escalate due to delays experienced so far as well as general increase in costs including interest costs. Hence, management will have to ensure that completion of the project is achieved as soon as feasible to avoid more cost escalations.

TABLE 17.6: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income
For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	1,255.5	931.4
Other	76.2	28.1
Total	**1,331.7**	**959.5**
Expenses	(1,016.3)	(785.8)
Financing costs	—	(0.7)
Operating surplus	315.4	173.0
Taxation	—	—
Surplus	315.4	173.0
Revaluation surplus	—	—
Total comprehensive income	**315.4**	**173.0**

Statement Of Financial Position
As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	1,295.2	968.3
Trade receivables	333.7	184.6
Other current assets	304.9	156.9
Total	**1,933.8**	**1,309.8**
EQUITY AND LIABILITIES		
Capital reserves	1,207.2	904.0
General reserves	200.5	147.7
Other reserves	72.1	70.9
Total	1,479.8	1,122.6
Long term borrowings	—	—
Non-Current Liabilities	—	—
Current Liabilities	54.0	186.8
Total	**1,933.8**	**1,309.4**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	29%
Increase in Expenses	29%
Surplus growth	82%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	81%
Increase in current liabilities	143%
Current Ratio	1.40: .1
Net current assets	304.9
Gearing	0%
Return on Equity	21%
Return on Capital	21%

17.8 Electricity Supply Commission of Malawi (ESCOM) Limited

ESCOM continue to register good results. This is the fourth year in a row since the company turned around. Profit after tax was K5.0 billion translating into a return on equity of 15 percent. Although this is 15 percent lower than that of previous year, the profit before tax was actually 59 percent more than previous year's level. Revenues grew by 52 percent against 75 percent growth in expenses. ESCOM is currently focusing on clearing backlog of maintenance of its plant and equipment to ensure its sustainability. This explains the hike in expenses. It is expected that this trend on increased maintenance expenses will continue until the plant and machinery is maintained to satisfactory standards.

Whilst the company continued to face liquidity challenges in the past, this is not the case now as evidenced by the growth in net cash from operations of 55 percent, translating into K2.8 billion of cash and cash equivalents at end of year. With available cash resources, management continues to prioritize expenditures on maintenance. This is key to ensuring that the infrastructure is kept in good state. Technical losses of over 20 percent 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.

The Statement of Financial Position is stronger than previous year's. The current ratio improved from 0.92:1 in previous year to 5.6:1. With progressive tariff adjustments and efficient working capital management, these ratios should continue to improve.

The outlook is very positive. With Kapichira II commissioned, ESCOM has added 64 megawatts to its grid. This has reduced the frequency of blackouts. The Millennium Challenge Corpoaration Project amounting to US$350.0 million is now under implementation. Once completed, distribution and transmission systems will be strengthened and this will enable efficient evacuation of power and reduction in losses.

TABLE 17.7: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	33,613.9	17,193.1
Other	789.3	5,371.3
Total	**34,403.2**	**22,564.4**
Expenses	(22,540.8)	(12,859.9)
Financing costs	(22.4)	(2,263.1)
Operating profit before Tax	11,840.0	7,441.4
Taxation	(6,773.5)	(1,471.8)
Profit after tax	5,066.5	5,969.6
Revaluation surplus	3,787.0	0.0
Total comprehensive income	**8,853.5**	**5,969.6**

Statement Of Financial Position As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	51,813.9	36,206.1
Trade receivables	6,151.1	4,220.5
Other current assets	13,614.7	5,254.3
Total	**71,579.7**	**45,680.9**
EQUITY AND LIABILITIES		
Capital reserve	27,667.4	20,608.5
General reserves	5,791.0	2,004.4
Other reserves	1,344.1	345.4
Total	34,802.5	22,958.3
Long term borrowings	12,786.1	2,555.4
Non-Current Liabilities	20,459.7	9,938.5
Current Liabilities	3,531.4	10,228.7
Total	**71,579.7**	**45,680.9**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	52%
Increase in Expenses	75%
Surplus growth	-15%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	46%
Increase in current liabilities	-65%
Current Ratio	5.6:1
Net current assets	16,234.4
Gearing	37%
Return on Equity	15%
Return on Capital	7%

17.9 Malawi Communications Regulatory Authority (MACRA)

MACRA has consistently posted profits over the past years. However, the current year's profit of K564.0 million is 15 percent lower than previous year's. Although revenues grew by 48 percent, it was dampened by a 67 percent growth in expenses. In spite of this decline in profitability, the achieved profit translates to a return on equity of 25 percent. During the year under review, the Authority was unable to earn the anticipated revenues following its inability to commission the revenue management equipment due to a court injunction. Overall performance remains strong.

The financial position is strong and the receivables increased by 33 percent due to timing differences. Most of the debt was collected in the current year. The liquidity position is manageable and the Authority continues to operate with no liquidity stress. Further, dividends amounting to K350.0 million was paid to Government in year under review. For future, a strong growth in surplus is expected on account of new revenue streams.

TABLE 17.8: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income
For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	3,261.2	2200.8
Other	116.6	86.1
Total	**3,377.8**	**2286.9**
Expenses	(2,813.8)	(1,624.1)
Financing costs	—	—
Operating profit before Tax	564.0	662.8
Taxation	—	—
Profit after tax	564.0	662.8
Revaluation surplus	—	0.0
Total comprehensive income	**564.0**	**662.8**

Statement Of Financial Position
As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	1,810.6	1,787.0
Trade receivables	1,369.6	1,030.5
Other current assets	582.4	438.5
Total	**3,762.6**	**3,256.0**
EQUITY AND LIABILITIES		
Capital reserve	169.2	143.1
General reserves	223.2	326.9
Other reserves	1,822.9	1,470.3
Total	2,215.3	1,940.3
Long term borrowings	710.2	536.9
Non-Current Liabilities	—	20.6
Current Liabilities	837.1	758.2
Total	**3,762.6**	**3,256.0**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	48%
Increase in Expenses	73%
Surplus growth	-15%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	33%
Increase in current liabilities	10%
Current Ratio	2.33:1
Net current assets	1,114.9
Gearing	32%
Return on Equity	25%
Return on Capital	19%

17.10 Airport Development Limited (ADL)

ADL's profits reduced by 66 percent from K164.4 million in the preceeding year to K55.3 million in 2012/13 fiscal year. This is due to an increase in costs of 83 percent. Major cost items that contributed to this growth in costs are bad debts provision which increased by 100 percent from K65.0 million to K137.0 million and hight finance costs which increased by 100 percent from K1.5 million to K23.5 million. Other general expenses also increased due to inflationary pressures.

The Statement of Financial Position was strong for ADL in that surplus on revaluation of K4.5 billion was recorded and this has improved the level on non-current assets. However, the current ratio at 0.72:1 remains weak position as well. The company has no substantial long term borrowings and, therefore, gearing is zero.

ADL plans to register a profit in the 2013/14 financial year. In view of this, ADL needs to continue engage more debt collection efforts to unlock long outstanding debt position. This will ease the current tight working capital/cash position and enable the company invest further in its properties. Management should exert more efforts to identify more funding sources for property development.

TABLE 17.9: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income
For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	818.1	517.3
Other	58.8	84.5
Total	**876.9**	**601.8**
Expenses	(800.8)	(436.5)
Financing costs	(20.8)	(0.8)
Operating profit before Tax	55.3	164.5
Taxation	—	—
Profit after tax	55.3	164.5
Revaluation surplus	4,159.8	0.0
Total comprehensive income	**4,215.1**	**164.5**

Statement Of Financial Position
As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	11,894.7	7,581.8
Trade receivables	161.8	206.7
Other current assets	47.1	27.9
Total	**12,103.6**	**7,816.4**
EQUITY AND LIABILITIES		
Capital reserve	132.8	132.8
General reserves	770.1	726.0
Other reserves	10,675.3	6,460.2
Total	11,578.2	7,319.0
Long term borrowings	—	30.2
Non-Current Liabilities	235.0	215.5
Current Liabilities	290.4	251.7
Total	**12,103.6**	**7,816.4**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	46%
Increase in Expenses	83%
Surplus growth	-66%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	-22%
Increase in current liabilities	15%
Current Ratio	0.72:1
Net current assets	(81.50)
Gearing	0%
Return on Equity	0%
Return on Capital	0.5%

17.11 Malawi Housing Corporation (MHC)

The Corporation posted a loss of K9.4 million (before revaluation surplus) compared to a profit of K44.0 million in the previous year. Revenue grew by 29 percent and this was dampened by the 33 percent increase in expenses. The Corporation's core business is property development and management. However, Corporation has consistently made losses on its rental account for years. The reason is that rentals for the bulk of the Corporation's residential properties are sub-economic, although over the years there have been gradual rental adjustments. These adjustments have been too low and, therefore, they have not been cost recovery in nature. Government is currently reviewing the situation, including a review of the Act that created the Corporation.

As regards financial position, liquidity remained tight during the year and management continued to prioritise expenditure towards high impact areas. The current ratio is at 0.63:1 and this signals a tight liquidity position.

The Corporation should continue to manage its costs as well as maximize revenues. However, in the short to medium term, the Corporation's survival hinges on amongst other issues, resolving the issue of sub-economic rentals for its properties.

TABLE 17.10: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income For the year ended 30th June	2013 MWK millions	2012 MWK millions
Turnover		
Core business	1,434.1	1,067.0
Other	255.6	238.5
Total	**1,689.7**	**1,305.5**
Expenses	(1,685.0)	(1,238.5)
Financing costs	(6.8)	—
Operating profit before Tax	(2.1)	67.0
Taxation	(7.3)	(23.0)
Profit after tax	(9.4)	44.0
Revaluation surplus	8,984.5	6,823.0
Total comprehensive income	**8,975.1**	**6,867.0**

Statement Of Financial Position As at 30th June	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	42,889.4	33,712.5
Trade receivables	528.9	398.3
Other current assets	1,050.3	3,262.9
Total	**44,468.6**	**37,373.7**
EQUITY AND LIABILITIES		
Capital reserve	10.3	10.3
General reserves	6,915.3	6,667.2
Other reserves	34,863.6	26,181.7
Total	41,789.2	32,859.2
Long term borrowings	165.6	2,100.1
Non-Current Liabilities	—	—
Current Liabilities	2,513.8	2,414.4
Total	**44,468.6**	**37,373.7**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	29%
Increase in Expenses	36%
Surplus growth	-121%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	33%
Increase in current liabilities	4%
Current Ratio	0.63:1
Net current assets	(934.60)
Gearing	0%
Return on Equity	0%
Return on Capital	0%

17.12 Malawi Post Corporation (MPC) Limited

The Corporation posted a profit of K71.5 million in 2012/13 fiscal year against a loss of K87.6 million in the preceeding year, reflecting a much better performance than that recorded in previous year. Revenues grew by 45 percent compared to a 33 percent increase in expenses. There was certainly better management of costs in the year. Finance costs doubled due to lease financing facilities that were accessed to procure operational assets. Liquidity was very tight as evidenced by the net current liability position of K224.9 million, resulting in a current ratio of 1:0.56.

The Corporation continues to face a number of challenges which include the following:

1. Continued decline in physical mail over the past years due to advancements in technology;
2. Stiff competition in alternative businesses that MPC has ventured into; and
3. The Corporation continues to operate postal units which are not commercially viable. The volume of business do not justify operating the said units.

Faced with such challenges and declining performance, the Corporation is aggressively diversifying its operations. It is also now involved in the courier and other communication business ventures.

For future, the loss making postal units pose a major risk to the survival of the corporation. Resolution of this awaits the new communication bill which provides for a universal subsidy for such loss making postal units.

TABLE 17.11: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	1,796.4	1,324.0
Other	422.2	206.9
Total	**2,218.6**	**1,530.9**
Expenses	(2,078.6)	(1,564.6)
Financing costs	(59.9)	(26.9)
Net profit before tax	80.1	(60.6)
Taxation	(8.6)	(26.5)
Surplus	71.5	(87.1)
Revaluation surplus		—
Total comprehensive income	**71.5**	**(87.1)**

Statement Of Financial Position As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	644.8	550.2
Trade receivables	885.2	696.0
Other current assets	459.5	148.6
Total	**1,989.5**	**1,394.8**
EQUITY AND LIABILITIES		
Capital reserve	0.1	0.1
General reserves	566.1	512.8
Other reserves	(236.0)	(539.7)
Total	330.2	(26.8)
Long term borrowings	89.7	—
Non-Current Liabilities	—	—
Current Liabilities	1,569.6	1,421.6
Total	**1,989.5**	**1,394.8**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	45%
Increase in Expenses	33%
Surplus growth	-182%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	27%
Increase in current liabilities	10%
Current Ratio	0.56:1
Net current assets	(224.90)
Gearing	27%
Return on Equity	22%
Return on Capital	17%

17.13 Agriculture Development and Marketing Corporation (ADMARC) Limited

ADMARC has continued to perform poorly over a number of years. A loss after tax of K1.5 billion was registered. Government took over ADMARC's loan and overdraft servicing obligations in the year under review. Despite this move, the Corporation was still not able to make a profit. The financial position remains weak and the company does not have own resources to fully finance its activities. 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 it is profitable and self sustaining.

ADMARC remains a challenge both financially and operationally. Therefore, there is need to relook at how best the company should be structured operationally and financially for its survival.

TABLE 17.12: STATEMENTS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Statement Of Comprehensive Income For the year ended 30th June

	2013 MWK millions	2012 MWK millions
Turnover		
Core business	7,592.6	2,943.4
Other	2,163.9	357.0
Total	**9,756.5**	**3,300.4**
Expenses	(10,758.5)	(4,025.0)
Financing costs	(844.5)	(958.7)
Profit before tax	(1,846.5)	(1,683.3)
Taxation	327.0	2,433.3
Profit after tax	(1,519.5)	750.0
Share of associate co. Profits	518.2	—
Total comprehensive income	**(514.2)**	**13,683.7**

Statement Of Financial Position As at 30th June

	2013 MWK millions	2012 MWK millions
ASSETS		
Non-Current assets	27,907.90	24,926.10
Trade receivables	697.40	842.50
Other current assets	1,123.80	890.30
Total	**29,729.10**	**26,658.90**
EQUITY AND LIABILITIES		
Capital reserve	7,809.80	1.00
General reserves	15,718.70	15,561.60
Other reserves	(1,675.90)	(3,338.30)
Total	21,852.60	12,224.30
Long term borrowings	—	—
Non-Current Liabilities	3,475.60	3,959.70
Current Liabilities	4,400.90	10,474.90
Total	**29,729.10**	**26,658.90**

HILIGHTS TO JUNE	2013 MWK
Revenue Growth	196%
Increase in Expenses	167%
Surplus growth	-303%
Dividend paid	0%
Dividend pay out	0%
Increase in receivables	-17%
Increase in current liabilities	-58%
Current Ratio	0.41:1
Net current assets	-2579.7
Gearing	0%
Return on Equity	-7%
Return on Capital	-6%

CHAPTER 18

BANKING AND FINANCE

18.1 Overview

During the 2013/14 fiscal year, the focus of monetary policy remained primarily low and stable inflation whilst ensuring that sufficient credit is availed to the private sector for sustainable economic growth. The Reserve Bank of Malawi (RBM), therefore, employed a number of monetary policy instruments under its monetary policy framework aimed at achieving its objectives and supporting the Government's economic growth objectives as stipulated under the Economic Recovery Plan. Resultantly, headline inflation dropped from 27.9 percent recorded at the end of the 2012/13 fiscal year to 24.0 percent by March, 2014. In order to facilitate the flow of resources to the private sector, the RBM maintained the Bank rate at 25.00 percent throughout the 2012/13 fiscal year, despite the developments in macroeconomic fundamentals pointing to the hike in the rate. This and other policy measures induced commercial banks to slightly revise downwards their interest rates structure, which saw the base lending rate declining to an average of 37.13 percent by March, 2014 from 40.83 percent reported at the end of the 2012/13 fiscal year. The annual growth rate in private sector credit stood at 15.7 percent in March, 2014 compared to 11.5 percent recorded at the end of the 2012/13 fiscal year, whereas its composition in total domestic credit was at 59.1 percent compared to 57.6 percent registered as of end-June 2013.

18.2 The Banking System

Broad money (M2) liabilities grew by K70.2 billion to K518.5 billion as of end-March, 2014 from K448.3 billion recorded at the end of the 2012/13 fiscal year. The increase was supported by inflows amounting to K67.9 billion demand deposits, K12.1 billion term (time and savings) deposits, and K7.5 billion foreign currency denominated deposits. Currency in circulation declined by K17.3 billion due to seasonality factors associated with the slowdown in economic activity during the lean period. Subsequently, the annual M2 growth edged up to 30.5 percent by March, 2014 from 25.7 percent recorded at the end of the 2012/13 fiscal year.

On the counterparts, the growth in M2 was driven by developments in the domestic economy that saw net domestic assets (NDA) rising by K77.7 billion between the end of the 2012/13 fiscal year and March 2014. The outturn was mainly attributed to K26.2 billion lending to the central government, K33.1 billion lending to the private sector, and a K21.1 billion increase in other assets of the banking system. In the foreign sector, transactions yielded net outlays amounting to K7.5 billion mainly through sales to the market.

TABLE 18.1: MONETARY SURVEY (K'MILLION)

	End-period balances				Changes during periods			
	2011 Jun	2012 Jun	2013 Jun	2014 Mar	2011 Jun	2012 Jun	2013 Jun	2014 Mar
A. Net Domestic Credit								
1. Credit to government (i+ii)	107,293.6	169,386.9	152,934.7	179,089.7	24,890.0	62,093.3	-17,288.5	26,155.0
i. Monetary Authorities	85,637.6	136,282.5	110,695.2	107,002.5	23,927.4	50,644.9	-26,423.6	-3,692.7
ii. Commercial Banks	21,656.0	33,104.4	42,239.5	72,087.2	962.6	11,448.4	9,135.1	29,847.6
2. Credit to statutory bodies	13,812.2	17,087.6	17,775.4	3,978.2	6,409.0	3,275.4	687.8	-13,797.2
3. Credit to private sector (gross).	162,733.3	207,900.9	231,786.5	264,903.8	35,708.4	45,167.6	23,885.6	33,117.3
B. Narrow Money (M1)	144,007.6	221,324.6	191,415.6	242,029.7	33,979.1	77,317.0	22,489.5	50,614.1
4. Currency outside banks	37,126.3	61,523.9	85,680.1	68,385.6	5,217.2	24,397.6	24,156.2	-17,294.5
5. Private sector demand deposits	106,881.2	159,800.7	105,735.6	173,644.2	28,761.9	52,919.5	-1,666.7	67,908.6
C. Quasi-	121,582.7	135,262.8	256,890.5	276,453.4	37,784.3	13,680.1	69,229.2	19,562.9
D. Money Supply (M2)1 (B+C)	265,590.3	356,587.4	448,306.1	518,483.1	71,763.3	90,997.1	91,718.7	70,177.0
E. Net Foreign Assets	4,276.4	-3,839.1	107,971.2	100,467.0	-6,164.7	-8,115.5	112,614.6	-7,504.3
6. Monetary Authorities.	-5,566.0	-43,071.4	49,493.5	63,439.2	-10,159.5	-37,505.4	93,369.2	13,945.7
7. Commercial bank.	9,842.4	39,232.3	58,477.8	37,027.8	3,994.8	29,389.9	19,245.5	-21,449.9

Source: Reserve Bank of Malawi

18.2.1 Commercial Banks: Sources and Uses of Funds

The resource envelope of the commercial banks expanded by K136.4 billion to K657.3 billion as of end-March, 2014 from K521.0 billion recorded at the end of the 2012/13 fiscal year. The major sources of this growth were private sector deposits that accounted for K83.2 billion of the generated resources, reflecting aggressive deposits mobilisation campaigns by banks. Commercial banks' capital account also contributed K34.3 billion to the accumulated resources owing to profit and retained earnings realised by the banks during the period. These were complemented by accumulation of K5.4 billion official sector deposits, K8.6 billion liabilities to non-residents and K4.9 billion unclassified liabilities that reflected largely borrowed funds.

In terms of utilisation, commercial banks used K33.1 billion and K31.0 billion of their resources to extend credit to the private sector and the central government, respectively. Commercial banks used K73.8 billion to increase their cash reserves at RBM. Unsectored assets of the commercial banks increased by K25.2 billion during the period. Meanwhile, commercial banks' lending to the state-owned enterprises dropped by K13.8 billion between June, 2013 and March, 2014 following repayment by most of the entities, whereas foreign investments also declined by K12.9 billion.

18.2.2 Reserve Bank: Sources and Uses of Funds

In tandem with developments at the commercial banks, the resource base of RBM increased by K43.4 billion to K389.5 billion as of end-March, 2014. This growth reflected accumulation of K59.8 billion official sector deposits owing to receipt of donor funding for various projects; build-up of K25.2 billion liabilities of non-residents, and K7.2 billion in official sector deposits. Unclassified liabilities and currency in circulation contracted by K31.5 billion and K17.3 billion, respectively, largely reflecting the slowdown of economic activity during the quarter ending March, 2014.

With regard to usage, the RBM invested K39.1 billion of the generated resources in banks abroad as short-term deposits. Lending to the central government also increased by K3.5 billion whilst unsectored assets grew by K7.1 billion. Meanwhile, the RBM recovered K6.4 billion of its outstanding claims on the commercial banks during the period under review.

Chapter 19

PUBLIC FINANCE

19.1 Introduction

This chapter reviews Central Government Budgetary Operations for the 2013/14 fiscal year vis-à-vis the 2012/13 fiscal year. It also outlines the functional and economic classification of estimates for the 2014/15 to 2016/17 financial year. The rest of the chapter is ordered as follows: section two presents a summary of Central Government Budgetary Operations, section three outlines the Domestic Revenues, section four focuses on Central Government recurrent expenditures, section five summarises the development budget, section 6 provides some highlights of the 2014/15 budget and finally the last section presents the major implementation challenges of the 2014/15 budget.

19.2 Summary of Central Government Budgetary Operations

The main objective of the 2013/14 budget was to restore macroeconomic balance and a market based economy that provides a foundation for sustainable economic growth. It was an austerity budget that was aimed at consolidating the bold economic reforms that government embarked on in 2012. The budget was anchored on No Net Domestic Financing which was aimed at preventing a build-up of domestic debt and had a planned domestic debt repayment of 0.5 percent of GDP.

The 2013/14 fiscal year was implemented within the framework of an Extended Credit Facility Programme with the International Monetary Fund (IMF) and, therefore, government anticipated continued unlocking of donor support in the form of grants and concessional loans. Budget support was necessary to help reduce the domestic financing requirements as well as enhancing domestic revenue generation efforts and controlling expenditures. In this regard, government continued its efforts to strengthen domestic revenue administration through use of modern ICT systems such as electronic fiscal devices, among others, and also through broadening the tax base.

During the 2013/14 fiscal year, Government remained committed to increasing spending to social sectors such as Education, Health, Agriculture and Social Protection programmes in order to mitigate the adverse effects of the 2012 reforms. In this regard, Government prioritised the Farm Input Subsidy Programme (FISP), social cash transfers to the vulnerable, public works programmes and school feeding programmes to cushion the poor.

However, whilst in the course of implementing the 2013/14 budget, Government suffered a major setback in its efforts through the perpetration of fraudulent transactions by unscrupulous individuals who manipulated the payment system to defraud Government financial resources during the first quarter of 2013/14 fiscal year. To address these weaknesses in the Integrated Financial Management Information System (IFMIS), Government formulated and started implementing a Comprehensive Action Plan which aims at strengthening the Public Finance Management Systems.

During the year under review, total expenditures and net lending marginally declined by 0.2 percentage points to 29.7 percent of GDP. This expenditure outturn was against a resource envelop (including grants) of 23.7 percent of GDP. The upswing in expenditure was mostly on account of increased interest rate payments on domestic debt which were grossly underestimated at the beginning of the year and also interest rates accrued on the higher than anticipated domestic borrowing which was aimed at covering for the shortfalls in donor financing to ensure some level of service delivery by Government. As a result, fiscal deficit in 2013/14 significantly increased to 6.0 percent of GDP which was largely financed by domestic borrowing amounting to 3.9 percent of GDP.

Going forward, total expenditure is estimated to decline further to 28.1 percent of GDP in 2014/15 fiscal year as Government continues with its efforts to provide satisfactory services on key social and economic sectors including Agriculture, Health and Education. Being a recovery budget, the fiscal deficit (including grants) is estimated to reduce to 4.1 percent of GDP in 2014/15 from 6.0 percent in 2013/14 as Government will continue to incur expenditures on domestic debt interest payments while at the same time endeavouring to lower domestic borrowing to 0.6 percent of GDP from 3.9 percent of GDP in 2013/14 fiscal year. Table 19.1 gives a summary of Central Government budgetary operations.

TABLE 19.1: CENTRAL GOVERNMENT BUDGETARY OPERATIONS 211/12-2015/16

	2012/13 Actual	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Projection	2016/17 Projection
Total Revenue and Grants	**472,389**	**603,381**	**518,248**	**635,638**	**711,290**	**827,738**
Domestic Revenue	296,624	363,068	441,596	525,321	616,826	728,936
Grants	175,765	240,313	76,652	110,317	94,464	98,802
Total Expenditure and Net Lending	**501,164**	**638,152**	**648,798**	**742,754**	**761,429**	**878,130**
Recurrent Expenditure	397,201	461,522	549,010	546,167	565,711	677,036
Development Expenditure	103,963	176,630	99,788	194,586	194,918	200,294
Net Lending	-	-		2,000	800	800
Deficit						
Excluding Grants 1a	(204,540)	(275,084)	(207,202)	(217,433)	(144,603)	(149,194)
Including Grants 1b	**(28,774)**	**(34,771)**	**(130,550)**	**(107,116)**	**(50,139)**	**(50,392)**
Financing	**28,775**	**34,771**	**130,550**	**107,116**	**50,139**	**50,392**
Foreign Borrowing (Net)	32,574	41,957	44,605	92,116	48,639	44,605
Borrowing	37,737	47,986	53,879	102,891	61,643	53,879
Repayment 2a	(5,163)	(6,029)	(9,274)	(10,776)	(13,004)	(9,274)
Domestic Borrowing (Net) 2b	(3,799)	(7,186)	85,944	15,000	1,500	122,194
Over Financing	0	-	0	-	-	-
	(As Percentage of GDP)					
Revenue (Including Grants)	*28.2*	*27.6*	*23.7*	*24.1*	*25.1*	*29.2*
Revenue (Excluding Grant)	*17.7*	*16.6*	*20.2*	*19.9*	*21.7*	*25.7*
Total Expenditure	*29.9*	*29.2*	*29.7*	*28.1*	*26.8*	*30.9*
Recurrent Expenditure	*23.7*	*21.1*	*25.2*	*20.7*	*19.9*	*23.8*
Development Expenditure	*6.2*	*8.1*	*4.6*	*7.4*	*6.9*	*7.1*
Deficit (Excluding Grants)	*-12.2*	*-12.6*	*-9.5*	*-8.2*	*-5.1*	*-5.3*
Deficit (Including Grants)	*-1.7*	*-1.6*	*-6.0*	*-4.1*	*-1.8*	*-1.8*
Domestic Borrowing (Net)	*-0.2*	*-0.3*	*3.9*	*0.6*	*0.1*	*4.3*
GDP at Current Prices	**1,674,705**	**2,182,633**	**2,182,633**	**2,639,965**	**2,838,776**	**2,838,776**

Source: Ministry of Finance

19.3 Total Revenues and Grants

Table 19.1 shows that total revenues and grants as a percentage of GDP declined from 28.2 percent in 2012/13 fiscal year to 23.7 percent in 2013/14 fiscal year mainly on account of grants which dropped substantially from 10.5 percent to 3.5 percent of GDP. The underperformance in grants was largely on account of non-disbursements of some grants by development partners particularly in general budget support due to the “Cash Gate” fiscal fraud.

This outturn in grants exerted more pressure on the budget thereby worsening the overall fiscal position in 2013/14 FY compared to 2012/13 FY which was characterized by a better performance in the inflows of budgetary support.

19.3.1 Domestic Revenues

Table 19.2 indicates that the performance of domestic revenue continues to mirror the overall growth of the economy. Overall domestic revenues performed exceptionally well in 2013/14 fiscal year at 20.5 percent of GDP compared to 18.1 percent registered in 2012/13 fiscal year. This was mainly on account of a better performance in economic activities following the continued availability of foreign exchange and fuel. However, the outstanding performance in domestic revenues emanated from tax revenues where actual collections exceeded their targets. The exceptional performance in tax revenue collection was notable on taxes in goods and services followed by taxes in income and profits, and taxes on international trade. A good performance in taxes on goods and services was buoyed by good performance in value added taxes (VAT) that improved due to the implementation of Electronic Fiscal Devices by the Malawi Revenue Authority (MRA) while income and profit taxes performed fairly well due to salary increments in both the public and private sector. Growth in international trade taxes was largely on account of exchange rate adjustment.

Similarly, nontax revenue also performed well with an increase to 2.4 percent of GDP in 2013/14 fiscal year from 1.7 percent in 2012/13 fiscal year. The upshot in non-tax revenues was largely on account of improved collection from fuel levies and other revenue-collecting departments such as Civil Aviation.

Going forward, vibrant growth in the economy is expected in 2014/15 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; and information and communications as the benefits of the economic reforms begin to bear fruit.

Table 19.2: CENTRAL GOVERNMENT DOMESTIC REVENUE 2012/13

	2012/13 Actual	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Projection	2016/17 Projection
A. GROSS TAX REVENUE	276,008.4	338,959.0	393,530.8	482,448.3	576,588.7	680,374.6
1. TAXES ON INCOME & PROFITS	**131,872.2**	**145,649.0**	**183,707.3**	**229,852.6**	**266,209.7**	**314,127.4**
Companies	36,764.8	40,206.0	47,698.5	59,679.9	75,973.2	89,648.4
Individuals	69,761.1	76,485.0	99,256.8	124,189.1	135,149.7	159,476.6
Non Resident Tax	1,736.1	1,652.0	3,319.8	4,153.7	4,099.3	4,837.2
P.A.Y.E	65,116.8	71,627.0	91,442.0	114,411.4	124,407.0	146,800.2
Withholding Tax	22,724.7	25,995.0	33,715.1	42,184.0	49,399.5	58,291.4
Fringe Benefit Tax	2,908.2	3,206.0	4,495.0	5,624.1	6,643.4	7,839.2
Other*	25,346.3	28,958.0	36,752.0	45,983.6	55,086.8	65,002.4
2. TAXES ON GOODS & SERVICES	**110,731.5**	**145,481.0**	**168,306.9**	**200,583.9**	**247,094.3**	**291,571.3**
VAT	82,192.6	105,076.0	126,049.2	147,711.4	181,622.5	214,314.5
Excise Duties	28,538.9	40,405.0	42,257.7	52,872.4	65,471.8	77,256.7
3. INTERNATIONAL TRADE TAXES	**33,404.7**	**47,829.0**	**41,516.6**	**52,011.8**	**63,284.7**	**74,675.9**
Customs Duties	33,404.7	47,829.0	41,516.6	52,011.8	63,284.7	74,675.9
Import Duties	32,865.0	47,111.0	41,061.2	51,442.1	62,166.7	73,356.7
Miscellaneous Duties	539.7	718.0	455.4	569.8	1,118.0	1,319.3
4. *Less*: TOTAL TAX REFUNDS	7,067.4	10,851.0	5,171.0	12,311.2	13,838.1	16,329.0
5. NET TAX REVENUE	**268,941.0**	**328,108.0**	**388,359.8**	**470,137.1**	**562,750.6**	**664,045.6**
B. NON TAX REVENUE	**27,683.2**	**34,960.0**	**53,236.0**	**55,183.6**	**54,075.4**	**64,890.5**
Stabilization Fund						
Departmental Receipts	10,927.2	11,399.0	10,660.8	14,290.5	21,348.5	25,618.3
Other Revenue (dividends etc)	2,472.2	7,262.0	8,221.5	17,955.0	7,680.0	9,216.0
Receipts from PIL	7,276.1	7,155.0	24,643.6	10,415.1	11,841.4	14,209.6
Rural electrification levy	5,816.3	7,616.0	8,302.8	11,073.0	10,549.4	12,659.3
Storage levy	1,191.4	1,528.0	1,407.4	1,450.0	2,656.1	3,187.3
GROSS DOMESTIC REVENUE	**303,691.6**	**373,919.0**	**446,766.8**	**537,631.9**	**630,664.1**	**745,265.1**
NET DOMESTIC REVENUE	**296,624.2**	**363,068.0**	**441,595.8**	**525,320.7**	**616,826.0**	**728,936.1**
		Percent of GDP				
GROSS TAX REVENUE	*16.5*	*15.5*	*18.0*	*18.3*	*20.3*	*24.0*
Taxes on Income and Profit	*7.9*	*6.7*	*8.4*	*8.7*	*9.4*	*11.1*
Taxes on Goods and Services	*6.6*	*6.7*	*7.7*	*7.6*	*8.7*	*10.3*
International Trade Taxes	*2.0*	*2.2*	*1.9*	*2.0*	*2.2*	*2.6*
NET TAX REVENUE	*16.1*	*15.0*	*17.8*	*17.8*	*19.8*	*23.4*
NON-TAX REVENUE	*1.7*	*1.6*	*2.4*	*2.1*	*1.9*	*2.3*
GRAND TOTAL	*18.1*	*17.1*	*20.5*	*20.4*	*22.2*	*26.3*
GDP at Current Market Prices (fiscal year)	**1,674,705**	**2,182,633**	**2,182,633**	**2,639,965.4**	**2,838,775.8**	**2,838,775.8**

Source: Ministry of Finance

19.4 Central Government Recurrent Expenditures

In 2013/14 fiscal year, total recurrent expenditure was projected at K461.5 billion. However, table 19.1 suggests that government spent K549 billion by the close of the year, an increase from K397.2 billion in 2012/13 fiscal year. Congruently, recurrent expenditures rose from 23.7 as a percentage of GDP in 2012/13 fiscal year to 25.2 percent in 2013/14 fiscal year. Going forward, it is estimated that recurrent expenditures will decline further to 20.7 percent in 2014/15 fiscal year due to a reduced resource envelope particularly on account of no general budget support during the year. The trend is expected to continue to 2015/16 fiscal year with a decline to 19.9 percent of GDP. Nevertheless, the recurrent expenditures in 2016/17 fiscal year are expected to grow to 23.8 percent of GDP due to a corresponding increase in domestic revenues and grants.

Tables 19.3 and 19.4 present functional and economic classifications of the recurrent budget. As shown in table 19.3, despite an increase in recurrent expenditures to 25.2 percent of GDP in 2013/14 fiscal year, allocations within different functional groups varied significantly. Expenditure on General Public

Services increased to 8.6 percent of GDP in 2013/14 fiscal year from 6.7 percent in 2012/13 fiscal year accounting for the second largest share of the recurrent expenditure. Allocations to the economic services declined to 7.0 percent in 2013/14 fiscal year from 7.4 percent in 2012/13 fiscal year. However, allocations to Social-Community Services rose marginally to 9.6 percent in 2013/14 fiscal year from 9.5 percent in 2012/13 fiscal year.

In 2014/15 fiscal year, allocations towards general public services are expected to decline to 6.2 percent of GDP while maintaining a large share of allocation to social and community services of about 8.5 percent of GDP. This is consistent with Government's commitment in ensuring that sufficient resources are made available to social and community services, and economic services in line with the MGDS II. In the medium term, Government will continue to prioritize social and community services, as well as economic services, particularly in the areas of agriculture, health and education, in order to meet aims and objectives of the MGDS II and the MDGs.

TABLE 19.3: FUNCTIONAL CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT EXPENDITURE 2012/13 – 2016/17FY

	2012/13 Actual	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Projection	2016/17 Projection
General Public Services	**112,784.8**	**128,885.9**	**187,727.5**	**164,398.0**	**152,506.0**	**184,859.5**
General Administration	72,403.8	82,740.1	144,790.3	126,858.2	111,875.1	136,463.3
Defence Affairs	11,603.0	13,259.4	20,381.4	16,527.2	17,888.1	21,306.9
Public Order and Safety Affairs	28,778.0	32,886.3	22,555.8	21,012.6	22,742.8	27,089.4
Social and Community Services	**159,729.3**	**182,532.2**	**208,474.7**	**224,004.5**	**242,449.3**	**288,786.4**
Education Affairs and Services	77,246.0	88,273.6	102,101.2	109,706.9	118,740.3	141,434.1
Health Affairs and Services	52,269.1	59,731.1	75,175.5	80,775.5	87,426.7	104,135.8
Social Security and Welfare Affairs Services (social protection)	22,449.2	25,654.0	23,833.1	25,608.5	27,717.1	33,014.4
Housing and Community Amenity Services	6,734.9	7,696.3	5,976.3	6,421.4	6,950.2	8,278.5
Recreational, Cultural & Other Social Services	1,030.1	1,177.2	1,388.7	1,492.1	1,615.0	1,923.6
Economic Services	**124,686.8**	**150,104.0**	**152,807.5**	**157,764.9**	**170,755.4**	**203,390.4**
Mining and Manufacturing and environmental protection	3,391.2	11,492.3	4,849.8	5,211.1	5,640.2	6,718.1
Agriculture and Natural Resources	72,067.4	82,355.7	85,951.6	92,354.3	99,958.9	119,063.1
Tourism Affairs and Services	901.2	1,029.9	7,277.6	1,372.8	1,485.9	1,769.8
Transport and communication Services	13,687.5	15,641.5	12,671.2	13,615.1	14,736.2	17,552.6
General Economic, Commercial and Labor Affairs	1,501.4	1,715.7	2,589.8	2,782.7	3,011.8	3,587.4
R & D Economic Affairs and public debt	33,138.0	37,868.8	39,467.4	42,428.8	45,922.5	54,699.2
Total Recurrent Expenditure	**397,200.8**	**461,522.0**	**549,009.7**	**546,167.4**	**565,710.7**	**677,036.3**
GENERAL PUBLIC SERVICES	*6.7*	*5.9*	*8.6*	*6.2*	*5.4*	*6.5*
SOCIAL AND COMMUNITY SERVICES	*9.5*	*8.4*	*9.6*	*8.5*	*8.5*	*10.2*
ECONOMIC SERVICES	*7.4*	*6.9*	*7.0*	*6.0*	*6.0*	*7.2*
TOTAL RECURRENT EXPENDITURE	*23.7*	*21.1*	*25.2*	*20.7*	*19.9*	*23.8*
GDP at Current Market Prices (fiscal year)	**1,674,704.8**	**2,182,632.6**	**2,182,632.6**	**2,639,965.4**	**2,838,775.8**	**2,838,775.8**

TABLE 19.4: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT RECURRENT GOVERNMENT EXPENDITURE 2011/12-2016/17

	2012/13 Actual	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Projection	2016/17 Projection
Gross Consumption	**240,779.9**	**284,948.6**	**302,980.1**	**312,071.6**	**357,436.8**	**412,416.5**
Compensation of Employees	97,165.8	131,100.0	140,026.0	163,294.0	180,996.7	204,252.0
Use of Goods and Services	143,614.1	153,848.6	162,954.1	148,777.6	176,440.2	208,164.5
Less: Fees, Sales and Recoveries	-	-	-	-	-	
Net Consumption	**240,779.9**	**284,948.6**	**302,980.1**	**312,071.6**	**357,436.8**	**412,416.5**
Interest on Debt	**33,397.4**	**35,572.0**	**97,939.1**	**80,360.0**	**76,900.0**	**77,400.0**
Pensions and Gratuities	**15,618.0**	**19,700.0**	**20,178.8**	**24,881.0**	**36,723.1**	**80,764.0**
Grants, Subventions and Transfers	**102,145.0**	**121,301.4**	**104,709.8**	**128,854.8**	**94,650.8**	**106,455.8**
Local Authorities	20,170.5	23,340.0	14,109.1	21,583.3	24,843.6	29,293.1
Public Bodies	22,548.6	38,150.4	37,432.5	50,741.2	37,097.0	40,464.7
Private	52,102.4	59,811.0	53,168.2	56,530.4	32,710.2	36,698.0
Abroad	7,323.5					
Gross Fixed Capital Formation	**391,940.4**	**461,522.0**	**525,807.8**	**546,167.4**	**565,710.7**	**677,036.3**
Loans and Capital Transfers	-	-	-	-	-	-
Total Recurrent Expenditures	**391,940.4**	**461,522.0**	**525,807.8**	**546,167.4**	**565,710.7**	**677,036.3**
Grand Total	**391,940.4**	**461,522.0**	**525,807.8**	**546,167.4**	**565,710.7**	**677,036.3**
Gross Consumption	*14.4*	*13.1*	*13.9*	*11.8*	*12.6*	*14.5*
Interest on Debt	*2.0*	*1.6*	*4.5*	*3.0*	*2.7*	*2.7*
Pensions and Gratuities	*0.9*	*0.9*	*0.9*	*0.9*	*1.3*	*2.8*
Grants, Subventions and Transfers	*6.1*	*5.6*	*4.8*	*4.9*	*3.3*	*3.8*
Gross Fixed Capital Formation	*23.4*	*21.1*	*24.1*	*20.7*	*19.9*	*23.8*
Total Recurrent Expenditures	*23.4*	*21.1*	*24.1*	*20.7*	*19.9*	*23.8*
GDP at Current Market Prices (fiscal year)	**1,674,704.8**	**2,182,632.6**	**2,182,632.6**	**2,639,965.4**	**2,838,775.8**	**2,838,775.8**

Source: Ministry of Finance

19.5 Development Expenditure

The 2013/14 fiscal year development budget reflects the restrictive fiscal policy stance that underpinned fiscal budget for the year. This aimed to ensure that government remained on course on the central government quantitative target of domestic borrowing while at the same time responding to the reduction in external inflows from development partners. In this regard, overall development expenditure in 2013/14 fiscal year reduced to 4.6 percent of GDP from 6.2 percent of GDP in 2012/13 fiscal year. Going forward, development expenditure is expected to increase to 7.4 percent of GDP in 2014/15 fiscal year. This increase is partly on account of funds allocated for infrastructure projects on irrigation, roads and public universities, namely University of Malawi, Malawi University of Science and Technology, Lilongwe University of Agriculture and Natural Resources College and Mzuzu University as well as construction of primary school blocks, teacher training colleges and secondary schools across the country.

The functional and economic classification of development expenditures are presented in Tables 19.5 and 19.6 respectively. Under the functional classification in Table 19.5 below, Economic Services as a percentage of GDP in 2013/14 fiscal year increased to 2.2 percent from 2.1 percent in 2012/13 fiscal year and remained higher than social and community services.

The outturn reflected 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. This trend is expected to be sustained for 2014/15 fiscal year as the resources towards economic services are expected to increase to 4.3 percent of GDP and relatively high levels of 3.4 percent and 2.9 percent in 2015/16 fiscal year and 2016/17 fiscal year, respectively.

Under the economic classification as shown in Table 19.6 below, dominance of gross consumption in development expenditure in the 2012/13 fiscal year persisted through 2013/14 fiscal year. However, there was a marginal decrease in the share of both gross consumption and gross fixed capital formation relative to GDP in 2013/14 fiscal year. In the 2014/15 fiscal year, shares of gross consumption and gross fixed capital formation are expected to increase to 3.3 percent and 1.6 percent, respectively, on account of increased resources from domestic revenue collections particularly tax revenues. 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 2012/13 -2016/17

	2012/13 Actual	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Projection	2016/17 Projection
General Public Services	**39,803.8**	**67,625.5**	**28,481.2**	**47,251.8**	**61,417.9**	**77,914.8**
General Administration	33,327.4	56,622.2	20,375.0	43,584.2	30,570.9	46,328.4
Defence Affairs	4,629.9	7,866.1	6,344.7	2,371.5	28,941.6	26,149.9
Public Order and Safety Affairs	1,846.5	3,137.1	1,761.5	1,296.1	1,905.5	5,436.6
Social and Community Services	**28,720.1**	**48,794.7**	**23,291.2**	**32,814.1**	**38,187.6**	**41,125.3**
Education Affairs and Services	8,449.5	14,355.5	5,020.3	19,105.3	21,400.9	5,357.2
Health Affairs and Services	3,249.0	5,520.0	5,606.4	6,292.5	8,730.4	18,900.6
Social Security and Welfare Affairs Services(social protection)	9,604.8	16,318.3	4,160.9	4,482.8	3,393.6	2,826.8
Housing and Community Amenity Services	7,086.7	12,040.1	8,163.4	2,490.5	3,958.7	12,826.6
Recreational, Cultural & Other Social Services	330.0	560.7	340.3	442.9	704.0	1,214.1
Economic Services	**35,439.0**	**60,209.9**	**48,015.7**	**114,520.9**	**95,312.3**	**81,254.0**
Mining and Manufacturing and environmental protection	-	-	6,540.7	1,237.3	1,966.7	1,780.4
Agriculture and Natural Resources	19,306.9	32,801.8	23,113.6	93,272.2	65,323.3	46,627.8
Tourism Affairs and Services	1,384.9	2,352.9	1,803.0	1,935.4	3,076.3	435.3
Transport and communication Services	13,565.9	23,048.1	14,265.2	16,331.8	21,449.6	29,319.9
General Economic, Commercial and Labor Affairs	961.1	1,632.8	1,081.7	1,744.3	3,496.5	3,090.4
R & D Economic Affairs and public debt	220.3	374.2	1,211.4	-	-	-
Total Development Expenditure	**103,963.0**	**176,630.0**	**99,788.1**	**194,586.8**	**194,917.9**	**200,294.1**
GENERAL PUBLIC SERVICES	2.4	3.1	1.3	1.8	2.2	2.7
SOCIAL AND COMMUNITY SERVICES	*1.7*	*2.2*	*1.1*	*1.2*	*1.3*	*1.4*
ECONOMIC SERVICES	*2.1*	*2.8*	*2.2*	*4.3*	*3.4*	*2.9*
TOTAL DEVELOPMENT EXPENDITURE	***6.2***	***8.1***	***4.6***	***7.4***	***6.9***	***7.1***
GDP at Current Market Prices(fiscal year)	**1,674,704.8**	**2,182,632.6**	**2,182,632.6**	**2,639,965.4**	**2,838,775.8**	**2,838,775.8**

Source: Ministry of Finance

TABLE 19.6: ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT DEVELOPMENT EXPENDITURE 2012/13-2016/17 FY

	2012/13 Actual	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Projection	2016/17 Projection
Gross Consumption	**47,225.1**	**80,234.0**	**45,328.6**	**88,390.7**	**88,541.3**	**90,983.4**
Compensation of Employees	3,469.8	5,895.1	3,330.5	6,494.4	6,505.5	6,684.9
Use of Goods and Services	43,755.3	74,338.9	41,998.2	81,896.3	82,035.8	84,298.5
Grants	**34,679.2**	**58,918.9**	**33,286.6**	**64,908.7**	**65,019.2**	**66,812.6**
Gross Fixed Capital Formation	**22,058.7**	**37,477.1**	**21,172.9**	**41,287.0**	**41,357.4**	**42,498.1**
Building	5,253.9	8,926.2	5,042.9	9,833.7	9,850.4	10,122.1
Construction Works	7,269.7	12,351.0	6,977.8	13,606.6	13,629.8	14,005.7
Services	3,148.5	5,349.2	3,022.1	5,893.0	5,903.1	6,065.9
Equipment	6,386.6	10,850.6	6,130.1	11,953.7	11,974.1	12,304.4
Total Development Expenditures	**103,963.0**	**176,630.0**	**99,788.1**	**194,586.3**	**194,917.9**	**200,294.1**
		Percent of GDP				
Gross Consumption	*2.8*	*3.7*	*2.1*	*3.3*	*3.1*	*3.2*
Compensation of Employees	*0.2*	*0.3*	*0.2*	*0.2*	*0.2*	*0.2*
Use of Goods and Services	*2.6*	*3.4*	*1.9*	*3.1*	*2.9*	*3.0*
Gross Fixed Capital Formation	*1.3*	*1.7*	*1.0*	*1.6*	*1.5*	*1.5*
Total Development Expenditures	*6.2*	*8.1*	*4.6*	*7.4*	*6.9*	*7.1*
GDP at Current Market Prices(fiscal year)	**1,674,704.8**	**2,182,632.6**	**2,182,632.6**	**2,639,965.4**	**2,838,775.8**	**2,838,775.8**

Source: Ministry of Finance

19.6 Highlights of the 2014/15 Budget

The 2014/15 budget reflects a prudent fiscal stance whereby all recurrent transactions are expected to be fully financed by domestically generated resources with a modest net domestic borrowing of 1.0 percent of GDP.

Expenditures during the fiscal year will generally focus on enhancing growth and development through tight fiscal discipline and balancing expenditures within the 2014/2015 budget.

Grants will be tied to specific projects and activities to avoid unplanned domestic borrowing incurred when grants are either delayed or fall short of its targets. Consequently, Government will maintain the low domestic borrowing levels estimated at 0.1 percent of GDP.

Government further intends to maintain high levels of tax revenue to GDP at 17.8 percent of GDP in the 2014/15 fiscal year. This will be achieved mainly by broadening the tax base and improved tax administration.

In the medium term tax policy reforms will continue to aim at facilitating domestic production, enhancing value addition, encouraging exports and investments in productive sectors through various tax policy instruments such as promoting usage of Electronic Fiscal Devices (EFDs) and installation of more container cargo scanners to curb smuggling, among others.

During the 2014/15 fiscal year, implementation of the Farm Input Subsidy Programme will continue. In addition, government will introduce the Cement and Iron Sheet subsidy.

19.7 Major Implementation Challenges of the 2014/15 Budget

With the background of the economic and functional analysis undertaken above, the 2014/15 budget still faces a number of implementation challenges. These include the lack of budget support from our development partners to the 2014/15 budget which has always comprised a substantial proportion of the fungible resources when deposited in Malawi Government Account Number One for usage by Government in implementing any projects and programmes. In this regard, the 2014/15 budget will rely more on domestically generated revenues as was largely the case with the outturn of the 2013/14 budget.

Furthermore, another serious challenge to implementation of this budget is the delayed and/or non-disbursement of foreign grants, for donor funded projects which account for a substantial part of the nation's development budget.

These challenges pose a risk to the successful implementation of the fiscal programme and ultimately they continue to restrict smooth implementation of the budget on one hand while also resulting in high domestic debt service costs as Government tends to opt to borrow domestically in order to cover up the foreign grants shortfalls thereby diverting a lot of scarce budgetary resources away from financing current development plans and improving public service delivery.

Rising oil and fertilizer prices on the international market may affect implementation of this budget too. Lastly, low tobacco prices on the auction floors may also pose challenges with possible negative effects on incomes thereby reducing tax revenue collections.